

Subject



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T36/85

10 DOWNING STREET

THE PRIME MINISTER

25 February 1985

CC Master
OPS

Your Prime Minister,

During my visit to Peking in December I expressed the confident hope to you that relations between the United Kingdom and China, which were already very good, would now develop even further. You were also kind enough to agree to my proposal that my Ministerial colleague Lord Young, Minister Without Portfolio, should lead a senior mission of British businessmen to visit China for discussions aimed at strengthening the economic and trade links between our two countries. Madame Chen Muhua has subsequently issued an official invitation to this delegation, and arrangements have been made for the visit to take place from 28 February to 9 March. I am very grateful for all that has been done to prepare for Lord Young's visit, which I am sure will be very successful.

My purpose in writing is to underline the importance I attach to this visit. I hope it will result in specific agreements with the participant companies about areas for future co-operation. The range of Britain's industrial capability is wide, and we have a great many companies interested in doing business with China in many fields. A single mission cannot fully represent the potential for co-operation. However, the ten companies involved include some of Britain's largest and best known firms in areas such as energy, transport, telecommunications, industrial modernisation and defence, which I know are high priorities for China.

/When I

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We also discussed the Guangdong Nuclear Project. I would like to say how pleased I was about the signing on 18 January of the agreement setting up the joint venture company for that project. I hope final negotiations will soon be successfully concluded.

I also understand that, at the request of the Chinese Ministry of Posts and Telecommunications, the British telecommunications company, Cable & Wireless, has been negotiating two important joint ventures. The Chairman of Cable & Wireless, who will be a member of Lord Young's mission, will be in Peking early next week and hopes to take these matters further. I hope that it will be possible to bring these important negotiations to a successful conclusion at an early date.

These are only examples, though important ones, of the enormous scope for co-operation between our two countries which I am sure Lord Young's mission will help to promote.

I am looking forward very much to your visit to the United Kingdom in the summer. Meanwhile, may I send you my best wishes for the Spring Festival. I look forward to working closely with you in the year ahead, particularly on the expansion of trade and economic co-operation, to our mutual advantage.

Yours sincerely
Margaret Thatcher

His Excellency Mr. Zhao Ziyang

CF TOP PAPERS MISSING

NB:

The original letter has not been sent (being held by the FCO).

The amended version is now in the Box waiting for PM to sign it. (Copy below for info.).

When signed, could the revised version be sent to the FCO with a covering letter to Peter Ricketts.

21.2.85

(DSG or JR for more information!)



TPM

10 DOWNING STREET

THE PRIME MINISTER

February 1985

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His Excellency Mr. Zhao Ziyang



10 DOWNING STREET

GR

Please re-type the PM's
message with the
additional para overleaf,
inserted after the references
to the BAe 146 and the
Guangdong Nuclear Project.

Dub
2/12



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

David Barclay, Esq.,
Private Secretary,
10 Downing Street,
London, S.W.1.

20th February, 1985

- 1) Mr Powell
- 2) Prime Minister

Dear David

Lord Young recommends the attached version of your message to Zhao Ziyang, to take account of Cable and Wireless's interests. The earlier version has been held back.

CABLE & WIRELESS: CHINA

Dmb
21/2

As I mentioned to you on the telephone, the Chairman of Cable & Wireless, Sir Eric Sharp, who is to be a member of Lord Young's mission to China next week, came to see Lord Young this morning.

Sir Eric said that, at the initiative of the Chinese Ministry of Posts and Telecommunications, Cable & Wireless had been negotiating two major joint ventures with the Chinese which were potentially of very large political and commercial significance. The first was for the development of telecommunications in the Yangtze Delta. The proposed joint venture company would consist of the two Provinces, Zhejiang and Jiangsu, the Shanghai Municipality and Cable and Wireless. Cable & Wireless would provide the management of the company. The joint venture company would provide all long distance telecommunications links as well as international access. The potential was enormous since the population of the region concerned was over 120 million. Sir Eric thought that, given Cable & Wireless' important position in Hong Kong, the Chinese interest was concrete proof of their policy of one country - two systems. And the fact that a British company would be managing the joint venture would put the British telecommunications manufacturing industry in a strong position vis a vis United States and Japanese competition.

The second joint venture under discussion would have the Ministry of Posts and Telecommunications and Cable & Wireless as its shareholders. It would provide a consultancy service based in Peking for telecommunications throughout China. It would also develop added value telecommunications services. The company would also build a conference and scientific centre together with a major international hotel.

..../Cont.

- 2 -

Sir Eric Sharp said that the negotiations on both projects had reached an advanced stage. He himself was going to Peking this weekend in advance of Lord Young's mission to try to finalise the negotiations next week. If, as he hoped, he was successful, the agreements could be signed during Lord Young's visit. Sir Eric Sharp emphasised the delicacy of this information which had not been communicated before now to the British Government. Once announced, it was certain to have an effect on Cable & Wireless' share price. He asked, and Lord Young undertook, that knowledge of it within the Government should be very restricted.

Lord Young considers that, in the light of Sir Eric's information, the letter which the Prime Minister has signed to the Chinese Prime Minister (your letter of 19th February to Maureen Dodsworth refers) could beneficially be amended to include a reference to Cable & Wireless' interests. Lord Young thinks that these are as important as the BAe 146 and Guangdong nuclear deals and may well stand a better chance of success, at any rate in the short term.

The Minister would like to suggest, therefore, that a further paragraph be added to the draft attached to Maureen Dodsworth's letter, after the references to the BAe 146 and the Guangdong Nuclear Project on the following lines:

"I also understand that, at the request of the Chinese Ministry of Posts and Telecommunications, the British telecommunications company, Cable & Wireless, has been negotiating two important joint ventures. The Chairman of Cable & Wireless, who will be a member of Lord Young's mission, will be in Peking early next week and hopes to take these matters further. I hope that it will be possible to bring these important negotiations to a successful conclusion at an early date."

I understand that DTI officials are content with this form of words which could, if the Prime Minister agrees, be included in a revised letter to the Chinese Prime Minister and be included in the text being sent to our Ambassador in Peking. The original text, as approved by the Prime Minister, has not been sent to the Ambassador and is being held pending consideration of a revised draft.

I am sending copies of this letter to Peter Ricketts (Foreign and Commonwealth Office) and Callum McCarthy (Department of Trade & Industry).

Yours ever

Leigh

Leigh Lewis
Private Secretary



NC

10 DOWNING STREET

From the Private Secretary

19 February 1985

Thank you for your letter of 18 February enclosing a draft message from the Prime Minister to Premier Zhao Ziyang.

The Prime Minister has signed this letter and I attach a copy. I am sending the original to Leigh Lewis, with a copy of this letter, for Lord Young to take to Peking.

I am also sending a copy of this letter and the enclosure to Peter Ricketts so that the text can be sent to our Ambassador in Peking, as you requested in your letter.

(DAVID BARCLAY)

Miss Maureen Dodsworth,
Department of Trade and Industry.

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET 5422
TELEPHONE DIRECT LINE 01-215
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

18 February 1985

David Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Mr Powell

Dear David,

18/2

LORD YOUNG'S MISSION TO CHINA : POSSIBLE MESSAGE FROM THE PRIME
MINISTER TO PREMIER ZHAO

The Embassy in Peking have advised that a message from the Prime Minister to the Chinese Premier, commending Lord Young's mission, would be likely to contribute to the success of that mission. The Embassy considers that the message should refer specifically to the negotiations for a possible sale of the BAe 146 aircraft. There have been recent indications that the Chinese interest in an early purchase of this aircraft could be diminishing. A fresh statement of the Prime Minister's continued personal interest would be extremely helpful.

2 We support these recommendations. A draft message (which also ... refers to the Guangdong nuclear project) is attached. The terms have been cleared with Foreign Office officials.

3 If possible, the text of this message should be delivered to the Chinese Prime Minister by our Ambassador in Peking by Monday, 25 February at the latest. A telegram of instruction to our Embassy in Peking should therefore be sent on Friday, 22 February. Lord Young could then take the signed original of the Prime Minister's message with him to Peking.

4 I am copying this letter to Peter Ricketts (FCO) and to Leigh Lewis (Private Secretary to Lord Young).

Yours sincerely,
Maureen Dodsworth

MAUREEN DODSWORTH
Private Secretary

JH1BYI

Encl

CLOAK

To me

Q 10h

DRAFT LETTER FROM THE PRIME MINISTER TO HIS EXCELLENCY MR
ZHAO ZIYANG PREMIER OF THE PEOPLE'S REPUBLIC OF CHINA

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JH1BYL

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JH1BYL

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18 FEB 1985
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