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10 DOWNING STREET

*cc Master**Subject*
D89
bc: Sir P. Cradock
From the Private Secretary

22 November 1984

PRIME MINISTER'S MEETING WITH THE GOVERNOR OF GUANGDONG PROVINCE, LIANG LINGGUANG

The Governor of Guangdong Province called on the Prime Minister yesterday afternoon. He was accompanied by the Chinese Ambassador. Sir Percy Cradock was also present.

The Prime Minister recalled with pleasure her visit to Canton in 1982 during which she had met the Governor, then Mayor of Canton. She would be going to Peking shortly to sign the Hong Kong Agreement. She was pleased to hear that Liang Lingguang would soon visit Hong Kong.

Liang Lingguang thanked the Prime Minister for the invitation to him to visit the UK. He had first been invited in 1980 but had not been able to come then. He was very satisfied with the arrangements which had been made for him and the hospitality shown. He was learning a great deal about the contribution which Britain could make to China's modernisation. He noted that growth in Guangdong Province was particularly rapid, averaging 10.2% a year since 1980.

The Prime Minister asked about progress with the Special Economic Zones. Liang Lingguang said that three of them were in his Province of Guangdong. The Shenzhen SEZ, near to Hong Kong, was developing fastest. Its population had risen from 20,000 to 300,000. There had been a substantial increase in investment, including foreign investment. The Prime Minister commented on Guangdong's particular success in attracting foreign companies. She had recently met Jing Shuping who had given her a detailed account of the contacts being developed with the oil industry, GEC, and computer companies. There was also the extremely important Guangdong Nuclear Project. She hoped that, once the Hong Kong Agreement was signed, a new chapter would be opened in Britain's relations with China with particularly close political and commercial relations.

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Liang Lingguang confirmed that there were good contacts with BP, Ferranti and ICL. He had paid a most interesting visit to a BP platform in the North Sea. On a wider scale, he was very pleased by how relations between Britain and China had developed since he had last met the Prime Minister.

The Prime Minister asked Liang Lingguang to tell Deng and Zhao Ziyang how much she was looking forward to meeting them in December. Deng's deceptively simple concept of one country, two systems, had been the key which had unlocked agreement on Hong Kong. Liang Lingguang said that he was sure that the Prime Minister would be most welcome. When Deng had visited Shenzhen he had confirmed that the policy of SEZ's was correct and had decided to extend measures to attract investment to fourteen other cities and to Hainan Island. He agreed with the Prime Minister that signature of the Hong Kong Agreement would be a stimulus to the development of the SEZ's to which Hong Kong had a great deal to offer.

Charles Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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