

TOP SECRET

# 10 DOWNING STREET

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FILE TITLE:

Internal Situation

SERIES

CHINA

PART:

1

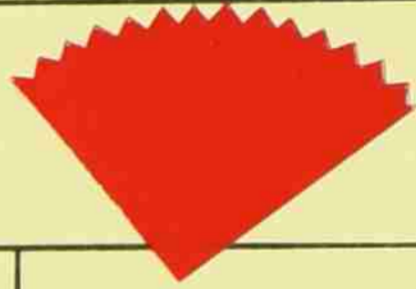
PART BEGINS:

May 1979

PART ENDS:

July 1989

CAB ONE:



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PREM 19/2597

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## Foreign and Commonwealth Office document

Reference: FCO Diplomatic Report No 163/82

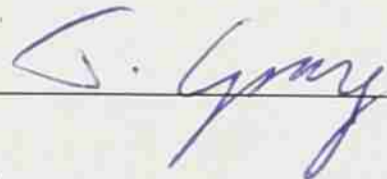
Description: China and the Third World

Date: 21 June 1982

The above FCO document, which was enclosed on this file has been removed and destroyed.

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Signed



Date

15/10/2016

PREM Records Team

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INFO PRIORITY WASHINGTON, MOSCOW, UKREP BRUSSELS, PARIS  
INFO PRIORITY UKMIS NEW YORK, TOKYO

SIC U2B

MODUK FOR SEC (O)(C).

CHINESE FOREIGN POLICY.

SUMMARY.

1. BEHIND RESOLUTE WORDS, HINTS OF CHINESE WORRY OVER WESTERN SANCTIONS AND DIFFICULTY IN RETALIATING. EFFORTS TO REBUILD RELATIONS WITH BORDER-LINE COUNTRIES.

DETAIL.

2. WHEN THE MFA BRIEFED AFRICAN AMBASSADORS ON 20 JULY (MY TELNO 1391 NOT TO ALL) THEY STRONGLY CRITICISED THE U S, UK AND FRANCE AND OTHER COUNTRIES WHO WERE INTERFERING WITH AND ACTING AGAINST CHINA. (AN MFA SPOKEWOMAN MADE CLEAR THE SAME DAY THAT IN CHINA'S VIEW EVEN THE EXPRESSION OF AN OPINION ON EVENTS HERE CAN CONSTITUTE 'INTERFERENCE'). THEY INSISTED THAT SUCH COUNTRIES WOULD ONLY HURT THEMSELVES AND CHINA WOULD NEVER GIVE IN. ACCORDING TO OUR AFRICAN CONTACTS, HOWEVER, THEY ALSO:

- ADMITTED THAT THE EFFECTS OF SOME SANCTIONS, ESPECIALLY IN THE ECONOMIC AND TECHNICAL FIELDS, WERE CAUSING THEM ANXIETY:
- MADE PRETTY CLEAR THAT THEY WERE NOT THINKING OF ANY CONCRETE ACTION IN RETALIATION. (CF MY TELNO 1384 ON THE CHINESE RESPONSE TO THE LATEST EC DEMARCHE).

3. THE DEFIANT STRAIN IN CHINESE RESPONSES WAS CONTINUED WITH A FURTHER DEMARCHE BY THE MFA TO THE U S AMBASSADOR ON 20 JULY, COMPLAINING ABOUT THE HOUSE OF REPRESENTATIVES AND SENATE AMENDMENTS OF 29 JUNE AND 14 JULY RESPECTIVELY ON SANCTIONS

AGAINST CHINA. THE ELEMENT OF ANXIETY WAS BETRAYED BY THE MFA SPOKESWOMAN'S REMARK ON 20 JULY THAT IT WOULD BE COMPLETELY UNJUSTIFIABLE TO 'STIR UP A BOYCOTT' OF NEXT YEAR'S ASIAN GAMES IN PEKING.

4. WE UNDERSTAND FROM ONE OF THE EMBASSIES INVOLVED THAT THE CHINESE HAVE DEFINED A CATEGORY OF COUNTRIES WHO HAVE CRITICISED THE MAY/JUNE EVENTS BUT NOT TAKEN ANY CONCRETE MEASURES: AND ARE NOW DISCREETLY APPROACHING THESE COUNTRIES TO SEE IF HIGH-LEVEL VISITS POSTPONED DURING THE 'EVENTS' (IN SOME CASES BY THE CHINESE THEMSELVES) COULD BE REINSTATED SOON. THE MOTIVE IS OBVIOUS AND THE ANSWER MAY BE A LEMON.

BAILES.

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TO IMMEDIATE FCO  
TELNO 1940  
OF 192329Z JULY 89  
INFO IMMEDIATE HONG KONG  
INFO PRIORITY PEKING

OUR TELNO 1783: US/CHINA/HONG KONG: CONGRESSIONAL  
PROPOSALS FOR FURTHER US MEASURES  
SUMMARY

1. SENATE ADOPTS LANGUAGE ON CHINA SIMILAR TO THAT PASSED  
IN THE HOUSE, BUT PROPOSING NEW RESTRICTIONS ON  
CONCESSIONAL LOANS AND CALLING FOR A WIDE-RANGING REVIEW  
OF US/CHINA TRADE RELATIONS. THE LANGUAGE ON HONG KONG IS  
AN IMPROVEMENT OVER THE HOUSE VERSION. ADMINISTRATION  
DECISION ON ASIASAT UNAFFECTED.

DETAIL

2. ON 14 JULY THE SENATE ADOPTED BY 81-10 AN AMENDMENT  
TO THE STATE DEPARTMENT AUTHORISATION BILL ON CHINA.

3. WE HAVE NOW SEEN THE TEXT OF THIS AMENDMENT (COPY  
BY FAX TO HKD). IT IS IN GENERAL SIMILAR TO THE HOUSE  
AMENDMENT SUMMARISED IN OUR TUR, ALTHOUGH THE SENATE  
VERSION ADDS LANGUAGE IN THE QUOTE SENSE OF THE SENATE  
UNQUOTE (IE NON-BINDING) SECTION URGING THAT EX-IM BANK  
LOANS SHOULD BE POSTPONED AND CALLING FOR A REVIEW OF THE  
ADVISABILITY OF CONTINUING TO GIVE CHINA MFN STATUS AND  
OF BILATERAL TRADE AGREEMENTS.

4. THE LANGUAGE ON HONG KONG IS AS FOLLOWS:  
QUOTE TOWARDS HONG KONG THE PRESIDENT AND THE SECRETARY OF  
STATE SHOULD CONVEY TO THE PEOPLE'S REPUBLIC OF CHINA THE  
IMPORTANCE OF LIVING UP TO ITS INTERNATIONAL UNDERTAKING  
WITH RESPECT TO THE 1984 JOINT DECLARATION FOR THE FUTURE  
PROSPERITY AND STABILITY OF HONG KONG. THE SECRETARY OF  
STATE SHOULD ADVISE THE UNITED KINGDOM OF THE UNITED STATES  
CONTINUING CONCERN ABOUT THE ABSENCE OF GUARANTEES OF FREE  
DIRECT ELECTIONS AND HUMAN RIGHTS IN THE JOINT DECLARATION  
UNQUOTE.

THIS IS AN IMPROVEMENT ON THE HOUSE VERSION IN THAT IT DOES  
NOT CAST DOUBT ON THE CREDIBILITY OF THE JOINT DECLARATION.  
I HAD EARLIER WRITTEN TO A RANGE OF CONGRESSMEN MAKING OUR  
VIEWS PLAIN ON THIS POINT.

5. HONG KONG TELNO 2378 ASKED WHETHER THE ADOPTION OF THIS

AMENDMENT BY THE SENATE AFFECTS THE STATE DEPARTMENT'S DECISION ON ASIASAT. THE SHORT ANSWER IS THAT IT DOES NOT. THE PROVISIONS ON EXPORT CONTROLS ARE IDENTICAL IN THE TWO MEASURES. AS WE ARE REPORTING SEPARATELY, EAGLEBURGER HAS DECIDED TO AUTHORISE THE LICENCE PERMITTING RELEASE OF TECHNICAL DATA. BOTH THE HOUSE AND SENATE VERSIONS GIVE THE PRESIDENT DISCRETION TO MAKE EXCEPTIONS IN THE QUOTE NATIONAL SECURITY INTEREST OF THE US UNQUOTE (HOUSE VERSION) OR THE QUOTE NATIONAL INTEREST UNQUOTE (SENATE VERSION). IF A VERSION OF THE CURRENT LANGUAGE EVENTUALLY BECOMES LAW, THE ADMINISTRATION WOULD PRESUMABLY MAKE A CASE FOR ASIASAT UNDER THIS PROVISION.

6. THE NEXT STEP IS FOR THE HOUSE AND SENATE VERSIONS TO BE RECONCILED IN A JOINT CONFERENCE (THE POSITION IS COMPLICATED FURTHER BY THE FACT THAT THE AMENDMENTS HAVE BEEN ATTACHED TO DIFFERENT BILLS IN THE HOUSE AND SENATE). THE ADMINISTRATION STILL SAY THAT THEY OPPOSE BOTH VERSIONS, BUT IN PRACTICE ARE NOT EXERTING MUCH PRESSURE. WE ARE CONSIDERING WHAT FURTHER LOBBYING ACTION WE NEED TO TAKE WITH THE AIM OF ENSURING THAT THE OBJECTIONABLE HOUSE LANGUAGE ON HONG KONG DOES NOT SURVIVE IN THE CONSOLIDATED VERSION.

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INFO PRIORITY JSIS HONG KONG, JLG OFFICE, HONG KONG

CALL ON LEE KUAN YEW. SITUATION IN CHINA/ HONG KONG

SUMMARY

1. LEE KUAN YEW REGARDS RECENT EVENTS AS A DISASTER FOR CHINA. HE SEES NO OBVIOUS SUCCESSOR TO DENG XIAOPING AND IS SCEPTICAL ABOUT A POSSIBLE FUTURE COLLECTIVE LEADERSHIP. ANY MOVE TOWARDS FULL DEMOCRACY FOR HONG KONG BEFORE 1997 WOULD NOT BE TOLERATED BY THE CHINESE.

DETAIL

2. SIR ALAN DONALD HAS BEEN IN SINGAPORE BRIEFLY ON LEAVE AND I TOOK HIM TO CALL ON LEE KUAN YEW YESTERDAY. LEE LED OFF BY QUESTIONING ZHAO ZIYANG'S BEHAVIOUR BETWEEN MAY AND JUNE THIS YEAR. ZHAO HAD OWED HIS ADVANCE TO THE GENERAL SECRETARYSHIP OF THE CCP ALMOST ENTIRELY TO DENG XIAOPING. WHILE INTELLIGENT AND HARD WORKING HE WAS CLEARLY NO 'STREET FIGHTER'. YET HE HAD DECIDED TO SUPPORT THE STUDENTS DURING THE OCCUPATION OF TIENANMEN SQUARE. WHY HAD HE MISCALCULATED? THE ANSWER WAS NOT YET CLEAR BUT LEE ACCEPTED SIR ALAN DONALD'S JUDGEMENT THAT ZHAO WAS UNLIKELY NOW TO RETURN TO POWER. NOR DID HE DISPUTE SIR ALAN DONALD'S VIEW THAT LI PENG AND HIS CLOSEST ASSOCIATES WERE STILL HOPING TO HAVE ZHAO BROUGHT TO TRIAL AS THE BETRAYER OF THE PARTY, ALTHOUGH THERE WERE STILL MODERATES WHO WOULD SEEK TO PREVENT THIS.

3. LEE WAS ALSO PUZZLED BY THE STUDENTS' DECISION OF 19 MAY TO MOVE FROM GENERALISED DEMANDS FOR CHANGE TO DIRECT ATTACKS ON LI PENG AND DENG. THIS HAD BEEN 'AN ACT OF FOLLY'. HE HAD 'FELT IN HIS BONES AS A CHINESE' AT THE TIME THAT DENG WOULD THENCE FORWARD HAVE NO OPTION BUT TO CRUSH THE STUDENT OPPOSITION. THE ONLY REMAINING QUESTIONS WERE WHEN AND HOW. HE AGREED WITH SIR ALAN DONALD THAT THE PLA'S FAILURE TO DEAL WITH THE SITUATION ON TWO SUCCESSIVE OCCASIONS HAD INTENSIFIED THEIR SENSE OF

HUMILIATION AND MADE THE FINAL ONSLAUGHT ALMOST INEVITABLE.

4. THE OUTCOME HAD BEEN DISASTROUS, A TRAGEDY FOR CHINA AND FOR DENG HIMSELF: ALTHOUGH STILL CLEARLY IN CHARGE HE HAD TOTALLY FORFEITED HIS 'VIRTUE' AS A RULER. CHINA NOW FACED MASSIVE ECONOMIC PROBLEMS. THE SURVIVORS WOULD BE ABLE TO DO LITTLE MORE THAN HANG ON TO POWER WHILE STRUGGLING TO MANAGE A DEEPLY FRACTURED PARTY. WHEN SIR ALAN DONALD SUGGESTED THAT A COLLECTIVE LEADERSHIP MIGHT EMERGE AFTER DENG'S DISAPPEARANCE, LEE REPLIED THAT SUCH A REGIME COULD NOT LAST: NO CHINESE GOVERNMENT COULD BE SUSTAINED WITHOUT A SINGLE DOMINANT LEADER. BUT WHO COULD ASSUME DENG'S MANTLE? WITH ZHAO GONE, NO CANDIDATE FOR THE SUCCESSION WAS IN SIGHT. JIANG ZEMIN 'WOULD NOT LAST A YEAR' WHEN DENG HAD GONE. JIANG, WHOM HE KNEW REASONABLY WELL, HAVING TRAVELLED IN CHINA WITH HIM DURING HIS (LEE'S) LAST VISIT, WAS INSUFFICIENTLY TOUGH. HE AGREED THAT LI TIEYING AND TIAN JIYUN WERE BOTH WORTH WATCHING. THE FORMER'S LINK TO DENG (AS THE SON OF DENG'S PREVIOUS WIFE) WAS PROBABLY NOT IMPORTANT. HOWEVER, WHILE INTELLIGENT, HE WAS NOT SUFFICIENTLY CALCULATING TO LEAD CHINA. TIAN WAS 'BETTER MATERIAL'. BUT LEE WAS MOST IMPRESSED BY LI RUIHUAN (MAYOR OF TIANJIN), WHO ALTHOUGH UNEDUCATED, HAD SUCCEEDED IN WORKING HIS WAY WELL UP THE LADDER OF POWER. YANG SHANGKUN, ALTHOUGH IN A POWERFUL POSITION, WAS PROBABLY TOO OLD TO BE A LASTING SUCCESSOR TO DENG.

5. COMMENTING ON THE IMPACT OF EVENTS IN CHINA ON THE CHINESE POPULATION OF SINGAPORE - AND BY EXTENSION ON OVERSEAS CHINESE EVERYWHERE - LEE SAID THAT THE REGIME IN PEKING HAD COMPLETELY LOST THEIR CONFIDENCE. THIS SHIFT OF OPINION MARKING A MAJOR WATERSHED: THOSE CHINESE EDUCATED CHINESE WHO HAD FOUGHT FOR 40 YEARS TO SUBVERT DEMOCRATIC GOVERNMENT IN SINGAPORE ON BEHALF OF MAOIST AND POST-MAOIST CHINA WERE NOW COMPLETELY DISILLUSIONED. THE DOMINANT FEELING WAS ONE OF SHAME.

#### HONG KONG

6. AFTER AN EXCHANGE ABOUT THE SHOCK FELT BY THE HONG KONG POPULATION, LEE (TWICE) EXPRESSED HIS GRATIFICATION AT HMG'S CONTINUED COMMITMENT TO THE JOINT DECLARATION POST-TIENANMEN. THERE WAS NO ALTERNATIVE. BUT HE HAD BEEN PUZZLED BY THE VIOLENT AND QUITE UNUSUAL REACTION IN HONG KONG TO EVENTS IN CHINA. HE COULD ONLY PUT THIS DOWN TO THE IMPACT OF MASSIVE TELEVISION COVERAGE. HE WENT ON TO EMPHASISE HIS CONCERN ABOUT THE EQUALLY UNANTICIPATED UPSURGE OF INTEREST IN HONG KONG IN MORE RAPID MOVEMENT TOWARDS

A MOREE FULLY DEMOCRATIC SYSTEM.

7. THIS WOULD, HE SAID, INEVITABLY PROVOKE CHINESE HOSTILITY. THE REALITY WAS THAT CHINA COULD NOT ACCEPT WHAT SHE REGARDED AS SUBVERSION BY CERTAIN POLITICAL GROUPS IN HONG KONG. THE CHINESE REGIME WOULD ALSO REJECT ANY ASSERTION OF A SEPARATE, DEMOCRATICALLY-BASED, HONG KONG IDENTITY, AS DISTINCT FROM A HONG KONG WHICH UNDERSTOOD ITS ROLE AS PART OF CHINA ALBEIT A COMPONENT WITH A HIGH DEGREE OF AUTONOMY. THE PEOPLE OF HONG KONG MUST LEARN, IN DENG'S WORDS, 'TO LOVE CHINA', WHATEVER THEIR REAL FEELINGS, IF HONG KONG WERE TO SURVIVE. HERE AGAIN, THERE WAS NO ALTERNATIVE.

8. AT THE END OF THEIR CONVERSATION, SIR ALAN DONALD TOOK THE OPPORTUNITY TO INFORM LEE IN CONFIDENCE THAT YOU HAD INVITED QIAN QICHEN TO MEET YOU IN PARIS ON 31 JULY. LEE THOUGHT THAT THE CHINESE WOULD WELCOME SUCH A MEETING.

## COMMENT

9. LEE WAS IN EXCEPTIONALLY GOOD FORM, OBVIOUSLY FASCINATED BY, AND WELL INFORMED ABOUT, RECENT EVENTS IN CHINA. BUT HE STILL FINDS IT EASIER TO ASK QUESTIONS THAN PROVIDE ANSWERS AND IS CHARACTERISTICALLY PESSIMISTIC ABOUT THE COUNTRY'S PROSPECTS IN THE WAKE OF WHAT HE SEVERAL TIMES DESCRIBED AS A 'DISASTER'.

10. HIS COMMENTS ON THE HEIGHTENED PRESSURE IN HONG KONG FOR MORE RAPID MOVEMENT TOWARDS DEMOCRACY REFLECT HIS LONG STANDING CONVICTION THAT CHINA WILL NEVER BE PREPARED TO TOLERATE ANYTHING OTHER THAN A MEASURED, TIGHTLY CONTROLLED, AND STEP-BY-STEP, SHIFT IN THIS DIRECTION BEFORE 1997. BUT HE WELL UNDERSTANDS THE PROBLEMS WHICH HMG, AND YOU IN PARTICULAR, NOW FACE IN A SITUATION WHERE (RECALLING HIS PRIVATE ADVICE TO THE PRIME MINISTER AT THE 1983 CHOGM IN NEW DELHI) THE CHINESE CONTINUE TO HOLD MOST OF THE CARDS.

PIKE

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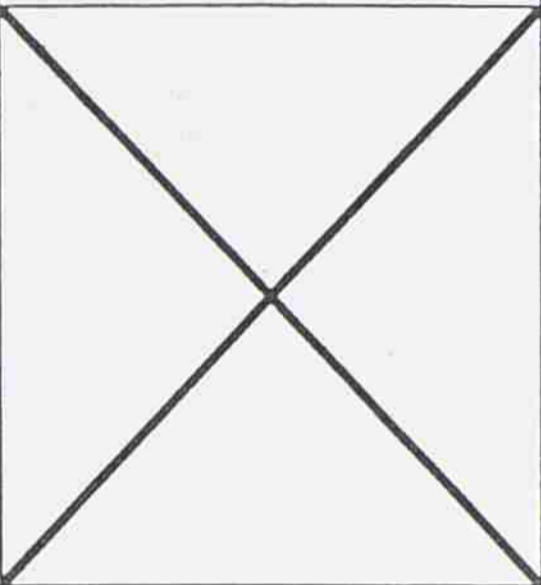
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# NUS

NATIONAL UNION OF STUDENTS

Nelson Mandela House, 461 Holloway Road,  
London N7 6LJ, Tel: 01-272 8900 Fax: 01-263 5713

CF?  
②  
c.s. Fr. Higham  
Ro/7  
PPS

MS/KAT

6 July 1989

The Right Honourable Margaret Thatcher M.P.  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Rie Minister

Unused to receive  
an appreciative letter  
from this body.  
CBP.

Dear Prime Minister,

I am writing to express our thanks for your message of condolence sent to the commemorative event for mainland Chinese students at Westminster Central Hall on 23 June 1989.

It was gratifying that you were able to find the time from your busy schedule to send a personal message, which was warmly received. NUS was also pleased The Lord Glenarthur was able to attend to represent the Government.

The Chinese Students and Scholars Association were extremely pleased with the event. An estimated 1,000 students attended, mainly from China and Hong Kong, representing student unions across the United Kingdom. The event enabled participants to remember those who suffered in a dignified and supportive environment and attracted wide media coverage.

Should you require any further information on our work in this area, please do not hesitate to contact The National Union of Students.

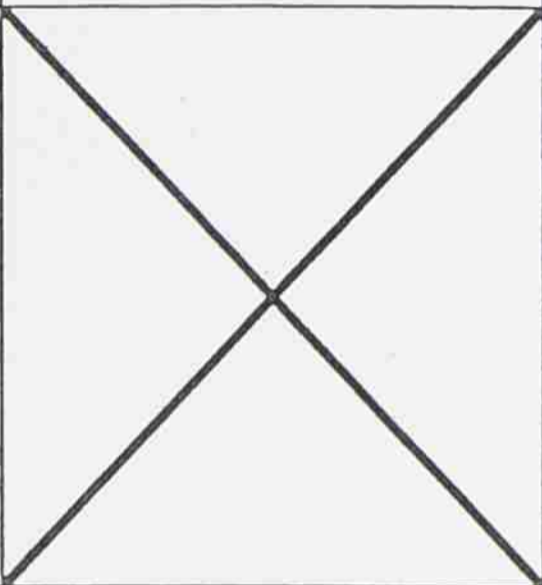
Yours sincerely,

Maeve Sherlock

Maeve Sherlock  
NATIONAL PRESIDENT

CHINA: return photo May 77



DEPARTMENT/SERIES <p style="text-align: center;"><i>PREM 19</i></p> ..... PIECE/ITEM ..... (one piece/item number)	Date and sign
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*Pl. hb  
e*

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CHINA INTERNAL: RECTIFICATION AND LEADERSHIP.

SUMMARY.

1. RENEWED STRESS ON PARTY BUILDING. CONTINUED HIGH PROFILE BY PARTY VETERANS. DIVISION OF RESPONSIBILITIES AMONG STANDING COMMITTEE MEMBERS. YAN MINGFU REAPPEARS.

DETAIL.

2. THE 68TH ANNIVERSARY OF THE FOUNDING OF THE C C P WHICH FELL ON 1 JULY WAS USED NOT AS A CELEBRATION BUT AS AN OPPORTUNITY TO PUBLICISE THE TASK OF PARTY BUILDING, WHICH IS NOW BEING STRESSED. A PEOPLE'S DAILY EDITORIAL ON 1 JULY AND A HIGH-LEVEL MEETING OF VETERAN CADRES ON THE SAME DAY ADDRESSED BY JIANG ZEMIN BOTH FOCUSED ON THIS SUBJECT. THE RECENT UNREST IS BEING EXPLAINED NOT ONLY BY THE 'FRENZIED' EFFORTS OF 'HOSTILE FORCES' OUTSIDE THE C C P (DOMESTIC AND FOREIGN) BUT ALSO BY LAXITY WITHIN THE PARTY. THE LAX APPROACH TO IDEOLOGICAL WORK AND THE CONSEQUENT NEGLECT OF THE 4 BASIC PRINCIPLES AND GROWTH OF BOURGEOIS LIBERALISATION ARE OF COURSE THE LONG-TERM CHARGES BEING MADE AGAINST ZHAO ZIYANG. CURRENT PROBLMS LIE NOT ONLY WITH IDEOLOGICAL SLOPPINESS BUT ALSO ECONOMIC CORRUPTION. EFFORTS ON PARTY BUILDING ARE SAID TO BE NECESSARY TO RESTORE THE HEALTH AND

PRESTIGE OF THE PARTY AND ARE AN URGENT TASK FACING THE PARTY AT ALL LEVELS.

3. THE COMMUNIQUE OF THE CENTRAL DISCIPLINE INSPECTION COMMISSION (ISSUED 24 JUNE) SPOKE IN STRICT TERMS OF THE NECESSITY OF EXPELLING FROM THE PARTY OR OTHERWISE PUNISHING THOSE PARTY MEMBERS WHO HAD BEHAVED INCORRECTLY DURING THE UNREST. THE TENOR OF THESE MORE RECENT STATEMENTS IS THE NEED TO DEAL WITH LONG-TERM PROBLEMS IN A MORE SYSTEMATIC WAY. JIANG ZEMIN SPOKE IN TERMS OF A 'SERIOUS IDEOLOGICAL AND ORGANISATIONAL RECTIFICATION AT ALL LEVELS OF THE PARTY', BUT A FORMAL RECTIFICATION CAMPAIGN HAS NOT BEEN ANNOUNCED.

4. JIANG ZEMIN WAS GIVEN FRONT-PAGE TREATMENT BY 2 JULY PEOPLE'S DAILY BUT HE HAS NOT BEEN GIVEN A HIGH PROFILE SINCE HIS ELEVATION. THE 1 JULY PEOPLE'S DAILY EDITORIAL SPOKE MERELY IN TERMS OF THE 'NEW CENTRAL LEADERSHIP COLLECTIVE WITH JIANG ZEMIN AS GENERAL SECRETARY'. JIANG'S REPUTATION WITH THE PUBLIC WILL NOT BE ENHANCED BY THE EXTREME DEFERENCE HE PAID TO THE VETERAN LEADERS IN HIS 1 JULY REMARKS. THESE REMARKS WERE MADE AT THE MEETING OF PARTY VETERANS, ATTENDED BY BO YIBO AND SONG RENQIONG AND ADDRESSED BY A NUMBER OF OTHERS, INCLUDING IDEOLOGUE HU QIAOMU. TWO SPEECHES MADE BY DENG XIAOPING IN 1965 ON PARTY BUILDING HAVE BEEN RE-RELEASED AS GUIDING DOCUMENTS.

5. HONG KONG NEWSPAPERS HAVE REPORTED THAT THE RESPONSIBILITIES OF THE STANDING COMMITTEE HAVE BEEN DECIDED. JIANG IS TO BE IN OVERALL CHARGE, LI PENG AND YAO YILIN ARE TO BE RESPONSIBLE FOR THE ECONOMY, QIAO SHI FOR SECURITY MATTERS AND PARTY BUILDING AND LI RUIHUAN FOR IDEOLOGY. SONG PING IS TO ASSIST QIAO. THIS IS A PREDICTABLE DIVISION. SONG'S RESPONSIBILITIES IN THE PARTY BUILDING FIELD WERE UNDERLINED BY HIS CHAIRING THE 1 JULY MEETING OF PARTY VETERANS.

COMMENT.

6. THE LANGUAGE OF THE LATEST CALLS FOR PARTY BUILDING AND THE ELIMINATION OF CORRUPTION ARE REMINISCENT OF THE TIRED CAMPAIGNS MOUNTED OVER RECENT YEARS. THE SITUATION IS NOW DIFFERENT OF COURSE. IT MAY BE CONDUCTED MORE ENTHUSIASTICALLY BY THE PEOPLE CURRENTLY IN CONTROL AND OFFENDERS MAY BE FRIGHTENED INTO MENDING THEIR WAYS. PUBLICITY IS STILL BEING GIVEN TO QUITE A NUMBER OF CASES OF CORRUPTION INVOLVING PARTY MEMBERS, BUT THESE ARE LOW- AND MIDDLE-RANKING PEOPLE. IT STILL SEEMS DOUBTFUL WHETHER THE

SYSTEMIC CHANGES THAT ARE REQUIRED TO MAKE REAL PROGRESS IN THEIR AREA WILL BE ADOPTED OR WHETHER HIGH-RANKING CULPRITS WILL BE CHARGED. MANY OF THE SONS AND DAUGHTERS OF TOP LEADERS ARE IMPLICATED IN CORRUPT ACTIVITIES. UNTIL THIS HAPPENS, NOBODY WILL BE CONVINCED OF THE PARTY LEADERSHIP'S DETERMINATION TO ROOT OUT CORRUPTION AND THIS WILL BE A CONTINUING DRAIN ON THE PARTY'S ALREADY LOW SVMCK OF PRESTIGE AND POPULAR SUPPORT.

7. FINALLY, ON LEADERSHIP MATTERS, THE NPC STANDING COMMITTEE REMOVED ZHAO ZIYANG FROM HIS LAST LEADERSHIP POST - THAT OF VICE-CHAIRMAN OF THE (STATE) CENTRAL MILITARY COMMISSION - ON 30 JUNE. ONE OF THE THREE PARTY LEADING FIGURES REMOVED WITH PHAO FROM HIS LEADING POSITION - YAN MINGFU - CONTINUES TO APPEAR AS HE DID BEFORE HIS SACKING. HIS LATEST APPEARANCE WAS AT JIANG ZEMIN'S MEETING WITH NON-C C P FIGURES ON 28 JUNE. HE ATTENDED IN THE CAPACITY OF HEAD OF THE CENTRAL COMMITTEE UNITED FRONT WORK DEPARTMENT. THIS PRESUMABLY MEANS THAT YAN - THE MOST JUNIOR OF THE FOUR - HAS THE CLEAREST PATH AHEAD OF HIM FOR A COMEBACK. HIS CAREER WILL BE WORTH WATCHING.

DONALD

YYYY

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PS/SIR J FRETWELL

PAGE 3

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MR CARRICK  
MISS R SPENCER

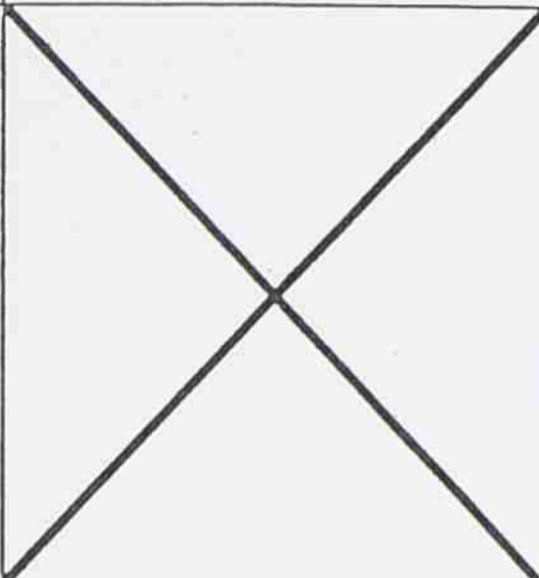
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MR HALL, 0T2/VIC ST  
PJ WESTON CAB.OFF.70 WHITEHALL  
MS M VOWLES, EAD, ODA

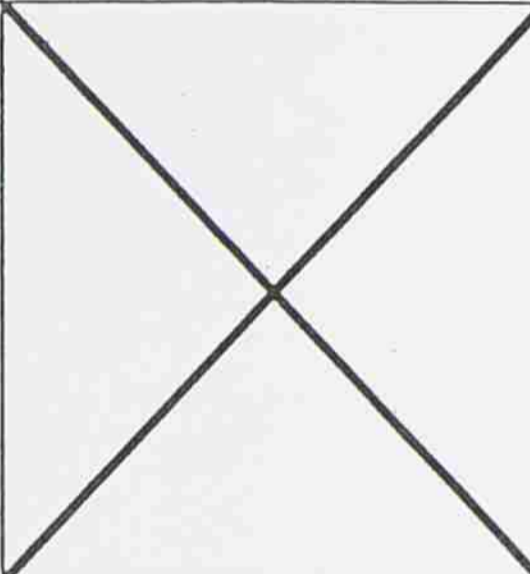
MR R GRAHAM-HARRISON, EAD, ODA  
MR REDMAYNE PD3, ECGD  
PS/NO.10

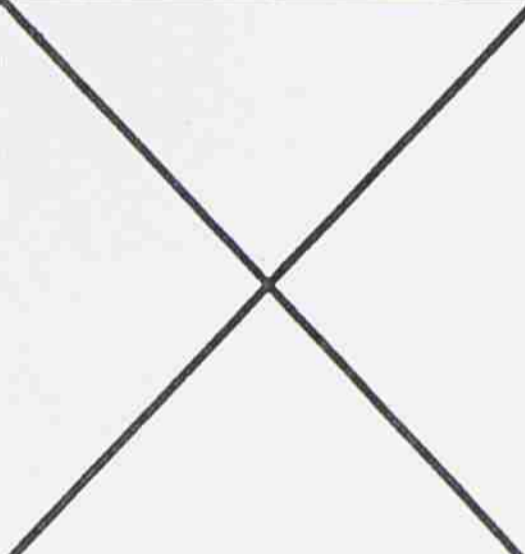
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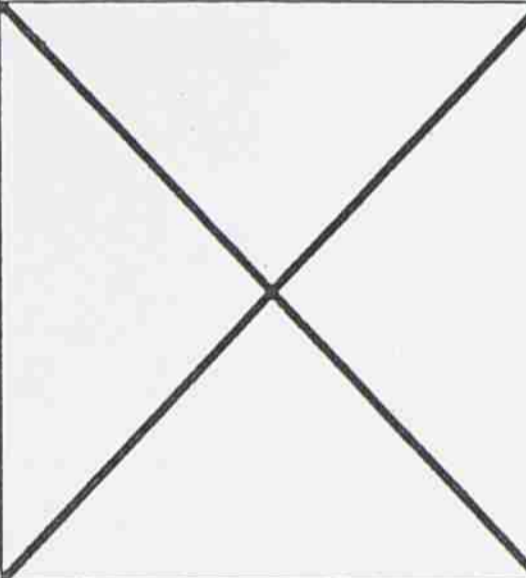
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STATEMENT ON CHINA AT THE EUROPEAN COUNCIL

Declaration on China

The European Council, recalling the Declaration of the Twelve of June 6, strongly condemns the brutal repression taking place in China. It expresses its dismay at the pursuit of executions in spite of all the appeals of the international community. It solemnly requests the Chinese authorities to stop the executions and to put an end to the repressive actions against those who legitimately claim their democratic rights.

The European Council requests the Chinese authorities to respect human rights and to take into account the hopes for freedom and democracy deeply felt by the population. It underlines that this is an essential element for the pursuit of the policy of reforms and openness that has been supported by the European Community and its Member States.

The Twelve are aware that the recent events have caused great anxiety in Hong Kong.

In the present circumstances, the European Council thinks it necessary to adopt the following measures :

- raising of the issue of human rights in China in the appropriate international fora; asking for the admittance of independent observers to attend the trials and to visit the prisons,
- interruption by the Member States of the Community of military cooperation and an embargo on trade in arms with China,
- suspension of bilateral ministerial and high level contacts,
- postponement by the Community and its Member States of new cooperation projects,
- reduction of programmes of cultural, scientific and technical cooperation to only those activities that might maintain a meaning in the present circumstances,
- prolongation by the Member States of visas to the Chinese students who wish it,

Taking into account the climate of uncertainty created in the economic field by the present policy of the Chinese authorities, the European Council advocates the postponement

of the examination of new requests for credit insurance and the postponement of the examination of new credits of the World Bank.

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*CD 30/6*

①

cc PS  
PS/Mr Eggar  
PS/Mr Patten  
PS/Pur

Mr J Hall O2 DT1

Ms Vowles (A) O2A

Mr Redmayne E2D

PS/No 10

PS/Writer Cab Office

News Dept

HKD

PS/Sir J Footwell

Mr Fellmore

Mr Melave

Mr Ratford

Ms Smith E2D(E)

um Briton unD

H of C  
Mr Peter Davies  
Mr Brian Davidson

② Mr Mellinger

Mr Wye

Mr Sykes

CHINA/EC RELATIONS

③ v pa

*unD 30/6*

1. On the morning of 29 June the head of the western European Department in the MFA summoned the representatives of European TROIKA and the Head of the EC delegation to read out a statement by the Foreign Ministry in response to the European Council's statement in Madrid. The Spanish Ambassador gave a briefing to his European colleagues on the night of 29 June and reported that the Chinese statement had been on the following lines:

"The European Council position has challenged the point of view of China concerning the counter-revolutionary rebellion. The statement in Madrid has made baseless statements about the situation in China and contains slanders. Unilateral measures have been taken which are going to damage the bilateral relations between China and the European Community. The Chinese Government deeply regrets this and expresses its strong indignation. The Chinese Government has already told the EC Governments that it had to suppress a counter-revolutionary rebellion. We have also indicated that we distinguish between students and demonstrators on the one hand and a small number of criminals on the other. Only the latter will be punished according to the law. These are people who sabotaged public order subverting the Government. In punishing these criminals we want to preserve the Constitution and to maintain public order and the security of the population. Any Government of a sovereign state would have to act in the same way. We find it difficult to understand that the declaration of the European Council refers to these criminals as people who defend democratic rights. The statement has accused the Chinese Government of repressing them in a brutal way. We are greatly shocked by the European Governments' wanton interference in the internal affairs of China confusing right and wrong. The Government of China attaches importance to human rights. The Chinese Constitution and law guarantee the rights of citizens, but the exercise of human rights has to be limited at the same time. To say that punishment according to the law of a small group of criminals is a violation of human rights is at the least one-sided and ignorant if it is not due to ulterior motives.

We want to point out solemnly that the Chinese Government and people will not accept interference in their internal affairs, nor the exercise of pressure in the name of human rights. These attempts will never succeed.

/The

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The Chinese Government has on many occasions tried to persuade the European Community Governments to adopt sober-minded and prudent attitudes concerning the situation in China, but this time the European Council has unilaterally and rashly taken a number of measures in an effort to exercise pressure on China and damage bilateral relations. By doing so we cannot understand where the EC countries want to lead our relations. We are of the view that such acts are unwise and useless, and finally will do no good to the EC countries. Member States of the European Community must take all responsibility for any damage between China and the EC because of having taken this unilateral action. We reiterate that the policy of reform and opening to the outside world will remain unchanged. After summing up our experience we will carry out reform even further and faster. China's foreign policy of peace and independence will remain unchanged. China remains ready to keep and develop good relations with EC countries on the basis of the five principles of peaceful co-existence. We hope the EC and member states will take a long term view. We believe that people of vision in the EC and Member States will cherish the good relations developed over the years and will desist from taking wrong actions as they are doing now".



Alan Donald

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CCB/S

PRIME MINISTER

MEETING WITH CHINESE STUDENTS

You are to see a group of Chinese students at 1030 tomorrow: I attach a list of them. They want to discuss our reaction to recent events in China and our policy towards Chinese students in this country.

Reaction to events in China

You will want to tell them of our very firm and forthright reaction and the measures which we have taken (cancellation of Ministerial visits, suspension of high level Ministerial contacts and a ban on arms sales). We are taking a number of other measures, including postponement of consideration by the World Bank of loans and restriction on new aid. But you have opposed trade sanctions because of possible retaliation against Hong Kong.

You have also instigated the European Council in Madrid to issue a strong statement and encouraged other European countries to take measures similar to ours. It is not so easy to take action in the United Nations, since there is a tradition of non-interference in other countries' affairs - and anyway the Chinese would veto it.

Position of Chinese students

You can say to the students that we shall look sympathetically at any applications to stay from those who do not wish to return to China for the present. Anyone whose visa is due to expire should apply to the Home Office for an extension, either by post or by going in person to Lunar house in Croydon. You can promise them that all applications will be treated in strict confidence. We are also willing to issue travel documents to those whose passports are about to expire and who are unwilling to apply to the Chinese authorities for renewal of their passports.

They may ask about political asylum. You should say that this is a step which could have serious consequences for them in China. It would require very careful reflection. It might be better to extend their stay under the other arrangements while they reflect on their position.

If some of them have financial difficulties, the Home Office will remove any employment restrictions to enable them to take paid work or register as being available for work.

If they want points of contact, you can hand over the attached note (I will have copies) which suggests people to get in touch with.

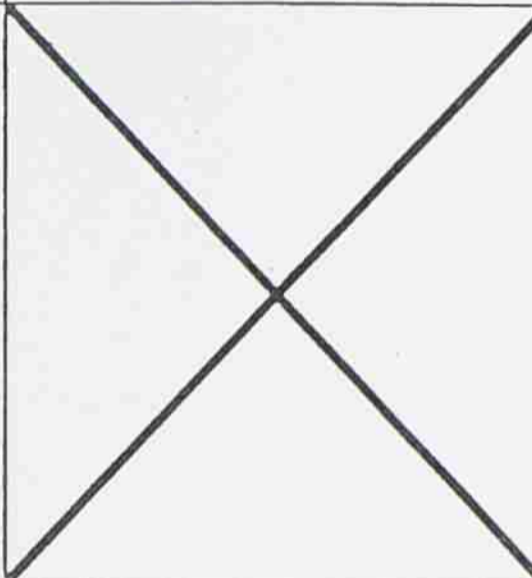
C.D.P.

CHARLES POWELL

27 June 1989



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cc PC  
Back-up



Foreign and Commonwealth Office

London SW1A 2AH

27 June 1989

*Dear Charles*

Chinese Students

Thank you for your letter of 23 June about the call on the Prime Minister by a group of Chinese students at 10.30am on Wednesday 28 June. The delegation represents the Chinese Students and Scholars Association, who claim to speak on behalf of all the 3,500 or so PRC students and scholars studying in the UK.

It is apparent from the letter which the Association sent to the Prime Minister on 21 June that the delegation will wish to discuss:

- a) the British Government's reaction to recent events in China; and
- b) our policy towards Chinese students in this country.

The Prime Minister may wish to emphasise that the British Government, like the British people, have been appalled by the brutal suppression of peaceful demonstrations in Peking and by the subsequent persecution of those demanding their democratic rights. She may wish to explain the steps taken by the British Government to register our outrage at the action of the Chinese authorities: the cancellation of Ministerial visits to and from China; the suspension of high-level military contacts and a ban on arms sales.

The Prime Minister will also be able to describe the condemnation of the Chinese Government by the Madrid European Council. If appropriate, you may wish to arrange for the delegation to be given copies of the statement on China issued by the Council. She may, however, wish to explain that it is not for governments to propose resolutions in the European Parliament.

The delegation may also ask about action to censure the Chinese Government in other international fora, notably the UN. The Secretary General of the UN has already issued a statement expressing his great sadness at the use of force against demonstrations in Peking. He has appealed to the

/Chinese

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Chinese to use the utmost restraint. But he is inhibited by the requirement of the Charter that the United Nations should abstain from intervention in regard to matters that are essentially within the domestic jurisdiction of states. Similar inhibitions apply to the UN Security Council, in which of course, China has a veto. The UN General Assembly will not be meeting until the Autumn; the UN Commission on Human Rights is not scheduled to meet again until February 1990. We are however exploring the possibility with our Western partners of raising China in the forthcoming Summer meetings of the UN Economic and Social Councils.

With regard to the Commonwealth, the Prime Minister might wish to point out that many Commonwealth leaders have already expressed their dismay at recent events in China. Subject to developments between now and October, this is a subject on which Commonwealth leaders may wish to express their continued concern at CHOGM.

The delegation is likely to ask the Prime Minister for further assurances about the position of Chinese students already in the UK. Our understanding is that there are at present some 205 officially sponsored Chinese students in the UK who are due to return to China by 1 October. The Prime Minister may wish to reiterate that we shall look sympathetically at any applications from Chinese nationals who were here on 4 June, and do not wish to return to China for the present. Anyone whose visa is due to expire should apply to the Home Office, Lunar House, Croydon for a six month extension. Home Office Ministers have already informed the universities and colleges about this. Applications can be made by post or in person to the Public Enquiry Office in Lunar House. All applications will be treated in strict confidence. Any decisions on further extensions of stay will be taken in the light of events in China. The Prime Minister could add that we would be willing to issue Home Office travel documents to those who wish to travel abroad whose passports are about to expire and who, for good reason, are unwilling or unable to apply to the Chinese authorities for renewal of their existing passports.

If the delegation asks about political asylum, the Prime Minister might explain that in order to be eligible for asylum under the terms of the UN Convention on Refugees, a person must show that he has "a well founded fear of persecution in his home country". She could point out that this is a big step that has potentially serious consequences for an applicant in his home country. She might therefore suggest that anyone who is uncertain about his position should seek an extension of his stay from the Home Office.

/The

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The delegation is likely to urge that financial support should be provided for Chinese students in financial difficulties. The Prime Minister might say that Chinese students or other visitors who face such difficulties should, in the first instance, inform the Home Office. If appropriate, the Home Office will remove any employment restrictions on their stay in the UK. This would allow those concerned to take paid work in the UK or alternatively to register as being available for work and to claim assistance from the Department of Social Security. They would also be eligible for free medical care.

Finally, the Chinese Students and Scholars Association have asked for the appointment of a government official to act as a liaison with Chinese students in this country. The Prime Minister might say that any general questions about the visa status of Chinese students in the UK should be addressed to the Public Enquiry Office of the Home Office, Lunar House, Croydon. Mr Stan Spence, in B1 Division of the Immigration and Nationality Department of the Home Office at the same address (telephone number 760 2518) will be happy to discuss matters of immigration policy as they affect Chinese students. Mrs Barbara Smith in the Overseas Students Welfare Group of the British Council at 10 Spring Gardens, London SW1A 2BN (telephone number 389 4510) is ready to offer advice on academic matters.

The Foreign Secretary has not seen this letter in draft. He will see it tonight, and if he has any comments on it I shall pass them to you before tomorrow's call.

I am copying this letter to the Private Secretaries of the Home Secretary, the Secretary of State for Social Security and the Minister of Overseas Development.

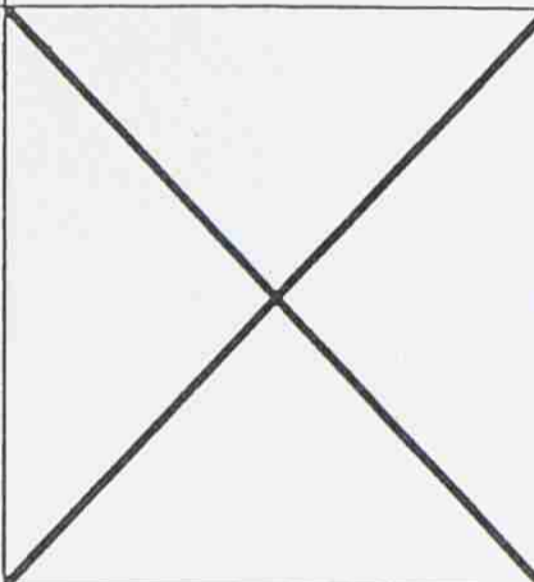
*Yours ever*

*R N Peirce*

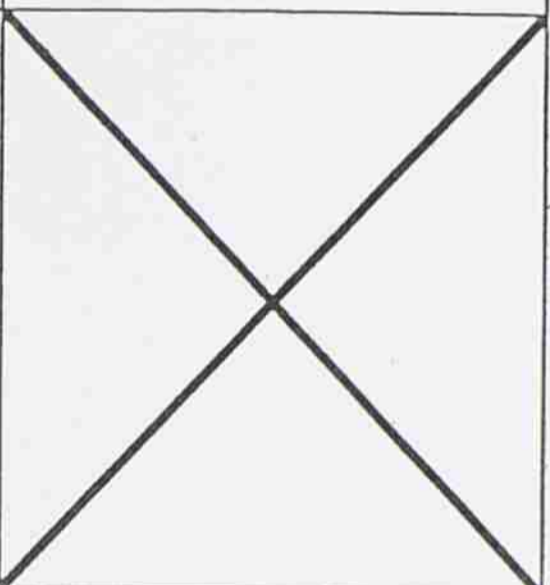
(R N Peirce)  
Private Secretary

C D Powell Esq  
PS/10 Downing Street

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*✓ of Mr Powell, No. 10*  
*Secretary of State*

RESTRICTED

*Shy/*

FROM: PS/Lord Glenarthur

DATE: 26 June 1989

CC: Private Secretary  
PS/PUS  
Mr Gillmore  
Mr McLaren  
Mr Burns, News Dept  
Mr Paul, HKD  
Mr Elam, CRD

Mr Millington,  
FED

#### MEMORIAL MEETING FOR CHINESE STUDENTS

1. Following your submission of 22 June, Lord Glenarthur duly attended the memorial meeting organised by Chinese and Hong Kong students in the UK for the students who have died during the crack-down in China, which was held in Westminster Central Hall on 23 June. The event was reasonably well attended with, at a rough guess, some 500 people, British and Chinese, in the Hall.
2. The organisers extended every courtesy to Lord Glenarthur, and went out of their way to ensure that he was not put in a politically difficult position. They were clearly most grateful indeed that a Minister had come.
3. The event (which was much better organised than I had expected) started with three minutes' silence, Chinese funeral music and a mourning address by the President of the organising committee. The first speaker, rather incongruously, was Norman Willis, who gave a highly emotive speech which ended with the phrase: "The tanks cannot win".
4. Lord Glenarthur spoke next, more or less on the lines I cleared with you on Friday. His speech included the text of the letter from Number 10 Downing Street. His remarks appeared to go down well, with warm applause and some cheers from the audience. Because of time pressures, Lord Glenarthur had to leave immediately after finishing his speech. I do not know what happened later on, other than that Lord Bonham-Carter and (I think) Tony Banks MP were due to speak.

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5. There were quite a few people there from the media, including what I took to be television coverage. Lord Glenarthur gave brief interviews to Asia TV of Hong Kong, TV AM and Independent Radio News. There was quite a lot of interest in the themes of Hong Kong and sanctions against China. One of the interviewers alleged also that the Chinese Embassy had tried to intimidate students into not attending the meeting. Apart from one piece in The Independent and a brief mention in Today, I have seen no coverage to have emerged from the event.

6. Overall, this was a dignified and well-managed tribute to those who have died in China. Lord Glenarthur considers it well worth his having attended.

*Robert Court*  
—

Robert Court  
PS/Lord Glenarthur

26 June 1989

RESTRICTED



STRICTLY PERSONAL

*ed*



10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

26 June 1989

*Dear Hal,*

Thank you very much for your letter about China. I understand you are in touch with Geoffrey Howe to discuss how best to respond to the invitation you have received. He is keeping me in close touch.

*Yours ever*

*Rajiv*

*—*

Sir Hal Miller, M.P.

*6*

STRICTLY PERSONAL



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

23 June 1989

**CHINA: MESSAGE FROM ANDREI SAKHAROV**

Thank you for your letter of 22 June enclosing a draft reply to Mr. Sakharov's message about China. The Prime Minister dealt with this orally during this meeting this afternoon.

(CHARLES POWELL)

Richard Gozney, Esq.,  
Foreign and Commonwealth Office.

*dg*

*Alc*

*ed*

*bcpc*



CLF- file Mrs  
cc FW

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 June 1989

The Prime Minister has asked me to thank you for your invitation to address the memorial service you are organising in honour of the students killed in Tiananmen Square.

The Prime Minister regrets that it will not be possible for her to attend. But I can assure you that, like the British people as a whole, she has been deeply moved by the recent tragic events in China. We have all been appalled by the brutal suppression of peaceful demonstrations and by the persecution of those demanding their democratic rights. Your memorial meeting will be a fitting way of marking the bloodshed that has taken place.

CHARLES POWELL

The Joint Committee for Memorial Meeting.

CLP



223/6  
Foreign and Commonwealth Office

London SW1A 2AH

23 June 1989

2002 27/6

Dear Charles

Memorial Meeting for Chinese Students

Thank you for your letter of 14 June about the invitation that the Prime Minister has had from Mr Weng Weiye to address a memorial meeting for the Chinese students who died in Peking. The meeting is to be held tonight. We discussed over the telephone the Foreign Secretary's recommendation that Lord Glenarthur should attend it.

The principal organisers of the meeting are the Association of Chinese Students and Scholars and Hong Kong Link. As you know from correspondence resting with my letter of 22 June, the Association is the largest and most representative of the Chinese student organisations here. It is the one we have proposed that the Prime Minister should meet. Hong Kong Link is an organisation representing Hong Kong students and young professionals. There is a slight risk that some of the groups involved will seek to make use of the meeting for other political ends, but a refusal by the Government to be represented would be seen as demonstrating a lack of concern or interest, which would be particularly damaging against the background of the current wave of executions in China.

I attach a draft letter which you may care to send to Mr Weng Weiye. As we discussed on the telephone, the Department will arrange for a message on these lines to be conveyed to the Association today, making it clear that they do so on Downing Street instructions. You may however wish to follow this up with an original letter.

Yours ever  
Bob Peirce

(R N Peirce)  
Private Secretary

C D Powell Esq  
10 Downing Street

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:

Reference

No. 10

TS4AAV

DEPARTMENT:

TEL. NO:

Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:

Copies to:

Mr Weng Weiye

The Association of Chinese Students  
and of Hong Kong Link

SUBJECT:

PRIVACY MARKING

..... In Confidence

Joint Committee for Memorial

Meeting, c/o Society for Anglo-

CAVEAT .....

Chinese Understanding,

152, Camden High Street

London NW1 ONE

Thank you for your invitation to address the memorial service you are organising in honour of the students killed in Tiananmen Square.

I regret that it will not be possible for me to attend. But I can assure you that, like the British people as a whole, I have been deeply moved by the recent tragic events in China. We have all been appalled by the brutal suppression of peaceful demonstrations and by the persecution of those demanding their democratic rights. Your memorial meeting will be a fitting way of marking the bloodshed that has taken place.

Enclosures flag(s) .....

/I

I pray that the Chinese authorities will return to a policy of dialogue with those who aspire to greater freedom.



file

Ech

bc PC

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

23 June 1989

CHINESE STUDENTS

Thank you for your letter of 22 June.  
We have arranged for the group of Chinese  
students to call at 1030 on Wednesday 28 June.  
I should be grateful for a brief in good time  
before then.

BF //

(CHARLES POWELL)

R.N. Peirce, Esq.,  
Foreign and Commonwealth Office.



c/f  
file No  
L03 (K1)  
c/ro

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 June 1989

Thank you for your letter of 7 June to the Prime Minister about the current situation in China.

The Government share your Union's sense of outrage at the brutality with which the Chinese authorities have suppressed unarmed demonstrators in Peking. The Foreign Secretary made this clear to the Chinese Charge d'Affaires on 5 June, and on 6 June he announced to the House of Commons the measures that the Government had decided to take. I enclose a copy of his statement.

The matter has been discussed by the Twelve Member States of the European Community. On 6 June the Twelve issued a statement condemning the violent repression used against peaceful demonstrators and appealing to the Chinese leadership to look urgently for a peaceful solution. On 15 June the European Presidency made a demarche to the Chinese, expressing the Twelve's grave concern at continuing repression and their hope that economic and political reform could be put back on course, and that human rights would be respected.

CHARLES POWELL

Mr. T. Katchim.

EV





Foreign and Commonwealth Office

London SW1A 2AH

22 June 1989

*Jean Charles,*China: Message from Andrei Sakharov

Thank you for your letter of 19 June enclosing a teletmessage the Prime Minister has received from Mr Andrei Sakharov. I enclose a draft reply from the Prime Minister. This text could, if you wish, be released in connection with Mr Sakharov's call on the Prime Minister on 23 June.

*Yours ever,*

(R H T Gozney)  
Private Secretary

C D Powell Esq  
10 Downing Street

SECURITY CLASSIFICATION

Top Secret

Secret

Confidential

Restricted

Unclassified

PRIVACY MARKING

.....

In Confidence

DRAFT MESSAGE FROM PRIME MINISTER TO ANDREI SAKHAROV

Thank you for your message of 18 June. I fully share your feelings of horror at recent events in China and deeply deplore the death sentences already carried out as totally out of proportion to the crimes. We and our European Partners made our views on the sentences clear to the Chinese authorities, in a plea for clemency on 17 June. We deeply regret that this, and other representations, were ignored.

Zhai Min

The Foreign Secretary  
has spoken to him

and, as a result, is  
more enthusiastic about

the idea. The Chinese

are showing signs of

willingness to keep it

quiet & hold a heh-heh.

We must be careful

of future contacts. Meanwhile,  
we must commit too much  
to open. CDD.



Confidential

From: Sir Hal Miller MP.

21<sup>st</sup> June

Dear Prime Minister

On Monday of this week I received an approach from an old friend of mine in Hong Kong for whom I can vouch to say that President Yang of China would like to make contact through me with your Government.

The suggestion was that I should visit him in China before the end of July to discuss China's need for economic help in the form of soft loans and continued investment,

against which China would be prepared to offer further flexibility in the draft Basic Law on Hong Kong. The approach was to be through me and not through official or ministerial channels. In my experience this is quite a common Chinese tactic to approach through a third party who can later be dropped if matters don't progress without loss of face on either side. In this way I was invited up to Peking in 1983 in the middle of the Hong Kong negotiations and dealt directly with the member of the Politburo responsible for Hong Kong.



I reported this approach to David  
Lighthorn the Foreign Office Whip, who  
is to see Sir Geoffrey tomorrow  
Thursday morning. This afternoon  
my friend Jimmy again to say  
Deng Shiao Ping himself wanted to  
see me, if I could assure him  
that I had access to you, to discuss:

(a) Sino - British relations

(b) Hong Kong

(c) Soft loans and investment.

This also I have reported to David  
Lighthorn, otherwise only to Mark L. Byrd.

Naturally I have no wish to  
interfere in any way but if this  
idea appears to you to have some  
merit I am happy to be of service.  
I can't in fact think we would lose  
anything by exploring this channel  
which I am told originates with  
Denz's Personal Assistant. I have of  
course asked for names and expect  
a fax tomorrow morning to confirm.  
I am now told that the middle of  
July is the preferred time and precise  
route instructions have already been  
given. I will expect an answer in  
due course from David Hightoun.  
Yours sincerely - Hal Miller

Mr. Andrei SAKHAROV

317



6

10 DOWNING STREET  
LONDON SW1A 2AA

made

*From the Private Secretary*

RP

19 June 1989

I attach a copy of a teletmessage the Prime Minister has received from Mr Andrei Sakharov.

I should be grateful for a draft reply, to reach me by Monday 3 July.

Charles Powell

Bob Peirce Esq  
Foreign and Commonwealth Office



Hercules Road  
London SE1 7DU  
Attention Mrs Susan Sasken  
Date Time 18.06.89 1830

18 June 1989

*19/6*

TELEMESSAGE  
MRS THATCHER  
10 DOWNING STREET  
LONDON SW1

PLEASE DO EVERYTHING IN YOUR POWER TO SAVE FROM DEATH  
THE PARTICIPANTS IN THE DEMOCRATIC MOVEMENT IN CHINA.  
BY REFUSING TO TALK WITH THE DEMOCRATIC POWERS,  
BY USING FORCE OF ARMS AND BY SENTENCING PEOPLE TO DEATH,  
THE CHINESE AUTHORITIES MAKE A HISTORICAL MISTAKE  
WHICH CAN HAVE TRAGIC CONSEQUENCES FOR THE DEVELOPMENT IN CHINA  
U.S.S.R AND THE WHOLE WORLD THIS IS THE VERY CASE WHERE A NORMAL,  
CAREFUL AND PRAGMATIC ATTITUDE IS OUT OF PLACE.  
THE RESPONSIBILITY IS WITH YOU, WITH EVERY HEAD OF GOVERNMENT  
THESE SENTENCES MUST BE STOPPED.  
WITH RESPECT AND IN HOPE

ANDREI SAKHAROV

TO REPLY BY TELEMESSAGE SEE REVERSE SIDE

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**CONFIDENTIAL**

*R. Thirion* ②

PRESIDENTIAL DIRECTIVE TO POSTPONE  
CONSIDERATION OF IFI LENDING TO CHINA

*Also we've  
American proposals  
announced  
yesterday,*

TALKING POINTS:

-- THE WORLD BANK AND ASIAN DEVELOPMENT BANK (ADB) HAVE POSTPONED CONSIDERATION OF LOANS TO CHINA. WE ARE NOW SEEKING YOUR SUPPORT FOR AN INDEFINITE POSTPONEMENT OF WORLD BANK AND ADB LENDING TO THE PRC. USDOLS 885 MILLION IN LOANS FROM THESE TWO INSTITUTIONS WOULD IMMEDIATELY BE AFFECTED BY THIS DECISION.

*CIA.*

-- THE USG BELIEVES THAT IFI LENDING TO THE PRC SHOULD BE SUSPENDED UNTIL ITS ECONOMIC POLICIES AND PROSPECTS HAVE CLARIFIED, THE ASSUMPTIONS UNDERLYING IFI INVESTMENT DECISIONS ARE DETERMINED TO BE REASONABLE, AND ITS CREDITWORTHINESS FOR IFI LOANS IS ASSURED.

*no*

-- THE PRESENT LEVEL OF DOMESTIC TURMOIL THREATENS THE SUCCESSFUL IMPLEMENTATION OF IFI PROJECTS AND RAISES FUNDAMENTAL QUESTIONS ABOUT CHINA'S CREDITWORTHINESS. UNCERTAINTIES ARE GROWING REGARDING THE IMPACT OF RECENT EVENTS ON CHINESE INVESTMENT AND TRADE FLOWS, TOURISM RECEIPTS, AND ACCESS TO FOREIGN EXCHANGE. MOREOVER, IT IS UNCLEAR WHETHER CHINA REMAINS COMMITTED IN PRACTICE TO ITS ECONOMIC REFORM PROGRAM. THIS UNCERTAINTY ARGUES FOR FURTHER DELAY WHILE THE IFIS REASSESS THEIR INVESTMENT PROGRAMS. WE CANNOT SUPPORT IFI LENDING IN THE CURRENT CIRCUMSTANCES.

-- THIS UNCERTAIN ECONOMIC ENVIRONMENT FOR IFI LENDING IS EXACERBATED BY THE WAVE OF VIOLENCE DIRECTED BY THE CHINESE GOVERNMENT AGAINST THE CHINESE PEOPLE. AS DEMONSTRATED BY THE RECENT EXECUTIONS, THE VIOLENCE CONTINUES.

-- WE URGE YOUR GOVERNMENT TO JOIN US IN CALLING ON THE MANagements OF THE WORLD BANK AND THE ASIAN DEVELOPMENT BANK TO POSTPONE CONSIDERATION OF FURTHER LOANS TO THE PRC INDEFINITELY. TIMING IS CRITICAL AS THE WORLD BANK BOARD MAY CONSIDER THESE ISSUES AS EARLY AS FRIDAY, JUNE 23.

**CONFIDENTIAL**

**CONFIDENTIAL**

STATEMENT BY WHITE HOUSE PRESS SECRETARY

THE PRESIDENT TODAY DIRECTED THAT THE UNITED STATES GOVERNMENT SUSPEND PARTICIPATION IN ALL HIGH-LEVEL EXCHANGES OF GOVERNMENT OFFICIALS WITH THE PEOPLE'S REPUBLIC OF CHINA, IN ADDITION TO THE SUSPENSION OF MILITARY EXCHANGES PREVIOUSLY ANNOUNCED. THIS ACTION IS BEING TAKEN IN RESPONSE TO THE WAVE OF VIOLENCE AND REPRISALS BY THE CHINESE AUTHORITIES AGAINST THOSE WHO HAVE CALLED FOR DEMOCRACY. THE U.S. HAS SUPPORTED THE LEGITIMATE DEMOCRATIC ASPIRATIONS FOR FREEDOM OF PEOPLES THROUGHOUT THE WORLD. THE U.S. WILL CONTINUE TO VOICE ITS CONCERN AND ITS SUPPORT FOR THESE ASPIRATIONS.

THE U.S. HOPES THAT THE CURRENT TRAGEDY IN CHINA WILL BE BROUGHT TO A PEACEFUL END AND THAT DIALOGUE WILL REPLACE THE ATMOSPHERE OF SUSPICION AND REPRISAL. CHINA IS AN IMPORTANT STATE WITH WHICH WE HOPE TO CONTINUE PRODUCTIVE RELATIONS.

IN ADDITION TO THE BAN ON EXCHANGES, THE U.S. WILL SEEK TO POSTPONE CONSIDERATION OF NEW INTERNATIONAL FINANCIAL INSTITUTIONS' LOANS TO CHINA. THE SITUATION IN CHINA IS OF INTERNATIONAL CONCERN AS WITNESSED BY THE VARIETY OF VOICES THAT HAVE SPOKEN UP ON THE ISSUE. WE URGE CONTINUED INTERNATIONAL EXPRESSIONS OF CONCERN.

**CONFIDENTIAL**



10 DOWNING STREET

Dear Minister

Here are the  
Telegrams for

Hay King &

being absent a

possible visit by

Sir Hal Miller

CAD.

220332Z

ADVANCE 35 FOR DIST ADICE: ADVANCED MR MCLAREN: R. C.

LYMDAN 6372 PEHPAN 0032

CONFIDENTIAL

DD 220730Z FCOLN

FM PEKIN TO FCOLN

220242Z JUN

GRS 498

CONFIDENTIAL

FM PEKING

TO DESKBY 220730Z FDD

TELNO 1192

OF 220242Z JUNE 89

INFO DESKBY 220400Z HONG KONG

FOLLOWING PERSONAL FOR PRIVATE SECRETARY.

PERSONAL FOR MCLAREN.

PERSONAL FOR GOVERNOR.

1. MY CONSIDERED VIEW IS THAT IT WOULD BE AN UNWISE POLITICAL RISK TO LET SIR HAL MILLER MAKE AN EARLY VISIT TO PEKING. MY ARGUMENTS ARE AS FOLLOWS.

2. NEITHER LI PENG NOR THE CHINESE LEADERSHIP CAN BE TRUSTED TO PASS UP THE CHANCE OF GETTING MAXIMUM PROPAGANDA ADVANTAGE FROM A VISIT FROM SOMEONE SEEN AS AN INFLUENTIAL CONSERVATIVE MEMBER OF PARLIAMENT WITH CLOSE CONNECTIONS WITH HONG KONG. I THINK THAT NEWS OF THE VISIT IS BOUND TO BREAK SOMEWHERE. EVEN IF THE CHINESE RESIST THE TEMPTATION TO SHOW THE VISIT ON PRIME TIME TELEVISION.

3. WE HAVE ALREADY SEEN NIGHTLY ON THE CHINESE TELEVISION BRITISH BUSINESSMEN (BP, LONDON EXPORT GROUP, BRITISH AIRWAYS INCLUDED) EXPLOITED IN SCENES DESIGNED TO SHOW THAT SENSIBLE BRITISH PEOPLE UNDERSTAND WHAT HAS BEEN GOING ON IN CHINA AND SEE THE NEED FOR BUSINESS AS USUAL.

4. I WOULD EXPECT THAT LI PENG'S MESSAGE WOULD BE THAT CHINA INTENDS TO STAND BY THE JOINT DECLARATION. THAT THE POLICIES OF REFORM AND THE OPEN DOOR WILL CONTINUE. THAT THE SUPPRESSION OF THE RIOTING IN PEKING WAS CHINA'S INTERNAL AFFAIR AND THAT IF THE BRITISH CAN HELP CALM PUBLIC OPINION IN HONG KONG THIS WILL BE TO THE MUTUAL ADVANTAGE OF BOTH SIDES. HOWEVER, IF THE CHINESE DO GIVE PUBLICITY TO THE MEETING, OPENLY THROUGH THEIR MEDIA OR EVEN PRIVATELY IN HONG KONG, I WOULD HAVE EXPECTED AN ADVERSE REACTION IN HONG KONG AS WELL AS THE UK. I APOLOGISE FOR TRESPASSING ON THE GOVERNOR'S TERRITORY AND STAND READY TO BE CORRECTED IF I HAVE GOT THIS WRONG. OUR FRIENDS INSIDE CHINA WHO WANT TO HAVE A BETTER LIFE MIGHT FEEL BETRAYED BY A TOO EASY BRITISH ENDORSEMENT OF LI PENG'S LINE.

5. I DO NOT THINK IT IS POSSIBLE TO MAKE ANY DISTINCTION BETWEEN SAYING THAT THIS WAS A PRIVATE DECISION ON THE PART OF A MEMBER OF PARLIAMENT AND NOT ANY KIND OF SEMI-OFFICIAL CONTACT WITH H. M. G. THE CHINESE ARE EXPERTS AT (FOLLOWING TWO WORDS UNDERLINED) SUGGESTIO FALSI. THEY WOULD FIND IT SUFFICIENT TO SAY THAT AN INFLUENTIAL BRITISH POLITICIAN HAD MET THE PREMIER AND NOW HAD A CLEARER UNDERSTANDING OF WHAT HAPPENED IN EARLY JUNE IN PEKING.

6. THE SITUATION IN EARLY 1983 WAS QUITE DIFFERENT FROM NOW AND I DOUBT IF USEFUL COMPARISONS CAN BE DRAWN.

7. I DO NOT SEE WHAT ADVANTAGE IT IS TO THE UK TO HAVE SUCH A "PRIVATE VISIT". AT THIS TIME THE CHINESE ARE LOOKING FOR CRUMES OF COMFORT AND UNDERSTANDING FOR WHAT WAS THE MOST MONSTROUS CRIME AGAINST THE CITIZENRY OF PEKING. IT WOULD SEEM TO ME FAR BETTER FOR SIR HAL MILLER TO GO BACK TO HIS CONTACTS IN CHINA AND HONG KONG AND TO SAY TO THEM THAT IF PREMIER LI PENG HAS A MESSAGE HE SHOULD SEND IT PRIVATELY. IN THE LIGHT OF THAT, ONE COULD DECIDE WHETHER A VISIT WOULD BE TO THE ADVANTAGE OF H M G.

8. I AM SENDING SEPARATELY A SECRET TELEGRAM TO MCLAREN (WITH WHOM PLEASE MAKE CONTACT) ON ANOTHER MATTER WHICH WILL HAVE A BEARING ON THIS INVITATION.

DONALD

YYYY

PEHPAN 0032

PLEASE CALL 2926 FOR DIST ADVICE

220620Z

REFERREDS FOR DIST ADVICE - COPIED MR McLAREN

LNMDAN 6425 HMLNAN 5106

CONFIDENTIAL

DD 220700Z FCOLN

FM HOKON TO FCOLN

220530Z JUN

GRD 168

CONFIDENTIAL

FM HONG KONG

TO DESKBY 220700Z FCO

TELNO 2030

OF 220530Z JUNE 89

INFO DESKBY 220700Z PEKING

PERSONAL FOR PRIVATE SECRETARY AND McLAREN. AUSS FROM GOVERNOR

PEKING PERSONAL FOR AMBASSADOR

YRTELNO 627 TO PEKING: VISIT TO CHINA BY HAL MILLER

1. I CANNOT SEE HOW PUBLICITY FOR SUCH A VISIT COULD BE AVOIDED. THE CHINESE WOULD SURELY SEEK TO MAKE MAXIMUM USE OF IT. THE POLITICAL IMPACT NEEDS TO BE ASSESSED AGAINST THAT ASSUMPTION.

2. IN HONG KONG TERMS I DO NOT BELIEVE WE HAVE ANYTHING TO GAIN FROM SUCH A VISIT. ON THE NEGATIVE SIDE THERE WOULD PROBABLY BE SOME CRITICISM HERE OF CONTACT WITH THE LEADERSHIP. AND LI PENG IN PARTICULAR. SOON AFTER THE MASSACRE. SOME HERE WOULD SEIZE ON THE FACT THAT MILLER IS SEEN AS HAVING STRONG CONNECTIONS (LARGELY THROUGH HIS EARLIER SERVICE WITH HKG) WITH HONG KONG. BUT I SEE THE ISSUE AS BEING ESSENTIALLY ONE OF U K/CHINA RELATIONS AND TO BE ASSESSED IN TERMS OF REACTIONS IN THE U K. ALTHOUGH IT IS NOT MY BUSINESS. I WOULD EXPECT THESE TO BE STRONGLY ADVERSE.

WILSON

YYYY

HMLNAN 5106



SECRET  
FM PEKING  
TO DESKBY 220730Z FCO  
TELNO 1193  
OF 220229Z JUNE 89  
INFO DESKBY 220400Z HONG KONG

PERSONAL FOR MCLAREN.  
PERSONAL FOR GOVERNOR.

1. YOU WILL HAVE SEEN FCO TELNO 627 FROM THE PRIVATE SECRETARY TO ME ABOUT THE POSSIBILITY OF SIR HAL MILLER VISITING CHINA IN THE NEAR FUTURE TO BE RECEIVED BY LI PENG.

2. I AM STRONGLY ADVISING AGAINST THIS MOVE.) BUT YOU SHOULD KNOW THAT I HAVE BEEN CONTACTED PRIVATELY BY YING RUO CHENG (STEPHEN YING) WHO WISHES TO HAVE A PRIVATE MEETING WITH ME AND JANET ON THE NIGHT OF FRIDAY 23 JUNE. THIS IS THE FIRST CONTACT HE HAS MADE SINCE I SAW HIM AT MY HOUSE IN KENT IN EARLY APRIL.

*Via Minister of Culture*

3. CLEARLY WHAT HE HAS TO SAY WILL HELP TO FORM A PROPER JUDGEMENT ON THE INVITATION TO SIR HAL MILLER. GRATEFUL IF YOU WOULD MAKE CONTACT WITH THE PRIVATE SECRETARY AND FEED IN THIS EXTRA BIT OF INFORMATION. BUT I WOULD HAVE TO BE GIVEN INFORMATION INDICATING SOME IMPORTANT CHANGE IN DIRECTION ON THE PART OF THE CHINESE LEADERSHIP TO AFFECT MY JUDGEMENT THAT IT WOULD BE A FOOLISH MISTAKE TO LET SIR HAL MILLER COME TO CHINA SO SOON AFTER THE EVENTS OF 4 JUNE.

DONALD

YYYY

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PS/PUS  
MR GILLMORE  
MR MCLAREN

ADDITIONAL 1

MR HOLT, PRU

PAGE 1  
SECRET

NNNN

C D Powell Esq



*With the compliments of*

**THE PRIVATE SECRETARY**

*Charles*

*Subject to the Foreign Secretary's  
agreement (he will see it  
tonight) I propose to send you  
this tomorrow. In view of the  
short time you may wish*

**FOREIGN AND COMMONWEALTH OFFICE**

*to have it now.*

**SW1A 2AH**

*Bobson*  
22-6-89

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1 +

FROM:

Reference

PS

TS4AAU

DEPARTMENT:

TEL. NO:

Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

Top Secret

Secret

Confidential

Restricted

Unclassified

TO:

Copies to:

PS/No. 10

PRIVACY MARKING

..... In Confidence

SUBJECT:

MEMORIAL MEETING FOR CHINESE STUDENTS

CAVEAT .....

1. Thank you for your letter of 14 June asking for advice on the invitation the Prime Minister received from Mr Weng Weiye to address the memorial meeting for the Chinese students who died in Peking during the recent suppression of the demonstrations there. The meeting is to be held on Friday 23 June.

2. The meeting coincides precisely with <sup>the Australian</sup> ~~Prime~~ <sup>High Commissioner's</sup> ~~return~~ reception, ruling out the possibility of the Prime Minister herself attending. We do, however, think that it would be desirable for HMG to be represented at the meeting. Its principal organisers are the Association of Chinese Students and Scholars, and Hong Kong Link. As you will recall from my letter of 13 June about Chinese students in the UK, the Association is the largest and most representative of the Chinese student organisations here. Hong Kong Link is an organisation representing Hong Kong students and young

Enclosures flag(s) .....

professionals. The other organisers are the National Union of Students and the June the Fourth China Support Group, an ad hoc group offering support to Chinese students here.

3. The meeting seems likely to be the largest manifestation of its kind in the UK, and to attract broad support among student and other bodies here. There is a slight risk that some groups will seek to make use of the meeting for other political ends, but the spread of groups involved does not suggest this. And some form of British Government representation would underline to public opinion, both here and in Hong Kong, our attitude to recent events in China. Conversely, a refusal by HMG to be represented could be presented as demonstrating a lack of concern or interest. These considerations are thrown into sharper focus by the recent wave of executions in China.

4. The Foreign Secretary and Lord Glenarthur are also being invited to the memorial meeting. The Foreign Secretary has another engagement and Lord Glenarthur is also of course involved in <sup>the Australian</sup> ~~Prime Minister~~ Hawke's reception. We ~~are~~ <sup>has agreed</sup> however ~~seeing if it would be possible~~ for Lord Glenarthur to attend ~~at least~~ the opening of the memorial meeting <sup>and</sup> remain for a short time.

● /  
SECURITY CLASSIFICATION

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Secret

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Unclassified

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PRIVACY MARKING

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.....

In Confidence

5. I enclose a draft reply to the invitation to the Prime Minister, cast in such a form that it could be taken as a statement of support for the aims of the memorial meeting.

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:

Reference

No. 10

TS4AAV

DEPARTMENT:

TEL. NO:

Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:

Copies to:

Mr Weng Weiye

The Association of Chinese Students  
and of Hong Kong Link

*CP*

SUBJECT:

PRIVACY MARKING

..... In Confidence

Joint Committee for Memorial  
Meeting, c/o Society for Anglo-  
Chinese Understanding,  
152, Camden High Street  
London NW1 ONE

CAVEAT .....

*Re Die Minute has asked me to*

Thank you for your invitation to address the memorial service you are organising in honour of the students killed in Tiananmen Square.

*Re PM*

I regret that it will not be possible for me to attend. But I can assure you that, like the British people as a whole, *we* have been deeply moved by the recent tragic events in China. We have all been appalled by the brutal suppression of peaceful demonstrations and by the persecution of those demanding their democratic rights. Your memorial meeting will be a fitting way of marking the bloodshed that has taken place.

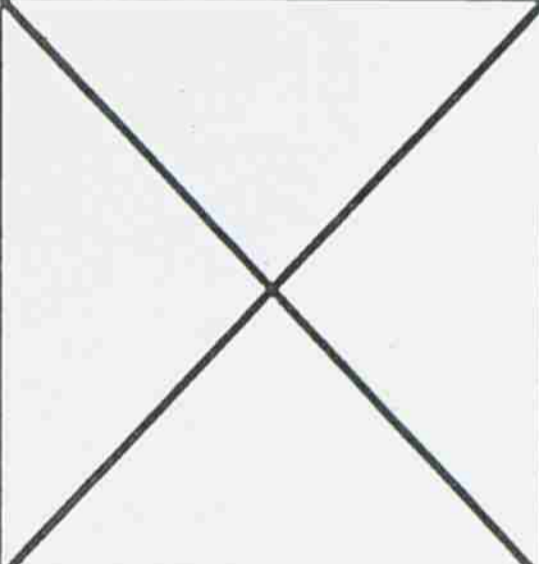
Enclosures flag(s) .....

*en*

/I

I pray that the Chinese authorities will return to a policy of dialogue with those who aspire to greater freedom.

**A** The National Archives

DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>2597</i> ..... (one piece/item number)	Date and sign
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Foreign and Commonwealth Office

London SW1A 2AH

22 June 1989

22216

*Dear Charles*

Chinese Students

*flap*

*Annals  
Cd. you please  
fit with in new  
week. My need  
= top enc. 30 minutes  
com*

Thank you for your letters of ~~8~~ and 21 June concerning Chinese students.

X |

Taking the letter of 21 June first, I can confirm that the Chinese Students and Scholars Association is the group the Prime Minister should see.

With your letter of 8 June you sent a letter to the Prime Minister from members of the Chinese Student Union. The British Council are not aware of this group, but this is not surprising as we understand that several such organisations have recently been formed. We do not think the Prime Minister should see them. I enclose a draft reply for your signature.

*Yours ever*

*R N Peirce*

(R N Peirce)  
Private Secretary

C D Powell Esq  
10 Downing Street

RESTRICTED  
FM WASHINGTON  
TO IMMEDIATE FCO  
TELNO 1717  
OF 212351Z JUNE 89  
INFO IMMEDIATE PEKING, HONG KONG  
INFO PRIORITY TOKYO, MOSCOW

OUR TELNO 1654 : US/CHINA

## SUMMARY

1. PRESIDENT BUSH ANNOUNCES SUSPENSION OF ALL HIGH LEVEL OFFICIAL EXCHANGES, AND CALLS FOR POSTPONEMENT OF NEW WORLD BANK LOANS TO CHINA. BAKER DEPLORES CHINESE FAILURE TO HEED FORMAL US APPEAL FOR CLEMENCY OF THOSE SENTENCED TO DEATH, BUT INDICATES THAT ADMINISTRATION ARE NOT CONSIDERING ADDITIONAL ACTION AT THIS TIME.

## DETAIL

2. THE WHITE HOUSE ANNOUNCED LATE ON 20 JUNE THAT THE PRESIDENT HAD DIRECTED THAT THE US GOVERNMENT QUOTE SUSPEND PARTICIPATION IN ALL HIGH LEVEL EXCHANGES OF GOVERNMENT OFFICIALS UNQUOTE WITH CHINA IN ADDITION TO THE SUSPENSION OF MILITARY EXCHANGES PREVIOUSLY ANNOUNCED. THE STATEMENT ADDED THAT IN ADDITION THE US WOULD QUOTE SEEK TO POSTPONE CONSIDERATION OF NEW INTERNATIONAL FINANCIAL INSTITUTION LOANS TO CHINA UNQUOTE AND MADE CLEAR THAT THESE STEPS WERE TAKEN IN RESPONSE QUOTE TO THE WAVE OF VIOLENCE AND REPRISALS BY THE CHINESE AUTHORITIES AGAINST THOSE WHO HAVE CALLED FOR DEMOCRACY UNQUOTE.
3. THIS WHITE HOUSE STATEMENT FOLLOWED A STATEMENT BY BAKER IN THE COURSE OF A HEARING IN FRONT OF THE SENATE FOREIGN RELATIONS COMMITTEE EARLIER IN THE DAY THAT HE HAD RECOMMENDED TO THE PRESIDENT THE SUSPENSION OF ALL CONTACTS AT ASSISTANT SECRETARY LEVEL OR ABOVE WITH THE CHINESE AND POSTPONEMENT OF CONSIDERATION OF LOAN APPLICATIONS QUOTE AT LEAST FOR THE TIME BEING WHILE WE CONTINUE TO REVIEW, AS THE PRESIDENT HAS SAID WE WOULD DO, THE FURTHER ASPECTS OF OUR POLICY IN THE LIGHT OF UNFOLDING EVENTS UNQUOTE. BAKER ADDED THAT A FIRST CONSEQUENCE OF SUSPENDING CONTACTS WOULD BE THE POSTPONEMENT OF COMMERCE SECRETARY MOSBACHER'S JULY VISIT TO PEKING.
4. BAKER'S UNUSUAL STEP OF DISCLOSING HIS RECOMMENDATION TO THE PRESIDENT AND THE WHITE HOUSE'S PROMPT ANNOUNCEMENT THAT HIS RECOMMENDATION HAD BEEN ACCEPTED OVERSHADOWED A STATEMENT BY PRESIDENT BUSH EARLIER IN THE DAY CALLING IN SOLEMN TERMS FOR CLEMENCY FOR THOSE SENTENCED TO DEATH IN SHANGHAI. THE WHITE

HOUSE MADE CLEAR THAT THE CHINESE AMBASSADOR HERE HAD BEEN SUMMONED ON 19 JUNE TO HEAR THE URGENT US APPEAL FOR CLEMENCY AND ADDED QUOTE THE UNITED STATES RAISED THIS SUBJECT IN THE SPIRIT OF A COUNTRY THAT HAS WORKED WITH CHINA OVER THE PAST TWO DECADES TO IMPROVE RELATIONS. BUT WE BELIEVE THAT HUMAN RIGHTS ARE UNIVERSAL AND OUR DUTY TO COMMENT ON THEM IS GREAT UNQUOTE.

5. IN A FIRST ADMINISTRATION COMMENT ON THE NEWS THAT THE EXECUTIONS HAD NEVERTHELESS TAKEN PLACE, BAKER SAID IN THE COURSE OF A JOINT PRESS CONFERENCE HERE WITH GENSCHER ON 21 JUNE THAT THE US DEEPLY REGRETTED THE FACT OF THE EXECUTIONS, NOTWITHSTANDING APPEALS FOR CLEMENCY FROM THE US, FRG AND OTHER COUNTRIES. HE ADDED QUOTE THE US ARE NOT CONTEMPLATING ANY ADDITIONAL ACTION AT THIS TIME .... THERE IS AN IMPORTANT RELATIONSHIP HERE, WHICH ONE SHOULD SEEK TO PRESERVE IF WE POSSIBLY CAN UNQUOTE.

COMMENT

6. CONTACTS IN THE CHINA TASK FORCE IN STATE DID NOT KNOW IN ADVANCE THAT BAKER WOULD REVEAL ON THE HILL THAT HE HAD RECOMMENDED FURTHER MEASURES TO THE PRESIDENT. THEY BELIEVE THAT HE TOOK A VERY LATE DECISION TO DO SO IN AN EFFORT TO PREEMPT FURTHER CONGRESSIONAL CRITICISM OF THE LIMITED NATURE OF THE ADMINISTRATION'S INITIAL RESPONSE. IN FACT THE ADDITIONAL MEASURES ANNOUNCED ON 20 JUNE ARE ALSO MODEST : THE SUSPENSION OF HIGH LEVEL EXCHANGES DOES NO MORE THAN BRING THE US INTO LINE WITH OUR POSITION ANNOUNCED ON 6 JUNE, AND IN PRACTICE THE US HAVE BEEN CALLING FOR SOME TIME FOR THE POSTPONEMENT OF WORLD BANK LOANS. THE EXECUTIONS IN SHANGHAI SEEM CERTAIN TO FUEL CONGRESSIONAL PRESSURE FOR THE ADMINISTRATION TO GO FURTHER. CHINESE ELIGIBILITY FOR MFN STATUS IS LIKELY TO BE ONE TARGET.

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PS/NO.10

NNNN

P21-6

## Chinese Students and Scholars Association

21st June 1989

TO:

The Right Honourable Mrs. Margaret Thatcher,  
Prime Minister of the United Kingdom  
of Great Britain and Northern Ireland,  
10, Downing Street,  
London

Dear Mrs. Thatcher,

The Chinese Students and Scholars Association is the representative body for the Mainland Chinese students and scholars studying in this country. We would very much welcome the opportunity to discuss with you the current problems facing Chinese students and scholars in this country as well as the situation in China.

We understand that you might be willing to meet with a delegation of our members within the next few days. We would most appreciate this opportunity for a delegation of perhaps five of our members to come and see you.

Should you be able to meet with us, arrangements can be made via

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G. Gray  
15/10/2016

Chinese Students and Scholars Association

## Chinese Students and Scholars Association

As representatives of the Mainland Chinese students and scholars in the United Kingdom we would call upon the British Government to take the following action:

1. To use the influence of the British Government to urge the Chinese Government not to engage in any purge of intellectuals, students or workers who participated in pro-democracy activities; and to secure the release of those detained for their participation in pro-democracy activities;
2. To express the dismay of the British Government and people at the recent actions taken by the Chinese Government with regard to the pro-democracy movement;
3. To use the best efforts of the British Government to procure the members of the British Commonwealth, the Member States of the European Communities as well as the Commission and Parliamentary Assembly of the European Communities, and the United Nations General Assembly to pass resolutions expressing their dismay at the recent actions taken by the Chinese Government with regard to the pro-democracy movement;
4. Chinese students have been very heartened by the statement on the extension of visas made by Mr. Timothy Renton last Friday. It would greatly help to reassure students and scholars in this country, in view of the current purge of intellectuals in China, if the following points could be considered:
  - (a) that the exact terms of the visa extensions be clarified;
  - (b) that a statement be made reassuring Chinese citizens that, at the expiration of any extensions granted, further extensions will be granted to any individuals who consider that they face a danger of imprisonment or persecution in China;

(c) that consideration be given to providing travel documents for Chinese citizens whose passports expire or are revoked.

5. To provide financial support for those Chinese students who are facing financial difficulty in this country, especially those who are unable to extend their sponsorship because of their involvement in pro-democracy activities;

6. To appoint a government official as liaison between the British Government and the Chinese students in this country to facilitate communication between the students and the British Government and to help in solving difficulties faced by the Chinese students.



*me h*

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

21 June 1989

I enclose a further letter from the Chinese Students and Scholars Association. Could you quickly confirm that these are the group whom the Prime Minister should see, in which case we shall go ahead and try to arrange an appointment.

C. D. POWELL

R.N. Peirce, Esq.,  
Foreign and Commonwealth Office.





File  
below

10 DOWNING STREET

LONDON SW1A 2AA

15 June 1989

From the Private Secretary

See Bob,

CHINESE STUDENTS

Thank you for your letter of 13 June about Chinese Students in the UK. I have now discussed this with the Prime Minister. She agrees that the 'Chinese Students and Scholars Association' is the most appropriate body for her to meet. But she would not want to put them to any embarrassment by formally suggesting a meeting. The best course would be to convey a discreet message that if they were to seek a meeting it could be arranged. May I please leave it to the Department to do this.

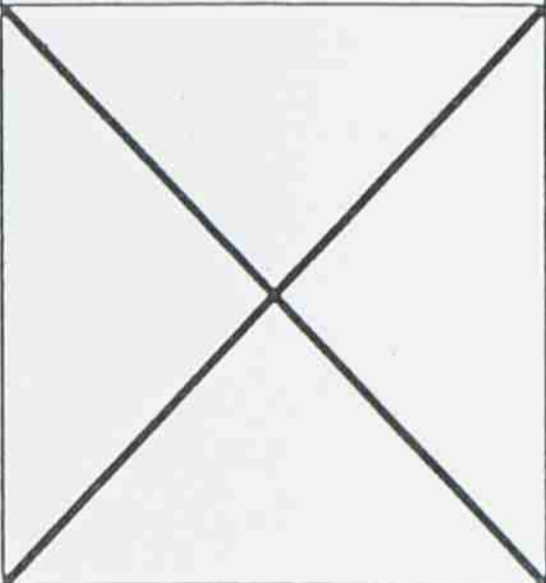
Yours sincerely,

CHARLES POWELL

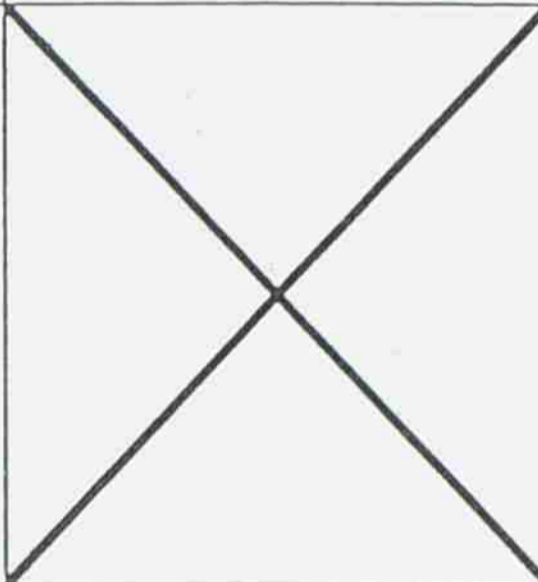
R. N. Peirce, Esq.,  
Foreign and Commonwealth Office

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DEPARTMENT/SERIES ..... <i>PM 19</i> ..... PIECE/ITEM ..... <i>2597</i> ..... (one piece/item number)	Date and sign
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INFO PRIORITY CANBERRA, TOKYO, MOSCOW

OUR TELNO 1545: US/CHINA  
SUMMARY

1. PRESIDENT BUSH'S RESPONSE TO EVENTS IN CHINA HAS BEEN WIDELY SUPPORTED ON THE HILL AND IN THE MEDIA, AND HAS SUCCESSFULLY PRE-EMPTED (FOR NOW) PRESSURE TO GO FURTHER. WIDESPREAD RECOGNITION THAT IT IS IN US NATIONAL INTERESTS TO KEEP LINES OPEN TO CHINA BUT IN THE FACE OF CONTINUING REPRESSION OPINION HERE WILL REMAIN VOLATILE, AND A CRISIS COULD BLOW UP SUDDENLY, EG OVER FANG LIZHI. ADMINISTRATION'S APPROACH IS TO BATTEN DOWN, AVOIDING DECISIONS ON SPECIFIC ISSUES IN THE SHORT TERM, AND WORKING FOR MULTILATERAL AGREEMENT ON FUTURE POLICY WHEREVER POSSIBLE.

DETAIL

2. WE HAVE REPORTED THE MEASURES ANNOUNCED BY PRESIDENT BUSH ON 3 JUNE (OUR TELNO 1545) AND HIS COMMENTS AT HIS PRESS CONFERENCE ON 8 JUNE (OUR TELNO 1602). AS THE INITIAL SHOCK AT THE BRUTAL EVENTS IN PEKING ON 3/4 JUNE BEGINS TO WEAR OFF, THE ADMINISTRATION, CONGRESS AND COMMENTATORS ARE DIGESTING THE IMPLICATIONS FOR THE US/CHINA RELATIONSHIP AND FOR AMERICA'S WIDER INTERESTS IN ASIA. THE FOLLOWING SUMMARISES THE MAIN STRANDS IN THE CURRENT DEBATE, AND SUGGESTS HOW US POLICY MAY DEVELOP.

3. THE PACKAGE OF MEASURES ANNOUNCED BY THE PRESIDENT ON 3 JUNE HAS ATTRACTED WIDESPREAD BIPARTISAN SUPPORT. THIS GOES BEYOND THE NATURAL TENDENCY TO UNITE BEHIND THE PRESIDENT AT A TIME OF INTERNATIONAL UNCERTAINTY, AND REFLECTS A GENUINE BELIEF THAT THE PRESIDENT STRUCK THE RIGHT BALANCE BETWEEN, ON THE ONE HAND EXPRESSING OUTRAGE, PUTTING AMERICA ON THE SIDE OF THE STUDENTS, AND SENDING A CLEAR SIGNAL IN PARTICULAR TO THE CHINESE MILITARY, AND ON THE OTHER HAND PRESERVING AS MUCH AS POSSIBLE OF THE BROADER RELATIONSHIP. KISSINGER IN A MAJOR OP-ED ARTICLE ON 11 JUNE (COPY BY BAG TO FED) COMMENTED QUOTE PRESIDENT BUSH SEEMS TO ME TO HAVE WALKED THIS TIGHTROPE WITH EXTRAORDINARY SKILL AND DELICACY UNQUOTE.

4. CONGRESS BROADLY AGREES. THE RESOLUTIONS ADOPTED BY BOTH HOUSES WITHOUT A SINGLE DISSENTING VOTE SUPPORTED THE PRESIDENT'S ACTIONS (ALTHOUGH THE SENATE RESOLUTION ALSO SUGGESTED THAT THE PRESIDENT AND MAJOR ALLIES OF THE US SHOULD DECIDE WHETHER COLLECTIVE MULTILATERAL SANCTIONS WERE WARRANTED AGAINST CHINA). ACCORDING TO ADMINISTRATION CONTACTS, SENIOR CONGRESSMEN AS DIVERSE AS SENATOR HELMS AND REP SOLARZ HAVE BEEN PRIVATELY EXPRESSING SUPPORT FOR THE PRESIDENT'S APPROACH, AND SENATOR CRANSTON HAS SAID PUBLICLY THAT HE DESERVES AN A+. CONTACTS ON THE HILL CONFIRM THE IMPRESSION THAT THERE IS NO GREAT HEAD OF STEAM AT PRESENT TO GO FURTHER.

5. THE QUESTION ARISES WHY THERE HAS BEEN SUCH A READY ACCEPTANCE HERE OF A MEASURED RESPONSE. THE FOLLOWING FACTORS SEEM TO BE THE MOST IMPORTANT:

- (I) A RECOGNITION THAT THE US HAS IMPORTANT POLITICAL/ STRATEGIC INTERESTS AT STAKE IN MAINTAINING A RELATIONSHIP WITH CHINA, (BOTH AS COUNTERWEIGHT TO SINO/SOVIET RELATIONS - THE MILD SOVIET COMMENTS ON THE 3/4 JUNE EVENTS HAVE BEEN MUCH NOTED HERE - AND AS PART OF THE US ROLE OF GUARANTOR OF STABILITY IN ASIA). THIS HAS BEEN A MAJOR THEME OF THE PRESIDENT'S REMARKS, AND THOSE OF KISSINGER AMONG OTHERS:
- (II) AN ASSUMPTION THAT THE EMERGENCE OF A HARDLINE REGIME IN PEKING, HOWEVER REPUGNANT, IS LIKELY TO BE A TEMPORARY PHENOMENON AND THAT ECONOMIC AND TECHNOLOGICAL TRENDS ARE IN THE STUDENTS' FAVOUR. AS THE WASHINGTON POST PUT IT ON 13 JUNE QUOTE IN THEIR LIFE-TIME THE YOUNG CHINESE PROTESTORS OF TIANANMEN SQUARE WILL SEE THEIR IDEAS PREVAIL UNQUOTE. HUNGARY AND POLAND HAVE BEEN MUCH QUOTED AS EXAMPLES OF SOCIETIES THAT HAVE BEEN THROUGH PERIODS OF MAJOR REPRESSION LEADING TO SOME POLITICAL LIBERALISATION (ALTHOUGH THIS IS A POINT THAT CUTS BOTH WAYS, AND ONE EFFECT OF RECENT EVENTS IN CHINA HAS BEEN TO DRAW NEW ATTENTION TO THE REVERSIBILITY OF DEVELOPMENTS IN THE SOVIET BLOC):
- (III) AN ACCEPTANCE THAT THE US RESPONSE SHOULD NOT HURT THE CHINESE PEOPLE BY CUTTING OFF ECONOMIC COOPERATION (AND A REALISATION THAT, AS BAKER HAS MADE CLEAR, THE ECONOMIC TIES BETWEEN CHINA AND THE WEST HELPED TO PRODUCE THE MOVE TOWARDS OPENNESS IN CHINA):
- (IV) A WIDESPREAD PERCEPTION THAT THE PRESIDENT'S RECENT

HANDLING OF FOREIGN POLICY ISSUES, PARTICULARLY THE NATO SUMMIT, HAS BEEN SUCCESSFUL, COUPLED WITH RESPECT FOR THE WAY IN WHICH HE MOVED DECISIVELY TO TAKE A GRIP ON (AND SHOW HIS EXPERTISE IN) CHINA POLICY.

6. OF COURSE THERE ARE DISSENTING NOTES. LONGSTANDING CRITICS OF CHINA HAVE TAKEN THE OPPORTUNITY TO RUB IN THE POINT THAT AMERICA HAS FOR YEARS OPERATED A DOUBLE STANDARD, TURNING A BLIND EYE FOR EXAMPLE TOWARDS HUMAN RIGHTS ABUSES IN TIBET WHILE VIGOROUSLY CRITICISING SOVIET HUMAN RIGHTS FAILINGS. THERE HAVE BEEN SOME CALLS FOR SWEEPING ECONOMIC SANCTIONS. BUT THE MAINSTREAM VIEW ON THE HILL AND IN THE MEDIA IS THAT THE PRESIDENT HAS SO FAR GOT IT ABOUT RIGHT.
7. THAT CONSENSUS IS, HOWEVER, FRAGILE. IT COULD QUICKLY COME APART IF THE CURRENT CRACKDOWN INTENSIFIED. MOREOVER, THERE WILL BE A SERIES OF OPPORTUNITIES OVER THE SUMMER FOR CONGRESSIONAL COMMITTEES TO MAKE THEIR POINT ON CHINA BY SLASHING OR ELIMINATING PROGRAMMES. SO DAMAGE LIMITATION ON THE HILL WILL REMAIN A MAJOR PREOCCUPATION FOR THE ADMINISTRATION.
8. ADMINISTRATION CONTACTS TELL US THAT ONE OF THEIR AIMS WILL BE TO PRESERVE THE INSTITUTIONAL FRAMEWORK OF THE US/CHINA RELATIONSHIP BUILT UP OVER THE LAST DECADE, IN THE TRADE, ECONOMIC, SCIENTIFIC, EDUCATIONAL ETC FIELDS, EVEN IF MUCH OF THE ACTIVITY WITHIN THESE FIELDS MAY GO INTO COLD STORAGE FOR THE FORESEEABLE FUTURE. THEY HOPE THAT BY PROTECTING THE UNDERLYING FRAMEWORK IT WILL BE POSSIBLE TO REACTIVATE RELATIONSHIPS AT SOME STAGE.
9. THERE ARE ALSO A NUMBER OF CURRENT ROWS WITH THE CHINESE WHICH THE ADMINISTRATION ARE SEEKING TO MANAGE. THE MOST SERIOUS ARE OVER FANG LIZHI, THE JAMMING OF VOA. AND NOW THE EXPULSION OF JOURNALISTS (ON WHICH THE US ARE TODAY LODGING PROTESTS IN WASHINGTON AND PEKING) ON FANG, THERE HAVE BEEN SEVERAL ROUNDS OF DISCUSSION IN RECENT DAYS BETWEEN BAKER AND THE CHINESE AMBASSADOR HERE, APPARENTLY IN AN EFFORT TO FIND A FACE-SAVING SOLUTION WHICH WOULD ENABLE HIM AND HIS WIFE TO LEAVE FOR A THIRD COUNTRY. THE AMERICANS ARE VERY CONSCIOUS THAT THE LONGER FANG REMAINS IN THE US EMBASSY IN PEKING, THE GREATER THE RISK OF AN OFFICIALLY-INSPIRED QUOTE SIEGE UNQUOTE. OUR CONTACTS SAY THAT THE CHINESE HAVE MADE SOME ATTEMPT TO KEEP THESE DISPUTES SEPARATE FROM THE BROADER RELATIONSHIP AND HAVE BEEN FAIRLY RESTRAINED IN THEIR RHETORIC ON OTHER ISSUES. SOME SEE THIS AS EVIDENCE OF DENG

TRYING TO PRESERVE WHAT HE CAN OF THE ECONOMIC SIDE OF THE RELATIONSHIP.

10. AS REGARDS MULTILATERAL PROGRAMMES AFFECTING CHINA, WE HAVE REPORTED SEPARATELY ON COCOM ISSUES AND ON WORLD BANK LOANS. IN EACH CASE, THE ADMINISTRATION WOULD PREFER TO AVOID HAVING TO TAKE DECISIONS IN PRESENT CIRCUMSTANCES. IF PRESSED TO A DECISION IN THE SHORT TERM, THEY WOULD BE OBLIGED TO TAKE A NEGATIVE VIEW. (IN THE CASE OF COCOM, THIS WOULD MEAN PUTTING THE LIBERALISATION PROCESS ON HOLD.) POSTPONING DECISIONS CAN ONLY BE A SHORT TERM ANSWER, AND THE NSC AND STATE TELL US THAT THE ADMINISTRATION WILL WANT TO USE ANY TIME THEY CAN BUY THROUGH POSTPONEMENT TO DISCUSS WITH ALLIES MULTILATERAL APPROACHES TO THESE PROBLEMS AS FAR AS POSSIBLE. (CHINA WILL THEREFORE BE AN IMPORTANT ITEM ON THE US AGENDA FOR THE VISIT BY WENDT TO COCOM CAPITALS.) THEY BELIEVE THAT A CONCERTED WESTERN APPROACH ON THESE ISSUES WILL BE MORE LIKELY TO BE EFFECTIVE WITH THE CHINESE - AND WOULD ALSO HELP THEM WITH CONGRESS.

11. THE ADMINISTRATION HAVE DRAWN UP CONTINGENCY LISTS OF FURTHER MEASURES THAT COULD BE TAKEN IF NECESSARY. WE ARE TOLD THAT THE MENU INCLUDES:

SOME (UNDEFINED) TIGHTENING OF EXPORT CONTROLS ON HIGH-TECHNOLOGY ITEMS:

WITHDRAWAL OF MFN:

SUSPENDING CHINA'S ELIGIBILITY FOR OPIC (POLITICAL RISK INSURANCE) COVER AND EXPORT-IMPORT BANK LOANS (TO FINANCE US EXPORTS).

MOST OF THE AVAILABLE OPTIONS WOULD MEAN EDGING INTO THE ECONOMIC AREA, WHICH BUSH HAS MADE CLEAR HE WANTS TO AVOID IF HE CAN. AND THE ADMINISTRATION WOULD MUCH PREFER TO TACKLE ISSUES AS THEY ARISE RATHER THAN ANNOUNCING A FURTHER PACKAGE OF PUNITIVE MEASURES. SO ALL THIS REMAINS VERY MUCH CONTINGENCY PLANNING.

12. A NUMBER OF OUR CONTACTS HAVE DRAWN ATTENTION TO THE ECONOMIC SUMMIT AS AN OPPORTUNITY TO CONSIDER BROAD WESTERN POLICY TOWARDS CHINA AS WELL AS TO MAKE A COLLECTIVE STATEMENT. THEY WILL ALSO WANT TO DISCUSS WITH US BEFORE THE SUMMIT THE IMPLICATIONS OF THE TURMOIL IN CHINA FOR THE CAMBODIA ISSUE (GIVEN THAT THIS WILL ALSO BE A SUMMIT TOPIC). OUR CONTACTS HERE BELIEVE THAT IT WILL NOW BE VERY DIFFICULT TO GET THE CHINESE TO TAKE THE AWKWARD DECISIONS NEEDED TO RESTRAIN THE KR IN THE PERIOD AFTER VIETNAMESE WITHDRAWAL.

13. IN SUM, THE US BUREAUCRACY IS ONLY JUST BEGINNING TO EMERGE FROM A PERIOD OF RESPONDING TO EVENTS, AND DEALING

WITH THE HUMANITARIAN QUESTIONS OF EVACUATION. THE PRESIDENT HAS SHOWN LEADERSHIP, AND HAS SO FAR HAD HIS WAY. BUT FED BY DAILY MEDIA REPORTS OF CRACKDOWN AND REPRESSION, CONGRESSIONAL AND PUBLIC OPINION COULD SWING SUDDENLY AND VIOLENTLY. PARTLY FOR THAT REASON, THE ADMINISTRATION WILL FIND IT USEFUL TO BE ABLE TO SAY THAT CONSULTATIONS WITH ALLIES ARE UNDER WAY ON A RANGE OF SPECIFIC ISSUES. OUR CONTACTS HAVE UNDERTAKEN TO KEEP US CLOSELY INFORMED AS THEIR OWN THINKING DEVELOPS.

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MR R GRAHAM-HARRISON, EAD, ODA  
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NNNN

MRMAEY

①

PRIME MINISTER

CHINESE STUDENTS

You saw a letter at the weekend from an organisation calling itself 'All Chinese Students in the UK' seeking a meeting to discuss events in Peking.

Investigation by the British Council shows that this is not in fact a representative body - its leader is Xinjiang Nationalist and is regarded among Chinese students as an extremist.

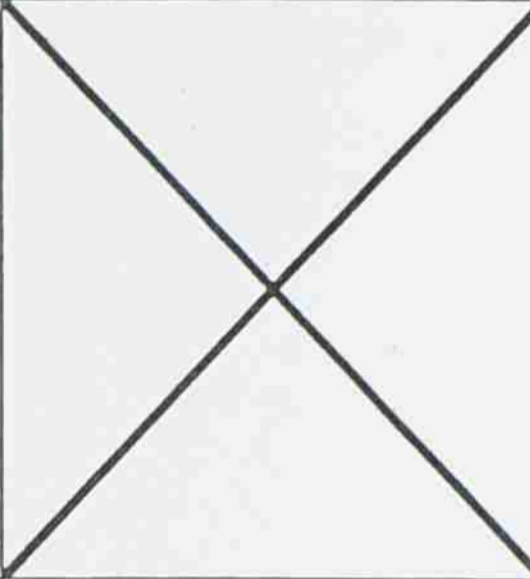
The biggest and most representative group of Chinese students is the 'Chinese Students and Scholars Association'. They would be the appropriate body to meet. There is a risk that they would find the offer of a meeting awkward - they have not actually sought one - because of its effect on their future careers and their families.

The best course might be to send the Association a discreet message that if they were to seek a meeting it would be arranged, but not to press them. Agree?

C.D.P.

Yes not

C. D. POWELL  
13 JUNE 1989

DEPARTMENT/SERIES ..... <i>Item 19</i> ..... PIECE/ITEM ..... <i>2597</i> ..... (one piece/item number)	Date and sign
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CHINA: LINE FOR QUESTIONS

EVERYONE WHO HAS WITNESSED THE SCENES IN PEKING WILL SHARE FEELINGS OF HORROR, REVULSION AND OUTRAGE AT THE SLAUGHTER OF STUDENTS AND OTHERS WHO WERE DEMONSTRATING PEACEFULLY FOR BASIC DEMOCRATIC RIGHTS.

WE CONDEMN THE ACTIONS OF THE CHINESE AUTHORITIES, AND HAVE MADE THIS CLEAR THROUGH THE ONLY CHANNELS AVAILABLE TO US.

THESE EVENTS REMIND US THAT, WHATEVER CHANGES FOR THE BETTER THERE MAY HAVE BEEN, COMMUNISM REMAINS READY TO IMPOSE ITS RULE BY FORCE. IT IS A LESSON WHICH THE DEMOCRACIES SHOULD TAKE TO HEART AND DRAW THE NECESSARY CONSEQUENCES FOR THEIR DEFENCE. I HAVE HEARD NO WORDS OF CONDEMNATION YET FROM THE SOVIET UNION OR OTHER COMMUNIST COUNTRIES OF WHAT HAS HAPPENED IN PEKING.

THERE CAN BE NO QUESTION OF NORMAL BUSINESS WITH THE CHINESE GOVERNMENT. MY RT. HON. AND LEARNED FRIEND WILL BE GIVING DETAILS OF OUR PROPOSED RESPONSE SHORTLY.

OUR GREATEST CONCERN HAS TO BE FOR THE PEOPLE OF HONG KONG. THESE EVENTS CAUSE THEM VERY DEEP ANXIETY. IT IS TOO EARLY TO REACH FIRM CONCLUSIONS WHILE THE SITUATION IN CHINA REMAINS SO UNCERTAIN. AT THIS STAGE WE CAN ONLY SAY THAT BRITAIN'S COMMITMENT TO A SECURE FUTURE FOR THEM IS AS STRONG AS EVER, AND WE SHALL BE LOOKING URGENTLY AT WHAT FURTHER STEPS CAN BE TAKEN TO GIVE THEM ADDED REASSURANCE.

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INFO IMMEDIATE CANBERRA, TOKYO, ACTOR, UKDEL NATO, MODUK  
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INFO ROUTINE SEOUL

SIC U2B

MODUK FOR SEC (O)(C).

HONG KONG FOR GOVERNOR AND POLAD.

SINO-BRITISH RELATIONS AFTER 4 JUNE REPRESSION.

1. AS YOU HAVE STATED, IN PRESENT CIRCUMSTANCES THERE CAN BE NO QUESTION OF CONTINUING NORMAL BUSINESS WITH THE CHINESE AUTHORITIES. H M G HAVE ANNOUNCED CERTAIN MEASURES, E.G. SUSPENSION OF MINISTERIAL AND HIGH LEVEL MILITARY EXCHANGES, A NECESSARY REVIEW OF THE PRINCE OF WALES' VISIT AND BANNING OF ALL ARMS SALES.

2. I HAVE BEEN GIVING SOME PRELIMINARY THOUGHT TO WHAT BUSINESS CAN AND SHOULD CONTINUE TO BE CONDUCTED WITH CHINA IN THE AFTERMATH OF THE APPALLING EVENTS OF 4 JUNE. WE NOW HAVE A GLIMMERING OF THE SHAPE OF THE NEW AUTHORITY IN CHINA THROUGH THE FIRST APPEARANCE OF DENG XIAOPING WITH A NUMBER OF HIS OLD CRONIES, ONLY THREE SURVIVING MEMBERS OF THE STANDING COMMITTEE OF THE POLITICAL BUREAU AND A GROUP OF SENIOR MILITARY FIGURES INCLUDING THOSE ON THE CENTRAL MILITARY COMMISSION. WE ASSUME THE CENTRAL LEADERSHIP HAVE STILL TO AGREE THE VERDICT ON ZHAO ZIYANG AS WELL AS THE FULL AWAKIJO OF THE SO-CALLED 'COUNTER-REVOLUTIONARY MOVEMENT' AND THE LINE FOR THE WAY AHEAD. IT WILL BE SOME TIME - PERHAPS MONTHS - BEFORE THE SITUATION BECOMES CLEARER.

3. IT SEEMS THAT THERE ARE FOUR BROAD AREAS ON WHICH WE SHOULD BE CONCENTRATING ATTENTION. THESE ARE:

- (A) HONG KONG AND ITS FUTURE.
- (B) POLITICAL AND PROFESSIONAL CONTACTS.

- (C) COMMERCIAL AND ECONOMIC RELATIONS.  
(D) EDUCATIONAL, SCIENTIFIC AND CULTURAL RELATIONS.

4. IN THIS TELEGRAM, I DO NOT PROPOSE TO DISCUSS HONG KONG. THIS IS A HIGHLY POLITICAL SUBJECT OF GREAT DELICACY ON WHICH DISCUSSIONS HAVE ALREADY TAKEN PLACE BETWEEN THE GOVERNOR AND YOURSELF AND THE PRIME MINISTER. BUT THERE CLEARLY WILL BE AN INTERACTION BETWEEN HOW WE HANDLE OUR POLITICAL, COMMERCIAL AND CULTURAL RELATIONS WITH MAINLAND CHINA AND OUR POLICIES TOWARDS HONG KONG. IN THIS TELEGRAM I THEREFORE WILL ONLY TOUCH UPON THE ASPECTS RELATING TO PARAGRAPH 3 (B), (C) AND (D).

5. POLITICAL EXCHANGES BELOW THE MINISTERIAL LEVEL SHOULD, I THINK, BE LOOKED AT ON A CASE BY CASE BASIS, TAKING ACCOUNT OF BOTH UK AND HONG KONG INTERESTS. IN MY VIEW, PROFESSIONAL CONTACTS OUGHT TO BE GUIDED BY THE SAME PRINCIPLE, WITH THE PROVISIO THAT WHERE THERE IS BENEFIT TO THE CHINESE PEOPLE IN HELPING THE CIVIL, LEGAL AND OTHER ADMINISTRATIVE SERVICES TO BECOME MORE HUMANE AND ACCOUNTABLE WE SHOULD CONTINUE.

COMMERCIAL AND ECONOMIC RELATIONS.

6. THE SINO-BRITISH TRADE COUNCIL WILL NO DOUBT WISH TO CONSULT WITH THE D T I ABOUT THE WISDOM OF CONTINUING WITH THEIR MAJOR EXHIBITION IN PEKING IN NOVEMBER TIMED TO COINCIDE WITH THE NOW PROBABLY DOOMED VISIT OF THE PRINCE OF WALES. IF THE PRESENT LEADERSHIP CONSOLIDATES ITS POWER THERE WILL PRESUMABLY BE NO ROYAL VISIT AND THIS MAY HAVE A VERY DAMPENING EFFECT ON SBTC'S PLANS. THERE MAY BE OTHER EXHIBITIONS PLANNED WITH A LESSER PROFILE, BUT IN GENERAL I WOULD HAVE THOUGHT THAT PROPOSALS OF THIS KIND SHOULD BE PUT IN SUSPENSION FOR THE TIME BEING.

7. NEVERTHELESS, THERE ARE MAJOR PROJECTS ALREADY CONTRACTED FOR OR OTHERWISE IN THE PIPELINE SUCH AS THE DAYA BAY NUCLEAR POWER PROJECT, THE YUEYANG POWER STATION PROJECT, WANG FU ZHOU POWER PROJECT AND THE BOHAI ALUMINIUM SCHEME ETC WHICH WE WILL PRESUMABLY NOT WISH TO DISTURB BECAUSE OF THE DAMAGING EFFECT IT WILL HAVE ON BRITISH CONCERNS. NEITHER BRITISH COMPANIES NOR THOSE CHINESE WHO HAVE A STRONG INTEREST IN KEEPING THE OPEN DOOR POLICY GOING AND WANT TO DEAL WITH THE OUTSIDE WORLD WOULD WELCOME A MOVE TOWARDS CANCELLATION.

8. THE GERMANS AND THE JAPANESE HAVE POSTPONED SIGNATURE OF THEIR AGREEMENTS FOR THIS YEAR FOR FURTHER LOANS TO CHINA. WE WILL HAVE

TO THINK CAREFULLY ABOUT OUR OWN SOFT LOAN POLICY. IN GENERAL I WOULD SUGGEST WE WOULD NOT WISH TO INTERFERE WITH PROJECTS ALREADY AGREED, BUT IF WE WANTED TO SHOW OUR CONTINUED DISSATISFACTION WITH THE CHINESE LEADERSHIP WE COULD DELAY THINGS BY SIMPLE ADMINISTRATIVE MEANS WHICH WOULD HOLD UP BUSINESS SOMEWHAT BUT I DO NOT SEE MUCH PURPOSE OR SENSE IN THIS. THE CHINESE AUTHORITIES STILL REFER TO THE CONTINUATION OF THE POLICIES OF REFORM AND THE OPEN DOOR AND IN THE LONG RUN WE MUST WANT OUR OWN DOOR INTO THIS MARKET TO STAY OPEN, HOWEVER MUCH WE MAY DISAPPROVE OF RECENT VIOLENCE IN PEKING AND A TIGHTENING OF POLITICAL DISCIPLINE THROUGHOUT CHINA.

9. THERE IS, OF COURSE, A FURTHER POINT. THE WORLD BANK HAS DECIDED TO WITHDRAW ITS LAST PROJECT LOAN PROPOSAL. OUR SOFT LOAN POLICY, WHILE TAKING ACCOUNT OF BRITISH DISAPPROVAL OF THE CHINESE GOVERNMENT'S ACTIONS, WILL ALSO HAVE TO TAKE ACCOUNT NOT ONLY OF POLITICAL CONSIDERATIONS BUT EQUALLY STRONG ECONOMIC FACTORS. FOR EXAMPLE THERE IS NO POINT IN LENDING MONEY TO THE CHINESE IF THEY CANNOT REPAY THE DEBT BECAUSE OF THEIR CHANGE IN THEIR OWN POLICY OR BECAUSE OF DAMAGE WHICH THEIR NEW POLICIES CAUSE TO THEIR ECONOMY. IN OTHER WORDS, WE MUST LOOK AT THE VIABILITY OF EACH PROJECT FOR WHICH SOFT LOAN FINANCING IS BEING CONSIDERED. DECISIONS ABOUT LOANS WILL BE DETERMINED BOTH BY POLITICAL CONSIDERATIONS AND BY THE STATE OF THE CHINESE ECONOMY, THE PROSPECTS FOR WHICH ARE NOW FAR FROM ROSY.

10. THIS LEADS ON TO THE DEVELOPMENTAL ASPECT. I IMAGINE WE WOULD NOT WISH TO CUT OFF DEVELOPMENTAL AID TO CHINA, PARTICULARLY WHERE THIS WAS RELATED TO THE ENVIRONMENT OR POLLUTION CONTROL, WATER SUPPLY, ETC. THIS IS ANOTHER AREA IN WHICH THE CHINESE PEOPLE AS OPPOSED TO THE CHINESE COMMUNIST PARTY OR GOVERNMENT COULD BE HURT AND THERE IS CLEARLY A HUMANITARIAN AS WELL AS A DEVELOPMENTAL ASPECT TO THIS. WE ALREADY HAVE THIS APPROACH TO TIBET.

11. AS FOR EDUCATIONAL, SCIENTIFIC AND CULTURAL RELATIONS, I IMAGINE WE SHOULD WANT TO GO RATHER LOW-KEY. I SUBMIT WE SHOULD KEEP THE DOOR OPEN FOR THE FUTURE BY CONTINUING ENGLISH LANGUAGE TEACHING. WE SHOULD ALSO KEEP SENIOR ACADEMIC EXCHANGES, THE PEAK PERIOD FOR WHICH IS SEPTEMBER, UNDER REVIEW WITH THE BRITISH COUNCIL. WE SHOULD ALSO HELP TARGETTED GROUPS OF CHINESE TO TALK TO US AND WE OUGHT TO CONTINUE SCHOLARSHIPS AND BOOK PROGRAMMES TO SHOW THAT THERE IS A BETTER WORLD OUTSIDE CHINA AND THAT POLITICAL REFORM WILL EVENTUALLY HAVE TO COME. ELT AND SCHOLARSHIP ACTIVITIES ARE MOSTLY JOINTLY FUNDED AND MUCH WILL

DEPEND ON CHINESE WILLINGNESS TO FIND FOREIGN EXCHANGE, WHICH MAY POSSIBLY BE IN INCREASINGLY SHORT SUPPLY (SEE PARA 9, ABOVE).

12. I SUGGEST WE DO NOT WANT HIGH PROFILE ACTIVITY LIKE THE ART EXHIBITION WHICH WE HAD PLANNED TO COINCIDE WITH THE 40TH ANNIVERSARY CELEBRATIONS OF THE PEOPLE'S REPUBLIC OF CHINA. WE PROBABLY SHOULD ALSO PUT OFF THE PLANNED BRITISH FILM AND TV WEEKS AND ELT SYMPOSIUM.

13. THERE ARE OTHER MATTERS THAT NEED LOOKING AT, SUCH AS OUR VISA POLICY, THE RIGHT LEVEL OF STAFFING IN THIS EMBASSY AND OUR CONSULATE-GENERAL IN SHANGHAI. THESE I WILL REVERT TO AS SOON AS THE SITUATION ALLOWS.

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HONG KONG FOR GOVERNOR AND POLAD.

M I P T. CHINA INTERNAL: POLITICAL BACKGROUND TO RECENT EVENTS.

1. THE LAST SIX WEEKS HAVE WITNESSED SCENES UNPRECEDENTED IN THE HISTORY OF THE PEOPLE'S REPUBLIC. THE VIOLENT EVENTS OF THE NIGHT OF 3/4 JUNE WERE HORRIFYING AND TRAGIC. IT IS NOT POSSIBLE YET TO ASSESS WHAT THEIR LONG TERM EFFECTS WILL BE BUT THEY MAY BE HUGE. THE MASS DEMONSTRATIONS BY STUDENTS, INTELLECTUALS, WORKERS AND CITIZENS WERE ALSO MOMENTOUS. THEY WERE A NATURAL OUTGROWTH OF THE RELAXATION OF SOCIAL DISCIPLINES AND IDEOLOGICAL CONSTRAINTS WHICH HAVE ACCOMPANIED THE POLICY OF REFORM AND OPENING TO THE OUTSIDE WORLD. THESE POLICIES ARE RIGHTLY ASCRIBED TO DENG XIAOPING. BUT WITHIN DENG'S THINKING THERE IS AN AUTHORITARIANISM AND A HARD LINE COMMITMENT TO ORTHODOX VALUES. THIS SIDE OF HIS CHARACTER MAKES HIM VERY MUCH A MEMBER OF THE GENERATION OF VETERAN LEADERS WHO MADE THE REVOLUTION AND FOUNDED THE STATE, AND WHICH AS A RESULT STILL FEELS IT HAS THE RIGHT TO DECIDE THE FATE OF THE NATION. THE CRUSHING OF THE POPULAR MOVEMENT SHOWS THAT THEY ARE PREPARED TO USE ANY MEANS TO DO SO.

2. THE CONTRADICTION BETWEEN ECONOMIC RADICALISM AND POLITICAL CONSERVATISM HAS BEEN WRIT LARGE IN THE EVENTS OF THE LAST SIX WEEKS. DESPITE THE ENERGY OF THE MASSES, THE NEW FORCES IN CHINESE SOCIETY DO NOT YET APPEAR STRONG ENOUGH TO OVERCOME THE EXISTING POLITICAL POWER STRUCTURES. DESPITE THE RECENT TURMOIL AND TRAGIC EVENTS, IT SEEMS THEIR IMMEDIATE OUTCOME MAY WELL BE DECIDED IN TIME-HONOURED FASHION BY POLITICAL STRUGGLE BETWEEN A

RELATIVELY SMALL NUMBER OF OLD MEN IN ZHONGNANHAI WHO ARE INCREASINGLY ISOLATED AND OUT OF STEP WITH AND HOSTILE TO DEVELOPMENTS IN CHINESE SOCIETY AND IN THE OUTSIDE WORLD.

3. THE PRESENT POLITICAL STRUGGLE IS THE LATEST INSTALMENT IN THE LONG STRUGGLE TO DECIDE THE DIRECTION OF CHINA'S MODERNISATION. WHEN CHINA EMERGED FROM THE MESS OF THE CULTURAL REVOLUTION, POWER FELL TO A GROUP OF AGEING REVOLUTIONARIES WHO AGREED ON THE NEED TO CAST OFF MAOIST EXCESSES AND TO EMBARK ON MODERNISATION, BUT WHO DISAGREED ON THE EXTENT TO WHICH ORTHODOX VALUES AND PRACTICES SHOULD BE DISCARDED. OF THESE DENG XIAOPING WAS THE MOST RADICAL ADVOCATE OF REFORM, THE OPENING TO THE OUTSIDE WORLD AND THE DISCARDING OF THOSE ELEMENTS OF MARXIST IDEOLOGY WHICH OBSTRUCTED THESE POLICIES. HOWEVER, OTHERS POWERFUL IN THEIR OWN RIGHT WANTED TO RETAIN MORE ELEMENTS OF TRADITIONAL ECONOMIC ORGANISATION, IDEOLOGICAL ORTHODOXY AND SOCIAL DISCIPLINE. OVER THE PAST DECADE, DENG HAS HAD THE UPPER HAND POLITICALLY. HE WAS ABLE TO FORGE AHEAD WITH ECONOMIC REFORM THROUGH HIS YOUNG LIEUTENANTS, NOTABLY HU YAOBANG AND ZHAO ZIYANG, DESPITE OPPOSITION FROM CONSERVATIVES LIKE CHEN YUN, WANG ZHEN, PENG ZHEN, LI XIANNIAN AND BO YIBO. ALL THE SAME, PERIODS OF ECONOMIC DIFFICULTY AND, MORE IMPORTANTLY, STRONG CHALLENGES TO IDEOLOGICAL ORTHODOXY AND TO PARTY AUTHORITY AND TO TRADITIONAL CHINESE SOCIAL NORMS, TOGETHER KNOWN IN THE JARGON AS 'BOURGEOIS LIBERALISATION' OR 'SPIRITUAL POLLUTION', HAVE GIVEN THE OLD CONSERVATIVES THE LEVERAGE TO MOUNT ATTACKS ON REFORMIST POLICIES. THESE OLD MEN WERE ABLE TO GAIN DENG'S TEMPORARY SUPPORT BY APPEALING TO HIS AUTHORITARIAN INSTINCTS AND HIS POLITICAL ORTHODOXY. THIS HAPPENED IN 1980/81, IN 1983, IN 1987 AND APPEARS TO HAVE HAPPENED AGAIN NOW. THE ISSUES AND EVEN THE LEADING PLAYERS ARE REMARKABLY SIMILAR.

4. IN 1987, AND IT WOULD NOW SEEM IN 1989, THE FORCE OF CONSERVATIVE REACTION WITHIN THE PARTY HAS BEEN SUCH THAT DENG'S CHOSEN SUCCESSORS AND THE SERVING COMMUNIST PARTY SECRETARY-GENERALS, HU YAOBANG AND ZHAO ZIYANG, WERE OVERTHROWN.

5. OVER THE LAST 18 MONTHS TO 2 YEARS, INTELLECTUALS HAVE BECOME INCREASINGLY DISILLUSIONED BECAUSE THEY FELT THE GOVERNMENT DID NOT KNOW HOW TO HANDLE THE ECONOMY AND WOULD NOT TAKE THEIR ADVICE. DENG TOLD THEM THEY WERE CENTRAL TO ECONOMIC REFORMS, BUT INSTEAD THEY FOUND THEMSELVES MARGINALIZED AND ECONOMICALLY DISADVANTAGED. THE IRONY IS THAT IT WAS THE AUDACITY AND IMPATIENCE OF THE INTELLECTUALS AND STUDENTS WHO SUPPORTED HU'S AND ZHAO'S POLICIES THAT CONVINCED DENG (OR THOSE WHO HAVE HAD DENG'S EAR) THAT HIS

PROTEGES HAD DEPARTED TOO FAR FROM POLITICAL ORTHODOXIES AND BROKEN PARTY DISCIPLINE AND UNITY. BEFORE THE DEATH OF HU YAOBANG ON 15 APRIL WE WERE FORMING THE VIEW HERE THAT ZHAO'S POSITION WOULD BE THREATENED DURING THE SUMMER BY CONSERVATIVES CRITICAL OF MOUNTING ECONOMIC PROBLEMS IN CONJUNCTION WITH INTELLECTUAL DISSATISFACTION AT THE SLOW PACE OF POLITICAL REFORM. THE LATTER HAS LEAD TO THE GROWTH OF AN EMBRYONIC DISSIDENT MOVEMENT. THE STUDENT DEMONSTRATIONS FOLLOWING THE DEATH OF HU, UNPREDICTABLE IN THEIR SIZE AND MASS SUPPORT, WERE THE CATALYST WHICH BROUGHT THE VOLATILE MIX TO A HEAD, IN ADVANCE OF THE EXPECTED PROTESTS WHICH WERE TIMED FOR 4 MAY.

6. ALTHOUGH THE PRESENT POWER STRUGGLE CAN BE EXPLAINED IN THE CONTEXT OF THE LAST TEN YEARS OF CHINESE MODERNISATION, IT WOULD BE A MISTAKE TO ASSUME THAT ITS OUTCOME WILL BE THE SAME AS ON EARLIER OCCASIONS. FOR EXAMPLE, THE ROLE OF THE ARMY, ITS RELATIONSHIP WITH THE POLITICAL LEADERSHIP, AND PERHAPS EVEN MORE IMPORTANTLY WITH THE PEOPLE, HAS BEEN BROUGHT INTO SHARP NEW FOCUS. HOWEVER, MORE OVERTLY POLITICAL AND ECONOMIC FACTORS STILL APPLY. IN THE PAST, DENG HAS SOUGHT TO LIMIT THE EXTENT AND DURATION OF CAMPAIGNS AGAINST 'BOURGEOIS LIBERALISATION' ONCE THEY THREATENED THE HARD CORE OF HIS ECONOMIC POLICIES. IF HE COULD FOLLOW HIS OWN DEVICES, HE MIGHT TRY TO DO SO AGAIN. BUT PRESENT CIRCUMSTANCES ARE DIFFERENT.

7. CHINA IS MORE THAN EVER LINKED TO THE WORLD ECONOMY. ECONOMIC REFORMS HAVE GONE SO FAR THAT A RETURN TO MORE ORTHODOX ECONOMIC METHODS MAY SIMPLY NOT BE PRACTICAL. THE SERVICING OF CHINESE DEBTS WHICH BEGAN TO REACH A CEILING FROM 1990 ONWARDS WILL POSE SERIOUS PROBLEMS. A CUTTING OFF FROM THE OUTSIDE WORLD FROM TECHNOLOGY TRANSFER, MARKETS AND FOREIGN FINANCING COULD HAVE QUITE SAVAGE CONSEQUENCES FOR THE DEVELOPMENT OF THE CHINESE ECONOMY. THE GAINING OF POLITICAL SUPPORT REQUIRES A DECENT OVERALL INCREASE IN THE STANDARD OF LIVING, AND HIGH GROWTH TO DISTRIBUTE SUFFICIENT WEALTH TO THOSE WITH POLITICAL INFLUENCE. BUT ON THE OTHER HAND, DENG HIMSELF IS PHYSICALLY WEAK AND NOW SEEMS TO BE POLITICALLY ISOLATED. HE HAS DISCARDED HU YAOBANG AND NOW ZHAO ZIYANG, WHO WAS HELPFUL IN TURNING THE TIDE OF THE ANTI-BOURGEOIS LIBERALISATION CAMPAIGN IN 1987. IT NOW LOOKS AS THOUGH THERE ARE NO AUTHORITATIVE REFORMIST LEADERS TO WHOM HE CAN TURN. DENG HAS LOST THE POPULAR SUPPORT WHICH HE ONCE ENJOYED. HE MAY EVEN HAVE LOST THE LOYALTY OF THAT PART OF THE PLA ON WHICH HE COULD ONCE DEPEND. YANG SHANGKUN'S PERSONAL LINKS WITH THE COMMAND OF THE NOTORIOUS 27TH ARMY WHICH IS BEING BLAMED FOR MOST

OF THE MASS KILLING ON 4 JUNE IS OMINOUS. THERE HAVE BEEN RUMOURS ABOUT DENG'S HEALTH AND IT IS QUITE ON THE CARDS THAT HE IS IN MOMENTS OF SENILITY BEING MANIPULATED BY HIS OLD CRONIES. THE EXTENT OF THE CHALLENGE TO THE AUTHORITY OF THE COMMUNIST PARTY PRESENTED BY THE MASS OF THE PEOPLE MAY HAVE PLAYED INTO THE HANDS OF DENG'S CONSERVATIVE OPPONENTS.

8. IT IS IRONICAL THAT DENG, WHO SET OUT TO RESHAPE CHINA'S POLITICAL MAP SO THAT MAO ZEDONG'S EXCESSES COULD NOT BE REPEATED, HAS SUCCEMED TO THE SAME TEMPTATIONS OF POWER, BY SEEKING TO IMPOSE HIS WILL RIGHT UP TO THE END BY ALMOST ANY MEANS. RECENT EVENTS HAVE SHOWN DENG TO BE ROOTED IN HIS OWN GENERATION AND THE LIMITS OF HIS VISION HAVE BEEN EXPOSED. HISTORIANS MAY SEE DENG'S YEARS AS A TRANSITIONAL PERIOD PREPARING THE GROUND FOR A REFORMER TO GROW THROUGH TRADITIONAL CONSTRAINTS RATHER AS KHRUSHCHEV DID FOR GORBACHEV. CHINA MAY HAVE TO WAIT FOR THE WHOLE REVOLUTIONARY GENERATION, INCLUDING DENG, TO PASS ON BEFORE ITS REFORM AND MODERNISATION CAN BE CARRIED ON MUCH FURTHER. BEFORE THIS HAPPENS, THERE WILL PROBABLY STILL BE SOME BITTER IN-FIGHTING OVER THE SUCCESSION, IF IT HAS NOT ALREADY BEEN DECIDED.

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OTTAWA FOR DA PSE PASS TO NDHQ.  
FROM NAVAT.

BEIJING MILITARY SITUATION - AM 09 JUN.

1. THERE HAVE BEEN A SERIES OF ARRESTS IN THE EARLY HOURS IN THIS AREA OF CITY AND PROBABLY IN OTHER PARTS ALSO. METHOD IS TROOP CORDON WITH ARMED POLICE (PSB NOT PAP) AND PLAIN CLOTHES SECURITY MEN ENTERING HUTONGS TO MAKE ARRESTS.
2. THE POPULATION ARE MORE FEARFUL THAN DEFIANT AND RELUCTANT NOW TO STAND AND DISCUSS THE SITUATION IN THE STREETS.
3. THE STREETS IN MOST PARTS OF THE CITY ARE NOW PASSABLE AFTER THE ARMY DRAGGED THE BURNT OUT ARMY VEHS TO THE SIDE OF THE ROAD AND DISMANTLED THE BARRICADES. NAVAL UNITS (INC ARMED GUARDS) HAVE ALSO TAKEN PART IN THIS OPERATION.
4. BUSES NOW RUN ALONG MAIN ROAD THROUGH NORTH OF TAM. NORMAL TRAFFIC ALONG ROAD SOUTH OF TAM. ROADS ON EAST AND WEST OF TAM CLOSED AS ARE ROADS AROUND GHP.
5. VISUAL SIGHTINGS OF ARMOUR IN TAM PLUS SIGHTINGS OF ARMOUR MOVING TO/FROM TAM INDICATE TANK REGIMENT CONTINUES TO BE BASED THERE.
6. SEVERAL SMALL RESUPPLY CONVOYS LEFT TAM VIA JGMW FLYOVER. SOME ESCORTED BY ARMOUR SOME NOT. ASSESS ALL RETURNED TO BASE. SIGHTING TODAY OF FORAGING FLOUR FROM LOCAL SHOP.
7. 2 VEHS LPN V-28 (12 ARMY) SIGHTED VICINITY TAM.

8. LARGE NO OF TPS AND VEHS SIGHTED IN SPORTS STADIUM (ADJACENT WORKERS STADIUM JUST NORTH OF EMBASSY). TRYING TO GET LPN TOMORROW.

9. GROUP OV VEHS LPN V-52 (U/I POSS IND DIV LAST SEEN S OF BEIJING) SIGHTED OUTSIDE KENTUCKY FRIED CHICKEN (KFC) SOUTH SIDE OF TAM.

10. REF MILSUM 08 JUN PARA 6. PROBABLY ZHANG GONG DIR POL DEPT BEIJING MR.

11. REF MILSUM 8 JUN PARA ONE. FURTHER INVESTIGATION REVEALS FLOORS 3 TO 9 OF BLOCK ONE OF JGMW DIPLOMATIC COMPOUND RAKED BY AUTOMATIC FIRE. SEVERAL FLATS HIT INCL. AUSTRALIAN FLAT WITH 24 BULLET HOLES. JUST BEFORE CURFEW LIFTED RELIABLE EYEWITNESS SAW CHINESE MAN BEING HUSTLED FROM JGMW BY PLAIN CLOTHES CHINESE MEN. IT MAY BE THAT HE WAS CONNECTED WITH THE SNIPER INCIDENT OR A FUGITIVE THAT HAD TAKEN SHELTER.

12. STILL NO EVIDENCE OF PLA FIGHTING PLA OR OF ANY GP ARMY MOVING TO OPPOSE TPS IN BEIJING.

13. RUMOURS TODAY THAT TROOPS WILL ENTER UNIVERISTY CAMPUSES. RELIABLE WITNESS HEARD OFFICIAL WARNING AND STAY CALM INSTRUCTION BROADCAST OVER LOUDSPEAKERS.

14. 091800 LOCAL TROOPS SIGHTED CORDONING CHINESE ACADEMY OF SCIENCES (JUST WEST OF JGMW FLYOVER). ASSUME SEARCH AND ARRESTS TAKING PLACE.

15. CGS GEN CHI HAOTIAN. NOTE WHOLE OF OPERATIONAL SERVICE 1949-73 IN 27 ARMY (THE YANG FAMILY LINKS GET DEEPER) HOWEVER LPN -02 (27 ARMY) HAS ONLY BEEN SIGHTED ON THREE SEPARATE VEHS (INCL ONE AMBULANCE) SINCE 19 MAY 1989.

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MR HALL, OT2/VIC ST  
PJ WESTON CAB.OFF.70 WHITEHALL

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MR R GRAHAM-HARRISON, EAD, ODA  
MR REDMAYNE PD3, ECGD  
PS/NO.10

NNNN

Prime Minister

Jp 0806

MR POWELL

c. 9/6

c Sir Robin Butler


China: Developments on 9 June

Deng Xiaoping appeared on Chinese TV (7.00 pm local time). Others present included Li Peng, Yang Shangkun, Vice-Premier Yao Yilin, Vice-President Wang Zhen, Qiao Shi and, somewhat surprisingly Wan Li (previously considered to be in Zhao camp). Deng blamed the chaos on a "very small number of people" aiming to overthrow the Communist party and the Socialist system. He asserted that China's open door policy of reforms would continue. "Our basic direction, our basic strategy and policy will not change". The media have described him as looking frail, but he appears to have entered the meeting unaided.

2. Although there were reports that on the morning of 9 June troops entered the University district in north west Peking and made some arrests, there has not yet been a campus raid by martial law troops. Earlier in the day troops surrounded the Chinese Academy of Social Sciences.
3. A telephone hot-line has been set up for the public to report on the ring leaders of the "Counter-Revolution".
4. This morning, the Consulate-General in Shanghai described the situation there as calm and returning to normal. However, we have just received a report that more than 40,000 people held a mass rally later in the day. The Nanjing military region (which includes Shanghai) has said that troops would "quickly make preparations for stopping the turmoil and putting down the rebellion". However, up till now we have seen considerable restraint on the part of the authorities there, so this may simply be bluster.



5. Peking radio has reported more messages of support from the regions for the actions of the military in suppressing the "Counter-Revolution". The new messages are from 5 military regions, as well as Liaoning, Hebei and Tibet.



PERCY CRADOCK

9 June 1989

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NB: INFORMATION ABOUT SPECIAL FLIGHTS IN PARAS 10 - 13 IS NOT FOR  
RELEASE TO THE GENERAL PUBLIC

EMERGENCY UNIT: SITREP NO 6: 1800 ON 9 JUNE

Situation in China

1. The main new story is that Deng Xiaoping has appeared on Chinese television for the first time since the military operation started (indeed the last time he was seen was during the Sino-Soviet summit). Deng and a number of other geriatric hardline leaders (including President Yang Shangkun and Premier Li Peng) met senior members of the People's Liberation Army in the Zhongnanhai on the afternoon of 9 June Peking local time. The footage was shown on Chinese television at around 1900 local. Deng looked well and used the opportunity to extend his respects to the martial law enforcing troops and express deep condolences to "martyrs who died while putting down riots".

2. The other significant development is the operation by Chinese security forces to round up student ring-leaders. The Embassy confirmed to us (at 1015 BST) that some sort of crackdown is under way. They did not know at that stage and still do not know (at 1700 BST) whether there have been violent incidents or whether blood has been shed. Nor do they have any idea what success the authorities are likely to have in catching the students they are after. As far as they can tell, there are no British Council sponsored students left at the universities but they cannot say whether other private British students are still on campus. They are not able to confirm what the position is in other parts of the country. Nor could the Americans in Washington, when I spoke to them at 1500 BST. Mr Orr has heard rumours of students being picked up in Shanghai, but has no confirmation.

3. We heard from News Department at 1600 BST that the Peking Independent Radio News (IRN) correspondent had been informed by the US Military Attache that the leading student activists who had been rounded up at their university campuses were being taken to a football stadium and shot. The next move could be against foreign

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journalists. We sought immediate corroboration for this story from the Embassy who confirmed with the US liaison office that the story was totally unfounded. The astounded Americans added that Peking was swarming with journalists who would if they could not find a newsworthy story, make up anything, however far-fetched. The Embassy concur entirely.

#### Consular Enquiries

4. The Consular Enquiries Room handled about 300 calls between 0700 and 1700 BST today. There continues to be a steady stream of incoming enquiries to the Unit, but at a lower level than on previous days. The nature of the work is changing, as we try to contact previous enquirers as and when we receive details of safe arrivals in Hong Kong or elsewhere. Between 1200 and 1700 BST 80 out of the 165 calls were outward rather than inward and this trend is likely to continue. Some earlier enquirers are helpfully telephoning us, if they receive news from friends and relatives inside or outside China.

#### British Embassy Peking

/ 5. I attach a transcript of Alyson Bailes' remarks when she was questioned by journalists at Heathrow this morning. The other three staff and dependants who arrived at Gatwick and were met by Medical and Welfare Unit all arrived safely and in good heart.

6. The Embassy have received a diplomatic Note from the Chinese MFA concerning the safety of diplomatic missions. The Note states that "the Chinese Government attaches importance to the safety of the Embassy areas and the diplomatic compounds. It has already instructed the armed forces and the public security forces on the diplomatic compounds to be responsible for the safety of those areas and to increase their vigilance". So much for the good news. The bad news is that "the MFA requires foreign missions and embassies and their personnel to strictly obey martial law. There should be no involvement in the internal affairs of China. Embassy vehicles should not be used for purposes other than those appropriate - otherwise their safety cannot be guaranteed. The Ministry advises that during Martial Law foreigners should not be out after dark. The Ministry requests embassies to control their personnel and to

keep an eye on all kinds of weaponry". The Embassy have drawn the attention of the MFA's Protocol Department to the need for security forces to carry out adequate identification. They have also asked about driving vehicles after dark and have been told that they are advised not to drive after sunset. The Embassy pointed out that they had legitimate occasion to be out after dark - eg when going to the airport. The MFA took note. The Embassy also pointed out that they did not have weapons and asked the MFA to note that all Embassy vehicles were without weapons.

7. The Embassy have informed us that they have issued only six special visas under their authority to grant visas to Chinese nationals in extreme danger. It is, however, possible that the activities of the security forces against student ringleaders could lead to further requests from Chinese nationals for visas and/or political asylum.

#### HM Consulate-General Shanghai

8. We spoke to Mr Orr at 1550 BST. He is well and is working on a list of British citizens in his area about whom we have received enquiries in London. He is in contact with the majority of them. We are keeping relatives here up to date.

#### Departure of Non-Embassy Personnel

9. All indications are that foreign nationals who want to leave Peking and Shanghai are experiencing no difficulties in doing so by commercial means. Our attention has therefore increasingly focussed on the means of helping those British nationals who are in other parts of China. Most of those we know about are on their way out by normal commercial means. However, we have continued to discuss the possibility of special flights with the Canadians, Americans and Hong Kong authorities.

10. The most promising development on this front is that the Chinese MFA have effectively given diplomatic clearance for the Canadian aircraft (following a demarche in Peking by the Canadian Ambassador, supported by the British, Australia and US ambassadors). And all should be well, provided the Canadians get technical clearance from CAAC. The Canadian authorities are proceeding on the

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assumption that approval for the flight will be given. Following consultation with the Americans (who have some 250 citizens in Wuhan), they have decided to fly first to Wuhan, on Sunday. The Americans hope that they can fly not only once, but twice, as the 170 seat capacity will not be sufficient to take off all foreigners in Wuhan. The Canadians plan to fly on Monday to Dalian to take out all Canadian and other foreign nationals in the Manchurian Peninsula (ie presumably they would not proceed with their plans to fly to other northern airports such as Shenyang and Harbin).

11. The Americans do not intend to make any special arrangements for US nationals in Chengdu as they believe that all (apart from residual US Consulate staff) have left by commercial means (some by international flights to Hong Kong, some by domestic flights to Guangzhou and some by train). And the advice for British nationals is to use commercial means, which appear to be a perfectly satisfactory way of leaving. We have not yet been able to raise the US Consul-General in Chengdu direct to see whether they are in touch with British nationals. But we are continuing to make efforts to contact them. We shall make every effort to get this message across to those in Chengdu.

12. The Political Advisers Office in Hong Kong is fully aware of developments on the special flights front. Neither Hong Kong, nor the Australians in Hong Kong are keen to attempt to make any further arrangements for special flights pending the outcome of the Canadian efforts.

13. As soon as the position on the Canadian plans is clear we shall attempt to inform British nationals in Wuhan and in northern China of the arrival of the Canadian flights. Where we have contact numbers we shall ask the Consulate-General; in Shanghai to speak to the individuals directly. But we shall also arrange for a announcement to be made over the BBC World Service. Our best estimate of British nationals in the Wuhan area is 10 and in the Northern provinces also 10. We await information from Hong Kong on the number of Hong Kong residents in these regions.

  
W B McCleary  
Emergency Unit

RESTRICTED

ALYSON BAILES AT HEATHROW AIRPORT AS CARRIED BY BREAKFAST TIME:  
9 JUNE 1989

AB: Well, I've been cut off for more than 24 hours from the Embassy and from any kind of official information having just flown in from Hong Kong. I would only guess that, if it's true that the military situation has also been basically unchanged in the last couple of days, that it would look like some sign of consolidation of the hard-liners on the situation, at least on the situation in Beijing. But I think that we've learned in this crisis that any kind of logical deduction we draw, and any kind of feeling you have in your bones on the basis of normal experience, is pretty well bound to be wrong. So I think we've reached the stage where we almost don't want to guess.

Q: But is it your impression at this stage that the pro-democracy movement, at least in the short-term, has lost?

AB: I think it would be using lost in a very limited sense of the word and a very cynical sense perhaps even. Because there are things that can't be defeated with military power and the majority can't be defeated by the minority in the medium to longer runs. I think most of us who left China left with the hope and indeed with some quite strong hope that we would be going back and we would be working there sometime in better circumstances. It's just that one can't guess at the timescale.

Q: As far as you can assess, what is the widespread view in China now about the immediate future? Are people still very frightened?

AB: This is the strangest thing, and I can only speak about how it was a couple of days ago, some people are very frightened. There are lots of rumours, and indeed some of them seem to be fact now, of people being rounded up and people being imprisoned. And naturally that is worrying particularly to those who are active in the democracy movement. But at the same time, we saw all the time the most extraordinary signs of people's unconcern of their bravery, of their efforts to carry on with normal life as usual.

END

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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

8 June 1989

I enclose a copy of a letter to the Prime Minister from "All Chinese students in the UK" seeking an immediate interview. I should be grateful for urgent advice on whether it would be appropriate for the Prime Minister to see them: and, if not, who should be deputed to do so on her behalf.

I am copying this letter and enclosure to Colin Walters (Home Office).

Charles Powell

Bob Peirce Esq  
Foreign and Commonwealth Office.

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Charles - I think it  
would be advisable to see

them - just for

20 minutes.

ms

Prime Minister

CD

7/6

Mrs Margaret Thatcher,  
10 Downing Street,  
London SW1.

Dear Prime Minister

The horrible events and the bloody massacre happening in China worried and shattered us, the 4000 Chinese Students in the U.K deeply.

We therefore have decided to send our desperately urgent appeal to you, in anticipation of an immediate interview. The purpose of the interview is to have our six representatives discuss our petition with you and your Government.

All of us regard you as the most influential and outstanding political leader in the world, who has made great contributions to the prosperity and liberty of mankind.

We strongly believe that you and your government have the capability to save millions of innocent people from undeserved and indiscriminate death. We have great faith that, with your influence our grievances and sufferings could be substantially lessened.

We are sure you would understand our fears, worries and helpless disposition. All we want is just a precious ten minute interview from your tight schedule. We know you will help us and we sincerely appreciate your concern.

Last but not least, we repeat that we regard you not only as the leader of the U.K., but as the most famous and outspoken political leader in world history, and that is the reason why we seek an immediate interview with you. We apologise for the short notice demanded by our emergency. We anxiously await an urgent arrangement.

Best Wishes and Many Thanks From Our Bleeding Hearts.

Yours Faithfully,

All Chinese Students In The U.K.

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FCO LATE SPOKESMAN : 1700, 7 JUNE 1989

STATEMENT ISSUED BY MR TIM EGGAR, MINISTER RESPONSIBLE FOR CONSULAR MATTERS IN THE FOREIGN OFFICE

Due to the events in China, the Foreign Office has opened its emergency unit - the telephone number for enquiries about British nationals is 01 270 2700. It will be manned on a 24-hour basis.

Our paramount concern at the present time is the safety and well-being of British nationals and I can assure you that everything that can be done is being done. It has to be recognised that the Embassy in Peking and Consulate-General in Shanghai are working under extremely difficult conditions in that movement around the cities is virtually impossible and hard information is difficult to come by.

We naturally understand the deep anxiety of relatives of British subjects in China and we would like them to help us by:

- (i) Before telephoning the Foreign Office check as far as possible that the person concerned has not already left China.
- (ii) Try to ensure that only one member of the family acts as contact point with the Foreign Office.
- (iii) If the person concerned is with a tour group - please contact the tour company initially. We are in close touch with ABTA about tour groups that may still be in China.

Many residents from China have been able to travel to Hong Kong independently. If they get in touch with relatives from there to say that they are safe and well - please let us know on the telephone number above.

We are also making it known in Hong Kong that travellers reaching there who have not let anyone know of their whereabouts should contact the British Trade Commission Office situated in the Bank of America Tower in 12 Harcourt Road, Hong Kong (Telephone: 5-230176).



10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

*ch* / 8 June 1989

I enclose a copy of a letter the Prime Minister has received from the members of the Chinese Student Union.

I should be grateful for a suitable draft reply to reach this office by Thursday 22 June.

(C. D. POWELL)

R. N. Peirce, Esq.,  
Foreign and Commonwealth Office.

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The Prime Minister  
Mrs. Margret Thatcher  
10 Downing Street  
London

7TH JUNE, 1989

*LSB rec del*

**Re: The Flagrant Massacre of Innocents in China.**

**Dear Prime Minister,**

We, represent all the Chinese students in the United Kingdom, to appeal to you, whom we firmly believe that you will uphold the consciousness of Human Rights that have been glarely shredded by the reign of terror in The Peoples' Republic of China.

The concern shown by you, Prime Minister, is much appreciated, however, we have resolutely concluded that condemnations and suspensions of Military sales by your Honourable Government may not be sufficient to deter the atrocious deeds practised by the Chinese Government, which is clearly illustrated by the reports from China, whereby, tens of thousand innocent lives are tormented, killed and grievously wounded by the indiscriminate spray of bullets at crowds in the streets.

The insanity action by the regime is a significant challenge to world peace in view of her NUCLEAR capabality which there might be a distinct probability to deplore it on any country which the present Government dislikes as reflected from the continuing carnage of innocents in their land.

The killings of innocents is a blatant violation of human rights and it is a tragedy of the whole civil world, negative approach to the issue is an inference of acceptance to the practices of the regime.

We therefore humbly submit our propositions for the Prime Minister to deliberate.

- 1) The condemnation of the existing regime is not sufficient to prevent any further blood shed. We would desire positive and effective condemnation and sanctions.
- 2) To initiate an immediate debate in The United Nations condemning the actions that is undertaken by the existing regime and to adopt phrases of actions for effective economic and trade sanctions.
- 3) We urge the following sanctions to be taken.
  - a) The withdrawal of all economic projects and financial aids.
  - b) The freezing of all soft loans to China.
  - c) Economic embargo on China.
  - d) A total band on all Chinese products.

- e) Freezing all arms sales and technological transfers.
- f) Suspend the Chinese application to GATT.
- 4) To call The Council of Europe to adopt concerted actions similar to the UN propositions.
- 5) To request the supply of medical assistance and supplies for the wounded in China on humanitarian grounds, by International Red Cross.
- 6) To demand the immediate return to civilian rule and the withdrawal of martial law in China.
- 7) To suspend all negotiations for the future of Hong Kong, and to evaluate the joint-declarations in the light of the recent developments in China. To implement a democratic rule in Hong Kong in 1990.
- 8) To demand from the Chinese Government assurances that they will not intimidate any Chinese students in the United Kingdom either by withdrawing their grants, passports or otherwise.
- 9) Request the Prime Minister to meet the student delegation to unfold their demands.
- Prime Minister we unreservedly entrust upon you, the great upholder of democracy to maintain the flames from being extinguished.

Yours faithfully,

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FM PEKING  
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OF 070641Z JUNE 89  
INFO IMMEDIATE HONG KONG

YOUR TELNO 545 (NOT TO HONG KONG).

CHINA INTERNAL: EVACUATION.

1. ON THE AUTHORITY GIVEN TO ME IN YOUR TELNO 525 I HAVE DECIDED TO SEND ALL EMBASSY DEPENDANTS AND A CERTAIN NUMBER OF NON-ESSENTIAL STAFF OUT OF PEKING TODAY ON A VOLUNTARY BASIS. WE ARE NOT (NOT) TREATING THIS AS A FORMAL EVACUATION. THE PROPOSED MEANS IS BY A BA FLIGHT EXTENDED TO PEKING AS DESCRIBED IN YOUR PARA 2. WE AWAIT FINAL CHINESE CLEARANCE BUT THINGS ARE SHAPING UP WELL.
2. A FULL LIST OF DEPENDANTS AND STAFF TAKING THIS FLIGHT WILL FOLLOW IN DUE COURSE. IT WILL INCLUDE A NUMBER OF NON-EMBASSY PERSONNEL WHOM WE HAVE RESPONSIBILITY TO HELP, E.G. THE FAMILY OF A BRITISH CITIZEN WORKING IN THE EC OFFICE. REMAINING SEATS WILL BE OFFERED BY BA ON A COMMERCIAL BASIS WITH PREFERENCE GIVEN TO BRITISH AND HONG KONG CITIZENS.
3. DECISION TO TAKE THIS STEP WAS BASED ON GENERAL SITUATION (INCLUDING WORSENING LIVING CONDITIONS) RATHER THAN ANY NEW EVENTS OR INFORMATION OVERNIGHT. WITHIN THE LAST HOUR, HOWEVER, THERE HAVE BEEN A NUMBER OF DISTURBING DEVELOPMENTS. A LARGE BODY OF CIVILIANS, SOME WITH WEAPONS, HAS BEEN REPORTED APPROACHING EASTWARD DOWN CHANG'AN TO THE JIANGUOMENWAI INTERSECTION. SEVERAL TROOP MOVEMENTS HAVE TAKEN PLACE AT THAT POINT, WITH VOLLEYS BEING FIRED IN THE AIR. ONE BRITISH FLAT WAS HIT BY A STRAY BULLET (NO CASUALTIES). MOST RECENTLY (1400 LOCAL) THE GATES TO THE JIANGUOMENWAI DIPLOMATIC COMPOUND ON THE CORNER OF THE INTERSECTION (WHERE MANY EMBASSY FAMILIES ARE IN FLATS) HAVE BEEN LOCKED WITH A SOLDIER PLACED ON GUARD, BUT WE UNDERSTAND THAT THE REASON IS TO ALLOW TROOPS TO DEAL WITH A SNIPER ON THE ROOF OF A NEARBY BUILDING. MEANWHILE THE TROOPS HAVE IMPOSED A TOTAL BAN ON MOVEMENT IN THE VICINITY AND WE HAVE WARNED ALL PERSONNEL IN THE COMPOUND TO OBSERVE THIS ABSOLUTELY AND TO CONTINUE TO KEEP THEIR HEADS DOWN. WE UNDERSTAND EMBASSY POLICE GUARDS ARE BEING REPLACED BY PLA SOLDIERS AT THIS TIME.

4. IN THE LIGHT OF THESE DEVELOPMENTS I IMMEDIATELY TELEPHONED THE MFA AND LEFT A MESSAGE FOR ACTING FOREIGN MINISTER ZHOU NAN (WHO WAS SAID TO BE 'IN A MEETING') EXPRESSING MY EXTREME CONCERN ABOUT THE SAFETY OF STAFF IN THE JIANGUOMENWAI COMPOUND AND REMINDING THE MFA OF THEIR RESPONSIBILITY FOR OUR SAFETY (RECENTLY REAFFIRMED BY QIAN QICHEN). THE AUSTRALIANS HAVE DONE THE SAME. I HAVE INFORMED THE U S AND SOVIET AMBASSADORS OF MY ACTION (THEY ALSO HAVE STAFF IN THE COMPOUND). IN THE LAST FEW MINUTES I RECEIVED A PROMPT REPLY FROM THE HEAD O F W E D, MFA SAYING THAT HE UNDERSTOOD MY CONCERN AND HAD RELAYED IT AT ONCE TO 'THE DEPARTMENT CONCERNED', ASKING THEM TO TAKE MEASURES TO ENSURE THE SAFETY OF BRITISH DIPLOMATIC PERSONNEL. I THANKED HIM BUT ASKED HIM TO ENSURE ZHOU NAN WAS INFORMED OF THIS EXCHANGE.

5. WE HAVE TO LIVE WITH AN UNPREDICTABLE SITUATION FROM MOMENT TO MOMENT. MY OBJECTIVE WILL BE TO GO FORWARD WITH THE PLANNED MEASURES TO SEND OUT STAFF, AND GATHER REMAINING STAFF INTO THE SAFEST PREMISES AVAILABLE, AS AND WHEN WE ARE ABLE TO CARRY OUT THE NECESSARY MOVEMENTS IN SAFETY.

DONALD

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OUR TELNO 1551: US/CHINA  
SUMMARY

1. US ENCOURAGING AMERICAN CITIZENS IN THE PEKING AREA TO LEAVE CHINA AND LIKELY TO LAY ON CHARTER FLIGHTS SHORTLY. PRESIDENT BUSH'S PACKAGE OF MEASURES WELL RECEIVED IN THE PRESS AND ON THE HILL, WHERE THE PRESSURE FOR FURTHER MEASURES IS AT PRESENT UNDER CONTROL.

DETAIL

US EVACUATION PLANS

2. THE STATE DEPARTMENT SPOKESMAN SAID ON 6 JUNE THAT BAKER HAD DECIDED TO ENCOURAGE AMERICAN CITIZENS IN THE PEKING AREA TO LEAVE CHINA. THE EMBASSY WOULD BE CONTACTING US CITIZENS TO PASS ON THIS ADVICE, AND TO ASSIST IN THEIR DEPARTURE. THE AMBASSADOR WAS AUTHORISED TO PERMIT VOLUNTARY DEPARTURE OF US GOVERNMENT DEPENDENTS WHO WISHED TO LEAVE CHINA. THERE WOULD BE NO REDUCTION OF EMBASSY OFFICERS OR THOSE FROM THE FOUR US CONSULATES. THE SPOKESMAN ADDED THAT US CITIZENS IN OTHER PARTS OF CHINA MAY ALSO WISH TO LEAVE CHINA DEPENDING ON THE LOCAL SITUATION. IN THAT CASE, THEY SHOULD, IF POSSIBLE, AVOID ROUTES OUT OF THE COUNTRY THAT WOULD REQUIRE THEM TO TRAVEL THROUGH PEKING. THE TOTAL NUMBER OF AMERICANS IN CHINA AS AT JANUARY 1989 WAS ROUGHLY 360 STUDENTS (270 IN PEKING), 428 EMBASSY AND CONSULATE PERSONNEL AND DEPENDENTS, 1400 OTHER AMERICANS IN PEKING, AND 8,800 IN ALL OF CHINA. STATE SAY THAT UP TO THREE QUARTERS OF EMPLOYEES OF US COMPANIES IN CHINA HAVE ALREADY LEFT.

3. WE HAVE BEEN IN TOUCH WITH THE STATE DEPARTMENT TASK FORCE DURING THE DAY. THEY TOLD US THIS EVENING THAT THEY ARE MOVING TOWARDS A DECISION TO BRING IN THE CHARTER AIRCRAFT POSITIONED IN JAPAN. WE ASKED WHETHER IN PRINCIPLE THERE WOULD BE ROOM ON ANY OF THESE FLIGHTS FOR BRITISH CITIZENS. THEY UNDERTOOK TO INCLUDE THIS IN CONSIDERING THE DETAILS AND URGED THAT OUR EMBASSIES IN PEKING SHOULD CONTINUE TO KEEP IN THE CLOSEST CONTACT.

REACTIONS TO THE PRESIDENT'S STATEMENT

4. THE MEASURED RESPONSE ANNOUNCED BY THE PRESIDENT ON 6 JUNE HAS BEEN WIDELY ENDORSED. BOTH THE WASHINGTON POST AND NEW YORK TIMES CARRY SUPPORTIVE EDITORIALS ON 6 JUNE. THE WASHINGTON POST SAYS



THAT THE NEED TO EXPRESS QUOTE GREAT REVULSION UNQUOTE WHILST AT THE SAME TIME TAKING INTO ACCOUNT QUOTE THE MAJOR AMERICAN INVESTMENT IN POLITICAL AND STRATEGIC COOPERATION WITH CHINA UNQUOTE HAD BEEN ACCOMPLISHED QUOTE WITH SOME DEFTNESS UNQUOTE. BUSH'S ACTION WAS QUOTE NOT JUST A SYMBOL OF AMERICAN DISGUST UNQUOTE BUT MAY ALSO BE TAKEN QUOTE AS A DIRECT SIGNAL TO THOSE MILITARY ELEMENTS WHICH BELIEVE THE ARMY HAS BEEN SORELY MISUSED, AND THAT THIS MISUSE THREATENS A MILITARY AND STRATEGIC CONNECTION THAT IS OF VERY GREAT VALUE TO CHINA UNQUOTE. THE NEW YORK TIMES COMMENTS THAT THE PRESIDENT QUOTE HAS RISEN ADMIRABLY TO THE OCCASION IN CHINA ... THE STEPS HE ANNOUNCED YESTERDAY DO JUSTICE BOTH TO AMERICAN VALUES AND TO AMERICAN INTERESTS AND DESERVE THE WIDEST SUPPORT UNQUOTE. THE MEASURES TAKEN QUOTE WILL SEND AN UNMISTAKEABLY TOUGH MESSAGE ... WHILST PRESERVING A MUCH-NEEDED FLOW OF INFORMATION ... THE BEST WAY ... IS NOT TO TURN AMERICA'S BACK SELF-RIGHTEOUSLY ON CHINA'S CONVULSIONS ... BUT TO CONDEMN, IN THE FORCEFUL WAY THE PRESIDENT HAS NOW DONE, THE GREAT CRIME ... AND TO STAY ENGAGED FOR WHAT LIES AHEAD UNQUOTE.

5. REACTIONS ON THE HILL HAVE ALSO BEEN GENERALLY FAVOURABLE. RESOLUTIONS HAVE BEEN INTRODUCED IN BOTH HOUSES CONDEMNING THE MASSACRES, COMMENDING THE MEASURES ALREADY TAKEN BY THE PRESIDENT AND RESERVING THE RIGHT TO CALL FOR FURTHER STEPS IF THE REPRESSION IN CHINA CONTINUES. OUR CONTACTS ON THE HILL TELL US THAT MOST CONGRESSMEN ARE ANXIOUS NOT TO GET TOO FAR AHEAD OF THE ADMINISTRATION. THERE IS STILL PRESSURE, FROM SOME IN THE HOUSE AND FROM HELMS, TO GO FURTHER IN THE DIRECTION OF SANCTIONS. BUT THERE IS ALSO A WIDESPREAD RECOGNITION THAT ECONOMIC SANCTIONS WOULD BE EFFECTIVE ONLY IF CONCERTED WITH WESTERN ALLIES. THE BALANCE OF OPINION IN BOTH HOUSES AT PRESENT SEEMS TO BE IN FAVOUR OF THE MORE MEASURED APPROACH ADOPTED BY THE PRESIDENT.

#### CURRENT SITUATION

6. AS WE ARE REPORTING MORE FULLY TO THE ASSESSMENT STAFF, THE US INTELLIGENCE COMMUNITY STILL HAVE NO COLLATERAL FOR THE MEDIA REPORTS OF FIGHTING BETWEEN PLA ELEMENTS, ALTHOUGH THERE IS PLENTY OF EVIDENCE THAT SOME UNITS SUCH AS THE 38TH ARMY HAVE STAYED ALOOF FROM THE CRACKDOWN. THE CIA SEE NO EVIDENCE THAT AN ALTERNATIVE MILITARY LEADERSHIP IS EMERGING AND ARE THEREFORE WARY OF PRESS SPECULATION THAT CHINA IS ON THE VERGE OF CIVIL WAR. BUT THEY SEE NO EARLY END TO THE CONFUSION IN PEKING AND MANY OTHER CITIES. THEY HAVE NO CONFIRMATION OF REPORTS THAT DENG IS SERIOUSLY ILL, OR THAT LI PENG HAS BEEN WOUNDED.

ACLAND



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40/6  
LPC

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

6 June 1989

**CHINA**

The Prime Minister has seen Peking telegram no. 1040 about the possible evacuation of British nationals from Peking. She has commented that we should try to get our students and other nationals out as fast as we can, by scheduled services where possible but by mounting special charters if this is quicker and more efficient. The Ambassador should certainly be given the authority he needs to charter any aircraft required at HMG's expense.

I am copying this letter to Carys Evans (Chief Secretary's Office, H.M. Treasury).

(CHARLES POWELL)

R.N. Peirce, Esq.,  
Foreign and Commonwealth Office.

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CHINA INTERNAL: STATEMENT BY CONGRESS OF PEOPLE'S DEPUTIES.

SUMMARY

1. AT ITS SESSION ON 6 JUNE, THE NEWLY ELECTED CONGRESS OF PEOPLES' DEPUTIES ISSUED A STATEMENT ON THE SITUATION IN CHINA, EXPRESSING THE HOPE THAT A SOLUTION WILL BE FOUND, BUT EMPHASISING THAT IT IS AN INTERNAL AFFAIR FOR THE CHINESE TO RESOLVE.

DETAIL

2. AFTER AN INTRODUCTORY PREAMBLE, THE TEXT OF THE STATEMENT (AS PUT OUT BY TASS) READ AS FOLLOWS:

QUOTE NOW IS NOT THE TIME FOR UNCONSIDERED, HASTY CONCLUSIONS AND STATEMENTS, WHATEVER THE INTENSITY OF PASSIONS. IT IS OF IMPORTANCE TO LOOK FOR SUCH SOLUTIONS WHICH WOULD BE DETERMINED BY THE AIM OF CONSOLIDATING SOCIETY.

OF COURSE, THE EVENTS HAPPENING IN CHINA ARE AN INTERNAL AFFAIR OF THE COUNTRY.

ANY ATTEMPTS AT PRESSURE FROM THE OUTSIDE WORLD WOULD BE INAPPROPRIATE. SUCH ATTEMPTS ONLY BLOW UP PASSIONS AND DO NOT PROMOTE STABILISATION OF THE SITUATION IN ANY WAY.

WE HOPE THAT WISDOM, SOUND REASON AND A BALANCED APPROACH WILL PREVAIL AND THAT A WAY OUT OF THE CURRENT SITUATION WILL BE FOUND, A WAY OUT WORTHY OF THE GREAT CHINESE PEOPLE.

WE SINCERELY WISH THAT THE FRIENDLY CHINESE PEOPLE WILL TURN THIS TRAGIC PAGE OF THEIR HISTORY AS SOON AS POSSIBLE AND GO FURTHER ALONG THE ROAD OF ECONOMIC AND POLITICAL TRANSFORMATIONS, ALONG THE ROADS OF BUILDING A STRONG, PEACEFUL AND FREE SOCIALIST CHINA - A GREAT COUNTRY WHICH IS HELD IN RESPECT AND IS SYMPATHISED WITH BY ITS NEIGHBOURS AND BY THE WHOLE OF MANKIND.

COMMENT

PAGE 1  
RESTRICTED

3. THIS IS THE FIRST STATEMENT OF ITS KIND ISSUED BY THE CONGRESS, WHICH CONSTITUTIONALLY IS THE HIGHEST BODY OF STATE IN THE USSR. IT DOES NOT REPRESENT THE FORMAL VIEW OF THE GOVERNMENT, BUT IS A MEANS OF EXPRESSING THE FIRST SEMI-OFFICIAL SOVIET COMMENT. THE STATEMENT IS CAREFUL TO APPEAR REASONED AND BALANCED. CARE HAS BEEN TAKEN NOT TO APPORTION ANY BLAME, NOR TO SAY ANYTHING WHICH COULD BE INTERPRETED AS INTERFERENCE IN CHINA'S INTERNAL AFFAIRS. WITH THEIR OWN CURRENT OUTBREAK OF ETHNIC VIOLENCE IN UZBEKISTAN AND THE RECENT EVENTS IN GEORGIA, THE RUSSIANS ARE UNLIKELY TO MAKE ANY COMMENT ON THE HANDLING OF MASS DEMONSTRATIONS WHICH COULD LAY THEMSELVES OPEN TO CRITICISM AND ACCUSATIONS OF DOUBLE STANDARDS. THEY WILL ALSO WISH TO PROTECT THEIR NEW RELATIONSHIP WITH THE P.R.C.

BRAITHWAITE

YYYY

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its hands in the way suggested in these amendments seems wrong both in principle and as a matter of practice. That is why I urge your Lordships to resist these amendments.

**Lord McIntosh of Haringey:** My Lords, I wish to say straight away that I acknowledge the force of the points made by the noble Lord, Lord Renton. In seeking to accommodate the very reasonable concerns expressed by the noble Lord, Lord Crickhowell, and others to secure that sensible arrangements were possible in the opening years of the life of the National Rivers Authority we have gone too far. We have sought in the text of these amendments to do something that we did not intend to do in our minds, which was to prohibit all subcontracting, whether to the plcs or to anybody else. To that extent, the amendments are not only defective but are gravely defective. I shall not ask the House to divide on them.

I apologise for having taken up some of the time of the House with defective amendments. I say partly because the response of the Minister is of great interest to us. I listened carefully to what he said in his argument against any restriction of subcontracting to the plcs. He will understand that, whatever the amendment states, I do not agree with that.

I listened in particular to what the Minister said about the safeguards which will be incorporated in the schemes of transfer under Schedule 2. That seems to me to offer some hope that we might reach an acceptable compromise between now and a later stage of the Bill which would protect the distinction between poacher and gamekeeper. That is, after all, at the heart of the establishment of the National Rivers Authority. It is a gamekeeper authority called into being because the water and sewerage undertakings are to be privatised and are to be removed from other controls. To that extent, I believe we are all in agreement that there must be this separation of powers and responsibilities.

However, I do not think I go along with the noble Lord, Lord Trafford, in what he called his theoretical argument. I shall have to think about that and read his speech with some care between now and a later stage. However, it is clear that what we want to do, which is to maintain the independence of the National Rivers Authority from the plcs that it is supposed to be controlling, is not achieved by these amendments. As I said, we may have to look at other ways of achieving what we want between now and Third Reading. However, in the meantime, I beg leave to withdraw the amendment.

Amendment, by leave, withdrawn.

**The Earl of Arran:** My Lords, I beg to move that further consideration on Report now be adjourned.

Moved, accordingly, and, on Question, Motion agreed to.

## Events in China: Implications for Hong Kong

4.15 p.m.

**The Minister of State, Foreign and Commonwealth Office (Lord Glenarthur):** My Lords, with the leave of the House, I shall now repeat a Statement being made in another place by my right honourable and learned friend the Foreign and Commonwealth Secretary on events in China and their implications for Hong Kong. The Statement is as follows:

"With permission, Mr Speaker, I should like to make a statement about events in China in recent weeks.

"During the last few days units of the Chinese Army have been engaged in the violent suppression of peaceful and popular demonstrations in the streets of Peking. The indiscriminate and unprovoked use of military force has caused the death or injury of thousands of students and other innocent civilians. I am sure that all Members of the House will share the worldwide sense of horror and join in the international condemnation of the slaughter of innocent people.

"I summoned the Chinese chargé d'affaires yesterday. I told him that the British Government and people were united in condemning the merciless treatment of peaceful demonstrators, and deeply deplored the use of force to suppress the democratic aspirations of the Chinese people. I told him that the British Government looked to the Chinese authorities to fulfil their obligations to Hong Kong in the joint declaration.

"I reminded him of the responsibilities of the Chinese Government to ensure the safety of British citizens and Hong Kong residents. I expressed concern at the maltreatment of British journalists, particularly Michael Fathers of the *Independent* and Johnathan Mirksy of the *Observer*. We have since seen disturbing reports of the ill-treatment of Kate Adie of the BBC.

"Our ambassador in Peking and his staff have been working round the clock to ensure the safety of British citizens and Hong Kong residents in Peking and as far as possible in other parts of China. The embassy has advised against travel to any part of China. They have also advised those who are concerned about their safety and have no pressing need to remain in China to leave immediately.

"Since the Cultural Revolution there has been a substantial improvement in relations between the United Kingdom and the People's Republic of China as the Chinese Government have sought to broaden their contacts with the international community and to introduce economic and other reforms. Friends of China in this House and around the world must share the hope that sane and balanced government will be swiftly and securely restored in Peking. In present circumstances, however, there can be no question of continuing normal business with the Chinese authorities.

[LORD GLENARTHUR.]

"Her Majesty's Government have therefore decided on the following action. All scheduled ministerial exchanges between Britain and China have been suspended. The visit of the Chinese Minister of Justice, who was due to arrive here tomorrow, has been cancelled. My right honourable friend the Minister of Agriculture, Fisheries and Food has also cancelled his forthcoming visit to China.

"The proposed visit of Their Royal Highnesses The Prince and Princess of Wales to China in November clearly cannot take place so long as those responsible for the atrocities over the past weekend remain in control of the Chinese Government. All high-level military contacts with China have been suspended. All arms sales to China have been banned. At the same time the Government are examining how we can respond to any requests for humanitarian assistance from non-governmental organisations.

"The whole House will share the Government's special concern about the implications for Hong Kong of what has been happening in Peking. The Government understand and share the grave concern felt by the people of Hong Kong. We have all been deeply impressed by the strength and restraint of their response to what has happened.

"Everything that has been accomplished in Hong Kong has been achieved in the unique context of the geography and history of the territory, and by the talent and enterprise of its people. All that underlines the extent to which the future prosperity of Hong Kong must depend upon a successful and secure partnership with the Government and people of China. That objective is enshrined in the commitments made by the British Government and the Government of China under the joint declaration. Those commitments were reaffirmed by the chargé d'affaires when he called on me yesterday. But it is self-evident that if we are to have confidence in the commitment of the Chinese Government to their obligations, there must be a stable and responsible government in Peking. The British Government will stand by its obligations under the joint declaration. The Government and the House look to the Government of the People's Republic of China to live up to that international commitment as well.

"The events in Peking must affect the prospects and procedure for implementation of the joint declaration. Consultations about the second draft of the Basic Law for Hong Kong have been suspended. It is also difficult to see how our own contacts with the Chinese Government about the future of Hong Kong can continue in present circumstances.

"Meanwhile, I can assure the House that we shall be conducting a thorough examination of the programme for advancing and consolidating effective democracy in Hong Kong. We are considering urgently what further steps can be taken to enshrine and protect Hong Kong's freedoms and way of life after 1997.

"All of us in this House are acutely conscious of the wish of the people of Hong Kong to secure some form of assurance for themselves and their families. I know that this has been one of the issues studied by the Select Committee on Foreign Affairs. Some commentators have recommended that a right of abode in this country should be given to the 3¼ million people in Hong Kong who hold British nationality. We share the desire of the House to do everything we can to enhance the security of the people of Hong Kong. On that basis, the Government are looking urgently and sympathetically at the scope for flexibility. But the House will appreciate the reason why we could not easily contemplate a massive new immigration commitment which could—and the possibility cannot be disregarded—more than double the ethnic minority population of the United Kingdom. Our overriding aim must be to do everything possible to secure the continuation of those conditions in Hong Kong that have led to its outstanding success over the last century. I hope the House will send a message to the people of Hong Kong, reaffirming our commitment to their secure, stable and prosperous future.

"The Chinese people are seeking from their communist leadership rights and liberties which are taken for granted in the free world. The slaughter in Peking is a tragic setback to the campaign for democracy but I hope this House will send a united message. China cannot ignore the lessons which are being learnt elsewhere in the world. Economic prosperity and personal liberty go hand in hand. People will not forever tolerate government by repression".

My Lords, that concludes the Statement.

4.24 p.m.

**Lord Cledwyn of Penrhos:** My Lords, we thank the noble Lord for repeating the Statement. As the Statement says, we have all been profoundly shocked by the deplorable and distressing events in Tiananmen Square over the weekend. We condemn such action without reservation. It would be a mistake at this stage to attempt to make any judgment or prediction as to the consequences of recent developments in China. We and other countries must wait to see how matters develop and whether the present government or some other administration emerges from the present chaos. This seems to me to be the only practical and sensible stance at this moment.

We note the advice that the Government are giving to British nationals in China. Can the Minister say what assistance is being offered to them if that may be required? In particular, there is concern about the large number of British students in China. Perhaps the noble Lord could confirm the situation with respect to the students in the light of recent press reports about the dangers to their safety. We also note the remarks in the Statement about British journalists. I should like to pay a tribute to them for their courage in dangerous circumstances and also for the quality of their reporting.

nations of Europe belonging to NATO going way beyond the European Community—signed the treaty, including other Socialist Governments. The Labour party could not sign the document and therefore could not accept the shield and defence of NATO. What a pity Labour Members are such a puny lot.

**Mr. Julian Brazier** (Canterbury): Does my right hon. Friend agree that one of the most critical reasons for our retention of tactical nuclear weapons is the overwhelming number of chemical weapons that the Soviet Union possesses—approximately one quarter of its forward stocks of ammunition? Does she further agree that those weapons give the Soviet conventional forces an overwhelming advantage which is further enhanced by their numerical superiority?

**The Prime Minister:** I agree that the Soviets have colossal superiority in chemical weapons, a point that is dealt with effectively in this year's defence White Paper. In 1991 the older chemical weapons that the United States has stationed in the Federal Republic will be withdrawn and then we shall be without any chemical weapons unless modernised ones are substituted and stationed. In that case, our only response to the use of chemical weapons would be nuclear, and that is an additional reason for keeping nuclear weapons.

**Dr. Norman A. Godman** (Greenock and Port Glasgow): Why is it so difficult for the right hon. Lady to admit that a major change has taken place in recent times in the special relationship between America and the United Kingdom?

**The Prime Minister:** The alliance between the United States and Canada and the European partners of NATO is as firm as ever it was, and it is that which makes our defence sure. The major change that has taken place has been in the approach, opinions and views of the Soviet Union, a change that would never have come about but for the firmness of people who share our views on defence.

## China

4.10 pm

**The Secretary of State for Foreign and Commonwealth Affairs (Sir Geoffrey Howe):** With permission, Mr. Speaker, I should like to make a statement about events in China in recent weeks.

During the last few days, units of the Chinese army have been engaged in the violent suppression of peaceful and popular demonstrations in the streets of Peking. The indiscriminate and unprovoked use of military force has caused the death or injury of thousands of students and other innocent civilians.

I am sure that all Members of the House will share the worldwide sense of horror and join in the international condemnation of the slaughter of innocent people.

I summoned the Chinese charge d'affaires yesterday. I told him that the British Government and people were united in condemning the merciless treatment of peaceful demonstrators, and deeply deplored the use of force to suppress the democratic aspirations of the Chinese people. I told him that the British Government looked to the Chinese authorities to fulfil their obligations to Hong Kong in the joint declaration of 1984. I reminded him of the responsibilities of the Chinese Government to ensure the safety of British citizens and Hong Kong residents.

I expressed concern at the maltreatment of British journalists, particularly Michael Fathers of *The Independent* and Johnathan Mirsky of *The Observer*. We have since seen disturbing reports of the ill-treatment of Kate Adie of the BBC.

Our ambassador in Peking and his staff have been working round the clock to ensure the safety of British citizens and Hong Kong residents in Peking and, as far as possible, in other parts of China. The embassy has advised against travel to any part of China. It has also advised those who are concerned about their safety and have no pressing need to remain in China to leave immediately.

Since the cultural revolution there has been a substantial improvement in relations between the United Kingdom and the People's Republic of China as the Chinese Government have sought to broaden their contacts with the international community and to introduce economic and other reforms. Friends of China in this House and around the world must share the hope that sane and balanced government will be swiftly and securely restored in Peking. In present circumstances, however, there can be no question of continuing normal business with the Chinese authorities.

Her Majesty's Government have therefore decided on the following action.

All scheduled ministerial exchanges between Britain and China have been suspended. The visit of the Chinese Minister of Justice, who was due to arrive here tomorrow, has been cancelled. My right hon. Friend the Minister of Agriculture, Fisheries and Food has also cancelled his forthcoming visit to China.

The proposed visit of their Royal Highnesses the Prince and Princess of Wales to China in November clearly cannot take place so long as those responsible for the atrocities over the past weekend remain in control of the Chinese Government.

All high-level military contacts with China have been suspended.

All arms sales to China have been banned.

[*Sir Geoffrey Howe*]

At the same time, the Government are examining how we can respond to any requests for humanitarian assistance from non-governmental organisations.

The whole House will share the Government's special concern about the implications for Hong Kong of what has been happening in Peking. The Government understand and share the grave concern felt by the people of Hong Kong. We have all been deeply impressed by the strength and restraint of their response to what has happened.

Everything that has been accomplished in Hong Kong has been achieved in the unique context of the geography and history of the territory and by the talent and enterprise of its people. All of that underlines the extent to which the future prosperity of Hong Kong must depend on a successful and secure partnership with the Government and people of China. That objective is enshrined in the commitments made by the British Government and the Government of China under the joint declaration. Those commitments were reaffirmed by the charge d'affaires when he called on me yesterday.

But it is self-evident that if we are to have confidence in the commitment of the Chinese Government to their obligations, there must be a stable and responsible Government in Peking. The British Government will stand by their obligations under the joint declaration. The Government and the House look to the Government of the People's Republic of China to live up to that international commitment as well.

The events in Peking must affect the prospects and procedure for implementation of the joint declaration. Consultations about the second draft of the Basic Law for Hong Kong have been suspended. It is also difficult to see how our own contacts with the Chinese Government about the future of Hong Kong can continue in present circumstances.

Meanwhile, I assure the House that we shall be conducting a thorough examination of the programme for advancing and consolidating effective democracy in Hong Kong. We are considering urgently what further steps can be taken to enshrine and protect Hong Kong's freedoms and way of life after 1997.

All of us in this House are acutely conscious of the wish of the people of Hong Kong to secure some form of assurance for themselves and their families. I know that this has been one of the issues studied by the Select Committee on Foreign Affairs.

Some commentators have recommended that a right of abode in this country should be given to the 3¼ million people in Hong Kong who hold British nationality. We share the desire of the House to do everything we can to enhance the security of the people of Hong Kong. On that basis, the Government are looking urgently and sympathetically at the scope for flexibility. But the House will appreciate the reason why we could not easily contemplate a massive new immigration commitment which could—and the possibility cannot be disregarded—more than double the ethnic minority population of the United Kingdom.

Our overriding aim must be to do everything possible to secure the continuation of those conditions in Hong Kong that have led to its outstanding success over the last

century. I hope the House will send a message to the people of Hong Kong reaffirming our commitment to their secure, stable and prosperous future.

The Chinese people are seeking from their Communist leadership rights and liberties which are taken for granted in the free world. The slaughter in Peking is a tragic setback to the campaign for democracy, but I hope this House will send a united message. China cannot ignore the lessons which are being learned elsewhere in the world. Economic prosperity and personal liberty go hand in hand. People will not forever tolerate government by repression.

**Mr. Gerald Kaufman** (Manchester, Gorton): My hon. Friends and I condemn outright and in the strongest terms the abominable massacres which have been perpetrated in Beijing. Those of us who have great feelings of friendship for China and have watched its political and economic progress with hope and satisfaction are particularly appalled at this regression to barbarity. It is impossible for us to return to those attitudes so long as this bloodstained repression continues and until it is clear that those in control of China repudiate it.

The scenes of carnage on our television screens have horrified us all. I pay tribute to the courageous journalists who have reported the events, and in particular to the remarkable Kate Adie of the BBC who has risked her life to get the news to Britain.

We admire the swift and positive action taken by President Bush to demonstrate the anger of the United States.

We support the action which Her Majesty's Government have taken and which the Foreign Secretary has just announced. I wish, though, that as well as suspending arms sales—and of course we support that suspension—he would examine the possibility of cancelling all other exports to China, including exports of vehicles which could be used for repression of the civilian population.

I also ask whether the Foreign Secretary will consult the other Governments of the European Community to ensure that firm and concerted action is taken by the whole Community. I should be grateful if he could tell the House what action the United Kingdom Government are considering taking in the United Nations on this matter.

We have been told—and of course we welcome it—about the action which the Government are taking, so far as they can, to protect and assist British citizens at present in Beijing and any other areas that may be affected. Will our embassy also be accepting its responsibility for the safety of Hong Kong citizens—journalists, business people and others—who may be caught up in these disturbances?

It is essential for the Government to take whatever action is open to them to provide reassurance for the people of Hong Kong. In eight years their colony is due to be incorporated into China, but only if the safety, welfare and governance of Hong Kong remain the sole responsibility of this United Kingdom House of Commons.

As the Foreign Secretary knows, the Opposition recommended that elections to the Hong Kong legislative council should take place last year. That was not done. We now ask the Foreign Secretary urgently to consider the possibility of bringing forward the elections scheduled for 1991 if possible to this year, but certainly to no later than





cc: PC  
DM  
Press  
Questions  
✓ DC.

~~C.D.P.~~  
Revised  
version

STATEMENT ON EVENTS IN CHINA AND THEIR IMPLICATIONS FOR HONG KONG

With permission, Mr Speaker, I should like to make a statement about events in China in recent weeks.

During the last few days, units of the Chinese Army have been engaged in the violent suppression of peaceful and popular demonstrations in the streets of Peking. The indiscriminate and unprovoked use of military force has caused the death or injury of thousands of students and other innocent civilians.

The British Government and other governments had, since recent disturbances began, urged on the Chinese authorities a policy of dialogue and non-violence. After a period in which a peaceful outcome had looked possible, the brutal actions of the Chinese Army have sent shock waves round the world. I am sure that all members of the House will share that sense of horror and join in the international condemnation of the slaughter of innocent people.

I summoned the Chinese Chargé d'Affaires yesterday. I told him that the British Government and people were united in condemning the merciless treatment of peaceful demonstrators, and deeply deplored the use of force to suppress the democratic aspirations of the Chinese people.

I told the Chargé that the British Government looked to the Chinese authorities to fulfil their obligations to Hong Kong in the Joint Declaration.



I reminded the Chargé of the responsibilities of the Chinese Government to ensure the safety of British citizens and Hong Kong residents. I expressed concern at the maltreatment of British journalists, particularly Michael Fathers of The Independent and Johnathan Mirksy of The Observer. We have since seen disturbing reports of the ill treatment of Kate Adie of the BBC.

Our Ambassador in Peking and his staff have been working round the clock to ensure the safety of British citizens and Hong Kong residents in Peking and, as far as possible, in other parts of China. The Embassy have advised against travel to any part of China. They have also advised those who are concerned about their safety and have no pressing need to remain in China to leave immediately. Our concern to ensure the safety of British and Hong Kong citizens will remain paramount.

Since the Cultural Revolution, there has been a substantial improvement in relations between the United Kingdom and the People's Republic of China as the Chinese Government has sought to broaden its contacts with the international community and to introduce economic and other reforms. Friends of China in this House and around the world must share the hope that sane and balanced government will be swiftly and securely restored in Peking. In present circumstances, however, there can be no question of continuing normal business with the Chinese authorities.

Her Majesty's Government have therefore decided on the following action:



- all scheduled ministerial exchanges between Britain and China have been suspended. The visit of the Chinese Minister of Justice, who was due to arrive here tomorrow, has been cancelled. My Rt Hon Friend, the Minister of Agriculture, Fisheries and Food, has also cancelled his forthcoming visit to China;
- the proposed visit of Their Royal Highnesses The Prince and Princess of Wales to China in November clearly cannot take place so long as those responsible for the atrocities over the past weekend remain in control of the Chinese Government;
- all high-level military contacts with China have been suspended;
- all arms sales to China have been banned.

At the same time, the Government are examining how we can respond to any requests for humanitarian assistance from non-governmental organisations.

The whole House will share the Government's special concern about the implications for Hong Kong of what has been happening in Peking. The Government understand the grave concern felt by the people of Hong Kong. We have all been deeply impressed by the strength and restraint of their response to what has happened.

Everything that has been accomplished in Hong Kong has been achieved in the unique context of the geography and history of the Territory, and by the talent and enterprise of its people. All that underlines the extent to which the future prosperity of Hong Kong must depend upon a successful and secure partnership with the



government and people of China. That objective is enshrined in the commitments made by the British Government and the Government of China under the Joint Declaration. Those commitments were reaffirmed by the Chargé d'Affaires when he called on me yesterday. But it is self-evident that if we are to have confidence in the commitment of the Chinese Government to their obligations, there must be a stable and responsible government in Peking. The British Government will stand by its obligations under the Joint Declaration. The Government and the House look to the Government of the People's Republic of China to live up to that international commitment as well.

The events in Peking must affect the prospects and procedure for implementation of the Joint Declaration. Consultations about the second draft of the Basic Law for Hong Kong have been suspended. It is also difficult to see how our own contacts with the Chinese Government about the future of Hong Kong can continue in present circumstances.

No-one can doubt from the peaceful and dignified demonstrations of the last few days the degree of concern on the part of the people of Hong Kong that their future security, stability and freedom will be guaranteed after 1997. The British Government fully share that concern. I can assure the House that we shall be conducting a thorough examination of the programme for advancing and consolidating effective democracy in Hong Kong. We are considering urgently what further steps can be taken to enshrine and protect Hong Kong's freedoms and way of life after 1997.



All of us in this House are acutely conscious of the wish of the people of Hong Kong to secure some form of assurance for themselves and their families. I know that this has been one of the issues studied by the Select Committee on Foreign Affairs. Some commentators have recommended that a right of abode in this country should be given to the 3¼ million people in Hong Kong who hold British nationality. We share the desire of the House to do everything we can to enhance the security of the people of Hong Kong. On that basis, the Government are looking urgently and sympathetically at the scope for flexibility. But the House will appreciate the reason why we could not easily contemplate a massive new immigration commitment which would more than double the ethnic minority population of the United Kingdom. Our overriding aim must be to do everything possible to secure the continuation of those conditions in Hong Kong that have led to its outstanding success over the last century. I hope the House will send a message to the people of Hong Kong, reaffirming our commitment to their secure, stable and prosperous future.

The events of the last few days in China run directly counter to the recent trend within China itself and to the pressure for legitimate democratic change which is being increasingly recognised throughout the world. The Chinese students are demanding from their Communist leadership rights and liberties which are taken for granted in the free world. The slaughter in Peking is a tragic setback to the campaign for democracy but I hope this House will send a united message: a message of support to the people of China; a message of warning to the Government of China that the economic revival which they have successfully fostered in recent years can only succeed if it is accompanied by essential human rights and freedoms.

STATEMENT ON RECENT EVENTS IN PEKING

We are all deeply shocked by the news from Peking and appalled by the indiscriminate shooting of unarmed people. It is a reminder that, despite some recent easing of East/West tensions, a very great gulf remains between the democratic and the communist societies.

We view these events in Peking with particular concern because of our responsibility for Hong Kong and our obligation - which we share with the Chinese Government under the Joint Declaration - to safeguard Hong Kong's future stability and prosperity.

I understand the deep anxiety presently felt by people in Hong Kong and admire their steadfastness in the face of these latest tragic events.

Britain will continue to stand by its commitment to a secure future for Hong Kong. We are confident that the Chinese Government also will continue to abide by their obligations under the 1984 Agreement.

MRMAEM

MORE TO (2)  
FOLLOW

SECRETARY OF STATE'S INTERVIEW WITH THE WORLD AT ONE  
CHINA

POINTS TO MAKE

Events\_in\_Peking

The situation remains confused. Number of dead unclear. But apparent they many hundreds have been injured. Chinese troops guilty of firing indiscriminately on unarmed people. PLA's claim that they have secured a famous victory is a travesty of reality. Ruthless use of force against defenceless demonstrators is totally unjustified.

Impact\_on\_Chinese\_Leadership

Premature to speculate about political consequences in China of use of armed forces against demonstrators. Events of past few weeks demonstrate that Chinese leadership is divided. Regrettable that hard-line counsel has prevailed. Chinese government should realise that history teaches <sup>that</sup> those who use ruthless force to suppress legitimate aspirations of their people do not long survive. Hope that Chinese leadership will come to their senses and that voices of reason and moderation will reassert themselves.

Use\_of\_Force

Use of armed forces goes against trend elsewhere in Communist world. Other Communist leaders recognise that dialogue not confrontation is the only basis for stable government. Desire for more responsible, open government is universal. China cannot remain immune from changes taking place throughout the Communist world.

REPRESENTATIONS BY HMG

We will ensure that the Chinese government are aware of our deep regret at developments in Peking.

EC COORDINATION

We shall call on our European partners to join us in urging moderation and restraint on the Chinese government.

CONSULAR

The Embassy at Peking are urgently seeking to establish whether there are any British casualties. So far no reports of injuries to British citizens although some British journalists have been mistreated. Our advice is that all travel in the Peking area should be postponed until further notice.

(BACKGROUND

The Embassy have reported that a Reuters journalist has been manhandled by Chinese security personnel. Dr Mirsky of the Observer said in a radio interview that he had been beaten by Chinese military)



POINTS TO MAKE

- Joint Declaration was signed because it was in the interests of China as well as Britain and Hong Kong to keep Hong Kong stable and prosperous.
- Joint Declaration guarantees a high degree of autonomy, respect for human rights and rule of law.
- Nothing which has happened in Peking affects these calculations. Whilst remembering the horror of what has happened, should keep this perspective clearly in mind.

DEFENSIVE

Effects on Confidence

- Bound to shake confidence in short term but we must all work to ensure that confidence holds up. Time for steady nerves and calm reflection. Hong Kong has a great deal going for it.

Nationality: Right of Abode in UK for all Hong Kong people

- A number of means exist by which Hong Kong people can come here if they wish. Immense practical difficulties in giving everyone an automatic right to do so.
- Convinced that most Hong Kong people want to continue to make their lives in Hong Kong. Our responsibility is to create conditions to enable them to do so.



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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

6 June 1989

**CHINA**

The Prime Minister has seen Peking telegram no. 1040 about the possible evacuation of British nationals from Peking. She has commented that we should try to get our students and other nationals out as fast as we can, by scheduled services where possible but by mounting special charters if this is quicker and more efficient. The Ambassador should certainly be given the authority he needs to charter any aircraft required at HMG's expense.

I am copying this letter to Carys Evans (Chief Secretary's Office, H.M. Treasury).

(CHARLES POWELL)

R.N. Peirce, Esq.,  
Foreign and Commonwealth Office.

**SECRET**

Mtg Record

cc Subject Pled in China

MASTOR

Sat: 5th May 1979



6a-6

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 June 1989

Dear Sir,

CHINA

President Bush telephoned the Prime Minister this afternoon about the situation in China. The conversation began with the President thanking the Prime Minister for his marvellous visit to the United Kingdom. The Prime Minister congratulated the President on the overall success of his European tour.

The President then said that he was very concerned about the situation in China. He welcomed the statement which the Prime Minister had issued. He himself had just issued a further statement. It was quite restrained and would not keep his critics, particularly those on the right, happy. The statement deplored the use of violence and said that the United States would suspend military sales to China. He did not intend to go any further, certainly for the time being, because he was anxious to keep links to the Chinese Government open. He recalled from his conversation with the Prime Minister in London that we were particularly sensitive to the implications of developments in Peking for Hong Kong and assumed that we shared his view of the need not to act precipitately.

The Prime Minister said that we had spoken out strongly against the use of violence by the Chinese authorities. People here were appalled by it. We had reaffirmed our commitment to Hong Kong, where there was naturally considerable alarm. We had also said that we believed the Chinese Government would continue to honour their obligations under the Joint Declaration. Beyond that, there seemed little we could do. Our information was limited and we could only wait to see what happened. Her own instinct told her that the situation in China was a long way from a final resolution. In the light of all this, she thought that the President's statement was just about right.

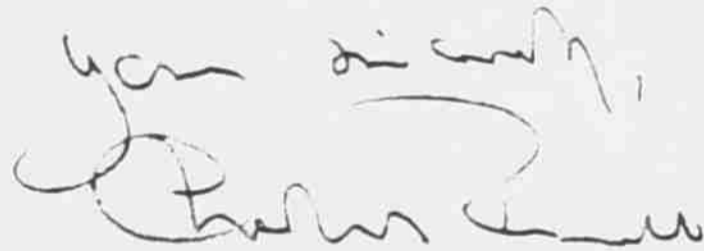
President Bush said that the Americans were concerned about the safety of their students. There were reports that the army was attacking the university. He had spoken to the American Ambassador, who had sought and received assurances from the Public Security Bureau that the students would be

safe. More generally, he was reluctant to take any further action before having a clearer idea of what was likely to happen. There were reports of divisions within the army but little firm evidence. There were also reports that Deng was seriously ill with cancer. If the Americans detected anything which impacted on Britain's particular responsibility for Hong Kong, he would let the Prime Minister know immediately. The Prime Minister said that our own students had been taken into the British Embassy. Our main source of information was the British correspondents in Peking and we had little additional material. Senior figures in the Party were clearly at loggerheads, and it was an open question who would come out on top.

President Bush repeated that the United States was anxious to preserve some sort of relationship with the Chinese Government. He hoped we would keep the United States closely in touch with our thinking. The Prime Minister said that we would gladly do so. She agreed with the President on the need to keep some channel of communication to the Chinese authorities open. Since China was a Permanent Member of the UN Security Council, she wondered whether there were grounds on which the UN Secretary General could raise with the Chinese authorities the international implications of recent events. The President thought this would be worth considering. He repeated his assurance that the United States would be very sensitive to Britain's special interest vis a vis Hong Kong and would keep closely in touch with us, particularly in the event that they contemplated further action.

The precise purpose of the President's call was not clear but seemed to be to seek reassurance that, like him, the Prime Minister did not want to go too far in castigating the Chinese or taking measures against them because of the need to keep links open.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).



C. D. POWELL

Stephen Wall, Esq.  
Foreign and Commonwealth Office

SECRET

PRIME MINISTER

CHINA

The situation continues to develop very fast. Stories of clashes between different units of the Army are becoming more frequent. As you will see from the attached telegram, our Ambassador is beginning to worry about evacuation if heavy fighting were to develop in the area where Embassy staff (and now students) are housed. The FCO are keeping a very careful eye on this.

We are also considering what action should be taken against the Chinese. We have suspended all current visits, including one planned by the Chinese Minister of Justice. We have said that it is most unlikely that the Prince and Princess of Wales would be able to go ahead with their visit later in present circumstances. We do not have any significant military sales but will probably announce tomorrow that we would not permit them in the present circumstances (the Americans, by contrast, have very substantial sales). We are not conducting any negotiations with the Chinese at present under the Joint Declaration. The Foreign Secretary's Statement tomorrow is likely to say (or hint) we will review the guarantees we are seeking for Hong Kong in the Basic Law as well as the pace of democratisation and the question of passports for some categories of Hong Kong citizens.

In short, we should have enough material by tomorrow for a respectable answer if you are pressed in the House. You can probably afford to step up further your condemnation of what is happening in Peking, particularly if there is further evidence that a substantial part of the Chinese leadership/Armed Forces is opposed to it.

There is no further news of Deng.

C.D.P.

CHARLES POWELL

5 June 1989

SECRET

LB352

49-6

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MDADAN 1357

APPROX COPY

SECRET  
UK COMMS ONLY  
FM PEKING  
TO DESKBY 051630Z FCO  
TELNO 1040  
OF 051458Z JUNE 89  
AND TO DESKBY 051630Z HONG KONG  
INFO DESKBY 051630Z MODUK, JSIS HONG KONG

*He must have  
whatever money  
he needs for  
MT assault operation  
in view of our special  
position with H-K.  
What we should  
do about the  
students  
and others is  
just as we can  
not*

SIC U2B

DESKBY 051630Z MODUK AND JSIS HONG KONG

HONG KONG FOR GOVERNOR/POLAD.

CHINA INTERNAL : POSSIBLE EVACUATION.

1. MY NA IS TELEGRAPHING NOW (DEDIP TO GOVERNOR HONG KONG) A FACTUAL RECORD OF THE BACKGROUND TO THE ASSAULT BY 27 ARMY ON TIANANMEN SQUARE ON 3/4 JUNE AND THE OPERATION ITSELF. IT CLEARLY POINTS TO THE IMMINENT DANGER OF ARMED STRIFE BETWEEN DIFFERENT UNITS OF THE PLA,

2. TONIGHT'S DEPLOYMENT OF 30 TANKS AT OR NEAR THE CORNER OF THE DIPLOMATIC AREA (JIANGUOMENWAI FLYOVER) SUGGEST THAT THIS COULD BE ONE OF THE FOCAL POINTS OF ANY SUCH CLASH. THIS POSES AN IMMEDIATE THREAT TO THE SAFETY OF STAFF HOUSED IN FLATS OVERLOOKING THIS POSITION. FOR THE MOMENT I AM ADVISING STAFF TO KEEP WELL BACK FROM WINDOWS AND TO TAKE UP PROTECTIVE POSITIONS IN THEIR OWN FLATS OR IN ONES MORE SAFELY PLACED. I WILL KEEP SITUATION UNDER REVIEW AND COULD ASK STAFF TO FALL BACK ON RESIDENCE AND CHANCERY COMPOUNDS IF NECESSARY. THESE MEASURES APPLY EQUALLY TO STUDENTS WHO ARE BILLETED WITH STAFF MEMBERS.

3. IN THE MORNING I PROPOSE TO ADVISE ALL BRITISH BUSINESSMEN AND RESIDENT BRITISH NATIONALS IF THEY CAN THEY SHOULD NOW TAKE THE OPPORTUNITY TO DEPART BY AIR AS AND WHEN THEY CAN SAFELY MAKE THEIR WAY TO THE AIRPORT. SAME ADVICE WILL BE GIVEN TO HONG KONG PEOPLE.

4. I STRONGLY RECOMMEND THAT HONG KONG GOVERNMENT SHOULD ARRANGE

THIS IS A COPY. THE ORIGINAL IS  
RETAINED UNDER SECTION 3 (4)  
OF THE PUBLIC RECORDS ACT

A FURTHER CHARTER FLIGHT TO TAKE OFF MEMBERS OF HONG KONG PEOPLE WHO ARE GETTING VERY NERVOUS. IT SHOULD ARRIVE NOT BEFORE NOON, BUT IF POSSIBLE BE ABLE TO TAKE OFF BEFORE NIGHTFALL. I HOPE IT COULD HELP TO TAKE OFF ANY BRITISH SUBJECTS WHO MAY BE STRANDED AT THE AIRPORT.

5. THE TIME SEEMS TO HAVE COME TO CONSIDER EVACUATION PLANS FOR EITHER WHOLE OR SOME OF THE BRITISH COMMUNITY. AS A CONTINGENCY, I WOULD BE GRATEFUL IF HKG COULD DISCREETLY ESTABLISH HOW MANY SPECIAL CHARTER FLIGHTS COULD BE AVAILABLE AT VERY SHORT NOTICE IF REQUIRED TO TAKE OFF BETWEEN 500 TO 600 PEOPLE TO HONG KONG. THIS APPROXIMATE FIGURE WOULD INCLUDE ANY REMAINING BUSINESSMEN, TEACHERS, STUDENTS, RESIDENT FOREIGN EXPERTS, SUCH JOURNALISTS AS WISHED TO GO AND EMBASSY STAFF AND DEPENDENTS. (I SHALL BE GIVING FURTHER THOUGHT TO NEED FOR SKELETON STAFF AT EMBASSY). THE FIGURE INCLUDES SOME MARGIN FOR OTHER NON-REGISTERED PERSONS E.G. TOURISTS AND NATIONALS OF THOSE COMMONWEALTH COUNTRIES WHOM WE REPRESENT.

C MURRIE

*of course*  
6. I MUST EMPHASIZE THAT THIS IS A CONTINGENCY AT THIS STAGE. I SHALL NOT ISSUE ANY EVACUATION ORDER TO BRITISH SUBJECTS UNTIL THE SITUATION CLEARLY REQUIRES IT AND I AM IN A POSITION TO GIVE FULL INSTRUCTIONS ON EVACUATION PROCEDURE. I WOULD BE GRATEFUL IF THE AUTHORITY COULD BE GIVEN ON A CONTINGENCY BASIS FOR THE CHARTERING OF THE REQUIRED AIRCRAFT AT HMG'S EXPENSE.

7. ALL EMBASSIES WILL PROBABLY SOON BE CONSIDERING EVACUATION PLANS. WE ARE IN TOUCH WITH THE TWELVE (OR SOON WILL BE) AND WITH CANADIAN AMERICAN AND AUSTRALIAN EMBASSIES. WE ARE NOT AT THIS STAGE THINKING IN TERMS OF A JOINT EVACUATION, BUT WOULD OBVIOUSLY BE ABLE TO COOPERATE ON CERTAIN PRACTICAL ASPECTS E.G. CONVOYS TO AIRPORT.

8. GRATEFUL FOR EARLY REPLIES (DESKBY 060001Z).

DONALD

YYYY

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FED

NNNN

PS / No. 10 ✓





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TO IMMEDIATE FCO  
TELNO 1104  
OF 010225Z JUNE 89  
INFO IMMEDIATE HONG KONG, JSIS HONG KONG  
INFO IMMEDIATE WASHINGTON, MOSCOW, CANBERRA, TOKYO, ACTOR  
INFO IMMEDIATE UKDEL NATO, MODUK, EC POSTS, HANOI, SINGAPORE  
INFO ROUTINE SEOUL

SIC U2B

MODUK FOR SEC (O)(C)

HONG KONG FOR GOVERNOR/POLAD

MIPT : CHINA INTERNAL : DENG XIAOPING'S ADDRESS ON 9 JUNE.

1. WE HAVE NOW BEEN ABLE TO STUDY THE TEXT OF DENG XIAOPING'S ADDRESS OF 9 JUNE TO SENIOR PARTY AND MILITARY LEADERS RESPONSIBLE FOR MARTIAL LAW IN THE PEOPLE'S DAILY. AS REPORTED IN MY TELNO 1096, MUCH OF IT WAS A STANDARD ATTACK ON THE VERY SMALL NUMBER OF PEOPLE WHO HAD ATTACKED THE CCP AND TRIED TO SET UP A 'BOURGEOIS STATE' AND CONGRATULATIONS TO THE MILITARY FOR CARRYING OUT THEIR DUTY. HOWEVER, THE LAST SECTION WAS A STATEMENT OF POLICY FOR THE FUTURE. AS THIS IS THE FIRST SUCH STATEMENT SINCE THE IMPOSITION OF MARTIAL LAW, IT WILL REPLY FURTHER ANALYSIS.

2. DENG STATED THAT THE PATH, TARGET AND POLICIES LAID DOWN AT THE 3RD PLENUM OF THE 11TH CENTRAL COMMITTEE OF THE CCP WERE CORRECT: ONE CENTRE, TWO BASIC POINTS, UPHOLDING THE FOUR BASIC PRINCIPLES, CARRYING OUT REFORM AND OPENING UP, ALL WERE CORRECT. THEY MUST SUM UP THE PRESENT AND LOOK AT THE FUTURE.

3. THE MOST STRIKING ASPECT OF DENG'S STATEMENT IS THE REFERENCE TO THE THIRD PLENUM OF THE 11TH CENTRAL COMMITTEE AT THE CCP, AND THE ABSENCE OF MENTION AT THE 13TH PARTY CONGRESS. THIS COULD MARK A RETURN TO THE LINE LAID DOWN AT THE 3RD PLENUM OF THE 11TH CENTRAL COMMITTEE IN DECEMBER 1978 AND THE REPUDIATION OF THE POLICIES, PARTICULARLY POLITICAL AND ECONOMIC REFORM PUT FORWARD BY ZHAO ZIYANG AT THE 13TH PARTY CONGRESS IN OCTOBER 1987.

4. THIS MAY REPRESENT A RETURN TO THE HARD-WON CONSENSUS REACHED AMONG THE LEADERSHIP IN 1978 WHICH HAS SINCE BROKEN DOWN. IN PARTICULAR THIS IS HIGHLY LIKELY TO MEAN A MORE MINIMALIST DEFINITION OF REFORM AND A REJECTION OF ZHAO'S THEORY OF A PRELIMINARY STAGE OF SOCIALISM AS PUT FORWARD AT THE 13TH PARTY CONGRESS. THE SLOGAN OF 'REFORM AND OPENING UP' WILL REMAIN, BUT ITS CONTENT, IF IT RETAINS ANY, WILL BE DECIDED BY THE NEW LEADERSHIP. THE RHETORIC AND THE THIRD PLENUM OF THE 11TH CENTRAL COMMITTEE WAS THAT OF UNITY, DISCIPLINE AND STABILITY FOLLOWING A PERIOD OF UPHEAVAL: DENG'S REFERENCE BACK TO THIS MEETING MAY WELL REFLECT THAT THE LEADERSHIP NOW SEE THE CURRENT SITUATION IN THE SAME TERMS.

DONALD

YYYY

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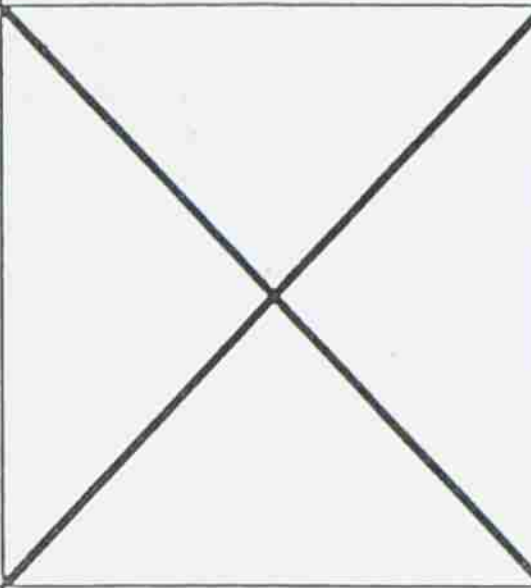
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PS/MRS CHALKER  
PS/LORD GLENARTHUR  
PS/MR WALDEGRAVE  
PS/MR EGGAR  
PS/MR PATTEN  
PS/PUS  
PS/SIR J FRETWELL  
CHIEF CLERK  
MR MOSS  
MR GILLMORE  
MR MCLAREN  
MR RATFORD

PAGE 2

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DEPARTMENT/SERIES ..... <i>PRM 19</i> ..... PIECE/ITEM ..... <i>2597</i> ..... (one piece/item number)	Date and sign
Extract details:  <i>Cradock to Powell dated 25 May 1989</i>	
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N<sup>o</sup> 10 DOWNING ST.

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201728Z

COMMENT

SECRET

UK COMMS ONLY

FM PEKING

TO DESKBY 201630Z FCO

TELNO 901

OF 201527Z MAY 89

INFO DESKBY 201630Z JSIS HONG KONG. MODUK. CABINET OFFICE. ACTOR  
INFO IMMEDIATE WASHINGTON

mb

SIC U2A

RESIDENT CLERK PLEASE PASS TO MCLAREN AUSS.  
CABINET OFFICE FOR ASSESSMENTS STAFF

CHINESE INTERNAL SITUATION

1. IN THE COURSE OF A PRIVATE LUNCH ON 20 MAY. PROFESSOR STUART SCHRAM CONFIDED TO ME THAT ONE OF HIS CHINESE CONTACTS HAD TOLD HIM THAT IN RECENT DAYS DENG XIAOPING COMMENTED THAT "TWO HUNDRED DEAD COULD BRING 20 YEARS OF PEACE TO CHINA". THE IMPLICATION CLEARLY WAS THAT THE SACRIFICE OF A NUMBER OF DEMONSTRATORS LIVES NOW WOULD STABILIZE THE PRESENT SITUATION AND BUY THE TIME NEEDED TO COMPLETE THE REFORM OF CHINA.

2. I WAS INCLINED TO TREAT THIS WITH SOME RESERVE. EXCEPT THAT TONIGHT THE U.S. DEFENCE SECTION HAVE PASSED US IN CONFIDENCE THE FOLLOWING INFORMATION (VIA THE INCIDENT ROOM AT THEIR EMBASSY):

A) THE CHINESE GOVERNMENT HAS DECIDED THAT THERE IS NO WAY TO AVOID BLOODSHED.

B) THE GOVERNMENT HAS RECALLED GOVERNMENT HOSPITAL WORKERS TO THEIR WORK UNITS.

C) THE MILITARY HAS BEEN INSTRUCTED TO DO WHAT IS NECESSARY TO PUT DOWN THE SITUATION.

3. I HAVE HAD THE INFORMATION DOUBLE CHECKED. IT COMES FROM THE US AIR ATTACHE. WHO REGARDS HIS SOURCE AS "VERY RELIABLE".

4. THE SAME WILLINGNESS TO USE A CONSIDERABLE DEGREE OF FORCE INDICATED BY THE ABOVE COMMENTS IS REFLECTED IN LI PENG'S SPEECH ANNOUNCING THE IMPOSITION OF MARTIAL LAW. THERE MAY STILL BE VOICES WITHIN THE LEADERSHIP COUNSELLING MODERATION. BUT THE FRUSTRATION AND ANGER AT THE WAY THE STUDENTS HAVE MADE THE GOVERNMENT AND PARTY LOSE FACE MAY NOW BE BRINGING MATTERS TO A CRISIS.

DONALD

YYYY

RESTRICTED

173667  
MDLOAN 665D

RESTRICTED  
FM FCO  
TO PRIORITY PEKING  
TELNO 353  
OF 201600Z APRIL 89

YOUR TELNO 339: DEATH OF HU YAOBANG

1. PLEASE PASS THE FOLLOWING MESSAGE FROM THE PRIME MINISTER  
TO LI PENG.

BEGINS QUOTE DEAR COLLEAGUE, I WAS SADDENED TO HEAR THE  
NEWS OF THE DEATH ON 15 APRIL OF FORMER GENERAL SECRETARY  
HU YAOBANG. I AND MY COLLEAGUES REMEMBER WITH GREAT PLEASURE  
GENERAL SECRETARY HU'S VISIT TO THE UNITED KINGDOM IN JUNE 1986  
AND THE PART HE PLAYED IN THE STATE VISIT OF HER MAJESTY THE  
QUEEN TO CHINA LATER THAT YEAR. ON BEHALF OF THE BRITISH  
GOVERNMENT I SHOULD LIKE TO EXPRESS OUR SYMPATHY TO THE CHINESE  
LEADERS AND THE CHINESE PEOPLE ON THEIR LOSS. I SHOULD BE  
GRATEFUL IF YOU WOULD PASS MY SINCERE CONDOLENCES TO HIS WIDOW,  
MADAME LI ZHAO, AND HIS FAMILY. REGARDS MARGARET THATCHER.  
UNQUOTE  
ENDS

HOWE

YYYY

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29

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PS  
PS/LORD GLENARTHUR

PS/MRS CHALKER  
PS/PUS  
MR GILLMORE  
MR MCLAREN

NNNN

PAGE 1  
RESTRICTED



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82

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

20 April 1989

HU YAOBANG

Thank you for your letter of 20 April enclosing a draft message of sympathy on the death of Hu Yaobang. This may issue.

Charles Powell

Bob Peirce Esq  
Foreign and Commonwealth Office.

ae/c

80



Foreign and Commonwealth Office

London SW1A 2AH

20 April 1989

*Dear Andrew*

Hu Yaobang

/ I enclose a draft message from the Prime Minister to the Chinese Premier Li Peng, conveying sympathy on the death of former General Secretary Hu Yaobang.

*Yours ever*

*R N Peirce*

(R N Peirce)  
Private Secretary

C D Powell Esq  
10 Downing Street

# OUT TELEGRAM

		Classification RESTRICTED	Caveat	Precedence PRIORITY
ZCZC	1	ZCZC		
TC	2	RESTRICTED		
CAVEAT	3			
FM	4	FM FCO		
TO	5	TO PRIORITY PEKING		
TELNO	6	TELNO		
OF	7	OF 201600Z APRIL 89		
AND TO	8			
	9			
	10	YOUR TELNO 339: DEATH OF HU YAOBANG		
	11			
	12	1. Please pass the following message from the Prime Minister		
	13	to Li Peng.		
	14	BEGINS quote Dear Colleague, I was saddened to hear the		
	15	news of the death on 15 April of former General Secretary		
	16	Hu Yaobang. I and my colleagues remember with great pleasure		
	17	General Secretary Hu's visit to the United Kingdom in June 1986		
	18	and the part he played in the State Visit of Her Majesty The		
	19	Queen to China later that year. On behalf of the British		
	20	Government I should like to express our sympathy to the Chinese		
	21	leaders and the Chinese people on their loss. I should be		
	22	grateful if you would pass my sincere condolences to his widow,		
	23	Madame Li Zhao, and his family. Regards Margaret Thatcher.		
	24	Unquote		
	25	ENDS		
///	26			
//	27	HOWE		
/	28			
	29			
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MAIN	File number	Dept	Drafted by (Block capitals)	Telephone no
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# OUT TELEGRAM (CONT)

	Classification <b>RESTRICTED</b>	Event	Precedence <b>PRIORITY</b>
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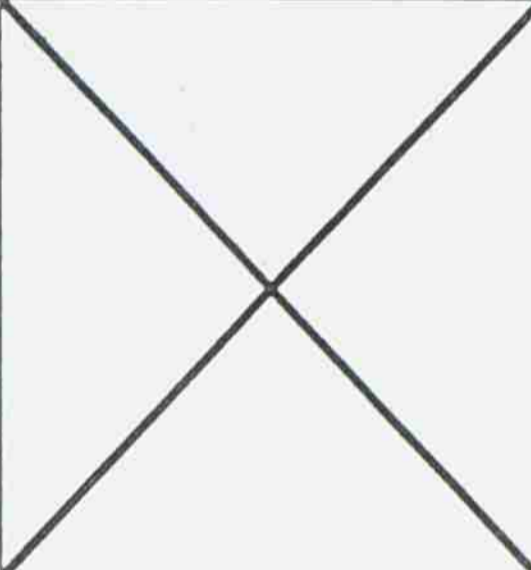
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| 6  | Protocol Dept      |
| 7  | PS                 |
| 8  | PS/Lord Glenarthur |
| 9  | PS/PUS             |
| 10 | Mr Gillmore        |
| 11 | Mr McLaren         |
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DEPARTMENT/SERIES <p style="text-align: center;"><i>PREM 19</i></p> ..... PIECE/ITEM ..... (one piece/item number)	Date and sign
Extract details:  <p style="text-align: center;"><i>Craddock to Lowell dated 10 March 1989</i></p>	
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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

10 March 1989

The Prime Minister has asked me to reply to your letter of 6 March, which contained a message from His Holiness the Dalai Lama about the recent demonstrations in Tibet.

I should be grateful if you would inform his Holiness that the Prime Minister has read very carefully the contents of his message. The British Government shares his concern about the further violence in Lhasa and deeply regrets the loss of life and injuries there. We have frequently told the Chinese Government of the depth of concern in this country about human rights in Tibet. Most recently the Foreign Secretary raised the matter with the Chinese Foreign Minister when he saw him in Tokyo last month. We shall continue to put this message across, as well as to encourage the opening of a dialogue between the Chinese Government and the Tibetan people, including the Dalai Lama.

The Prime Minister has asked me to convey to His Holiness her best wishes.

C.D. Powell

Mr. Kelsang R. Frasi

A handwritten signature in the bottom right corner of the page.

1



10 DOWNING STREET

Prime Minister

Content for me

to reply as

proposed.

Yes no

You do not

normally correspond

direct with me

Dalai Lama.

CDP



Foreign and Commonwealth Office

London SW1A 2AH

9 March 1989

*John Charles*

Tibet

Thank you for your letter of 7 March enclosing a letter which the Prime Minister had received from the Dalai Lama. The Foreign Secretary has had an identical letter. You asked for a draft reply for the Prime Minister's signature and for advice.

According to our records, although there have been many messages from the Office of Tibet to the Prime Minister the Prime Minister has never replied direct. On most occasions the letters have been acknowledged by a Private Secretary letter or have received a departmental reply. The only exceptions we can trace are in October 1987 when Lord Glenarthur wrote to the Representative of the Dalai Lama in London and in December 1987 when the Prime Minister wrote to Sir Bernard Braine (copy of these two letters are enclosed).

The reason for this cautious attitude is that the Dalai Lama is not only a distinguished religious leader, but also the leader of what many of his supporters regard as a government-in-exile, with which we have no dealings and which is not recognised by any other Government. To engage in direct correspondence with the Dalai Lama would, the Foreign Secretary believes, be interpreted by the Chinese Government as implying some recognition of his political position and even of the government-in-exile. He would therefore advise against any reply from the Prime Minister or himself. In recognition however of the serious turn of events in Lhasa (the Chinese have admitted 12 deaths and over 100 injured - Tibetan sources put the casualty figures much higher - and martial law has been imposed) the Foreign Secretary believes it would be right to send a substantive Private Secretary reply. I enclose a draft. Our Legal Advisers advise that such a letter would not compromise our position on dealings with a purported Tibetan government in exile.

/We



We expect a good deal of publicity to be given to this correspondence. The Dalai Lama has reportedly written to other Western leaders in similar terms. We have no indication yet of how our European partners intend to handle the matter. It is however possible that there may be a statement by the Twelve in political cooperation.

*Yours ever*

*R N Peirce*

(R N Peirce)  
Private Secretary

C D Powell Esq  
10 Downing Street

DSR 1 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1 +

FROM:  
PS/No 10

Reference

DEPARTMENT:

TEL. NO:

FE2ACH  
Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:

Copies to:

Mr Kelsang R Frasi  
Office of Tibet, Linburn House  
342 Kilburn High Road  
London  
NW6 2QJ

*To you*  
*KR/ALR*  
*a*

SUBJECT:

PRIVACY MARKING

..... In Confidence

CAVEAT .....

The Prime Minister has asked me to reply to your letter of 6 March, which contained a message from His Holiness the Dalai Lama about the recent demonstrations in Tibet.

*I should be grateful if you would*

Please inform His Holiness that the Prime Minister has read very carefully the contents of his message. The British Government <sup>shares his</sup> ~~too~~ <sup>about</sup> ~~is~~ gravely concerned ~~that there~~ <sup>is</sup> has ~~been~~ further violence in Lhasa and deeply regrets the loss of life and injuries there.

We have <sup>repeatedly</sup> ~~repeatedly~~ told the Chinese Government ~~that we~~ <sup>at Dept of</sup> share the ~~real~~ <sup>we still</sup> concern in this country about human rights in Tibet; and will continue to use suitable opportunities <sup>now ready</sup> ~~to make our views known.~~ <sup>for this</sup> The Foreign Secretary raised

the matter with the Chinese Foreign Minister when he saw him in Tokyo last month. <sup>also continue to</sup> We still believe that a dialogue between the Chinese Government and the Tibetan people, including the Dalai Lama, offers ~~the most~~ <sup>and regret</sup> promising way forward, ~~It is most disappointing that the~~

*We shall continue to put this*

Enclosures flag(s) .....

*never again, as well as use of language*

SECURITY CLASSIFICATION

Top Secret  
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proposed talks have not yet taken place. We shall continue to do what we can to encourage the Chinese Government to open a genuine dialogue. Meanwhile we would urge all concerned to show restraint. We very much hope that there will be no further loss of life.

// De Zhi Shun has  
asked me to convey to  
his children her best  
wishes.



10, DOWNING STREET,  
WHITEHALL S.W.1



10 DOWNING STREET  
LONDON SW1A 2AA

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31 December 1987

With the Private Secretary's  
Compliments

*Mr David 7411  
Mr Fletcher Cooke*

*encl. Mr 124/1 Pa*

Thank you for your letter of 17 December, with which you enclosed one to me from the Dalai Lama asking for the Government's support for a five point plan for the future of Tibet.

The Government deeply regret the loss of life and injuries resulting from the recent disturbances in Tibet. But I do not believe we would achieve anything if we were to act in the way suggested in the Dalai Lama's letter. For our part we shall try to ensure that the Chinese Government is aware of the concern of people in this country.

As you recognise, it would not be appropriate for me to reply to the Dalai Lama's letter. You may wish to reply yourself to the effect that you have passed the letter to me and that I have read it and the address to Congress most carefully and attentively.

*Yours ever  
Raymond*

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INDEX	PA	Action Taken
From: P Dimond	V D/I	
Far Eastern Department		

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73

Date: 22 December 1987

Mr McLaren  
APS

*in mod*

*23/12*

DALAI LAMA'S LETTER TO PRIME MINISTER

A

1. In his minute of 18 December, PS/No 10 asked for advice on how to respond to Sir Bernard Braine's letter to the Prime Minister, enclosing a letter from the Dalai Lama to the Prime Minister.

2. I recommend that the Prime Minister reply to Sir Bernard on standard lines and accordingly submit a self-explanatory draft letter. I also submit a draft letter to PS/No 10.

*Paul Finnan*

P Dimond

1. I agree with the line proposed.
2. I have suggested some amendments to the draft letter from the Prime Minister

*[Signature]*  
23/12  
(received this morning)



FED Passby  
for a draft  
reply by 22/12

10 DOWNING STREET  
LONDON SW1A 2AA

CCPS  
PS/Lord Glenith

From the Private Secretary

18 December 1987

Rosseau Dixon

ABS 18/12

Dear Robert,

I enclose a copy of a letter the Prime Minister has received from Sir Bernard Braine covering a letter from the Dalai Lama to the Prime Minister. I should be grateful for advice on how we should respond to Sir Bernard's letter and whether we should accept receipt of the Dalai Lama's letter. I think the Prime Minister ought to reply to Sir Bernard before Christmas.

Yours sincerely,  
Chris Jones

C. D. Powell

R. N. Culshaw, Esq., MVO.,  
Foreign and Commonwealth Office.

LONDON, W1A 2AA

The Rt. Hon. Sir Bernard Braine, DL, MP



HOUSE OF COMMONS  
LONDON SW1A 0AA

17th December, 1987

*Deu Pimi Niniōi —*

Mr. Kalon Tashi Wangdi, who is a senior adviser to His Holiness the Dalai Lama, was recently in London. He was carrying a letter from the Dalai Lama addressed to you and had hoped that he might be able to see you and to present the letter in person.

I made a discreet enquiry as to whether this would be possible but was advised, quite properly, that as the Government does not recognise the Tibetan Government in Exile it would not be appropriate for you to receive him. I fully understood this and with the customary good manners of the Tibetans Mr. Wangdi understood it too. He has however asked me to pass the enclosed letter to you.

In view of the general respect in which the Dalai Lama is held by all who are privileged to know him I feel certain that there can be no harm in your receiving his letter in this way.

*Yours sincerely  
Bleu Niniōi*

The Rt. Hon. Margaret Thatcher, MP  
Prime Minister,  
10, Downing Street,  
London, W1A 2AA



འབྲུག་གི་འགན་ཁུར་ལུ་

THE OFFICE OF TIBET

Linburn House

342 Kilburn High Road, London NW6 2QJ.  
Tel: 01-328 8422, Telex: 892843 OFFLET G.

Rt. Hon. Sir Bernard Briane, D.L., M.P., 16.12.1987.  
House of Commons,  
Westminster,  
LONDON, SW1A 0AA.

Dear Sir Bernard Briane,

Please find enclosed the letter for the Rt. Hon. Mrs. Thatcher, the Prime Minister, from His Holiness The Dalai Lama.

|| We shall be most interested to learn Prime Minister's response to this letter.

Our apologies for the delay in getting this letter.

Once again, thank you very much for your kind support and cooperation.

With best wishes.

Most Sincerely Yours,

*Tsewang Topgyal.*

Tsewang Topgyal,  
Representative of His Holiness  
The Dalai Lama, London.

THE DALAI LAMA



THEKCHEN CHOELING  
MCLEOD GANJ 176219  
KANGRA DISTRICT  
HIMACHAL PRADESH

December 11, 1987

Your Excellency,

I am writing to you personally as a result of the recent sad events in Tibet. The fact that thousands of people in Lhasa and other areas of Tibet took to the streets, at the risk of both their own lives and severe punishment, to publicly demonstrate their deep sorrow under Chinese rule, has reminded us all of the extent of desperation felt by Tibetans. The deaths, mass arrests and imprisonments that have resulted from the demonstrations, have now plunged all of Tibet into a state of deep anxiety.

It has always been my effort and hope to avoid violence. Despite the brutal reaction of the Chinese authorities to the Tibetans' peaceful demonstrations as well as their renewal of hostile propaganda against me, I wish to continue direct contacts with the Chinese leadership and I have conveyed this to them. I am still convinced that reason and honest discussion are the only viable means to alleviate the plight of my people.

It was in this spirit that I addressed members of the United States Congress on 21 September 1987. As details of my speech were not reported in their entirety, I am enclosing a copy of the full text, for your information, which clarifies my position on Tibet.

As you know, the Tibetan people have suffered tremendously since the invasion of our country in 1949/50. With the change in leadership in China and the inception of a new pragmatic approach, we were able to establish direct contacts with the Chinese Government. As a result, I sent four fact-finding delegations to Tibet and two exploratory missions to China. Unfortunately, in recent years, our dialogue with the Chinese has become particularly difficult. China's leaders refuse to recognize the true nature of the Tibetan problem. The issue of Tibet does not concern my return nor my future status as the Chinese

repeatedly maintain. It concerns the future and welfare of six million Tibetans. Moreover, the Chinese leaders continue to portray the Tibetan issue as a minority problem. Tibetans are not a "Chinese minority". Mollifying minority policies towards us will neither resolve our dissatisfaction nor fulfil our longing for genuine freedom.

The fundamental pre-requisite for any negotiated settlement with China is a change in the Chinese attitude towards Tibet. Tibetans are a distinct people with our own culture, religion, language and a long history of independence. We deserve to be treated as equals - as brothers and sisters - not as a subject race to be used solely for China's benefit. Discussions on the future of Tibet must be based on mutual respect and a willingness to understand each other's needs. My five-point proposal is based on this requirement.

I have called for the conversion of Tibet into a zone of peace. The human race, I believe, is presently facing unprecedented dangers. It is imperative for all of us to contribute to a reduction of tensions, both regional and global. I am convinced that Tibet can play an important role in this regard. Strategically, my country lies at the axis of Central Asia. Due to both its location and profoundly non-violent heritage, it served for over a millennium as a buffer state between the continent's great powers. If Tibet were to be restored, as a zone of peace, to its historic role as a sanctuary for both man and nature, there is no question that the dangerous tensions existing along its borders would immediately be eliminated. Furthermore, such a neutral zone could serve as a model for demilitarised regions that would greatly contribute to peace on earth.

I am not proposing the immediate and unconditional withdrawal of all Chinese troops from Tibet. I am suggesting that such a withdrawal, coupled with a reciprocal step on the part of India,

if guaranteed by a third party, would provide the foundation for lasting peace in an area of chronic instability the size of Western Europe. Concerning the Tibetan's own sentiments, it is plain that as long as China maintains its massive occupation force in Tibet, no genuine goodwill, or trust between the two peoples, can develop.

The most serious threat, today, to the survival of the Tibetan people, is the large influx of Chinese settlers into Tibet. China's current policy is aimed at reducing Tibetans to an insignificant and disenfranchised minority in their own country. As such, it amounts to an act of cultural genocide, a "final solution" to the Tibetan race and nation. It directly defies China's own limited notion of autonomy, as defined in the Republic's constitution and though publicly denied, has already placed a million more Chinese than Tibetans on the Tibetan plateau. For a negotiated settlement to have any long term relevance, it is imperative that China abandon its population transfer policy.

Respect for the democratic principles which Tibetans in exile have pursued for almost three decades, and protection of the natural environment, are fundamental needs which speak for themselves. The final point of my proposal, however, is one which I wish to particularly stress.

Until its invasion by Communist China, Tibet had enjoyed a de facto as well as de jure independence from the time of its founding as a nation-state in the first century B.C. China's claim of dominion rests solely on the fact that her foreign dynasties - - Mongol and Manchu -- exercised influence over Tibet as well. The Tibetans, however, never considered such influence, exerted equally on a number of weaker states, to endow China with control of Tibet.

Despite our long history of national sovereignty, we are prepared to enter into negotiations with the Chinese with an open mind and



realistic attitude. If China is willing to address and resolve the genuine issues concerning Tibet, we are prepared to consider a wide range of options in terms of our country's future status. There is considerable space between complete separation and the current occupation. If our national identity and aspirations are legitimately protected Tibetans may not insist on developing entirely on their own. It is, in fact, the current tendency for nations to seek out co-operation; economically, politically and for defence and to form unions to this end. Ultimately, this may lead to a reduction of narrow nationalism and the creation of a world government. But in the interim, co-operation and close association among people, where this is of mutual benefit, should be encouraged.

However, co-operation must come voluntarily. An association dictated by force cannot last.

The essential point I wish to make is that we are open minded and willing to discuss any arrangement that is in the interest not only of Tibet but of China as well.

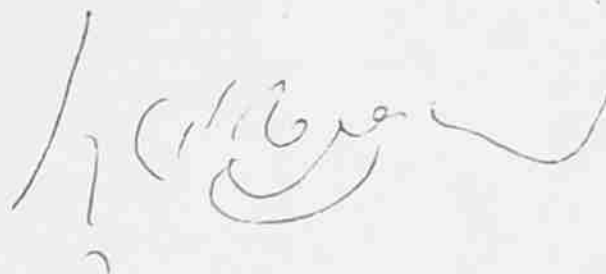
In the past few months the United States Congress, European Parliament and West German Bundestag have all passed legislation calling on China to ameliorate human rights abuses in Tibet. The various resolutions have also supported my five-point initiative. In addition, many world leaders have expressed support to my proposal on an informal basis to China. Even if such statements have no visible result, I am quite sure their effect has been felt.

At the present moment my people are enduring the harshest wave of repression to be visited upon them since the cultural revolution. Their sole hope lies with international opinion and the check it can provide on Chinese policy in Tibet. Their actual wellbeing, in turn, will only be ensured if a

significant and lasting solution is found for our country's future. I therefore request you to voice whatever concern you may feel for Tibet by expressing your support for my proposal to the Chinese Government. ||

With the assurance of my highest regards and esteem,

Yours Sincerely,

A handwritten signature in cursive script, appearing to read 'H. G. ...', written in dark ink.

Her Excellency Margaret Thatcher  
Prime Minister of Great Britain  
10 Downing Street  
London  
UNITED KINGDOM

Foreign and Commonwealth Office

London SW1A 2AH

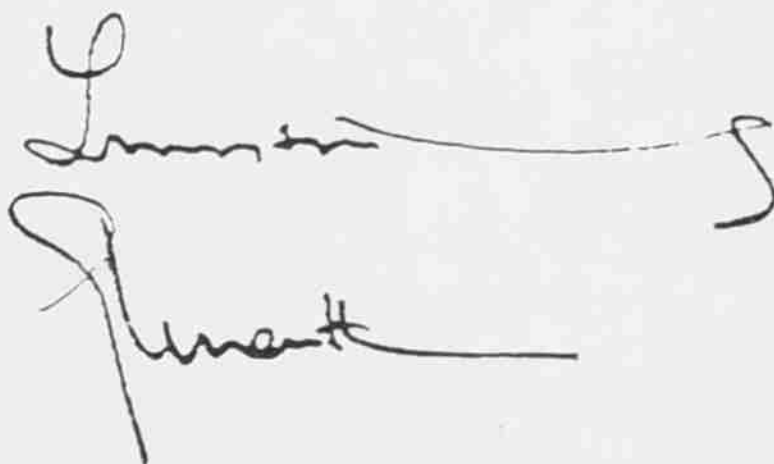
30 October 1987

From The Minister of State

His Holiness the Dalai Lama,

Thank you for your letter to the Prime Minister of 8 October. I am replying as Minister of State with responsibility for Britain's relations with the Far East.

The Government regret the loss of life and injuries resulting from the recent disturbances in Tibet. We have noted the five point plan for peace put forward by the Dalai Lama in his address to the US Congress. But we do not believe that we could achieve anything if we were to speak up for it to the Chinese government. Rather we believe that the best way in which we can help the Tibetan people is to encourage the Chinese government to further their reforms designed to improve the conditions of the Tibetan people. We shall continue to seek suitable opportunities to do so, and to ensure that the Chinese government is aware of the concern of people in this country.



THE LORD GLENARTHUR

Tsewang Topgyal Esq  
Representative of His Holiness the Dalai Lama in London  
The Office of Tibet  
Linburn House  
342 Kilburn High Road  
LONDON NW6 2QJ



FED  
for an appropriate  
reply

10 DOWNING STREET  
LONDON SW1A 2AA

ccps  
PS/Lord  
Clemens

From the Private Secretary

12 October 1987

Dear Lyn

Fossey Dixon

I enclose a letter which the Prime Minister has received from the London representative of His Holiness The Dalai Lama.

APS  
B/vo

I should be grateful if you would arrange for Mr. Tsewang Topgyal to receive either a Ministerial or Private Secretarial reply on the Prime Minister's behalf.

Lyn

Andy

P. A. Bearpark

Lyn Parker, Esq.,  
Foreign and Commonwealth Office.

untrue.

The current uprising in Lhasa is only one of many against the Chinese in the past the Chinese have managed successfully to suppress reaching the outside world. Their acknowledgment of the Tibet is a direct result of foreigners both in China and able to witness not only the uprising but the wretched people.



བོད་ཀྱི་འཕེལ་རྒྱུ་ལྷན་ཁག་

THE OFFICE OF TIBET

Linburn House  
342 Kilburn High Road, London NW6 2QJ.  
Tel: 01-328 8422

The Rt. Hon. Mrs Margaret Thatcher, PC, MP.  
Prime Minister,  
10, Downing Street,  
London,  
S.W.1.

7th October 1987

Dear Prime Minister,

You will, no doubt, have been informed of the recent events which have occurred in the Tibetan capital, Lhasa. It is our opinion that these events are a clear indication of the Tibetan people's opposition to Chinese rule and their determination to show to the world that they intend to continue the struggle for their legitimate right - the independence of Tibet.

As with all colonisers, the Chinese Government have tried to put the blame on others, firstly to His Holiness the Dalai Lama, and then to the presence of American nationals in Lhasa. In fact, the demonstrations in Lhasa are the direct result of China's illegal occupation of Tibet and of the inhuman treatment they have meted out to the Tibetan people since 1951, amongst whom already over a million have died.

More recently, the Chinese have embarked on a massive transfer of Chinese nationals into Tibet, the aim being - in the view of the Tibetan Government-in-Exile - is to reduce the Tibetan people to an insignificant minority inside their own country.

His Holiness the Dalai Lama has always advocated non-violence, and has asked repeatedly for a genuine dialogue between Peking and the Tibetan Government-in-Exile. His aim is for a peaceful resolution of the problem in Tibet. In order to help bring this about, His Holiness has sent five delegations to Tibet and Peking since 1979, in an effort to get the Chinese authorities to recognise the national aspirations of the Tibetan people. Sadly, each visit has been turned into a propaganda exercise by the Chinese Government who have insisted that Tibet is part of the Chinese "motherland" - something which is patently untrue.

The current uprising in Lhasa is only one of many against the Chinese occupation, in the past the Chinese have managed successfully to suppress any news of these reaching the outside world. Their acknowledgment of the current violence in Tibet is a direct result of foreigners both in China and Tibet, who have been able to witness not only the uprising but the wretched plight of the Tibetan people.



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THE OFFICE OF TIBET

Linburn House  
342 Kilburn High Road, London NW6 2QJ.  
Tel: 01-328 8422

(2)

We would especially like to bring to your notice the executions without trial on the 24th and 25th September 1987, of Mr. Kelsang Tashi and Mr. Nima Gyaltzen, these executions were carried out in public in the presence of over 15,000 Tibetans, which included the victims family's, who were forced at gun point to be witnesses. We are sad to have to report to you that other Tibetans are awaiting execution having received no trial, and recently nine other Tibetans have been sentenced - without trial - to imprisonment for unspecified periods of time.

It is due to the influence of His Holiness the Dalai Lama that, so far, there has been no full scale insurrection throughout Tibet against China's illegal occupation of our country. However, the outrage that Tibetans feel at the continuing disregard for human rights and the colonisation of Tibet are now boiling over.

It is our request to you, Prime Minister, that you urgently consider using your influence with the Chinese Government to stop these executions of innocent Tibetans immediately, and to secure the release of those Tibetans that have been imprisoned without trial. We would also urge you to encourage the Chinese Government to institute a genuine response to His Holiness the Dalai Lama's 'Five Point Plan'. The Tibetan people, no less than others, should have the inalienable right of rule themselves.

Thanking you in anticipation of your attention,

Yours sincerely,

*Tsewang Topgyal.*

Tsewang Topgyal,  
REPRESENTATIVE OF HIS HOLINESS  
THE DALAI LAMA, IN LONDON.

Dalai Lama

14/3



File to  
be ad

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

7 March, 1989.

I attach a copy of a letter the Prime Minister has received from the Dalai Lama.

I should be grateful if you would provide a draft reply for the Prime Minister's signature, to reach me as soon as possible please, together with your advice.

(C.D. Powell)

R.N. Peirce, Esq.,  
Foreign and Commonwealth Office.

2)

ow  
BY HAND

THE OFFICE OF TIBET

Linburn House,  
342, Kilburn High Road,  
London,  
NW6 2QJ

Tel: 01 328 8422

cc/c.  
6th March 1989

The Rt.Hon. Margaret Thatcher, MP.,  
Prime Minister,  
10, Downing Street,  
London,  
S.W.1.

Dear Prime Minister,

I have, this evening at 6 p.m, received the following communication from His Holiness the Dalai Lama of Tibet, which His Holiness desires to be delivered to you for your personal attention as soon as possible:-

**FROM THE DALAI LAMA**

Dear Prime Minister,

Yesterday, 5th March 1989, Chinese security forces again shot dead many Tibetans who were peacefully demonstrating in Lhasa.

I am deeply saddened by the latest bloodshed in Tibet.

I have always tried to find a peacefull solution to the tragic situation in my Country.

Once again I must appeal for your help in bringing an end to the continuing human rights violations in Tibet, and in encouraging the Chinese Government to find a peaceful solution by negotiation.

Yours sincerely,

THE DALAI LAMA



(2)

For your information, the London Representative of the Dalai Lama is at present in New Delhi for consultations with the Tibetan Government-in-Exile, but you may find the following of any necessary assistance:-

Representative at the Bureau of  
His Holiness the Dalai Lama.  
(Kalon Tashi Wangdi), New Delhi

0101 91 11 626439

European Representative of  
The Dalai Lama.  
(Mr. Kelsang Gyaltzen), Switzerland.

010 41 1 201 3336/9

and I may be contacted at:-

16, Oakmead Road,  
Balham,  
London, SW12 9SL

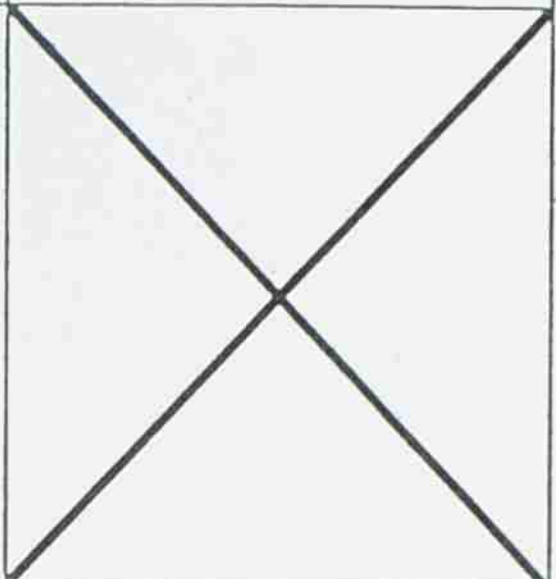
01 675 7839

Trusting this is satisfactory,

Yours sincerely,

*Kelsang Frasi.*

Kelsang R Frasi,  
Acting Representative.

DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>2597</i> ..... (one piece/item number)	Date and sign
Extract details:  <i>Cradock to Powell dated 24 February 1989</i>	
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Foreign and Commonwealth Office

London SW1A 2AH

22 November 1988

*Dear Charles*

*22/11/88*

Earthquakes in China

You will recall that the Prime Minister sent a message of sympathy to the Chinese Premier, Li Peng following earthquakes in China on 5 and 6 November. The Chinese Embassy have now forwarded the enclosed message of thanks from Li Peng to the Prime Minister.

The Chinese have told us that on this occasion they would be willing to accept foreign aid and assistance. ODA Emergency Unit had already decided to offer £100,000 worth of support if the Chinese requested it. We have therefore been able to tell the Chinese that we will be offering practical assistance.

*Yours ever*

*R N Peirce*

(R N Peirce)  
Private Secretary

C D Powell Esq  
PS/No 10 Downing Street

中华人民共和国驻英国大使馆  
Embassy of the People's Republic of China

49 - 51 Portland Place, London W1N 3AH  
Telephone: 01-636 9375

The Rt. Hon. Sir Geoffrey Howe,  
Secretary of State for Foreign and  
Commonwealth Affairs,  
Foreign and Commonwealth Office,  
London SW1

17th November 1988

Your Excellency,

I am instructed by Minister Qian Qichen to forward this message to Your Excellency.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

Yours sincerely,



( Ji Chaozhu )

Chinese Ambassador

中华人民共和国驻英国大使馆  
Embassy of the People's Republic of China

49 - 51 Portland Place, London W1N 3AH  
Telephone: 01- 636 9375

The Rt. Hon. Sir Geoffrey Howe,  
Secretary of State for Foreign and Commonwealth  
Affairs of the United Kingdom of Great Britain  
and Northern Ireland,  
London

Your Excellency,

Thank you very much for your message of sympathy for the victims of the Yunnan earthquake disaster and the friendly wish of the British Government to provide assistance.

Qian Qichen

Minister of Foreign Affairs of  
the People's Republic of China

November 15, 1988

CHINA: Internal Situation, May 79



PRIME MINISTER'S

PERSONAL MESSAGE RESTRICTED

SERIAL No. T171A/88

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SUBJECT : CC MASTER  
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Filed on China Int. Sit.

May '79

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FM FCO

TO DESKBY 092330Z PEKING

TELNO 1048

OF 091145Z NOVEMBER 88

INFO IMMEDIATE HONG KONG, UKREP BRUSSELS, UKMIS GENEVA

INFO SAVING UKMIS NEW YORK

YOUR TELEGRAM 1817: EARTHQUAKE IN CHINA

1. PLEASE ARRANGE FOR THE FOLLOWING MESSAGES TO BE DELIVERED AS SOON AS POSSIBLE. THERE WILL BE NO REPEAT NO SIGNED ORIGINALS.

FROM THE SECRETARY OF STATE TO QIAN QICHEN (NOT WU XUEQIAN AS YOUR TUR RECOMMENDED).

"I WAS SADDENED TO READ REPORTS OF EARTHQUAKES IN YUNNAN PROVINCE AND QINGHAI ON 5 AND 6 NOVEMBER IN WHICH SO MANY CHINESE PEOPLE LOST THEIR LIVES. PLEASE ACCEPT MY CONDOLENCES AND CONVEY OUR SYMPATHY AND GOOD WISHES TO THE PEOPLE OF YUNNAN AND QINGHAI. THE UK STANDS READY TO TAKE PART IN INTERNATIONAL DISASTER RELIEF IF THE CHINESE GOVERNMENT WOULD WELCOME IT".  
FROM THE PRIME MINISTER TO LI PENG.

"I WAS VERY SORRY TO LEARN OF THE DEVASTATING EARTHQUAKE WHICH HIT YUNNAN PROVINCE ON 5 AND 6 NOVEMBER AND TO LEARN THAT QINGHAI PROVINCE HAD ALSO BEEN AFFECTED. I UNDERSTAND THAT MANY PEOPLE HAVE LOST THEIR LIVES. PLEASE CONVEY MY SINCERE CONDOLENCES TO THE INJURED AND BEREAVED. WE ARE READY TO PROVIDE EMERGENCY DISASTER RELIEF IF YOU NEED IT".

FROM LORD FERRERS, MINISTER OF STATE AT THE HOME OFFICE TO CUI NAIFU, MINISTER OF CIVIL AFFAIRS: (YOU WILL RECALL THE TWO ~~WE~~ MET IN THE UK IN JUNE).

"I WAS GREATLY DISTRESSED TO LEARN OF THE EARTHQUAKE WHICH STRUCK THE PROVINCES OF YUNNAN AND QINGHAI. PLEASE CONVEY MY SYMPATHY TO ALL THOSE WHO HAVE BEEN AFFECTED. I SEND YOU MY BEST WISHES AS YOU FACE THE DAUNTING TASK OF DEALING WITH THIS DISASTER AND THE HUMAN DISTRESS IT HAS CAUSED".

HOWE

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PS/MRS CHALKER  
PS/PUS  
MR GILLMORE  
MR MCLAREN

ADDITIONAL 3

PS/MR PATTEN  
ODA DISASTER UNIT

EAD, ODA

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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

8 November 1988

EARTHQUAKES IN CHINA

Thank you for your letter of 8 November about the earthquakes in China, suggesting the Prime Minister should send a message of condolence to the Chinese Premier, Li Peng. I am sure the Prime Minister will be content to send a message and the text suggested in your letter may be used. I should be grateful if it could be dispatched as soon as possible.

*Await for*

C D POWELL

R. N. Peirce, Esq.  
Foreign and Commonwealth Office

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Foreign and Commonwealth Office

London SW1A 2AH

8 November 1988

*Dear Charles*

Earthquakes in China

It is now clear that the earthquakes which hit Yunnan Province and Qinghai Province in China on 5 and 6 November have caused considerable loss of life and damage, particularly in Yunnan Province. The Embassy in Peking reports that the death toll has so far risen to over 900. So far, we have received no request for disaster relief aid, but the ODA Disaster Unit is ready to take part in EC co-ordinated efforts.

The Foreign Secretary believes it would be appreciated by the Chinese if the Prime Minister were to send a message of condolence to the Chinese Premier, Li Peng. We recommend something along these lines:

"I was very sorry to learn of the devastating earthquake which hit Yunnan Province on 5 and 6 November, and to learn that Qinghai Province has also been affected. I understand that many people have lost their lives. Please convey my sincere condolences to the injured and the bereaved. We are ready to provide emergency disaster relief if you need it."

*Yours ever*  
*R N Peirce*

(R N Peirce)  
Private Secretary

C D Powell Esq  
10 Downing Street

RESTRICTED

Line Number  
con

Jp 0629

MR POWELL

c Sir Robin Butler

China: Position of Zhao Ziyang

We are having to look closely at rumours that Zhao Ziyang's position might be under some kind of threat. Rumours to this effect first emerged in the Hong Kong press in early August, about the time that senior Party leaders were ending their discussions at the seaside resort of Beidaihe. The outcome of the discussions is unclear. A Politburo meeting at their conclusion endorsed a five-year plan for pushing ahead with economic reform, including price reform, but few details have emerged. The media have interpreted the result as involving a slowing down of reform, a view that appears to be shared by US analysts. The media have concluded from this that Zhao has suffered a setback. This is probably the origin of the rumours.

2. Our Embassy regard the rumours as merely media gossip and believe Zhao's position is strong. They interpret Beidaihe as a positive endorsement for reform and as a victory for Zhao, emphasising the similarity between the statements on reform by Zhao after the discussions to those he made before they began. They also cite a number of other factors. They can detect no signs that he is being pushed aside: they argue that the fact that he appears no longer to be in direct charge of economic policy is the inevitable result of his elevation to General Secretary. They also point to his political skill: he has, for example, avoided becoming too closely associated with the "fast price reform" school. They can see no obvious alternatives, and believe the rest of the leadership would be greatly concerned about the damage that would be caused, externally and internally,

if a second General Secretary were to fall. The FCO are also inclined to dismiss the rumours. But they appear less up-beat about Beidaihe and place more weight on the other factors mentioned by the Embassy.

3. An increasingly important factor in the situation is the state of the economy, and, in particular, inflation. This reached 23 per cent in July according to official figures (against 7 per cent in 1987) and is probably much higher in practice. Reports of panic buying and runs on banks are becoming more frequent. At the beginning of September, interest rates were raised in an attempt to curb credit growth, the main factor behind the rapid inflation. This could presage an end to the high growth strategy with which Zhao has been closely identified. But it is difficult to tell at this stage, especially as the measures that have been taken so far seem totally inadequate to have much impact on the economy.

4. The situation therefore continues to be an uncertain one. A Central Committee Plenum is due to take place soon (a date has not yet been announced) and this could help clarify the situation, both as to the progress of reform and as to personalities. Our preliminary view is that reform is now likely to slow down (which is not necessarily a bad thing given the acceleration in inflation). Because of Zhao's association with reform and with fast growth, his image may be tarnished as a result. But this seems unlikely to have a significant effect on his position in the immediate future.

5. The situation could become more unstable if inflation cannot be brought under control. There are considerable worries on this score. It is difficult to know what might happen then. The search could be on for a scapegoat. But even in that event, it is not clear that it would be Zhao.

15 September 1988

PERCY CRADOCK

CONFIDENTIAL

041160  
MDLIAN 4359

CONFIDENTIAL  
FM PEKING  
TO PRIORITY FCO  
TELNO 1474  
OF 050623Z SEPTEMBER 88

SINO SOVIET TALKS ON CAMBODIA

SUMMARY

1. ROGACHEV HAD A BUSY WEEK. AT THE END BOTH SIDES WERE CAUTIOUSLY (AND IDENTICALLY) POSITIVE BUT PROBLEMS REMAIN. IT IS HARD TO TELL HOW MUCH PROGRESS WAS ACTUALLY MADE. THE NORMALISATION OF SINO-SOVIET RELATIONS MAY HAVE BEEN BROUGHT A LITTLE NEARER.

DETAIL

2. THE SOVIET VICE FOREIGN MINISTER ROGACHEV ARRIVED IN PEKING ON 27 AUGUST AND LEFT ON 2 SEPTEMBER. HIS MAIN INTERLOCUTOR WAS THE CHINESE VICE FOREIGN MINISTER TIAN ZENGPEI. HE ALSO MET FOREIGN MINISTER QIAN QICHEN. THE CHINESE PRESS REPORTS SAY THAT HE HAD 4 LONG SESSIONS WITH TIAN ZENGPEI AND ROGACHEV TOLD REPORTERS ON HIS DEPARTURE ON 2 SEPTEMBER THAT HE HAD FINISHED WORK AT 0530 THAT MORNING.

3. WE DO NOT KNOW WHAT WAS DISCUSSED, NOR HOW MUCH PROGRESS WAS MADE. SOME JOURNALISTS BELIEVE THAT THE TWO SIDES HAVE COME TO A SECRET AGREEMENT WHICH WILL BE REVEALED ONCE THE VIETNAMESE HAVE BEEN SQUARED. WE SPOKE TO PROFESSOR QIAN DAYONG, A CHINESE SPECIALIST IN INTERNATIONAL AFFAIRS, WHO THOUGHT THIS HAD NOT HAPPENED. HE DID THINK, HOWEVER, THAT PROGRESS HAD BEEN MADE AND THAT THE CHINESE FORMULATION THAT THE TALKS HAD BEEN OF BENEFIT, HAD BEEN FRANK, THAT COMMON GROUND HAD BEEN FOUND BUT THAT THERE WERE STILL DIFFERENCES, WAS A MUCH MORE POSITIVE STATEMENT THAN IT SOUNDED IN ENGLISH.

4. QIAN DAYONG SAW PARALLELS WITH SOUTH VIETNAM'S RELUCTANCE TO COUNTENANCE US EFFORTS TO NORMALISE RELATIONS WITH THE PRC. ON THAT OCCASION THE US HAD NOT BEEN ABLE TO GET VIETNAMESE ACQUIESCENCE. QIAN THOUGHT THE SOVIET GOVERNMENT HAD BEEN PUTTING PRESSURE ON THE VIETNAMESE BUT THAT THE VIETNAMESE HAD RESISTED. WHEN WE ASKED WHETHER THERE MIGHT BE AN 'AFGHAN-TYPE' SETTLEMENT (WHICH THE CHINESE TOLD TAKESHITA - AMONG OTHERS - WOULD SUIT THEM) HE DID NOT

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GIVE A CLEAR ANSWER. AN AUSTRALIAN COLLEAGUE (PLEASE PROTECT) HAD, HOWEVER, SEEN A RUSSIAN DIPLOMAT WHO HAD HINTED, DURING THE SINO-SOVIET TALKS, THAT SUCH AN AGREEMENT MIGHT BE A POSSIBILITY.

5. BOTH SIDES SEEM TO HAVE AGREED TO MEET AGAIN, BUT SAY MUCH WORK NEEDS TO BE DONE TO PREPARE. IT DOES SEEM SIGNIFICANT THAT ROGACHEV SAW QIAN QICHEN AND THAT THE TALKS APPEAR TO HAVE CONTINUED UP TO THE MOMENT OF HIS DEPARTURE. THERE IS NO GARANTEE, OF COURSE, THAT A SINO-SOVIET AGREEMENT WILL LEAD TO THE VIETNAMESE BEING COERCED TO ALTER THEIR WITHDRAWAL PLANS. QIAN DAYONG WAS ADAMANT THAT IF THE RUSSIANS FULFILLED THE 3 CHINESE CONDITIONS FOR A SUMMIT, THEN NO NEW CONDITIONS WOULD BE RAISED AND THE SUMMIT WOULD TAKE PLACE. HE WOULD NOT COMMIT HIMSELF TO GUESSING A TIME BUT SAID THEY HAD STARTED THE PROCESS OF TALKING AND THERE WAS NO GOING BACK.

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*From the Private Secretary*

30 August 1988

Dear Bob,

CONTINGENCY PLANNING: DEATHS OF CHINESE LEADERS

Thank you for your letter of 30 August proposing certain amendments to the contingency plans for messages of condolence to be sent in the case of the death of China's main leaders.

To take the points in the order they appear in your letter:

- I am sure the Prime Minister would be content to sign the book of condolence at the Chinese Embassy when Deng dies;
- the Prime Minister would indeed wish to send messages in the event of the death of Zhao Ziyang and Li Peng;
- the messages enclosed with your letter seem generally to fill the bill. The Prime Minister also met Zhao Ziyang in New York in October 1985: and Li Peng when he came to Britain, although I cannot now remember whether it was with Zhao Ziyang or Hu Yaobang. Perhaps we should include references to these two occasions in the messages;
- I am sure that the Prime Minister would go to the Chinese Embassy to sign the book in the event of the death of either one of them.

Yours sincerely,

(C. D. POWELL)

R. N. Peirce, Esq.,  
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

30 August 1988

*Dear Charles*

Contingency Planning: Deaths of Chinese Leaders

Following the personality changes at the 13th National People's Congress, we have updated our contingency plans for messages of condolence to be sent in the case of the death of China's main leaders.

In your <sup>Prop</sup> letter to me of 6 April 1987 you enclosed a draft message approved by the Prime Minister in the case of Deng Xiaoping's death. There is no need to alter the text of this message, but its recipient should now be Premier Li Peng. I imagine that the Prime Minister would still be content to sign the book of condolence at the Chinese Embassy when Deng dies.

The Queen will still send a message when former President Li Xiannian's dies; and will also send a message when President Yang Shangkun dies. The Foreign Secretary will sign the book of condolence.

We also wish to prepare for General Secretary Zhao Ziyang's death and that of Premier Li Peng. I imagine that the Prime Minister would wish to send a message of condolence in either case; and also sign the book of condolence at the Chinese Embassy should one be opened.

I attach draft messages, which, if the Prime Minister agrees, the Ambassador in Peking could forward without reference to London.

*Yours ever*

*R N Peirce*

(R N Peirce)  
Private Secretary

C D Powell Esq  
10 Downing Street



MESSAGES TO BE SENT BY EMBASSY WITHOUT REFERENCE TO FCO

A. Death of Deng Xiaoping

Message of Condolence from the Prime Minister to  
Premier Li Peng:

"I have heard with great sadness of the death of Chairman Deng Xiaoping. Chairman Deng's historic role in the development of modern China and his personal contribution to the resolution of the Hong Kong question earned the admiration and respect of the peoples of China, Britain and the world. With his death, the Chinese people have lost a great and wise leader. Please convey to his family and colleagues our sincere condolences."

B. Death of General Secretary Zhao Ziyang

Message of Condolence from the Prime Minister to  
Premier Li Peng:

"It was with great sorrow that I learned of the death of General Secretary Zhao Ziyang. He will always be remembered for his contributions to the modernisation of his country; and I personally will always remember my meetings with him during his visit to Britain in 1985. Please convey my sincere condolences to his family and to his colleagues."

C. Death of Premier Li Peng

Message of Condolence from the Prime Minister to the  
Senior Vice-Premier or Acting Premier:

"I have heard with great sadness of the death of Premier Li Peng. Please convey my sincere condolences to his family and to his colleagues."

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MY TELNO.668: CHINA NATIONAL PEOPLE'S CONGRESS:  
GOVERNMENT APPOINTMENTS.

SUMMARY.

1. DESPITE SEVERAL NEW FACES BECAUSE OF THE GOVERNMENT  
RESTRUCTURING, THE NEW STATE COUNCIL (CHINA'S 'CABINET') SHOWS  
STRONG CONTINUITY IN PERSONNEL AND OUTLOOK WITH ITS PREDECESSOR.  
ZHAO ZIYANG RETAINS CONSIDERABLE INFLUENCE AMONG GOVERNMENT MEMBERS.  
WU XUEQIAN WAS PROMOTED TO VICE PREMIER WITH RESPONSIBILITY FOR  
COORDINATING FOREIGN AFFAIRS. HIS REPLACEMENT AS FOREIGN MINISTER,  
QIAN QICHEN, IS AN EXPERT ON THE SOVIET UNION.

2. THE NEW STATE COUNCIL IS FROM VERY MUCH THE SAME MOULD AS ITS  
PREDECESSOR, WITH MOST OF THE NEW APPOINTMENTS GOING TO MEN WHO HAD  
ALREADY HELD MINISTERIAL OR VICE MINISTERIAL APPOINTMENTS IN THE  
PREVIOUS GOVERNMENT. THE CHINESE MEDIA HAVE PREDICTABLY COMMENTED  
ON THE FACT THAT THE MEMBERS ARE ON THE WHOLE YOUNGER AND BETTER  
EDUCATED THAN THOSE APPOINTED IN 1983. THIS MAY WELL BE THE CASE,  
BUT THE KEYNOTE APPEARS TO BE CONTINUITY. SUCH CHANGES AS THERE  
WERE WERE TRIGGERED EITHER BY RETIREMENT OF THE OVER-AGED OR BY THE  
STRUCTURAL REORGANISATION OF GOVERNMENT. THERE IS LITTLE EVIDENCE  
OF A POLITICALLY MOTIVATED 'RESHUFFLE' IN TERMS OF CONTENDING  
FACTIONS. THE MIXTURE IS MUCH AS BEFORE, WHICH MEANS THAT THE  
INFLUENCE OF ZHAO ZIYANG REMAINS STRONG IN THE STATE COUNCIL.

3. ONLY THREE VICE PREMIERS WERE APPOINTED AND TWO OF THEM YAO YILIN  
AND TIAN JIYUN WERE RE-CONFIRMED. THE OUTGOING FOREIGN MINISTER WU  
XUEQIAN IS THE THIRD. GIVEN THAT JI PENGFEI HAS LOST HIS TITLE OF  
STATE COUNCILLOR, IT IS CLEAR THAT WU WILL TAKE OVER GENERAL  
RESPONSIBILITY FOR THE COORDINATION OF THE CONDUCT OF FOREIGN  
AFFAIRS (PROBABLY INCLUDING THE QUESTIONS OF HONG KONG AND MACAO) AT  
THE HIGHEST LEVEL. (SEE MYTELNO. 676, NOT TO ALL, FOR FURTHER  
DETAILS.) TWO OF THE VICE PREMIERS ARE NOW ECONOMISTS AND ONE A

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FOREIGN AFFAIRS EXPERT. THE OBVIOUS OMISSION IS SOMEONE TO OVERSEE SECURITY AND LEGAL AFFAIRS AS QIAO SHI, ONE OF THE OUTGOING VICE PREMIERS DID. TO SOME EXTENT THAT GAP MAY BE COVERED BY WANG FANG, ONE OF THE NEW STATE COUNCILLORS WHO IS CONCURRENTLY MINISTER OF PUBLIC SECURITY.

4. NINE STATE COUNCILLORS WERE APPOINTED, OF WHOM SEVEN ARE NEW FACES. EIGHT PREVIOUS STATE COUNCILLORS RETIRED. THEY WERE ALL OVER SEVENTY, APART FROM CHEN MUHUA, FORMERLY PRESIDENT OF THE PEOPLE'S BANK OF CHINA WHO WAS ONLY 66. THE NEW STATE COUNCILLORS, WITH THE EXCEPTION OF THE MAYOR OF PEKING CHEN XITONG, ALL HOLD CONCURRENT MINISTERIAL POSITIONS. THEY WILL PROBABLY TAKE A MORE ACTIVE ROLE IN GOVERNMENT THAN THEIR PREDECESSORS, THE MAJORITY OF WHOM DID NOT HOLD SUCH POSTS.

5. THE NEW MINISTER OF FOREIGN AFFAIRS, QIAN QICHEN, IS A CAREER DIPLOMAT. AS VICE MINISTER HE WAS ALREADY BEING GROOMED TO TAKE OVER FROM WU XUEQIAN. HE IS A SOVIET EXPRT, WHO SERVED TWICE IN THE CHINESE EMBASSY IN MOSCOW AND HAS RECENTLY BEEN MASTERMINDING THE SINO-SOVIET AND CHINESE/EAST EUROPEAN RELATIONSHIP. HE IS AN ABLE AND IMPRESSIVE PERFORMER. ZHENG TUOBIN REMAINS MINISTER OF FOREIGN ECONOMIC RELATIONS AND TRADE.

6. AMONG THE OTHER MINISTERS, QIN JIWEI HAS, AS EXPECTED, TAKEN OVER FROM ZHANG AIPING, AS MINISTER OF NATIONAL DEFENCE. QIN HAS CAREER ASSOCIATIONS STRETCHING WAY BACK WITH DENG XIAOPING, UNDER WHOM HE SERVED DURING THE CIVIL WAR. HE IS A LONG MARCH VETERAN, BUT FIVE YEARS YOUNGER THAN HIS PREDECESSOR. HIS APPOINTMENT MEANS DENG'S GRIP ON THE MILITARY IS AS FIRM AS EVER.

7. ZOU YU'S RETIREMENT AS MINISTER OF JUSTICE AND HIS REPLACEMENT BY CAI ZHANG WERE ALSO AS EXPECTED. WE CAN NOW PURSUE OUR DISCUSSIONS WITH THE MOJ ON A VISIT BY CAI TO THE UK, SEPARATELY FROM ZOU YU'S VISIT AS PRESIDENT OF ACLA.

8. THE SWAP-OVER WHICH HAS PUT LI PENG IN CHARGE OF THE COMMISSION FOR RESTRUCTURING THE STATE ECONOMY AND LI TIEYING IN CHARGE OF THE STATE EDUCATION COMMISSION HAD BEEN RUMOURED BEFOREHAND. IT BRINGS A CLEAR STRENGTHENING OF LI PENG'S POSITION IN THE CRUCIAL AREA OF ECONOMY POLICY MAKING. HOW FAR IT WILL AFFECT THE CONTENT OF POLICY DEPENDS INTER ALIA ON HOW FAR LI WILL GO IN ROOTING OUT THE ZHAO ZIYANG SUPPORTERS CURRENTLY HOLDING KEY POSITIONS LOWER DOWN IN THE COMMISSION. LI TIEYING'S APPOINTMENT AS A STATE COUNCILLOR, TAKEN WITH HIS MEMBERSHIP OF THE POLITBURO, MAKES CLEAR THAT HIS SIDEAYS

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MOVE IS NOT A DEMOTION. PERSONALLY POPULAR WITH STUDENTS, HE COULD PROVE AN IMAGINATIVE CHOICE TO COPE WITH THE CURRENT SEVERE RESOURCE PROBLEMS OF CHINESE EDUCATION AND TO RE-ESTABLISH DISCIPLINE WITHOUT REPRESSION IN THE CHINESE UNIVERSITIES. ABLE, APPROACHABLE AND STRONG-MINDED, HE SHOULD BE A GOOD INTERLOCUTOR IN OUR BILATERAL DEALINGS.

9. THE ONLY REAL OUTSIDER AMONG THE NEW MINISTERS WAS LI GUIXIAN, FORMERLY PARTY SECRETARY OF ANHUI PROVINCE WHO WAS APPOINTED A STATE COUNCILLOR AND GOVERNOR OF THE PEOPLE'S BANK. HE IS AN ODD CHOICE. ALTHOUGH HE HAS GOOD CREDENTIALS AND AN ADVOCATE AND IMPLEMENTATION OF REFORM POLICY, HE HAS NO PREVIOUS FINANCIAL EXPERIENCE. GIVEN THAT CHINA'S FINANCIAL MANAGEMENT IS BECOMING INCREASINGLY COMPLEX, A MAN OF GREATER EXPERTISE MIGHT HAVE BEEN EXPECTED. THE ONLY OTHER NEW MINISTER WHO DID NOT HOLD A GOVERNMENT POST BEFORE WAS LUO GAN, THE NEW MINISTER OF LABOUR. HE WAS EFFECTIVELY RUNNING THE ALL CHINA FEDERATION OF TRADE UNIONS BEFORE.

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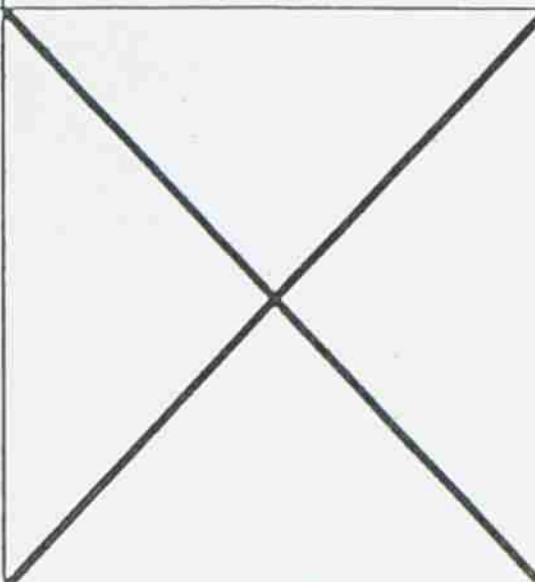
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CHINA: SEVENTH NATIONAL PEOPLE'S CONGRESS: LI PENG'S REPORT

1. ON 25 MARCH ACTING PREMIER LI PENG DELIVERED A REPORT ON THE WORK OF THE GOVERNMENT TO THE FIRST SESSION OF THE SEVENTH NATIONAL PEOPLE'S CONGRESS. IT WAS DIVIDED INTO THREE MAIN SECTIONS: A SUMMARY OF THE ACHIEVEMENTS OF THE PAST FIVE YEARS, A TEN POINT PLAN COVERING ECONOMIC REFORM AND DEVELOPMENT IN THE NEXT FIVE YEARS, AND A REVIEW OF FOREIGN POLICY. THE FOLLOWING ARE HIGHLIGHTS. FOR COMMENT SEE MIFT.

THE PAST FIVE YEARS.

2. LI PENG OPENED WITH A TRIBUTE TO THE UNIVERSALLY ACKNOWLEDGED ACHIEVEMENTS MADE OVER THE PERIOD BY THE STATE COUNCIL UNDER PREMIER ZHAO ZIYANG. THE ANNUAL GROWTH RATE HAD AVERAGED 11.1 PER CENT AND A BETTER BALANCE HAD BEEN ACHIEVED BETWEEN THE MAJOR SECTORS OF THE ECONOMY. URBAN AND RURAL LIVING STANDARDS HAD RISEN ANNUALLY BY 8.6 AND 6.3 PER CENT RESPECTIVELY. HE THEN CATALOGUED THE REFORMS THAT HAD BEEN INTRODUCED IN THE ECONOMIC STRUCTURE, EDUCATION AND SCIENCE, THE BUILDING OF THE SOCIALIST DEMOCRACY AND THE LEGAL SYSTEM (ONLY GRADUAL PROGRESS HERE) AND IN THE ARMED FORCES. HE NOTED ESPECIALLY THE OPENING OF CHINA TO THE OUTSIDE WORLD IN FOREIGN TRADE AND INVESTMENT.

3. LI THEN TURNED TO THE QUESTION OF PRICE RISES, WHICH HE DESCRIBED AS THE OUTSTANDING PROBLEM IN CHINA'S ECONOMIC AND SOCIAL LIFE. SOME RISES WERE INEVITABLE IN THE COURSE OF REFORMING THE IRRATIONAL PRICE STRUCTURE. BUT LAST YEAR'S EXCESSIVE RISES WERE ALSO DUE TO SHORTCOMINGS IN THE OVERALL GUIDANCE OF THE WORK. THE STATE COUNCIL HAD NOW WORKED OUT A COMPREHENSIVE PLAN FOR GRADUAL PRICE REFORM WHICH WOULD INCLUDE SUBSIDIES TO COMPENSATE FOR FOOD PRICE RISES. OTHER SHORTCOMINGS HE IDENTIFIED INCLUDED A TENDENCY TO LOOK FOR QUICK RESULTS, STRAINS ON THE ENERGY AND TRANSPORT SECTORS, AND LACK OF PROPER CONTROL AND SUPERVISION OVER THE MARKET.

4. FROM THESE EXPERIENCES LI DREW THE CONCLUSION THAT THE CENTRAL

TASK WAS STILL TO ACCELERATE SOCIALIST MODERNISATION AND DEVELOP PRODUCTIVE FORCES. PROBLEMS ARISING MUST BE SOLVED BY DEEPENING AND IMPROVING REFORM. REFORM SHOULD BE APPROACHED WITH AN OPEN, EMANCIPATED MIND. THE 13TH PARTY CONGRESS HAD DEFINED THE OBJECTIVES FOR ECONOMIC AND FOR OVERALL STRUCTURAL REFORM. REFORM WOULD LIBERATE PRODUCTIVE FORCES AND BRING NEW BENEFITS AND LIVING STANDARDS. BUT THIS WOULD BE A LONG AND COMPLICATED PROCESS, WHICH MIGHT NOT BRING IMMEDIATE BENEFITS TO ALL.

#### THE FUTURE.

5. LI SET A TARGET OF AN AVERAGE ANNUAL GROWTH RATE OF 7.5 PER CENT IN GNP. THE NEXT FIVE YEARS WOULD BE THE MOST IMPORTANT PERIOD FOR REPLACING THE OLD STRUCTURE WITH THE NEW. THE FOLLOWING TEN MAJOR TASKS WOULD BE ATTEMPTED:

(I) DEVELOPMENT OF AGRICULTURE AND OF BASIC INFRASTRUCTURAL INDUSTRIES. CHINA SHOULD REACH AN ANNUAL PRODUCTION OF 500 MILLION TONS OF GRAIN BY THE END OF THE CENTURY. THIS MEANT AN ANNUAL INCREASE OF 8 MILLION TONS. THIS WOULD BE ACHIEVED BY FURTHER REFORM OF AGRICULTURAL PRICES, AND BY INCREASED INVESTMENT IN AGRICULTURE BOTH NATIONALLY AND INDIVIDUALLY. TOWNSHIP INDUSTRIAL ENTERPRISES WOULD BE FURTHER DEVELOPED AS A NEW WAY TO ACHIEVE INDUSTRIALISATION WITH CHINESE CHARACTERISTICS. BUT THE BASIC SOLUTION WAS TO CHANGE TRADITIONAL AGRICULTURE INTO MODERN LARGE SCALE AGRICULTURE. THIS WAS AN INEVITABLE TREND, BUT MUST NOT BE SPOILED BY PRECIPITATE MASS ACTION. IN THE INDUSTRIAL INFRASTRUCTURE ENERGY AND TRANSPORT WERE THE KEY SECTORS FOR DEVELOPMENT. OVERALL GROWTH SHOULD BE STEADY WITHOUT EXCESSIVE EXPENDITURE ON INVESTMENT, AND WITH PROPER CONTROL OVER INCREASING FUNDS FOR CONSUMPTION.

(II) SCIENCE, TECHNOLOGY AND EDUCATION NEED TO BE VIGOROUSLY DEVELOPED. THE MANAGEMENT SYSTEM OF SCIENCE AND TECHNOLOGY SHOULD BE REFORMED, AND EDUCATION SHOULD BE MORE GEARED TO PRODUCING PROFESSIONAL PERSONNEL. A SOCIAL CLIMATE SHOULD BE CREATED IN WHICH KNOWLEDGE AND EDUCATED PEOPLE WERE RESPECTED.

(III) COMPREHENSIVE SUPPORTING REFORMS FOR THE REVITALISATION OF ENTERPRISES WERE NEEDED. IN ENTERPRISES, GREATER MANAGEMENT RESPONSIBILITY AND COMPETITION IN THE SELECTION OF MANAGERS WERE NEEDED. THE ROLE OF THE MARKET SHOULD BE EXPANDED, AND MANDATORY PLANNING SHOULD BE REDUCED IN FAVOUR OF GUIDANCE PLANNING THROUGH THE EXERCISE OF ECONOMIC LEVERS. ASSOCIATED REFORMS WERE NEEDED IN

THE INVESTMENT SYSTEM, FINANCIAL STRUCTURE, AND MONETARY SYSTEM. PRICE POLICY SHOULD INVOLVE A COMBINATION OF DEREGULATION, ADJUSTMENT AND CONTROL. WAGE REFORM SHOULD BE DEEPENED AND THE LABOUR AND TECHNOLOGY MARKETS EXPANDED, WITH A REASONABLE DEGREE OF MOBILITY FOR QUALIFIED PERSONNEL.

(IV) NO TIME SHOULD BE LOST IN DEVELOPING THE COASTAL REGIONS AND OPENING TO THE OUTSIDE WORLD. MORE OPEN POLICIES SHOULD BE INTRODUCED IN GUANGDONG, FUJIAN AND HAINAN. A CONTRACT SYSTEM WOULD BE INTRODUCED IN THE MANAGEMENT OF FOREIGN TRADE, MAKING LOCALITIES RESPONSIBLE FOR THEIR EARNINGS OF FOREIGN EXCHANGE AND FOR THE QUOTAS TO BE HANDED TO THE CENTRE. MANAGEMENT OVER EXPORTS AND IMPORTS WOULD LARGELY BE DEVOLVED TO LOWER LEVELS. CHINA NEEDED TO CONCENTRATE ON INCREASING REPORTS AND IN USING FOREIGN INVESTMENT.

(V) THE GOVERNMENT STRUCTURE WOULD BE REFORMED TO MAKE IT CONFORM MORE CLOSELY TO THE DEMANDS OF THE ECONOMY. IT WOULD FOCUS ON DEPARTMENTS OF ECONOMIC MANAGEMENT, AND THE PRINCIPLE WOULD BE TO INCREASE MACRO-CONTROL AND DECREASE DIRECT CONTROL. AT THE CENTRAL LEVEL THE PROCESS SHOULD BE COMPLETED WITHIN SIX MONTHS. AT PROVINCIAL LEVEL IT WOULD BEGIN IN 1989, AND SOMEWHAT LATER AT LOWER LEVELS. AT THE SAME TIME, A NATIONAL PUBLIC SERVICE SYSTEM WOULD BE INTRODUCED.

(VI) DEMOCRACY, CONSULTATION, AND THE LEGAL SYSTEM WOULD BE STRENGTHENED. CONSULTATION ON PUBLIC MATTERS AND THE DISCUSSION OF STATE AFFAIRS SHOULD BE INSTITUTIONALISED TO IMPROVE DEMOCRATIC SUPERVISION. THE LEGAL RIGHTS OF MINORITIES SHOULD BE RESPECTED, BUT SPLITTIST ACTIVITIES AND THE RECENT RIOTS IN LHASA WOULD BE SEVERELY DEALT WITH. (APPLAUSE.) MANY MORE LAWS WERE NEEDED, AND COMPETENT LEGAL PERSONNEL SHOULD BE TRAINED.

(VII) AN ADVANCED SOCIALIST CULTURE AND IDEOLOGY, WITH A NEW SOCIALIST GENERATION OF BETTER EDUCATED SELF-DISCIPLINED PEOPLE WITH HIGH IDEALS AND MORAL INTEGRITY, WERE NEEDED.

(VIII) THE ONE-CHILD POLICY WOULD BE CONTINUED, AND STRICT CONTROLS APPLIED TO ANY EXCEPTIONS, IN ORDER TO KEEP CHINA'S POPULATION TO ABOUT 1.2 BILLION BY THE END OF THE CENTURY.

(IX) URBAN AND RURAL INCOMES WOULD BE GRADUALLY RAISED. EGALITARIANISM IN DISTRIBUTION WOULD BE COMBATED, AND SOME PEOPLE WOULD BE ALLOWED TO BECOME PROSPEROUS, THROUGH HONEST LABOUR OR LAWFUL MANAGEMENT, BEFORE THE REST.



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(X) DEFENCE SHOULD BE STRENGTHENED IN LINE WITH ECONOMIC DEVELOPMENT, AND THE ARMED FORCES SHOULD WORK OUT A COMPREHENSIVE PLAN TO DEEPEN THEIR REFORM.

FOREIGN POLICY.

6. LI SPOKE OF IMPORTANT ACHIEVEMENTS THROUGH THE IMPLEMENTATION OF AN INDEPENDENT FOREIGN POLICY. ON THE WHOLE THE CURRENT INTERNATIONAL SITUATION WAS DEVELOPING IN A DIRECTION FAVOURABLE TO THE WORLD'S PEOPLE. EAST-WEST RELATIONS HAD SEEN SOME IMPROVEMENT AND THE INF AGREEMENT HAD BEEN SIGNED, THOUGH ONLY A TINY PART OF THE NUCLEAR ARSENALS OF THE USA AND USSR WAS INVOLVED. FOR ITS PART CHINA HAD NEVER PARTICIPATED IN THE ARMS RACE AND HAD ALWAYS ADVOCATED COMPREHENSIVE DISARMAMENT. IT WAS UP TO THE UNITED STATES AND THE SOVIET UNION, THE POSSESSORS OF 97 PER CENT OF THE WORLD'S NUCLEAR ARMS, TO TAKE THE LEAD.

7. THE INVASION OF SMALL WEAK COUNTRIES BY FOREIGN POWERS AND PROTRACTED REGIONAL CONFLICTS NOT ONLY BROUGHT DISASTER TO THE LOCAL PEOPLE BUT ALSO THREATENED WORLD PECE. RECENTLY THE PARTIES CONCERNED HAD BEEN ACTIVELY SEEKING POLITICAL SETTLEMENTS. TO DO THIS THE ACCEPTED NORMS OF INTERNATIONAL RELATIONS SHOULD BE OBSERVED. CHINA SUPPORTED THE CAMBODIAN PEOPLE'S STRUGGLE AGINST VIETNAM, AND URGED THE VIETNAMESE TO HOLD TALKS WITH PRINCE SIHAROUK AND THE COALITION GOVERNMENT. PROGRESS HAD RECENTLY BEEN MADE IN AFGHANISTAN AND CHINA HOPED THAT SOVIET TROOPS WOULD WITHDRAW AND A COALITION GOVERNMENT WOULD BE FORMED AS SOON AS POSSIBLE. IN THE GULF, CHINA SUPPORTED RESOLUTION 598 AND THE UN SECRETARY-GENERAL'S EFFORTS AT MEDIATION, WHILE DISAPPROVING OF THE INVOLVEMENT OF THE TWO SUPERPOWERS IN THE REGION.

8. IN ITS RELATIONS WITH THE UNITED STATES AND THE SOVIET UNION, CHINA WOULD NEVER ATTACH ITSELF TO EITHER SUPERPOWER OR ENTER INTO AN ALLIANCE ON STRATEGIC RELATIONS WITH EITHER. RELATIONS WITH UNITED STATES HAD BEEN GENERALLY STABLE, BUT SOME PEOPLE IN THE UNITED STATES STILL TRIED TO INTERFERE IN CHINA'S INTERNAL AFFAIRS, PARTICULARLY OVER TAIWAN. EXCHANGES WITH THE SOVIET UNION HAD INCREASED, AND THE NORMALISATION OF SINO-SOVIET RELATIONS WAS IN THE FUNDAMENTAL INTEREST OF THE TWO PEOPLES. BUT THE THREE OBSTACLES STILL EXISTED, AND CHINA LEADERS HAD STATED THAT THE SOVIET UNION SHOULD WITHDRAW ITS SUPPORT FOR VIETNAMESE AGGRESSION IN CAMBODIA AS A PRECONDITION FOR MEETING THEIR SOVIET COUNTERPARTS.

9. LI THEN RAN BRIEFLY OVER CHINA'S RELATIONS WITH MOST REGIONS, GENERALLY NOTING SATISFACTORY IMPROVEMENTS. ON WESTERN EUROPE HE SAID 'WE HOLD IDENTICAL OR SIMILAR VIEWS ON MANY MAJOR INTERNATIONAL ISSUES. WE NOTE WITH SATISFACTION THAT THESE COUNTRIES HAVE TAKEN A POSITIVE ATTITUDE TOWARDS DEVELOPING ECONOMIC AND TRADE RELATIONS WITH CHINA AS WELL AS SCIENTIFIC AND TECHNOLOGICAL EXCHANGES. THERE ARE BROAD PROSPECTS FOR OUR COOPERATION IN THESE FIELDS'. HE CONCLUDED BY REITERATING CHINA'S POLICY OF UNITY AND COOPERATION WITH THE THIRD WORLD.

10. FINALLY LI SPOKE ABOUT HONG KONG AND MACAO (FULL TEXT SEPARATELY TELEGRAPHED) AND CHINA'S HOPES FOR EARLY REUNIFICATION WITH TAIWAN.

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Prime Minister

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PRIME MINISTER

8 March 1988

CHINESE REFORMS

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1. I gave lunch recently to Ying Ruocheng, the Chinese Vice-Minister of Culture, an old contact and in his time the source of much interesting information.

2. He said he had been present at two recent speeches by Zhao Ziyang to a small group of Ministers and officials. The first was on the economy. Zhao said that he had no intention of changing any labels: the Party would remain a Communist Party and China a socialist state. Nevertheless, they had to face the fact that the economic system adopted hitherto had not worked well. The joint venture system was not proving successful. It was notable that where foreigners managed joint ventures they seemed to succeed, but where the Chinese were in control they did not. There was, moreover, a tremendous dichotomy between the economic development of China's seaboard and the hinterland. Zhao believed that a different economic prescription should be drawn up for the two parts. The seaboard, perhaps involving some 200 million people, should become something like a huge Special Economic Zone. It would be fully open to the world. Foreign investment would be welcomed without any limitations on control of enterprise. The area would rely on raw materials from outside rather than from China. There would be effective integration in the world economy.

3. The second speech was about culture. Zhao said that the Party had never made a success of controlling culture. He himself did not understand cultural matters. The Party should not seek to direct culture. The state should allow culture to develop in its own way. And apart from one or two national enterprises, like a national ballet, they

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should allow cultural enterprises to be run entirely privately. The only function of the Ministry of Culture would be to see that these enterprises remained within the law. The party should not worry about dissent in cultural circles. Only the grosser attacks on the state or on the party should be avoided. It would remain out of order to shout 'Down with the Communist Party'. I asked whether it would be out of order to whisper 'Down with the Communist Party'; he thought not.

4. I asked whether these policies were potential or actual. Ying replied that they were rather actual. For example, his own Ministry were at present seeking to work out how the cultural policies could be carried into practice.

5. Either of these policy changes, if enacted, would in the Chinese and communist context be revolutionary and potentially explosive. The first, on the economy, would certainly galvanise the Chinese coastal provinces and generate wealth, but at the risk of a split between coastal and inland provinces and at the risk of political contention and accusations that China was reverting to the bad old times before 1949, with foreigners exploiting coastal concessions. Opponents of reform, or of Zhao, would have a field day.

6. The cultural plan is no less contentious. Culture has always been a highly sensitive political issue in China and a genuine open door would invite what, from the communist point of view, was extremely subversive material. The potential for trouble is certainly there, as was demonstrated in the 'Peking Spring' of 1978/79, when freedom to put up posters on matters of public complaint rapidly developed into a fundamental and public critique of the Communist system. Again, opponents of reform would be provided with ample ammunition.

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7. I remain doubtful whether the changes in prospect will in fact go as far as suggested. Zhao is a cautious man. But there is confirmation in the Chinese press of changes pending for some coastal areas. Moreover Gu Ming, the official in charge of Chinese economic legislation, told me last week that it is intended to turn Hainan Island in South China into another Hong Kong, with permission to grant leases of up to 50 years (on the Hong Kong analogy) and that something similar was intended in Shanghai.

7. We shall have to wait until the National Peoples Congress later this month to see how much of all this is put into practice. If it is, Chinese reform is moving into uncharted waters and Zhao is prepared to run considerable political risks in pursuit of economic growth.



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MY TELNOS 1831 AND 1832 AND YOUR TELNO 960:  
THIRTEENTH PARTY CONGRESS

SUMMARY

1. THIS WAS A GOOD CONGRESS FOR ZHAO ZIYANG AND THE REFORMERS. THEY ACHIEVED MUCH BOTH IN TERMS OF LINE AND OF PERSONNEL. THIS SHOULD PROVIDE A SOLID FOUNDATION FOR CONSENSUAL POLICY-MAKING IN THE FUTURE. IN AN IMPORTANT SENSE, THE CONGRESS MARKED THE CLIMAX OF DENG XIAOPING'S CAREER. HE HAS NOW MANAGED TO STEP BACK FROM ALL BUT ONE OF HIS PARTY POSTS IN ORDER TO ALLOW HIS CHOSEN SUCCESSORS ROOM TO ACT. IT IS NOW UP TO ZHAO ZIYANG AND THE FOUR NEW MEMBERS OF THE POLITBURO STANDING COMMITTEE TO PROVE THEMSELVES.

DETAIL

2. THE NEW LEADERSHIP UNDER ZHAO ZIYANG CAN LOOK FORWARD WITH SOME CONFIDENCE TO THE DIFFICULT AND COMPLEX TASKS FACING THEM. BOTH IN TERMS OF LINE AND OF PERSONNEL THEY HAVE ACHIEVED A GOOD DEAL. THE MAIN ACHIEVEMENTS ARE:

A) THE CONGRESS ENDORSED A 'BASIC LINE' WHICH HIGHLIGHTS REFORM AND OPENING TO THE OUTSIDE WORLD.

B) THE CONGRESS ACCEPTED A THEORETICAL FRAMEWORK FOR THE 'BASIC LINE' AND THE 'FUNDAMENTAL POLICIES', ECONOMIC AND POLITICAL, WHICH FLOW FROM IT.

C) THE CONGRESS MARKED THE FINAL PASSING FROM THE SCENE OF THE YENAN GENERATION OF CHINESE LEADERS AND THE TRANSITION OF A MORE TECHNOCRATIC, REFORM-MINDED LEADERSHIP.

3. A CHINESE MINISTER WHO WAS A DELEGATE REMINDED ME THE OTHER DAY OF THE IMPORTANT DISTINCTION IN THE CHINESE POLITICAL CULTURE BETWEEN 'BASIC LINE' AND POLICY'. HE SAID THAT THE THING TO LOOK FOR IN THE RESOLUTION ADOPTED BY THE CONGRESS WOULD BE THE EXACT

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FORMULATION OF THE BASIC LINE. I THEREFORE THINK THIS WORTH QUOTING IN FULL. IT READS AS FOLLOWS:

'THE REPORT PUT FORTH THE PARTY'S BASIC LINE IN THE PRIMARY STAGE OF SOCIALISM, NAMELY: TO LEAD THE PEOPLE OF ALL NATIONALITIES IN A UNITED, SELF-RELIANT, INTENSIVE AND PIONEERING EFFORT TO TURN CHINA INTO A PROSPEROUS, STRONG, DEMOCRATIC, CULTURALLY ADVANCED AND MODERN SOCIALIST COUNTRY, BY MAKING ECONOMIC DEVELOPMENT ITS CENTRAL TASK, WHILE ADHERING TO THE FOUR CARDINAL PRINCIPLES AND PERSEVERING IN REFORM AND THE OPEN POLICY.'

THE ONLY CONCESSION I SEE IN THIS PASSAGE TO THE CONSERVATIVES IS THE REFERENCE TO THE FOUR CARDINAL PRINCIPLES: AND EVEN THIS IS NOT JUST A CONCESSION. THERE IS A LOT OF EVIDENCE THAT DENG XIAOPING HIMSELF DECIDED LAST WINTER THAT THE PARTY, AND CHINESE SOCIETY IN GENERAL, NEEDED TO BE REMINDED OF THE EXISTENCE OF THE PRINCIPLES. I AM NOT SURE THAT EVEN ZHAO ZIYANG WOULD LIKE TO JETTISON THEM, EVEN THOUGH HE HAS PLAYED AN IMPORTANT PART IN CHECKING THE CAMPAIGN AGAINST INTELLECTUALS WHICH HU QIAOMU AND DENG LIQUN TRIED TO PROSECUTE IN THE EARLY SPRING AND AGAIN IN THE LATER SUMMER.

4. IF THE CONGRESS IS TO BE SEEN AS A WATERSHED, IT IS FOR THE PERSONNEL CHANGES THAT WERE MADE. BOTH IN THE POLITBURO AND IN THE CENTRAL COMMITTEE THERE HAS BEEN ALMOST A CLEAN SWEEP OF THE OLDER GENERATION. THE MANTLE HAS PASSED EFFECTIVELY FROM THEM TO THE YOUNGER, MORE TECHNOCRATIC AND MORE REFORM-MINDED GROUP OF CHINESE OFFICIALS WHO HAVE COME TO SENIOR POSITIONS BOTH IN CENTRAL AND IN LOCAL GOVERNMENT OVER THE LAST FEW YEARS. HOW FAR THE OLDER GENERATION CAN REFRAIN ENTIRELY FROM INTERFERING IN CHINESE POLITICS REMAINS TO BE SEEN. QUITE A FEW OF THEM RETAIN A FOOTHOLD THROUGH THEIR MEMBERSHIP OF THE CENTRAL ADVISORY COMMISSION. BUT THEY HAVE BEEN REMOVED FROM THE EXECUTIVE ORGANS OF THE PARTY, INCLUDING THE CENTRAL COMMITTEE, AND THEIR INFLUENCE WILL PROBABLY GROW STEADILY WEAKER AS THEY DO THEMSELVES. SOME (EG. WANG ZHEN AND GU MU) ARE NOT EVEN MEMBERS OF THE NEW CENTRAL ADVISORY COMMISSION.

5. AT THE HIGHEST LEVEL OF THE NEW LEADERSHIP, IN THE POLITBURO STANDING COMMITTEE, THERE ARE SIGNS OF BALANCE BETWEEN MORE LIBERAL MINDED AND THE MORE BUREAUCRATIC WINGS IN THE PARTY. I DO NOT ENTIRELY SHARE THE CONVENTIONAL VIEW OF LI PENG AS A 'CONSERVATIVE', BUT I DO BELIEVE THAT BOTH HE AND YAO YILIN CAN JUSTIFIABLY BE CONSIDERED AS HAVING VIEW OVER THE PACE AND SCOPE OF ECONOMIC REFORM WHICH ARE NOT ENTIRELY SHARED BY THE MORE ENTHUSIASTIC REFORMERS. TO BALANCE THEM, AT LEAST ON THE POLITICAL

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SIDE, ZHAO HAS HU QILI, A CONVINCED REFORMER, THOUGH ONE NOT ABOVE TRIMMING HIS SAILS TO THE POLITICAL WIND. THE FIFTH MEMBER OF THE STANDING COMMITTEE IS THE SOMEWHAT ENIGMATIC QIAO SHI, WHO HAS BEEN IN CHARGE, IN BOTH PARTY AND GOVERNMENT, OF LAW-MAKING AND LAW-ENFORCEMENT. AT THE NEXT TWO LEVELS, THOSE OF THE POLITBURO AND THE CENTRAL COMMITTEE, THE PREDOMINANCE OF THE REFORMERS BECOMES MORE MARKED. THERE ARE SEVEN NEW FACES ON THE POLITBURO, ALL OF THEM OF PEOPLE WHO HAVE BEEN ACTIVE IN PROMOTING REFORM POLICIES, ESPECIALLY IN THE PROVINCES. COMMITMENT TO THE CONTINUITY OF REFORM POLICY IS SURELY ALSO THE MESSAGE OF THE FACT THAT HU YAOBANG HAS BEEN RETAINED ON THE POLITBURO. HIS REMOVAL FROM THE POST OF GENERAL-SECRETARY IN JANUARY THIS YEAR CREATED A LOT OF SPECULATION ABOUT THE DURABILITY OF REFORM. HIS RE-ELECTION TO THE POLITBURO SHOULD REINFORCE THE CONFIDENCE OF THOSE, IN CHINA AND ABROAD, WHO WANT REFORM TO CONTINUE.

6. THE NEW SECRETARIAT OF THE CENTRAL COMMITTEE ( WHICH WAS NOMINATED BY THE POLITBURO STANDING COMMITTEE) IS DRASTICALLY REDUCED IN SIZE FROM TEN TO FIVE MEMBERS (INCLUDING ONE ALTERNATE). WHEN IT WAS FIRST CREATED IN 1982, THE SECRETARIAT SEEMED DESIGNED TO FUNCTION SOMEWHAT LIKE A SUBSTITUTE POLITBURO, TAKING CHARGE OF THE DAY-TO-DAY WORK OF THE CENTRAL COMMITTEE. IN THOSE DAYS THE POLITBURO WAS STILL DOMINATED BY THE OLD MEN AND DENG OBVIOUSLY WANTED A WAY ROUND THEM. NOW THAT NEED HAS PASSED. THE POLITBURO CAN RESUME ITS PROPER FUNCTION AS THE PRINCIPAL POLICY-MAKING BODY IN CHINA AND THE SECRETARIAT WILL NOW WORK TO IT RATHER THAN IN PARALLEL WITH IT.

7. MILITARY REPRESENTATION AT ALL LEVELS DOWN TO, AND INCLUDING, THE CENTRAL COMMITTEE, HAS BEEN DRASTICALLY REDUCED. NO NEW MILITARY MEMBERS WERE ELECTED TO THE POLITBURO TO REPLACE THE CHIEF OF THE GENERAL STAFF (YANG DEZHI) AND THE HEAD OF THE GENERAL POLITICAL DEPARTMENT (YU QIULI).

MILITARY REPRESENTATION IS NOW CONFINED TO YANG SHANGKUN AND QIN JIWEI, THE COMMANDER OF PEKING MILITARY REGION. AS EXPECTED, DENG XIAOPING WAS APPOINTED CHAIRMAN OF THE MILITARY COMMISSION. THERE ARE TWO VICE-CHAIRMEN, ZHAO ZIYANG AND YANG SHANGKUN, THE FORMER BEING SENIOR. THESE APPOINTMENTS MAKE IT VERY CLEAR THAT THE PARTY IS TO BE IN CHARGE OF THE ARMED FORCES, ALTHOUGH IT MUST BE ADDED THAT DENG XIAOPING'S CONTINUED TENURE OF THE CHAIRMANSHIP SHOWS THAT THE RELATIONSHIP OF THE ARMED FORCES TO THE REST OF THE CHINESE POLITICAL SYSTEM IS STILL A VERY DELICATE MATTER. IT ALSO REMAINS TO BE SEEN WHETHER, AS SOME SPECULATE, THE ARMED FORCES CAN EXPECT A QUID PRO QUO NEXT YEAR IN THE FORM OF SOME FURTHER STAGE IN FORCE



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MODERNISATION (THOUGH ZHAO IN A REPLY TO A JOURNALIST HAS RULED OUT ANY ACTUAL INCREASE IN RESOURCES). AT ANY RATE , IT SEEMS THAT DENG WILL NOT BE ABLE TO STEP DOWN FROM THE COMMISSION UNTIL A YOUNGER GENERATION OF LEADERS IS FIRMLY IN CONTROL OF THE ARMED FORCES. THERE ARE SIGNS THAT THIS MAY BE ABOUT TO HAPPEN, BUT DENG WILL HAVE TO PRESIDE OVER THE TRANSITION.

8. A STRIKING NEW ASPECT OF THE BALANCE IN THE POLITBURO AND THE CENTRAL COMMITTEE IS THE STRONG REPRESENTATION, ESPECIALLY NOW IN THE POLITBURO, OF LEADERS FROM THE PROVINCES. THIS IS BOTH A RECOGNITION OF THE IMPORTANCE TO CHINA'S GENERAL DEVELOPMENT OF WHAT HAPPENS IN THE PROVINCES AND A MEANS OF GIVING SENIOR PROVINCIAL LEADERS A SAY IN TOP-LEVEL DECISION MAKING AT THE CENTRE. THE BIG CITIES ARE WELL REPRESENTED: THE MAYOR OF SHANGHAI (JIANG ZEMIN) AND THE PARTY SECRETARIES OF PEKING (LI XIMING) AND TIANJIN (LI RUIHUAN) ARE ALL NEW MEMBERS OF THE POLITBURO. SO IS LI TIEYING WHO WAS PARTY SECRETARY OF SHENYANG BEFORE HIS TRANSFER TO THE CENTRE.

9. THE CHANGES IN THE POLITBURO AND CENTRAL COMMITTEE PRESAGE FURTHER CHANGES IN THE STATE COUNCIL (GOVERNMENT). THE MOST OBVIOUS OF THESE IS THE PREMIERSHIP. AT HIS PRESS CONFERENCE ON 2 NOVEMBER, ZHAO ZIYANG STATED UNEQUIVOCALLY THAT HE WOULD BE TENDERING HIS RESIGNATION AT THE NEXT MEETING OF THE STANDING COMMITTEE OF THE NATIONAL PEOPLE'S CONGRESS. AT THAT MEETING HE WOULD ALSO RECOMMEND AN ACTING PREMIER. HE WOULD NOT SAY WHO THAT WAS, BUT ADDED HIS CANDIDATE WOULD BE YOUNGER THAN HIMSELF. THIS POINTS TO LI PENG (NOW NUMBER TWO IN THE STANDING COMMITTEE). BUT THE NEW MAN WILL NOT BE FORMALLY CONFIRMED AS PREMIER UNTIL THE MEETING OF THE FULL NATIONAL PEOPLE'S CONGRESS NEXT SPRING. IT ALSO SEEMS LIKELY THAT SOME OF THE STATE COUNSELLORS WHO WERE NOT RE-ELECTED TO THE CENTRAL COMMITTEE (SUCH AS GU MU, KANG SHIEN AND ZHANG JINGFU) WILL SOON BE STEPPING DOWN. A FEW OTHER MINISTERS, INCLUDING THOSE OF THE AVIATION INDUSTRY AND OF PUBLIC SECURITY, AND THE CHAIRMAN OF THE STATE ECONOMIC COMMISSION, WERE NOT RE-ELECTED TO THE CENTRAL COMMITTEE.

10. IN SPITE OF ALL THIS, IT WOULD BE A MISTAKE TO TALK ABOUT THE 'TRIUMPH' OR 'APOTHEOSIS' OF THE REFORMERS. WE KNOW THAT THE NEGOTIATIONS LEADING TO THE DECISIONS ADOPTED BY THE CONGRESS WERE LONG AND DIFFICULT. WE HAVE ALSO HEARD FROM A RELIABLE WESTERN JOURNALIST THAT THINGS VERY NEARLY CAME APART AT THE CONGRESS ITSELF AND THAT 'THE LEFT AND THE RIGHT WINGS' ALMOST UNITED TO REJECT THE DECISIONS THAT HAD BEEN REACHED AT BEIDAIHE DURING THE SUMMER. THIS WAS LATER CONFIRMED TO THE JOURNALIST BY A CHINESE OFFICIAL

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SOURCE. THE VICTORY WAS THUS A CLOSE-RUN THING. AND IT IS ALWAYS POSSIBLE THAT THE OLD GUARD WILL STILL BE ABLE TO INTERFERE IN THE POLITICAL PROCESS. INDEED, IT IS CLEAR THAT DENG'S WORRIES ARE NOT ENTIRELY SET AT REST FROM THE FACT THAT HE FELT THE NEED TO RETAIN HIS CHAIRMANSHIP OF THE MILITARY COMMISSION. FURTHERMORE, EVEN UNDER IDEAL CONDITIONS, THINGS WOULD NOT BE EASY FOR THE REFORMERS. THEY FACE GREAT PROBLEMS IN IMPLEMENTING THE PROGRAMME OUTLINED BY ZHAO ZIYANG. IN THE ECONOMIC SPHERE, THEY MUST GET ON TOP OF INFLATION AND MAKE SURE THAT CHINA DOES NOT AGAIN RUN UP DEFICITS ON THE CURRENT ACCOUNT OF THE KIND WHICH OCCURRED IN 1985 AND 1986. IN THE LONGER TERM, THEY FACE THE QUESTION OF HOW TO RECONCILE A MEASURE OF MANDATORY PLANNING (CENTRAL AND PROVINCIAL) WITH THE DETERMINATION OF PRICES AND LEVELS OF OUTPUT THROUGH THE OPERATION OF MARKET FORCES.

11. THIS WAS DENG XIAOPING'S CONGRESS IN THE SENCE THAT IT IS THE LAST ONE THAT HE CAN BE SURE TO ATTEND. IT ALSO PRESENTED TO THE PARTY THE CRYSTALISATION OF HIS POLITICAL EXPERIENCE SINCE 1949. MAO ZEDONG THOUGHT, AS IT WERE, HAS GIVEN WAY TO DENG XIAOPING THOUGHT. BUT IT WAS ALSO ZHAO ZIYANG'S CONGRESS. DESPITE HIS CONTINUED PROTESTATIONS (EVEN ON 2 NOVEMBER) THAT HE WOULD DO A BETTER JOB AS PREMIER, HE HAS EMERGED AS THE ACCEPTED NEW LEADER OF THE PARTY.

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MY TELNOS 1831 AND 1832 AND YOUR TELNO 960: CHINA: PARTY CONGRESS

SUMMARY

1. THE THIRTEENTH PARTY CONGRESS CLOSED ON 1 NOVEMBER. DENG XIAOPING AND 8 OTHER MEMBERS OF THE PRESENT POLITBURO WERE NOT RE-ELECTED TO THE CENTRAL COMMITTEE. NONETHELESS, DENG HIMSELF WILL STILL "PLAY AN IMPORTANT ROLE" IN PARTY AND GOVERNMENT AFFAIRS AS "A CHIEF ARCHITECT" OF MAJOR POLICIES. REVISIONS TO THE PARTY CONSTITUTION HAVE PUT INTO EFFECT SOME OF THE IDEAS OUTLINED IN ZHAO ZIYANG'S WORK REPORT, AND FURTHER STRENGTHENED THE BASIS FOR A FUTURE COLLECTIVE LEADERSHIP.

2. FURTHER DETAILS AND OVERALL ASSESSMENT OF CONGRESS TO FOLLOW WHEN ELECTIONS ARE COMPLETE.

DETAIL

3. THE 13TH CONGRESS OF THE CHINESE COMMUNIST PARTY CLOSED ON 1 NOVEMBER. AT ITS FINAL SESSION, THE CONGRESS ADOPTED FOUR RESOLUTIONS APPROVING THE REPORT GIVEN BY ACTING GENERAL SECRETARY ZHAO ZIYANG (MY TELNO 1813), A REVISION OF SOME ARTICLES OF THE PARTY CONSTITUTION, THE WORK REPORT OF THE OUT-GOING CENTRAL ADVISORY COMMISSION, AND THE WORK REPORT OF THE OUT-GOING DISCIPLINE INSPECTION COMMISSION. THE CONGRESS ALSO ELECTED A NEW CENTRAL COMMITTEE AND NEW CENTRAL ADVISORY AND DISCIPLINE INSPECTION COMMISSIONS.

4. 9 FULL MEMBERS OF THE POLITBURO, HEADED BY DENG XIAOPING, WERE NOT RE-ELECTED TO THE CENTRAL COMMITTEE. THE OTHER 8 WERE LI XIANNIAN (PRESIDENT OF THE CPR), CHEN YUN (CHAIRMAN OF THE DISCIPLINE INSPECTION COMMISSION), PENG ZHEN (CHAIRMAN OF THE NATIONAL PEOPLE'S CONGRESS STANDING COMMITTEE), XI ZHONGXUN, FANG YI, YANG DEZHI (CHIEF OF THE GENERAL STAFF), YU QIULI (HEAD OF THE PLA GENERAL POLITICAL DEPARTMENT) AND HU QIAOMU. SINCE THE LACK OF CENTRAL COMMITTEE MEMBERSHIP AUTOMATICALLY DISQUALIFIES THEM FROM THE POLITBURO, THIS AMOUNTS TO A FAIRLY CLEAN SWEEP OF THE MORE

PAGE 1  
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ELDERLY MEMBERS OF THE CHINESE LEADERSHIP. ONLY YANG SHANGKUN, WHO IS WIDELY TIPPED TO REPLACE LI XIANNIAN AS PRESIDENT, REMAINED OF THE OVER-80'S, AND HE IS A STAUNCH LIEUTENANT OF DENG XIAOPING. FOUR OF THE OUTGOING POLITBURO MEMBERS FOUND POSTS ON THE CENTRAL ADVISORY COMMISSION, BUT THEY HAVE BEEN REMOVED FROM THE FORMAL DECISION-MAKING PROCESS. THIS IS A POSITIVE ACHIEVEMENT FOR DENG XIAOPING AND THE CULMINATION OF HIS EFFORTS TO ARRANGE A SUCCESSION NOT ONLY TO HIMSELF BUT ALSO TO THE REVOLUTIONARY GENERATION IN CHINA.

5. DENG XIAOPING HIMSELF IS LIKELY TO RETAIN HIS CHAIRMANSHIP OF THE PARTY'S MILITARY COMMISSION WHEN THAT BODY IS ELECTED ON 2 NOVEMBER. AN OFFICIAL SPOKESMAN SAID ON 1 NOVEMBER THAT DENG WOULD STILL 'PLAY AN IMPORTANT ROLE' IN PARTY AND GOVERNMENT AFFAIRS AS A 'CHIEF ARCHITECT' OF MAJOR POLICY: AND THAT HIS LEADING ROLE DID NOT DEPEND ON HIS POSITIONS BUT ON THE CORRECTNESS OF HIS IDEAS. TO A LESSER EXTENT THIS ALSO APPLIES TO THE OUTGOING VETERANS. BUT IT IS NONETHELESS AN IMPORTANT REDUCTION OF THEIR INFLUENCE TO HAVE INDUCED THEM TO RETIRE.

6. THE REMOVAL OF YANG DEZHI AND YU QIULI SUGGESTS THAT THE LOG-JAM HAS FINALLY BEEN BROKEN AT THE HEAD OF THE MILITARY LEADERSHIP IN CHINA. THEIR STEPPING DOWN OPENS THE WAY FOR YOUNGER MILITARY OFFICERS TO TAKE PART IN THE CHINESE LEADERSHIP. CHINA'S MORE LIBERAL INTELLECTUALS WILL NO DOUBT BE GLAD TO SEE THE DEPARTURE OF TWO OF THE MORE HARD LINE IDEOLOGUES, HU QIAOMU AND DENG LIQUNI, FROM THE CHINESE LEADERSHIP.

THE LATTER WAS ALSO NOT RE-ELECTED TO THE CENTRAL COMMITTEE AND THUS LOSES THIS POSITION ON THE PARTY SECRETARIAT. FOREIGN MINISTER WU XUEQIAN WAS RE-ELECTED TO THE CENTRAL COMMITTEE, AS WAS HIS SENIOR VICE MINISTER QIAN QICHEN.

7. THE NEW CENTRAL COMMITTEE AS A WHOLE IS RATHER SMALLER THAN THE ONE ELECTED IN 1982, WITH 175 FULL AND 110 ALTERNATE MEMBERS (COMPARED TO 210 FULL AND 138 ALTERNATE MEMBERS). THE AVERAGE AGE, IN KEEPING WITH A LONG STANDING COMMITMENT BY THE CHINESE LEADERSHIP, HAS FALLEN FROM 59.1 YEARS WHEN THE 12TH CENTRAL COMMITTEE WAS ELECTED IN 1982 TO 55.2 YEARS FOR THE 13TH CENTRAL COMMITTEE. MOST OF THE FULL MEMBERS OF THE PRESENT CENTRAL COMMITTEE ARE SENIOR OFFICE-HOLDERS IN CENTRAL GOVERNMENT AND PARTY DEPARTMENTS, IN THE PEOPLE'S LIBERATION ARMY, AND IN PROVINCIAL GOVERNMENTS AND PARTY HIERARCHIES. THE MAJORITY OF THEM HAVE BEEN APPOINTED TO THEIR POSTS IN THE LAST FEW YEARS AND CAN GENERALLY BE CONSIDERED TO BE SUPPORTIVE OF THE REFORM PROGRAMME. HU YAOBANG, THE

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PARTY GENERAL-SECRETARY WHO RESIGNED IN JANUARY THIS YEAR, WAS RE-ELECTED TO THE CENTRAL COMMITTEE. SO WAS HUA GUOFENG.

8. FOR THE FIRST TIME SINCE THE FOUNDING OF THE PEOPLE'S REPUBLIC, THE PARTY CONGRESS DID NOT REWRITE THE PARTY CONSTITUTION. IN A GESTURE DESIGNED TO DEMONSTRATE THE CONTINUITY OF POLICY OVER THE LAST FEW YEARS, ONLY A LIMITED NUMBER OF REVISIONS TO THE CONSTITUTION WERE ADOPTED. THESE FELL INTO THREE MAIN CATEGORIES:

(A) THE CHANGES NECESSARY TO ALLOW DENG TO REMAIN CHAIRMAN OF THE MILITARY COMMISSION,

(B) CHANGES TO IMPLEMENT SOME OF THE PROPOSALS FOR POLITICAL REFORM PUT FORWARD BY ZHAO ZIYANG, AND

(C) CHANGES TO STRENGTHEN THE FUTURE COLLECTIVE LEADERSHIP IN CHINA.

9. UNDER THE 1982 CONSTITUTION, THE CHAIRMEN OF THE MILITARY COMMISSION, OF THE ADVISORY COMMISSION, AND OF THE DISCIPLINE INSPECTION COMMISSION ALL HAD TO BE MEMBERS OF THE STANDING COMMITTEE OF THE POLITBURO. THIS REQUIREMENT HAS NOW BEEN DELETED, WHICH MEANS THAT ANYONE INCLUDING NON-MEMBERS OF THE CENTRAL COMMITTEE, MAY BE CLEARED TO THOSE OFFICES. A NUMBER OF ARTICLES DEALING WITH THE ADMINISTRATION OF ENTERPRISES HAVE BEEN AMENDED TO TAKE INTO ACCOUNT THE FACTORY DIRECTOR RESPONSIBILITY SYSTEM. ARTICLES DEALING WITH THE FORMATION OF LEADING PARTY MEMBERS' GROUPS IN NON-PARTY ORGANISATIONS HAVE BEEN CHANGED TO ALLOW FOR THE POSSIBILITY OF THE DISBANDMENT OF SUCH GROUPS. THE SECTION DEALING WITH THE CENTRAL COMMITTEE'S SECRETARIAT HAS BEEN SO ALTERED AS SLIGHTLY TO WEAKEN THE FUNCTION OF THE LATTER. IN THE PAST IT HAD BEEN IN CHARGE OF THE 'DAY TO DAY WORK OF THE CENTRAL COMMITTEE UNDER THE DIRECTION OF THE POLITBURO AND ITS STANDING COMMITTEE'. IT IS NOW MERELY DESCRIBED AS 'THE WORKING BODY OF THE POLITICAL BUREAU OF THE CENTRAL COMMITTEE AND ITS STANDING COMMITTEE'. THUS, INSTEAD OF BEING A SUBSTITUTE POLITBURAO WHEN THAT BODY WAS DOMINATED BY THE MORE ELDERLY LEADERS, THE SECRETARIAT HAS REVERTED TO A MORE TRADITIONAL FUNCTION OF BEING A BODY TO SERVICE THE POLITBURO. A NEW PROVISION IS THAT, WHEN PARTY ORGANISATIONS ARE DECIDING MAJOR ISSUES, THIS MUST BE DONE BY A VOTE. IN THE PAST, THERE WAS NO SUCH PROVISION. THIS INNOVATION STRENGTHENS THE HAND OF THOSE WISHING TO ORGANISE A COLLECTIVE LEADERSHIP IN FUTURE.

10. THE NEW CENTRAL COMMITTEE IS MEETING IN PLENARY SESSION TO-DAY (2 NOVEMBER). IT WILL THEN ELECT THE NEW POLITBURO STANDING

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COMMITTEE AND PARTY SECRETARIAT. I WILL REPORT ON THESE WHEN THEY  
HAVE OCCURRED AND COMMENT AT THAT TIME ON THE RESULTS OF THE  
CONGRESS AND THE LEADERSHIP CHANGES AS A WHOLE.

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CHINA: PARTY CONGRESS: FIRST DAY

SUMMARY

1. THE POLICY DECISIONS ANNOUNCED IN ACTING GENERAL-SECRETARY ZHAO ZIYANG'S REPORT TO THE CHINESE PARTY CONGRESS ON 25 OCTOBER CAN BE COUNTED A QUALIFIED SUCCESS FOR HIM AND HIS SUPPORTERS. IMPORTANT MOVEMENT HAS BEEN ACHIEVED ON IDEOLOGICAL QUESTIONS AND SOME USEFUL SPECIFIC COMMITMENTS HAVE BEEN MADE ON POLITICAL REFORM. THIS IS MORE THAN MIGHT HAVE BEEN EXPECTED GIVEN THE VICISSITUDES OF CHINESE POLITICS OVER THE LAST YEAR. BUT IT IS EQUALLY CLEAR THAT THIS DOCUMENT IS THE PRODUCT OF HARD-FOUGHT COMPROMISE AND THAT IMPLEMENTING THE PROGRAMME WILL THROW UP MANY FURTHER PRACTICAL AND POLITICAL CONTRADICTIONS. NONETHELESS, THE DOCUMENT SERVES AS A USEFUL FOUNDATION FOR FURTHER REFORM. IT WILL PUT GROUND UNDER THE FEET OF THE REFORMERS IN FUTURE POLICY DEBATES AFTER DENG XIAOPING HIMSELF HAS GONE.

DETAIL

2. THE THIRTEENTH CONGRESS OF THE CHINESE COMMUNIST PARTY OPENED ON 25 OCTOBER. IT WAS ATTENDED BY DENG XIAOPING AND ALL THE OTHER CURRENT MEMBERS OF THE SENIOR PARTY LEADERSHIP. DENG MADE SOME VERY BRIEF OPENING REMARKS AND THE REMAINDER OF THE SESSION WAS TAKEN UP BY ACTING GENERAL SECRETARY ZHAO ZIYANG'S TWO-AND-A-HALF-HOUR-LONG WORK REPORT (FOR SUMMARY SEE MIFT). CHEN YUN AND DENG YINGCHAO LEFT THE PLATFORM BEFORE ZHAO HAD FINISHED SPEAKING ACCORDING TO A DELEGATE, BOTH LOOKED VERY FRAIL. FOR THE FIRST TIME AT A MODERN CONGRESS. THERE WAS NO PORTRAIT OF MAO.

3. ZHAO'S REPORT CONTAINS WHAT WILL BE THE MAIN POLICY STATEMENT TO EMERGE FROM THE CONGRESS. IT IS KNOWN TO HAVE GONE THROUGH A LENGTHY DRAFTING PROCESS AND BEARS ALL THE MARKS OF A CONSENSUS DOCUMENT PREPARED IN COMMITTEE. NONETHELESS, AS PRE-FIGURED IN MY TELNO 1750, IT DOES ENDORSE THE GENERAL ORIENTATION OF PRESENT POLICY IN A POSITIVE FASHION AND PROVIDES A FIRM BASIS FOR FUTURE REFORM. GIVEN THE UPS AND DOWNS OF CHINESE POLITICS OVER THE LAST YEAR, THE MORE LIBERAL WING OF THE PARTY REPRESENTED BY ZHAO ZIYANG CAN BE QUITE PLEASED WITH WHAT THEY HAVE ACHIEVED.

4. FOR THE WORK REPORT OF AN OUTGOING PARTY CENTRAL COMMITTEE, IT WAS A SURPRISINGLY UNPOLITICAL DOCUMENT. NO EXPLANATION WAS ATTEMPTED OF THE HU YUOBANG AFFAIR. THE MORE DIFFICULT QUESTIONS IN GENERAL TENDED EITHER TO BE AVOIDED OR GLOSSED OVER. NONETHELESS, THE STRICTURES AGAINST THE MORE UTOPIAN INTERPRETATIONS OF MARXISM, AND THE WAY ZHAO NEATLY TURNED THE TABLES ON HIS CRITICS BY SUGGESTING THAT THOSE WHO AIRED IDEOLOGICAL MISGIVINGS ABOUT REFORM WERE ACTUALLY GIVING-AMMUNITION TO THE ADVOCATES OF BOURGEOIS LIBERALISM BY CASTING DOUBT ON THE SUPERIORITY OF SOCIALISM, SUGGEST A GROWING CONFIDENCE ON HIS PART AND THAT OF HIS SUPPORTERS THAT THEY HAVE WEATHERED THE STORMS OF THE EARLIER PART OF THE YEAR.

5. THREE MAIN FIELDS WERE ADDRESSED: IDEOLOGY, ECONOMIC STRATEGY AND REFORM OF THE POLITICAL STRUCTURE. IN ONE OF THEM WERE ANY MAJOR INNOVATIONS PROPOSED. THE GROUND HAD BEEN CAREFULLY PREPARED BEFOREHAND, SO BIG SURPRISES WERE NOT TO BE EXPECTED. FOREIGN POLICY WAS HARDLY MENTIONED OTHER THAN IN TERMS OF ECONOMIC RELATIONS WITH THE OUTSIDE WORLD.

#### IDEOLOGY

6. AS EXPECTED, ZHAO EXPANDED ON THE CURRENT CHINESE THESIS OF THE PRIMARY STAGE OF SOCIALISM AS AN IDEOLOGICAL JUSTIFICATION FOR THE REFORM PROGRAMME. THIS STAGE, ARISING OUT OF CHINA'S PECULIAR CONDITIONS, IS ENVISAGED AS LASTING AT LEAST 100 YEARS, DATING FROM THE SOCIALIST TRANSFORMATION IN THE MID-1950S, AND COVERS THE WHOLE PERIOD OF ECONOMIC MODERNISATION WHICH MANY OTHER COUNTRIES EXPERIENCED UNDER CAPITALISM. AS AN INITIAL STAGE, MANY DIVERSE FORMS OF ECONOMIC ORGANISATIONS ARE ACCEPTABLE IN SO FAR AS THEY BENEFIT ECONOMIC DEVELOPMENT. THUS ZHAO HOPES TO DISARM IDEOLOGICALLY BASED CRITICISMS OF REFORM POLICY AND TO PROVIDE IT WITH A FIRM THEORETICAL BACKING. HE IS FILLING A LONG FELT NEED. BUT THE THEORY IS STILL PRETTY RUDIMENTARY AND AMOUNTS TO LITTLE MORE THAN PROLONGED SPECIAL PLEADING FOR REFORM BASED ON AN EX POST FACTO JUSTIFICATION OF WHAT HAS BEEN DONE. THE THEORY OF REFORM HAS NOT ADVANCED VERY FAR FROM SIMPLE PRAGMATISM. BUT IT IS EQUALLY CLEAR THAT MARXISM/LENINISM/MAO ZEDONG THOUGHT IS IN VIRTUAL ABEYANCE. RITUAL LIP SERVICE MAY CONTINUE TO PAID TO IT, BUT IT IS DENG'S PRACTICAL ORIENTATION THAT RULES FOR THE MOMENT IN CHINA.

#### ECONOMIC STRATEGY

7. THIS SECTION OF ZHAO'S SPEECH WAS CURIOUSLY VAGUE. ON ONE VIEW THIS COULD BE SEEN AS A REFLECTION IN ITSELF OF THE PRINCIPLE OF SEPARATION OF PARTY AND GOVERNMENT, WITH THE PARTY LIMITING ITSELF



TO LAYING DOWN THE PRINCIPLE GUIDELINES. IT IS A FACT THAT MANY PRACTICAL AND INDEED THEORETICAL ASPECTS OF THE CURRENT HOT REFORM TOPICS HAD BEEN DISCUSSED AND ELUCINATED AT OTHER MEETINGS BEFORE THE CONGRESS, AND IN THE CHINESE PRESS. HOWEVER, THE NATURE OF THE OMISSIONS IN ZHAO'S REPORT ALSO HINTS AT A DISTINCT UNWILLINGNESS TO GRAPPLE WITH WHAT MOST OUTSIDERS SEE AS THE PRINCIPAL PROBLEM FACING CHINA, NAMELY HOW TO RECONCILE STATE PLANNING WITH MARKET-ORIENTED PRICE REFORM. MOST ASPECTS OF CURRENCY POLICY WERE GIVEN FORMAL ENDORSEMENT INCLUDING SOME NEW DEPARTURES, SUCH AS THE IDEA OF A REAL ESTATE MARKET AND APPROVAL FOR SOME FORMS OF UNEARNED INCOME. BUT THE TONE WAS ON THE WHOLE DEFENSIVE: AND DIFFICULT BUT CRUCIAL QUESTIONS SUCH AS BANKRUPTCY WERE OMITTED ALTOGETHER FROM THE DISCUSSION OF ENTERPRISE REFORM.

8. FROM THE POINT OF VIEW OF CHINA'S ECONOMIC RELATIONS WITH THE OUTSIDE WORLD, THE REPORT WAS POSITIVE AND HELPFUL. ZHAO SAID CHINA WAS COMMITTED TO LONG-TERM WORKING WITH THE REST OF THE WORLD, AND SPECIFIC MEASURES FOR IMPROVING FOREIGN ECONOMIC CO-OPERATION WERE INCLUDED.

POLITICAL REFORM

9. THERE WAS CONSIDERABLY MORE IN TERMS OF SPECIFIC COMMITMENTS TO POLITICAL REFORM THAN MIGHT HAVE BEEN EXPECTED. THIS AUGURS WELL FOR ZHAO: ESPECIALLY AS IT WOULD HAVE BEEN SO EASY FOR THIS MOST CONTROVERSIAL PART OF HIS SPEECH TO GET LOST IN MEANINGLESS VERBIAGE. IT IS NOW CLEARER EXACTLY WHAT IS MEANT BY SEPARATING PARTY FROM GOVERNMENT. THE PROPOSAL TO DIVIDE GOVERNMENT SERVANTS INTO POLITICAL FIXED-TERM APPOINTEES AND PERMANENT CIVIL SERVANTS RECRUITED BY EXAMINATION IS A SIGNIFICANT STEP FORWARD. SO TOO IS THE ABOLITION OF PARTY LEADING GROUPS IN MINISTRIES AND THE CONFINING OF THE DISCIPLINE INSPECTION OF COMMISSION TO PARTY MATTERS. NONETHELESS HERE TOO MUCH OF THE BENEFIT OF A NEW LINE HAS BEEN DILUTED BY THE LONG TIME-SCALE ASSIGNED TO MOST OF IT. THERE IS PLENTY OF ROOM FOR FOOT-DRAGGING. THE CHINESE PEOPLE WILL HAVE TO WAIT A LONG TIME FOR ANYTHING WE WOULD CALL DEMOCRACY: SECTIONS DEALING WITH THIS WERE THE VAGUEST OF ALL.

10. LOOKING TO THE MORE IMMEDIATE FUTURE, THE REQUIREMENT FOR THE POLITBURO STANDING COMMITTEE TO REPORT TO THE POLITBURO AND FOR THAT BODY TO REPORT TO MORE FREQUENT PLENARY SESSIONS OF THE CENTRAL COMMITTEE SEEMS DESIGNED TO PROVIDE FOR MORE MEANINGFUL COLLECTIVE LEADERSHIP IN THE SUCCESSION PERIOD. NO GROUP OR LEADER WILL BE ALLOWED TO MAKE DECISIONS WITHOUT BEING FAIRLY QUICKLY ACCOUNTABLE TO THE REST OF THE PARTY.

## CONCLUSION

11. THE NEXT STEP IS TO GET THE PROPOSALS IN THE DOCUMENT IMPLEMENTED. IT IS CLEAR FROM THE WAY THAT THE DOCUMENT WAS DRAFTED THAT THIS WILL NOT BE EASY TO ACHIEVE. THE MORE DIFFICULT THE PROPOSAL, THE VAGUER THE WORDING HAS TENDED TO BE. AND THESE VAGUELY WORDED PROPOSALS ARE OFTEN THE MORE SIGNIFICANT ONES IN THE LONG TERM.

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CHINESE PARTY CONGRESS

SUMMARY

1. THE OPENING OF THE CONGRESS IS FIXED FOR 25 OCTOBER. DENG XIAOPING WILL STEP DOWN FROM THE POLITBURO STANDING COMMITTEE. THE SIGNES ARE THAT ZHAO ZIYANG AND THE REFORMERS MAY GET MUCH OF WHAT THEY WANT, BOTH IN TERMS OF THE LEADERSHIP ARRANGEMENTS, AND IN A COMMITMENT TO FURTHER REFORM.

DETAIL

2. THE CHINESE PRESS ANNOUNCED ON 3 SEPTEMBER THAT THE POLITBURO HAD PROPOSED THAT THE THIRTEENTH PARTY CONGRESS SHOULD OPEN ON 25 OCTOBER. THIS PROPOSAL WOULD BE SUBMITTED TO THE SEVENTH PLENUM OF THE CURRENT CENTRAL COMMITTEE WHICH WILL BE HELD SOON, TO MAKE FORMAL PREPARATIONS FOR THE CONGRESS.

3. THE CHINESE LEADERSHIP MET IN THE SEASIDE RESORT OF BEIDAIHE FOR ALMOST A MONTH FROM LATE JULY TO MID-AUGUST TO DISCUSS ARRANGEMENTS FOR THE CONGRESS. THE OUTLINES OF THEIR DECISIONS ARE NOW BECOMING CLEARER. AS FAR AS THE LEADERSHIP IS CONCERNED DENG XIAOPING AND OTHER ELDERLY MEMBERS OF THE POLITBURO STANDING COMMITTEE WILL STEP DOWN FROM THAT BODY, LEAVING PROBABLY ONLY ZHAO ZIYANG OF THE CURRENT INCUMBENTS. THEIR REPLACEMENTS WILL BE YOUNGER, WHICH MEANS THAT SUCH ELDERLY AND MORE CONSERVATIVE FIGURES AS PENG ZHEN WILL NOT BE PROMOTED. THE NEW POLITBURO WILL ALSO BE YOUNGER, AND THE BACKBONE OF THE MEMBERSHIP OF THE CENTRAL COMMITTEE WILL BE PEOPLE IN THEIR FIFTIES.

4. THE DRAFT OF THE MAIN DOCUMENT, THE POLITICAL WORK REPORT WHICH WILL BE DELIVERED BY ZHAO ZIYANG, IS NOW BEING CIRCULATED IN LEADING PARTY CIRCLES, INCLUDING THE DELEGATES FOR THE CONGRESS WHO HAVE ALL NOW BEEN SELECTED. THEIR SUGGESTIONS WILL PRESUMABLY BE INCORPORATED INTO THE DOCUMENT AT THE FORTHCOMING PLENUM.

5. ONE OF THE MAIN ITEMS ON THE AGENDA OF THE CONGRESS WILL BE HOW TO ACCELERATE CURRENT REFORMS, AND A BLUEPRINT FOR REFORM OF THE

POLITICAL STRUCTURE WILL BE WORKED OUT, TAKING DENG XIAOPING'S 1980 SPEECH 'ON THE REFORM OF THE PARTY AND STATE LEADERSHIP' AS ITS MAIN GUIDE.

6. ON THE FACE OF IT THIS IS GOOD NEWS FOR DENG XIAOPING, ZHAO ZIYANG AND THE REFORMERS. THE CONGRESS IS GOING AHEAD ON SCHEDULE. THEY APPEAR TO HAVE WON ONE OF THE MAIN POINTS REGARDING THE LEADERSHIP IN INDUCING MANY OF THE OLDER AND GENERALLY MORE CONSERVATIVE LEADERS TO STEP DOWN FROM ACTIVE INVOLVEMENT IN POLITICS. MUCH OF COURSE DEPENDS ON EXACTLY HOW MANY OF THEM GO AND WHO THEIR REPLACEMENTS ARE. A CLEAN SWEEP BY THE REFORMERS SHOULD NOT BE EXPECTED. AS FAR AS REFORM, AND PARTICULARLY THE CONTROVERSIAL QUESTION OF POLITICAL REFORM IS CONCERNED, THE REFORMERS LOOK LIKE ACHIEVING A DOCUMENT THAT DOES CONTAIN SOME SPECIFIC COMMITMENTS, RATHER THAN ONE WHOSE IMPACT IS OBSCURED BY IDEOLOGICAL VERBIAGE. THAT HOWEVER WOULD ONLY BE HALF THE BATTLE. IT WILL PROVE EQUALLY DIFFICULT TO GET IT IMPLEMENTED. THE FACT THAT DENG'S SPEECH OF 1980 IS STILL LARGELY VALID TODAY SHOWS WHAT AN UPHILL STRUGGLE THAT HAS BEEN.

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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

6 April 1987

**CONTINGENCY PLANNING: DEATH OF DEN XIAOPING**

Thank you for your letter of 3 April about the contingency message in the case of the death of Deng Xiaoping. I enclose a version with which the Prime Minister would be content.

(C. D. POWELL)

Robert Culshaw, Esq., M.V.O.,  
Foreign and Commonwealth Office.

RM



10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

I have heard with great sadness of the death of Chairman Deng Xiaoping. Chairman Deng's historic role in the development of modern China and his personal contribution to the resolution of the Hong Kong question earned the admiration and respect of the peoples of China, Britain and the world. With his death, the Chinese people have lost a great and wise leader. Please convey to his family and colleagues our sincere condolences.

His Excellency Mr. Zhao Ziyang

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~~SECRET~~  
①



Foreign and Commonwealth Office

London SW1A 2AH

3 April 1987

Dear Charles

Prime Minister  
Agree to attached message  
as a contingency?  
CDP  
See overpage  
MB

Contingency Planning: Death of Deng Xiaoping

We have been considering contingency plans for messages of condolence to be sent in the case of the sudden death of either of China's two most elderly principal leaders, Li Xiannian and Deng Xiaoping: a recent confidential report of the illness of President Li has brought this into immediate focus.

The Queen will send a message in the case of Li's death, and the Foreign Secretary will sign the book of condolence at the Chinese Embassy. We imagine, however, that the Prime Minister would wish to send a message and sign the book in the case of Deng's death. I attach a draft message, which, if the Prime Minister agrees, the Ambassador in Peking could forward direct to Premier Zhao without prior reference to London.

Yours truly

(R N Culshaw)  
Private Secretary

C D Powell Esq  
10 Downing Street

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10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

I have heard with great sadness of the death of Chairman Deng Xiaoping. Chairman Deng's historic role in the development of modern China and his personal contribution to the resolution of the Hong Kong question earned the admiration and respect of the peoples of China, Britain and the world. With his death, the Chinese people have lost a great and wise leader. Please convey to his family and colleagues <sup>our</sup> the sincere condolences of the British government ~~and people.~~

*that is for H.M. The Queen*

His Excellency Mr. Zhao Ziyang



*Sir P CADDICK, NO 10 Downing St*  
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MY T2ELNO 290: CHINA: POLITICAL SITUATION

1. ACTING GENERAL SECRETARY AND PREMIER ZHAO ZIYANG HAS REITERATED IN CALM AND MEASURED TONES HIS REASSURING LINE ON DEVELOPMENTS IN CHINA STATING THAT THE POLICIES OF REFORM AND OF OPENING TO THE OUTSIDE WORLD WERE IRREVERSIBLE. THE ARMED FORCES HAVE ASSUMED A HIGHER POLITICAL PROFILE WHICH MAY NOT BE SO WELCOME TO THE REFORMERS.

DETAIL

2. ON 24 FEBRUARY ZHAO ZIYANG TOLD AN AMERICAN ACADEMIC THAT THE CHINESE LEADERSHIP HAD NO INTENTION OF CHANGING PRESENT POLICY AND THAT THERE WAS NO BASIS FOR SUCH A CHANGE AMONG THE CHINESE PEOPLE. THE STRUGGLE AGAINST BOURGEOIS LIBERALISATION HAD A STRICT MEANING THAT IS WHETHER LEADERSHIP BY THE CHINESE COMMUNIST PARTY SHOULD BE UPHOLD AND WHETHER THE SOCIALIST SYSTEM SHOULD BE ADHERED TO IN CHINA. THE LINE SINCE THE THIRD PLENUM BOILED DOWN TO TWO POINTS, ADHERING TO THE FOUR CARDINAL PRINCIPLES AND CARRYING OUT REFORM. THESE TWO WERE INSEPERABLE. DURING THE LONG PROCESS OF BUILDING SOCIALISM WITH CHINESE CHARACTERISTICS SOMETIMES THERE WAS MORE TALKS OF BOURGEOIS LIBERALISATION, SOMETIMES MORE ABOUT REFORM, THE OPEN POLICY AND THE POLICY OF INVIGORATING THE ECONOMY.

3. IN A SIMILAR VEIN THERE HAVE BEEN A NUMBER OF PUBLIC STATEMENTS BY RELATIVELY SENIOR CHINESE OFFICIALS DEFINING FAIRLY TIGHTLY THE LIMITATIONS ON THE STRUGGLE AGAINST BOURGEOIS LIBERALISATION IN FIELDS SUCH AS MANAGEMENT REFORM, RELIGIOUS AND ARTISTIC POLICY, AND TRADE UNION AFFAIRS.

4. SET SOMEWHAT AGAINST THIS HAS BEEN THE RAISING OF THE POLITICAL PROMINENCE GIVEN TO THE ARMED FORCES THROUGH THE PARTY CENTRAL COMMITTEE'S NOTICE PUBLICISED ON 26 FEBRUARY, RECOMMENDING THE MILITARY COMMISSIONS 'DECISION ON POLITICAL WORK IN THE ARMED FORCES IN THE NEW ERA' TO ALL LOCALITIES AND DEPARTMENTS AS A USEFUL AID IN MAKING A GOOD JOB OF POLITICAL WORK. SINCE THE ARMED FORCES HAD ALREADY HINTED THAT THEY INTENDED TO CARRY POLITICAL WORK IN THE PRESENT STRUGGLE SOMEWHAT BEYOND THE STRICT PARTY LIMITS LAID DOWN BY ZHAO ZIYANG IN JANUARY (MY TELNO 251), THIS DECISION WILL PROBABLY NOT BE ENTIRELY WELCOME TO THE REFORMERS. THE ANNOUNCEMENT WAS ACCOMPANIED BY A PEOPLE'S DAILY COMMENTARY WHICH GENERALLY FOLLOWED THE LINE OF CAREFULLY BALANCING REFERENCES TO THE FOUR CARDINAL PRINCIPLES AND TO REFORM. BUT IN RATHER STRONGER TERMS IT ADDED THAT IN THE PROCESS OF OPENING UP AND INVIGORATING THE ECONOMY

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NEGATIVE PHENOMENA COULD EMERGE. ALTHOUGH CLASS STRUGGLE WAS NOT THE PRINCIPLE CONTRADICTION IN CHINESE SOCIETY IT WOULD STILL EXIST WITHIN CERTAIN LIMITS FOR A LONG PERIOD. THE REMNANTS OF CORRUPT CAPITALIST AND FEUDALIST IDEAS COULD STILL CAUSE HARM.

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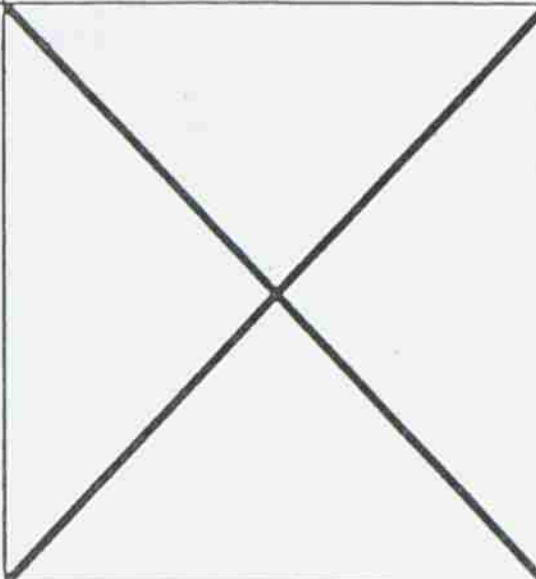
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② Secretary of State

MY TELNOS 80, 81 AND 82: CHINESE LEADERSHIP

me  
on 19/1

SUMMARY

1. HU YAOBANG'S RESIGNATION IS THE BIGGEST POLITICAL UPHEAVAL IN CHINA SINCE THE THIRD PLENARY OF THE 11TH CENTRAL COMMITTEE IN NOVEMBER 1978, WHEN DENG XIAOPING AND THE REFORMERS PREVAILED OVER HUA GUOFENG. DENG WAS PERSONALLY RESPONSIBLE FOR THE SELECTION OF HU AS GENERAL SECRETARY (A POST TO WHICH HE WAS APPOINTED IN 1980) AND RELIED ON HIM TO KEEP THE PARTY MOVING IN THE DIRECTIONS WHICH DENG FAVOURED. SOMETHING MUST HAVE GONE SERIOUSLY WRONG TO WARRANT HIS DISMISSAL (FOR THAT IS WHAT IT AMOUNTS TO), ESPECIALLY AT THIS JUNCTURE. THE REFORM PROGRAMME IN THE POLITICAL AND IDEOLOGICAL SPHERES IS NOW BACK IN THE MELTING POT. THE PROGRAMME COULD ALSO BE AFFECTED IN THE ECONOMIC SPHERE. THE WHOLE QUESTION OF THE SHAPE OF THE LEADERSHIP FOR THE REST OF THE 1980S IS NOW WIDE OPEN.

THE CIRCUMSTANCES OF HU'S DISMISSAL

2. EIGHTEEN FULL AND TWO ALTERNATE MEMBERS OF THE POLITBURO WERE PRESENT AT ITS ENLARGED MEETING ON 16 JANUARY. THERE WERE ONLY TWO ABSENTEES AMONG THE FULL MEMBERS: YANG DEZHI (CHIEF OF STAFF), WHO WAS IN THAILAND, AND (PROBABLY) LIXIANNIAN WHO WAS IN SHANGHAI ON BOTH 15 AND 17 JANUARY. THIS NEARLY FULL ATTENDANCE, TOGETHER WITH THE PRESENCE OF NINETEEN SENIOR MEMBERS OF THE CENTRAL ADVISORY COMMISSION OF THE CENTRAL COMMISSION FOR DISCIPLINE INSPECTION, SUGGESTS THAT THE MEETING HAD BEEN CAREFULLY ARRANGED. WE DO NOT YET KNOW WHO THE SPEAKERS WERE, APART FROM HU HIMSELF. BUT WE OUGHT TO BE ABLE TO PICK UP INFORMATION ABOUT THIS AS TIME PASSES.

3. ACCORDING TO EARNSHAW, THE HEAD OF REUTERS, KYODO'S RECENT REPORTS ABOUT CONFLICTS WITHIN THE LEADERSHIP HAVE TURNED OUT TO BE EXTREMELY ACCURATE. EARNSHAW IS THEREFORE INCLINED TO GIVE CREDENCE TO KYODO'S STORY (WHICH MAY OR MAY NOT HAVE BEEN PUBLISHED: I DO NOT HAVE THE MEANS TO CHECK) THAT DENG PERSONALLY CRITICISED HU FOR TAKING IMPORTANT DECISIONS WITHOUT CONSULTING HIM AND OTHER SENIOR LEADERS ON THREE SEPARATE OCCASIONS DURING THE SECOND HALF OF 1986. HE ALSO ACCEPTS KYODO'S STORY THAT DENG DECIDED THAT HU MUST GO AFTER THE LATTER HAD BEEN ASKED TO DISMISS WANG RUOWANG DURING A VISIT TO SHANGHAI AT THE BEGINNING OF DECEMBER, BUT HAD RETURNED FROM SHANGHAI WITHOUT HAVING DONE THIS.

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4. ACCORDING TO EAST EUROPEAN SOURCES CITED BY REUTERS TODAY, ZHAO ZIYANG TOLD HAVASI FERENZ, SECRETARY OF THE CENTRAL COMMITTEE OF THE HUNGARIAN COMMUNIST PARTY ON 18 JANUARY THAT HU HAD NOT TRIED HIS BEST TO REALISE THE DECISIONS OF THE 3RD PLENUM, AND HAD INDEED ACTIVELY HINDERED THE REALISATION OF THESE POLICIES DESPITE SEVERAL WARNINGS OVER THE YEARS. HE HAD FAILED TO TAKE 'BOURGEOIS LIBERALISATION' SERIOUSLY AND HAD EVEN SUPPORTED BOURGEOIS LIBERAL 'THINGS'. HE HAD ALSO WANTED TO PUSH THE PROCESS OF POLITICAL REFORM AT TOO FAST A PACE. THE STUDENT DEMONSTRATIONS HAD FINALLY CONVINCED THE LEADERSHIP THAT HU HAD TO BE REMOVED AS HE WAS NEITHER SUITABLE FOR, NOR CAPABLE OF LEADING THE STRUGGLE AGAINST 'BOURGEOIS LIBERALISATION'.

5. IN THE LIGHT OF THESE STORIES, AND BECAUSE I THINK THIS INTERPRETATION THE MOST LIKELY A PRIORI, MY PRELIMINARY CONCLUSION IS THAT HU WAS FORCED TO RESIGN BECAUSE DENG HIMSELF HAD LOST CONFIDENCE IN HIM. THE OTHER INTERPRETATION WHICH IS BEING MUCH CANVASSED HERE IS THAT DENG WAS FORCED TO GET RID OF HU IN ORDER TO SATISFY 'CONSERVATIVES' IN THE UPPER REACHES OF THE LEADERSHIP. IT IS LIKELY THAT SUCH PEOPLE WERE UNHAPPY ABOUT HU'S PERFORMANCE, AND IT IS LIKELY, TOO, THAT THEY MADE THEIR DISSATISFACTION KNOWN TO DENG. BUT I DO NOT THINK THAT ANY SUCH PRESSURE WOULD ON THEIR OWN HAVE LED TO HU'S REMOVAL.

6. THERE REMAINS THE QUESTION OF TIMING. ON THE ASSUMPTION THAT HE HAD LOST CONFIDENCE IN HU, WHY DID DENG NOT WAIT UNTIL THE THIRTEENTH PARTY CONGRESS IN THE AUTUMN TO GIVE HIM DECENT BURIAL, AMONG A LARGE NUMBER OF CHANGES AT THE TOP, ON THAT OCCASION? THE ONLY POSSIBLE ANSWER IS THAT HIS DEGREE OF DISSATISFACTION WAS VERY GREAT AND, AS IMPORTANT, THAT HE WAS PREPARED TO ACCEPT THE QUITE SERIOUS COSTS, TO HIS OWN REPUTATION AND TO THE REPUTATION OF CHINA GENERALLY, ENTAILED BY HU'S DISMISSAL NOW.

## CONSEQUENCES.

7. IT HAD BECOME ACCEPTED INSIDE CHINA AND ABROAD THAT THE CHINESE LEADERSHIP WAS CONFIDENT AND UNITED. THAT HAS NOW CHANGED. IT HAS BEEN REVEALED THAT THE LEADERSHIP IS (AND HAS BEEN) BY NO MEANS UNITED. THIS IN TURN WILL DIMINISH THE CREDIBILITY OF WHAT DENG, ZHAO AND THE REST SAY ABOUT THE NATURE OF THE LEADERSHIP AND ITS POLICIES FOR SOME TIME TO COME. IT WILL ALSO DAMAGE DENG'S REPUTATION FOR GOOD JUDGEMENT, BUT (PARADOXICALLY) MAKE IT ALL THE MORE NECESSARY THAT HE SHOULD NOT RETIRE FROM HIS REMAINING POSTS IN THE PARTY AND THE STATE.

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8. THE CAMPAIGN AGAINST "BOURGEOIS LIBERALISATION" IS GOING STRONG. IT IS AT THE MOMENT CONFINED TO THE POLITICAL AND IDEOLOGICAL SPHERES. WITHIN THESE SPHERES, THE LIMITS OF THE PARTY'S TOLERANCE, EVEN UNDER DENG HAVE BEEN SET. IT WILL CLEARLY MAKE NECESSARY A REVISION AT THE VERY LEAST, OF THE REFORM PROGRAMME AS SET OUT IN THE RESOLUTION OF THE SIXTH PLENUM OF THE TWELFTH CENTRAL COMMITTEE IN SEPTEMBER 1986. IT WILL MAKE ALL PARTY AND STATE OFFICIALS WHO ARE CONCERNED WITH IDEOLOGY, CULTURE AND EDUCATION MORE CAUTIOUS IN THEIR DEALINGS WITH ONE ANOTHER AND WITH FOREIGNERS. IF IT GOES ON FOR SOME TIME, IT COULD BEGIN TO PRODUCE THE KIND OF BEHAVIOUR BY MIDDLE-RANKING OFFICIALS WHICH OCCURRED DURING THE CAMPAIGN AGAINST SPIRITUAL POLLUTION THREE YEARS AGO. INTELLECTUALS TOO WILL BE CONSIDERABLY MORE WARY, DESPITE LI PENG'S ASSURANCES ON 17 JANUARY THAT THEY ARE NOT THE TARGET OF THE CAMPAIGN.

9. IN SPEAKING TO HAVASI FERENZ ON 18 JANUARY, ZHAO WAS AT PAINS TO EMPHASISE THAT THERE WOULD BE NO CHANGE IN THE PARTY'S "LINE AND POLICIES". INTER ALIA, HE SAID., "WE WILL CONTINUE THE POLICY OF OPENING TO THE OUTSIDE WORLD" AND "WE WILL EXPAND OUR COOPERATION WITH FOREIGN COUNTRIES IN TRADE, ECONOMIC, TECHNICAL, MONETARY AND OTHER FIELDS". BUT I BELIEVE THAT OFFICIALS RESPONSIBLE FOR THE IMPLEMENTATION OF ECONOMIC POLICY WILL ALSO BECOME MORE CAUTIOUS.

AND SOME OF THE POLICIES THEMSELVES, PARTICULARLY THOSE OF A MORE CONTROVERSIAL OR FUNDAMENTAL NATURE SUCH AS FINANCIAL OR PRICE REFORM COULD BE MODIFIED. FOREIGN POLICY IS LESS VULNERABLE, BUT IT TOO WILL BEAR CLOSE SCRUTING IN THE COMING WEEKS.

10. ALL THOSE I HAVE SPOKEN TO AGREE THAT ZHAO CANNOT REMAIN BOTH ACTING GENERAL-SECRETARY AND PREMIER FOR VERY LONG. THE MAJORITY, WITH WHOM I AGREE, EXPECT THAT HE WILL BE CONFIRMED AS GENERAL SECRETARY AT THE NEXT PLENUM OF THE CENTRAL COMMITTEE AND CEASE TO BE PREMIER THEN OR NOT LONG THEREAFTER. THE PRINCIPAL CANDIDATES TO SUCCEED HIM AS PREMIER ARE LI PENG, TIAN JIYUAN, QIAO SHI AND LI RUIHUAN, MAYOR OF TIANJIN. MY OWN MONEY IS SPREAD EQUALLY BETWEEN THE FIRST AND THE LAST OF THESE.

11. WITHIN THE PARTY, IT DOES NOT LOOK AS IF HU DILI HAS SUFFERED WITH HU YAOBANG. HE TOO RECEIVED HAVASI ON 18 JANUARY. BUT THERE IS A STRONG RUMOUR THAT ZHU HOUZE, THE HEAD OF THE PROPAGANDA OF THE CENTRAL COMMITTEE, HAS BEEN REPLACED BY A JOURNALIST FROM THE PEKING DAILY.

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12. THE LEADERSHIP WILL HAVE TO DO MORE TO EXPLAIN THE DISGRACE OF HU, TO THE CHINESE PEOPLE AND TO THE OUTSIDE WORLD. IT SHOULD BE POSSIBLE TO REFINE THE JUDGEMENTS IN THIS TELEGRAM PROGRESSIVELY AS NEW INFORMATION, AND NEW COMMENT, BECOMES AVAILABLE.

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MR GILLMORE

SIR O WILSON

COPIES TO:

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OJ ROW - MODUK

MR R FELLOWES

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(REPEATED AS REQUESTED)

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FM PEKING

TO FLASH FCO

TELNO 81

OF 161235Z JANUARY 87

INFO FLASH HONG KONG

INFO IMMEDIATE WASHINGTON, TOKYO, MOSCOW

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MY TELNO.070:

CHINESE LEADERSHIP.

1. AN ENLARGED MEETING OF THE POLITBURO ON 16 JANUARY ACCEPTED HU YAOBANG'S RESIGNATION AS GENERAL SECRETARY OF THE CHINESE COMMUNIST PARTY AND APPOINTED ZHAO ZIYANG AS ACTING GENERAL SECRETARY IN HIS STEAD.
2. ACCORDING TO THE COMMUNIQUE OF THE MEETING HU YAOBANG MADE A SELF CRITICISM FOR MISTAKES OF POLITICAL PRINCIPLE AND VIOLATIONS OF THE PRINCIPLE OF COLLECTIVE LEADERSHIP HE HAD MADE DURING HIS TERM OF OFFICE. THE MEETING GAVE HIM SERIOUS AND COMRADELY CRITICISM WHILE ACKNOWLEDGING HIS ACHIEVEMENTS. THE COMMUNIQUE URGED THE WHOLE PARTY TO CONTINUE TO FOLLOW THE POLITICAL LINE AND THE VARIOUS DOMESTIC AND FOREIGN POLICIES LAID DOWN SINCE THE THIRD PLENUM. IT ALSO CALLED FOR UPHOLDING THE FOUR BASIC PRINCIPLES AND FOR STRUGGLE AGAINST BOURGEOIS LIBERALISM.
3. HU WILL REMAIN A MEMBER OF THE POLITBURO AND OF ITS STANDING COMMITTEE. HIS RESIGNATION AND ZHAO'S APPOINTMENT WILL BE SUBMITTED TO THE NEXT PLENARY SESSION OF THE CENTRAL COMMITTEE FOR CONFIRMATION.

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TO PRIORITY FCO

TELNO 856

OF 210315Z MAY 86

INFO ROUTINE HONG KONG, WASHINGTON, MOSCOW, TOKYO

VISIT BY HU YAOBANG: CHINA INTERNAL.

1. 1985 WAS A DIFFICULT YEAR FOR CHINA'S ECONOMIC REFORM PROGRAMME, WITH PROBLEMS IN SEVERAL AREAS. THESE COULD HAVE WEAKENED THE GRIP OF THE LEADERSHIP. BUT WITH CONSIDERABLE POLITICAL SKILL, AND BY ADAPTING THEIR POLICIES TO MEET SOME CRITICISMS, THE LEADERS HAVE LIMITED THE DAMAGE AND HAVE MANAGED TO REMAIN POLITICALLY STRONG WITHOUT DILUTION OF THEIR COMMITMENT TO REFORM.

2. A NEW FIVE YEAR PLAN (THE SEVENTH) WAS ADOPTED AT THE FOURTH SESSION OF THE SIXTH NATIONAL PEOPLE'S CONGRESS (MARCH-APRIL). THE PLAN WAS VERY MUCH IN THE REFORMIST MOULD. IT PROJECTS A MODERATE RATE OF GROWTH, FACILITATING THE PROMOTION OF ECONOMIC REFORM AND A BALANCED APPROACH TO DEVELOPMENT. ALTHOUGH 1986 HAS BEEN DESIGNATED A YEAR OF CONSOLIDATION (WITH NO MAJOR STEPS TO BE TAKEN IN THE KEY AREA OF PRICE REFORM), SOME IMPORTANT MOVES ARE PLANNED, NOTABLY THE DEVELOPMENT OF HORIZONTAL RELATIONS BETWEEN ECONOMIC UNITS. THIS CHALLENGES THE VERTICAL ORGANISATIONAL STRUCTURES UPON WHICH CHINA'S ECONOMIC AND POLITICAL ADMINISTRATION HAS BEEN BASED FOR THE PART THIRTY YEARS. IT IS LIKELY TO PROVE HIGHLY CONTENTIOUS AND A TEST OF THE LEADERSHIP'S ABILITY TO OVERCOME BUREAUCRATIC RESISTANCE.

*i.e. direct contact between firms.*

3. POTENTIALLY THE MOST DAMAGING POLITICAL PROBLEM FACING THE LEADERSHIP AT PRESENT IS CORRUPTION, MADE HIGHLY SENSITIVE BY ITS OBVIOUS CONNECTION WITH CHINA'S POLICY OF OPENING TO THE OUTSIDE WORLD AND WITH THE COMMERCIAL BIAS OF MANY INTERNAL POLICIES AND BY THE INVOLVEMENT OF THE CHILDREN OF SENIOR LEADERS. THIS IS AN EMOTIVE ISSUE, WHICH COULD UNDERMINE THE CREDIBILITY OF THE REFORMIST LEADERSHIP. THE LEADERSHIP HAS TAKEN SEVERAL STEPS SINCE THE BEGINNING OF THE YEAR TO ASSERT CONTROL. SOME HIGH, BUT NOT TOP-RANKING, OFFICIALS OR THEIR CHILDREN HAVE BEEN PUNISHED WITH CONSIDERABLE PUBLICITY. AS A RESULT THE LEADERSHIP MAY FEEL THAT THEY HAVE DONE ENOUGH TO DEFUSE THE IMMEDIATE ISSUE BUT THIS CANNOT REDUCE THE DAMAGE CORRUPTION CAUSE OR HELP THE CREDIBILITY OF THE CAMPAIGN AGAINST IT. A HIGH LEVEL VICTIM IS PROBABLY NEEDED IF THE CAMPAIGN IS TO BE TAKEN REALLY SERIOUSLY BY THE NATION. IN ANY CASE, IT IS LIKELY TO BE A RECURRING PROBLEM SO LONG AS THE CURRENT ECONOMIC STRATEGY ENDURES. RESTRICTED

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4. CONTROL OVER THE MANAGEMENT OF THE ECONOMY HAS LARGELY REGAINED AND LAST YEAR'S VERY HIGH NOMINAL GROWTH RATE BROUGHT UNDER RESTRAINT (TAKING ACCOUNT OF INFLATION. REAL GROWTH WAS PROBABLY NO MORE THAN 7%). BUT THIS HAS BEEN ACHIEVED BY UNSOPHISTICATED ADMINISTRATIVE METHODS AND THERE ARE INDICATIONS THAT CONTROL MEASURES HAVE PRODUCED UNDESIRE SIDE-EFFECTS, AN ACUTE SHORTAGE OF INVESTMENT FUNDS, AND AN INCREASE IN PRODUCTION COSTS (SQUEEZING ENTERPRISE PROFITS), HAVE RESULTED IN AN INDUSTRIAL GROWTH RATE IN THE FIRST QUARTER SIGNIFICANTLY LOWER THAN THAT PLANNED FOR 1986. THERE IS A PROSPECT OF FURTHER DECLINE IF CONTROLS ARE NOT EASED., AND SOME AREAS HAVE ALREADY RECORDED NEGATIVE GROWTH. CHINA HAS YET TO DEVELOP SOPHISTICATED DIFFERENTIAL METHODS OF ECONOMIC MANAGEMENT WHICH ARE NEEDED IF IT IS TO AVOID FALLING INTO A 'STOP GO' GROWTH PATTERN.

5. FOREIGN TRADE IS ANOTHER PROBLEM AREA. A HUGE LEAP IN IMPORTS IN 1984 (+54.2%) TOGETHER WITH AN ONLY MODERATE GROWTH IN EXPORTS (+4.7%) PRODUCED A LARGE TRADE DEFICIT (USD14.9 BILLION) AND A SHARP REDUCTION IN OWNED FOREIGN EXCHANGE RESERVES. THE FALL IN OIL PRICES, DAMAGING ONE OF CHINA'S PRINCIPAL SOURCES OF FOREIGN EXCHANGE, HAS AGGRAVATED THE PROBLEM. FIGURES FOR THE FIRST QUARTER SHOW A LARGE REDUCTION IN IMPORTS, BUT NO IMPROVEMENT IN EXPORTS, THIS RESULTED IN A LOWER, BUT STILL SIGNIFICANT, TRADE DEFICIT. FOREIGN BUSINESSMEN ARE CONTINUALLY BEING TOLD BY POTENTIAL CHINESE CUSTOMERS OF THE DIFFICULTY THEY ARE HAVING IN OBTAINING FOREIGN EXCHANGE.

6. EVEN IN AGRICULTURE, WHICH HAS BEEN ONE OF THE REFORMERS GREAT AREAS OF SUCCESS, THERE HAVE BEEN DIFFICULTIES. CHEN YUN WAS AMONG THE FIRST TO EXPRESS CONCERN OVER GRAIN PRODUCTION IN A STRONGLY WORDED SPEECH TO THE PARTY CONFERENCE LAST YEAR. HIS CONCERNS WERE GIVEN COLOUR BY THE OUTTURN OF THE 1985 GRAIN HARVEST, WHICH DID IN FACT SHOW A CONSIDERABLE FALL OVER THE PREVIOUS YEAR. THIS WAS FAR FROM BEING A DISASTER. BUT IT WAS A PUBLIC RELATIONS SETBACK FOR THE REFORMERS, ESPECIALLY AS 1985 HAD BEEN THE FIRST YEAR OF THE IMPLEMENTATION OF THE SECOND STAGE OF AGRICULTURAL REFORM. THEY HAVE SINCE TAKEN MEASURES TO IMPROVE PRODUCTION, BUT THERE WERE SOME SIGNS OF ANXIETY OVER THE SPRING SOWING AND ANOTHER POOR HARVEST MIGHT CAUSE THE ISSUE TO REOPEN.

7. FOR ALL THIS, THE GRIP OF THE REFORMERS ON POLITICAL POWER DOES NOT SEEM TO HAVE BEEN WEAKENED. DENG XIAOPING, AFTER AN ABSENCE FROM VIEW, HAS REAPPEARED AND SEEMS AS FIT AS EVER. THERE ARE NO INDICATIONS THAT THE POSITIONS OF HU YAOBANG AND ZHAO ZHIYANG HAVE BEEN UNDERMINED.

8. I CONTINUE TO BELIEVE THAT THERE ARE THREE GROUPS OF PEOPLE WHO ARE CRITICS OF DENG XIAOPING AND THE CURRENT ECONOMIC STRATEGY. THESE ARE UNRECONSTRUCTED MAOISTS., PEOPLE WHO SHARE DENG'S AMBITION TO MAKE CHINA RICH AND STRONG AS QUICKLY AS POSSIBLE, BUT WHO BELIEVE THAT SOME OF THE METHODS HE HAS ENCOURAGED ARE UN- OR EVEN ANTI-COMMUNIST., AND PEOPLE WHO HAVE LOST, OR WHO MIGHT LOSE, THEIR JOBS BECAUSE THEIR LEVELS OF EDUCATION AND TECHNICAL COMPETENCE ARE TOO LOW.

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9. I DO NOT THINK THAT THE FIRST GROUP, WHOSE CRITICISMS ARE PROGRAMME-RELATED, IS NOW AT ALL STRONG (THOUGH KE HUA, A FORMER AMBASSADOR IN LONDON TOLD ME AT A RECENT DINNER THAT THERE WERE STILL "EXTREME LEFTISTS" IN IMPORTANT PART AND GOVERNMENT POSTS). I THINK THAT THE SECOND GROUP IS A GOOD DEAL MORE FORMIDABLE. BUT ITS CRITICISMS ARE ISSUE-RATHER THAN PROGRAMME-RELATED AND THE LEADERSHIP HAS DONE MUCH TO DEFUSE THESE CRITICISMS BY MODIFYING POLICY TO TAKE ACCOUNT OF THEM. I DO NOT THINK THAT THE THIRD GROUP AMOUNTS TO AN ORGANISED POLITICAL FORCE ON ITS OWN ACCOUNT OR IS EVER LIKELY TO WITHOUT LEADERSHIP FROM ONE OF THE OTHER TWO GROUPS.

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TO PRIORITY FCO

TELNO 1379

OF 250930Z SEPTEMBER 85

INFO ROUTINE HONG KONG, WASHINGTON, MOSCOW

MIPT: CHINESE LEADERSHIP

1. THESE ELECTIONS CONCLUDE THE BUSINESS OF THE SERIES OF PARTY MEETINGS THAT BEGAN ON 16 SEPTEMBER. THEY ARE THE PRINCIPAL REASON THAT THE MEETING WERE CALLED AND AMOUNT TO A SUBSTANTIAL VICTORY FOR DENG XIAOPING AND HIS COLLEAGUES. THERE ARE NO REAL SURPRISES IN THOSE ELECTED, IN THE SENSE THAT THEY HAD BEEN SINGLED OUT LONG BEFORE THE MEETINGS AS FUTURE LEADERS OF CHINA. WITH THE POSSIBLE EXCEPTION OF YAO YILIN (WHO IS ALSO OLDER THAN THE REST, THEY CAN ALL BE COUNTED AS FIRM SUPPORTERS AND PROPONENTS OF THE REFORMIST CAUSE.
2. ACCORDING TO THE PRESS COMMUNIQUE OF THE PLENUM, THE CHANGES WOULD BRING ABOUT GREATER VIGOUR AND VITALITY IN THE POLITBURO AND SECRETARIAT. THOSE WHO RESIGNED FROM THE POLITBURO HAD LARGELY BEEN SUPERNUMERARY IN THE SENSE THAT MOST HELD NO OTHER ACTIVE POSITIONS. THE NEW MEMBERS ARE ALL AT THE FOREFRONT OF POLICY MAKING AND EXECUTION, INCLUDING THREE VICE-PREMIERS (THE FOURTH WAS ALREADY A MEMBER). THE CHANGES MEAN THAT THE POLITBURO MAY NOW RESUME ITS CONSTITUTIONAL ROLE AS THE PRINCIPLE DECISION MAKING BODY IN THE PARTY. PREVIOUSLY IT HAD BEEN TO SOME EXTENT BYPASSED BY THE SECRETARIAT.
3. HU QILI WAS UNMISTAKEABLY LABELLED FOR FUTURE EMINENCE WHEN HE WAS LISTED IMMEDIATELY AFTER HU YAOBANG AND IN FRONT OF SENIOR MEN LIKE WAN LI AND YU QILIN IN THE PROTOCOL ORDER OF THE SECRETARIAT. HE IS BEING GROOMED AS HU YAOBANG'S EVENTUAL SUCCESSOR. THE RELATIVE STANDING OF THE TWO YOUNGER VICE-PREMIERS LI PENG AND TIAN JIYUN IS NOT QUITE SO CLEAR. IN THE SECRETARIAT LI PENG HAS WIDER RESPONSIBILITIES FOR THE REFORM PROGRAMME AS A WHOLE, WHILE TIAN JIYUN WILL CONCENTRATE ON THE NARROWER FIELD OF FINANCE. ON THE OTHER HAND TIAN IS LISTED AHEAD OF LI IN THE PROTOCOL ORDER.
4. THE PROMOTION OF THE FOREIGN MINISTER WU XUEQIAN TO THE POLITBURO MAY MEAN THAT HE WILL SOON GIVE UP HIS MINISTERIAL PORTFOLIO. IF HE DOES, HIS MOST LIKELY SUCCESSOR IS QIAN QICHEN THE VICE MINISTER RESPONSIBLE FOR THE SOVIET UNION AND EASTERN EUROPE, DISARMAMENT, AND INTERNATIONAL ORGANISATIONS.
5. NO ELECTIONS WERE MADE TO THE STANDING COMMITTEE OF THE POLITBURO, DESPITE THE RESIGNATION OF YE JIANYING. IT WAS PERHAPS TOO EARLY TO ELEVATE HU QILI TO THAT POSITION, THOUGH HE IS PROBABLY DESTINED FOR IT. SINCE THERE WAS NO REQUIREMENT TO FILL THE POSITION, AND SINCE ANY CHOICE WOULD HAVE BEEN INVIDIOUS, POLITICAL PRUDENCE MAY HAVE DICTATED THAT ANY DECISION SHOULD BE POSTPONED UNTIL THE THE FULL PARTY CONGRESS MEETS IN TWO YEARS TIME.

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6. THE SECRETARIAT HAS BEEN EXPANDED FROM EIGHT TO TEN MEMBERS, THE TOP SIX OF WHOM ARE ALL CONCURRENTLY MEMBERS OF THE POLITBURO. THERE IS NOW A GREATER DEGREE OF OVERLAP BETWEEN THE POLITBURO AND THE SECRETARIAT THAN BEFORE. THIS AGAIN SUGGESTS INCREASED INFLUENCE FOR THE POLITBURO AS THE DEMARKATION BETWEEN IT AND THE SECRETARIAT BECOMES LESS DISTINCT.

7. THREE MEMBERS OF THE PREVIOUS SECRETARIAT RESIGNED. THEY INCLUDED TWO POLITBURO MEMBERS AND GU MU, THE DIRECTOR OF THE SPECIAL ECONOMIC ZONES OFFICE. AS THE POLITBURO MEMBERS RETAINED THEIR MEMBERSHIP OF THAT BODY, GU MU IS THE ONLY MEMBER OF THE SECRETARIAT TO LOSE HIS PARTY LEADERSHIP POSITION. THIS COULD REFLECT SOME DISSATISFACTION WITH HIS HANDLING OF THE SPECIAL ECONOMIC ZONES AND THE FOURTEEN OPEN CITIES. THERE HAD BEEN SOME CRITICISM OF POLICY IN THESE AREAS PRIOR TO THE CONFERENCE.

8. NO CHANGES WERE ANNOUNCED IN THE PARTY'S MILITARY COMMISSION, AND NONE OF THE NEWLY ELECTED PARTY LEADERS CAME FROM MILITARY BACKGROUNDS. THE FAILURE TO ARRANGE A SATISFACTORY SUCCESSION AT THE POLITICAL HEAD OF THE ARMED FORCES REMAINS THE ONE GLARING OMISSION IN DENG XIAOPENG'S ARRANGEMENTS FOR THE SUCCESSION. THE TOP LEADERSHIP OF THE ARMED FORCES IS STILL IN HIS HANDS AND THOSE OF VETERAN LEADERS OF HIS GENERATION SUCH AS YANG SHANGKUN.

9. THE CHANGES WERE HERALDED AS BEING OF VITAL IMPORTANCE IN ENSURING THE PARTY'S PRINCIPLES AND POLITICS. DENG XIAOPING HAS SET THE PARTY LEADERSHIP ON COURSE FOR A SECOND TRANSITION. THE FIRST HAS NOW BEEN SATISFACTORILY ACCOMPLISHED WITH HU YAOBANG AND ZHAO ZIYANG FIRMLY ESTABLISHED AND READY TO TAKE OVER FROM HIM. THEIR SUCCESSORS IN TURN (HU QILI, AND LI PENG OR TIAN JIYUN) HAVE NOW BEEN BROUGHT INTO THE POLITBURO TO GAIN EXPERIENCE AND PREPARE THEMSELVES TO TAKE OVER IN THE FRONTLINE IN DUE COURSE.

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TELNO 1382

OF 250930Z SEPTEMBER 85

INFO PRIORITY HONG KONG, WASHINGTON, MOSCOW

CHINESE PARTY CONFERENCE: SPEECHES

1. THE CLOSING SESSION OF THE CHINESE PARTY CONFERENCE ON 23 SEPTEMBER  
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WAS ADDRESSED BY DENG XIAOPING, CHEN YUN AND LI XIANNIAN.

2. DENG XIAOPING WAS RELATIVELY UP BEAT ABOUT REFORM AND THE SEVENTH  
FIVE YEAR PLAN. HE DESCRIBED THE SEVEN YEARS SINCE REFORM BEGAN AS  
ONE OF THE BEST PERIODS SINCE THE FOUNDING OF THE PEOPLE'S REPUBLIC.  
SUCCESS HAD GRADUALLY WON OVER THE DOUBTERS AND STIMULATED PRODUCTIVE  
FORCES ALTHOUGH NEW PROBLEMS WOULD CONTINUE TO OCCUR AND REFORM WAS  
STILL IN ITS EARLY STAGES. HE DESCRIBED THE PLAN AS SETTING OUT  
CORRECT PRINCIPLES AND REALISTIC TARGETS. THE ANNUAL GROWTH RATE  
OF 7 PER CENT, WHICH COULD BE EXCEEDED IN PRACTICE, SHOULD NOT BE  
CONSIDERED LOW. INDEED TOO HIGH A RATE COULD HAVE A NEGATIVE EFFECT. *mt*

3. DENG HAD STRONGER WORDS TO SAY ON IDEOLOGY AND DISCIPLINE.  
RESULTS IN BUILDING SOCIALIST CIVILISATION HAD NOT BEEN VERY  
SATISFACTORY. PARTY CONDUCT NEEDED IMPROVING, CRIMINAL AND DECADENT  
PRACTISES NEED ELIMINATING. BOURGEOIS LIBERALISM, WHICH HE GLOSSED  
AS PUBLICITY FAVOURING THE CAPITALIST ROAD SHOULD BE OPPOSED,  
ALTHOUGH CONSTITUTIONAL FREEDOMS OF EXPRESSION SHOULD BE UPHELD.  
YOUNG PEOPLE ESPECIALLY NEEDED TO BE SHOWN THE SUPERIORITY OF SOCIAL-  
ISM. IN CURRENT CIRCUMSTANCES THE STUDY OF MARXIST THEORY WAS ALL  
THE MORE NECESSARY FOR ALL OFFICIALS BOTH OLD AND NEW.

4. CHEN YUN'S SPEECH WAS REMARKABLY TERSE AND HARD HITTING. WHILE  
DECLARING HIS SUPPORT FOR CURRENT POLICY IN GENERAL TERMS AND SPEC-  
IFICALLY APPROVING SOME ASPECTS OF IT SUCH AS THE SUCCESSION OF  
THE OLD BY YOUNGER MEN, SOME OF HIS REMARKS ON THE ECONOMY DID  
APPEAR CRITICAL. IN AGRICULTURE, HE WARNED THAT SOME PEASANTS  
WERE NO LONGER INTERESTED IN GROWING GRAIN AND THAT THE PROBLEM  
OF FEEDING CHINA'S POPULATION SHOULD NOT BE UNDERESTIMATED. HE  
ALSO CRITICISED THE PRESS FOR EXAGGERATING THE NUMBER OF 10,000  
YUAN HOUSEHOLDS. HE REITERATED HIS VIEWS ON THE NECESSITY FOR THE  
SUPREMACY OF THE PLANNED ECONOMY AND WARNED AGAINST BLINDLY ALLOWING  
SUPPLY AND DEMAND TO DETERMINE PRODUCTION. HE CALLED FOR RESTRAINED  
GROWTH OF 7 PER CENT AND SAID THAT THERE WAS NO REASON TO SET  
TARGETS HIGHER. *15.*

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5. CHEN YUN, LIKE DENG, HAD FIRM WORDS TO SAY ON THE NEED TO IMPROVE PARTY CONDUCT AND DISCIPLINE. HE CALLED ON LEADERS TO SET A GOOD EXAMPLE TO THEIR CHILDREN BY NOT ABUSING THEIR POWER, AND DENOUNCED CORRUPTION VIGOROUSLY. IN OFFICIAL'S WORK STYLE HE CALLED FOR THE OBSERVANCE OF DEMOCRATIC CENTRALISM, AND FOR LEADING BODIES TO TAKE DECISIONS CONSTITUTIONALLY WITHOUT LETTING ONE INDIVIDUAL HAVE HIS WAY WITHOUT CONSULTATION.

6. LI XIANNIAN'S SPEECH WAS ALMOST EMPTY OF MARXIST RHETORIC. HE DECLARED HIMSELF IN FULL AGREEMENT WITH EVERYTHING EVERYONE HAD SAID.

#### COMMENT

7. SUCH DETAILS OF THE FORTHCOMING FIVE YEAR PLAN AS HAVE BEEN RELEASED TEND TO CONFIRM THAT IT WILL BE A COMPARATIVELY REALISTIC AND SOBER DOCUMENT WHILE COMING VERY MUCH FROM THE REFORMIST STABLE. IN THE MIDST OF THIS PRO-REFORM PROAGANDA, CHEN YUN'S SPEECH STRIKES A JARRING NOTE. HIS REMARKS ON AGRICULTURE AND ON THE RELATIONSHIP BETWEEN THE PLANNED ECONOMY AND MARKET REGULATION BOTH IMPLY THAT HE FEELS THINGS MAY HAVE GONE TOO FAR TOO FAST IN THESE AREAS. HIS USE OF THE WORD EXPERIMENTAL TO DESCRIBE CURRENT POLICY MEASURES SEEMS A DELIBERATE ECHO OF DENG'S USE OF THE SAME WORD TWO MONTHS AGO IN REPROVING THE MANAGEMENT OF THE SPECIAL ECONOMIC ZONES. CHEN HAS LONG BEEN BELIEVED TO BE A PROPONENT OF MORE CENTRALISE PLANNING, AND HE HAS NOW SHOWN HIMSELF AT THE VERY LEAST TO EMPHASISE DIFFERENT ASPECTS FROM THOSE EMPHASISED BY MORE WHOLE-HEARTED REFORMERS WHEN DISCUSSING ECONOMIC POLICY. THE FACT THAT HE MADE SUCH REMARKS, AND THAT THEY WERE PUBLISHED SUGGESTS THAT HE IS NOT ALONE, AND THAT PROPONENTS OF SUCH MORE TRADITIONAL APPROACHES TO ECONOMIC PLANNING HAVE A VOICE POWERFUL ENOUGH TO BE BOTH HEARD AND ACCOMODATED. YAO YILIN, THE ONLY MAN AMONG THOSE PROMOTED TO THE POLITBURO NOT CLOSELY ASSOCIATED WITH THE REFORM CAMP, WORKED WITH CHEN YUN IN THE PAST AND MAY SHARE SIMILAR VIEWS.

8. THE EMPHASIS PLACED BY BOTH DENG XIAOPING AND CHEN YUN ON IDEOLOGY AND DISCIPLINE IS SIGNIFICANT. IN PART IT IS AN ATTEMPT TO DEAL WITH THE QUESTIONS OF HOW TO JUSTIFY PRESENT PLICIES IN MARXIST TERMS, AND OF HOW TO FILL THE IDEOLOGICAL VACUUM LEFT BY THE RETREAT FROM MAOISM. IN PART ALSO IT IS A REACTION TO THE UNWELCOME SIDE-EFFECTS (CORRUPTION, ABUSE OF POSITION ETC) PRODUCED BY THE MORE LIBERAL REFORM POLICIES, WHICH HAVE BEEN ALARMING BOTH CRITICS AND PROPONENTS ALIKE. THE SURVIVAL ON THE SECRETARIAT OF DENG LIQUN, ONE OF THE MOST OUTSPOKEN CRITICS OF SOME ASPECTS OF CURRENT POLICY IS AN INDICATION THAT HERE TOO CONCESSIONS HAVE HAD TO BE MADE BY THE REFORMERS.

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9. IN THE POLICY TERMS THE REFORMERS HAVE GO VERY MUCH WHAT THEY WANTED FROM THE CONFERENCE, THAT IS A REAFFIRMATION OF THE MAIN LINES OF THE REFORM PROGRAMME AND THEIR EMBODIMENT IN THE FORTHCOMING FIVE YEAR PLAN. NONETHELESS THERE REMAIN IN THE CHINESE POLITICAL SYSTEM BODIES OF OPINION WHICH DO NOT ENTIRELY SEE EYE TO EYE WITH THE REFORMERS. THEY HAVE TO BE ACCOMODATED EVEN IF THEY DO NOT POSE A SERIOUS POLITICAL CHALLENGE TO DENG XIAOPING AND HIS SUPPORTERS.

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TO ROUTINE FCO  
TELEGRAM NUMBER 431 OF 29 MARCH.  
INFO ROUTINE HONG KONG.  
INFO SAVING WASHINGTON AND MOSCOW.

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NATIONAL PEOPLE'S CONGRESS: ZHAO ZIYANG'S REPORT

SUMMARY

1. THE THIRD SESSION OF THE SIXTH NATIONAL PEOPLE'S CONGRESS OPENED ON 27 MARCH. ZHAO ZIYANG MADE A NINETY MINUTE REPORT ON THE WORK OF THE GOVERNMENT, UNDER THE TITLE 'CURRENT ECONOMIC SITUATION AND THE REFORM OF THE ECONOMIC STRUCTURE'. HE SPOKE BRIEFLY ABOUT THE ACHIEVEMENT OF AGREEMENT WITH BRITAIN ON THE 'HONG KONG QUESTION' (I AM REPORTING SEPARATELY ON THIS), BUT OTHERWISE MADE NO REFERENCE TO INTERNATIONAL AFFAIRS.
2. IN THE MAIN BODY OF THE REPORT, HE SUMMED UP THE ACHIEVEMENTS OF 1984 SEMICOLON REVEALED THAT THE MONEY SUPPLY HAD GOT OUT OF CONTROL TOWARDS THE END OF THE YEAR SEMICOLON SET OUT A PROGRAMME FOR WAGE AND PRICE REFORM FOR 1985 SEMICOLON AND MADE IT CLEAR THAT CORRUPTION AND FINANCIAL MALPRACTICE WOULD BE SEVERELY PENALISED.
3. ZHAO OPENED WITH A REVIEW OF LAST YEAR'S ECONOMIC PERFORMANCE. GROWTH RATES HAD BEEN IMPRESSIVE. THE VALUE OF GROSS AGRICULTURAL AND INDUSTRIAL PRODUCTION ROSE BY 14.2%, ALMOST DOUBLE THE OVERALL RATE OVER THE LAST 5 YEARS. THE NEW AGRICULTURAL POLICIES CONTINUED TO SHOW GOOD RESULTS, WITH RECORD GRAIN AND COTTON HARVESTS OF 407 AND 6.07 MILLION TONNES RESPECTIVELY. THE CHINESE PEOPLE HAD NOW BY AND LARGE OBTAINED SELF SUFFICIENCY IN FOOD AND CLOTHING AND EVEN HAD A LITTLE TO SPARE.
4. THE PERFORMANCE OF INDUSTRY WAS ALSO SATISFACTORY. ENERGY OUTPUT INCREASED SUBSTANTIALLY. COAL PRODUCTION WAS 770 MILLION TONNES AND OIL PRODUCTION 114 MILLION TONNES. SUBSTANTIAL PROGRESS WAS MADE IN CONSTRUCTION OF NEW PROJECTS AND THE TECHNICAL TRANSFORMATION OF EXISTING FACTORIES. THERE WAS A CONSIDERABLE RISE IN LIVING STANDARDS: URBAN PERCAPITA INCOME ROSE 12.5% TO 608 YUAN AND RURAL PER CAPITA INCOME 14.7% TO 355 YUAN.
5. THERE HAD BEEN SUCCESSES IN VARIOUS FUNDAMENTAL ELEMENTS OF THE READJUSTMENT PROGRAMME. OVER THE LAST FEW YEARS, THE RATIOS BETWEEN AGRICULTURE AND INDUSTRY AND BETWEEN LIGHT AND HEAVY INDUSTRY HAD GROWN MORE BALANCED AND THE BASIC STRUCTURE OF THE ECONOMY HAD BECOME MORE RATIONAL. AT THE SAME TIME, PRODUCTION HAD BEEN STIMULATED BY RISING CONSUMER DEMAND, OWING TO THE GENERAL INCREASE IN INCOMES AND ESPECIALLY IN THOSE OF THE PEASANTS. A MORE SENSIBLE BALANCE BETWEEN CONSUMPTION AND ACCUMULATION HAD BEEN ACHIEVED IN THE NATIONAL INCOME.

6. CHINA'S COMMITMENT TO THE OPEN DOOR POLICY REMAINED FIRM. FOREIGN TRADE ROSE IN NOMINAL VALUE BY 39.7%. 741 JOINT VENTURES WERE AGREED UPON, EQUALLYING THE TOTAL FOR THE PREVIOUS 5 YEARS. US DOLLARS 2.6 BILLION OF FOREIGN INVESTMENT FUNDS WERE PUT TO USE IN THE COURSE OF THE YEAR.

7. IN THE LAST QUARTER OF 1984, HOWEVER, NEW PROBLEMS HAD ARISEN. LAX CONTROLS OVER CREDIT, COMBINED WITH UNAUTHORISED PRICE RISES, HAD LED TO INFLATION. BANK LOANS ROSE LAST YEAR BY 28.9%, WITH ALMOST HALF THE INCREASE COMING IN DECEMBER. THE PAY-ROLL FOR CHINA WAS UP BY 21% AND MUCH OF THE MONEY BORROWED FROM THE BANKS HAD BEEN USED BY ENTERPRISES TO GIVE UNAUTHORISED WAGE INCREASES. ALL THIS HAD LED TO A MASSIVE AND UNFORESEEM INCREASE IN THE MONEY SUPPLY. THESE PROBLEMS WERE "A MINOR ASPECT" OF CHINA'S ECONOMIC DEVELOPMENT, BUT HAD TO BE DEALT WITH "IN REAL EARNEST". SINCE THE PROBLEM HAD BEEN IDENTIFIED, A LARGE AMOUNT OF CURRENCY HAD BEEN WITHDRAWN FROM CIRCULATION AND STATE REVENUES HAD INCREASED.

8. IN THE SECOND HALF OF HIS REPORT, ZHAO DISCUSSED THE PLANS FOR REFORM IN THE COMING YEAR. HIS WATCH WORD WAS: "BE STEADFAST SEMICOLON BE PRUDENT IN FIGHTING THE FIRST BATTLE". LAST YEAR'S INCREASE IN THE MONEY SUPPLY HAD CREATED CERTAIN DIFFICULTIES AND SO PRUDENCE WAS CALLED FOR. IN GENERAL TERMS, THE REFORM POLICIES WOULD CONTINUE AS BEFORE. THERE WERE TWO SPECIAL TASKS FOR 1985: WAGE REFORM AND PRICE REFORM.

9. ON WAGE REFORM, THE MAIN INTENTION WAS TO ELIMINATE CURRENT IRRATIONALITIES AND GRADUALLY ABOLISH EGALITARIANISM IN THE DISTRIBUTION OF WAGES. IN STATE INSTITUTIONS, A WAGE SYSTEM IN WHICH WAGES WERE RELATED TO SPECIFIC POSTS WOULD BE INTRODUCED. THE DETAILS WERE STILL BEING WORKED OUT, BUT THE NEW SYSTEM WOULD BE PUT INTO EFFECT IN JULY. TOO MUCH SHOULD NOT BE EXPECTED ALL AT ONCE. INDIVIDUAL ENTERPRISES WERE NOT TO GIVE WAGE RISES THAT WERE CONTRARY TO STATE PLANS. IT WAS IMPERMISSIBLE TO RAISE FIGURES SET BY THE STATE FOR THE PAYROLL OR TO INTRODUCE EXTRA WAGE INCREASES BY DRAWING ON LOCAL FINANCIAL RESOURCES. IT WAS NOT PERMISSIBLE TO USE BANK LOANS FOR PRODUCTION IN ORDER TO FINANCE BONUSES OR LOANS. THOSE ENTERPRISES THAT CONSISTENTLY OFFENDED AGAINST THESE REGULATIONS WOULD BE SUBJECT TO A PROGRESSIVE WAGE REGULATORY TAX.

10. ZHAO DESCRIBED THIS YEAR'S PRICE REFORM AS A POLICY WHICH COMBINED RELAXED CONTROL WITH READJUSTMENT AND AIMED AT PROGRESS IN MEASURED STEPS. HE SINGLED OUT FOUR MAIN AREAS FOR REFORM THIS YEAR:

(1) READJUSTING THE PURCHASING AND MARKETING PRICE OF GRAIN AND THE PURCHASING PRICE OF COTTON AND INTRODUCING STATE PURCHASES BY CONTRACT. PRICE CONTROL WOULD BE GRADUALLY RELAXED OVER OTHER FARM PRODUCTS AND THEY WOULD BECOME SUBJECT TO MARKET REGULATION.

(2) RAISING THE CHARGES FOR SHORT DISTANCE RAILWAY TRANSPORT.

(3) WIDENING THE PRICE DIFFERENCES FOR PRODUCTS OF DIFFERENT QUALITY AND FROM DIFFERENT REGIONS.

(4) ALLOWING THE PRICES OF CERTAIN MEANS OF PRODUCTION MARKETED BY INDUSTRIAL ENTERPRISES TO BE DETERMINED BY MARKET FORCES, (ALTHOUGH THE PRICES OF RAW MATERIALS AND OTHER MAJOR MEANS OF PRODUCTION DISTRIBUTED ACCORDING TO THE STATE PLAN WOULD NOT BE CHANGED).

11. ON THE MONEY SUPPLY, ZHAO OUTLINED FIVE MEASURES TO REASSERT FIRM CONTROL.

(1) RESTORING STATE CONTROLS OVER WAGE FUNDS, THROUGH SPECIAL BANK ACCOUNTS FOR THE PURPOSE.

(2) STRENGTHENING THE REGULATORY FUNCTIONS OF THE PEOPLE'S BANK OF CHINA OVER MACRO-ECONOMIC ACTIVITIES AND CONTROLLING THE TOTAL AMOUNT OF CREDIT AND CASH IN CIRCULATION. INTEREST RATES FOR BANK DEPOSITS WOULD BE RAISED. THE PEOPLE'S BANK WOULD FIX CEILINGS FOR CURRENCY ISSUE FOR ALL ITS PROVINCIAL BRANCHES.

(3) CONTROLLING THE AMOUNT OF INVESTMENT AND ESPECIALLY EXTRA BUDGETARY INVESTMENT. INVESTMENT ABOVE THE NORM WOULD BE SUBJECT TO HEAVY TAXES.

(4) CUTTING ADMINISTRATIVE EXPENDITURE. BOTH THE CENTRAL AND PROVINCIAL BUDGETS THIS YEAR WOULD BE CUT BY 10%.

(5) INCREASING THE SUPPLY OF CONSUMER GOODS IN ORDER TO SOAK UP SOME OF THE MONEY IN CIRCULATION.

12. AT THE SAME TIME, ZHAO CALLED FOR STRICT CONTROLS OVER PRICES AND FOR "STABLE BUT NOT FROZEN" PRICES. THERE WOULD BE ADVANCED SALES OF CERTAIN HIGH GRADE CONSUMER GOODS IN SHORT SUPPLY DIRECTLY TO CONSUMERS. SEVERE PUNISHMENT WOULD BE HANDED OUT TO THOSE WHO ARBITRARILY RAISED PRICES. THE STATE WOULD ALSO CONTINUE THE FIXED SUPPLY OF CERTAIN STABLE GOODS SUCH AS FOOD, GRAIN AND OIL AND WOULD PROVIDE A SUBSIDY ON MEAT ONCE PRICE CONTROLS ON THAT COMMODITY WERE RELAXED.

13. ZHAO CONCLUDED BY LISTING FIVE POINTS THAT NEEDED SPECIAL ATTENTION OVER THE YEAR.

(1) MORE ATTENTION SHOULD BE PAID NOW TO DEVELOPING A RATIONAL ECONOMIC STRUCTURE. ECONOMIC RETURNS SHOULD BE STRESSED RATHER THAN PURSUIT OF HIGH DEVELOPMENT RATES.

(2) MANAGEMENT (ESPECIALLY FINANCIAL MANAGEMENT) SHOULD BE IMPROVED, SO THAT MAJOR ECONOMIC ACTIVITIES DID NOT GET OUT OF CONTROL.

(3) WHEN SIGNIFICANT ECONOMIC PROBLEMS WERE ENCOUNTERED, LOCAL DEPARTMENTS SHOULD ALWAYS SEEK INSTRUCTIONS FROM ABOVE AND SHOULD NOT TRY AND DECIDE MATTERS ON THEIR OWN.

(4) THE PRINCIPLES OF IMPROVING LIVING STANDARDS THROUGH INCREASED PRODUCTION AND THE BUILDING OF THE COUNTRY THROUGH THRIFT AND HARD WORK SHOULD BE UPHELD.

(5) UNDESIRABLE TENDENCIES, SUCH AS PROFITEERING AND THE ISSUE OF UNWARRANTED BONUSES SHOULD BE CURBED AND STRONG MEASURES TO ENSURE THAT LOCAL ORGANISATIONS OBEYED REGULATIONS LAID DOWN BY THE CENTRE SHOULD BE TAKEN.

FCO PLEASE PASS SAVING TO WASHINGTON AND MOSCOW

EVANS

FINANCIAL

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HKB.

DR. WILSON

[REPEATED AS REQUESTED]

中华人民共和国国务院

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JH 6/7.

NO. D089/83

4th July 1983

Your Excellency,

I am instructed to forward herewith a telegram to Her Excellency the Rt Hon Margaret Thatcher from Mr Zhao Ziyang, Premier of the State Council of the People's Republic of China.

I would be very much obliged if you could kindly convey the message to Her Excellency the Prime Minister.

Chen Zhaoyuan  
Ambassador .

The Rt Hon Sir Geoffrey Howe  
Secretary of State for Foreign & Commonwealth Affairs  
United Kingdom of Great Britain & Northern Ireland  
London

cc MARGARET  
OPS

**PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T98<sup>AA</sup>/83**

Her Excellency the Rt Hon Margaret Thatcher  
Prime Minister  
United Kingdom of Great Britain & Northern Ireland  
London

I wish to express my sincere thanks for your kind message of congratulations on the occasion of my being reappointed as Premier of the State Council of the People's Republic of China.

Zhao Ziyang  
Premier of the State Council  
of the People's Republic  
of China  
Beijing 30th June 1983

(Translation)

伦敦

大不列颠及北爱尔兰联合王国首相  
玛格丽特·撒切尔阁下：

在我再次被任命为中华人民共和国国务院总理  
之际，承蒙来函祝贺，谨致衷心的感谢。

中华人民共和国国务院总理 赵紫阳

一九八三年六月三十日于北京

ce MASTER  
ops

file



10 DOWNING STREET

THE PRIME MINISTER

24 June 1983

**PRIME MINISTER'S**

**PERSONAL MESSAGE**

**SERIAL No.** ..... 793B/83

*Li Xueling,*

I send you my warm congratulations upon your re-election to the post of Premier of the State Council of the People's Republic of China. I look forward to the further development of friendly relations between our two countries.

*Yours sincerely  
Margaret Thatcher*

His Excellency Mr. Zhao Ziyang





10 DOWNING STREET

~~John~~

Top copy of PM's letter  
to Chinese Premier  
of 21/6 has gone  
astray. (No rec'd  
copies of letter but  
nothing else). We  
have carried out  
a search to no  
avail. Can we ask  
P.M. to sign another  
letter?

Petes

23/6

SUBJECT



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 92/83

10 DOWNING STREET

THE PRIME MINISTER

21 June, 1983

cc master  
ops

Lesellery,

I send you my warm congratulations upon your re-election to the post of Premier of the State Council of the People's Republic of China. I look forward to the further development of friendly relations between our two countries.

Yours sincerely  
Rajiv Gandhi

His Excellency Mr. Zhao Ziyang



Foreign and Commonwealth Office

London SW1A 2AH

20 June 1983

Dear John,

Please type as  
letter.  
✓ MR 20/6

The Embassy in Peking have recommended that in view of Zhao Ziyang's recent message of congratulations to the Prime Minister upon her re-election (acknowledged on 15 June), Mrs Thatcher should in turn send him a similar message on his re-appointment on 18 June, during the current session of the National People's Congress, as Premier of the State Council. We agree with this proposal and propose the following form of words.

HE, Mr. 'I send you my warm congratulations upon your re-election to the post of Premier of the State Council of the People's Republic of China. I look forward to the further development of friendly relations between our two countries.'

Yours ever

*John Holmes*  
(J E Holmes)  
Private Secretary

A J Coles Esq  
No 10 Downing Street

GRS 250

CONFIDENTIAL

PS TO PM 10 DOWNING ST.

CONFIDENTIAL

FROM PEKING 110630Z FEB 83

TO ROUTINE FCO

TELEGRAM NUMBER 148 OF 11 FEBRUARY

REPEATED FOR INFO TO UKMIS GENEVA MOSCOW WASHINGTON

SAVING TO HONG KONG

CHINA : NUCLEAR DISARMAMENT

1. THE CHINESE PRESS HAS REPORTED REMARKS YBY CHINA'S REPRESENTATIVE AT THE DISARMAMENT COMMITTEE'S PLENARY SESSION ON 8 FEBRUARY. LI LUYE, SPEAKING OF SOVIET-AMERICAN NEGOTIATIONS, SAID QUOTE IF THE MISSILES TO BE REDUCED ARE NOT DESTROYED BUT MERELY TRANSFERRED TO ANOTHER AREA, THEN NOT ONLY WILL THE ACTUAL NUMBER OF NUCLEAR WEAPONS REMAIN THE SAME, BUT WILL BRING ABOUT (SIC) A NEW FACTOR HARMFUL TO WORLD PEACE AND SECURITY UNQUOTE. WHAT LI CLEARLY MEANT WAS THAT THE WITHDRAWAL OF SOVIET MISSILES FROM EUROPE TO CENTRAL ASIA WOULD CONSTITUTE A NEW THREAT TO CHINA'S SECURITY. THE CHINESE HAVE NOT, SO FAR AS WE KNOW, MADE THIS POINT PUBLICLY BEFORE.

2. LI IS ALSO REPORTED TO HAVE SAID THAT IF THE SUPERPOWERS TAKE THE LEAD IN HALTING THE TESTING, IMPROVEMENT AND PRODUCTION OF NUCLEAR WEAPONS, AND IN THE REDUCTION OF THEM BY FIFTY PER CENT OF ALL TYPES OF NUCLEAR WEAPNS AND MEANS OF DELIVERY, THUS DEMONSTRATING THEIR SINCERITY IN CARRYING OUT NUCLEAR DISARMAMENT QUOTE THE CHINESE GOVERNMENT WOULD BE PREAPRED TO ASSUME OBLIGATIONS THROUGH NEGOTIATIONS WITH ALL OTHER NUCLEAR STATES TO STOP TESTING, IMPROVING, OR PRODUCTION OF NUCLEAR WEAPONS AND TO REDUCE THEM ACCORDING TO A RATIONAL RATIO UNTIL THEIR TOTAL DESTRUCTION UNQUOTE. THIS IS THE FIRMEST COMMITMENT BY CHINA TO NEGOTIATIONS ON NUCLEAR DISARMAMENT THAT WE HAVE SEEN. WE WOULD WELCOME ANY COMMENTS.

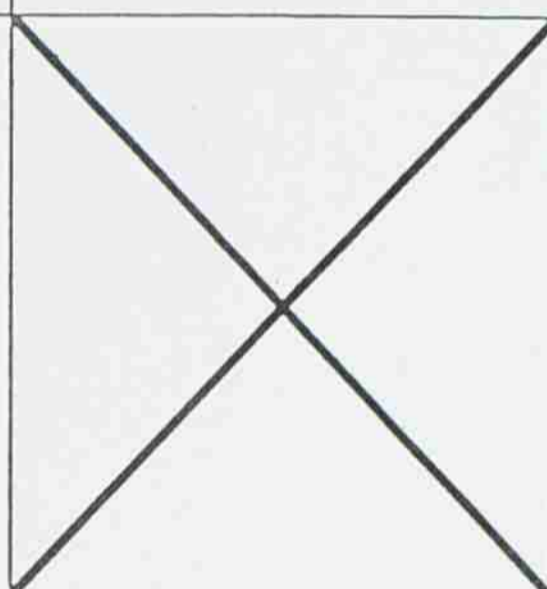
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 FED PS/PUS  
 NEWS D SIR J BULLARD  
 EESD MR WRIGHT  
 NAD MR GIFFARD  
 WED MR GILLMORE  
 PS MR GOODISON  
 PS/MR HURD MR DONALD

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FM PEKING 130815Z SEP 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 539 OF 13 SEPTEMBER

AND TO ROUTINE HONG KONG

MY TELNO 497: CHINESE PARTY CONGRESS

1. THE CONGRESS CLOSED ON 10 SEPTEMBER, HAVING COMPLETED THE ELECTION OF NEW CENTRAL, ADVISORY AND DISCIPLINE INSPECTION COMMITTEES. THE CENTRAL COMMITTEE MET IN PLENARY SESSION ON 11 SEPTEMBER AND ELECTED A NEW POLITBURO, SECRETARIAT AND MILITARY COMMISSION. FOR DETAILS OF THE NEW LEADERSHIP SEE MIFT.

2. THE CENTRAL LEADERSHIP AT THE HIGHEST LEVEL REMAINS LARGELY UNCHANGED. HUA GUOFENG, MAO'S CHOSEN SUCCESSOR, WAS DROPPED FROM THE POLITBURO AND ITS STANDING COMMITTEE, BUT THE OTHER SIX MEMBERS OF THE POLITBURO STANDING COMMITTEE RETAINED THEIR POSITIONS. THE ABOLITION OF THE POSTS OF CHAIRMAN AND VICE-CHAIRMAN HAS HAD LITTLE PRACTICAL EFFECT, AS THE OUTGOING HOLDERS OF THESE POSTS HAD BEEN CONCURRENTLY MEMBERS OF THE POLITBURO STANDING COMMITTEE. HU YAOBANG, WHO WAS RE-ELECTED GENERAL SECRETARY, STANDS SLIGHTLY ABOVE HIS COLLEAGUES THROUGH HAVING THE AUTHORITY TO CONVENE THE MEETINGS OF THE POLITBURO AND ITS STANDING COMMITTEE. THE DROPPING OF HUA GUOFENG HAS HAD THE EFFECT OF INCREASING DENG XIAOPING'S MAJORITY ON THE PARTY'S HIGHEST BODY.

3. THERE HAVE BEEN SOME CHANGES ON THE POLITBURO ITSELF. SIX FULL MEMBERS WERE DROPPED, AND SEVEN NEW ONES WERE ELECTED. ALL SEVEN NEW MEMBERS ARE SUPPORTERS OF DENG XIAOPING. THEY ARE HOWEVER ALSO ALL MEMBERS OF THE OLDER GENERATION AND THERE IS NO SIGN OF AN INFUSION OF NEW BLOOD ONTO THE POLITBURO. TWO NEW ALTERNATE MEMBERS OF THE POLITBURO WERE ELECTED. THEY ALSO ARE DENG'S MEN.

4. THE SECRETARIAT NOW CONSISTS OF TEN FULL AND TWO ALTERNATE MEMBERS. SIX OF THEM HAVE BEEN NEWLY ELECTED. TWO, HU QILI AND QIAO SHI, HAVE LONG STANDING CONNECTIONS WITH HU YAOBANG, HAVING WORKED WITH HIM IN THE COMMUNIST YOUTH LEAGUE BEFORE THE CULTURAL REVOLUTION. THE OTHERS ARE MAINLY VETERAN SUPPORTERS OF DENG XIAOPING. FOUR OF THE SIX OUTGOING MEMBERS OF THE SECRETARIAT HAVE BECOME MEMBERS OF THE POLITBURO. ONLY TWO WERE DROPPED: WANG RENZHONG AND PENG CHONG, WHO ALSO LOST HIS POSITION ON THE POLITBURO.

5. DENG WAS RE-ELECTED CHAIRMAN OF THE MILITARY COMMISSION. YE JIANYING AND TWO OTHER OLD MARSHALS WERE RE-ELECTED VICE-CHAIRMEN. THE ONE NEW VICE-CHAIRMAN WAS YANG SHANGKUN. DENG EVIDENTLY STILL FINDS IT ESSENTIAL TO RETAIN THE CHAIRMANSHIP OF THE MILITARY COMMISSION, BUT HE HAS SUCCEEDED IN SECURING YANG SHANGKUN'S PROMOTION TO VICE-CHAIRMANSHIP. YANG APPEARS TO BE BEING GROOMED AS DENG'S EVENTUAL SUCCESSOR ON THIS BODY. HE IS HIMSELF 75, BUT HAS AT LEAST FIVE YEARS ON THE OTHER VICE-CHAIRMEN. HE IS ESSENTIALLY A CIVILIAN AND A CLOSE ASSOCIATE OF DENG'S. HIS PROMOTION WILL STRENGTHEN DENG'S CONTROL OVER THE ARMED FORCES.

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6. THE NEW CENTRAL COMMITTEE HOWEVER SHOWS SUBSTANTIAL CHANGES. MORE THAN SIXTY PER CENT OF ITS MEMBERS HAVE BEEN ELECTED FOR THE FIRST TIME. OVER TWO THIRDS OF THE FULL MEMBERS OF THE CENTRAL COMMITTEE ARE UNDER SIXTY YEARS OF AGE. THE NEWLY ELECTED FULL MEMBERS OF THE CENTRAL COMMITTEE ARE MAINLY OFFICIALS WHO HAVE RISEN TO SENIOR POSITIONS SINCE THE PREVIOUS CONGRESS, AND THUS HAVE A STAKE IN ENSURING THE SUCCESS OF PRESENT POLICIES. THE PROPORTION OF CENTRAL COMMITTEE MEMBERS FROM THE ARMED FORCES SEEMS TO HAVE DROPPED SOMEWHAT, THOUGH IT REMAINS RESPECTABLE (SLIGHTLY UNDER A QUARTER).

7. DENG XIAOPING IS THE ONLY PERSON TO HOLD POSITIONS CONCURRENTLY ON THE CENTRAL AND ADVISORY COMMITTEES, AND IS EXPECTED TO BECOME CHAIRMAN OF THE LATTER. CONTRARY TO EXPECTATIONS ONLY TWO OTHER MEMBERS OF THE PREVIOUS POLITBURO TRANSFERRED TO THE ADVISORY COMMISSION. THEY WERE XU SHIYOU AND GENG BIAO. IT IS PUZZLING THAT GENG BIAO, THE PRESENT TMINISTER OF DEFENCE, SHOULD HAVE BECOME AN ADVISER WHILE HIS OLDER PREDECESSOR, XU XIANGQIAN, REMAINED ON THE POLITBURO. ABOUT 40 PREVIOUS FULL MEMBERS OF THE CENTRAL COMMITTEE WENT ONTO THE ADVISORY COMMITTEE, WHICH HAS A TOTAL OF 172 MEMBERS. BY SETTING UP THE ADVISORY COMMITTEE, DENG ESTABLISHED A FORMAL MECHANISM FOR OLDER LEADERS TO RETIRE TO 'SECOND LINE'.

8. THE RESULTS OF THE CONGRESS HAVE BEEN FAIRLY SATISFACTORY FOR DENG XIAOPING AND HIS GROUP. THEY HAVE ACHIEVED FORMAL CONFIRMATION OF THE POLICIES DEVELOPED SINCE THE THIRD PLENUM, HAVE SECURED THE ADOPTION OF A PARTY CONSTITUTION WHICH WILL MAKE ABUSE OF POWER MORE DIFFICULT, AND HAVE MADE SOME PROGRESS TOWARDS THE REJUVENATION OF THE LEADERSHIP OF THE PARTY AS A WHOLE. DENG HAS ALSO BEEN ABLE TO BRING MORE OF HIS SUPPORTERS INTO THE HIGHEST LEVELS OF THE LEADERSHIP.

9. IT IS CLEAR HOWEVER THAT DENG HAS NOT HAD IT ALL HIS OWN WAY. IN PARTICULAR THERE IS LITTLE DOUBT THAT THE OLD MARSHALS HAVE SUCCESSFULLY RESISTED PRESSURE FROM DENG TO MOVE TO THE ADVISORY COMMISSION. THE PROVISION THAT VICE CHAIRMEN OF THE LATTER CAN ATTEND POLITBURO MEETINGS MUST HAVE BEEN MEANT FOR THEM. THE CONSEQUENCE OF THIS IS THAT THE SUCCESSION TO DENG IS NOT AS CLEAR AS IT SHOULD BE AFTER THIS CONGRESS. HU AND ZHAO MAY HAVE MORE SUPPORT ON THE POLITBURO, BUT THEY REMAIN SOMEWHAT ISOLATED IN THE STANDING COMMITTEE. DENG MUST NOW HOPE THAT THE MARCH OF TIME, IN WHICH HE HAS A SLIGHT EDGE, WILL DO THE JOB FOR HIM. BUT THE DIVISION BETWEEN PARTY AND MILITARY CLEARLY REMAINS, AND COULD PROVE TROUBLESOME IN THE FUTURE, ESPECAILLY IF DENG WERE TO DIE UNEXPECTEDLY.

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10 THE FAILURE OF THE OLD MEN TO GO WILL CAUSE CYNICISM AMONG THE GENERAL POPULACE, AND FURTHER DETRACT FROM THE PARTY'S REPUTATION, WHICH IS NOT HIGH AT PRESENT. IT WILL ALSO MAKE REJUVENATION AT LOWER LEVELS MORE DIFFICULT.

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FM PEKING 130815Z SEPT 82  
TO PRIORITY FCO  
TELEGRAM NUMBER 538 OF 13 SEPT  
AND TO ROUTINE HONG KONG

NEW CHINESE LEADERSHIP.

1. SEE MIFT. THE FOLLOWING LEADERS WERE ELECTED ON 12 SEPTEMBER.

(A) POLITBURO

---

STANDING COMMITTEE: HU YAOBANG, YE JIANYING, DENG XIAOPING,  
ZHAO ZIYANG, LI XIANNIAN, CHEN YUN.

FULL MEMBERS: WAN LI, XI ZHONGXUN, WANG ZHEN, WEI GUOQING, ULANHU,  
FANG YI, DENG XIAOPING, DENG YINGCHAO, YE JIWKGYING, LI XIANNIAN,  
LI DESHENG, YANG SHANGKUN, YANG DEZHI, YU QIULI, SONG RENQIONG,  
ZHANG TINGFA, CHEN YUN, ZHAO ZIYANG, HU QIAOMU, HU YAOBANG,  
NIE RONGZHEN, NI ZHIFU, XU XIANGQIAN, PENG ZHEN, LIAO CHENGZHI.  
ALTERNATE MEMBERS: YAO YILIN, QIN JIWEI, CHEN MUHUA (F).

DYB(B) SECRETARIAT

---

GENERAL SECRETARY: HU YAOBANG

MEMBERS: WAN LI, XI ZHONGXUN, DENK LIQUN, YAMA YONG, YU QIULI, GU MU,  
CHEN PIXIAN, XS QILI, YAO YILIN.  
ALTERNATE MEMBERS: QIAO SHI, HAO JIANXIU (F).

(C) MILITARY COMMISSION

---

CHAIRMAN: DENG XIAOPING

VICE CHAIRMAN: YE JIANYING, XU XIANGQIAN, NIE RONGZHEN, YANG  
SHANGKUN.

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FM PEKING 090040Z SEPT 82

TO PRIORITY FCG

TELEGRAM NUMBER 513 OF 9 SEPT

AND TO ROUTINE HONG KONG

Chen

MY TELNO 502: CHINESE PARTY CONGRESS.

1. THE CONGRESS MET IN PLENARY SESSION ON 6 SEPTEMBER AND PASSED RESOLUTIONS APPROVING HU YAOBANG'S WORK REPORT AND ADOPTING THE NEW PARTY CONSTITUTION WHICH IS TO GO INTO IMMEDIATE EFFECT. THE CONGRESS THEN HEARD SPEECHES BY YE JIANYING AND CHEN YUN ON THE SUBJECT OF RETIREMENT AND THE PROMOTION OF YOUNGER CADRES.

2. YE JIANYING'S REMARKS WERE DELIBERATELY VAGUE. HE DID SAY THAT "MANY OLD COMRADES" WOULD RETIRE FROM THEIR LEADING POSTS AFTER THE CONGRESS, BUT ADDED THAT THEY SHOULD NOT RETIRE "IDEOLOGICALLY"

AND SHOULD CONTINUE TO DO WORK THAT WAS WITHIN THEIR STRENGTH. HE CLAIMED TO HAVE TENDERED HIS OWN RESIGNATION SEVERAL TIMES, BUT IT HAD NOT BEEN ACCEPTED AND UNTIL THAT TIME CAME HE WOULD "DO THE BEST I CAN AND DEVOTE MY ALL TO THE PARTY". HE WAS DELIBERATELY AMBIGUOUS, BUT PROBABLY HINTING THAT HE HAD NO INTENTION OF RETIRING. OVERALL HIS SUPPORT FOR PRESENT POLICIES WAS LUKEWARM, IN PARTICULAR HE POINTEDLY OMITTED ANY GLOWING REFERENCE TO THE THIRD PLENUM.

3. CHEN YUN WAS MORE ROBUST. HE SAID THAT UNLESS THE PROBLEM OF AN AGING LEADERSHIP WAS SOLVED NOW, THE CAUSE OF COMMUNISM COULD SUFFER A SETBACK. THIS MEANT THE RETIREMENT OF OLDER CADRES AND THEIR REPLACEMENT BY THE "YOUNG AND MIDDLE-AGED". HE SAID THAT TENS OF THOUSANDS OF YOUNGER CADRES MUST BE PROMOTED IN ORDER TO TAKE OVER FROM THE LARGE NUMBERS OF OLDER OFFICIALS WHO WOULD RETIRE. ONLY THUS WOULD IT BE POSSIBLE TO PREVENT TROUBLEMAKERS FROM "STIRRING UP ANY SERIOUS DISTURBANCES IN FUTURE". HE ALSO STIPULATED, AS HU YAOBANG HAD DONE, THAT CULTURAL REVOLUTION REBELS, FACTIONALISTS, BEATERS, SMASHERS AND LOOTERS, THOSE WHO OPPOSED THE LINE OF THE THIRD PLENUM, AND THOSE WHO HAD COMMITTED SERIOUS ECONOMIC CRIMES WOULD NOT BE PROMOTED. HE DID HOWEVER CONCEDE THAT ALL THE OLD CADRED WOULD NOT BE EXPECTED TO RETIRE AT ONCE, AND THAT SOME WOULD HAVE TO REMAIN IN "FRONT LINE POSTS" FOR THE TIMEBEING.

4. THE NEW CONSTITUTION ABOLISHES THE PARTY CHAIRMANSHIP, BUT RETAINS THE POLITBURO AND ITS STANDING COMMITTEE. ITS RELATIONSHIP WITH THE SECRETARIAT IS UNCHANGED, ALTHOUGH THE GENERAL SECRETARY NOW HAS THE ADDITIONAL POWER TO CALL MEETINGS OF THE POLITBURO.

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5. THE MILITARY COMMISSION HAS BEEN WRITTEN INTO THE CONSTITUTION. ITS MEMBERSHIP IS TO BE DECIDED BY THE CENTRAL COMMITTEE AND ITS CHAIRMAN MUST BE A MEMBER OF THE POLITBURO STANDING COMMITTEE. ITS FUTURE RELATIONSHIP TO THE STATE MILITARY COMMISSION IS NOT KNOWN. IN HIS WORK REPORT TO THE CONGRESS HU YAOBANG SAID THAT THE CENTRAL COMMITTEE WOULD CONTINUE TO EXERCISE LEADERSHIP OVER THE ARMED FORCES THROUGH THE STATE MILITARY COMMISSION.

6. THE CHAIRMAN OF THE ADVISORY COMMISSION MUST BE A MEMBER OF THE POLITBURO STANDING COMMITTEE. ITS VICE-CHAIRMAN HAVE THE RIGHT TO ATTEND MEETINGS OF THE POLITBURO, AND ITS MEMBERS MEEETINGS OF THE CENTRAL COMMITTEE, BUT WITHOUT VOTING. THE COMMISSION ACTS AS A "POLITICAL ASSISTANT AND CONSULTANT TO THE CENTRAL COMMITTEE" WHICH CAN PUT FORWARD RECOMMENDATIONS ON POLICY AND GIVE ADVICE ON REQUEST. ITS MEMBERS HAVE TO HAVE A PARTY STANDING OF FOURTY YEARS, AND TO ENJOY A FAIRLY HIGH PRESTIGE INSIDE AND OUTSIDE THE PARTY.

7. THE STIPULATIONS THAT THE GENERAL SECRETARY AND THE CHAIRMEN OF THE MILITARY, ADVISORY AND DISCIPLINE INSPECTION COMMISSIONS MUST ALL BE MEMBERS OF THE POLITBURO STANDING COMMITTEE ARE CLEARLY INTENDED TO PROVIDE THE FRAMEWORK FOR A FUTURE COLLECTIVE LEADERSHIP WITH MUTUALLY OVERLAPPING POWERS TO PREVENT DOMINATION BY ANY SINGLE LEADER. THE CONSTITUTION SPECIFICALLY BANS ALL FORMS OF PERSONALITY CULT. A MORE CERTAIN INDICATION OF THE RELATIVE AUTHORITY OF THE VARIOUS BODIES WILL COME FROM THE NAMES OF THOSE WHO ARE ELECTED TO THEM. IT WILL BE **IMPORTANT TO SEE WHETHER DENG XIAOPING** RETAINS THE CHAIRMANSHIP OF THE MILITARY COMMISSION AS WELL AS BECOMING CHAIRMAN OSZF THE ADVI

SORY COMMISSION, AS HE HAS BEEN EXPECTED TO DO. FOR HIM TO HOLD BOTH THESE POSTS WOULD GO AGAINST THE PRESENT PRINCIPLE OF AVOIDING AN OVERCONCENTRATION OF OFFICES IN ONE MAN'S HANDS.

8. THERE IS AN AIR OF COMPROMISE ABOUT THE LATEST REPORTS FROM THE CONGRESS, AND IT LOOKS LIKELY THAT MANY OF THE ELDERLY LEADERS WHOM DENG HAD HOPED TO REMOVE TO RELATIVE OBSCURITY IN THE ADVISORY COMMISSION WILL STILL RETAIN CONSIDERABLE AUTHORITY, AND IN SOME CASES, AS CHEN YUN ACKNOWLEDGED, THEIR ORIGINAL POWERS. HOWEVER FINAL JUDGEMENT MUST BE SUSPENDED UNTIL THE FIRST MEETING OF THE NEW CENTRAL COMMITTEE PRODUCES A FULL LIST OF NAMES AND POSITIONS, PROBABLY AT THE END OF THIS WEEK.

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*[Handwritten signature]*

① MR. COLES ✓ *AA*

② BOX

You might like to look  
at these before they go  
in to the Prime Minister.

*es,*

18 March, 1982

# Centre for Policy Studies

8 Wilfred Street London SW1E 6PL Telephone 01-828 1176 Cables: Centrepol London

Prime Minister

17th March 1982

## MY VISIT TO CHINA

1. I continue to be sceptical about the size of the Chinese population. Everyone gives different local figures.

2. The agricultural land looked terribly poor to me. Both in the Yellow River basin and in the south between Shanghai and Canton all essential tasks are done by hand. For a historian it is interesting to see the buffalo or the scratch plough, and the thousands of individuals on the land. It is not a good sign for Communist agriculture.

3. The average income on the land turns out to be about £30 a year in the Yellow River basin - and, even if we assume

(a) all housing and food and social services are paid for; and

(b) prices are a third as low as ours (I am not sure they are as little as that - a bicycle is £50, a television £150, and a watch £40)

this is pretty bad.

4. Average income in factories is £18 a month. This is for 8 hours a day for 6 days a week.

5. The 'responsibility system' enables farmers to get extra if they produce extra: they are able to sell it at free markets at prices above state stores. It is better quality, and the income so gained is not taxed. These free markets are very lively places. I expect a lot of money is made there, no doubt causing real and potentially explosive political problems of differentials.

6. The 'responsibility system' works differently in factories - if you produce more than the 'norm' allocated by the production brigade you get a percentage of the profit shared by your team of two or three (depending on the factory). I was assured in a Shanghai carpet factory that people (mostly women) like to work harder than the usual 48 hours a week for this - and stay on Saturday nights.

/7. It is hard

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To secure fuller understanding of the methods available to improve the standard of living, the quality of life and the freedom of choice of the British people, with particular attention to social market policies.

7. It is hard to get any real sense of how the population policy is working (2 children maximum in the country, 1 in the towns). Probably shortage of space and "punishments" (going to the bottom of the housing queue if you produce an extra child etc) make it effective in the cities. In the country, farmers, I was told, "want a son regardless" and the chance of doing well in the free markets makes them inclined to think an extra hand is worth the risk of "punishments" for "black children" (in the graphic phrase of the Deputy Governor of Henan province).

8. School begins late: <sup>aged</sup> 7 in the towns, 8-9 in the country. Therefore most townspeople, if they are out to work, try to get someone (a grandmother in the country, for example) to look after their children till 7. In the country the children usually seem to go out to work with their parents.

9. I fear I had no official meetings with bigwigs except for the Deputy Governor of Henan (on whom I called in the company of HM Ambassador) since my visit was concerned with historical sites, but the face which all Chinese officials presented was extremely friendly - even though I had just been to Taiwan.

10. I had the general feeling that the suffering and deaths caused during the 'cultural revolution' was infinitely greater than the West realises.

Hugh Thomas  
March 18, 1982

The Rt. Hon. Mrs Margaret Thatcher MP  
The Prime Minister

N.B. The Ambassador, Sir Percy Cradock (a very old personal friend of mine from Cambridge days) told me that he was anxious to have a private chat with you when he comes home on leave in late July or early August to discuss your visit to China in September. Of course his request will come to you formally through the Foreign Office but he told me he was particularly anxious to have the talk as a private one - not a briefing or a large meeting.

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Prime Minister

17th March 1982

The development of the crisis in El Salvador is yet one more brilliant coup by the Communists, primarily a propaganda coup.

What happened there (as in many ways happened also in Nicaragua and ~~Cuba~~ and could happen in some other places) is roughly this:

- (a) a small group of students or other young men break impatiently with the tiny local Communist party and go to Cuba for training;
- (b) they return, murder a few politicians or landlords, rob a few banks, kidnap a few business men, and thereafter intimidate or bribe local peasants in a remote area to support them;
- (c) they launch themselves on the national scene as "freedom fighters", provoke the police or army into reprisals and, with very few men (no more than the ETA in Spain) cause a national crisis;
- (d) progressive politicians criticise the reprisals and some of them are killed too by the uncontrolled elements in the Army - causing an atmosphere of national revolution;
- (e) at an appropriate moment, the cause is launched by skilful propaganda at an international level - Washington Post, World in Action, Le Monde, German socialism. Everything is done to suggest a real civil war is under way;
- (f) the Government late in the day is prodded (probably by Washington) into an agrarian reform. This though admirable and serious is sabotaged. Murders on both sides increase, with the local government spending nothing on the international side, and the "guerillas" getting all the attention of the skilful international communist propaganda build-up. Castro enters the scene and with his usual charm convinces the Europeans of his innocence - just as Mussolini used to say he had no control over his murderous squadristi.

At this point there is pressure on the local government for peace negotiations, a coalition government etc - and if they

/ are demoralised

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To secure fuller understanding of the methods available to improve the standard of living, the quality of life and the freedom of choice of the British people, with particular attention to social market policies.

are demoralised or weak or inclined to follow <sup>foreign</sup> ~~us~~ advice willy nilly - they accept. So their opponents get themselves into an equal position in the Government which their numbers and real support would not justify. Once inside the government, the private sector is gradually squeezed out by perseverance, intimidation, occasional murders etc.

Despite their (unfortunately usual) ham-handedness, the US see through this. I fear our public opinion has not. I hope HMG will continue to do so, though France may ~~or may~~ not - Regis Debray, Mitterand's adviser on Latin America is a romantic revolutionary who was with Guevara in Bolivia in 1967. As for Dr Castaneda, the Mexican foreign minister, how can anyone take him seriously as an "honest broker"?

The people to trust in this game are the Venezuelans and Colombians who either will face, or face already, a renewal of their war with guerillas which was stopped in the 1960s.

Of course, contacts, including supply of equipment, between Cuba and now Nicaragua continue throughout but care is taken to avoid giving proof of this and weapons are often stolen locally.

Hugh Thomas

The Rt. Hon. Mrs Margaret Thatcher MP  
 The Prime Minister.

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MIPT: CHINA/TAIWAN

1. THE FULL TEXT OF YE JIANYING'S STATEMENT IS AS FOLLOWS:

TODAY, ON THE EVE OF THE 32ND ANNIVERSARY OF THE FOUNDING OF THE PEOPLE'S REPUBLIC OF CHINA AND AT THE APPROACH OF THE 70TH ANNIVERSARY OF THE 1911 REVOLUTION, I WISH, FIRST OF ALL, TO EXTEND MY FESTIVE GREETINGS AND CORDIAL REGARDS TO THE PEOPLE OF ALL NATIONALITIES THROUGHOUT THE COUNTRY, INCLUDING THE COMPATRIOTS IN TAIWAN, HONG KONG AND MACAO, AND CHINESE NATIONALS RESIDING IN FOREIGN COUNTRIES.

ON NEW YEAR'S DAY 1979, THE STANDING COMMITTEE OF THE NATIONAL PEOPLE'S CONGRESS ISSUED A MESSAGE TO THE COMPATRIOTS IN TAIWAN, IN WHICH IT PROCLAIMED THE POLICY OF STRIVING TO REUNIFY THE MOTHERLAND PEACEFULLY. THE MESSAGE RECEIVED WARM SUPPORT AND ACTIVE RESPONSE FROM THE PEOPLE OF ALL NATIONALITIES THROUGHOUT CHINA, INCLUDING THE COMPATRIOTS IN TAIWAN, HONG KONG AND MACAO, AND THOSE RESIDING ABROAD. A RELAXED ATMOSPHERE HAS SET IN ACROSS THE TAIWAN STRAITS. NOW, I WOULD TAKE THIS OPPORTUNITY TO ELABORATE ON THE POLICY CONCERNING THE RETURN OF TAIWAN TO THE MOTHERLAND FOR THE REALIZATION OF PEACEFUL REUNIFICATION:

(1) IN ORDER TO BRING AN END TO THE UNFORTUNATE SEPARATION OF THE CHINESE NATION AS EARLY AS POSSIBLE, WE PROPOSE THAT TALKS BE HELD BETWEEN THE COMMUNIST PARTY OF CHINA AND THE KUOMINTANG OF CHINA ON A RECIPROCAL BASIS SO THAT THE TWO PARTIES WILL COOPERATE FOR THE THIRD TIME TO ACCOMPLISH THE GREAT CAUSE OF NATIONAL REUNIFICATION. THE TWO SIDES MAY FIRST SEND PEOPLE TO MEET FOR AN EXHAUSTIVE EXCHANGE OF VIEWS.

(2) IT IS THE URGENT DESIRE OF THE PEOPLE OF ALL NATIONALITIES OF BOTH SIDES OF THE STRAITS TO COMMUNICATE WITH EACH OTHER, REUNITE WITH THEIR RELATIVES, DEVELOP TRADE AND INCREASE MUTUAL UNDERSTANDING. WE PROPOSE THAT THE TWO SIDES MAKE ARRANGEMENTS TO FACILITATE THE EXCHANGE OF MAILS, TRADE, AIR AND SHIPPING SERVICES, AND VISITS BY RELATIVES AND TOURISTS AS WELL AS ACADEMIC, CULTURAL AND SPORTS EXCHANGES, AND REACH AN AGREEMENT THEREUPON.

(3) AFTER THE COUNTRY IS REUNIFIED, TAIWAN CAN ENJOY A HIGH DEGREE OF AUTONOMY AS A SPECIAL ADMINISTRATIVE REGION AND IT CAN RETAIN ITS ARMED FORCES. THE CENTRAL GOVERNMENT WILL NOT INTERFERE WITH LOCAL AFFAIRS ON TAIWAN.

(4) TAIWAN'S CURRENT SOCIO-ECONOMIC SYSTEM WILL REMAIN UNCHANGED, SO WILL ITS WAY OF LIFE AND ITS ECONOMIC AND CULTURAL RELATIONS WITH FOREIGN COUNTRIES. THERE WILL BE NO ENCROACHMENT ON THE PROPRIETARY RIGHTS AND LAWFUL RIGHT OF INHERITANCE OVER PRIVATE PROPERTY, HOUSES, LAND AND ENTERPRISES, OR ON FOREIGN INVESTMENTS.

(5) PEOPLE IN AUTHORITY AND REPRESENTATIVE PERSONAGES OF VARIOUS CIRCLES IN TAIWAN MAY TAKE UP POSTS OF LEADERSHIP IN NATIONAL POLITICAL BODIES AND PARTICIPATE IN RUNNING THE STATE.

(6) WHEN TAIWAN'S LOCAL FINANCE IS IN DIFFICULTY, THE CENTRAL GOVERNMENT MAY SUBSIDIZE IT AS IS FIT FOR THE CIRCUMSTANCES.

(7) FOR PEOPLE OF ALL NATIONALITIES AND PUBLIC FIGURES OF VARIOUS CIRCLES IN TAIWAN WHO WISH TO COME AND SETTLE ON THE MAINLAND, IT IS GUARANTEED THAT PROPER ARRANGEMENTS WILL BE MADE FOR THEM, THAT THERE WILL BE NO DISCRIMINATION AGAINST THEM, AND THAT THEY WILL HAVE THE FREEDOM OF ENTRY AND EXIT.

(8) INDUSTRIALISTS AND BUSINESSMEN IN TAIWAN ARE WELCOME TO INVEST AND ENGAGE IN VARIOUS ECONOMIC UNDERTAKINGS ON THE MAINLAND, AND THEIR LEGAL RIGHTS, INTERESTS AND PROFITS ARE GUARANTEED.

(9) THE REUNIFICATION OF THE MOTHERLAND IS THE RESPONSIBILITY OF ALL CHINESE. WE SINCERELY WELCOME PEOPLE OF ALL NATIONALITIES, PUBLIC FIGURES OF ALL CIRCLES AND ALL MASS ORGANIZATIONS IN TAIWAN TO MAKE PROPOSALS AND SUGGESTIONS REGARDING AFFAIRS OF STATE THROUGH VARIOUS CHANNELS AND IN VARIOUS WAYS.

TAIWAN'S RETURN TO THE EMBRACE OF THE MOTHERLAND AND THE ACCOMPLISHMENT OF THE GREAT CAUSE OF NATIONAL REUNIFICATION IS A GREAT AND GLORIOUS MISSION HISTORY HAD BEQUEATHED ON OUR GENERATION. CHINA'S REUNIFICATION AND PROSPERITY IS IN THE VITAL INTEREST OF THE CHINESE PEOPLE OF ALL NATIONALITIES — NOT ONLY THOSE ON THE MAINLAND, BUT THOSE IN TAIWAN AS WELL. IT IS ALSO IN THE INTEREST OF PEACE IN THE FAR EAST AND THE WORLD.

WE HOPE THAT OUR COMPATRIOTS IN TAIWAN WILL GIVE FULL PLAY TO THEIR PATRIOTISM AND WORK ENERGETICALLY FOR THE EARLY REALIZATION OF THE GREAT UNITY OF OUR NATION AND SHARE THE HONOUR OF IT. WE HOPE THAT OUR COMPATRIOTS IN HONG KONG AND MACAO AND CHINESE NATIONALS RESIDING ABROAD WILL CONTINUE TO ACT IN THE ROLE OF A BRIDGE AND CONTRIBUTE THEIR SHARE TO THE REUNIFICATION OF THE MOTHERLAND.

WE HOPE THAT THE KUOMINTANG AUTHORITIES WILL STICK TO THEIR ONE-CHINA POSITION AND THEIR OPPOSITION TO "TWO CHINAS" AND THAT THEY WILL PUT NATIONAL INTERESTS ABOVE EVERYTHING ELSE, FORGET PREVIOUS ILL-WILL AND JOIN HANDS WITH US IN ACCOMPLISHING THE GREAT CAUSE OF NATIONAL REUNIFICATION AND THE GREAT GOAL OF MAKING CHINA PROSPEROUS AND STRONG, SO AS TO WIN GLORY FOR OUR ANCESTORS, BRING BENEFIT TO OUR POSTERITY AND WRITE A NEW AND GLORIOUS PAGE IN THE HISTORY OF THE CHINESE NATION.

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MY TELNO 798: HUA GUOFENG

1. IT HAS STILL NOT BEEN FORMALLY CONFIRMED THAT HUA GUOFENG IS TO STEP DOWN FROM THE POSITION OF PARTY CHAIRMAN. BUT IT SEEMS INCREASINGLY LIKELY THAT THIS WILL SOON HAPPEN.

2. ACCORDING TO CURRENT RUMOUR HUA SUBMITTED HIS RESIGNATION ON 15 DECEMBER. ON THE FOLLOWING DAY AN IMPORTANT MEETING OF THE PARTY LEADERSHIP WAS REPORTEDLY HELD IN PEKING TO PREPARE FOR A PLENUM OF THE CENTRAL COMMITTEE, TO BE CONVENED IN TWO WEEKS OR SO. A CHINESE SOURCE HAS TOLD A FOREIGN JOURNALIST THAT THE MEETING AGREED TO SUBMIT TO THE PLENUM A DRAFT RESOLUTION STRONGLY CRITICAL OF MAO'S LEADERSHIP OF THE PARTY IN HIS LATER YEARS (PRESUMABLY THE DRAFT "RESOLUTION ON CERTAIN

HISTORICAL QUESTIONS", KNOWN TO HAVE UNDERGONE MUCH AGONIZED REDRAFTING). IT WAS ALSO DECIDED THAT THE MAUSOLEUM CONTAINING MAO'S EMBALMED BODY SHOULD BE CONVERTED INTO A "MEMORIAL HALL FOR VETERAN REVOLUTIONARIES".

3. THE AVAILABLE EVIDENCE SUGGESTS THAT HUA HAD ORIGINALLY AGREED TO BE DEMOTED AT THE 12TH PARTY CONGRESS SCHEDULED FOR MID-1981. HE HAD BEEN THREATENED THAT IF HE DID NOT GO QUIETLY HIS LINKS WITH THE "GANG OF FOUR" AND HIS ROLE IN SUPPRESSING THE "TIAN AN MEN INCIDENT" OF APRIL 1976 WOULD BE REVEALED AT THE CURRENT TRIAL OF JIANG QING AND HER ASSOCIATES. IT APPEARS THAT IN LATE NOVEMBER THIS SCENARIO WAS SPEEDED UP. ACCORDING TO ONE CHINESE SOURCE THIS WAS PRECIPITATED WHEN HUA OPPOSED THE PROPOSED HARSH VERDICT ON MAO; RECENXLETERIAL IN THE PRESS CARRYING RENEWED DENUNCIATIONS OF THE CULTURAL REVOLUTION AND MAO'S PART IN IT SUGGESTS THAT THIS VERDICT HAS BEEN CONTENTIOUS. IN ADDITION DENG XIAOPING AND HIS FOLLOWERS MAY HAVE FEARED THAT THE TASK OF RAISING THE PARTY'S BATTERED PRESTIGE, PREPARATIONS FOR /THE PARTY

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THE PARTY CONGRESS AND EVEN PERHAPS THE NEW PHASE OF ECONOMIC READJUSTMENT MIGHT ALL HANG FIRE UNLESS HUA WAS REMOVED SOONER RATHER THAN LATER.

4. PROCEEDINGS IN THE TRIAL OF JIANG QING AND HER ASSOCIATES WERE SUSPENDED BETWEEN 14 AND 17 DECEMBER, PROBABLY REFLECTING PREOCCUPATION WITH THIS DELICATE HORSE-TRADING. IT IS POSSIBLE THAT HUA WAS INDUCED TO COMPLY WITH THE ACCELERATED TIMETABLE FOR HIS DEPARTURE BY THE THREAT OF MORE EXPLICIT EXPOSURE IN THE TRIAL IF HE DID NOT COOPERATE. SOME CLUE MAY EMERGE WHEN JIANG QING AGAIN UNDERGOES EXAMINATION.

5. IT IS NOW EXPECTED THAT THE TRIAL WILL COME TO AN END IN THE NEXT WEEK OR SO, BEFORE THE PLENUM. THE LATEST INDICATIONS ARE THAT NONE OF THE DEFENDANTS WILL FACE IMMEDIATE EXECUTION. JIANG QING AND ZHANG CHUNQIAO, THE MOST INTRANSIGENT OF THE DEFENDANTS, SEEM LIKELY TO FACE THE PECULIARLY CHINESE PENALTY OF THE "SUSPENDED DEATH SENTENCE" WITHHELD FOR TWO YEARS IN THE HOPE THAT THE OFFENDER WILL REPENT. THE OTHER DEFENDANTS WILL PROBABLY BE GIVEN GAOL SENTENCES OF VARYING DURATION.

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DENG XIAOPING ON CHINA'S FOREIGN POLICY

1. THE PEOPLE'S DAILY PUBLISHED AS ITS LEADING ARTICLE ON 24 NOVEMBER THE TEXT OF AN INTERVIEW GIVEN BY DENG XIAOPING ON 15 NOVEMBER TO THE CHRISTIAN SCIENCE MONITOR. THE GREATER PART OF THE INTERVIEW DEALT WITH FOREIGN POLICY ISSUES.

2. SINO-SOVIET RELATIONS

DENG SAID THAT WHILE SOVIET EXPANSIONISM AND HEGEMONISM REMAINED UNCHANGED THERE COULD BE NO IMPROVEMENT IN RELATIONS. THE SPLIT HAD OCCURRED BECAUSE OF THE SOVIET ATTEMPT TO CONTROL CHINA IN THE 1950'S AND IT WAS IDEOLOGICAL IN ORIGIN. IT NOW WENT MUCH FURTHER THAN IDEOLOGY. THERE WAS AN ACTUAL THREAT TO CHINA, AND IT WAS A MISTAKE TO THINK OF BREZHNEV AS A MODERATE. IN KRUSHEV'S TIME THERE HAD BEEN ONLY TEN SOVIET DIVISIONS ON CHINA'S BORDER., THERE WERE NOW FIFTY-FOUR DIVISIONS OR ONE MILLION MEN. IN ADDITION THE SOVIET UNION HAD INVADED AFGHANISTAN AND HAD TROOPS STATIONED IN NEIGHBOURING COUNTRIES SUCH AS MONGOLIA. THE USSR SUPPORTED VIETNAM'S INVASION OF INDOCHINA AND WAS A THREAT TO ASEAN AND THE PACIFIC AREA. ITS AMBITION WAS TO DOMINATE THE WORLD.

3. TO THE QUESTION WHETHER SINO-SOVIET RELATIONS COULD CHANGE DENG REPLIED WITH THE QUESTION WHETHER THE SOVIET STRATEGY OF HEGEMONISM WOULD CHANGE. RELATIONS COULD CHANGE TOMORROW IF HEGEMONISM WERE ABANDONED, THE ONE MILLION SOVIET TROOPS ON CHINA'S BORDER REDUCED TO THE LEVEL OF KHRUSCHEV'S TIME, AND SOVIET TROOPS TOTALLY WITHDRAWN FROM AFGHANISTAN, MONGOLIA, THE SOUTH-EAST ASIAN AREA AND OTHER PLACES. OTHERWISE THERE WOULD BE NO CHANGE IN SINO-SOVIET RELATIONS IN TEN OR TWENTY YEARS.

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/4. DENG

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4. DENG DISMISSED THE IDEA THAT CHINA'S POLICY WOULD CHANGE AS IT BECAME RICHER: "IF WE OPPOSE THE SOVIET UNION WHEN WE ARE POOR, WHAT REASON SHOULD WE HAVE FOR COMPROMISE WHEN WE HAVE DEVELOPED?"

5. CHINA INTERNAL

DENG WAS ASKED WHAT GUARANTEE THERE WAS THAT PRESENT CHINESE POLICIES WOULD CONTINUE. HE AGREED THAT THIS WAS SOMETHING WHICH BOTHERED SOME CHINESE. BUT CHINA WAS NOW REFORMING ITS SYSTEM (NO LIFE TENURE FOR CADRES, ESTABLISHMENT OF DEMOCRACY AND A LEGAL SYSTEM). THIS HAD THE PEOPLE'S SUPPORT. THE POLICIES WERE RIGHT, AND THEREFORE THEY WOULD CONTINUE.

6. SINO-US RELATIONS

DENG SAID THAT IT WAS INCORRECT FOR SOME AMERICANS TO SAY THAT CHINA HAD IMPROVED ITS RELATIONS WITH THE USA BECAUSE CHINA HAD A NEED OF THE US. IT WAS NOT TRUE TO SAY THAT CHINA, WHEN IT WAS ECONOMICALLY AND MILITARILY STRONG, WOULD NOT BE CONCERNED TO HAVE GOOD RELATIONS WITH THE US. HE DID NOT KNOW MR REAGAN, BUT KNEW HIS POLICY-MAKERS WELL. BUSH WAS A FRIEND. DENG BELIEVED THAT THE USA HAD MUCH IN COMMON WITH CHINA IN HAVING TO COPE WITH THE USSR. HE FAVOURED A CONTINUING AMERICAN PRESENCE IN THE PACIFIC OCEAN, BUT BELIEVED US STRENGTH ALONE WAS INSUFFICIENT TO COPE WITH THE SOVIET UNION. THE USA SHOULD COOPERATE CLOSELY WITH ITS ALLIES, AND ALSO WITH THE THIRD WORLD. MODERATE WORDS WERE NOT ENOUGH., PRACTICAL STEPS MUST BE TAKEN TO COUNTER SOVIET EXPANSION.

7. DENG SAID THAT REAGAN WAS WELCOME TO COME TO CHINA. IT WAS BENEFICIAL FOR THE LEADERS OF EACH SIDE TO MAKE CONTACT. THE DEVELOPMENT OF SINO-US RELATIONS WAS A BIPARTISAN AMERICAN POLICY. CHINA HOPED HE WOULD NOT FREEZE THOSE RELATIONS OR PUT THEM INTO REVERSE. IT WAS NECESSARY FOR GLOBAL STRATEGY THAT THEY SHOULD DEVELOP. CHINA WAS A POOR COUNTRY BUT STRATEGICALLY NOT INSIGNIFICANT.

8. ASKED ABOUT REAGAN'S REMARKS ON THE SALE OF ARMS TO TAIWAN, DENG REPLIED THAT HE DID NOT KNOW WHAT REAGAN WOULD DO, BUT CHINA WAS UNHAPPY ABOUT THE TAIWAN RELATIONS ACT. IT WAS THIS "WHICH HAS CREATED THE CRISIS IN SINO-US RELATIONS".

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9. ON SALT 3 DENG SAID THAT CHINA NEVER OPPOSED NEGOTIATIONS, BUT DID NOT BELIEVE THIS TYPE OF NEGOTIATION WOULD LEAD TO A RELAXATION OF TENSION.

10. COMMENT

DENG SPOKE AT LENGTH AND HIS REMARKS HAVE BEEN GIVEN SPECIAL PROMINENCE IN THE CHINESE PRESS. THIS IS THEREFORE AN AUTHORITATIVE STATEMENT INTENDED TO SET OUT CLEARLY, BEFORE MR REAGAN TAKES OFFICE, WHERE CHINA STANDS. IT IS ALSO DESIGNED TO OFFER AS MUCH INDUCEMENT TO CONTINUITY IN SINO-US RELATIONS AS POSSIBLE, AND TO ALLAY CONCERN, BOTH IN CHINA AND ABROAD, THAT THE BASIC TENETS OF CHINA'S FOREIGN POLICY, WITH WHICH DENG HIMSELF IS CLOSELY IDENTIFIED, COULD BE SUBJECT TO CHANGE.

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CABINET OFFICE





10, DOWNING STREET

From the Private Secretary

7 October, 1980.

My dear Ambassador,

I am replying on the Prime Minister's behalf to your letter to her of 7 October. The messages which you enclosed from Mr. Hua Guo-feng and Mr. Zhao Ziyang have been brought to the Prime Minister's immediate attention.

Yours sincerely

Michael Alexander

His Excellency Mr. Ke Hua



10, DOWNING STREET

*From the Private Secretary*

7 October, 1980.

*Dear Madame,*

I enclose the texts of messages of thanks which the Prime Minister has received today from Hua Guo-feng and Zhao Ziyang. I have acknowledged receipt of both messages.

*Yours ever*

*Michael Alexander*

R.M.J. Lyne, Esq.,  
Foreign and Commonwealth Office.

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CA

7th October, 1980

Your Excellency,

I have the honour to forward herewith two telegrams to Your Excellency from Mr. Hua Guo-feng, Chairman of the Central Committee of the Chinese Communist Party, and Mr. Zhao Ziyang, Premier of the State Council of the People's Republic of China.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.



( Ye Hua )  
Chinese Ambassador

The Rt. Hon. Margaret Thatcher,  
Prime Minister,  
10, Downing Street,  
London SW1

SUBJECT  
PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. 1196A/80

4th October , 1980

Dear Prime Minister,

I wish to acknowledge with deep thanks your message of congratulations on my appointment as Premier of the State Council of the People's Republic of China.

May the friendly relations between China and Britain grow steadily.

( Zhao Ziyang )

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

Rt. Hon. Margaret Thatcher,  
Prime Minister,  
10, Downing Street,  
London SW1

( Translation )

4th October, 1980

Dear Prime Minister,

I wish to extend to you my heartfelt thanks for your kind message of best wishes dated 17th September, 1980.

I believe that the friendly relations between our two peoples will further develop.

( Hua Guo-feng )

Chairman of the Central Committee  
of the Communist Party of China

Rt. Hon. Margaret Thatcher,  
Prime Minister,  
10, Downing Street,  
London SW1

( Translation )

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FM PEKING 180756Z SEP 80  
TO PRIORITY FCO  
TELEGRAM NUMBER 598 OF 18 SEPT 80  
INFO PRIORITY HONG KONG

China

Prime Minister

mt

These two scene-setting  
tels from Peking for  
FCs are worth reading

YOUR VISIT TO CHINA

1. BEFORE SETTING OUT ON YOUR JOURNEY YOU MAY FIND IT HELPFUL TO HAVE A PERSONAL IMPRESSION OF THE CHINESE SCENE AS IT APPEARS FOLLOWING THE RECENT SESSION OF THE NATIONAL PEOPLE'S CONGRESS.

MAO 19/18

2. THE TWIN PILLARS OF MODERNISATION AND THE OPENING TO THE WEST ARE FIRM. THE INTERNAL POLITICAL SITUATION IS STABLE. THIS LAST DOES NOT, HOWEVER, RULE OUT CHANGE, BROADLY IN DIRECTIONS WE WOULD APPROVE OF. DENG XIAOPING AND HIS FOLLOWERS HAVE STRENGTHENED THEIR POSITION FURTHER THIS YEAR AND WILL SEEK TO CONTINUE THE PROCESS. HUA GUOFENG IS STILL A FORCE TO BE RECKONED WITH AND HAS FOUGHT A TOUGH REARGUARD ACTION, BUT HE IS NO LONGER PRIME MINISTER AND HIS SCOPE AS PARTY CHAIRMAN IS CIRCUMSCRIBED BY AN ACTIVE AND PRO-DENG SECRETARIAT. HIS POSITION IS LIKELY TO BE FURTHER ERODED BY THE TRIAL OF THE GANG OF FOUR, THE FORMAL PARTY VERDICT ON MAO AND THE CULTURAL REVOLUTION, AND THE TWELFTH PARTY CONGRESS, ALL THREE EVENTS PROBABLE WITHIN THE NEXT SIX MONTHS.

mt

3. ZHAO ZIYANG, DENG'S NOMINEE AS PRIME MINISTER, IS TOUGH, ACTIVE, PRAGMATIC AND ACUTELY AWARE OF THE NEED TO REJUVENATE THE LEADERSHIP AND GET THE ECONOMY MOVING. HE APPARENTLY DID WONDERS AS PARTY BOSS IN SICHUAN. HE WILL WANT TO GIVE MAXIMUM FREEDOM TO ENTERPRISES AND, WITHIN CERTAIN LIMITS, SCOPE FOR MARKET FORCES TO OPERATE. BUT HE HAS TO WORK WITHIN THE CRIPPLING CONSTRAINTS IMPOSED BY A BACKWARD AND OVER-POPULATED COUNTRY, A CONSERVATIVE BUREAUCRACY AND, MOST IMPORTANT OF ALL, THE NEED TO RETAIN COMMUNIST POLITICAL CONTROL. THE ECONOMIC STIMULUS NEEDED TO GALVANISE CHINA AND GET HONG KONG LEVELS OF PRODUCTIVITY FROM A LETHARGIC WORK FORCE WOULD BE POLITICALLY QUITE UNACCEPTABLE. BUT WE MUST GIVE HIM TIME. HE WILL CERTAINLY MAKE AN IMPACT.

4. THE SEPARATION OF PARTY AND STATE, A PRINCIPLE CLAIMED TO UNDERLIE RECENT APPOINTMENTS, IS MORE APPARENT THAN REAL. THE TWO REMAIN TIGHTLY INTERWOVEN. BUT THE PRAGMATISM OF THE NEW ADMINISTRATION AND THE CONTINUING DIMINUTION OF MAO HAVE LEFT THE PARTY IN SOMETHING OF AN IDEOLOGICAL VACUUM. IT IS HARDER THAN EVER TO KNOW WHAT "MARXISM-LENINISM-MAO ZEDONG THOUGHT" REALLY MEANS. THE CHINESE COMMUNIST PARTY WILL PROBABLY HAVE TO LEARN TO LIVE ON THIN IDEOLOGICAL FARE AND CONCENTRATE, AS OTHER RULING COMMUNIST PARTIES, ON THE CONSOLIDATION AND MANIPULATION OF POWER.

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5. A PIECE I FIND A LITTLE DIFFICULT TO FIT INTO THE NEW JIGSAW IS THE ARMED FORCES. THE POSITION OF MINISTER OF DEFENCE IS LIKELY TO GO TO ZHANG AIPING (MR PYM'S MAIN INTERLOCUTOR IN MARCH AND NOW A VICE-PREMIER). HIS ALIGNMENT WITH THE FORCES OF REFORM AND MODERNISATION APPEARS CLEAR. BUT THERE IS STILL A STRONGLY ENTRENCHED CONSERVATIVE ELEMENT IN THE MILITARY WHO MAY HAVE DOUBTS ABOUT THE PACE OF REFORM. IN GENERAL THE MILITARY HAVE DONE RATHER LESS WELL OUT OF RECENT CHANGES THAN THEY MIGHT HAVE HOPED, AND MOREOVER FACE TIGHT FINANCIAL CONSTRAINTS. RELATIONS BETWEEN THEM AND THE REFORMISTS WILL NEED WATCHING.

6. THOUGH THE NEED FOR SUCH IMPORTS IS GREAT, EXPENDITURE ON FOREIGN TECHNOLOGY AND EQUIPMENT WILL REMAIN CAREFULLY CONTROLLED. OUR EXPORTERS WILL FACE A TOUGH MARKET AND WILL HAVE TO CONTINUE TO SHOW GREAT STAMINA AND FLEXIBILITY, EG IN MEETING CHINESE DEMANDS FOR JOINT OR COOPERATIVE VENTURES AND ANY DEVICE WHICH AVOIDS THE CHINESE HAVING TO PAY HERE AND NOW FOR MODERNISATION. (SEE MY DESPATCH OF 2 JUNE). THE SEARCH FOR FOREIGN CREDIT AT CONCESSIONARY RATES WILL ALSO CONTINUE. THE CHINESE ARE STILL UNWILLING TO FACE ECONOMIC REALITIES AND TO SEEK FUNDS IN THE MARKET-PLACE.

7. ZHAO ZIYANG HAS BEEN CAREFUL TO STRESS THE CONTINUITY OF CHINESE FOREIGN POLICY. ON CHINESE RELATIONS WITH THE SOVIET UNION AND UNITED STATES I HAVE LITTLE TO ADD TO MY DESPATCH OF 18 MARCH ON "CHINA AND THE SUPER POWERS". I FORESEE NO SUBSTANTIAL DIMINUTION IN CHINESE HOSTILITY TO THE SOVIET UNION. SINO-US RELATIONS CONTINUE SATISFACTORILY AT WORKING LEVEL, AS RECENT PROGRESS OVER CONSULAR AND AIR SERVICES AGREEMENTS SHOWS, BUT MR REAGAN'S PERSISTENCE IN ERROR OVER TAIWAN HAS DEEPLY WORRIED THE CHINESE. DENG HIMSELF HAS BEEN MUCH INVOLVED IN CLOSER SINO-US RELATIONS AND COULD NOT AVOID SOME LOSS OF PRESTIGE IF THEY WERE SUBSTANTIALLY TO DETERIORATE.

8. THE CHINESE WILL CONTINUE TO TREAT AFGHANISTAN AND CAMBODIA BROADLY IN PARALLEL. THE WEAKNESS OF POL POT'S MILITARY POSITION AND THE FAILURE OF THE CHINESE CAMPAIGN TO MAKE HIM POLITICALLY MORE ACCEPTABLE HAVE LED THEM INTO A SLIGHTLY MORE FLEXIBLE PUBLIC POSTURE ON CAMBODIA, BUT THEY WILL STILL BE DISMAYED BY ANY HINT OF WESTERN ACCEPTANCE OF FAITS ACCOMPLIS IN EITHER COUNTRY. RECOGNITION OF HENG SAMRIN BY THE INDIANS HAS DELAYED THE PROCESS OF SINO-INDIAN RAPPROCHEMENT WHICH EVEN TWO MONTHS AGO APPEARED TO BE ON COURSE. THE THREAT OF A SECOND "LESSON" FOR VIETNAM IS NOT WITHDRAWN, BUT NOW SEEMS MORE LINKED TO THE CONTINGENCY OF A VIETNAMESE INVASION OF THAILAND, AND THEREFORE RATHER MORE REMOTE.

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9. IN SUM THIS IS ABOUT AS HOPEFUL A CHINESE SCENE AS ONE COULD REALISTICALLY EXPECT AND A FAVOURABLE CLIMATE IN WHICH TO PURSUE OUR INTERESTS. THE STRATEGIC BENEFIT TO US OF A CHINA ENGAGED IN MODERNISATION IN PARTNERSHIP WITH THE WEST IS ALREADY GREAT, BUT WE CAN HOPE ONLY GRADUALLY TO REAP THE FULL COMMERCIAL BENEFIT. FOR THE CHINESE THE CRUCIAL DIFFICULTY LIES IN ACHIEVING ECONOMIC PROGRESS AND IMPROVED LIVING STANDARDS IN THE FACE OF IMMENSE IN-BUILT PROBLEMS AND WITHOUT AT THE SAME TIME ENGENDERING DANGEROUS ECONOMIC AND POLITICAL STRAINS.

10. SEE MY IFT.

CRADOCK

FCO/WHITEHALL  
FED

THIS TELEGRAM  
WAS NOT  
ADVANCED

-3-

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GR 450

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FM PEKING 180831Z SEP 80  
TO PRIORITY FCO  
TELEGRAM NUMBER 599 OF 18 SEPT 80  
INFO PRIORITY HONG KONG

MY IPT: YOUR VISIT TO CHINA

1. YOUR VISIT COMES IN A PARTICULARLY CROWDED AUTUMN PROGRAMME OF INWARD VISITS (INTER ALIA THE NEW ZEALAND PRIME MINISTER, THE KENYAN PRESIDENT, THE ITALIAN PRESIDENT, AND NORWEGIAN PRIME MINISTER JUST BEFORE YOU, AND THE FRENCH PRESIDENT AND DUTCH, SINGAPORE AND THAI PRIME MINISTERS SHORTLY AFTER).

BUT YOU WILL BE VERY WARMLY WELCOMED. RELATIONS WITH BRITAIN HAVE NEVER BEEN BETTER AND THE PRIME MINISTER'S AND YOUR PRESTIGE ARE VERY HIGH HERE.

2. MUCH OF THE DISCUSSION ON INTERNATIONAL EVENTS WILL BE DEVELOPMENT OF FAMILIAR THEMES. THE CHINESE WILL WANT TO REASSURE THEMSELVES THAT THERE IS NO SLACKENING IN RESOLVE. ONE OF THEIR CRITERIA WILL BE OUR ATTITUDE ON CAMBODIAN CREDENTIALS. THEY WILL ALSO WANT TO EXPLAIN THEIR NEW APPROACH TO GOVERNMENT AND TO ECONOMIC PROBLEMS. YOU WILL GET A CHANCE TO ASSESS THEIR NEW PRIME MINISTER.

3. PERHAPS THE BIGGEST OPPORTUNITIES WILL LIE ON BILATERAL ISSUES. HONG KONG WILL OF COURSE BULK LARGE. AS ALREADY EXPLAINED (MY TELEGRAM NO 563), I VERY MUCH HOPE WE SHALL BE ABLE TO SAY SOMETHING ON CONSULAR REPRESENTATION. OTHERWISE THERE WILL BE LITTLE TANGIBLE TO SHOW FOR THE VISIT. I HOPE ALSO WE CAN USE THE OCCASION TO BRING MAXIMUM POLITICAL PRESSURE TO CLINCH IMPLEMENTATION OF THE AIR SERVICES AGREEMENT, IN ITS REGIONAL AS WELL AS METROPOLITAN ASPECTS.

4. ON THE COMMERCIAL SIDE, IF WE CAN OBTAIN CONFIRMATION OF PEKING SUPPORT FOR THE GUANGDONG NUCLEAR PROJECT AND INFORM THE CHINESE OF HMG'S SUBSTANTIAL INTEREST WE SHALL HAVE TAKEN A BIG STEP ON WHAT COULD BE A VERY IMPORTANT PIECE OF SINO-BRITISH POLITICAL AND COMMERCIAL COOPERATION. I HOPE TOO THAT YOU WILL FIND AN OPPORTUNITY TO SAY A WORD IN SUPPORT OF DEFENCE SALES. DISCUSSIONS HAVE GOT ON A SOUND FOOTING FOLLOWING MR PYM'S VISIT AND OUR PROSPECTS, PARTICULARLY ON THE AIRCRAFT AND DESTROYER REFIT, ARE HOPEFUL AND IMPORTANT.

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5. FINALLY THE CHINESE WILL EXPECT NEWS FROM YOU ABOUT AN EARLY VISIT BY THE PRIME MINISTER FOLLOWING HER GENERAL ACCEPTANCE OF HUA GUOFENG'S INVITATION IN THE AUTUMN OF 1979. THOUGH SINO-BRITISH RELATIONS ARE EXCELLENT WE SHALL NEED TO CONTINUE TO WORK ON THEM AND, AS PARAGRAPH 1 ABOVE INDICATES, IN TERMS OF INCOMING VISITORS AT THE HIGHEST LEVEL WE LAG BEHIND OUR EUROPEAN PARTNERS.

CRADOCK

FCO/WHITEHALL  
FED

**THIS TELEGRAM  
WAS NOT  
ADVANCED**

-2-  
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*China*

*T173/80*

*file*

**PRIME MINISTER'S**

RESTRICTED

**PERSONAL MESSAGE**

**SERIAL No. T173/80**

*fg*  
*Ant*

DESKBY 130100Z SEP  
FM FCO 120946Z SEPT 80

TO IMMEDIATE PEKING  
TELEGRAM NUMBER 467 OF 12 SEPTEMBER.

YOUR TELNO 578: CHINESE GOVERNMENT CHANGES.

1. PLEASE PASS THE FOLLOWING MESSAGES FROM THE PRIME MINISTER TO PREMIER ZHAO ZIYANG AND CHAIRMAN HUA GUOFENG.
2. MESSAGE TO ZHAO:

BEGINS

I SEND YOU MY WARM CONGRATULATIONS ON YOUR APPOINTMENT AS PRIME MINISTER.

I HAVE BEEN VERY GRATIFIED BY THE RAPID DEVELOPMENT OF RELATIONS BETWEEN OUR TWO COUNTRIES, INCLUDING YOUR OWN VISIT HERE LAST YEAR, AND ATTACH GREAT IMPORTANCE TO THEIR FURTHER EXPANSION. WE SHARE A WIDE RANGE OF MAJOR INTERNATIONAL INTERESTS. I HOPE WE CAN INCREASINGLY WORK TOGETHER TOWARDS IMPROVING THE PROSPECTS FOR INTERNATIONAL PEACE AND STABILITY. I AM PLEASED THAT THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, LORD CARRINGTON, WILL SHORTLY HAVE THE OPPORTUNITY FOR FURTHER DISCUSSIONS WITH YOUR GOVERNMENT. I HAVE ALSO BEEN WATCHING WITH INTEREST AND ADMIRATION THE DEVELOPMENT OF YOUR PROGRAMME OF ECONOMIC MODERNISATION AND I BELIEVE THAT IN THIS FIELD ALSO WE CAN EXTEND OUR CO-OPERATION TO OUR MUTUAL ADVANTAGE.

ENDS

3. MESSAGE TO CHAIRMAN HUA:

BEGINS

AS YOU RELINQUISH YOUR RESPONSIBILITIES AS PREMIER, I SEND YOU MY BEST PERSONAL WISHES. I RECALL WITH MUCH PLEASURE OUR VALUABLE DISCUSSIONS DURING YOUR HIGHLY SUCCESSFUL VISIT TO BRITAIN LAST YEAR. YOUR VISIT REPRESENTED A MAJOR LANDMARK IN THE DEVELOPMENT OF OUR BILATERAL RELATIONS UNDER YOUR PREMIERSHIP AND WILL LONG BE REMEMBERED BY THE BRITISH PEOPLE.

ENDS

CARRINGTON

LIMITED  
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PS/LPS  
PS/MR BLAKER  
PS/PUS  
SIR E MOUDE  
MR DONALD RESTRICTED

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file

BK

11 September 1980

Chinese Government Changes:  
Messages to Chinese Leaders

The Prime Minister has seen your letter to me of 10 September on this subject and has approved the draft messages enclosed with it.

I should be grateful if you could arrange for their despatch.

MO'DB ALEXANDER

M.A. Arthur, Esq.,  
Lord Privy Seal's Office

KAB



Foreign and Commonwealth Office

London SW1A 2AH

10 September 1980

Dear Michael

Prime Minister

①

Are texts of messages to Zhao &amp; Hua?

Yes not.

Punt - 10/9

CHINESE GOVERNMENT CHANGES : MESSAGES TO CHINESE LEADERS

In a speech to the current session of the National People's Congress in Peking on 7 September Hua Guofeng announced his resignation as Premier and a proposal from the Central Committee that Vice-Premier Zhao Ziyang should be appointed as his successor. Zhao's appointment will be confirmed shortly, probably today. Sir Ian Gilmour recommends that the Prime Minister should send messages to both Zhao and Hua. I enclose drafts in the form of a draft telegram to Peking, the top copy of which will be held here. The telegram should be despatched as soon as possible.

I also enclose a biographical note on Zhao, who visited Britain in 1979 in his then capacity as Party Secretary of the central Chinese province of Sichuan. He made his name in provincial administration in the 1970s, particularly by his promotion of the sort of liberal economic policies associated with Deng Ziaoping. His appointment as Premier was widely anticipated and, together with other leadership changes announced at the NPC, confirms the consolidation of power in the hands of the reformists grouped around Deng.

Hua Guofeng will remain Chairman of the Chinese Community Party. His resignation as Premier is being presented as part of a general policy of separating party and state functions but in practice it represents a significant blow to his authority. However he is comparatively young and the more radical policies which he has espoused

/in

M O'D B Alexander Esq  
10 Downing Street

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in the past still command significant support. The possibility of his regaining the political initiative cannot be ruled out, particularly if current economic policies conspicuously fail to satisfy the rising expectations of the Chinese people.

*Yours ever*

*Michael Arthur*

M A Arthur  
Private Secretary to the  
Lord Privy Seal

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File No. ....

Department **FED** .....

Drafted by  
(Block Capitals) .....

Tel. Extn. ....

**OUTWARD**

**TELEGRAM**

Security Classification RESTRICTED
Precedence IMMEDIATE
DESKBY .....Z

FOR COMMS. DEPT. USE	Despatched	(Date) .....	POSTBY .....
		(Time) .....Z	.....Z

**PREAMBLE**

(Time of Origin) ..... Z (G.M.T.) (Restrictive Prefix) .....

(Security Class.) **RESTRICTED** (Caveat/  
Privacy marking) .....

(Codeword) ..... (Deskby) ..... Z

TO **IMMEDIATE** **PEKING** Tel. No. .... of .....

(precedence) (post)

AND TO (precedence/post) .....

AND SAVING TO .....

REPEATED TO (for info) .....

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**MESSAGES OF CONGRATULATION**

1. As soon as you judge it appropriate, please pass the following messages from the Prime Minister to Premier Zhao Ziyang and Chairman Hua Guofeng.

2. Message to Zhao:

Begins. I send you my warm congratulations on your appointment as Prime Minister.

I have been very gratified by the rapid development of relations between our two countries, including your own visit here last year, and attach great importance to their further expansion. We share a wide range of major international interests. I hope we can increasingly work together towards improving the prospects for international peace and stability. I am pleased that the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, will shortly have the opportunity for further discussions

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/with

with your government. I have also been watching with interest and admiration the development of your programme of economic modernisation and I believe that in this field also we can extend our cooperation to our mutual advantage. Ends. *ms*

3. Message to Chairman Hua:

Begins. As you relinquish your responsibilities as Premier, I send you my best personal wishes. I recall with much pleasure our valuable discussions during your highly successful visit to Britain last year. Your visit represented a major landmark in the development of our bilateral relations under your Premiership, and will long be remembered by the British people. Ends. *ms*

NOTHING TO BE WRITTEN IN THIS MARGIN



ZHAO ZIYANG

Premier and member of the Politburo Standing Committee

Born 1918 in Henan.

From 1939 onwards rose through the provincial hierarchy in central and southern China. Severely criticised during the Cultural Revolution. Reappeared in May 1971. In August 1973 elected to the Central Committee; in April 1974 named First Secretary of the Guangdong CCP Committee and Chairman of Guangdong Revolutionary Committee.

In January 1976 transferred to Sichuan as First Party Secretary and Chairman of the Revolutionary Committee. During 1976 attacked in wallposters for his association with Deng Xiaoping. Reported to have subsequently played a leading role in the criticism of the 'Gang of Four'. Became an alternate member of the Politburo in August 1977; a full member in September 1979; a member of the Politburo Standing Committee in February 1980; a Vice Premier in April 1980; and Premier in September 1980.

China

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FM UK DEL IMF/IBRD WASHINGTON 082150Z  
TO ROUTINE F C O  
TELEGRAM NUMBER 228 OF 8 AUG 80.  
INFO ROUTINE PEKING

IBRD : CHINA.

THE BOARD TODAY UNANIMOUSLY ENDORSED THE RECOMMENDATION IN R80-230 THAT CHINA BE GRANTED AN ADDITIONAL 4,500 SHARES, AND THE RECOMMENDATION IN R80-226 THAT THE NUMBER OF ELECTED EXECUTIVE DIRECTORS BE INCREASED FROM 15 TO 16 IF CHINA SUBSCRIBED TO THESE ADDITIONAL SHARES BEFORE THE 1980 REGULAR ELECTION OF EXECUTIVE DIRECTORS. RESOLUTIONS TO THESE EFFECTS WILL BE SUBMITTED TO GOVERNORS FOR VOTE WITHOUT MEETING.

2. MANY DIRECTORS COMMENTED ON THE UNIQUENESS OF CHINA'S CASE AND THE VARIOUS ALTERNATIVE CALCULATIONS WHICH ILLUSTRATED IN A RANGE OF INCREASED SHARE POSSIBILITIES (SEE TECHNICAL NOTE R80-230/2). SEVERAL SPECIFICALLY DISASSOCIATED THEMSELVES FROM THE CALCULATION IN PARA 3 OF R80-230 AS JUSTIFICATION FOR THE 4,500 SHARE INCREASE.

3. FULL REPORT WILL FOLLOW SAVINGRAM.

ANSON

[THIS TELEGRAM WAS NOT ADVANCED]

MONETARY

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FM PEKING 100345Z JUL 80

TO PRIORITY FCO

TELEGRAM NUMBER 464 OF 10 JULY

INFO PRIORITY HONG KONG, WASHINGTON, TOKYO,

INFO ROUTINE MOSCOW, SINGAPORE

INFO SAVING ULAN BATOR

HUM'S TELELETTER OF 7 JULY TO FURSLAND (NOT TO ALL):

THE CHINESE LEADERSHIP

1. IT NOW SEEMS VERY LIKELY THAT HUA GUOFENG WILL SUBMIT HIS RESIGNATION AS PRIME MINISTER TO THE MEETING OF THE NATIONAL PEOPLE'S CONGRESS (NPC) DUE TO BE HELD NEXT MONTH. HE WILL RETAIN HIS POSITIONS AS PARTY CHAIRMAN AND CHAIRMAN OF THE PARTY'S MILITARY COMMISSION. THE NEW PRIME MINISTER IS EXPECTED TO BE ZHAO ZIYANG.

2. RUMOURS TO THIS EFFECT HAVE BEEN CURRENT IN PEKING FOR SOME WEEKS. IT APPEARS THAT HU YAOBANG, THE GENERAL SECRETARY OF THE CENTRAL COMMITTEE, CONFIRMED THEM AT A MEETING WITH YUGOSLAV JOURNALISTS IN MID-JUNE. ALTHOUGH HIS STATEMENT WAS NOT REPORTED AT THE TIME IT HAS NOW BEEN PRIVATELY CORROBORATED BOTH BY YUGOSLAV AND (OBLIQUELY) BY CHINESE SOURCES.

3. HUA'S CONCURRENT HOLDING OF THE TOP PARTY AND GOVERNMENT POSTS WAS ALWAYS WITHOUT PRECEDENT AND HAS BECOME INCREASINGLY ANOMALOUS AT A TIME WHEN IT IS POLICY TO SEPARATE PARTY AND EXECUTIVE FUNCTIONS. DENG XIAOPING, THE SENIOR VICE-PREMIER AND A VICE-CHAIRMAN OF THE PARTY, HAS POINTEDLY LET IT BE KNOWN THAT HE INTENDS TO GIVE UP HIS GOVERNMENT POSITION IN AUGUST. OTHERS TOO ARE EXPECTED TO GO, THOUGH THERE IS STILL UNCERTAINTY AS TO WHICH THESE WILL BE, APART FROM VICE-PREMIERS LI XIANNIAN AND CHEN YUN.

4. HUA'S REMOVAL FROM THE PREMIERSHIP, IF IT COMES ABOUT, CAN ALSO BE SEEN AS THE CULMINATION OF SUSTAINED EFFORTS BY DENG TO LIMIT HIS AUTHORITY AND REDUCE HIS INFLUENCE. IN THE PAST 18 MONTHS THOSE TO THE LEFT OF HIM IN THE POLITBURO HAVE BEEN REMOVED, WHILE SUPPORTERS OF DENG HAVE BEEN GRADUALLY BROUGHT INTO POSITIONS OF POWER IN BOTH THE GOVERNMENT AND PARTY APPARATUS. THE GOVERNMENT MACHINE IS ALREADY UNDER THE DAY-TO-DAY DIRECTION OF ZHAO, A CLOSE ALLY OF DENG WITH A RECORD OF IMAGINATIVE ECONOMIC REFORM. THE AUTHORITY WHICH HUA WILL CONTINUE TO DERIVE FROM CHAIRMANSHIP OF THE PARTY, ALTHOUGH THEORETICALLY SUPREME, HAS ALREADY BEEN SEVERELY CIRCUMSCRIBED BY THE CREATION OF A SECRETARIAT, HEADED BY ANOTHER POWERFUL PROTEGE OF DENG, TO HANDLE DAY-TO-DAY PARTY BUSINESS.

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China

Read in full

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5. THERE IS NO EXACT PRECEDENT IN CHINA FOR THIS SORT OF PEACEFUL TRANSITION AT THE VERY TOP. THE CHINESE WILL BE AT PAINS TO DISPLAY, BOTH TO THE WORLD AND TO THEIR OWN PEOPLE, THAT THEIR POLITICAL SYSTEM NOW HAS THE STABILITY AND MATURITY TO HANDLE THE CHANGE AS PART OF THE NORMAL CONSTITUTIONAL PROCESS. HUA'S FACE IS BEING SEDULOUSLY PRESERVED, AND HE IS MAINTAINING A HIGH PROFILE AT THE MOMENT, PARTLY NO DOUBT AN EFFORT ON HIS OWN BEHALF TO DEMONSTRATE THAT HE IS AND WILL REMAIN A MAN OF SUBSTANCE.

6. THE CONSTITUTION REQUIRES THAT THE CENTRAL COMMITTEE SHOULD RECOMMEND TO THE NPC THE NAME OF A SUCCESSOR PRIME MINISTER, AND A MEETING IS ACCORDINGLY EXPECTED WITHIN THE NEXT FEW WEEKS. THERE ARE SUGGESTIONS THAT THIS PLENUM COULD ALSO DEAL WITH THE REASSESSMENT OF THE CULTURAL REVOLUTION AND THE ROLE OF MAO ZEDONG IN IT. BUT THIS IS FAR FROM CERTAIN.

FCO PASS SAVING ULAN BATOR

GEORGE

(REPEATED AS REQUESTED)

THIS TELEGRAM  
WAS NOT  
ADVANCED

FCO WHITEHALL DIST:  
FED

GR 370

China

UNCLASSIFIED

FM PEKING 220840Z JUNE 79

TO PRIORITY FCO

TELEGRAM NUMBER 586 OF 22 JUNE 79

INFO ROUTINE GOVERNOR HONG KONG, WASHINGTON, MOSCOW, TOKYO

INFO SAVING ULAN BATOR, SINGAPORE, RANGOON, ISLAMABAD, NEW DELHI

MIPT: THE ECONOMY

1. HUA DESCRIBED THE ECONOMIC SITUATION AS THE BEST FOR OVER TEN YEARS. HE QUOTED A NUMBER OF ECONOMIC STATISTICS (THE MOST IMPORTANT OF WHICH HAD ALREADY BEEN MADE KNOWN IN ROUND FIGURES) TO DEMONSTRATE THAT MUCH HAD BEEN ACHIEVED OVER THE PAST TWO

0 YEARS IN REHABILITATING AND EXPANDING THE ECONOMY.

"POSITIVE RESULTS" HAD BEEN ACHIEVED IN THE IMPORT OF MODERN TECHNOLOGY AND THE UTILISATION OF FOREIGN CAPITAL. HOWEVER, THE HAVOC WROUGHT BY THE GANG OF FOUR HAD NOT BEEN TAKEN INTO FULL ACCOUNT AND SOME MEASURES WHICH HAD BEEN ADOPTED WERE "NOT PRUDENT ENOUGH". THERE WERE OBVIOUS SHORTCOMINGS IN THE MANAGEMENT OF THE ECONOMY AND OF ENTERPRISES.

2. TURNING TO THE FUTURE, HUA SAID THAT THREE YEARS OF READJUSTMENT WOULD LAY THE BASIS FOR STRONG, SUSTAINED ECONOMIC GROWTH. PRINCIPAL LINES OF DEVELOPMENT WERE:

(I) TO CONCENTRATE ON RAISING AGRICULTURAL PRODUCTION, ACHIEVING A FAIR RELATIONSHIP BETWEEN AGRICULTURAL DEVELOPMENT ON THE ONE HAND AND POPULATION GROWTH AND INDUSTRIAL DEVELOPMENT ON THE OTHER HAND.

(II) TO IMPROVE FUEL AND POWER SUPPLIES, TRANSPORT AND COMMUNICATIONS.

/ (III) TO

(III) TO ACCELERATE THE GROWTH OF LIGHT INDUSTRY AND TEXTILE INDUSTRY, BOTH FOR DOMESTIC MARKETS AND FOR EXPORT.

(IV) TO CURTAIL AND RATIONALISE CAPITAL CONSTRUCTION.

(V) TO DEVELOP EDUCATION AND SCIENTIFIC RESEARCH.

(VI) TO REFORM THE STRUCTURE OF ECONOMIC MANAGEMENT.

(VII) TO STRENGTHEN FAMILY PLANNING, BRINGING POPULATION GROWTH DOWN TO ABOUT ONE PER CENT THIS YEAR.

(VIII) TO CONTINUE INCREASING AVERAGE EARNINGS IN AGRICULTURE AND INDUSTRY.

3. HUA STATED THAT IMPORTS OF MODERN TECHNOLOGY AND THE UTILISATION OF FOREIGN FUNDS WOULD CONTINUE DURING AND AFTER THE READJUSTMENT PERIOD. CHINA WOULD ADOPT "VARIOUS REASONABLE INTERNATIONAL PRACTICES" TO ABSORB FOREIGN CAPITAL. COOPERATION WITH FOREIGN COUNTRIES IN PRODUCTION TECHNOLOGY, COMPENSATORY TRADE AND JOINT CAPITAL ENTERPRISES WOULD ASSIST THE REFORM OF CHINA'S ENTERPRISES.

4. HUA PLEDGED THAT LIVING STANDARDS WOULD RISE THIS YEAR, ESPECIALLY IN RURAL AREAS. THE PROBLEM OF UNEMPLOYMENT WOULD BE ENERGETICALLY TACKLED. BUT REVENUE CONSTRAINTS MEANT THAT PROBLEMS AFFECTING THE PEOPLE'S LIVELIHOOD COULD NOT BE SOLVED AT ONE STROKE.

5. FCO PASS SAVING TO SINGAPORE, RANGOON, ISLAMABAD AND NEW DELHI

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TELEGRAM NUMBER 585 OF 22 JUNE

INFO ROUTINE GOVERNOR HONG KONG, WASHINGTON, MOSCOW, TOKYO  
SAVING TO ULAN BATOR, SINGAPORE, RANGOON, ISLAMABAD, NEW DELHI.

MM I P T: FOREIGN AFFAIRS.

1. HUA NOTED THAT IN THE PAST YEAR THE WORLD SITUATION HAD BEEN CHARACTERISED BY "GREATER TURBULENCE AND TENSION". SOCIAL-IMPERIALISM (IE THE SOVIET UNION AND ITS ALLIES), WHICH WAS THE MAIN SOURCE OF TENSION, HAD BECOME MORE ADVENTURIST. THE THIRD WORLD HAD CONTINUED ITS STRUGGLE AGAINST IMPERIALISM, COLONIALISM AND HEGEMONISM. THE NON-ALIGNED MOVEMENT WAS PLAYING A SIGNIFICANT ROLE.

2. HUA STATED FIRMLY THAT THE SALT AGREEMENT, "COULD IN NO WAY CHECK THE ARMS RACE", LET ALONE PROVIDE A FUNDAMENTAL SOLUTION TO THE PROBLEM OF MAINTAINING PEACE. ONLY BY VIGILANCE, EFFECTIVE MEASURES AND OPPOSITION TO APPEASEMENT POLICIES COULD "FORCES OF WAR EFFECTIVELY BE CHECKED". CHINA'S MODERNISATION NEEDED A PEACEFUL INTERNATIONAL ENVIRONMENT. CHINA'S EXPANSION OF ITS FOREIGN RELATIONS HAD CONTRIBUTED TO THE PRESERVATION OF WORLD PEACE.

3. ON SINO/SOVIET RELATIONS SEE MY TELNO.572 (NOT TO ALL).

4. SEE M I F T.

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TELEGRAM NUMBER 584 OF 22 JUNE ..

INFO ROUTINE GOVERNOR HONG KONG, WASHINGTON, MOSCOW, TOKYO  
SAVING TO ULAN BATOR, SINGAPORE, RANGOON, ISLAMABAD, NEW DELHI.

M I P T: THE INTERNAL SITUATION.

1. HUA CLAIMED THAT THE POLITICAL SITUATION IN CHINA WAS  
"EXCELLENT". UNITY AMONG THE PEOPLE HAD BEEN ENHANCED AND  
BROADENED. AMONG MAJOR ACHIEVEMENTS WERE THE FOLLOWING:

(I) THE COUNTER-REVOLUTIONARY FORCE OF LIN BIAO AND THE GANG  
OF FOUR HAD BEEN CRUSHED AND THEIR LINE HAD BEEN THOROUGHLY  
CRITICISED. THE MENTAL SHACKLES WHICH THEY HAD IMPOSED HAD  
BEEN BROKEN.

(II) LEADERSHIP WAS NOW LARGELY IN THE HANDS OF OFFICIALS WHO  
ENJOYED THE TRUST OF THE PEOPLE.

(III) WRONG VERDICTS HAD BEEN REVERSED AND MOST OF THOSE WRONGLY  
LABELLED AS RIGHTISTS HAD BEEN REHABILITATED.

(IV) POLICIES CONCERNING CADRES, INTELLECTUALS, FORMER INDUST-  
RIALISTS AND BUSINESSMEN, RELIGION AND THE OVERSEAS CHINESE  
WHICH HAD BEEN SABOTAGED IN THE PAST WERE NOW BEING IMPLEMENTED.

2. AS A RESULT, HUA CLAIMED, POLITICAL TURMOIL AND DIVISION  
HAD BEEN ELIMINATED. STABILITY AND UNITY LONG DESIRED BY THE PEOPLE,  
WAS BECOMING A REALITY. WHILE CLASS STRUGGLE WOULD CONTINUE, IT  
NEED NO LONGER BE "LARGE-SCALE AND TURBULENT".

3. HUA LAID PARTICULAR EMPHASIS ON THE STRENGTHENING OF "SOCIAL-  
IST DEMOCRACY" AND THE LEGAL SYSTEM. EXTENSIVE POLITICAL DEMO-  
CRACY WAS ESSENTIAL FOR THE MODERNISATION OF CHINA. ONLY UNDER  
THOSE CIRCUMSTANCES COULD THE PEOPLE THINK CREATIVELY, CRITICISE  
AND SUPERVISE THEIR LEADERS. OFFICIALS SHOULD UNDERSTAND THAT THEY  
WERE SERVANTS OF THE PUBLIC. THEY SHOULD AS FAR AS POSSIBLE BE

/SUBJECT



SUBJECT TO ELECTION. GOOD OR BAD WORK BY OFFICIALS SHOULD BE APPROPRIATELY REWARDED. A FIRM STRUGGLE SHOULD BE WAGED AGAINST BUREAUCRACY.

4. HU URGED THAT THE LEGAL SYSTEM SHOULD BE IMPROVED AS QUICKLY AS POSSIBLE. THE RIGHTS OF THE CITIZEN SHOULD BE SAFEGUARDED, BUT SHOULD BE BALANCED BY THE CITIZEN'S FULFILMENT OF HIS DUTY TO SOCIETY.

5. SEE M I F T.

FCO PASS SAVING SINGAPORE RANGOON ISLAMABAD NEW DELHI.

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TO PRIORITY FCO

TELEGRAM NUMBER 583 OF 22 JUNE

INFO ROUTINE GOVERNOR HONG KONG, WASHINGTON, MOSCOW, TOKYO.

SAVING TO ULAN BATOR, SINGAPORE, RANGOON, ISLAMABAD, NEW DELHI.

*Prime Minister**4 hrs. by 2/2**at*

MY TELNO.566 (NOT TO ALL): THE NATIONAL PEOPLE'S CONGRESS.  
POLITICAL REPORT.

1. ON 18 JUNE PREMIER HUA GUOFENG DELIVERED TO THE NATIONAL PEOPLE'S CONGRESS (NPC) A REPORT ON THE WORK OF THE CHINESE GOVERNMENT. ACCOUNTS OF VARIOUS ASPECTS OF THE SPEECH HAVE BEEN RELEASED PIECEMEAL BY THE NEW CHINA NEWS AGENCY IN SUBSEQUENT DAYS. HOWEVER NO FULL TEXT IS YET AVAILABLE. IT NOW APPEARS PROBABLE THAT THIS WILL NOT BE RELEASED UNTIL THE NPS HAS PASSED A RESOLUTION APPROVING THE REPORT, PERHAPS AS LATE AS THE END OF NEXT WEEK.

2. MY THREE IFTS CONTAIN SUMMARIES OF HUA'S COMMENTS ON THE INTERNAL SITUATION, FOREIGN AFFAIRS AND THE ECONOMY RESPECTIVELY AS THESE HAVE SO FAR BEEN REPORTED.

3. I CANNOT COMMENT DEFINITELY ON THE REPORT UNTIL WE HAVE BEEN ABLE TO STUDY THE TEXT. MY PRELIMINARY IMPRESSION IS THAT IN POLITICAL TERMS IT IS A FAIRLY BLAND DOCUMENT, STEERING A MIDDLE COURSE BETWEEN THE VIEWS OF THE REFORMING (IE DENGIST) AND THE REACTIONARY (IE MAOIST) ELEMENTS IN THE CHINESE LEADERSHIP. THE EXTENSIVE SUGGESTIONS FOR STRENGTHENING "SOCIALIST DEMOCRACY" AND MAKING OFFICIALS MORE RESPONSIVE TO THE PEOPLE WILL BE WELCOME. THE TONE OF CAUTIOUS OPTIMISM ON THE ECONOMY IS ECHOED BY SUBSEQUENT SPEECHES TO THE NPS BY OTHER MINISTERS ON DETAILED ECONOMIC MATTERS, THE FIRST REPORTS OF WHICH ARE NOW REACHING US. THERE IS A CLEAR SIGNAL TO THE OUTSIDE WORLD THAT POLICIES ADVOCATING IMPORTS OF FOREIGN TECHNOLOGY AND THE USE OF FOREIGN CAPITAL ARE UNCHANGED IN DIRECTION, THOUGH THE PACE MAY BE MORE CAUTIOUS.

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4. THE PASSAGE ON FOREIGN AFFAIRS IS NOTABLE FOR ITS DISMISSAL OF THE SALT AGREEMENT AS INEFFECTUAL AND FOR ITS CONCENTRATION ON THE SINS OF THE SOVIET UNION AND ITS ALLIES.

5. THE MEDIA HAVE GONE TO SOME LENGTHS TO DEPICT THE NPC AS A GENUINE EXCHANGE OF VIEWS BETWEEN THE PEOPLE'S REPRESENTATIVES AND THE GOVERNMENT. THIS TOO IS IN TUNE WITH THE THEME OF DEMOCRACY.

6. SEE M I F T.

FCO PLEASE PASS SAVING TO SINGAPORE RANGOON ISLAMABAD NEW DELHI.

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Prime Minister

*[Handwritten initials]*  
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CHINA ECONOMY.

1. I CALLED ON GU MING, VICE MINISTER IN CHARGE OF THE STATE PLANNING COMMISSION, ON 30 MAY TO DISCUSS CHINA'S ECONOMIC READJUSTMENT AND ITS IMPLICATIONS FOR SINO-BRITISH TRADE.

2. GU MING SPOKE IN OPTIMISTIC TERMS AND TOOK PAINS TO STRESS THAT THE PRESENT SITUATION WAS ENTIRELY DIFFERENT FROM THE SLOWDOWN IN THE EARLY 1960'S WHICH FOLLOWED THE GREAT LEAP FORWARD. IN THE EARLY 1960'S CHINA'S ECONOMY WAS RUINED BY NATIONAL DISASTERS AND SOVIET BETRAYAL, BUT NOW BOTH AGRICULTURE AND INDUSTRY WERE MAKING GREAT PROGRESS AND CHINA HAD MANY FRIENDS. READJUSTMENT WAS TAKING PLACE AT A TIME OF RAPID DEVELOPMENT SO AS TO ACHIEVE EVEN FASTER AND BETTER RESULTS. IT WOULD NOT AFFECT CHINA'S FOREIGN RELATIONS AND THERE WOULD BE NO MAJOR CHANGES CONCERNING BRITISH PROJECTS. WHEN PRESSED, HE SAID THAT THE READJUSTMENT PROCESS SHOULD BE COMPLETED BY SEPTEMBER/OCTOBER, BY WHICH TIME NEXT YEAR'S ANNUAL PLAN WILL HAVE BEEN DRAWN UP. HE SAID THAT THIS YEAR'S PLAN HAD BEEN COMPLETED ALREADY. HE CONCEDED THAT THE PACE OF TRADING ACTIVITY WOULD BE SLOW UNTIL READJUSTMENT HAD BEEN FINALISED. AN EXCHANGE OF VIEWS WAS TAKING PLACE "FROM BOTTOM UP AND TOP DOWN" AND A GREAT DEAL OF WORK HAD TO BE DONE.

3. HE GAVE THE FOLLOWING AS REASONS FOR THE READJUSTMENT:

(A) IMBALANCE BETWEEN INDUSTRY AND AGRICULTURE. IN SPITE OF BUMPER HARVESTS, RECORD GRAIN OUTPUT AND IMPROVED SUPPLY OF MEAT, EGGS ETC., AGRICULTURE WAS NOT KEEPING PACE WITH THE DEVELOPMENT OF INDUSTRY. IT WAS THEREFORE NECESSARY TO LAY GREATER STRESS ON AGRICULTURE SO AS TO RESTORE THE CORRECT BALANCE BETWEEN AGRICULTURE AND INDUSTRY.

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/ (B) READJUSTMENT

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(B) READJUSTMENT WITHIN INDUSTRY. GREATER PRIORITY WOULD BE PLACED ON CERTAIN SECTORS (ENERGY, TRANSPORT, RAW MATERIALS, FINISHED GOODS AND LIGHT INDUSTRY) AND DEVELOPMENT OF SOME SECTORS OF HEAVY INDUSTRY (INCLUDING IRON AND STEEL AND ENGINEERING NOT RELATED TO AGRICULTURE AND LIGHT INDUSTRY) WOULD BE SLOWED DOWN. THIS WOULD ENSURE MORE RAPID OVERALL DEVELOPMENT IN THE LONG RUN.

(C) IMPROVED LIVING STANDARDS. CHINA PLANNED TO IMPROVE LIVING STANDARDS AND INCREASE PERSONAL INCOME ON THE BASIS OF INCREASED PRODUCTION, ACCORDING TO THE PRINCIPLE "TO EACH ACCORDING TO HIS WORK". AT THE THIRD PLENARY SESSION OF THE PARTY CENTRAL COMMITTEE FOR EXAMPLE, IT WAS DECIDED TO RAISE THE PROCUREMENT PRICE OF AGRICULTURAL PRODUCE BY 30%, THEREBY ENCOURAGING THE PEASANTS TO WORK HARDER AND MAKE MORE GOODS, SUCH AS MEAT AND EGGS AVAILABLE TO THE CITIES. UP TO 10 BILLION YUAN RMB HAD BEEN SET ASIDE TO IMPROVE THE LIVELIHOOD OF THE PEOPLE IN THIS AND OTHER WAYS, SUCH AS HOUSING PROJECTS AND DEVELOPMENT OF LIGHT INDUSTRY TO MEET THE GROWTH IN DEMAND THAT WOULD RESULT FROM THE GREATER SPENDING POWER OF THE MASSES.

UK COMMERCIAL PROSPECTS

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4. GU MING SAID THAT PROSPECTS FOR SINO-BRITISH COOPERATION IN THE ENERGY FIELD (OIL, COAL, POWER) WERE BRIGHT. THE ENERGY EXHIBITION WAS COMING AT AN OPPORTUNE TIME. HE MENTIONED BP IN PARTICULAR AND SHRUGGED OFF RECENT PROBLEMS OVER SHALLOW WATER EXPLORATION. ON COAL HE PERSISTED IN THE IDEA THAT BRITISH SHOULD BUY OR HELP SELL CHINESE COAL AS A PRECONDITION FOR COAL PROJECTS BUT CONCEDED THAT CHINA WAS PREPARED TO LOOK AT BROADER DEALS INVOLVING OTHER COMMODITIES. ON POWER, HE SAID THAT DISCUSSIONS WITH GEC AND NEI WOULD CONTINUE. ALTHOUGH STEEL PROJECTS WOULD BE SLOWED DOWN, NON-FERROUS METALS (COPPER, ALUMINIUM, LEAD, ZINC, TITANIUM) WOULD BE GIVEN HIGH PRIORITY. CHINA WANTED TO IMPORT ADVANCED TECHNOLOGY TO PROMOTE LIGHT INDUSTRY. CHINA WAS ALSO INTERESTED IN CHEMICAL FIBRE TECHNOLOGY, PLASTICS AND AGROCHEMICALS.

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5. ON GENERAL POLICY, HE SAID CHINA WOULD NOW GIVE PRIORITY TO PROJECTS WHICH GAVE A QUICKER RETURN ON INVESTMENT. DESPITE OFFERS OF LOANS ON FAVOURABLE TERMS FROM BRITAIN AND ELSEWHERE, THERE REMAINED THE PROBLEM OF REPAYMENT. HE CONFIRMED THAT COMPENSATION TRADE AND JOINT VENTURES WOULD ALSO BE CONSIDERED. COMPENSATION TRADE HE AGREED WOULD HAVE TO BE ADMINISTERED ON A FLEXIBLE BASIS. HE SUGGESTED THAT SINO-BRITISH TRADE COULD BE PACKAGED IN MEDIUM AND LONG TERM CONTRACTS PROVIDING FOR A TWO-WAY EXCHANGE OF GOODS OVER A GIVEN PERIOD. THIS WAS PREFERABLE TO INDIVIDUAL ONE-WAY CONTRACTS. HE ALSO REVEALED THAT CHINA PLANNED TO PUBLISH AN INVESTMENT CODE IN THE SECOND HALF OF THE YEAR WHICH WOULD SET OUT GUIDELINES FOR FOREIGN INVESTMENT.

6. HE REITERATED CHINA'S CONCERN TO BOOST EXPORTS AND, CITING PROBLEMS OVER QUOTAS WITH FRANCE AND THE US, SPOKE STRONGLY OF THE NEED FOR COUNTRIES LIKE BRITAIN TO LIFT RESTRICTIONS ON CHINESE GOODS. BRITAIN SHOULD CONTINUE TO FIND OUT WHAT COULD BE BOUGHT FROM CHINA. I REMINDED HIM OF OUR PROPOSALS FOR AN EXPORTS MISSION, STILL STYMIED.

7. GU MING SAID FINALLY THAT HE WAS SPEAKING TO ME IN CONFIDENCE AS AN OLD FRIEND AND ASKED THAT HIS COMMENTS BE TREATED AS STRICTLY CONFIDENTIAL.

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Prime Minister

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31/5

THE INTERNAL SITUATION

1. IN RECENT WEEKS THE PEKING PRESS HAS HINTED AT SIGNIFICANT AND HIGH-LEVEL DIVERGENCES OF VIEW ABOUT THE PRESENT COURSE OF CHINESE POLICIES.

2. A SERIES OF ARTICLES AND REPORTS HAS VIGOROUSLY DEFENDED THE ACHIEVEMENTS OF THE THIRD PLENUM OF THE ELEVENTH CENTRAL COMMITTEE OF THE CHINESE COMMUNIST PARTY, THE CRUCIAL MEETING IN DECEMBER 1978 WHICH DECISIVELY TILTED THE PARTY TOWARDS THE RELATIVELY MODERATE ECONOMIC AND SOCIAL POLICIES ESPOUSED BY VICE-PREMIER DENG XIAOPING. TWO "ERRONEOUS TENDENCIES" ARE NOW IDENTIFIED AS BEING PREVALENT IN ATTITUDES TOWARDS THE THIRD PLENUM. THESE ARE THE "ULTRA-LEFT" TENDENCY TO ATTRIBUTE CURRENT PROBLEMS (NOTABLY PROBLEMS OF ECONOMIC READJUSTMENT AND OF PROMOTING DEMOCRACY) TO MISTAKEN DECISIONS TAKEN AT THE THIRD PLENUM AND THE RIGHTIST TENDENCY TO DOUBT AND OPPOSE THE BASIC TENETS OF SOCIALISM.

3. THE MOST VEHEMENT LANGUAGE IS RESERVED FOR THE "ULTRA-LEFTIST" TENDENCY, WHICH IS ATTRIBUTED TO THE LINGERING INFLUENCE OF THE GANG OF FOUR. SENIOR CADRES WITHING THE PARTY ARE DESCRIBED AS LACKING THE SPIRIT OF EMANCIPATED THINKING AND AS DOUBTING WHETHER THE POLICIES OF THE THIRD PLENUM ARE CORRECT. IN ONE PASSAGE THE ULTRA-LEFTISTS ARE ACCUSED OF WORDS AND DEEDS WHICH AIM "TO ATTACK AND SPLIT THE CENTRAL COMMITTEE". THE ARTICLES ARGUE THAT DIFFICULTIES WHICH MAY HAVE ARISEN SINCE THE THIRD PLENUM DERIVE FROM SHORTCOMINGS IN THE IMPLEMENTATION OF POLICIES, NOT FROM THE POLICIES THEMSELVES, WHICH PRACTICE HAS PROVED TO BE CORRECT. THEY CALL FOR CONTINUITY AND STABILITY OF POLICY.

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4. A SIGNIFICANT FEATURE OF THE CURRENT PRESS CAMPAIGN IS THAT IT APPEARS TO HAVE BEEN ORCHESTRATED SO AS TO DEMONSTRATE WIDE SUPPORT FOR THE THIRD PLENUM IN THE PROVINCES AND AMONG THE MILITARY. MOST ARTICLES REPORT ON MEETINGS ADDRESSED BY LEADING PROVINCIAL FIGURES (INCLUDING ZHAO ZIYANG, A STRONG SUPPORTER OF DENG) OR SENIOR MILITARY OFFICIALS.

5. THESE DEVELOPMENTS APPEAR TO REFLECT AN ATTEMPT BY MAOIST FORCES TO REOPEN THE DECISIONS OF THE THIRD PLENUM. ALTHOUGH WE HAVE HITHERTO BELIEVED THE REACTIONARY, MAOIST TENDENCY TO BE QUITE WEAKLY REPRESENTED AT THE HIGHEST LEVELS, IT MUST HAVE MANY SUPPORTERS AMONG MIDDLE CADRES. IT IS POSSIBLE, THOUGH WE LACK THE EVIDENCE TO SAY FOR CERTAIN, THAT CERTAIN INFLUENTIAL FIGURES WHO OCCUPY THE MIDDLE GROUND IN THE POLITBURO MAY ALSO BE LENDING MORAL SUPPORT TO THE MAOISTS, EITHER OUT OF PERSONAL ANIMOSITY TO DENG OR A CONVICTION THAT THE PACE OF CHANGE SINCE THE THIRD PLENUM HAS BEEN TOO FAST. THE ABSENCE OF ANY CLEAR LINE FROM THE TOP SUGGESTS A DEAD-LOCK IN THE POLITBURO WHICH HAS STILL TO BE RESOLVED. IN THE MEANTIME THE PRESS CAMPAIGN REPRESENTS A SHOW OF STRENGTH BY THE REFORMERS, WHO HAVE NOT HESITATED TO INVOKE THE MILITARY IN THEIR SUPPORT. THE HEIGHTENED LANGUAGE OF THE PAST FEW DAYS SUGGESTS THAT A SHOWDOWN COULD BE APPROACHING.

6. AS FAR AS WE CAN TELL FROM THE PRESS, THE REFORMERS APPEAR TO BE HOLDING THEIR GROUND. WE BELIEVE DENG TO COMMAND, AN ADEQUATE MAJORITY IN THE POLITBURO, TOGETHER WITH WIDESPREAD SUPPORT IN THE PROVINCES AND THE MILITARY. FURTHER CLUES COULD EMERGE FROM THE LONG-HERALDED MEETING OF THE NATIONAL PEOPLE'S CONGRESS, WHICH CHINESE SOURCES NOW SUGGEST WILL BE HELD DURING JUNE.

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