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Prime Minister
Mr. Edwards' account
of his visit to the
Far East. CDP
5/11

PRIME MINISTER

I returned from the Far East distinctly encouraged by much of what I saw and heard but more than ever conscious of the need positively to encourage British industry to seize market opportunities and to exploit the undoubted potential that exists for collaboration in various technological fields.

China is changing at a pace that is breathtaking. The process may not yet be irreversible and the emergence of a private sector will inevitably generate tensions in a society where repression, bureaucracy and inefficiency have been almost endemic. But the experience of the cultural revolution is still vivid in the minds of most Chinese and as choice and freedom are extended and the standard of living rises it will become more difficult to turn the clock back. The Hong Kong Agreement was widely reported during our stay and its references to capitalism and individual freedom will to some extent consolidate emerging attitudes and options. China is decades away from being a consumer society but its people are evidently well fed and clothed and the absence of poverty and slum conditions is in marked contrast to other Eastern (and indeed many Western) cities. I regret to say that, outside the energy sector, British industry is missing out badly on marketing opportunities in this fast developing economy. We need, I feel, to get home the message that, on the platform of the Hong Kong Agreement, British exporters can build up good business in China.

I had the same message of missed export opportunities from many people in Korea. That country is already an industrial force to be reckoned with (and its impact in consumer electronics over the next decade could be on a par with what we have seen in shipbuilding). It is not an easy market to break into but our competitors have, with perseverance and no doubt at some cost, established their positions. Apart from direct exports there are growing opportunities for technological collaboration linked with investment in both directions. An expression of desire to move down that path was emphasised by too many of the Ministers I met for me to dismiss it as an empty gesture. Korea recognises the threat of foreign resistance to its exports and, notwithstanding its huge overseas debt, is prepared to contemplate a measure of outward investment. That and its need for new technology present opportunities which we should be exploiting.

The most significant feature of my extensive talks with Japanese industrialists was the almost total lack of critical comment about the British industrial relations scene. This was in very marked contrast to what I found 3½ years ago and I am in no doubt that the happy experience of the 27 Japanese manufacturers now here (certainly of the 9 in Wales) has had a most positive impact on opinion generally. The presence in my party of the General Secretary of the Wales TUC and the constructive approach taken by David Jenkins on single union negotiating agreements helped to consolidate this favourable view. The Japanese 'majors' now here are also less worried than they were about the quality of British components and



about reliability of supply. Even so there is growing interest on the part of smaller Japanese firms in moving into the EEC and (subject to our being satisfied that efficient British firms are not unfairly squeezed) there is a good deal of scope for encouraging more inward investment. In Japan again I detected a strong desire to develop collaboration with us in the technological field. We must obviously aim to ensure that this brings two-way benefits and is not simply an outward transfer of knowledge on our part. I am confident that arrangements to that end can be devised and am sure that this is something we should be encouraging.

I have reported in more detail to those of my colleagues most directly concerned but wanted to pass on to you some of the main impressions gained during an illuminating and exciting trip.

6 November 1984

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From the Private Secretary

11 November 1984

The Prime Minister was grateful to your Secretary of State for sending her his impressions following his visit to the Far East. She read these with great interest.

(C.D. Powell)

Colin Jones, Esq.,
Welsh Office

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