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Note of a conversation at the farewell call of Mr. Zhao Ziyang on the Prime Minister at Diaoyutai Guest House, Peking, at 8 a.m. on Saturday, 25 September, 1982

SUBJECT

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After an exchange of courtesies, in which Mr. Zhao Ziyang said that the Prime Minister's visit had been a great success and that the British and Chinese Governments appeared to have similar views on a broad range of international issues, Mr. Zhao Ziyang said that there were broad prospects for Sino-British cooperation in the economic, technological and trade fields. The economic situation in China was improving daily. They were starting major projects gradually and in a planned way, concentrating on the fields of energy, transportation and the exploitation of natural resources; and this would provide increasing scope for cooperation with Britain, the European Community, the United States and Japan. It was unlikely that the Chinese economy would be greatly affected by the world recession. So long as the Chinese Government pursued their present policies, the increase in major projects undertaken was likely to continue in the remaining 20 years to the end of the century. But as China was still an underdeveloped and relatively poor country, the main difficulty in developing economic relations was that they could not afford high rate loans or expensive equipment. The Chinese Government wished to develop economic relations with the European Community, including Britain, and not solely with Japan and the United States. He hoped that the United Kingdom would try to help to surmount the obstacle which high rate loans and high prices put in the way of expanded Sino-British relations. He was not asking for an immediate answer, but he wanted to draw the Prime Minister's attention to the obstacle.

The Prime Minister commented that she had already seen great changes in China since her last visit, and these were no doubt due to the prudent policies recently pursued by the Chinese Government. She felt confident that China would grow steadily

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as these policies were pursued over the next 20 years. She could see that they would provide opportunities for cooperation to the mutual advantage of the two countries, and hoped that these opportunities would be taken up. She took note that the Chinese would drive a hard bargain in any trade negotiations. She commented that it was worth having in mind that the best products were often worth a higher price, and that cheaper goods were not always the best. Goods that were more expensive at first tended to last longer and be a better buy in the long run. She felt that some international negotiations tended to ignore this.

The Prime Minister and Mr. Zhao Ziyang concluded with mutual expressions of thanks for the gifts which had been exchanged between the two sides.

F.R.B.

27 September, 1982.

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