



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

The FCO are worried that the order may not be large enough to justify the political risk. They suggest delaying a decision until the terms of the deal are clearer. Agree? Yes

17 December 1980

Dear Jonathan,

Rush - 17/12/80

The order must be large enough if we are to go ahead

BL 755 Cluster Bomb for China

Thank you for your letter of 18 November about the possible sale of BL 755 and retarded bombs to China, and the transfer of the technology involved.

As you say, the supply of these weapons would represent a new departure in our defence relations with China. We agree that there is a case for their sale in terms of improving China's defences against attack by the Soviet Union. But it must also be recognised that BL 755 is a somewhat emotive weapon and that its provision to China would be bound to attract criticism, not only from the Russians but also from friendly countries such as India and some of the ASEAN states. Some of our COCOM partners are also likely to have reservations, particularly the Japanese. If, as we hope, they accept our proposal for a 'China differential' we would have to submit the deal to COCOM, not merely notify it, and might run the risk of a veto. The technology transfer aspect clearly adds to the difficulties. We understand that the licenced manufacture of BL 755 has not previously been approved for any foreign country.

It might be worth accepting these political risks if the deal was sufficiently attractive from the commercial point of view. In para 3 of your letter you say that the numbers so far discussed with the Chinese are for a minimum of 3,000 sets of components for each type for assembly in China; and that the package could be worth some £50 million. We understand however that the Chinese have said that the prices quoted are too high and are talking of buying no more than 500 sets of each weapon. As so often happens, they are seeking to acquire the technology with the minimum purchase of hardware. We do not believe that the benefits which a deal on the lines which the Chinese now seem to have in mind would outweigh the political disadvantages.

Against this background, Lord Carrington believes that no decision in principle about the supply of these weapons should be taken until the main features of the proposed deal

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are very much clearer than they are now. He is however prepared to agree to the continuation of the negotiations, without commitment, in order to establish the terms on which a deal might be possible. He sees no reason why the Chinese should not be told informally that the sale of these weapons, in particular BL 755, would create political difficulties for the government which they would only contemplate facing if the deal was worthwhile in terms of the work which it would bring to British industry and the Royal Ordnance Factories.

We understand that the Chinese have now asked whether a demonstration of BL 755 in China could be arranged to coincide with the next sales visit. We are satisfied that the Chinese would share our desire to keep the proposed demonstration secret. But a leak could not be excluded. While we are prepared to agree in principle to the demonstration in China we should be grateful if you would consult us about the timing. We should want to take into consideration the state of East-West relations, particularly over Poland.

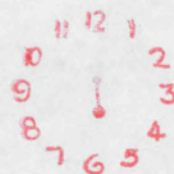
I am copying this letter to Michael Alexander (No 10), to the Private Secretaries to other members of OD, to the Private Secretary to the Secretary of State for Industry and to David Wright (Cabinet Office).

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

J D S Dawson Esq
Assistant Private Secretary
to the Secretary of State
for Defence
Ministry of Defence

17 DEC 1980



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15th January 1981

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John Rodric

BL755 CLUSTER BOMB FOR CHINA

Thank you for your letter of 17th December which I have shown to Mr Nott. He has also seen Michael Alexander's letter of 19th December 1980.

In the light of the points made by the Prime Minister and by Lord Carrington Mr Nott agrees that negotiations should continue with the Chinese without a firm commitment to supply at this stage, and that the proposal should be re-considered by Ministers when we have a better indication of the size of the order which the Chinese are prepared to place in this country. He has added that we would certainly not contemplate selling the BL755 technology if the Chinese were only prepared to buy 500 sets of components from us (this being the figure you mentioned). We would need a much more substantial order placed on British Industry and the Royal Ordnance Factories before concluding a deal but clearly we shall need to establish how far the Chinese are prepared to go before we take final decisions.

As you said in your letter, the Chinese have now asked for an evaluation of BL755 in China (and using Chinese aircraft). This proposal poses a number of financial and technical problems for us which are still under study. It is not yet clear when such a demonstration could be arranged, but in further discussions with the Chinese we shall impress upon them the need for secrecy and close consultation on the timing of the exercise. In view of the concern which you have expressed, particularly on timing, our officials will keep in close touch with yours.

I am copying this letter to Michael Alexander (No 10), the Private Secretaries to the other members of OD, to Ian Ellison (DOI) and to David Wright (Cabinet Office).

John

(J D S DAWSON)
Private Secretary

John Dawson

R M J Lyne Esq
Foreign and Commonwealth Office

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L. Pres ✓

19(December, 1980

BL 755 Cluster Bomb for China

The Prime Minister has seen a copy of Roderick Lyne's letter to you on this subject. She agrees that it would be right to delay a decision in principle about the supply of this weapon system until we are clear about the size of the order.

I am sending copies of this letter to the Private Secretaries to members of OD, Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

J D S Dawson, Esq
Ministry of Defence

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