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China

RM

10 DOWNING STREET

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From the Private Secretary

12 October, 1982

PRIME MINISTER'S VISIT TO CHINA

I enclose a record of conversation between the Prime Minister, the Governor of Guangdong Province and the Mayor of Canton on 27 September. I also enclose an account of the Prime Minister's visit to BP in Shanghai on 26 September. Both these notes were prepared by the Embassy in Peking and have just reached us by bag - hence the delay.

I am copying this letter and enclosures to John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and Julian West (Department of Energy).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office

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F E R Butler Esq
Private Secretary to the
Prime Minister
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Your reference
Our reference
Date 29 September 1982

John Coker
Dear Robin, This and the attached record of BP look fine. Pl. will you arrange distribution + retyping on our paper if necessary. FERB 11.10

... I attach a draft verbatim record of the conversation between the Prime Minister, the Governor of Guangdong Province and the Mayor of Canton on 27 September. I have given it no circulation.

Yours sincerely

Gerald Clark
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RECORD OF A MEETING HELD IN CANTON ON 27 SEPTEMBER AT 11 AM,
BETWEEN THE PRIME MINISTER AND THE GOVERNOR OF
GUANGDONG PROVINCE, MR LIU TIANFU, AND THE MAYOR
OF CANTON, MR LIANG LINGGUANG

1. After the initial words of welcome, Mrs Thatcher asked Governor Liu what special powers Guangdong Province had. Mr Liu said that the main point was that Guangdong and Fujian Provinces can pursue specific policies and flexible measures, by which he meant that the two Provinces were even more open to the outside world than China as a whole under the present open-door policy, and had more local power of decision. This applied throughout the Province but in the Special Economic Zones the policy was even more open. The Prime Minister asked whether the Special Economic Zones decided their policies on their own or whether they had to refer for authorisation to the provincial government. Mr Liu explained that as the establishment of the Special Economic Zones had been made by the Central Government, they in fact derived their authority from it and had rather closer relations with the State Council than the Province.
2. The Prime Minister then referred to the close relations between Hong Kong and Guangdong Province, and commented on the telecommunications link which had already been established by the Cable and Wireless Company. Mr Liu said that Cable and Wireless was a very good company and there was already a long history of cooperation between Guangdong Province and it. A new agreement had just been signed for a Province-wide microwave link and later in the day a letter of intent would be signed between Cable and Wireless and the Guangdong Post and Telecommunications Bureau for a joint venture for communications with the offshore oil rigs. The Prime Minister said that she was very glad that she was going to witness this signature.
3. Mrs Thatcher then referred to the Guangdong nuclear project as an enormous example of possible cooperation between Britain, Hong Kong and Guangdong Province, and referred to her close friendship with Sir Walter Marshall as the head of the CEGB, who had recently visited Canton for discussions about the project. Mr Liu spoke in praise of Lord Kadoorie, and his great enthusiasm for the project. Four generations of his family had lived in China and now that he was over 80 he wished to do his bit for the modernisation policy. It was largely owing to his enthusiasm that the proposed joint venture between China Light and Power and the Guangdong Electric Power Company was under discussion.
4. The Prime Minister said she also wanted to mention the Dunlop company, who had nearly completed a contract for the modernisation of a tyre factory in Canton. She understood that it was only held up by a tax point. Mr Liu said that Canton town was indeed negotiating with Dunlop and the talks were going on at the moment. Mr Liang, the Mayor of Canton, said they had



almost reached agreement. Mrs Thatcher asked them both to push forward as soon as possible to achieve agreement. She understood the tax point had been referred to Peking and the Ambassador and his staff would help sort it out there.

5. The Prime Minister then asked about Guangdong's plans. Mr Liu said that Guangdong Province had a lot of light industry which provided particular areas for cooperation between Guangdong and the UK on the supply of equipment. There were also possibilities for the exploitation of non-ferrous and rare metals such as molybdenum, titanium, aluminium, tungsten, lead and tin. The Province was very rich in deposits of these along its coastal areas. Mrs Thatcher commented that Guangdong seemed very rich in natural resources if you remembered the offshore oil as well. Mr Liu said that his first priority was to develop light industry and secondly to exploit the non-ferrous metals referred to. The main difficulties Guangdong faced were in a shortage of energy resources and poor transportation. Guangdong had hardly any coal and although it was quite rich in offshore oil, it would take some time to exploit. The oil companies' bids were being examined by the Ministry of Petroleum: probably by early next year they would have derricks and drilling platforms on site. This was another area for possible cooperation with the UK. The Prime Minister welcomed this and said that it was important to have a good back-up - helicopters, supply ships and so on. Britain's North Sea experience could be very useful to Guangdong. BP, whom she had visited in Shanghai, would be very useful in this connexion. BP had developed the first big field in the North Sea and had acquired very valuable experience about what to do and not to do. She presumed that conditions were probably better in the South China Sea than in the North Sea, and asked about the incidence of typhoons, which would affect rig design.

6. The Prime Minister asked if there was a shortage of energy why Guangdong did not use solar energy. Mr Liu said that there was of course a lot of sun but much of the year was cloudy. There was more sunshine on Hainan Island than in any other part of the Province. The Prime Minister asked how electricity was generated now. Mr Liu said by hydropower and by conventional coal-powered stations. Of the total output of 2000 megawatts, 60% came from hydropower; unfortunately the water supply was erratic.

7. The Prime Minister asked about the relationship between the Mayor's powers and those of the Province. Mayor Liang said that the city was governed under the guidance of the Province. Its industrial output and financial revenues amounted to 40% of the total provincial output and revenues so he must do a good job in Canton. He was able to keep about one-third of these revenues to carry out his own plans. The Prime Minister asked whether those



plans were agreed between the city and the Province, or whether they were laid down by the Central Government, and if they were discussed annually. Mr Liu explained that the plans were discussed annually between the Province and the city; the Central Government did not come into it. Discussion was made easier by the fact that the Mayor was also a member of the provincial government. The Prime Minister commented that he was sitting on both sides of the fence. She asked if there were pressure within the city for eg. better housing, how the Mayor and the Governor decided what to do. Mr Liang said that this would be dealt with under the annual plan. When planning time came round every year that sort of question was very carefully discussed. While priority was given to energy, communications and industry as the source of future wealth, they also had to give weight to education, science and the living standards of the people. The Prime Minister said she understood the problems. They were the same the world over.

8. The meeting closed with the usual courtesies at 11.45am.