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10 DOWNING STREET

From the Private Secretary

4 October 1982

Dear John,

Call by Korean Foreign Minister

Mr. Lee called on the Prime Minister this morning for a 15 minute talk. He was accompanied by the Korean Ambassador and Mr. Jhung of the Ministry of Foreign Affairs. Sydney Giffard was also present.

The Prime Minister said that she had been sorry not to be able to include Korea in her visit to the Far East. Mr. Lee conveyed to Mrs. Thatcher the best wishes of the Korean President and his gratitude for the invitation to him to visit Britain sometime next year. The President greatly hoped that the Prime Minister would visit Korea. The Prime Minister expressed thanks for this invitation and said that she must try to visit Korea one day.

Mr. Lee then said Korea welcomed the expanding economic co-operation with the United Kingdom. The Prime Minister said that this was also pleasing to us. She was glad that GEC had been successful in its bid for the expansion of the Seoul metro. We were hoping for further similar contracts. She had been profoundly impressed by the success of British firms in constructing the Castle Peak power station in Hong Kong well in advance of schedule. We were also interested in certain items of defence sales business and we had great hopes of selling Skyvan to Korea - it was a marvellous aircraft.

She then invited Mr. Lee to describe the situation in Korea. Mr. Lee replied that political stabilisation had now been achieved. 1980 had been a bad year for the economy with negative growth and 40% inflation, but last year they had achieved 7% growth and had held inflation to 6%. He hoped that growth of 6½% could be achieved in the current year. Korea was spending 7% of its GNP on defence. It had to maintain 600,000 soldiers on active service and to call up reservists twice a month. The Korean Ambassador added that North Korea maintained a standing force of 700,000. Mr. Lee said that all this placed a strain on the budget but it had compensating advantages. The discipline acquired by young Koreans during their military service made them valuable as labour later on. There were now about 180,000 Koreans working abroad, for example in Saudi Arabia.

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During his current visit, he particularly wanted to examine the possibilities for co-operation between British technology and Korean manpower in third countries, particularly in the Middle East. For example, on 4 October a joint bid by British and Korean firms for a \$3 billion railway contract in Iraq was to be considered. There was considerable scope for co-operation involving the highly sophisticated technology of the United Kingdom and the skilled manpower of Korea. The Prime Minister agreed. Britain had a long history of invention and we were becoming more expert at exploiting our inventions. She brought the conversation to a close by asking the Foreign Minister to convey her warm regards to the President.

I am copying this letter to John Rhodes (Department of Trade) and Jonathan Spencer (Department of Industry), and to Richard Mottram (Ministry of Defence).

Yours ever

John Cole

John Holmes, Esq.,
Foreign and Commonwealth Office.

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