

Confidential Filing

Visit of the Chinese Vice Premier,
Kang Sheen

CHINA

Meeting with Vice Premier and Foreign
Minister Huang Hua. and Successors

MAY 1990

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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10 DOWNING STREET

LONDON SW1A 2AA

17 November 1992

From the Private Secretary

Ada Popho,

**CALL ON THE PRIME MINISTER BY
VICE PREMIER ZHU RONGJI**

Thank you for your letter of 16 November with briefing for Vice-Premier Zhu Rongji's call on the Prime Minister today. I am also grateful for David Melville's letter about the Canton Metro.

The Prime Minister welcomed Vice-Premier Zhu Rongji and congratulated him on his election to the Politburo. The Prime Minister had been delighted to learn during his own visit to China of China's economic progress and her growth and reform programme. He was pleased to see the 14th Party Congress had endorsed the continued reform programme. The Prime Minister said that he regarded the relationship between China and the United Kingdom as of the first importance. He had met the Chinese Foreign Minister as one of his first acts as Foreign Secretary. He had visited Peking and had had two subsequent meetings with Li Peng. He recalled signing the MOU on the airport. Both our countries had global responsibilities. We also shared responsibility for the continuing prosperity and stability of Hong Kong. He therefore hoped that the relationship would continue to grow.

Vice-Premier Zhu thanked the Prime Minister for the invitation to London, for the arrangements and for the warmth of his welcome. Jiang Zemin, Yang Shangkun and Li Peng had all sent their greetings. Sino-British relations had all along been quite good and especially since the Prime Minister's visit. There had since then been many more high-level exchanges. Since the Prime Minister's visit he himself had met Li Peng twice and the two Foreign Ministers had established a pattern of regular consultations. Economic and trade relations had made headway over the years and there were contracts for several major projects. Lord Prior's mission had been on an unprecedented scale and had helped to promote mutual understanding. During his own visit to London, he had met a lot of business people who had a strong desire to promote commercial relations. The prospects looked very bright. The British and Chinese economies were mutually very complimentary. There was the prospect, and potential, for big co-operation but the reality was very under-developed compared with the prospects. Britain had lagged behind other countries in getting into the Chinese market. We should now look

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forward and Vice Premier Zhu wanted to increase mutual understanding so that co-operation in business technology etc could be promoted. This was particularly so because the recent Party Congress had decided that China should establish a socialist market economy. They were further deepening the reform process and opening China to the outside world and to rapid economic expansion. After more than ten years of preparation, they had more or less finished the framework for reform. He anticipated that China's growth rate would continue to be around 9 per cent. It was therefore possible to lay a solid basis for co-operation. He hoped the development of British-Chinese relations would not be adversely effected by other issues. He was quite optimistic for the prospects of co-operation and friendship and would do his utmost to promote them.

The Prime Minister agreed with Vice-Premier Zhu's analysis of proposals for trade between the two countries. They were, however, puny compared with those that could exist. Lord Prior's mission would give a boost which the Prime Minister would welcome when it materialised. He agreed that our economies were complimentary, particularly in the fields of transport, telecommunications, power generation, agriculture and food processing.

The Prime Minister said he knew that Vice-Premier Zhu had discussed the Canton Metro Project with the President of the Board of Trade. We believed that British companies offered the highest quality. We would be happy to discuss concessional financial arrangements. The outstanding growth rate of 9 per cent which Vice-Premier Zhu had projected offered very great trading prospects. Mr. Needham, who had gone with Lord Prior to China, would wish to improve and extend our trading relationship. China's application to re-join the GATT was relevant to all this. We looked forward to progress in the working party on that issue. There were great prospects and we must make sure that nothing stood in the way of them.

Hong Kong

The Prime Minister said that Vice-Premier Zhu would no doubt have discussed this issue at length with the Foreign Secretary. Hong Kong was of immense importance to both our countries. There was no change in the British Government's policy. We wanted to ensure a smooth transition to 1997 and a successful Hong Kong beyond that. He had re-stated that policy at the Mansion House the previous evening. We wanted good co-operation on the basis of the Joint Declaration but that needed co-operation from both sides. We knew that the Chinese had concerns and we were happy to discuss them.

Vice-Premier Zhu said that he had just had a very frank talk with the Foreign Secretary where they had failed to agree on some important aspects. He would like to point out that he

had not come to Britain for Hong Kong reasons. His visit had been decided on following the invitation issued by the Prime Minister last year and after six months of consultation this year. He had come to enhance mutual understanding between the economic and business communities and to promote trade. The Hong Kong issue had flared up shortly before his departure. Yesterday the Foreign Secretary, over dinner, had asked him in detail about the division of labour within the State Council. He had explained that he was responsible for economic matters, not diplomatic or foreign matters. He had not, therefore, made any serious study of the Basic Law and was not the Governor of Hong Kong, who read the Basic Law like the bible, as did the Foreign Secretary. What he could say, however, was that all the Chinese Government and Party Leaders shared the same position. The Prime Minister had said there was no change in British policy but even some in Hong Kong, who were not pro-Chinese, had said that they had detected some major changes in British policy on Hong Kong. A number of agreements had been reached, including the Joint Declaration, and an understanding reached between 1990-1991 on the convergence of the development of political systems with the Basic Law. These had not just been agreements in principle. There were specific provisions. These should form the basis of our handling of the Hong Kong issue. As to the programme which had now been put forward, in terms of its content it was against the Joint Declaration and the understanding on convergence with the Basic Law which had been reached. It had aroused the utmost concern and anxiety among people in Hong Kong and China. Whether or not the Joint Declaration was observed was a matter of principle and China had been clear and firm. Mr. Hurd had expressed surprise at the attitude of the Chinese Government. He himself was even more surprised why a programme could be put forward that was completely different from the previous ones. He had also said that China would stick to one country, two systems, but to realise that we had to proceed gradually through co-operation and consultation. Now we were seeing confrontation and division in Hong Kong. If that trend were allowed to continue it would undermine stability and have serious consequences. It was against the interests of the UK, China and Hong Kong. He was sorry to be so frank but he hoped the Prime Minister would understand. China's position was still one of wanting to overcome differences and to proceed along the path of friendly co-operation and consultation.

The Prime Minister said that Vice-Premier Zhu should make no apology for being frank. Meetings would be much less valuable if we were not frank with each other. He could see certain misunderstandings which could be removed but only by discussion. Vice-Premier Zhu had said that many in Hong Kong had detected changes in policy. It was sometimes said that people who could see what did not exist were very long-sighted. He thought there were some long-sighted people around. Our commitment to the Joint Declaration remained complete and absolute.

The Prime Minister said that Mr. Patten had the Government's full confidence and support in carrying out his difficult task. We believed that his proposals took full account of the Basic Law. But the Basic Law was silent on a number of issues and so Mr. Patten had had to make proposals. We supported those proposals. They were, however, proposals. If the Chinese side had alternatives, we would be happy to receive them. We and the Governor wanted discussion, not confrontation and to have these discussions in private to avoid worsening the situation. He hoped we could proceed on these lines.

The Prime Minister said that he was very concerned that, following the MOU on the airport, no agreement had yet been reached on financing. This was despite the Airport Agreement and his own subsequent meeting with Li Peng in June. We had put forward proposals but these had not been acceptable to the Chinese side. The Governor would do what he could to honour the MOU and keep up progress in the project using money from Hong Kong's own resources, but we would prefer to see an early agreement with China, to work together. There was the very practical danger that costs would rise and the airport would be delayed. This was not in the interests of Hong Kong now, or after 1997, so he hoped decisions could be reached soon and amicably. If that meant personal envoys from the Prime Minister and from Li Peng, the Prime Minister was happy to have them. We fully supported the way the Governor was dealing with this and hoped agreement could be reached soon.

Vice-Premier Zhu said that although he was not an expert on the Basic Law, he had to say that the Prime Minister's remarks that the Basic Law was silent on electoral matters did not square with the facts. The principles were set out in the Basic Law. The 1990-91 Agreements had taken matters further by laying out specific provisions. There was no denying the fact that there were still some differences of opinion but there had been mutual understanding in the Agreements reached and that should not be overridden. There was no way China could sit down to discuss these matters. They would not put forward any new programme. It was all in the Basic Law. China hoped that the British Government would seriously consider the Chinese position and re-embark on consultation, as per the Joint Declaration.

As for the airport, Vice-Premier Zhu said that the visit of the Prime Minister to China to sign the MOU had been a very good development. Subsequently, differences had arisen over the financial arrangements which were not in accordance with the MOU as signed. He read the Hong Kong newspapers every day. He could see the anxiety in Hong Kong over the issue. Public figures had expressed their anxiety and opposition. He believed that if we could go back to the road of the MOU then there would not be problems.

The Prime Minister said it had been useful to touch on these issues because there were genuine differences of judgement and opinion which we needed to clarify. This suggested that we needed to discuss the Governor's proposals to agree what the points of difference were. He thought he could see where many of the differences between us might lie. They would need detailed discussion, eg on the Basic Law, where provision was not made for Functional Constituencies and the Election Committee.

The Prime Minister expressed his pleasure at the willingness of China to receive delegations such as that to be led by Lord Howe. Arrangements for his visit were well in hand. Some of the individual cases that he had raised had been released and this had been very well received. This was not a matter for detailed discussion that morning, but he wanted to register our satisfaction at the releases and hoped that progress would continue.

The Prime Minister reaffirmed the importance of our trade and economic relations. On his return from Peking he had said to his Ministers that he wanted them to build up our economic and trade relations and to encourage trade missions. He wanted to reiterate that there were great opportunities for both our countries and we should let nothing come in the way.

Vice-Premier Zhu said that he agreed that human rights should be put on one side for this morning. China's position was very clear. All countries had their human rights problems. These should be discussed on an equal footing. This was not a matter on which there should be interference. Lord Howe and his delegation would be most welcome. They would be well received at a high level, so long as they were not called a Human Rights Delegation. Vice-Premier Zhu said he had already met Lord Howe on this visit. He added that as far as economic and trade relations were concerned, that should be the most important field of co-operation between Britain and China. He would do his utmost and his visit had been very successful.

The Prime Minister asked Vice-President Zhu to convey his good wishes to Premier Li Peng.

I am copying this letter to Peter Smith (Department of Trade and Industry), Peter Wanless (HM Treasury) and Melanie Leech (Cabinet Office).


J. S. WALL

Stephen Smith, Esq.,
Foreign and Commonwealth Office



CALL ON THE PRIME MINISTER BY VICE-PREMIER ZHU RONGJI

POINTS TO MAKE

Our objectives for the visit

- to get to know an outstanding representative of China's next generation leadership and an active practitioner of reform.
- to deliver a clear message over Hong Kong, expressing firm support for the Governor's proposals for constitutional development, and for development of the airport.
- to impress upon Zhu the UK's worth as a trading partner and source of high technology.
- to remind Zhu of our continued concerns about human rights.

General/Bilateral

- Warm welcome. The Vice-Premier already knows many British Ministers and industrialists. His reputation is high in this country as a man to get things done. Congratulations on appointment to the Politburo Standing committee.
- China's economic achievements since 1979 impressive. Success of economic reform and opening to the world much admired in the U.K. Pleased about endorsement of continued reform at the 14th Party Congress.
- Successive Prime Ministers have taken closest interest in Sino-British relations. I signed the MOU on the airport with Premier Li Peng in 1991. Two subsequent meetings with Li Peng, at New York in January, at Rio in June. Continue to attach greatest importance to close cooperation with China and steadily improving relations. ✓
- Britain and China share global responsibilities, in the P5 and as nuclear powers. We also share the onerous responsibility of ensuring prosperity and stability in Hong Kong and a smooth transition. ✓



- As China's economy further develops, commercial and economic links are bound to increase. Her Majesty's Government attaches great importance to such links and to our technical cooperation, scholarships, and scientific links.

Hong Kong

- There has been no change in the British Government's policy towards China and Hong Kong. Britain and China share important interest in ensuring a smooth transition, and a successful Hong Kong up to 1997 and beyond; we wish to continue good cooperation with China on the basis of the Joint Declaration. But cooperation needed from both sides. ✓
- Mr Patten has my full confidence and support, and that of the whole Government, in carrying out his difficult task. Chinese leaders can deal with him knowing that he speaks with the weight of the British as well as Hong Kong Governments; ✓
- His proposals for the 1995 elections were developed in close consultation with us in London, following extensive consultations with all points of view in Hong Kong. We support them wholeheartedly. They respond to the wishes of the people of Hong Kong for effective government and a modest extension of democracy. They have been attacked by some for not going far enough. Resisting these modest proposals would not be conducive to Hong Kong's stability and prosperity. The proposals take full account of the Basic Law: on many of the specific electoral issues, the Basic Law is silent. Mr Patten therefore had to make proposals; ✓
- Mr Patten has emphasised that these are proposals. If the Chinese side have alternatives to suggest, we look forward to receiving them; ✓
- But instead of reasoned arguments, we have heard only strident denunciation. This will not frighten Mr Patten or the Hong Kong people. Nor does it impress HMG. Urge the Chinese side to put away megaphone, and get down to serious discussion of the Governor's proposals, and of the many other problems we need to tackle together before 1997;



- Extremely disappointing that no agreement has been reached on financing Hong Kong's new airport, despite the MOU, and my discussion with Premier Li Peng in Rio in June. Each time we put forward proposals, they are rejected by the Chinese side. The Governor will do what he can to honour the MOU, and keep up progress in the project using money from Hong Kong's own resources. But this is very much second best. Would still like to see an early agreement on this issue. Hope for a more positive attitude from the Chinese side. If there is delay, costs will rise. That is not in the interests of Hong Kong's people now or after 1997.
- The Government and the Governor will be working very hard to ensure that the Clinton Administration, and Congress, make the right decision on MFN for China. This is an important shared interest for us. Denunciation of our plans for the 1995 elections and personal attacks on the Governor in the pro-China press will not help protect that interest.

Commercial Issues

- We hope the recent mission will give a much-needed boost to our exports. U.K. industrial capabilities closely match China's priorities (transport, telecommunications, power generation, agriculture, food processing).

GATT

- Strongly support U.K. companies in the Canton (Guangzhou) Metro project. Our appraisal mission brought back good reports of the project. A decision on a new Concessional Finance Arrangement will be made when the details of our public expenditure plans are finalised.
- Welcome China's application to rejoin GATT. Look forward to progress in GATT working party. European Community will need to be sure China can conform to GATT requirements.

Human Rights

- Continuing deep and widespread concern in this country about the human rights situation in China, including in Tibet. No wish to see instability in China, nor to interfere in internal affairs. But human rights a matter of universal concern.

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- Welcome Chinese readiness to explain policy and practice. China's three White Papers, and willingness to receive foreign delegations such as Lord Howe's evidence of further openness. Glad arrangements for Lord Howe's delegation now well in hand.

- Some individual cases of concern have been released. Urge further early releases and a general amnesty for those involved in 1989 events. Urge early Chinese adherence to the specific rights and freedoms codified in the Universal Declaration of Human Rights and to two International Covenants. These transcend national, religious, cultural and ideological frontiers.

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List of Chinese and U.K. Officials attending the call

Zhu Rongji - Vice-Premier of the State Council
Xu Zhijian - Deputy Secretary General of State Council
Jiang Enzhu - Vice Foreign Minister
Yao Zhenyan - Vice Minister of State Planning Commission
Madam Wu Yi - Vice Minister of Foreign Economic
Relations and Trade
Ma Yuzhen - Ambassador to the United Kingdom
Ma Xuesong - Interpreter
Wang Yanyi - Notetaker

Subject to the Prime Minister's agreement, we propose that our team should match theirs in numbers.

Prime Minister
Private Secretary
Mr Goodlad
Mr Needham
Sir R Braithwaite
Sir R McLaren
Mr Hum
Mr Davies, Far Eastern Department

Rec'd by Fax

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade



Stephen Wall Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Secretary of State
Department of
Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

14 November 1992

Sean Stepler

CHINA: CANTON METRO

When Vice Premier Zhu called on the President of the Board of Trade yesterday, he pressed him for concessional finance (ATP) for the Guangzhou (Canton) Metro project, where British companies (GEC, ABB (UK) and others) are well placed, in competition with French and Japanese companies, to win important business worth up to £150 million. Mr Heseltine gave a non-committal response, explaining that we were still considering the issue.

Mr Heseltine has looked at the matter again since his meeting with Zhu, and has spoken to the Foreign Secretary. He would be grateful if the Prime Minister could find an opportunity of explaining this to Zhu. The Prime Minister might underline the importance the government attaches to British companies winning this important business and the excellence of the companies concerned (GEC built rolling stock for the successful Hong Kong Mass Transit Railway). He might say that the government has provided for a limited concessional finance budget as part of this year's public expenditure survey. We will be very ready against this background to have further talks with the Chinese authorities about the possibility of providing concessional finance for the metro project.

Although the Prime Minister will not wish to mention this, there are a number of technical and financial issues identified by a recent ODA mission to Guangzhou which need to be resolved. It would also help if we had further information about the readiness of the French and Japanese Governments to offer aid. (The President of the Board of Trade does not share the Foreign Secretary's view that it would be better to match aid offers by others rather than initiate a firm offer

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the department for Enterprise





of aid and believes that it will be necessary to initiate if the Chinese are to take us seriously, but there is no need to resolve that issue before the Prime Minister sees Zhu).

I am sending a copy of this letter to Richard Gozney (FCO), and to Peter Wanless (Treasury).

*Yours
David*

DAVID MELVILLE
Assistant Private Secretary

PE11265

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the department for Enterprise

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*ZHU RONGJI call
tomorrow at 1100 am.*

List of Chinese and U.K. Officials attending the call

Zhu Rongji - Vice-Premier of the State Council
 Xu Zhijian - Deputy Secretary General of State Council
 Jiang Enzhu - Vice Foreign Minister
 Yao Zhenyan - Vice Minister of State Planning Commission
 Madam Wu Yi - Vice Minister of Foreign Economic
 Relations and Trade
 Ma Yuzhen - Ambassador to the United Kingdom
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Prime Minister
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 Sir R Braithwaite
 Sir R McLaren
 Sir J Coles
 Mr Hum

Stephen
Have you
agreed this
attendance?
OK?

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 March 1992

Dear Sir,

**CALL ON THE PRIME MINISTER BY THE CHINESE MINISTER
FOR FOREIGN AFFAIRS: 9 MARCH**

Thank you for your letter of 6 March with briefing for the Prime Minister's meeting with Qian Qichen which took place this morning.

Before the meeting began the Chinese Foreign Minister handed over the Chinese Instrument of Accession to the Nuclear Non-Proliferation Treaty. I enclose the document and a transcript of the remarks made by the Chinese Foreign Minister and the Prime Minister.

I enclose a list of those who attended the subsequent talks which lasted for fifty minutes. It proved hard to get anything much out of Qian Qichen.

The Prime Minister said how much he had valued the improving relations with China over the last two years. His second meeting as Foreign Secretary had been with Mr. Qian. The Prime Minister has been pleased with his meetings with Li Peng. It was important to speak freely and frankly. The Prime Minister would continue to take a close personal interest in the relationship. Over the last two years the world had undergone unprecedented changes. China and Britain had worked closely together as members of the Permanent Five in New York. That relationship was very important to us. The Prime Minister welcomed the opportunity he had had in New York to continue the dialogue established in Peking last year. The Prime Minister also welcomed the fact that China was at the heart of a region of growing importance to the UK. We had significant economic and commercial interests in the region and concern for its stability. For these and other reasons Britain had played a leading part in the formation of G7 and EC policy towards China. We had made clear to the United States our concern over the renewal of China's MFN status. This was vital for Hong Kong but it was also important for China as well.

Qian Qichen thanked the Prime Minister for his friendly remarks. He was honoured to have this meeting. He wanted to convey the cordial greetings of Jiang Zemin, Yang Shangkun and Li Peng, all of whom the Prime Minister had met in Peking. The Chinese leaders were quite satisfied with the considerable

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progress which had been made in Anglo/Chinese relations over the last year especially the Memorandum Of Understanding on the airport which had had a very positive influence. The first high level meeting of the Security Council, held under the Prime Minister's sponsorship, had had a positive influence on the international situation. The meeting between the Prime Minister and Li Peng in New York had been fruitful. He agreed with the Prime Minister that Britain and China were important countries as Permanent Members of the Security Council. In a volatile international situation it was important to build up discussion and cooperation on international matters. The development of the bilateral relationship was in the interests of the two countries. Britain was an advanced technological country. China was the world's biggest developing country. China's policy of reform and of opening would continue. It was the intention of the leadership to accelerate the pace of reform. Deng Xiaoping's recent remarks in Shenzhen had underscored that idea. The economies of Britain and China were complementary. He hoped Britain would increase its trade with and investment in China. China wanted Britain to have a higher share of her market.

Mr. Qian thanked the Prime Minister for the role Britain had played in the G7, the EC and over the renewal of MFN status. During the morning he had had detailed discussions with the Foreign Secretary on Hong Kong issues. Both our countries wanted to see the prosperity and stability of Hong Kong. A Hong Kong in disorder would serve the interests of neither of us. China would observe the spirit of the Joint Declaration and the MOU on the airport. China wanted to strengthen her cooperation with the British side. Even after 1997 China would continue to give due regard to the British economic interest in Hong Kong.

The Prime Minister invited the Foreign Secretary to summarise the morning's discussions. The Foreign Secretary did so, referring to commercial issues (including the sale of BAe 146 aircraft), human rights and the visit of Sir Geoffrey Howe at the head of a high level study group.

The Prime Minister said he was very pleased that the visit of Sir Geoffrey Howe would go ahead. He believed the study group visit would be helpful to both of us. Sir Geoffrey Howe had great knowledge of, and affection for, China and was the right man to lead the group.

The Prime Minister said that we had been very pleased at the signature of the MOU on the airport. We had nearly completed our plans for financing the airport project. China already knew about the railway. The rest of the package should be ready later this month. It was based on one criterion above all others, namely how to get the quickest and most cost effective return for the money spent. China had promised support for the airport. It would be helpful if China could endorse these plans speedily.

The Prime Minister said that the prospects for bilateral trade were extremely good. He wanted to see that trade increase in both directions. He was convinced of the opportunities even though the figures for the last year had been rather less than we had hoped. Vice Premier Zou had had a good visit to Britain last

November. He had particularly looked at the possible sale to China of BAe 146 aircraft. The Prime Minister knew the company well. Many of his constituents worked for it. He knew how interested in China the company were. They had made a competitive offer for the supply of BAe 146 aircraft. It would be a great boost to our relationship if BAe were successful. He wondered what the timing of the decision would be on the Chinese side.

These remarks by the Prime Minister produced a flurry of activity on the Chinese side of the table with bits of paper hastily being placed in front of Qian Qichen. Once armed with his brief, Qian Qichen said that BAe had had extensive discussions with CAAC since the second half of last year. BAe had put forward many proposals including the possible exchange of BAe 100 aircraft for BAe 300 aircraft. But that fleet was rented and there were therefore some difficulties with the proposal. Qian Qichen knew that Lord Brabazon was soon to visit China. He could hold discussions on the matter. Qian Qichen believed that so long as the two sides conducted sincere negotiations a solution could be found. The Prime Minister said that Lord Brabazon would be fully briefed on the issue. We hoped it would be resolved speedily.

The Prime Minister asked Qian Qichen whether he had any particular issues to raise. The Foreign Minister said that he did not. During his meetings with Li Peng the Prime Minister had handed over a list of 37 people. The Chinese side had made considerable efforts to try and clarify the situation. He would ask his Ambassador to prepare a list and to hand it over to somebody designated by the Prime Minister. The Prime Minister said he was glad that this matter was being taken forward. There were some particular individuals for whom we hoped for clemency. The Foreign Secretary would have gone over the ground in detail. We hoped for progress. The Prime Minister said that I would take delivery of the promised list on his behalf in the first instance.

The Prime Minister said that he wanted the work of the JLG to accelerate as rapidly as possible. What prospect did the Foreign Minister see of moving forward on e.g. defence lands and air services? We had sought to respond to Chinese concerns. Qian Qichen said that he and the Foreign Secretary had tackled these matters that morning. He hoped that progress on air services would be made at the next JLG meeting. On defence lands, both sides had made efforts but their positions were still far apart.

The former Soviet Union

The Prime Minister asked Qian Qichen for his assessment of the prospects of President Yeltsin and the Russian Government. (On the basis that there might be a better chance of Qian Qichen opening up over dinner than in the plenary session, the Prime Minister added that he was doing no more than to raise the issue now. It might be on the agenda for the Foreign Secretary's dinner that evening.)

Qian Qichen said that he would be meeting the Russian Foreign Minister in Peking on his return. Russia faced complicated problems, particularly economic. The liberalisation of prices, now including food prices, had caused a crisis that was still continuing. More generally, there were differing views within the Yeltsin team, especially on the part of Vice President Rutskoi. There were also some economists who held dissentient views. Mr. Yeltsin wanted to visit the Far East including Korea, Japan and China. Yeltsin was going to the USA in June so it seemed likely that his visit would take place in the autumn. What were the Prime Minister's own impressions?

The Prime Minister said that he had found Mr. Yeltsin very much in control of his brief and much more confident than when he had met him four months earlier. He had been very frank about his problems and had sought to hide none of them. Many would take time to put right. He had made very clear his wish that Russia should take up her place as the successor state to the Soviet Union speedily and decisively. We were especially interested in China's relations with the other republics. Kazakhstan was of particular importance. Had Qian Qichen met President Nazarbaev?

Qian Qichen said that President Nazarbaev had visited China before making his declaration of independence. China's impression was that Kazakhstan was relatively stable. President Nazarbaev had sought to leave the impression of somebody who could play a mediating role in the former Soviet Union. Since then, the Prime Minister of Kazakhstan had visited China officially. It was China's intention to establish normal relations with Kazakhstan and other republics. They were, after all, China's neighbours and they had to do business. The Presidents of the Asian Republics would successfully visit China. The central Asian Republics saw themselves as forming a bridge between Asia and Europe. Qian Qichen said it was not his impression that fundamentalism would run unchecked in the region. Its influence would be there, but on the present information reaching him, he did not think Iran would score a success.

The Foreign Secretary said that one of the problems facing Mr. Yeltsin was how to keep Russia itself together. Did China think Yeltsin would succeed or, faced with pressure from ethnic minorities, would he have to contend with pressure for the further alteration of frontiers?

Qian Qichen said that there had been sixteen autonomous republics in Russia. They had now dropped the word autonomous and simply regarded themselves as separate republics. It was, of course, impossible for them to sever their ties with Russia economically but nationalism was developing. It would be very difficult for Russia to maintain a unified country. In particular, if Russia could not offer strong economic ties then nationalism would increase. The resentment against Russia in those republics was quite strong. At the same time, there were a lot of Russians in the Asian Republics. Feelings were mixed. The Prime Minister of Kazakhstan was a Russian. At the same time, he was very opposed to central control by Russia.

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

James,
Stephe
(J. S. WALL)

S. L. Gass, Esq.,
Foreign and Commonwealth Office.

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英国

伦敦

英国外交大臣道格拉斯·赫德先生

阁下：

我谨通知你，根据中华人民共和国全国人民代表大会常务委员会一九九一年十二月二十九日的决定，中华人民共和国加入一九六八年七月一日订于伦敦、莫斯科和华盛顿的《不扩散核武器条约》(以下简称《条约》)，并声明如下：

一、中国奉行独立自主的和平外交政策，一贯主张全面禁止和彻底销毁核武器。为了推动实现这一目标，维护国际和平、安全与稳定，并考虑到广大无核国家的愿望和要求，中国决定加入《条约》。

二、中国奉行不主张、不鼓励、不从事核武器扩散，不帮助别国发展核武器的政策。中国支持《条约》确定的目标，即：防止核武器扩散、推动核裁军、促进和平利用核能的国际合作，并认为这三个目标是相互联系的。

三、中国认为，防止核武器扩散本身并不是目的，而是实现全面禁止和彻底销毁核武器过程中的措施和步骤。防止核武器扩散与核裁军应相辅相成：只有在核裁军领域取

得大幅度进展,才是制止核武器扩散的最有效途径,才能切实加强核不扩散制度的权威性;同时,保持一个有效的核不扩散制度,有助于实现全部消除核武器的目标。为实现全面禁止和彻底销毁核武器这一崇高目标,拥有最大核武库的国家应当切实履行其特殊义务,率先停止试验、生产和部署核武器,并大幅度削减它们在国内外部署的各类核武器。它们在所有这些方面的实际进展,将为召开包括全部核武器国家参加的具有广泛代表性的核裁军国际会议创造条件。

四、中国主张,为了改进和加强核不扩散制度,推动实现全面禁止和彻底销毁核武器的目标,还应采取以下具体措施:

(一)所有核武器国家都承担在任何时候和任何情况下不首先使用核武器的义务;为此缔结一项关于不首先使用核武器的国际协定。

(二)所有核武器国家都承诺不对无核武器国家和无核武器区使用或威胁使用核武器;为此缔结一项关于不对无核武器国家和无核武器区使用或威胁使用核武器的国际法律文书。

(三)所有核武器国家都承诺支持建立无核武器区的主

张,并尊重无核武器区的地位,承担相应的义务。

(四)所有在国外部署核武器的国家将这些武器全部撤回本国。

(五)空间大国停止外空军备竞赛,停止发展外空武器,尤其是与核有关的外空武器。

五、台湾当局以中国名义分别于一九六八年七月一日和一九七〇年一月二十七日对该条约的签署和批准是非法和无效的。

中华人民共和国
国务委员兼外交部长

钱其琛

一九九二年一月二十二日于北京

(Translation)

Beijing, 22 January 1992

Mr. Secretary,

I have the honour to inform you that the People's Republic of China, in accordance with the decision made by the Standing Committee of the National People's Congress of the People's Republic of China on 29 December 1991, hereby accedes to the Treaty on the Non-Proliferation of Nuclear Weapons (hereinafter referred to as the Treaty) which was opened for signature at London, Moscow and Washington on 1 July 1968, and to state as follows:

1. Pursuing an independent foreign policy of peace, China has all along stood for the complete prohibition and thorough destruction of nuclear weapons. With a view to bringing about this objective and maintaining international peace, security and stability, and taking into consideration the aspirations and demands of the large numbers of non-nuclear-weapon countries, China has decided to accede to the Treaty.

2. China pursues a policy of not advocating, encouraging or engaging in the proliferation of nuclear weapons, nor helping other countries to develop nuclear weapons. China supports the objectives set forth in the Treaty, namely, prevention of the proliferation of nuclear weapons, acceleration of nuclear disarmament and promotion of international cooperation in the peaceful use of nuclear energy, and believes that these three objectives are interrelated.

3. China maintains that the prevention of proliferation of nuclear weapons is not an end in itself, but a measure and step in the process towards the complete prohibition and thorough destruction of nuclear weapons. Non-proliferation of nuclear weapons and nuclear disarmament should be mutually complementary. Only when substantial progress is made in the field of nuclear disarmament can the proliferation of nuclear weapons be checked most effectively and the authority of the nuclear non-proliferation regime truly enhanced. At the same time, an effective nuclear non-proliferation regime is conducive to the goal of total elimination of nuclear weapons. To attain the lofty goal of complete prohibition

Mr. Douglas Hurd
Secretary of State for Foreign Affairs
LONDON

and thorough destruction of nuclear weapons, countries with the largest nuclear arsenals should earnestly fulfill their special obligations by taking the lead in halting the testing, production and deployment of nuclear weapons and drastically reducing those weapons of all kinds they have deployed inside and outside their countries. Tangible progress they make in all these aspects will create conditions for the convening of a widely representative international conference on nuclear disarmament with the participation of all nuclear-weapon states.

4. China maintains that in order to improve and strengthen the nuclear non-proliferation regime and help attain the goal of complete prohibition and thorough destruction of nuclear weapons, the following specific measures should also be taken:

(1) All nuclear-weapon states undertake not to be the first to use nuclear weapons at any time and under any circumstances, and an international agreement on the non-first-use of nuclear weapons should be concluded.

(2) All nuclear-weapon states undertake not to use or threaten to use nuclear weapons against non-nuclear-weapon countries or nuclear-free zones, and an international legal instrument on the non-use or non-threat of nuclear weapons against non-nuclear-weapon countries and nuclear-free zones should be concluded.

(3) All nuclear-weapon states undertake to support the proposition of establishing nuclear weapon-free zones, respect the status of such zones and undertake corresponding obligations.

(4) All states that have nuclear weapons deployed outside their boundaries withdraw all those weapons back to their own territories.

(5) The major space powers halt their arms race in outer space and cease the development of space weapons, the nuclear-related in particular.

5. The signing and ratification of the Treaty by the Taiwan authorities in the name of China on 1 July 1968 and 27 January 1970 respectively are illegal and null and void.

(Signed) Qian Qichen

State Councillor and Foreign Minister
of the People's Republic of China

C O P Y

(Translation)

Beijing, 22 January 1992

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Mr. Douglas Hurd
Secretary of State for Foreign Affairs
LONDON

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State Councillor and Foreign Minister
of the People's Republic of China

FROM: EILEEN GALLAGHER

FOR: NO 10 PRESS OFFICE
COI

DATE: 9 MARCH 1992

1. Herewith Prime Minister/Chinese Foreign Minister's speeches

Leader plus 3 pages

Mr Wain

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PRIME MINISTER/MR QIAN QICHEN - LONDON - 9 MARCH 1992

- 1 -

FROM EGMG FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF SPEECHES

GIVEN BY THE PRIME MINISTER, MR JOHN MAJOR,
AND THE CHINESE FOREIGN MINISTER, MR QIAN QICHEN,

IN LONDON

ON MONDAY, 9 MARCH 1992

MR QICHEN:

The Right Honourable Prime Minister, John Major, the Right Honourable Foreign Secretary, Douglas Hurd, it is a great honour for me to have this opportunity to personally present to Prime Minister John Major China's instrument of accession to the Treaty of Non-Proliferation of Nuclear Weapons. For China's accession to the Treaty is of great significance and will have far-reaching impact.

I wish to avail this opportunity to reiterate that China has ... for complete prohibition and thorough destruction of nuclear weapons and that China does not advocate, encourage or engage in the proliferation of nuclear weapons.

We maintain that the three major objectives of the NPT, namely prevention of the proliferation of nuclear weapons, acceleration of nuclear disarmament and promotion of international cooperation in the peaceful uses of nuclear energy are inter-related and inseparable.

PRIME MINISTER/MR QIAN QICHEN - LONDON - 9 MARCH 1992

- 2 -

The prevention of nuclear proliferation is not an end in itself but a major step in a process towards complete prohibition and thorough destruction of nuclear weapons. It is self-evident that the prevention of proliferation of nuclear weapons should not restrict or impair the just rights and interests of those countries in the use of nuclear energy for peaceful purposes.

After its accession, China will continue to make contributions to the realisation of the three objectives of the Treaty.

PRIME MINISTER:

Mr Quichen, may I say thank you very much indeed. I am delighted at China's accession to the Non-Proliferation Treaty and especially pleased that of the three depository bodies that China has decided to lodge their accession to the Treaty with the United Kingdom.

I do regard this as an immensely important step forward and I am absolutely delighted at the action China has taken and at the initiative that you, Mr Foreign Secretary, have taken this morning.

I think we saw across the world during the time of the Iraq war the vital importance of non-proliferation. It is a matter of key importance to the United Kingdom, key importance to China, key importance to the United Nations and will be a matter of great moment for the rest of the world for some years ahead.

PRIME MINISTER/MR QIAN QICHEN - LONDON - 9 MARCH 1992

- 3 -

The fact that China has acceded to the Non-Proliferation Treaty is a dramatic step forward and I could not be more pleased than I am to see you here this morning for this particular purpose. We have many things to discuss but one of the things that we will no longer need to discuss is the Non-Proliferation Treaty following your action this morning and that will enable us to concentrate on the many other matters of mutual importance to us both.

So may I say that you are very welcome here this morning and the news that you bring with you is very welcome, not only for us, but I believe for many people across the world.

Thank you very much indeed.

(END OF TRANSCRIPT)

Mr Wall

NAMES FOR THE MEETING WITH CHINESE FOREIGN MINISTER ON MONDAY
9 MARCH IN THE CABINET ROOM

The Prime Minister
Interpreter (Ms Chin)
Rt Hon Douglas Hurd, MP
Rt Hon Earl of Caithness
Sir John Coles
Mr Andrew Burns
Mr Hugh Davies
Sir Percy Cradock
Mr Stephen Wall

HE Mr Qian Qichen State Councillor and Minister for
Foreign Affairs

HE The Ambassador of China

Mr Yang Guirong Director, West European Dept, MFA

Mr Guo Bangyan Counsellor, West European Dept, MFA

Mr Lu Xinhua Secretary to Mr Qian Qichen

Mr Zhang Zhiming Division Chief, Hong Kong and Macao
Affairs Office, MFA

Mr Wu Hongbo Division Chief, Hong Kong and Macao
Affairs Office, MFA

Madame Shao Xuezhen Division Chief, European Department,
MFA

Mr Wang Yihao Counsellor, Chinese Embassy

Mr Hu Chuanzhong Counsellor, Chinese Embassy

Interpreter (Mrs Huang)

Mr. Li Tao Third Secretary, Protocol Department,
Ministry of Foreign Affairs

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PRIME MINISTER

VISIT TO LONDON BY THE CHINESE FOREIGN MINISTER, QUIAN QICHEN

The Chinese Foreign Minister is calling on you on Monday. He will arrive at 1110 and is due to leave at 1200.

The Foreign Secretary will bring Quian Qichen across on foot from the FCO. Percy and I will meet him at the Front Door and bring him to the first floor. I suggest you greet him inside the door at the top of the stairs. You should then take him through to the Pillared Room where there will be a photocall in front of the fireplace. You should stand on the right (as you face the fireplace). Quian Qichen will hand over the Chinese Instrument to accession of the Non-proliferation Treaty. It has been agreed that each side will say a few words (speaking note attached). The Chinese wanted champagne. We have told them they cannot have it.

✓ After the photocall you will go down to the Cabinet Room for the meeting.

I suggest that you talk about UK/China relations, Hong Kong and human rights. The main plus points for us from the meeting will be the handing over of the NPT Instrument and China's agreement (now received) to a human rights mission, led by Sir Geoffrey Howe. The condition of Chinese agreement to the mission is that it be referred to as a "study group" not a "human rights mission". We have told the Chinese that "study group" will be the formal title, but that we will make clear that it is a human rights mission.

Detailed FCO brief is in the folder and the individual points to make from the brief are attached. In summary, the main items are:

Hong Kong

Two important subjects are deadlocked: Hong Kong's Air Services Agreement with third countries - because of Taiwan, and the allocation of defence land for the future Chinese garrison where

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the Chinese want a central site which we are not prepared to give them.

In general, the Chinese are starting to seek greater day-to-day involvement in Hong Kong. They have criticised the recent Hong Kong budget. They have appointed a group of advisers on Hong Kong affairs. This is not necessarily a bad thing if it helps them to learn about the realities of life, but there is obviously a risk of the advisers cutting across the existing government. Nor is the idea of starting to identify and groom candidates for top government jobs post-1997 a bad one. It is simply premature.

Human Rights

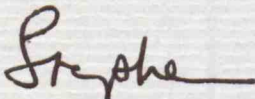
There has been no real improvement since your visit. The brief identifies a number of individuals whom it would be helpful if you could mention. If you decide not to try to wrap your tongue around the names, you could refer to them in general terms and say that the Foreign Secretary will give the names.

Bilateral Trade

It is very important to mention the contract for BAe 146 regional airliners. The Chinese have ordered a number of Fokker aircraft. There are signs that they are prepared to order BAe 146s, but they are trying to screw down the price as low as possible.

The brief contains defensive points on Taiwan and GATT.

If time allows, you may want to talk about the former Soviet Union and central Asia. It would be quite interesting to get Chinese views - and show that we treat them as a country with world interests.



J. S. WALL

6 March 1992

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Foreign &
Commonwealth
Office

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6 March 1992

London SW1A 2AH

Dear Stephen,

Call on Prime Minister by Chinese Minister for Foreign
Affairs, Qian Qichen: 9 March

Thank you for your letter of 2 March about the call on the Prime Minister by Qian Qichen. We have confirmed to the Chinese that Qian will hand over the Instrument of Accession to the Nuclear Non-Proliferation Treaty in front of the cameras, and that the delegation can stay on for the Prime Minister's talks. On our side we envisage that the Foreign Secretary will be accompanied by Lord Caithness, Sir John Coles, Andrew Burns, Hugh Davies, and the interpreter Mrs Chiu.

Head of Far Eastern Dept

Qian's visit will be the first to the UK by a Chinese Foreign Minister since 1988. It is part of a European tour taking in visits to Germany and Belgium (seeing both the Belgian government and the Commission).

The Chinese will see this tour as another step in the normalisation of China's relations with Europe. Chinese concerns over US domination of world affairs and Western attempts as they see it, to subvert socialism in China, have not evaporated. But their foreign policy has been largely pragmatic: seeking to improve relations with their neighbours and near neighbours, rebuilding links with the West so as to maintain access to the markets and investment they need. Qian himself must carry much of the credit for China's international rehabilitation.

Domestically there are strong signals of a renewed commitment to economic reform. The symbolism of Deng Xiaoping's recent public appearance visiting the Shenzhen special economic zone (bordering Hong Kong), will not have been lost on most Chinese. This has been accompanied by a series of policy statements emphasising the commitment to continued reform. The Chinese Ambassador emphasised the importance of this to the Foreign Secretary yesterday. It is still too early to say whether it amounts to a decisive shift in Chinese politics, but it clearly represents a determined comeback by the reformists in the leadership after a period when more hardline elements seemed to be exerting control. The Party Congress in the last quarter of the year may see changes in the senior leadership and affirmation of policy changes.

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The Prime Minister might like to say a few words at the handing over ceremony of the NPT Instrument of Accession. I enclose some draft comments. In the talks the Prime Minister may like to start, as you suggest, by commenting on our view of China and of UK/China relations. He might say:

- UK greatly values our relations with China. Have personally taken close interest in restoring those relations;
- past two years or so have shown importance of our working together closely as P5 partners. Glad that Premier Li Peng was able to attend Security Council Summit in New York;
- we have played leading part in EC and G7 policy towards China. Very pleased to see positive outcome of such discussions in recent years. Have also made our concerns clear to US administration over renewal of MFN for China. Vital for Hong Kong and China;
- bilaterally pleased to have seen acceleration of our Ministerial and other high-level contacts. Pleased to have welcomed Vice-Premier Zou here last November. Your own visit very timely this month marks 20th anniversary of establishment of Ambassadorial-level relations;
- these visits underpinned by practical cooperation in many areas. Pleased to make some contribution to China's development: technical cooperation, English language teaching etc.

Hong Kong

The resolution of the airport dispute and the Prime Minister's visit to Peking improved the atmosphere of our dealings with China over Hong Kong. The Joint Liaison Group (JLG) meeting in late September made good progress. However, despite the commitments in the Joint Communique agreed during the visit, the pace slowed down again at the December JLG and in the routine dealings between the two JLG offices in Hong Kong. Two important subjects remain deadlocked, with no sign of Chinese willingness to match our concessions: Hong Kong's Air Services Agreements with third countries (because of Taiwan aspects) and allocation of defence lands for the future Chinese garrison (because of military greed).

The atmosphere has also suffered because of Chinese unhappiness at the outcome of the LegCo elections in September and LegCo's opposition to the JLG agreement about the Court of

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Final Appeal. The Chinese dislike Hong Kong's (limited) privatisation plans and have reacted negatively to a proposal to corporatise the broadcasting service, RTHK. They seem to want to involve themselves more closely in Hong Kong's administration. They have just criticised the Hong Kong budget. They have appointed a group of "Advisers" on Hong Kong affairs, undercutting the role of LegCo and encroaching on the authority of the Government. They have suggested that we should jointly start to identify and groom candidates for the top government's jobs in 1997. Some of last year's rhetoric about the need for "consultation" (in the sense of consensus) before all major policy decisions has also resurfaced.

We do not expect Qian Qichen to bring any significant new ideas, but we are seeking to use his visit to keep up the momentum of last year's improvements in relations; to maintain pressure for better Chinese cooperation; to allay unwarranted Chinese suspicions; and to try to build up a better political understanding in the areas where our interests converge. We also want to show Hong Kong opinion that, despite domestic political pressures, Ministers continue to bat hard on their behalf. The likely absence of tangible results from the visit is not necessarily a disadvantage: this will reduce any impression of Sino-British deals being done over Hong Kong's head.

The Prime Minister might draw on the following points:

- I have a strong personal commitment to making our cooperation over Hong Kong succeed. We cannot expect to agree on every detail, but there is a convergence of our fundamental interests in Hong Kong's continuing prosperity and stability and a smooth transition. Must not let minor issues obscure the broad picture or upset our joint endeavour;
- disappointed that the pace of work of the JLG has not accelerated as much as Li Peng and I envisaged. Both sides will have to work hard to improve this: I hope you and Douglas Hurd have come up with some good ideas;
- some issues, notably Defence Lands and Air Services, require a high-level political input if a solution is to be found. Hope the Chinese Government are prepared to make moves in response to the major steps we have taken to address their concerns;
- Premier Li Peng told me last September that he hoped that the Hong Kong Government would remain an effective Government capable of managing Hong Kong during the transition period. I totally agree with this. Look to the Chinese not to do anything that would jeopardise the authority of the Hong Kong administration. We need to

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distinguish between intensifying our consultation and cooperation (to which we are committed) and joint administration (which we have both ruled out);

- hope that China will handle question of Hong Kong Affairs Advisers in a low key way. Formal meetings would be detrimental to the Hong Kong Government's authority;

- 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 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 delegation led by Sir Geoffrey Howe should visit China after the election. They are likely to insist that there is no mention of human rights in the delegation's title. This is in line with delegations from other countries which have visited China: we can live with it but will make quite clear in our own briefings that the purpose of the delegation is human rights. A 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"

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"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.

The Prime Minister may wish to say:

- value my dialogue with Premier Li Peng on human rights. However, not as much progress as I hoped. 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.
- still await substantive details about the individuals on the list of human rights cases 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.
- 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 Commission on Human Rights, meeting now in Geneva the EC co-sponsored a resolution expressing concern about human rights in Tibet. The resolution was later amended at US insistence to include human rights throughout China. The

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resolution was eventually 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. The Chinese are likely to be smug about this.

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;
- 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 dramatically in 1991 to only £320 million (fall of 30% over 1990 figures). Imports from China continue to rise steadily. The Foreign Secretary in his own talks with Qian will hand over a revised list of projects of particular interest to British companies. British Aerospace are continuing to pursue a contract for eight BAe 146 regional airliners. British Aerospace have now put their final offer on the table including trade in and leaseback of some of China's existing BAe 146s. But the Chinese continue to push for further cuts in price. The order is critical for BAe. ECGD support has not been formally requested and should not be implied. The Prime Minister may like to say:

- UK / China bilateral trade disappointing. UK exports fell sharply in 1991;
- Particular concern is British Aerospace's bid to provide further BAe 146's. British Aerospace have made long-term commitment to China. BAe have made great effort to meet Chinese requirements. Understand they have now put forward very competitive offer. Would hope to see their efforts rewarded very soon. When is decision likely to be announced? A major contract like this would help counteract discouraging effect of poor export figures.

Qian may respond by pressing for further concessional finance once the present 1988 arrangement is fully allocated. The Prime Minister might say:

- glad that much of current CFA is now committed, work is progressing on number of other projects;

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- will be considering case for a further arrangement with China in the next few months;
- hope that trade can increasingly be on commercial terms.

Taiwan

The Chinese remain sensitive to actions which give status to the Nationalist authorities. The Chinese complained (mildly) about Mr Redwood's (DTI) visit to Taiwan 23-26 February, the first ever by a British Minister; and they do not like BA's plans to open air services to Taiwan (we are talking to them). It is however unlikely that Qian will mention any of these. If he did, the Prime Minister might say:

- we have important commercial reasons to improve practical contacts with Taiwan; nothing we are doing affects our formal position on the status of Taiwan.

Qian might raise the question of China and Taiwan's applications to GATT. Li Peng and the Prime Minister discussed this in New York in January. The first meeting since September 1990 of the GATT Working Party on China's reaccession was held on 12/13 January. China has been making efforts to reform its foreign trade system but further progress is needed before it can meet GATT obligations. There has been no progress on the possible establishment of a Working Party to consider a Taiwan application. The Chinese have lobbied developing countries hard to oppose it. Vice-Premier Zou Jiahua delivered a letter on 25 October from Li Peng to the Prime Minister, restating Chinese views. Identical letters were sent to Delors and all EC heads of government. The Presidency is to respond on behalf of member states. The Prime Minister might say:

- understand some progress was made during latest meeting of Working Party on Chinese reaccession to GATT. Hope further negotiations can resolve remaining difficulties over compatibility with Chinese trade policies with GATT obligations;

- [if raised]

EC adamant that establishment of Working Party on Taiwan's application to join GATT will not in any way imply recognition of Nationalist authorities;

- GATT a matter of EC competence. Both applications will be dealt on normal criteria.

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China / CIS / Central Asia

The Foreign Secretary sees no need for the Prime Minister to raise this, but, in the light of your letter of 2 March, we are including briefing.

Despite their ideological concerns, the Chinese reacted pragmatically to the break up of the Soviet Union and recognised all the republics as independent states. The Chinese accept Russia as a successor state. The Asian republics are enthusiastic about the prospects for trade and economic cooperation with China. China's attitude to the new states is likely to be cautious and conciliatory. China will not want to annoy states in a strong position to encourage separatist tendencies in Xinjiang. China is unlikely to vie for influence in the central Asian region with countries such as Turkey, Iran or Saudi Arabia which have religious and cultural affinities. Nonetheless, China does have economic potential in its Central Asian links - trade with Kazakhstan has quadrupled in the last year. The Karsakh Prime Minister has just visited Beijing. The Prime Minister may like to ask:

- how Qian sees relations with Russia developing?
- effect of break-up of Soviet Union on border negotiations? How does China see its security interests being affected by break-up? Could potential unrest in central asian republics affect your ethnic minorities?
- economic relations? Will Yeltsin reforms affect cross-border trade?

Non-Proliferation

It would be natural for the Prime Minister to comment on non-proliferation, in the light of the Instrument of Accession handing over. He might say:

- China's accession to NPT means that with France's accession (promised soon) all five acknowledged nuclear weapon states are parties to the treaty. This will set an example to other states who have yet to follow suit;
- adoption of full scope safeguards as a condition of nuclear supply would be further major step in strengthening non-proliferation regime;
- welcome Chinese decision to adopt MTCR (Missile Technology Control Regime) Guidelines which seek to limit the spread of ballistic missiles and their technology. Look to China as major manufacturer of missiles, to provide a clear example to other exporters of the need to prevent the proliferation of these uniquely destabilizing systems.

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UNCED

The Prime Minister may recall that he wrote last month to Li Peng emphasising the importance of a satisfactory outcome to UNCED. The Foreign Secretary will be briefed to raise this, and there is therefore no need for the Prime Minister to do so.

S L Gass
(S L Gass)
Private Secretary

J S Wall Esq
10 Downing Street

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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 陈志明
Ren Wanding 任婉町
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 (王歌祿)

CONFIDENTIAL

CALL ON PRIME MINISTER BY CHINESE MINISTER FOR FOREIGN
AFFAIRS, QIAN QICHEN: 9 MARCH: SUMMARY OF POINTS TO MAKE


Opening Remarks

- UK greatly values our relations with China. Have personally taken close interest in restoring those relations; *see improve;*
- rapidly changing world scene over the past two years or so has clearly demonstrated the importance of our working together closely as P5 partners. Pleased that Premier Li Peng was able to attend Security Council Summit in New York. Very valuable opportunity to carry on the dialogue we established in Peking last year; *greatly welcomed that;*
- China also at heart of region of considerable and growing importance to the UK. Economic development of many countries in the region a source of admiration. The UK has significant economic and commercial interests in the region, and we have a wider interest in the region's continued stability;
- we have played leading part in EC and G7 policy towards China. Very pleased to see positive outcome of such discussions in recent years. Have also made our concerns very clear to US administration over renewal of MFN for China. This is vital for Hong Kong and extremely important for China;

Bilateral Relations

- pleased to have seen acceleration of our Ministerial and other high-level contacts. Pleased to have welcomed Vice-Premier Zou (Dzoh) here last November. Visits both a symbol of improving relations and means of ensuring that we better understand each others' concerns. Your own visit very

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timely with this month marking 20th anniversary of establishment of Ambassadorial-level relations;

- these visits underpinned by practical cooperation in many areas. Pleased to make some contribution to China's development: training; scholarships; technical cooperation; English language teaching etc.

Hong Kong


- I have a strong personal commitment to making our cooperation over Hong Kong succeed. We cannot expect to agree on every detail, but there is a convergence of our fundamental interests in Hong Kong's continuing prosperity and stability and a smooth transition. Must not let minor issues obscure the broad picture or upset our joint endeavour;

- disappointed that the pace of work of the JLG has not accelerated as much as Li Peng and I envisaged. Both sides will have to work hard to improve this: I hope you and Douglas Hurd have come up with some good ideas;

- some issues, notably Defence Lands and Air Services, require a high-level political input if a solution is to be found. Hope the Chinese Government are prepared to make moves in response to the major steps we have taken to address their concerns;

- Premier Li Peng told me last September that he hoped that the Hong Kong Government would remain an effective Government capable of managing Hong Kong during the transition period: totally agree with this. Look to the Chinese not to do anything that would jeopardise the authority of the Hong Kong administration. We need to distinguish between intensifying

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our consultation and cooperation (to which we are committed) and joint administration (which we have both ruled out);

- hope that China will handle question of Hong Kong Affairs Advisers in a low key way. Formal meetings would be detrimental to the Hong Kong Government's authority;

- 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

- value my dialogue with Premier Li Peng on human rights. However, not as much progress as I hoped. 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

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will be open and frank in their discussions with the delegation;

- still await substantive details about the individuals on the list of human rights cases 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.

- our concern about the situation in Tibet, and indeed throughout China, is well-known;

- EC co-sponsored resolution at UN Commission on Human Rights expressing concern about human rights situation throughout China, especially Tibet. Resolution only about human rights, a matter of legitimate international concern;

- [if pressed]

would not have subscribed to a resolution which had implications for the status of Tibet;

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On Hong Kong it would be worth
emphasising the need for
quick Chinese agreement
to our plans for financing
Hong Kong airport. They have
already been told about
finance for the airport railway.
They should get the rest later
this month. All leased on
careful thought about how to
get the quickest and most
cost effective result. China
promised her support and
public expression of it in the
Airport Memorandum of
Understanding.

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- successive British governments have consistently regarded Tibet as autonomous, while recognising the special position of the Chinese there. Nevertheless we advocate a greater measure of real autonomy for the Tibetans.

Commercial Relations

- UK / China bilateral trade disappointing. UK exports fell sharply in 1991;

- aerospace figured prominently in Vice-Premier Zou's visit to UK last November. Particular concern is British Aerospace's bid to provide further BAe 146's.


- British Aerospace have put long-term commitment into China market. BAe have made great effort to meet Chinese requirements. Understand they have now put forward very competitive offer. Would hope to see their efforts rewarded very soon. When is decision likely to be announced? A major contract like this would help counteract discouraging effect of poor export figures.

- glad that much of current Concessional Finance Arrangement (CFA) is now committed, work is progressing on number of other projects;

- will be considering case for a further arrangement with China in light of broader considerations within the next few months;

- hope that trade can increasingly be on commercial terms.

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Taiwan [only if raised]

- we have important commercial reasons to improve practical contacts with Taiwan; nothing we are doing affects our formal position on the status of Taiwan;
- understand some progress was made during latest meeting of Working Party on Chinese reaccession to GATT. Hope further negotiations can resolve remaining difficulties over compability with Chinese trade policies with GATT obligations;
- EC adamant that establishment of Working Party on Taiwan's application to join GATT will not in any way imply recognition of Nationalist authorities;
- GATT a matter of EC competence. Both applications will be dealt on normal criteria.

Non-Proliferation

- China's accession to NPT means that with France's accession (promised soon) all five acknowledged nuclear weapon states are parties to the treaty. This will set an example to other states who have yet to follow suit;
- adoption of full scope safeguards as a condition of nuclear supply would be further major step in strengthening non-proliferation regime;
- welcome Chinese decision to adopt MTCR (Missile Technology Control Regime) Guidelines. Look to China as major manufacturer of missiles, to provide a clear example to other exporters of the need to prevent the proliferation of these uniquely destabilizing systems.

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cc/c

The Rt. Hon. Peter Lilley
Secretary of State for Trade and Industry

Stephen Wall Esq
Private Secretary
10 Downing Street
London
SW1A 2AA

Department of
Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

5 March 1992

Dear Stephen

ccs attached

Thank you for your letter of 28 February, enclosing a minute from Sir Percy Cradock, about the possibility of my Secretary of State writing to the Chinese, in support of 146 sales, before the visit of Qian Qichen.

We have reviewed with BAe and FCO how best to support BAe's efforts to secure a 146 deal, in the light of recent developments in China. The report from our Ambassador in Peking of yesterday's meeting with the State Planning Commission contains some encouragement for BAe. The main message seemed to be that the recent Chinese purchase of Fokker 100s did not rule out a deal on 146s. The Ambassador commented that it was even conceivable that a decision to purchase the 146 had already been made in principle and that the Chinese were waiting for a suitable opportunity, possibly Qian Qichen's visit to the UK, to announce it.

In the light of these developments, we agreed that the best course of action would be for the Prime Minister to raise the issue when he meets Qian on 9 March, thereby building on his previous contacts with the Chinese on this contract. We understand the Foreign Secretary proposes using the opportunity of his lunch with the Chinese Ambassador on 5 March to forewarn the Chinese that the Prime Minister may decide to raise the 146 contract with Qian Qichen. Depending on the outcome of the Prime Minister's meeting, we and FCO will wish to consider whether the Prime Minister should follow up his remarks with a letter. We have discussed this with BAe who agree that this approach represents the best way of supporting their efforts to secure this important contract.

We and FCO will, of course, provide briefing for the Prime Minister's meeting with Qian Qichen. I am copying this letter to Richard Gozney (FCO).

David Melville

DAVID MELVILLE
Assistant Private Secretary

SH443

dti

the department for Enterprise





COMPTON BANK LTD





10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 March 1992

CALL ON THE PRIME MINISTER BY THE CHINESE
FOREIGN MINISTER: 9 MARCH

Thank you for your letter of 28 February about arrangements for the call on the Prime Minister by Qian Qichen.

I understand that the Chinese have been showing some resistance to the idea of the Foreign Minister handing over the Chinese Instrument of Accession to the Nuclear Non-Proliferation Treaty in front of the cameras. No doubt that resistance will be overcome. There is no problem about the delegation attending the handing over (although it will last all of about 20 seconds). They are welcome to stay on for the Prime Minister's discussion with the Foreign Minister which will take place in the Cabinet Room. There is no difficulty about Sir John Coles and/or Andrew Burns attending the talks.

I am sure that the Prime Minister will want to talk about human rights and Hong Kong, but not exclusively. Since this will be the most important call of the Chinese Foreign Minister's visit, should we not use the occasion to say something which Qian Qichen can carry back to Peking about how we view China's place in the world and her bilateral relationship with the United Kingdom? I would expect the Prime Minister to want to ask Qian Qichen for his views on developments in the former Soviet Union and about China's possible role in Central Asia. We have set aside an hour for the meeting.

I am copying this letter to Martin Stanley (Department of Trade and Industry).

(J. S. WALL)

Simon Gass, Esq.,
Foreign and Commonwealth Office.

WS

p.a.
S 2/3



mbds
NOT

10 DOWNING STREET

Stephen

Chinese Foreign

Min will apparently
present PM
with "purple
earthwork tea-
set", when he
calls on 9 March.

Can I assume
that PM will not
feel obliged to
present a gift to
the foreign minister?

S 29/2



Foreign &
Commonwealth
Office

28 February 1992

London SW1A 2AH

Dear Stephen,

Call on the Prime Minister by Chinese Foreign Minister:
9 March

The Chinese Foreign Minister, Qian Qichen, is to call on the Prime Minister on Monday 9 March at 1115 hrs immediately after his talks with the Foreign Secretary. We have told the Chinese that we will expect Qian to hand over to the Prime Minister the Chinese Instrument of Accession to the Nuclear Non-Proliferation Treaty (your letter of 14 February).

There is no particular protocol involved, simply transmission of the documents from hand to hand. We suggest that the ceremony, with photographers present, should take place at the beginning of the call. We shall provide briefing for the Prime Minister to say a few words. [The Prime Minister's comments could form the basis of any press release].

Qian is accompanied by a delegation of nine including the Chinese Ambassador plus an interpreter (names and functions enclosed). The Chinese have asked that the whole delegation should attend the handing over ceremony, together with the two officials from the Embassy. I should be grateful to know if this would be acceptable: the Chinese regard NPT accession as a major step (as indeed it is - reflecting much pressure by us and other Western countries on the Chinese) and wish to see it marked accordingly.

We have told the Chinese that we expect that only a small number would be able to accompany the Foreign Minister in his talks with the Prime Minister. We assume that on his side the Prime Minister will wish to be accompanied by the Foreign Secretary, Sir Percy Cradock, you and an interpreter (Mrs Y S Chiu who interpreted for the Prime Minister in Peking last year). Would you like Sir John Coles or Andrew Burns also to be present? If you agree we shall inform the Chinese that their Foreign Minister should be accompanied by a corresponding number. (If, on the other hand, the Prime Minister was willing to accommodate all the Chinese by holding the talks in the Cabinet Room, that would undoubtedly go down very well).



With the need for translation, time will be limited. The Prime Minister will therefore wish to concentrate on a small number of subjects. We suggest that these should be human rights, given his personal interest in the subject, and Hong Kong. It might also be natural for him to raise disarmament and non-proliferation issues. The Foreign Secretary proposes to cover Hong Kong and other bilateral issues at his morning session, and international issues at a working dinner that evening.

A handwritten signature in dark ink, appearing to read 'S. L. Gass'.

(S. L. Gass)

Private Secretary

J S Wall Esq
10 Downing Street

His Excellency Mr Qian Qichen, State Councillor and Minister for Foreign Affairs of The People's Republic of China, will be accompanied by :

His Excellency Mr Ma Yuzhen,
Ambassador of The People's Republic of China to the Court
of St James's

Mr Yang Guirong
Director, West European Department, Ministry of Foreign Affairs

Mr Li Jiangying,
Deputy Director, Information Department, Ministry of Foreign Affairs

Mr Guo Bangyan,
Counsellor, West European Department, Ministry of Foreign Affairs

Mr Lü Xinhua,
Secretary to His Excellency the State Councillor
and Minister for Foreign Affairs

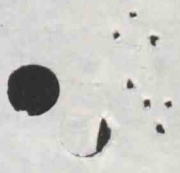
Mr Zhang Zhiming,
Division Chief, West European Department, Ministry of Foreign
Affairs

Mr Wu Hongbo,
Division Chief, Hong Kong and Macao Affairs Office, Ministry of
Foreign Affairs

Madame Shi Xue Zhen,
Division Chief, European Department, Ministry of Foreign Economic
Relations and Trade

Mr Li Tao,
Third Secretary, Protocol Department, Ministry of Foreign Affairs

Ms Huang Qun,
Assistant to His Excellency the State Councillor
and Minister for Foreign Affairs





KW
for/chinese

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 February 1992

VISIT BY THE CHINESE FOREIGN MINISTER:
8 - 10 MARCH

Thank you for your letter of 13 February. The Prime Minister is content to confirm his meeting with the Chinese Foreign Minister at 11.15 on 9 March.

The Prime Minister agrees that the main feature of his meeting with Qian Qichen should be the handing over of the Chinese Instruments of Ratification. Given that there will have to be a photocall, the photocall should be of Qian Qichen handing over the Instruments of Ratification to the Prime Minister.

J S WALL

Simon Gass Esq
Foreign and Commonwealth Office

MCS,

1) a sus
in the
CEPC.

of Prime Minister



Foreign &
Commonwealth
Office

CONFIDENTIAL

London SW1A 2AH

13 February 1992

agree

I think it is right to go ahead with this, making the handing over of the instruments of accession of the NPT the centrepiece of Qian's call on Jan.

Stephen 19/2

Visit by the Chinese Foreign Minister : 8 - 10 March

You told me in your letter of 19 December that the Prime Minister would be happy to see Qian Qichen for an hour at 1115 on 9 March. I understand that there was some discussion in New York about the advisability of proceeding with this arrangement (which we have still not confirmed to the Chinese). It was left that we would consult further and revert with updated advice.

The Foreign Secretary has reflected on this, and he is quite clear that it would be right for the Prime Minister to see Qian on this occasion. The Chinese attach enormous importance to a meeting with the Prime Minister (the Ambassador has been making this point strongly to everyone).

Qian Qichen will be bringing with him to London the Chinese Instruments of Ratification to the NPT to deposit with us as a Depositary of this Treaty. This could be a leading point in the Prime Minister's meeting with Qian.

This would also be an opportunity to talk further about human rights issues and possibly to carry forward the proposal for a human rights delegation to China which Sir Robin McLaren is even now discussing with the Chinese.

It would be helpful to have guidance on whether we can soon confirm the call to the Chinese.

(S L Gass)
Private Secretary

Stephen Wall Esq
10 Downing Street

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 December 1991

Dear Sir,

VISIT BY CHINESE FOREIGN MINISTER QIAN QICHEN:
8-10 MARCH 1992

Thank you for your letter of 19 December about the visit of the Chinese Foreign Minister.

|| The Prime Minister would be happy to see Qian Qichen for an hour at 1115 on Monday 9 March.

The Prime Minister hopes that the Foreign Secretary can accompany the Chinese Foreign Minister on that call.

*Yours,
Stephen*

J S WALL

S L Gass Esq
Foreign and Commonwealth Office

D



cc PC

Foreign & Commonwealth Office

London SW1A 2AH

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19 December 1991

From The Secretary of State

Prime Minister

Dear Stephen,

Important that you should see him.
You can do so on the morning of 9 March

Visit by Chinese Foreign Minister Qian Qichen:

8 - 10 March 1992

Chill
9/12/91

The Memorandum of Understanding on the Hong Kong airport project signed by the Prime Minister in Peking in September and the Joint Communiqué issued on 3 September referred to regular six-monthly meetings at Foreign Minister level to review progress on Hong Kong matters. (This picked up a proposal the Foreign Secretary made in Peking in April). The Foreign Secretary has invited Qian Qichen to come here in the Spring. The Chinese have now proposed 8 - 10 March. The Foreign Secretary can manage these dates. Talks and a meal have been pencilled in on Monday 9 March.

The Chinese are certain to see a call by Qian on the Prime Minister as a vital element in his visit. When the Foreign Secretary visited Peking in April, he was seen at a high level, meeting Premier Li Peng, Party Secretary Jiang Zemin and the Chairman of the National People's Congress Wan Li (No 3 in the Chinese hierarchy). The Chinese attach great symbolic importance to such high-level calls.

/We need

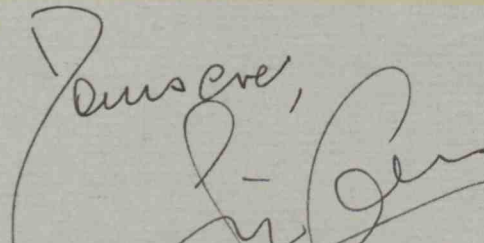
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We need to sustain the momentum generated by the resolution of the Hong Kong airport dispute and the Prime Minister's visit and to keep up our pressure on the Chinese for a more cooperative and efficient approach to Hong Kong business. LegCo's unexpected hostility to the agreement on the Court of Final Appeal and the way the "liberals" have exploited the issue to flex their muscles have complicated the game, feeding Chinese suspicion and conspiracy theories. Qian's visit offers us an opportunity to recover the initiative. The Chinese will want the visit to look successful and we aim to use this in order to get some practical progress of a kind which will be well received in Hong Kong and here. The Prime Minister's personal involvement, by receiving Qian, would greatly strengthen our hand.

The Foreign Secretary hopes therefore that the Prime Minister will agree to a short call by Qian, ideally on the morning of Tuesday, 10 March. (Qian leaves that afternoon). In informing the Chinese of agreement, in principle, to the dates, we would naturally make clear that this was subject to decisions on the timing of the Election. We would aim not to tell the Chinese until much nearer the time whether the Prime Minister could see Qian. Privately we would tell the Embassy here that it would be easier to arrange such a call if we could be confident that the visit would have good concrete results.


(S. L. Gass)
Private Secretary

Stephen Wall Esq
10 Downing Street

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KW

CC PC

SUBJECT
MASTER



Filed on:

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 October 1991

Dea Jina,

CALL ON THE PRIME MINISTER BY VICE PREMIER ZOU JIAHUA

Thank you for the briefing you provided for the call on the Prime Minister by Vice Premier Zou Jiahua which took place this morning. Lord Caithness and Mr Sainsbury were present.

The Prime Minister welcomed Zou, saying how much he had enjoyed his own visit to China and the importance he attached to maintaining high level contacts. Zou reciprocated and conveyed greetings from Li Peng and Jiang Zimin. The Prime Minister's visit had been very successful. The Chinese Government attached great importance to it and had asked him to follow up by leading a delegation to give impetus to bilateral economic and technical cooperation. During his visit he had already had fruitful talks with the Secretaries of State of Foreign Affairs, Trade and Industry, and Energy, and had met a number of major British companies. Lord Caithness had kindly accompanied him to the opera. Zou had been deeply impressed by the evidence of HMG's friendliness towards the delegation. Both sides had expressed their strong wish for the expansion of economic and technical cooperation. This embraced not only general principles but also concrete ideas for cooperation, particularly at this stage in coal mining machinery, the chemical industry, and the aircraft industry. Such discussions had increased the confidence of both sides about the further expansion of economic cooperation. Zou felt very privileged to meet the Prime Minister and was confident that his visit would be a success.

The Prime Minister asked Zou to reciprocate Li Peng's good wishes. He had been very pleased with his meetings in Peking with Li Peng, Jiang Zemin and President Yang Shangkun. On his return from China he had told his ministers that he wanted relations with China to be developed. Various British Ministers had either already gone to China or were soon to do so. The Prime Minister hoped that this trend of high level exchanges would continue.

Turning to the economy, the Prime Minister expressed his admiration for the impressive strides in economic development taken over recent years by China and his confidence that this would continue. Prospects for trade, technical cooperation, and investment, were very substantial in the years ahead. This would work to both our advantages. Immediately following his meeting

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with Zou he had a regular meeting with the CBI and would make these points to them. He hoped, however, that British exports which had fallen substantially in the first 6 months of 1992 would soon pick up again. UK companies were certainly very active. He understood that Zou and his party would be flying on a BAe 146 later that day. This was one of the aircraft in the Queen's Flight, so it was under instructions to be quiet, smooth and cost-effective. He hoped the Vice Premier would be impressed by it. It was up to the Chinese to decide but he hoped that the Chinese would wish to buy it. He hoped also that they would be impressed by their visit to Rolls-Royce which was a very fine company with an excellent product. These matters had been discussed in more detail with Mr Lilley. For his part he looked forward to hearing the outcome in due course and hoped that it would be favourable to Britain.

The Prime Minister welcomed the airport MOU which had been a most important achievement. He looked forward to productive work in the JLG. A lot had been achieved but much remained to be done. He hoped work could be speeded up to both sides' mutual satisfaction. In particular, he referred to ASAs, defence lands, and civil aviation legislation.

Zou Jiahua said he would gladly convey the Prime Minister's greetings to Li Peng. He fully agreed that there was great potential for economic and technical cooperation. He was particularly "moved" to hear the Prime Minister was taking a personal interest in the further promotion of relations. He had also been happy to hear Mr Lilley say that high level contacts should be further enhanced. There would be mutual benefit if each side combined its strong points. China's were its huge market and large labour force. Through 42 years' effort they had also achieved progress in some technologies and even some high technology, for example super conductors. Britain also had its strong points, including technological expertise, management, and capital. If we complemented each other there were good prospects. On aircraft, Zou said that the Chinese were now considering cooperation with Rolls-Royce. As to the drop in UK exports, he thought this was only a temporary phenomenon. There were many reasons for it but the Chinese were ready to work with Britain to take measures to reverse it. In his talks with Mr Lilley and Mr Wakeham he had stressed not only the need to increase trade but also investment. British companies could invest, set up joint ventures, engage in technology transfer, through which they could also sell into the Chinese market.

On Hong Kong, Zou Jiahua said that the MOU on the airport had been a major contribution to the development of relations and to the stability and prosperity of Hong Kong. He had recently met a number of Hong Kong delegations who had commended the MOU. China would fully support the completion of that project. The Hong Kong question was of great importance to China too. Both Governments were concerned to maintain stability and prosperity there. He would pass on the Prime Minister's comments to Li Peng and the departments directly concerned.

Human Rights

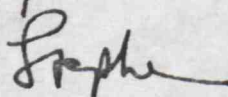
The Prime Minister turned the discussion to two other matters. The first arose from his discussions with Li Peng in Peking. When he had met Li Peng he had left a list of people we were concerned about. He was grateful to Li Peng for agreeing to receive this and he looked forward to a response.

GATT

On the GATT, the Prime Minister said he had received Li Peng's letter. He asked the Vice Premier to tell Li Peng that Britain would certainly continue to support the Chinese application. There should be no doubt about that. It was of course essential for China to meet GATT obligations and he was confident China would be taking the necessary steps. GATT was a matter for EC competence but HMG would support the Chinese position within the EC. There had been no real discussion of this issue yet. He emphasised that there was no question that HMG or the EC would take any position implying recognition of the Taiwanese authorities.

The Prime Minister hoped that it would not be too long before the Vice Premier was here again. Meanwhile, the door was always open for the Chinese Ambassador.

I am copying this letter to Martin Stanley and Jill Knight (Department of Trade and Industry), John Neilson (Department of Energy) and to Sonia Phippard (Cabinet Office).

Jan.


J S WALL

Simon Gass Esq
Foreign and Commonwealth Office

Mr Wall.
(walk)



With the compliments of

FAR EASTERN DEPARTMENT

Draft record of Vice Premier
Zou's call on the Prime
Minister herewith.

Asfc. L
25/10

FOREIGN AND COMMONWEALTH OFFICE

LONDON, SW1A 2AH

N.B. Diskette returned 25/10
NOT compatible

DRAFT LETTER FROM STEPHEN WALL

TO PRIVATE SECRETARY

S. Wall

line

cc: PS/Mr Lilley
PS/Mr Wakeham

CALL ON THE PRIME MINISTER BY VICE PREMIER ZOU JIAHUA

Check on the history on Monday for details of call to Caithness S

~~Vice Premier Zou Jiahua, accompanied by the senior members of his delegation and the Ambassador had 30 minutes with the Prime Minister on 25 October. Lord Caithness and Mr Sainsbury were present.~~

which had been its way

The Prime Minister welcomed Zou, saying how much he had enjoyed his own visit ^{before} and the importance he attached to maintaining high level contacts. Zou reciprocated and conveyed greetings from Li Peng and Jiang Zimin. The Prime Minister's visit had been very successful. The Chinese Government attached great importance to it and had asked him to follow up by leading a delegation to give impetus to bilateral economic and technical cooperation. During his visit he had already had fruitful talks with the Secretaries of State of Foreign Affairs, Trade and Industry, and Energy and had met a number of major British companies. Lord Caithness had kindly accompanied him to the opera. Zou had been deeply impressed by the evidence of HMG's friendliness towards the delegation. Both sides had expressed their strong wish for the expansion of economic and technical cooperation. This embraced not only general principles but also concrete ideas for cooperation, particularly at this stage in coal mining machinery, the chemical industry, and the aircraft industry. Such discussions had increased the confidence of both sides about the further expansion of economic cooperation. Zou felt very privileged to meet the Prime Minister and was confident that his visit would be a success.

The Prime Minister ~~was delighted to hear this.~~ The programme ~~was very full and he was pleased that Zou had met not only senior ministers but also so many companies.~~ He asked Zou to reciprocate Li Peng's ^{best} wishes. He had been very pleased with his meetings in Peking with Li Peng, Jiang Zemin and President Yang Shangkun. On his return from China he had told his ministers that he wanted relations with China to be developed. Various British ministers had either already gone to China or were soon to do so. ~~The Vice Premier was now in the UK.~~ The Prime Minister hoped that this trend of high level exchanges would continue.

Turning to the economy, the Prime Minister expressed his admiration for the impressive strides in economic development taken over recent years by China and his confidence that this would continue. Prospects for trade, technical cooperation, and investment were very substantial in the years ahead. This would work to both our advantages. Immediately following his meeting with Zou he had a regular meeting with the CBI and would make these points to them. He hoped, however, that British exports which had fallen substantially in the first 6 months of 1991 would soon pick up again. UK companies were certainly very active. He understood that Zou and his party would be flying on a BAe146 later that day. This was one of the aircraft in the Queen's Flight, so it was under instructions to be quiet, smooth and cost-effective. He hoped the Vice Premier would be impressed by it. It was up to the Chinese to decide but he hoped that the Chinese would wish to buy it. He hoped also that they would be impressed by their visit to Rolls-Royce which was a very fine company with an excellent product. These matters had been discussed in more detail with Mr Lilley. For his part he looked forward to hearing the outcome in due course and hoped that it would be favourable to Britain.

~~Turning to Hong Kong,~~ ^{JP} the Prime Minister ~~much~~ welcomed the airport MOU which had been a most important achievement. He looked forward ~~now to very~~ productive work in the JLG. A lot had been achieved but much remained to be done. He hoped work could be

speeded up to both sides' mutual satisfaction. In particular, he referred to ASAs, defence lands, and civil aviation legislation.

Zou Jiahua said he would gladly convey the Prime Minister's greetings to Li Peng. He fully agreed that there was great potential for economic and technical cooperation. He was particularly moved to hear the Prime Minister was taking a personal interest in the further promotion of relations. He had also been happy to hear Mr Lilley say that high level contacts should be further enhanced. There would be mutual benefit if each side combined its strong points. China's were its huge market and large labour force. Through 42 years' effort they had also achieved progress in some technologies and even some high technology, for example super conductors. Britain also had its strong points, including technological expertise, management, and capital. If we complemented each other there were good prospects. On aircraft, Zou said that the Chinese were now considering cooperation with Rolls-Royce. As to the drop in UK exports, he thought this was only a temporary phenomenon. There were many reasons for it but the Chinese were ready to work with Britain to take measures to reverse it. In his talks with Mr Lilley and Mr Wakeham he had stressed not only the need to increase trade but also investment. British companies could invest, set up joint ventures, engage in technology transfer, through which they could also sell into the Chinese market.

On Hong Kong, *Zou Jiahua* he said that the MOU on the airport had been a major contribution to the development of relations and to the stability and prosperity of Hong Kong. He had recently met a number of Hong Kong delegations who had commended the MOU. China would fully support the completion of that project. The Hong Kong question was of great importance to China too. Both Governments were concerned to maintain stability and prosperity there. He would pass on the Prime Minister's comments to Li Peng and the departments directly concerned.

Kuma Right

The Prime Minister turned the discussion to two other matters. The first arose from his discussions with Li Peng in Peking. When he had met Li Peng he had left a list of people we were concerned about. He was grateful to Li Peng for agreeing to receive this and he looked forward to a response.

GATT*Pinzaidle*

On the GATT, ~~he~~ had received Li Peng's letter. He asked the Vice Premier to tell Li Peng that Britain would certainly continue to support the Chinese application. There should be no doubt about that. It was of course essential for China to meet GATT obligations and he was confident China would be taking the necessary steps. GATT was a matter for EC competence but HMG would support the Chinese position within the EC. There had been no real discussion of this issue yet. He emphasised that there was no question that HMG or the EC would take any position implying recognition of the Taiwanese authorities.

~~Concluding,~~ The Prime Minister hoped that it would not be too long before the Vice Premier was here again. Meanwhile, the door was always open for the Chinese Ambassador.

Zou repeated his thanks, undertook to convey the Prime Minister's points to Li Peng and passed over a number of gifts, including a signed photograph of the Prime Minister with Jiang Zemin.

c. M/Lilly / P11 Party; P11/Whelan

M/W-



CCPR
B-4p

Foreign &
Commonwealth
Office

CONFIDENTIAL

London SW1A 2AH

24 October 1991

D. Stephen

Prime Minister

*A complete waste of your time -
Jawone press ganged by M. Hurd.*

CALL ON PRIME MINISTER BY CHINESE VICE PREMIER ZOU JIAHUA

The Chinese Vice Premier Zou Jiahua is calling on the Prime Minister on 25 October at 1145. His delegation includes senior figures from the State Planning Commission (of which Zou is Chairman) and other Chinese organisations concerned with economic matters. A personality note on Zou (whom the Prime Minister may have met in Peking at Li Peng's banquet) is at Annex A. A list of those attending the call is at Annex B; his team is largely made up of technocrats from functional Ministries. None will be competent to influence directly policy over Hong Kong or human rights, though we still recommend below that in view of Zou's senior position, the Prime Minister should put down markers on these issues.

Zou will have seen the Foreign Secretary, Mr Lilley and Mr Wakeham. Most of the rest of his programme is taken up with calls on British companies with major project interests in China. These include visits to Hatfield, with British Aerospace, Derby with Rolls Royce and to a North Sea oil platform with BP. Mr Zou speaks at Chatham House on 24 October. He is going to Germany from the UK.

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Zou will be the most senior Chinese visitor to the UK since the Tiananmen events (and indeed since the visit of the then Chinese Party General Secretary Hu Yaobang in 1986). He is not in the innermost circles of political decision-making, but he is a powerful player on economic issues. The State Planning Commission is the most influential body in China's economic planning system. No major project can proceed without its approval. Zou is a potential successor to Premier Li Peng.

Our principal objective will be to press our commercial interests, notably major project business, in particular to follow up on the project list handed over by the Foreign Secretary in Peking (at Annex C). The aerospace sector deserves a particular mention. Recent reports suggest that, as part of a deal over MFN, China may award major aero engine contracts to US suppliers, although Zou now appears to be distancing himself from such suggestions. There is also rivalry between BAe and Rolls-Royce, both bidding to supply China's need for 100 seater aircraft. Both are seeking the Prime Minister's support.

Zou's talks with the Foreign Secretary on 23 October covered commercial matters, human rights, and economic and political developments in China. The Foreign Secretary thought him rather colourless. A copy of the record is at Annex D. Zou seemed to indicate that Rolls Royce would be awarded the contract for Boeing 757 engines, although we understand that in his later meeting

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with Mr Lilley he confined himself to stating that the contract would be awarded on commercial and technical criteria, not on political grounds. Zou also handed over a letter to the Prime Minister from Premier Li Peng on China's GATT application (copy at Annex E).

General

The Prime Minister might like to express satisfaction at this further step in re-establishing high level contacts following his own visit to Peking. Zou will certainly reciprocate and bring Li Peng's best wishes. We recommend that the Prime Minister should not respond to suggest^{ing} of a possible return visit by Li Peng.

The Prime Minister might refer to China's impressive achievements in economic reform over the past decade, which have resulted in a great improvement in living standards and an increasing economic integration with the outside world. (Warning: if he invites Zou to explain China's economic plans and priorities, he is likely to get a lengthy presentation (Zou took 30 minutes to tell Mr Lilley).)

COMMERCIAL ISSUES

The Prime Minister might draw on the following points:

- Disappointment at the decline in UK exports to China in 1991 (down by nearly 50% in first six months). A contrast to our growth in exports to other parts of the

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region. Discourages UK companies (biggest EC investors in China) from making further efforts in the market.

- Foreign Secretary handed over list of projects of particular interest to UK companies during our visit to Peking. This showed UK strength in China's priority sectors - eg transport and communications, energy.

- Trade will have been discussed in more detail with Trade and Industry Secretary. Would just like particularly to mention aerospace sector.

- UK companies are pursuing number of major aerospace contracts in China. Your visits to British Aerospace and Rolls Royce, both of whom are pursuing business in China, will alert you to this. Both companies have made strong commitment to cooperation with China. Both have excellent worldwide record - reflecting UK competitiveness and advanced technology in this sector.

- Pleased to hear that you confirmed to Mr Lilley that such contract awards would be based on technical and commercial, rather than political, factors. Substantial British interests in competition for CAAC 100 seater jets. Both British Aerospace 146 and the Fokker F100 with the Rolls Royce engines are excellent aircraft. Rolls Royce also keenly interested in supplying engines for CAAC Boeing 757s. How do you see prospects for these bids?

[See also DTI note]

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- The arrangements between the UK and China for the provision of concessional finance have worked well. Yet the pace of China's economic development and the growth in its foreign exchange reserves suggest that standard commercial terms should increasingly be the norm for the financing of major contracts.

Part of Zou's response may be to press for a further concessional finance arrangement. He made such a pitch with Mr Lilley. The second concessional finance arrangement (signed in 1988) is now largely accounted for, with a number of major contracts signed earlier this year. If Zou presses this point the Prime Minister might like to respond that we cannot make any commitment to future concessional finance until we have completed a review of our global aid and trade provision.

CHINA/TAIWAN GATT

This might be a good point at which to refer to Li Peng's letter to the Prime Minister on GATT. China applied for re-entry to GATT in 1986 but progress on her application stalled following Tiananmen in 1989. Since work resumed progress has been slow as China could not meet GATT obligations without making her economic and trade policies more market-oriented. Taiwan applied for GATT accession as a customs territory (not a sovereign state) in January 1990. The Chinese strongly oppose Taiwan's entry into GATT before their own. Premier Li Peng's letter seeks our continued support for China's own entry, pointing to the continued pace of economic

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reform in China, and sets out China's position on Taiwan's entry: it could join GATT under Chinese sponsorship once China itself had rejoined. This is an issue of great sensitivity for China involving deep-seated concerns over sovereignty. We can expect further lobbying if the proposal to set up a Working Party on Taiwan accession gathers steam.

The Prime Minister might like to say:

- Grateful to Vice Premier Zou for passing on letter from Premier Li Peng. Will study most carefully.
- UK continues to support China's application to return to GATT. Essential for GATT Contracting Parties to be able to meet GATT obligations. Hope China can make the considerable economic changes required to do so.
- GATT issues, including Taiwan's application a matter for EC competence. No substantial discussion yet in EC. No question of EC or UK taking position implying recognition of Taiwan authorities, or in breach of UK/China Joint Communiqué of 1972.

HONG KONG

Joint Liaison Group XX (24-26 September) reflected the commitment by both sides during the Prime Minister's visit to China to speed up work in the JLG. The more pragmatic approach by the Chinese was the background to important agreements on the Court of Final Appeal and

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Investment Promotion and Protection Agreements. Nevertheless serious difficulties remain. We were disappointed by the Chinese position on Defence Lands, Air Service Agreements (ASAs), and the localisation of civil aviation legislation. Unless such issues can be resolved quickly there is a danger of the commitments undertaken by the two Prime Ministers becoming mere words.

Although Zou himself is not directly involved in Hong Kong policy this would be an occasion to register, at a senior level, some key points on our dealings over Hong Kong. These might include:

- Hong Kong central to our relations. Signature of MOU on airport a valuable reconfirmation of our shared commitment to Hong Kong's prosperity and stability. But much work still to do, such as through Joint Liaison Group. Hope State Planning Commission with its direct interest in Hong Kong's contribution to China's economic development, can play its part in expediting such work.

Hong Kong Airport:

- New airport vital for Hong Kong's economic future and thus will have major impact in Southern China. Hope we can continue to cooperate effectively on this project.

EXCO appointments

- Governor announced his appointments to EXCO yesterday (24 October). These reflect a broad range of opinion, including some new members of LegCo.

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- Important that Hong Kong administration should build up good working relations with the new LegCo. And that Chinese authorities should do so as well.

MFN Status for China:

- UK pleased that MFN status seems assured for a further year. China's human rights and trade record will come under even closer scrutiny next year and the fight for MFN renewal consequently harder. Nevertheless renewal will remain in Hong Kong's, as well as China's interest.

HUMAN RIGHTS

Although Zou's responsibilities give him little direct impact on human rights issues, it would be right to use this occasion to register again the Prime Minister's concerns. The Prime Minister might say:

- Insufficient to argue that human rights in the Third World are limited to provision of food, shelter and clothing. World has much admired Chinese progress in economic reform. Trend is for such changes to lead to pressure for political change. CHOGM Declaration reflected this trend.

- Up to China to decide its own course. But concern over issues such as Tibet, treatment of religious believers and political dissidents bound to have an impact on its dealings with others.

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- I gave Premier Li Peng in Peking in September a list of human rights cases of particular concern to us. We are pleased that Luo Haixing has been released but disappointed that we still await a full response on the list.

We aim to send you an account of Zou's talks with the Trade and Industry Secretary before the call on the Prime Minister. The meeting with the Energy Secretary is on the same morning. We have asked the Department of Energy to give you any points of substance by 'phone.

I am copying this letter to Martin Stanley (DTI) and John Neilson (Department of Energy).

(S L Gass)

Private Secretary

Stephen Wall Esq
10 Downing Street

CONFIDENTIAL

ZOU JIAHUA
(Pronounced Dzowe Djear Hwar.)

A Vice Premier. Minister in charge of the State Planning Commission. Member of the Central Committee of the Chinese Communist Party (CCP).

- 1926 Born in Shanghai.
- 1943-46 An office secretary in the Department of Industry in Shandong Provincial People's Government (in the CCP controlled area).
- 1945 Joined the CCP.
- 1947-48 Secretary of Binxian County District CCP Committee.
- 1955 Graduated from a Moscow Engineering Institute (the Bauman Industrial Institute).
- 1958-60 Deputy Chief Engineer and later Director of Shenyang No. 2 Machine Tool Plant.
- 1972 Deputy Director of the Research Institute of the First Ministry of Machine Building.
- 1977-82 Deputy Director of the National Defence Industry Office of the State Council.
- 1982-85 A Vice Minister of the Commission for Science, Technology and Industry for National Defence.
- 1982-85 Alternate member of the CCP Central Committee.
- 1985-86 Minister of Ordnance Industry.
- 1985- Member of the CCP Central Committee.
- 1986-88 Minister in charge of the State Machine Building Industry Commission.
- 1988-91 A State Councillor.
- 1988-89 Minister of Machine Building and Electronics Industry.
- 1990- Minister in charge of the State Planning Commission.
- 1991- A Vice Premier.

Zou has a good reputation among his subordinates in the State Planning Commission because the amount of time he spends in the office. He has many years of experience in the management of China's state run industries, on both the civilian and the military sides, and, as a State Councillor, has been in charge of industry and communications. He is considered to be close to

Premier Li Peng and his ties with Li go back to the time when they were fellow students in Moscow. He is also strong family ties within the old guard of the leadership, being the son in law of the late Marshal Ye Jianying. He now holds one of the most influential positions in the Chinese economy, and is a potential successor to Li Peng.

He neither smokes nor drinks. He speaks Russian and some English. He enjoys calligraphy and driving.

(B)



HE Mr Zou Jiahua

Vice Premier,
Chairman of State Planning Commission

Mr Ye Qing

Vice Chairman,
State Planning Commission

Mr Wang Shuming

Deputy General Secretary,
State Council

Mr Zeng Peiyan

Vice Minister,
Ministry of Machine Building and
Electronics Industry

Mr Shi Guangsheng

Assistant Minister,
Ministry of Foreign Economic Relations
and Trade

Ms Huang Qun

Interpreter,
Ministry of Foreign Affairs

Accompanied by
HE Mr Ma Yuzhen

Chinese Ambassador



Foreign &
Commonwealth
Office

HER MAJESTY'S GOVERNMENT IN THE
UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND

Visit of

His Excellency Mr Zou Jiahua
Vice Premier of the State Council of the People's Republic of China and
Chairman of the State Planning Commission

22 - 28 October 1991

In attendance:

His Excellency Mr Ma Yuzhen
Ambassador of the People's Republic of China

Programme Organiser:

Mrs Pauline Butler
Foreign and Commonwealth Office

Accompanying Officer:

Mr Peter Rea
Foreign and Commonwealth Office

Miss Margaret Grant
Foreign and Commonwealth Office

His Excellency The Vice Premier will stay at:

The Hyde Park Hotel
Knightsbridge, SW7

TUESDAY
22
OCTOBER

ARRIVAL
THE RT HON THE EARL OF CAITHNESS
EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA

-
- 1035 Arrive at London Heathrow Airport by Air France flight
No AF 810 from Paris
Hounslow Suite
- Met by Mr John Medway
Under-Secretary
Department of Trade and Industry
- and
- Mr Hugh Davies
Head, Far Eastern Department
Foreign and Commonwealth Office
- Leave London Heathrow Airport by car
- 1215 The Minister of State for Foreign and Commonwealth
Affairs,
The Rt Hon The Earl of Caithness will call on
The Vice Premier at the hotel
- 1540 Leave the hotel
- 1600 Arrive at the Embassy of the People's Republic of China,
49-51 Portland Place, W1
- 2115 Leave the Embassy for return to the hotel

WEDNESDAY
23
OCTOBER

ICI PLC
THE RT HON DOUGLAS HURD MP
CHINA-BRITAIN TRADE GROUP
THE RT HON PETER LILLEY MP
DINNER ENGAGEMENT

- 1030 Leave the hotel
- 1045 Arrive at ICI plc Group Headquarters,
9 Millbank, SW1
- Met by Mr Mike Simmons, Manager, Asia Pacific Liaison
- 1130 Talks with the Chairman,
Sir Denys Henderson
- 1215 Leave ICI plc Group Headquarters
- 1225 Arrive at the Foreign and Commonwealth Office,
Ambassadors' Entrance
- 1230 Talks with the Secretary of State for Foreign and
Commonwealth Affairs,
The Rt Hon Douglas Hurd MP
- 1300 Leave the Foreign and Commonwealth Office
- 1320 Arrive at Denton Hall Burgin and Warrens,
5 Chancery Lane, Clifford's Inn, EC4
- Met by the Chairman, British Overseas Trade Board
Sir Derek Hornby
- Luncheon given by the China-Britain Trade Group
- Host: Sir Derek Hornby
- 1415 His Excellency The Vice Premier will give an address
and will answer questions on Economic Relations
- 1545 Leave Chancery Lane
- 1610 Arrive at the Department of Trade and Industry,
Ashdown House, Victoria Street, SW1

1615

Talks with the Secretary of State for Trade and Industry,
The Rt Hon Peter Lilley MP

1700

Leave the Department of Trade and Industry

1715

Arrive at the hotel

1845

Leave the hotel

1900

Arrive at The Dorchester,
Park Lane, W1 (Pavilion Suite)

Dinner given by The Shell Group

Host: Group Managing Director
Dr John Jennings

Later

Leave The Dorchester for return to the hotel

ALTERNATIVE PROGRAMME

When numbers do not permit the entire Delegation to accompany The Vice Premier, part of the Delegation will assume a separate programme as follows:

Wednesday 23 October

- 1030 **Join Main Programme**
- 1215 *Leave ICI plc Group Headquarters*
- 1220 *Arrive at the Tate Gallery
Millbank, SW1*
- 1250 *Leave the Tate Gallery*
- 1310 *Arrive at Denton Hall Burgin and Warrens,
5 Chancery Lane, Clifford's Inn, EC4*
- Rejoin Main Programme**
- 1545 *Leave Chancery Lane*
- 1600 *Arrive at the European Strategic Planning Society,
17 Portland Place, W1*
- Met by the President, the European Strategic Planning
Federation,
Mr Peter Beck*
- Round-table discussions with members of the Society on strategic
planning issues*
- 1730 approx *Leave Portland Place by car for return to the hotel*
- Rejoin Main Programme**

Mr John Beyer, Director, China-Britain Trade Group will accompany the alternative programme and interpret where necessary

THURSDAY
24
OCTOBER

HM TOWER OF LONDON
TRAFALGAR HOUSE
LUNCHEON ENGAGEMENT
ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS
THEATRE VISIT

-
- 0815 Leave the hotel
- 0845 Arrive at HM Tower of London,
West Gate, EC3
- Met by the Resident Governor,
Major-General Christopher Tyler
- Tour the Jewel House
- Refreshments will be served in the Historic Apartments
of The Queen's House
- 1015 Leave HM Tower of London
- 1045 Arrive at Trafalgar House
1 Berkeley Street, W1
- Met by the Chairman,
Sir Nigel Broackes
- 1230 Leave Trafalgar House
- 1250 Arrive at Lancaster House,
Stable Yard, St James's, SW1
- 1245 Luncheon given by Her Majesty's Government
for
1300 Host: The Secretary of State for Trade and Industry,
The Rt Hon Peter Lilley MP
- 1445 Leave Lancaster House

1455

Arrive at The Royal Institute of International Affairs,
Chatham House, St James's Square, SW1

His Excellency The Vice Premier will give a talk entitled:

*"China's Economic Re-structuring and its Opening to the
Outside World"*

1615

Leave the Royal Institute of International Affairs

1630

Arrive at the hotel

1800

Leave the hotel

1830

Arrive at the English National Opera, London Coliseum
St Martin's Lane, WC2

Light supper in the Boardroom

Host: The Minister of State for Foreign and
Commonwealth Affairs,
The Rt Hon The Earl of Caithness

1930

Attend a performance of "The Mikado"

FRIDAY
25
OCTOBER

THE RT HON MARGARET THATCHER MP
THE RT HON JOHN WAKEHAM MP
GEC ALSTHOM
THE PRIME MINISTER
LONDON - HATFIELD
BRITISH AEROSPACE
HATFIELD - DERBYSHIRE
ROLLS ROYCE PLC

0825 Leave the hotel

0840 Arrive at 73 Chester Square, SW1

0845 Talks with The Rt Hon Margaret Thatcher MP

0915 Leave Chester Square

0925 Arrive at the Department of Energy,
Palace Street, SW1

0930 Talks with The Secretary of State for Energy,
The Rt Hon John Wakeham MP

1000 Leave the Department of Energy

1005 Arrive at GEC Alsthom,
Devon House, 12-15 Dartmouth Street, SW1

Talks with the Chairman
Mr Douglas Gadd

1140 Leave GEC Alsthom

1145 Arrive at 10 Downing Street

Talks with the Prime Minister
The Rt Hon John Major MP

1215 Leave 10 Downing Street

1245 Arrive at the Princess Garden Chinese Restaurant,
8 North Audley Street, W1

Lunch as the guests of British Aerospace

Host: Chairman, Aerospace Committees
Mr Sydney Gillibrand

1430 Leave the Princess Garden Chinese Restaurant

1545 Arrive at British Aerospace Marketing Display Centre,
Comet Way, Hatfield, Hertfordshire

—
—
1730 Presentation on 146 and 125 aircraft and tour of aircraft

1730 Depart British Aerospace by air (flight BA 146)

1800 Arrive at East Midlands International Airport,
Castle Donington, Derbyshire

1810 Leave East Midlands International Airport

1830 Arrive at Duffield Bank House, Duffield Bank,
Derbyshire

1930 Dinner given by Rolls Royce plc
for
2000 Host: The Chief Executive and Deputy Chairman
Sir Ralph Robins

ALTERNATIVE PROGRAMME

Friday 25 October

0830

Leave the hotel

0930

*Arrive at Siemens Plessey Radar Ltd,
Oakcroft Road, Chessington, Surrey*

*Talks with senior representatives of the company on their work
on Chinese airports and infrastructure*

Details to follow

1130

Leave Siemens Plessey Radar Ltd

1245

*Arrive at Princess Garden Chinese Restaurant,
8 North Audley Street, W1*

Rejoin Main Programme

1810

Leave East Midlands International Airport

1840

*Arrive at Breadsall Priory Hotel,
Moor Road, Morley, Derbyshire*

1930

Dinner given by Rolls Royce plc (at the hotel)

for
2000

*Host: Personnel Director
Mr Darcy Payne*

Rejoin Main Programme

SATURDAY
26
OCTOBER

ROLLS ROYCE PLC
DERBY - ABERDEEN
DINNER ENGAGEMENT

0830 Leave Duffield Bank House

0900 Arrive at Rolls Royce plc
Victory Road, Sinfyn B Site, Derby, Derbyshire

Met by Managing Director, Aerospace Group
Mr Stewart Miller

Tour of Advanced Integrated Manufacturing System

Tour Production Test facility

1215 Buffet lunch

1330 Depart Rolls Royce plc

1400 Arrive at East Midlands International Airport

1415 Depart by private flight for Aberdeen

1515 Arrive at Aberdeen Airport and continue by car

1530 Arrive at the Airport Skean Dhu Hotel,
Argyll Road, Aberdeen

1700 Dinner given by British Petroleum

SUNDAY
27
OCTOBER

BP - CLYDE PLATFORM
ABERDEEN - LONDON

0850	Leave the hotel by minibus
0900	Arrive at BP Exploration Operating Company Ltd <i>Dyce, Aberdeen</i>
1000	Leave Dyce by helicopter
1115	Arrive at the Clyde Platform Met by the Offshore Installation Manager Lunch Tour of platform
1600	Leave Clyde Platform
1715	Arrive at BP Exploration Operation Company Ltd
1750	Leave BP Exploration Operating Company Ltd
1800	Arrive at Aberdeen Airport
1840	Depart on British Airways flight BA 5913 for London
2010	Arrive at London Heathrow Airport, <i>Hounslow Suite</i> Return to the hotel

MONDAY
28
OCTOBER

PRIVATE ENGAGEMENT
BALFOUR BEATTY POWER LTD
DEPARTURE

0900	Private Engagement
1030	Leave the hotel
1130	Arrive at Balfour Beatty Power Ltd <i>7 Mayday Road, Thornton Heath, Surrey</i>
	Met by the Director Mr Denis Wheatland
	Talks with the Chairman and Chief Executive, Sir Robert Davidson
1200	Buffet lunch
1300	Leave Balfour Beatty Power Ltd
1430	Arrive at London Heathrow Airport <i>Hounslow Suite</i>
	Mr John Medway and Mr Hugh Davies will bid farewell
1535	Depart on British Airways flight No BA 928 for Cologne/Bonn

Major UK Business Interests in China
Project List

ENERGY

1. Guangdong No.2 Nuclear Power Station

- GEC-Alsthom are currently building the conventional island of the Daya Bay nuclear power plant in Guangdong (the nuclear island being built by Framatome of France). There are plans for a second such plant (2 x 1000 MW) either at Daya Bay or elsewhere on the coast of Guangdong. We understand that planning approvals and finance for the project have yet to be finalised but we have been informed that, on current plans, the first supply contracts will be negotiated by 1995 and the first two units will go into operation in 2001 and 2002 respectively. GEC-Alsthom are the main UK company interested in this project, though a number of other well-known UK companies would be involved as sub-contractors.

2. Shajiao C Thermal Power Station

- Shajiao C is the latest in a series of JVs between Hopewell Holdings of Hong Kong, headed by Gordon Wu, and Chinese partners. Shajiao A and B involved the Shenzhen authorities. Shajiao C, a 2 x 660 MW thermal power station, will involve the Guangdong authorities. Negotiations are moving forward rapidly and, if the financial aspects of the contract can be finalised, we expect that final decisions will be made before the end of 1991. GEC-Alsthom are the main UK interest. They are in competition with ABB (Switzerland), IHI (Japanese) and others.

TRANSPORT

3. Metrotec Consortium bid for the Guangzhou Metro project.

- The Metrotec Group (including Balfour Beatty, GEC, BREL, Westinghouse and other well-known British companies) has submitted a prequalification bid for the contract to build and equip the new metro in Guangzhou. The consortium has already proved itself successful in China, winning the contract for the modernisation of Line 1 of the Beijing Subway. The Metrotec Group are currently negotiating to sign a Memorandum of Understanding on cooperation in the field of metros and light railways with China International Engineering Consulting Corporation (CIECC) and the China Metro Engineering Consulting Corporation (CMCC). The proximity of Guangzhou to Hong Kong where the British designed and equipped MTR has been extremely successful will help the efficiency of design, training, and product support. UK companies have been pursuing this project since 1985.

4. British Aerospace Security Systems

- British Aerospace Security Systems are bidding to supply a vehicle cargo examination system for installation at the Hong Kong/Shenzhen border. This is an advanced system, using high frequency X-rays, which will increase the efficiency of border checks for security and customs purposes. Although the initial contract is valued at only £5 million, we understand that this is only the first in a series of contracts and are confident that, if the initial contract can be won, the system will prove its worth and be installed at border crossing points and in airports throughout China.

TELECOMMUNICATIONS

5. GPT/System X Telecommunications

- For three years, GPT pursued the Hunan Five Cities Telecommunications project, which they hoped would gain their System X public switching system entry into the Chinese market (this contract has now been awarded to Alcatel of France). However, the State Planning Commission and the Ministry of Posts and Telecommunications have limited to three (Alcatel, NEC, Siemens) the number of public switching systems authorised in China. GPT's System X is technically more advanced and more flexible than the systems offered by the competition. It is fully compatible with existing systems, and is already widely in use in China with the Ministry of Railways and other private networks. We are, consequently, hoping that the Chinese regulations which currently exclude GPT from the public switching market can be modified to take account of more up-to-date systems.

AEROSPACE AND AIRPORTS

5. Rolls Royce / British Aerospace interest in supplying 100 seater medium range passenger aircraft.

- CAAC have announced plans to purchase up to twenty 100 seater medium range passenger aircraft for use on domestic and regional routes. The UK aerospace industry has an interest in two aircraft which meet these specifications - the British Aerospace BAe146 and the Rolls Royce-engined Fokker 100. Both planes have an excellent safety record and have proven popular on European and North American routes.

6. British Aerospace BAe125 Flight Calibration aircraft.

CAAC have a requirement for two flight calibration aircraft to be purchased under the Air Routes Modernisation project, which will be funded under the Japanese OECF Third Round Yen Loan (1990-95). The twin jet British Aerospace BAe125 has already proved successful as a flight calibration aircraft in Japan and North America. It is the only aircraft which can offer full integration of the flight calibration equipment with the aircraft's own navigation system, thus making it far more effective than its competitors.

7. Rolls Royce engines for Boeing 757s.

- On 14 August, CAAC announced the purchase of a further 13 Boeing 757s. Rolls Royce RB211 engines are fitted on all but three on China's 757 fleet. The exceptions are Pratt & Whitney-engined Boeing 757s owned by Shanghai airlines. There have been reports that these engines are not performing well. The RB211 and its derivatives are well-proven technology with a much better fuel efficiency rate and longer on-wing life than the competition.

8. Rolls Royce Trent engines for Airbus 330s.

- China Southern are due to purchase 5 Airbus A330s. There is a choice of three engines: Pratt & Whitney, GE, or Rolls Royce. The engines supplied by both Pratt & Whitney and GE are the last possible development of an old family of engines. Because of this, in powering the A330 they will be operating at maximum capacity and their on-wing life is likely to be very short. The Trent engine, by contrast, is at the beginning of its design life, offers greater thrust, possibilities for future development, and an on-wing life of anything up to four or five times the competition. The Trent engine has already taken 40 per cent of the world wide market share on A330s.

9. Siemens Plessey Airport's bid for the Nanjing Airport project.

- Nanjing airport is the first and most important airport project to go ahead under the 8th Five Year Plan. The project was discussed by British Transport Minister, Lord Brabazon of Tara, when he called on leaders of CAAC and CASC during his visit in February 1991. Siemens Plessey have proven capability in all aspects of airport design, construction, equipment supply and project management. They have been active in China since the mid 1970s. They have been actively pursuing this project since its inception in the mid-1980s (the only foreign company to do so) and have already cooperated extensively with the Nanjing authorities to reach agreements for the co-production of radar equipment in the Nanjing area. Negotiations are now at an advanced stage.

PETROCHEMICALS

10. Liaoyang PTA/PX

ICI/Foster Wheeler signed the contract for a PTA plant in Urumqi in June this year (a contract which we hope will be supported by UK concessional finance), the first of a series of PTA plants which are expected to go ahead under the current Five Year Plan. SINOPEC have told us on numerous occasions that they prefer ICI technology and Foster Wheeler are ICI's preferred contractor for this technology. Valued at £150 million, the Liaoyang project is not only important in its own right, it would also enable UK petrochemical licensors and contractors to move beyond the foothold established with our two recent contracts in Xinjiang into the heartlands of the Chinese petrochemical industry. Serious negotiations are expected to commence this year.

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FM FCO

TO IMMEDIATE PEKING

TELNO 1255

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FROM FED

VISIT OF VICE-PREMIER ZOU JIAHUA: CALL ON FOREIGN SECRETARY

1. ZOU JIAHUA, ACCOMPANIED BY THE SENIOR MEMBERS OF HIS PARTY, THE CHINESE AMBASSADOR, AND THE DEPUTY DIRECTOR OF WEST EUROPEAN DEPARTMENT MFA, SPENT 45 MINUTES WITH THE SECRETARY OF STATE ON 23 OCTOBER.
2. THE SECRETARY OF STATE WELCOMED ZOU, REFERRING TO THE SIGNIFICANCE OF HIS VISIT FOLLOWING ON THE SUCCESSFUL VISIT BY THE PRIME MINISTER. HE INVITED ZOU TO EXPLAIN HOW HE SAW THE PROSPECTS FOR CHINESE ECONOMIC DEVELOPMENT AND UK/CHINESE TRADE.
3. AFTER RECIPROCATING THE COURTESIES AND WITH APPROPRIATE REFERENCES TO THE SECRETARY OF STATE'S VISIT IN APRIL AND THE PRIME MINISTER'S VISIT IN SEPTEMBER, ZOU SAID THAT HE HAD BEEN ENTRUSTED BY LI PENG TO UNDERTAKE THIS VISIT. THE TIMING WAS EXCELLENT GIVEN THE IMPROVEMENT IN SINO/BRITISH RELATIONS. THE PURPOSE WAS TO FURTHER ENHANCE UNDERSTANDING AND COOPERATION. HE LOOKED FORWARD TO HIS VISIT WHICH HAD STARTED VERY WELL. AS TO THE SITUATION IN CHINA, POLITICALLY THE GOVERNMENT AND PARTY WERE STABLE. WITH STABLE LEADERSHIP THE ECONOMIC SITUATION WAS DEVELOPING WELL AND HAD PICKED UP IN ALL FIELDS SINCE THE SECOND HALF OF 1990. DESPITE THE FLOODS THE HARVEST WOULD BE VERY GOOD AND GNP WAS ESTIMATED TO GROW AT 6 PER CENT OR MORE. THERE WERE PROBLEMS BUT HE WAS CONFIDENT THEY COULD BE OVERCOME. HE CONCLUDED WITH SOME STANDARD REMARKS ABOUT BILATERAL TRADE RELATIONS.
4. THE SECRETARY OF STATE SHARED ZOU'S WISH TO EXPAND TRADE AND ECONOMIC RELATIONS, INCLUDING WITH AND THROUGH HONG KONG - A RAPIDLY DEVELOPING TRIANGULAR RELATIONSHIP. HE HAD TWO QUESTIONS, ONE POLITICAL AND ONE ECONOMIC. ON POLITICS, ZOU HAD MENTIONED THE NEED FOR STABILITY. HE ENTIRELY ACCEPTED THIS POINT. NO ONE OUTSIDE CHINA WANTED INSTABILITY THERE.

CHINA HAD SUFFERED GREATLY IN THE EARLY YEARS OF THE CENTURY FROM INSTABILITY. BUT IN ORDER TO ACHIEVE STABILITY ONE NEEDED TO ACCOMMODATE CHANGE. WHEN THE WEST EXPRESSED CONCERN TO THE CHINESE ABOUT INTELLECTUAL AND POLITICAL FREEDOMS THIS WAS BUT BECAUSE THE WORLD WAS CHANGING TOWARDS A GREATER CONCERN FOR HUMAN RIGHTS. WE HOPED VERY MUCH THAT THE CHINESE COULD MAKE PROGRESS IN THIS DIRECTION, IN A CHINESE WAY, NOT NECESSARILY IN A WESTERN WAY. IT WAS IN THAT SPIRIT THAT THE PRIME MINISTER IN PEKING AND HE HIMSELF WITH QIAN QICHEN AT UNGA HAD RAISED QUESTIONS ABOUT TIBET, AND ABOUT DISSIDENTS, AND HANDED OVER A LIST ON WHICH WE STILL AWAITED CHINESE COMMENTS. HE DID NOT WISH TO ENTER INTO DETAILED DISCUSSION ON THIS OCCASION. BUT HE WOULD LIKE TO ASK THE VICE-PREMIER HOW, IN PARALLEL TO THE BIG ECONOMIC CHANGES TAKING PLACE IN CHINA, HE SAW PROSPECTS FOR POLITICAL DEVELOPMENT.

5. ZOU SAID THAT HUMAN RIGHTS WERE OF CONCERN TO MANY FRIENDS OUTSIDE CHINA. THE SUBJECT HAD BEEN DISCUSSED BY THE TWO PRIME MINISTERS AND HE PERSONALLY HAD HIS OWN VIEWS. CHINA WAS VERY CONCERNED ABOUT HUMAN RIGHTS, IN PARTICULAR ABOUT THE HUMAN RIGHTS OF THE OVERWHELMING MAJORITY OF THE CHINESE PEOPLE. IF HUMAN RIGHTS WERE REGARDED AS UNIVERSAL, EVERY COUNTRY HAD A HUMAN RIGHTS PROBLEM. THE UNITED STATES OFTEN RAISED THE ISSUE BUT HAD ITS OWN HUMAN RIGHTS PROBLEM. COUNTRIES IN DIFFERENT STAGES OF DEVELOPMENT HAD DIFFERENT VALUES. AS FOR DEMOCRACY, ZOU GAVE SOME ANECDOTAL EXAMPLES OF VILLAGE LEVEL DEMOCRACY AT WORK DURING THE PERIOD OF LIBERATION. WHERE WHOLE VILLAGES WERE ILLITERATE, ELECTIONS WERE CONDUCTED BY PUTTING UP THE CANDIDATES IN A ROW AND INVITING THE PEOPLE TO DROP BEANS INTO BOWLS AT THEIR FEET. IN SHORT, HUMAN RIGHTS WERE ONLY SOLUBLE IN THE LIGHT OF THE SPECIFIC CONDITIONS OF EACH COUNTRY. BEING RESPONSIBLE FOR ECONOMIC AFFAIRS, HIS VIEW WAS THAT THE FIRST REQUIREMENT WAS TO SOLVE THE PROBLEM OF FOOD AND CLOTHING FOR 1.2 BILLION PEOPLE. HIS TASK WAS TO ENCOURAGE EACH CHINESE TO DEVELOP THE ECONOMY FOR THE GOOD OF THE WHOLE COUNTRY. SOME WESTERN COUNTRIES HAD THEIR OWN VIEWS OF HUMAN RIGHTS. BUT DIFFERENT SOCIAL SYSTEMS AND IDEOLOGIES SHOULD NOT BE ALLOWED TO AFFECT THE DEVELOPMENT OF STATE TO STATE RELATIONS.

6. THE SECRETARY OF STATE COMMENTED THAT WHATEVER THE ELECTORAL PROCESS, ONE WAY OR ANOTHER PEOPLE NEEDED THE FREEDOM TO CHOOSE. TURNING TO THE ECONOMY HE CONGRATULATED CHINA ON ITS GROWTH RATES BUT WAS CONCERNED AT THE FALL OF 50 PER CENT IN UK EXPORTS TO

CHINA. MR LILLEY WAS LIKELY TO EXPLORE THIS FURTHER IN HIS TALKS WITH ZOU. FOR HIS PART HE HAD ONE QUESTION. ZOU HAD EXPRESSED THE WISH FOR AN EXPANSION IN COMMERCIAL RELATIONS BUT CERTAIN SPECIFIC DECISIONS SEEMED TO CONTRADICT THIS WISH, NOTABLY THOSE AFFECTING SYSTEM X AND AERO ENGINE PURCHASES. HE HOPED THAT ZOU'S EXPRESSION OF GENERAL SUPPORT WOULD BE TRANSLATED INTO DECISIONS TO HELP OUR TRADE. MORE GENERALLY, MANY UK EXPORTS TO CHINA RESTED ON CONCESSIONAL FINANCE. SUCH FINANCE WAS LIMITED AND NORMALLY WENT ONLY TO THE POOREST COUNTRIES. THANKS TO CHINA'S SUCCESSFUL ECONOMIC MANAGEMENT (UNLIKE THE SOVIET UNION) CHINA HAD LARGE RESERVES. HE WONDERED THEREFORE WHETHER THERE WAS NOT SCOPE FOR MORE TRADE ON COMMERCIAL TERMS.

7. ZOU FULLY AGREED THAT GENERAL EXPRESSIONS OF INTENT SHOULD BE TURNED INTO CONCRETE RESULTS. CHINA WOULD EMBARK ON AMBITIOUS ECONOMIC EXPANSION OVER THE NEXT 10 YEARS WHICH WOULD MAINLY RELY ON ITS OWN EFFORTS BUT ALSO REQUIRE FOREIGN ADVANCED TECHNOLOGY, EQUIPMENT, AND PERSONNEL. THIS INVOLVED TWO PROBLEMS - CHINA'S NEEDS, AND PARTNERS' POTENTIAL. CHINA HAD INTRODUCED MUCH FOREIGN TECHNOLOGY OVER 40 YEARS BUT THE CHOICE BETWEEN VARIOUS FOREIGN SYSTEMS WAS COMPLEX, AND A MATTER OF COMPETITION AND CHOICE. WITH REGARD TO TELECOMMUNICATIONS SWITCHING EQUIPMENT, THERE WERE 12 COMPANIES PRODUCING IN THE WORLD OF WHICH 10 HAD ENTERED THE CHINA MARKET. IT WAS VERY DIFFICULT FOR THE CHINESE TO CHOOSE. CHINA DID NOT REFUSE COOPERATION WITH ANY COMPANY. GPT HAD OTHER TECHNOLOGY AVAILABLE AND THE CHINESE WERE READY TO DISCUSS ACQUIRING SUCH TECHNOLOGY FROM THEM. GPT WERE NOT ALONE IN NOT SELLING SWITCHING EQUIPMENT IN CHINA. AN AMERICAN COMPANY WAS IN THE SAME BOAT.

8. AS TO AERO ENGINES, ZOU SAID THAT BEFORE LEAVING PEKING THEY HAD CONSIDERED SPECIFIC PROSPECTS FOR COOPERATION. THEY KNEW THAT BRITAIN WAS STRONG IN CERTAIN SECTORS, FOR EXAMPLE THEY WOULD BE BUYING ROLLS-ROYCE ENGINES FOR THEIR BOEING 757S (SIC). IN OTHER SECTORS, THEY WOULD BE LOOKING AT COAL MINING MACHINERY AND PETROCHEMICALS. AS TO FINANCE, CHINA COULD NOT RELY ENTIRELY ON ITS OWN FOREIGN EXCHANGE RESOURCES TO IMPORT FOREIGN GOODS. THEIR POPULATION WAS HUGE AND THEIR ECONOMIC FOUNDATION RELATIVELY WEAK. BESIDES DIRECT IMPORTS THEY THEREFORE HOPED TO SEE MORE INVESTMENT AND JOINT VENTURES.

9. AS THE MEETING BROKE UP ZOU ASKED AMBASSADOR MA TO DELIVER A LETTER FROM LI PENG TO THE PRIME MINISTER SEEKING UK SUPPORT FOR CHINA'S POSITION OVER THE GATT (TO BE REPORTED SEPARATELY).

COMMENT

10. ZOU (WHO IS PERSONALLY MOST AGREEABLE AND HAS GONE OUT OF HIS WAY SINCE ARRIVAL TO BE GRACIOUS AND APPARENTLY GENUINELY GRATEFUL FOR THE ARRANGEMENTS MADE FOR HIS RECEPTION) GAVE LITTLE AWAY. OUR POINTS ON HUMAN RIGHTS WERE MADE FIRMLY BUT NON-CONFRONTATIONALLY. ZOU RESPONDED IN STANDARD TERMS. DAVIES (FED) PASSED SONG MINGJIANG ON DEPARTURE AN AMNESTY UPDATE OF INFORMATION ON THE INDIVIDUALS ON THE PRIME MINISTER'S LIST. ON GPT, ZOU'S RESPONSE AMOUNTED TO A POLITE REFUSAL ON SYSTEM X. THE NEWS ON ROLLS-ROYCE, BY CONTRAST, WAS APPARENTLY GOOD. ZOU'S RATHER DELPHIC PRONOUNCEMENT WAS HOWEVER CHECKED BY MR LILLEY DURING THEIR MEETING LATER AND ZOU'S RESPONSE WAS FULLER IF STILL OPAQUE. HE STATED THAT THERE WAS NO POLITICAL AGREEMENT WITH THE US ON ENGINE PURCHASES AND THAT SUCH CONTRACTS WOULD BE DECIDED ON PRICE, QUALITY AND DELIVERY GROUNDS NOT POLITICAL GROUNDS ALONE. (THIS WILL NEED FURTHER FOLLOW-UP.) ZOU MADE NO (NO) PITCH ON CONCESSIONAL FINANCE, BUT HAS SUBSEQUENTLY DONE SO IN RELATIVELY LOW KEY WITH MR LILLEY. REPORT TO FOLLOW.

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MR SHUTE, BTF/2 DTI VIC ST

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PAGE 5
CONFIDENTIAL

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(Translation)

The Rt.Hon. John Major, MP
Prime Minister

October 19, 1991

Your Excellency,

I am writing to re-emphasize the existing friendly relations and cooperation between our two countries, and to state the position of the Chinese Government on the resumption of China's status as a contracting party to GATT.

As you know, In 1978 the Chinese Government decided on reform and opening to the outside world as its state policy. And active involvement in international exchanges and participation in the multilateral trade regime is an important measure in implementing this policy. Over the past decade and more, China's reform and open-up have achieved successes recognized by the international community. It has maintained a fairly high economic growth rate and rapidly expanded its trade and economic relations with other countries. In keeping with this state policy, China has introduced a series of structural reforms to its economic and trade systems that conform with its national conditions and level of economic development. The important changes that have taken place so far in China's economic and trade system have laid a sound foundation for the resumption of China's status as a contracting party to GATT. China has abundant natural resources, a large population and a huge market. Without its participation, the world multilateral trade regime would not be a complete one. An early resumption of China's contracting party status will not only serve China's continued reform and open-up, but also contribute to the expansion of trade between China and the other contracting parties including your own. Therefore, it is in the interests of all. Furthermore, it will constitute a reaffirmation of the principle of universality of GATT.

For the early resumption of its contracting party status, China has all along taken a responsible and positive approach in the negotiations of the working party on China. During the working party's examination of China's foreign trade regime and policies, the Chinese side has clarified and replied, both in writing and orally, a host of questions raised by the interested contracting parties. Recently China has again submitted an important document of additional information on the latest development of China's foreign trade policies.

As is indicated in that document, the Chinese Government will undertake its obligations as provided for by GATT and observed by all its contracting parties, which include ensuring maximum transparency and uniformity of China's foreign trade regime. For example, the Chinese Government decided on 1 January 1991 to abolish all subsidies for enterprises engaging in export, so that they will participate in the competition in domestic and international market on an equal footing with others. It will soon take a number of steps substantially to scale down the number of products subject to import licensing, improve market access, abolish import regulatory duties and unilaterally cut down tariffs and customs duties on certain items. It is also ready to negotiate with the contracting parties to GATT on further tariff concessions. Therefore, it is high time to launch substantive negotiations on the protocol for the resumption of China's status as a contracting party to GATT.

Since China made its formal request to resume its status as a contracting party to GATT in 1986, it has enjoyed support and cooperation from Your Excellency and your Government. On behalf of the Chinese Government, I wish to express my heartfelt thanks to Your Excellency and your Government. I hope that the request of the Chinese Government will continue to receive understanding and support from your Government.

I have taken note that the Taiwan authorities are seeking to accede to GATT without prior approval from the Chinese Government. For a proper settlement of the question of China's resumption of its status as a contracting party to GATT and the accession to GATT of Taiwan, a region of China, I would like to clarify to Your Excellency the basic stand of the Chinese Government as follows:

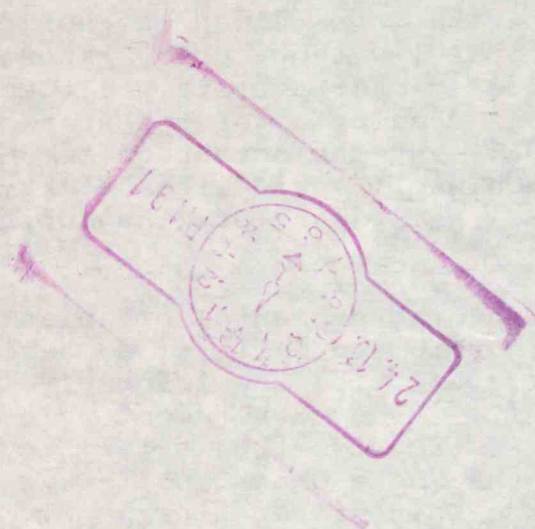
Since GATT is an intergovernmental organisation in nature, Taiwan's accession to GATT is a serious political question. Its solution should observe the following principles: 1. The Government of the People's Republic of China is the sole lawful government representing the whole China and Taiwan is an inalienable part of the Chinese territory. 2. Only after the resumption of China's status as contracting party to GATT is realised can Taiwan be allowed to accede to GATT as a separate customs territory. 3. for matters relating to Taiwan's accession to GATT, consultations must be held with the Chinese Government for approval.

Under the premise of the foregoing principles, I believe it is possible to find a proper way to solve the problem of Taiwan's accession to GATT. Any attempt towards setting up a GATT working party on Taiwan without prior consultations and agreement with the Chinese Government constitutes an affront to the state sovereignty of China, which China will never accept. It is my hope that your Government will give serious consideration and full respect to the position of the Chinese Government.

We are looking forward to the continued support and cooperation of your Government in the relevant proceedings of GATT. It is our belief that our concerted efforts will bring about a smooth and satisfactory settlement of the aforementioned question.

Please accept the assurances of my highest consideration.

(signed) Li Peng
Premier of the State Council of
the People's Republic of China



CHINESE VICE PREMIER
ZOU JIAHUA

(pronounced ZJOU)

CHECKLIST:

Bilateral:

- commercial, especially BAe
- China/GATT/Taiwan
- Hong Kong, including airport
- Human Rights



500
The Rt. Hon. Peter Lilley
Secretary of State for Trade and Industry

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reback up

J S Wall Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Department of
Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

24 October 1991

Dear Stephen

PRIME MINISTER'S MEETING WITH VICE-PREMIER ZOU

I attach some additional briefing on BAe 146 sales to China for the Prime Minister's meeting tomorrow with Vice-Premier Zou. Officials feel that it is important that the Prime Minister raise this issue, otherwise the Chinese may feel we had no interest in the sale.

I also enclose a note of my Secretary of State's meeting with Vice-Premier Zou yesterday.

I am copying this letter to Simon Gass (Foreign and Commonwealth Office).

Yours
David

DAVID MELVILLE
Assistant Private Secretary

PE10413



the department for Enterprise

BAe 146 SALES TO CHINA

LINE TO TAKE

Understand you are to have a demonstration flight later today on the British Aerospace 146. I am sure you will be impressed with this quiet and versatile aircraft. I know China is considering a major purchase and hope that you will be able to reach a decision quickly.

BACKGROUND

Vice Premier Jiahua is to visit BAe and have a demonstration flight on a 146 on Friday following lunch with the Prime Minister. The BAe 146, Fokker 100 and Boeing 737 are being considered for a CAAC requirement (worth some £300m) for regional jets. HMG normally maintains an even-handed policy between the BAe 146 and the Fokker 100 because the latter has Rolls-Royce engines and wings from Shorts. However, the latest advice from our Embassy is that on the whole BAe is better placed to win the competition, though a final decision has been left until after Vice Premier Zou Jiahua's visit.

Mr Lilley raised the matter briefly with Vice Premier Jiahua earlier in the week, when the latter said the contract would be awarded on technical merit. We recommend the Prime Minister gives a low-key endorsement to the 146, and encourages a quick decision if there is a suitable opportunity to do so.

DTI
24 October 1991

To:

ALAN MURRAY

From:

DAVID MELVILLE
 APS/Secretary of State
 for Trade and Industry
 Room 1102
 Ashdown House
 071-215 5233

24 October 1991

Copy:

Minister for Trade
 Sir Peter Gregson
 Mr Roberts
 Mr Meadway OT2
 Mr Love OT2/2
 Mr Worman OT1/3
 Mr Thompson OT1/3
 Mr Johnson EEP
 Mr Shoot BTF2
 Miss Caines INF
 Mr Anisfeld Sp Adv

VISIT TO THE UK BY VICE PREMIER ZOU JIAHUA OF THE PEOPLE'S
 REPUBLIC OF CHINA, 23 OCTOBER

You were present when the Secretary of State met Vice Premier Zou to discuss Anglo/Sino trade relations. Vice Premier Zou was accompanied by, amongst others, Mr Yeqing, the Vice Chairman of the State Planning Commission and Ambassador Ma. Mr Sainsbury was also present, as was Mr Meadway, Mr Love, Mr Worman, Mr Thompson and Mr Johnson.

Summary

Vice Premier Zou express a desire for increased bilateral contacts and a strengthening of economic and technical cooperation. There were hints that a third CLA would do wonders for British export prospects to China. The Secretary of State lobbied hard on behalf of British Aerospace and telecommunications manufacturers with an interest in China and Vice Premier Zou denied that the Chinese had entered into a political agreement with the US to purchase Pratt and Whitney engines.

Improving Bilateral Relations

The Secretary of State opened the meeting by welcoming Vice Premier Zou commented that his visit following so soon after the Prime Minister's visit to China demonstrated the importance both sides attached to high level contacts indeed development of Anglo/Sino relations.

Vice Premier Zou agreed that the Prime Minister's visit had

been very successful, creating a good atmosphere in which the economic and technical cooperation, to which China attaches great importance, could increase. The relationship had developed rapidly in the last ten years especially after the joint signing of the Hong Kong Declaration in 1984. There had of course been problems more recently, but perseverance on both sides and the visit of the Prime Minister had restored, and improved, them.

Vice Premier Zou commented further that the UK concessional loans had helped to improve bilateral relations, and had increased the popularity of UK companies and goods in China. However the present level of trade did not reflect both countries' potential, and he would be interested in our views as to how new ways could be developed to increase this. He expressed a wish to continue high level contacts between the two countries to enhance mutual understanding and confidence, and exchanged views on increasing trade relations.

China's Priority Areas

Vice Premier Zou then outlined China's priority areas outlined in their eighth five year plan, and their ten year development programme. China was looking for cooperation on agriculture, eg fertilisers and agricultural machinery), water, coal mining, electricity generation, oil and gas projects, electronics and telecommunications. Vice Premier Zou also mentioned the building project for the Guangzhou metro project, and that UK enterprises were welcome to enter into competition for tenders in these priority areas. China's rich mineral resources and cheap labour meant that there were opportunities for UK investment in China to produce products for the huge domestic market. It would be useful if the UK Government could support cooperation between Anglo-Sino enterprises with loans. A third concessional loan would prove a great benefit to British companies' chances of success in China.

The Secretary of State assured Vice Premier Zou that the UK was committed to developing relations. As well as being a major trading nation the UK was the second largest investor overseas. The project list which Mr Hurd handed over during his recent visit was indicative of the UK interest in securing large scale business in China. The list was not exhaustive, but the UK should have much to offer in mining, power generation and the other areas you have marked out for priority.

The Secretary of State commented further that he was pleased that the talks in July to appraise projects under the present arrangements had been successful. The UK Government were undertaking a global review of their concessional financing arrangements and he could not discuss new loans until this was complete.

Aerospace

The Secretary of State continued that the aerospace sector was one where UK companies had a very strong reputation worldwide. He was pleased to see that Vice Premier Zou was visiting British Aerospace and Rolls Royce to discuss projects with them, but he was concerned about reports that the State Planning Commission had reached a political agreement with the US to purchase Pratt and Whitney Engines for future CAAC Aircraft. He hoped this was not the case and that the engines would be chosen on technical and commercial merit. This would place Rolls Royce in a strong position for a the Boeing 757 contract. The reliability and running costs of the advanced technology Rolls Royce engine had been proved, and the company had shown a long term commitment to China. He also welcomed the intended purchases of Airbus A330s by China (Southern Airways) commenting that Rolls Royce would be able to supply its Trent Engine for this plane. The Secretary of State also mentioned the competition for the regional jets (for CAAC) commenting that he would be interested to have an indication from Vice Premier Zou of how BAe stood in the competition. He also mentioned the possible BAe 125 flight calibration contract. The aircraft had very clear merits and was an outstanding success.

Vice Premier Zou stated that a political agreement between the US and China on engines for 757s did not exist. Decisions were made on a purely technical and commercial basis and not on political grounds.

Telecommunications

The Secretary of State turned to the UK's concern over the market for telecommunications switching gear in China. The State Planning Commission was continuing to exclude GPT's System X. He hoped this obstacle would be removed.

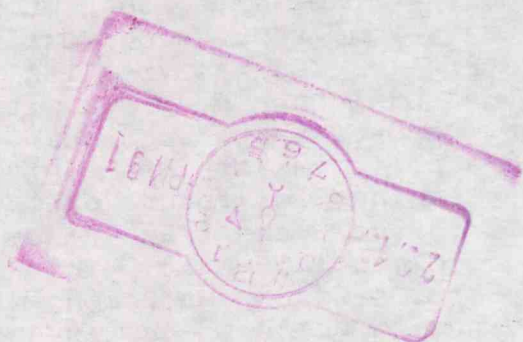
Conclusion

The Secretary of State also agreed with Vice Premier Zou's points on high level meetings to discuss bilateral relations, saying that both countries should meet regularly. Mr Sainsbury agreed on the importance of investment by UK companies. This stimulated trade as well as creating good human contacts between the two countries, and suggested that officials should discuss how high level bilateral contact might be maintained. There was plenty to talk about on a regular basis.



DAVID MELVILLE

PE10392





HOUSE OF COMMONS
LONDON SW1A 0AA

Rt Hon John Major MP
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Our ref :- CEMC//PM
Date :- 24 October 1991

Sean Parnell Minister,

BAe SALE TO CHINA

On Friday of this week, you will be meeting the Chinese Vice Premier, Mr Zou Jiahua. I would be grateful if you could raise with him the matter of the order of BAe's 146 airliners to China.

Five years ago, British Aerospace (BAe) sold five 146-100 85-seat airliners to CAAC in China. Since that time BAe has been trying to increase their sales of 146's, in order to capitalise on China's ever-expanding travel market and to replace aging Russian and British (H.S. Tridents) equipment supplied in the 1960s.

China's eighth five year plan, issued in 1990, specifically identifies the country's need for 100+ seat jet equipment, the category into which BAe's latest 146-300 airliner fits, and as such BAe has been pressing hard for a 20 aircraft order against competition from the Fokker F100 and the Boeing 737-500.

BAe believe the Chinese favour the 146 option for the following reasons:-

- i BAe offers the best commercial package and price
- ii Infrastructure support is included in BAe's proposal
- iii The 146 is available as a freighter, unlike its competitors
- iv BAe has a forty-year relationship with China, going back to the Vickers viscount in the 1950s.

Based on these positive factors, BAe believe that the final decision needs a positive signal from the British Government that it supports the 146 project.

....!

- 2 -

BAe have therefore been vigorously pursuing the British Government to support the 146 sale. They have to date adopted a stance of a "level playing field" between the BAe 146 and the Rolls-Royce powered Fokker F100. This position contrasts sharply with the U.S. Government's posture of strong support for its home industry (in this case Boeing), which is being linked to "most favoured nation" status for trade.

I understand that you were not able to raise this issue yourself during your recent visit to China. Given the importance of other factors (such as human rights), this was understandable. However, I believe that the Foreign Secretary was able to mention the matter to his Chinese counterpart. However, perhaps as a consequence of the Government's neutral attitude, no positive action resulted from his conversation.

I am writing therefore to ask you to use the occasion of your meeting with Mr Zou Jiahua on Friday to support BAe's bid to secure the sale to China of 20 146-300 aircraft, over the Rolls-Royce/Fokker proposal for the sale of 7 Fokker F100 aircraft.

Failure to show support for BAe's 146 project will place this vital target for British industry in real jeopardy.

Yours

Paddy

Doyle

Let had better have the meeting in the Cabinet Room. All those behind of the ambassador call letters.



Plod fees for early recommendations on who should be there or as not including in after 18.70.9

TO: Stephen Wall, PM's office

FAX: 930 4433

FROM: Pauline Butler

Asia, Australasia and the Pacific
Overseas Visitors and London Correspondents Section
Information Department
Foreign and Commonwealth Office
London SW1A 2AH

Direct Line: 210 2333
Fax: 071 210 2330

No of Pages to Follow 2

*Government
Department
M
19/9*

The enclosed is the list of names (in party 1) who will be calling on the Prime Minister on Friday 25 October.

They party will be joined by the Chinese Ambassador, the interpreter and one bodyguard. Can you please let us know who can go into the actual meeting, those who do not can be accommodated in an ante-room.



Foreign &
Commonwealth
Office

7

DRAFT

HER MAJESTY'S GOVERNMENT IN THE
UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND

Visit of

**His Excellency Mr Zou Jiahua
Vice Premier of the State Council of the People's Republic of China and
Chairman of the State Planning Commission**

22 - 28 October 1991

His Excellency Mr Zou Jiahua, Vice Premier of the State Council of the People's Republic of China and Chairman of the State Planning Commission will be accompanied by:

8

PART 4
①

Mr Ye Qing
Vice Chairman, State Planning Commission ✓

Mr Wang Shuming
Deputy Secretary General, State Council ✓

Mr Zeng Peiyan
Vice Minister, Ministry of Machine Building and Electronics Industry ✓

Mr Shi Guangsheng
Assistant Minister, Ministry of Foreign Economic Relations and Trade ✓

Mr Qu Youzhang
Director, Department of Foreign Capital Utilization
State Planning Commission

Mr Song Mingjiang
Deputy Director, Department of Western European Affairs
Ministry of Foreign Affairs

PART 4
②

Mr Zhang Enahu
Deputy Director, Department of Foreign Economic Relations and Trade
State Planning Commission

Mr Yuan Shuxun
Deputy Director, Department of Foreign Affairs
State Planning Commission

Mr Teng Zongding
Deputy Director, Department of Raw Materials, State Planning Commission

Mr Liu Wenfang
Division Chief, Department of Foreign Affairs, State Planning Commission

Mr Yuan Yongxu
Secretary for the Vice Premier

Ms Huang Qun
English Interpreter, Ministry of Foreign Affairs

She will accompany party ①

Mr Yu Maolin
Body Guard

Mr Zhao Jianguo
Body Guard

His Excellency Mr Zou Jiahua, Vice Premier of the State Council of the People's Republic of China and Chairman of the State Planning Commission will be accompanied by:

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Vice Chairman, State Planning Commission

Mr Wang Shuming
Deputy Secretary General, State Council

Mr Zeng Peiyan
Vice Minister, Ministry of Machine Building and Electronics Industry

Mr Shi Guangsheng
Assistant Minister, Ministry of Foreign Economic Relations and Trade

Mr Qu Youzhang
Director, Department of Foreign Capital Utilization
State Planning Commission

Mr Song Mingjiang
Deputy Director, Department of Western European Affairs
Ministry of Foreign Affairs

Mr Zhang Enshu
Deputy Director, Department of Foreign Economic Relations and Trade
State Planning Commission

Mr Yuan Shuxun
Deputy Director, Department of Foreign Affairs
State Planning Commission

Mr Teng Zongxing
Deputy Director, Department of Raw Materials, State Planning Commission

Mr Liu Wenfang
Division Chief, Department of Foreign Affairs, State Planning Commission

Mr Yuan Yongxu
Secretary for the Vice Premier

Ms Huang Qun
English Interpreter, Ministry of Foreign Affairs

PART 1

PART 2

Steph...
? Agrr →
S 24/10

Suggested
UK attendance:
Tim Sainsbury (DTI)
Malcolm Catterall (FCO)
+ 2 officials Andrew Burns (FCO)
Meadway (DTI)



ak
SL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 October 1991

**CHINA: VISIT BY VICE-PREMIER
ZOU JIAHUA**

W Thank you for your letter of 1 October.
The Prime Minister will see Vice-Premier Zou
Jiahua from 1145 to 1215 on Friday
25 October.

I am copying this letter to Martin
Stanley (Department of Trade and Industry).

(J. S. WALL)

Simon Gass, Esq.,
Foreign and Commonwealth Office.

ev



10 DOWNING STREET

Saada Stephen

We shall now have to
do this. Can we
find a time between
23 and 28 October?

X-K

Could manage

Friday 25 Oct
at 1145 - 1230

but also Har day (possibly):
? 1000 Kazakhstan President
NAZARBAYEV
? 1300 Lunch for Omar bin
ZAWAWI



**HER MAJESTY'S GOVERNMENT IN THE
UNITED KINGDOM OF GREAT BRITAIN
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Visit of

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Assistant Minister, Ministry of Foreign Economic Relations and Trade

Mr Qu Youzhang
Director, Department of Foreign Capital Utilization
State Planning Commission

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Deputy Director, Department of Western European Affairs
Ministry of Foreign Affairs

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State Planning Commission

Mr Yuan Shuxun
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Mr Teng Zongxing
Deputy Director, Department of Raw Materials
State Planning Commission

Mr Liu Wenfang
Division Chief, Department of Foreign Affairs
State Planning Commission

Mr Yuan Yongxu
Secretary for the Vice Premier

Ms Huang Qun
English Interpreter, Ministry of Foreign Affairs

Mr Yu Maolin
Body Guard

Mr Zhao Jianguo
Body Guard

In attendance:

His Excellency Mr Ma Yuzhen
Ambassador of the People's Republic of China

Programme Organiser:

Mrs Pauline Butler
Foreign and Commonwealth Office

Accompanying Officer:

Mr Peter Rea
Foreign and Commonwealth Office

Miss Margaret Grant
Foreign and Commonwealth Office

His Excellency The Vice Premier will stay at:

The Hyde Park Hotel
Knightsbridge, SW7

**TUESDAY
22
OCTOBER**

**ARRIVAL
THE RT HON THE EARL OF CAITHNESS
EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA**

1035

Arrive at London Heathrow Airport by Air France flight
No AF 810 from Paris
Hounslow Suite

Met by Mr John Medway
Under-Secretary
Department of Trade and Industry

and

Mr Hugh Davies
Head, Far Eastern Department
Foreign and Commonwealth Office

Leave London Heathrow Airport by car

1215

The Minister of State for Foreign and Commonwealth
Affairs,
The Rt Hon The Earl of Caithness will call on
The Vice Premier at the hotel

1540

Leave the hotel

1600

Arrive at the Embassy of the People's Republic of China,
49-51 Portland Place, W1

2115

Leave the Embassy for return to the hotel

WEDNESDAY ICI PLC
23 THE RT HON DOUGLAS HURD MP
OCTOBER CHINA-BRITAIN TRADE GROUP
THE RT HON PETER LILLEY MP
DINNER ENGAGEMENT

1030 Leave the hotel

1045 Arrive at ICI plc Group Headquarters,
9 Millbank, SW1

Met by Mr Mike Simmons, Manager, Asia Pacific Liaison

1130 Talks with the Chairman,
Sir Denys Henderson

1215 Leave ICI plc Group Headquarters

1225 Arrive at the Foreign and Commonwealth Office,
Ambassadors' Entrance

1230 Talks with the Secretary of State for Foreign and
Commonwealth Affairs,
The Rt Hon Douglas Hurd MP

1300 Leave the Foreign and Commonwealth Office

1320 Arrive at Denton Hall Burgin and Warrens,
5 Chancery Lane, Clifford's Inn, EC4

Met by the Chairman, British Overseas Trade Board
Sir Derek Hornby

Luncheon given by the China-Britain Trade Group

Host: Sir Derek Hornby

1415 His Excellency The Vice Premier will give an address and
will answer questions on Economic Relations

1545 Leave Chancery Lane

1610 Arrive at the Department of Trade and Industry,
Ashdown House, Victoria Street, SW1

1615 Talks with the Secretary of State for Trade and Industry,
The Rt Hon Peter Lilley MP

1700 Leave the Department of Trade and Industry

1715 Arrive at the hotel

1845 Leave the hotel

1900 Arrive at The Dorchester,
Park Lane, W1 (Pavilion Suite)

Dinner given by The Shell Group

Host: Group Managing Director
Dr John Jennings

Later Leave The Dorchester for return to the hotel

ALTERNATIVE PROGRAMME

When numbers do not permit the entire Delegation to accompany The Vice Premier, part of the Delegation will assume a separate programme as follows:

Wednesday 23 October

- 1030 *Join Main Programme*
- 1215 *Leave ICI plc Group Headquarters*
- 1220 *Arrive at the Tate Gallery
Millbank, SW1*
- 1250 *Leave the Tate Gallery*
- 1310 *Arrive at Denton Hall Burgin and Warrens,
5 Chancery Lane, Clifford's Inn, EC4*
- Rejoin Main Programme*
- 1545 *Leave Chancery Lane*
- 1600 *Arrive at the European Strategic Planning Society,
17 Portland Place, W1*
- Met by the President, the European Strategic Planning
Federation,
Mr Peter Beck*
- Round-table discussions with members of the Society on strategic
planning issues*
- 1730 approx *Leave Portland Place by car for return to the hotel*
- Rejoin Main Programme*

Mr John Beyer, Director, China-Britain Trade Group will accompany the alternative programme and interpret where necessary

THURSDAY
24
OCTOBER

HM TOWER OF LONDON
TRAFALGAR HOUSE
LUNCHEON ENGAGEMENT
ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS
THEATRE VISIT

- 0815 *Leave the hotel*
- 0845 *Arrive at HM Tower of London,
West Gate, EC3*
- Met by the Resident Governor,
Major-General Christopher Tyler*
- Tour the Jewel House*
- Refreshments will be served in the Historic Apartments of
The Queen's House*
- 1015 *Leave HM Tower of London*
- 1045 *Arrive at Trafalgar House
1 Berkeley Street, W1*
- Met by the Chairman,
Sir Nigel Broackes*
- 1230 *Leave Trafalgar House*
- 1250 *Arrive at Lancaster House,
Stable Yard, St James's, SW1*
- 1245 *Luncheon given by Her Majesty's Government
for*
- 1300 *Host: The Secretary of State for Trade and Industry,
 The Rt Hon Peter Lilley MP*
- 1445 *Leave Lancaster House*

1455 Arrive at The Royal Institute of International Affairs,
Chatham House, St James's Square, SW1

His Excellency The Vice Premier will give a talk entitled:
"China's Economic Re-structuring and its Opening to the Outside World"

1615 Leave the Royal Institute of International Affairs

1630 Arrive at the hotel

1800 Leave the hotel

1830 Arrive at the English National Opera, London Coliseum
St Martin's Lane, WC2

Light supper in the Boardroom

Host: The Minister of State for Foreign and
Commonwealth Affairs,
The Rt Hon The Earl of Caithness

1930 Attend a performance of "The Mikado"

FRIDAY
25
OCTOBER

THE RT HON MARGARET THATCHER MP
THE RT HON JOHN WAKEHAM MP
GEC ALSTHOM
THE PRIME MINISTER
LONDON - HATFIELD
BRITISH AEROSPACE
HATFIELD - DERBYSHIRE
ROLLS ROYCE PLC

0825 Leave the hotel

0840 Arrive at 73 Chester Square, SW1

0845 Talks with The Rt Hon Margaret Thatcher MP

0915 Leave Chester Square

0925 Arrive at the Department of Energy,
Palace Street, SW1

0930 Talks with The Secretary of State for Energy,
The Rt Hon John Wakeham MP

1000 Leave the Department of Energy

1005 Arrive at GEC Alsthom,
Devon House, 12-15 Dartmouth Street, SW1

Talks with the Chairman
Mr Douglas Gadd

1140 Leave GEC Alsthom

1145 Arrive at 10 Downing Street

Talks with the Prime Minister
The Rt Hon John Major MP

1215 Leave 10 Downing Street

1245 Arrive at the Princess Garden Chinese Restaurant,
8 North Audley Street, W1

Lunch as the guests of British Aerospace

Host: Chairman, Aerospace Committees
Mr Sydney Gillibrand

1430 Leave the Princess Garden Chinese Restaurant

1545 Arrive at British Aerospace Marketing Display Centre,
Comet Way, Hatfield, Hertfordshire

Presentation on 146 and 125 aircraft and tour of aircraft

1730 Depart British Aerospace by air (flight BA 146)

1800 Arrive at East Midlands International Airport,
Castle Donington, Derbyshire

1810 Leave East Midlands International Airport

1830 Arrive at Duffield Bank House, Duffield Bank,
Derbyshire

1930 Dinner given by Rolls Royce plc
for

2000 Host: The Chief Executive and Deputy Chairman
Sir Ralph Robins

ALTERNATIVE PROGRAMME

Friday 25 October

0830 Leave the hotel

0930 Arrive at Siemens Plessey Radar Ltd,
Oakcroft Road, Chessington, Surrey

Talks with senior representatives of the company on their work on
Chinese airports and infrastructure

Details to follow

1130 Leave Siemens Plessey Radar Ltd

1245 Arrive at Princess Garden Chinese Restaurant,
8 North Audley Street, W1

Rejoin Main Programme

1810 Leave East Midlands International Airport

1840 Arrive at Breadsall Priory Hotel,
Moor Road, Morley, Derbyshire

1930 Dinner given by Rolls Royce plc (at the hotel)
for

2000 Host: Personnel Director
Mr Darcy Payne

Rejoin Main Programme

**SATURDAY
26
OCTOBER**

**ROLLS ROYCE PLC
DERBY - ABERDEEN
DINNER ENGAGEMENT**

0830 Leave Duffield Bank House

0900 Arrive at Rolls Royce plc
Victory Road, Sinfir B Site, Derby, Derbyshire

Met by Managing Director, Aerospace Group
Mr Stewart Miller

Tour of Advanced Integrated Manufacturing System

Tour Production Test facility

1215 Buffet lunch

1330 Depart Rolls Royce plc

1400 Arrive at East Midlands International Airport

1415 Depart by private flight for Aberdeen

1515 Arrive at Aberdeen Airport and continue by car

1530 Arrive at the Airport Skean Dhu Hotel,
Argyll Road, Aberdeen

1700 Dinner given by British Petroleum

**SUNDAY
27
OCTOBER**

**BP - CLYDE PLATFORM
ABERDEEN - LONDON**

0850 Leave the hotel by minibus

0900 Arrive at BP Exploration Operating Company Ltd
Dyce, Aberdeen

1000 Leave Dyce by helicopter

1115 Arrive at the Clyde Platform

Met by the Offshore Installation Manager

Lunch

Tour of platform

1600 Leave Clyde Platform

1715 Arrive at BP Exploration Operation Company Ltd

1750 Leave BP Exploration Operating Company Ltd

1800 Arrive at Aberdeen Airport

1840 Depart on British Airways flight BA 5913 for London

2010 Arrive at London Heathrow Airport,
Hounslow Suite

Return to the hotel

MONDAY
28
OCTOBER

PRIVATE ENGAGEMENT
BALFOUR BEATTY POWER LTD
DEPARTURE

0900 Private Engagement

1030 Leave the hotel

1130 Arrive at Balfour Beatty Power Ltd
7 Mayday Road, Thornton Heath, Surrey

Met by the Director
Mr Denis Wheatland

Talks with the Chairman and Chief Executive,
Sir Robert Davidson

1200 Buffet lunch

1300 Leave Balfour Beatty Power Ltd

1430 Arrive at London Heathrow Airport
Hounslow Suite

Mr John Medway and Mr Hugh Davies will bid farewell

1535 Depart on British Airways flight No BA 928
for Cologne/Bonn

DIRECTORY

Foreign and Commonwealth Office
Far Eastern Department Tel: 071-270 2953

Information Department Tel: 071-210 2333

London Heathrow Airport
Hounslow Suite Tel: 071-745 4337

Hyde Park Hotel Tel: 071-235 2000

Imperial Chemical Industries Tel: 071-834 4444

Britain-China Trade Group Tel: 071-828 5176

DTI - the department for Enterprise Tel: 071-215 4322

The Dorchester Hotel Tel: 071-629 8888

Shell UK Tel: 071-934 3835

HM Tower of London Tel: 071-488 5630

Lancaster House Tel: 071-210 6859

The Royal Institute of International Affairs Tel: 071-957 5710

Mrs Thatcher's Office Tel: 071-233 3422

Department of Energy Tel: 071-238 3596

GEC Alsthom Tel: 071-233 2505

10 Downing Street Tel: 071-930 4433

British Aerospace
Commercial Aircraft Tel: 0707 262345

East Midlands International
International Airport Tel: 0332 810621

Breadsall Priory Hotel Tel: 0332 832235

Rolls Royce plc Tel: 0332 248898

Scottish Office Tel: 031-244 4997

Airport Skean Dhu Hotel Tel: 0224 725252

British Petroleum plc Tel: 0224 832036





CCPC

Foreign &
Commonwealth
Office

CONFIDENTIAL

London SW1A 2AH

1 October 1991

Dear Stephen,

China: Visit by Vice-Premier Zou Jiahua

Thank you for your letter of 23 September recording the Prime Minister's preference not to receive Vice Premier Zou Jiahua. *attached*

The Foreign Secretary fully understands why the Prime Minister would be reluctant to see another senior Chinese figure so soon after his visit to China.

Since the EC's decision last autumn to relax restrictions on contacts with China, we have been encouraging inward visits by a number of carefully selected senior provincial and central leaders associated with reform and the economy. In his letter to Li Peng in February the Prime Minister applauded high-level exchanges of this nature and undertook to lend his support. He said: "we would welcome senior visitors from China, both from the Central Government and from Provincial and Municipal Governments. I myself look forward to meeting members of the Chinese leadership as opportunities occur".

Under this general policy, Zou Jiahua was originally invited as Chairman of the State Planning Commission. In April he was promoted Vice-Premier, together with the then Mayor of Shanghai Zhu Rongji, whom we had also invited.

The invitation to Zou is therefore of long-standing. The Chinese have now accepted and have made it clear that Zou will expect a meeting with the Prime Minister. Their Ambassador has emphasised to Lord Caithness the importance they attach to the visit, the highest-level visit since Tiananmen. We do not think that Zou will come unless he is assured of a call on the Prime Minister. There is obviously no British equivalent of a Vice-Premier, but the Chinese regard him as more senior than a Cabinet Minister. Both Francis Maude and the

/Foreign

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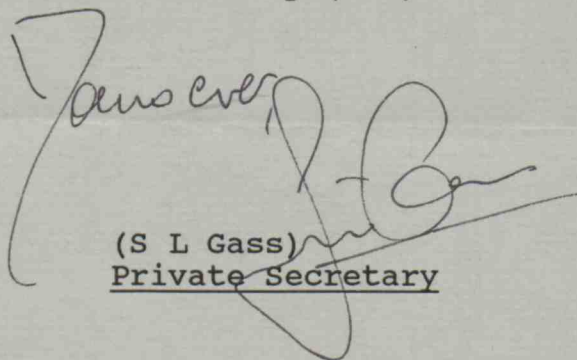
Foreign Secretary saw Li Peng during their respective visits in July last year and April this year. On precedent, and for reasons of protocol, the Chinese would certainly be surprised if the Prime Minister declined to see Zou.

The Prime Minister's decision to go to Peking despite the potential political cost has markedly improved the atmosphere with the Chinese. It would be a step backwards if we now turned down Zou's wish to see the Prime Minister unless there were a very good reason. Such a snub, as the Chinese would see it, could affect Chinese willingness to cooperate with us, notably over Hong Kong. In view of Zou's responsibilities it could also affect UK firms' chances in the China market - in particular in the sectors and projects which were flagged up during the Prime Minister's visit.

The Foreign Secretary's advice therefore is that, if at all possible, the Prime Minister should see Zou for half an hour.

If, however, the Prime Minister cannot manage this, the Foreign Secretary would prefer to ask the Chinese to postpone the visit entirely rather than offer them what they would see as half a cake. The Chinese would then be unlikely to want to revive the visit unless they were sure that the Prime Minister would see Zou.

I am copying this letter to Martin Stanley (DTI).


(S L Gass)
Private Secretary

J S Wall Esq
10 Downing Street

CONFIDENTIAL

CHINA: Visits of Chinese Vice
Premier.

May 80



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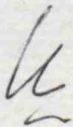
MR WALL

30 SEPTEMBER 1991

ZOU JIAHUA

The Foreign Secretary is returning to the charge. I think this is right and that the Prime Minister should agree to see the Chinese Vice-Premier for half an hour. My reasons are:

- (a) it is clear that if the Prime Minister refuses to see him, he will not come to this country. Instead of maintaining the improvement in Sino-British relations achieved by the Prime Minister in September, we shall have engineered a distinct set-back. This could feed off into Hong Kong matters;
- (b) Zou has a low political profile. He is an economic planner and will be the guest of Peter Lilley. We can readily justify his presence in terms of trade. If we wish we could also put human rights points to him when he sees the Prime Minister and let this be known.



PERCY CRADOCK

RESTRICTED



me sl
c/c

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 September 1991

Dear Christopher

CHINA: VISIT BY PREMIER ZOU JIAHUA

Please refer to Simon Gass' letter to me of 20 September.

Unless the Foreign Secretary advises that it is absolutely essential for him to see Vice Premier Zou Jiahua, the Prime Minister would prefer not to do so and that the Foreign Secretary should see him instead.

I am copying this letter to Martin Stanley (Department of Trade and Industry).

*Jans.
Stephe*
(J. S. WALL)

Christopher Prentice, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

h

It would have been better if he'd
come while I was in CHOGM
I'd prefer Mr. Haas saw him but
I will if absolutely necessary



Foreign &
Commonwealth
Office

London SW1A 2AH

20 September 1991

Prime Minister

Dear Stephen,

Not an ideal time for you
- just back from CHOGM and in run up
to Debate on the Address. We could find 1/2 hr
on 23/x (the day you get back) or at 12-15 on 28/x.
Go for one of these? or

China : Visit by Vice Premier Zou Jiahua

As the Prime Minister will recall from the briefs for his visit, we have had a long-standing invitation on the table for Vice-Premier Zou Jiahua to visit Britain. The invitation was mentioned during discussions between the Foreign Secretary and Qian Qichen during his Peking visit in April. No opportunity arose for the subject to be touched on during the Prime Minister's visit.

say no this time
but willing
in principle
to see him
on a visit
at a later
date?

The Chinese have now proposed that Zou Jiahua might come from 23 to 28 October. The FCO's Overseas Visitors Section who will fund and arrange the visit are content with these dates and we are confident that a reasonable programme can be arranged. The Trade and Industry Secretary have pencilled in a provisional meeting on 23 October and it is likely that the Foreign Secretary will also see him. We shall be looking to arrange other meetings once the dates have been confirmed.

Done
20/9

Zou Jiahua, who is one of the two Vice-Premiers appointed in April this year, is in charge of the State Planning Commission and we shall want to concentrate discussions on commercial opportunities including major project business. Although the invitation is in the name of the British Government, the Chinese like to think that there is one named host for their senior visitors; we are exploring the options. In view of Zou's responsibilities the Trade and Industry Secretary would probably be the most suitable host, subject to his agreement.

Vice Premier Zou would certainly hope to pay a call on the Prime Minister. We would be grateful to know whether the Prime Minister would be free during the period 23-28 October.

/Zou Jiahua

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Zou Jiahua is not himself a controversial figure and for this reason his visit will not attract the criticism which a visit by Li Peng would certainly attract. He will however be the most senior Chinese visitor to come here since Tiananmen. There is bound to be some controversy and he will certainly be subjected to (small-scale) demonstrations by members of the June 4th Movement and Tibet Support Group.

I am copying this letter to the Private Secretary to the Trade and Industry Secretary with a request for confirmation that Mr Lilley would be ready to act as the nominal host. In practice this would involve offering a meal and a session of talks.

(S L Gass)
Private Secretary

Stephen Wall Esq CMG LVO
10 Downing Street

CONFIDENTIAL



SECRET



File 1

10 DOWNING STREET

LONDON SW1A 2AA

29 April 1991

From the Private Secretary

Dear Richard,

HONG KONG: INVITATION TO THE
CHINESE FOREIGN MINISTER

Hong Kong tel no 1281 discusses the question of an invitation to the Chinese Foreign Minister to visit London.

The Prime Minister agrees with the Governor's view that that is a card to be kept in our hand for the moment. For the reasons discussed at the Meeting of Ministers last Friday, 26 April, the Prime Minister believes that it would be a mistake to invite the Chinese Foreign Minister to London at present.

The Prime Minister would like to be consulted if there is any question of our changing our position on this point.

Jaws,

Stephe

J. S. WALL

Richard Gozney, Esq.,
Foreign and Commonwealth Office

SECRET

Confidential

CG/PC



Foreign and Commonwealth Office

London SW1A 2AH

16 March 1990

Jean Tim,

The Lord President has agreed to see the Chinese Vice-Premier Wu Xueqian at 1130 on Monday 19 March. We have now had confirmation of the call from the Chinese Ambassador.

As promised in Bob Peirce's of 15 March, I enclose a brief for this meeting. It mainly covers Hong Kong issues but also includes a line on bilateral relations incase this is raised by Wu. *will equal of need*

The Lord President should be aware that when the Prime Minister saw the Chinese Ambassador on 16 March she said that the nationality package would be going ahead. Ambassador Ji said that both sides should now "declare a ceasefire" and stop commenting publicly on this subject. He added that what we needed now was more intensive consultations between the two sides. Ambassador Ji suggested that it would be a good idea if the Lord President made both these points to Vice-Premier Wu. We agree.

Alan Paul, the Head of Hong Kong Department, will sit in on the meeting.

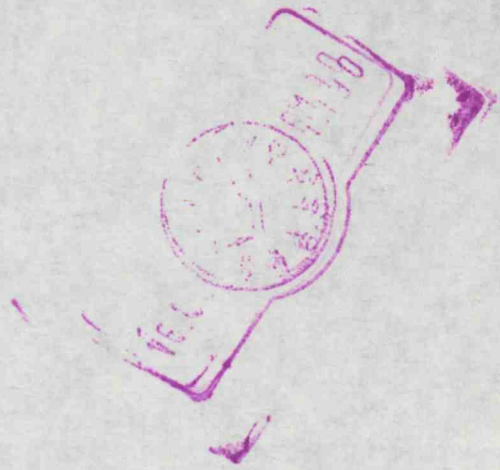
*I am copying this letter, with its enclosures, to Charles Powell at No 10.
Johns ever,*

Richard Gozney

(R H T Gozney)
Private Secretary

Tim Sutton Esq
PS/Lord President of the Council

Confidential





Foreign and Commonwealth Office

London SW1A 2AH

CONFIDENTIAL 15 March 1990

Ben Tim

an

We have learnt that Chinese Vice Premier Wu Xueqian will be visiting London on 18-20 March, on a stopover en route to Namibia.

The Chinese have not asked for any meetings while Wu is here. But the visit provides a useful opportunity to reiterate our views on important Hong Kong issues, at a senior Ministerial level, at a difficult time. The Foreign Secretary will not be in London at the time, and wonders whether the Lord President would be willing to see Wu on 19 March. We understand that on current plans the Lord President would have time available in his programme on that day.

Wu is well known to the Lord President. He was Foreign Minister at the time of the negotiations on the Joint Declaration on Hong Kong, and has remained closely involved in foreign affairs since becoming Vice Premier.

If the Lord President agrees to see Vice Premier Wu, we would of course provide appropriate briefing, consistent with the line the Prime Minister will be advised to take when she sees the Chinese Ambassador on 16 March.

I am copying this letter to **Charles Powell at Number 10.**

Yours ever

R N Peirce

(R N Peirce)
Private Secretary

Tim Sutton Esq
Privy Council

CONFIDENTIAL

MFJ

China

CONFIDENTIAL

2 October 1980

Call by Vice Premier Huang Hua

I enclose a record of the conversation
this morning between the Prime Minister
and Vice Premier Huang Hua.

MODBA

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

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SUBJECT

CONFIDENTIAL

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE FOREIGN MINISTER OF CHINA, VICE PREMIER HUANG HUA AT 10 DOWNING STREET ON 2 OCTOBER AT 0900

Present: Prime Minister Vice Premier Huang Hua
Sir Edward Youde H.E. Mr. Ke Hua
Mr. M.O'D.B. Alexander Mr. Qiu Ke-An + 2 others

* * * * *

Having welcomed Mr. Huang Hua, the Prime Minister apologised for the postponement of the Foreign and Commonwealth Secretary's visit to China. However she was sure that his decision to return to London from the United States had been correct. The consequences of a spread of the fighting between Iran and Iraq to other parts of the Persian Gulf would have been very grave. As it was, intensive diplomatic activity had so far had the effect of limiting the conflict. Lord Carrington hoped to visit China at a later date. She also hoped to be able to come. Mr. Huang Hua said that he fully understood the reasons for the postponement of Lord Carrington's visit. The Chinese Government looked forward to welcoming the Foreign and Commonwealth Secretary at a later date, perhaps in February next year. He wished to convey to the Prime Minister the best wishes of the Chinese leadership. The Prime Minister asked Mr. Huang Hua to convey her own best wishes to Chairman Hua and his colleagues. She wished to emphasise the importance she attached to Britain's relations with China. It was essential that the two countries kept in the closest touch. There was a particular common interest at present in the energy field. She herself kept in regular contact with Sir Lawrence Kadoorie. He ensured that she was fully in the picture about his discussions with the Chinese authorities on the construction of new power stations in China.

The Prime Minister asked about developments inside China. Mr. Huang Hua said that the Chinese Government were pursuing both institutional reform and economic reform. Their main object in the institutional field was to secure a greater separation between the Party and the Government. The two had previously been too closely identified. The aim now was to avoid over-concentration of power since this impeded prompt decision making. The separation

CONFIDENTIAL

/of functions

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-2-

of functions had already been carried out at provincial and local level. It was now being implemented at national level. Eight Party leaders had given up their Government functions. The same reform was being carried out in commercial and industrial enterprises, in schools and in other organisations. Younger and professionally more proficient people were being given greater responsibility. The Government hoped the results would show in two or three years time.

Turning to the economic reforms, Mr. Huang Hua said that in the past too much had been done through the medium of state planning. The objective now was to combine centralised planning with the operation of the market. It was intended to leave more to individual enterprises. In the past China had followed the over-centralised example of the Soviet Union too closely. This had not been conducive to economic progress. China had tried many paths in the past but had only now discovered the proper way to achieve steady economic progress. From now on the state plans would lay down the main principles and the details would be left to the functioning of the market.

The Prime Minister asked about the situation in South East Asia. Mr. Huang Hua said that Vietnam was refusing to withdraw from Kampuchea just as the Soviet Union was refusing to withdraw from Afghanistan. In both cases the hope was that people would accept the fait accompli. But neither Kampuchea nor Afghanistan was a local problem. Both were parts of the larger Soviet endeavour to push southwards. The Soviet Union wished to avoid a frontal clash in Europe and therefore was pushing forward on the periphery. Their invasion of Afghanistan was an important step towards the Persian Gulf and hence to the control of the West's oil supply and of vital sea lanes.

The Prime Minister asked Mr. Huang Hua for his views on the next generation of leaders in the Soviet Union. Mr. Huang Hua said that he did not expect Mr. Breznev's successors to pursue a very different policy from the present leadership. The Prime Minister

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/commented

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-3-

commented that this would anyway have the advantage that we would know what to expect. She commented that at least the two great powers realised the disaster which would flow from an open confrontation between them. As a result the likelihood of such a confrontation was reduced. But this had the consequence of making it more difficult to deal with local conflicts. The Soviet Union recognised this and saw this as giving them an opportunity to achieve their objectives by a different route.

Mr. Huang Hua commented that the war between Iran and Iraq had further complicated the situation in South West Asia. Pakistan felt increasingly isolated and unsupported. They were under heavy pressure from the Soviet Union and worried about the intentions of the Indian Government. It was only by rallying all the forces opposed to the Soviet Union's hegemonistic expansionism that it would be possible to achieve a change in the present disadvantageous balance of forces. The situation in Afghanistan and Kampuchea must not be accepted. Mr. Huang Hua and the Prime Minister agreed that there was much in common in their analysis of this aspect of the international situation.

At the end of their discussion Mr. Huang Hua reiterated the Chinese Government's invitation to the Prime Minister to visit China as soon as possible. The Prime Minister said that she was anxious to take up the invitation but that the Foreign and Commonwealth Secretary would of course be visiting China first.

The discussion ended at 0930.

2 October 1980

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Cham
Foreign and Commonwealth Office

London SW1A 2AH

2 October 1980

M B Alexander Esq
No 10 Downing Street

*Rephrased agreed -
Mr Davies informed*

Mr. Andrews

Dear Michael,

1. I attach the draft of a telegram which I would like to get off today so that both the Ambassador in Peking and the Governor in Hong Kong (where Huang Hua arrives tomorrow) know what happened at the talk with the Prime Minister this morning.

2. Since I shall be at the airport this afternoon seeing Huang Hua off, perhaps you could convey your agreement (or your amendments) to Hugh Davies in Far Eastern Department, Ext. 5963, before close of play.

Yours

Tully

Edward Youde

cc: H Davies Esq, FED

R M J Lyne Esq, Private Office

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1986 130 7

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9 8 7 6 5
4 3 2 1

File No.
 Department CHIEF CLERK
 Drafted by
 (Block Capitals) SIR E YOUDE
 Tel. Extn.

OUTWARD
 TELEGRAM

Security Classification
CONFIDENTIAL
Precedence
IMMEDIATE
DESKBYZ

FOR COMMS. DEPT. USE	Despatched (Date) (Time)Z	POSTBYZ
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PREAMBLE

(Time of Origin) Z (G.M.T.) (Restrictive Prefix)
 (Security Class.) CONFIDENTIAL (Caveat/ Privacy marking)
 (Codeword) (Deskby) Z

TO IMMEDIATE PEKING Tel. No.of
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AND SAVING TO

REPEATED TO (for info) HONG KONG

SAVING TO (for info)

Distribution:-

[TEXT]

VISIT OF VICE MINISTER HUANG HUA

1. Huang Hua called on the Prime Minister this morning. He confirmed that the Chinese fully understood the reasons which had caused Lord Carrington to postpone his visit. He reiterated the invitation to the Prime Minister to visit Peking. She confirmed that she was much looking forward to doing so (but without suggesting dates). The Prime Minister referred to our interest in the Guangdong nuclear project on which Sir Lawrence Kadoorie kept her informed. For the rest

Copies to:-

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the discussion covered the need to prevent Soviet occupation of Afghanistan and Vietnamese occupation of Kampuchea being accepted as a 'fait accompli': and an exposition by Huang Hua of the decisions to separate Party and Government functions in China and their new economic policies.

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NOTHING TO BE WRITTEN IN THIS MARGIN



Foreign and Commonwealth Office

London SW1A 2AH

1 October 1980

Dear Michael,

Visit of Chinese Foreign Minister: 1 and 2 October

In my earlier letter today I suggested that the Prime Minister might mention the Guangdong nuclear project when she sees Vice-Premier Huang Hua tomorrow morning.

Lord Carrington raised this with Huang Hua after lunch today. Huang said that Peking were aware of the contacts which had taken place between the Guangdong authorities and China Light and Power and supported the idea of exploratory discussions. But he gave the impression that the Chinese government were not yet committed to the project. He added that there had already been some discussion with the French about the possibility of nuclear power generation in Guangdong.

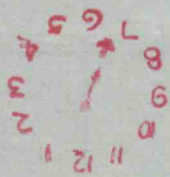
In the light of this conversation it would be useful if the Prime Minister made the Vice-Premier aware of her personal interest in the project and said that we see it as one in which British industry could make a substantial contribution if the Chinese authorities decided to go ahead.

I am sending a copy of this letter and my previous letter to Stuart Hampson (Dept of Trade) and Ian Ellison (Dept of Industry).

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON



- 1 OCT 1980

TEXT OF MESSAGE

Chinese Foreign Minister Huang Hua reaffirmed his country's unwritten alliance with West Europe in the face of the Soviet Union today but left open the door to a rapprochement.

Mr Huang, on a one-day visit to the Council of Europe Parliamentary Assembly, told delegates China still wanted to discuss the border issue with Moscow as well as other areas of cooperation. But the Soviet intervention in Afghanistan was a major obstacle.

As a result China had cancelled a planned second round of talks scheduled for next January, he said.

Mr Huang spent much of his speech attacking the Soviet Union and Soviet-backed Vietnam, using the Chinese code-word hegemonism.

He welcomed Western Europe's defence cooperation under NATO which he said would offset its disadvantages under the increasing military threat of hegemonism. The friendly relations between us will surely grow in the cause of opposing hegemonism and preserving world peace, he added. Answering questions from delegates, Mr Huang said the Soviet Union had refused to discuss the issue of Soviet troops massed on the Sino-Soviet frontier and what he described as serious military threats.

China also sought a withdrawal of Soviet forces from Mongolia and the dismantling of its bases there, Mr Huang said the Soviet Union had refused to discuss the expulsion of ethnic Chinese from Vietnam and what he called large stockpiles of Soviet weapons there.

Turning to relations with Europe, Mr Huang told the assembly China's development brought the prospect of trade and cooperation in many areas.

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Foreign and Commonwealth Office

London SW1A 2AH

1 October 1980

Dear Michael,

Prime Minister:
see also letter from Mr Biffen,
attached.

And

Visit of Chinese Foreign Minister,
1 and 2 October

As you know, the Chinese Foreign Minister will be in London on 1 and 2 October for discussions with the Foreign and Commonwealth Secretary. The Prime Minister has kindly agreed to receive him for a short courtesy call at 9 am on Thursday 2 October.

Following the cancellation of the Foreign and Commonwealth Secretary's visit to the Far East, we learned that Huang Hua intended to transit through London (and Hong Kong) on his way back to China after attending the General Assembly in New York. Huang Hua accepted Lord Carrington's invitation to stay for talks. He is having talks with Lord Carrington this morning, followed by lunch, and will act as host at the Chinese Embassy's National Day reception in the evening. His only engagement tomorrow is his call on the Prime Minister (he declined the offer of a further session of talks with Lord Carrington and lunch with Mr Hurd). He will leave London in the afternoon for Hong Kong.

The Prime Minister will recall meeting Huang Hua during the visit to this country by Chairman (then also Premier) Hua Guofeng in the autumn of last year. I enclose a biographical note; you will see that he was promoted Vice-Premier as part of the government changes announced at the recent National People's Congress. This will enhance his authority within the leadership.

Since the call will be short, there will be little time for substantive discussion. The Prime Minister may wish to begin by emphasising the seriousness of the situation in the Middle East (a subject which Lord Carrington will of course have covered himself in his discussions) and go on to describe her visit to Yugoslavia, with which the Chinese maintain special ties of friendship. Huang Hua will also be interested in her views on the current state of the European Community and the situation in Europe in general.

/The Chinese

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The Chinese will be expecting the Prime Minister to say something about her outstanding invitation to China. She might say that he is looking forward to making the visit, but that given her many other commitments (including next year's EC Presidency) is not yet sure when she will be able to do so.

The one other bilateral topic which it might be useful for the Prime Minister to raise is the Guangdong nuclear project, about which Sir Keith Joseph wrote to his OD colleagues on 22 September. The Prime Minister might refer to her discussions with Sir Lawrence Kadoorie and to the opportunities for co-operation which the project offers. However, before carrying our consideration further, we need to know whether the Chinese government are firmly committed to the project.

/ I enclose a copy of the brief on the Guangdong project prepared for Lord Carrington's discussions; and of agency reports of an address which Huang Hua delivered to the Council of Europe Assembly on 30 September.

The Chinese have asked that for the call on the Prime Minister Huang Hua should be accompanied by the Chinese Ambassador, Ke Hua, Counsellor Qiu Ke-an (to interpret) and a notetaker. At your request, Sir Edward Youde will also attend.

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

Michael Alexander Esq
10 Downing Street
London

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HUANG HUA

VICE PREMIER : MINISTER OF FOREIGN AFFAIRS

Huang was born in 1913. After studying at Yanjing University in Peking, he spent most of the war years in the Communist Headquarters in Yanan.

Since 1949 his career has been in the Diplomatic Service. He was chief Chinese representative at talks on Korea in 1953 and attended the Geneva Conference on Indochina in 1954, the Bandung Conference, and a session of the Warsaw talks with the Americans during the Quemoy crisis in 1958.

Between 1954 and 1959 he was Head of the Department responsible for Western Europe in the Ministry of Foreign Affairs. He has been Ambassador to Ghana (1960-65), the United Arab Republic (1966-69) and Canada (1971-72). From 1972 to 1976 he was China's Permanent Representative to the United Nations in New York. On his return to China he became Minister of Foreign Affairs. He is a member of the Party's Central Committee and a delegate to the National People's Congress (China's 'parliament'); and was promoted to Vice Premier at the National People's Congress in September 1980.

He speaks English quite well but uses an interpreter for official business. By Chinese standards, he has exceptional international experience, particularly of the West. He visited Britain in October 1978 and again in 1979 as a member of Hua Guofeng's party. He has at times seemed overworked and shown signs of strain. But his appointment as Vice Premier shows the Chinese collective leadership's confidence in him as their principal link and interlocutor with the outside world. It has effectively raised his

/status

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status from that of a top bureaucrat, to a national leader; and will increase his national and international status, and his clout within the leadership.

Pronunciation: Hwaang, rhymes with sung
Hwar, . ' ' car

TALKS WITH CHINESE FOREIGN MINISTER : 1 AND 2 OCTOBER 1980

BRIEF NO : GUANGDONG NUCLEAR PROJECT

POINTS TO MAKE

1. Have been following discussions about a nuclear power plant in Guangdong. Pleased at current visit of Guangdong Provincial delegation to study inter alia UK nuclear industry.
2. The electricity is needed by Guangdong and Hong Kong and a major joint venture to produce it makes sense. Participation or help from HMG has been suggested. Not time to go into detail now. But can take it project has full support of Chinese Government? Would like Ambassador to discuss in Peking; whom should he see?
3. [If the Chinese confirm central Government support] HMG share Chinese view of project's importance. Hope to see big British content (though not for PWR reactor island). Many technical, safety, commercial and financial questions. Next step is for the two electricity companies and the Chinese and British Governments to examine the feasibility study. Thereafter might wish to suggest team of British officials visit Peking and Guangdong to follow up.
4. [If asked about equity investment by the British and Hong Kong Governments] An unusual suggestion. The British Government does not normally invest overseas. Nevertheless prepared to consider proposal if Chinese really attach importance to it and in view of project's significance.
5. [If pressed on:
 - (a) nuclear non-proliferation: primarily a matter for government of supplier of the nuclear reactor. We would of course wish to take part in any discussions, but would not expect more restrictive conditions than likely to be required by other government;
 - (b) accident liability: we recognise this raises important questions which will need to be discussed at a later stage between our two governments;
 - (c) credit facilities: terms available from UK will be at least as favourable as those on offer from elsewhere.]

ESSENTIAL FACTS

1. The Secretary of State is familiar with the background (though a summary is in paragraphs 6 to 10 below). The problems involved and the potential benefits of the project are set out in Sir K Joseph's paper, attached.

Objectives

2. The major objective now is to obtain an authoritative Chinese statement, at the highest possible level, that Peking supports the Guangdong authorities.
3. A secondary objective is to find out if possible what contribution the Chinese Government expect from the UK and Hong Kong; in particular whether they are really seeking equity participation in the project by HMG and the Hong Kong Government.

Problems

4. The difficulty so far has been that discussions have been conducted principally by China Light and Power (CLP) and the Guangdong Electricity Company (KEC); supported by the technical assistance and expertise of Dr Walter Marshall, Deputy Chairman (UKAEA) acting in a personal capacity. A further line of communication, principally to discuss commercial issues, has been established between officials of the Guangdong Provincial Government and employees (principally Mr Peter Potter) of the Nuclear Power Company (NPC). Neither of these channels has been fully satisfactory and information has been ambiguous. It was hoped that current visit (19 September-2 October) to UK of a Guangdong economic delegation would help to clarify the issues. But (unless further information materialises at a meeting on 1 October) the delegation have not revealed their hand, other than to confirm close interest in studying UK nuclear industry.

/Considerations

Considerations

5. The Secretary of State will wish to be guided by the following considerations:
- (a) the Governor of Hong Kong and Sir Lawrence Kadoorie are now convinced that the Chinese both in Guangdong and Peking, are serious;
 - (b) Sir L Kadoorie sees the project as a major test of Chinese willingness to continue cooperation with Hong Kong under British sovereignty well beyond 1997. The Governor, Sir P. Cradock, and we ourselves agree that it could be one important touchstone of the Chinese attitude;
 - (c) it would be helpful at this stage to show the Chinese that HMG and the Hong Kong Government understand the political significance of a collaborative venture extending well into the next century;
 - (d) at the same time, if the Chinese too wish the project to be seen in this light, we would expect them to give particular encouragement to British participation by ensuring that a preponderant share of the non-nuclear hardware should be supplied by British companies;
 - (e) since the Guangdong authorities appear to have virtually decided on a PWR, no UK company is in the market for the nuclear reactor; the front runners are Westinghouse (USA), Framatome (France) and Kraftwerk Union (Germany). (A Reagan Presidency moving to closer ties with Taiwan would probably mean that the Chinese excluded Westinghouse.)
 - (f) we have seen suggestions that by loaning Dr Marshall to CLP as their technical adviser (though he is acting purely in his personal capacity and not as a member of the UKAEA) HMG has committed itself to supporting the project and that any suggestion of a lack of enthusiasm now might -- by the Chinese as backtracking.

We do not accept this argument, but if it is a factor in Chinese thinking we must clearly take account of it.

Background

6. Proposals for the construction of a nuclear power station in Guangdong Province (which is energy-deficient) go back several years, and the French were apparently close to a deal, possibly for two reactors, before China's economic 'readjustment' slowed down orders for foreign technology. Sir L Kadoorie's involvement also extends for nearly a decade; he began canvassing the idea of a nuclear plant across the border in China to supply electricity to Hong Kong in the early 1970s.
7. The current discussions began in earnest in early 1979. Because of shortage of foreign exchange, KEC proposed to finance the purchase of hardware from the sale of 50% of the electricity to China Light and Power (CLP) in Hong Kong. Discussions have since continued both with CLP and NPC (Nuclear Power Company - the joint public/private company responsible for the UK nuclear industry).
8. The Hong Kong Government is already reliant on China for food and water. Cross-border electricity supplies would fit into the pattern of increasing cooperation between Hong Kong and Guangdong. The Hong Kong Government are therefore sympathetic to the concept of a joint venture nuclear station in Guangdong supplying power to Hong Kong. They would require satisfactory agreements to be reached on safety and environmental issues, security of supply and tariff structure. They are however concerned that any hindrances put in the way by HMG (eg non-proliferation questions) might result in the project straining rather than improving political relations.
9. At one stage there seemed a possibility that the Chinese would be interested in a Magnox, but it became clear some months ago that their first preference was a PWR, in which the UK still has no

manufacturing experience. A third country partner will therefore almost certainly be necessary. There can therefore be no certainty that the UK will secure orders for even part of the project since we shall be dependent on satisfactory collaboration with a PWR supplier country. CLP have taken the helpful line with KEC that they have good experience of British equipment and hope that KEC will buy British; KEC have indicated that if the price is competitive they are inclined to do so.

10. A joint Executive Committee of KEC and CLP (with Dr Marshall as technical adviser to CLP) was established in the spring. This, with sub-committees, is currently engaged on a feasibility study (to cover eg safety, siting, financing, supply etc), which KEC wish to see completed for submission to Peking by the end of October. At the next Executive Committee meeting on 22 October, CLP will be expected to make a statement about financing. CLP themselves are now unwilling to take up any equity in the proposed joint company to run the project. Much of the finance required could be raised from private sources in Hong Kong, but KEC have hinted strongly that equity participation by HMG and the Hong Kong Government is desirable. We do not know what is envisaged and will wish to get a clearer idea before putting the proposal to Ministers.



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

M Alexander Esq
10 Downing Street
LONDON SW1

DJ Watts
mining at this
date sale.

18 June 1980

Dear Mr. Alexander

Pa. Pnd 19/6

I attach a draft record of the Prime Minister's letter with Vice Premier Kang Shien which was held on the 9th June.

This note was prepared by our CIP Division and I hope it may be of some use to you.

Yours sincerely
David Watts

D J Watts
Private Secretary

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DRAFT

File No. CIP 212/1026/05

Addressed to:

Copies to:

Originated by:
(Initials and date)

CPC
12/6/80

Seen by:
(Initials and date)

Enclosures:

Type for signature of

(Initials and date)

DEPARTMENT OF

RECORD OF A MEETING WITH VICE-PREMIER KANG SHI'EN OF THE PEOPLE'S
REPUBLIC OF CHINA AT 10 DOWNING STREET AT 11.15 am ON MONDAY,
9 JUNE 1980

Present

The Prime Minister

H E Vice-Premier Kang Shi'en

Mr Norman Lamont MP

Mr Song Zhenming

(PUSS at the Department of Energy

(Minister of the Petroleum Industry)

Mr C P Carter

H E Ke Hua

(Department of Energy)

(Ambassador of the People's Republic
of China)

Mr Wu Jiagan

Mr Cheng Wan Chen (Interpreter)

1 The Prime Minister welcomed Vice-Premier Kang, and said that
Britain wished to be as helpful as possible to China on energy
matters. She had greatly enjoyed the visit of Premier Hua to
Britain, and asked that the Vice-Premier Kang should convey her
warm greetings to him.

2 Vice-Premier Kang said that Premier Hua had warm memories of
his visit. China was now tackling the problems of reconstruction
(the "four modernisations"). Good progress had been made last
year. The total agricultural yield had increased by 20 million
tons over 1978. Population growth had fallen from 2% to 1.2%,
and agricultural production had risen by 4%, i.e. faster than the
/rate of

(CONTINUE TYPING HERE)

File No. CIP212/1026/05

rate of population growth. In the industrial sector, China was now concentrating on developing light industries. The 1981-90 plan was now being drawn up, and should be adopted next year by the People's National Congress. Energy would be identified as a key area. It would outline plans for exploring for and developing coal, oil and hydro-power. China had large hydro resources, but they were concentrated in the west, with corresponding problems of transmission to the industrial centres of the east. The purpose of his visit to Norway and the UK was to learn from others. Seismic work (including that done by BP) had now started in Chinese offshore areas; the data looked promising. The waters were between 20 and 200 metres deep, and warmer than the North Sea. Both BP and China were very satisfied by their co-operation in this work.

3 The Prime Minister said that it had taken 12 years from the beginning of exploration in the North Sea to reach the production stage. China should be able to learn from our experiences, and be able to move more quickly. But it would not be cheap. The UK was now planning a gas-gathering pipeline to enable the use of associated natural gas. The UK had a strong interest in Chinese developments, and the two countries shared many of the same objectives in foreign affairs.

Department of Energy

13 June 1980

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1

cc PM
Gifts

China

FILE

JD



10 DOWNING STREET

THE PRIME MINISTER

9 June, 1980.

Dear Vice Premier Kang,

I greatly enjoyed our meeting this morning, and only wish that it could have been longer. I am delighted with the beautiful vases, and am grateful to you for your most generous present. Thank you very much indeed.

With all best wishes.

Yours sincerely
Raymond Shillington

Vice-Premier Kang Shien

RA



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

ex Pres
China

M Alexander Esq
Private Secretary to the
Prime Minister
10 Downing Street
SW1

Prime Minister

Mr Lamont will also be in attendance.

←

Paul 6/6

6th June 1980

Dear Mike,

VISIT OF VICE-PREMIER KANG

As you know, Vice-Premier Kang Shi-En is visiting the UK at the invitation of my Secretary of State from 8 - 14 June. The Prime Minister has agreed to see him for a short courtesy call at 11.15 am on 9th June. Vice-Premier Kang will probably wish to be accompanied by the Chinese Minister for the Petroleum Industry, Song Zhenming, and the Chinese Ambassador in London, HE Mr Ke Hua, as well as a Private Secretary, an interpreter and his personal bodyguard. An official from this Department will also attend to take a note, if this would be useful.

I attach a copy of the programme for Vice-Premier Kang's visit, together with a personality note and a short brief for the Prime Minister's use, covering political relations with China, Chinese energy prospects, and trade in the energy sector.

Vice-Premier Kang is a major and rising figure in the Chinese government hierarchy. He is only the second Chinese Vice-Premier to lead an official delegation to this country, and will be the most senior Chinese visitor this year. He is the Vice-Premier in charge of short term planning and energy. The main purpose of his visit is to enable him to see at first hand something of our energy industries, in particular North Sea oil. The Chinese have ambitious targets for the expansion of their own offshore oil production (which will require substantial Western involvement) and wish to acquaint themselves better with Western experience in the field - both technological, and in terms of how we manage relations between government and oil companies. Kang's visit here will follow immediately after a similar visit to Norway.



- 2 -

I am copying this letter and its enclosures to Paul Lever (Lord Carrington's Office), Peter Stredder (Sir Keith Joseph's Office), Stuart Hampson (John Nott's Office) and to David Reid (George Younger's Office)

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Julian West', with a long horizontal flourish extending to the right.

Julian West
Private Secretary

CONQUEROR



RESTRICTED

VICE PREMIER KANG'S VISIT: BRIEF FOR PRIME MINISTER

A. POLITICAL

Points to make

UK and China share important international interests. Attach great importance to further improving bilateral relations.

Much valued Premier Hua's visit last year. Discussions revealed strong community of view, and broadened mutual understanding. Mr Pym's recent discussions in Peking provided useful opportunity for further exchanges in light of Afghanistan. Lord Carrington's visit in October will carry dialogue further.

Background

Vice Premier Kang is a major and rising figure in the Chinese Government hierarchy. He is only the second Chinese Vice Premier to lead an official delegation to Britain, and will be the most senior Chinese visitor this year. The Chinese attach political (as well as commercial) significance to the visit, and will much appreciate the Prime Minister's agreement to receive him.

Mr Pym visited China from 23-28 March, for the opening of a British Aviation Equipment Exhibition in Shanghai. He had wide ranging international discussions in Peking with (among others) Premier Hua and Foreign Minister Huang Hua. Lord Carrington plans to visit China in early October.



VICE-PREMIER KANG'S VISIT : BRIEF FOR THE PRIME MINISTER

B. CHINESE ENERGY PROSPECTS

Points to Make

1 Energy problems a major challenge to governments in the 1980s.

World oil production unlikely to rise much above present level; continued growth of world's energy requirements will need to be met from alternative sources, particularly coal and nuclear power.

2 China - particularly with her large coal resources - will have increasingly important role to play. We have followed with interest Chinese plans for expanding oil (especially offshore oil) and coal production. Believe UK can play a significant role in helping China to achieve these objectives - particularly in offshore oil and gas, but also in coal and nuclear power. UK now the world's second largest producer of offshore oil and second largest producer of offshore gas.

Background

3 Coal is China's major energy resource - supplies 70% of Chinese energy needs. A small but growing amount exported, mainly to Japan. China is a medium-sized oil producer; Chinese have ambitious plans for offshore oil developments, and will need to involve Western companies to achieve these. (BP have contract for seismic work in southern Yellow Sea). Chinese oil exports will grow, but China unlikely to make more than a marginal contribution to Free World oil supplies. China has significant hydro-electric potential, but so far no civil nuclear capability, though Chinese are examining possibilities of constructing nuclear power plants.



VISIT TO UK BY VICE-PREMIER KANG SHIEN:
UK/CHINA TRADE PROSPECTS IN ENERGY

The Chinese have made clear that their drastically scaled down economic development plans, and shortage of foreign exchange, leave room for few, if any, large scale orders until at least 1982. But within this bleak context, the energy sector, which is a top priority in the revised plans, offers relatively good opportunities for UK exports. China plans to expand coal production from 620m tonnes in 1979 to 1,000m tonnes by 1987, and will require large imports of mining equipment. Earlier hopes for large package deals to equip whole mines have faded, but UK manufacturers, who have secured orders of £200m since 1978, are negotiating to supply a further £60-70m of equipment for a mine in Datong province, to be paid for in due course by coal from the mine. BP is carrying out seismic exploration work in the South Yellow Sea, and hope to win further exploration and development work. This would open up opportunities for other British offshore supply companies. Power generation has been a disappointing sector for the UK. GEC and NEI failed to win orders for two thermal power stations, which were victims of China's retrenchment. But the UK hopes to secure up to £380m worth of hardware orders for a PWR nuclear reactor which Guangdong Province wishes to buy, and to pay for by selling electricity to Hong Kong. The Hong Kong utility, China Light and Power (CLP) and the Guangdong Authorities are undertaking a joint feasibility study of the project for which purpose CLP is making use of the independent technical advice and expertise of the UK Atomic Energy Authority. A final decision will rest with the Peking Government, which is still debating the desirability of developing nuclear power. China is not a signatory to the Non-Proliferation Treaty and is not a member of the International Atomic Energy Agency (IAEA). China's status as a nuclear weapons state means that there are no obligations for IAEA safeguards. We would, however, probably require other assurances covering peaceful uses, physical protection and re-transfer on any nuclear materials and equipment supplied.



Competition

The Japanese are collaborating with China on a wide range of coal and oil developments. Their unique position derives from their ability to take coal and oil in counter-trade, and their offer of large cheap loans (a US \$2 billion resource development loan over 15 years at 6 $\frac{1}{4}$ % and a \$200 million OECF aid loan over 30 years at 3%). Our other main competitors for coal equipment are Germany, France and Romania: in offshore exploration the USA, France and Norway: and in nuclear power, France, Germany and the USA.

Points to Make

The Prime Minister may wish to affirm the UK's ability and willingness to assist China develop her energy resources, in all spheres, including related infrastructure development (transport, port development) and financing.



KANG SHIEN [pron. Kang Sher Un]

Kang is the Chinese Vice-Premier in charge of short-term planning (as Minister of the State Economic Commission) and energy. He is 63. His background is in the oil industry, in which he became a Vice-Minister in 1956. He disappeared during the Cultural Revolution but returned to be Minister of the then Ministry of Petroleum and Chemical Industries from 1975 to 1978, when he took up his present posts. He is a member of the Party Central Committee.

vb

China

13 May 1980

AF 6.6.80

Visit of Chinese Vice-Premier Kang Shien

Roderic Lyne wrote to Michael Alexander on 8 May regarding the visit of the Chinese Vice-Premier. The Prime Minister would be very happy to see this gentleman. May I please offer you 1115 on Monday 9 June at 10 Downing Street for 30 minutes?

Should this time prove convenient we will require a brief to reach us by close of play on Friday 6 June.

C.S.

Malcolm Adams, Esq.,
Foreign and Commonwealth Office.

SP

CONFIDENTIAL

HS

cc DIN
DIT
DIT

12 May 1980

Visit of Chinese Vice-Premier Kang Shien

The Prime Minister has seen your letter to me of 8 May and has agreed to receive Vice-Premier Kang Shien for a short courtesy call. We will co-ordinate the time with the Department of Energy.

I am sending copies of this letter to Denis Walker (Department of Energy), Stuart Hampson (Department of Trade) and Peter Stredder (Department of Industry).

MICHAEL ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

TK

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

*Prime Minister**Apex A?*

8 May 1980

*Phms 9/6**Miss Stephens: to fix time.**Phms**Dear Michael,*Visit of Chinese Vice-Premier Kang Shien

Chinese Vice-Premier Kang Shien will be visiting this country from 9 to 14 June at the invitation of Mr Howell. I am writing to ask whether the Prime Minister would consider receiving him for a short courtesy call.

Vice-Premier Kang is China's energy overlord. He will have talks in London with government and industry on 9 and 10 June, before travelling to Scotland to visit a number of energy installations, including North Sea operations in which he has expressed particular interest. The energy programme has a high priority in China's economic planning and offers major prospects for British industry. Kang will have a decisive say in purchasing decisions and his goodwill is therefore important to us.

On present plans Kang will be the most senior Chinese visitor to Britain this year. Apart from the most elderly Chinese leaders (most of whom are expected to retire from their government positions later this year), he rates within the top half-dozen of the government hierarchy and his star is rising. The only Chinese Vice-Premier previously to visit this country (Wang Zhen who was here in 1978) was received at Number 10; and Premier Hua Guofeng has made a point of receiving visiting British Cabinet Ministers (Mr Varley in 1979 and Mr Pym in March). It would encourage the Chinese to continue to give visiting British Ministers access to the highest levels of their government if the Prime Minister was able to receive Kang.

A) Lord Carrington therefore hopes that the Prime Minister will be able to spare the time for a short courtesy call. If she agrees, you may wish to discuss possible times with the Department of Energy, who are co-ordinating the programme. I am copying this letter to Dennis Walker (Department of Energy), Stuart Hampson (Department of Trade) and Peter Stredder (Department of Industry).

Yours ever,
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

8 MAY 1980



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