

PREM 19/1426

32/12

PART 2

M.T

SECRET

CONFIDENTIAL FILING

Unit to UK of Premier of CHINA

CHINA

Mr ZHAO ZIYANG

PART 1 MAY 1979

PART 2 JULY 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
20-7-82		Series closed		see		Relations	
21.10.82							
6.6.85							
8.6.85							
13.6.85							
18.6.85							
21/6/85							
PREM 19/14/26							
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Folder attached contains briefing for
visit in June 1985.

Incorporated in file.

Subject cc master
epi

EL3AJY



cc FO

10 DOWNING STREET

THE PRIME MINISTER

21 June 1985

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T118/85

My dear Premier,

Thank you for your letter of 8 June.

I was most pleased that your visit to Britain was such a success. I agree that our talks, and the five full days you were able to spend in Britain, have laid the foundation for the continued rapid development of relations between our two countries.

On a personal level, I very much welcomed the opportunity to renew our friendship, and to repay at least in part the magnificent hospitality which you have shown me in Peking.

With best wishes.

Yours sincerely
Margaret Thatcher

His Excellency Mr. Zhao Ziyang

SPW

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CC PE



Foreign and Commonwealth Office

London SW1A 2AH

18 June 1985

Dear Charles,

Visit by Premier Zhao Ziyang

I enclose a letter of thanks to the Prime Minister from the Chinese Premier following his recent visit. This contains no message of political substance, but it would be in accordance with Chinese courtesy, and certainly much appreciated in Peking, if the Prime Minister were to send a reply pitched on a similar level. I enclose a draft.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

RESTRICTED

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Excellency
Mr Zhao Ziyang

Copies to:

EL3AJV

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 8 June.

CAVEAT.....

I was ^{*most pleased*} delighted that your visit to Britain was such a success. I agree that our talks, and the five full days you were able to spend in Britain, have laid the foundation for the continued rapid development of relations between our two countries.

On a personal level, I very much welcomed the opportunity to renew our friendship, and to repay at least in part the magnificent hospitality which you have shown me in Peking.

With best wishes.

COO

Enclosures—flag(s).....



File

DSC

CC FCO

10 DOWNING STREET

THE PRIME MINISTER

13 June 1985

Dear Mr. Cheng.

Thank you so much for all your hard work during the visit last week by Premier Zhao Ziyang. As always I was most impressed by the clarity and speed of your interpretation and I am sure that the success of the visit owes a great deal to your ability in establishing easy communication between the Premier's party and their various British hosts.

Yours sincerely
Margaret Thatcher

Mr. Y. P. Cheng

SM

View of University
Premier

06

OP



Foreign and Commonwealth Office

London SW1A 2AH

12 June 1985

Dear Charles,

Visit by Premier Zhao: Interpreter

I wonder whether you would be prepared to write along the lines of the enclosed draft to Mr Y P Cheng, the interpreter provided by the Hong Kong Government for Premier Zhao's visit. Y P accompanied the Premier for almost the entire programme. I understand that he did an excellent job.

He will be staying at the address given until 19 June, when he returns to Hong Kong.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:

C. D. Powell

Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:

Y P Cheng Esq
97 Pendle Road
LONDON SW16

OSG OK

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

So much

~~The Prime Minister has asked me to~~ Thank you for
all your hard work during the visit last week by
Premier Zhao Ziyang. As ~~on previous occasions,~~ *always* she was
most impressed by the clarity and speed of your
interpretation ~~at her own meetings with the Premier.~~
and I am sure that More generally, the success of the visit owes a great
deal to your ability in establishing easy communication
between the Premier's party and their various British
hosts.

CPJ

Blind copy to Peter Roberts, FCO

Enclosures—flag(s).....

UICWA
~~Retreats~~
Premier
Visits PE-2

CONFIDENTIAL



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

Charles Powell Esq
Private Secretary
10 Downing Street
LONDON SW1

CCP
②
Prime Minister
You may like
to glance at the
passages which I
have underlined

10 June 1985

CCP
10/6.

CCP.

Dear Charles

PREMIER ZHAO'S VISIT TO CAMBRIDGE - 7 JUNE

Lord Young has prepared the attached notes of his conversations with Premier Zhao and Vice Premier Tian during the journeys to and from Cambridge last Friday. He would be grateful if these could be drawn to the Prime Minister's attention.

I am copying this letter and Lord Young's notes also to Len Appleyard (Sir Geoffrey Howe's Office), John Mogg (Mr Tebbit's Office) and Matthew Cocks (Mr Channon's Office).

Yours ever

Leigh

Leigh Lewis
Private Secretary

CONFIDENTIAL

Note of Discussions with Premier Zhao**1. Finance.**

Premier Zhao stated that he did appreciate that our Prime Minister had moved her position with regard to soft loans. They understood that we had difficulties with the concept and had decided in the circumstance not to raise the matter themselves. Therefore they were delighted that the Prime Minister had raised it and as a result discussions could now proceed. They had a list of projects that would now be handed over.

I said that it was a considerable departure from our existing practise and as the Prime Minister had said at the meeting she would be chairing a committee that would examine each and every soft loan if they were to be made. In these circumstances they could only apply to new projects and would not apply to Guangdong or any other project now under discussion.

He then mentioned a number of projects where there were UK interests. He mentioned Guangdong, Heinan Island and Tien (coal) and a Ferranti electronics negotiation. I asked about power generation. He said that he thought that there may be some projects in the list, but if we were not satisfied with the list we should ask for more. He expressed concern about the ability of GEC to carry out their part of the contract at Guangdong. I

replied that they were a very experienced company, and although this might be the largest turbine that they had ever built they had a very successful record as a power station contractor. He is undoubtedly worried about their ability to complete the contract. (see later discussions with Tian).

He asked me to give an indication as to how much the loans would be. I said that it would depend on the scale of the projects. I went on to say that they could well operate as mixed loans - that there could be part cash, part ECGD (which I had great difficulty in explaining) and part soft loans. He understood and accepted this. He then told me to speak to Vice Premier Tian who would go into the details.

2. Defence Sales.

I told the Premier that within the restraints of international obligations we would wish to supply a wide range of Defence equipment. I reminded him that the Prime Minister had told him how we were persuading our partners to relax the restrictions of COCOM. He knew of the visit of Zhang (the head of the Air Force) and hoped that much would come out of it.

During the drive he did comment on the behavior of the Russians. He said that he did not know why they had to keep so many troops on their long border with China. He agreed that they were a naturally aggressive people (he cited Afghanistan and Kampuchea) but did express concern about SDI. He thought that expensive as it was the Russians would be forced to compete. This could

put them under very great strains, and he was worried about the destabilising effects if one side should have it before the other.

3. Education.

At one point the Premier told me that they were reforming their educational system. I told him a little of the changes that we were making and in particular of Open University and Open Tech and the distance learning techniques that we were developing. I suggested to him that this may be of value to China as one of the problems would be the upgrading of teachers and it was quicker, if not cheaper, to use videotapes or television for spreading new courses throughout China. He expressed very great interest in this and asked me to come over to Beijing to meet with the educational authorities. I replied that it would be better if they were interested to send the specialists over here and I would be happy to make the necessary arrangements.

He was very interested in the prospects of more young Chinese students coming over here. He expressed himself surprised at the number of Chinese students he met during his time in Cambridge. After he presented over three thousand books to the Oriental Studies Faculty he asked me to make sure that the books were not duplicated, for if so he would arrange for them to be changed.

During the journey I mentioned to him that we were lunching at Trinity which was one of over thirty colleges at Cambridge.

Nevertheless they had won 26 Nobel prizes whilst the whole of Japan had only won two. This impressed him immensely for he repeated the statement over lunch and reminded me of it again at Covent Garden that evening.

4. Economy.

I asked him how he saw the economy developing. He told me that it was growing too fast. He said that growth for the last quarter last year was 18% and that had increased to 23% for the first quarter this year. As a result they were having to take some steps to slow growth down, but there would be no going back to the old ways. He said that Russia under Lenin had made remarkable growth but that had all gone when Stalin took over. They had adopted the Russian system and it did not work. They still had much to do but they were determined to catch up the developed nations. He said that they thought that they would do this by the middle of the next century, although by then the developed nations would have made further advances. That was why Deng had assured Hong Kong that their system would be good for fifty years. By that time there would be little difference.

I took the opportunity to make a few points about our rate of growth compared to both Europe and the US. He said that they were conscious that the UK had made many changes.

Vice Premier Tian Jiyun.

On the return journey I accompanied Vice Premier Tian. I found

him a pleasant companion who became more expansive as soon as the Premier departed.

5. Finance.

I went over the same ground with the Vice Premier, only in more detail. He appreciated that the soft loans would only form part of the cost, that there could well be cash elements as well as ECGD finance, but nothing was yet fixed. He pressed me to give him an indication of the amount of soft loans. I said that the amount depended on the projects we received. After some sparring we agreed that we would receive a list and that any discussions on the soft credit would be carried on as part of the general negotiations.

He clearly understood that soft credits would not apply to any existing discussions, including Guangdong. Whilst on that subject he told me that they were concerned about the ability of GEC to build as they had not done it before. I told him about the abilities of GEC and he seemed impressed by his visit to Coventry the day before (he was also impressed by the technical abilities of BL). He said that this was the largest project awarded in China since the start of the open door policy. He was concerned with the guarantee period. He inferred that the Government should stand behind the company. I told him that we did not operate in that way, but that we had the greatest confidence in the abilities of GEC.

We went through the individual projects. He told me that as a

result of the position taken by the Prime Minister, which had pleased them all, the way was now open to greatly increase the trade between our two nations. Mr Gan had a list, which was only a rough list and we could add to it at any time. He was concerned about power stations and transmission lines and knew that we had the technical competence to help.

He wanted us to start on it immediately and I should come out to Peking in a week or two. I told him that we did not operate in that way and that it would be up to individual companies to negotiate on particular projects. As far as the government was concerned we could communicate through Ambassadors and if it became necessary I or one of my colleagues could come over later on, either this year or next.

Later on that evening at Covent Garden he repeated his invitation. He had discussed our conversation with the Premier and they were satisfied. I said that we could start through diplomatic channels and we would see how matters progressed.

Earlier on I had raised the issue of future joint ventures and said that the prospects for future technology transfer would be helped by CITIC (China International Trade and Investment Corporation) choosing London for its proposed European office. [I am informed that at the present time they are contemplating Paris.] He said that on his return he would speak to the people concerned. He then asked if it would prove difficult to obtain office accomodation in London. I assured him that that would not

be a problem but we could help should that prove necessary.

6. Economy.

I asked him how the economy was progressing. He said that it was expanding too fast and that they were having to hold it back from the centre. I asked if this meant that they would have to abandon, if only for the time being, their policy of regionalisation. He said no, but they would have to centralise the handling of foreign currency. If that was not done they would not have enough left to pay for the capital projects we would be discussing.

He said that there had been a vast increase in the importing of Japanese Cars and domestic appliances. This would have to stop. They would have to give priority to heavy capital goods, at least for foreign currency. The shortage of power was critical and there was a great need for both thermal power stations and transmission lines. I said that as well as new stations they should have management agreements with our companies. It was one thing to build them and another to run them efficiently. He was very keen on this concept.

We discussed many matters in the car and in almost every particular he expressed the same views as the Premier. He was concerned about the belligerent nature of the Russians, the potential cost and danger of SDI and the desire to have closer relations with Europe and the UK in particular. There was no sense of hostility to us or our economic system.

Later that evening we spent the entire interval at Covent Garden discussing (somewhat unusually for me) the contradictions inherent in Marxist-Leninist economic theory. He told me that he had spent five years of his life studying Marx. He was convinced that it was correct at the time but now he thought that it was only correct for the time it was written. He said that capitalism had corrected its errors. He was convinced that Marxism today would not work and they greatly regretted adopting the Russian model in the early fifties. Although they had made great advances in the rural areas they had some way to go in the cities. The market was the only efficient mechanism to order the economy was his conclusion. He did not think that there was any going back to the old ways. Their ambition was to catch up the developed countries by the middle of the next century.

He thought that Gorbachov would like to make changes but that he would not be able to get them through. In fact he doubted if he would even be able to try.

Conclusion.

There can be little doubt that they regard the visit as a great success. They were delighted by their reception by the Prime Minister and the general spirit of friendship and by the fuss made of them by all concerned. The effect of the Hong Kong agreement has not yet disappeared. We are now probably in an even better position to obtain commercial business. But it will depend upon our performance.

Subject a master
epi

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T108C/85

(Translation)

The Right Honourable Prime Minister Thatcher,

On leaving your country, I wish to express once again my heartfelt gratitude to you and your Government for the warm reception and gracious hospitality accorded to my colleagues and me.

Thanks to the joint efforts of our two sides, my visit to your country has been crowned with success as expected. Our talks are useful and fruitful. I am convinced that the talks we have held will exert positive influence on the further development of our bilateral relations in the years to come.

Please accept my best wishes and highest respect.

Zhao Ziyang

Premier of the State Council of
the People's Republic of China

8 June 1985

赵紫阳总理致撒切尔首相的感谢电

尊敬的撒切尔首相阁下：

在即将离开贵国的时候，我再次衷心感谢首相阁下和贵国政府对我和我的同事的热烈欢迎与盛情款待。

在双方的共同努力下，我对贵国的访问取得了预期的成功。我们之间的会晤是有益而富有成果的。我深信，这次会晤必将对今后两国关系的进一步发展产生积极的影响。

请接受我最良好的祝愿和最崇高的敬意。

中华人民共和国国务院总理

赵 紫 阳

一九八五年六月八日

SUBJECT
cc Master.

bc Pc



10 DOWNING STREET

From the Private Secretary

8 June 1985

Dear Kate,

PRIME MINISTER'S MEETING WITH PREMIER ZHAO ZIYANG ON 8 JUNE

The Prime Minister paid a farewell call on Zhao Ziyang at Claridges this morning. The Chinese delegation was present in force.

The Prime Minister presented Zhao Ziyang with two signed photographs of him inspecting the guard of honour and with four ties which she had chosen herself from Turnbull & Asser. Zhao Ziyang seemed gratified and said that the other members of his delegation would be very envious.

The Prime Minister said that she would follow up the various points which she and Zhao Ziyang had discussed during their formal talks, particularly those relating to trade matters. It was important that the increasing friendship and co-operation between Britain and China should be reflected in an increase in trade. Zhao Ziyang said that he believed that his visit had furthered co-operation in all fields between China and Britain. He had held further useful discussions on trade issues with Lord Young on 7 June. There should now be contacts on specific items of business so that the desire for co-operation could be translated into specific projects.

Zhao Ziyang said that Lord Young had asked to see the Commander of the Chinese Air Force when he visited the United Kingdom. He would ensure that the Commander was appropriately briefed.

The Prime Minister said that she was pleased that both sides had been able to confirm publicly their determination to implement in full the Joint Declaration on Hong Kong. She had been particularly grateful for what Zhao Ziyang had told her about the drafting of the Basic Law. Zhao Ziyang said that the Standing Committee of the National People's

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Congress would be meeting today and the composition of the drafting committee would be made public within a very few days.

The Prime Minister said that she and Zhao Ziyang should keep in touch about developments in the Soviet Union. She believed that these developments had entered an interesting phase. She would find it helpful to be kept abreast of the Chinese interpretation of them. Zhao Ziyang agreed that this would be desirable.

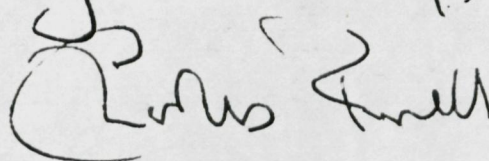
The Prime Minister said that she hoped to attend the 40th Anniversary celebration of the United Nations and hoped to see Zhao Ziyang there. Zhao Ziyang asked whether the Prime Minister had reached a decision on which dates she would be in New York. The Prime Minister said that it would probably be 23 and 24 October. She would let Zhao Ziyang know if this changed. Zhao Ziyang said that he would probably be present and he and the Prime Minister must meet again then.

Zhao Ziyang said that there was one more issue he wished to mention, although he was not quite sure that it was appropriate to do so during a final call. He wanted to seek the Prime Minister's views on whether he should raise, during his visits to the FRG and the Netherlands, the question of possible Chinese association with URENCO. He knew that this was a very sensitive subject. China very much hoped for co-operation here. But on no account did he wish to put the Prime Minister in a difficult position and if she would prefer him not to raise it, he would not do so. The Prime Minister said that it was indeed a difficult and sensitive issue. But she thought that Zhao Ziyang ought to raise it in both countries. Thereafter the three Governments would discuss it among themselves. Zhao Ziyang said that he was glad to hear what the Prime Minister had to say. He repeated that he was well aware that it was a highly sensitive question. But since the Prime Minister had authorised him, he would raise it during his further visits. He wanted to say that, in the light of the Prime Minister's helpful response, the Chinese side would be prepared to reach an understanding on the verification procedures and safeguards which would be required if co-operation in this area proved feasible. The Prime Minister thanked Zhao Ziyang for the delicate way in which he had handled this matter.

Zhao Ziyang said that he had enjoyed his visit enormously and was grateful to the Prime Minister for having devoted so much of her time to him. He was particularly grateful for her courtesy in paying a farewell call. The Prime Minister congratulated Zhao Ziyang on having carried out a highly successful visit. She hoped that he would

convey her best wishes to Deng Xiaoping and tell Mr. Hu Yaobang that we were looking forward to a visit by him.

I am copying this letter to Geoff Dart (Department of Energy), John Mogg (Department of Trade and Industry), Richard Broadbent (Chief Secretary's Office), and Leigh Lewis (Office of the Minister Without Portfolio).

Yours sincerely,


(C.D. Powell)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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NA away.

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Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State
Richard Luce MP

7 June 1985

edd
12/6.

Dear Tony,

will request
if req.

Thank you for your letter of 16 May to the Prime Minister about the Council of Chinese Organisations' wish that Manchester be included in the Premier's itinerary. As Minister with responsibility for the Far East, I am replying.

I am fully aware, and appreciative of the considerable contribution which Manchester and its Chinese community have made, and are continuing to make to the growth in contacts between Britain and China.

However, as you will appreciate, there have been many justifiable claims for the Premier's attention during his visit. The number far exceeds the time available. In planning the programme these claims have been considered in conjunction with the wishes expressed by the Premier and the Chinese authorities. I regret that it was not possible to include Manchester on this occasion. Inevitably much of the Premier's time has been spent in London. There was a short visit to Scotland and today he will visit Cambridge. It was simply impossible to incorporate another regional visit.

I will certainly bear in mind Manchester's claims for inclusion in future high-level visits from China. In view of our present excellent bilateral relations I am confident that there will be many such visits in the years ahead.

I mentioned Manchester's interest to the Chinese Foreign Minister.

W
✓
Ruth

Tony Lloyd Esq MP
House of Commons
London SW1A 0AA



File

SUBJECT
cc MASTER

M.F.J.



10 DOWNING STREET

6 June 1985

From the Private Secretary

Dear John,

PRIME MINISTER'S MEETING WITH PREMIER ZHAO ZIYANG

I enclose a record of the Prime Minister's discussions with Premier Zhao Ziyang this afternoon on trade and economic issues. As you will see it was agreed that details would be followed up between the two delegations.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office), Leigh Lewis (Minister Without Portfolio's Office), Rachel Lomax (HM Treasury) and Richard Broadbent (Chief Secretary's Office).

Yours sincerely,

Charles Powell

John Mogg Esq
Department of Trade and Industry

DMG

FILE

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE PREMIER
OF THE STATE COUNCIL OF THE PEOPLE'S REPUBLIC OF CHINA ON
6 JUNE AT 1630

Present:

Prime Minister	Premier Zhao Ziyang
Secretary of State for Trade and Industry	Vice-Premier Tian Jiyun
Minister Without Portfolio	Minister for Foreign Affairs Wu Xueqian
Mr Richard Luce	Mr Zhou Nan
Sir Percy Cradock	Mr Gan Ziyu
HM Ambassador Peking	Mr Lin Zongtang
Dr David Wilson	Mr Jia Shi
Mr Charles Powell	Mr Bao Tong
Mr Iain Murray	Mr Hu Dingyi
	Mr Mei Zhaorong
	Mr Tang Longbin

Sino-British Trade

The Prime Minister complimented Zhao Ziyang on his speech to the Royal Institute for International Affairs which had been well received. She also thanked him for the excellent arrangements made for the visit of Lord Young's high level trade mission to China. We wanted to build on the results of that visit. We were grateful for the Chinese decision to purchase the BAe 146 and Short's SD360 aircraft.

The Prime Minister continued that she knew how important it was for future trade that the United Kingdom was able to offer China favourable terms. We were therefore examining in what ways we could do this in a committee under her own chairmanship. As part of this examination, we were considering the principle of soft loans in appropriate cases.

Zhao Ziyang thanked the Prime Minister for the thoughtful arrangements made for his visit. He and his delegation had greatly enjoyed it and had made a wide circle of contacts particularly in the trade and economic field. They had flown to Edinburgh in a BAe 146 and he could confirm that it was indeed a very good aircraft.

Zhao Ziyang continued that he was pleased to hear that the British Government was considering the possibility of soft loans. This would be conducive to enlarging trade, especially in the case of large projects. He understood that negotiations with the United Kingdom were under way for an Investment Promotion and Protection Agreement. Although there were some difficulties he hoped that an agreement could be concluded at an early date. More generally, he hoped Sino-British bilateral trade would gain an increasing share in the total volume of China's trade. But we should recognise that competition was fierce particularly on prices. Readiness to transfer technology was also an important factor. It would help China to purchase more from the United Kingdom if we could offer improved access for Chinese products to the United Kingdom market.

At the Prime Minister's invitation, Lord Young listed a number of areas and projects of particular interest to firms. These included power generation and transmission, the Ningbo Steel Complex on which Davy-McKee had started discussions, and telecommunications. The Prime Minister said that British firms' interest also extended to food technology, railway development, coal production in particular the Tangshan mine, and the Pilkington/Yaohua General Glass Joint Venture. Lord Young added that many British companies were anxious to

go into joint ventures and were ready to transfer modern technology. We understood that the China International Trade and Investment Corporation intended to open an office in Europe and hoped that they would choose London.

Tian Jiyun said that China's future priority areas were energy, transport and communications. They were also keen to improve living standards including diet and wanted to co-operate in the area of food processing. He saw scope for Britain to play a big role in China's economic development in all these areas provided British companies met the three conditions of readiness to transfer high technology, good quality and reasonable prices. Where these conditions were met, China would give preference to Britain.

The Prime Minister said that she noted that, apart from an exceptional item of silver, the balance of Sino-British trade in the last three years had been in China's favour. The Trade and Industry Secretary asked what products the Chinese were particularly interested in selling in the United Kingdom? Zhao Ziyang promised to provide a list.

The Prime Minister said that we understood the need to be competitive. She hoped that China would also take account of a wider consideration. Increased trade would show the rest of the world how well Britain and China were co-operating and reinforce the confidence created by the Hong Kong Agreement.

Zhao Ziyang agreed with the Prime Minister that trade between Britain and China should not be considered solely in an economic context. One should also take into account the political context. If China considered economic factors alone it would do business only with Japan. The Prime Minister said that Britain could equally do business just with Japan. But any country which did this was likely to rue it. Moreover the Japanese kept their markets closed to the trade of other countries. She had recently had some stimulating discussions with Mr Nakasone on the subject. (This produced great mirth on the Chinese side.)

The Prime Minister said that Britain was also anxious to co-operate in the field of defence equipment, for instance submarines and torpedoes. She would take a personal interest in all major contracts being pursued in China. The Prime Minister proposed, and Zhao Ziyang agreed, that more detailed discussions of specific projects should be pursued between members of their respective delegations.

Guangdong Nuclear Power Station

The Prime Minister asked whether the Chinese side were yet ready to make an announcement on the Guangdong Nuclear Power Station. Zhao Ziyang said that discussion of the technical and commercial aspects of that project were virtually complete but negotiation on prices continued. There was also still the important question of the quality of the generators. It would be the first time that GEC had produced generators of this size and the Chinese side were not fully confident they would be of the necessary quality. The Prime Minister said that a fresh impetus should be given to the negotiations in the hoped that outstanding matters could be settled rapidly.

COCOM

The Prime Minister recalled that within COCOM, Britain had been in the forefront in trying to get a differential in favour of China. Zhao Ziyang thanked the Prime Minister for the British Government's efforts in COCOM. He hoped that Britain would continue to exert its influence in favour of further liberalisation leading to eventual abolition of COCOM restrictions for China.

Cultural Co-operation

Zhao Ziyang said that, in order to enhance cultural exchanges between Britain and China, the Chinese Government

had decided to extend an invitation to twenty British students of the Chinese language to visit China next year. It would be up to the British side to nominate candidates. The Prime Minister expressed thanks for this generous invitation.

The meeting ended at 1730.

EDP.

6 June 1985

RESTRICTED

CEK



Foreign and Commonwealth Office

London SW1A 2AH

6 June 1985

Seen by PM
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Dear Charles,

Premier Zhao's Visit

In advance of the Prime Minister's second round of talks with Premier Zhao this afternoon you might wish to see the enclosed speech which Zhao gave on Chinese foreign policy this morning at Chatham House. It was extremely well received by a capacity audience. He made several helpful remarks about Hong Kong. We have underlined these in the attached copy of the text. He also dealt well with questions. Asked at the end by Lord Maclehoose, former Governor of Hong Kong, of the dangers of another Cultural Revolution, he said that the experience which China had undergone at that time was in some ways similar to the scourge of the Second World War. The wish for peace and stability in China was like the wish for peace of the peoples of Europe. This response went down well.

Premier Zhao clearly enjoyed his visit to Scotland. He was impressed by the two factories he visited:

Anderson Strathclyde in Motherwell (China is their biggest overseas customer, for mining equipment). The Premier was particularly pleased at the technology transfer agreement under which China will be producing and putting into operation in the next month one of their latest machines (for the record a double-ended ranging drum shearer).

Ferranti Infographics at Livingstone similarly arranged a Chinese-language video and an excellent tour. The Head of the Premier's office has told us that the word processor which the Prime Minister presented in December is in regular use in the offices of the State Council.

There were separate visits yesterday by Vice Premier Tian to the Midlands where he toured Austin Rover at Longbridge and GEC Telecommunications in Coventry. Both went well.

Premier Zhao is noticeably relaxing as the visit progresses

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and his party seem to appreciate the warmth of the reception he has been given by HMG and British industry.

I am copying this letter to John Mogg (DTI), Leigh Lewis (Lord Young's office), and John Graham (Scottish Office).

Yours ever,

P F Ricketts

(P F Ricketts)
Private Secretary

RESTRICTED

(Translation)

FOR A LASTING PEACE, INCREASED FRIENDLY
COOPERATION AND CO-PROSPERITY

Speech by Premier Zhao Ziyang at the
Royal Institute of International Affairs

June 1985

Mr. Chairman,
Ladies and Gentlemen,

I am most pleased to have this opportunity of meeting you here today. I sincerely thank you, Lord Richardson, and everyone present here for your warm welcome.

My current visit to Britain at the kind invitation of Prime Minister Margaret Thatcher coincides with an important juncture in the development of Sino-British relations. Not long ago, the Sino-British Joint Declaration on the Question of Hong Kong entered into force upon the exchange of instruments of ratification between the two Governments. With the satisfactory settlement of the question of Hong Kong, a source of possible friction was removed, and the prospect of Sino-British relations became brighter than ever. Through my visit and efforts of both sides, I hope the friendly relations and cooperation between our two countries will be greatly advanced.

The Royal Institute of International Affairs is a specialized institution of international studies, which

has a long history and enjoys prestige in the world. You are either experts on international affairs and relations, or prominent figures from other circles. In order to increase our mutual understanding, I would like to take this opportunity to outline to you China's view on the current international situation and her foreign policy.

The world in which we live is fraught with complicated contradictions and international problems. But in our view, there are mainly two global and strategic issues: the East-West issue, or the issue of peace, and the North-South issue, or the issue of development.

The East-West issue arose from the establishment of the two major military-political blocs after World War II. The two blocs are in direct confrontation in Europe, but their existence affects areas beyond Europe. The key to the East-West relations is the relations between the Soviet Union and the United States. Relying on their economic and military strength far exceeding that of other countries, the two superpowers are engaged in fierce rivalry in all spheres, causing sustained turbulence in the international situation. The all-round arms race between them is ever escalating, from conventional to nuclear weapons, from land and sea to outer space. This has posed a serious threat to world peace and the security of all nations. In our world today, the United States and the Soviet Union are the only two countries that are capable of fighting a new world war. In this sense, the global issue of peace or war is closely linked with the East-West relations.

Having suffered enough from the scourge of war, the people of all countries crave for peace. They don't

want war. They are against fighting a war. On this major issue involving the future of mankind, more and more countries, big countries as well as small and medium-sized, non-aligned as well as aligned countries, are determined to take their destiny into their own hands. They are actively taking all kinds of action in an effort to maintain world peace. These countries and peoples eagerly hope that the East-West relations may be eased, and they strongly demand that the superpowers stop their arms race and carry out genuine disarmament. It can be said that although the danger of war still exists, the forces deterring war and safeguarding peace are also growing steadily. This is an important trend in the world situation today.

The essence of the North-South issue is the widening of economic gap between developing and developed countries. This is attributable to various reasons, an important one being the existence of the outdated international economic order which is unjust and inequitable. The world today has increasingly become a closely linked whole. It is impossible to expect continued economic growth of the developed countries on the basis of the continued poverty of the developing countries. Without the economic growth of those areas inhabited by three quarters of the world's population, the developed countries will face difficulties in getting resources, markets and outlets of capital, and hence damage to their own economic interests. The logic is obvious. The relations between the developed and developing countries should be equal, mutually beneficial and complementary. The developed countries need cooperation of the developing countries as badly as the latter need the cooperation of the former. It should be said that the North-South relationship is both an economic and political issue. The sharpening of

the North-South contradictions will not only impede the healthy development of the world economy, but also brew turbulence and confrontational elements. Quite a few developed countries in Western Europe and elsewhere can now appreciate the role of the third world from the all-over perspective of world politics and economy and value its cooperation. This is a welcome trend in international relations.

Maintenance of world peace and economic development are interrelated and interactive. A peaceful international environment is essential for the development of any country, while expanded international economic cooperation and the economic prosperity and development of most countries increase the forces maintaining world peace and stability. A lasting peace, increased friendly cooperation and co-prosperity have a vital bearing on the interests of the people of all countries, and they are becoming the goal of a world-wide effort today.

Being a developing socialist country, China is faced with the arduous task of lifting herself from poverty and backwardness and catching up with the developed countries economically. The Chinese people are determined to modernize their industry, agriculture, national defence, and science and technology through several decades' unremitting efforts so as to make their country affluent. To this end, we need an international environment of lasting peace and the friendship and cooperation of all nations. Proceeding from the fundamental interests of the people of China and the whole world and taking stock of the present international situation, the Chinese Government steadfastly pursues an independent foreign policy of peace.

China will maintain her independence at all times and in all circumstances. China will never attach herself to any big power or group of powers, nor will she yield to any foreign pressure. In international affairs, we decide on our attitudes according to the merits of each case. The basic criterion by which we judge the right or wrong of a case is whether it is in the interest of peace, international friendship and world economic prosperity. We definitely will not enter into alliance or strategic relationship with any big power, that is, not align ourselves with one against another. We will never seek hegemony, and are firmly opposed to all forms of hegemonism. As a big country with a population of one thousand million, China is aware of her responsibility and weight in international affairs. We believe that China's principled position of independence is in the best interest of world peace and stability.

China has sought to develop relations with all countries on the basis of the Five Principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful coexistence. Learning from experiences since the end of World War II, we will not let the state of our relationship with other countries be predetermined by the fact whether our social systems and ideologies are similar or not. State relations of different types have emerged since the end of the war, but only those based on the Five Principles of Peaceful Coexistence have a strong vitality and are most conducive to stability and healthy development of the international situation. We earnestly hope that the Five Principles of Peaceful Coexistence will be strictly

observed by all countries, particularly by the superpowers. Accordingly, we seek a steady development of the Sino-U.S. relations on the basis of observance of the mutual agreements by both sides. We hope to see the normalization of the Sino-Soviet relations through removal of the existing obstacles. We support the improvement of relations between the countries of Eastern Europe and Western Europe. We also wish to see the relations between the United States and the Soviet Union eased, for all these are in the interest of world peace.

China stands for the pacific settlement of international disputes in the spirit of the Five Principles of Peaceful Coexistence, and is against the use or threat of force. There are a number of disputes in the world today. Whether old ones left over from history, or those which have newly arisen, they face the choice of a way of settlement. The non-peaceful way, or the armed way, cannot eradicate any dispute but will leave long after-effects detrimental to world stability. The peaceful way, or the way of negotiation is, in the final analysis, in the interests of the countries concerned and of world peace. We are pleased that the British side shows understanding for China's policy towards Hong Kong, which is formulated in accordance with state sovereignty and the concept of "one country, two systems" for the settlement of this fairly complicated issue left over from history. Prime Minister Margaret Thatcher's foresight and vision have contributed positively to the success of the negotiations. The Chinese and British Governments have settled the Hong Kong question satisfactorily through negotiations on an equal footing in the spirit of mutual understanding and mutual accommodation, thus providing a new example

for the pacific settlement of an international dispute. We believe it should not be difficult to settle disputes rationally through peaceful negotiations so long as the parties concerned sincerely desire a settlement and show mutual respect, mutual understanding and mutual accommodation.

China stands for equality among all countries, big or small, and is against the big bullying the small, the strong humiliating the weak. We firmly support the Kampuchean and Afghan peoples in their struggles against foreign aggression, the Arab people in their struggle against Israeli expansion, the South African people in their struggle against racial discrimination and apartheid, the Namibian people in their struggle for national independence and the Central American people in their struggle against external interference. As for international issues resulting from wilful violation of other countries' sovereignty and seizure of other countries' territories, it is our opinion that their political solution can be sought only on the premise of stopping expansion and aggression and withdrawal from the occupied territories. Failing this premise, the victim country and people can only put up determined resistance to aggression and expansion.

China stands for disarmament and is against all kinds of arms race, whether conventional or nuclear, whether on land or sea or in outer space. We strongly advocate a complete prohibition and thorough elimination of nuclear weapons. We welcome the resumption of the talks on arms control between the United States and the Soviet Union which were suspended for over a year. We sincerely hope that the United States and the Soviet Union, which

under U.N. resolutions bear primary responsibility for nuclear disarmament, will heed the just voice of the people of the world, stop their dangerous arms race, and through serious negotiations reach agreements not prejudicial to the interests of other countries on drastically cutting their nuclear armaments, so as to create the necessary condition for general nuclear disarmament by all the nuclear powers.

China is a developing country belonging to the third world. Strengthening our unity and cooperation with the other third world countries is a cornerstone for our diplomatic work. For the sake of promoting world peace and prosperity, we are trying to promote the improvement of North-South relations in the hope of making some headway in breaking the present deadlock in the North-South dialogue created by the unwise attitude taken by individual big powers. We welcome and actively support the third world countries taking the course of collective self-reliance and strengthening South-South cooperation. We believe that South-South cooperation and North-South cooperation, far from being contradictory, are mutually complementary. We firmly support a restructuring of the irrational old international economic order through global negotiations. The third world is an important force of peace and an important economic force that is playing an increasing role in promoting international security and cooperation. China will for ever stand together with the third world.

China believes that since maintaining world peace and seeking co-prosperity are major questions concerning the future of the world and the fate of all peoples, every nation and people should have a say and can make their

due contribution on them. We are convinced that so long as all peoples steadily develop their friendly cooperation and work together, peace of the world can be maintained and common economic prosperity and development achieved.

Mr. Chairman, Ladies and Gentlemen,

Increased all-round friendly cooperation between an independent China and a united and strong Europe has a significance that far exceeds our bilateral relations and is vital for world peace and international cooperation. To steadily strengthen this friendly cooperation, actively develop economic and technological exchanges and trade so as to promote peace and development is an important component of China's foreign policy.

The British people are a great people who have made significant contributions to world civilization and progress. Britain is a country that plays an important role in international affairs. China has always attached importance to Sino-British relations. We expect that in the new historical period of our bilateral relations in the years to come, our two sides will continue our close cooperation, earnestly implementing the Joint Declaration on Hong Kong, and take energetic steps to increase our cooperation in the economic, technological and other fields, so as to make Sino-British relations an example of peaceful coexistence between countries of different social systems, and of mutually beneficial cooperation and co-prosperity between developing and developed countries. We will work together with our British friends to bring about this prospect.

Thank you.

CSP



10 DOWNING STREET

Thompson Dodsworth,
DTI telephoned.

Their supplementary
briefing for Zhao Ziyang
mentioned credit,
soft loans, etc. They
want to make it
clear that no
facilities would
apply to Guangdong.

SC

C. b.



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU615

Secretary of State for Trade and Industry

6 June 1985

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

CDP
9/6

Dear Charles,

You requested advice on the letter of 5 June from Mr Rees Davies.

Our advice is that it would not be appropriate at this stage for the Prime Minister to raise this project with Premier Zhao. IPSECO have been lobbying this Department for Ministerial support in pursuing their projects in China. Because of a number of problems which have arisen on previous contracts taken by IPSECO, we have insisted that they should secure the full commitment of Hawker Siddeley, whose diesel generators they would be selling, to the projects. To date this has not been forthcoming.

Officials in this Department do, however, expect to meet Hawker Siddeley and IPSECO shortly to discuss their proposal for a Ministerial letter.

Yours sincerely,
Maureen Dodsworth

MAUREEN DODSWORTH
Private Secretary

China : Relations A3

DEPARTMENT OF TRADE AND
INDUSTRIES
115, ROBINSON ROAD
SINGAPORE 060011

001121

5 JUN 1985

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9 8 7 6 5 4 3 2

-6 JUN 1985

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It would not be appropriate to discuss
this matter in public without the consent
of the relevant departments for technical support
and the project to be completed in a timely
manner. The project is being completed
as soon as possible. The project is being
completed as soon as possible. The project
is being completed as soon as possible.

W Rees Davies QC

IPSECO INTERNATIONAL POWER SYSTEMS LIMITED

103-105 JERMYN STREET ST JAMES LONDON SW1Y 6EE
TELEPHONE 01-930 9593 TELEX 8952072

5 June 1985

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

My Dear Prime Minister.

Visit of the Chinese Prime Minister and Delegation

Provision of Diesel Factory and Four Rural Power Plants (12MW)
from the UK to the Value of £100m

I act for Ipseco International Power Systems Limited, a wholly British owned company based in Jermyn Street, founded six years ago, contracting primarily on a government to government basis for the supply of complete turnkey power stations and fuel facilities together with their management and the training of local personnel.

A contract to provide the above factory and power plants is ready for completion and protocols have been signed. George Jellicoe, with whom I have collaborated closely, is of the opinion that support from our Government may achieve the desired results with the Chinese decision makers. With the Chinese here in the U.K. it is felt that a good opportunity exists if a few words were spoken to the Chinese regarding this project on this visit.

Ipseco has acted as the main contractor in the building of power stations and in managing them for up to ten years afterwards. For example in the Pacific, Ipseco has built power stations in the Marshall Islands (12MW) and Palau (16MW) together with large oil storage facilities. In these contracts the company has had the full support of ECGD and the British banks. The power stations have achieved 99.8% reliability and are the most cost effective for small or isolated communities.

Cont/...

Negotiations with the Republic of China

Early in 1984, Ipseco was invited by the Hong Kong office of the Chinese State Agency to co-operate with its parent body, CMEC, in the field of power generation. These dealings led to negotiations for Ipseco to erect a factory for China to produce diesel engines and alternators. Ipseco are working in close collaboration with Mirrlees Blackstone and Brush Electrical Machines. These companies are subsidiaries of Hawker Siddeley and will provide the most suitable method of power generation in rural areas. In the Chinese market for such products, the company is not faced with other British competitors.

Following several visits to China in 1984, protocols have been signed with CMEC contemplating the use of this equipment in diesel power stations in China on the basis of joint ventures between CMEC and Ipseco to lead later to the export of such equipment, manufactured under licence in China, to other areas in the Far East and the Pacific. The present state of negotiations is that the plans for the diesel engine factory are complete at the technical and middle management level and Ipseco is advised that the impetus necessary to complete the matter lies with senior decision makers on the Chinese side and the matter can best be concluded by a few words spoken at government level. I have therefore taken the matter up with George Jellicoe and on the basis of our association in this contract with Hawker Siddeley, he agrees that this would be the wise course.

I would not have troubled you or Norman Tebbit in such a matter had it not become apparent that Government, under your lead, are achieving such fine results in your policy of trade with China and therefore, that the Chinese clearly appreciate the support at government level. The success of this project with our association with Hawker Siddeley could prove a real boon for the U.K. trade in the field of power supply for the future. We look forward literally to switching on the lights in China which could lead to a great benefit and expansion for their future. We would, of course, welcome any opportunity to meet the Chinese delegation before they return to explain any matters arising.

As you may remember I have connections with the Far East and recognise that the best approach to the Chinese can often prove the decisive factor.

Kindest Regards

*Yours sincerely
Billy Ross Jones*

cc: The Rt Hon Norman Tebbit MP

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CCP



Foreign and Commonwealth Office

London SW1A 2AH

5 June, 1985

CD's/6.

Dear Charles,

Talks with the Chinese Premier: Trade and Economic Issues

Thank you for your letter of 5 June asking for comments on a revised line for the Prime Minister's use on this subject on her talks with Premier Zhao tomorrow.

This is confirmation that the FCO (including the ODA) have no difficulties with your proposed line.

I am copying this letter to John Mogg (DTI), Leigh Lewis (Minister without Portfolio's Office), Richard Broadbent (Chief Secretary's Office), Michael McCulloch (ODA) and Richard Hatfield (Cabinet Office).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

CHINA: Relations; Pt 3.

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Rle a/c

10 DOWNING STREET

From the Private Secretary

5 June 1985

Talks with the Chinese Premier: Trade and Economic Issues

The Prime Minister has considered the brief on aid for China for her talks on trade and economic issues with Premier Zhao Ziyang tomorrow. She takes the view that we are unlikely to succeed in securing major contracts in China unless we are in a position to offer soft loans. Equally, she recognises that the consideration of this which was commissioned in EX recently has not yet been completed, and she would not wish to pre-empt the outcome of it. She proposes, however, to give Premier Zhao Ziyang a hint that we are ready to consider soft loans and proposes therefore to take the following line:-

"We fully recognise the trade opportunities available in China and are keen to be in a position to take advantage of them. We are therefore urgently considering what financial support can be made available to our exporters. We are also re-examining our financing instruments to see if we can devise financial packages that would be appropriate to Chinese conditions."

I should be grateful if you and other recipients of this letter would let me have any comments by 1700 today.

I am copying this letter to John Mogg (Department of Trade and Industry), Leigh Lewis (Minister without Portfolio's Office), Richard Broadbent (Chief Secretary's Office), Michael McCulloch (Overseas Development Administration) and Richard Hatfield (Cabinet Office).

Charles Powell

Peter Ricketts Esq
Foreign and Commonwealth Office

L03 AD2

NOTE FOR THE FILE

Major Charles Wiggin
2 Grenadier Guards,
Shackleton Barracks,
Bally Kelly,
BFPO 802.

LPO

4 June 1985



10 DOWNING STREET

THE PRIME MINISTER

5 June 1985

Dear Major Wiggin,

I was most impressed - and Premier Zhao Ziyang, I am sure, even more so - by your invitation to him in fluent Chinese to inspect the Guard of Honour. Having had to struggle to master some Chinese pronunciation for my speech at the dinner in his honour, I know what a task it is. But you did marvellously well and helped get the visit off to an excellent start. Thank you and well done!

Yours sincerely

Raymond Shafter

Major Charles Wiggin.

PRIME MINISTER

①
CDP 6/6

SECOND ROUND OF TALKS WITH ZHAO ZIYANG

You will have a further hour of talks with Zhao Ziyang tomorrow, this time on trade and economic issues. Mr. Tebbit and Lord Young will be present.

I attach briefs. You will want to look in particular at those on Specific Projects and on Defence Sales which you have not previously seen.

Lord Young raised with you this morning the question of soft loans. This is tricky: a study was commissioned by EX of the possibilities but is not yet complete. Andrew and I have devised the following form of words for you to use which is acceptable to departments (including Lord Young):

"We fully recognise the trade opportunities available in China and are keen to be in a position to take advantage of them. We are therefore urgently examining in what ways financial support can be made available to our exporters, and would hope that we can devise arrangements appropriate to Chinese conditions."

This goes a long way towards suggesting we shall come up with soft loans without actually pre-empting Ministerial discussions, though it is open to you to overrule your colleagues (principally the Treasury) and simply say that we are ready in principle to consider soft loans.

I attach some cards.

CDP

5 June 1985

TALKS WITH CHINESE PREMIER: ROUND II

1. Grateful excellent arrangements for Lord Young's mission. Want to build on it.
2. Welcome Chinese purchase of 10 Bae 146 and 8 Shorts SD 360.
3. China had surplus in 1984. Imports of Chinese textiles rose.
4. Quotas will be looked at in annual EC review.
5. Hope negotiations on Guangdong can be concluded soon.
6. Other major projects:

- Tangshan coal mine renovation

Ningbo steel works

- Aluminium smelter projects

- Railway developments.



u. Detectives
Drivers
P. Taylor
P. Jace
D. Clerk
G.R.

10 DOWNING STREET

PRIME MINISTER

SATURDAY 8 JUNE

After your farewell call
on Zhao Ziyang at Claridges,
can I assume that you will
go straight to Chequers?

Yes, not [signature]

(CAROLINE RYDER)

5 June 1985

PRIME MINISTER

DINNER AT THE CHINESE EMBASSY

The dinner is at 8.15 for 8.30. I suggest that you might arrive at 8.20.

Zhao Ziyang will make a one-minute speech at the beginning of dinner, simply to say how happy he is with the visit and how pleased he is that you have come to dinner. It would be right for you to reply very briefly and in kind. I attach a (hardly necessary) note.

At dinner you will be between Zhao Ziyang and the Vice-Premier (as at your dinner here). Other guests at your table will be DT and the Chinese Ambassador's wife.

CDP

hnd

CHARLES POWELL

5 June 1985

REMARKS AT CHINESE PREMIER'S DINNER

Prime Minister, Your Excellencies, ladies and
gentlemen.

Thank you for your kind words.

We are all very pleased that you are enjoying
your visit and glad that you have had a
chance to see something of our country and
our customs.

There's an old saying in English:

"he who would England win must
with Scotland first begin."

Well you didn't quite begin with Scotland,
but you certainly recognised its importance
by your visit there: and when it comes to
winning England, I can assure you that your
visit here has won a special admiration and
respect, both for China and for you
personally among our people.

Prime Minister I have discovered a very good quotation

from a Ching dynasty poet - Gong Zizhen

(phon. Gung Tse-jun) - which sums up very

well what your visit has achieved.

This time I will leave the Chinese to our
excellent interpreter.

But in English it reads:

"Although we are thousands of
miles apart,
Our pact of friendship will last
for generations."

I thank you, Prime Minister, for your great
contribution to that goal, as well as for
your excellent hospitality tonight.



10 DOWNING STREET

Handwritten notes:
cc PC
cc MASTER SET

From the Private Secretary

3 June 1985

Dear Peter,

PRIME MINISTER'S MEETING WITH PREMIER ZHAO ZIYANG

I enclose a record of the Prime Minister's discussion this afternoon with Premier Zhao Ziyang, together with a copy of Zhao Ziyang's speech at the subsequent dinner in his honour.

I am copying this letter and the record to Richard Mottram (Ministry of Defence), John Mogg (Department of Trade and Industry), Rachel Lomax (HM Treasury) and Richard Hatfield (Cabinet Office).

Handwritten signature:
yours sincerely,
Charles Powell

Charles Powell

Peter Ricketts Esq
Foreign and Commonwealth Office.

Handwritten initials: CST

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PREMIER OF THE STATE COUNCIL OF THE PEOPLE'S REPUBLIC OF
CHINA ON 3 JUNE AT 10 DOWNING STREET AT 1700 HOURS

Present:

Prime Minister	Premier Zhao Ziyang
Foreign Secretary	Vice-Premier Tian Jiyun
Mr Richard Luce	Minister for Foreign Affairs
Sir Percy Cradock	Wu Xueqian
HM Ambassador Peking	Mr Zhou Nan
Sir Edward Youde	Mr Gan Ziyu
Dr David Wilson	Mr Lin Zongtang
Mr Charles Powell	Mr Jia Shi
Mr Bernard Ingham	Mr Bao Tong
	Mr Hu Dingyi
	Mr Ke Zaishuo
	Mr Mei Zhaorong
	Mr Tang Longbin

Welcoming Zhao Ziyang, the Prime Minister said that she hoped that his visit would open a new chapter of friendly relations between China and the United Kingdom. Both sides recognised that tremendous steps forward had been taken, first the signing of the Hong Kong Agreement and now with its ratification. She enquired after the health of Deng Xiaoping, Hu Yaobang and Li Xiannian.

Zhao Ziyang thanked the Prime Minister for the invitation extended to him and the warm and ceremonious welcome which he had received. He had been entrusted by Deng Xiaoping and Hu

Yaobang to convey warm greetings to the Prime Minister. They were both in excellent health.

The Prime Minister proposed that their talks should concentrate on Hong Kong, on bilateral matters and international questions, leaving trade and economic issues to be discussed later in the week.

Hong Kong

The Prime Minister said that there appeared no major outstanding problems. The Hong Kong economy was in excellent shape and this itself was a testimony to the success of the Joint Declaration. Britain accepted responsibility for maintaining prosperity and stability up until 1997. The next step would be the drafting of the Basic Law. This would be very important indeed. Obviously it was China's responsibility. But the more that Hong Kong people knew about it and the more they could be involved, the easier it would be for all concerned. Naturally there was some demand in Hong Kong for a greater degree of participation in Government. But we would move very carefully and very sensitively on this, building on existing institutions. The Prime Minister continued that the most frequent question she was asked was whether the Joint Declaration would be implemented. She always replied vigorously that it would be: it had been signed by both sides in good faith with the intention of implementing it in letter and in spirit. She thought it was helpful if each time British and Chinese leaders met, people were reassured of this intention. It would be useful if both sides were to do so following the present meeting.

Zhao Ziyang agreed that Sino-British relations were entering a new and historic period. One could say that China and Britain enjoyed the best relations which they had ever had. China wanted a mutually beneficial relationship on a long term basis. China and Britain were good examples of countries with different social systems, able to coexist peacefully.

Zhao Ziyang continued that he shared the Prime Minister's assessment of the situation in Hong Kong. The Joint Declaration was a very good agreement which had been warmly received in Hong Kong itself, in China, by the British people and by the overwhelming majority of world opinion. The task now was to co-operate even more closely in implementing the Joint Declaration. He could say that China was committed to a firm, comprehensive and effective implementation of the Joint Declaration. The Standing Committee of the National People's Congress would soon decide on the setting up of the drafting committee on the Basic Law. People from Hong Kong would make up a significant percentage of this committee and would be representative of a broad cross-section of the Hong Kong population. Indeed the committee would include a member of UMELCO, who would of course sit on the committee in a private capacity.

Zhao Ziyang concluded that he noted that there had been talk of changes in Hong Kong's institutions. There were differing views about this in Hong Kong. He hoped that the British side would be prudent about this. Foreign Ministers might discuss it in detail.

Macao

Zhao Ziyang said that the President of Portugal had recently visited China. There had been discussions about the future of Macao and the two sides had reached a common view. Talks on the future of Macow would start shortly through diplomatic channels. The problem would be solved by following the concept of one country two systems. Macao would become a Special Administrative Region. The Prime Minister expressed confidence that a satisfactory outcome would be achieved.

East/West Relations

Zhao Ziyang invited the Prime Minister to give her assessment of recent developments in East/West relations, the Geneva negotiations, and over the Strategic Defence Initiative.

The Prime Minister said that she thought that Mr Gorbachev would give priority to domestic matters. His aim appeared to be to make the Soviet system work more effectively through greater discipline rather than by changing the system itself. One result of this preoccupation with internal matters would be that he would not yet be able to focus on the Geneva arms control negotiations. It would therefore be unrealistic to expect early progress. As regards the Strategic Defence Initiative, it was impossible to monitor or control research. The key therefore was to ensure that deployment of a defensive system, if it proved possible was negotiated. It was for this reason that Britain had suggested that both sides at Geneva should reaffirm the ABM treaty, since this established the framework and procedures for such negotiation. Meanwhile, it was essential not to undermine nuclear deterrence. Unfortunately the Soviet Union appeared to be insisting that the United States should give up research on the Strategic Defence Initiative as a pre-condition for negotiations on reductions in offensive weapons.

Zhao Ziyang said that the Chinese Government did not know a great deal about the arms control talks. But they welcomed the fact that a dialogue had been established between the United States and the Soviet Union, even though little immediate progress seemed likely. At least the atmosphere was better, even if there was little change on substance. They were, however, concerned by the prospect that the arms race would be extended into outer space. The crucial question about the Strategic Defence Initiative was: what was the real intention of the United States? Some people said that it was a purely defensive concept. But the Chinese Government did not believe this. Rather, they feared that the United States

aimed at superiority and that it would lead to a new escalation of the arms race. They hoped that European countries would exert pressure on the United States to be very prudent about the Strategic Defence Initiative and to halt research.

The Prime Minister recalled that, when she had met President Reagan following her visit to Peking, they had agreed four points on the Strategic Defence Initiative. One of these was that neither side should seek superiority. She acknowledged the risk of a fresh escalation of the arms race. But it was for this reason that we proposed reaffirmation of the ABM Treaty, since this would ensure that any eventual deployment of a ballistic missile defence system would be negotiated and therefore preserve balance. She welcomed the improved atmosphere in US/Soviet relations: this was an essential prelude to successful negotiations.

Zhao Ziyang said that, on other aspects of East/West relations, China noted that contacts between Eastern and Western Europe were increasing and that there was a growing tendency on the part of East European countries to take their national interests more into consideration. This was a positive development. China also hoped to see a united and strong Western Europe which would take its destiny into its own hands, and wanted close, long term relations with such a Western Europe.

Sino-Soviet Relations

Zhao Ziyang said that the Prime Minister might be interested in his assessment of Sino-Soviet relations. Both economic and trade relations had expanded recently and there had been some increase in visitors in each direction. A long term trade agreement had been initialled and Vice Premier Yao Yi-Lin would visit the Soviet Union in early July to sign it. However the Soviet Union had shown no flexibility on the three obstacles to improved political relations. China would

not abandon its position on these three obstacles. While economic and trade relations would continue to develop, this would not mean normalisation of relations overall. We might have noted that China now described the Soviet Union as a socialist country, but this on no account meant restoration of party relations. It simply described the Soviet Union's domestic system. China would not allow ideology or social systems to determine its relations nor would it enter into an alliance with any great power.

Sino-US Relations

Zhao Ziyang thanked the Prime Minister for conveying Deng Xiaoping's oral message on Taiwan to President Reagan last December. It had been an important message but the response had not been positive. China still hoped that the United States could accomplish something on Taiwan by following the concept of one country two systems. This was in the United States' long term strategic interest. In other fields, relations with the United States were stable. President Li Xiannian would visit the United States in July and Vice President Bush would visit China in the autumn.

South East Asia

The Prime Minister asked Zhao Ziyang for his assessment of the situation in Cambodia. This was a standing cause for concern for the United Kingdom. There seemed no early prospect of a Vietnamese withdrawal. Zhao Ziyang said that China appreciated the just position taken by the United Kingdom on Cambodia. The latest Vietnamese offensive had failed in its attempt to wipe out the resistance. Rather, by forcing the resistance out of their camps and into the countryside, they had given opposition to the Vietnamese presence a new momentum. He agreed that it would be very difficult for the resistance forces to drive out the Vietnamese. But equally the Vietnamese could not extinguish the resistance. In the long term the burden would become insupportable for the Vietnamese. The answer was for the

international community to continue to exert pressure on Vietnam while giving moral and material support to the resistance.

Korea

The Prime Minister asked how Zhao Ziyang saw the prospects for dialogue between North and South Korea. Zhao Ziyang said Hu Yaobang had paid an official visit to North Korea during which the North Korean Government had reaffirmed its wish to see an end to confrontation. In his view North Korea was sincere in putting forward its proposals for tripartite talks and a mutual non-aggression treaty.

Royal Visit to China

Zhao Ziyang said that he was entrusted to renew the invitation to The Queen and Prince Philip to visit China. The Chinese Government hoped that the visit would take place in the second half of 1986. October would be the best month. Precise dates should be fixed through diplomatic channels. The visit would be another great event in Sino-British relations. The Prime Minister said that she understood that the second half of October next year was likely to be convenient for The Queen. She agreed that it would be a most important event in Sino-British relations.

The Prime Minister said that we hoped that Hu Yaobang would take up our invitation to visit Britain. Zhao Ziyang said that Hu Yaobang wanted to come very much. Dates should be discussed through the normal channels.

The meeting ended at 1900.

C.D.R.

3 June 1985

TALKS WITH CHINESE PREMIER

1. Hope Zhao Ziyang enjoyed his visit to Scotland. Will see Cambridge Science Park tomorrow.
2. Grateful for excellent arrangements made for Lord Young's mission. Want to build on it and expand our trade which is still relatively modest. Purchase of 10 BAe 146 and 8 Shorts SD360 a welcome first step.
3. British companies discussing joint ventures. More willing than many competitors to transfer technology.

4. Recognise Chinese concern to secure favourable terms. We are keen to be in a position to take advantage of trade opportunities. We are examining in what ways financial support can be made available to our exporters & would hope to devise arrangements and financial packages appropriate to Chinese conditions. [In principle this could include soft loans]

5. On specific projects:

- Guangdong Nuclear. Must conclude negotiations this month and start work.

/ - Tangshan

- Tangshan Coal Mine. You will have seen the advanced coal mining equipment we can offer at Anderson Strathclyde yesterday.

✓ - Ningbo Steelworks. Davy McKee are putting proposals.

- Aluminium smelters. London Consortium and Wimpey are discussing projects on South China and Guangxi province.

// - Railway development. Balfour Beatty in touch about railway developments in Peking, Fujian & Guangdong

- Pilkington Joint Venture. Hope this can be designated as priority project so that construction can start.

- Diesel Factory for which IPSECO are bidding.

- CITIC European Office. Hope this will be established in the UK.

Like to see early progress on all these projects: hope decisions can be announced soon so that there is visible evidence that our improved relations bear fruit.

6. Also prospects for co-operation in the defence field. Political will exists on our side to supply increasing range of defence equipment, subject to COCOM. Particular scope in submarine equipment, including torpedoes and periscopes.

7. On COCOM, we continue to press for more favourable treatment for China. We accept the case for some reduction in COCOM controls, though our efforts to secure a formal differential in favour of China failed. In the forefront of moves towards liberalization.

8. Import policy a matter for EC not individual member states.

9. Will give favourable consideration to a Chinese request for full membership of GATT.

TALKS WITH CHINESE PREMIER: ROUND I

1. Importance of visit. Want to make it a further big step forward in our relations.
2. Enquire after Deng, Hu Yao Bang and Li Xiannian.
3. Propose we focus today on Hong Kong, bilateral questions and international affairs. Leave trade and economic issues until Thursday when Mr. Tebbit and Lord Young will be present.
4. Hong Kong. Instruments of ratification exchanged. Agreement now in force. Vital that both sides are seen to cooperate in implementation of it. Drafting of Basic Law important: China's responsibility, but more Hong Kong people involved, better it will be received. Fully accept responsibility to maintain stability up to

1990 We have to be responsive to widespread demand in Hong Kong for greater degree of participation in government but intend to move very carefully and build on existing institutions. Hope we shall both tell press that we reaffirmed our commitment to implementation of the Hong Kong Agreement.

5. Bilateral Relations. Ratification of Hong Kong Agreement opens new era for Chinese-British relations. Delighted to sign Economic and Nuclear Cooperation Agreements. Hope Investment Promotion and Protection Agreement will follow. Welcome importance given to English Language Training.

6. Queen's Visit. First ever visit to Communist country. Middle of October (after 11th) would suit best. Would go on to Hong Kong. Also hope to welcome Hu Yao Bang here.

7. RENCO. Not previously sold this technology to anyone. Have to discuss with our partners and any decision would be taken jointly with them. Careful study needed.

8. ✓ East/West. Expectations from Gorbachev. Prospects for Arms Control negotiations. SDI.

9. Sino-Soviet. Different approach under Gorbachev? How far can economic cooperation develop without resolution of political differences? What is significance of offer to discuss obstacles one by one?

10. Korea Agree on importance of dialogue and welcome efforts to promote it. Difficult to accept that present North Korean leadership has genuine desire to seek progress. His assessment of North Korea's intentions.

11. Sino-China. Deplore Vietnam's occupation of Cambodia. Need for resistance to show they are a force to be reckoned with. Not let one faction overshadow others. Hope worst offenders among Khmer Rouge can be retired. What form of government would China accept for Cambodia? //

12. South Asia. Firm support for Pakistan over Afghanistan. Concern about nuclear proliferation in South Asia. Hope China will use influence with Pakistan. Problems in Sri Lanka. //

* Interpreters

D. Thatcher

LIST OF GUESTS ATTENDING THE DINNER TO BE GIVEN BY THE PRIME MINISTER AND
MR. DENIS THATCHER IN HONOUR OF HIS EXCELLENCY MR. ZHAO ZIYANG, PREMIER
OF THE STATE COUNCIL OF THE PEOPLE'S REPUBLIC OF CHINA ON MONDAY,
3 JUNE 1985 AT 7.45 PM FOR 8.00 PM LOUNGE SUIT

The Prime Minister
and Mr. Denis Thatcher

Chinese Suite

- | | |
|---|---|
| * His Excellency Mr. Zhao Ziyang | Premier |
| * His Excellency Mr. Tian Jiyun | Vice Premier of the State Council |
| * His Excellency Mr. Wu Xueqian | State Councillor and Minister of Foreign Affairs |
| His Excellency the Ambassador of the People's Republic of China | |
| His Excellency Mr. Zhou Nan | Vice Minister of Foreign Affairs |
| * His Excellency Mr. Gan Ziyu | Vice Minister of State Economic Commission |
| * His Excellency Mr. Lin Zongtang | Vice Minister of State Economic Commission |
| * His Excellency Mr. Jia Shi | Vice Minister of Ministry of Foreign Economic Relations and Trade |
| His Excellency Mr. Bao Tong | Personal Private Secretary to Premier |
| Mr. Ke Zaishuo | Official of the Office of Hong Kong and Macao Affairs of the Foreign Ministry |
| Mr. Mei Zhaorong | Director of Department of West European Affairs of the Foreign Ministry |

HM Government

- | | |
|---------------------------------|---|
| Rt. Hon. Sir Geoffrey Howe, MP | |
| Rt. Hon. Norman Tebbit, MP | |
| Rt. Hon. Michael Jopling, MP | Will visit China in November 1985 |
| Rt. Hon. Nicholas Ridley, MP | |
| Rt. Hon. Lord Young of Graffham | Leader of High level delegation to China 1985 |

European Commission

- | | |
|-------------------------|--|
| Rt. Hon. Lord Cockfield | |
|-------------------------|--|

House of Lords

His Grace the Duke of Buccleuch and Queensberry has just returned from a visit to China

Conservative MPs

Rt. Hon. Sir Peter Blaker, MP Chairman, Hong Kong Parliamentary Group

Sir Paul Bryan, MP close links with Hong Kong

Mr. Robert Adley, MP Chairman, Anglo/Chinese Parliamentary Group

Labour MPs

Rt. Hon. James Callaghan, MP

Trades Unions

Mr. E.A. Hammond General Secretary, Electrical, Electronic, Telecoms and Plumbing Union

Mr. Clive Jenkins General Secretary, Association of Scientific and Technical Managerial Staffs. Has visited China twice

Businessmen

Mr. Ian MacGregor Chairman, National Coal Board. Extensive UK exports to China in coal mining technology

Sir Ernest Harrison Chairman and Managing Director, Racal Electronics. Extensive electronics/defence contracts in China

The Lord King of Wartnaby Chairman, Babcock International plc Construction and energy contracts in China. Also Chairman of British Airways

The Lord Weinstock Managing Director, General Electric Co. plc. Bidding for contract for conventional island in Guangdong nuclear power station

Sir Eric Sharp Chairman and Chief Executive, Cable & Wireless plc. Participated in Lord Young Mission

Mr. Richard Giordano BOC Group. Participated in Lord Young Mission

Sir Peter Matthews President, Sino-British Trade Council

Sir Austin Pearce Chairman, British Aerospace. Sale of BAe 146

Mr. Antony Pilkington Group Chairman, Pilkington Bros. Ltd. Float glass factory in Shanghai is largest UK/China Joint Venture to date

Sir Kenneth Corfield Chairman and Managing Director, Standard Telephones and Cables plc. Signed telecom contract recently with China

Sir Francis Tombs Chairman, Rolls Royce plc. Longstanding cooperation with China in manufacture of aero engines

Sir Peter Baxendell Chairman, Shell Petroleum. Involved in offshore oil exploration South China Sea

Sir William Barlow Chairman, BICC plc. Contracts with Chinese in Power transmission and telecommunications

Mr. P.G. Cazalet Managing Director, British Petroleum. Prospecting in South China Sea

Mr. John Swire
Church Chairman, John Swire and Sons Ltd. Major trading interests in China and Hong Kong

The Right Reverend The Lord Bishop of Southwark (Right Reverend Ronald Bowlby)

Media

Mr. Norman Macrea Deputy Editor, The Economist. Has written on political/social forecasting, of great interest to Premier Zhao

Mr. James Coltart Chairman, The Thomson Foundation. Extensive cooperation with Chinese media

Miss Kathryn Flower BBC presenter of 'Follow Me' Most popular English Language TV programme in China. Speaks Chinese

Academics/Chatham House

Professor Sir George Porter Director, Royal Institution. Has visited China and is Honorary Professor of Chinese Academy of Sciences

Rt. Hon. Lord Richardson of Duntisbourne Chairman, Royal Institute of International Affairs (Chatham House)

Dr. Joseph Needham Director, East Asia History of Science Library. Editor of 'Science and Civilisation in China'

Dr. Keith Griffin Magdalen College, Oxford. Led study delegation to China. Written book on rural China

Dr. Hugh Baker Head of the Contemporary China Institute School of Oriental and African studies

Professor Sir Richard Southwood	Chairman, Royal Commission on Environmental Pollution
Professor David Pollard	Prominent Chinese scholar and member of Great Britain China Centre
Admiral Sir James Eberle	Director, Royal Institute of International Affairs

Others

Mr. Chris Bonington	Mountaineer. Has climbed in China many times. Reached Summit of Mount Everest April 1985
Mrs. Heather Angel	President, Royal Photographic Society. Visiting China April/May 1985 with UK Photographic exhibition

Military

Admiral Sir John Fieldhouse	Chief of Naval Staff and First Sea Lord. Visited China in May 1985
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Hong Kong

Sir Edward Youde
The Hon. Sir S.Y. Chung
The Hon. Sir Roger Lobo
Sir Y.K. Pao

Officials

Sir Antony Acland	Foreign and Commonwealth Office
Sir Richard Evans	HM Ambassador, Peking
Dr. David Wilson	FCO

10 Downing Street

Sir Percy Cradock
Mr. Charles Powell



POWELL

Chinese Present

Just to let you know that the Chinese present will be coming over this afternoon probably just before the talks.

Sue

3 June 1985



10 DOWNING STREET

MR. POWELL

Chinese Premier

Just to warn you that at the end of the talks today Mr. Zhao will probably ask the Prime Minister to sign a photograph of the two of them taken in Peking.

Sue

3 June 1985



(Translation)

Speech by Premier Zhao Ziyang
at the Welcoming Dinner Given by
Prime Minister Margaret Thatcher

3 June 1985

Respected Prime Minister,
Ladies and Gentlemen,

This is not my first visit to your country. But now I come at the invitation of Mrs. Thatcher at the beginning of a new historical stage in the Sino-British relations. I am most pleased to meet again Mrs. Thatcher and other friends to look into and plan the future of Sino-British relations. I would like to take this opportunity to extend, on behalf of the Chinese Government and people, our cordial greetings to the British Government and people.

I have come with the desire of increasing friendship, strengthening

cooperation and promoting world peace. This afternoon I had a fruitful discussion with Prime Minister Margaret Thatcher, which strengthened my confidence that my visit will be a complete success.

The United Kingdom is a country with a long history. The industrial revolution that began in Britain speeded up the progress of human society. The British culture with its distinctive features has enriched world civilization. During World War II, the British people made a significant contribution to the victory over fascism. Today, the United Kingdom, which is a permanent member of the U.N. Security Council and a member of the European Communities, shoulders a major responsibility and exerts a positive influence in maintaining peace in Europe and the world and promoting international

economic cooperation.

There is a long history of contacts and a traditional friendship between the Chinese and British peoples. Although our two countries are far apart geographically and have different social systems and cultural traditions, there is no conflict of fundamental interests between us, rather we share many interests in the endeavour for a world of prosperity and peace. Lasting and stable friendly relations and cooperation between China and the United Kingdom will be in the interests of the two peoples and also of world peace and stability. The Chinese Government always attaches great importance to Sino-British relations, and one of its firm policies is ceaselessly to consolidate and develop these relations.

The Hongkong question, which was a legacy of the past, has been

settled satisfactorily through friendly negotiations between the Chinese and British Governments. Prime Minister Margaret Thatcher braved the fatigue of a long journey and visited China twice, in 1982 and 1984. The Chinese people deeply appreciate her sagacity and statesmanship, which played an important part in making our negotiations a success. Not long ago, our two sides completed the procedures of ratification of the Joint Declaration and exchanged the instruments of ratification, thus putting our agreement in force. We believe that our two Governments will go on treating each other with sincerity and working in close cooperation in faithfully carrying out all the provisions of the Joint Declaration, thus ensure smooth implementation of the agreement and maintenance of the stability and prosperity of Hongkong.

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Respected Prime Minister,
Ladies and Gentlemen,

Forty years have passed since the Second World War which played havoc among the people of many countries. No calamity of such dimensions has occurred since then, but one cannot say that the danger of a great war has been eliminated in the world of today. An enduring international peace is essential for the economic growth of the world's people and also indispensable for the Chinese people's modernization effort. In international affairs, the Chinese Government pursues an independent foreign policy of peace, with the basic purposes of opposing hegemonism and maintaining world peace. China will not submit to the will of any big power or group of powers or enter in an alliance or strategic

relations with it. China strives to develop relations with all other countries on the basis of the Five Principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence and will not let her relations with other countries, whether close or estranged, hinge on their social systems and ideologies, whether similar or not. China stands for disarmament and complete prohibition and thorough destruction of nuclear weapons. China is against the arms race, particularly the nuclear arms race, and the extension of this race to the outer space. China is a force defending peace and averting war, and so is a united and strong Europe. We firmly believe that the international tension can be eased and world peace can be

maintained with the people of all countries making concerted efforts.

Respected Prime Minister,
Ladies and Gentlemen,

With the settlement of the question of Hongkong a new page is opened in the annals of Sino-British relations. We are ready to increase our contacts, consultations and cooperation with the British Government and British personages of various circles. We will exert ourselves to develop our economic and technological cooperation and trade with Britain to further substantiate our good political relations with Britain. We would also like to increase cultural and other exchanges with Britain. The successful visit to China paid not long ago by the British trade delegation headed by Minister without Portfolio Lord Young shows that there

are great potentials for more economic and technical cooperation to be tapped through joint efforts on the basis of mutual benefit and reciprocity. In the interest of the economic prosperity of both countries and of world peace, we are determined to work together with the British Government and people to carry the existing Sino-British friendly relations and cooperation to a higher level.

Before concluding my speech, I want to express my heartfelt thanks once again to Mrs. Thatcher for her generous hospitality and to the British Government and people for their warm reception.

Now, I invite you to join me in a toast,

to the continuous development of the Sino-British friendly relations

and cooperation,

to the prosperity of the United Kingdom and the well-being of its people,

to the health of Her Majesty Queen Elizabeth II,

to the health of Prime Minister Margaret Thatcher and Mr. Denis Thatcher, and

to the health of ladies and gentlemen present here!



SPEECH AT DINNER IN HONOUR OF THE

CHINESE PREMIER

ON MONDAY 3 JUNE

Premier Zhao Ziyang, members of the Chinese delegation,
your excellencies, my lords, gentlemen.

We are delighted, Mr Premier, that you accepted our
invitation to pay an official visit to the
United Kingdom.

We extend to you and all your delegation a
very warm welcome.

You have been my host twice in Peking, in 1982 and
again last December.

They were two of the most memorable visits
abroad which I have made: memorable
historically because we laid foundations for,
and then set the seal on, the Joint

Declaration on Hong Kong: memorable personally because I have never received such magnificent hospitality.

I am delighted now to be able to take my turn as host.

I well remember the day in Peking last December when you and I signed the Joint Declaration on Hong Kong.

It was in the presence of Mr Deng Tsaiping, of your President Mr Li Xiannian and Mr Hu Yaobang.

Many Hong Kong representatives were also present and I am delighted that some of the most distinguished among them are also here

tonight.

Seven days ago in Peking, Vice-Minister Zhou Nan

exchanged with Sir Richard Evans the instruments of ratification of that Joint Declaration and it entered into force.

We believe that it provides a firm basis for Hong Kong's continued prosperity and stability.

We for our part will faithfully and fully implement its provisions.

And we are confident that the Chinese Government will do likewise.

It is an agreement which is good for China, good for Hong Kong and good for Britain, as

well as an example for the rest of the world.

Mr Premier, Britain's contacts with China have been expanding at a truly remarkable rate, more comprehensively indeed than with any other country.

Total trade more than doubled between 1982 and 1984.

So did the number of Chinese visitors to Britain.

In the last month, we have welcomed to Britain your Ministers for Environment and Culture.

In the next month we look forward to seeing the Commander of your Air Force and your

Minister of Agriculture.

We are also building a sound framework of bilateral agreements for further cooperation.

This afternoon we signed agreements on nuclear cooperation and on economic cooperation.

Exchanges in the fields of science, education and culture are more extensive than ever, and millions of your compatriots are learning English from the BBC.

Many British teachers and young people giving voluntary service are now engaged in full-time language teaching in China.

These examples - and there are many more - illustrate a relationship which already has more substance than ever before, which is enjoying vigorous growth, and which is deeply rooted in the belief that such growth benefits us both.

Why is contact between us blossoming so rapidly?

Your presence here tonight, Mr Premier, supplies much of the answer.

You and your colleagues have, in recent years been engaged in implementing two basic policies: the policy of invigorating the national economy and the policy of opening to the outside world.

Your economic policies have attracted much interest and admiration in Britain.

I recall that I said in the Great Hall of the People in December that, despite the differences between our economies, we are applying the same basic principles to the challenges we face.

You said in April in Wuhan: 'opening generates competition and competition promotes progress and growth'.

We both realise the need to put our resources into what we are good at; to raise efficiency; not to spend money we don't have; and to encourage innovation.

I was very struck by a quotation from an early Chinese historian which was carried in People's Daily last year: "The way to govern a country is first to enrich the people".

That principle is guiding you, and it is guiding us.

You have achieved some enviable successes.

I have been particularly impressed by your progress in agriculture.

With good reason you, Mr Premier, gained a rhyming reputation for removing the need for grain rationing:

"Yao chur liang,
djao Ziyang"

[Roughly: "If it's grain you seek, look for
Zhao Ziyang".]

We in Britain wish you success in your modernisation
programme.

We are also very well placed to contribute to
it.

As we hope to show you during the coming
week, the British approach to problems, with
its stress on imagination and ingenuity,
matches your circumstances.

And British experience, in energy,

communications, transport; in industrial renovation, information technology and management consultancy, matches your priorities.

Technology transfer between Europe and China has ancient roots.

Much of the foundation for the West's industrial revolution was laid in China.

The compass, gunpowder, paper and printing - your famous "four inventions" - as well as the seismograph, the suspension bridge and, of course, porcelain - all came to Europe from China.

A notable recent contribution, which

impressed me when I visited Shanghai, is the artificial synthesis of insulin.

We look forward to many more benefits to the world as your four modernisations bear fruit.

And we are ready to reach agreements for the transfer of some of our most modern technology to you.

Mr Premier, we hope that you will find your programme here varied and stimulating.

You will see something of our history when you dine with the Secretary of State for Scotland in Edinburgh Castle, which was a royal court when the Sung imperial court was at Kaifeng. [The city where Premier Zhao was

educated.]

You will hear of our recent achievements in technology, when, tomorrow morning, you meet leading industrialists and financiers, including representatives of the service sector whose rapid expansion will be so vital to both our economies.

And you will see what the 21st century has in store for us when you visit Cambridge Science Park on Friday.

Mr Premier, you have a saying in Chinese that new clothes and old friends are best.

The new clothes are our common commitment to reform and progress.

We personally, and our two countries, can now
be considered old friends.

I raise my glass to the continued blossoming
of the friendship between Britain and China.

COJ



With the compliments of

THE PRIVATE SECRETARY

Tim Plesher, Esq
No 12.

For China
Speed.

A handwritten signature in dark ink, appearing to be 'D. Roberts'.

**FOREIGN AND COMMONWEALTH OFFICE
SW1A 2AH**

Mr Premier, your country pursues an independent foreign policy. The principles on which it rests, of "equality and mutual benefit", are ones which we in Britain respect. We also feel close to you as fellow members of the Security Council with a shared concern to promote peace and to seek realistic disarmament ~~for~~ measures. Indeed China has a growing reputation for constructive contributions on major world issues. We listen to you carefully and I hope that you also find value in Britain's distinctive voice in international affairs.

3
DUTY CLERK

NO 10 DOWNING ST.



This can
go on your
file for the
list

With the compliments of

FAR EASTERN DEPARTMENT

Iain C. Jar

IAIN C. JAR

We spoke. The Plaxico did a superb
arrangement: my polaroid photo was
not so it justice!

2 June 1985.

FOREIGN AND COMMONWEALTH OFFICE
LONDON, SW1A 2AH



PREM 19/1426



PREM 19/1426



FLOWERS FOR CHINESE PREMIER

The basket of plants in Premier Zhao Ziyang's suite, with a welcoming card from the Prime Minister, is composed of flowers and other plants of Chinese origin. These include: bamboo, ginkgo, pink peonies, peach-pink azaleas, red miniature roses and cerise orchids. The symbolism of some is of particular interest.

Bamboo: zhu. The bamboo is symbolic of the upright and honest man. This species, Arundinaria murieliae is from Sichuan province, renowned for its bamboos and the Giant Panda which feeds on them. The Wangjianglou Park in the capital, Chengdu, has over 140 varieties. This species was described by the botanist Ernest Wilson (author of "China, Mother of Gardens") as "the handsomest Bamboo I have ever seen" and was introduced by him into cultivation outside China in 1910.

Ginkgo: yinxing. The Maidenhair tree, Ginkgo biloba is cultivated from wild stock only found in China, where it is a protected species. It grows slowly and to a great age, specimens over 1,000 years old being not uncommon. It is also known as the "grandfather-grandson" tree: the grandfather plants it and his grandchildren pick the fruit. The nut is highly nutritious and an extract of its leaf is used in treating cardio-vascular illnesses.

Peony: mudan. Peonies have been cultivated in China for over 2,000 years. Those grown in the ancient capital of Loyang in Premier Zhao's home province of Henan are particularly renowned. It is a symbol of spring and is associated with riches and nobility.

Orchid: Lan. The orchid is one of the "Four Gentlemen" of Chinese art and horticulture, symbolising the four seasons and the qualities of the ideal gentleman. The others are plum, chrysanthemum and bamboo.

The basket was arranged by Moyses Stevens.

Far Eastern Department
FCO
2 June 1985

SECRET

MR POWELL

31 May 1985

CHINESE PRIME MINISTER'S VISIT

1. There are three elements: Hong Kong; trade; and international issues.

Hong Kong

2. Though we are now over the hurdle of the Joint Liaison Group and the Agreement is ratified, there are still important points here. We want the Chinese to confirm publicly their intention to honour the Agreement. We also want to get over to them privately that the greater the Hong Kong involvement in preparing the Basic Law the better the response in Hong Kong to the outcome. (Tricky, since the Basic Law is for the Chinese only and they have already promised to involve Hong Kong people in the drafting). Zhao may warn about too rapid progress to representative Government in Hong Kong.

Trade

3. We wish to capitalise on the excellent state of relations. They may be prepared to give us something more in the way of contracts, but will increasingly press for special favours, eg concessionary finance and access to nuclear technology. I myself doubt whether we shall make more progress against our allies and competitors on trade without being prepared to offer special credit rates in particular cases. We should also try again on defence sales; we have had meagre returns to date despite immense efforts.

International Issues

4. There are three worth concentrating on:

SECRET

SECRET

- a. East/West relations, leading to Sino/Soviet relations. Zhao will probably give the standard reassuring line, but we should not exclude the possibility of movement on the political as well as on the trade front. I have seen one report of the Chinese thinking of an eventual visit by Gorbachev to Peking. This is remote as yet, but we must assume that Gorbachev would very much like to go there; and the three obstacles, (Cambodia, Afghanistan and Soviet troops on the Northern border) may not be as immoveable as they seem.
- b. Korea again is not entirely static. The Chinese are encouraging North/South dialogue and have improved unofficial contacts with South Korea. North Korean-Soviet relations have grown rather closer. I have seen reports that Kim Jong Il (the son of Kim Il Sung) would like to become a reformist like Deng. Zhao may give a wooden response on Korea, as they usually do in public, but the subject is worth exploring.
- c. Indo/China will have to be mentioned but I should avoid getting bogged down on it. The danger of nuclear proliferation in the sub-continent is a more urgent topic.

PC

PERCY CRADOCK

SECRET



10 DOWNING STREET

Sir P. Craddock

This is my
edited version
of an FCO draft.
Is it all right?

CDP

Mr Poyne

File of name wrong on p. 3.
K. 375

SPEECH AT DINNER IN HONOUR OF THE

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voluntary service are now engaged in

full-time language teaching in China.

These examples - and there are many more - illustrate a relationship which already has more substance than ever before, which is enjoying vigorous growth, and which is deeply rooted in the belief that such growth benefits us both.

Why is contact between us blossoming so rapidly?

Your presence here tonight, Mr Premier, supplies much of the answer.

You and your colleagues have, in recent years, been engaged in implementing two basic policies: the policy of invigorating the national economy and the policy of opening to the outside world.

Your economic policies have attracted much interest and admiration in Britain.

I recall that I said in the Great Hall of the People in December that, despite the differences between our economies, we are applying the same basic principles to the challenges we face.

You said in April in Wuhan: 'opening generates competition and competition promotes progress and growth'.

We both realise the need to put our resources into what we are good at; to raise efficiency; not to spend money we don't have; and to encourage innovation.

I was very struck by a quotation from an early Chinese historian which was carried in People's Daily last year: "The way to govern a country is first to enrich the people".

That principle is guiding you, and it is guiding us.

You have achieved some enviable successes.

I have been particularly impressed by your progress in agriculture.

With good reason you, Mr Premier, gained a rhyiming reputation for removing the need for grain rationing:

"Yao chur liang,

djao Ziyang"

[Roughly: "If it's grain you seek, look for

Zhao Ziyang".]

We in Britain wish you success in your modernisation

programme.

We are also very well placed to contribute to

it.

As we hope to show you during the coming

week, the British approach to problems, with

its stress on imagination and ingenuity,

matches your circumstances.

And British experience, in energy,

communications, transport; in industrial renovation, information technology and management consultancy, matches your priorities.

Technology transfer between Europe and China has ancient roots.

Much of the foundation for the West's industrial revolution was laid in China.

The compass, gunpowder, paper and printing - your famous "four inventions" - as well as the seismograph, the suspension bridge and, of course, porcelain - all came to Europe from China.

A notable recent contribution, which

impressed me when I visited Shanghai, is the artificial synthesis of insulin.

We look forward to many more benefits to the world as your four modernisations bear fruit.

And we are ready to reach agreements for the transfer of some of our most modern

technology to you.

Mr Premier, we hope that you will find your programme

here varied and stimulating.

You will see something of our history when

you dine with the Secretary of State for

Scotland in Edinburgh Castle, which was a

royal court when the Sung imperial court was

at Kaifeng. [The city where Premier Zhao was

educated.]

You will hear of our recent achievements in technology, when, tomorrow morning, you meet leading industrialists and financiers, including representatives of the service sector whose rapid expansion will be so vital to both our economies.

And you will see what the 21st century has in store for us when you visit Cambridge Science Park on Friday.

Mr Premier, you have a saying in Chinese that new

clothes and old friends are best.

The new clothes are our common commitment to reform and progress.

We personally, and our two countries, can now
be considered old friends.

I raise my glass to the continued blossoming
of the friendship between Britain and China.



Prime Minister - This is
the procedure for ceremony
for signature of agreements.
Foreign and Commonwealth Office

London SW1A 2AH

30 May, 1985

Dear Tim,

Chinese Prime Minister: Treaty Signing

The Prime Minister has agreed to sign with Premier Zhao immediately before their first round of talks on 3 June bilateral economic cooperation and nuclear cooperation agreements. Signature will take place from 5-00pm to 5-15 pm.

The press will be present for the signature ceremony only. I enclose a press line for use if necessary and would be grateful if you could pass a copy to Iain Murray. I also enclose a note outlining the procedures for signature of the agreements.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

Tim Flesher Esq
10 Downing Street



PROCEDURE FOR SIGNATURE OF AGREEMENTS

There are two agreements to be signed requiring a total of eight signatures by each signatory, and a Note to be signed by each and then exchanged. These are:

1. Economic Cooperation Agreement.
2. Nuclear Cooperation Agreement.
3. Note relating to the Nuclear Cooperation Agreement.

The procedure will be as follows:

1. After formal greetings and introductions the Prime Minister and the Premier will take their seats at the table, the Prime Minister on the left and the Chinese Premier on the right. The copies of the Economic Co-operation Agreement will be lying on the table closed in front of them.

The copies of the Nuclear Co-operation Agreement and the accompanying Notes will be placed separately on the table in the far left and right-hand corners.

2. Two members of the Treaty Section of the FCO will be in attendance and one member of the Chinese Delegation.

One of the former will stand to the left and slightly behind Mrs Thatcher and the other in the centre behind the table. The Chinese Official will stand to the right and slightly behind the Chinese Premier.



3. First signature. The two officials will hand the pens ready for use to their respective Ministers and open the copies of the Agreement at the first signature page and indicate the place to sign. They will then blot the signatures and turn to the second signature page. After blotting these and leaving the blotters in as markers the officials will close the books and exchange them behind the table via the other FCO official.
4. Second signature. The process for signature will then be repeated, after which the copies will be closed and placed to one side on the table.
5. The Nuclear Co-operation Agreement will then be signed in the same way and placed with the first Agreement.
6. Exchange of Notes. The two officials will then place the Notes in front of the Ministers to sign and while this takes place the two Agreements will be exchanged behind the table and placed on the table to the left and right respectively of the two Ministers who will then have received back their own copies of the Agreements for retention.
7. After signature the two Ministers will exchange the Notes.
8. They will then stand, shake hands and make the appropriate remarks.

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Foreign and Commonwealth Office

London SW1A 2AH

30 May, 1985

AM.

Dear Charles,

Visit by Premier Zhao Ziyang: 2-8 June 1985

As promised in Len Appleyard's letter of 23 May, I enclose five sets of the remaining briefs for the Prime Minister's talks with Premier Zhao, as follows:

Brief No

- 3 (b) Visits
- 5 (c) Aid for China
- 5 (e) Defence Sales
- 5 (f) Joint Economic Commission

together with revised versions of:

- 5 (b) Specific Projects (which has been updated in the light of recent developments); and
- 7 (a) Personality note on Zhao Ziyang (which we have had hastily prepared to include useful information given in a newly published book on Premier Zhao).

I also enclose a separate note of guidance on pronunciation and form of address for the leading members of the Premier's party.

The brief on defence sales takes into account in general terms the conclusions of a review of defence sales policy towards China recently conducted jointly by the Ministry of Defence and FCO, and sent forward with Jeremy Wright's letter of 29 May. The brief is drafted on the assumption that the Prime Minister will approve generally of the recommendations of the review.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

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PRIME MINISTER

*Spoken to
Mr. Taylor
2/16*

*Prime Minister.
Agree to signature ceremony at
beginning of first session of talks?
(over the page).*

MHA 28/5

VISIT OF THE CHINESE PREMIER

You may find it helpful to have the briefs during the recess.

Your participation

You will be seeing a lot of Zhao Ziyang:

- Guard of Honour and courtesy call on the Monday morning. The call will be very brief. I suggest a glass of champagne in the Cabinet Room.

*No - they
would prefer
tea or fruit juice.*

- Two hours of talks on the Monday afternoon. The Chinese are keen to have these in delegation strength (13 on their side). This means the Cabinet Room.

- Dinner on the Monday evening.

- Second round of talks (one hour), on trade issues, on the Thursday afternoon.

- Dinner at the Chinese Embassy on the Thursday evening.

- Farewell call on the Saturday morning.

Agenda

The proposal is to take the main political issues - Hong Kong, bilateral relations, East-West, Sino-Soviet, Indo-China, South Asia, Urenco - at the first session; and trade and economic relations at the second.

Agreements

You agreed that you and Zhao Ziyang should sign two Agreements during the visit: an Economic Co-operation

Agreement, and an Agreement for Co-operation in the Peaceful uses of Nuclear Energy. You said that this should be done in the Pillared Room with press and television present. The best time, from the point of view of coverage, would be at the beginning of the first round of talks, i.e. at 1630 on the Monday. The alternative would be on the Thursday, but I think it is better to get the talks off with an 'event'.

Agree to signature ceremony in the Pillared Room at the beginning of the first session of talks?

Briefs, etc.

I attach:

- the briefs (there are three still to come in the course of next week);
- cards;
- a draft speech for the dinner.

I have also slipped into the folder the transcript of your interview with the Chinese press.

CDP

24 May 1985



10 DOWNING STREET

From the Private Secretary

24 May 1985

bc: Tim Fleoher
Bernard Ingham
Lynne MWP's
Office

VISIT OF CHINESE PREMIER

Colin Budd's letter of 23 May covering the briefs for Zhao Ziyang's visit proposed that the Prime Minister and Zhao Ziyang should sign two Agreements at the beginning or end of the first session of talks. I have discussed this with the Prime Minister who is content to do this. She proposes that the signature ceremony should be in the Pillared Room, in the presence of both Delegations. In order to attract press and television coverage it would need to be at the beginning of the talks. We will set up the room and be responsible for press arrangements. But we shall need advice, please, on the correct protocol for the signing. It would be helpful if those concerned could contact Tim Flesher (in my absence) next week to discuss details.

On a quite separate point, the Prime Minister understands that it is intended to take Zhao Ziyang to Cambridge by car. She does not think this sensible and wishes arrangements to be made to take him by helicopter, with departure from Regents Park or some other suitable site in central London (not the heliport). I should be grateful if arrangements could be made for this.

Charles Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

MS2 ANV

File

MR FLESHER

Zhao Ziyang's Visit

The FCO suddenly sprang on us today the idea of signing two agreements during this visit.

The Prime Minister has agreed to this, and suggests that the signing be done in the Pillared Room, probably at the beginning of the first session of talks on Monday 3 June (ie at 1630).

I have begun to discuss detailed arrangements with Peter Taylor, but its going to take some careful preparation next week. I should be very grateful if could supervise, but don't hesitate to give me a ring. You need to speak to FCO agreement signing experts and set up a little order of ceremony (eg Zhao Ziyang arrives, and is greeted by PM and taken to White Drawing Room; delegations proceed to Pillared Room and take up position behind tables; press to be already in position; PM and Zhao Ziyang enter and take their places; sign copies of agreements and exchange them; photographs; adjourn to Cabinet Room for talks).

CDP

24 May 1985

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CD



Foreign and Commonwealth Office

London SW1A 2AH

23 May 1985

Dear Charles,

Premier Zhao's Visit: Speech at Welcoming Dinner

/ I attach draft notes for the Prime Minister's speech at the welcoming dinner for Premier Zhao Ziyang on 3 June. We estimate that this should last for about 12 minutes (including interpretation).

We have included a short quotation in Chinese. If she decides to use it, the Prime Minister may wish to practice it just before the dinner. Dr Wilson, who will be attending the dinner, would be available to help.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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BU



Foreign and Commonwealth Office

London SW1A 2AH

23 May 1985

②
5/6.

Dear Charles,

Visit by Premier Zhao Ziyang, 2-8 June 1985

I enclose briefing for the Prime Minister's talks with Premier Zhao from 16.30 to 18.30 on 3 June and 16.30 to 17.30 on 6 June. This includes a programme for the visit, highlighting the Prime Minister's involvement, and personality notes on the leading members of Premier Zhao's delegation. There are four gaps. The briefs on Aid for China, Defence Sales to China and a Joint Economic Commission all depend on Ministerial decisions to be made in the next few days. And the bilateral brief on Visits is still awaiting clearance from Buckingham Palace of the line on The Queen's visit to China next year. We shall send these separately as soon as possible.

Objectives

The briefing is largely self-explanatory. It is in the new format but sub-divided with objectives and arguments by subject. To avoid repetition, there is no steering brief. But the Prime Minister may find it helpful to have the following assessment of British and Chinese general objectives for the visit:

- (a) Our objectives
- (i) To re-affirm the importance of faithful implementation of the Hong Kong agreement; to secure an encouraging press line on discussions on Hong Kong; and to indicate the importance of the drafting of the Basic Law;
 - (ii) to develop the Prime Minister's personal rapport with Premier Zhao established on her visits to Peking;
 - (iii) to demonstrate our desire that bilateral relations should continue rapidly to gain substance;
 - (iv) to work for a marked increase in Britain's market share of Chinese imports, pursue specific trade policy issues and promote specific projects;

/(v)

C D Powell Esq
10 Downing Street

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- (v) to underline the strategic importance we attach to an outward-looking and economically reformist China;
- (vi) to continue the dialogue on international issues.

(b) Likely Chinese Objectives

- (i) to underline China's satisfaction at the signing and ratification of the Joint Declaration on Hong Kong;
- (ii) to persuade us that China's open door economic strategy will not change;
- (iii) to emphasise that China is now a force for stability and should be treated accordingly eg by COCOM; →
- (iv) to achieve agreement on at least provisional dates for The Queen's State Visit to China;
- (v) to learn more about our views on disarmament and arms control;
- (vi) to underline the opportunities which China's opening to the outside world offers to British industry; and pursue specific trade policy issues (particularly to seek concessionary financing).

There are two meetings planned between the Prime Minister and Zhao Ziyang. It will probably not prove possible to cover the full scope of the briefs in the three hours available (half of which will be taken up by interpretation). We suggest that the first session of talks should concentrate on Hong Kong, and bilateral and international issues (brief nos 2-4); of the latter, we would attach particular priority to discussion at Prime Minister level of Sino-Soviet relations, Indo-Chinese and, if time allows, East-West relations (brief nos 4 a-c). The second, shorter session could be devoted to trade and economic cooperation (brief no 5). If the other international issues have not been reached by the end of the first session, they could be taken up in the separate meeting between Sir Geoffrey Howe and Wu Xueqian on 4 June. This would ensure that there is adequate time in the second round to deal fully with trade and economic issues.

/Participation



Participation

You have already agreed that, on the Chinese side, a team of 13 can participate in each round. Once the Chinese have told us who these will be, we will send a full name list. On our side, we suggest the following team:

Prime Minister
 No 10 Private Secretary
 Mr Luce
 Sir R Evans (Ambassador, Peking)
 Sir P Cradock
 Dr Wilson (AUSS, FCO)
 Mr Y P Chang (Interpreter)
 Mr Orr (Far Eastern Department, FCO - to monitor interpretation)

Sir G Howe)
 Mr Heseltine) (first round only)
 Sir E Youde)

Lord Young)
 Mr Tebbit) (second round only)

Agreements

Two bilateral agreements will be ready for signature with the Chinese by next week. These are:

- (i) Economic Cooperation Agreement: this is a continuation of the existing Agreement, which was signed in 1979 and expires at the end of this year. It provides a framework for economic cooperation and identifies specific priority sectors; and
- (ii) Agreement for Cooperation in the Peaceful Uses of Nuclear Energy: this provides a framework for the British nuclear industry to exploit the new opportunities opened up by the growing Chinese civil nuclear programme. The Foreign Secretary is minuting separately to the Prime Minister with details.

It would add considerably to the presentational success of the visit if the Prime Minister were willing to sign both

/Agreements



Agreements with Premier Zhao, ideally at the beginning or end of the first round of talks. The formal endorsement of cooperation provided by agreements is of more significance in the Chinese system than our own; in each case, Prime Ministerial signature would have symbolic value for the Chinese as a signal of political commitment at the highest level. It had earlier seemed that neither agreement would be ready in time for President Zhao's visit; the Chinese have however made considerable efforts to achieve them on time and have shown unusual flexibility in the process. They have indicated that they would welcome signature at Prime Ministerial level, and would indeed be disappointed if this were refused. We therefore very much hope the Prime Minister can agree. If so, the whole process could be condensed into about 15 minutes, if the Prime Minister is content that the normal speeches and vin d'honneur be dispensed with.

We will be submitting separately a short draft speech for the Prime Minister at her dinner for Premier Zhao on 3 June.

Will sign. - I think Yours ever,
 They will want. Le Appleyard
 the vin d'honneur. (L V Appleyard)
 not Private Secretary

PREMIER ZHAO'S OFFICIAL ENTOURAGE

GUIDANCE ON PRONUNCIATION AND DESIGNATION

Name and Title	Pronunciation	Abbreviated form of name for use in conversation	Standard of English
✓ His Excellency <u>Premier</u> of the State Council of the People's Republic of China, <u>ZHAO ZIYANG</u>	Djao rhymes with Cow Zer " " Fur Yang " " Bang	Premier Zhao (or Your Excellency)	None
✓ His Excellency <u>Vice-Premier</u> <u>TIAN JIYUN</u>	Tyen rhymes with Ten Jee Yoon " " Soon	Vice Premier Tian (or Your Excellency)	None
✓ His Excellency State Councillor and Minister for Foreign Affairs <u>WU XUEQIAN</u>	Woo rhymes with Too Hswear " " Chair Chien " " Ten	Foreign Minister (or Mr) Wu	Little but good comprehension
✓ <u>Vice Minister</u> for Foreign Affairs <u>ZHOU NAN</u>	Djow rhymes with Show Nan	Mr Zhou	Good
✓ Vice-Minister for the State Planning Commission <u>GAN ZIYU</u>	Gan as in "Gander" Zer rhymes with Fur Yu as in You	Mr Gan	Low, but some comprehension
✓ Vice-Minister for the State Economic Commission <u>LIN ZONGTANG</u>	Lin Dzoong Tang	Mr Lin	Little
✓ Vice-Minister for Foreign Economic Relations and Trade <u>JIA SHI</u>	Jyar rhymes with Car Sher " " Purr	Mr Jai	None

JS5AAQ

Name and Title	Pronunciation	Abbreviated form of name for use in conversation	Standard of English
✓ Principal Private Secretary to Premier Zhao <u>BAO TONG</u> (Vice Ministerial Rank)	Bao rhymes with Cow Toong	Mr Bao	Little
✓ His Excellency The Chinese Ambassador to the United Kingdom <u>HU DINGYI</u>	Hoo Ding Yee	Ambassador Hu (or Your Excellency)	Good
✗ Director of the Hong Kong and Macao Office of the Ministry of Foreign Affairs <u>KE ZAISHUO</u> (Ambassador level)	Ker Dzie rhymes with Tie Shwor " " Door	Ambassador Ke (or Your Excellency)	Poor but good comprehension
✓ Director of the Western European Department of the Ministry of Foreign Affairs <u>MEI ZHAORONG</u>	May Djao rhymes with Cow Roong	Mr Mei	Good
✓ Director of the Protocol Department of the Ministry of Foreign Affairs <u>TANG LONGBIN</u>	Tang Loong Bin	Mr Tang	Good
✗ Assistant Secretary General of the State Council <u>XI DEHUA</u>	Hsee rhymes with See Der " " Purr Hwah " " Car	Mr Xi	None
✗ Deputy Director of the Policy Research Department of the Ministry of Foreign Affairs <u>DING YUANHONG</u>	Ding Yuan rhymes with Man Hoong	Mr Ding	Good

JS5AAQ

+ Mrs ZHANG YOUYAN — Interpreter.
(I think)

Name and Title	Pronunciation	Abbreviated form of name for use in conversation	Standard of English
X Deputy Director of the Information Department of the Ministry of Foreign Affairs <u>YU ZHIZHONG</u>	Yu as in You Djer Djoong	Mr Yu	Good
X Deputy Director of the Security Bureau of the Ministry of Security <u>SUN YONG</u>	Soon Yoong	Mr Sun	None



JS5AAQ



VISIT BY PREMIER ZHAO ZIYANG 2-8 JUNE 1985

BRIEF NO 1: PROGRAMME

Sunday 2 June

1750 Arrive Heathrow from Peking. Met by Foreign Secretary. No engagements for the rest of the day.

Monday 3 June

1000 Guard of Honour in FCO Quadrangle, followed by courtesy call on Prime Minister at 10 Downing Street.

1030 - 1115 Meetings with leaders of opposition parties in House of Commons.

1115 - 1200 Reception given by The Speaker. Tour of House of Commons by Anglo-Chinese Parliamentary Group.

1630 - 1830 Talks at 10 Downing Street

1945 for 2000 Dinner at 10 Downing Street

Tuesday 4 June

0930 - 1045 Meeting with industrialists and financiers at Claridges. Host: Sir Peter Matthews, President of the Sino-British Trade Council.

1100 Wu Xueqian and Zhou Nan to call on Foreign Secretary. Courtesy calls at Claridges by Mr Tebbit and Mr Walker

1245 - 1500 Lunch at Mansion House. Host: Rt Hon the Lord Mayor.

1615 Depart for Edinburgh from British Aerospace, Hatfield.

1900 for 1930 Dinner at Edinburgh Castle. Host: Rt Hon George Younger MP

Wednesday 5 June

0915 Visit Anderson Strathclyde, Motherwell.

1100 Visit Ferranti, Livingstone.

1230 Lunch at Houston House. Host: Mr David Nickson, Deputy President, CBI

1730 Arrive Claridges. (Party of 14 led by Vice-Premier Tian Jiyun visit Austin Rover, Birmingham and GEC Telecommunications, Coventry).

/ Thursday



Thursday 6 June

- 1030 - 1145 Talk at Chatham House by Premier Zhao: "Work for a lasting peace, increase friendly cooperation and promote common prosperity".
- 1300 Lunch hosted by HM The Queen.
- 1630 - 1730 || Second round of talks at Downing Street.
- 1900 - 2000 Reception at Claridges. Host: HE Mr Hu Dingyi, Chinese Ambassador.
- 2015 for 2030 Dinner at Chinese Embassy hosted by Premier Zhao.
(Attended by Prime Minister)

Friday 7 June

- Visit to Cambridge and Cambridge Science Park.
Lord Young to accompany.
- 1200 Lunch hosted by Sir Andrew Huxley, President of Royal Society/Master of Trinity College.
- 1930 Attend "La Fille Mal Gardée". Host Lord Gowrie.

Saturday 8 June

- 0900 Farewell call by Prime Minister.
- 0930 - 1000 Press Conference at Claridges.
- 1000 Visit to Karl Marx Tomb.
- 1100 Chinese Community Function at Claridges.
- 1200 Private lunch.
- 1430 Departure for Bonn. Mr Luce to bid farewell.



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VISIT BY PREMIER ZHAO ZIYANG

2-8 JUNE 1985

BRIEF NO 2: HONG KONG

Our Objectives

- (a) To reaffirm importance of faithful implementation of the agreement to confidence in Hong Kong.
- (b) To indicate importance of drafting of Basic Law without offending Chinese sensibilities.
- (c) To secure Chinese agreement to suitably encouraging press line on discussion of Hong Kong during the visit.

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Arguments to Use

- (a) Glad that instruments of ratification now exchanged,
and agreement therefore in force. Also that
agreement reached on establishment of Joint Liaison
Group. Hong Kong and the world watching progress
closely. Vitally important both sides seen to
cooperate in faithful implementation of spirit and
letter of agreement.
- (b) Drafting of Basic Law vitally important to success
of agreement. For Chinese Government. But glad to
note that Hong Kong people will be involved in
drafting work. More closely they are involved more
likely Basic Law will be well received in Hong Kong.
- (c) Hope we can agree in our separate briefings of the
press to make suitable references to determination
to cooperate in faithful implementation of the
agreement.

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His Objectives

- (a) Likely to wish to avoid discussion of detail and stick to general satisfaction at coming into force of agreement.
- (b) May warn against too rapid political evolution in Hong Kong.
- (c) May stress necessity of maintaining adequate garrison to prevent internal disorders, and/or refer to recent press reports of statements by Commander British Forces (CBF) Hong Kong about future role of PLA in Hong Kong.

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Your Response

- (a) We must be responsive to widespread demand for greater degree of participation in government in Hong Kong. Cannot have it said that we are suppressing aspirations of Hong Kong people. But moving very carefully, and seeking to build on existing institutions. Believe what we are doing is likely to be positively helpful in long term to objective of Hong Kong people running Hong Kong.
- (b) Fully accept our responsibility to maintain stability in Hong Kong up to 1997, and shall maintain sufficient forces in Hong Kong to assure this.
- (c) Accept right of Chinese Government to station forces in Hong Kong after 1997 if they wish. Issue needs very delicate handling, because of considerable sensitivity in Hong Kong public opinion. (If necessary) Internal security of course responsibility of SAR Government under Annex I of Agreement.

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Press Line

Wish to say that both leaders expressed satisfaction at coming into force of agreement and reaffirmed commitment of both countries to implement both spirit and letter in years to come. Look forward to continuing close cooperation in making success of agreement.

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Background

1. Prime Minister last met Premier Zhao in Peking in December 1984.
2. Hong Kong agreement ratified on 27 May. Instruments exchanged in Peking.
3. Announcement on membership of Joint Liaison Group made on 21 May following agreement with Chinese to accept ERIC Ho once he had been registered as a British citizen. First meeting likely to be in London in July. Still discussion about details of establishment of Land Commission.
4. Chinese National People's Congress decided in April to establish a Basic Law drafting committee which would include "personages and specialists from all walks of life including Hong Kong compatriots". Names are likely to be announced later in the year.
5. Partial elections to Hong Kong Legislative Council for the first time in September this year. Just short of half members will be elected by college consisting of directly elected representatives at District Board (lower tier administration) level, and by functional constituencies eg lawyers, trades union, doctors etc. Some signs of Chinese anxiety about pace of reform. Further review of system in 1987 before 1988 elections.
6. Decisions on reducing garrison from five to four battalions known to be under consideration by us. Represents return to 1980 levels, which Commander British Forces (CBF) considers justified following agreement, and is result of cancellation of expensive barracks project not now considered justified. Decision not yet taken in London, but case looks strong. Some signs of Chinese anxiety that we keep sufficient forces in Hong Kong to maintain order (cf Deng's frequently expressed anxiety about public order in Hong Kong.)
7. CBF Hong Kong gave interview to Hong Kong television on 9 May in which he mentioned possibility of establishing internal security force to assist police, and also referred to possible PLA presence in Hong Kong after 1997. Communist press in Hong



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Kong has attacked CBF on ground that PLA role in
Hong Kong after 1997 not business of British
Government. No official comment from Chinese side.



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VISIT BY PREMIER ZHAO ZIYANG 2-8 JUNE

BRIEF NO 3(a): BILATERAL RELATIONS: GENERAL

Our Objectives

- a. To impress on China Britain's value as a political and economic partner.
- b. To underline the importance we attach to an outward looking, economically pragmatic China.

Arguments to use

- a. Ratification of Joint Declaration ushers new era for UK-China relations. Close, substantive relations in both our interests.
- b. High level political contacts important. Trust and understanding developed in Hong Kong negotiations.
- c. Right to invest effort in political framework.

Delighted to be able to sign Economic and Nuclear Cooperation Agreements. Look forward to early conclusion of negotiation on Investment Promotion and Protection Agreement. Must lay groundwork now for lasting cooperation into 21st century.

- d. Contacts growing in many fields. Welcome, but still need more substance. Greatest scope in economic sphere. But also value exchanges in science and technology, culture and education.

/e.

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e. Excellent work of British Council in China. Some 800 Chinese students in Britain: have made funds available to enable more to come. Delighted at contribution Britain has made to English language training in China, especially with BBC "Follow Me" series.

f. Impressed by recent Chinese economic successes. Welcome open door policy. Much Britain can do to assist Chinese modernisation in depth, in detail and reliability.

His Objectives

a. To underline the opportunities for Britain in China's modernisation programme providing prices are competitive.

b. To underline that China's economic strategy and the open door policy will not be changed by the present leadership and are not vulnerable to internal opposition.

Press Line

Both sides welcomed the recent growth in bilateral contacts in all fields, and expressed their commitment to add further substance to revelations.

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Group/Class..... PREM 19
Piece..... 1426

Brief No. 3(b): Visits

Paper extracted and
temporarily retained
under Section 3(4)
pending completion of
review.
(date)..... 19 November 2013
(Signed)..... Wayland

VISIT BY PREMIER ZHAO ZIYANG, 2 - 8 JUNE 1985

BRIEF NO 3(c)

URENCO - CHINA

OUR OBJECTIVES

1. Prevent Chinese assuming quick and easy decision on their joint venture proposal.
2. Preserve freedom ultimately to refuse proposal if political and economic conditions are not right.
3. Re-assure Chinese that this proposal is nevertheless being considered carefully.
4. Reject any Chinese intimation that UK more obstructive than partners.

ARGUMENTS TO USE

1. Interesting project; but involves sensitive nuclear technology not freely available.
2. No previous sale of this technology to anyone.

3. Supply of this technology would be a new departure
in terms of non-proliferation policy.
4. Any decision will be taken jointly with Netherlands
and German Governments.
5. Discussion with partners in progress.
6. URENCO will need to form own commercial judgement.
7. Nuclear Co-operation Agreement covers only non-sensitive
projects; URENCO, clearly sensitive technology - needs special
handling.

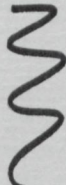
HIS OBJECTIVES

1. Obtain UK commitment to supply plant and technology.
2. Exploit any differences of approach between
URENCO partners.
3. Obtain an early visit to a URENCO plant.

/OUR RESPONSE



YOUR RESPONSE

1. Recognise importance of efficient uranium enrichment plant to Chinese civil programme.
2. Careful study required because sensitive nuclear technology involved.
3. Not sold to anyone yet.
4. Dutch and German partners to be consulted.
Response soonest through Embassies in Peking.
5.  Visit to UK plant logistically difficult and inappropriate at present.

PRESS LINE

1. Should not be mentioned to Press.
2. If raised - Chinese interest being considered.



BACKGROUND

1. URENCO is a uranium enrichment consortium jointly owned by BNFL with Dutch and West German commercial partners.
2. URENCO activities are subject to control by three governments whose decision is binding on company.
3. Chinese have suggested a joint venture company in China.
4. URENCO believes project economically attractive. Could amount to about £500 million of business for the consortium over 10 years but further information and analysis needed.
5. As China is a Nuclear Weapon State, there are no legal restrictions under NPT or other international commitments on supplying this sensitive technology presently restricted to consortium.
6. Possible reaction of Allies and in COCOM uncertain. Nevertheless, we expect difficulties with the US who will need careful handling.
7. Risks of leaks to third parties and strategic risks need careful assessment. Currently underway with partners.
8. UK and Netherlands have refused requests from Zhao's party to visit centrifuge enrichment plant at Capenhurst and Almelo.



9. China has not made any link between this project and Guangdong. We believe it unlikely that they will do so. Chinese are aware that enrichment plant is sensitive, abnormal project not covered by draft nuclear cooperation agreement. Guangdong too immediate a need to set against something timed for 1990.

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VISIT BY PRIME MINISTER ZHAO ZIYANG 2-8 JUNE 1985

BRIEF NO 3d): CLAIMS : BONDED DEBT(DEFENSIVE)

Our objectives

If the Premier raises the subject, to underline that full access to the London financial markets is dependent upon some settlement of the outstanding pre-1949 Bond Issues.

Possible Chinese objectives

- a) To seek unrestricted access to London financial market for sterling and dollar capital loans. With reserves of US \$17 billion they are prime borrowers: a ticket to the London market is a guarantee of respectability;
- b) To underline their objections in principle to our claims, in a number of categories including bonds, which they regard as odious debts, incurred by previous regimes.

Our response

- a) Welcome Chinese decision to hold substantive negotiations. But we regard all our claims, including bonds, as well-founded in international law. Acceptance of repudiation of past debts could prompt others to act similarly. But we appreciate Chinese concern over bond issues and wish to see their problems settled amicably.

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/Both



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Both Governments should look to the future rather than the past.

b) British banks are willing to consider lending to China. But some settlement would ease the issue of new bonds and greatly assist the confidence of potential investors.

c) We cannot rule out the possibility of legal or other action if the Chinese Government wish to raise funds here. A settlement of bondholders' claims would clear the way.

d) Indications that the Bank of China and the Chinese Investment Corporation are aware that a settlement would assist Chinese efforts to modernise their economy. Is the Chinese political leadership ready to compromise?

Press Line

The question of outstanding British claims was discussed with Premier Zhao Ziyang.

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BACKGROUND

1. The Chinese have agreed to negotiate British claims against China estimated at approximately £560 million plus interest and we have proposed dates in September or October in Peking. They wish to exclude around 70% of our claims by value including that for pre-1949 bonded debt. This amounts to £62 million in principle and approximately £160 million in interest. We are undertaking detailed research to counter the Chinese objections and hope to achieve an acceptable lump sum settlement.

2. The Deputy Governor of the Bank of England visited China in May and discussed bonded debt. The Vice President of the Bank of China expressed great interest in a nominal settlement. But the Chinese Government have hitherto refused to accept liability for debts incurred by pre-1949 regimes.

3. The Chinese have previously raised a bond issue in Japan and have now tapped the German bond market for a DM 60 million issue. The Council of Foreign Bondholders and the Bank of England have made their objections to the issue known to the German banks.

4. British banks have raised new funds for general commercial credits and the Midland Bank is assembling a bond package for British contractors for the Guangdong Nuclear project. We are thus demonstrating to the Chinese our interest in closer commercial and technological collaboration but wish to close the issue of past claims.

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VISIT BY PREMIER ZHAO ZIYANG OF CHINA: 2-8 JUNE 1985

BRIEF NO 4a): EAST/WEST RELATIONS

Our Objectives

- a) To exchange assessments of the current state of East/West relations and likely Soviet tactics under Gorbachev's leadership.
- b) To encourage Chinese support for Western approach to arms control, especially Geneva talks.

Arguments to Use

- a) East/West. Gorbachev's election as General Secretary rapid and smooth. Moving quickly to consolidate position (eg Politburo promotions in April). Preoccupation clearly domestic economy. No sign of any radical economic reform.
- b) Main change in Soviet foreign policy not substance but style. Sharper presentation, quicker reaction than for number of years.
- c) No expectation of rapid improvement in E/W relations. Soviet propaganda proposals on arms control. Will continue to seek unilateral advantage, wedge-drive.
- d) Arms Control. Priority is to get results at Geneva. US flexible, Alliance united, but talks likely to be long and hard. Remains to be seen whether and if so when Russians decide to begin negotiating seriously.
- e) Soviet moratoria proposals a propaganda gambit. Soviet insistence on offensive/defensive linkage an attempt to block US nuclear force modernisation and SDI.

/f)



f) SDI: Common interest of West and China in prudent US counter-balance to Soviet efforts. Camp David four points guide to future policy. Should avoid simplistic proposals (eg space 'demilitarisation', ban on 'space weapons'/SDI research).

g) INF: General recognition in West that Soviet freeze offer hollow. US 1983 proposals possible way forward. US insistence on global INF limits recognises Asian concerns that problem should not shift from Europe to Asia.

h) START: 1983 positions offer scope for trade-offs to deal with force asymmetries. Important that current arms control regimes be maintained (viz. SALT and ABM Treaty).

i) How does Zhao see nuclear arms control being tackled in Far East context?

His Objectives

a) To exchange views on opportunities for doing business with new Soviet leadership.

b) To explore UK views on what is at issue at Geneva and in regard to SDI.

Your Response

a) To stress sincerity and realism of West's approach at Geneva, and flaws in propaganda 'solutions' to arms control questions.

PRESS LINE

Useful exchange of views on East/West relations and arms control. Close similarity of views on many points.

BACKGROUND

1. The Prime Minister last met Zhao in December during her visit to China (when the Premier suggested that Chinese and British views of the nature of the Soviet Union were 'identical').
2. Soviet leadership. At 23 April Central Committee Plenum Gorbachev brought into Politburo as voting members two men with whom he had worked previously, Ligachev and Ryzhkov. Chebrikov (KGB) promoted to voting member. Marshall Sokolov (Defence Minister) made candidate member only.
3. East/West. Soviet Union seems ready for progress on certain bilateral aspects of relationship with US, but no change on key issues, including arms control. Superpower summit still on the cards but timing unclear.
4. Arms Control. Chinese position of principle remains that superpowers must take lead on nuclear disarmament. China accepts the need in present circumstances for both Western Europe and Japan to rely on the US nuclear umbrella.
5. Has welcomed Geneva talks, but hostile and relatively unsophisticated attitude to SDI, dictated by concern for future of Chinese nuclear force and need to compete with Russians in playing to Non-Aligned gallery. At UNGA and Conference on Disarmament China has favoured ban on BMD research. But sympathetic to NATO INF deployment, on which US has briefed Chinese at regular intervals. During recent talks with senior officials in Peking, Chinese seemed to recognise need for more sophisticated approach on SDI and nuclear issues.



VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

Brief No 4(b): SINO SOVIET RELATIONS

Our Objective

To seek Chinese views on prospects for relations under Gorbachev.

Arguments to Use

- (a) Are you finding any change in Soviet approach to China under Gorbachev?
- (b) Note recent Chinese statements that political obstacles can now be tackled one by one rather than all together. Will this lead to progress?
- (c) Which obstacle present least threat to Chinese security? Afghanistan?
- (d) How far can economic cooperation develop without resolution of political differences? Soviet interest in China's economic experiments? (Gorbachev's own priority clearly domestic economy).

His Objectives

- (a) To emphasise that Chinese preconditions for substantial improvement in political relations are unchanged; and no immediate prospect of their being met.
- (b) To argue that growth in Sino-Soviet economic contacts should not cause concern to West.



BACKGROUND


1. Normalisation of relations remains a priority for new Soviet leadership. Long term aim to offset and, if possible, undermine development of China's links with the West. But Chinese continue to see Soviet Union as major threat to their security.

2. Six rounds of normalisation talks since 1982. No signs of progress so far on the three Chinese preconditions for substantially improved relations (Afghanistan; Cambodia, and Soviet force levels near the Chinese border). But Chinese have recently hinted that they may be prepared to accept step-by-step approach. Have said that removal of Vietnamese forces from Cambodia should be easiest for Soviets, since Soviet forces not involved.

3. Sino-Soviet contacts increasing rapidly however, particularly economic. Trade increased in 1984 to US\$1.2bn. Chinese Vice Premier Yao Yilin likely to visit Moscow in June to sign five-year trade agreement, allowing for US\$6bn by 1990.

4. Rising trend will continue with further growth in trade and routine contacts. But progress unlikely in political relations.

FOREIGN AND COMMONWEALTH OFFICE
23 MAY 1985


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VISIT BY PREMIER ZHAO ZIYANG 2-8 JUNE 1985


Brief No 4(c) - Indo-China

Our Objectives

- a) To confirm our continuing opposition to Vietnamese occupation of Cambodia; backing for ASEAN/UN proposals for withdrawal of all foreign forces from Cambodia, holding of free elections for independent, neutral non-aligned Cambodia.
- b) To underline UK's continued support for the Cambodian resistance coalition, eg humanitarian aid to Son Sann and Sihanouk groups.
- c) To persuade Chinese that Khmer Rouge must not dominate resistance coalition and that their most notorious leaders should be phased out.
- d) To seek Chinese assessment of current Vietnamese offensive in Cambodia; future prospects for resistance coalition; Soviet strategy; outlook for a political settlement.

/ii)

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Arguments to Use

a) Regret no sign of political solution. Like you, deplore Vietnam's occupation. They must withdraw as precondition for settlement. Have repeatedly condemned their latest offensive. Also their incursions into Thailand. Shall continue to put pressure on Hanoi. Must bring them to realise others can be as determined as they.


b) Four square behind ASEAN/UN on Cambodia. Reaffirmed this during my South East Asia tour. Want to see free elections for independent, neutral Cambodia.

c) Like you, we support aims of resistance coalition. Important that resistance forces should now demonstrate are still force to be reckoned with. Your assessment of their capabilities? Shall maintain our contacts with and humanitarian support for Sihanouk and Son Sann groups.

d) Important that no single faction should overshadow

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the others. Know you back Khmer Rouge but widespread and continuing revulsion in Britain and worldwide at past record. In general interest worst offenders be 'retired', eg Pol Pot.

e) Your assessment of Hanoi's latest offensive future tactics?

f) Sino-Vietnamese relations key to a settlement. Any prospects for improvement? Have Vietnamese put out any feelers?


g) Concern at increasing Soviet role in Indo-China and their military presence at Cam Ranh Bay. Your assessment?

Tactical Arguments

a) Recognise that Khmer Rouge are currently the most effective militarily of resistance groups but they are a

/liability

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liability to us politically and the best justification for the Vietnamese of their continued occupation of Cambodia.

b) What form/complexion of government would you accept for Cambodia, eg non-communist under Sihanouk with or without Heng Samrin?

Their Objectives

a) Seek reassurance on UK/EC position on Cambodia.

b) To encourage UK to continue assisting resistance forces in Cambodia.

c) To depict Vietnam as the aggressor on the Sino-Vietnamese border.

d) To express concern regarding Soviet presence in Indo-China.

/v)

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Our Response

a) No change in our policy on Cambodia or to Vietnam. Is shared by majority of EC partners. Will continue our policy of withholding aid from Vietnam (I announced in July 1979) and encourage others likewise.

b) UK continues to support the aims of the resistance coalition. Believe proper role for us is to give humanitarian aid to Son Sann and Sihanouk groups as well as contributing to international relief on Thai/Cambodian border (total UK contribution during financial year 1984/85: £950,000). Others, like you, better placed to give military aid.

c) Understand your concern regarding situation on Sino-Vietnamese border. Important this should be contained.

d) Soviet military presence at Cam Ranh Bay very disquieting. How do you assess Soviet-Vietnamese relations? Are Soviets ever likely to bring pressure on Vietnamese to withdraw from Cambodia?

vi)

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Press Line

We exchanged views about the current situation in Indo-China and agreed that a solution to the Cambodia problem depended on a complete withdrawal of all foreign forces. We expressed full support for ASEAN's efforts to find a solution based on proposals agreed at the UN, and for the aims of the Cambodian coalition led by Prince Sihanouk. We expressed concern at growing Soviet involvement in Indo-China.

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BACKGROUND

1. China sees Indo-China as legitimate sphere of its influence. Peking cites Vietnamese occupation of Cambodia as one of the "three obstacles" to improved Sino-Soviet relations. Vietnam has traditional fear of China, based on thousand years of Chinese domination.

2. 1950s, 1960s and 1970s: China supported Vietnamese communists and communist insurgencies in Laos and Cambodia. After communist victories in 1975 Chinese influence began to wane in Vietnam.

3. 1978: sudden deterioration in Sino-Vietnamese relations. Chinese aid from Vietnam withdrawn. 250,000 Sino-Vietnamese left Vietnam for China. Pol Pot forces engaged in cross-border operations against southern Vietnam. Events culminated in Vietnamese invasion of Cambodia (December 1978) and installation of Vietnamese-backed Heng Samrin regime (January 1979). China retaliated by invading Vietnam in February 1979.

4. China, like UK, supports Cambodian resistance coalition but is traditional backer of Khmer Rouge. China is now most important supplier of arms to all three factions. Approximate force levels at present:

Vietnamese army	160,000
Heng Samrin forces	30,000
Khmer Rouge	30,000 —
KPNLAF (Khmer People's National Liberation Armed Forces - Son Sann)	12,000-14,000 =
Sihanoukists	6,000-8,000 =

5. November 1984: Vietnamese launched most ferocious offensive to date in Cambodia obliged Resistance to evacuate all border camps. Khmer Rouge least affected, as adept guerilla fighters. But non-communists obliged to retrain for guerilla role. Difficult. Continuing domination of coalition by Khmer Rouge (Pol Pot) presents political problems for West/ASEAN given their notoreity. Chinese have in past hinted they might be prepared to "retire" Khmer Rouge's most notorious leaders, eg Pol Pot but no sign of this.

6. In response to Vietnam's offensives in Cambodia, China has continuously exerted pressure on Vietnam's northern border. No indication that they are planning a "second lesson" on lines of 1979 invasion. Would be very costly for Chinese.

/7.

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7. Vietnamese continue to launch diplomatic initiatives over Cambodia. No sign of genuine change in their position; Chinese military and moral support for coalition vital. Both Son Sann and Khieu Samphan (KPNLF and Khmer Rouge coalition leaders) met Chinese leaders in early May.

8. Soviet Union has steadily built up its base facility at Cam Ranh Bay in southern Vietnam. Now its largest outside the Warsaw Pact area. In 1983, Soviet Union economic and military aid to Vietnam: US \$1.2 billion.

SOUTH EAST ASIAN DEPARTMENT

FOREIGN AND COMMONWEALTH OFFICE

MAY 1985

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VISIT BY PREMIER ZHAO ZIYANG

2-8 JUNE 1985

Brief No 4(d): SOUTH ASIA

Our Objectives

To emphasise to the Premier:

- (a) our firm support for Pakistan over Afghanistan;
- (b) our concern about nuclear proliferation in South Asia and our hope that China will use its influence, in particular with Pakistan, to prevent it;
- (c) our concern that instability in South Asia will provide opportunities for Soviet meddling.

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/Arguments

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Arguments to Use

- (a) Pakistan under increasing Soviet pressure over Afghanistan:
Soviet intransigence blocking progress in UN talks:
important all Pakistan's friends speak up firmly in her
support: evident Afghan resistance making good use of the
assistance reaching them: important efforts to secure
resistance unity are encouraged;
- (b) have noted Pakistan Government's assurances that nuclear
programme is peaceful: would have greater confidence in
these assurances if Pakistan signed NPT and accepted IAEA
safeguards: danger of Indo-Pakistan competition acquiring
nuclear dimension: believe China able to play important
restraining role;
- (c) risk of instability in South Asia: inter-communal problems
in Sri Lanka, relaxation of military governments' control in
Pakistan/ Bangladesh, continuing domestic troubles (Punjab,
Assam) in India: India key to regional stability, but in
turn Indian stability critically dependent on Rajiv Gandhi:
important to support him to head off Soviet meddling in
India and region.

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/Tactical



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Tactical arguments

- (a) Pakistan Government particularly concerned her friends should not relax firm stand on Afghanistan in pursuit of better relations with Soviet Union;

- (b) China well placed to help over nuclear proliferation because good friend of Pakistan and seen by India as major element in South Asian regional power balance;

His Objectives

To probe our attitude towards new Indian Government and its relations with Soviet Union.

Your Response

Rajiv Gandhi has emphasised continuing close relations with Soviet Union, but long term of thrust of his policies likely to be to disadvantage of Soviet Union.

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Background

1. About 115,000 Soviet troops in Afghanistan. Afghan resistance co-ordination/effectiveness improving. Chinese maintaining arms supplies to resistance. Soviet pressure on Pakistan intensifying: threat in diplomatic exchanges of unspecified consequences; increasing air strikes across border.

2. Pakistan efforts to acquire nuclear explosives capability continuing, (some evidence of past Chinese assistance). Rajiv Gandhi increasingly critical, but India has rejected Pakistan's offers of mutual signature of NPT and adoption of safeguards, in order to maintain independence of action, but ostensibly because China has not signed N.P.T.

3. Indo-Chinese relations tension-free, but without much substance. Talks on border disputes continue, but have made little progress. China suspicious of Indo-Soviet ties: India of Sino- Pakistan collaboration.

4. Rajiv Gandhi to visit Soviet Union on 21-22 May; US/France in period 4-18 June; UK autumn, possibly October.

FOREIGN AND COMMONWEALTH OFFICE
20 MAY 1985

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VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

Brief No 4(e): KOREA

Our Objectives

- (a) To encourage Chinese efforts (at some cost to good relations with North Koreans) to bring about genuine dialogue between the Koreans.
- (b) To seek Chinese views on North Korean intentions.
- (c) To show no weakening of our political support for the Republic of Korea.

Arguments to Use

- (a) Important to reduce risks of dangerous tension on peninsula. Believe Chinese share our view that dialogue between North and South Korea should be encouraged.
- (b) Hopes raised for some progress towards talks on future of peninsula after November 1984 Panmunjom economic conference. But subsequent North Korean insistence on postponement of second round, and absence of progress when finally held, not encouraging.
- (c) Difficult to accept at present that North Korean leadership has genuine desire to seek progress. Useful to have Chinese view of realistic prospects.

His Objectives

- (a) To urge our support for tripartite talks proposals.

/Your



Your Response

- (a) Accept no common ground on shape of multilateral talks but point to direct dialogue as practical channel for present.



BACKGROUND

China/Korea

1. Over past two years stresses have entered into traditionally close Sino-North Korea relationship. The Chinese would welcome permanent reduction in tension between the Koreas and appear to have pressed for greater North Korean flexibility over dialogue with the South. At same time Chinese non-official contacts with South Korea have greatly increased. In 1982, probably as a result of North Korean pressure, the Chinese placed ban on trade between China and South Korea. But by 1984 two-way trade very considerable (first half 1984 US\$230m). "Unofficial" contacts began in 1984. South Korean businessmen and sports teams have been permitted to visit China, and recently diplomats from Seoul attended an international meeting in Peking. The recent negotiated return of a Chinese warship which had entered South Korean waters after a mutiny has underlined the importance of these unofficial contacts to both sides. But Peking has paid a price in improved North Korean relations with Soviet Union. Kim Il Sung paid first visit to Moscow in 17 years in 1984, and closer cooperation in the military sphere is now evident, although whether North Korea will acquire more than a nominal amount of much-desired Soviet military equipment remains to be seen.

Korea: North-South contacts

2. In January 1984 North Koreans publicly called for talks with South Korea and US on future of the Korean peninsula. South Korean preference, supported by US, is for quadripartite talks (to include China) although Northern suggestion has never been formally rejected. The Chinese have consistently supported the tripartite formula. An apparent breakthrough came in September 1984 with Southern acceptance of a Northern offer of flood relief aid. These contacts led to economic and trade talks at Panmunjom in November 1984, held in an apparently constructive atmosphere. Cautious hopes of tentative moves towards talks on the future of the Korean peninsula were thereby raised. It was agreed that further round of talks would take place in January 1985 but a later insistence by the North Koreans that any further round of talks be tied to cancellation of longstanding US/South Korean military manoeuvres led to postponement until 17 May. Talks then made no further progress on issues upon which agreement reached in principle in November. Next meeting scheduled for 20 June although cross-border Red Cross contacts will resume later in May. Following establishment of genuine democratic opposition, North Koreans have seized avenue of potential tactical advantage by offering inter-parliamentary conference. No formal Southern response yet. Northern motives difficult to assess, but inconsistent actions may reflect factional differences in Pyongyang.

FOREIGN AND COMMONWEALTH OFFICE
22 MAY 1985

VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

Brief No 4(f): 40TH ANNIVERSARY OF UN (Defensive)

Our Objectives

To discover at what level China will be represented at the anniversary celebrations in New York this October; and to explain the type of Declaration we would like to see.

Arguments

- (a) Will Premier Zhao attend?
- (b) Declaration should be unpolemical, concise, forward-looking, and based on re-affirmation of principles of Charter.

His Objectives

To discover UK intentions. The Premier may also raise the question of a possible high level meeting of the Security Council.

Your Response

- (a) No final decision on attendance; precise nature of commemoration still unclear; but am keeping diary free.
- (b) (If raised). Aware of discussion about possible high-level Security Council meeting. Would consider attending if other members, particularly permanent members want a meeting. But need to be very clear in advance what meeting would seek to achieve.



BACKGROUND

(a) The 40th anniversary of the coming into force of the UN Charter falls on 24 October this year. Heads of State and Government have been invited by the UN Secretariat to attend the commemoration, but it is not yet clear what form the ceremony will take. If the Prime Minister decides to attend the best option might be to travel direct from the Commonwealth Heads of Government Meeting in Nassau (16-22 October).

(b) The picture has been further confused by informal suggestions (first by the French but taken up by the Secretary General) that the Security Council meet at high level, possibly under the UK Presidency in September. We have told the Secretary General informally that we are not opposed to the idea. Such a meeting would reinforce the Security Council's status as the UN's primary body. But we shall wish to ensure that the purpose of the meeting is clearly established beforehand. The current Thai President of the Security Council raised this matter at the monthly Security Council lunch on 21 May. There was no clear indication of Chinese views.

(c) In her interview with Chinese journalists on 8 May, the Prime Minister said that she might raise this subject with Premier Zhao.

FOREIGN AND COMMONWEALTH OFFICE

22 MAY 1985



CONFIDENTIAL

- 5 Trade and Economic Cooperation
- a) Bilateral Trade: General
 - b) Specific Projects
 - c) Aid for China
 - d) COCOM/China
 - e) Defence Sales
 - f) Joint Economic Commission
- 6 Background Briefs
- a) UK/China Relations
 - b) China Internal: Political and Economic
 - c) Chinese Foreign Policy
- 7 Personality Notes
- a) Zhao Ziyang
 - b) Tian Jiyun
 - c) Wu Xueqian
 - d) Zhou Nan
 - e) Gan Ziyu

/f)



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- f) Lin Zongtang
- g) Jia Shi
- h) Bao Tong
- i) Hu Dingyi
- j) Ke Zaishuo



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VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

<u>Brief No</u>	<u>Title</u>
1	Visit Programme
2	Hong Kong
3	Bilateral Issues
a)	Bilateral Relations: General
b)	Visits
c)	URENCO/China
d)	Claims (defensive)
4	International Issues
a)	East-West Relations (including (SDI)
b)	Sino-Soviet Relations
c)	Indo-China (Sino-Vietnamese Relations; Cambodia)
d)	South Asia
e)	Korea
f)	40 th Anniversary of UN (Defensive)



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VISIT BY PREMIER ZHAO ZIYANG 2-8 JUNE 1985

BRIEF NO 5(a): BILATERAL TRADE: GENERAL

Our objective

To promote UK exports to China by showing that British technology is competitive, and appropriate to China's needs. (See separate brief on specific projects).

Arguments to Use

- a. British companies have long experience in China's priority sectors such as energy, transport, telecommunications, agriculture, and the modernisation of older factories.
- b. Many British companies discussing joint ventures and technology transfer. More willing to transfer technology than some competitors.
- c. Grateful for excellent arrangements for Lord Young's mission. Very successful. Must now build on this.
- d. Welcome Chinese purchase of 10 BAe 146 and 8 Short Brothers SD 360 aircraft.

His objectives

- a. Better access for Chinese goods to British market.
- b. To get British companies to quote lower prices and better credit terms and to encourage joint ventures and transfer of technology to China.

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/c.

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c. To seek concessions on specific trade policy issues, including concessionary finance, COCOM policy towards China, and Joint Economic Commission. (See separate briefs).

d. (possibly) to seek UK support for China to join the General Agreement on Tariffs and Trade (GATT).

Your response

a. Import policy decided by the EC, not individual Member States.

b. On UK figures, China last year had a trade surplus with Britain (disregarding an exceptional £82m of silver).

c. UK imports of Chinese textiles and clothing rose in 1984.

d. Other quotas will be looked at in the annual EC review of Chinese import quotas later this year.

e. Price, technology transfer and investment in joint ventures are for commercial negotiation between British companies and their Chinese partners. Quality as important as price.

f. Glad China has gained observer status in GATT. Will consider any Chinese request for full membership, carefully, consulting EC.



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Press Line

The two Prime Ministers agreed that there are excellent prospects for UK/China trade and economic co-operation in such sectors as energy, transport, telecommunications, agriculture, industrial modernisation and others.



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GATT

China recently acquired observer status in GATT and intends to seek full membership. This would have political attractions but possibly some trade disadvantages. Important that Chinese should see us as potential supporters of their membership: Hong Kong will need Chinese support for their own continued membership after 1997.



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VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

Brief No 5(b): SPECIFIC PROJECTS

Our Objectives

- (a) To encourage an early conclusion to the negotiations on the Guangdong nuclear project.
- (b) To advance UK interests in relation to the following other projects:
 - i) Tangshan coal mine renovation.
 - ii) Ningbo steelworks.
 - iii) Aluminium smelter projects.
 - iv) Railway developments.

Arguments to Use

- (a) Guangdong Nuclear. Had hoped we could have made an announcement during your visit. In both sides' interest to conclude negotiations soon and start work. Important for demonstrating confidence in Hong Kong. British side ready to enter final negotiations.
- (b) Tangshan coal mine. Glad that Britain provided free feasibility study by National Coal Board. British companies make excellent coalmining equipment; wish to play full part in this and other major coal mining developments in China. Premier Zhao will ^{have} visited Anderson Strathclyde, one of our leading makers of coal

/mining

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- mining equipment.
- (c) Ningbo steelworks. Following Lord Young's mission, British consortium led by Davy McKee is putting proposals to the Chinese authorities. Sir Y K Pao taking close interest. Ningbo is his birthplace.
- (d) Aluminium smelters. Pleased that London Consortium and Wimpey are discussing aluminium smelter projects in South China and Guangxi province. Possible that some of downstream plants of projects in South China could be located in Hong Kong. Would be useful boost to Hong Kong economy and appropriate symbol of industrial cooperation between Britain, China and Hong Kong.
- (e) Railway developments. Glad to learn that Balfour Beatty are in touch with China about railway developments in Peking (metro modernisation), Fujian and Guangdong provinces.
- (f) Pilkington joint venture. Welcome Pilkington/Yaohua General Glass joint venture. Hope that Chinese authorities will designate it as priority project in 1985 plan to enable construction to go ahead quickly.

His Objective

To obtain low prices, subsidised credit, free feasibility studies and training.

Your Response

- (a) Guangdong nuclear. UK offer already generous. Some /improvement

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improvement can be considered at final negotiations but UK must respect its international consensus obligations, and cannot offer a soft loan for this project.

- (b) Other projects. Can be sure that Britain will offer China the best possible terms for credit (see separate brief) feasibility studies and training.

Additional Points.

- ① We know that CITIC (China International Trade & Investment Company) are thinking of opening an office in Europe. We would like it to be in the UK.
- ② Diesel Factory and Rural Power plants for which IPSECO are bidding (see attached letter). A brief mention would be helpful.

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BACKGROUND

- a) Guangdong nuclear. Final financial and price negotiations are due to take place in June. Many issues are unresolved; Chinese demands are increasing.
- b) Tangshan coal mine renovation. Department of Trade and Industry paid £300,000 for feasibility study by National Coal Board given to the Chinese in April 1985. If project goes ahead, equipment worth £200m could be needed.
- c) Ningbo. UK consortium of five companies led by Davy McKee pursuing new £2-3bn integrated steelworks project. Davy propose, as first step, a feasibility study.
- d) Aluminium. The London Consortium, led by Mr Paul Brauner, is working with the Everbright Industrial Company (Chinese-owned, based in Hong Kong) to persuade the Chinese Government to establish a £1bn aluminium smelter in South China or elsewhere. Separately, Wimpey, with Pechiney of France, are pursuing an aluminium project in Guangxi province.
- e) Railway developments. Balfour Beatty have been approached by the Peking authorities about possible £3-5m upgrading of Peking metro. They and other companies (Davy McKee, GEC, British Rail) also interested in railway developments in Fujian and Guangdong including double tracking, electrification, communications, signalling
- f) Pilkington joint venture. Pilkington Bros PLC and Yaohua General Glass have joint venture agreement under which Pilkington will license to Yaohua their float glass technology and take one eighth equity share in factory to be constructed in Shanghai. Construction project has significantly overrun its cost estimate and work has ceased until final approval is received from the State Planning Commission, which will give project priority access to building materials.

FOREIGN AND COMMONWEALTH OFFICE
23 MAY 1985



VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

BRIEF NO. 5(c): AID FOR CHINA

[See covering note]

Our Objective

To promote British exports to China without offering any concessional finance.

Arguments to Use

Anxious to promote British exports to China. Should press ahead with identifying suitable projects.

His Objective

To get a promise of soft loans, the more the better.

Your Response

(a) Concessional funding raises the difficult question of resources. However we are urgently considering whether funds can be made available, and if so in what form. We are re-examining our financing instruments to see if we can devise financial packages for specific projects that would be appropriate to Chinese conditions.

(b) The financing terms offered for the Guangdong nuclear project are already very generous (Brief no 5(b)).

Press Line

If asked, we should say that the Chinese raised this and we are considering how to respond.



BACKGROUND

British aid to China so far is restricted to a small programme of technical co-operation started in 1983. This has begun well and Chinese appreciate it. This year's expenditure is estimated at £2.5 million. In the current review of ATP initiated by EX Committee Ministers are considering whether resources can be made available which would allow soft finance for China.



VISIT BY PREMIER ZHAO ZIYANG

2-8 JUNE 1985

BRIEF 5d): COCOM/CHINA

Our Objectives

To reassure the Premier that:

- (a) the UK continues to press for more favourable treatment of China in COCOM;
- (b) in discussions in COCOM, the UK's line has been at least as favourable as other COCOM members.

Arguments to use

- (a) Desire for expansion of bilateral trade, including high technology goods.
- (b) Accept case for some reduction in COCOM controls.
- (c) Have played a leading role in COCOM discussions on liberalisation.
- (d) As a first step, COCOM members have agreed to handle China cases in COCOM quicker.

Tactical Arguments

In 1980 the UK sought, but failed to achieve, a formal differential in favour of China in COCOM.

/His Objectives

His Objectives

- (a) Gain UK support for his view that China no longer warrants COCOM controls.
- (b) Drive a wedge between COCOM members, possibly by arguing that the US are in the lead and other COCOM members are dragging their feet.

Your Response

- (a) Convinced that, without prejudicing our security concerns, some liberalisation can and should take place. Favour step by step approach. Complete removal of China from COCOM controls would require unanimous agreement of all COCOM members. Have no doubt that other members share objective of liberalisation; question is only one of degree.
- (b) Cannot reveal details of confidential COCOM discussions. But can assure you that as leading actors in COCOM we are in the forefront of moves towards liberalisation. Share US desire to accelerate progress. But may take time to work out measures acceptable to all.

Press Line

If asked, we should confirm that Zhao raised COCOM but we should avoid further comment.



Background

1. Although our attempt, in 1980, to bring about a formal differential in favour of China in COCOM was unsuccessful, members have accepted for some time a de facto differential: 70%-80% of exceptions to COCOM embargo are for China.
2. All COCOM members now agree China poses lesser strategic threat than the other countries (Soviet Union and its allies) to which the COCOM embargo applies.
3. Result of current discussions in COCOM likely to be only limited and gradual lifting of controls on China: the US can at present agree to liberalisation only in a few (mainly computer-related) areas on the COCOM Industrial list. We and some others in COCOM favour more far-reaching reforms which would remove most controls on industrial goods (although controls on the Atomic Energy and Munitions Lists would remain). We are particularly keen on decontrol in the telecommunications field where there are good commercial opportunities for UK firms.
4. See also Brief 5f on defence sales.

VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

BRIEF NO 5(e): DEFENCE SALES

Our Objectives

To persuade the Premier that the UK can supply a wide range of defence equipment to meet China's needs.

Arguments to Use

- (a) UK industry has strong interest in selling to China and capability to supply much of her defensive needs. Illustrated by Lord Young's visit (although main emphasis of this was civil technology).
- (b) In accordance with overall development in bilateral relations, political will to supply increasing range of defence equipment, subject to COCOM.
- (c) Important in this context to maintain momentum of high level defence exchanges. Welcome forthcoming visit by Commander of PLA Air Force.

Tactical Arguments

- (a) Encouraged by recent sale of Marconi's integrated communications system to the PLA Navy and by continued interest shown in other equipment, particularly that which formed part of Project 051.
- (b) China should look at the full range of equipment UK can offer, not only the more sensitive items. But particular scope in submarine equipment, including torpedoes and periscopes.

/ His

His Objective

To obtain HMG support for sale of sophisticated defence technology (particularly naval), on favourable financing terms.

Your Response

Full cooperation within constraints of national security and international obligations.

Press Line

The two leaders discussed opportunities for increasing trade in a wide range of sectors, including defence



BACKGROUND

1. Defence exports to China £30m in 1984 (£1m in 1983). Modernisation of two Luda class destroyers (£120m) known as Project 051 cancelled in 1983, after three years' intensive negotiations. British companies thereafter reluctant to make running - prefer to see what Chinese want.
2. Defence has lowest priority of China's "Four Modernisations". Resources for import programme therefore limited. But still considerable and growing opportunities. Highest priority will be given to submarine equipment, including torpedoes; naval systems; avionics; airborne radar; and missile technology. Strong competition from US and other Western suppliers.
3. UK policy hitherto restricted sales to radar, sonar and communications equipment. Following Hong Kong agreement, Prime Minister agreed relaxation for certain submarine equipment and hoped this could extend to torpedoes and torpedo firing equipment. Full review of our defence sales policy for China submitted by Mr Heseltine to Prime Minister on 29 May. Recommends that policy for sale of defence and militarily significant equipment to China should be no less favourable than that towards other strategically non-aligned countries with expanding defence industries, subject to COCOM constraints. This will, unless COCOM object, allow sale or transfer to China of advanced defence technology except where this would enhance China's nuclear capability or otherwise jeopardise UK interests.
4. Lord Young visited China 28 February - 9 March. Chief of Naval Staff visited 21-31 May. Commander of Chinese People's Liberation Army Air Force (Zhang Tingfa) visiting Britain 9-18 June.
5. This brief should be read in conjunction with COCOM Brief No 5(d).



VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

BRIEF NO 5f: JOINT ECONOMIC COMMISSION (Defensive)

Our Objective

If raised, to show willingness to consider formal mechanisms to review economic cooperation, without commitment to a Joint Economic Commission.

His Objective

To seek agreement to establish a UK/China Joint Economic Commission.

Your Response

Ready to discuss ways of giving positive effect to the review provisions of the Economic Cooperation Agreement. Will pursue with your Ambassador in London.

Press Line

- a) (If Premier Zhao raised the subject). The two leaders agreed that ways would be discussed through diplomatic channels of giving positive effect to the review provisions of the UK/China Economic Cooperation Agreement; or
- b) (If Premier Zhao did not raise the subject). This subject was not discussed.



BACKGROUND

1. Most of China's main trading partners, except Britain, have a joint commission with China. The 1979 UK/China Economic Cooperation Agreement and the successor agreement to be signed by the two Prime Ministers on 3 June provide for the possibility of review meetings (none has been held so far) but not for a formal Joint Commission. The Department of Trade and Industry considers that the cost of a full scale Joint Commission with China would not be justified in terms of the likely trade benefits, and it would enable China to put pressure on HMG for soft credit and for relaxation of UK import and export controls.
2. China has not formally proposed a Joint Commission but the new Chinese Ambassador in London favours having one. If the Chinese Premier puts forward this proposal we should respond positively but aim at a flexible arrangement implementing the review provisions in the Economic Cooperation Agreement.

FOREIGN AND COMMONWEALTH OFFICE
30 MAY 1985

VISIT BY PREMIER ZHAO ZIYANG 2 - 8 JUNE 1985

BRIEF NO 6 (a): UK/CHINA RELATIONS: BACKGROUND

UK-China relations marked by the exchange of Ambassadors in 1972. Much greater range of contacts after Chairman Mao's death in 1976 and the emergence of Deng Xiaoping's reformist leadership. But trade and development project cooperation, despite steady growth, has remained low in absolute terms and compared with major competitor like the FRG.

2. The Joint Declaration on Hong Kong has transformed the political relationship. There is now the basis for lasting political, economic and cultural cooperation. Our main interests in this are:

- (i) the smooth implementation of the Joint Declaration;
- (ii) maintenance of China's current international posture, especially in relation to the Soviet Union, and her reformist economic and social policies;
- (iii) British industry taking a bigger share of China's expanding import market.

3. For China, the UK is:

- (i) the power administering Hong Kong, up to 30 June 1997;
- (ii) a country with world-wide interests and influence in areas which matter to China (the US, the Indian sub-continent and Anglophone Africa);
- (iii) an influential member of NATO and the EC;
- (iv) a source of capital, technology and training China needs for her modernisation programme. The UK ranks far behind the US, Japan and the FRG but is probably the next most important in Chinese eyes of developed West European countries; France has a strong position in some key areas, eg nuclear power.

4. For the foreseeable future the quality of bilateral relations depends on:

- (i) the future of Hong Kong;
- (ii) the consistency or otherwise of each side's attitudes and policies toward the Soviet Union;
- (iii) our treatment of China on economic and commercial matters (including concessionary finance);
- (iv) our attitudes toward multilateral trade policy issues (COCOM, restrictions on Chinese exports and credit aid); and
- (v) on the number and quality of Chinese students trained in the UK.



5. The Chinese have indicated that they will favour British industry within their general policy aim of increasing West Europe's share of China's trade from 16-30%. But the opportunities for British companies could increasingly be affected by the extent to which scholarships can be provided for Chinese students. 15,000 students are currently studying in the US, over 1000 in each of the FRG and France and 800 in the UK. The Chinese Government want to send more students to the UK. Even more wish to study here (self-financing for overseas study is now encouraged by the Chinese). If it is to compete on equal terms, British companies must provide more training awards (Lloyds have recently made a good offer).

6. There is a growing framework of bilateral agreements. Under the technical cooperation programme begun in 1983 by ODA, £2m is allocated a year to training Chinese students, consultancies by British firms for Chinese technical development projects and English language training. Double taxation and consular agreements were concluded last year. Our Consulate-General in Shanghai opened on 11 February (there is no date yet for the Chinese one in Manchester). A second round of negotiations was held in May on an Investment Promotion and Protection Agreement which should be concluded this autumn. During the visit we expect an Agreement on the Peaceful Uses of Nuclear Energy to be signed as well as renewal of the UK/China Economic Agreement (first signed in 1979).

VISIT BY PREMIER ZHAO ZIYANG 2-8 JUNE 1985


BRIEF NO 6(b) CHINA INTERNAL: POLITICAL AND ECONOMIC (Background)

1. The mood of the present Chinese leadership is more self-confident than it has been at almost any time since the foundation of the People's Republic of China in 1949. China's willingness to deal with the outside world over the last few years contrasts strongly with the inward-looking tendencies of the recent past. A new vigour infuses many aspects of Chinese economic life.
2. Much of this new spirit of enterprise is attributable to the dynamic leadership of Deng Xiaoping. It is essentially his vision of the future that the Chinese are now striving to implement. His basic aim is to change China into a modern developed nation in the forefront of the international community. His means include:
 - (a) Political stability. The continuous upheavals of the Cultural Revolution and of Mao's last years placed immense strains on the Chinese society and economy. Deng ended the forced involvement of the population in these campaigns. The public witch-hunts that used to follow the disgrace of political opponents have been replaced by quieter but no less resolute approach. Deng has thus tackled one of the primary breeding grounds of the factionalism endemic in Chinese politics. At the same time, under his leadership the Party has corrected, or at least acknowledged, many of the injustices it perpetrated in the past.
 - (b) Political and institutional reform. To help preserve the system against any recurrence of the Cultural Revolution, which brought near total chaos, Deng has sought to revive and strengthen China's political institutions. Decision-making is no longer concentrated in the hands of the Party although it remains the final arbiter. The legal system, long in disuse, has been revived.
 - (c) Personnel Reform. In the past promotion was determined by political acceptability and length of service. Deng is now actively seeking younger, more technically skilled, officials to take over senior positions. At the central level, China's vast and unwieldy bureaucracy has been significantly pruned and many poorly qualified or over-aged leaders have retired.
 - (d) Opening to the Outside World. A measure of foreign technology and assistance are essential if China is to develop at the rate Deng wishes. However, his commitment is long-term. He has looked forward publicly to a time when it would be 'simply impossible' to forego such dealings because 'China's economic and trade ties with other countries have developed and come closer'.

/ 3. Since



3. Since his rehabilitation in 1977 Deng has established supporters in key positions. Zhao Ziyang (Premier) and Hu Yaobang (General Secretary of the Party) are fairly well placed to continue his policies after he is gone. He has had the main elements of this reform programme unanimously endorsed at formal meetings of the Party. Furthermore, he can now point to a solid record of practical economic success. In agriculture, where the reforms have been going the longest, a record grain harvest was achieved in 1984 for the fifth year running. Rural incomes grew by 12% per annum from 1979 - 83. Between 1978 and 1984, in industry, high rates of growth have also been achieved: around 12% in 1984. Industrial wages have risen by almost half since 1978 and the new emphasis on light industrial production has allowed more consumer goods onto the market.
4. Some of the more remarkable changes have taken place in foreign economic relations. The four Special Economic Zones established in 1979 have been followed by the opening this year of a further fourteen coastal cities to preferential treatment for foreign investors. Since 1979 China has attracted US \$ 8bn in foreign investment. China's foreign trade increased annually between 1978 and 1983 by 14.6%. According to Chinese figures, imports rose by 24.7% during 1984, and exports by 19.6%. Total foreign trade was US \$ 49bn. There was a trade deficit, financed partly by foreign exchange reserves, which stood at around US \$ 12bn at the end of last year.
5. The Third Plenum of the Central Committee held in October 1984 marked another important stage of reform. Following the acknowledged success in agriculture, the Plenum adopted a general programme for reform in the far more complex urban and industrial side of the economy, aimed at reducing the inefficiencies of China's traditional planned economy with a limited introduction of market forces. Certain sectors will be taken out of the central planning system altogether. Much greater powers of responsibility, including that to dismiss employees, will be given to enterprise managers. The acknowledged key to the package lies in the centrally controlled pricing structure. The Plenum suggested that this "irrational" system should be gradually replaced by one based more on the "law of value".
6. Difficulties remain. The reforms have attracted some criticism from conservative elements in the leadership that China's socialist system is straying onto a capitalist road. And the recent acceleration of the reform process has caused overheating in the economy: inflationary pressures are increasing and steps have been taken to control the money supply. Nevertheless, these problems are being tackled positively. Standards of living have risen considerably in recent years, particularly in rural areas, and Deng's policies are popular at grassroots level. His basic stress on economic reality rather than ideological purity is unlikely to be challenged, even after his departure, although his death will be a critical test of his policies.



ANNEX: MAJOR FEATURES OF CHINA'S ECONOMIC REFORMS

1. The Chinese embarked on their economic reforms in the late 1970s. The economic system which existed at that time was basically that introduced from the Soviet Union in the 1950s. It suffered from low levels of efficiency and a low rate of technological innovation resulting in a gradual decline in the rate of growth and the prospect of further falling behind the advanced economies. The cause of this situation was diagnosed as rigid bureaucratic control over economic units which resulted in their having little incentive to improve performance or meet the real needs of the economy or people. The reform strategy has been to relax controls over the economic units and give them more freedom and material incentive to improve economic performance and respond to market forces.

2. Agriculture was the first sector to undergo large-scale reform. The rural economy had been organised on the basis of large production units which gave little incentive to individuals to perform well. The reforms resulted not only in an impressive increase in production but also in an all-round development of the rural economy. The major elements of rural reform are:

a) introduction of the 'household responsibility system': land collectively owned by People's Communes was contracted out to small units, usually households, which organised their own activities to meet State production quotas. Anything produced in excess of the quota was at the disposal of the household;


b) peasants were encouraged to diversify their activities into 'sideline' operations eg animal husbandry, fish farming, handicrafts, services and even light industrial production etc. Rural industry, mostly run by collectives but also by individuals, has grown quickly and it is estimated that a third of the rural labour force is now engaged in non-agricultural occupations;

c) restrictions on private trade were lifted. Produce at the disposal of peasants after fulfilling State quotas and from their private plots (which were increased in size) can be marketed locally or transported to towns;

d) State mandatory purchase quotas are being replaced by a more flexible system of contracts between peasants and state purchasing agencies. It is hoped that this will help restructure agricultural production to better meet market demand and rationalise crop patterns.

3. Attempts at industrial reform have been made over the same period but this has proved more difficult and progress has not been so smooth. However the leadership appears at the present time to be more determined than ever to proceed with it. A number of measures have been or are scheduled to be implemented:

a) the scope and rigidity of State plans by which industrial enterprises have to abide have been reduced and the freedom of



enterprises to respond to market forces increased. Only the most important products (but which nonetheless account for a large proportion of output value) will be governed by mandatory plans. Other products will be subjected to guidance plans which use economic levers rather than administrative commands to direct enterprise operations. Large enterprises will be able to market output in excess of planned quotas at reasonably flexible prices. Only small enterprises are likely to be solely subject to market regulation;

b) since enterprise production is going to be influenced to a much greater extent by market forces, prices will need to be determined by the law of value. At the present time this is far from being the case and prices are not a guide to the relative scarcity of products. A great deal of price readjustment will need to be made;

c) enterprises are to be given greater incentive to be profitable. They are to become independent accounting units free from unwarranted interference by administrative bodies. Losses are no longer simply met by the State and profits handed over to it. Enterprises now pay taxes on profits and are able to retain the remainder for their own use;

d) enterprises are to have more control over their internal organisation. Enterprise directors will have more authority in deciding bonus payments, the size of the work force and appointments and dismissals. The role of the Party committee is to be curtailed;

e) wages and bonus payments are to be based more on the need to provide material incentives than on egalitarianism. Expertise, length of service and degree of responsibility as well as productivity are also to be rewarded.

4. An 'open door' policy aimed at increasing foreign trade, importing advanced technology and encouraging foreign investment has been pursued alongside this 'enlivening' of the internal economy. The most striking aspects of this policy have been:

a) the establishment of joint ventures between Chinese and foreign enterprises;

b) the establishment of **Four** Special Economic Zones offering especially favourable conditions for foreign investors. Similar conditions have also been offered in 14 coastal cities and Hainan Island;

c) decentralisation of the management of foreign trade and the use of foreign exchange. Enterprises are to have more direct links with foreign concerns, rather than having to work through State foreign trade bureaus.



5. Other notable features are:

- a) willingness to discard unhelpful ideological prescriptions;
- b) the development of a body of economic law;
- c) emphasis on expertise;
- d) development of banking and commerce;
- e) renewed attention to statistical work, auditing and accounting;
- f) willingness to accept foreign loans and participate in international economic and financial organisations;
- g) setting the priority of agriculture and light industry at the expense of heavy industry;
- h) development of small towns as rural industrial centres to relieve pressure on large industrial cities.

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VISIT BY PREMIER ZHAO ZIYANG, 2-8 JUNE 1985

BRIEF NO 6(c): CHINESE FOREIGN POLICY (Background)

1. Chinese foreign policy is founded on the requirements of national security and China's modernisation programme. The latter has led to more pragmatic and outgoing policies than hitherto. China no longer welcomes contention between the super-powers as a factor encouraging world revolution. She now acknowledges world peace as a primary objective, especially to provide the necessary environment for Chinese modernisation, and is generally a more assured actor on the international stage.
2. China's principal concern is its relationship with the super-powers, from whom it professes independence. In practice, China's relations with the United States are currently much closer and more substantive than with the Soviet Union. However, the Chinese have shown determination not to be dictated to by either power and especially to avoid being manipulated by one as a means of scoring points off the other. They consequently backed away from intimations following normalisation with the United States of willingness to participate in an informal alliance to oppose Soviet ambitions; and remain critical of many aspects of US foreign policy, including Nicaragua.
3. The Soviet Union provides the main physical threat to China. The three Chinese preconditions for normalising relations with the Soviet Union (Soviet troop withdrawals from Afghanistan, from Mongolia and the Sino-Soviet frontier, and ending support for the Vietnamese occupation of Cambodia) partly reflect this. Nonetheless, both sides are prepared to work towards a limited improvement in other practical respects. (See Brief No 4(b)).
4. China's modernisation programme depends in part on the acquisition of Western technology. This has inspired the current 'open door' policy, which the Chinese have presented as permanent rather than a temporary expedient. There has been a rapid increase in the volume of China's international commerce in the last few years. The lion's share has gone to the United States and Japan, but the Chinese have clearly indicated that they would like to increase their links with Western Europe. They wish to avoid dependence on a few sources of supply and also to stimulate competition. The Chinese also support a strong Europe as a political counterweight to the superpowers.
5. China's other main concerns are regional. Japan is a special case with its close commercial and political links, despite a residue of suspicion left over from the war. In South East Asia the Chinese seek to oppose Vietnamese ambitions and generally to build up their relations with the countries of ASEAN. This was the reason for the strength of the Chinese delegation to Indonesia to mark

/ the 30th



the 30th anniversary of the Bandung Conference. Several ASEAN countries however remain suspicious of growing Chinese influence. In particular, despite Chinese efforts, Sino-Indonesian relations seem unlikely to improve in the near future. Separately, Hu Yaobang's recent visit to Australasia and the South Pacific demonstrates growing Chinese interest in a region to which they have not hitherto devoted much attention. China has also shown increased willingness to deal with territorial problems with some of her neighbours. Border talks have been held with India, so far inconclusively, and Bhutan.

6. Taiwan and the problem of reunification remains a major Chinese concern, brought further to the fore following the conclusion of negotiations over Hong Kong. Deng Xiaoping has described the recovery Taiwan as one of the three main tasks for this decade. Chinese overtures to Taiwan presented under the concept of "one country, two systems" have offered even greater autonomy than in the case of Hong Kong (Taiwan would be allowed to retain its armed forces). But these have met with a stony response. American sales of arms to Taiwan remain a constant irritant in China's relationship with the United States. While China sees peaceful negotiations as the way reunification should be achieved, she has not explicitly ruled out the use of force.

7. On the wider stage, China has been playing an increasingly active role in international bodies. Chinese positions on many questions have become more constructive and better informed. On arms control, China's position of principle remains that the super-powers must take the lead in nuclear disarmament: once they have substantially reduced their holdings of these weapons, China will participate in a global disarmament conference. In practical terms China accepts the need in present circumstances for both Western Europe and Japan to rely for their security on the US nuclear umbrella. While urging both East and West to resume arms reduction talks, the Chinese have expressed their understanding of recent missile deployments in Western Europe. Despite cultivating the European peace movements, China is no advocate of unilateral disarmament.

8. China is also seeking to maintain its influence in the Third World, despite disavowal of aspirations towards leadership of the Third World movement. On the other hand China's overseas aid has declined in recent years; and China is increasingly a competitor with the Third World through its exports of goods and of labour and in the search for credit and aid from the developed nations and international financial institutions.

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ZHAO ZIYANG: PREMIER OF THE STATE COUNCIL: BORN 17 OCTOBER 1919

1. Zhao Ziyang was born in Hua County in Henan, a province in north Central China, in 1919. His father, a landlord, was well off enough to provide him with an education good by Chinese standards. Zhao went first to the local primary school and then on to a junior school in Kaifeng, Henan's second city and one time capital of China and to secondary school in Wuhan, a city of major importance and capital of the neighbouring province in Hubei. Zhao's political career began early. He joined the Communist Youth League when he was 13 and became a full member of the Chinese Communist Party 6 years later in 1938, at a time when China was undergoing a turbulent period in her history. Resistance to the Japanese invaders was led by the Communists and the Nationalists and this was shortly followed by the Civil War between the two groups. This was the context in which Zhao began to work as a Communist Party official and to make his way in the organisation.

2. Shortly after the establishment of the People's Republic of China, Zhao was among a large number of Party workers from north China to be sent to the important southern province of Guangdong to carry out the land reform policy which local officials had been slow to tackle. The campaign to redistribute land was a violent one in which many landlords lost their lives. In Guangdong the campaign was particularly brutal and Zhao Ziyang, by this time occupying a key position in the land reform organisation, must have played a leading part.

3. Zhao rose steadily in the Communist Party apparatus in Guangdong until he was appointed First Party Secretary in 1965, thus becoming the province's most senior official and the youngest provincial First Secretary in China. He specialised in agricultural work and during the 1950s agriculture, under pressure particularly from Mao Zedong was subjected to increasingly high levels of collectivisation reaching its peak with the formation of the People's Communes. The People's Communes proved disastrous and, together with other factors, resulted in great hardship for the peasants and widespread starvation. Zhao was amongst those provincial leaders who, taking the lead from Mao's opponents in Peking amongst whom was Deng Xiaoping, reversed Mao's policies and allowed the peasants more freedom.

4. The eclipse of Mao and his policies did not last long and Zhao and many others paid the price for their actions, which had in fact led to a recovery in China's economy in the early 1960s. During the Cultural Revolution Zhao was declared a "capitalist roader" and in 1967 paraded through the streets of Canton in a dunce's cap with a placard around

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his neck proclaiming his crimes. Apart from one occasion when he had to undergo a mass criticism meeting, he was not seen again in public for 4 years. Along with many others who had fallen foul of the Maoist radicals in the Cultural Revolution, Zhao was rehabilitated in the early 1970s. In 1971 he reappeared in a senior Party position in Inner Mongolia but was soon transferred to Guangdong where he resumed the First Secretaryship in 1974. The 1970s until Mao's death in 1976 was a period of great factionalist infighting with the Maoist radicals often having the upper hand. At this time Zhao was much more cautious than he had been earlier and in order to survive he sometimes had to pay lip-service to the radical policies of the day.

5. Zhao's career took off again in 1977 after the return to power of Deng Xiaoping. In 1977 he became an alternate member of the Party's Politburo and in Sichuan Province, to which he had been transferred in 1975, he began to experiment with some of the policies which were later to be applied throughout China. Sichuan became a pacesetter for economic reform and it together with its First Secretary began to attract a great deal of attention within China and outside. As Deng Xiaoping became stronger and was able to turn the country towards reforming the cumbersome and inefficient economic system, he brought Zhao to the centre to direct the transformation. In 1980 Zhao became Premier and a member of the Party's most senior body, the Standing Committee of the Politbureau.

6. Since then, Zhao has grown in stature, broadening the range of his responsibilities and gaining a reputation for being highly competent. He has also become an assured performer on the international stage, able to rub shoulders confidently with the world's leaders. Since 1982 he has embarked on important and well-publicised tours of Africa, Australia and New Zealand, the United States and Canada and Western Europe. He had visited the United Kingdom in 1979. Zhao should figure prominently in the arrangements to be made when China's leader Deng Xiaoping leaves the political stage.

7. Zhao is reported to be a keen jogger. He is interested in computers and in intelligent speculation about the future. His wife Liang Boqi does not travel with him. He has 4 children and (in 1984) 3 grand children. He does not speak any foreign language. On this tour he will also visit, after the UK, the FRG (1 week) and the Netherlands (2 days).

8. In the traditional lunar cycle of 60 years, Zhao was born in a Goat/Metal year. In Chinese traditional astrology those born that year are expert at putting their plans into effect. The Goat is also the symbol of the city of Canton,

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capital of Guangdong province, where Zhao worked for many years.

Zhao's home province: Henan.

9. Well-known historical figures from Henan include Yue Fei, a Song period patriot and soldier, famed for his resistance against the invading barbarians from the North; leading Tang poets such as Bai Juyi and Li Shangyin; Zhang Heng, a Han period poet and founding father of Chinese astronomy; Lao Zi and Zhuang Zi, the semi-historical founders of Daoism (Taoism) in the Zhou period; and the peasant rebels Chen Sheng and Wu Guang whose revolt undermined the Qin dynasty after the death of the first Qin emperor. (The latter were great heroes of the Gang of Four who were deposed following Chairman Mao's death in 1976).

10. Luoyang and Kaifeng, which served at various times as capitals during the Han, Tang and Song dynasties, are both in Henan. The province therefore has strong associations with some of the most glorious periods in Chinese culture. Among the present leadership Deng Yingchao, Zhou Enlai's widow, is also from Henan.

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7 (b) TIAN JIYUN (56)

A Vice-Premier. Secretary-General of the State Council. Member of the CCP Central Committee.

1929 Born in Shandong province.

1945 Joined the CCP.

1947-49 Head of a Land Reform work team.

1949-53 Confidential Secretary of the Financial Take-Over Department of the Guiyang Military Control Commission, class instructor at Guiyang People's Revolutionary University and at the Guizhou Training Centre for Financial Cadres.

1953-69 Financial Official in Guizhou province, rising to Deputy Director of the Finance Department.

1969-82 Financial Official in Sichuan province, rising to Director of the Finance Department.

1982-83 Deputy Secretary-General of the State Council.

1982- Member of the CCP Central Committee.

1983- Secretary-General of the State Council.

1983- Vice-Premier.

Tian's formal education was limited to only a year or two of secondary schooling during the anti-Japanese War period, followed by a year at a school of commercial accountancy. Although he later gained some familiarity with Marxist works on economic theory while teaching at Guiyang's People's Revolutionary University, most of his economic knowledge has been derived from practical work. His long experience of financial work at provincial level and below was capped by his transfer to the centre in 1982. A factor in this promotion was an association with Zhao Ziyang, whom he is said to have helped restructure Sichuan's economy while Zhao was First Party Secretary there between 1976 and 1980. One of only four Vice-Premiers, Tian, as befits his experience, has responsibilities for financial work including overall financial management and financial planning of industrial development. He has been the prime mover behind the policy of payment of income tax by industrial enterprises, which he proposed to the State Council in 1981. This places Tian squarely amongst the enthusiasts for economic reform. He is also responsible for Commerce and Trade. His most important task was described in 1984 as overseeing the restructuring of China's economic system. Hu Yaobang is reported to have named Tian as one of five up-and-coming officials who would be leaders in the future, although he seems recently to be slipping slightly behind Li Peng in political prominence.

Bright and intelligent with a pleasant manner, he has the air of a successful overseas Chinese businessman. A non-smoker.



Approximate pronunciation: Tyen rhymes with Ten
Jee
Yoon rhymes with Soon

Form of Address: Vice-Premier Tian



7 c WU XUEQIAN (64)

Minister of Foreign Affairs. A State Councillor. Member of the CCP Central Committee.

1921 Born in Shanghai.

1939 Joined the CCP.

1949-57 Deputy Director of the International Liaison Department of the New Democratic Youth League.

1953-58 Director of the International Liaison Department of the All-China Federation of Democratic Youth.

1954 Member of the Council of the Chinese People's Association for Cultural Relations with Foreign countries.

1957-64 Member of the Standing Committee of the Communist Youth League.

1958-62 Vice-Chairman of All-China Youth Federation.

1960 Member of the Council of the China-Africa People's Friendship Association.

1961 Member of the China Afro-Asian Solidarity Committee.

1964 Member of the Council of the People's Institute for Foreign Affairs.

1964 Deputy for Anhui to the 3rd National People's Congress.

1978-82 Deputy Director of the International Liaison Department of the Communist Party Central Committee.

1982 Vice-Minister of Foreign Affairs.

1982- Member of the CCP Central Committee.

1982- Minister of Foreign Affairs

1983- State Councillor.

Wu worked in the urban works office of the Party Central China Bureau until shortly before the end of the anti-Japanese war, when he was transferred to Shanghai, where he began a long association with Hu Yaobang. He worked underground in Nationalist-held areas during the civil war and throughout the Fifties and and early Sixties, was a senior official in the youth organisations of which Hu was the Chairman. His duties in international liaison departments required him to travel frequently, mostly as leader of Chinese youth delegations as, for instance, when he attended the

/Communist-



Communist-sponsored World Youth Festivals in 1955 and 1957, which were held in Warsaw and Moscow, respectively. In the early sixties his foreign visits were more often as a member of the Chinese 'peace' or 'friendship' delegation. By 1964, he had become a leading official of an unknown department under the Party Central Committee. But he made no appearances between 1966 and 1972 and nothing is known of his fate during the Cultural Revolution.

In 1973 Wu re-emerged as a leading member of the Party Central Committee's International Liaison Department and by 1978 was its Deputy Director. His swift promotion in 1982 to be senior Vice-Minister of Foreign Affairs (probably with responsibility for Asia) and to Minister a few months later, in preference to Vice-Ministers with more ministerial experience can probably be explained to a large degree by his connections with Hu Yaobang. But he does have considerable experience in foreign affairs, particularly in liaison with foreign Communist parties. Since becoming Foreign Minister he has accompanied Zhao Ziyang on his tour of Africa, and his visits to New Zealand, Australia, the United States and Canada. He has also accompanied Hu Yaobang to Japan. Wu himself led delegations on a tour of Latin America in 1984 and to the Bandung Conference Anniversary Meeting in Indonesia in 1985.

In appearance Wu is a cartoon Chinese, with prominent gold teeth and large spectacles, but he is shrewd and has a polished manner. He understands English but is reluctant to use it himself.

Approximate pronunciation: Woo rhymes with too
Hswear rhymes with chair
Chien rhymes with hen

Form of address: Minister



7 d ZHOU NAN (58)

Vice-Minister of Foreign Affairs

- 1927 Born in Peking.
- 1951-55 Third Secretary in the Chinese Embassy in Pakistan.
- 1955-56 Second Secretary in the Chinese Embassy in Pakistan.
- 1962-65 Second Secretary in the Chinese Embassy in Tanzania.
- 1965-67 First Secretary in the Chinese Embassy in Tanzania.
- 1971 Member of the Information Department of the Ministry of Foreign Affairs.
- 1971 First Secretary at the Chinese Permanent Mission to the United Nations.
- 1973 Counsellor at the Chinese Permanent Mission to the United Nations.
- 1975 Deputy Permanent Representative at the Chinese Permanent Mission to the United Nations.
- 1981 Charge d'Affaires at the Chinese Permanent Mission to the United Nations.
- 1982-84 Assistant Minister of Foreign Affairs.
- 1984 Vice-Minister of Foreign Affairs.

Zhou's main responsibility as Vice-Minister, as it was when he was Assistant Minister, is for Western Europe (including Hong Kong and Macao). In 1983 he was appointed Head of the Chinese delegation to the talks with Britain on the future of Hong Kong in succession to Yao Guang. During the period between his postings in Pakistan and Tanzania he visited Ghana in 1957 and attended the Geneva Conference on Laos in 1961. Zhou undoubtedly possesses a sharp intelligence, but he is ruthless and ambitious, and perhaps dominated by these traits. Personally he can be very pleasant or vicious, as the occasion demands. He speaks good English.

Approximate pronunciation: Joe rhymes with toe
Nan rhymes with pan

Form of Address: Vice-Minister.



7 e GAN ZIYU (56)

A Vice-Minister of the State Planning Commission

1929 Born in Guangdong Province.

1978 Vice-Minister of the State Planning Commission.

1981-82 Vice-Minister of the Administrative Commission on Import and Export Affairs.

1981-82 Vice-Minister of the Foreign Investment Commission.

Gan was first noted in 1961 when he published an article on economic affairs in Red Flag. He was also noted among leading members of departments concerned during the visits of the West German and Austrian Ministers of Science in 1973 and 1974 respectively. He was a member of Hua Guofeng's government delegation which visited France, West Germany, the United Kingdom and Italy in 1979, of Bo Yibo's delegation which visited Canada and the United States in 1980, and of Wang Bingqian's delegation which visited the United States in 1982. He came again to the United Kingdom in 1983 with Chen Muhua. He has also visited Japan on several occasions. A shy and quiet-spoken man.

Gan carries a great deal of weight in the State Planning Commission. He is one of those in the lead in the drafting of the next five year plan. He is a close associate of Zhao and has on occasion acted as Zhao's Cantonese interpreter during visits to South China.

Approximate pronunciation: Gan as in "Gander"
Zer rhymes with Fur
Yu as in You

Form of Address: Mr Gan



7f LIN ZONGTANG

A Vice-Minister of the State Economic Commission

- 1978 Assistant Chief Engineer of the Shanghai Heavy Machinery Plant.
- 1978 Delegate to the 5th National People's Congress.
- 1978-81 Director of the High Energy Physics Working Group under the State Scientific and Technical Commission.
- 1979 Chief Engineer of the High Energy Physics Experimental Centre.
- 1982 Member of the State Economic Commission.
- 1983- Vice-Minister of the State Economic Commission.

Lin was first noted in 1966 and then again in 1977, on each occasion as the designer of a hydraulic press. His evident expertise has now earned him early promotion to his important current position in the central ministries. In 1982 he was named Vice-President and Secretary-General of the China Equipment Management Association.

Lin's responsibilities include the construction of major national projects, such as the Guangdong nuclear project and the Baoshan iron and steel works.

Approximate pronunciation: Lin
Dzoong
Tang

Form of address: Mr Lin



7 g JIA SHI (66)

A Vice-Minister of Foreign Economic Relations and Trade

- 1919 Born in Gaoan County, Jiangxi province.
- 1949 Director of the Finance Bureau of the Shenyang Municipal People's Government.
- 1950-52 Deputy Director of the Foreign Trade Bureau of the Ministry of Commerce.
- 1952-58 Deputy Director of the 2nd Bureau of the Ministry of Foreign Trade (dealing with Africa).
- 1958-60 Director of the 2nd Bureau of the Ministry of Foreign Trade.
- 1960-64 Assistant to the Minister of Foreign Trade.
- 1964-69 Vice-Minister of Foreign Trade.
- 1964-69 Vice-Chairman of the China Council for Promoting International Trade.
- 1977-82 Vice-Minister of Foreign Trade.
- 1979-82 Vice-Minister of the State Foreign Investment Commission.
- 1982- Vice-Minister of Foreign Economic Relations and Trade.

Jia disappeared in 1969 for six years. He has frequently travelled abroad during his long career which has centred round foreign trade. In recent years he led the 1983 government trade delegation to Moscow and accompanied Zhao Ziyang to Australia and New Zealand. He was present when Chen Muhua had talks with Secretary of State for Industry, Patrick Jenkin, in Peking in 1983. In the same year he also met Secretary of State for Energy, Peter Walker, in Peking. In 1984 he led a trade mission to Mexico and Trinidad and Tobago.

Jia is friendly, if rather prosaic, and appears well disposed to the UK. He was involved in the visits by Lord Young and the House of Commons Select Committee on Trade and Industry.

Appropriate pronunciation: Jyar rhymes with Car
 Sher " " Purr

Form of Address: Mr Jia



7 (h) BAO TONG

A member of the Prime Minister's Office.

Bao acts as Zhao Ziyang's principal private secretary and has the status equivalent to that of a Vice-Minister. He accompanied Zhao on his visit to the United States and Canada in 1984.

Approximate pronunciation: Bao rhymes with Cow
Toong

Form of Address: Mr Bao



CONFIDENTIAL

7 (i) HU DINGYI (64)

1921	Born, Sichuan Province. University graduate.
1950-4	Third Secretary, Chinese Embassy, New Delhi
1954-8	Third then Second Secretary, Office of the Chinese Charge d'Affaires, London
1958-60	Member of West European Affairs Department, Ministry of Foreign Affairs, Peking
1960-66	Second then First Secretary, Chinese Embassy, Accra (Ghana)
1966	Expelled from Ghana, allegedly for espionage activities.
1966-71	Member, African Affairs Department, Ministry of Foreign Affairs, Peking
1972-79	First Secretary then Counsellor, Chinese Embassy, London
1979-83	Consul-General, Chinese Consulate-General, San Francisco
1983-4	Minister, Chinese Embassy, Washington
1985	Ambassador to the United Kingdom, London

Hu Dingyi replaced Chen Zhaoyuan as Ambassador to the United Kingdom in mid-April 1985.

He began his diplomatic career in 1950. His first overseas appointment (in 1950) was as Third Secretary of the Chinese Embassy in New Delhi.

In 1954, Mr Hu was posted as Third, (later Second) Secretary in the Office of the Chargé d'Affaires in London. After 4 years he returned to Peking for two years in Western European Department in the Ministry of Foreign Affairs. In 1960 he went to Accra, where he worked for six years as Second (later First) Secretary.



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The Ghanaian government declared him and two other Chinese diplomats "undesirable" in March 1966 and asked them to leave within 48 hours. In 1972 he returned to London, for a seven-year posting, as Cultural and Press Counsellor from April 1973. He then served in the United States, as Consul-General in San Francisco (1979-83) and as Minister in The Embassy in Washington (1983-84).

Mr Hu's previous appointments in the United States and his retention beyond the normal retiring age of 60, suggest that he is highly regarded in his Foreign Ministry.

Mr Hu is married with a son (studying business management in Canada) and a daughter (a Portuguese specialist in the MFA). His wife, Madame Xie Heng, was Second Secretary in the Embassy during her husband's last posting. They are both unusually open-minded for Chinese diplomats. They share an interest in the theatre, somewhat surprisingly including fringe theatre. On his last posting to London, Mr Hu urged members of the Chinese Embassy to take an active interest in British culture and invited the Great Britain-China Centre to give lectures to them on the Arts in Britain.

Mr Hu has an impressive command of English.

Approximate pronunciation: Hoo
Ding
Yee

Form of address: Your Excellency.

7 J KE ZAI SHUO (61)

Director of the Hong Kong and Macao Affairs' Office of the Ministry of Foreign Affairs.

- 1924 Born in Fuzhou on 15 October.
- 1951 Director of the International Liaison Department of the All-China Federation of Students.
- 1956 Assistant Secretary General of the All-China Federation of Students.
- 1974-78 Chinese representative at Sessions of the 3rd UN Conference on the Law of the Sea.
- 1978 A Deputy Departmental Director in the Ministry of Foreign Affairs (presumably the Department of International Organisations and Conferences and Treaty and Law in view of his UN responsibilities).
- 1983-84(?) Counsellor in the West European Department, and an Ambassador-level member of the Chinese delegation to the second phase of the Sino-British talks on Hong Kong.
- 1984 As an Adviser to the Ministry of Foreign Affairs, he attended separate meetings in Peking between Mrs Thatcher and Deng Xiaoping, Zhao Ziyang and Hu Yaobang.
- 1985- Director of the Hong Kong and Macao Affairs' Office of the Ministry of Foreign Affairs.

Ke told Mr Ehrman that he had visited Britain in 1951 or 1952 as a member of the first delegation of students to go after 1949. The delegation was hosted by the National Union of Students, whose Chairman was a Mr Jenkins. Ke seems to have retained his connection with All-China Federation of Students through the fifties and early sixties. He was last noted as a member of a youth delegation to Ghana in 1963. According to a Chinese source who is not a member of the Chinese delegation to the talks but who knows the family, Ke was dubbed a "rightist" in 1957. He managed to live this down through model behaviour, but suffered severe persecution again in the Cultural Revolution. He was only fully rehabilitated and had the "rightist" label formally removed in 1978.

Ke has three sons: a poet of whom he disapproves, a member of a newspaper's propaganda department, and a research student. He seems to have a reasonable knowledge of English but hardly ever speaks it.

Approximate pronunciation: Ker
Dzie rhymes with tie
Shwor rhymes with door

Form of address: Your Excellency

TRANSCRIPT OF AN INTERVIEW

GIVEN BY

THE PRIME MINISTER

THE RT HON MARGARET THATCHER FRS MP

TO

JIANG YUANCHUAN (PEOPLE'S DAILY - BEIJING); SUN WENFANG
GUANGMING DAILY-BEIJING); PAN MUPING (WORLD ECONOMIC
HERALD-SHANGHAI)

ON

WENDESDAY 8 MAY 1985

Press Office
Prime Minister's Office
10 Downing Street
Whitehall
LONDON SW1

01-930 4433

INTERVIEW GIVEN BY THE PRIME MINISTER, MRS. THATCHER,
TO CHINESE JOURNALISTS, IN DOWNING STREET
ON WEDNESDAY 8 MAY 1985

Question

Being one of the world's outstanding Heads of State, will you please make some comment on the current international situation and your predictions on changes in the worlds political and economic structure?

Prime Minister

It is a particularly important day for us because we celebrate not only VE-Day in Europe, we are celebrating the victory in the Far East which came on August 15. We all - each and every country - do honour to our own dead and to those who were wounded in our own way. We remember that it was because of their sacrifices that we are able to live in freedom and justice now. That is something we must never forget.

We remember, too, that war came about in Europe because we attempted to appease a dictator. That has a lesson for us. It is that appeasement ends up by threatening the ability of a nation to preserve its own way of life. Had we, before the last war, kept our defences strong and made it perfectly clear to anyone who threatened us that he could not succeed, then it is possible that we might have avoided war. That lesson, I believe, we have now learned.

In the last 40 years of peace since 1945 we have learned that we must actively keep the peace by always being ready to defend the things which we believe in. Because none of us on our own would be enough we form alliances, both the NATO alliance and the European Economic Community for the trade, economic and political aspects. NATO is totally a defensive alliance. We threaten no-one, but we shall defend ourselves and keep our defences high enough to deter any would-be aggressor.

In this context we have much in mind the Soviet Union because of its activities in Afghanistan and those of its Vietnamese ally in Cambodia, and also because of its particular form of communism, which aims at world domination. We hope that one day each nation, however, powerful, will understand that every other nation has the right to choose its own way of life and to live in peace and security.

We also recognise that we all, whatever our political views, have to live on the same planet and it is in the interests of us all not to have conflict again. We are therefore ready to enter into discussions with other countries, even those which are opposed to our ideals and way of life.

Something which strikes me is how much smaller the world has become in the last 40 years. We can get to one another's capitals very quickly. Our pictures are flashed into every home by way of television, so people know who the leaders of other countries are. They see programmes on the way of life in other countries. We learn far more about other countries than any previous generation has ever known, and the interest in them among ordinary people is heightened.

Now, all that is good, because it means that not only do leaders see one another, but we have a genuine interest among the people in the way in which other countries are developing. We are very impressed with the way in which China is raising the standard of living of her people; impressed that she is doing so by asking the question: "How can we get the best out of our own people, not only for the country, but the best for their own standard of living and the best so that they can look forward to an enriched future for their children?" I have found a quotation from a very early Chinese historian which was carried in People's Daily last year and sums it up very well: "The way to govern a country is first to enrich the people". This is very true of what the Government of China is doing under Chairman Deng Xiaoping and Prime Minister Zhao Ziyang.

We are particularly interested in developments in South East Asia and pleased that the countries there are getting together much more than in the past. As you know, I recently visited some of them: Malaysia, Indonesia, Sri Lanka and Brunei, none of which I had been to before, and Singapore. Another important point is that we are, as leaders of our several countries, getting together more in international organisations. We have just had the Bonn Economic Summit where leaders of the major industrialised countries discussed in particular the problems of world trade. Many of us also meet in the General Agreement on Tariffs & Trade to discuss trading relations. We all are members of the United Nations. It will be 40 years in October since the United Nations was founded. So that will be a special occasion for us all to meet together there.

I think all of this is good for the future. But I come back again to the fundamental lesson which we learned from the last war: we must always be prepared to defend ourselves and our way of life.

Question

I turn now to your home affairs. What about the political and economic situation in Britain and its prospects? Also, what do you think is the role which Britain can play to defend world peace?

Prime Minister

Let us have a look at Britain!

It seems at the moment as if we have a paradox in a number of Western countries, including Britain.

Our output, in both manufacturing and services, is at a record level. We are producing more than we have ever produced before. Our standard of living is at an all-time high. The amount we are putting into investment, into new business, new industry, is at an all-time high. Now when I say those three things, you would think that it would add up to a boom economy, and in a way it does. And yet we have unemployment.

Now, part of the reason for that is the great technological revolution which is in progress. New technology enables one to produce more with fewer people. We encountered this problem before, when we were first mechanised in the Industrial Revolution and learned that new technology in the end creates more employment because it leads to the production of all kinds of goods that were not possible before. One has only to think: television, video recorders, all the things that we buy for the home, the washing machines and so on. Technology makes possible a higher standard of living.

The greatest challenges which face us are: to create more new businesses to provide employment; and at the same time to see that those not in work have a good basic standard of living through unemployment benefit and other help. Those are our challenges at the moment and they are challenges which affect Western Europe as a whole.

As regards our foreign policies, we keep our defence alliances in good repair and our defences strong. We believe that each country has to start from the basis of its geography and its history. Our geography means that we are staunch members of the European Economic Community. This will grow in co-operation and we have recently enlarged it to include Spain and Portugal. It is very important that each of us does all we can to enlarge areas of peace and stability. That is what we do in Europe.

Historically, we have bonds with the United States and with

Canada. Those countries are very much part of our daily life and we shall always reserve those bonds. Again, historically, because of the British Commonwealth - and please may I say that we are the only empire in history which accumulated great territories and then said: "You have a right to your independence! When you are ready, you take your independence, but you also, we hope, keep the friendship!" - we have links which girdle the world. We meet together in alternate years at Commonwealth Heads of Government Conferences and there are countries present from every continent. For us it is something which is really rather special. We get 44 countries coming together and we all speak one language. That means that we talk about similar things, we understand similar things, and keep up a network of friendships across the world.

We are also trying very much - particularly with the visits that I have made recently, including those to China, to Hong Kong, and to South-East Asia - to strengthen our friendships in that part of the world. We want to extend the hand of friendship across lands and across oceans so that we may build lasting peace and a higher standard of living for all our people.

Question

Would you please give us an outline of the United Kingdom's political and economic situation and prospects for development, as well as the role that the United Kingdom will play in world affairs in the future?

Prime Minister

The outlook is better than it has been at any time in history. This is because of the foresight, patience, diplomatic skill of both China and the United Kingdom: and the wisdom, talents, ability and understanding of the people of Hong Kong. We could not have come to the agreement on Hong Kong without those qualities. It is an agreement which is not only good for each of us, but an example to the rest of the world. I am very optimistic about the future.

You will have seen that business and trade in Hong Kong is developing extremely well. That means that people have confidence that the agreement that we reached is a good agreement and will endure.

We shall now be even more active in cultivating the new relationship that we have with China. It is in both our interests that we get more closely together. We both believe that each and every nation has the right to

determine its own future, the right to live in security; and we both wish to create a world in which there is more friendship and there is a higher standard of living. We shall help one another to achieve it.

In this context we are so much looking forward to Premier Zhao Ziyang's visit, so much! We have great expectations of it. I enjoyed my own visit to Peking enormously. I was very privileged to see Mr. Deng Xiaoping and Mr. Zhao Ziyang and your President Mr. Li Xiannian, and also Mr. Hu Yaobang, all on the same day. You gave me that lovely welcome, the guard of honour and the children. The talks we had were good. The signing of the Agreement was a great international event with the people of Hong Kong there to witness it. We had the great banquet in the Hall of the People. It was a great disappointment to me I was not able to see more of China on that occasion. But I repeat: it is a great delight to us that Mr. Zhao Ziyang is making an official visit to our country. We are making great preparations and he will receive an enormously warm welcome here. We shall attempt to show him everything that is best in Britain. We are also thrilled that The Queen will visit China. That will set the seal on our burgeoning and blossoming friendship.

Question

Would you like to send any messages through our paper to the Chinese people? We represent a wide range of readers in our country.

Prime Minister

Yes I would. I would like to say how very interested we are in all of their achievements; how much we wish to extend and deepen our friendship, not only between governments but between our peoples: how very much we admire their industriousness and their enormous artistic talents. The message is one of lasting and abiding friendship.

Question

Could you tell us what you expect to discuss with our Prime Minister?

Prime Minister

Many things. There are one or two points still to decide under the Hong Kong Agreement. We shall discuss increasing trade. We shall discuss regional problems and perhaps also the celebrations of the 40th anniversary of the United

Nations. I do not know whether Mr. Zhao Ziyang is going. It could be a chance, you know, for a great get-together of world leaders. I shall want in particular to take counsel with Premier Zhao Ziyang on Vietnam's invasion and occupation of Cambodia. As you know, the view that we take is that we shall not rest until Vietnam is completely out of Cambodia, because Cambodia too has a right to live in her own way under her own choice of government. I hope also to discuss with Mr. Zhao Ziyang how he sees matters in the Soviet Union under the new leadership. I anticipate that our views are likely to be similar. I do not think that there will be any very great change in the Soviet Union. But it is in all our interests that there be no conflict.

Question

You have just mentioned the Seven-Nations Economic Summit. Would you please tell us your impressions on this Summit? What do you think the Summit has achieved the positive results?

Prime Minister

We were agreed on the way to take forward economic policies. We must keep down inflation because that is vital for the future of investment. If people save for the future, they have a right to know that their savings will keep their value. We also - and indeed, I think China would agree with this - recognised the need to keep our expenditure within limits which we can afford as nations. I know China is equally keen on this.

We were very keen to enlarge world trade, because that is the way we can enrich one another. It was disappointing that we could not all agree on a date for a new round of international trade negotiations under the GATT. Six of us were prepared to do so but France could not join us on that. Nevertheless I believe in my heart of hearts that we shall get negotiations going in 1986.

We also looked to the Third World. We recognise that where we find famine and drought we must all help in practical terms. But that people need help not only with their immediate problems, they need help to develop their own agriculture and industries, so that they need not be dependent on other nations. As we all become richer, so the opportunities for trade with one another increase.

So it was really a very fruitful Summit in these respects. The disagreement was tiny compared with the amount of agreement.

We also remembered the 40th anniversary of the ending of the Second World War and the 40 years of peace since then.

Question

May I just ask a small question? I remember when you were in Bonn you mentioned Japan and the United States, that they are doing well economically. You also mentioned it at your Press Conference

Prime Minister

I believe in open trade as you know. Japan is not open. For one reason or another, her markets are not open to Western goods in the same way as she expects Western markets to be open to her. That will not do. It is not fair.

Now, if you ever hear British people talking, you will hear one word that comes out again and again and again: fairness. It is a great characteristic of British people. Things must be fair and open.

What you expect of others, you must be prepared to give. Life is a two-way business and it cannot be a one-way street. So we say to Japan: yes, you must open your markets. It is no good saying you are going to do it and then it does not come about. You must open your markets genuinely.

Question

Do you think the differences on SDI or Star War Project among the Western countries

Prime Minister

I am very much, as you know, in favour of doing the research necessary to try to find a defence against nuclear weapons. If you look at military history, every time a new weapon has been developed - and we have developed more terrible weapons for many years - you always try to find a defence against that weapon. You have aircraft so you develop anti-aircraft guns, radar and missiles. They are never 100 per cent perfect but you develop defences. Now it seems to me reasonable that you should develop a defence against the world's most terrible weapon. That is what the United States is trying to do. But because peace depends upon balance between countries, not superiority but balance, if it comes to deploying a defence system, there must be negotiations. Because it is balance has kept the peace.

So I do not think one can complain about research into defence against the world's most terrible weapon. Indeed, Britain is prepared to take part in it.

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BACKGROUND

UK trade with China is small, but growing rapidly:

£ million	1982	1983	1984	1985 (1 st 1/4)
UK exports to China	103	160	317*	94
UK imports from China	193	<u>231</u>	<u>279</u>	89

* includes an exceptional £82 million of silver shipped in June 1984.

Main UK exports are machinery, chemicals, scientific instruments. Main imports are textiles and clothing, food, other agricultural and light industrial products.

Energy, transport, telecommunications, agriculture and the modernisation of older factories are seen as the most promising areas for growth in UK exports to China. China remains a relatively small UK export market (only 0.45% of total exports in 1984). It is a highly competitive market dominated by the Japanese. Our market share is currently disappointing (1% compared with 4% for W Germany), with considerable scope for improvement. Lord Young's trade mission in March was however successful both in stimulating greater British interest in the Chinese market and in pursuing specific business. Possibly as a result of his representations, the Chinese have now indicated their intention to buy 10 BAe 146 aircraft (worth US\$ 150m).

UK import restrictions

Under import restrictions imposed on all member states by the EC some Chinese products such as TV sets are denied access to the UK market. Others (eg footwear and pottery) are subject to quotas which are reviewed by the EC each year. These restrictions take into account China's status as a state trading country. The Chinese regularly make clear their desire for increased access to Western markets, including the UK. This would help finance increasing imports, and the Chinese have recently attached growing emphasis to this issue. But none of the UK import restrictions have led recently to political representations (although textiles have been a major problem in Sino-US relations). The EC/China textile agreement runs until the end of 1988: no present problems.

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ZHAO'S VISIT: SINO-BRITISH RELATIONS

1. YOU MAY FIND IT USEFUL TO HAVE MY UP-TO-DATE ASSESSMENT OF THE STATE OF, AND PROSPECTS FOR, SINO-BRITISH RELATIONS IN ADVANCE OF ZHAO'S ARRIVAL.

BACKGROUND

2. I TAKE IT THAT OUR INTERESTS IN RELATIONS TO CHINA ARE:

(A) TO WORK FOR THE SMOOTH IMPLEMENTATION OF THE AGREEMENT ABOUT THE FUTURE OF HONG KONG SEMICLN

(B) TO ENCOURAGE THE MAINTENANCE BY CHINA OF HER CURRENT INTERNATIONAL POSTURE, ESPECIALLY IN RELATION TO THE SOVIET UNION SEMICLN

(C) TO HELP BRITISH INDUSTRY TO OBTAIN AS LARGE A SHARE AS POSSIBLE OF CHINA'S EXPANDING IMPORT MARKET SEMICLN

(D) TO BUILD UP KNOWLEDGE OF, AND SYMPATHY FOR, THE UNITED KINGDOM IN CHINA, ESPECIALLY AMONG THE YOUNGER GENERATION.

3. FOR CHINA, THE UNITED KINGDOM IS IMPORTANT AS THE POWER WHICH ADMINISTERS HONG KONG SEMICLN AS A COUNTRY WHICH HAS WORLD WIDE INTERESTS AND CONNECTIONS SEMICLN AS AN IMPORTANT MEMBER OF NATO AND THE EC SEMICLN AND AS A POTENTIAL SOURCE OF THE THREE THINGS WHICH CHINA MOST NEEDS FROM THE DEVELOPED WORLD FOR HER MODERNIZATION PROGRAMME: CAPITAL, TECHNOLOGY AND ADVANCED TRAINING, NOT LEAST IN MANAGEMENT SKILLS.

4. THE IMPORTANCE OF THE FIRST OF THESE FACTORS NEEDS NO COMMENT. THE IMPORTANCE OF THE SECOND SHOULD NOT, IN MY VIEW, BE UNDERESTIMATED. THE CHINESE KNOW THAT WE HAVE CLOSE LINKS WITH, AND INFLUENCE OVER, MANY COUNTRIES WHICH ARE IMPORTANT FOR THEM. THE UNITED STATES IS AN OBVIOUS EXAMPLE. OTHER EXAMPLES ARE THE COUNTRIES OF THE INDIAN SUB-CONTINENT AND THE ANGLOPHONE COUNTRIES OF AFRICA. AS REGARDS THE THIRD FACTOR NATO AND THE EC BOTH MEAN A GOOD DEAL TO CHINA. THE CHINESE OF COURSE TREAT THE EC AS AN AUTONOMOUS ENTITY. THEY ALSO TEND TO REGARD THE NATO COUNTRIES OF WESTERN EUROPE AS MAKING UP SUCH AN ENTITY. I BELIEVE THAT OUR MEMBERSHIP OF THE EC AND OF NATO ENHANCES RATHER THAN DIMINISHES

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THE IMPORTANCE OF THE UNITED KINGDOM IN THEIR EYES (I WOULD NOT, INCIDENTIALLY, CLAIM THAT THIS WAS TRUE OF IRELAND IN THE CASE OF THE EC OR OF DENMARK IN THE CASE OF NATO). THEY KNOW THAT WE EXERCISE GREAT INFLUENCE IN BOTH GROUPINGS.

5. AS REGARDS THE FOURTH FACTOR, THE UNITED KINGDOM INEVITABLY RANKS BEHIND THE UNITED STATES AND JAPAN AND PERHAPS OF THE FRG AS WELL. BUT I BELIEVE THAT IT RANKS AT LEAST WITH CANADA AND AUSTRALIA AND AHEAD OF THE OTHER DEVELOPED COUNTRIES OF WESTERN EUROPE.

POLITICAL RELATIONS

6. I BELIEVE THAT THE QUALITY OF POLITICAL RELATIONS IN THE FUTURE WILL DEPEND MOST OF ALL ON HOW THINGS GO OVER HONG KONG. IF THEY GO WELL, THE QUALITY OF POLITICAL RELATIONS WILL BE GOOD. IF THEY GO BADLY, THE QUALITY OF POLITICAL REALTIONS WILL DETERIORATE SEMICLN AND IN A MANNER WHICH WOULD BE LITTLE AFFECTED BY OTHER CONSIDERATIONS.

7. AFTER HONG KONG, I THINK THAT THE QUALITY OF POLITICAL RELATIONS WILL DEPEND MOST ON THE CONSISTENCY (OR OTHERWISE) OF THE ATTITUDES AND POLICIES OF THE TWO COUNTRIES TOWARDS THE SOVIET UNION AND ON OUR TREATMENT OF CHINA IN THE SPHERE OF ECONOMIC AND COMMERCIAL RELATIONS (SEE PARAGRAPH 11 BELOW).

8. I DO NOT BELIEVE THAT THERE HAS BEEN ANY QUALITATIVE CHANGE IN RELATIONS BETWEEN CHINA AND THE SOVIET UNION DURING THE PAST FEW MONTHS. THE CHINESE CONTINUE TO INSIST THAT THE THREE OBSTACLES (INDO-CHINA, AFGHANISTAN AND SOVIET MILITARY FORCES ON THE NORTHERN BORDER) SHOULD BE REMOVED BEFORE RELATIONS CAN BE 'NORMALISED'. THIS DOES NOT MEAN THAT THE REMOVAL OF ALL THREE OBSTACLES IS A PRE-REQUISITE FOR SOME IMPROVEMENT IN POLITICAL RELATIONS. NOR DOES IT MEAN THAT AN IMPROVEMENT IN POLITICAL RELATIONS IS A PRE-REQUISITE FOR THE DEVELOPMENT OF ECONOMIC AND COMMERCIAL RELATIONS. INDEED, ECONOMIC AND COMMERCIAL RELATIONS ARE NOW DEVELOPING QUITE FAST.

ECONOMIC RELATIONS

9. CHINA'S IMPORT MARKET HAS BEEN EXPANDING RAPIDLY, ALTHOUGH WITH UPS AND DOWNS, DURING THE PAST SEVEN YEARS. IT GREW FROM ABOUT DOLLARS 10 BILLION IN 1978 TO ABOUT DOLLARS 19 BILLION IN 1983 AND JUMPED TO ABOUT DOLLARS 24 BILLION IN 1984. I BELIEVE THAT IT COULD WELL BE WORTH DOLLARS 40 BILLION BY 1990. (THE IMF HAS BASED SOME PREJECTIONS ABOUT CHINA'S ABILITY TO INCUR AND SERVICE DEBT ON SUCH A FIGURE).

10. THIS WILL PRESENT BRITISH INDUSTRY WITH A BIG OPPORTUNITY. BESIDES, THERE ARE TWO SPECIAL FACTORS WHICH ARE WORKING IN FAVOUR OF BRITISH INDUSTRY: LAST YEAR'S POLICY DECISION THAT

2
CONFIDENTIAL

/ CHINA

CHINA SHOULD SWITCH HER IMPORTS RELATIVELY, IF NOT ABSOLUTELY, AWAY FROM THE UNITED STATES AND JAPAN AND TOWARDS WESTERN EUROPE SINCE AND THE PROPENSITY TO THINK WELL OF THE UNITED KINGDOM, AND BY EXTENSION OF THINGS BRITISH, IN THE AFTERMATH OF THE AGREEMENT ABOUT HONG KONG.

11. AT THE SAME TIME, CHINA'S PROPENSITY AS A STATE TRADING COUNTRY TO IMPORT FROM THE UNITED KINGDOM WILL TO SOME EXTENT DEPEND ON BRITISH ATTITUDES TOWARDS SEVERAL TRADE POLICY ISSUES. THESE ARE COCOM RESTRICTIONS OVER THE EXPORT OF GOODS AND TECHNOLOGY TO CHINA SINCE QUANTATIVE RESTRICTIONS OF CHINESE EXPORTS TO THE UNITED KINGDOM SINCE AND THE WILLINGNESS OF THE GOVERNMENT AND/OR THE BANKS TO LEND CHINA MONEY AT SUB-CONSENSUS RATES. THE CHINESE WILL ALSO BE KEEPING AN EYE ON THE BILATERAL BALANCE OF TRADE (THEY ARE, I BELIEVE, STILL AT HEART BILATERAL RATHER THAN MULTILATERAL TRADERS). AS INDICATED IN PARAGRAPH 7 ABOVE, I BELIEVE THAT OUR ATTITUDES ON THESE ISSUES COULD ALSO AFFECT THE QUALITY OF POLITICAL RELATIONS.

CULTURAL RELATIONS

12. THE TRAINING OF A LARGE NUMBER OF YOUNG CHINESE IN THE DEVELOPED WORLD IS AN IMPORTANT COMPONENT OF CHINA'S POLICY OF OPENING TO THE OUTSIDE WORLD. ABOUT 20,000 CHINESE ARE NOW STUDYING IN THE DEVELOPED WORLD. OF THESE, PERHAPS 15,000 ARE IN NORTH AMERICA AND 1,2000 IN JAPAN. THERE ARE OVER A THOUSAND EACH IN FRANCE AND THE FRG. ABOUT 800 ARE IN THE UNITED KINGDOM.

13. I BELIEVE THAT THE QUALITY OF CHINESE POLITICAL AND COMMERCIAL RELATIONS WITH WESTERN COUNTRIES WILL IN THE FUTURE DEPEND TO AN IMPORTANT EXTENT ON HOW MANY CHINESE STUDENTS GO TO THOSE COUNTRIES DURING THE 1980S AND ON THE IMPRESSIONS THAT THESE STUDENTS BRING HOME WITH THEM. THERE CAN BE NO DOUBT THAT THE CHINESE GOVERNMENT WANTS TO SEND STUDENTS TO THE UNITED KINGDOM AND THAT MANY YOUNG CHINESE WANT TO GO THERE. THIS IS PARTLY BECAUSE WE SPEAK ENGLISH AND PARTLY BECAUSE THERE IS A GREAT RESERVOIR OF RESPECT FOR THINGS BRITISH - POLITICAL, SCIENTIFIC AND CULTURAL - AMONG THE EDUCATED CLASSES IN CHINA.

14. I VERY MUCH HOPE THAT IT WILL PROVE POSSIBLE TO BRING MORE YOUNG CHINESE TO THE UNITED KINGDOM DURING THE NEXT FEW YEARS. I HAVE BEEN HEARTENED DURING THE PAST FEW MONTHS BY THE READINESS OF PRIVATE SECTOR INSTITUTIONS AND COMPANIES (EG LLOYDS AND CABLE AND WIRELESS) TO OFFER SCHLARSHIPS OR OTHER AWARDS TO YOUNG CHINESE. I UNDERSTAND THAT CHANKYLLOR KOHL RECENTLY MADE A SPEECH TO ENCOURAGE GERMAN INDUSTRY TO OFFER MORE AWARDS. I HOPE THAT BRITISH MINISTERS MAY BE PREPARED TO SPEAK SIMILARLY.

15. THE WEB OF SCIENTIFIC AND EDUCATIONAL RELATIONS NOW HAS MANY STRANDS. I HOPE THAT MINISTERS WILL BE ABLE TO SPEAK ABOUT THE IMPORTANCE WE ATTACHE TO THEM DURING SOME OF THE

CONFIDENTIAL

FORMAL MEETINGS WITH ZHAO AND OTHERS. ANY BRIEFING SHOULD MENTION THE HUGE SUCCESS IN CHINA OF THE BBC'S ENGLISH TEACHING PROGRAMMES ON TV AND DRAW ON THE REPORT OF MY CULTURAL COUNSELLOR ON THE WORK OF THE BRITISH COUNCIL HERE IN 1964.

CONCLUSION

16. THE CHINESE SPEAK CONSISTENTLY OF THE AGREEMENT ON HONG KONG AS HAVING USHERED IN A NEW STAGE IN RELATIONS BETWEEN THE TWO COUNTRIES. I BELIEVE THAT THIS IS MORE THAN JUST RHETORIC AND THAT WE NOW HAVE THE OPPORTUNITY TO ESTABLISH A RELATIONSHIP - POLITICAL, ECONOMIC AND CULTURAL - WHICH COULD SERVE US IN GOOD STEAD FOR A LONG TIME TO COME.

EVANS

LIMITED

FED
HKD
SOVIET D
TRED
ERD
CRD
ECD(E)
DEFENCE D
PS
PS/MR LUCE
PS/PUS
SIR W HARDING
MR WILSON

COPIES TO:

OT2/3 DTI
SIR P CRADOCK,
NO 10 DOWNING STREET
PS/NO 10 DOWNING STREET

4
CONFIDENTIAL



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU466

Secretary of State for Trade and Industry

17 May 1985

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

Dear Charles,

As requested in your letter of 9 May I attach a draft reply to the letter of 8 May from Mr Paul Brauner of the London Consortium.

Mr Brauner is an entrepreneur with at least one notable overseas project success to his credit: he played a leading part in the project to build an aluminium smelter in Dubai. The Everbright Corporation, with whom he is discussing a possible aluminium smelter complex in China, is a Chinese-owned corporation based in Hong Kong. Mr Wang Guangying, its Chairman, like Mr Brauner has a reputation as an entrepreneur and is said to have good access at the highest levels in Peking; he professes to be strongly in favour of this project. There are, however, a number of uncertainties about the Chinese Government's attitude to the proposed aluminium complex, whose feasibility depends on decisions yet to be taken about the availability and cost of energy and other factors. Even the location of the project in China is undecided.

The purpose of the action group suggested in Mr Brauner's last paragraph would, he says, be to determine steps to be taken before the visits by Mr Wang Guangying later this month and by Premier Zhao Ziyang in early June. Since Mr Wang is coming at Mr Brauner's invitation specifically to discuss the aluminium project, it may be that Mr Brauner's idea is to create a group concerned with his project rather than with wider trade issues. In any event we think that to create a new group is not necessary. This Department is in close touch with Mr Brauner on this project and will brief Ministers appropriately for the two visits.

I am copying this letter and enclosure to Peter Ricketts (Foreign and Commonwealth Office), Michael Reidy (Department of Energy) and Leigh Lewis (Lord Young's Office).

Yours sincerely,
Maureen Dodsworth.

MAUREEN DODSWORTH
Private Secretary



DRAFT

466.1

DRAFT LETTER FOR THE PRIME MINISTER'S SIGNATURE

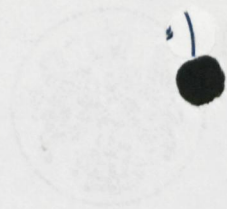
Paul Brauner Esq
Chairman
The London Consortium
Clivia House
65 Old Church Street
London SW3 5BS

Thank you for your letter of 8 May.

I was interested to read about the progress of your discussions with the Chinese authorities about an aluminium complex. I will ensure that the points you made are taken ^{fully} into account in our preparations for the visits by the Chinese Premier and Mr Wang Guangying. Lord Young, as you will know, is dining with Mr Wang on 28 May.

I doubt if a new group need be created in advance of these two visits. But the Department of Trade and Industry will be grateful to be kept in touch with developments on your project so that Ministerial briefing for both visits can reflect the latest position.

with bent wisley
on



PARTY SECRETARY THE FAIRMILKERS' UNION

1985

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20 MAY 1985

I was interested to read about the fact of your resignation
with the union and thought about what you had done for me
and how you had helped me in my work and how you had
helped me in my work and how you had helped me in my work

I would like to see you again in regard of this
visit but the department of health and safety will probably
to be kept in touch with development of our project so that
the department of health and safety can help the project

- ① ~~Total Fee~~
- ② R12

PRIME MINISTER

CR.

1515.

Premier Zhao Ziyang of China

As you know you have to pay a farewell call on the Premier who will be staying at Claridges and he leaves at lunch-time on Saturday 8 June.

The Foreign Office, endorsed by Charles and Percy, say that it would be perfectly in order for you to pay the farewell call at 1730 on Friday 7 June so that you can get to Chequers that evening.

Content to pay the call on the Friday night rather than 9.00 am on Saturday 8 June?

*Mas - I think I shall
 have to stay until
 the Sunday morning.
 in accordance with the
 highest traditions -
 CR.
 not*

(Caroline Ryder)

14 May 1985



10 DOWNING STREET

From the Private Secretary

13 May 1985

PREMIER ZHAO ZIYANG'S VISIT

The Prime Minister has agreed that Sir S Y Chung and Sir Roger Lobo should be invited to the dinner for Premier Zhao Ziyang. There is no difficulty about announcing this. The Prime Minister has also given further thought to the gift for Zhao Ziyang. She has decided, on reflection, not to pursue the idea of a watercolour. She would like the main gift to be a fine piece of Worcester porcelain or a carriage clock. I should be grateful if Protocol and Conference Department could obtain one or two pieces on approval for the Prime Minister to inspect. In addition to one or other of these she would like to give him a Scottish cashmere travel rug.

C D POWELL

Peter Ricketts Esq
Foreign and Commonwealth Office

file

SRW

cc Mrs Ryder

A large, stylized handwritten signature or set of initials in the bottom right corner of the page.

MR POWELL

He came to see her off on
a Saturday morning. But I am sure
that he would understand a call
on Friday evening. Percy Cooksley agrees
Premier Zhao Ziyang CRP
1715

As you know the Prime Minister has to pay a farewell call on the Premier who will be staying at Claridges. It is polite to go at the last possible moment of the visit but the FCO are not pushing this. The alternatives are 1730 on Friday 7 June or 0900 on Saturday 8 June.

The Prime Minister was due to go to Chequers after a reception here on the evening of Friday 7 June. But I know she would wish to do "whatever was correct".

The Premier is leaving London at lunch-time on the Saturday. Could you tell me which one of these dates you think would be best?

CR

13 May 1985

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RESTRICTED

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree that Sir S.Y.
& Roger Lobo should be
invited to the Zhao Ziyang
dinner? Yes not CDP

Dear Charles,

Dinner for President Zhao Ziyang on 3 June 10/5

When I wrote to Sue Goodchild on 26 April putting forward a guest list for the Prime Minister's dinner for President Zhao, I said that we had reserved two spaces pending a recommendation from the Governor about attendance by two senior Unofficials from Hong Kong.

The Governor has now recommended that the Prime Minister should invite Sir S Y Chung and Sir Roger Lobo to the dinner. Sir Geoffrey Howe agrees that for presentational reasons in Hong Kong it would be valuable to have the two senior Unofficials at the dinner. There had earlier been suggestions that a delegation of Unofficials should visit London in advance of the visit by President Zhao for consultations with Ministers. We believe that such a visit would have given rise to undesirable expectations that dramatic developments on Hong Kong were in the offing. For the Prime Minister to invite the two senior Unofficials would provide an appropriate way of associating Hong Kong with the visit without giving rise to any such expectations.

The Governor would like to be able to announce the fact of the visit to London by Sir S Y and Sir Roger soon: if the Prime Minister agreed that they should be invited to the dinner, he would propose to include this point in the announcement of their visit.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

Charles Powell Esq
10 Downing Street

RESTRICTED

1

PRIME MINISTER

Premier Zhao Ziyang's Gift

We have looked at this again.

The idea of a bolt of suit material is very ingenious

BUT:

- one of the main complaints that Zhao Ziyang will make is the obstacles to imports of textiles from China. It would be a bit like the Dauphin sending tennis balls to Henry V.
- Percy thinks that the tortuous Chinese mind might conclude that you think he dresses badly!

- But the Chinese gave me a bolt of silk?

The difficulty with goblets is that you gave him an Armada plate in December. More silver might be a bit much.

It seems to me that the choice should be between:

- a fine piece of porcelain. Have you a particular preference?
- or the David Gentleman water colour. Percy thinks this would be appropriate and appreciated. The Chinese themselves frequently give pictures as gifts.

I think something from Worcester, On a nice carriage clock?

Agree to:

But not pictures of them or buildings

(a) porcelain?

or

(b) picture?

CDP

We can give a Soviet cashmere trawl as well.

mt



GR

JR(51)
be PC

10 DOWNING STREET

From the Private Secretary

A/ 9 May 1985

VISIT OF CHINESE PREMIER

I enclose a copy of a letter to the Prime Minister from the Chairman of the London Consortium, asking her to raise with Premier Zhao Ziyang a project being discussed between the London Consortium and China Everbright Holdings for an integrated energy conversion complex including two aluminium smelters. He also proposes the establishment of a joint Action Group headed by the Department of Trade and Industry to determine steps to be taken in advance of Zhao Ziyang's visit to maximise the impact.

BF

I should be grateful for early advice and a draft reply by 16 May.

I am copying this letter and enclosure to Peter Ricketts (Foreign and Commonwealth Office), Michael Reidy (Department of Energy) and Leigh Lewis (Lord Young's Office).

(C. D. POWELL)

John Mogg, Esq.,
Department of Trade and Industry.

h.

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①



Prime Minister
Robin observes that
Mr. Gentleman has
recently produced a
book of ~~prints~~ prints of
contemporary London
which has won much
praise.

Foreign and Commonwealth Office

London SW1A 2AH

7 May, 1985

Dear Charles, Agree to commission a picture from him of Downing St. ?

Visit by Premier Zhao Ziyang: Gift

During Premier Zhao's visit from 2 to 8 June it would be appropriate for the Prime Minister to present a gift. We know that Premier Zhao will bring a gift, but not yet what it will be.

CDP
7/5

When the Prime Minister visited Peking in December she presented a Scholar 2 Ferranti word processor (given by the company). Premier Zhao gave her a hand-made porcelain plate bearing her portrait. We think that it would appear repetitious to present another high-technology gift so soon after the last visit. Instead, something artistic and individual, which would be a fitting memento for the Premier of his visit, would seem more suitable. An idea which meets all these criteria would be to commission a watercolour painting by David Gentleman of a scene which Premier Zhao will see during his visit.

Informal soundings with the artist reveal that he would be willing to undertake such a commission for £500 (half what he would normally charge) if he could be given 3 or 4 subjects from which to choose. We could suggest as possible subjects: Downing Street, Horseguards from St James's Park, the Palace of Westminster, or the Thames Barrier. The cost is within existing limits on expenditure.

We should be grateful to know soon if this suggestion is acceptable. Mr Gentleman would need to start work quickly in order to complete painting and framing in time for the visit.

I am a little unhappy about this. I am not sure that I would like a water-colour of the Peoples Hall in Peking.

Yours ever,
Peter Ricketts

C D Powell Esq
10 Downing Street

(P F Ricketts)
Private Secretary

This water colour would be more suitable for a Commission P.M.

MR POWELL

PRIME MINISTER

The three will be joined by two local Chinese correspondents, who will have non-speaking parts! C.D.P. 7/5

①

You agreed to give a 30-minute interview to three senior Chinese journalists tomorrow, Wednesday, 8 May, at 2.30 pm.

The three are: Mr Jiang Yuanchun, who is Head of the International News Department of the People's Daily; Mr Sun Wenfang, Deputy Director of the International Department of the Guangming Daily (as their London correspondent, 1976-83, he interviewed you prior to your 1982 visit to China); and Mr Pan Muping, correspondent on International Affairs.

They are visiting Britain, under COI auspices, to research articles which will appear in the Chinese press shortly before Premier Zhao's visit (2-8 June), which we will be announcing tomorrow morning. The three will also be visiting the Netherlands and West Germany, which are also on Premier Zhao's itinerary.

They have submitted three main areas of questioning:

- The international situation today, and your predictions for changes in the world's political and economic structure.
- The economic and political scene in the United Kingdom and our role in the world today and in the future.
- Sino-British relations.

You require no briefing on the first two areas of questioning but I am attaching bull points on question three and a background note prepared by the FCO.

The Chinese have asked whether a photographer may be present for the start of the interview.

B.R.

2.

In view of the numbers, agree to use White Room, and to
photographer being present?

Yes

Iain Murray

IAIN R MURRAY
PRESS OFFICE

7 May 1985



BULL POINTS FOR PRIME MINISTER'S MEETING WITH CHINESE JOURNALISTS:
2.30 PM, 8 MAY

Question 1

Being one of the world's outstanding Heads of State, will you please make some comment on the current international situation and your predictions on changes in the world's political and economic structure?

[I suggest that you focus on outcome of Bonn Economic Summit: East/West relations: the development of the European Community: and your impressions of SE Asia].

Question 2

Would you please give us an outline of the United Kingdom's political and economic situation and prospects for development, as well as the role that the United Kingdom will play in world affairs in the future?

Question 3

Since you have made a great contribution to the settlement between China and the United Kingdom on the Hong Kong question, which considerably helped the enhancement of Sino-British friendship and cooperation, would you please make some assessment and express your hopes on the outlook for Sino-British relations?

Answer to 3

Joint Declaration on Hong Kong landmark in the life of Hong Kong, in Anglo-Chinese relations and the history of international diplomacy. Firm basis for confidence up to and after 1997. Example to other countries of way in which difficult international problems can be resolved. Increased our mutual understanding and trust. Convinced that we have laid the foundations for even richer relationship.

Excellent prospects for greater trade and economic cooperation. UK expertise in Chinese priority sectors: energy, transport, telecommunications. More high level political contacts. Lord Young. Premier Zhao. Historic State Visit by HM The Queen to China agreed (dates not yet fixed).

/Vitality



Vitality of Chinese and UK economies. Struck by observation in the People's Daily on 29 March 1984: "The way to govern a country is first to enrich the people". That came from the "Records of the Historian" by Sima Qian (145-86BC). China and Britain are building their future strength on the best of the past and the energy and inventiveness of the present.



BACKGROUND

3. Sino-British Relations

i) Trade flow in absolute terms (1984 UK exports to China £317m, imports £278m; UK market share little over 1%). But developing rapidly. Chinese have indicated willingness to give political impetus to UK commercial efforts within general aim of increasing W Europe's market share. Good recent indications of results: Chinese have agreed in principle to buy 10 BAe146 aircraft. GEC's Guangdong Nuclear negotiations going well.

ii) High level visits also increasing. Lord young's successful mission with 10 British companies from 28 February - 9 March. Chairman of Lloyd's at present in China. Premier Zhao's visit (2-8 June) will be most senior since Premier Hua's in 1979. Visits also expected this year by Chinese Ministers for Culture, Environment, Agriculture and possibly Energy. And next year possible visit by Party General Secretary Hu Yaobang. Mr Walker and Mr Jopling, Mr Ridley and Mr Luce likely to visit China later this year.

iii) Also growing Governmental framework. Consular and Double Taxation Agreements signed last year. Consulate-General opened in Shanghai in February. Investment Promotion and Protection Agreement currently under negotiation. We hope for signature during Zhao's visit.



10 DOWNING STREET

Chate Powell. *CP*

FCO (Sandra Phillips) say to
say two Chinese journalists working
in London (from People's Daily
and Guan Guoing) have asked if
they can be present at the PM's
meeting with the 3 Chinese journalists
(banned then) on 8 May.

Presumably no objections?

MAAT 30/4



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

CEPC
NBPM
CDP
29k.

Len Appleyard, Esq.,
Private Secretary to the Secretary
of State,
Foreign & Commonwealth Office,
London, S.W.1.

26th April, 1985

Dear Len

CHINA: VISIT BY PREMIER ZHAO

Lord Young has seen your letter to Charles Powell of 25th April and his reply of the 26th. *Attached*

The Minister would be pleased to see the journalists and I have arranged through Ian Orr in your Far Eastern Department, who has been in touch with me about this, for an interview to take place at 3 p.m. on Tuesday, 7th May.

I am copying this letter to Charles Powell (No. 10).

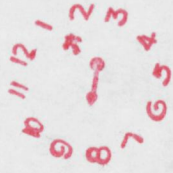
Yours ever

Leigh

Leigh Lewis
Private Secretary

Attached.

9 APR 1965





10 DOWNING STREET

From the Private Secretary

*File No
CO2 A04
cc Sir P. Crabs
Mr Ingham
26 April 1985*

CHINA: VISIT BY PREMIER ZHAO

Thank you for your letter of 25 April about the request from three senior Chinese journalists to interview the Prime Minister before Zhao Ziyang's visit to the United Kingdom.

Boff
The Prime Minister is prepared to do this but can only spare half-an-hour at 1430 on 8 May. Given the short time it might be helpful if they could submit at least the broad outlines of their questions in advance. You will no doubt wish to provide briefing.

The Prime Minister hopes that Lord Young will also find time for an interview.

I am copying this letter to Leigh Lewis (Office of the Minister Without Portfolio).

CHARLES POWELL

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER

PRIME MINISTER OF CHINA'S VISIT: INTERVIEW

Three senior Chinese journalists have asked for an interview in early May, as a curtain raiser to Premier Zhao Ziyang's visit.

I know you feel that you are having to do too many interviews for foreign newspapers. It may be enough for the Chinese to interview the Foreign and Commonwealth Secretary. I have no wish to press you to do it.

But I know also the importance which you attach to the success of this visit. You may therefore be prepared to do the interview exceptionally. It could be held to half-an-hour, with questions submitted in advance.

Agree to a short joint interview with the three journalists?

Yes not

Or leave it to the Foreign and Commonwealth Secretary?

C.P.

CHARLES POWELL



Foreign and Commonwealth Office

London SW1A 2AH

25 April 1985

Dear Charles,

China: Visit by Premier Zhao

Three senior Chinese journalists, including the Head of the International News Department of the official Party organ, People's Daily, will be visiting Britain from 7-10 May to research articles which will appear in the Chinese press shortly before Premier Zhao Ziyang's visit to Britain (2-8 June). They have asked our Embassy in Peking for interviews with Sir Geoffrey Howe and the Prime Minister. They would like to ask questions on UK-China relations, East-West relations and the European Community.

Sir Geoffrey Howe has agreed to a brief interview. Despite the inconvenience, he thinks there would be advantage, in this particular case, in the Prime Minister agreeing to seeing them also. Premier Zhao's visit will clearly be of major importance for UK-China relations. We have much to gain from sympathetic presentation in China, both in the short term in generating favourable attitudes to Britain as a commercial partner, and for the longer term in influencing China's increasingly outward-looking younger generation. An interview with the Prime Minister, which could be very brief, would be given extensive coverage and would provide a rare opportunity to project her views at first hand to the Chinese people (amongst whom she is popular). Moreover, the journalists will also be visiting the Netherlands and West Germany (also to be included on Premier Zhao's itinerary), and have applied for interviews at a similar level there. If we are upstaged, this could probably be misinterpreted in China as lack of interest.

Our Ambassador in Peking has also recommended that Lord Young should meet the journalists, in view of his recent visit to China. The Foreign Secretary strongly endorses this suggestion and hopes that Lord Young would also have time for a brief interview. I am therefore copying this letter to Leigh Lewis at the Cabinet Office.

Yours ever,
L V Appleyard
(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street



file slw.
etc

10 DOWNING STREET

From the Private Secretary

22 April 1985

Dear Gen,

Visit by Premier Zhao Ziyang

Thank you for your letter of 19 April about the arrangements for Zhao Ziyang's visit. The Prime Minister is very ready to step up her participation in his programme, in particular she agrees:

- (1) to a welcoming ceremony in the Foreign and Commonwealth Office courtyard at 10 am on 3 June to be followed by a brief courtesy call at 10 Downing Street;
- (2) to a second session of talks lasting one hour on 6 June in the late afternoon; and
- (3) to pay a farwell call on Zhao Ziyang at Claridges. It is likely that the Prime Minister will be at Chequers on 8 June so this might have to be on the evening of Friday, 7 June.

I agree with your suggestions for the subjects to be covered during the meeting between the Prime Minister and Zhao Ziyang.

Yours sincerely
C D POWELL

+ 1630-1730

L V Appleyard Esq
Foreign and Commonwealth Office

PRIME MINISTER

VISIT OF ZHAO ZIYANG

The attached letter asks whether we could pull out all the stops for Zhao Ziyang, in particular:

- (a) welcoming ceremony in the FCO courtyard on the morning of 3 June.
- (b) farewell call on him at Claridges on Saturday 8 June. It is not clear from the diary whether you will be here or at Chequers that day. If the latter, the call might be on the Friday afternoon.
- (c) a second session of talks lasting one hour on 6 June.

You are of course already giving a dinner for him and attending his return dinner.

This is more than you normally do, but well worth it in this case.

Agree?

Yes
not. C.D.P?

(CHARLES POWELL)

19 April 1985



Foreign and Commonwealth Office

London SW1A 2AH

19 April 1985

*Dear Charles,*Visit by Premier Zhao Ziyang

Arrangements are in hand for the important visit by the Chinese Premier, Zhao Ziyang, for which we have now agreed the dates of 2-8 June. A number of points have arisen concerning the Prime Minister's participation in the programme, on which it would be helpful to have early decisions.

We expect the public focus to be firmly on economic cooperation and opportunities for trade; for the first time at this level in recent years, Hong Kong considerations should not inhibit this. Premier Zhao will be the most senior Chinese visitor to Britain since Chinese Communist Party Chairman (and concurrently Premier) Hua Guofeng in 1979. But this visit will offer more opportunities. Premier Zhao will probably be more willing than Chairman Hua to engage in substantive discussion and to take decisions; we know that the Chinese themselves will be hoping for practical manifestations of closer relations; and commercial potential for Britain in China remains considerable, particularly following Lord Young's successful visit to China in March. It will be important to keep up the momentum.

Ceremonial

The Chinese are extraordinarily protocol-conscious and will pay close attention to the level and nature of the formalities. This applies not only to Premier Zhao himself, but also to the Chinese people generally, whose attention will be focussed sharply on Britain by the Chinese media. Chinese expectations, conditioned by the unprecedented reception given last year to the Prime Minister in Peking, will be high. You will recall that the Prime Minister was met and seen off at Peking airport by the Chinese Foreign Minister, Wu Xueqian, and that Premier Zhao presided over a formal welcoming ceremony the morning after arrival, and paid a farewell call at the guest house before departure.

/ For this visit, ...



For this visit, the Foreign Secretary has agreed to meet Premier Zhao on arrival. But the Chinese have asked, and the Ambassador in Peking has recommended, that the Prime Minister should either meet Premier Zhao herself, or host a formal welcoming ceremony in London. The least time-consuming option would be a guard of honour in the FCO courtyard. The Foreign Secretary recommends that the Prime Minister should agree to this. There is some flexibility on timing. The best time would seem to be on the morning of 3 June, as the first item on the official programme; or perhaps immediately before the talks to be held at 1600 hrs on 3 June.

Another personal touch which would be greatly appreciated by the Chinese, if the Prime Minister could find time for it, would be a very brief farewell call at Claridges on Saturday 8 June. Although this is not as important as the welcoming ceremony, it would reciprocate Premier Zhao's farewell call on the Prime Minister; and the Chinese would see, and appreciate, the gesture as a mark of special regard, as Zhao's own similar gesture was intended to be. It would contribute much to making the right impression on Premier Zhao, just before he leaves for West Germany (whose exports to China are about four times those of the UK).

Talks

In your letter of 8 February, you proposed that formal talks take place from 1600 - 1800 hrs on 3 June, with a possibility if necessary of a further round on the morning of 5 June. We see a strong case for a second session, though this need not necessarily be for a full two hours. However, 5 June would now be difficult. I enclose a copy of the programme as it currently stands. As you see, it is at present planned that Premier Zhao should be out of London from the afternoon of 4 June to the morning of 6 June, and we consider it important that he should have a substantial visit to some other part of the UK (we are exploring various possibilities); there is no other suitable opportunity for this, given the fixed points in the programme.

The amount of ground to be covered is relevant. A proposed agenda has not yet been put to the Chinese. However, if the Prime Minister agrees, the following subjects could usefully be addressed:

- (a) Future of Hong Kong (although it is too early to say which aspects);

/ (b) ...



- (b) **Bilateral political questions** (particularly visits by The Queen, and Hu Yaobang);
- (c) International questions (East-West relations, including SDI; Sino/Soviet relations; Indo-China; South Asia; Korea);
- (d) Trade and Economic Cooperation (Trade policy issues; specific projects).

They could not be encompassed in a two-hour meeting (over half of which would be taken up with interpretation).

I should therefore be grateful if you could consider whether the Prime Minister could make available another time while Premier Zhao is in London for further talks. **One hour would suffice**; if the Prime Minister were available, **an appropriate time might be before the return dinner on 6 June**. We would suggest that items (a) - (c) be covered on 3 June. This would leave the second session free to consider trade, at a time when Premier Zhao will already have seen some of our economic and industrial achievements at first hand.

Your ever,
Len Appleyard
(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

VISIT BY PREMIER ZHAO ZIYANG

Outline Programme

Sunday 2 June		Arrive Heathrow (met by Sir G Howe)
Monday 3 June		Welcoming ceremony(?)
	1600-1800	Talks at 10 Downing St
	Evening	Welcoming dinner at 10 Downing St
Tuesday 4 June	Lunch	at Mansion House, hosted by Lord Mayor of London
	PM	depart for provincial tour (Scotland?)
Wednesday 5 June		Out of London
Thursday 6 June	AM	Return to London
	Lunch	at Buckingham Palace
	Evening	Return dinner
Friday 7 June		Day trip outside London (Cambridge?)
Saturday 8 June		Depart Heathrow for Federal Republic of Germany

PL 85-608

19 APR 1985





Foreign and Commonwealth Office

London SW1A 2AH

7 February 1985

Dear Charles,

China: Visit by Premier Zhao Ziyang

Since the Prime Minister returned from China in December, we have been seeking to confirm with the Chinese the dates for Premier Zhao Ziyang's forthcoming visit. It now looks likely that the Chinese will shortly propose formally a visit from 3-7 June.

There has been some delay in going firm as Premier Zhao is also planning to visit the Federal Republic of Germany and one other, so far undisclosed, country. We have now heard from Bonn that the FRG visit will be from 8-15 June (including two days' holiday). The Chinese have indicated, but not yet officially confirmed, that 3-7 June (Monday-Friday) in Britain would best suit them.

It would allow a fuller programme during the working week, and improve the comparison with the length of the FRG visit, if his arrival could be on 2 June and his departure on 8 June. If the Prime Minister agrees, we would therefore propose to instruct our Embassy in Peking to tell the Chinese that 3-7 June is acceptable but to suggest arrival on Sunday 2 June and departure on Saturday 8 June in order to ensure that the full working week of 3-7 June is available for official engagements.

Yes evs.

(P F Ricketts)
Private Secretary

Peter Ricketts

C D Powell Esq
10 Downing Street

SUBJECT
cc Master
Ops

China (13)

PRIME MINISTER'S
PERSONAL MESSAGE
TOP COPY
SERIAL No. T 197A/82

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PP PEKING

GRS 121

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FM FCO 211330Z OCT 82

TO PRIORITY PEKING

TELEGRAM NUMBER 504 OF 21 OCTOBER

INFO HONG KONG

GALSWORTHY'S TELELETTER OF 18 OCTOBER TO THOMSON: INVITATION FOR A RETURN VISIT BY ZHAO ZIYANG

1. THE PRIME MINISTER AGREES THAT YOU SHOULD CONFIRM HER INVITATION TO ZHAO IN MORE FORMAL TERMS.
2. PLEASE THEREFORE APPROACH THE MFA AT WHATEVER LEVEL YOU JUDGE MOST APPROPRIATE. YOU SHOULD SAY THAT YOU HAVE BEEN ASKED TO CONFIRM THAT THE PRIME MINISTER WOULD WELCOME A VISIT TO BRITAIN BY THE PREMIER AT A MUTUALLY CONVENIENT TIME. YOU COULD ADD THAT WE THINK CONTACT AT TOP LEVEL WILL BE INCREASINGLY IMPORTANT AS OUR RELATIONS CONTINUE TO DEVELOP, AND THAT IT WILL BE CONDUCIVE TO THE PRACTICAL COOPERATION THAT BOTH SIDES SEEK.

PYM

NNNN

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Ma PE

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S/S's office
(Mr Folland)
18/11/82

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FILE

CM

10 DOWNING STREET

From the Private Secretary

21 October, 1982

BF for kel

INVITATION TO CHINESE PRIME MINISTER

Thank you for your letter of 20 October. The Prime Minister agrees that her invitation to the Chinese Prime Minister to visit Britain should be confirmed in the terms suggested in the draft telegram enclosed with your letter.

A. J. COLES

J.E. Holmes, Esq.,
Foreign and Commonwealth Office

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SC



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Foreign and Commonwealth Office

Prime Minister

London SW1A 2AH

My first reaction was to doubt this but on reflection I think that an invitation issued in the terms proposed might be helpful over Hong Kong. We should not be committed to a visit until it suited us. Agree?

20 October 1982

Dear John, A.S.C. 20/10.

Invitation to Chinese Prime Minister

We spoke earlier about the absence from the records of the Prime Minister's visit to China of any mention of her intended invitation to Zhao Ziyang to visit Britain. The Embassy in Peking recently asked the Chinese informally about this. The Chinese response was that they were not certain whether to regard the only reference they had noted (the passage in the Prime Minister's return banquet speech where she said she looked forward to seeing Zhao in Britain) as an invitation.

The Chinese will have expected a reciprocal invitation, and it was agreed in principle by the Prime Minister (your letter of 20 July) that she should extend one. A visit by Zhao in due course will contribute to our bilateral relations. This would offer commercial as well as political advantages. In the meantime a formal invitation will do no harm to the atmosphere of the negotiations on Hong Kong. We therefore see merit in confirming the position to the Chinese. I enclose a telegram instructing the Embassy to take suitable action, and should be grateful for confirmation that you agree.

Handwritten initials

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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OUT TELEGRAM

Classification and Caveats

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Precedence/Deskby

PRIORITY

ZCZC
GRS
CLASS
CAVEATS
DESKBY
FM FCO
PRE/ADD
TEL NO

1	ZCZC
2	GRS
3	CONFIDENTIAL
4	
5	
6	FM FCO
7	TO PRIORITY PEKING
8	TELEGRAM NUMBER
9	AND REPEATED FOR INFORMATION TO HONG KONG
10	GALSWORTHY'S TELELETTER OF 18 OCTOBER TO THOMSON: INVITATION FOR
11	A RETURN VISIT BY ZHAO ZIYANG
12	1. The Prime Minister agrees that you should confirm her
13	invitation to Zhao in more formal terms.
14	2. Please therefore approach the MFA at whatever level you judge
15	most appropriate. You should say that you have been asked to
16	confirm that the Prime Minister would welcome a visit to Britain
17	by the Premier at a mutually convenient time. You could add
18	that we think contact at top level will be increasingly important
19	as our relations continue to develop, and that it will be
20	conducive to the practical cooperation that both sides seek.
21	
22	/// PYM
23	// NNNN
24	/
25	

NNNN ends telegram	BLANK	Catchword
File number	Dept PRIVATE OFFICE	Distribution LIMITED FED HKGD MR DONALD MR GIFFARD PS/LORD BELSTEAD
Drafted by (Block capitals) J E HOLMES		
Telephone number		
Authorised for despatch		
Comcen reference	Time of despatch	

2 OCT 1952

10 11 12 1 2 3
4 5 6 7 8 9

FILE

cc to China P. 1/2



China

10 DOWNING STREET

20 July, 1982

From the Private Secretary

PRIME MINISTER'S VISIT TO CHINA

Thank you for your letter of 19 July. The Prime Minister agrees in principle to extend, during her visit to China, a return invitation to the Chinese Premier to visit Britain.

I suggest that nothing is said to the Chinese about this matter in advance of the Prime Minister's visit. If the point could be included in the briefs, the Prime Minister will decide how to play the hand when she is in China.

SECRET

B J P Fall, Esq
Foreign and Commonwealth Office

1

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Prime Minister

Courtesy probably requires the
and the prospect of future
discussion with the Chinese about
Hong Kong will make it easier
to control expectations from your
September visit.

Foreign and Commonwealth Office

London SW1A 2AH

19 July 1982

Agree in principle?

Dear John,

A.J.C. $\frac{19}{7}$

Yes not

During the Prime Minister's visit to China in September the Foreign and Commonwealth Secretary hopes that she will feel able to extend a return invitation to the Chinese Premier to visit Britain.

Mr Zhao Ziyang is unlikely to take up such an invitation in the near future. He came to this country on an FCO Sponsored Visit in 1979 while still a provincial leader, and in the same year his predecessor as Premier, Hua Guofeng, paid us an official visit. Nonetheless, it would be normal to extend an invitation and the Chinese might be surprised and disappointed if the subject was not mentioned. If Zhao were to accept an invitation, his visit here would usefully sustain the steady development of Anglo-Chinese relations.

Could you please let me know your views in due course?

Yours ever,
B

(B J P Fall)
Private Secretary

A J Coles Esq
10 Downing Street

PART 1 ends:-

29/11/79

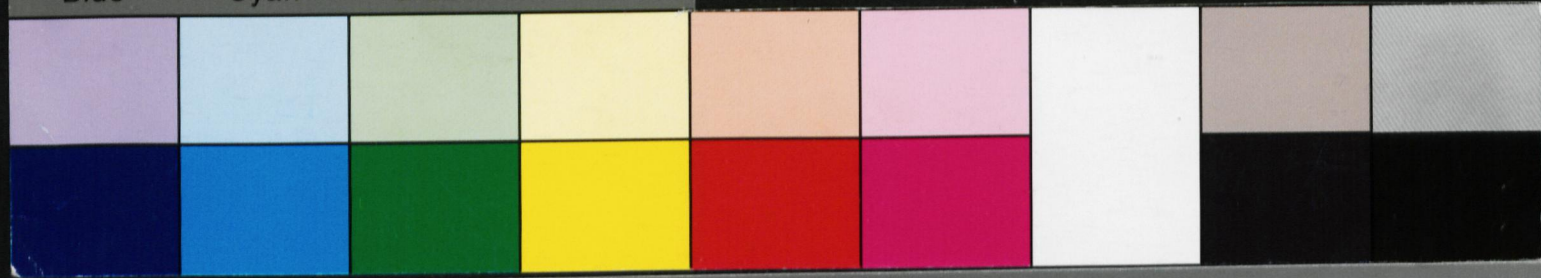
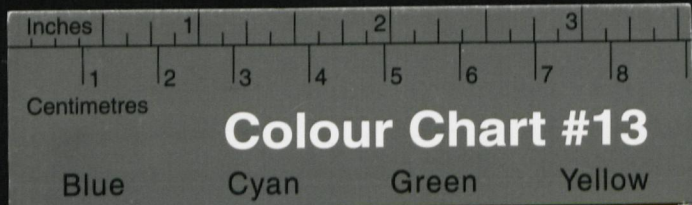
PART 2 begins:-

19/7/82

Inches 1 2 3
Centimetres 1 2 3 4 5 6 7 8

Colour Chart #13

Blue Cyan Green Yellow



Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19

