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Foreign and Commonwealth Office

London SW1A 2AH

14 October, 1982

Dear John,

Visit of the Prime Minister to the Far East

In your letter of 4 October you asked for advice on how we propose to follow up a number of points that remain outstanding from the Prime Minister's recent tour.

For China you asked us to consider what could be done to help with the Luda Destroyer project, English language training and fees for Chinese students in Britain. On the first, the Ministry of Defence say that there is nothing more they can do to help. They have, as you know, already undertaken to waive the Research and Development levy provided that the negotiations are successfully concluded on both the British Aerospace and Vosper Thornycroft contracts. The Chinese know this. Naval conversions are not eligible for support from the intervention fund. Nonetheless British Aerospace and Vosper Thornycroft teams now in Peking continue to negotiate. There has been progress on the British Aerospace contract, for which agreement on price has been reached, but several important contractual clauses remain unresolved. British Aerospace are cautiously optimistic of success. Vosper Thornycroft appear to have made little progress in their talks, but achievement of a successful contract with British Aerospace could persuade the Chinese that it would be in their interest to make further concessions in an effort to close the gap with Vosper Thornycroft.

For further English language teaching the British Council have put forward tentative proposals for a programme in three parts:

- (i) teaching English to those selected for technical training in Britain;
- (ii) training a professional cadre of teacher-trainers;
- (iii) training the staff of the TV University.

We plan to send a specialist mission to Peking on 6 November to discuss these proposals with the Chinese and work out a programme for ODA to finance. With paragraph 4 of your letter in mind, we should be grateful for confirmation that this is acceptable to the Prime Minister.

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A programme of technical cooperation with China would normally provide fully funded post-graduate awards in Britain for carefully selected trainees in fields relevant to national development; but a possible alternative would be to provide partial funding for larger numbers as Mr Zhao seemed to have in mind. These are questions of priorities that we can only start discussing with the Chinese when we have determined the size and scope of our programme. We would see advantage in it covering not only English language teaching and agriculture but also transport and power and other sectors of commercial and industrial - not cultural - interest. Is the Prime Minister content with this?

We have noted the Prime Minister's view that we should attempt to time the proposed visit of the Japanese Prime Minister to Britain in the way most likely to advance our economic interests. It is unlikely that the Japanese will wish the visit to take place before the end of 1983 (although the change of Prime Minister in Japan could affect this); and it is too early to say what time after that would suit us best from this point of view. But we shall of course bear the point in mind in our planning for next year and 1984.

The question of use of the term British Nationals in Hong Kong passports had already been dealt with in Roger Bone's letter of 11 October to you. I understand that the meeting to discuss this has been arranged for next week.

Your ever
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