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*to Mr's China*  
*Prime Minister*

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PRIME MINISTER

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VISIT TO CHINA, 23rd TO 28th MARCH

This minute reports the immediate impressions I formed during my visit to China last week. HM Ambassador Peking will of course be giving his own assessment, and Keith Joseph will be receiving a parallel account from Sir Peter Carey, whose own visit to China coincided with mine and whose advice and support were of the greatest value to me.

2. I had two hours of talks with Premier Hua, and more than an hour with the Foreign Minister: was accompanied throughout by Vice Premier Wang Zhen: and saw my host the Defence Minister twice. At the more detailed discussions in Peking and Shanghai the Chinese fielded a full and competent team of officials and considerable trouble seemed to me to have been taken throughout to make me and my party welcome and to show that the first visit by a Cabinet Minister of this administration (and the first by any West European Defence Minister) was an occasion to which the Chinese leaders attached importance.

3. In my discussions with Premier Hua and his colleagues I was given - at length - their views on global and regional "hegemonism" as practiced by the Soviet Union and Vietnam respectively. They all urged the importance of maintaining the strong NATO and Chinese defences which had so far been successful in containing Soviet expansion West and East, and parrying their now evident thrust towards the South. They also sought to justify their own invasion of Vietnam in terms of containing Vietnamese expansionism and thereby indirectly that of the Soviet Union.

4. All this was familiar ground, and I confirmed that their perception of the Soviet threat was very close to our own. They made no effort to draw me into criticism of our European allies' perceptions. I did need, however, on occasion to remind them that it was a mistake for the Chinese to think that the threat to the Persian Gulf was one only the West had to worry about: and although they said little about India, I had an opportunity to impress on them the need to take due account of Indian sensitivities. Finally, I got Huang Hua to accept that our objectives in Afghanistan were the same even if the Chinese did not share our views on the neutrality proposal.

5. My detailed discussions on defence sales registered some progress and one check. The Chinese told me that purchase of



Harrier had been "postponed". They said also that within their available resources their main emphasis in the field of defence procurement would, for the immediate future, be on modernisation of the aircraft, ships, and tanks which they already had in service, and that in some cases at least they were looking first to us for the equipment they require to do this. Nevertheless, their statement about Harrier, coming barely a week after they had (admittedly at a lower level) proposed sending an evaluation team to Britain as a preliminary to possible contract negotiations in the summer, and three days before the opening of the SBAC Exhibition, was a surprise and a disappointment. I said as much to Premier Hua who could not, I thought, conceal a certain embarrassment.

6. Against that, there is no denying that the general approach of the Chinese is a sensible one. They readily accepted my suggestion that it would help us both if they were to spell out their priorities so that our firms could concentrate their efforts where they are most needed: and they said they wanted to set up a small office in London to facilitate future aerospace business with us. I said that this last proposal was one for Peter Carrington, but that I would willingly tell him of it; I added that in principle it seemed to me a welcome and useful suggestion. The subject of counter purchases of oil and non ferrous metals was also mentioned: I am asking my officials, in consultation with those in the other Departments concerned, to examine this possible way of increasing China's ability to pay for defence purchases from the UK.

7. In general, it seems to me that the present Chinese leadership is setting about its "four modernisations" with a good deal of practical good sense. I judge that they are determined to work within their limited resources, and thus avoid getting into a position of technical and financial dependence on other countries. What technical help they do seek they will try to pay as little as possible for, and they still cherish a number of illusions. For our part we should have to guard against their obvious policy of trying to get technology from the West on the cheap. That said, I believe that this process of firmly controlled modernisation does offer important opportunities in the civil and military markets for those British companies with good products and with the considerable will-power and patience that negotiations with the Chinese call for.

8. I was able in Shanghai, together with Sir Peter Carey and his team, to go over much of this ground with the senior industrialists present for the SBAC Exhibition (the quality of



which impressed me and which is a credit to all concerned). I think they found this trilateral exchange helpful and there may be something of value here on which it will be possible to build in future.

9. I also had two days in Hong Kong. Huang Hua (who had just been there) had acknowledged in Peking that illegal immigration on the scale of the last 18 months or so was in neither Hong Kong's interest nor theirs, and this was helpful. In the meantime I saw at first hand that the three Services in Hong Kong are all making a tremendous contribution towards controlling it, and that although they are as a result being driven very hard, they are, as ever, in good heart.

10. I am sending copies of this minute to the Foreign and Commonwealth Secretary; the other members of OD; the Secretary of State for Industry; and Sir Robert Armstrong.

*Handwritten signature/initials*

Ministry of Defence

31st March 1980