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PREM 19/3625

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~~The Possibility of~~ The Chinese Ambassador, Mr. Ke Hua, calling on the Prime Minister.

CHINA

Calls by the Chinese Ambassador

June 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.6.79							
11.6.79							
21.1.83							
7.9.81							
9.9.81							
16.3.90							
29.6.90							
3.7.90							
18.7.90							
12.11.90							
7.3.91							
15.8.91							
12.3.92							

PREM 19/36 25

CLOSED.

March 1992

**HUMAN RIGHTS IN CHINA
AND HONG KONG**

MEMORANDUM

1. This memorandum elaborates on certain matters to be discussed at a meeting with the Private Secretary to the Prime Minister relating to the situation of human rights in China and Hong Kong.

2. Present at the meeting will be:

- 1) Lau Shan-ching - who was released in December 1991 after serving a ten year sentence for "counter-revolutionary propaganda" in China;

- 2) Lau Bing-sum - coordinator of the Chinese Political Prisoners Campaign;
- 3) Stephen Ng Lui-lam - China Solidarity Campaign;
- 4) Philip Baker - June 4 China Support Group.

3. Also accompanying this memorandum are various background documents and materials, including:

- 1) A list of those detained in China since June 1989 prepared by June 4 China Support Group. This list is prepared from reports of Chinese radio broadcasts and newspapers and is believed to represent only a fraction of those detained since June 1989.
- 2) A video tape of three programmes prepared with the assistance of Harry Wu relating to imports of prison-made goods into the U.S.
- 3) Other materials relating to conditions in labour camps in China.
- 4) Information relating to Qi Lin, a journalist presently awaiting sentence in Beijing.

A: Human Rights In China

4. The Prime Minister has taken a direct and personal interest in the situation of human rights in China, raising issues at his meetings with Chinese leaders concerning human rights and the cases of specific individuals. We would like to take the opportunity to thank the Prime Minister for all he has done in this regard. We would also stress the importance of following up these matters, particularly the individual cases, and taking every opportunity to raise human rights issues with Chinese officials.

Individual cases

5. We would particularly ask the Prime Minister to raise the following individual cases in discussions with the Chinese administration:

- 1) LI Long-hing - and
- 2) LAI Pui-shing - both are Hong kong residents detained at the same time as LAW Hai-shing (who was released through the intervention of the Prime Minister last year).
- 3) WEI Jing-shen - who has been held in prisons and labour camps since the suppression of the democracy movement in 1979-80.

- 4) QI Lin - who is awaiting sentence (so that any intervention may have a direct impact). In particular, we would stress that he is a diabetic and there are serious doubts if he would survive a prison sentence of any length.
- 5) WANG Xi-zhe - who is one of the individuals whose families Lau Shan-ching was visiting when he was arrested in China. He can supply further information about their conditions.
- 6) WANG Dan - Chinese student leader arrested in July 1989 and sentenced to 4 years imprisonment in January 1991.
- 7) CHEN Zi-ming - and
- 8) WANG Jun-tao - both intellectuals arrested in 1989 and sentenced in 1991 to 13 years imprisonment.
- 9) Dorje Wangdu - recently sentenced to three years imprisonment for planning to wear Tibetan clothes.
- 10) Dawa Drolma (f) - Tibetan teacher sentenced in 1989 to five years for teaching a "reactionary song" to children.

Imports of Goods Produced Through Forced Labour

6. Increased information is now becoming available about the appalling conditions in China's forced labour camps ("the lao gai system") and the economic importance of these camps, including the export of their products. Many of these goods are exported through Hong Kong. Importation to the U.K. of goods produced in these camps is contrary to U.K. legislation. However, similar legislation does not exist in all European Community countries. We would urge the U.K. government to support calls for a Directive banning the importation of all such goods in to any part of the E.C.

Delegation to Investigate Human Rights in China

7. We welcome the proposal for a British delegation to visit China to investigate the human rights situation. We would also be very pleased to have an opportunity to meet with this delegation before and after their visit. To produce a credible report, we consider it vital that the delegation:

- 1) meets with expert groups and groups independent from the Chinese authorities (such as the Federation for a Democratic China - the principal opposition group to the Chinese Communist party) prior to their visit; and

2) take with them independent interpreters in all relevant languages - including Tibetan, Mongolian and Uighur.

8. We would also strongly urged the delegation to insist upon visiting Huai Ji (怀集) prison in Guangdong province. Lau Shan-ching was held in this prison during the last part of his sentence. The prison has a special wing set up specifically to house political prisoners.

9. Finally, we would also urge the delegation to pay particular attention to the human rights situation in Xinjiang and in Inner Mongolia, which appears to have deteriorated significantly in recent months.

Cooperation at the UN Human Rights Commission and its Sub-Commission

10. We are very pleased that the United Kingdom was one of the sponsors of the resolution relating to the Human Rights Situation in Tibet at the recent session of the U.N. Commission on Human Rights. We are very concerned, however, that the U.K. delegation supported the late amendments by the United States which broadened the resolution to

cover the situation in China as a whole and made it certain that the resolution would fail.

11. We hope very much that the United Kingdom delegation will assist - together with other European Community delegations - in sponsoring and supporting specific resolutions relating to the human rights situation in China at the forthcoming meeting of the Sub-commission to the Commission on Human Rights and at the Commission's session next year.

B: Human Rights in Hong Kong

12. We regard the situation of human rights in China as inextricably linked to the future of Hong Kong both before and after 1997. Much of the concern in Hong Kong about the resumption of the exercise of sovereignty by China appears to derive from fears over the loss of the existing protection for rights in Hong Kong. In this context we would raise the following specific points.

The Future of R.T.H.K.

13. One of the guarantees of rights in Hong Kong is an independent press and media free from Government interference. In this regard, we would urge that the present restructuring of R.T.H.K. be

carried out so as to ensure the maximum independence consistent with its role as the broadcasting agency for Hong Kong.

The Final Court of Appeal

14. We would also urge a re-examination of the terms for the appointment of the Final Court of Appeal for Hong Kong, and suggest a significant strengthening of its non-Chinese membership. The present proposals do not offer adequate guarantees for the independence of that Court after 1997.

Increasing the Speed of Democratisation

15. A Legislative Council able to speak with the force of democratic backing is also a vital protection for rights in Hong Kong. In that regard we would urge the British Government to reconsider the terms for the 1995 Legislative Council election and to increase the proportion of directly elected members of the Council.

Further information

16. Finally, we should mention that we would be delighted to assist with supplying further information relating to any of the matters referred to in this memorandum or otherwise relating to human rights in China and Hong Kong.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 March 1992

Dear Sima,

**CALL BY AMBASSADOR MA:
HUMAN RIGHTS IN CHINA**

Thank you for the briefing which you sent over for Ambassador Ma's call on me this afternoon.

The Ambassador handed over the enclosed list. He said that it had been brought from Peking by the delegation accompanying Qian Qichen, and he had been instructed to hand it over exactly as it was, i.e. without a translation. He did, however, run over the categories briefly. Subject to what emerges in translation it looks as if the list goes no further than the information given to Lord Caithness when he was in Peking.

I told the Ambassador that I was grateful for the list but that we had sought further details such as details of the sentences, the places where people were held and the prospects for remission. If, as I understood, this information was not in the list he had given me we would wish to come back for more information. The Ambassador said that we were of course free to do so.

I said that the Foreign Secretary had raised with Qian Qichen some individual cases about whom we were concerned, in particular Wang Juntao, whose state of health gave us cause for anxiety. We hoped he could be released on medical grounds. The Ambassador said that we could obviously ask more questions about him. He undertook to report what I had said.

Jans,
Stephen

(J. S. WALL)

Simon Gass, Esq.,
Foreign and Commonwealth Office.

cu

关于37人名单情况

一、判刑23人：

李龙庆	黎沛成	王军涛	陈子明	任畹町
刘刚	包遵信	王丹	张铭	马少方
郭海峰	张伟平	俞振斌	肖远	陈兰涛
魏京生	靳德辰	唐元俊	冷万宝	梁力微
王觅禄	李维	吴继光		

二、不判刑的1人：

刘贯东

三、未拘留3人：

李振荣 施春洁 施文德

四、释放8人：

罗海星	王培公	熊昌平	范忠良	李忠敏
王有才	李思德	刘山青		

五、查无此人2人。

Private Secretary

Mr Wall, No 10

Background for Monday.

~~L. C. ...~~

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FOLLOWING FOR SECRETARY OF STATE FROM LORD CAITHNESS

UKREP JLG PERSONAL FOR AMBASSADOR
PEKING PERSONAL FOR AMBASSADOR

CONCLUSIONS FROM MY VISIT TO HONG KONG

1. IN ADVANCE OF QIAN'S VISIT, I SHOULD LET YOU HAVE MY INITIAL IMPRESSIONS AFTER A FULL WEEK OF DISCUSSIONS IN HONG KONG.

ECONOMIC ISSUES

2. THERE WERE TWO PIECES OF GOOD NEWS DURING MY VISIT ON THE ECONOMIC FRONT. FIRST, HAMISH MACLEOD WAS ABLE TO PRESENT AN ENCOURAGING PICTURE IN HIS FIRST BUDGET, WITH GROWTH SET TO HIT 5 PER CENT IN 1992, AND THE RESERVES FORECAST TO BE WELL ABOVE THE DOLLARS 25 BILLION MINIMUM IN 1997 DESPITE ALL THE EXPENDITURE ON THE AIRPORT. IT IS SYMPTOMATIC OF THE PROBLEMS FACED BY THE HONG KONG ADMINISTRATION THAT THIS SENSIBLE BUDGET HAS IMMEDIATELY BEEN ASSAILED FROM DIFFERENT DIRECTIONS BY LU PING AND BY HONG KONG POLITICIANS. (LU PING'S MEDDLING HAS CAUSED QUITE A FURORE HERE, AND I THINK YOU SHOULD SAY PRIVATELY TO QIAN THAT RECENT SIGNS OF A RETURN TO PUBLIC CHINESE SNIPING AT HONG KONG ARE NOT HELPFUL.)

3. THE SECOND PIECE OF GOOD NEWS WAS THE LAUNCH OF THE MASTERPLAN FOR THE NEW AIRPORT, INCLUDING THE AWARD OF THE CONTRACT FOR DESIGNING THE TERMINAL BUILDING TO A BRITISH-LED GROUP. AWARD OF THE BIGGEST CONTRACTS - FOR THE BRIDGE AND THE AIRPORT PLATFORM - ARE STILL TO COME. BUT THE PROJECT IS TAKING SHAPE, AND I WAS IMPRESSED BY THE PROFESSIONALISM AND FLAIR OF THE PROVISIONAL AIRPORT AUTHORITY AND THE MASS TRANSIT RAILWAY CORPORATION - WHO WILL BE BUILDING THE AIRPORT RAILWAY. SO FAR SO GOOD ON THE AIRPORT PROJECT. BUT THE MOMENT OF TRUTH IS NEARING - IN THE SENSE THAT IT WILL SOON BE NECESSARY TO RAISE HARD CASH IN

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THE INTERNATIONAL CAPITAL MARKETS. THERE ARE TWO ANGLES WE NEED TO WATCH:

- MOST RELEVANT TO YOUR MEETING WITH QIAN IS THE NEED FOR QUICK CHINESE AGREEMENT. THE TIMETABLE IS ALREADY VERY TIGHT IF THE AIRPORT IS TO BE UP-AND-RUNNING BY JULY 1997 (FOR EXAMPLE, IF THE AIRPORT PLATFORM IS TO BE READY IN TIME, THE CONTRACTORS WILL NEED TO MOVE 250 TONNES OF MATERIAL EVERY MINUTE, 20 HOURS A DAY, 7 DAYS A WEEK FOR 31 MONTHS IF THEY GET THE GO AHEAD TO START ON TIME IN MAY: ANY SLIPPAGE WOULD INCREASE THE PRESSURES FURTHER). THE CHINESE HAVE ALREADY BEEN TOLD ABOUT THE FINANCING PLANS FOR THE AIRPORT RAILWAY AND WILL GET THE REST OF THE PICTURE SOON WHEN THE PROVISIONAL AIRPORT AUTHORITY'S FINANCING PLAN IS READY ALTER THIS MONTH. THESE ARE COMPLEX PACKAGES INCLUDING SOME DIFFICULT POINTS FOR THE CHINESE SUCH AS CONTINGENT LIABILITIES BEYOND 1997. THE IMPORTANT THING FOR QIAN TO UNDERSTAND IS THAT THEY ARE BASED ON CAREFUL THOUGHT AS TO HOW TO SECURE THE MOST COST-EFFECTIVE DEAL FOR THE PEOPLE OF HONG KONG, AGAINST THE BACKGROUND OF A BUOYANT ECONOMY HERE. CHINA SHOULD MAKE GOOD ON ITS COMMITMENT OF SUPPORT IN THE AIRPORT MOU AND ENSURE THAT THE PROJECTS GET THE GREEN-LIGHT AS SOON AS POSSIBLE.

- THERE IS ALSO THE QUESTION OF HOW BANKS AND NATIONAL CREDIT AGENCIES CAN BE RE-ASSURED THAT CHINA SUPPORTS THE FINANCING PLANS, WHICH OF COURSE RUN BEYOND 1997. THIS IS NOT SOMETHING WHICH YOU NEED TO DISCUSS WITH QIAN NOW. BUT WE ARE GOING TO HAVE TO DO SOME CREATIVE THINKING OF OUR OWN. THE FINANCIAL EXPERTS HERE WHO ARE CLOSE TO THE PROJECT ALL BELIEVE THAT THE BANKS WILL WANT MORE THAN THE GENERAL EXPRESSIONS OF CHINESE SUPPORT FOR THE PROJECT RECORDED IN THE MOU. BUT GOING BACK TO THE CHINESE FOR MORE SPECIFIC BITS OF PAPER COULD, UNLESS VERY CAREFULLY HANDLED, GIVE THEM AN OPENING TO CHARGE AN EXTRA (PERHAPS POLITICAL) PRICE. AND IT COULD LEAD TO DEMANDS FOR SIMILAR BITS OF PAPER FROM BANKERS LENDING ON OTHER PROJECTS. IN THE END, THE MARKETS WILL DICTATE HOW MUCH EXTRA REASSURANCE IS NEEDED. I SHALL BE CONSIDERING THIS FURTHER ON MY RETURN.

POLITICAL ISSUES

4. ON ONE POINT THERE IS GENERAL AGREEMENT HERE: THAT HANDLING THE POLITICS OF THE TRANSITION WILL BE MUCH EASIER IF THE ECONOMY CONTINUES TO PERFORM AS IT IS NOW DOING. BUT WITHIN THE HOT HOUSE OF LEGCO THE POLITICAL GROUPS HAVE BECOME MORE SHARPLY DEFINED -

AND MORE ANTAGONISTIC - SINCE MY LAST VISIT. THIS TIME, I MADE A POINT OF SEEING EACH OF THE MAIN GROUPS SEPARATELY. THIS WAS A USEFUL EXERCISE. BUT I WAS PARTICULARLY STRUCK BY THE CHANGE IN ALLEN LEE'S APPROACH SINCE HE STEPPED DOWN AS SENIOR MEMBER OF LEGCO, AND ENTERED THE TRENCHES AS A PARTY POLITICIAN. HE AND HIS GROUP SEE THEIR DIFFERENCES WITH THE UNITED DEMOCRATS AS IRRECONCILABLE AND LAUGH OUT OF COURT ANY SUGGESTION THAT LIBERALS COULD BE BROUGHT ONTO EXCO (ALLEN LEE DESCRIBED THEM AS ''FUNDAMENTALISTS''). AT THE SAME TIME, ALLEN LEE'S GROUP ARE ACUTELY CONSCIOUS THAT IF THEY WANT TO STAY IN POLITICS THEY WILL HAVE TO CONTEST THE 1995 ELECTIONS, AND THAT UNQUESTIONING SUPPORT OF GOVERNMENT POLICY IN LEGCO MAY NOT BE A GOOD PLATFORM. HENCE THE WORRYING SIGNS THAT ALLEN LEE WANTS TO PLAY POLITICS ON THE BUDGET BY OPPOSING SOME OF THE UNPOPULAR REVENUE-RAISING MEASURES.

5. THIS DEVELOPMENT HAS WIDER IMPLICATIONS. THE HONG KONG GOVERNMENT HAS SO FAR DEPENDED ON ALLEN LEE'S GROUP AND THE APPOINTED MEMBERS TO GET THE BUSINESS DONE IN LEGCO. AND DESPITE ALL THE FROTH, BUSINESS IS GETTING DONE. BUT BUILDING COALITIONS TO SUPPORT THE LESS POPULAR BITS OF GOVERNMENT BUSINESS SUCH AS BUDGETS IS LIKELY TO BECOME HARDER.

6. ALL THIS IS RELEVANT TO THE ISSUE OF WHEN TO GO BACK TO THE CHINESE ON THE QUESTION OF MORE DIRECTLY-ELECTED SEATS IN 1995, AND WHETHER TO PUSH THROUGH CHANGES IN THE FACE OF CHINESE OPPOSITION. I FOUND A VERY WIDESPREAD FEELING THAT THE SOONER WE GET ON WITH THIS THE BETTER, SO THAT THE GOVERNMENT AND POLITICIANS CAN HAVE CERTAINTY ON WHICH TO PLAN FOR THE 1995 ELECTIONS. THERE WERE PREDICTABLE SUSPICIONS FROM MARTIN LEE THAT WE WOULD RENAGE ON OUR UNDERTAKING TO RAISE THIS WITH THE CHINESE (I PUT HIM RIGHT). APART FROM THE UNITED DEMOCRATS, THERE WAS A WIDESPREAD FEELING THAT WE WOULD NOT GET ANYTHING OUT OF THE CHINESE ON THIS SUBJECT, THAT WE SHOULD BE CAREFUL NOT TO ENCOURAGE ANY WISHFUL THINKING TO THE CONTRARY, AND THAT HAVING RECEIVED THE EXPECTED CHINESE ANSWER, WE SHOULD PUT CONTINUITY ABOVE MINOR EXTENSIONS OF DEMOCRACY AND STICK TO THE NUMBERS LAID DOWN IN THE BASIC LAW.

7. AS YOU WOULD EXPECT, THIS LINE OF THOUGHT WAS STRONGLY ENDORSED BY THE BUSINESS AND FINANCIAL PEOPLE I MET, WHO SAY THAT THIS IS NOT AN ISSUE WHICH CONCERNS MOST PEOPLE IN HONG KONG. ALL THIS SUGGESTS THAT THE RIGHT TIME FOR MAKING DECISIONS WILL BE TOWARDS THE END OF THIS YEAR (THAT FITS WITH THE HONG KONG

GOVERNMENT'S TIMETABLE FOR CONCLUSIONS FROM THEIR ELECTORAL REVIEW). AND WE WOULD NOT WANT TO TAKE ACTION WITH THE CHINESE ON THE EVE OF A PARTY CONGRESS WHICH COULD PRODUCE A SHIFT TOWARDS THE REFORMISTS. FOR THE MOMENT, I THINK IT WOULD BE RIGHT TO TELL QIAN SIMPLY THAT WE WILL NEED TO TALK TO HIM ABOUT A RANGE OF ELECTORAL ISSUES IN DUE COURSE.

8. YOU WILL GET SOME COMPLAINTS FROM QIAN ABOUT RTHK (THE SUBJECT IS COVERED IN THE BRIEFS). THE CHINESE HAVE BEEN THOROUGHLY UNHELPFUL IN PICKING UP THE MEGAPHONE ON THIS ISSUE RATHER THAN TALKING ABOUT IT QUIETLY IN THE JLG. THAT IS CLEARLY THE RIGHT PLACE TO EXPLAIN TO THEM THE BENEFITS OF CORPORATISATION. I FOUND IT QUITE EFFECTIVE TO TELL ZHOU NAN THAT ON THE BASIS OF OUR EXPERIENCE, BRITISH WOULD PREFER HKG TO GO A GOOD DEAL FURTHER IN THE DIRECTION OF PRIVATISATION (EXCLAM). ON PEKING'S TRANSITIONAL AFFAIRS ADVISERS, THERE IS MUCH SUSPICION HERE THAT THE CHINESE HAVE PICKED THEMSELVES A GROUP OF BASICALLY PRO-CHINA FIGURES, WHO WILL TELL THEM WHAT THEY WANT TO HEAR. IT WOULD BE RIGHT TO WARN QIAN OFF ALLOWING THIS GROUP TO BECOME TOO VISIBLE OR FORMAL. AND IT WOULD BE GOOD TO GIVE HIM A TASTE OF HIS OWN MEDICINE BY MAKING THE POINT ABOUT CONSULTATION.

CONCLUSION

9. IN SUMMARY, THE SURGE OF CONFIDENCE HERE FOLLOWING THE AIRPORT MOU LAST SUMMER HAS BEEN SUSTAINED. COMMERCIAL LINKS INTO SOUTHERN CHINA ARE GROWING ALL THE TIME. THE AIRPORT PROJECT IS TAKING SHAPE (INDEED THE INITIAL WORKS ARE AHEAD OF SCHEDULE). BUT UNDER THE SURFACE, THINGS ARE STILL BRITTLE. THE FINANCIERS ARE CONFIDENT THAT HONG KONG'S STRUCTURES ARE NOW ROBUST ENOUGH TO SUSTAIN ANY KNOCK TO CONFIDENCE EXCEPT ONE FROM CHINA. BUT THERE IS NERVOUSNESS HERE ABOUT SIGNS THAT THE CHINESE ARE AGAIN RAISING THE TEMPERATURE PUBLICLY ON SOME ISSUES. THE NEXT TASK WILL BE TO GIVE INTERNATIONAL LENDERS THE CONFIDENCE THAT CHINA AS WELL AS BRITAIN IS COMMITTED TO THE DETAILS OF THE PROJECT. MEANWHILE, THE NEW POLITICIANS NEED FIRM LEADERSHIP. THERE IS, NOW, A UNIVERSAL AND IMMENSE ADMIRATION HERE FOR THE WAY IN WHICH THE GOVERNOR CONTINUES TO PROVIDE THIS: AND A PLEA THAT HIS SUCCESSOR SHOULD BE APPOINTED AS SOON AS POSSIBLE AFTER THE ELECTION.

10. PLEASE ADVANCE TO PRIVATE SECRETARY, SIR J. COLES, BURNS AND FOX, HKD.

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CHINESE PRISONERS OF CURRENT CONCERN (PRIME MINISTER'S LIST)

(Revised February 1992)

I HONG KONG RESIDENTS DETAINED IN CHINA

Li Longqing 李龙庆
Li Peicheng 黎沛成
Wu Jiguang (Cantonese Ng Kai-kwong) 吴继光

II PRISONERS OF CONCERN TO AMNESTY INTERNATIONAL AND OTHERS

Wang Juntao 王军涛
Chen Ziming 陈子明
Ren Wanding 任皖田
Liu Gang 刘刚
Bao Zunxin 包遵信
Wang Dan 王丹
Zhang Ming 张铭
Ma Shaofang 马少方
Guo Haifeng 郭海峰
Zhang Weiping 张伟平
Yu Zhenbin 余振斌
Xiao Yuan 肖远
Chen Lantao 陈兰涛
Wei Jingsheng 魏京生
Ngawang Phulchug (Awang Puqiong)
Father Jin Dechen 靳德辰
Tang Yuanjuan 唐元隼 (+ 4 other employees of Changchun Car
Factory: Li Wei 李伟, Leng Wanbao 冷万宝, Liang Liwei
and Li Zhongmin)
Bishop Liu Guangdong 刘光东

III RELIGIOUS FIGURES

Li Zhenrong (Paul) 李振荣 (re-education through labour)
Shi Wande 石万德
Wang Milu (Casimir) 王免免 (王敬禄)

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- the situation in Hong Kong is always changing. The Government must be allowed to adapt to the new situation. Some things, as we have found in the UK, are best done outside government. But we remain committed to a strong, effective, executive-led government in Hong Kong.
- [if raised]

we are happy to discuss with the Chinese side the Hong Kong Government's plans for corporatising RTHK. This should be done quietly through the JLG, not through the press.

Human Rights

There has been no real improvement in China's human rights record over the past year. The Chinese may now feel that they have successfully weathered the storm on human rights. Their announcement at the end of February of sentences imposed on eleven more Tiananmen dissidents shows a blatant disregard for Western public opinion, particularly since the EC had made specific representations about some of those sentenced.

The Chinese have now accepted the Prime Minister's suggestion that a British human rights delegation led by Sir Geoffrey Howe should visit China after the election. They expressed the hope that mention of human rights in the delegation's title should be avoided. We are writing separately on the way forward on the delegation. A

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delegation from the Chinese Academy of Social Sciences, studying human rights theory and practice visited the UK on 17 - 28 February. They met officials and NGOs concerned with human rights, visited a prison, and spent two days in Northern Ireland.

There has been little Chinese response to the Prime Minister's list of human rights cases of particular concern. Three of those named have been released, two Hong Kong residents (one at the end of his ten year sentence), plus Wang Youcai, released on parole in November for showing "repentance". A further six are apparently no longer in prison. This leaves 28 out of the original list of 37 still in detention, including Wang Juntao, a leading thinker in the pre-Tiananmen protest movement whose health is again giving rise to particular concern. (His wife told British diplomats that Wang, who is suffering from Hepatitis B, has symptoms which may indicate that his heart and liver are being affected. She has appealed for his release on humanitarian grounds). Limited information on the list was given to Lord Caithness indicating how many had been sentenced, released or never in custody but the Chinese have failed to respond to our repeated requests for more detailed information. The Prime Minister reminded Premier Li Peng of this omission when they met in New York and handed over a revised list (corrected copy enclosed). We are also awaiting a response to the list of detained Roman Catholics forwarded by Mr Gummer to his Chinese opposite number and a TUC list passed over by the Embassy.

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The Prime Minister may wish to say:

- value my dialogue with Premier Li Peng on human rights. Right that members of Permanent Five should take a particular interest.. However, I feel that there has not been as much progress as I hoped. Know that EC partners share our concern over lack of real progress. Deeper dialogue needed if cooperation is to continue to develop;
- recent sentences announced on further group of dissidents a set-back. Bound to harm China's image in the West;
- welcome Chinese agreement to visit by delegation led by Sir Geoffrey Howe which will focus on human rights issues. I explained to Premier Li Peng that this delegation would visit China after the British General Election. Suggest details of delegation should be worked out by officials. Hope Chinese will be open and frank in their discussions with the delegation;
- would like to tell press that agreement is now reached that a delegation led by Sir Geoffrey Howe will visit China later this year;
- still await substantive details about the individuals on the list of human rights cases

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of particular concern handed over during my visit to Peking in September. I reminded Premier Li Peng of our interest in New York in January. Would like details of which individuals fall into the various categories given to Lord Caithness;

- know that some of those on list have been released. Hope for similar clemency, particularly for Hong Kong residents Li Longqing (pronounced Lee Loong Ching); Li Peiching (Lee Pay Cheng) and Wu Jiguang (Woo Jee Gwong);
- have learned with concern that one of those on the list, Wang Juntao (pronounced Wong Djoon Tow (as in "cow)), is seriously ill. Like to request his release on medical grounds as a humanitarian gesture which would be well received in West.

At the current Commission on Human Rights, meeting in Geneva the EC co-sponsored a resolution expressing concern about the human rights situation in Tibet. The resolution was later amended to include human rights concerns throughout China. The resolution was eventually not voted upon, procedurally sidelined by a large majority of third world countries mustered by China. The Chinese protested to us earlier at the tabling of such a resolution.

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If Qian raises this the Prime Minister may like to respond:

- our concern about the situation in Tibet, and indeed throughout China, is well-known;
- we coordinate our position at CHR with EC partners. EC co-sponsored resolution expressing concern about human rights situation throughout China, especially Tibet. Resolution only about human rights, a matter of legitimate international concern;
- [if pressed]
- Chinese government well aware of our position on status of Tibet, which has not changed;
- successive British governments have consistently regarded Tibet as autonomous, while recognising the special position of the Chinese there. This continues to be the government's view. Nevertheless we advocate a greater measure of real autonomy for the Tibetans.

Bilateral Trade: British Aerospace BAE 146

UK exports have fallen back dramatically in 1991 to only £320 million (fall of 30% over 1990 figures). Imports from China continue to rise steadily. The

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CHINESE PRISONERS OF CURRENT CONCERN

I HONG KONG RESIDENTS DETAINED IN CHINA

Luo Haixing out
Li Longqing
Li Peicheng
Lau Sanching out 10 yrs.

II PRISONERS OF CONCERN TO AMNESTY INTERNATIONAL AND OTHERS

Wang Juntao
Chen Ziming
Ren Wanding
Liu Gang
Bao Zunxin
Wang Dan
Wang Youcai — released Nov. paroled. repentance.
Zhang Ming
Ma Shaofang
Guo Haifeng
Wang Peigong
Duan Juan
Xiong Changping • } released without charge (re. us list)
Zhang Weiping • }
Yu Zhenbin
Xiao Yuan
Chen Lantao
Wei Jingsheng
Ngawang Phulchung
Father Jin Dechen
Tang Yuanzhuan and four other employees of a car factory
in Changchun
Ng Kwai-kong
Bishop Liu Guangdong

III OTHER RELIGIOUS FIGURES

Fan Zhongliang (Joseph)

Jin Dezhen *duplicate*

Li Side

Li Zhenrong (Paul) (*re-education through labour*)

Lin Xiangao (Samuel Lamb) *Not in detention*

Shi Chunjie (Paolo) *died Nov. 91. of old age in home where
Confined against will.*

Shi Wande

Wang Milu (Casimir)



CALL BY AMBASSADOR MA ON PS/NO 10 : CHINA HUMAN RIGHTS : PRIME
MINISTER'S LIST

References

- A : Chinese Prisoners of Current Concern (Prime Minister's original list)
- B : Chinese Prisoners of Current Concern (Prime Minister's list (revised February 1992))
- C : Aide Memoire: Human Rights Cases
- D : Briefing on Human Rights provided for Prime Minister's meeting with Qian Qichen

Background

1. The Prime Minister originally presented a list of 37 detainees (attached) to Premier Li Peng in September. One Hong Kong detainee (Luo Haixing) was released after the Prime Minister's visit. We have established from other sources (especially replies given to the United States) that a further eight detainees are no longer in detention.

2. Lord Caithness when he visited Peking in November was given minimal information about the detainees - how many were in detention, had never been detained etc. We have continued to press for more details of who falls into which category. In an Aide Memoire presented to them during Vice Premier Zou Jiahua's visit we said:



"The Foreign and Commonwealth Office look forward to receiving confirmation from the Chinese authorities about the state of health of those persons listed and information about the charges against them; and, where relevant, details of the sentences, the location of the places of detention and the prospects for remission of sentence. If certain of the individuals can still not be identified, or have either never been detained, or have since been released, it would be helpful to have such information".

3. If Ambassador Ma provides such information Mr Wall could say:

- Grateful to Chinese authorities for providing information sought. Helps promote sensible dialogue on human rights.
- Remain concerned that these people detained for activities which would not be considered crimes in the West. As Secretary of State told Qian Qichen, we have a special concern about Wang Juntao who is in a particularly poor state of health. Hope Chinese will be able to release him for medical treatment on humanitarian grounds.

4. If Ambassador Ma still fails to provide the detailed response which we have requested, could say:

- Grateful for what you have told us but still keen to receive the fuller information which we have requested.

5. If the subject of Sir G Howe's delegation comes up Mr Wall might say that we will seek Sir G Howe's views after the election on timing, composition and programme. Meanwhile the Embassy in Peking will begin preliminary discussions with the host body PIFA. (People's Institute of Foreign Affairs).

(Translation)

CHINA'S REFORM AND OPENING-UP AND SINO-BRITISH RELATIONS

--Speech by Mr. Qian Qichen, State Councillor and
Foreign Minister of the People's Republic of China
at the Royal Institute of International Affairs

9 March 1992

Mr. ,

Ladies and Gentlemen, Friends,

It is a great privilege and pleasure for me to have this opportunity to meet you today and brief you on the situation in China and share with you my views on Sino-British relations. Let me first express my appreciation to the organizers of the meeting for giving me this opportunity and to you all for your kind presence.

Mr. ,

This is the thirteenth year since China started to implement the policy of reform and opening to the outside world which was initiated by Mr. Deng Xiaoping. During these thirteen years, this policy has brought about profound changes in China. The 1980s were a decade that witnessed the fastest economic growth since 1949. We achieved an average annual GNP growth rate of 9% and overfulfilled the target of doubling the GNP of 1980. With the growth of production came marked improvement in people's livelihood, as evidenced by 8.4% average annual

increase in the real per-capita income of the farmers and 5.3% in that of the urban dwellers. Though we cannot yet claim to be affluent, we have nonetheless basically solved the problem of providing adequate food and clothing for the 1.1 billion Chinese people. Moreover, our market is brisk, commodities are abundant, and prices stable. All this is not won hands down in China which, as you know, has to feed 22% of the world's population with only 7% of the world's cultivated land. Had it not been for the series of reform measures first taken in the rural areas and then in the cities, these achievements would have been unthinkable.

The 1980s also saw encouraging progress in China's foreign economic relations. The import and export trade multiplied, and overseas investment in China rapidly increased. Overseas-funded enterprises in China now number 17,000, with the actual investment totaling more than 23 billion U.S. dollars, and the prospect continues to look good for the 1990s. Last year, for example, the pledged volume of overseas investment amounted to 11.1 billion U.S. dollars, more than 70% over that of 1990.

Since the beginning of the 1990s, we in China have started to work for doubling our GNP over again. In this endeavour, difficulties of one type or another are hardly avoidable, but we believe that through hard work we

shall be able to attain this goal. Our confidence comes, among other things, from the fact that last year, despite the extremely severe floods in East China, which inflicted heavy losses on the economy, we still managed to attain a 7% growth rate. The grain and cotton output reached 435.3 million tons and 5.66 million tons respectively, making for another year of record harvest. The total industrial output value increased by 14.2%, investment in fixed asset by 18.6%, import and export by 17.5%, and the foreign exchange reserve exceeded 40 billion U.S. dollars. Inflation rate was kept below 4%.

It was asserted by some Western public opinion that China halted or even rolled back its reform and opening-up towards the end of the 1980s. Well, this is a wrong impression. The fact is that for a period of time the economy got overheated and the excessively high growth rate caused a high inflation. When we became aware of the problem, we started a set of measures of rectification and readjustment, which has effectively curbed inflation and brought about the return of the national economy to its normal growth rate. In this process, reform and opening-up continued to move forward rather than stopped, and better conditions were created for further economic reform and opening up. Now we can say that the readjustment process is over.

Friends,

The disintegration of the Soviet Union has led people to wonder where China is heading for and how China's domestic situation is to develop. What I would like to point out in this connection is that our socialism with Chinese characteristics is vastly different from the socialism of the former Soviet Union. The independent China has never leaned on any big power, nor has it been tied to any bloc. As you all know, there was a nearly 30-year period of cold relations, confrontation, and even border clashes between China and the former Soviet Union before the normalization of Sino-Soviet relations. As far as China is concerned, there will be no change in its basic line of focusing on economic development, sticking to the road of building socialism with Chinese characteristics and adhering to reform and opening-up. This statement is based on the fact that the existing line is suited to the realities of our country and has proved to be successful in practice. Reform and opening-up have benefited both the state and the people. So why should we change this policy? To be sure, our reform will be carried further and our door opened still wider.

As China persists in reform and opening-up while at the same time sticks to the road of socialism, some friends have expressed their doubt about the compatibility between the two. Their doubt is based on the belief that socialism means planned economy and

capitalism market economy. That is all there is to it. As a matter of fact, market economy is not a monopoly of capitalism; for socialism also has markets. And planned economy is not a monopoly of socialism; for capitalism has planning as well. A big country like China, with its 1.1 billion people, cannot possibly develop without regulation by macro-planning. Besides, the socialist economy is also a type of commodity economy, one that is guided by planning. In terms of ownership, we permit the co-existence of various economic sectors. Along with state and collective-run enterprises, individual and private businesses, Sino-overseas joint-ventures and wholly foreign-owned enterprises are allowed to exist and develop. In this economic system of different sectors, enterprises of all kinds are gradually turning into economic entities that have independent powers of decision-making, are responsible for their own profits and losses and are oriented to the market. Pricing reforms have also been introduced, putting prices of about 70% of the commodities under market regulation. China's market is becoming more and more dynamic and prosperous.

Some friends tend to think that China is going only for economic reforms and not political reforms. This shows at least a lack of understanding of the situation in China. The fact is that the political restructuring has been going on throughout the past years and is aimed

at promoting socialist democracy, improving the socialist legal system and changing those practices that are not suited to the growing productive forces.

The political restructuring in China is aimed at the following: First, to give full play to the role of the people's congresses at all levels in the politics of the country. Secondly, to further expand the role of the system of multi-party cooperation and political consultations under the leadership of the Communist Party. We have eight democratic parties which grew out of historical development. They are not opposition parties, but parties participating in the deliberation of state affairs and the decision-making process. They play an important role in the country's politics. Thirdly, to further enable the people to supervise the work of the government, and make criticisms and suggestions. Fourthly, to improve the legal system by formulating laws and regulations, and strengthening law enforcement and supervision mechanism.

The past and the present of both China and the world at large provide eloquent proofs that in the absence of political and social stability, it is impossible to carry out any effective and meaningful reforms. If China, a vast and populous country, should plunge into chaos, it would be a disaster not only for the Chinese people, but indeed for the whole world. It is with a sense of responsibility to the Chinese people and to the world

that we have adopted a planned and systematic rather than rash and haphazard approach to economic and political restructuring.

As the economies of all countries and regions are closely interrelated, no country or region can develop in self-seclusion. The same is true with China. So We have taken it as another basic state policy to open wider to the outside world on the basis of self-reliance. We will continue to make a success of our special economic zones and open coastal areas, further improve the investment environment, and adopt measures to enable overseas business people to make profits in China. In our effort to expand imports and exports, the total import volume for the next five years is expected to be no less than 300 billion U.S. dollars, most of which will be spent on technology and equipment needed for China's development. Socialism with Chinese characteristics is an open system with an open economy. We are ready to draw on and assimilate anything of capitalist economic and cultural experience that is useful to us. And this means more opportunities of cooperation with China.

Now, I would like to turn to Sino-British relations.

Although China and Britain are geographically far apart, relations between our two countries have a history of over seven hundred years. Britain was the first among

major Western countries to recognize and establish relations with New China after its founding. The 1970s and 80s witnessed rapid growth of our relations, which entered a golden period for a time after the settlement of the question of Hong Kong. Prime Minister Major's visit to China last year contributed to the removal of obstacles in our bilateral relations. Chinese Vice Premier Zou Jiahua visited Britain last year. Our cooperation in the economic, trade and other fields shows an upward trend. The famous British philosopher Francis Bacon said, "Histories make men wise." Historical experience tells us that maintaining good relations is in the interests of our two countries.

The tense confrontation between two major military blocs in Europe, which lasted for nearly half a century, is now gone. The world is moving towards multi-polarization. However, factors threatening world peace and causing international tension have not been rooted out. While some of the old contradictions and conflicts have disappeared, new ones have cropped up. The world is full of unpredictable and destabilizing factors and is neither tranquil nor peaceful. As permanent members of the U.N. Security Council, China and Britain shoulder common and important responsibility for world peace and development. Over the past two years, our two countries have conducted close consultation and cooperation at the United Nations and on many other international forums and

have made a significant contribution to the settlement of a number of international and regional issues. Not long ago, on the initiative of Prime Minister Major, the Security Council held its first high-level meeting in New York in the history of the United Nations. Its success has a far-reaching significance. The heads of government of our two countries also had a very good meeting. Facts have proved that maintaining good cooperation between China and Britain in international affairs is a factor making for world stability.

It is in the common interest of our two countries to develop friendly relations and cooperation. Britain is a developed industrialized country in the West with advanced science and technology and great economic strength. China is the largest developing country in the world devoted to economic development and has tremendous market potentials. Our two economies are complementary to each other. Cooperation can help make up for each other's deficiencies. There are broad prospects for mutually beneficial cooperation between China and Britain.

The question of Hong Kong is of special importance in Sino-British relations. In line with the concept of "one country, two systems", the Chinese Government is trying to turn this question left over from history into a positive factor for promoting and strengthening Sino-

British relations. In 1984, China and Britain formally signed the well-known Joint Declaration on the Question of Hong Kong, thus creating a model for the successful settlement of historical problems. The Chinese Government has strictly abided by the Sino-British Joint Declaration and worked with the British Government to ensure stability and prosperity in Hong Kong and the smooth transfer of government in 1997. Thanks to the fruitful cooperation between the two sides, the Sino-British Joint Liaison Group has considered and resolved quite a number of issues concerning the implementation of the Joint Declaration and the smooth transfer of government in 1997.

Last September, Prime Minister Major visited China and signed with Premier Li Peng the Sino-British Memorandum of Understanding Concerning the Construction of a New Airport in Hong Kong and Related Questions, which gave expression to the shared desire of the two governments for closer cooperation and expanded relations in the latter half of the transitional period.

It is a firm basic state policy of China to translate the concept of "one country, two systems" into reality and maintain long-term prosperity and stability in Hong Kong. All that the Chinese Government has done on the question of Hong Kong is to secure such a prospect for Hong Kong before and after 1997 and the smooth transfer of government in 1997, for it will

benefit not only Hong Kong but also China, Britain, and the world as a whole.

Ladies and Gentlemen,

History has proved that countries with different social systems can live together in peace. As long as we take a far-sighted view, respect and talk to each other, base our relations on the principle of equality and mutual benefit, intensify consultation and seek common ground while putting aside differences, we shall be able to maintain lasting and stable friendly relations and cooperation, free from interference of any particular event. This has always been our wish and I believe this is also the wish of the British Government and people. Let us join hands to open up a better future for Sino-British relations.

Thank you.

Aide Memoire

HUMAN RIGHTS CASES

The Foreign and Commonwealth Office have the honour to refer to the list of cases of individuals imprisoned in China which was handed to the Chinese Government during the British Prime Minister's visit.

The Chinese Foreign Ministry have indicated that they have had some difficulties in identifying certain of the individuals concerned. In this connection the Foreign and Commonwealth Office consider that the enclosed note, provided by Amnesty International, may assist the process of identification by providing an update of available information on the individuals listed.

The Foreign and Commonwealth Office look forward to receiving confirmation from the Chinese authorities about the state of health of those persons listed and information about the charges against them; and, where relevant, details of the sentences, the location of the places of detention and the prospects for remission of sentence. If certain of the individuals can still not be identified, or have either never been detained, or have since been released, it would be helpful to have such information.

The Foreign and Commonwealth Office would be grateful if such information could be conveyed as soon as possible to the British Embassy in Beijing, in fulfilment of understandings reached during discussions between the British Prime Minister and Premier Li Peng in September.

23 October 1991

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SUBJECT
MASTER

Filed on:



22
bc PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 August 1991

CALL ON THE PRIME MINISTER BY THE CHINESE AMBASSADOR

Ian Duncan wrote to me on 14 August with briefing for the call on the Prime Minister by the Chinese Ambassador. Mr Ma called this afternoon for about half an hour.

The Ambassador said that it was an honour to be posted to London at a time when the relationship between Britain and China was being re-built. The Prime Minister said he was very welcome. There was lots to be done. Relations were improving and should improve still further. He hoped his visit to Peking would be a bridge and would be successful for both sides. There would be areas of difficulty, but this was the right time for a dialogue.

The Prime Minister referred to the airport agreement and expressed gratitude for the Ambassador's role in achieving it. The Prime Minister said he hoped for wide-ranging talks in Peking. Hong Kong would be the dominant issue, but there were regional issues and arms control issues (he welcomed China's decision to accede to the NPT) which would also be covered. Human rights would also be on the agenda. The Ambassador said that the Chinese leadership would look forward to hearing from the Prime Minister about developments in Europe, including the European Community, and about the Middle East. The Chinese leaders would be interested to know what other subjects the Prime Minister wanted to cover.

The Prime Minister said that we would let the Ambassador know. As regards Hong Kong, he would like to discuss how to activate the JLG more productively. It was a slumbering giant. There was a lot to be done. The Prime Minister himself had worked in Hong Kong years ago. A successful Hong Kong, post 1997, was in everybody's interests. As the date approached there was naturally a degree of tension within Hong Kong. The more decisions could be taken in a timely and co-operative manner the better. The Ambassador said that the Prime Minister would find Li Peng as ready as he was to make progress in this area and to speed up the work of the JLG. The Prime Minister hoped that we could agree on ways in which to improve the work of the JLG while he was in Hong Kong and announce the outcome. The Ambassador said he saw no problems with reaching an understanding on this and he would convey the Prime Minister's views to Li Peng. China hoped for a closer and more fruitful co-operation over Hong Kong and was looking for an overall

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improvement in UK/China relations. The Prime Minister said this was a shared objective and he was glad to make his visit so soon. Between now and then, other issues might arise which we would want to discuss, eg in the P5 context.

The Prime Minister said he would be coming to Peking from a meeting with President Bush. The Ambassador said that Li Peng and Jiang Zemin would certainly want to be briefed on the Prime Minister's discussions with President Bush. China was about to send a trade delegation to the United States. The MFN situation looked better than it had done two to three months ago, and China was grateful for Britain's help over that. The Prime Minister said there might be particular points on the JLG that he would want to come back to the Ambassador on.

Earlier in the conversation, the Prime Minister had expressed concern and sympathy over the floods. The Ambassador said that the waters had now receded. Twenty million people were affected by the floods and 2,000 had died. This was the worst flood China had ever suffered, although the death toll had been less high than on previous occasions. The relevant rescue and emergency services had been adequately prepared. China was grateful for the help Britain had provided. The Ambassador also referred to help which China had received from the UN. The Prime Minister said that our contribution had been relatively modest but it had been a practical expression of our sympathy.

The Ambassador referred to another natural disaster near a river in North East China. China was such a vast country that no year went by without some calamity. The flood situation had at least been helped by China's good harvest over the last two years. This meant that China had some food reserves and did not have to buy extra grain from the US or Canada.

Follow up

I should be grateful for specific points on the JLG which we can put to the Chinese. I gather that Tony Galsworthy has already been consulted on this. We shall also need to suggest to the Chinese one or two areas where would be grateful to hear their views. Cambodia is the obvious example, but we do not want too much of the time with Li Peng taken up by non-Hong Kong, extraneous issues. Can we think of something substantive but not time consuming?

J S WALL

S L Gass Esq
Foreign and Commonwealth Office

Covered in
T.M.P. BRIEF

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1. Brief when? Full.
2. the programme

PRIME MINISTER

CALL BY THE CHINESE AMBASSADOR

Reuters!

The Chinese Ambassador is calling on you tomorrow afternoon to discuss your visit to China. A brief is attached. I have minuted separately about the programme. This is straightforward apart from the very difficult issue of whether or not you should inspect the Guard of Honour in Tiananmen Square. A minute from Percy Cradock is with these papers. Sir Percy is of the view that we should give way now because we shall not be able to persuade the Chinese to drop their insistence on a Guard of Honour and we shall have to give way in the end; the longer we argue the more acrimonious the atmosphere is likely to become. The view of the department in the Foreign Office, shared by David Gillmore, is that we should have one more go at persuading the Chinese of our view. Mrs. Chalker is consulting the Foreign Secretary and will let you have his advice. Depending on what that advice is, you can decide whether or not to raise the issue with the Chinese Ambassador tomorrow. Sir Percy Cradock is firmly of the view that you should not do so in any circumstances.

X

The suggested points for you to use with the Chinese Ambassador are straightforward. In discussing the importance of arms control, you may want to welcome the announcement by the Chinese of their intention to adhere to the non-proliferation treaty.

The brief includes a number of points on Hong Kong. The background to these is set out in the attached letter from the Foreign Office on the objectives of the visit (Flag B). These objectives look sensible and will form the basis of the Foreign Office's briefing for the visit.

Stephen

J. S. WALL

15 August 1991

c:\foreign\call (slh)

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PRIME MINISTER

15 AUGUST 1991

CALL BY THE CHINESE AMBASSADOR

1 Mr Ma Yuzhen (Mr Ma) will call on you on Friday at 4.00pm. He will be in attendance during your Peking trip and has not had the chance so far of meeting you. He is intelligent and smooth and speaks excellent English (former Consul General in Los Angeles).


2 You will not want to get too involved in detail on this occasion, but you might like to make the following points, which will foreshadow some of those you will make in Peking:

- (a) Distress at serious floods in China. Glad HMG able to offer some relief funds. Hong Kong also contributed generously, both at government and private level.
- (b) Looking forward very much to visiting Peking and meeting Chinese leaders. Glad that we have been able to settle the important issue of the airport. That has given an immense boost to Hong Kong confidence. Grateful for Ambassador's help (he was helpful over my travel arrangements). The airport agreement opens a new phase in our cooperation over Hong Kong.
- (c) You are personally committed to deepening Sino-British cooperation over Hong Kong on the basis of the Joint Declaration of 1984. That was a great common achievement and we must continue to be guided by it. The airport Memorandum of Understanding provides for closer consultation in future between the Foreign Secretary and the Chinese Foreign Minister.

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- (d) On Hong Kong, time is running short before 1997. and there is still much work to be done. We must make a great effort to speed up progress in the Joint Liaison Group. In particular we are looking for early agreement on such matters as the Court of Final Appeal, air service agreements, the future consulate general and on military lands. We hope that officials can settle them soon, otherwise Ministers will have to spend time on them.
- (e) Also look forward to discussing international issues with Chinese leaders. We need to work closely together as permanent members of the Security Council. The issue of human rights should also be part of our dialogue.
- (f) You will also want to give impetus to bilateral relations, particularly in the commercial field (defensive: too early to make any decisions about a new concessional finance arrangement).

3 I would strongly advise against any reference to the issue of the guard of honour. As I have minuted separately, I very much hope that we can agree to accept Chinese normal reception arrangements. In any event if you were to intervene it would greatly escalate the problem, add to the risk of fall-out and make it harder for us to climb down, as we almost certainly will have to do eventually if we are not to cancel the visit altogether.



PERCY CRADOCK

Foreign &
Commonwealth
Office

London SW1A 2AH

*From The Minister of State*J S Wall Esq CMG LVO
10 Downing Street
LONDON SW1

14 August 1991

Dear Stephen

In his letter of 9 August Sir Percy Cradock told us that the Chinese Ambassador would call on the Prime Minister on 16 August. This provides a good opportunity for the Prime Minister to set the tone for his visit to Peking.

Sir Robin McLaren is still discussing with the Chinese the programme and agenda for the visit. (I am writing separately about the provisional programme. On the agenda, we look forward to your comments on Richard Gozney's letter of 30 July). In the course of these discussions we have had to put some fairly unpalatable points to the Chinese, for example on human rights and on the Prime Minister's wish not to inspect the Guard of Honour. On the latter point I have written separately seeking the Prime Minister's views on the basis of the latest exchanges.

Against this background the Prime Minister could with advantage stress his positive approach to the visit and his personal commitment to a strengthening of cooperation with China. If Ma can convey this up-beat message to the Peking leadership it could make for a productive atmosphere for the Peking talks (where the Prime Minister may need to put across some difficult points) and make the Chinese leaders more disposed to make some concessions. The Ambassador will be returning to China for the visit.

The Prime Minister might begin by expressing his sympathy over the major flooding in China since mid-July. HMG have so far contributed some US\$150,000 to the appeal; the Hong Kong Government sent HK\$50 million and private Hong Kong donations totalled another HK\$760 million. ODA hope to find another \$150,000 which the Prime Minister could announce during his visit. (It would be best not to mention this to the Ambassador). The Prime Minister could take the following line:

- Distressed by major flood disaster in Eastern China. Please convey sympathies and good wishes to Chinese Government and those affected. Glad HMG have been able to offer some relief funds.

/ - Pleased to see improvement



- Pleased to see improvement in UK/China relations in recent months, particularly since agreement on airport MOU.
- Believe you helped both governments understand each others position better, particularly the shared wish for improved cooperation.
- Grateful for your help with Sir Percy Cradock's mission to Peking. Delighted it succeeded.
- Greatly look forward to visit to Peking. The signature of the airport MOU marks a successful end of airport negotiations but also start of new phase in our cooperation.
- Personally committed to deepening Sino/British cooperation: bilaterally, over Hong Kong, and on the wide range of international issues where we need to work together, notably arms control and proliferation and Asian regional issues. Vital that we maintain dialogue on these issues. Hope that human rights can continue to be part of that dialogue. (1) (2) (3)
- Sure that Chinese side share my wish that new phase in cooperation is marked by action not just words.
- On Hong Kong time is running short before 1997 and still much work to be done. Must speed up progress in Joint Liaison Group. In particular look for early agreement on military lands, Court of Final Appeal, air services agreements, future British Consulate-General. Technical but important issues: hope officials can settle soon; otherwise Ministers will have to spend time on them. |
- Need visit to be a success and to be seen to be a success. Some take negative view of airport agreement. Sure you will understand need for sensitive handling. In all our interests that this should be so.
- **【Defensive】** Too early to make any decisions about a new Concessional Finance Arrangement. ODA currently reviewing ATP worldwide. Meanwhile ODA is urgently appraising those projects recently concluded by British companies in China.


Put up with in Peking?

In addition the Prime Minister may wish to consider whether to say anything to the Ambassador about the Guard of Honour. If the Prime Minister still feels strongly that he does not want a Guard of Honour, it would be right to tell the Ambassador on this occasion; the Chinese could otherwise conclude that our objections to the proposal are not shared by the Prime Minister himself. If, on the other hand, he concludes that we must fall in with Chinese wishes it would probably be best to say nothing and to leave Sir Robin McLaren to convey this message.

... I attach a CV on Ambassador Ma.

Yours Ever
John Duncan

John Duncan
Acting Private Secretary



BIOGRAPHICAL NOTE: MR MA YUZHEN

Born in Shandong Province in 1934. Mr Ma is a university graduate. He joined the Ministry of Foreign Affairs in 1954. His subsequent career has been as follows:-

- 1954 - 1963 : Clerk of the Information Department, Ministry of Foreign Affairs, Peking.
- 1963 - 1969 : Attaché, then Third Secretary, Chinese Embassy, Burma.
- 1969 - 1980 : Deputy Chief, then Chief of Section, Information Department, Ministry of Foreign Affairs Peking.
- 1977 : Visited the UK with a delegation led by the Head of the New China News Agency
- 1980 - 1984 : First Secretary, then Counsellor, Chinese Embassy, Ghana.
- 1984 - 1988 : Director of the Information Department, Ministry of Foreign Affairs.
- 1988 - 1991 : Consul-General (Ambassadorial rank) in Los Angeles.

Our former Ambassador in Peking welcomed this appointment, describing Mr Ma as liberal and reform-minded. He is seen as being in a similar mould to his predecessor, Ji Chaozhu. Like many Chinese diplomats Mr Ma suffered during the Cultural Revolution when he was attacked by Mao Zedong's wife.

Our Consul-General in Los Angeles described him as a well-regarded and sophisticated and outward going. This nature befitted him to his work in Information Department, during which he participated in the press arrangements for the visits to China of Mr Heseltine in 1973 and Mr Heath and Mr Hurd in 1974. Mr Ma speaks excellent English.

Since his arrival in London Mr Ma has lived up to his reputation. He is urbane and friendly and has made a very positive impression both in Whitehall and more widely. He returned to Peking for consultations in July, possibly connected with preparations for the Prime Minister's visit.

Mr Ma's wife, Zou Jichun, is a Doctor of Chemistry and also speaks good English. Her father was a graduate of an American university who taught English in China as well as being secretary of a British-owned coal mine. They have two children including a daughter who lives in the United States.

CGLAAK

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PRIME MINISTER

YOUR VISIT TO PEKING

Sir Percy, in the note below, asks if you would see the Chinese Ambassador before your visit to Peking.

I attach your diary for the period concerned. If you were prepared to stay at Number 10 overnight on 22 August, or leave Huntingdonshire early on the 23 August, you could see the Ambassador on 23 August before you depart for the cricket. Or you could see him on the 16th if you were prepared to leave Huntingdonshire a little earlier than currently planned - you could then see Sir Percy and Stephen when you arrived and use their current slot on that day for the Ambassador.

Content to see the Ambassador?

Would you like to see him on the 16th, 23rd or some other time altogether?

WEC

WILLIAM E. CHAPMAN

8 August 1991

C:\HOME\PEKING (DAS)

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File pm

Time more long; hi PC hnd.

WEC

9/8

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PRIME MINISTER

8 AUGUST 1991

YOUR VISIT TO PEKING

1 The Chinese Ambassador telephoned me this morning to say that he is just back from a conference in Peking and plans to return there shortly before your visit, so that he will be able to accompany you. It would help him very much if he had had the opportunity of meeting you briefly beforehand. He asks if it would be possible to arrange a short call later this month. He plans to leave here for Peking about 25 August.

2 I explained the difficulties, given your own travel arrangements. Nevertheless, I think it would be helpful if you could spare a moment or two to see him before we leave. It could give us an opportunity to feed in at top level suggestions, whether about the arrangements or the substance of the visit.

3 I asked about the programme. He said details of the programme were being worked out between the Embassy and the Chinese Foreign Ministry. I took the opportunity of stressing that you wished this to be a working visit and wanted as little ceremonial as possible. In particular you would wish to avoid inspection of guards of honour in Tiannamen Square. He said he understood.

CC

PERCY CRADOCK

Prime Minister

I attach your diary for the period concerned. If you were prepared to stay at No 10 overnight on 22 August you could see the Ambassador on 23 August before you leave for the airport. Or you could see him on 16th if you were prepared to leave Hunts. 30 mins. earlier - you could

Wednesday 14 August 1991

? Depart for London
? ?Cricket at The Oval
Semi-final of Nat West Trophy Surrey v Northampton
? To Huntingdon

Thursday 15 August

Huntingdon

Friday 16 August

?1230 Depart Huntingdon for:
1400 Dentist
1500 To No. 10
1530 Sir Percy Cradock + JSW (USA and China trips)
1630 Eugene Campbell
1700 John Moore
?1730 HMA des. Dublin, David Blatterwick
1800 Peter Gummer
1930 Surrey County Cricket Club Dinner to wind up Youth
Cricket Year + Mrs. Major (The Oval)
Overnight at No. 10

Saturday 17 August

am Return to Huntingdon

Sunday 18 August

?1630 Depart Huntingdon
?1800 Arrive No. 10
1900 Tom Moss and family arrive No. 10 for dinner and
overnight + Mrs. Major

Monday 19 August

Keep free if poss all day
Carmen Jones + Mrs. Major and Elizabeth

Tuesday 20 August

Wednesday 21 August

Thursday 22 August

Friday 23 August

Cricket Match
[England v Sri Lanka at Lords]
Overnight at No 10

Saturday 24 August

Cricket Match
[England v Sri Lanka at Lords]
Return to Huntingdon

Sunday 25 August

Huntingdon
?Lunch with Frosts (+ overnight with Frosts?)

16.00
cl. Ash.

1/14
14/8
B



cc PD
PC

Adm 2019

Foreign &
Commonwealth
Office

CONFIDENTIAL

London SW1A 2AH

30 July 1991

Dear Stephen,

Prime Minister's Visit to China and Hong Kong

I wrote to you on 29 July giving the Foreign Secretary's advice on the itinerary and programme for the Prime Minister's visit to China. You may also like recommendations on the handling of the visit, including objectives, subjects for discussions with the Chinese, and tactics.

This will be the first visit by a British Prime Minister to China since that of Mrs Thatcher in December 1984 for the signature of the Joint Declaration on Hong Kong. Following that agreement our relations entered their warmest phase, with the State visit to China by The Queen in 1986 marking a high point. The then Chinese Premier, Zhao Ziyang (later Party General Secretary) visited Britain the same year. Progress came to a halt in June 1989, with the suspension of many areas of our dealings with China following the Tiananmen events.

Mr Kaifu will visit Peking shortly before the Prime Minister, who will be the first EC head of Government to visit China since 1989, : Mr Andreotti is likely to visit China later in September. EC partners have recognised the special needs we (and Portugal) have for rebuilding links with China. Human rights concerns mean that most of them do not favour too rapid a development of relations. Similar concerns hold back US/China relations.

Objectives of the Visit

Our objectives are:-

- (a) To sign the MOU, to secure a resounding Chinese endorsement of the Airport Project, and to demonstrate that Britain and China are working together to bring about a stable and prosperous future for Hong Kong;

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/(b)



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- (b) To demonstrate readiness to deal with the Chinese leadership on a range of issues, not confined to Hong Kong, in a constructive and hard-headed manner.
- (c) To secure Chinese agreement to our proposal to build a Consulate-General on the Colvin House site. This proposal has been lodged with the Chinese for over six months. The Foreign Secretary raised it in Peking in April and received a politely non-committal reply. Our planning for the Consulate-General to be ready by 1997 depends on our getting Chinese agreement soon.
- (d) to give renewed impetus to the work of the Joint Liaison Group (the next meeting is on 24 - 26 September). The visit will present a rare opportunity (for both sides) to flag up issues of importance, and provide a spur to resolve some particular issues of concern to us. The Chinese have been dragging their feet over authorising Hong Kong to sign separate air services agreements with third countries: the Prime Minister's visit might induce them to unblock those agreements in the pipeline, (although the whole issue is complicated by the question of Taiwan). Agreement on the establishment of a Court of Final Appeal in Hong Kong could easily be reached if the Chinese were prepared to show the necessary flexibility. It would be worth registering with Li Peng in general terms the cardinal importance of the independence of the judiciary - and the good sense of Chinese recognition of OMELCO, which they continue to treat as part of the Hong Kong government rather than representing Hong Kong opinion. An alternative approach might be to aim for some joint communiqué which referred to the intention of the two sides to intensify their cooperation in the Joint Liaison Group in the years upto 1997 and which made specific reference to their wish to give greater impetus to the work of the JLG.
- (e) to give a boost to British commercial objectives;
to press for specific improvements in the

/investment

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investment environment of concern to British firms, and to advocate protection of intellectual property rights;

- (f) to encourage genuine Chinese participation in international cooperation on non-proliferation and controls on conventional arms transfers (including MTCR); to reaffirm China's crucial role in global environment management;
- (g) to flag our concerns on human rights and on Tibet while referring to our supportive role over MFN renewal; to encourage the Chinese leadership to recognise the attractions of adhering to international norms of good governance; to offer specific assistance with training, eg of lawyers and civil servants;
- (h) to carry on the dialogue with the Chinese on other international / regional issues of common concern eg cooperation in the UN; Cambodia, Middle East, developments in the Soviet Union, Vietnamese migrants;

Chinese Objectives

We would expect the main Chinese objective to be to use the visit to affirm the diplomatic rehabilitation of China (and Li Peng personally) after Tiananmen. Li Peng will expect to receive an invitation to pay a return visit to Britain. We do not see how the Prime Minister could avoid issuing such an invitation without causing offence. But the invitation need not be time-specific, and the timing will lie in our hands. It is unlikely that Li Peng would risk proposing a visit to Europe until he had collected a number of invitations. The gesture is important: as long as Li Peng calls the shots on Hong Kong fruitful cooperation over the airport and other major issues will depend as much on his willingness to allow it as on written agreements.

In addition the Chinese will no doubt also press us for new commitments on aid / soft credit and - though less likely - to complete the dismantling of the Madrid Measures (eg the ban on military sales). They may also seek our support for their re-admission to GATT and

/reiterate

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reiterate their opposition to Taiwan joining GATT before China's own re-admission. We may also need to reiterate British interests in commercial / economic dealings with Taiwan, including air services (while reassuring the Chinese about no political contacts) if these are raised by the Chinese. They may also raise, and question the privileged position of the Soviet Union vis-a-vis the G7 although we know that they are grateful for the comprehensive briefing that they received following the London Summit.

Objectives in Hong Kong

We see the main objectives of the visit to Hong Kong as:

- (a) to secure clear support for the airport MOU and our intensified cooperation with China in the interests of a smooth transition;
- (b) to demonstrate our continuing commitment to the Territory generally, and to maintaining the authority of the Hong Kong Government in particular;
- (c) to counter suspicion that Britain and China are striking bilateral deals over the head of Hong Kong;

The visit is also an opportunity to promote UK commercial interests in Hong Kong, particularly in the airport project. Decisions on airport contracts have to be justified on grounds of competitiveness, but we could again encourage the Governor to keep us closely informed as the tendering process unfurls and to consult us in good time before decisions are taken which would exclude British countenders (this might enable us to encourage British bidders to improve their competitiveness). Publicly we need to strike a balance, letting British

/businessmen

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businessmen see that the Prime Minister is taking a close interest, without arousing Hong Kong suspicions that he is trying to tilt the playing field in their favour and at the expense of the local tax-payer.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

J S Wall Esq
10 Downing Street

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SUBJECT CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

7 March 1991

PRIME MINISTER'S MEETING WITH THE CHINESE AMBASSADOR

The Prime Minister saw the Chinese Ambassador this evening for a farewell call. The Prime Minister congratulated the Ambassador on the very effective way in which he and his wife had represented China here. They had been very popular and we would miss them. We had particularly valued the Ambassador's direct contact with No.10. The Ambassador said that Mrs. Thatcher's decision to send Sir Percy Cradock on a visit to China at a time when the rest of the world was imposing sanctions had been greatly appreciated and had got the ball rolling again in our relations.

The Prime Minister asked the Ambassador whether he was looking forward to his new post. The Ambassador recalled that he had grown up in Manhattan, so in a sense he was going home.

The Prime Minister said that he had been very pleased with Li Peng's reply to his letter and particularly its positive comments on our bilateral relations. The Ambassador said that the Chinese leadership had been grateful for the Prime Minister's letter. They thought it sincere and demonstrated a strong commitment to good relations between Britain and China. He was also instructed to convey the greetings of Secretary General Jiang Zemin. The Prime Minister commented that the way in which our Governments had worked together at the United Nations over the Gulf had been very helpful. It had also enhanced the status of the United Nations which should be welcome to the Ambassador in his new post. The Ambassador said that the Chinese leadership agreed that the Five Permanent Members of the Security Council should work together as closely as possible.

The Prime Minister said that he hoped we could work more closely together in future over Hong Kong. Time was pressing and there was much to be done to provide reassurance to the Hong Kong people. We had to ensure that the transition in 1997 went smoothly and that Hong Kong prospered. We would like to see progress on specific issues such as the airport and in the work of the Joint Liaison Group. The Ambassador said that China wanted stability and prosperity in Hong Kong, and a smooth transfer, in order to make the principle of one country two systems work. The highest aim of all Chinese was to see reconciliation with Taiwan, and that would only be possible if they made a success of Hong Kong.

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The Prime Minister said we would like to see more high level exchanges with China. We would welcome some more visits. The Ambassador said that his authorities would reciprocate this wish. It had been a great pity that Wan Li had postponed his visit. An early visit by the Foreign Secretary to Peking would be very helpful. On a personal basis he would like to suggest that we should invite the Chinese Foreign Minister to visit the United Kingdom. The Prime Minister said he was due to discuss with the Foreign Secretary shortly the possibility of a visit to Beijing.

The Ambassador said that the Chinese leaders were most appreciative of the help they had received from the United Kingdom last year over MFN treatment for China. They hoped for our support when the issue came up again.

The Prime Minister asked the Ambassador to convey his best wishes to Li Peng, Jiang Zemin and other leaders.

(C. D. POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.



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Foreign &
Commonwealth
Office

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London SW1A 2AH

6 March 1991

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Dear Charles,

Chinese Ambassador's Call on Prime Minister, 7 March

Briefing for the Chinese Ambassador's farewell call was contained in my letter of 1 March. The postponement of the call to 7 March gives us the opportunity to provide additional briefing on the outcome of the Governor's meetings with Lu Ping, Director of the Chinese Government's Hong Kong and Macau Office, on 4 March about the airport project.

The meeting went well. The Chinese were more realistic in their demands and the Governor believes that the two sides were closer to identifying a mutually acceptable compromise. However, further discussion will be needed to reach an understanding with the Chinese on this difficult issue.

The Prime Minister might like to refer to this meeting in the following terms (to replace the penultimate tirect of my letter 1 March):

- Important that this co-operative spirit is matched by concrete progress on specific Hong Kong issues. Welcome the progress made on the new airport during Lu Ping's meeting with the Governor. Hope this will pave the way to satisfactory resolution.

Davidson
S L Gass
(S L Gass)
Private Secretary

Sir Charles Powell KCMG
10 Downing Street

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Foreign &
Commonwealth
Office

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London SW1A 2AH

1 March 1991

Dear Charles,

Chinese Ambassador's Call on Prime Minister: 6 March

The Chinese Ambassador is to pay a farewell call on the Prime Minister on Wednesday 6 March.

Ambassador Ji Chaozhu has served in London since August 1987. He is to become Under Secretary-General for Technical Co-operation for Development in the UN. I enclose a Personality Note. Ambassador Ji has done much for Sino-British relations both when relations were smooth, before 1989, and after.

Your letter of 21 February mentions the Ambassador's suggestion that he might convey an oral message to the Chinese leadership. He is no doubt thinking of the assurances of goodwill which he passed on behalf of General Secretary Jiang Zemin to Mrs Thatcher last July, and which she reciprocated. There is no need at this moment for any very formal message. The Prime Minister and Premier Li Peng have recently exchanged messages and there is little to add.

It would be natural, nevertheless, to use this occasion for an informal response in general terms welcoming Li Peng's positive comments on the bilateral relationship. The Prime Minister might also comment on our wish to see the resumption of high level visits (which the Ambassador has been promoting). I attach, as an annex, an assessment of Premier Li Peng's reply to the Prime Minister's message, together with copies of the two messages. Despite the positive tone of Li Peng's reply the fact is that this has not been translated into

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tangible progress over specific Hong Kong issues, such as the airport and the work of the Joint Liaison Group. The Chinese have stressed their desire to intensify consultation over Hong Kong in the run-up to 1997. But there is a wide gap between the kind of consultation which the Chinese now seem to be seeking (witness their proposal in the latest round of consultations on the airport that two thirds of Hong Kong's fiscal reserves should be set aside for use post-1997) and what would be regarded as tolerable in Hong Kong.

The next major step in the discussions on the project will be when Lu Ping, Director of the Chinese Government's Hong Kong and Macao Office, sees the Governor on 4 March during his visit to Hong Kong. We may need to provide additional briefing in the light of the outcome of these talks. The line on the Gulf may of course need revision to take account of further developments.

The Prime Minister may like to make the following points:

- Grateful to receive Premier Li Peng's reply. Please convey my appreciation of the message's positive comments on bilateral relations.
- We are continuing to take concrete steps. Much of our bilateral co-operation is now underway again eg technical co-operation, concessional finance. We look forward to resumption of high level visits in both directions. Such contacts essential to reduce scope for misunderstanding. We are grateful for the suggestions on visitors you have made.

Gulf

- Our co-operation on international problems also vital: in particular on the Gulf. Encouraging to see the Permanent Five work so closely together during the Gulf crisis.
- Hope this co-operation can continue in the complex negotiations that lie ahead. The Security Council should resist precipitate calls for the removal of the sanctions regime. And should work to ensure that an arms and oil embargo remains in place. Hope China, like the rest of us, will think very carefully about the wisdom of any resumption of arms sales in the future.

/Hong Kong



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Hong Kong

- Hong Kong a central area of co-operation. A stable and prosperous Hong Kong an important interest for both Britain and China.
- We share Premier Li Peng's desire for closer co-operation and consultation between the two sides over Hong Kong, particularly on issues which have post-1997 implications.
- But it is also essential to uphold the authority of the Hong Kong Government.
- Important that this co-operative spirit is matched by concrete progress on specific Hong Kong issues. Hope that real progress can be made on the new airport during Lu Ping's meeting with the Governor on 4 March.
- Work in Joint Liaison Group is progressing far too slowly. Large number of matters are being delayed (eg, Air Services Agreements, Court of Final Appeal). Hope to see some progress at plenary session in Peking next week.

Yours ever,

(S L Gass)
Private Secretary

Sir Charles Powell KCMG
10 Downing Street

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Chinese Ambassador to UK.

Born in 1929 in Shanxi Province.

1950s-1972 MFA staff member and interpreter.

1973 Counsellor in the Chinese Liaison Office in the US.

1975-79 Deputy director of the MFA Department of International Organisations and Conferences and Treaties and Laws

1979-81 Deputy director of the MFA Department of American and Oceanian Affairs

1982-85 Counsellor in the Embassy in Washington.

1985-87 Ambassador to Fiji and concurrently to Kiribati and Vanuatu.

1987 - Ambassador to UK.

Ji was born into the pre-Communist elite. His father was a senior regional education official in the 1920s. His half-brother Ji Chaoding was a noted economist. He took Ji Chaozhu to the US in 1939 to escape the Japanese occupation. Ji went to school in New York, and then to Harvard on a scholarship.

After the communist victory in 1949 Ji, by his own description left-wing and passionately patriotic, went back to China with a group of fellow-students to fight in the Korean War. Afterwards he took part in the negotiations at Panmunjom as an English-language stenographer. He also went to Qinghua University, graduating in chemistry in 1952.

For many years Ji was one of China's leading English-language interpreters, working for several of China's most famous leaders. He was at the Geneva Conference on Indochina with Zhou Enlai in 1954. He was latterly Mao's interpreter, and most recently he accompanied Deng Xiaoping on his visit to the US and Japan in 1979.

Ji was in Shanghai with Jiang Zemin at the time of the Tiananmen Square massacre. He is opposed to hardline leadership, and his return to London was probably allowed because of his association with Jiang Zemin, whom he considers "the right man in the right place".

Those who have met Ji Chaozhu have found him to be confident and outspoken, intelligent and strikingly well-informed. His wife Wang Xiangtong is also fluent in English.



PREMIER LI PENG'S MESSAGE TO PRIME MINISTER

1. Premier Li Peng's message was positive in tone but offered little new by way of substance. In many areas the text mirrored, with a Chinese angle, the sentiments of the Prime Minister's own message.
2. On bilateral relations the message speaks in standard terms of the Chinese Government's satisfaction at the resumption of bilateral co-operation. In practice, despite the reference to this having been achieved through the efforts of both sides, it has been up to us to make the running. The message does however contain welcome recognition of our role in promoting the relaxation of the EC's Madrid measures and on protecting China's MFN status to the US.

Security Council/Gulf

3. The message's comments on the Gulf have clearly now been overtaken by events. By and large they constitute a standard repetition of China's position: solidarity with the early UN Council Resolutions and reiteration of the demand for Iraqi withdrawal but coupled with reservations on the use of force and calls for restraint on both sides. The reference to Iraq's willingness to comply with SCR 660 as an indication of flexibility is a sign of China's attempt to distance itself somewhat from the coalition. Similarly the reference to the need for the Palestine issue to be part of the post war settlement is again an attempt to stake out China's own ground.

Hong Kong

4. Li Peng sets out the standard Chinese position that better consultation and co-operation provides an important guarantee for Hong Kong's stability and prosperity. He also emphasizes that this not only serves Hong Kong but also the interests of Britain and China. These are, in the normal sense, sentiments with which we would of course entirely agree. However, in the current context a call for consultation in effect means that we should not



take unilateral action before reaching agreement with China: this reflects the continuing Chinese conviction that we took advantage of the post Tiananmen climate to change the rules on some important issues.

5. On the airport the message twists the sense of the reference to the airport in the Prime Minister's own message to suggest that it supports the Chinese line on the need to guard against the airport representing a financial burden. Otherwise the line is largely standard.

6. There is little new of substance in this message, but its importance lies more in the fact of such an exchange having taken place. It is important to engage Chinese leaders at a senior level: Li Peng himself clearly exercises a major influence on many areas of interest to us. The Chinese attach rather greater symbolic importance to such exchanges than we do and the message helps set relations in a generally positive framework.



PRIME MINISTER

MEETING WITH THE CHINESE AMBASSADOR

The Chinese Ambassador will pay a farewell call on you on 7 March. He has been an extremely successful Ambassador, not least because of his superb English (he was educated in America and went to Harvard). He is now going to the United Nations as Deputy Secretary-General: but will return to Peking first, where he will see the Chinese leadership.

You will recall that you sent Li Peng (pronounced Lee Pung) a message recently to which he has replied in positive but insubstantial terms. The exchange represents a small net gain.

The points you might make are:

- congratulate him (and his wife) on the very effective way in which they have represented China. They have been very popular and very welcome. We particularly valued the Ambassador's direct contact with No. 10;
- compliment him on his new post;
- welcome Li Peng's reply to your letter and particularly its positive comments on our bilateral relations;
- also pleased by the extent we have been able to work together on the Gulf. Hope that will continue in the next phase;
- say that we look forward to a resumption of high-level visits from China;

- we share Li Peng's wish for closer consultation and co-operation on Hong Kong; ✓
- hope this will be matched by progress on specific issues such as the airport; ✓
- we also need much more rapid progress in the Joint Liaison Group; ✓
- ask him to convey your best wishes to Li Peng, Jiang Zemin (Jang Zee-min) and other leaders. ✓

A fuller note by the FCO is in the folder. ✓

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C. D. POWELL

2 March 1991

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 February 1991

CHINA

The Prime Minister has agreed to see the Chinese Ambassador for a farewell call at 0930 on Wednesday 6 March. The Ambassador has said that he will be seeing the Chinese leader on his return to Beijing and would be happy to convey any oral message which the Prime Minister wants to send.

It would be helpful to have the briefing for the meeting by the evening of Friday 1 March, so the Prime Minister can read it over the weekend before his departure for Moscow.

(C. D. POWELL)

Simon Gass, Esq.,
Foreign and Commonwealth Office.

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c/c

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 February 1991

Thank you for your letter of 14 February and your helpful comments about the Prime Minister's letter to Premier Li Peng. We are, of course, all very sorry that you will be leaving your post as we have enjoyed working with you over the years, and appreciated the friendship of you and your wife. But I know the job in New York is a very important one and we wish you every success in it. The Prime Minister would be very happy to see you before your departure and we have arranged for you to come in on Wednesday 6 March at 0930. I do hope this is convenient. I look forward to seeing you then.

(C. D. POWELL)

His Excellency Mr. Ji Chaozhu

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Copied to USA: Relations
Pt 8



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c/Diary/Hall

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 February 1991

In addition to receiving a farewell call from the Korean Ambassador on Wednesday 27 February at 1745 (about which the Department are aware), the Prime Minister will receive the following calls on Wednesday 6 March:

Chinese Ambassador at 0930 hours

US Ambassador at 1500 hours

It would be very helpful to receive a short brief for each call, covering CVs and points to make, for the Prime Minister's box on Friday 1 March.

Many thanks,

(SANDRA PHILLIPS)

Simon Hall, Esq.,
Foreign and Commonwealth Office.

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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

Prime Minister
Agree to all
the Chinese proposals

14 February 1991
before his departure?

Sir Charles Powell
Private Secretary to the Prime Minister
10 Downing Street
London SW1A 2AA

Yes. Good idea.
COP
1572
A.B.C.

Dear Sir Charles:

I have read the Rt. Hon. Prime Minister John Major's very kind letter to Premier Li Peng. I'm sure that my Government will much appreciate this important initiative at the highest level. I have recommended to my Government that they make an early and positive response to this initiative.

You yourself have consistently worked for better relations between our two countries and your staying on with the Prime Minister certainly provides valuable continuity. I myself deeply value and highly appreciate the friendship we have established over the years and, as I'll soon be relinquishing my post to take up my new post in the United Nations as Under-Secretary General with specific responsibilities for promoting technical co-operation between the developed and developing countries, I very much hope you will establish as good a relationship with my successor as we two have enjoyed together.

I'll be returning to China in the middle of March for a short home leave before going on to New York in late April or early May, and I would very much appreciate it if I could have the privilege of making a farewell call on the Rt. Hon. Prime Minister before my departure, and I would be more than happy to convey any personal oral message which the Prime Minister may have for the Chinese leadership, as I expect to see some of our top leaders in Beijing when I return. Last spring the then Prime Minister the Rt. Hon. Mrs. Margaret Thatcher kindly received me and sent greeting through me to our top leadership which I think helped in pushing our relationship forward. Though

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

I'll be leaving with considerable sadness my post in the United Kingdom I remain committed to better Sino-British relations. I look forward to hearing from you at your convenience.

My wife joins me in sending our best wishes to you and Lady Powell on this doubly auspicious day of the Chinese New Year's eve and St. Valentine's Day.

Very sincerely yours,

史朝铸

(Si Chaozhu)

CHINA: Sino - Anglo Reli Pt 5

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THE DEPARTMENT OF TRANSPORT



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Handwritten signature

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 0~~XXXXXX~~ 071-276 3000

CPM

Charles Powell Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

28/7

My Ref: C/PSO/8216/90

Your Ref:

ms

Dear Charles,

TAIWAN AIR SERVICES

My Secretary of State has seen a copy of your letter of ³ July to the FCO reporting on the Prime Minister's meeting with the Chinese Ambassador and Simon Gass' reply of 18 July about air links with Taiwan.

Mr Parkinson agrees that we must give careful attention to the representations from the Ambassador. He is glad that Mr Maude will have an early opportunity to raise the issue with the Chinese when he is in Peking later this month and considers that the next round of bilateral air services talks with the Chinese will provide an ideal opportunity for experts to consult on Taiwan air links. Mr Parkinson hopes that Mr Maude will be able to steer the Chinese in this direction. The Chinese have been reluctant to agree dates for these talks (which are important for development of our air services relations with both China and Hong Kong) and it will be a valuable bonus if offering consultations on the Taiwan issue helps to get them going.

The British airline directly involved is of course British Airways who fly to Peking and now also have a licence to Taipei. (Virgin Atlantic do not fly to China and are unlikely to want to operate to Taiwan for some time.) We are in close touch with BA about the strength of the Chinese reactions and they are co-operating fully in the proposal to consult with the Chinese. Whilst BA see substantial commercial opportunities operating to Taipei, they will also want to weigh carefully Chinese reactions.

I am copying this letter to Simon Gass.

Yours sincerely,

Peter McCarthy

PETER MCCARTHY
Private Secretary



Foreign and Commonwealth Office

London SW1A 2AH

18 July 1990

Dear Charles,

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[Handwritten signature]
 10/7.

Taiwan Air Services

^{top end}
 In your letter of 3 July recording the Prime Minister's talk with the Chinese Ambassador you commented that she took the view that we were storing up trouble for ourselves on the issue of air links with Taiwan.

We agree. When we decided to investigate the possibilities of a British airline opening a service to Taiwan, we were conscious of Chinese political sensitivities. We therefore decided to move one step at a time. Ministers in the FCO and the Department of Transport therefore agreed not to stand in the way of the Civil Aviation Authority's considering applications by British Airways and Virgin Atlantic for route licences to Taiwan. The CAA granted a licence to British Airways on 18 April. Such a licence is simply a first formality to enable the airline to begin planning in earnest.

We told the Chinese about the CAA decision and explained its essentially technical nature. But the Chinese are not impressed by this argument. They maintain that air links with Taiwan raise serious political questions touching on China's sovereignty, and have consistently pressed us to consult them before taking any further steps.

Now that we know the intensity and duration of the Chinese reaction, we believe it right to tell them that we are prepared to consult. Mr Maude proposed to use his visit to Peking from 24 to 27 July to do this. It is unlikely that his interlocutors will be ready for substantive discussion on this occasion. If necessary, Mr Maude will suggest that the subject be taken up by experts, perhaps at the next round of bilateral air services talks which we have proposed should be held in London in the autumn.

We and the Department of Transport are keeping the airlines informed and they are content with this proposed course of action.

/I am



I am copying this letter to Simon Whiteley
(Department of Transport).

*Yours ever,
S L Gass*

(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street

CHINA: call by Aurobo June 79.



MEETING RECORD
subject of MASTER

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 July 1990

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE CHINESE AMBASSADOR

The Prime Minister had a talk this afternoon with the Chinese Ambassador. Mr. Ji was accompanied by Madame Zhang Youyun.

The Ambassador said that he brought greetings to the Prime Minister from Secretary-General Jiang Zemin, whom he had seen while in Peking. Jiang Zemin had very warm memories of his visit to Britain in 1988 and particularly of his meeting with the Prime Minister. He was grateful to her for sending Sir Percy Cradock to Peking in December 1989, and hoped that the two Governments would continue to maintain close contact. The Ambassador continued that Jiang Zemin had asked him to explain to the Prime Minister his thoughts about the importance of Hong Kong to both Britain and China. Hong Kong tied together the interests of the two countries. He was convinced that the stability and security of Hong Kong was in the mutual interest of Britain and China. Further, he believed that the smooth transfer of Hong Kong to China in 1997 was a bilateral matter. Jiang Zemin wanted to emphasise that the policy of opening up and reform would continue in China. In that context, he drew attention to the successful visit of the Mayor of Shanghai to Hong Kong and Singapore. Britain was in a specially favourable position to be involved in the development of the coastal provinces. Jiang Zemin had also drawn attention to the many points of interest which Britain and China had in common in international affairs, for instance as permanent members of the United Nations Security Council. He hoped that both Governments would take a long range view of Sino-British cooperation and not be diverted from it.

The Ambassador added that Li Peng had also instructed him to convey his respects and greetings to the Prime Minister. Li Peng appreciated her personal efforts in persuading the United States to continue to extend MFN treatment to China and in urging the European Community to relax sanctions on China. He hoped that she would continue to argue for this at the forthcoming G7 Summit. The Ambassador said that he would like to add a final point on a personal basis. He believed that stability in China was in the interest of the whole Asia/Pacific region. The best way for other countries to help the process of reform was to support the development of coastal cities like Guangdong, Tientsin and Shanghai.

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The Prime Minister said she was very grateful for these messages and reciprocated the good wishes conveyed in them. Mr. Maude would be visiting China at the end of July and this would be an important step forward in our relations. She agreed that Britain and China shared an interest in the future of Hong Kong. Britain had a duty to maintain sound administration and prosperity there, so that when Hong Kong returned to Chinese sovereignty in 1997 it would be prosperous and in good order. As part of that task, a number of major projects were being planned, in particular the new airport. They were a vital part of maintaining confidence in Hong Kong, both internally and externally. We hoped that China would endorse these projects and indeed take part in them, so that they would become an example of cooperation. The Prime Minister continued that she had recently had a long talk with the Governor of Hong Kong, who had told her that the overall situation had improved. The agreement reached with the Chinese Government on the future of direct elections had helped in this respect. It was important that the transfer in 1997 should proceed smoothly. That could only be achieved if Britain and China stayed together.

Having dealt with the points raised by Jiang Zemin's message, the Prime Minister said that we were anxious to get to know the future generation of Chinese leaders and would like to invite some of them to visit the United Kingdom. She would be grateful for the Ambassador's advice on this. The Ambassador suggested a number of names, including Li Ruihuan, Wan Li, Qiao She, the new Mayor of Shanghai, the present Mayor of Tientsin and the Governor of Guangdong province. The Prime Minister said that we would consider how best to extend invitations and would be in touch with the Ambassador.

The Prime Minister asked the Ambassador to give her an account of his impressions of China from his home leave. The Ambassador said that things were starting to settle down. There was still some simmering resentment in Beijing over last year's events, but generally people wanted stability. It was helpful that food and other goods were in very plentiful supply in markets, not just in Beijing but throughout the country. Inflation was coming down and was now in single digits. Overall the economy was creeping back. The Prime Minister said she had the impression that powers were once again being devolved to the provinces and they were being given some greater freedom. The Ambassador confirmed this. The Prime Minister said that the best way to achieve stability was to go with the grain of people's inclination to seek greater freedom and responsibility.

The Prime Minister referred briefly to the presence here of Mr. Fang. We were asking the press to leave him alone. The Ambassador took note.

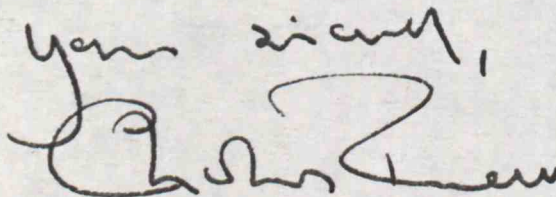
The Ambassador asked whether the Prime Minister had a message for Jiang Zemin. The Prime Minister said that the Ambassador should convey her thanks for Jiang Zemin's message and underline the importance which we attached to the visit of Mr. Maude, whom we hoped would be received a high level. We also hoped it would be the beginning of increasing high-level

contacts. He should add that we looked forward to inviting here some of those who would take an increasingly prominent place in Chinese life in the future. He should underline our attachment to our duty to maintain confidence in Hong Kong. When we discussed it with other Governments it was not in order to internationalise the issue of Hong Kong, but because Hong Kong was an international centre. The Chinese Government had no cause to worry about our nationality package, whose purpose was solely and exclusively to encourage essential people to stay at their posts in Hong Kong, with peace of mind. This was vital to carrying out our obligation to hand over Hong Kong with sound administration and prosperity. We were offering nationality only to people whose presence there was essential. Finally, the Ambassador should convey her greetings also to Deng Ziaoping and Li Peng.

The Ambassador said there was a last point which he wished to raise and that concerned air links between Britain and Taiwan. The Chinese Government would like to be consulted about any intention to establish such links. The Prime Minister said her understanding was that British Airways had obtained a licence for this route, but there was no governmental involvement. The Ambassador said that flights from Taiwan could only land here with permission of the Department of Transport, so there was some governmental involvement. The Chinese Government regarded Taiwan as a province of China and must therefore press for consultations, which had been accepted by other Governments in similar situations. The Prime Minister said that we would consider the request. (The Prime Minister takes the view that we are storing up trouble for ourselves over this and that, if we get to the point of trying to start flights to London from Taiwan without a solution, the Chinese might well retaliate against British airlines.)

The Prime Minister took the opportunity to say goodbye to Madame Zhang Youyun who will shortly be returning to China, thanking her for all her good work in the United Kingdom.

I am copying this letter to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry), Simon Whiteley (Department of Transport) and Sonia Phippard (Cabinet Office).

Yours sincerely,


(C. D. POWELL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

[REDACTED] b(1a-d) ccBlypp
R. [unclear]
2 July 1990 [unclear]

SECRET

PRIME MINISTER

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

CALL BY THE CHINESE AMBASSADOR

You are seeing the Chinese Ambassador, Mr Ji, at 5.30 tomorrow. This should be a further step in the improvement of our bilateral relations.

You will want to stress the importance we attach to these relations, both because of our responsibilities as major powers and because of Hong Kong. We began picking up the threads as far back as last December (your letter to Jiang Zemin). We have helped with efforts to relax the EC Madrid measures and over US MFN treatment for China. It is in China's interests to help by further moves eg on human rights.

On Hong Kong, Sino/UK understanding has grown recently but it is crucial we should be seen to co-operate. We want China's support for the big development projects connected with Hong Kong's new airport. Where we cannot agree, we should at least keep our disagreements private (the Ambassador's suggestion). The Chinese are still critical of our Nationalities Bill and the proposed Hong Kong Bill of Rights.

On Fang Lizhi, we tried to help China by taking him here. We cannot of course control our press but so far Fang has behaved himself. We hope he will continue to do so. (His son, Fang Zhe, should be out on 4 July and coming here on his way to the US).

On Ministerial visits, you will want to stress the importance we attach to Mr Maude's visit at the end of this month and foreshadow a possible visit by the Foreign Secretary later this year.

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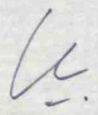
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On UK/Taiwan air services, which Ji is likely to raise, the best line is to stress a) that route licences are only a first step and b) that if the airlines wished to proceed there would be no question of an intergovernmental air services agreement.

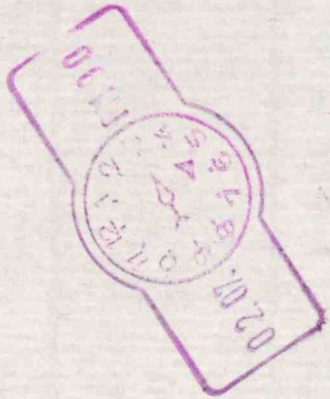
(This line may hold for the moment, when we are at an initial stage, but if BA were getting near a deal, which would have to involve a Taiwan airline landing here, we should almost certainly have to veto on political grounds).

You will want the Ambassador's impressions of Peking and the internal situation in China.



PERCY CRADOCK

SECRET



C.D. Powell Esq



CP

With the compliments of

THE PRIVATE SECRETARY

As I told the Duty Clerk, Mr. Mande asked us to issue a revised version since he had not been able to comment on the version we sent on Friday. Apart from some rewording, the changes (effectively at the end of the section on Mr. Mande's visit; and the end of the first para on Hong Kong) do not change the drift of the letter.

FOREIGN AND COMMONWEALTH OFFICE

SW1A 2AH

Jim Gars
2/7



Foreign and Commonwealth Office

London SW1A 2AH

**CONFIDENTIAL
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2 July 1990

Dear Charles,

Call on the Prime Minister by the Chinese Ambassador

The Chinese Ambassador is to call on the Prime Minister at 1630 on Tuesday 3 July. The Ambassador returned from extended leave in Peking in early June. He has subsequently dined with the Lord President and called on Mr Maude, and is dining with Mr Maude next week.

The Prime Minister may like to ask Ji Chaozhu his impressions of China during his recent visit; in particular whether there are signs of the reform process getting underway again. He was last in Peking over the period of the suppression of the pro-democracy demonstrations in June 1989.

Sino-British relations

Ji has told us that he brings an oral message from Party Secretary Jiang Zemin to the Prime Minister conveying Jiang's good wishes, his hopes for better Sino-UK relations, and his view that these are important not least because of the two countries' role as permanent members of the UN Security Council and their joint responsibility for Hong Kong.

This is all consistent with the Prime Minister's message to Jiang Zemin in December (copy attached) As evidence of her wish to see progress towards the normalisation of relations the Prime Minister could point to the lead we have taken among the Twelve in arguing for

/relaxation

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relaxation of the EC's Madrid Declaration measures against China, in particular on concessional finance (soft loans) and Ministerial and high level visits. As we have told the Chinese our European partners have been unwilling to agree to our approach so far. We shall continue to argue for a relaxation of Western policy; the next opportunity will be at the Houston Summit. The Prime Minister might say that we know a resumption of World Bank lending is a particular Chinese interest. But the pace of progress is to a large extent in Chinese hands: further positive gestures such as the release of detainees would help.

Mr Maude's visit

It is now confirmed that Mr Maude will visit China from 24-27 July. This will be the first visit by a UK or EC Minister since last June. The main focus of the visit will be on Hong Kong. We have informed EC and other Western partners of the visit: EC partners have expressed understanding of our need to maintain such contacts with China in view of Hong Kong. The Prime Minister may wish to stress:

- The significance of this gesture: the first visit to China by any EC Minister since the events of last June. This will open us to domestic criticism, given continuing concern about China's human rights record.
- If the visit is to improve Sino-British relations, it is essential that it should be seen to be a success. It is important that Mr Maude should be received at a high level; there would be adverse comment if he did not see Li Peng.

Hong Kong

The Prime Minister might underline the importance of the new airport project for Hong Kong. It will be good for Hong Kong, it is well planned and financially viable: it deserves China's full support, without which the necessary financial backing may not be forthcoming. In advance of Mr Maude's visit, we are planning to provide further briefing material, which we will give to Ji. The

/Prime

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Prime Minister could say that Mr Maude's visit would be a good occasion for Chinese leaders to express their support in principle for the project.

The Nationality Bill is likely to complete its passage through Parliament and receive the Royal Assent during Mr Maude's visit. The Prime Minister may wish to reiterate that differences of view on the Nationality Bill should best be discussed privately rather than aired publicly. It would be extremely damaging if there were further public exchanges about the Bill during Mr Maude's visit.

On the Bill of Rights, the timetable is that the draft will be put to LegCo in late July and will become law by October. The Prime Minister could tell Ji that if the Chinese government have difficulties with the draft they should let us have their detailed points soon, so that they can be properly considered.

The Prime Minister may also wish to refer briefly to what we have done on MFN, including her personal message to President Bush. This was a good example of an issue where Hong Kong's interests coincided with those of China.

Fang Lizhi

Dr Fang Lizhi, China's leading dissident, arrived in the UK on 25 June following a confidential agreement between the US and China which allowed his release from Peking, where he had sought refuge in the American Embassy in June 1989. Since his arrival the Chinese have made a number of rather heavy handed representations asking us to prevent Fang from contacting the press during his stay here. They have implied that this question could affect the wider relationship between the UK and China if it is not handled "appropriately".

Dr Fang appeared briefly before the press at the Royal Society on 29 June to issue a brief statement, asking the press to desist from hounding him. The Prime Minister may wish to point out that:

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- we were glad to allow Dr Fang come here to take up his invitation from the Royal Society to pursue his academic work, as a means of helping to resolve a longstanding dispute between the US and China.

- we have no reason to believe that Fang intends to make public statements attacking China while he is in this country; but

- we cannot control the press, even if we wished to do so. As Ambassador Ji knows there has been substantial press interest in this case. This will continue. It is up to Fang to decide what he wishes to say. Our impression is that he hopes for a period of quiet to pursue his academic interests.

- there is no reason for this to become a political issue between the UK and China. We see Fang's departure from Peking as a positive development, and are glad to have been able to help China in this way.

UK/Taiwan air services

Ji may raise the question of air services to Taiwan. The Civil Aviation Authority have granted route licences to British Airways and Virgin Atlantic to operate services to Taipei. This decision is only a first step towards the possible establishment of airlinks. While the Transport Secretary has powers to intervene there is no recent precedent for such action, which could be open to legal challenge. It is now up to the airlines to decide whether to seek an operating permit from the Taiwan authorities. This would probably be dependent upon a Taiwan airline being granted a reciprocal permit to operate into London. Such a permit would have to be issued by the Department of Transport. The Chinese Ambassador has made repeated representations, to Mr Maude and the Lord President among others, to the effect that airlinks to Taiwan raise a political question of principle and involve China's sovereignty over Taiwan. (The Chinese Embassy also claim that Ambassador Ji raised the matter with the Prime Minister at their last meeting). Similar representations have been made in Peking. In response we have stressed that airlinks to Taiwan are governed by commercial considerations.

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The Prime Minister could say that the CAA is an independent body which took its decision to grant a licence on technical grounds. The granting of a licence does not mean in itself that services will start. If the airlines wished to proceed there would be no question of an intergovernmental air services agreement, or Memorandum of Understanding, as HMG has no formal dealings with the authorities in Taiwan.

*Involves,
S. L. Gass*

**(S L Gass)
Private Secretary**

**C D Powell Esq
10 Downing Street**

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Foreign and Commonwealth Office

London SW1A 2AH

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29 June 1990

Dear Charles,

Call on the Prime Minister by the Chinese Ambassador

The Chinese Ambassador is to call on the Prime Minister at 1630 on Tuesday 3 July. The Ambassador returned from extended leave in Peking in early June. He has subsequently dined with the Lord President and called on Mr Maude.

The Prime Minister may like to ask Ji Chaozhu his impressions of China during his recent visit; in particular whether there are signs of the reform process getting underway again. He was last in Peking over the period of the suppression of the pro-democracy demonstrations in June 1989.

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The Chinese have now agree that Mr Maude should visit China from 24-27 July. This will be the first visit by a UK or EC Minister since last June. The main focus of the visit will be on Hong Kong. We have informed EC and other Western partners of the visit: EC partners have expressed understanding of our need to maintain such contacts with China in view of Hong Kong. The Prime Minister may wish to stress:

- The significance of this gesture: the first visit to China by any EC Minister since the events of last June. This may open us to domestic criticism, given continuing concern about China's human rights record.
- We hope the Chinese will therefore make sure that the visit is a success: it would be helpful if Mr Maude could see Premier Li Peng.
- We hope the Chinese will take advantage of the visit to do something to boost confidence in Hong Kong. We have been disturbed by the doubts expressed by members of the Chinese government about the port and airport project. It a well thought out scheme which will be of enormous economic benefit.

/Dr Fang Lizhi

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Fang Lizhi

Dr Fang Lizhi, China's leading dissident, arrived in the UK on 25 June following a confidential agreement between the US and China which allowed his release from Peking, where he had sought refuge in the American Embassy in June 1989. Since his arrival the Chinese have made a number of rather heavy handed representations asking us to prevent Fang from contacting the press during his stay here. They have implied that this question could effect the wider relationship between the UK and China if it is not handled "appropriately".

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- we were glad to allow Dr Fang come here to take up his invitation from the Royal Society to pursue his academic work, as a means of helping to resolve a longstanding dispute between the US and China.

- we have no reason to believe that Fang intends to make public statements attacking China while he is in this country; but

- we cannot control the press, even if we wished to do so. As Ambassador Ji knows there has been substantial press interest in this case. This will continue. It is up to Fang to decide what he wishes to say. Our impression is that he hopes for a period of quiet to pursue his academic interests.

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The Nationality Bill is likely to complete its passage through Parliament and receive the [redacted] Royal Assent during Mr Maude's visit. The Prime Minister

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may wish to reiterate that differences of view on the Nationality Bill should best be discussed privately rather than aired publicly. It would be damaging if there were further public exchanges about the Bill during Mr Maude's visit.

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The Prime Minister may also wish to refer briefly to what we have done on MFN, including her personal message to President Bush. This was a good example of an issue where Hong Kong's interests coincided with those of China.

Answer,
S L Gass

(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street

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FM FCO
TO DESKBY 280100Z HONG KONG
TELNO 2383
OF 271820Z NOVEMBER 89
AND TO DESKBY 280100Z PEKING

SRC
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RECEIVED
DEC 1989

STRICTLY PERSONAL FOR GOVERNOR FROM MCLAREN, AUSS
(FOR PEKING, STRICTLY PERSONAL FOR AMBASSADOR)

MIPT : YOUR TELSNOS ⁽²⁵⁾3870, ⁽²⁶⁾3871 AND 3894, AND PEKING TELNO 2094 :
SINO-BRITISH RELATIONS : PRIVATE CHANNELS

APPROVED DRAFT OF MESSAGE FROM PRIME MINISTER READS:

QUOTE. I SEND YOU MY CONGRATULATIONS ON YOUR ASSUMPTION OF THE
HIGHEST RESPONSIBILITIES IN YOUR COUNTRY AND MY GOOD
WISHES IN YOUR FUTURE WORK.

I HAVE BEEN REFLECTING RECENTLY ON RELATIONS BETWEEN OUR TWO
COUNTRIES AND THE BEST MEANS OF IMPROVING THEM.

AS YOU WILL KNOW FROM OUR MEETING IN LONDON LAST YEAR, WHICH I
RECALL WITH PLEASURE, I HAVE ALWAYS ATTACHED GREAT IMPORTANCE TO
SINO-BRITISH RELATIONS, NOT ONLY BECAUSE OF HONG KONG BUT ALSO
BECAUSE OF OUR COMMON RESPONSIBILITIES AS MAJOR STATES, AS
NUCLEAR POWERS, AND AS FELLOW PERMANENT MEMBERS OF THE UNITED
NATIONS SECURITY COUNCIL. WE HAVE DIFFERING POLITICAL AND
ECONOMIC SYSTEMS AND SEE MANY MATTERS FROM DIFFERENT
STANDPOINTS, BUT, DESPITE THIS, WE HAVE IN THE PAST BEEN ABLE TO
WORK TOGETHER TO MAKE NOTABLE CONTRIBUTIONS TO A STABLE
INTERNATIONAL ORDER AND TO WORLD PEACE. IT IS MY PROFOUND HOPE
THAT IN THE FUTURE WE CAN MAINTAIN SUCH CO-OPERATION.

SADLY, OVER THE PAST YEAR OUR RELATIONS HAVE DETERIORATED TO
SOME EXTENT. I DO NOT WISH TO DWELL ON THAT: MY CONCERN IS WITH
THE FUTURE AND WITH THE RESTORATION OF BETTER COMMUNICATION AND
UNDERSTANDING. BUT THESE STRAINS IN OUR RELATIONSHIP MAKE IT
MORE IMPORTANT THAT WE SHOULD EXCHANGE THOUGHTS AND THAT OUR
REPRESENTATIVES SHOULD CONFER IN ORDER TO ARREST AND REVERSE ANY
UNDESIRABLE TREND.

A MAJOR ACHIEVEMENT OF OUR CO-OPERATION HAS BEEN THE JOINT

DECLARATION ON HONG KONG. I GREATLY ADMIRE MR DENG XIAOPING'S IMAGINATIVE CONCEPT OF 'ONE COUNTRY TWO SYSTEMS' WHICH MADE THAT AGREEMENT POSSIBLE. I ALSO HAVE THE WARMEST RECOLLECTIONS OF MY VISIT TO PEKING IN DECEMBER 1984 TO SIGN THE SINO-BRITISH JOINT DECLARATION ON THE QUESTION OF HONG KONG. I CAN ASSURE YOU THAT THE BRITISH GOVERNMENT REMAIN FULLY COMMITTED TO IT. IT IS OUR SINCERE WISH TO WORK WITH YOU IN IMPLEMENTING THAT AGREEMENT, AND IN ENSURING THE TERRITORY'S FUTURE STABILITY AND PROSPERITY.

THAT TASK IS PARTICULARLY URGENT AT THE PRESENT TIME. WHATEVER THE REASON, IT IS A FACT THAT PEOPLE IN HONG KONG HAVE BECOME MUCH MORE WORRIED ABOUT THE FUTURE AND THAT PRESSURE FOR EMIGRATION HAS GREATLY INCREASED. WE ARE HAVING TO CONSIDER SPECIAL INCENTIVES TO PERSUADE KEY FIGURES IN THE COMMUNITY TO REMAIN AT THEIR POSTS.

I KNOW THAT YOU HAVE BEEN MUCH EXERCISED OF LATE ABOUT THE POSSIBILITY THAT HONG KONG MIGHT BE USED IN SOME WAY TO SUBVERT THE AUTHORITY OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA. I WISH TO REPEAT THE ASSURANCE ALREADY GIVEN BY THE FORMER FOREIGN SECRETARY, JOHN MAJOR, BY THE GOVERNOR OF HONG KONG, AND BY THE BRITISH AMBASSADOR IN PEKING AND OTHER BRITISH OFFICIALS THAT MY GOVERNMENT HAVE NO INTENTION OF ALLOWING HONG KONG TO BE USED AS A BASE FOR SUBVERSION. WE ADHERE TO THE CONCEPT OF QUOTE ONE COUNTRY TWO SYSTEMS UNQUOTE, AS YOU DO. AN IMPORTANT PART OF THE SYSTEM IN HONG KONG IS THE LAWS WHICH PROVIDE FOR FREEDOM OF ASSOCIATION AND EXPRESSION. YOU WILL HAVE SEEN THAT WITHIN THE FRAMEWORK OF THESE LAWS THE HONG KONG GOVERNMENT HAVE TAKEN CERTAIN MEASURES WITHIN RECENT WEEKS TO PREVENT THE TERRITORY BEING USED BY POLITICAL GROUPS BASED ELSEWHERE. YOU WILL ALSO KNOW THAT THE GOVERNOR HAS CALLED ON HONG KONG PEOPLE TO EXERCISE THEIR FREEDOMS WITH A SENSE OF RESPONSIBILITY AND NOT TO GET INVOLVED IN THE AFFAIRS OF CHINA. THE BRITISH GOVERNMENT FULLY ENDORSE THE VIEW EXPRESSED BY THE GOVERNOR, AND WE BELIEVE THAT IT IS ALSO WIDELY ACCEPTED AMONG THE PUBLIC IN HONG KONG.

REPORTS WHICH I HAVE SEEN SUGGEST THAT THERE MAY BE SOME CONCERN ON YOUR PART THAT THE BRITISH GOVERNMENT ARE SEEKING TO QUOTE INTERNATIONALISE UNQUOTE THE HONG KONG PROBLEM. I CAN ASSURE YOU THAT THERE HAS BEEN NO SUCH CHANGE IN POLICY WE REGARD HONG KONG AS A BILATERAL MATTER FOR OUR TWO GOVERNMENTS, AND ONE WHICH HAS ALREADY BEEN SETTLED THROUGH THE SIGNATURE OF THE JOINT DECLARATION. BUT I BELIEVE THAT HONG

KONG'S MAJOR TRADING PARTNERS HAVE A PART TO PLAY, IN PARTICULAR BY MAINTAINING THEIR COMMERCIAL INTERESTS IN THE TERRITORY, AND BY CONTINUING TO INVEST THERE. I AM SURE YOU WILL SHARE THAT VIEW.

ANOTHER ISSUE OF CONCERN IS THE DRAFTING OF THE BASIC LAW, NOW IN ITS CONCLUDING PHASE. AS YOU RECOGNISE, THIS IS OF CRITICAL IMPORTANCE FOR THE SUCCESSFUL IMPLEMENTATION OF THE JOINT DECLARATION. THE DRAFTING IS ESSENTIALLY A MATTER FOR YOUR GOVERNMENT SEMI-COLON BUT YOU HAVE CAREFULLY CONSULTED OPINION IN HONG KONG SEMI-COLON AND THE BRITISH GOVERNMENT, FOR THEIR PART, HAVE A RESPONSIBILITY FOR ENSURING THAT THE PROVISIONS OF THE JOINT DECLARATION ARE FAITHFULLY REFLECTED IN THE FINAL BASIC LAW TEXT. THERE ARE STILL SOME OUTSTANDING POINTS AND WE HAVE PUT TO YOU A NUMBER OF DETAILED SUGGESTIONS, WHICH I AM SURE YOU WILL CONSIDER CAREFULLY SO THAT THERE WILL BE NO DIFFICULTY IN THE BRITISH GOVERNMENT PUBLICLY WELCOMING THE BASIC LAW WHEN IT APPEARS IN ITS FINAL FORM. IT IS OF KEY IMPORTANCE THAT IT SHOULD BE WELCOMED IN HONG KONG AND SHOULD BE REGARDED AS A SOUND BASIS FOR HONG KONG'S FUTURE AFTER 1997.

ONE VERY IMPORTANT AREA IN THE BASIC LAW IS THAT RELATING TO THE COMPOSITION OF THE FUTURE LEGISLATURE. YOUR OWN EXPERTS WILL HAVE TOLD YOU THAT THERE HAS BEEN A SUBSTANTIAL EVOLUTION OF PUBLIC OPINION IN HONG KONG ON THIS MATTER OVER THE LAST TWO YEARS. ALTHOUGH THERE ARE STILL SOME DIFFERENCES ON DETAIL, THERE IS A WIDESPREAD DESIRE TO HAVE A SUBSTANTIAL PROPORTION OF THE LEGISLATURE DIRECTLY ELECTED WHEN THE HONG KONG SPECIAL ADMINISTRATIVE REGION COMES INTO BEING.

WE REMAIN STRONGLY COMMITTED BOTH TO EFFECTIVE GOVERNMENT IN HONG KONG AND TO A PACE OF EVOLUTION OF THE POLITICAL SYSTEM THERE WHICH MAINTAINS STABILITY. I AM CONVINCED THAT IT IS NECESSARY FOR US TO RESPOND ADEQUATELY TO THE MAIN BODY OF OPINION IN HONG KONG AND THAT IT IS POSSIBLE TO DO SO WITHOUT ENDANGERING STABILITY OR YOUR INTERESTS. INDEED, I AM DEEPLY CONCERNED THAT IF WE FAIL TO DO SO IT WOULD HAVE A VERY SERIOUS EFFECT ON OUR OWN AUTHORITY IN THE TERRITORY AND OUR ABILITY TO CARRY OUT OUR RESPONSIBILITIES THERE.

THE QUESTION ARISES IN ITS MOST IMPORTANT FORM IN RELATION TO THE FUTURE LEGISLATIVE COUNCIL ELECTIONS DUE TO BE HELD IN THE REMAINING YEARS OF BRITISH ADMINISTRATION, IN 1991 AND 1995. YOU WILL RECALL THAT, FOLLOWING CAREFUL DISCUSSION WITH THE CHINESE SIDE, WE ANNOUNCED IN 1988 THAT 10 DIRECTLY ELECTED

SEATS WOULD BE INTRODUCED IN 1991. BUT I MUST TELL YOU THAT IN VIEW OF THE EVOLUTION OF OPINION SINCE 1988 DESCRIBED ABOVE, MY GOVERNMENT IS UNDER GREAT PRESSURE TO INCREASE THIS NUMBER

SUBSTANTIALLY, TO 20 AT LEAST, AND TO ANNOUNCE OUR INTENTIONS SOON.

IT IS THEREFORE VERY IMPORTANT THAT THE BASIC LAW SHOULD BE DRAFTED IN SUCH A WAY AS TO ALLOW US TO RESPOND ADEQUATELY TO PUBLIC OPINION IN HONG KONG AT THE SAME TIME AS MAINTAINING THE PRINCIPLE OF CONVERGENCE. OUR REPRESENTATIVES SHOULD DISCUSS HOW THIS MIGHT BE DONE.

NONE OF THE ABOVE ISSUES, THOUGH DELICATE, SEEM TO ME INSOLUBLE GIVEN GOODWILL ON BOTH SIDES. THERE MAY, OF COURSE, BE OTHER QUESTIONS WHICH YOU MAY WISH TO RAISE, BUT AGAIN I SUGGEST THEY ARE READILY MANAGEABLE IF WE APPROACH THEM IN A CO-OPERATIVE SPIRIT AND BY MEANS OF PRIVATE AND INFORMAL DISCUSSION.

I DO NOT BELIEVE THAT THE DETERIORATION IN OUR RELATIONS DURING THE PAST FEW MONTHS IS IN THE INTERESTS OF EITHER OF OUR TWO COUNTRIES. I, FOR MY PART, AM WILLING TO WORK TOWARDS A RESTORATION OF THE FORMER DEGREE OF CLOSE UNDERSTANDING IN OUR BILATERAL RELATIONS AND OF THE PATTERN OF MINISTERIAL AND OTHER EXCHANGES WHICH REFLECTED IT. I AM ALSO WILLING TO HELP WHERE I CAN TO ASSIST THE NORMALISATION OF RELATIONS BETWEEN CHINA AND THE WESTERN WORLD, WHICH I BELIEVE TO BE IN THE OVERALL INTEREST OF THE INTERNATIONAL COMMUNITY.

I HAVE ASKED SIR PERCY CRADOCK, WHO IS MY FOREIGN AFFAIRS ADVISER AND A FORMER AMBASSADOR TO YOUR COUNTRY, TO CARRY THIS MESSAGE. HE ENJOYS MY FULL CONFIDENCE AND IS AUTHORISED TO DISCUSS THESE MATTERS WITH YOU AND YOUR COLLEAGUES.

HIS EXCELLENCY MR JIANG ZEMIN. UNQUOTE.

HURD

YYYY



PRIME MINISTER

MEETING WITH CHINESE AMBASSADOR

The Chinese Ambassador is coming in to see you on Tuesday, on his return from Peking. You will recall that you had a talk with him shortly before his departure there. He is bringing with him his Counsellor, Mrs Zhang, for a farewell call.

Your recent talks with the Governor of Hong Kong and with Sir Y K Pao constitute useful background for the meeting. The FCO's letter in the folder sets out the issues in more detail. The Ambassador will have an oral message for you from Jiang Zemin, although of a fairly inconsequential nature.

I think the main objectives of the meeting are:

- to get the Ambassador's feel for what is going on in China and the prospects for a resumption of reform;
- to underline our determination to get back on to better terms. This is evidenced by our attempts to secure a relaxation of measures against China, and the arrangements for Mr Maude's visit to Peking;
- to take him through our assessment of recent developments in Hong Kong, underlining all the time the vital need to restore confidence;
- to explain authoritatively the situation over Fang Lizhi. We have no intention of allowing this to become a political issue between Britain and China;
- to rebuff firmly any attempt to make us put pressure on airlines not to fly to Taiwan.

You might enquire whether the Ambassador expects any high level visits from China in the latter part of this year, and express willingness in principle to receive any visitors.

CDP.
CHARLES POWELL

29 June 1990

CONFIDENTIAL



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

22 June 1990

Dear Sir,

LORD PRESIDENT'S DINNER WITH CHINESE AMBASSADOR

I enclose a copy of a personal record the Lord President prepared following his dinner with the Chinese Ambassador on 13 June. Apologies for the delay in sending this out, but it got stuck in the wrong tray here.

The Lord President was extremely grateful to those who provided briefing for him.

I am copying this letter and Sir Geoffrey's note to Charles Powell, who will wish to note Paragraph 2, to Martin Stanley (DTI), who will wish to note the references to air services to Taiwan, and with similar thanks for the briefing to Sir Percy Cradock and James Richards.

[Handwritten signature]
[Handwritten signature]

T J SUTTON
Principal Private Secretary

Simon Gass Esq
PS/Foreign Secretary

LORD PRESIDENT'S DINNER WITH CHINESE AMBASSADOR: WEDS 13 JUNE

Note by Lord President

CHINA

The discussion ranged over every one of the items noted in the points to make, almost entirely along predictable lines - as though Ji had the same briefing note.

Initiatives from the Chinese side were not surprising: warm expressions of goodwill from ex Foreign Minister Wu Xueqian and Foreign Minister Qian Qichen, renewed invitations to visit China at any time and, more specifically, an express message from General Secretary Jiang Ze Min to the Prime Minister emphasising the importance he attached to the re-establishment of firm and close relations between UK and PRC, his determination towards that end, his view that UK/PRC relationships were more important than any other relations for China with any other European country etc. In the absence of any more specific proposals, I echoed all these sentiments.

For the rest, I covered almost verbatim the points set out in paragraphs 3-8 and received appreciative or encouraging responses on all of them (Ji understands the subject too well not to respond sensibly on such points: progress, economic and political, was gradually getting under way again - but we should take care not to expect too much too soon, since "too many old men" are still in charge of too many things in Beijing). The (quiet) backing for reform was still continuing.

On point 5, Ji wondered whether we might not be able to take up and press ahead with two or three representative major projects, for example the Beijing Metro. I explained that we instinctively tried to keep our position in line with that of our partners,

was critical of reference in the past by Francis Maude to the internationalisation of Hong Kong and our approach to the nationality question. He was, however, very appreciative of more recent statements by Francis Maude, and the Prime Minister.

On PADS, it appeared that the Chinese Government were now happier with the prospect, having been given more details. He appreciated the importance of "up to 60%" from the private sector and of some contribution from China itself.

He accepted without demur, the line suggested on Vietnamese Boat People and subversion/anti-China activities. Ji's only important response was to stress the high value of manifest co-operation and similarity of tone between the Governments of PLC and UK. The Chinese Leaders in particular, he now said, were much more aware of the need to be making positive statements in public about the spirit of partnership between our two countries and the future of Hong Kong; they were concerned, since Tiananmen Square, at the risk of Hong Kong becoming a base for subversion and felt quite clear that HKG had clean hands on this.

All in all a not very surprising record of a fairly surprising, and most agreeable, dinner party.

W. Maude

CP. GH

Approved by the Vice President & signed in his absence.

whom we were seeking to carry forward - so that we would need to think carefully before we contemplated moving ahead on a specific topic in this way. Ji urged us to think in this way and expressed appreciation of our lobbying in the EC and the US.

On detainees, Ji said that more would be released quite shortly, including (he hoped, after I had asked him) the son of ex-Foreign Minister Wu. Ex-Prime Minister Jao Ze Yang, he stated, was fit and living comfortably in the private house which had earlier been occupied by Hu Yao Bang.

Ji raised quite deliberately and strongly the question of UK/Taiwan air services (his wife joined in on this). I spoke precisely to the defensive brief. Ji said that our Secretary of State had power to intervene to overturn the decisions in question - which I did not accept. His principal pre-occupation appeared to be with the prospect of Taiwanese airlines flying to Britain. Surely, he asked, this was something which HMG was in a position to prevent and would be ready to do? I suspect he is right, but I retreated to the purely commercial/straight technical defence line. It was most important, concluded Ji on this topic, that we should be ready to talk it through calmly with Chinese opposite numbers. I saw no objection in principle to this but gave no commitment.

HONG KONG

Here too the conversation stuck convincingly to our speaking notes, save that I forgot to stress specifically the importance of recognising British responsibility for Hong Kong until 1997.

Ji joined in recognising that the JLG was now on the move again (and paid warm tribute to the energy and skill of Tony Goldsworthy) and did not demur at my suggestion that headway should now be made on ASAs, localisation of laws etc.

On the Bill of Rights and nationality package, he offered no resistance to the UK arguments set out in the brief, save that he

22.06.1990



PM 90



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 June 1990

CHINA

The Chinese Ambassador has asked to see the Prime Minister on his return from Peking. We have put him in the diary for 1730 on 3 July. It would be helpful to have briefing before then.

C. D. POWELL

Simon Gass, Esq.,
Foreign and Commonwealth Office.

3 JULY



17.30

10 DOWNING STREET

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Wants to see the

to see the

PM some time

between now &

19 July. Can

you find him

to 30 minutes please
can

File

Meeting Record
Subject cc MasterMeeting
Record

EAM

A: Foreign
China

bc PC

10 DOWNING STREET

LONDON SW1A 2AA

16 March 1990

From the Private Secretary

CHINA

The Prime Minister had the Chinese Ambassador in for a talk this afternoon, lasting about forty five minutes.

The Prime Minister said that she thought it was time to get back to a better and more normal relationship between Britain and China. She was motivated above all by the importance of a smooth transition for Hong Kong through 1997. The agreement between Britain and China on Hong Kong's constitutional development had been an important step and she appreciated that the Chinese Government had modified its position in response to our request. She noted that Lord Young would shortly be visiting China. We attached importance to the visit and hoped it would be a success.

The Ambassador agreed that things were better. Sir Percy Cradock's mission to Peking had marked an important improvement in atmosphere and there had subsequently been concrete progress on constitutional matters in Hong Kong. The Ambassador continued that, speaking strictly personally, he had been very disturbed by the events of last June and the subsequent attempt to put reform in China into reverse. This had lasted throughout the autumn but had finally been defeated following an outburst by Deng Xiaoping. Since then, reform had resumed and the special economic zones were once more expanding. Pressure from the provinces had played an important part in forcing Li Peng to give way. He hoped that Britain would feel able to support the reform process, for instance by relaxing our position on soft loans in one or two areas. He also hoped that Ministerial visits might resume later in the year, for instance with a visit to China by Mr Maude.

The Prime Minister observed that China had been leading the way in reform, particularly economic reform, and we had been correspondingly disillusioned by the events in the second half of last year. Enormous changes were taking place the world over and no country could be insulated from them. She was in no doubt that China would be affected too. It would be very important from the point of view of Hong Kong that change should take place peacefully. She would like relations to improve steadily and agreed that a visit by a Minister of State would be the logical next step. We would give thought to this, and to the possibility of restoring soft loans.

The Ambassador then said that he had some instructions from Peking to which he ought to make some reference. In essence, these were that the visit of Sir Percy Cradock had been much appreciated: the Chinese leadership hoped to restore co-operation over Hong Kong: but they also urged the United Kingdom to reconsider the question of granting British citizenship to 225,000 people from Hong Kong. The Prime Minister immediately took the Ambassador up on this last point, explaining that our offer of citizenship was a vital part of our obligation to preserve sound administration and prosperity in Hong Kong up to and beyond 1997. We had a bounden duty under the Joint Declaration to do this and it was in China's interest to see us carry out that obligation. Otherwise, there was a real risk that many more skilled people and entrepreneurs would leave Hong Kong for other countries. The whole purpose of our scheme was to encourage good people to stay in Hong Kong.

The Prime Minister continued that she hoped political liberalisation in China would resume. Nothing would have a more beneficial effect on opinion in Hong Kong than to see renewed progress in the direction of greater democracy. The Ambassador said he believed this would come, provided China was not isolated. The fact was, everyone was waiting for the demise of the old men. He thought that restoring the flow of high level visits between Britain and China could play an important part in encouraging change. The Prime Minister said that this should also include visits by senior Chinese leaders to Hong Kong, to see it for themselves.

Reverting to the question of citizenship, the Ambassador said that the best outcome might be an undertaking by both sides to stick to their respective positions but keep quiet about them and avoid public statements. It would be very helpful if Sir Geoffrey Howe could propose this to Vice Premier Wu when he saw him. That way, the message would go to the very top. He might also urge the need for more frequent consultations.

The Prime Minister said that we hoped the Chinese authorities would invest in the new Hong Kong airport. It would bring major benefits to the whole region. We also sought their co-operation over preventing the transit of Vietnamese boat people through China. The Ambassador said that co-operation on this last matter was improving.

The Prime Minister invited the Ambassador to come and see her again when he returned from his holiday in China in May.

CHARLES POWELL

R N Peirce Esq
Foreign and Commonwealth Office

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OF THE PUBLIC RECORDS ACT.

PRIME MINISTER

MEETING WITH THE CHINESE AMBASSADOR

Temporarily Retained

You have invited the Chinese Ambassador to come in for a talk tomorrow, with the intention of 'extending the hand of friendship'. You know him well: he is a very smart operator, who is capable of defending his government's actions with great skill

In a sense the gesture of offering the meeting is the most important thing about it, and that fact alone will have registered with the Chinese Leadership. But I know he has asked Peking for some instructions and will certainly have received them, although he will probably leave it to you to decide what subjects to raise.

You might start by recalling the happy occasion of your dinner at the Chinese Embassy on May Day last year, and speak with regret at the cloud which subsequently came over our relations following the events of June. Your views on that are a matter of record and you are not going to labour them now. But it is vital for Britain and China to be in effective contact and that was the purpose of your sending Sir Percy Cradock to Peking with the message for General Secretary Jiang Zemin. Since then, there has been a welcome improvement in our relations and we want to see that taken further. The recent visit to China by Lord Sharp underlined our continued interest in trading with China, as did our decision to confirm a soft loan for the Peking Metro project. There is no truth in reports that we have been trying to delay or prevent the relaxation of Western measures against China. Lord Young will be visiting China later this month. He is a good friend of China and his visit has your full support. You hope he will see some of the top leaders.

Clearly Hong Kong is the most important business between us and you are pleased that we were able to reach agreement on the pace

of constitutional development. It was not perfect and it has caused some loss of morale in Hong Kong, which is a pity. But you recognise that the Chinese Government made a serious effort to meet our concerns and you are grateful for that. Our only wish is to see Hong Kong remain prosperous and well-administered up to 1997 and beyond. That is one of the reasons for our intention to offer British citizenship to a limited number of people from Hong Kong. The Ambassador will have seen that the proposal is causing you great political difficulty here, and you are not doing it to gain us any advantage at all. Our wish and hope is that the most skilled and qualified people and those responsible for Hong Kong's phenomenal prosperity will remain there. The offer of citizenship is intended to encourage that. You want to emphasise to him that there is no need for the Chinese Government to be suspicious of our intentions and you very much hope they will stop making public statements of a critical nature. The more they speak up in this way, the more likely it is that people will want to leave Hong Kong, which does not suit either of us.

You might also say to him that it is important to do everything possible to promote confidence in Hong Kong, and support for the massive Port and Airport Development Scheme is one way of doing this. The Scheme is essential if Hong Kong is to retain its position as a major international trading centre; and it should benefit the Pearl River delta area of China as well. About 60 per cent of the Project will be financed by the private sector; we hope that the Chinese will also participate.

You will want to urge the Ambassador to help stop the Vietnamese Boat People coming through China to Hong Kong. We were grateful for the assurance given by Li Peng to the Governor in January and hope very much that the Chinese will take effective measures. The burden of Boat People on Hong Kong is becoming intolerable and it is in the interest of both Britain and China to resolve the problem.

If there is time, you may wish to broaden out the discussion to cover wider international developments, particularly in the

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- 3 -

Soviet Union and Eastern Europe, and how he sees the prospects for liberal economic policies and greater democracy in China. You might also ask for news of Zhao Ziyang.

The Ambassador is returning to China on leave in April/May. You might ask him to convey your greetings to the Chinese leaders and come and see you again when he returns in the summer.

A fuller note by the Foreign and Commonwealth Office is in the folder.

C.D.P.
CHARLES POWELL
15 MARCH 1990

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PRIME MINISTER

15 March 1990

CALL BY CHINESE AMBASSADOR: FRIDAY 16 MARCH

The Foreign Office have provided a good briefing letter and I do not want to add much to it.

Flag A

On Sino-British relations, you will want to refer to your message of December to General Secretary, Jiang Zemin, (copy attached), expressing our wish to get back on to a better footing. You will also want to refer to Jiang Zemin's reply (attached) which echoes your sentiments and says that all problems are manageable if approached in a cooperative spirit.

Flag B

You might then mention some of the steps we have taken on the bilateral side, eg resumption of World Bank lending for "humanitarian" needs projects, resumption of ECGD cover, soft loan support for the Peking metro project, visits by Lord Sharp and later this month Lord Young. Lord Young's visit has your full backing.

You might also refer in general terms to the possibility of future Ministerial visits (for your own information Francis Maude is planning a visit in July).

On Hong Kong we have shown by our agreement on directly elected seats our wish to cooperate with China, despite strong public criticism. We would of course have liked more directly elected seats, but the main thing is that we should work together rather than against one another.

We very much hope that, having put this tough negotiation behind us, we can now do more together to promote confidence in Hong Kong.

Our nationality package, is intended to fulfil our

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obligations under the Joint Declaration and maintain stability and prosperity by keeping people in Hong Kong. It is the minimum necessary if we are to achieve that objective. Equally, grant of passports by other trading partners of Hong Kong serves the purpose of assisting stability and prosperity. We hope that the Chinese government will recognise the positive motives behind our moves and will not make unhelpful public comment.

Another area where we seek Chinese help is in support for the Port and Airport Development Scheme. This is not intended to impose heavy financial burdens on the future S.A.R government. In fact if Hong Kong is to serve Chinese purpose as well as its own it will have to expand. Chinese participation in these development plans would of course be welcome.

Finally, you will want to stress the importance of Chinese help in preventing Vietnamese boat people transiting China on route to Hong Kong. Premier Li Peng assured the Governor that the Chinese government were ready to help and we are now giving the Chinese full details of the routes being used to reach Hong Kong. It is essential to prevent a further influx of Vietnamese this year. If the influx continues we may have to seek Chinese cooperation in implementing emergency measures.



PERCY CRADOCK

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MESSAGE FROM PRIME MINISTER

I send you my congratulations on your assumption of the highest responsibilities in your country and my good wishes in your future work.

I have been reflecting recently on relations between our two countries and the best means of improving them.

As you will know from our meeting in London last year, which I recall with pleasure, I have always attached great importance to Sino-British relations, not only because of Hong Kong but also because of our common responsibilities as major States, as nuclear powers, and as fellow Permanent Members of the United Nations Security Council. We have differing political and economic systems and see many matters from different standpoints, but, despite this, we have in the past been able to work together to make notable contributions to a stable international order and to world peace. It is my profound hope that in the future we can maintain such co-operation.

Sadly, over the past year, our relations have deteriorated to some extent. I do not wish to dwell on that: my concern is with the future and with the restoration of better communication and understanding. But these strains in our relationship make it more important that we should exchange thoughts and that our representatives should confer in order to arrest and reverse any undesirable trend.

A major achievement of our co-operation has been the Sino/British Joint Declaration on Hong Kong. I greatly admire Mr Deng Xiaoping's imaginative concept of "one country two systems"

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which made that agreement possible. I also have the warmest recollections of my visit to Peking in December 1984 to sign the Joint Declaration. I can assure you that the British Government remain fully committed to it. It is our sincere wish to work with you in implementing that agreement, and in ensuring the territory's future stability and prosperity.

That task is particularly urgent at the present time. Whatever the reason, it is a fact that people in Hong Kong have become much more worried about the future and that pressure for emigration has greatly increased. We are having to consider special incentives to persuade key figures in the community to remain at their posts. I am sure you would agree that it is very much in the interests of both the British and Chinese Governments to do all we can to promote confidence in Hong Kong and that we should be seen to be working together.

I know that you have been much exercised of late about the possibility that Hong Kong might be used in some way to subvert the authority of the Government of the People's Republic of China. I wish to repeat the assurance already given by the former Foreign Secretary, John Major, by the Governor of Hong Kong, and by the British Ambassador in Peking and other British officials that my Government have no intention of allowing Hong Kong to be used as a base for subversion. We adhere to the concept of "one country two systems", as you do. An important part of the system in Hong Kong is the laws which provide for freedom of association and expression. You will have seen that within the framework of these laws the Hong Kong Government have taken certain measures within recent weeks to prevent the territory being used by political groups based elsewhere. You will also know that the Governor has called on Hong Kong people to exercise their freedoms with a sense of responsibility and not to get involved in the affairs

of China. The British Government fully endorse the view expressed by the Governor, and we believe that it is also widely accepted among the public in Hong Kong.

Reports which I have seen suggest that there may be some concern on your part that the British Government are seeking to "internationalise" the Hong Kong problem. I can assure you that there has been no such change in policy. We regard Hong Kong as a bilateral matter for our two Governments, and one which has already been settled through the signature of the Joint Declaration. But I believe that Hong Kong's major trading partners have a part to play, in particular by maintaining their commercial interests in the territory, and by continuing to invest there. I am sure you will share that view.

Another issue of concern is the drafting of the Basic Law, now in its concluding phase. As you recognise, this is of critical importance for the successful implementation of the Joint Declaration. The drafting is essentially a matter for your Government; but you have carefully consulted opinion in Hong Kong; and the British Government, for their part, have a responsibility for ensuring that the provisions of the Joint Declaration are faithfully reflected in the final Basic Law text. There are still some outstanding points and we have put to you a number of detailed suggestions, which I am sure you will consider carefully. I want the British Government to be able publicly to welcome the Basic Law when it appears in its final form. It is also of key importance that it should be welcomed in Hong Kong and should be regarded as a sound basis for Hong Kong's future after 1997.

One very important area in the Basic Law is that relating to the composition of the future legislature. Your own experts will have told you that there has been a substantial evolution

of public opinion in Hong Kong on this matter over the last two years. Although there are still some differences on detail, there is a widespread desire to have a substantial proportion of the legislature directly elected when the Hong Kong Special Administration Region comes into being.

We remain strongly committed both to effective government in Hong Kong and to a pace of evolution of the political system there which maintains stability. I am convinced that it is necessary for us to respond adequately to the main body of opinion in Hong Kong and that it is possible to do so without endangering stability or your interests. Indeed, I am deeply concerned that if we fail to do so it would have a very serious effect on our own authority in the territory and our ability to carry out our responsibilities there.

The question arises in its most immediate form in relation to the future Legislative Council elections due to be held in the remaining years of British administration, in 1991 and 1995. You will recall that, following careful discussion with the Chinese side, we announced in 1988 that 10 directly elected seats would be introduced in 1991. But I must tell you that now, as a result of the evolution of opinion since 1988 described above, my government are under intense pressure to increase this number substantially and to announce our intentions soon. I cannot ignore that pressure and, for reasons given above, believe it would be unwise to try to do so. But I am most anxious that any arrangements for Hong Kong before 1997 should harmonize with the Basic Law so as to maintain the essential principle of convergence. Here I must turn to you for your help in drafting the Basic Law. I hope our representatives can confer urgently so as to reach a satisfactory outcome.

None of the above issues, though delicate, seems to me insoluble, given goodwill on both sides. There may, of course, be other questions which you may wish to raise, but again I

suggest they are readily manageable if we approach them in a co-operative spirit and by means of private and informal discussion.

I do not believe that the deterioration in our relations during the past few months is in the interests of either of our two countries. I, for my part, am willing to work towards a restoration of the former degree of close understanding in our bilateral relations and of the pattern of Ministerial and other exchanges which reflected it. I am also willing to help where I can to assist the normalisation of relations between China and the Western world, which I believe to be in the overall interests of the international community.

I have asked Sir Percy Cradock, who is my Foreign Affairs Adviser and a former Ambassador to your country, to carry this message. He enjoys my full confidence and is authorised to discuss these matters with you and your colleagues.

His Excellency Mr Jiang Zemin.

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(Translation)

The Rt. Hon. Margaret Thatcher, Prime Minister
of the United Kingdom,

I acknowledge with gratitude the receipt of your letter forwarded to me by your special envoy Sir Percy Cradock. I appreciate the move you have taken to send a personal special envoy to China, which enables us to share ideas with each other and helps to enhance mutual understanding.

I have read your letter with great interest and attention. In writing this letter in reply, I cannot but recall the visit that I paid to your country in March, 1988 in the capacity of Mayor of Shanghai Municipality and my cordial meeting with you, a meeting that has left me with a deep impression. That was a time when Sino-British relations were at their best. Unfortunately, our relations have recently suffered from difficulties. That is not what we would like to see and that, as you put it in your letter, is "in the interests of neither side."

I fully share the positive attitude you expressed in your letter that in our bilateral relations there is need for a forward-looking approach. I stand ready to seek ways to restore and improve Sino-British relations in the same spirit.

I attach great importance to Sino-British relations. With China being the largest developing country in the world and Britain an important developed country in the West, and with both being permanent members of the U.N. Security Council, our two countries have many common interests instead of conflict of fundamental interests. The difference in social systems and ideologies does not constitute any obstacle to the conduct of fruitful cooperation between us. Therefore, in the face of the present volatile and turbulent international situation, the restoration of our previous good cooperation will not only serve the fundamental interests of the Chinese and British peoples but also contribute to world peace and stability. I would like to inform you hereby that there will be a prompt response from the Chinese side to any positive

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action taken by the British side for resuming cooperation and improving relations.

The Sino-British Joint Declaration on the Question of Hong Kong signed in 1984 provides a satisfactory solution to the issue concerning the resumption of China's sovereignty over Hong Kong and a solid basis for sustained prosperity and stability in Hong Kong. The Joint Declaration represents a great undertaking jointly initiated with vision by Comrade Deng Xiaoping and you, Prime Minister, according to the concept of "one country, two systems". It not only conforms to the long-term interests of our two peoples but also sets a good example for tackling the problems left over from history among states. So we treasure this hard-won achievement.

There is no need to hide the fact that some worrisome cases have recently occurred on the question of Hong Kong detrimental to the implementation of the Joint Declaration. I believe you can understand that the question of Hong Kong is for us an important political issue involving our state sovereignty and dignity as well as national feelings. And we also believe that we have much stake in common in the strict implementation of the Joint Declaration for the purpose of maintaining prosperity and stability in Hong Kong. I would like to reaffirm here that the Chinese Government will, as always, abide by the Sino-British Joint Declaration reached along the line of the "one country, two systems" concept and unswervingly fulfil all its obligations under the Joint Declaration to the letter. I note with pleasure the undertaking you have made in the letter that the British Government remain fully committed to the Joint Declaration and your assurance that the British Government have no intention of allowing Hong Kong to be used as a base for subversion or of internationalizing the Hong Kong problem. I wish to express my appreciation to you for these commitments and would like to see them given expression in the future cooperation between our two countries.

You have also made particular mention of the drafting of the Basic Law of the Hong Kong Special Administrative Region. At present, the Drafting Committee is, taking into account the various suggestions solicited from Hong Kong and the other parts of China, finalizing the Basic Law. I myself have given careful thought to your suggestions concerning the proportion of the legislature directly elected in Hong Kong. I presume that you may have learnt about the

corresponding regulations in the Decision on the Formation of the First Government and the First Legislature of the Hong Kong Special Administrative Region (Draft) annexed to the draft Basic Law promulgated by the National People's Congress last February. That formula was approved with a two-thirds majority by the Basic Law Drafting Committee, many of whose members are from Hong Kong. Although it has not been finalized yet, we estimate, by what we have learned from various sources, that the proportion of directly elected legislature to be decided upon will not vary greatly from the present one. If, as you suggested in the letter, the substantial proportion of the legislature directly elected before 1997 were to exceed the abovementioned one, then I would be concerned that difficulties over convergence with the Basic Law might not be avoidable, which would impair the stability and prosperity of Hong Kong and adversely affect the ability of the Chinese and British sides to fulfil their respective responsibilities in Hong Kong. I am sure you will share the view that a stable Hong Kong is of vital importance to the residents in Hong Kong, to China and Britain, and to foreign investors both before 1997 and beyond. As a result, adherence to the principle of gradual progress as already agreed upon between our two sides in pursuing the democratization of the political structure of Hong Kong is also a sine qua non for maintaining stability and prosperity of Hong Kong. I am aware of our differences over such matters as assessment of the public opinion in Hong Kong. I can understand the certain difficulties facing the British side as mentioned in your letter and I am sure that you will make allowances for the practical difficulties now confronting the Chinese side. I am convinced, therefore, that the problems are readily manageable, given goodwill on both sides, or as you put it in the letter, by approaching them in a cooperative spirit. Of this I have full confidence.

A return of Sino-British relations to the path of healthy and normal development is dictated by our shared interests in preserving stability and prosperity in Hong Kong and, to a larger extent, in safeguarding world peace and promoting economic cooperation. I am ready to work together with you and look forward to our close cooperation.

With my best wishes

(signed) Jiang Zemin

Beijing, 18 December 1989

Jo

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*CCPE
CC backup*



Foreign and Commonwealth Office
London SW1A 2AH

SECRET

15 March 1990

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OF THE PUBLIC RECORDS ACT.**

Sen Charles

Temporarily Retained

Call on the Prime Minister by the Chinese Ambassador

The Prime Minister has invited the Chinese Ambassador to come in for a talk on Hong Kong at 1500 on Friday, 16 March. The purpose of the meeting is:

- to underline to the Chinese Government the need for Chinese help in promoting confidence in Hong Kong;
- in particular to persuade them to desist from adverse public comment on our nationality package; to support the Port and Airport Development Strategy (PADS); and to help to prevent Vietnamese boat people transitting China en route to Hong Kong;
- to draw attention to Lord Young's forthcoming visit to China and to make it clear that it has our support.

Ambassador Ji is an effective and sophisticated operator, who has put up a skilful defence of his government's policies

He is likely to press for a resumption of full bilateral relations, although he doubtless understands the limitations imposed by continued public concern about repression in China and by the commitments we have undertaken with our EC and Western partners.

(a) Sino-British Relations

The Prime Minister may wish to begin by referring to her message to General Secretary Jiang Zemin, delivered by Sir Percy Cradock during his visit to China in December, which stressed our desire to see a return to better bilateral relations. The Prime Minister could also seek to counter unfounded Chinese suspicions that we

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have recently been trying to delay the relaxation of Western measures against China, for example at the Dublin European Council. As evidence of our wish to see progress towards the normalisation of relations she could point to:

- our agreement with Western partners to a resumption of World Bank lending to China (for the moment only for "humanitarian needs" projects);
- our agreement with EC partners to lift the suspension of normal export credit cover for China: ECGD has been among the first of the European agencies to resume cover;
- our decision to confirm soft loan support for the £30 million Peking Metro Project; and
- the recent visit to China by Lord Sharp, who emphasised Britain's continued interest in commercial relations with China.

The Prime Minister may also wish to stress that in the face of considerable domestic and political criticism, we have maintained many areas of cooperation including normal trade contacts, scholarships for Chinese students and the English language teaching programme in China.

(b) Hong Kong

Since our nationality package was announced on 20 December, the Chinese Government have made a number of unhelpful statements denouncing the scheme as a violation of the Joint Declaration and a device to maintain British influence in Hong Kong after 1997. They have tried to undermine the scheme by indicating that recipients of British passports would not be eligible for British consular protection in Hong Kong after 1997 and by extending the nationality qualification for posts in the SAR Government laid down in the Basic Law. The Chinese Government have also complained on a number of occasions about our attempt to "internationalise" the Hong Kong question by asking other countries to consider taking similar measures.

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OF THE PUBLIC RECORDS ACT.**

The Prime Minister may wish to stress that:

- The package is not aimed against China and will not damage Chinese interests. Under the Joint Declaration, we have an obligation to maintain the stability and prosperity of Hong Kong. This is precisely what our package is designed to achieve. The aim is to keep people in Hong Kong - for the benefit of Hong Kong (and therefore also China).
- The same applies to any similar measures which might be taken by other countries. Hong Kong is an international centre, with huge international investment. Its major trading partners also have a strong interest in Hong Kong's continuing stability and prosperity.
- We decided to offer beneficiaries of the scheme full British passports rather than some form of guaranteed entry because of concern in Hong Kong that anything less than passports could easily be revoked by a future British Government and would therefore not provide a secure assurance.
- We appreciate that Chinese nationality law does not recognise dual nationality. But we hope we can find a way to resolve this difficulty.
- It has always been clear from the Joint Declaration that a few top posts in the future SAR Government would be reserved for Chinese nationals. We accept that those who wish to reach these top posts will therefore have to decide whether to apply for British citizenship.

Another important area where the Chinese could help to promote confidence in Hong Kong is in relation to the Port and Airport Development Scheme (PADS). The Chinese have on several occasions expressed concern that PADS might become a financial burden on the future SAR Government. The Prime Minister might explain that expanded port and airport facilities are essential if

/Hong Kong

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Hong Kong is to retain its position as a major international trading centre: the territory cannot stand still. She could also reassure the Chinese Ambassador that detailed feasibility studies have been undertaken, that up to 60% of the project is expected to be financed by the private sector and that the Hong Kong Government has already begun to set aside funds for the project so that it can be funded without imposing any strain on the Government's resources. The Prime Minister might also say that Chinese participation will be welcome, and that Chinese support will be important for the project's financial viability. The private sector is likely to see Chinese participation as a test of Chinese commitment to the continued prosperity of Hong Kong. She could add that we are considering the possibility of inviting a number of key Chinese officials to visit Hong Kong for a detailed briefing. PADS could make a tremendous contribution to the Pearl River Delta area of China, already the fastest growing economic area in China, with potential for much more.

The Prime Minister may also wish to underline the importance of Chinese help to prevent Vietnamese boat people transitting China en route to Hong Kong. In addition to the problem of coast-hopping, an increasingly large number of Vietnamese now travel through China over land, often by local bus, and only make the final stage of the journey by boat. When the Governor of Hong Kong was in Peking in January, Premier Li Peng assured him that the Chinese Government was willing to help with this problem and we are now providing the Chinese on a regular basis with full details of the routes being used to reach Hong Kong. The Prime Minister may wish to stress that we look to the Chinese to take effective measures to prevent a further influx of Vietnamese this year; and that if the influx continues, we may have to seek Chinese cooperation in implementing emergency measures. We want to get this problem solved well before 1997.

Finally, the Prime Minister might draw attention to the forthcoming visit to China by Lord Young, planned for 25-28 March, as further evidence of our desire to restore relations with China. We intend to brief Lord Young to put across the same general message about the need for positive Chinese gestures in Hong Kong. Lord Young will be well placed to explain to the Chinese the

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international character of Hong Kong and to discourage them from criticising our "internationalisation" of the problem. It would be very helpful if the Prime Minister could make clear to the Chinese Ambassador that Lord Young's visit has her full support, so as to give it more of an official flavour.

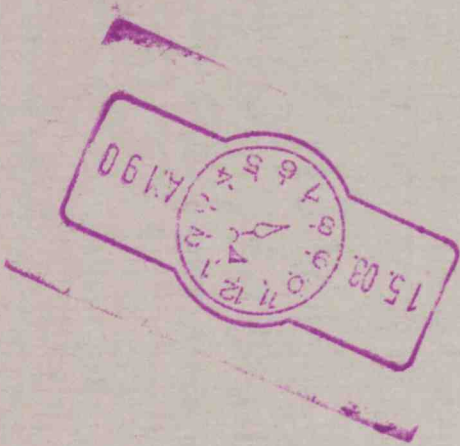
Yours ever

A handwritten signature in blue ink, appearing to read 'R N Peirce'.

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

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*Background for
your meeting with
the Chinese
Ambassador
Friday.
AM*

SIC

MODUK FOR SEC (O)(C).

HONG KONG FOR GOVERNOR/POLAD.

NATIONAL PEOPLE'S CONGRESS: ECONOMIC BACKGROUND.

SUMMARY.

1. THE AUSTERITY DRIVE HAS COOLED THE CHINESE ECONOMY'S OVERHEATING IN THE SHORT TERM AND BROUGHT THE ECONOMY UNDER GOVERNMENT CONTROL, BUT HAS NOT SOLVED FUNDAMENTAL PROBLEMS WHICH NEED FAR REACHING REFORMS UNLIKELY UNDER THE PRESENT POLITICAL CIRCUMSTANCES. HOWEVER THE APPLICATION OF CONTROL HAS BEEN SO TIGHT THAT CHINA NOW RUNS THE RISK OF RECESSION. THE PROBLEM NOW IS HOW TO REFLATE BUT NOT CAUSE INFLATION.

DETAIL.

2. WHEN LI PENG GIVES HIS WORK REPORT ON THE ECONOMY HE IS LIKELY TO TEMPER REFERENCES TO THE SUCCESS OF THE AUSTERITY DRIVE BY MENTIONING THE UNDERLYING PROBLEMS IN INDUSTRY STILL TO BE SOLVED AND THOSE NEW PROBLEMS THAT HAVE EMERGED DURING THE LAST SIX MONTHS.

3. THE AIMS OF THE AUSTERITY DRIVE WERE TO SLOW DOWN THE OVER RAPID ECONOMIC GROWTH AND TO REDUCE INFLATION. THESE AIMS HAVE LARGELY BEEN ACHIEVED THROUGH THE USE OF ADMINISTRATIVE CONTROLS AND MEASURES, PARTICULARLY A TIGHT CREDIT AND MONETARY POLICY AND PRICE CONTROLS. THE ONLY MARKET MEASURE USED HAS BEEN A RISE IN INTEREST RATES WHICH HAS LED TO A DROP IN CONSUMER DEMAND AND A LARGE BUILD UP OF SAVINGS DEPOSITS. THE GAP BETWEEN SUPPLY AND

DEMAND HAS BEEN NARROWED BY THE HUGE REDUCTION IN CONSUMPTION AND, PERHAPS MOST IMPORTANTLY, PEOPLE'S EXPECTATIONS OF INFLATION HAVE BEEN CHANGED.

4. HOWEVER THE SOFT LANDING THAT THE GOVERNMENT WANTED HAS NOT HAPPENED AND A DOWNWARD TREND CONTINUES SO THAT CHINA NOW RUNS THE RISK OF RECESSION WITH INDUSTRIAL OUTPUT FALLING AND UNEMPLOYMENT RISING. LI PENG HAS ALREADY ANNOUNCED SOME RELAXATION OF THE TIGHT CREDIT POLICY TO TRY AND CLEAR UP INTER-ENTERPRISE DEBT AND TO STIMULATE PRODUCTION. A DROP IN INTEREST RATES TO STIMULATE DEMAND ALSO SEEMS INEVITABLE, THIS YEAR THE GOVERNMENT IS AIMING FOR 6 PER CENT GROWTH WHICH SHOULD ENTAIL A MODEST GROWTH IN REAL CREDIT AND SOME MODEST INFLATION, BUT THE WORRY PERSISTS THAT THE AIMS OF RAISING BASIC EFFICIENCY OF RESOURCE USE AND ENSURING SUPPLY MATCHES DEMAND HAVE NOT BEEN ACHIEVED AND THAT ANY INCREASE IN CREDIT AVAILABLE MAY RESULT IN A TENDENCY TO EXCESS DEMAND AND INFLATION. THE POLITICAL SCENE HAS MADE THE NECESSARY PRICE REFORMS (AS OPPOSED TO GOVERNMENT PRICE READJUSTMENTS) EXTREMELY UNLIKELY AND HAS PUT THE EMPHASIS BACK ON THE INEFFICIENT LARGE STATE ENTERPRISES.

5. ANOTHER BUDGET DEFICIT SEEMS INEVITABLE SINCE THE SLOW DOWN IN ECONOMIC GROWTH HAS RESULTED IN A DROP IN GOVERNMENT REVENUE WHILE EXPENDITURE ON PRICE SUBSIDIES HAS INCREASED AND THE NUMBER OF LOSS MAKING ENTERPRISES REQUIRING SUBSIDIES HAS ALSO RISEN. AT PRESENT SUBSIDIES ACCOUNT FOR ABOUT ONE THIRD OF BUDGETARY EXPENDITURE.

6. THE RECENT RE-EMPHASIS ON AGRICULTURE AND ITS SUCCESS IN 1989, PARTICULARLY GRAIN PRODUCTION, IS LIKELY TO CONTINUE AND SHOULD BE REFLECTED IN INCREASED GOVERNMENT INVESTMENT IN ORDER TO FULFIL THE HIGH TARGETS SET FOR 1990. RURAL AND TOWNSHIP ENTERPRISES HAVE BEEN HEAVILY AFFECTED BY THE AUSTERITY POLICY, BUT THEY ARE DEEMED VITAL FOR RURAL EMPLOYMENT AND THE GOVERNMENT HAS RECENTLY MADE IT CLEAR THAT THEY ARE TO BE ENCOURAGED TO DEVELOP IN ACCORDANCE WITH THE STATE PLAN.

7. THE EXTERNAL SIDE OF THE CHINESE ECONOMY HAS BEEN BROUGHT UNDER FIRM CONTROL. DEBT AT THE END OF 1989 STOOD AT JUST UNDER 44 BILLION U S DOLLARS (WORLD BANK ESTIMATE) AND DESPITE THE APPROACHING PEAK REPAYMENT YEARS THERE IS NO INDICATION THAT CHINA CANNOT OR WILL NOT REPAY ON TIME. THE BALANCE OF TRADE HAS BEEN TURNED AROUND IN THE LAST NINE MONTHS AND IS STARTING TO SHOW A SURPLUS, LARGELY AS A RESULT OF TIGHT GOVERNMENT RESTRICTIONS ON

IMPORTS AND AN EMPHASIS ON EXPORTS WHICH WAS AIDED BY THE DEVALUATION IN DECEMBER 1989. THE CHINESE FOREIGN EXCHANGE RESERVES NOW STAND AGAIN AT OVER 18 BILLION U S DOLLARS (I M F FIGURE). HOWEVER THE FOREIGN DIRECT INVESTMENT FLOW IS STARTING TO DIMINISH AND, WITH THE EXCEPTION OF TAIWANESE INVESTMENT, THERE HAS BEEN VERY LITTLE NEW COMMITMENT SINCE JUNE 1989.

8. DISCUSSION, IF SUCH IS TO BE ALLOWED AT THE N P C THIS YEAR, WILL CENTRE ON INDUSTRIAL POLICY AND WHETHER THE AUSTERITY DRIVE HAS GONE TOO FAR. THE GOVERNMENT DOES NOT WANT TO CREATE A RECESSION AND SOME RELAXATION MAY BE PERMITTED, BUT THE OVERALL EMPHASIS WILL PROBABLY BE ON CONTINUING THE AUSTERITY DRIVE. THE PRESENT TRADITIONAL EMPHASIS ON LARGE AND MEDIUM STATE ENTERPRISES AS THE ''BACKBONE'' OF CHINA'S ECONOMY SEEMS SET TO CONTINUE. THE ATTEMPTS TO READJUST THE PRODUCTION STRUCTURES AND TO SOLVE ENERGY, TRANSPORT AND RAW MATERIAL BOTTLENECKS WILL CONTINUE SINCE THEY REMAIN THE UNDERLYING MAJOR PROBLEMS, BUT SUBSTANTIVE REFORM IS UNLIKELY WHILE ''STABILITY'' REMAINS THE WATCHWORD. ANY GENUINE REFORMS ARE LIKELY ONLY TO BE ALLOWED ON AN EXPERIMENTAL BASIS IN SEZS OR DESIGNATED COASTAL AREAS.

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PRIME MINISTER

CHINA

I attach a letter from the Chinese Ambassador inviting you and Mr. Thatcher to dine with him one evening during the first half of 1989.

I do not normally bother you with these since you cannot possibly accept all the invitations from Embassies. The reason I do in this case is that it is some considerable time now since you have met the Chinese leaders. It is unlikely that you will do so in the course of 1989. Meanwhile you would have had several meetings with Mr. Gorbachev and will also be visiting Japan in September. Attending a dinner at the Chinese Ambassador's house might be a way of marking your continuing personal involvement in relations with China.

I would not wish to press this argument too hard; and I know how very little time you have. But it is something that might be fitted in, for example, on a Sunday evening on your way back from Chequers. The Ambassador's residence is in the Hampstead/Golders Green area.

Would you like me to find a date when you and Mr. Thatcher could take up this invitation?

C. D. POWELL

13 January 1989

SL2ARP



DSG
CEP
PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 September 1987

Dear Robert,

PRIME MINISTER'S MEETING WITH THE CHINESE AMBASSADOR

The Prime Minister saw the new Chinese Ambassador for a talk this afternoon.

The Gulf

The Prime Minister expressed concern about the situation in the Gulf. We placed great importance on the co-operation between the five permanent members of the United Nations Security Council which had led to Resolution 598. We hoped that co-operation would continue. But we must keep together in activity not in inactivity. If the Secretary General was unable to obtain a definitive response from the Iranian government during his visit to Tehran, the Security Council should move on to impose an arms embargo.

The Ambassador handed over a reply from Zhao Ziyang to the Prime Minister's recent message about the Gulf (copy enclosed). He thought the general approach of the two governments was similar. Both hoped that the Security Council Resolution would lead to a ceasefire. Both supported the Secretary General's mission. The Chinese Vice-Minister of Foreign Affairs had recently visited Tehran and had detected a slight relaxation in the rigid position of the Iranian Government. He also wished to tell the Prime Minister that the Jordanian Foreign Minister had just been in Peking at the head of an Arab League delegation. The Chinese Foreign Minister had made clear that the Secretary General must be given some time to succeed in his efforts. But if these failed and the Security Council thought it necessary to impose an arms embargo, China would abide by it. The Prime Minister commented that the Iranians must not be allowed to treat the Secretary General's mission as an excuse for delay.

Sino/British Relations

The Prime Minister spoke of the great importance of friendship between Britain and China. We were well content with the way in which trade and political relations were developing, and the work of the Joint Liaison Group on Hong

LB

Kong was proceeding. We wished to keep in close touch with the Chinese government on developments in Hong Kong. The Ambassador commented that both governments wanted to see a prosperous Hong Kong. Thanks in good part to the co-operation between China and Britain, that goal was being realised.

East/West Relations

The Prime Minister gave a brief survey of the INF negotiations, and explained the reasons which have led her to express support for Mr. Gorbachev's reforms. However, we would judge by results and the fact was that there had been no significant change so far in Soviet external policies. We had to keep our guard up. The Ambassador said that the Chinese government took a very similar view. They hoped that Gorbachev would succeed because he would have to cut back on Soviet ventures abroad in order to do so. Equally they did not under-estimate the obstacles in the way of internal reform. They believed that Gorbachev was failing to give sufficient importance to market mechanisms.

The Prime Minister asked for her greetings to be conveyed to Deng Xiao Ping and Zhao Ziyang.

*Yours sincerely,
Charles Powell*

Charles Powell

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

cc: [unclear]



Foreign and Commonwealth Office

London SW1A 2AH

8 September 1987

Dear Charles

Prime Minister
 You are to see
 Mr. Ji tomorrow, for
 a brief courtesy call.

CDP
9/9

Courtesy Call by the new Chinese Ambassador,
 Mr Ji Chaozhu, on the Prime Minister: 9 September 1987

I attach Points to Make, background briefing and a biographical note for the Prime Minister's use during the call by the new Chinese Ambassador, Mr Ji Chaozhu.

In his meetings with Ministers so far, Mr Ji has shown himself intelligent, relaxed and amusing. His English is excellent - as you would expect from a man who was Zhou Enlai's interpreter. Mr Ji has shown interest in closer contact with us on international questions: something we would welcome. We have the impression that he will be a serious interlocutor and a valuable channel to Peking.

This briefing has not been seen by the Foreign Secretary.

Dan [unclear]

(R N Culshaw)
Private Secretary



COURTESY CALL BY THE NEW CHINESE AMBASSADOR,
MR JI CHAOZHU, ON THE PRIME MINISTER: 9 SEPTEMBER

POINTS TO MAKE

1. Welcome you to UK. Pleased to meet a fellow chemist.
2. State Visit (October 86) a great success. Grateful also for recent hospitality to Princess Margaret.
3. Must build on this and on close collaboration established over Hong Kong. Implementation of Joint Declaration proceeding well. Both sides fully committed. [Representative government - if raised: proceeding prudently and cautiously in our review of government system in Hong Kong. No preconceived views on outcome; look forward to continuing exchanges with Chinese]
4. Hope for closer consultations in future as fellow permanent members of the Security Council.
5. Good two-way flow of visitors and trade (UK exports £536 m; Chinese exports £327 m). Hope both will continue to increase.



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MR JI CHAOZHU

Born in 1929 in Shanxi Province, Mr Ji lived from 1939-1950 in the USA where he studied Chemistry at Harvard. After his return to China, he completed his studies at Qinghua University before serving as an interpreter during the Korean war. Mr Ji joined the Foreign Ministry as an interpreter and has interpreted for Zhou Enlai, Mao Zedong and Deng Xiaoping. In addition, he has served twice in Washington before becoming Ambassador to Fiji in 1985.

Mr Ji's middle-class and academic background made him an obvious target for the Cultural Revolution and he disappeared from view between 1965 and 1971. He was associated with Zhou Enlai and those wanting rapprochement with the US, and today is seen as a supporter of the reformers.

Mr Ji is married to Wang Xiangtong, a former English translator at the UN Headquarters in New York, and has two teenage children. He has at least one brother, and possibly other relatives, who live in the US.

Mr Ji is a lively and intelligent man, whose fluency in English (with an American accent), allows his sense of humour and evident ease in Western company to shine through. He has been known to shock official interpreters with his rapid translation of earthy Chinese phrases. He is rated as one of the best of China's

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interpreters and was highly regarded as a diplomat in both Washington and Suva.

APPROXIMATE PRONUNCIATION NOTE

Ji	-	'gee' as in geegee
Chao	-	'chow' as in chow mein
Zhu	-	'jew' as in jewel

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CHINA

UK/CHINA RELATIONS

1. Bilateral relations are excellent. Hong Kong remains a central element in UK/China relations. Close contact on Hong Kong issues is maintained through the Joint Liaison Group (JLG) which was set up in accordance with the Joint Declaration and will establish a permanent base in Hong Kong in 1988. The development of representative government in Hong Kong has been a source of friction, centred on Chinese concern that direct elections may be introduced next year following the current review being held by the Hong Kong Government. Ministerial and political exchanges are increasing rapidly, as are contacts and exchanges in all other fields. The State Visit by H M The Queen, accompanied by Sir G Howe, in October last year was a great success, as was the visit by HRH Princess Margaret in May this year.

TRADE

2. The UK market share, although still small, is increasing and the balance of trade with China has improved. UK exports to China in 1986 were £536m and imports £327m. Although, following the conclusion of the Hong Kong talks, the Chinese indicated they would give political support to British commercial efforts, it has become increasingly clear that the Chinese are concerned about competitive pricing and many British companies will be favoured only if HMG can offer concessionary finance. Nevertheless, Britain is well-equipped to meet the main Chinese development priorities, and British firms have been successful in winning contracts for machinery, chemicals, aircraft, scientific instruments and steel.

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VISITS

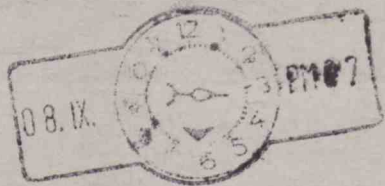
3. Visits to China later in 1987 will include Lord Skelmersdale, Joint Parliamentary Secretary at the DHSS, who will attend an exhibition of Medical Equipment in Peking (September), Lord Young, Secretary of State for Trade and Industry, to attend the Sino-British Trade and Economic Co-operation Seminar in Tianjin (October) and H R H The Duke of Gloucester who will make a day trip to Shenzhen in October. A group of Chinese Parliamentarians led by a Vice-Chairman of the Standing Committee of the National People's Congress is expected to visit the UK in May 1988.

CHINA INTERNAL

4. China under Deng remains remains reasonably stable politically, and committed to her open-door and modernisation policies. Fall of Hu Yaobang represents a reluctance to move too far too fast, rather than any substantial and sustained change of direction. But choice of leaders to succeed Deng will influence future pace and extent of economic reform programme and political reform designed to underpin it. After an interval for taking stock, there are growing signs of a leadership consensus in support of economic reform but against intellectual/artistic freedoms. Position may become clearer at the Party Congress (begins 25 October). Leadership changes may also be announced at the Congress. Deng Xiaoping and other octogenarians are expected to stand down from the Politburo Standing Committee.

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STAMPED ADDRESS

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①

Mr. Gaisner

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Chinese

Ambassador asked
for 1700 tomorrow

Prime Minister.

CD
2/9

Chinese Ambassador

There is a new Chinese
Ambassador, who has asked to
pay a courtesy call.

Agree to see him,
perhaps this week?

Yes

CD?
7/9

RESTRICTED

China

2



Foreign and Commonwealth Office

London SW1A 2AH

21 January 1983

[Handwritten mark]

Prime Minister

A. J. C. 24/1

Dear John,

The Chinese Ambassador, Ke Hua, has now confirmed formally to us that he is to leave London at the end of February or the beginning of March. He is arranging farewell calls on a number of Ministers with whom he has had personal contact. The Foreign and Commonwealth Secretary has agreed to give him a farewell lunch and will also receive a call from him in the office.

The Chinese Ambassador has not asked for a farewell call on the Prime Minister, and such a call would in any event not be normal. Nevertheless, the Prime Minister might like to be aware of the Ambassador's imminent departure given the importance of our current dealings with China over Hong Kong.

Yours ever

[Handwritten signature]

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

RESTRICTED

21 JAN 1983

12 1 2 3
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CALL ON THE SECRETARY OF STATE BY THE CHINESE AMBASSADOR,
10.00 AM ON THURSDAY 7 JUNE

Present:

The Rt Hon The Lord Carrington
KCMG MC
Mr G G H Walden
Mr J T Masefield

Mr Ke Hua
Mr Cheng Wan-chen
(Interpreter)

1. Lord Carrington opened the meeting by saying how much he was looking forward to the visit of Premier Hua Guofeng in October. We needed to start discussing the arrangements for the meeting soon as he would like Premier Hua to do and see what he wanted to do and see.

2. Lord Carrington then turned to the question of refugees from Vietnam and asked how the Chinese, who had already taken over 200,000 refugees, saw the future. Were there really likely to be another million refugees? Mr Ke Hua said that the Vietnamese faced very severe economic difficulties and the people were unwilling to act as cannon fodder in the war in Cambodia and against China. Moreover the Vietnamese authorities were making a huge profit out of the refugees. The figure of a million more could prove to be conservative. The Chinese Government quite understood the concern with which Britain viewed the situation. The Chinese had been burdened with many difficulties through accepting over 230,000 refugees. In reply to a question, he said that he did not know what proportion of the refugees wanted to leave of their own free will and what proportion were compelled to leave by the authorities. He undertook to ask his Government whether they had any information on the subject and would let Lord Carrington know. But whatever the proportions, as far as the Vietnamese authorities were concerned their attitude was hard to justify since they were extorting large sums of money from the refugees.

3. Lord Carrington said that the problem was on an unprecedented scale and he did not see how a million people could be coped with unless a very major effort was made. Mr Ke said that some people were calling it a second slave trade since the refugees were crammed into small specially built junks and many were drowned in the process of being transported away from Vietnam. Whether it was two-thirds or fifty per cent of those who left Vietnam who were drowned it was a very inhuman action. Lord Carrington hoped the Chinese Government would add its urgent support to our proposal for a UN Conference to tackle the problem. Only 15 members of the entire UN had taken in any refugees. Mr Ke said that he had taken note of the proposal and would report to his Government. He wondered what the present situation was.

4. Lord Carrington said that Dr Waldehim had told the UN High Commissioner for Refugees that he thought it should be a UN Conference, but he wanted to know in advance of its convening that there would be adequate pledges to take in refugees so that the Conference could be more successful than the previous one. Britain's particular problem was Hong Kong which already had 42,000 Vietnamese refugees. With the flood of legal and illegal immigrants from China it faced a very serious problem. The Governor of Hong Kong was being called back to London to report at first hand. The number of legal immigrants had been reduced a bit but not enough and the illegals were still pouring in. Was there anything the Chinese Government could do to stop them?

5. Mr. Ke Hua said that Mr Zhang Wenjin, Vice Minister of Foreign Affairs, had discussed the matter with the British Ambassador in Peking and the Lord Privy Seal had appeared to be satisfied with the position on legal immigrants. The Ambassador had already reported Sir I Gilmour's hope that the Chinese Government would adopt further measures to stop the flow of illegals. He would take the matter up himself when he was back in Peking later this month.

6. Lord Carrington then referred to the 40 refugees on the vessel "Norse Viking" and asked if the Chinese would look at the problem again. He was worried that there would be an obvious disincentive for captains of British vessels in the area if they could not be sure that they could put ashore at their first port of call any refugees whom they had saved from drowning at sea. If we could get international acceptance for the first port of call principle, this would bring some order to a chaotic situation. Mr. Ke said that in the past the Chinese had generally accepted as an international norm the first port of call rule, and had accepted those who had come to China as their first port of call. However the Norse Viking was different as the Vietnamese authorities had forced the refugees to leave Vietnam and were forcing other countries to accept them. The refugees were not refugees in the true sense of the term but were "political refugees". Lord Carrington said that they were nonetheless still refugees. Mr. Ke conceded that they were and said that the "Norse Viking" presented a concrete situation of which one must take cognisance.

7. Lord Carrington then asked what pressure might be brought to bear on the Vietnamese Government. Mr. Ke said that in the course of their negotiations with the Vietnamese the Chinese had said that among the 230,000 refugees whom they had taken in some wished to return to Vietnam. However the Vietnamese refused to accept these people even though they were ethnic Vietnamese. They were not amenable to reason and there was nothing to be done except to expose them and their attitude. Lord Carrington said that we had approached the Soviet Union, but had been told by the Russians that it was an internal Vietnamese affair and that the Soviet Union did not interfere in the internal affairs of other states. Overall it was a worrying situation particularly for Hong Kong. Mr. Ke repeated that so far as the question of illegal immigrants into Hong Kong was concerned, the Chinese would see to it that they would take measures to check the flow, but results would not appear overnight.

8. Mr Ke then asked whether Lord Carrington had any particular message for his Government which the Ambassador could deliver personally in Peking. Lord Carrington asked him to convey his warm good wishes to the Chinese Foreign Minister whom he had met in the Ambassador's house not long ago. He looked forward to meeting him again in the not too distant future when things had settled down and to working with him to further the excellent relations between Britain and China and to increase trade. Mr Ke said that he had received a telegram from his Foreign Minister and had been asked to reiterate the invitation to the Foreign and Commonwealth Secretary to visit China and to make it clear officially that Mr Huang Hua very much looked forward to receiving Lord Carrington in Peking. Did Lord Carrington have specific dates to suggest?

9. Lord Carrington said that he would much like to take up the invitation but had only been in office about 5 weeks and his feet had barely touched the ground with so many meetings, particularly in Europe. When some of these were over he would look at his programme and see what would be possible. He had only been to China once before, in 1975. He could not promise that he would be able to fit in a visit later in this year in view of Premier Hua's inward visit in the autumn. But when he did go to China he hoped to be able to go to Guilin.

10. Finally Lord Carrington asked how things were going in China and whether he would notice great differences in the four years since his last visit. Mr Ke said that the Chinese had made some readjustments to their economic priorities but things were still going well. Their development was now in a better perspective and more carefully planned. However they still faced considerable difficulties which they would need time to surmount. The extent of the problems and the sabotage caused to China's economy by the Gang of Four during the Cultural Revolution had far exceeded initial calculations. The present situation was still very complex and it was difficult to avoid the expression of different opinions. These were bound to exist but the arguments would not affect the overall situation. There was a basic unity and stability in China and they would make progress in the course of time. The general trend was upward even though here and there there might be imbalances.

11. The meeting closed at 10.55 am.

Far Eastern Dept

11 June 1979

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Mr Cartledge (No 10 Downing St)

Chancery, PEKING

Political Adviser, HONG KONG



CHINA



Foreign and Commonwealth Office

London SW1A 2AH

4 June 1979

Miss Hepburn

I see no need for the PM to see him this week and have arranged for regrets to be conveyed - but keep in mind for later on. YW ✓

Don Ryan

In a letter to Lord Carrington of 29 May, Lord Soames reported that the Chinese Ambassador, Mr Ke Hua, would if possible like to call on the Prime Minister before he goes on leave to China at the end of this week for three months. You told me that the Ambassador had subsequently telephoned you to request a meeting.

Mr Ke is an effective Ambassador, and Lord Carrington hopes that at some point Mrs Thatcher could agree to see him, and in any case before the Chinese Premier, Mr Hua Guofeng, visits Britain from 29 October. There is however no pressing need for her to see him in the course of this week, unless she particularly wished to express her concern about the refugee problem before the Ambassador reports back to his Foreign Minister in Peking.

I am copying this letter to the Private Secretary to the Lord President and to Martin Vile (Cabinet Office)

For ever
J S Wall

J S Wall

B G Cartledge Esq
10 Downing Street

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-4 JUN 1979

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RECORD

RECORD OF CONVERSATION BETWEEN THE MINISTER OF STATE
AND THE CHINESE AMBASSADOR, AT THE FCO, NOON ON 1 JUNE

Present:

Mr Peter Blaker MP	Mr Ke Hua
Mr Murray	Mr Li
Mr Munro	
Mr Wye	

1. Mr Ke Hua said that he would return to China on leave when two important visitors had completed their visits. Vice Premier Geng Biao was to pay a private visit from 9-13 June. Zhao Ziyang, Governor of Sichuan Province, would lead a delegation to Britain from 10-17 June. Mr Blaker said that he understood Assistant Foreign Minister Song Zhiguang was also coming. He asked if his visit would be private or official. Mr Ke said it would be private.

2. Mr Ke said he looked forward to Premier Hua's visit to Britain. The British Government had now confirmed the dates. He then asked if the Secretary of State, the Lord Privy Seal and the Prime Minister planned to visit China. He had already told the Lord Privy Seal that Mrs Thatcher would be welcome to visit China again. Speaking personally, he would like to invite her to visit China for several days after the Tokyo Summit. He stressed that he had no instructions but said that he felt he was inspired by his Government's intentions in raising a question of such importance. Mr Blaker said that Mrs Thatcher was still considering her programme. The three Ministers were keen to visit China. We would let the Ambassador know as soon as decisions had been taken. Mr Ke said that he hoped the decisions would make the Chinese Government and people happy.

3. Mr Ke said that he hoped to discuss the international situation when he returned from home leave. Meanwhile did Mr Blaker have any views on how bilateral relations could be developed? Mr Blaker said that China was one of his most important responsibilities. Relations were good, and he hoped we could make them better. There were no serious problems.

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4. Mr. Blaker said the immigration into Hong Kong was causing us some concern. Hong Kong was a very small place, and already had a population of over 5 million. It could not take in any more without endangering its economic prosperity. He noted that Vice Foreign Minister Zhang Wenjin had discussed this question with our Ambassador in Peking on 31 May. Mr. Blaker said he welcomed what Vice Foreign Minister Zhang had said. It was good that the number of legal immigrants from China had dropped. He hoped it would drop further. However the number of illegals was rising. An average of 800 per day over the last few days had been arrested, and many more had escaped detection. He hoped the Chinese could do something to reduce illegal immigration. The future prosperity of Hong Kong was a mutual interest. Mr. Ke said that although he was aware of the problem, he had no information on the Ambassador's talks with the Vice Foreign Minister. He would make inquiries on his return to China.

5. Mr. Blaker then raised the problem of the Vietnamese boat people. He noted that the Lord Privy Seal had already discussed this with Mr Ke, referring to press reports that the Chinese authorities were refusing to allow the 40 refugees on board "Norse Viking" currently in Whampoa to land. Our understanding of the relevant international conventions was that the scheduled first port of call should accept refugees picked up at sea. In this case the Captain had been told by the Guangdong authorities that they could not accept the refugees. Could Mr Ke urge his Government to review the position. Mr. Ke said that he had reported the Lord Privy Seal's remarks but had had no reply. The problem was also causing his Government difficulties. Over 200,000 refugees had already been driven into China. He said he would report again and would inform us of the reply. Mr. Murray said that the Lord Privy Seal's remarks had been based on a press report. It had now been confirmed that the authorities had not accepted the refugees from "Norse Viking". Mr. Ke said that, speaking personally, he felt it would be difficult for the Chinese to accept more refugees after having already taken in over 200,000. Mr. Blaker said that a principle was at stake. It was to everyone's advantage that it be observed. Mr. Ke said he would send another report to his Government.

6. Mr. Ke noted that the Duke of Kent was to visit China from 4-12 June. He asked if the Chinese could also invite Princess Margaret to visit China later this year, and perhaps even the Queen at some future date. Mr. Blaker asked if Mr Ke had approached Princess Margaret about this. Mr. Ke said he was not sure about the proper procedure in such matters. Mr. Murray

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said that we knew the Chinese wished to invite Princess Margaret. She was already aware of this informally. It was now necessary to see if such a visit were possible. We were looking into the possibilities. Mr_Ke asked us to let his Charge d'Affaires know if it was possible. The best weather was in September.

7. Mr_Ke asked if he could call on the Secretary of State and the Prime Minister before he went on leave.

8. Mr_Blaker said that the lack of accommodation in Peking was causing our Embassy great difficulty. Two members of the Embassy were already working from their flats and there was an urgent need for more staff. Mr_Ke said he would talk to his authorities about this when he returned. He hoped the position would be better next year.

9. Mr_Blaker said he hoped the Air Services negotiations in Peking would continue to make good progress.

10. The meeting ended at 12.45.

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RECORD

RECORD OF CALL BY THE CHINESE AMBASSADOR MR KE HUA ON
THE LORD PRIVY SEAL, 5 PM, 30 MAY 1979

Present:

Sir Ian Gilmour	Mr Ke Hua
Mr Murray	Mr Li
Mr Gomersall	
Mr Wye	

1. During the initial exchange of courtesies, Mr Ke Hua extended an open invitation to the Lord Privy Seal to visit China.

2. Sir Ian Gilmour noted that Her Majesty's Ambassador in Peking had been invited to call on Vice Foreign Minister Zhang Wenjin to discuss immigration into Hong Kong. This was a matter which caused Her Majesty's Government much concern. There was a continuing high level of legal and illegal immigration from China. So far there have been little improvement and illegal immigration in particular was getting worse. Mr Ke Hua said that this problem had been discussed before. It was a difficult question. The best way to find a solution was through consultation. Sir Ian Gilmour said he welcomed the consultations between the Ambassador and the Vice Foreign Minister.

3. Sir Ian Gilmour said that he was very concerned about the boat people, and referred in particular to the press report in the Hong Kong Standard that the authorities in Whampoa had refused entry to the 40 refugees aboard "Norse Viking". He hoped that this was not true and that the Chinese would hold to the established custom of allowing refugees to land at the first port of call. Mr Ke Hua said that he had not seen this report and undertook to report back to his Government. The Vietnamese authorities were planning to export one million refugees. Ever since they launched their aggression against Cambodia there have been many refugees because of the hard conditions in Vietnam and because the people feared that they would be enlisted into the army.

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4. Sir Ian Gilmour asked if there was any solution. Mr Ke Hua said that the only effective method was to expose the policy of Vietnamese Government. Sir Ian Gilmour agreed but asked whether any action would be needed. Mr Ke Hua said that he had not had long enough to consider the problem. He was most interested in Sir Ian Gilmour's views. Sir Ian Gilmour said that he too was better at recognising the problem than finding a solution. There were two aspects: that of Hong Kong and illegal immigration, and that of the boat people. We were encouraging the UN High Commissioner for Refugees to do what he could. We were trying to get other countries to recognise that they should expose the inexcusable behaviour of the Vietnamese. Mr Ke Hua said that Soviet Union had the most influence on the Vietnamese. Sir Ian Gilmour said that he had seen the Soviet Ambassador about this and that Mr Lunkov had replied only that Vietnam was an independent country.

5. Sir Ian Gilmour said that he welcomed the currently good relations between China and Britain. China's relations with Hong Kong were also very good. The Governor's visit to China had been a success. Mr Ke Hua said that he had read Government speeches since the Government came into office and very much appreciated the kind words on China and the Government's opinions on various aspects of the international situation.

6. Mr Ke Hua asked informally whether Mrs Thatcher would be able to visit China on her way back from the Tokyo Summit. Mr Murray said that Mrs Thatcher's schedule was very tight. She warmly remembered her previous visit to China. Sir Ian Gilmour said that Mrs Thatcher would very much like to go to China but would prefer to spend longer when she did go. The British Government looked forward to welcoming Premier Hua in October. Mr Ke Hua thanked the British Government for this invitation. He said that the Chinese knew Mrs Thatcher quite well and understood that she was busy: that was why he had not raised the question of her visit officially.

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Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19



Inches 1 2 3
Centimetres 1 2 3 4 5 6 7 8

Colour Chart #13

Blue Cyan Green Yellow

