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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND
HER EXCELLENCY MADAME CHEN MUHUA, MINISTER OF FOREIGN ECONOMIC
RELATIONS AND TRADE, PEOPLE'S REPUBLIC OF CHINA, ON WEDNESDAY,
30 MARCH AT 0900 AT NO.10

Present:

Prime Minister

Madame Chen Muhua

Mr. Donald

Mr. Gan Ziyu
(Vice Minister, State
Planning Commission)

Mr. Coles

Mr. Liang Geng
(Chinese Charge d'Affaires)

Mr. Sun Zhenyu
(Interpreter)

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The Prime Minister said that she had greatly enjoyed her visit to China. She hoped that the programme for Madame Chen's visit met her expectations. Madame Chen said that she first wished to convey Zhao Ziyang's best regards to the Prime Minister. She was very pleased with her programme. Our hospitality had been generous. She had visited a number of factories and had had wide contacts with officials. She was deeply impressed by what she had seen and she saw considerable prospects for cooperation in various fields.

The Prime Minister said that she was glad to hear this. We attached importance to relations with China, and wished these to become closer. Our views on a number of international issues were similar. We had been rather disappointed that the agreement relating to the 051 Project had not been ratified. This meant that we should have to work doubly hard to find a suitable project to replace it. She understood that a Memorandum of Understanding had now been signed on the Guangdong nuclear power project. This was a very imaginative scheme which would make a big difference to Guangdong province and to Hong Kong. Madame Chen said that she had discussed with the Secretary of State for Industry the possibilities for progress in cooperation in the nuclear power field. She thought that the prospects were considerable.

(At this point there was a brief exchange on Hong Kong which is separately recorded).

Madame Chen said that she would like to explain the Chinese decision on the 051 Project. They had been unable to ratify the contract because of difficulties relating to price, technology, and the production cycle. But this was only one of the possible projects for cooperation. Failure to implement it would not affect Sino-British cooperation in many other fields. During her visit to the United Kingdom, she had been asked whether it would be possible to have separate discussions about individual technologies. This matter had been studied and she now thought that such discussions were "highly possible". Electronics was a possible field for further examination.

The Prime Minister asked Madame Chen to describe Chinese strategic priorities as regards technology. Madame Chen said that energy and transport were the priority fields at present. As far as energy was concerned, the emphasis was on, first, offshore oil and then coal. She recalled that an agreement had been signed providing for a feasibility study on two coal mines. If this was successful there was a prospect of similar work on three further mines. China also intended to construct some ports under a scheme financed by the World Bank. British firms would be welcome to bid for the work. There was also much to do in the way of modernising existing plant in China. Some 300,000 small and medium sized enterprises required modernisation. She hoped that British firms would be more open in the future with regard to the transfer of technology.

The Prime Minister said that she would be interested in Madame Chen's comments on general economic development in China. Madame Chen said that economic readjustment had been carried out very smoothly. Last year industrial and agricultural output had increased by 7.4%. There had been a bumper harvest in grain, cotton, tobacco and sugar. There was continued progress in light industry and textiles. Heavy industry had begun to pick up after a period of stagnation. A basic balance in income and

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expenditure had been achieved. Foreign trade was progressing well. Last year's plan for exports had been fulfilled though imports had fallen short of the planned target. Sino-British trade had declined slightly last year but this was a temporary phenomenon. She was sure that the total trade turnover would increase rapidly provided we continued to cooperate.

In response to a comment by the Prime Minister on our programmes for technical training, Madame Chen referred to student exchanges between Britain and China. She hoped for an all-round development of relations. She had been informed by Lord Cockfield that HMG had decided to give assistance to China from the aid programme. China was very grateful - this was important for the expansion of cooperation.

The discussion ended at 0930.

A. J. C.

30 March 1983

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10 DOWNING STREET

From the Private Secretary

30 March 1983

Dear John,

CALL ON THE PRIME MINISTER BY THE CHINESE
MINISTER OF FOREIGN ECONOMIC RELATIONS & TRADE

Madame Chen Muhua called on the Prime Minister this morning. I enclose a record of the discussion (though the exchange about the future of Hong Kong is separately recorded).

I am sending copies of this letter and its enclosure to John Holmes (FCO), Jonathan Spencer (Department of Industry) and Richard Mottram (Ministry of Defence).

Yours ever
John Gales

John Rhodes, Esq.,
Department of Trade.

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