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4 August 1992

MEMORANDUM

SUBJECT: Effects of New MTCR Guidelines on Chinese Missile-Related Exports [Redacted]

1. The Missile Technology Control Regime (MTCR) plenary session that concluded in Oslo on 2 July expanded the scope of the regime in ways that could complicate the Chinese commitment to abide by the regime's guidelines and parameters:<sup>1</sup>

- Although the regime's threshold for export of Category I items--which include complete systems and complete subsystems--remains the 300-kilometer-range/500-kilogram-payload standard, a new provision--the "belief" standard--calls for a supplier to deny the export of any system that is suspected of being used as a delivery system for weapons of mass destruction (WMD). This includes any system that an MTCR member country believes will be equipped with a nuclear, chemical, or biological warhead.
- Two major changes will expand the scope of Category II. The first requires case-by-case evaluations for exporting complete unmanned delivery systems that do not meet the Category I threshold of 300-km/500-kg but that can fly more than 300 kilometers without a payload. The second--yet to be defined--will cover subsystems used in the new Category II systems. The changes are scheduled to become effective this fall to allow MTCR partners time to take implementing actions. [Redacted]

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<sup>1</sup> Although China is not a member of the MTCR, as a result of bilateral negotiations with the United States it agreed to begin abiding by MTCR guidelines and parameters on 23 March. Moreover, the US National Defense Authorization Act requires the imposition of sanctions against US and foreign persons that engage in the export, transfer, or trade of MTCR-controlled items; a presidential waiver may be granted on the grounds of national security concerns. (U)

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3. Thus, Beijing is likely to be critical of the new, tighter standards:

- In announcing its intent to abide by the MTCR in March, the Chinese Foreign Ministry stated that China would act in accordance with *existing* MTCR guidelines and parameters.
- The Chinese clearly oppose the notion that their behavior should conform to changing standards and probably will point out--as they have done frequently in the past--that they have not participated in the MTCR process.

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4. At a minimum, Beijing is likely to ask for US concessions on other issues, particularly the licensing of US-made satellites destined to be launched on Chinese space boosters, in return for any agreement to abide by the new guidelines. Chinese press statements linked adherence to the MTCR with the lifting of US sanctions against the transfer of satellite technology to China and commercial dealings with two Chinese aerospace companies implicated as missile proliferators. On a related issue, Beijing could ask for a waiver from any US sanctions resulting from its receipt last year of Soviet RD-120 space launch engines that exceed MTCR guidelines. [Redacted]

5. It is unclear how the new guidelines will effect Beijing's prospects of joining the MTCR. Requirements for member states to exchange information on annex items denied to prospective purchasers has created a list showing which non-MTCR countries are interested in specific weapons and technology with WMD applications. This could make the regime more appealing to Beijing, but member states may be reluctant to share such information with the Chinese, because it could reveal new sales opportunities. Moreover, if it became a member under the new standards, Beijing would need to show evidence that it has established export control measures that are able to track the transfer of technology, which it has been so far reluctant to do.

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