



From the Secretary of State

CONFIDENTIAL

John Coles Esq
Private Secretary to the Prime Minister
10 Downing Street
London, SW1

29th March 1983

Dear John,

MEETING WITH MADAME CHEN: WEDNESDAY 30 MARCH

- 1 I attach briefing prepared by this Department for the Prime Minister's meeting with Madame Chen tomorrow morning. You will already have received my letter of 28 March, enclosing a record of the Secretary of State's own discussion with Madame Chen on Friday 25 March.
- 2 It has been arranged that although the entire Chinese group (some 15) are expected to arrive at Number 10, only 3 will be present with Madame Chen at the meeting with the Prime Minister. They are, from Peking, Mr Gan (Vice Minister, State Planning Commission) and Mr Sun (interpreter): in the event, Mr Tian did not come on the European visit. The fourth member of the meeting will be the Chinese Charge d'Affaires in London, Mr Liang.
..... Personality notes on the Peking party are attached.
- 3 I will confirm separately that we expect Mr Peter Corley from the Department to attend the meeting.
- 4 I am copying this letter to Roger Bone (FCO).

Yours sincerely,
John Rhodes

JOHN RHODES
Private Secretary

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MEETING WITH MME CHEN MUHUA, CHINESE MINISTER OF FOREIGN ECONOMIC RELATIONS AND TRADE: 0900 WEDNESDAY 30 MARCH

BRIEF FOR THE PRIME MINISTER

POINTS TO MAKE

1. Pleased you have accepted my invitation to visit Britain.
2. 051 Project. Most disappointed by China's decision not to ratify this contract, signed after 2 years of negotiations. We remain anxious to co-operate with China in the field of defence equipment, but the confidence of British defence manufacturers has been damaged. Could China tell British firms what they do require.
3. Guangdong nuclear project. Pleased that recent talks in Hong Kong and Peking ended in signing of Memorandum of Understanding on 26 March in Peking: we must now make progress towards final agreement as quickly as possible. Project important both for UK/China trade and for continued prosperity and stability of Hong Kong.
4. Overall trade. Pleased with recent agreements on float glass (Pilkingtons), tyres (Dunlop) and telecommunications (Cable & Wireless). But still concerned about trade imbalance (£193 million to £103 million in 1982) and decline in UK exports. UK companies can offer China a great deal in her priority sectors (energy, transport, communications, industrial modernisation).
5. Offshore oil. Hope negotiations with BP and Shell on offshore oil exploration rights will soon lead to agreement.
6. Warm personal regards to Premier Zhao Ziyang and Chairman Deng Xiaoping.

DEFENSIVE POINT: QUOTAS

1. Sorry we could not go further to meet Chinese requests for quota increases in 1983; UK industry severely affected by the recession and by imports. Trade balance strongly favours China.

BACKGROUND NOTE

1. The programme for Mme Chen's visit (which results from an invitation extended by the Prime Minister during her visit to China) is attached, together with a personality note on Mme Chen.
2. 051 Project. Contracts for Project 051 (refit of 2 "Luda" class destroyers) were signed on 10 November 1982 to the value of £120m. HMG ratified the contracts within the 60 day period specified but the Chinese failed to do so. The reply recently received from the Chinese Defence Minister (Zhang Aiping) to a personal message from Mr Heseltine indicates that the Chinese do not intend to reconsider their decision, but remain willing to co-operate with us in the



defence field. Mme Chen has claimed, in meetings with Lord Cockfield and Mr Jenkin, that the Chinese decision not to ratify the contracts was due to concern about such matters as price, technology and delivery.

3. Guangdong nuclear project. A team of officials led by Mr Manzie of the Department of Industry has just returned from two weeks of talks on this project in Hong Kong and Peking with a Chinese team led by Vice Minister of Water Resources and Electric Power, Li Peng. The talks culminated in the signing of a Memorandum of Understanding on 26 March. It amounts to an agreed statement of positions rather than agreement on the issues; but it is encouraging that progress was made on equity contributions and electricity offtake and that it was agreed to set up a joint preparatory committee.

4. UK/China Trade. UK exports to China have declined since 1979 and our imports from China now exceed our exports by almost two to one. Major export opportunities lie in coal, offshore oil, transport, communications and modernisation of industry (which are all priority sectors in China's economic plans). Pilkingtons recently announced agreement on collaboration with China in float glass; Dunlop have signed an agreement with the Guangzhou Rubber Bureau for modernisation of a tyre factory. During her visit to China the Prime Minister was present when Cable & Wireless signed an agreement with the Chinese to co-operate in offshore oil telecommunications. Before that, Cable & Wireless had signed an agreement concerning a microwave link to run the length of Guangdong Province.

5. Import quotas. Certain Chinese products are subject to UK import quotas which are reviewed annually. Our response to the Chinese request for quota increases for 1983 was perceived by the Chinese as ungenerous. However, Mme Chen did not specifically mention the question of quotas when she saw Lord Cockfield and Mr Jenkin on 25 March.

TRADE FIGURES	UK Exports	UK Imports	(£m)
1979	213	138	
1980	169	153	
1981	126	172	
1982	103	193	

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1. HE MADAME CHEN MUHUA

State Councillor.

Minister of Foreign Economic Relations and Trade.

Alternate Member of the Politburo.

Madame Chen was born in 1921 in Zhejiang (Chekiang) province in East China. She was an administrator in the Bureau of Foreign Economic Relations (China's overseas aid agency) before the Cultural Revolution. She became one of its Vice-Ministers in 1971, and a member of the Party Central Committee soon afterwards. In 1977 she was promoted Minister and an alternate member of the Politburo. In 1978 she became a Vice-Premier and had responsibility for China's birth control programme and all aspects of public health. In 1981/2 she was also put in charge of China's tourist industry.

In May 1982 she was one of the nine Vice-Premiers who resigned as part of the streamlining of the Government machinery. Like most of the others she was appointed to the new post of State Councillor, which is supposed to have the same protocol status. She became one of the 14 members of the Standing Committee of the State Council, the Government's Cabinet, over which Premier Zhao presides. As part of the same restructuring process, her own Ministry was amalgamated with the Foreign Trade Ministry, the Foreign Investment and Import/Export Commission, and she emerged as the Minister of the resulting super-Ministry.

Madame Chen is the most senior woman in the Chinese Government and one of only two women in the Politburo. To some extent her rapid promotion in the 1970s was due to her role as a token woman, but she must have considerable administrative ability to have continued her rise under the present pragmatic regime.

She has travelled extensively, mainly to African countries but also to Romania, Yugoslavia and Australasia. According to reports from Hong Kong left-wing magazines she was censured in 1979 for using these trips to stock up on personal effects for herself. In 1982 she went to Germany for the China/FRG Joint Commission meeting. She made two visits to North Korea in 1981/82.

Madame Chen is believed to be married and have children.

Approximate pronunciation: CHUN (rhymes with 'gun')
MOO (rhymes with 'boo')
HWAR (rhymes with 'car')

Forms of address: 'Your Excellency', 'Minister', or 'Madame Chen'.

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3. HE MR GAN ZIYU

Vice-Minister of the State Planning Commission.

Mr Gan was born in 1929 in Guangdong (Kwangtung), the southern province which borders Hong Kong.

He has been a Vice Minister of the State Planning Commission since 1978.

In 1981 he was given additional responsibilities as Vice Minister of the State Import and Export Commission and Foreign Investment Commission, but he lost these posts in 1982 when the Commissions were amalgamated into the Ministry of Foreign Economic Relations and Trade. He continues as one of several Vice Ministers of the Planning Commission, whose Minister is Vice Premier Yao Yilin.

In 1979 Mr Gan was a member of then Premier Hua Guofeng's delegation which visited Britain and other countries in Western Europe. In 1980 he visited Canada and the United States. He visited Japan twice in 1981 and 1982 and was most recently in Washington in December 1982 when he accompanied the Chinese Finance Minister at a call on Vice President Bush. He seems to have particular responsibilities for negotiations on World Bank/IDA and Japanese aid projects in China.

Mr Gan is one of the more forthcoming and articulate of Vice Ministers. Although his own dialect is Cantonese he speaks very clear Mandarin and some English. He is well-disposed towards Britain.

Approximate pronunciation: GAN (rhymes with 'man')
ZI (as in 'zip')
YU (as 'you')

Forms of address: 'Your Excellency', 'Minister', or 'Mr Gan'.

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11. MR SUN ZHENYU

Official, Third Department.

Ministry of Foreign Economic Relations and Trade.

(English interpreter).

Mr Sun was born in Hebei (Hopeh) Province in north China in 1946.

Mr Sun is the Department's Desk Officer in the UK. He is a pleasant official with a good working relationship with the British Embassy in Peking. In conversation he is careful not to depart from the official line. He visited Britain in 1977. His wife works for the Exhibitions Department of the China Committee for the Promotion of International Trade.

Mr Sun speaks fluent and colloquial English and will interpret for Madame Chen.

Approximate pronunciation: SUN (as in north-country English)
JUN (as in 'jungle')
JU (as English 'you')

Form of address: Mr Sun.

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FIVE SW

China

10 DOWNING STREET

From the Private Secretary

16 March, 1983

Visit of the Chinese Minister of Foreign
Economic Relations and Trade

Thank you for your letter of 15 March.

I confirm that the Prime Minister will receive Madame Chen at 0900 on Wednesday, 30 March. As you know, only 30 minutes have been set aside for this call. I hope, accordingly, that the brief for the Prime Minister will be succinct and, if possible, confined to two or three pages. I shall not need it until mid-day on Tuesday, 29 March. But I should be grateful if you could ensure that it reaches me by that time.

A. J. COLES

J. Rhodes, Esq.,
Department of Trade

NR



From the Secretary of State

Caroline

Is the time correct?

A.J.C. $\frac{15}{3}$

AJC

Yes - C.S. 15/3.

John Coles Esq
Private Secretary to the Prime Minister
10 Downing Street
London, SW1

15 March 1983

Dear John,

VISIT OF THE CHINESE MINISTER OF FOREIGN ECONOMIC RELATIONS AND
TRADE: 27 MARCH-1 APRIL 1983

Thank you for your letter of 8 February.

You will be aware that there has been a slight re-shuffling of
Madame Chen's programme since your letter to me. I should be
grateful if you could confirm that arrangements have now been
made for Madame Chen to be received by the Prime Minister at
09.00 on Wednesday 30 March.

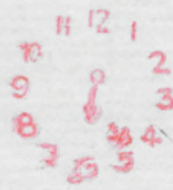
Unless we hear otherwise, we would propose that briefing should
reach you by Friday 25 March, with any "up-date" following by
Tuesday 29 March.

Yours sincerely,

JOHN RHODES
Private Secretary

China is
Man-British
Sino-British
Relations

15 MAR 1983



PRIME MINISTER

MEETING WITH THE CHINESE MINISTER OF FOREIGN ECONOMIC RELATIONS AND
TRADE

You have only thirty minutes. With interpretation it will not be possible to cover much ground.

I am afraid that Madame Chen will arrive with some fifteen Chinese. They originally all wanted to come to the talks, but I have agreed that only three will come into the meeting room. They are:

Mr. Gan (Vice Minister, State Planning Commission)
Mr. Liang (Chinese Charge d'Affaires)
Mr. Sun (Interpreter)

On our side, Alan Donald and Peter Corley (Department of Trade) will be present.

I suggest that we meet in the White Drawing Room, preceded by a photograph in the Blue Room.

The FCO recommend that you raise Hong Kong. A line to take is attached. Percy Cradock suggests that it would not be appropriate to give Madame Chen a lecture on the subject but merely put across the essential points in the line to take. (I know it would be easier to do this in a tete-a-tete but, as you will recall from our meetings in Peking, the Chinese do not work that way).

The other subjects are all trade matters and these are dealt with in the Department of Trade briefs.

A.S.C.

29 March 1983

B.R.

Not for me but why not
kete-a-kete?

1. MR. FLESHER

JA

2. MR. COLES

24/3

Visit of Madame Chen, Chinese Minister of
Foreign Economic Relations: 9-9.30,
Wednesday, 30 March

Madame Chen wishes to bring 16 people with her. There are 9 individuals who form part of her delegation, and then there is a request from 3 at the Embassy.

The meeting is only for half an hour, so surely this is out of the question. I promised to ring Lord Cockfield's office back with a limit on numbers. What do you suggest?

C.S.

Caroline

I have dealt
with this.

24 March, 1983.

A.S.C. $\frac{25}{3}$