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China

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Paul

FCS/80/113

SECRETARY OF STATE FOR DEFENCE

COCOM : Defence Sales to China

1. As envisaged in Ian Gilmour's letter to you of 18 April, our officials have had consultations with our key partners about the American proposal for a COCOM differential in favour of China.
2. These consultations have led us to conclude that our partners would prefer us to submit our defence sales to COCOM rather than continuing to notify them bilaterally in capitals. They would be against a more radical alternative, such as taking China out of the list of COCOM-embargoed countries. Most of them favour a China differential on the lines put forward by the Americans.
3. However, in its present form the differential is not sufficiently positive in favour of China to meet our requirements, and there is some risk, if we accepted it, that some of our proposed defence sales might be vetoed. It is also too closely related to the situation inside China (a more general formula is required, reflecting the implications of a sale for the international security situation). We therefore need to modify the American proposal in a way which strengthens the presupposition that such sales will be approved, and breaking the link to the internal situation in China alone.
4. I enclose the text of a formula which I believe could meet our requirements. Eventually, we would have to present it in COCOM. But before doing so, I should like as a first step to instruct our Embassies in COCOM capitals to explain the purpose of our amendment and to seek the comments of our partners. Our Embassies would say that, if our partners were willing to agree to an amendment on these lines, we

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would submit to COCOM all applications for sales to China of items covered by COCOM's three lists. The amendment implies that such sales would in general be approved.

5. The coverage proposed in paragraph 2 of our formula includes the three lists in the US formula. But we would of course have no intention of selling nuclear weapons to China, and would make that clear as necessary.

6. The French have made it clear that they could only accept the American formula if it is adopted by oral consensus rather than written into the COCOM procedures. (This may reflect partly their wish not to discriminate openly against the Soviet Union, partly their feeling that a written formula is less open to subsequent change than an oral understanding). It looks as though we too will have to content ourselves with an oral consensus. For that reason our formula omits the last sentence of the American formula.

7. We would explain that if our partners are not able to accept an oral consensus based on our formula, or one of equivalent effect, we would have to continue to process our defence sales outside COCOM. Our present procedures suit us better than submission to COCOM and in our view are more in keeping with the realities of China's position in the world. But we are ready to envisage an appropriate differential in COCOM in favour of China in the knowledge that this is what our partners would prefer and in recognition of the need to maintain the effectiveness of COCOM, post-Afghanistan.

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8. In effect, we would be telling our partners that we were only prepared to put our defence sales to China through COCOM if they refrained from using their veto as a general rule. We have to accept that they might wish to do so in exceptional cases (and if so, we would have to consider whether we acquiesced in it). However, I do not think that we are likely to secure general assent unless we are ready to accept this small degree of constraint on our freedom of action.

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

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(CARRINGTON)

Foreign and Commonwealth Office

8 July 1980



DRAFT FORMULA

PROPOSED AMENDMENT TO THE UNITED STATES PROPOSAL 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; and that such cases should in general be approved.

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-user.

CURRENT US PROPOSAL

The Committee should record a consensus that the current situation in the People's Republic of China warrants a more favourable treatment of exceptions cases for export to that country than to other COCOM proscribed destinations.

This more favourable treatment should apply to items on all three COCOM lists: the industrial list, the international munitions list, and the international atomic energy list.

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The proposed export to China of any COCOM listed item, except those approvable at national discretion pursuant to notes on the lists, should be reviewed by the Committee in the usual fashion, regardless of which list it is on and whether it is for a civilian or a military end-user. Accordingly, a new chapter should be added to the exceptions procedures as follows : 'China exceptions procedure: Committee consideration of exceptions cases for export to the People's Republic of China of items on the International List, and the International Atomic Energy List may, where appropriate, be on the basis of the current situation in China and not subject to the established exception procedures'.

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From the Secretary of State

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The Rt Hon The Lord Carrington KCMG MC
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London, SW1A 2AH

14 July 1980

Dear Peter.

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COCOM: DEFENCE SALES TO CHINA

You wrote on 8 July to Francis Pym about this.

I support the amendment to the United States' proposals for a COCOM differential in favour of China; and am content that before we present it to COCOM, our Embassies in COCOM capitals should be instructed to explain our thinking and seek our partners' comments. This approach is the most likely to satisfy the two potentially conflicting objectives. We wish to ensure that our prospects for sales of defence equipment to China are put to a minimum of risk; but at the same time we wish to maintain the effectiveness of COCOM as a check upon exports of strategic equipment and technology to the Soviet Union and her allies.

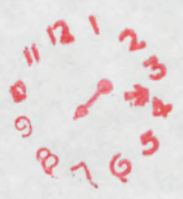
It is important that this problem should be resolved in a way which protects our interests. There is increasing concern among United Kingdom businessmen that the Americans are using the COCOM arrangements to ensnare our own defence sales efforts in China until such time as they themselves are free to enter the market.

I am copying this letter to the recipients of yours.

*Yours ever
John*

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*Phu*FOREIGN AND COMMONWEALTH SECRETARYCOCOM: DEFENCE SALES TO CHINA

Thank you for your minute of 8th July.

2. I agree with your analysis of the problem and your proposals for handling it, including the approach to our partners in capitals before a UK amendment is tabled in COCOM. As John Nott comments in his letter of 14th July, this seems the best way of reconciling our two objectives of protecting our defence sales interests in China and maintaining COCOM as an effective constraint on the transfer of strategic equipment and technology to the Soviet Union and other members of the Warsaw Pact.
3. In agreeing to this course of action, I must emphasise the importance which I attach to the points made in paragraphs 7 and 8 of your minute. The present procedure for notifying capitals does indeed suit our defence sales interests better than a more formal arrangement, and I could only accept submission through COCOM if it was clear that our partners would in fact refrain from using their veto as a general rule. Moreover, I am bound to say that, although it may be right to recognise, in principle, that there could be exceptional cases in which our partners might wish to exercise their veto, the presumption in my own mind would be that this is something we should expect to resist. In the period during which the UK amendment is under discussion, I take it that we shall continue to follow the notification procedure which we are using at present.
4. I am sending copies of this minute to the Prime Minister, the other members of OD, the Secretary of State for Industry and Sir Robert Armstrong.

Handwritten initials

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