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FROM PEKING 041010Z DEC 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2886 OF 4/12/84

INFO BTCHONG KONG AND HONG KONG

PRIME MINISTER'S VISIT: MR BUCHANAN-SMITH'S MEETING  
WITH VICE-PREMIER LI PENG

1. MR BUCHANAN-SMITH CALLED ON VICE-PREMIER LI PENG ON 4 DECEMBER. AFTER THE NORMAL COURTESIES LI RAISED THREE SUBJECTS: THE PRIME MINISTER'S VISIT, THE GUANGDONG NUCLEAR PROJECT AND THE UTILISATION OF OFFSHORE GAS OFF HAINAN ISLAND (CONVERSATION ON THE LAST OF THESE REPORTED SEARATELY).
2. ON THE PRIME MINISTER'S VISIT, LI SAID THAT SINCE I WAS PRESENT HE WISHED TO MAKE SOME REMARKS. HE HAD HEARD VARIOUS BRITISH PEOPLE SAY THAT SINO-BRITISH TRADE AND ECONOMIC RELATIONS WERE LAGGIN BEHIND THE EXCELLENT POLITICAL RELATIONS FOLLOWING THE AGREEMENT ON HONG KONG. HE SHARED THIS VIEW. WITH SUCH EXCELLENT POLITICAL RELATIONS, ECONOMIC RELATIONS SHOULD BE FURTHER DEVELOPED. SUBJECT TO MR BUCHANAN-SMITH'S VIEWS, HE THEREFORE PROPOSED TO SUGGEST TO PRMIER ZHAO THAT THE TALKS WITH MRS THATCHER SHOULD COVER ECONOMIC ISSUES. THE VISIT WOULD BE VERY SHORT AND IT WOULD NOT BE POSSIBLE TO REACH ANY SPECIFIC AGREEMENTS, BUT THE TALKS COULD LAY A SOLID FOUNDATION FOR TRADE DEVELOPMENT. DURING THE VISIT OF PRESIDENT MITTERAID AND CHANCELLOR KOHL, ECONOMIC SUBJECTS HAD BEEN DISCUSSED AND THERE HAD BEEN SATISFACTORY RESULTS. DURING MRS THATCHER'S VISIT A START COULD BE MADE. THINGS COULD BE TAKEN FURTHER FORWARD DURING PREMIER ZHAO'S VISIT TO THE UK. AS WAS WELL-KNOWN, THE CHINESE GOVERNMENT ATTACHED GREAT IMPORTANCE TO FRIENDLY RELATIONS WITH WESTERN EUROPE BECAUSE THIS ACCORDED WITH CHINA'S FOREIGN POLICY IN FAVOUR OF PEACE AND NON-ATTACHMENT TO EITHER SUPER-POWER. A POWERFUL WESTERN EUROPE WAS REGARDED AS A MAJOR CONTRIBUTOR TO PEACE AND THE UK AS AN IMPORTANT COUNTRY IN WESTERN EUROPE.
3. TURNING TO THE GUANGDONG NUCLEAR PROJECT, LI SAID THAT THERE HAD BEEN GREAT PROGRESS RECENTLY. THROUGH THE EFFORTS OF BOTH SIDES, AGREEMENT HAD BEEN REACHED ON MOST CLAUSES IN THE JOINT VENTURE AGREEMENT. IT WAS NOW A QUESTION OF WHEN THIS COULD BE SIGNED. THIS WAS OF COURSE A COMMERCIAL MATTER

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BETWEEN THE TWO PARTNERS, GNIC AND HKNIC. NEVERTHELESS IF MR BUCHANAN-SMITH OR I THOUGHT THAT IT WOULD BE POSSIBLE TO FINALISE THE AGREEMENT DURING MRS THATCHER'S VISIT, AS A MEANS OF PROMOTING BILATERAL RELATIONS, THE CHINESE SIDE WAS VERY READY TO COOPERATE. THE PROBLEM WAS THAT CLP WERE SAYING THAT THERE WAS DIFFICULTY IN OBTAINING THE APPROVAL OF THE HONG KONG AUTHORITIES WITHIN THIS SHORT PERIOD. SO FAR AS HE KNEW THERE WERE NO TECHNICAL DIFFICULTIES: SO THIS WAS A PROCEDURAL DIFFICULTY. HE WISHED, HOWEVER, TO MAKE CLEAR THAT THE TIMING OF THE SIGNATURE WOULD NOT AFFECT THE SUBSTANCE OF THE AGREEMENT. IF IT WERE IMPOSSIBLE TO SIGN DURING THE VISIT ITSELF, THIS WOULD MAKE NO DIFFERENCE. NEVERTHELESS, CHINESE WILLINGNESS TO SIGN THEN COULD BE REGARDED AS A SIGN OF FRIENDSHIP.

5. MR BUCHANAN-SMITH SAID THAT HE HAD SEEN THE PRIME MINISTER SHORTLY BEFORE HIS VISIT. HE AGREED THAT WE SHOULD USE THE OPPORTUNITY OF HER VISIT TO IMPROVE OUR ECONOMIC AND INDUSTRIAL RELATIONS. BRITISH GOVERNMENT MINISTERS LIKE HIMSELF WERE BEING ENCOURAGED BY MRS THATCHER TO VISIT CHINA. THE GOVERNMENT HAD FOLLOWED PROGRESS ON THE GUANGDONG PROJECT CLOSELY. WE WERE AWARE THERE HAD BEEN DIFFICULTIES AND THAT THE AMBASSADOR HAD DISCUSSED THESE WITH THE VICE-PREMIER. THESE HAD BEEN PRINCIPALLY A MATTER FOR THE COMPANIES. NEVERTHELESS THE DIFFICULTIES NOW SEEMED TO MAINLY OVER. AS TO THE TIMING OF SIGNATURE, WE WOULD CERTAINLY LOOK AT THE VICE-PREMIER'S SUGGESTION. HE WAS GLAD TO NOTE THAT THE VICE-PREMIER HAD DESCRIBED THE SUBSTANCE AS MORE IMPORTANT THAN THE TIMING. WE HOPED THAT THE PROJECT WOULD LEAD ON TO OTHER PROJECTS FOR UK COMPANIES.

6. ASKED FOR MY VIEW, I TOLD LI THAT I HAD SPOKE TO ZHOU NAN ABOUT THE VISIT. I HAD PROPOSED THREE CATEGORIES OF SUBJECT FOR DISCUSSION: HONG KONG, INTERNATIONAL ISSUES, AND BILATERAL ISSUES, INCLUDING ECONOMIC AND COMMERCIAL RELATIONS. I UNDERTOOK TO REPORT LI'S COMMENTS ABOUT GUANGDONG. I CONFIRMED THAT THE AGREEMENT DID REQUIRE APPROVAL BY THE HONG KONG GOVERNMENT

EVANS

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SIR. W. HARDING.  
MR. WILSON  
MR. WESTON.

ADDITIONAL DIST.  
GUANGDONG NUCLEAR.

COPIES TO.  
SIR. P. CRADDOCK.  
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