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PRIME MINISTER

Letter to the Chinese Ambassador

In the light of your comments yesterday, I attach a revised version.

It has been cleared with the Treasury and the Ministry of Defence.

The statement in the third paragraph that "we can consider matching" interest rates offered by our competitors is a little cautious, for two reasons:-?

a) Some of our competitors are already prepared to offer the Chinese loans at rates as low as 3 per cent in connection with particular projects and the Treasury would see considerable difficulty in going that far.

b) I understand that China like other Communist countries is at present ineligible for the aid trade provision.

Agree that letter should be sent?

*A.J.C.*

4 August 1982