

PRIME MINISTER

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CDP 6/6

SECOND ROUND OF TALKS WITH ZHAO ZIYANG

You will have a further hour of talks with Zhao Ziyang tomorrow, this time on trade and economic issues. Mr. Tebbit and Lord Young will be present.

I attach briefs. You will want to look in particular at those on Specific Projects and on Defence Sales which you have not previously seen.

Lord Young raised with you this morning the question of soft loans. This is tricky: a study was commissioned by EX of the possibilities but is not yet complete. Andrew and I have devised the following form of words for you to use which is acceptable to departments (including Lord Young):

"We fully recognise the trade opportunities available in China and are keen to be in a position to take advantage of them. We are therefore urgently examining in what ways financial support can be made available to our exporters, and would hope that we can devise arrangements appropriate to Chinese conditions."

This goes a long way towards suggesting we shall come up with soft loans without actually pre-empting Ministerial discussions, though it is open to you to overrule your colleagues (principally the Treasury) and simply say that we are ready in principle to consider soft loans.

I attach some cards.

CDP.

5 June 1985

TALKS WITH CHINESE PREMIER: ROUND II

1. Grateful excellent arrangements for Lord Young's mission. Want to build on it.
2. Welcome Chinese purchase of 10 Bae 146 and 8 Shorts SD 360.
3. China had surplus in 1984. Imports of Chinese textiles rose.
4. Quotas will be looked at in annual EC review.
5. Hope negotiations on Guangdong can be concluded soon.
6. Other major projects:

- Tangshan coal mine renovation

Ningbo steel works

- Aluminium smelter projects

- Railway developments.



u. Detectives
Drivers
P. Taylor
P. Jace
D. Clerk
G.R.

10 DOWNING STREET

PRIME MINISTER

SATURDAY 8 JUNE

After your farewell call
on Zhao Ziyang at Claridges,
can I assume that you will
go straight to Chequers?

Yes, not [signature]

(CAROLINE RYDER)

5 June 1985