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10 DOWNING STREET

From the Private Secretary

5 June 1985

Talks with the Chinese Premier: Trade and Economic Issues

The Prime Minister has considered the brief on aid for China for her talks on trade and economic issues with Premier Zhao Ziyang tomorrow. She takes the view that we are unlikely to succeed in securing major contracts in China unless we are in a position to offer soft loans. Equally, she recognises that the consideration of this which was commissioned in EX recently has not yet been completed, and she would not wish to pre-empt the outcome of it. She proposes, however, to give Premier Zhao Ziyang a hint that we are ready to consider soft loans and proposes therefore to take the following line:-

"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 considering what financial support can be made available to our exporters. We are also re-examining our financing instruments to see if we can devise financial packages that would be appropriate to Chinese conditions."

I should be grateful if you and other recipients of this letter would let me have any comments by 1700 today.

I am copying this letter to John Mogg (Department of Trade and Industry), Leigh Lewis (Minister without Portfolio's Office), Richard Broadbent (Chief Secretary's Office), Michael McCulloch (Overseas Development Administration) and Richard Hatfield (Cabinet Office).

Charles Powell

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