

207/1981



From the Minister for Trade

DEPARTMENT OF TRADE AND INDUSTRY (2)

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

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Prime Minister
CDP
ST

8 January 1985

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mt

LORD YOUNG'S MISSION TO CHINA

We spoke yesterday about your letter of 3 January to Peter Ricketts. You said that, although Lord Young and Mr Channon are away, it would be helpful if you had an account of the progress we have made so far on this mission.

2 Lord Young has agreed that his mission should be as representative as possible of British industrial capability, especially in the Chinese economic priority sectors of energy, transport, and the modernisation of industry. He has already invited the General Electric Company, British Aerospace, Rolls Royce, and Cable and Wireless to join the mission. Mr Channon expects shortly to put recommendations to Lord Young on the allocation of the remaining places. The Embassy in Peking consider it important to keep the mission to a size manageable by the Chinese bureaucracy: they say that anything more than 10 businessmen would overload the Chinese system. The mission has generated a great deal of interest among British companies and there are many more qualified applicants than places available.

3 Madame Chen Muhua, State Councillor and Minister of Foreign Economic Relations and Trade in the Chinese Government, has issued a formal invitation to the delegation suggesting that it should go in the first week of March. This timing suits us well since it means that the mission will go to China as soon as practicable after the Prime Minister's visit. We expect the mission to be in China for about 10 days, beginning in Peking on about 28 February, and probably also visiting Shanghai.

4 I am sure that my Minister will warmly welcome the Prime Minister's offer to have a meeting with the members of the mission and the Chinese Ambassador and his staff, and we will be in touch with you to fix a convenient time. We are also pursuing the suggestion of a Ministerial dinner for the mission.

5 I am copying this letter to Leigh Lewis (Lord Young's office) and Peter Ricketts (Foreign and Commonwealth Office).

Your sincerely
Steve

STEPHEN NICKLEN
Private Secretary to
the Minister for Trade

CHINA : Rel's Pt 2



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9 JAN 1995

STANDARD TELETYPE MESSAGE

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MADE IN U.S.A.



filed
C.D. Powell

10 DOWNING STREET

From the Private Secretary

3 January 1985

Dear Peter,

BRITISH TRADE MISSION TO CHINA

The Prime Minister mentioned to the Foreign Secretary this afternoon her concern that we should do everything possible to ensure the success of the high level trade mission which Lord Young is to lead to China this spring. The Prime Minister suggested that once the arrangements for the mission were firmly in hand, she might invite the members of it together with the Chinese Ambassador and members of his commercial staff to a discussion followed by drinks at 10 Downing Street after which the Foreign Secretary or the Minister for Trade might give a dinner in their honour.

BT
I should be grateful if this suggestion could be taken into account in the course of preparations for the mission. Indeed, I think that the Prime Minister would find it helpful to have an early report on how these are going. You will wish to discuss this with the Department of Trade and Industry and with Lord Young's Office.

I am copying this letter to Leigh Lewis (Lord Young's Office) and Callum McCarthy and Steve Nicklen (Department of Trade and Industry).

Yours sincerely
C.D. Powell

C.D. POWELL

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office

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File to
cc for PC [signature]

10 DOWNING STREET

From the Private Secretary

11 January 1984

LORD YOUNG'S MISSION TO CHINA

Thank you for your letter of 8 January about the preparations for this mission.

BT= || I note that the delegation is to go to China in the first week of March. It seems to me the more the Chinese know of the specific objectives of the firms concerned and the sooner they know it, the more likely the mission is to be a success. This points to holding the Prime Minister's meeting at an early date, if possible at least a month before the mission is due to travel. I should be grateful, therefore, if you would be in touch with Caroline Ryder in this office early next week to discuss dates.

I am copying this letter to Leigh Lewis (Lord Young's Office) and Peter Ricketts (Foreign and Commonwealth Office).

CHARLES POWELL

Stephen Nicklen, Esq.,
Department of Trade and Industry.



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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From the Minister for Trade

The Rt Hon The Lord Young of Graffham
Minister Without Portfolio
Cabinet Office
70 Whitehall
London
SW1A 2AS

Dear Lord

Sir J. G. ... to see.

15 January 1985

*Do we need to
intervene from here?
Are we wise to limit it to 10 companies?
CDP
16/1*

YOUR MISSION TO CHINA

You need to decide soon which companies should be asked to fill the remaining six places on this mission, in addition to those already invited: GEC, British Aerospace, Rolls Royce and Cable and Wireless.

2 Following the publicity about the mission before Christmas, applications have been received from over 40 companies. Some are non-starters, but the majority are from substantial companies with significant business interests in China, who have a good claim to go, and would be worthy members of the mission. Choosing is not easy. Some of those not chosen will doubtless complain. Part of the problem is that in some sectors several companies have about an equal claim.

3 In general terms, energy, transport, telecommunications and the modernisation of industry are the priority sectors.

4 Within these broad sectors, our Embassy in Peking have commented that they are not convinced that the energy sector (except possibly electricity generation and transmission) need be emphasised; the oil sector has had a fair crack of the whip recently: Alick Buchanan-Smith was in China last December. The Embassy have suggested that we look at information technology (including micro-computers, numerically controlled machine tools, fibre optics and telecommunications), transport (aerospace, railway and port equipment, vehicles), food processing and packaging.

5 Having regard to the Embassy's recommendations and the representations we have had from companies, I suggest the following six companies as first choice for the remaining places:-

- 1 BICC: whose interests include power transmission and telecommunications, eg optical fibres.
- 2 Sinclair Research Limited: micro-computers; interested in licence production in China. Sinclair have applied to go.



- 3 Babcock: power generation, mining. Sir Frank Cooper, Deputy Chairman, has nominated Mr Donald Parvin, Deputy Managing Director of Babcock International plc. But there could be a chance that Lord King, their Chairman, would be interested in going; he would be a very suitable choice and could then also represent British Airways' interests.
 - 4 The Simon Group of Companies: extensive interests in China include food processing, port equipment, process plant. Have expressed strong interest, and would be represented at a senior level.
 - 5 Davy McKee: metallurgical and chemical plant, coal mining. Company has nominated Mr Roger Kingdon, Chief Executive, Davy McKee. He went with Lord Jellicoe to Taiwan recently, but we do not see that as a significant problem.
 - 6 John Brown: gas turbines, chemical plant, offshore oil. Company has nominated Mr A G Bruce, Director of International Marketing.
- 6 The reserve list includes, in possible order of priority:-
- 7 British Oxygen Company: I gather you will be speaking again to Dick Giordano. We may then be better able to judge how good a claim they have.
 - 8 An electronics/telecommunications company: STC, Racal, Ferranti have all applied; Plessey may also be interested.
 - 9 A company from the motor industry: Leyland, Perkins and Lucas have all applied; Lucas also have aerospace interests.
 - 10 Northern Engineering Industries (NEI): have applied, but it is doubtful if they should be included as well as GEC. Sir Duncan MacDonald, Chairman, has written to you offering himself as a participant, and drawing attention to the high priority his company attaches to China. their success in selling mining equipment, and their hope for major contracts in power generation and transmission. NEI's inclusion has been supported by our Embassy in Peking.
 - 11 Humphreys and Glasgow: offshore oil, process plant contractors, active in China.



- 12 Metal Box. APV or Baker-Perkins: food processing and packaging. Sir Ronald McIntosh (APV) has written to you and to the Department. He would probably take part himself, and emphasises that APV are the only British firm providing types of food processing machinery in which the Chinese are interested, but where there is state-aided competition from Sweden and Denmark.
- 13 Glaxo. ICI or Courtaulds: Glaxo are recommended by the Chemical Industries Association.
- 14 A machine tool company: the 600 Group, or Bridgeport Textron.
- 15 A company in the civil engineering/construction sector: Bovis, Costain and Taylor Woodrow have all applied. Wimpey would also have a strong case.
- 16 The National Coal Board or a coal mining or mining equipment company: of the longwall mining equipment companies, Anderson Strathclyde and Dowty have both applied, and Gullick Dobson have an equal claim. Dowty's interests go wider, eg aerospace. The Chairman of the British Longwall Mining Association has been in touch with us to say that he intends to nominate someone to take part in the mission as representing the whole of this sector of the coal equipment industry. That proposal deserves very careful consideration. Costain are also interested in mining.
- 17 BAT: have applied, referring to their extensive tobacco business; interested also in paper through their Wiggins-Teape Company.
- 18 A micro-computer company: Acorn or ACT.
- 19 The Distillers Company: they have been suggested by Jardine-Matheson. There may be worthwhile opportunities for them in China but we doubt if they are of a kind to justify offering them a place.

7 Any of the above companies, except possibly Distillers, would be well suited to go on the mission.

8 Other possibilities include:-

- 20 A banker: The Midland Group, which includes Samuel Montagu, have an office in Peking. But a number of other banks are also interested. You have had a letter from Sir Frank Cooper on behalf of N M Rothschild, and Lloyds Bank International have also approached the Department.



- 21 An insurance company or broker: Sedgwicks (brokers) have an office in Peking and already do with the People's Insurance Company of China significant reinsurance business which they hope to expand.
- 22 The President of the Sino-British Trade Council: Sir Peter Matthews.

9 I understand that Sir Walter Marshall has expressed interest in joining the mission. As this would be at the expense of one of the other companies mentioned, and might over-emphasise power generation, we should think carefully before going firm on this. The CEGB itself is not a manufacturer of generating equipment. Philip Jones, Chairman of the Electricity Council, is to visit China later this month and it is doubtful whether there will be substantial business for Sir Walter to pursue so soon after that visit.

---- 10 For completeness a list is attached of those companies which have applied to go but which the Department does not recommend.

11 Madame Chen Muhua, State Councillor and Minister of Foreign Economic Relations and Trade - who visited Britain in March 1983 - is to be your delegation's official host.

12 As regards the itinerary, the Department's suggestion is that the party travel on the weekly British Airways flight, BA 003, departing 09.30 on Wednesday 27 February, arriving Peking on Thursday 28 February. (Chartering an aircraft would, I think, be unnecessarily expensive.) Our Embassy in Peking are suggesting that three full working days should be spent there, ie Friday and Saturday 1 and 2 March and Monday 4 March, and that the party should, if possible, visit both Shanghai and Canton. This would mean travelling to Shanghai on Tuesday 5 March, spending the remainder of that day and Wednesday 6 March in Shanghai, travelling to Canton either late on Wednesday 6 March or early on Thursday 7 March, and spending Friday 8 March in Canton and travelling to Hong Kong on Saturday 9 March. These look to be sensible recommendations, although the programme would be tight and involve a lot of travelling. If you prefer to visit only one provincial centre, I suggest Shanghai. This would mean travelling from Peking to Shanghai on Tuesday 5 March and from Shanghai to Peking either on Friday 8 March or Saturday 9 March.

13 The Senior British Trade Commissioner in Hong Kong has offered to arrange a one or two day programme there. That would also be worthwhile if you had the time. This would mean spending Monday 11 March and Tuesday 12 March in Hong Kong, returning on the over-night flight leaving Hong Kong on the evening of 12 March.

14 Sir Richard Evans, Ambassador in Peking, is in Britain at the moment and will, I believe, be calling on you. It would also be as well if you could meet the Chinese Ambassador before you go.



15 I shall be contacting you separately about other aspects of the arrangements for this visit, including the Prime Minister's suggestion of a Ministerial dinner for the delegation and her offer of a drink at Number 10.

16 I am copying this letter to the Prime Minister and Geoffrey Howe.

PAUL CHANNON



LIST OF COMPANIES WHO HAVE APPLIED BUT ARE NOT RECOMMENDED AS
HIGH PRIORITIES

- *Lloyds Register of Shipping
 - *FOSECO Minsep
 - *Farrel Bridge Ltd: have obtained £4.5 million orders in 1984 for rubber mixing machinery, hoping for further business.
 - Sedgemoor Hydroponic Systems Ltd
 - Pentland Industries plc (exporters of Chinese footwear)
 - Lister and Co plc: textiles.
 - National Examinations Board for Supervisory Studies.
 - * IPSECO International Power Systems Ltd
 - *M D Ewart
 - *Birtley Engineering: pursuing an important coal preparations plant project in Shanxi Province
 - *The Industrial Council for Educational Equipment and Training Technology Limited ICETT
 - *British Health Care Export Council. Have telexed to say they will nominate a person.
 - *DRI Holdings limited. Data recording instruments.
 - *Stramit International Ltd: have a joint venture in building materials
 - *Pauling PLC: civil engineering contractors (including eg hydroelectric)
 - Structural Development Group
 - Venice Simplon Orient Express
 - Aidcom
 - *Robertson Research International. Consultants in the energy industries, especially offshore oil.
 - *Westland PLC
- *Denotes a company known to have significant business interests in China, but not at a level to justify inclusion on Lord Young's mission. Others are companies about which DTI has little information but considers probably unsuitable.

15 JAN 1965

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MR POWELL

16 January 1985

LORD YOUNG'S MISSION TO CHINA

I think we are limited to 10 companies because of the Chinese inability to cope with more than 10 captains of industry at one time. This is the Embassy view and it accords with my own experience. There is, of course, a very long list of interested firms, but we shall simply have to indicate to the Chinese that the 10 we are taking are only a small sample and many others will wish to follow in their own time.

I doubt whether we need to intervene from here. The six new names seem reasonable and we should be able to leave it to DTI, Lord Young and the Embassy to play the hand. If it had been proposed to send Northern Engineering Industries as well as GEC we should probably have had to speak. I have been through the experience before of entertaining GEC one week and NEI the next, both competing for the same contract. The result, confusion and failure. Within each sector we should try to sort out such rivalries at home rather than exposing them to the Chinese. Equally the inclusion of Walter Marshall, given his views on the Guangdong Nuclear Project, would do little good. But these dangers do not seem immediate.

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PERCY CRADOCK