

NOTE OF THE SECRETARY OF STATE FOR TRADE'S CALL ON PREMIER HUA AT CLARIDGE'S TUESDAY 30 OCTOBER 1979

The meeting was organised to allow a team of 10 British businessmen to make presentations to the Chinese Premier on the intentions and capabilities of their industries. Lists of the British participants accompanying the Secretary of State and of the Chinese delegation are at Annexes A and B respectively.

2. The Secretary of State began by saying it was a great honour and privilege to receive the visit of Premier Hua. The programme would allow him to see something of British industry, commerce and agriculture, but he hoped it would be helpful for 10 businessmen to describe to him their interest in China.

3. Premier Hua said that he was very satisfied with Sino-British relations in the political, cultural and economic fields. He was visiting Britain for the first time, as part of a Western European tour. China had consistently attached importance to developing relations with Western European countries. He wished to see a prosperous and strong Britain and a united and strong Europe. He understood it was also the wish of his British friends to see a prosperous and strong China. Both countries desired a peaceful international environment. He knew that the development of relations with China was not only in the interests of the British and Chinese people, but was also conducive to world peace. He very much appreciated the farsightedness of the British Government and in particular of the Prime Minister, and their approach to see things in a true light. China was not only looking to the 1980's and 1990's but also into the 21st Century. At the same time China was adjusting its economy. It was still poor and still a developing country. It provided a vast market with its population of 900 million. It was China's wish to buy as much advanced technology from British firms as early as possible. The Chinese meant what they said. If they undertook a debt they paid it. Therefore, although they wanted everything done quickly, they also had to take into account their ability to pay. Relations would develop in this down to earth way. There was wide scope for the expansion of Sino-British trade and he had no doubt that our market share would increase. He hoped that we could make joint efforts, finding various ways of developing economic relations and co-operation - joint production, compensation trade, processing the raw materials of other countries. When the Gang of Four had been in power they had shut the doors of China to other countries. After the smashing of their control, China adhered to freedom and self-reliance but they wished to learn from the experience and advanced technology of other countries.

4. Premier Hua referred to the recent laws on joint investment: further laws and regulations would have to be made to perfect what had now been laid down. But this did not prevent co-operation agreements in the meantime. Once contracts had been entered into they were deemed to be legal, and experience gained from contracts would influence the amendments to the laws.

5. Premier Hua said it gave him great pleasure to meet British businessmen, some of whom had been to China already; he understood one of the delegation had been nine times and another had visited China as early as 1953. His fellow Ministers were also looking forward to hearing the presentations of the industrialists.
6. The 10 businessmen then spoke in turn according to the notes which had been prepared and circulated in advance. The notes below record additional points which were made.
7. Lord Nelson handed over a memorandum on behalf of the Sino-British Trade Council, and Premier Hua said that he would read it when it was translated into Chinese. In reply to a question from Premier Hua, Lord Nelson said that the main power source in the United Kingdom was coal but there was also a considerable use of nuclear energy. The industry had experience of hydro-electric power but principally in other countries. His company also had experience of transmission of power over long distances and, in response to a further question from the Premier, he said that the maximum voltage was 750 Kv-but only 400 Kv in the UK.
8. In opening his remarks, Mr Buckman said that, since he had first gone to China in 1953, he had learnt to approach matters with a view to mutual benefit and he had discussed the points which the Premier had raised, such as compensation trade and buy-back. Premier Hua asked whether his company was interested in rare earths, and Mr Buckman confirmed that there was already work taking place in this field.
9. In response to Mr Dell's presentation, Premier Hua recognised his experience of Chinese trade. The re-adjustment of the Chinese economy involved a slowing down of some industries such as iron and steel and speeding up agriculture, light industry, fuel and the car industry. On compensation trade China was not afraid that it would not be able to make repayments since the joint ventures on oil, coal and rare earth would produce sufficient exports to enable China to pay her way.
10. Mr Greenwood was able to begin his remarks by thanking the Premier for all the kindness which had been shown to him on his visits to China, and Premier Hua acknowledged that Britain was in the lead in the list of countries with whom China co-operated in the field of civil aviation. In relation to the anti-tank missile, Mr Greenwood responded to a question by Premier Hua by giving its range as two miles.
11. In introducing Mr Johnstone, the Secretary of State for Trade said that when he had visited China he had been extremely impressed by a visit to a Chinese communal farm near Canton. Mr Johnstone was able to pick up the Premier's remark about the new priority being given to agriculture.

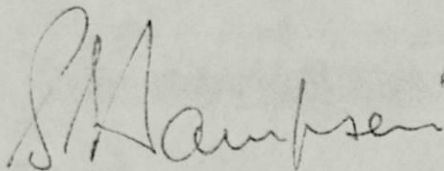
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12. After Mr Mayhew-Sanders' presentation, Premier Hua asked for the capacity of the polyethylene plant which had been supplied. Mr Mayhew-Sanders said he believed it to be 20,000 tons but he would obtain further information. Premier Hua said that he understood the capacity was 200,000 tons.

13. Following Mr Ropner's presentation, the Premier asked whether British industry had the necessary equipment for off-shore oil exploration and Mr Ropner was able to confirm that this was available.

14. Following Mr Sloane's presentation, Premier Hua said that he recognised that in the main China's management experience was inadequate and it was necessary to learn from other countries. He hoped that there would be teams sent to China and particularly to the special Commission which was responsible for organising joint ventures. He commented that Japan was also sending teams to assist. He also remarked that China never forgot old friends and responded warmly to Mr Sloane's reference to the leap in the dark made in 1953. He felt that the concrete suggestions made by Mr Sloane were very welcome.



S HAMPSON
PS/SOS/TRADE
Rm 805 V/S
30 October 1979

cc

Mr Alexander No 10
PS/Secretary of State/FCO
PS/Secretary of State/Industry

PS/All Ministers (DoT)
PS/Secretary
Mr Knighton
Mr Gray
Mr Steele

Mr Browning
Mr Allen
Mr Garrod



VISIT OF PREMIER HUA GUOFENG, PEOPLE'S REPUBLIC OF CHINA, TO GREAT BRITAIN:
MEETING WITH RT HON JOHN NOTT, SECRETARY OF STATE FOR TRADE AND BUSINESS
REPRESENTATIVES AT CLARIDGE'S, 30 OCTOBER 1979

Summary of presentations by business representatives:

- 1 Lord Nelson of Stafford : Chairman, GEC Ltd
 President, Sino-British Trade Council
 - (a) The role of the Sino-British Trade Council in developing trade between Britain and the People's Republic of China.
 - (b) The British Electrical Industry:-
 - (i) Electric Power Equipment
 - (ii) Coal-fired Thermal Power Stations
 - (iii) Electronic Equipment
- 2 Mr B Buckman : Chairman, Wogen Buckton Group
 Vice-President, Sino-British Trade Council.
 Compensation Trade
- 3 Sir Alan Dalton : Deputy Chairman, English China Clays Ltd
 Clay Mining and Refining Techniques
- 4 The Rt Hon Edmund Dell : Chairman, Guinness Peat Group
 Compensation Trade
- 5 Mr A Greenwood : Deputy Chairman, British Aerospace
 Aerospace
- 6 Mr W Johnstone : Chairman, British Agricultural
 Export Council
 - (a) British Agriculture and Supplying Industries
 - (b) Sino-British Co-operation in Agriculture
 - (c) Future Co-operation in the Agricultural Field
- 7 Mr J R Mayhew-Sanders : Chairman, John Brown and Company Ltd
 - (a) Hydro-electric Power Generation
 - (b) Development of Non-Ferrous Metals.
- 8 Mr A C Paterson : Chairman, British Consultants Bureau
 Consultancy



9 Mr W G D Ropner : President, General Council of
British Shipping.

The Role of British Shipping

10 Mr G Sloan : Chairman, 48 Group of Companies

Joint Ventures

May 79

*From the Secretary of State**f.a. PMS*

M O'B Alexander Esq
Private Secretary
10 Downing Street
London SW1

31 October 1979

Dear Michael

VISIT OF PREMIER HUA: TRADE TALKS, TUESDAY 30 OCTOBER

The Prime Minister may like to see a short report on two meetings dealing with UK/China trade with Premier Hua and his colleagues.

The first meeting was between Premier Hua and a group of 10 senior British businessmen led by Mr Nott. The time was short and the businessmen had been strictly enjoined not to exceed their allotment of time. Unfortunately the timing was upset by Premier Hua arriving late, then making a statement himself and questioning some of the businessmen on their presentations. Nevertheless all the businessmen were able to make their main points.

Premier Hua showed himself alert, interested and quick to follow up particular points. His own statement was couched in fairly general terms and, while encouraging about the possibilities of expanding Sino-British trade, emphasised the need for the Chinese to be certain that they could pay for the technology they bought from abroad. He emphasised the importance of co-operation in developing economic relations, by which he meant such devices as joint production and compensation trade.

The second meeting was between Sir Keith Joseph (who had to leave early for a meeting of E Committee), Mr Nott and Yu Qiuli, Vice Premier of the State Council and head of the State Planning Commission. At this meeting Sir Keith and Mr Nott raised a considerable number of specific trade and industrial issues; in particular they asked when commercial negotiations were likely to be resumed or when further discussions in certain fields would take place. Yu Qiuli declined to reply to each point as it was made and at the conclusion of the presentation by Ministers contented himself with a very general statement. He outlined the economic priorities of the present government, and the emphasis on agriculture; the Chinese needed



From the Secretary of State

to modernise industry while continuing production rather than starting again, and in this process the Vice Premier felt that British companies had a good deal of experience to offer. He accepted that China would need to buy know-how but said that they could not afford to pay large fees. This appeared to be a reference both to the contribution which British consultants could make, on which both Ministers had commented, and to the costs of sending Chinese students to the UK. His message seemed to be that, in order to create goodwill, we should be prepared to provide these services free. He referred to China's natural resources in the minerals and metals field and said that there could be joint ventures in their extraction. The specific points raised by the two Ministers could, he said, be discussed further with the Vice Ministers of the State Planning Commission and Foreign Trade, who were present at the meeting, and we are following this suggestion up.

Mr Nott did not consider that this meeting had been very fruitful, but we hope to learn more from discussions with the Vice Ministers.

I am writing separately about the discussions on the Air Services Agreement, and the use by the Chinese airline of Gatwick.

I am sending copies of this letter to Paul Lever (FCO), Ian Ellison (Industry), Bill Burroughs (Energy) and Martin Vile (Cabinet Office).

Yours sincerely,

Stuart Hampson

S HAMPSON
Private Secretary