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10 Downing Street
Whitehall

25 April, 1973

Dear Mr Resident.

When we met at Camp David in February we had a short discussion about the future of the embargo on strategic exports. You told me that you were conducting a review of the existing restrictions and I said we would like to be associated with this. Sir Burke Trend mentioned to Dr. Kissinger last week that I would be writing to you on this subject and in particular about our current dealings with China.

You will know that I share your view of the importance of involving China as fully as possible in the main stream of international affairs. I strongly welcomed the lead given by your visit to Peking last year and the subsequent contacts which Dr. Kissinger has had with the Chinese Prime Minister. For our part, following Alec Douglas-Home's visit last year, Peter Walker has recently spent a fortnight in China on the occasion of a major exhibition of British technology.

There is plenty of evidence of the enormous interest the Chinese have in developing their technological base and in acquiring modern equipment. They are clearly conscious of the fact that, as a result of their withdrawal from the world scene and the domestic upheaval they have been through, their industrial progress has fallen far behind. They are now anxious to make up this deficiency as quickly as possible by purchases from Western countries.

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By JMR NARA, Date 5/5/2010

[p.1 of 4]

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- 2 -

In considering how to respond to this need, we cannot afford to ignore China's basic ideological approach. Her support for revolutionary movements in various parts of the world is a constant reminder of this. I also take into account the political effects of the sino-Soviet dispute. Nevertheless, given the importance we both attach to giving China a strong incentive to preserve her present general posture in international affairs, I do not think we should regard these obstacles as insuperable. I believe that it would be in our interest to meet the Chinese requirements as far as we can without prejudicing our essential political and security requirements.

I have put in hand a study to determine whether we would be justified in seeking changes in the ground rules of COCOM designed to bring them into line with present day political and strategic realities. I hope you will agree that we should in due course compare our conclusions with you before embarking on any wider consultations with our COCOM partners.

Such consultations, if we decide to pursue them, are bound to be time consuming, since they will concern the embargo as a whole and all countries to which it applies. There is a specific case relating to China which I should like to raise with you meanwhile.

It is evident that a high priority for the Chinese is the development of their aircraft industry. British firms have had a number of detailed discussions with Chinese experts in this field. I mentioned some of these to you at Camp David. In the course of these discussions the Chinese have put an important proposal to Rolls Royce (71) under which they would purchase the Spey aero-engine and the technology involved in

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- 3 -

its manufacture. This is the engine which is used for civil purposes in the Hawker Siddeley Trident aircraft already purchased by the Chinese and for military purposes in the RAF's and the RN's Phantom aircraft. The principal feature which distinguishes the military version (the Spey 202) is the after-burner which enables it to develop a maximum reheated thrust of 20,500 lbs., thus making it a suitable engine for a fighter aircraft. The Chinese have made it clear that they are interested only in a deal which covers the military as well as the civil engine and its technology. They have told Rolls Royce that they need a very early answer to their request. We have therefore examined this case separately from and in advance of, the more general study I have mentioned above.

This transaction would be precluded by the existing international rules. But the feature which brings it within the scope of the embargo - the after-burner - does not contain any very new technology. The Chinese themselves are evidently capable of producing a type of after-burner, since they are already making engines, to be fitted in MIG 21 fighters, which can develop a reheat thrust. Moreover, there is already a quantity of open technical literature on the subject of reheat expertise, so that the Chinese must know a good deal about what has been achieved in this field. In short, the proposition which they put to Rolls Royce could, in our judgement, at the very most enable the Chinese to acquire a capability for manufacturing a modern after-burner some 2-3 years earlier than they would have done if they had had to develop such a capability entirely from their own resources. Our conclusion is that this transaction would not prejudice our essential political and security interests and would therefore be fully consistent with

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- 4 -

the attitude towards China which we share. In addition to the political advantages to which I have referred above the transaction would also be of very great commercial value to Rolls Royce (71), to the benefit of its other programmes and particularly to the main RB 211 programme. For these reasons, I think it would be right to authorize Rolls Royce (71) to negotiate with the Chinese. At the appropriate stage I would arrange for the matter to be broached with our other COCOM partners. But in view of its importance, I wanted to let you know at this early stage how we are thinking and I feel sure that you will agree that it is in our joint interests and those of the West that this transaction should go ahead.

With best personal wishes,

Yours sincerely

Edward Heath

The President of the United States of America.

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