

## PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 18-21 DECEMBER 1984

## CHINA:

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## PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 18-21 DECEMBER 1984

## CHINA

## STEERING BRIEF

## INTRODUCTION

1. Mrs Thatcher's visit to China will be the second by a serving British Prime Minister, following her visit in September 1982. It will represent the climax of the negotiations over the future of Hong Kong, in which context Sir Geoffrey Howe has already visited Peking twice this year, in April and July. It will also provide a further major impulse to the increasing flow of high level exchanges with China. This year, British Ministers for Energy (Mr Buchanan-Smith), the Armed Forces (Mr Stanley) and Trade (Mr Channon) have visited China; the Chinese Minister for Coal and two provincial governors have visited Britain. The only visit by a Chinese Premier to Britain was in 1979, by Zhao Ziyang's predecessor, Hua Guofeng.
2. The centrepiece of the visit will be the signature of the Joint Declaration on Hong Kong; and presentationally, Hong Kong will be at centre stage throughout. But the visit also provides an important opportunity to raise bilateral relations to a new level. The Chinese have made clear that they see it in such terms and that they are looking forward to full discussion in private on bilateral and international issues, particularly trade.

## UK OBJECTIVES

3. A Hong Kong

- i) through the Prime Minister's participation in the signature ceremony, to demonstrate our commitment to the full implementation of the Hong Kong Agreement and to secure a similar degree of commitment on the Chinese side.
- ii) to express our readiness to co-operate with the Chinese Government to put the Agreement into effect: to elicit a similar response on the Chinese side; to prepare the way for influencing

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the Drafting of the Basic Law, in particular by obtaining assurances if possible in a form which can be used publicly in Hong Kong, that Hong Kong people will be fully consulted about the Drafting of the Basic Law.

iii) to reassure Chinese leaders that up to 1997 Hong Kong will continue to be administered effectively and prudently.

B Other

i) to develop personal rapport with Chinese leaders, particularly Premier Zhao Ziyang (bearing in mind his visit to Britain planned for 1985).

ii) to demonstrate our desire that bilateral relations, which are already good in theory, should gain in substance; and in particular:

iii) to lay the foundation for a marked increase in Britain's market share of Chinese imports (presented in terms of our stake in Chinese modernisation);

iv) to underline the strategic importance we attach to an outward looking and economically reformist China; and

v) to continue the dialogue on international issues.

LIKELY CHINESE OBJECTIVES

4. A Hong Kong

i) to reassure us (and through the public aspects of the visit, Hong Kong opinion) of China's commitment to implementation of the agreement.

ii) to prepare the ground for increasing their influence over the administration of Hong Kong while keeping China's own hands free.

/iii)

iii) to seek reassurance that up to 1997 our administration of Hong Kong will preserve the territory's stability and prosperity.

B Other

i) to emphasize that China is now fully committed to pragmatic domestic policies and that her open door policy on trade and international exchanges will continue;

ii) to express political will for closer and more substantive relations as a direct consequence of the Hong Kong agreement; in particular:

iii) to secure a positive response to the invitation to HM The Queen to visit China; and

iv) to build up political momentum for increased bilateral trade and British investment in China; and

v) to secure aid or concessionary finance, and a more flexible attitude to transfer of sensitive technology from COCOM members to China;

vi) to emphasize Chinese support for a strong and cohesive western Europe, united against the Soviet threat but providing a political counterweight to the superpowers.

PROGRAMME

5. Details are still being discussed with the Chinese authorities. An outline programme (as known so far) and personality notes are at Annexes A and B. Official activity will be restricted to 19 December. In addition to signing the Joint Declaration, the Prime Minister will have one session of formal talks with Premier Zhao Ziyang; there will probably also be calls on Chairman Deng Xiaoping, Communist Party General Secretary Hu Yaobang and lunch

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with President Li Xiannian; the Secretary of State will have a short separate meeting with Foreign Minister Wu Xueqian. There will be a formal welcoming banquet in the evening.

## TALKS WITH PREMIER ZHAO

6. These will probably last 2 - 3 hours, of which at least half will be spent on interpretation. No formal agenda has been set; but we have told the Chinese that we expect to cover the subjects at Annex C. Atmosphere will be at least as important as substance.

7. Premier Zhao will probably invite Mrs Thatcher to lead off. The Prime Minister could note that as a result of our increasing Ministerial and high level exchanges, each side is well acquainted with the other's views on most international and bilateral issues. She could suggest that, in view of the limited time available, the talks should begin with discussions of Hong Kong points, followed by brief, concise exchanges on other specific issues in political relations; discussions on prospects for trade and economic relations; and finally brief exchanges on a few international topics. (1)

8. On Hong Kong the Points to Make are relatively general ones. The aim is to establish a climate of trust and goodwill in which the agreement can be put into effect. There is a strong negative aim, to avoid provoking any high level statement from Chinese leaders inimical to our aims, which would then be set in concrete. We have no detailed points to raise formally with Chinese leaders at this stage about the implementation of the agreement. But Zhao is a practical man, and it would be helpful to explain to him in general terms our thinking about the basic law and the administration of Hong Kong up to 1997.

9. Turning to other bilateral issues, the Prime Minister could begin with a brief tour d'horizon of the growth of contacts in recent years, concluding that relations have never been more substantive and that, following the Hong Kong agreement, the way is clear to pursue new opportunities, particularly in the economic field, with redoubled vigour (Brief 6a). She could then convey

acceptance in principle of the invitation to HM The Queen to visit China; and urge Premier Zhao to take up his invitation to Britain as early as possible next year. (Brief 6b). She could [propose to begin negotiations with China on a Nuclear Agreement (Brief 6c;] urge the Chinese to begin early negotiations on British claims (Brief 6d) and press for Chinese concessions on Air Services (Brief 6e). On most of these points, Premier Zhao is likely to say little of substance, beyond suggesting that details be pursued through diplomatic channels.

10. On trade (Brief No 7), the Prime Minister could begin by welcoming and reciprocating recent Chinese expressions of desire to increase bilateral trade. She could refer to the momentum generated by the Hong Kong agreement and the intrinsic scope for British participation in Chinese modernization, outline current activity and express eagerness to explore vigorously all new opportunities. To demonstrate this, she could propose that a senior commercial delegation led by Lord Young visit China early in 1985 (This will already have been put informally to the Chinese). She could express the hope that contract negotiations for the Guangdong Nuclear Project be completed quickly. She could then express support for British efforts in a number of other promising specific projects and sectors and emphasise the importance of a good investment protection and promotion agreement; Defensive and background briefing is provided on technology transfer (COCOM); concessionary finance; China/GATT; EC import restrictions and the possibility of a UK/China Joint Commission.

11. Turning to international issues (Brief No 5), the Prime Minister might wish to begin by giving a brief account of her talks on 16 December with Mr Gorbachev, touching particularly on E-W relations and arms control and inviting Chinese comments (any necessary briefing will be provided following the Gorbachev visit). She could then ask how Premier Zhao sees prospects for Sino-Soviet relations (particularly the forthcoming visit of Deputy Prime Minister Arkhipov) (Brief 8a) and the linkage between these and the situations in Indo-China and Afghanistan (Briefs 8 b and c). If time allows, she could also

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invite brief exchanges on Korea (Brief 8d) and South Asia (Brief 8e).

## CALLS

12. The calls on Deng Xiaoping and Hu Yaobang (Brief Nos 3 and 4) will necessarily be shorter and far more dependent on atmosphere than substance. But the meeting with Deng will probably be the most important of the whole visit, particularly in the Hong Kong context. Separate briefs are provided for each, distilling the general lines of the briefing for the formal talks. The conversation with Deng will only be partly about Hong Kong. The objective, as with Zhao, is to create a climate of trust. In view of Deng's impatience with detail and latent suspicions of our intentions, our practical concerns could best be touched upon more lightly: the defensive line on our administration of Hong Kong up to 1997 may well be needed. The meeting with Hu (who had little direct involvement in the negotiations and has never before received senior British visitors) could be weighted towards bilateral relations in general and the Chinese internal scene. The lunch with President Li Xiannian, who has also had little direct involvement in UK-China relations will be largely a courtesy occasion; conversation will probably be general.