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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

I have highlighted a few points.

A.J.C. 20/10.

18 October 1983

Dear John,

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China

The Foreign Secretary's attention was drawn recently to the records of conversation between Mr Heath and the Chinese Foreign Minister & Deng Xiao Ping during his visit to China in early September. He was struck by the interest of the conversations and thought that, although the visit is now some six weeks ago, the Prime Minister might be interested in reading them also. There are some interesting insights on China's relations with various countries, including India, which may be of particular interest in the run up to CHOGM.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
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W24.

RECORD OF MEETING BETWEEN MR HEATH AND DENG XIAOPING IN THE GREAT HALL OF THE PEOPLE AT 10 AM ON 10 SEPTEMBER 1983

Present:	The Rt Hon Edward Heath MP	Mr Deng Xiaoping
	Mr Gerald Clark, Charge d'Affaires	Mr Hao Deqing
	Mr Simon May	Mr Xie Li
	Mr Peter Batey	Mr Luo Jiahuan
	Mr A C Galsworthy	

1. Mr Heath said that he saw great improvements in China. Mr Deng replied that China was 150 years behind, and indeed sometimes seemed to be in 1840. Mr Heath said that this could hardly be true with the amount of Japanese equipment that China had imported. Mr Deng said that China could not hope to catch up with industrialised countries in this century. It would take 20-30 years of the next century, and very likely even 50. When China spoke of the 4 modernisations in this century, this meant modernisations in the Chinese context, not catching up with the rest of the world. Average per capita income would rise to US \$ 800 or at most US \$ 1000 by the year 2000. This was not much but it was much better than the present situation. There were 17 years to the end of the century, and in this period the foundations would be laid for the next century. China could achieve this, but Deng thought that he personally would not see it. Mr Heath said that he hoped he would. Mr Deng replied that if he lived that long he would be a monster.

2. Mr Heath said that progress would be easier once it got under way. He had seen excellent results in agriculture. Mr Deng said the agricultural situation in the country was very good. It was however more difficult in industry, which was much more complicated. The responsibility systems could be applied to urban and industrial sectors, but they must have different characteristics which could be applied to each sector. Some experiments were in progress, and he was hopeful that China could advance. But it could not all be done at once: progress must be step by step, and experience must be summed up at each point. China's friends sometimes thought she was moving too slowly and had difficulty in seeing progress. But it would not do to walk too fast. China had made several mistakes due to over-ambitious speed in the past. On agriculture China had moved too quickly from a low to a high level cooperative system, and later to the communes. This was now seen as unsuccessful. In industry the Great Leap Forward had been a mistake. After the Gang of Four fell China had again wanted to move too fast and had made mistakes.

13. Mr Heath

*A ping pong table
not take the same
status as official in
H.K. Kong.*

3. Mr Heath said that some other countries had expected to see faster movement, but that this was misplaced. Mr Deng agreed. After the Gang of Four had been smashed China had ordered 22 advanced sets of equipment, and had made mistakes worth US \$ 5 billion.
4. Mr Heath said that he was delighted to hear that the British would get the contract for the conventional equipment in the nuclear power station to be built in Guangdong. Mr Deng confirmed that Britain would get this contract.
5. Mr Heath said that it was one of China's strengths that she was prepared to examine each situation and see where mistakes had been made in the past. Some other countries maintained that everything they did was correct, even to the shooting down of passenger planes. Mr Deng said that in the past China had mainly learnt from the Soviet Union. Some things she had learnt were not bad, at least with reference to the level of technical progress at the time. But the basic experiment had not been successful. Some things were difficult to correct because they had existed for too long.
6. Mr Heath wondered whether Andropov would remain in power for long. Mr Deng said that "our opponent" was a more difficult man to deal with than Brezhnev. Deng personally knew him well. There was no change in Soviet policy, but Andropov was cleverer, more energetic, and more intelligent. Nevertheless he could not change the line of the Soviet Union. In the past few years China had set things to rights quite successfully, but it was impossible for the Soviet Union to do the same, because the roots of her policies came from the Tsarist period. Mr Heath asked whether Andropov would be able to make changes in internal economic arrangements. Mr Deng said that he would like to, but would find it difficult. What China wished to do involved even greater steps, and China had had difficulties.
7. Mr Heath said that Andropov was not fit and energetic like Mr Deng. Mr Deng replied that he was certainly not more energetic than Andropov. He was reducing his working hours, and never did more than 6 hours work a day. His comrades were reducing his workload. He did not now receive many foreign friends, but had asked to see Mr Heath because he was such an old friend. He was doing this because he wished to live a few years longer.
8. Mr Heath said that during his last conversation with Mr Deng there was great tension between the United States and China on Taiwan. He had read Mr Deng's recent statement that the situation was improving and was encouraged. Mr Deng said that he had spoken to the United States very sharply on this subject.

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The problem lay with issues like arms sales to Taiwan. These were on the agenda of bilateral relations and there had been a quarrel. The problem was not yet completely settled. There had been other issues like that of the tennis player, the Hu Guang railway bonds, textiles, and technological transfers. The United States did not wish to transfer technology to China. But these issues were not fundamental, whereas Taiwan was. Even the sale of arms was not the fundamental issue, which was the Taiwan Relations Act. Every day this Act existed there would be a danger of crisis in bilateral relations. China did not know from day to day when bilateral relations might be broken off because of the Act. Mr Heath said that he was afraid last year that China might find it necessary to break relations, and was glad that this had not happened. Mr Deng said that he had recently talked to some US Senators and had said relations were improving after many twists and turns. He hoped they would return to the level of 1979, which had been the high point. But the power of decision lay with the United States. He had explained why: the key issue was the Taiwan Relations Act, which had been passed during President Carter's administration. It nevertheless represented President Reagan's position. The TRA was an act passed by the American legislature which interfered in Chinese internal affairs and carried out a two-China policy. He had spoken to Bush about the nature of the TRA, which was an inheritance from Dulles.

9. Many American leaders and Senators asked why China called the United States hegemonist: this was the thing they most disliked about China. However China was very careful and did not say too much about United States hegemonism. Most of what she said was related to Soviet hegemonism. But if the Americans carried out hegemonist activities, China had to say so. Even without mentioning South Korea, Israel and South Africa, the case of Taiwan was enough to prove that the United States was engaging in hegemonism. There were many people in the United States both in and out of power who did not want to see Chinese reunification. China knew that in the political climate in Washington it would be difficult to amend the Taiwan Relations Act, but the President had the power to decide to what extent he should carry it out. If the United States carried out the sort of policies in Taiwan which she had implemented previously, there would be a danger of relations being broken off. China had seriously considered in 1982. Through efforts on both sides over the past year the situation had improved, but the TRA still existed.

10. Mr Heath asked whether the President would reduce arms sales. Mr Deng replied that he had not done so. In fact in quantity and quality arms sales were increasing. Maybe they would be reduced next year or the year after. Mr Deng said that China would see how the United States implemented the joint communique of 17 August 1982, which gave a commitment to reduce gradually and finally cease arms sales. At the time Mr Deng had said that if there were a reduction of US \$ 1 per year, the sales could go on 100 million years.

/11. Mr Deng

11. Mr Deng said that foreign leaders often worried whether or not China was stable. He personally thought the United States was the most unstable country in the world. The Americans believed their own system was the best, but it was China which really had stability. The President of the United States said one thing in campaigning for election, and another once in office. He said something different again at the mid-term elections, and something else after them. Mr Heath observed that Khrushchev had said much the same to him. Mr Deng said even Carter, who had appeared to be a friend of China, had presided over the passage of the TRA.

12. Mr Heath said that President Carter had been very weak, particularly at the time of the hostages in Tehran, and had not had the strength to stop the TRA. Mr Deng, in response to a question, said that he would be taking the same line with Mr Weinberger. He had said the same to Shultz. If they were going to deal together, it was best that the real point of view be put frankly. This was not a quarrel.

13. Mr Heath asked what would happen if the US did not offer the expected military technology. Would there be another crisis? Mr Deng said that there would be no crisis on this question. The key problem was the Taiwan Relations Act, not technological transfer. But he thought that it would be a good thing from the point of view of global strategy for the US to give technological information to China. Nevertheless it was for the United States to decide. China was accustomed to its own backwardness and could live without US technology. Weinberger would make clear whether or not the United States would give China technology: from his answer China would know if the United States was sincere in seeking an improvement in relations and would be able to judge the breadth and depth of US interest. China could decide if the US would be a friend, and what kind of friend. | x

14. Mr Heath said that Mr Deng had spoken on Israel and South Africa. He sometimes thought that President Reagan's policies were dominated by his attitude to the Soviet Union. Mr Deng on a previous occasion had spoken of the American view of Taiwan as an unsinkable aircraft carrier. This general viewpoint dominated President Reagan's decisions. Mr Deng said that the Americans saw Taiwan not just in relation to the Soviet Union, but also as a demonstration of their sphere of influence and a buffer of their global strategy. When he had talked to President Carter he had asked why the United States supported 3 million Israelis against 100 million Arabs. If the US could be flexible Soviet influence would be reduced. But the Americans wished to use Israel as an unsinkable aircraft carrier to help them to dominate the Middle East. Taiwan was the same.

/15. Mr Heath

15. Mr Heath asked whether Mr Deng regarded President Reagan's policies towards the Soviet Union as wise or provocative. Mr Deng said that the Chinese analysis was familiar to Mr Heath. The United States and the Soviet Union were rivals in the world. But for long after world war two the Soviet Union had been taking the offensive, while the United States had been on the defensive. China believed that only these two countries were in a position to launch a world war. The Chinese analysis was that since the Soviet Union was on the offensive, the main danger of war came from that direction. President Reagan had made some changes in policy. China did not criticise his hard line towards the Soviet Union, or his wish to build up Europe. But if one looked at the content of his policies elsewhere, for instance in Lebanon, South Africa and Taiwan, one wondered what the significance was. They could not be explained just because President Reagan had a policy of tit for tat towards the Soviet Union. The fact was he was harking back to Dulles. Mr Heath said that there might be some similarities, but after Vietnam President Reagan did not have the same freedom of action as Dulles.

16. He recalled that Mr Deng had once told him that China did not mind Japan building up her military strength. What was the Chinese attitude towards Japan's current efforts, for the first time, to do this? Mr Deng said that China had never opposed the idea of Japan having more defensive capability, but that there should be a limit. The limit should be calculated in relation to the present situation. China's relations with Japan were good, but Japan should be clear about her own history. She was an economic great power, and wished to be a political great power. This could be allowed, because political power derived from economic power. But if she also wanted to be a military great power, one had to ask what was the significance of this. Mr Deng had heard that Japan wished to have an obligation to undertake the defence of the Asian and Pacific region for up to 1,000 nautical miles from her coasts. This might extend to Guam, to Singapore and to South East Asia, and would certainly include Taiwan. This was something very different. He noticed that Japan was still referring to her "defence" capability: he had told the Japanese some years ago that China was not opposed to Japan having a defence capability, which it did not regard as a threat. But if it went beyond a certain point it was difficult to say what the meaning would be. The suggestion of 1,000 nautical miles was not yet confirmed as policy, but if it became policy China, and South East Asia too, would have questions to ask. Mr Deng had himself told the Japanese ministers lately that South East Asian countries had often referred to Japan as an economic animal, but would have rather different feelings if Japan were to become a political and even military animal. But he had not said anything about this previously, and wished his remarks to remain confidential. China was trying to persuade her Japanese friends to be more careful, because people did not forget the past.

17. Mr Heath

17. Mr Heath said that western countries had tried to persuade Japan to increase her military spending for two reasons: the first was to help contain the Soviet Union, and the second because Japan as an economic animal competed too well, and this was partly because she did not have the defence burden which other countries had. There was a conflict of interest, but he understood the Chinese position. Mr Deng had said that relations with Japan were better now that the Japanese had stopped rewriting their textbooks, but he hoped that relations with western Europe and the UK were good as well.

18. Mr Deng said that he did not think there were any contradictions except on Hong Kong, which was not difficult to resolve. On technical know-how the UK was more open to China than some other countries, so the future was good. Mr Heath recalled that under his government full diplomatic relations had been set up with China. This had been followed by the Rolls Royce contract and the sale of the Trident. We had still not however succeeded in persuading the Chinese to buy the Harrier aircraft which had been so successful in the Falklands conflict. Mr Deng said that the Harrier's legs were too short and it was too expensive. But in future China and Britain could cooperate in other fields.

19. The rest of the conversation concerned Hong Kong, and has been recorded elsewhere.

W24

RECORD OF MEETING HELD AT THE DAIOYUTAI AT 18.30 ON 6 SEPTEMBER 1983

Present:	The Rt Hon Edward Heath MP	Mr Wu Xueqian, Minister of Foreign Affairs
	Mr Gerald Clark, Charge d'Affaires	Mr Hao Deqing
	Mr Simon May	Mr Xie Li
	Mr Peter Batey	Mr Luo Jiaohuan
	Mr A C Galsworthy	

1. Mr Heath asked whether the Chinese saw any change of policy with the new leadership in the Soviet Union. Mr Wu replied that Andropov had been in office for nearly a year and the Chinese had been watching his actions and policies to see whether there was any change. So far they had not detected any change in Soviet foreign policy. Andropov had put most of his energy so far into domestic economic policies. The Soviet Union's strategy of seeking hegemony had not changed. Mr Heath might have heard of Andropov's recent interview with Pravda, which had contained one paragraph on Sino-Soviet relations. Mr Andropov had had much to say about the improvement in bilateral relations, and had looked forward to further improvement. He referred to the possibility of development of trade and economic relations, technical cooperation, cultural exchanges, and exchanges of personnel. He also spoke of the establishment of mutual trust between China and the Soviet Union. But his last words were the most important, when he had said that the improvement of Sino-Soviet relations should not damage third countries. Andropov meant by this that he rejected the results of the first two consultations at Vice Ministerial level. In these consultations China had pressed for the removal of the well-known three obstacles. In response to a question Mr Wu confirmed that Mr Andropov's rejection covered all three of the obstacles since the question of troops on the border included the five Soviet divisions in Mongolia. Without the removal of the three obstacles by effective measures there could be no fundamental change in the relationship.

2. Mr Heath observed that Andropov appeared to be trying to create the impression of warmer relations without taking any fundamental action to resolve the problems. Mr Wu said that Andropov wished to avoid the question and to give a false impression that relations were improving. China had said that there could be improvements in bilateral relations such as trade, economic cooperation and exchange of personnel, but without the removal of the three obstacles the significance of any such improvement would be very limited.

/3. Mr Heath

3. Mr Heath said that the Soviet Union had very little to offer in the economic field: Soviet technology was well behind that of the West and the Soviet economy was in bad shape. Mr Wu said that China could develop her trade with the Soviet Union to some extent on the basis of equality and mutual benefit. China for instance could buy Soviet timber for which she had a considerable need. The Soviet Union needed Chinese textiles and light industrial products. On a small scale, technical cooperation was also possible. In the 1950s the Soviet Union had assisted China with 156 large scale projects using Soviet technology and equipment. Obviously China would not agree to ask the Soviet Union to carry out technical upgrading on all of those projects, but they might perhaps agree to do it on one or two. Mr Heath said that in 1958 Moscow had let China down: Mao himself had spoken strongly to him on this. Mr Wu confirmed that the Soviet Union had withdrawn all her experts quite suddenly in 1960: China was well aware of the dangers.

4. Mr Heath said that the Soviet Union had grave problems in her satellite countries, in particular Poland. She was stuck in Afghanistan as the Americans had been in Vietnam. She was dependent on the United States for 25 million tons of grain per annum, and was becoming more and more dependent on Western Europe to earn the foreign exchange she needed to buy the grain by sales of gas through the pipeline. The Soviet Union was very exposed. Mr Wu agreed. The Soviet Union's burden was becoming heavier. Afghanistan was a heavy part of this burden. There were more than 100,000 Soviet troops in Afghanistan and they were suffering casualties every day. But it was not easy to foresee a withdrawal as the Soviet Union had no intention of changing its strategic drive southwards. The Soviet Union had to consider the chain reaction which would occur if she withdrew from Afghanistan: it would leave the Vietnamese position in Cambodia more isolated. After the Vietnamese aggression and occupation of Cambodia the Soviet Union had been able to maintain three military bases in Vietnam. Mr Wu had talked not long before with his Pakistani opposite number, and had told him that the reason why Gromyko had refused to give a timetable for Soviet withdrawal from Afghanistan was that the Soviet Union had not changed her basic strategy.

5. Mr Heath said that he understood that the Vietnamese military position in Cambodia had deteriorated somewhat. Mr Wu said that it was true the Vietnamese had suffered some setbacks. They had failed in five dry season offensives. The three factions in Cambodia had reached agreement on a coalition. It was now difficult for Vietnam to maintain complete control over Cambodia, and this was why she had recently been playing the tactic of peace overtures, airing a so-called political solution. Some of China's friends like Mr Hayden believed in these overtures. Two months ago he had delivered speeches in Thailand and Malaysia saying that Vietnam was sincere and ASEAN should respond. Mr Wu had had two rounds of talks with Mr Hayden after his visit to Thailand. He had said that unless there were a Vietnamese troop

/withdrawal

withdrawal from Cambodia China could not show flexibility: this was an absolute pre-condition. But if Vietnam withdrew her troops from Cambodia then China could engage in discussions on an improvement in bilateral relations. As for Cambodia, China was not in favour of a one party solution, nor of any particular party. Cambodia should decide her own political system and choose her own leaders under United Nations supervision. Mr Hayden had told Premier Zhao that he would not seek to mediate, but would merely promote a solution. Zhao had said that he hoped that God would bless his efforts, but Mr Hayden had observed that since Zhao as a good communist did not believe in God, what he meant was that his mission would not succeed. |

6. Mr Heath asked whether China was still able to give material aid to Afghanistan and Cambodia. Mr Wu said that in Cambodia China provided aid to all three parties in the coalition in co-operation with the Thai Government. They hoped that ASEAN and other friendly countries would also continue to support the coalition. They gave assistance to Afghanistan through Pakistan. Mr Heath said that the war was a great burden on Pakistan. Mr Wu agreed. He had himself visited the refugee camps. There were 3 million refugees. Pakistan not only had economic problems resulting from this, but there were also pressures from the Soviet Union on the common borders with Pakistan. So Pakistan pursued the policy of engaging in talks at the same time as pressing the Soviet Union for a timetable for withdrawal. China supported the Pakistani position. Mr Heath said that there was little possibility of progress. Mr Wu agreed.

7. Mr Heath asked about Sino-Indian relations. Mr Wu said that exchanges in the cultural and scientific and technological fields were increasing. In that sense relations were better. Nevertheless the crucial issue was the border. China had suggested a policy of mutual understanding and mutual accommodation. But India was not yet ready to accept such a principle. The 4th round of talks would take place at the end of October in New Delhi. Mr Heath asked what China's policy of mutual accommodation would mean in practice. Mr Wu replied that it referred to the eastern and western sections, the central section being less important. On the eastern section India had occupied large tracts of territory which had traditionally been under Chinese jurisdiction, while on the western section India claimed the Aksai Chin, which had also been under Chinese rule for a very long time. The Chinese had offered to make compromises on the eastern section in return for Indian compromises on the western section. However India wanted concessions on the west but at the same time did not wish to give up anything in the east. India constantly referred to the very great national sentiments on this issue: but China had exactly the same sentiments. If India wished to maintain the status quo in the east, China could not give up a section in the west. The Tibetan government would find it very hard to accept such a solution. He foresaw lengthy talks and no early solution.

8. Mr Heath asked whether China was still prepared to have the Dalai Lama back and for him to visit Tibet. Mr Wu said that his brother had already come back. If the Dalai Lama wanted to come he would be welcome, but he was putting forward conditions. He would be allowed to visit Tibet if he came back, but it still seemed unlikely that he would come. He was still campaigning actively against China abroad. He was based in India and perhaps received help and encouragement from the Indians.

9. Mr Heath said that he had recently heard of Chinese statements on Sino-US relations which were rather encouraging. Mr Wu said that after six months of cooling down during which China had carried out some struggles against the United States, in May Secretary Baldrige had come to Peking and had made some very friendly gestures on the transfer of technology. China had been moved into the V group of countries instead of the P group. But there were still several grades of V country and China did not know in which grade she would be placed. The effect of this would be that US sales of military technology to China would not have to go via COCOM, although for some groups of countries within the V group certain items still needed COCOM approval. The Chinese side had responded to these friendly gestures and said that they would welcome Secretary Weinberger to Peking, since he had requested several times to come. Mr Wu had himself accepted an invitation from Secretary Shultz to visit Washington in early October. He hoped this exchange would promote bilateral relations further. Mr Heath said that he admired Mr Shultz. Mr Wu said that in February he had had three rounds of talks with Shultz, who had been a very patient listener. The main obstacle was the Taiwan issue, and the sale of US arms was one of the problems. The worst problem however was the Taiwan Relations Act. So, in all the talks with US leaders, the Chinese said that if the Taiwan issue could be solved bilateral relations could proceed on a sound footing. Mr Heath asked how Mr Shultz had reacted to the 9 point proposal. Mr Wu said that he had not really talked about this in February. Mr Shultz had been very cautious. He had said that on the President's instructions he could inform Chinese leaders that the United States would abide by the 17th August communique, and recognised the PRC as the sole legal government of China, and Taiwan as part of China. But their words and deeds diverged. China could not give up her position on Taiwan. Recently Deng Xiaoping had talked to Professor Yang and had said that China had adopted a very lenient policy for the return of Taiwan to the motherland. But the continuing sales of arms by the United States, which had not been drastically reduced, and even in qualitative terms had improved, meant that Taiwan was simply encouraged to be stubborn towards Chinese overtures.

/9. Mr Heath

9. Mr Heath asked whether Senator Jackson had given the Chinese a message on the sale of arms. Mr Wu said that Senator Jackson had brought a letter to Deng Xiaoping from President Reagan. It had been friendly in tone, but had not spoken of arms sales, and indeed had very little real content. The Chinese were looking forward to Weinberger's visit and his own visit to the United States, and hoped that both sides would adopt deeds instead of mere words.

10. Mr Heath said that we did not hear very much now of Chinese policies towards the EC. Mr Wu said that China had taken a positive step recently to improve her relations with the Community. China had agreed that the regular bilateral consultations with the Community should be raised to ministerial level. M. Cheysson had said that during France's presidency in 1984 he would invite Mr Wu to lead a delegation to the Community to discuss a further strengthening in relations. The Chinese were willing to do this. They wished to strengthen further their economic and technological cooperation with Western Europe, including the United Kingdom. In the first half of 1983 President Mitterrand came to China and reached an agreement of intent with China for France to assist in the construction of a nuclear power station in Guangdong province. The French would carry out the nuclear part of the construction, and would also transfer technology. China would buy the conventional part from the United Kingdom: each generator would be 900 MW. This was a big contract. Mr Heath said he was delighted. He observed that this was a field where Europe could help, whereas Japan could not. Mr Wu said that Europe had the advantage that she has fewer restrictions in selling technology to China than the US.