

PRIME MINISTER

AID TRADE PROVISION FOR CHINA

When Lord Young got back from his mission to China he suggested that we should make more use of the aid budget to promote our trade. You asked that the possibility of extending the Aid Trade Provision to China be examined.

The Foreign Secretary recommends that we should extend ATP to China, but he can see no way to increase the total provision for ATP. The Chancellor agrees. But the Trade and Industry Secretary says that it would be a meaningless gesture unless the proportion of the aid programme devoted to ATP were increased. He intends to raise the matter shortly in EX.

I do not think that you can reach any conclusion in advance of an EX meeting. But one idea which you might put forward there is that any money saved from the aid programme for India if the Westland deal falls through should be used to increase the ATP provision, with China and Indonesia particularly in mind.

Lord Young has suggested that you should meet a group of the businessmen who were on his mission to discuss this. This would in fact be very difficult in diary terms in the foreseeable future; and anyway there would not be a great deal for you to say in advance of the EX discussion.

Agree that I should reply that you await the EX discussion proposed by the Trade and Industry Secretary and want to defer a meeting with representatives of industry until after that?

C.D.P. *Yes mt*

(C. D. POWELL)
29 April 1985



10 DOWNING STREET

From the Private Secretary

30 April 1985

Dear Peter,

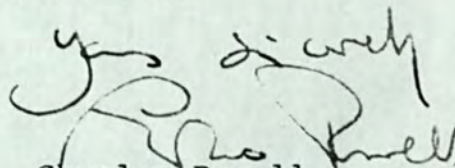
Aid Trade Provision for China

The Prime Minister has considered the reactions to her suggestion that we should extend the aid trade provision to China contained in your letter of 19 April, Maureen Dodsworth's letter of 26 April and Rachel Lomax's letter of 29 April. She has also noted Lord Young's suggestion that the matter should be discussed with representatives of the companies who formed the trade mission which he led to China.

The Prime Minister notes that the Trade and Industry Secretary intends to raise the matter shortly in EX and agrees that there should be a full discussion there. One aspect which might then be considered is whether any underspending on the aid programme for India which might arise were the Westland's deal to fall through could be devoted in part to increasing the aid trade provision for markets such as China and Indonesia.

The Prime Minister would find it difficult to meet with the group of businessmen as suggested by Lord Young in the next few weeks and anyway would prefer to postpone this until after there has been a discussion in EX.

I am copying this letter to Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry), Leigh Lewis (Minister without Portfolio's Office) and Michael McCulloch (Overseas Development Administration).

Yours sincerely

 Charles Powell

Peter Ricketts Esq
 Foreign and Commonwealth Office.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 April 1985

C D Powell Esq
10 Downing Street
LONDON
SW1

Dear Charles,

AID TRADE PROVISION FOR CHINA

The Chancellor has seen your letter of 18 March about Lord Young's recent trade mission to China and Peter Ricketts' response of 19 April. *with CD*

Given the public expenditure constraints and the action we are taking internationally to limit mixed credits, the Chancellor is clear that there can be no increase in the total amount of ATP. Moreover he would be reluctant for the UK to appear to be the first to depart from the understanding which he has been advised was reached at the 1980 Venice Summit that mixed credits should not be extended to China.

However, he would not object to limited use being made of mixed credits in China in response to actions by our competitors if funds can be found from within the existing ATP provision, ie at the expense of other uses of ATP.

I am copying this letter to John Mogg (DTI), Peter Ricketts (FCO), Leigh Lewis (Lord Young's Office) and Michael McCulloch (ODA).

Yours ever

Rachel

MRS R LOMAX
Principal Private Secretary

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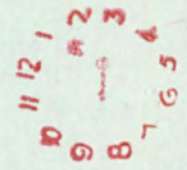
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PS/*Secretary of State for Trade and Industry*

26 April 1985

C D Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Charles

AID TRADE PROVISION FOR CHINA

*with
CBP*

My Secretary of State has seen a copy of Peter Ricketts' letter to you of 19 April about the possibility of making ATP funds available to China.

2 Mr Tebbit has noted Sir Geoffrey Howe's view that there is a good case for making ATP funds available to China. But without an increase in these funds above their present level (£66m in 1985/86), China could be included only at the cost of support of projects in other markets; and only to a degree which is unlikely to have much impact in relation both to the potential of the China market, and to the readiness of our competitors to offer soft loans.

3 China is not the only market where our exporters are constrained in this way: Indonesia is another with perhaps even greater potential.

4 My Secretary of State intends shortly to raise these matters with his colleagues in EX.

Yours sincerely

Maureen Dodsworth

MAUREEN DODSWORTH
Private Secretary

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29 APR 1985

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