



Foreign and Commonwealth Office

London SW1A 2AH

29 October 1979

Dear Michael,

Premier Hua's Visit

At the briefing session in No 10 on Friday, 26 October, before Premier Hua's visit, the Prime Minister asked about the Chinese ability to pay for the goods they order from Britain.

The Chinese have a good record for paying on time for goods they import from other countries. They have taken particular care not to get over-stretched. It is significant that when they came this year to review their modernisation programme, they realised that their import plans exceeded their ability to pay, and revised them downwards and have since been particularly cautious in placing new orders. They have also been making special efforts to expand their exports.

British and other Western and Japanese banks have been keen to make credit available to the Chinese. To the best of our knowledge, the Chinese have never fallen down on any of their obligations. In fact relatively little of the credit currently on offer has so far been taken up.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Trade, and Industry, and to Martin Vile (Cabinet Office).

Yours ever
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Private Secretary

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