

SUBJECT

Note of a meeting between the Prime Minister and the Association for British Commerce in China at the Jianguo Hotel at 1930 on Thursday, 23 September, 1982

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cc Mr & Mrs Selk

Present:

Prime Minister	Mr. O. Baudert - M.D. Ewart & Co. (Chairman)
HE The Ambassador	Mr. D. Evans - British Airways
Mr. R.W. Gray	Miss K. Trenholme - Marconi Avionics
Mr. F.E.R. Butler	Mr. K. Sly - British Aerospace Dynamics
Mr. A. Donald	Mr. R. Bates - Marconi Company
Mr. B. Ingham	Mr. I. Cambell-Carrott - Rolls Royce
Mr. G. Clark	Mr. Y.F. Leung - Wogen Resources
Col. G. Gilhead	Mr. D. Mathew - Jardines
	Mr. M. Langley - Hongkong & Shanghai Bank
	Mr. D. Markham - Midland Bank Group
	Mr. P. Rock - Barclays Bank International
	Mr. H. Liller - Chartered Bank
	Mr. T. Mathieson - Sedgwick Group
	Mr. S. Downs - BP
	Mr. R. Williams - Shell
	Mrs. M. Jack - Price Waterhouse
	Mr. L. Browne - Davy Corporation

Mr Baudert said that, with the aim of giving the Prime Minister a picture of the problems of trading in China, representatives of the main companies operating in China would give brief presentations, covering banking, aerospace, energy, heavy industry, and trading.

Selected spokesmen then made brief addresses of which the texts are attached. In a brief discussion, the Prime Minister said that she understood the difficulties for companies trading in China. Things took so long to negotiate, and it was expensive to maintain an office during that period. Only that day she had been discussing the Project 051 negotiations which had taken three years to reach the present stage. Premier Zhao Ziyang had said to her that day

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/British prices were still too high. She had noted from the presentations that it was suggested that an element of aid should be switched to trade, and the British Government were doing this. But it was the richest countries which could afford to do most, and in Britain the consequence of giving aid to trade terms very often did no more than offset the lack of competitiveness of British companies. There were representatives of companies round the table which had had the benefit of large amounts of tax payers' money in assisting their bids for overseas contracts.

In discussion, the following points were made:

(i) The policy of giving aid in the form of trade had not been extended to China. A little pump priming of this sort would be disproportionately helpful in opening the way for British exports.

(ii) Although in certain cases it appeared that the prime contractor received a large amount of help in securing orders, this help was widely distributed among sub-contractors, and benefited large areas of British industry.

(iii) The Chinese tended to ask for detailed technical specifications and to be acutely slow in reaching decisions. They were also very anxious to secure the keenest possible price. The 10 years investing programme announced in 1978 had given a large boost for orders, but since it had been abandoned in 1979, the tap orders for heavy industry had been completely turned off.

(iv) The Chinese also tended to be much influenced by statements of their leaders. For example, when Vice Chairman Deng had commended joint projects, this had stimulated a spate of enquiries about joint projects for a time, but most of these had not been followed up.

(v) There were a large number of overseas banks in Peking, but the reason for their presence was very often political rather than the volume of business which they conducted.

(vi) There was scope for interesting the Chinese in purchases of aerospace and defence equipment, but frequent changes of policy had taken place. In the case of the Spey Engines, Phase I had been completed, and the Chinese had made and tested a few engines. But Phase II had not been proceeded with, although the Chinese were believed to be making some accessories.

(vii) The main trading competitor was Japan. China was selling Japan increasing amounts of oil, and in return Japan was rapidly increasing its sales to China.

F.R.B.

24 September, 1982.