

PREM 49/217/2

Part 2 of 2



PRIME MINISTER'S VISIT TO CHINA, 6 - 8 OCTOBER 1998

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Last updated: 29 Sep 1998

PRIME MINISTER'S VISIT TO BEIJING  
6-8 OCTOBER

OUTLINE PROGRAMME

\* denotes joint event with Mrs Blair

Monday 5 October

1430 Depart LHR

Tuesday 6 October

0730 \*Arrive Beijing

\*Greeted by Vice Foreign Minister

0740 \*Depart airport for Diaoyutai State Guest House

0820 \*Arrive Diaoyutai State Guest House

0950 \*Depart for Great Hall of the People

1000 \*Arrive at Great Hall of the People, Tiananmen Square

\*Formal welcoming ceremony

1015 Tête-à-tête talks with Premier Zhu Rongji

1100 Formal talks with Premier Zhu Rongji

1215 Join Business Summit for end of meeting, photocall and pre-lunch drinks

1245 Depart for Diaoyutai State Guest House

1255 Arrive Diaoyutai State Guest House

1450 \*Depart for Forbidden City

1500 \*Arrive Forbidden City

15 minute interview with CCTV

1515 \*Tour of Forbidden City

1615 approx \*Depart for Diaoyutai State Guest House

1820 \*Depart for Great Hall of the People

1830 \*Arrive Great Hall of the People



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1830 \*Banquet hosted by Premier Zhu Rongji

2000 approx \*Return Diaoyutai State Guest House

Wednesday 7 October

0835 \*Depart for China World Hotel

0900 Open Commercialisation seminar (short remarks)

0930 Video link opening of British joint ventures  
and Financial Services Seminar

1015 Signing ceremony for commercial contracts

1030 Coffee with Oil and Gas and Cleaner Coal  
seminar participants

1045 \*Meeting with participants in British Law Week  
and recipients of human rights scholarships

1105 \*Depart for Beijing Ancient Observatory

1115 \*JANET/CERNET Computer Link Up

1150 \*Tour of Shooting Stars exhibition

1220 \*Buffet lunch with young Chinese

1300 \*Depart for National History Museum, Tiananmen  
Square

1310 \*Present urban regeneration competition prize  
and view "New Urban Environments" exhibition

1340 \*Depart for Baitasi urban renewal site

1355 \*Guided tour of Baitasi urban renewal site  
(lively street market)

1430 Depart Baitasi for Diaoyutai State Guesthouse

1440 Return to Diaoyutai State Guesthouse

Time for speech preparation/domestic business

1625 Depart Diaoyutai State Guesthouse for  
Yangyuan Hall, Diaoyutai

1630 Call on President Jiang Zemin

1800 Depart for Kempinski Hotel

1830 Arrive Kempinski Hotel



Last updated: 29 Sep 1998

## Meet VIPs

1900 British Chamber of Commerce Dinner  
Speech

2055 approx Depart for Diaoyutai State Guest House

2120 approx Arrive Diaoyutai State Guest House

2130 \*Farewell call by Premier Zhu Rongji

Thursday 8 October

0815 \*Depart Guest House for airport

0845 \*Depart Beijing

1045 Arrive Shanghai



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## VISIT OF RT HON TONY BLAIR TO SHANGHAI : 8 - 9 OCTOBER 1998

### OUTLINE PROGRAMME FOR TONY BLAIR

8 October	10:45	Arrive Shanghai Hongqiao Airport from Peking (BA Charter)
	11:00	Depart for Spirax Sarco site (Caohejing Hi-Tech Park)
	11:10	Arrive at Spirax Sarco site - briefly tour and open offices
	11:40	Depart for Regal East Asia Hotel
	12:00	Meeting with Mayor (restricted to 10 from Official Delegation - tbc)
	12:30	Proceed to Ballroom for banquet lunch with Mayor and guests
	13:45	Depart for Mori Sen Mao Building, Pudong (Royal & Sun Alliance Office)
	14:00	Arrive lobby and proceed to 9 <sup>th</sup> floor: R&SA office tour, then to lobby for welcome and ribbon cutting ceremony
	14:35	Photocall with Linklaters & Paines in lobby of Mori Sen Mao Building (tbc)
	14:40	Depart for Shanghai Stock Exchange
	14:45	Arrive SSE building - attend Capital Markets Seminar on 26 <sup>th</sup> floor
	14:55	Proceed to trading floor to look at Jardines desk and witness MOU
	15:15	Depart for Pudong Shangri-La Hotel
	15:20	Arrive Hotel (greeted on arrival by hotel manager)
	15:30	Meet CBIC Training Seminar participants (3 <sup>rd</sup> floor)
	15:45	Attend to private office affairs
	17:30	Football event on terrace of hotel (Crystal Palace, Perkins and National Football Team Members)



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	17:45	Depart for ICA Exhibition at Westgate Plaza for British Council event
	18:00	Arrive Westgate Plaza and meet local Chinese viewing exhibition
	18:30	Depart for Pudong Shangri-La hotel
	18:45	Arrive Hotel
	19:00	Proceed to Ballroom to view exhibition
	19:30	Mayor Xu arrives at hotel
	19:35	Greet Mayor Xu in VIP room adjacent to Ballroom
	19:40	Re-enter Ballroom for welcoming remarks (Britcham Chairman, PM, Mayor) and tour exhibition
	20:20	Proceed to terrace for photo opportunity with Mayor (overlooking Bund)
	20:30	Retire to suite
	20:45	Leave hotel to pier for ferry across to Bund
	21:00	Stroll along Bund and return to hotel
	21:20	Return to Shangri-La hotel
	21:30	Arrive hotel
9 October	08:15	Depart for Shanghai Hongqiao Airport (entire party)
	08:30	Arrive airport and board aircraft
	08:45	Depart for Hong Kong
	10:45	ETA Hong Kong airport



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SUBJECT: PRIME MINISTER'S VISIT: GENERAL THOUGHTS

#### Summary

1. Chinese will treat this visit as second only in importance to Clinton's this year. Tangible bilateral outputs likely, but important to establish that we are approaching Chinese as valued interlocutors on global issues. Suggested topics of most interest to them.

#### DETAIL

2. The Prime Minister's visit will complete the restoration of Sino-British relations following the quarrels over Hong Kong. The next task will be the exploitation of that relationship in the lead up to Jiang's State visit next year.

3. The Chinese have made it plain that they are grateful for our part not only in the transfer of Hong Kong but also in furthering EU/China relations and getting the Human Rights dialogue onto a more constructive footing during our Presidency. They will accordingly treat this visit as the most important after Clinton's this year.

4. There are important commercial and bilateral items on the agenda, and there should be reasonable outputs from the visit: it will be essential that these should be adequately covered in the agenda. But it is just as important that the Chinese should perceive the Prime Minister as approaching them as valued interlocutors on global issues, and not just with a shopping list. Both the French and Germans have made this mistake in the past, giving an impression that the Europeans are only interested in narrow bilateral advantage, in contrast with the US.

5. This is an important opportunity to establish a working relationship with Zhu, probably the first Chinese Premier with whom such an idea is realistic. Zhu's own interests will be primarily on the economic side: I think he will particularly welcome an account of the Prime Minister's views on reform of international financial institutions, and its relevance to the Asian crisis. Also on the Euro and Britain's relationship to it. Both Zhu and Jiang will also welcome any impressions the Prime Minister may have from recent contacts with other world leaders: they are anxious about Clinton and Yeltsin, and will be interested in Schroeder.

6. It would make an excellent impression if the Prime Minister suggested to Zhu that arrangements be made between their offices so that they could from time to time speak personally about urgent matters. The Chinese are doing this increasingly with the Americans.

7. With Jiang the conversation can easily degenerate into amusing but content free trivialities. This will not be wholly avoidable given Jiang's style, but it might help if the Prime Minister explained a little of his vision of Britain in the 21st Century and



asked Jiang to reciprocate. Where will China be in 10 years time?

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SUBJECT: PRIME MINISTER'S VISIT: POLITICAL AND ECONOMIC BACKGROUND

#### SUMMARY

1. Life has proved more difficult than Premier Zhu Rongji anticipated but the leadership arrangements are holding. Economic reform remains firmly on the agenda; the economic picture is not rosy but media reports are overly pessimistic. Internationally, active promotion of links with the West - and particularly the United States - continue.

#### DETAIL

2. Six months ago, Zhu Rongji pledged to a far-reaching economic reform programme, including vigorous rationalisation of China's bloated SOEs and civil administration. This was predicated on rapid economic growth cushioning the unemployment it would cause. But growth has slowed, partly because of the Asian crisis, and partly due to cyclical factors. Summer flooding has not helped matters. Signs of discontent such as workers demonstrations have been mounting, and some reforms have slowed (eg housing). But there have also been solid achievements; central government reform has taken place, with cuts of around 40 per cent in most of the main ministries, and with comparatively little disruption. There has been a serious attack on corruption and smuggling and Zhu has successfully taken on some sacred cows such as the business operations of the armed forces.

3. Through all this strain the vital relationship between Jiang Zemin and Zhu Rongji has held. Zhu plays the role of a capable Premier concentrating on practical tasks; Jiang plays the national and international statesman. The leadership as a whole still recognises that economic progress is the key to the regime's survival. The dangers of political instability rise as the economic situation deteriorates (as Indonesia has reminded them).

4. Zhu has a direct and no-nonsense approach to his work. He is not afraid to make enemies if need be. There have been both individual and institutional losers from his reforms who would be only too glad to get back at him. So far the leadership backing which he demanded has held but behind the scenes the knives may well be being sharpened. Against this uncertain background it is not surprising that although the political atmosphere has become (by Chinese standards) more relaxed, there is no sign of any senior interest in serious political reform. Dissidents who overstep the mark are unceremoniously reined in. Jiang's style is much more that of the traditional communist leader than that of a would-be democrat.

5. Internationally, China has worked hard at a significantly improved relationship with the United States. Clinton's visit in June was a concrete demonstration of the new relationship. The



Chinese have also worked hard on building links with Western Europeans; five EU Prime Ministers are visiting this autumn. Relations with Russia have been complicated by the internal situation there and relations with Japan, although generally good, remain constrained by memories of past Japanese brutality and by Japan's position on Taiwan.

6. The relatively closed Chinese economy has avoided some of the worst problems of the Asian crisis but has suffered from second order effects including market uncertainty and loss of trade and investment. The Chinese waste no opportunities to remind others of the responsible role they are playing in the crisis and the costs they are bearing. All this is real, though it is as much in Chinese interests as everyone else's.

7. Zhu has a political commitment to 8 per cent GDP growth this year. It is unlikely that this will be achieved. Unofficially, China's GDP so far this year has grown at an annualised rate of 7.2 per cent. In order to maintain growth in a worsening external situation China has adopted an expansionary monetary and fiscal policy. Nevertheless, the deflationary spiral continues. There is a limit to the effectiveness of such tools in an economy which is in transition from centrally planned to market based. In the past few weeks Chinese policymakers have started again to employ familiar central planning tactics such as price controls and output targets to drive the domestic economy. They do not consider that this represents an abandonment of the pursuit of market principles. Rather, they see use of such tools as a means of generating the growth necessary to continue with reform while preventing widespread closures of unviable enterprises. They are conscious that the concomitant unemployment might otherwise lead to social unrest.

8. China's foreign exchange reserves are healthy at around 140 billion dollars. Nevertheless, the leadership have recently become concerned at the apparent leakage of foreign exchange. The currency is not fully convertible, which offers some protection against speculators. But fears of a policy decision to devalue (despite repeated leadership assurances to the contrary) have prompted a significant outflow of foreign capital, including by illegal means.

9. Despite these setbacks, the leadership looks determined to continue with the economic reform agenda and to search for new, and sometimes old, ways of maintaining stability and fostering growth to this end.

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SUBJECT: VISIT OF PRIME MINISTER TO SHANGHAI : SCENE SETTER

#### SUMMARY

1. UK/Shanghai relations in good shape. Mayor's fond memories of last visit to Britain. Looking forward to Prime Minister's visit to Shanghai. City not immune from Asian economic crisis but appears to be pulling through. 10% GDP growth rate expected this year. Local leadership in firm control.

#### DETAIL

2. At the meeting which I attended on 25 September between the Mayor of Shanghai and the outgoing and incoming Presidents of the China Britain Business Council, Mayor Xu Kuangdi emphasised how much he was looking forward to the Prime Minister's visit to Shanghai next week. He also indicated how valuable his own official visit to the UK had been in 1996, and underlined his support for even closer UK/Shanghai ties in the commercial and other fields, mentioning specifically proposed investments by BP, ICI and Unilever.

3. With the sharp fall in new Asian investment in Shanghai (down 70% so far this year compared with Jan - Aug 97), the city is especially keen to attract further projects from elsewhere. And it has had some success in doing so, as multi-million US\$ projects by GM, Krupp, Kodak and other major international players bear witness. These, and existing overseas investments, add up to an impressive 18,000 partly or wholly-owned foreign enterprises in Shanghai, the vast majority of them established within the past 6 or 7 years. With their help, Shanghai's rust belt is slowly disappearing. High technology and a growing service sector are taking its place.

4. But the current picture is not entirely rosy. Whilst Shanghai may have expanded its export markets in N. America and Europe (this year the value of exports to these areas is 49% up on the corresponding period in 1997) and expects to achieve a 10% GDP growth rate for the year as a whole, unemployment is rising. According to the local media, some 3% of people are out of work; the Mayor admits to 5%. All the indications are however that it is considerably higher. With the restructuring, and in some cases, closure of local state enterprises, the situation is unlikely to improve in the foreseeable future. And government sponsored-training schemes are finding it difficult to keep pace with large scale redundancies: in the textile industry alone 200,000 workers are being laid off annually.

5. Local lack of confidence in the depressed Shanghai stock market has not helped either. Money is being channelled into bank deposit accounts instead, despite falling interest rates. As yet, few Shanghainese have been tempted to buy property, in



spite of Government incentives to do so. This has not helped to relieve the pressure on hard-pressed developers who have seen rental income falling dramatically in the past 12 months, thanks to a combination of slack demand and a 10 fold increase in supply in the past 4 years.

6. Shanghai has nonetheless fared well compared with many cities in China and elsewhere in Asia. A recent survey conducted by Mastercard throughout the region revealed that almost 2/3rds of Shanghainese who were approached were optimistic about the local economy, job prospects, quality of life etc, compared eg with 13% in Hong Kong and 1% in Japan. The vast sums of money which are being pumped into Shanghai to improve its infrastructure, and the relocation in recent years of 1.2m people (with a further 600,000 to follow) from cramped and insanitary housing to modern well-equipped flats, will no doubt have helped to increase the feel-good factor. (The results for Shanghai put it in fact at pole position in the survey). And even the recent widespread flooding along the Yangtse has produced a silver lining for Shanghai (which was spared) as new orders for locally manufactured textiles and relief supplies have poured in.

7. If the economy is in reasonably good shape, so too is the Shanghai leadership, which is well respected and in firm control. Unsurprisingly, it does not tolerate dissent. It is probably no coincidence that when the embryonic China Democracy Party recently applied for registration in major cities up and down the country, it was in Shanghai that the authorities were the first to say no. But the leadership enjoys cocking a snook at Beijing when it thinks it can get away with it. There are many examples of it succeeding at a commercial level. This has helped to catapult Shanghai into the 1990s after 40 years of neglect. But the leadership knows its limits and if it is in doubt, one of Jiang Zemin's sons who lives in Shanghai and acts as part-time adviser to the Mayor, is on hand to offer guidance. The local leadership is far too astute not to heed that advice.

#### SUMMARY

8. Shanghai looks set to retain its position as China's leading commercial and financial services centre. Its people are shrewd and canny. They have turned the ability to make money into an art form. They and the leadership, with Beijing's blessing, have ensured that Shanghai has powered ahead in the 90s. There may now be evidence of a slow down and some short-term difficulties, but there is no reason to think that Shanghai will not come through it all with flying colours.

9. Meanwhile the UK is well positioned in Shanghai. British firms have not been slow to see the city's potential. For some it will be a long haul. Others are already reaping the rewards. And more are lining up to invest on a large scale.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG,  
6-10 OCTOBER 1998

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PRIME MINISTER'S VISIT TO CHINA, 6-8 OCTOBER 1998

MEDIA BULL POINTS

UK/China Relations

- China is an important and growing presence in the world: nearly one-quarter of the world's population, permanent member of UNSC. Our interests are naturally linked.
- Successful handover in Hong Kong has provided an opportunity to build broader more constructive relations with China. We need to work together to address global issues that affect us all: environmental protection, financial/economic stability, non-proliferation of weapons.
- Want to enhance cooperation at all levels: through organisations such as United Nations and World Trade Organisation, bilaterally and through commercial and grass roots contacts. Relationship must also address difficult issues, such as human rights.

[When announced]

- HM The Queen has conveyed an invitation to President Jiang Zemin to pay a State Visit in the first half of 1999. Important symbol of strengthened relationship.
- Expanded relationship being mirrored by expansion of our diplomatic representation in Shanghai and Guangzhou. Also have put to Premier Zhu Rongji proposal to open a fourth Consulate in western China.

[When Joint Statement agreed]

- Core aims and agenda for new relationship set out in Joint Statement. But not meant to be exclusive.



## People to People Contacts

- We have also agreed to launch UK/China Forum. Will be an additional pillar to our relationship, bringing together top people from outside government. Will include business people, politicians, academics, journalists. Will complement and feed into government exchanges.
- UK/China relations are about more than just official contacts. "Britain in China" initiative, which was launched in January, has drawn together official, commercial, and cultural threads of relationship. Has significantly raised the profile of the UK in China.
- Cultural links being renewed and refreshed. This week London Institute of Contemporary Art staging an exhibition in Shanghai, East West Film Festival showing a selection of British films in Beijing and Shanghai.
- Next year, Edinburgh Royal Botanic Gardens, with government and private sector support, will construct a British Garden for the Kunming Horticultural Exposition.
- Excited to be able to highlight soccer links: meet youth team - sponsored by UK company; in UK two Chinese soccer players now play for Crystal Palace. And coach of Chinese national team is British.
- Links between young people strengthened by schemes such as VSO, GAP, and Council which bring British Students to teach English in China.



## Trade & Investment

- Greatly admire tremendous achievements of Chinese economy in recent years. UK companies playing a real part. Can do much more to our mutual benefits.
- UK is leading European investor in China by a large margin (total pledged investment worth £7 billion, actual investment so far £1.7 billion). Demonstrates UK companies' long-term commitment to China's development process.
- Visible exports to China in 1997 were £920m (+ £758m to China via Hong Kong). Up 26% from previous year. Hit by world economic situation in first half of 1998, but have now pulled back strongly (£504m Jan-July). Potential to do much more.

## Hong Kong

- Encouraged by developments in Hong Kong over the past year and re-assured to see the HKSARG continuing to run Hong Kong fairly and efficiently, to the benefit of the people of Hong Kong.
- Welcome evidence that China is giving Hong Kong the autonomy promised in the Sino-British Joint Declaration (JD), and encouraged that senior Chinese leaders have given repeated commitments that this will continue. Implementation of the JD the best guarantee for Hong Kong's future.



## Human Rights

- We believe that our dialogue-based policy, supported by practical assistance (eg. British Law Week) can help to bring about real improvements on the ground in China.
- China has taken several positive steps. We particularly welcome the announcement that China will sign the International Covenant on Civil & Political Rights this month. And the recent visit to China by Mary Robinson, the UN High Commissioner for Human Rights. These are further indications of China's growing cooperation with UN human rights mechanisms.
- Wish to deepen and intensify our dialogue with China on human rights and to expand our practical assistance eg. on legal reform.



## DEFENSIVE LINES

### I UK/CHINA

Isn't it true that China needs the UK more than the UK needs China (as Chris Patten says in his book East West)?

- Relationships of this kind are not a zero sum game. We and China are part of a global system which faces major challenges - environmental protection, security, economic and financial stability. We need to work with China if we are to address these issues successfully.

UK has allowed itself to be manipulated by China, played off against others?

- Not true. We coordinate closely with EU partners, the US and other key players. Believe we now have coherent policy aimed at i) integrating China into world systems in a way that will benefit all (including China) and ii) promoting positive social, economic and political development in China that will bring about real improvement in recognition of human rights. These two objectives, and the means of achieving them, go hand in hand.

UK/China Forum - just a "talking shop"?

- Not at all. Will add a new dimension to our relationship with China, drawing together official, commercial, and cultural links. Will provide input into government thinking on China.

Choice of Michael Heseltine as joint Chairman?

- Well suited. Has long experience of government and private sector, well respected and strong interest in China.

### Inward State Visits

[After State Visit invitation announced]

- Invitation to Jiang Zemin is the first ever to a Chinese President. Will be an important demonstration of our growing ties. State Visit will take place in the second half of 1999.



[If needed]

### High Level Visits?

- Mr Blair visited Hong Kong for the Handover ceremonies, June 1997: there he met President Jiang Zemin.
- Mr Major visited China in September 1991.
- Premier Zhu Rongji visited UK in April 1998. The previous visit was that of Zhao Ziyang in June 1985.
- Robin Cook visited China in January 1998. The last Chinese Foreign Minister to visit the UK was Qian Qichen in October 1995.
- Prime Minister's visit caps an unprecedented year of high level exchanges in both directions. Foreign Secretary and President of the Board of Trade visited China in January, followed by Minister for Agriculture, Secretary of State for International Development & Deputy Prime Minister. Pleased to have welcomed Premier Zhu Rongji to the UK in April, the first country to be visited by him following his appointment.



## II TRADE & ECONOMIC RELATIONS

Prime Minister's visit business delegation just a "grand package tour"?

- No. The Minister is accompanied by a small, focused group of business people who are involved in practical ways in development of our commercial relations. This is just one aspect of the visit, as of the relationship.

Trade figures?

- Visible exports to China in 1997 were £920m (+ £758m to China via Hong Kong). Up 26% from previous year.

- Hit by world economic situation in first half of 1998, but have now pulled back strongly, £504m Jan-July (+ £207m to China via Hong Kong Jan-Apr).

- Potential to do much more. DTI and FCO increasing resources committed to export promotion effort.

- China's exports to UK 1997 £2.5bn. Jan-July 1998 £1.6bn.

Will China be able to join the World Trade Organisation?

- We support accession of China to WTO on the right terms. Important that a major trading nation like China is in the WTO working towards multilateral trade liberalisation. But China's membership must be on terms which strengthen the global liberalisation of trade.

When is China likely to accede to the WTO?

- Major trading nations like China should be part of WTO. But China's entry needs to be on terms which strengthen the world trading system.

- All sides need to demonstrate their commitment to more open trade. We (and EU) willing to help with necessary transitions.

Financial sector access/insurance licences

- Great benefit for both sides in greater UK participation in development of financial sector in China. China needs strong financial sector to underpin economic development. UK has expertise. Hope to see further market opening.

- UK sharing expertise, eg regulatory systems. Also soon to launch Financial Sector Training Scheme. But best way to share expertise is for companies to work alongside each other.



Plans to lift/relax EU arms embargo?

- No plans to seek lifting or relaxing of current embargo.

(If raised)

- Arms embargo does not extend to Hong Kong.

What has China/UK done to assist countries affected by Asian economic and financial turmoil?

- We welcome China's constructive and generous role in the financial crisis, including the provision of bilateral finance to neighbours (Thailand and Indonesia).
- UK appreciates China's responsible and positive economic policies, especially regarding the stable Renminbi.
- Fully behind the IMF and World Bank programmes agreed in the region. Britain is a major shareholder in the IMF and World Bank. We have agreed exceptional levels of access to IMF financing in several cases.
- Also agreed to provide short-term trade finance in Asia in G7 ECA initiative in February.
- International assistance through providing expertise is equally valuable. Asian countries will need considerable help restructuring their financial sectors - an area where UK has considerable expertise. ASEM trust fund currently being taken forward by the UK and the World Bank.
- Financial situation in Asian countries discussed at ASEM 2 Summit in April and at G7/8 Summit in Birmingham in May.



### III EMERGENCY / DEVELOPMENT ASSISTANCE

#### Floods in China?

- Greatly saddened by tragic loss of life during recent flooding. Deepest sympathy to those who lost loved ones. Hope UK contribution to relief effort can go some way to help ease suffering of those who have lost homes, livelihoods.
- UK contributed £400,000 to assist the relief effort mounted by the International Federation of the Red Cross. This will be spent on the provision of food, medicine, warm clothing and emergency shelter. Also to contribute £210,000 to rehabilitation assistance eg. rebuilding of primary schools.

#### Why does Britain provide development assistance to China?

- There are a lot of very poor people in China - current estimates put the number at 270 million, (on the basis of the World Bank's \$1 per day measure) which is more than in the whole of sub-saharan Africa. The Chinese have done a great deal themselves to reduce poverty but much remains to be done and they value and make good use of our assistance.

#### How much is Britain spending?

- This year we expect to spend about £35 million. This includes some older style infrastructure projects which are being completed while we work up new projects in health, education, water and State Owned Enterprise reform.

#### How is £35 million going to help 270 million poor?

- We work closely with other, bigger donors - for example the European Commission and the World Bank (which has a lending volume of \$3 billion annually). However the scale of the task facing the Chinese government and the development agencies is enormous.
- We try to ensure our aid achieves strategic impact by helping to develop approaches or techniques which provide models for wider replication, by co-ordinating our assistance with those of other donors, where our contribution will enhance the effectiveness and impact of larger projects.



### Where do the main challenges lie?

- Threats to the environment as a consequence of China's rapid economic growth (land, air and water pollution, rural soil erosion and depletion of natural forest cover).
- Growing unemployment and income insecurity as China proceeds with essential modernisation of its state owned industry.
- Growing regional inequalities with provinces in the west and mid-west, most in need of development assistance.
- In response to this, Britain is concentrating its programme on human development (health and education), environment and economic reform.

### Examples of British aid?

- Over the last few months we have prepared a number of substantial new project proposals with an estimated value of £60 million. These include a £15 million project to help prevent the spread of HIV/AIDS, £10 million to help with the development and restructuring of state owned enterprises, £10 million for basic education services in Gansu, and a £6 million water sector development programme.

### Does Britain support China's one child family planning policy?

- We believe that family planning is a matter for informed parental choice.
- The UK does not provide bilateral support for China's family planning programme. Instead we channel resources through United Nations Family Planning Association and International Planned Parenthood Federation whose programmes emphasise the principles of reproductive choice and service quality agreed at the Cairo Conference.



#### IV HONG KONG

Britain has washed its hands of Hong Kong?

- Absolutely not. Whole objective behind our work up to the handover was to lay foundation for successful future for Hong Kong. Now working hard to establish fresh relationship with Hong Kong which reflects new realities.

#### Asian Financial Crisis

How does Britain view effects of crisis on Hong Kong?

- Inevitable that, as a major financial centre, the effects of the Asian economic problems would be felt in Hong Kong. SAR authorities have responded robustly, and with a high degree of autonomy.

- Measures announced by Chief Executive in May and June indicate SARG's commitment to deal resolutely with current problems.

- Note efforts SARG are making to address problem of unemployment, through job creation and enhanced training.

- Despite the difficulties, believe SARG run a well-managed economy. Believe positive factors should see it through present difficulties and help it take fully advantage of the eventual recovery.

Should SARG have directly intervened in stock market?

- Support SARG's commitment to defence of the peg, and contribution of their actions to global and regional financial stability. We understand why the SARG took the difficult decision to intervene.

[if pressed]

- Concerned about destabilising effect of some hedge funds. Note that many have lost a lot of money recently.

#### Elections

- Welcome the fact that elections were held in May and that people of Hong Kong have had opportunity to vote for the candidates of their choice in the geographical constituencies; and that the new LegCo includes representatives from across the political spectrum.



- The high turn-out demonstrates the determination of people in Hong Kong to play a full role in the democratic process. Our concerns about the framework for the elections, particularly the sharp reduction in the franchise for the functional constituencies, are well known. But we believe that the conduct of the elections was free and fair and reflects well on the SARG.

- Elections were a step towards a legislature elected entirely through universal suffrage. Hope SARG will build on this achievement and work towards early realisation of this goal.

European Parliament sent monitors to the elections, why not HMG?

- We saw no need for HMG to send formal election observers. Hong Kong already has an independent Electoral Affairs Commission which did a good job of organising and supervising the conduct of the elections. As part of their diplomatic function, BCG staff in Hong Kong followed the elections closely.

Are 1998 electoral arrangements compatible with JD?

- The Joint Declaration provides only that the legislature must be constituted by elections. It does not define the nature of these elections. There has been no suggestion in Hong Kong that they are inconsistent with the Joint Declaration.

[If pressed]

- The key question is whether the arrangements constitute elections. Although these were very different from the elections with which we are familiar in the UK, they conformed to the basic model for elections used in Hong Kong since 1985. The selection of the provisional legislature did not. While we regard the arrangements for the May elections as seriously flawed, they did enable the people of Hong Kong to take part in an electoral process.

Should the Basic Law be amended to allow for a faster pace of democracy?

- This is a matter for Hong Kong not the UK to decide. But hope SARG will listen carefully to views of Hong Kong people on this matter.

Should SARG adopt ministerial style of government?

- This is a matter for Hong Kong not the UK to decide. Note the active debate on proposals to move away from the traditional executive-led government.



### Rule of Law

- Evidence so far is that rule of law remains robust. Independent judiciary guaranteed by JD; institutions functioning effectively; judiciary staffed by individuals of considerable integrity.

### Emily Lau/NCNA and Sally Aw cases?

- Under JD and Basic Law, decisions on prosecutions are taken independently in Hong Kong. Recognise local sensitivities, but not for HMG to say whether the "right" decision has been taken in any given case.

### Adaptation of Laws Ordinance?

- We believe it is reasonable for the SARG to adapt laws which refer to the British Crown. What is important is how this is done. We understand the concerns of people in Hong Kong about the status of the New China News Agency and the fact that its role in Hong Kong is unclear.

- We hope that the SARG will listen to the views of LegCo and the people of Hong Kong when deciding on how to implement the ordinance.

### Human Rights

- We continue to follow developments closely. But as our latest six-monthly report made clear, our assessment of civil liberties in Hong Kong since 1 July 1997 is positive.

### Is there self-censorship in Hong Kong press?

- This has been a concern for some time but should not be exaggerated. We have seen little evidence to suggest that there is more self-censorship now than there was before the handover.

### BL 23 Legislation on subversion etc

- A highly sensitive issue. Welcome fact that the SARG is proceeding with caution and has undertaken to conduct a public consultation exercise on the issue.



## Bill of Rights Ordinance amendment restricts rights guaranteed under law?

- This passage of the Amendment Bill does not appear to have a significant effect on the human rights position of Hong Kong people, because the original Bill of Rights text remains intact. BL39 continues to guarantee that the provisions of the ICCPR shall be implemented through the laws of Hong Kong.

- But any change in human rights legislation is a sensitive matter and bound to arouse interest and concern. Such matters should be dealt with by a properly elected legislature.

## Chek Lap Kok Airport

### UK responsible for teething troubles ?

- The achievements of British companies involved in the construction of the new airport are widely recognised. This prestige and high profile project matches Hong Kong's status as a major economic centre and hub for the region.

- Pleased that initial operational problems now addressed. Note three separate inquiries underway to investigate these. Would not wish to prejudice inquiries by commenting on issues under review.

## Visa-free travel for Hong Kong residents

- UK continues to grant visa-free access to BN(O)s and has granted visa-free access to HKSAR passport-holders since 1 July 1997. Over 80 countries give visa-free access to BN(O)s and 50 to HKSAR passport-holders.

- Britain will continue to support visa-free access for BN(O)s and HKSAR passport-holders. Freedom of travel is vital to Hong Kong's continued success as world class trading and financial centre. Important also that third countries' immigration regimes recognise Hong Kong's high degree of autonomy from China.

## Vietnamese Boat People

### What is Britain doing to resolve this problem?

- HMG has done a great deal to help resolve this problem. Britain has already accepted over 15,000 refugees and continues to consider further cases of refugees with family links in UK.

- UK still offering diplomatic support of efforts by China and the SARG to resolve the problem. British Ministers continue to ask their Vietnamese counterparts to work with the SARG to resolve fully the problem of repatriating the economic migrants back to Vietnam.



Will Britain direct bilateral aid to those areas of Vietnam where VBP originate?

- UK refocusing and expanding bilateral development programme for Vietnam. Programme not targeted specifically at the economic migration issue but should be of indirect benefit to Hong Kong if it tackles the problem of poverty that were the root causes of economic migration of Vietnam.

Will Britain contribute to UNHCR debt; or press UNHCR to settle?

- This is a contractual matter between the UNHCR and the SARG.

#### Immigration and Nationality

HMG agreed to grant British citizenship to remaining BDTCs?

- The question of British citizenship was only one aspect of a wider review into our relationship with the Dependent Territories. The review is still under way and no final decisions have been taken.

Will HMG consider giving British citizenship to all British Nationals (Overseas) in Hong Kong?

- The case for British citizenship for Hong Kong BDTCs was fully considered by Parliament when it debated the 1990 British Nationality (Hong Kong) Bill. We continue to believe that the decision to grant British citizenship to 50,000 heads of household and their dependants under the British Nationality Selection Scheme (BNSS) was the right response. Since then, Britain and China have successfully concluded the smooth transfer of sovereignty, and Hong Kong has become part of China.

Why did the British Government wait until after Hong Kong was out of the way before conducting this review?

- We launched a proposal to conduct a review of policy towards the Dependent Territories after taking office in May 1997. Public interest in the humanitarian crisis in Montserrat also prompted the need for a fresh look at the policy.

#### Ethnic Minorities Citizenship

Why are there delays in processing applications for British citizenship from minors of Pakistani origin under the British Nationality (Hong Kong) Act 1997?

- Majority of the applicants under this legislation come from the Indian and Pakistani ethnic communities. Has been necessary to consult Indian and Pakistani authorities about their citizenship law in order to determine whether applicants for British citizenship qualify under the provisions of the 1997 Act - ie they have no other nationality than British.



- Queries over adult applications from both adults and minors of Indian origin have been resolved; and the applications processed.

- Applications from adults of Pakistani origin have been processed. However, queries remain over applications from their minors. HMG discussing with Pakistani Government to determine whether these minors remain citizens of Pakistan. Once this clarification is received, outstanding applications (approx 600) will be processed quickly.

**Why has HMG changed the entry clearance requirements for domestic workers to the UK?**

- We have been concerned at reports of abuse of domestic workers, and has been working closely with the organisation which represents overseas domestic workers in the UK (Kelayaan) to see what changes could be made to the conditions for entry, with a view to preventing abuse.

- The changes will mean that all domestic workers permitted to enter the UK, even those accompanying employers on short term visits, will now be allowed to change employer after entry.

**Hong Kong residents have no record of abusing their domestic workers. Why should these changes affect them?**

- We believe it right to alter the conditions under which domestic workers can accompany employers to the UK. The new Rules clearly allow this when the worker provides some form of specialised service beyond the most basic duties.

- The changes are designed to afford some protection to all overseas domestic workers in the UK. In line with normal practice, these rules apply equally to nationals of all third countries and are not targeted at employers or employees of any particular nationality.

**Can these rules be relaxed for Hong Kong residents?**

- New conditions have to apply without discrimination, regardless of the employer's nationality.



V HUMAN RIGHTS / TIBET

HUMAN RIGHTS

Did the Prime Minister raise human rights/Tibet/Individual Cases?

- Human rights, including the situation in Tibet and individual cases, was one of the topics covered during PM's discussions with Chinese leaders. [check]

HMG more interested in trade than human rights?

- No. Human rights remains at the centre of our foreign policy. But at the same time, we do not believe that trade and human rights are mutually exclusive.

- Opening up of China's economy has brought greater freedom of choice to many people in China. Want to work with China to consolidate and expand development that will bring about real improvement in the lives of ordinary people.

- Human rights and business interests can go side by side in partnership. Trade and economic cooperation helps to open up the Chinese system and promote contacts at a personal level. This exposes the Chinese to the practices, standards and expectations of individuals and governments in other countries.

Tiananmen Square 10th Anniversary next year?

- Our position on the events of June 1989 are well known. We deplored the actions of the Chinese authorities at the time and our view has not changed.

- Through our human rights dialogue, we have raised the cases of individuals who were imprisoned for their involvement in the pro-democracy movement. We shall continue to do so.

Human Rights Dialogue?

- Last UK/China human rights dialogue meeting took place 14-17 September. Addressed issues such as cooperation with UN human rights mechanisms, religious freedom, death penalty, individual cases of concern, situation in Tibet. Next round Spring 1999.

- Next EU round of dialogue later this month. Will include a legal affairs seminar and seminar on the rights of women.



### Is dialogue based approach working?

- Dialogue beginning to produce results. Since the start of the UK/China human rights dialogue in September 1997, and the resumption of the EU/China dialogue in October 1997, the Chinese have taken positive steps. Including:

- \* Signature of International Covenant on Economic Social & Cultural Rights (ICESCR) in October last year.

- \* Announcement that it will sign the International Covenant on Civil & Political Rights (ICCPR) in October. [or, if signed - Signature of ICCPR on Monday 5 October].

- \* Agreement to transmit Hong Kong reports under UN Covenants.

- \* Visit to China in September by Mary Robinson, the UN High Commissioner for Human Rights.

- \* Visit to China by UN Working Group on Arbitrary Detention (an independent mechanism of the Commission on Human Rights).  
Visit to Tibet by EU Troika Ambassadors (1-10 May).  
(and others - release of dissidents / technical cooperation / EU legal affairs seminar)

- we are pressing for further positive steps eg:

- \* Ratification of both human rights covenants as soon as possible and with the minimum of reservations.

- \* Further visits from UN Special Rapporteurs (eg Special Rapporteur for Torture).

- But serious concerns remain. We will continue to address these concerns through dialogue, both bilaterally and with our EU partners. We will continue to express these concerns publicly, including in the UN framework, and keep our policy under review.

### EU position on China at Commission on Human Rights (CHR)?

In view of positive steps taken by China in the last year, EU Ministers decided that neither the Presidency nor member states should table or co-sponsor draft resolution on China at CHR in March this year.

### Letting China off the hook?

- No, far from it. Focus is still on China's performance. Successive failed resolutions had not brought about any concrete improvement in China's observance of human rights.

### Not treating large and small countries the same?

- Important to address our human rights concerns in the way most likely to bring about results. This will not be the same in each



case.

But China's human rights record is still poor?

- Yes, we have many concerns about situation in China eg:

- \* arbitrary detention of individuals
- \* restrictions on the freedom of expression
- \* frequent use of the death penalty
- \* freedom of religion
- \* situation in Tibet

- Addressing these concerns through dialogue & cooperation. Chinese in no doubt as to our views on these matters.

What about the cases of individuals?

- UK has presented lists of individual cases during its human rights dialogue with China. China has responded with information about the situation and well-being of those listed.
- Welcomed release of Wei Jingsheng and Wang Dan whose names appeared on the UK list. But concerned about other individual cases. Will continue to raise their cases at every opportunity.

Practical Assistance / British Law Week?

- Technical cooperation programmes are a very practical way to achieve concrete improvement to human rights on the ground in China.
- **British Law Week** is the umbrella for a series of seminars and events taking place during the week of the Prime Minister's visit, aimed at promoting understanding between British and Chinese lawyers of one another's legal systems. A mock trial will be heard by Lord Justice Otton and three leading barristers.
- DFID has a long-standing programme of practical cooperation with the Ministry of Justice in China for the training for lawyers. New programme begun this year for the training of judges.
- Also working with Save The Children Fund on training for the Public Security Bureau on prevention of trafficking in children.
- Have agreed in principle with Supreme People's Procuratorate to draw up a programme of cooperation in other areas. (If pressed - anti-corruption, prison supervision, protection of witnesses, presentation of evidence, training of prosecutors).



- EU programme of assistance includes:

- \* second jointly organised EU/China legal affairs seminar here in Beijing this month, also a seminar on women's issues;
- \* projects to develop China's legal aid system;
- \* training for lawyers and judges;
- \* assistance in legislative reform and administration;
- \* training programmes for village democracy;
- \* women's rights, orphans & vulnerable groups.



## TIBET

Did the PM raise Tibet with Chinese leaders?

- Human rights, including the situation in Tibet was one of the topics covered during PM's discussions with Chinese leaders. [check]

What is HMG doing about Tibet?

- We raise the situation in Tibet with the Chinese authorities at every opportunity and have done so at the highest level. The Chinese authorities must respect the distinct cultural, religious and ethnic identity of minority groups, including Tibetans.
- A lasting solution to the situation in Tibet can only be achieved through negotiations between the Chinese authorities and the Tibetan people, including the Dalai Lama without preconditions. I encouraged Chinese leaders to begin such a dialogue. [check]

Visit by EU Troika Ambassadors (May)?

- UK Presidency initiative. Valuable visit (1-10 May). Programme included meetings with Tibet Autonomous Region (TAR) government, religious leaders, monks and nuns. Also visited Drapchi prison.
- EU delegation accompanied by its own Tibetan-speaking (British) interpreter. An important precedent.
- EU partners now considering their approach to the issue.

Why did Troika Ambassadors not protest about reported Drapchi incident at time of their visit?

- Reports of the incidents on 1 & 4 May did not reach the Ambassadors until after they had left Tibet and returned to Beijing. They saw nothing untoward when they visited Drapchi prison on 4 May and were unaware of the reported riots and deaths.

Did the PM raise this?

- Issue addressed during last round of UK/China human rights dialogue. We are concerned about these reports. Have sought further information.

European Parliament resolution on appointment of EU/Tibet Co-ordinator?

- Currently no plans for such an appointment.

Status of Tibet?

- Successive British Governments have regarded Tibet as autonomous whilst recognising the special position of the Chinese authorities there. This continues to be the Government's view.



### Independence for Tibet?

- Independence for Tibet is not a realistic option. Tibet has never been recognised as an independent state, and no member of the United Nations regards Tibet as independent.

### Dalai Lama to visit UK?

- The Dalai Lama is a distinguished spiritual leader who is widely respected throughout the world. He is welcome to visit the UK and has done so on several occasions.

### Panchen Lama?

- The selection of the Panchen Lama is a matter for the Tibetans. However we are concerned about the health and safety of Gedhun Choekyi Nyima [phonetic - Gedhun Churky Neema], the child recognised by the Dalai Lama as Panchen Lama.

- His case is one of those individual cases we have raised with the Chinese authorities. They have reported that he is living normally with his family.



## VI TAIWAN

What is the UK's position on the status of Taiwan?

- We acknowledged in 1972 the position of the Chinese government that Taiwan is a province of the People's Republic of China. Our position has not changed.

What is the UK's relationship with the Taiwanese authorities?

- We do not recognise Taiwan as a state, nor do we have diplomatic relations. There is no intention to change this policy. But we enjoy flourishing commercial and cultural links.

How does the UK view Taiwan/China relations?

- We consider that the future of Taiwan is a matter for the Chinese people on both sides of the Taiwan Straits to decide. We welcome recent moves towards a resumption of cross-straits dialogue. Peaceful negotiations are the best way forward.

Does the UK sell arms to Taiwan?

- We restrict the export to Taiwan of licensable defence-related equipment. Applications for export licences to supply defence-related equipment and technology are considered case by case. All decisions are made in the light of the criteria announced by the Foreign Secretary on 28 July 1998. Particular weight is also given to the implications for regional stability.



## VII ENVIRONMENT

### China's pollution problem?

- China's sheer size and its rapid economic development mean that its activities in the environmental sector have global, as well as domestic, significance. In international environmental discussions it is a key player among developing countries.
- At present rates of growth, China will outstrip the United States as the largest emitter of greenhouse gas emissions early in the next century.
- The Chinese government have recognised that problems exist internally with environmental degradation, including poor air quality, and are taking steps to mitigate their effects.

### UK cooperation on the environment?

- The UK and China already have in place extensive cooperation on the environment and the UK is looking to strengthen and increase that cooperation with China in the future.
- We have also recently opened an informal dialogue on climate change issues. It is for developed countries to take a lead. But if this global issue is to be addressed we all need to work together.



**PRIME MINISTER'S VISIT: NOTE ON FORMAL WELCOMING CEREMONY,  
GREAT HALL OF THE PEOPLE, TIANANMEN SQUARE  
TUESDAY 6 OCTOBER**

The entourage of the Guest of Honour and members of the Embassy attending and observing the welcoming ceremony arrive at the Northern Entrance of the Great Hall of the People by 09.40. They proceed through the Great Hall to the steps (facing Tiananmen Square) at the Eastern Entrance to the Great Hall of the People. Those in the central area (list attached) stand in the spot marked 3 on the attached plan. Those observing stand in the spot marked 10 on the attached plan.

The Prime Minister and Mrs Blair arrive by limousine at 10.00 at the spot marked 1 on the attached plan. They are met by the Premier Zhu Rongji and his wife and there is a presentation of bouquets by children.

The Premier presents senior Chinese officials attending the ceremony to the Prime Minister and Mrs Blair. The Prime Minister presents the senior members of the UK entourage (i.e. those standing in the first line of the central area) to the Premier.

The Prime Minister and the Premier (on his left) mount dais (marked 5) facing the Guard of Honour while Mrs Blair stands at the head of the UK entourage.

The military band plays the national anthems of the two countries, a 19-gun salute is fired. The Commander of the Guard of Honour marches forward, reports to and invites the Prime Minister to inspect the Guard of Honour. The Guest of Honour, accompanied by the Premier, descends the dais, walks on the red carpet towards the Guard of Honour, with the Commander marching behind.

The Prime Minister stops before the Army Flag, and the Prime Minister pays his respects (nods). The Prime Minister, in the company of the Premier ON HIS RIGHT inspects the Guard of Honour of the Three Services. After inspecting the Guard of Honour, the Prime Minister and the Premier turn to nod in acknowledgment to the Commander of the Guard of Honour. The Commander salutes in return.

After the inspection, PM and Premier walk past the PLA military band and Embassy personnel, mount the dais again, and review the march-past of the Guard of Honour. Then they descend from the dais and proceed to the Great Hall of the People WITH MEMBERS OF BOTH PARTIES attending the welcoming ceremony.



.....L.....T.....T.....T.....T.....T....

Attendees (central area):

Mr Powell  
Mr Holmes  
Mr Barton  
Mr Campbell  
Mr Davies  
Mr Cohen  
Mr Murray  
Mrs Cleaver

Ambassador and Mrs Galsworthy  
Mr Sprake  
Mr Everard  
Mr Davidson  
Ms Bishop  
Ms Wilson  
Mr Johnson  
Ms Chesman

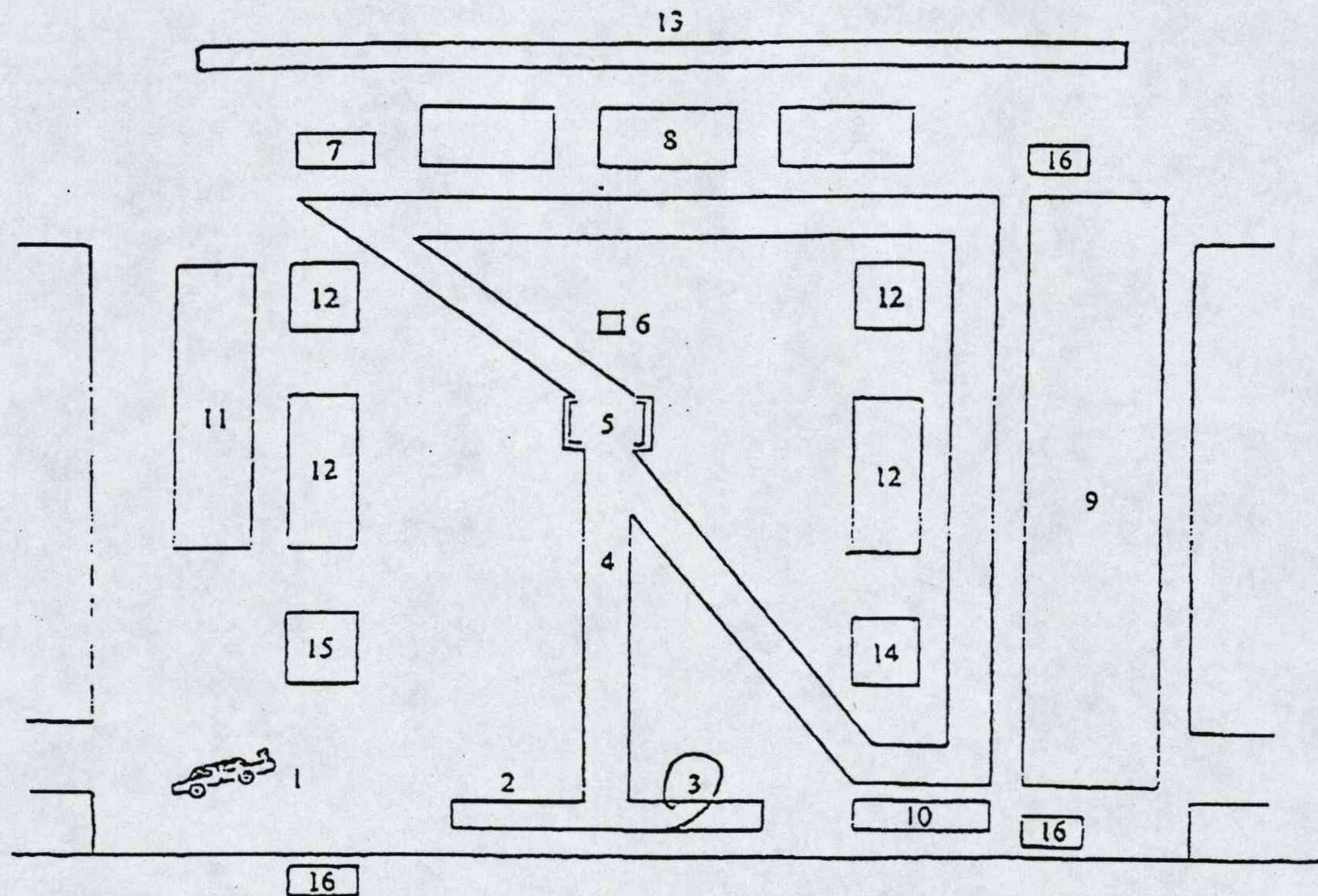
FIRST LINE: HMA, Mrs Galsworthy, Mr Powell, Mr Holmes,  
Mr Campbell, Mr Sprake, Mr Davies, Mr Barton, Mr Cohen

SECOND LINE: Mr Davidson, Mr Everard, Mr Murray,  
Mrs Cleaver, Ms Bishop, Ms Wilson, Mr Johnson, Mr  
Lin, Ms Chesman



# WELCOMING CEREMONY

(In Front of the Eastern Entrance of  
the Great Hall of the People)



## Explanation

- |   |  |
|---|--|
| 1. Place where Guest of Honour gets off limousine and is met by Chinese leader presiding over the ceremony and where bouquets are presented by children | 9. Military Band of Chinese People's Liberation Army |
| 2. Senior Chinese officials   | 10. Members of Embassy of guest country in China     |
| 3. Entourage of Guest of Honour   | 11. Parking point of the motorcade                   |
| 4. Red carpet   | 12. parterre   |
| 5. Dais   | 13. Red flag holders                                 |
| 6. Commander of Guard of Honour   | 14. National flag of guest country                   |
| 7. Army flag  | 15. National flag of China                           |
| 8. guard of Honour of the Three Services  | 16. Press  |



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

FLOODS IN CHINA

Points to make

- Greatly saddened to hear of appalling floods. Deepest sympathy for loss of life and devastation caused.
- Glad we have been able to provide help through Red Cross (for medicines, food and water purification supplies) for relief work.
- Aware major rehabilitation effort now needed. Glad to support initiatives by two British agencies:
  - Project Hope working with Air China and Red Cross Society of China to airlift and distribute £3 million of drugs and medicines contributed by British and American pharmaceutical companies;
  - Save the Children (SCF) to help rebuild eleven primary schools in Anhui province.
- Understand World Bank preparing special rehabilitation credit. In touch with them to see whether we can help with this.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

CHINA AND THE INTERNATIONAL FINANCIAL CRISIS, G7/8 ISSUES

Points to make

- As I said in my letter to you in August, UK greatly appreciates China's responsible and positive economic policies in face of international financial crisis. Especially maintenance of stable Renminbi. A crucial contribution to the restoration of stability in the region.
- A number of lessons are already clear, particularly the need for sound financial systems as a precondition for capital account liberalisation.
- Understand China's prudent approach to capital account and foreign exchange liberalisation. But for sake of China's own development, ultimate goal must be to welcome capital, and to move ahead rapidly to put necessary pre-conditions in place.
- How is Chinese financial sector reform going? UK supports moves to improve regulations. We are looking forward to visit by Chinese regulators in November. Also delighted to offer training to strengthen financial sector in China.
- Crisis also highlights:
  - i) the importance of transparency and openness,
  - ii) the need to resist pressures for protectionism, and
  - iii) the need to ensure that the international community has the means to respond effectively to acute liquidity crises.



- Note that, despite the recessions elsewhere in Asia, growth in China remains stronger than in most countries. This is creditable performance.

- Know that Gordon Brown is looking forward to further discussions when Chinese Finance Minister comes to London for the first Sino-UK financial dialogue in November.

(if raised)

- Very much share China's concerns about Japan. The key is for Japan to take the necessary action to stimulate demand and reform its financial sector, and restore confidence in its economy. Have made this point to Obuchi.

#### China and G7/8

- As G7/8 Presidency, keen to make group more outward looking, and take views from other key players. Have very much appreciated our exchanges of view, eg before and after Birmingham Summit.

- Hope that we can continue to share views, and to work together at IMF and World Bank and elsewhere on reform of the international financial system.

[If special G7/8 economic summit raised]

- Discussing this among our G7/8 partners. Too early to say if this will take place.

(If more formal role for China in G7/8 is raised)

- Vital for G7/8 to consult key non-G8 nations, such as China. Think this is best done in existing international fora.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

HUMAN RIGHTS

Points to Make

- Welcome positive steps, eg undertaking to sign [or, if signed on 5 October, - Welcome signature of] the International Covenant on Civil & Political Rights, visit by the UN High Commissioner for Human Rights (Mary Robinson), agreement to forward Hong Kong reports under the International Covenants to UN.
- Look forward to early ratification of the International Human Rights Covenants. Hope you will keep reservations to a minimum.
- Concerns remain, including cases of individuals and Tibet. Our officials discussed these in detail recently. Understand your officials will respond soon with further information on list of individuals.
- Welcome growing cooperation on legal reform, training of judges etc. British Law Week a good demonstration of this.

Tibet

- Welcome President Jiang Zemin's willingness to speak publicly on this during President Clinton's visit in June. Recognise sensitivity.
- Dalai Lama a respected religious leader. Hope China can begin a dialogue with him soon, to find a lasting solution. Northern Ireland demonstrates possibilities of real progress through dialogue. Erection of pre-conditions not helpful.
- (Defensive) - If Dalai Lama visits the UK, cannot rule out meetings with senior British figures.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

HONG KONG

Points to make

- Encouraged by developments over the last fifteen months in Hong Kong. "One country, two systems" is working well.
- This reflects great credit on UK/China cooperation to achieve a smooth handover, on Chinese leadership to ensure "one country, two systems" works in practice, and on SARG.
- Welcome fact that Hong Kong has been able to exercise the autonomy promised in the Joint Declaration.
- Where we have had concerns, we have made these clear in a constructive and positive way. You know our views on the electoral arrangements.
- We welcome fact that elections have been held with such a high turn-out, demonstrating the desire of Hong Kong people to participate in democratic process.
- Look forward to continuing development of democracy in Hong Kong and the attainment of the ultimate goal of a legislature elected entirely through universal suffrage, as provided for in Basic Law.
- We have strongly supported Hong Kong Special Administrative Region Government's (HKSARG) robust commitment to defend the HK/US dollar peg - a contribution to regional and global financial stability. Your continued support for the SARG's actions and independent economic management has been crucial. We have confidence in Hong Kong's institutions and the fundamentals of its economic system.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

DEFENCE RELATIONS

Points to make

- Keen to strengthen our bilateral defence contacts and pursue a programme of senior military visits including ministerial-level exchanges.
- Secretary of State for Defence hopes to visit China in 1999.

Argus 2000 Airborne Early Warning System

(if raised)

- HMG has recently renewed authority for GEC-Marconi to promote this sale.

(if pressed)

- will give earliest consideration to export licence once agreement is reached.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

OVERALL BILATERAL RELATIONSHIP

Points to Make

- Delighted to be here to return your visit and follow up our discussions in April. My first visit to Beijing for 10 years.
- Believe we have now given real form to the wishes we expressed, in Hong Kong last year and in London in April, for new, modern relationship between UK and China.
- Need now publicly to affirm that new partnership. Pleased that we have been able to agree Joint Statement. Demonstrates range of shared interests and clear strategy for addressing them together.
- High-level visits in both directions have been one demonstration of growing ties. Proposed Inward State Visit will be very important symbol.
- As part of the effort to strengthen ties across the board, and economic/commercial ties in particular, would like to open new Consulate General in Chongqing [*phon: chong ching*]. Hope you can give this early, positive consideration.

UK/China Forum

- Pleased also that we have reached agreement to establish UK/China Forum and have identified Chairmen on both sides to give it the right breadth and stature. (Michael Heseltine well suited: has experience of government and private sector, well respected in UK and strong interest in China).



- Welcome proposal on your side of Song Jian [phon: soong jen] (former Science and Technology Minister). Understand he is eminent scientist, as well as politician.

#### Britain in China

- Britain in China initiative helping to raise our profile in China. Appreciate your support.

(if raised)

#### Kunming Horticultural Exposition

- Very pleased that Edinburgh Royal Botanic Gardens, with FCO and private sector support, will construct a British Garden for the Expo. Understand the importance you place on this event.



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TRADE AND INVESTMENT ISSUES

Points to Make

Airbus

- Would very much welcome China's agreement to become operators of the A340-500/600 [pron: A three forty five hundred six hundred]
- The new A340-500/600 is a major advance for Airbus and, with its new Rolls-Royce engines, will have around 50% UK content. We take great pride in the aircraft which will offer greater economy and be more environmentally friendly than its Boeing rival.

Chemicals

- Hope approval can be granted soon for the (\$2.5 billion) BP joint venture project at Jinshan, Shanghai.
- Pleased that ICI and BASF have plans to construct a world class chemicals plant in Shanghai region. They will submit a formal proposal soon. Hope for rapid approval.

Financial Services

- see separate brief



## Baiyun Airport

- Pleased that the Anglo/Dutch consortium has reached the final round for the design contract for the Baiyun Airport project. Understand that the European bid is favourably viewed by the Selection Committee. Hope that any final decision will be based on the merits of the bids.

## Power Projects

### Three Gorges Hydro-Electric Project

- Alstom pursuing Three Gorges power project. Strong UK commitment over past 3 years. The company is offering the world's most advanced technology.

### The Shandong Projects

- In 1994 Mitsui Babcock were awarded the boiler contracts for projects in Liaocheng (*Lee-ow-chung*) and Heze (*Her-zer*). Hope projects can now proceed quickly.

## National Theatre Project

- One of the UK's most innovative architects, Terry Farrell, has reached the second round of the competition to design the National Theatre. Would be an excellent choice. He is also part of the New Urban Environments Exhibition which I visit tomorrow.

## Mobile Communications

- The UK supports the European Telecommunications Standards Institute's decision to adopt wideband CDMA (Asian equivalent TDD/UTRA). The best standard to support the full range of multimedia service over a wide coverage area. Urge China to adopt this TDD/UTRA-CDMA option.



## Inward Investment

- Understand that raising capital for the domestic market and developing infrastructure must be priorities for China. HMG continues to encourage British companies to invest in China.
- Chinese companies will soon be ready to compete globally, gaining greater access to the EU. Hope the UK will be seen as their natural gateway to Europe. Investing in the UK brings greater access to world class technologies.



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FINANCIAL SERVICES SECTOR

Points to make

- Firmly believe the opening of China's financial services sector will be crucial in developing the Chinese economy - by maximising use of capital and encouraging long-term investment. UK companies can play real part in this - have experience and long term commitment to China.
- Welcomed decision (which you announced to me in April) to grant general licence to Royal and Sun Alliance. Would welcome licence for a UK life insurance company. There are two outstanding candidates who have our full support, Prudential and Commercial Union (CGU).
- We [would] welcome the granting to Standard Chartered Bank of a Beijing branch licence. (Will/Would significantly enhance its ability to develop services here.)
- We wish to see more Chinese companies listing on the London Stock Exchange. London has many advantages to offer Chinese companies seeking to raise capital, including the world's largest international equity market and excellent professional advisers.
- Expertise of UK firms can also help development of Chinese mutual funds.

(If pressed to make single nomination for insurance licence)

- Consider Prudential leading life candidate. Hope categories of Chinese Joint Venture partner can be broadened to include banks.



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AIR SERVICES

Points to make

- Disappointed the MOU on air services has not yet been signed. Hope there will be no further delay.

[OR if MOU signed]

- Welcome signature of MOU on expanded air services.
- The agreement marks a significant step forward in our aviation relations, allowing for the first time services between the UK and Shanghai, as well as an increase in services between the UK and Beijing.
- These additional services will benefit not only passengers, but also our commercial relationship. Shanghai a major centre of British investment.

(If raised)

- The UK has provided the assurances on Direct Airside Transit Visas (DATV), Carrier Liability Act (CLA) debts and Approved Gate Check (AGC) status requested by China. We have acted in good faith; it is now time for the Chinese to do the same.



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DEVELOPMENT ASSISTANCE

Points to make

- Much impressed by China's progress in transforming its economy and eliminating poverty.
- Very glad to offer what help we can. Keen to press ahead with new programme of development co-operation on basis of strategy agreed during Clare Short's visit in June.
- Happy to confirm our agreement to proceed with detailed preparation of three new projects worth more than £30 million, two in the health sector and one in the water sector. Know that officials are already in touch about arrangements for detailed design work. Keen to make quick progress towards implementation of these projects.
- Hope we might do more in field of training. Recognise need for development of new skills, particularly in context of State Owned Enterprise (SOE)/financial sector reform. I shall be opening a seminar on SOE reform during my visit.
- Can also tell you that Clare Short has given Commonwealth Development Corporation authority it needs to invest in China. Corporation has long experience in supporting development of successful commercial enterprise and is keen to follow up possibilities for productive investment here. If this would be welcome also to China, am sure early progress can be made with negotiation of operating agreement.



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TRADE POLICY ISSUES, INCLUDING WTO

Points to Make

WTO

- UK continues to support China's accession to the WTO. Membership will be good for China and good for the global trading community. Hope that next round of multilateral trade negotiations will begin end of 1999 - want to see China fully engaged in process from outset.
- I am not here to negotiate - that is the job of the European Commission. Glad that Sir Leon Brittan and Minister Shi [phon: sher] were able to agree a framework for the next stage of the accession process when they met in Brussels in June; and that since then some progress has been made at the working party in Geneva.
- Still areas where progress needs to be made. Sure that President Santer, and Sir Leon Brittan, will press these points with you.
- Understand such measures need be taken in step with process of internal reforms. Any assistance UK or EU could provide to carry forward domestic reform programme in areas relevant to WTO accession?



## Other Trade Policy and Market Access Issues

### EU Anti-Dumping

- Worked hard as EU Presidency to secure agreement to removal of non-market economy status. This recognises China's progress towards a market economy in anti-dumping cases.

- UK firmly opposed to definitive anti-dumping measures on unbleached cotton fabric. Hopeful this will be rejected by member states. [Or, if rejected on 3 October. glad that this was rejected by member states]

(if raised)

### EU Quotas on Imports of Chinese Non-Textile Products

- Welcome recent abolition of quotas on toys. UK doing its best to persuade Commission and Member States to eliminate/ease remaining 3 quotas. [if pressed] Few Chinese exports to EU affected at time of large bilateral Chinese trade surplus.

(if raised)

### Generalised System of Preferences (GSP)

- Appreciate concern that in some sectors China no longer enjoys GSP terms. Reflects high level of competitiveness of many Chinese products. Products will still be very competitive outside GSP.



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UN ISSUES

Points to make

Security council issues

- As permanent members, keen to work closely with China on the Security Council agenda. Hope soon to hold next round of senior official level talks on UN issues.
- Current UK priorities include Iraq, Kosovo, Lockerbie.
- Important to ensure Iraq resumes cooperation with UNSCOM and IAEA. Willing to discuss in detail Secretary-General's ideas for a comprehensive review only once they have done so. Council unity on this important. Iraq should not be led to believe it need not comply with SCRs.
- Situation in Kosovo manifestly a threat to international peace and security. Pleased that Council has recognised so in recent SCR. Essential that Milosevic end repression, cooperate fully with humanitarian dialogue and commits himself to meaningful dialogue.

Security Council enlargement

- Overwhelming support amongst UN membership for reform of Security Council. Important that P5 respond to that tide of opinion. An enlarged Council, with better representation on the Council for the developing world, would have enhanced authority and legitimacy.
- But important that enlargement of the Council should not jeopardise its efficiency and effectiveness.



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NON-PROLIFERATION/ARMS CONTROL

Points to make

- Particularly important following South Asian tests that the Nuclear Weapon States demonstrate common commitment to nuclear-weapon free world. Prospects for early ratification of Comprehensive Test Ban Treaty?
- Delighted Conference on Disarmament in Geneva able to agree this year to establishment of an Ad Hoc Committee (AHC) to negotiate a Fissile Material Cut-off Treaty; look forward to re-establishment of AHC in January. P5 coordination on this issue before then would be useful.
- Believe also that we can make progress in other areas. Hope you will support starting work on anti-personnel landmines at the Conference on Disarmament, and that in time you will accede to the Ottawa Convention.
- We attach great importance to regular consultations with China on arms control and non-proliferation. Understand our experts propose to meet in London shortly for talks.

Chemical Weapons Convention

(if raised)

- UK firmly committed to the elimination of all chemical weapons.
- UK aims to secure full and effective implementation of Chemical Weapons Convention. Demarches were carried out on non-States Party under the UK Presidency of the EU to encourage global accession to this important Convention.



### Biological Weapons Convention (BWC)

- Strengthening BWC a high priority for the UK and our EU Partners. Believe we can and should aim to complete substance of negotiations in 1999.
- Welcomed the Sino/US joint statement of 25 June in support of further accelerating the efforts to strengthen the BWC.
- Hope China will support the call for schedule of intensified meetings of the Ad Hoc Group in 1999.

### Weapons of Mass Destruction (WMD)

- Export controls are one vital element in tackling proliferation. Not simply a matter of adhering to commitments to regimes, but part of the broader commitment to preventing proliferation of WMD.



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INDIA/PAKISTAN

Points to make

Nuclear

- Welcome Chinese participation in Task Force.
- Welcome Pakistani and Indian indications that they will sign CTBT; but these do not go far enough. Important to maintain pressure on both countries to sign and ratify as soon as possible.
- Also need to move both countries on other non-proliferation steps.
- Concerned that neither India nor Pakistan have systems in place to manage nuclear tensions. Will encourage them to develop mechanisms to control tensions. Encourage China to convey similar message.

India/Pakistan

- Welcome meeting between the two Prime Ministers at New York. Important to keep up pressure on both sides to achieve early results.

Kashmir

- Key issue for India and Pakistan. Encouraging both sides to address it positively in bilateral dialogue.



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ENVIRONMENT

Points to make

Climate Change

- Environment higher priority than ever before in both our countries. Care for the environment is not the enemy of growth but fundamental to it. Know John Prescott was struck during his visit in July by your determination to deal with environmental problems.
- We both have key role to play in international environment negotiations which will figure increasingly prominently in world affairs, especially those on climate change.
- See great scope for further UK involvement in environmental protection in China, eg energy, water, through both official and private sector activity. On international issues, delighted at informal climate dialogue agreed with John Prescott, and productive bilateral discussion between officials last month in Peking.
- Climate change is one of the key problems facing humanity. Need to ensure climate negotiations keep moving forward. Agree that developing countries should not be asked to take on early commitments. Hope at Buenos Aires we can concentrate on areas where progress is possible, and leave more difficult issues for later. Hope you will work with us in encouraging a pragmatic approach.

Environmental Cooperation

- Practical cooperation on environmental protection in China one of the core priorities of new DFID programme.



- UK private sector too is well placed to assist China with its plans to improve the environment, adopt cleaner technologies and develop renewable energy. Clean Coal Seminar tomorrow should highlight some new opportunities.

- UK has strength in a wide range of environmental sectors.



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DRUGS/MONEY LAUNDERING

Points to make

- Share your concern at drugs production in Burma. Understand you are developing cooperation with Burmese on drugs. How successful are your efforts?
- Pleased that Leaders endorsed action to cooperate against drugs at ASEM 2. Would welcome your ideas on how to take forward action.
- Pleased that China will benefit from the anti-money laundering initiative agreed at ASEM 2. Hope that China can play an increasingly active role in the Asia-Pacific Group on money laundering which is involved in the ASEM initiative.



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ASEM FOLLOW-UP

Points to make

- After successful ASEM 2 in April, UK keen to keep playing leading role.
- Follow-up progressing well. Good European response to Asian wish for high-level missions to region to look at investment.
- ASEM Trust Fund now operational. UK has committed £5 million, other Europeans have made pledges. Hope China will contribute.

(if raised)

- Interested to hear your plans for Ministerial meeting on Science and Technology.



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BURMA

Points to Make

- Must be in China's interest to have a stable and prosperous Burma. UK believes this only possible through sustained dialogue between State Peace and Development Council (SPDC) and National League for Democracy (NLD). Can China press SPDC to enter into serious dialogue with NLD, and come to some political accommodation?



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TAIWAN

Points to Make (defensive)

- Our position is well known to the Chinese Government and is set down in the 1972 agreement (ie we acknowledge the position of the Chinese People's Government that Taiwan is a province of the People's Republic of China).

- We have healthy trade and cultural relations with Taiwan. This in no way affects our formal position on Taiwan's status.

(if pressed)

- We do not have official contacts with Taiwan which would be at odds with our formal position. We will continue to exchange visits of a trade or cultural nature.



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FLOODS

Background

1. The severe flooding which has affected China since mid-June abated with the end of the rainy season in early September. But the massive task of reconstruction remains. This has been the worst flooding since 1954. Official Chinese figures put the death toll at just under 4000. (Officials have attacked foreign media reports giving figures three times higher.) 123 million hectares across the country have been completely flooded, almost 5 million homes have been destroyed, and 223 million people affected in some way. Direct financial losses have been officially put at US \$20 billion.
2. The Chinese media has highlighted the role of the People's Liberation Army (PLA) in fighting the floods. The authorities have, however, admitted that corruption and excess logging contributed to the scale of flooding across the country. Plans have been announced to invest in tree planting and soil protection in the upper reaches of the Yangtse River and to clamp down on illegal logging operations.
3. China does not normally issue appeals for assistance with disaster relief and rehabilitation. But the Government welcomes assistance offered. In the present case, an international appeal was launched by the International Federation of Red Cross and Red Crescent Societies (IFRC) in support for the Chinese Red Cross. DFID contributed a total of £400,000 for medicines, food and water purification tablets. Britain was among the first bilateral donors to respond to the original US\$2 million appeal.
4. The Chinese Government have now sanctioned a major UN appeal for further international assistance. In the short-term there are continuing threats of illness and disease caused by shortages of food and pollution of water supplies. DFID has so far approved support for two initiatives by British NGOs. The first involves the supervised distribution by Project Hope (to which DFID is contributing £50,000) of £3 million of drugs and medicines contributed by British and American pharmaceutical companies. The second is the rebuilding by Save the Children (SCF) of eleven primary schools in Anhui province. DFID is meeting the £160,000 cost of the project. DFID are also considering what further assistance they can offer.

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CHINA AND THE INTERNATIONAL FINANCIAL CRISIS, G7/8 ISSUES

Background

China and the International Financial Crisis

1. You sent a message to Premier Zhu Rongji on 3 August about the international financial crisis, (it had proved impossible to reach him by telephone).
2. Although it is a large and relatively closed economy, China has not completely escaped the effects of Asia's financial crisis. Output is expected to grow this year by over 5%. But growth will be far lower than recent years, and almost certainly below the 8 percent target to which the authorities are committed.
3. The government has responded to the slowdown with a fiscal stimulus package and lower interest rates, but the effects will take time to materialise. The domestic reform programme is progressing, albeit more slowly than Zhu Rongji might like. (See supplementary Economic Background Note).
4. China has made an important contribution to global attempts to manage the Asia financial crisis. For example, it has provided substantial financial support to its Asian neighbours:
  - . through contributing more than its fair share to the exceptionally large IMF rescue packages;
  - . through supplementary bilateral loans (in the cases of Thailand and Indonesia);
  - . and in the form of aid (to Indonesia).
5. More importantly, it has maintained currency stability throughout the crisis. China's currency, the Renminbi, has been protected from the recent international financial market turmoil by strict capital and exchange controls. (The authorities are committed to retaining capital controls until their financial system has been reformed.) A devaluation would likely trigger a further round of currency instability and competitive devaluations in the region. And it would add to pressure on the Hong Kong dollar peg. Zhu Rongji is keenly aware of these points.
6. China's exports in May fell year-on-year for the first time in 22 months. But China's external position remains relatively strong: China is actually increasing market share for its exports. Imports have also fallen. So China's current account remains in surplus and its foreign exchange

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reserves are large.

7. The Chinese authorities have received considerable international kudos for their commitment not to devalue and has used every opportunity to call on Japan to sort out its domestic problems, arguing that the main factor risking a Renminbi devaluation is continue depreciation of the Yen.

#### **Ethnic Chinese in Indonesia**

8. China did not initially react strongly to the attacks on ethnic Chinese in Indonesia, stating only that ethnic Chinese were the responsibility of the Indonesian authorities. This was in line with their principle of non-interference and their wish not to stir up doubts about the loyalties of overseas ethnic Chinese. However, in August Foreign Minister Tang Jiaxuan called for Indonesia to take forceful measures to safeguard the rights of ethnic Chinese and Chinese nationals. Later that month a public protest took place outside the Indonesian Embassy in Peking - the first such protest on a foreign policy issue permitted in China since 1989. This was a mark of China's concern at Indonesia's failure to take effective measures. It may also have reflected a wish not to be left behind by with Taiwan (which had made vociferous protests).

#### **UK/China Financial Dialogue**

9. The first Sino-UK financial dialogue will be held in London in November. The Chinese delegation will be led by the Finance Minister, supported by the Deputy Governor of the People's Bank. The agenda will cover developments in the UK and China and international issues.

#### **China and the G7/8**

10. You may wish to take this opportunity to draw the Chinese into the G7 debate on reform of the international financial system, as part of our effort to involve emerging market countries in the discussion. We favour involving China in a process of 'G7 plus' groupings which we hope will take forward the ideas set out in your New York Stock Exchange speech. We are less keen on the US-inspired G22, which we do not wish to see institutionalised.

11. As part of our 'outreach' effort to involve non-G8 countries more in G8 discussions, you wrote to Zhu Rongji, among other key non-G8 leaders, on 16th April and 5th June. The Chinese were grateful for the contact.

12. We should avoid offering the Chinese any further integration into the G8 structure beyond any 'G7 plus' network. We would need to agree any move towards Chinese membership of the G8 first with G8 partners, and be sure that Chinese involvement would not undermine the like-minded nature



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of the G8. In any case, it is not clear that the Chinese would welcome any suggestion of a more formal relationship: apparently they rejected an approach on this subject in the run-up to Clinton's visit (they do not wish to undermine their status as champions of the G77 and they do not wish to follow Russia's unseemly scramble aboard the G8 wagon).

#### Special G7/8 Summit

13. G7 Sherpas discussed the global financial situation on 28-29 September. There was general support for a special G7/8 summit to consider reform of the world system, with only Germany opposed (though the German Sherpa emphasised that he had not yet consulted the new Government). But Sherpas were cautious about calling a summit without a clear idea of what it might decide or the process it might launch, and stressed that we needed to find a formula for involving non-G7 countries. Sherpas agreed that G7 Finance Ministers would discuss this further in Washington on 3 October, after which the Chancellor will put a recommendation to the Prime Minister, for discussion with G7 partners. If a summit did take place, likely timing is mid-November. But we are unlikely to have a firm decision on whether this will happen during the Prime Minister's visit, so he should take a non-committal line in response to enquiries.

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HUMAN RIGHTS

Background

1. Historically China has paid scant attention to human rights. As China opened up, and as human rights rose up the international agenda, the 1989 Tiananmen crackdown and subsequent repression (including in Tibet) focused concern on China.

2. Since 1989 Chinese behaviour has been criticised by Western Governments, media and NGOs. Chinese reaction was initially to hunker down, seeing a Western conspiracy to destabilise the Communist regime (following the fall of Communism in Europe). Several governments, including HMG, sought constructive engagement (dialogue on legal issues etc) whilst also joining annually in support for critical Resolutions at the UN Commission on Human Rights (CHR), which were always defeated by China's G77 friends. This annual ritual had become increasingly pointless.

3. Following the collapse in 1997 of EU consensus on the China resolution at the CHR, we initiated a bilateral human rights dialogue with China. Two rounds of talks have taken place, the last in September 1998. The Chinese have demonstrated a welcome willingness to discuss our concern openly. Issues addressed during the last round include religious freedom, widespread use of the death penalty, Tibet, the cases of individuals and practical cooperation in support of China's legal reform process. The next round of dialogue will be held in the UK spring 1999, followed by a further round in China next autumn. The EU also resumed its human rights dialogue with China in 1997, and meetings now take place once per Presidency.

4. Since 1997, China has taken several positive steps which will see its greater cooperation with UN human rights mechanisms. These include:

- Signature of the International Covenant on Economic Social and Cultural Rights (ICESCR) in October 1997.
- Announcement that it intends to sign the International Covenant on Civil & Political Rights (ICCPR) in October 1998. [See also para 6 over.]
- Receiving the first ever visit to China by the UN High Commissioner for Human Rights (Mrs Robinson) in September 1998.
- Agreeing to transmit reports on Hong Kong under the International Covenants (a major UK objective).

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5. The ICESCR was submitted to the National People's Congress for ratification at the end of June. It is still being considered. China has not yet revealed what reservations it will attach to the Covenant, but they can be expected to have difficulty with eg. articles relating to freedom of determination and the right to form trade unions.

6. There are now indications that the Chinese may sign the ICCPR on 5 October. The Chinese have already trailed this, and we cannot claim sole credit. But signature could be a positive step (and one for which we have pressed hard).

7. During the two rounds of UK/China dialogue lists of individual detainees have been raised with the Chinese. Two of those listed have been released (Wei Jingsheng/Wang Dan), and limited information provided on the well being of the others.

8. Mrs Robinson made the first visit ever to China by the UN High Commissioner for Human Rights (6-15 September). During her visit, which included two days in Tibet, she signed a Memorandum of Intent for the development of practical cooperation with China.

9. DFID currently support practical cooperation programmes for the training of Chinese lawyers and judges. At the September round of UK/China dialogue, agreement, in principle, was reached to expand this cooperation into the fields of anti-corruption, prison supervision, protection of witnesses, presentation of evidence and training of prosecutors.

#### Tibet

10. The human rights situation in Tibet remains a cause for serious concern. This was underlined by recent reports of deaths during protests at the prison in Lhasa visited by EU Troika Ambassadors in May.

11. President Jiang Zemin demonstrated a new willingness to respond publicly on the issue of Tibet during President Clinton's recent visit to China. However, the question of negotiations with the Dalai Lama remains deadlocked with the Chinese seeking unequivocal recognition from the Dalai Lama that Tibet (and Taiwan) are an "inalienable part of China" before talks can commence. The Dalai Lama wrote to the Foreign Secretary in September asking the Prime Minister to raise the issue of negotiations during his visit. He reiterated that he was not advocating independence for Tibet. Lionel Jospin raised Tibet with President Jiang Zemin during his visit to China in September.

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12. EU partners are in the process of agreeing internal guidelines for a common policy on Tibet, stemming from the report of the visit to Tibet by the EU Troika Ambassadors, a UK Presidency initiative. A core element of the EU policy will be to encourage China to enter into dialogue with the Dalai Lama. It has been the long-standing policy of successive British governments to encourage such a dialogue.

13. The Dalai Lama is expected to visit the UK in May 1999. During previous visits he has met senior members of the Royal Family and of previous Governments, including the Prime Minister in 1991. The Chinese protested then and will do so again if such meetings are arranged next year. But we must make clear that he is welcome to visit the UK and to meet senior personalities.

14. The Chinese are especially sensitive to British attitudes towards Tibet. We invaded Tibet in 1904 and were later seen to have encouraged greater independence there. We still do not recognise full Chinese sovereignty there (alone among the international community). The Tibet lobby in the UK is particularly active.

**General**

15. The Prime Minister should be aware that some parts of the media will recall Mr Major's 1991 visit to Beijing when they detected a difference of view between officials and Ministers on whether to emphasise human rights concerns to Chinese leaders. Chris Patten's views on handling China (in his book "East and West"), in which he advocates a more hard-nosed approach to Chinese unreasonableness in negotiation, and disparages the value of high-level business delegations visiting China, may also colour the media's attitude.

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HONG KONG

Background

1. China shares our general vision of "Hong Kong as a bridge, not a barrier", but is sensitive to any suggestion that we might exploit our former status as sovereign to "interfere" in Hong Kong. (This accusation was levelled against the Consulate-General (CG) in May, after CG staff had requested meetings with candidates in the Legislative Council elections.) Nevertheless, the atmosphere over Hong Kong has improved considerably since the handover: the most recent meeting of the Joint Liaison Group was particularly constructive and uncontentious.
2. Beijing has scrupulously observed Hong Kong's high degree of autonomy in its dealings with the Special Administrative Region Government (SARG), showing that the concept of "one country, two systems" works in practice. They have strongly supported the SARG's economic policy decisions, but have not interfered in the policy process. In the longer term, the Central People's Government's (CPG) role in the Hong Kong Special Administrative Region (HKSAR) may not be so benign, and a greater degree of influence (eg over the media and the executive process) could still be long term aims. This should not be over-stated, but we should keep the CPG on its toes and continue to urge it to maintain its policy of non-interference.
3. Elections to replace the Beijing-appointed provisional legislature were held on 24 May, and drew a record turn-out (53% of registered voters). The democratic camp won almost two-thirds of the popular vote, but under the carefully constructed electoral rules, gained only one-third of the sixty seats. We have welcomed the high turn-out as evidence of Hong Kong people's commitment to and interest in the democratic process. The CPG are clear on our dissatisfaction with aspects of the electoral arrangements: in particular, the sharply reduced franchise in the functional constituencies, from which representatives of various business and professional groups are elected.
4. The Basic Law provides for the possibility of a legislature elected entirely by universal suffrage, some time after 2007. The SARG are adamant that this timetable will not be brought forward. We too are cautious about amending the Basic Law to allow for faster democratic development. This could prove a Pandora's box. But we have expressed publicly the hope that Hong Kong will move as rapidly as possible towards the goal of full universal suffrage.

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5. Hong Kong has been suffering from the effects of the Asian financial crisis since last autumn. In the two weeks to 28 August, the SARG used an estimated US\$10 billion to acquire shares in the Hong Kong stock market. They succeeded in pushing up share prices by around 20%. This frustrated an attempt by some foreign hedge funds to profit from a simultaneous attack on the Hong Kong currency and stock market. This was followed by a series of regulatory measures to discourage market manipulation. The underlying aim of this intervention was to strengthen defences against currency speculation in order to maintain the HK/US dollar peg.

6. Hong Kong may, in the longer term, pay a price for this, in terms of damage to its international reputation as a free and open market. Many issues relating to the SARG's shareholding and the possible granting of powers to the executive to issue directions to the exchange in the times of emergency remain unresolved, and have caused concern on legal and practical grounds. At a time of economic downturn, particularly in the services sector, there are concerns that such intervention in the future could deal a further blow to the economy. The community as a whole, including the banking and business sector, has nevertheless rallied behind the Government. While not condoning the principle of market intervention, we have supported the SARG's robust commitment to defend the currency peg; and our understanding for the reasons which led the Government to contemplate such unprecedented intervention. The CPG, while making clear that the decision to intervene was made under the SARG's considerable autonomous powers in economic matters, has publicly supported their actions.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

DEFENCE RELATIONS

Background

1. Our ability to develop a meaningful defence relationship with the Chinese is tempered by their continuing reluctance to be more open in their dealings with us. The UK is not alone in facing this problem. Our approach has been to increase defence contacts in a balanced and measured fashion, in order to encourage the Chinese military to be more open in their dealings with us. We also aim to expose the Chinese to UK defence policy and military thinking in order to promote confidence building. Human rights concerns and arms sales and technology transfer issues also constrain the pace of any increase in defence contacts.

2. The Secretary of state has been invited to visit China and it is hoped that this will take place in 1999, possibly in May. A number of visits to China by Single Service Chiefs are also scheduled to take place over the next 18 months. On the inward side, we hope the Chinese Navy Chief will be able to visit early next year.

Airborne early warning system (AEW)

3. GEC-Marconi Avionics are pursuing a contract for 6 ARGUS 2000 Airborne Early Warning Systems. The contract value would be in the region of £300mn. It would create 200 jobs at GEC's Edinburgh plant and about 200 others elsewhere in the UK for at least seven years. The Government has recently renewed GEC's form 680 clearance to promote the sale. But no Export Licence Application has yet been submitted.

4. Negotiations resumed on the deal in August 1998 after a lengthy hiatus. There remain major differences between the two sides on price, and other contract details. The Chinese wish to include a stipulation in the contract that they should get all their money back if at any state HMG revoked an export licence. Overall, however, GEC are encouraged by an apparent Chinese willingness to compromise on performance criteria in order to reach a deal.

5. If the question of export licences is raised, we would wish to express support for the project, without giving any commitment on whether an export licence will be issued. We should also avoid being drawn on the prospects for revocation of licences.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
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OVERALL BILATERAL RELATIONSHIP

Background

1. We have had a full calendar of high level visits to China this year. The Foreign Secretary, the President of the Board of Trade, Deputy Prime Minister, Development Secretary and the then MAFF Minister have all visited. The Defence Secretary, Education Secretary, Culture Secretary and the Lord Chancellor have plans for 1999.

Joint Statement

2. The Chinese were keen to agree a Joint Statement to set the seal on our new relationship. They set considerable store by such symbolic declarations. (In 1997 they issued joint declarations with the French, Russians and the US.) In negotiating a statement, we have tried to minimise rhetorical flourishes and focus instead on the need for a constructive, practical document. We have had to make some compromises - negotiations focused particularly on the passages on human rights, WTO and the environment. The Chinese also pressed hard for inclusion of language on Taiwan. We resisted this. The finally agreed draft is acceptable in UK terms and should have some beneficial effect within the Chinese system.

Inward State Visit

3. During his visit to China in July, HRH The Duke of Gloucester conveyed an invitation to President Jiang Zemin to pay a State Visit to the UK in the second half of 1999. HM The Queen has agreed that announcement of the invitation should be made during your visit. Jiang Zemin has welcomed the invitation. We are aware that he would prefer to visit in the first half of 1999. We have made it clear that this will not be possible. (We have already brought the invitation forward from 2000, bumping the Hungarian President.)

New Consulate General in Chongqing

4. FCO Ministers have now endorsed proposals to open a new 4th Consulate General in Chongqing in Western China. We now wish to put this to the Chinese, who would need to give their agreement. The principal focus of the new Consulate General would be commercial. Its presence would help to strengthen UK commercial ties with Chongqing (one of 4 Chinese cities) with provincial status, and with Western China more widely. This would be in line with the Chinese Government's wish to promote economic development and foreign direct investment in this region. We propose to offer the Chinese a Consulate in Cardiff in reciprocity.

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### UK/China Forum Proposal

5. The Chinese have now agreed to our proposal for a top people's forum (along the lines of the UK/Japan 2000 Group). There is support for this proposal in the UK from outside government (business, academic and NGOs). We have been concerned to identify a Chairman on the UK side who has high standing in the UK and in China and who will prompt the Chinese to come up with an influential Chairman on their side. The Rt Hon Michael Heseltine MP has recently agreed to take on the role. The Chinese are aware of this informally, and are pleased with the choice.

6. On their side the Chinese are likely to propose former Minister of Science and Technology Song Jian. We consider Song to be a more than acceptable candidate. While his ministerial rank was not as high as Mr Heseltine's, he remains a high level figure in the Party and retains a political role as Vice President of the National Committee of the Chinese People's Political Consultative Conference. He has fairly wide international experience both in the scientific field (where he is a genuine expert) and on environmental issues. Most importantly he should have the breadth of interest and influence to draw in a wide range of serious participants on the Chinese side. He also speaks good English.

### Britain in China 98

7. The "Britain in China 98" initiative was launched by the then President of the Board of Trade during her visit in January. It is supported by FCO, DTI, British Council, China-Britain Business Council and British Chambers of Commerce in China). The aim has been to make the most of the improved atmosphere in bilateral relations and of the full programme of Ministerial visits and British business and cultural events in 1998 by linking them under a common PR campaign. DTI and FCO covered start-up costs.

(if raised)

### Kunming International Horticultural Exposition

8. The Chinese will host the International Horticultural Exposition in Kunming, Yunnan Province, from May to October 1999. An invitation to the UK to participate was sent at Prime Ministerial level in 1996. The Chinese have since raised the subject on numerous occasions, including at the highest levels.

9. We have now agreed to participate. With FCO and private sector funding, the Royal Botanical Gardens in Edinburgh plan to create a British Garden for the Exposition. The Chinese have welcomed this decision.



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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
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UK/CHINA TRADE AND INVESTMENT

Background

1. You wrote to Premier Zhu Rongji on 22 September flagging up our priorities for new commercial cooperation.

General

2. UK direct exports to China in 1997 (Jan-Dec) were £920.3 million - a rise of 25% on 1996. In addition UK exports to China via Hong Kong rose from £732 million in 1996 to £766 million in 1997. Thus total exports to China, direct and indirect, in 1997 were c.£1,686m. There was a fall of 0.5% in direct exports in January-July 1998. This compares extremely well with the UK's performance in other Asia Pacific markets where the fall in exports has been much steeper following on from the regional financial crisis.

3. The UK's export performance is less strong than that of our main European competitors. German direct exports to China in 1997 were over four times the UK's, French exports over twice the UK's, and Italian exports 50% higher. The UK's direct visible trade deficit with China has grown rapidly in recent years from £32 million in 1996 to £1574.7 million in 1997.

4. UK industrial capabilities fit well with China's priority sectors: transportation, telecommunications, power generation, agriculture and food processing. Traditionally, UK exporters have been strongest in supplying equipment for China's infrastructure projects and its expanding manufacturing industry, but, as the Chinese economy has developed, a wider range of opportunities embracing China's emerging consumer market, the environmental and pollution control sector and the banking and financial markets are opening up. Despite the general economic downturn in the region, China continues to maintain reasonably strong growth rates and remains committed to an accelerated pace of reform. This should offer continue good prospects over the next few years for British exporters of goods and services.

5. ECGD's market limit for China is £5bn. There is currently £2bn available to support new business (not for disclosure).

Investment

6. Cumulative pledged investments in China by British companies amounted to US \$11.93 billion by the end of 1996. The UK is now the sixth largest investor in China in the world and the leading European investor. There are now over 1,800 British-invested joint ventures in China. Although the

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largest share of British investment capital comes from industrial giants, a number of smaller, specialist British operators have begun investing in China.

**Trade promotion**

7. The China Britain Business Council (CBBC), a British Overseas Trade Board (BOTB) area advisory group, is the principle vehicle in the UK for the promotion of business with China. The CBBC has offices in London and Glasgow and five offices in China (Beijing, Shanghai, Guangzhou, Wuhan and Chengdu). Following a recent review of China trade promotion, the CBBC (formerly the China Britain Trade Group) is being overhauled to make it more responsive to the needs of business. It will develop a programme to raise awareness among business in the UK, focusing on priority sectors and on preparing appropriate small and medium sized enterprises for the market. Sir Charles Powell became President of the CBBC in September.

8. There are also five DTI Export Promoters covering China.

**Britain in China**

9. This was launched during Mrs Beckett's visit to China in January. It was developed through the joint efforts of the British Embassy, the British Chamber of Commerce, the DTI and the China Britain Business Council. Its purpose is to raise awareness within China of the full range of British involvement in China - business, cultural etc. All events and initiatives are now badged under a "Britain in China" logo and the Embassy produces a regular magazine in Chinese to promote the initiative. Feedback indicates very positive Chinese reactions to the logo and the aims of the initiative. Although initially planned only for 1998, the initiative will now be rolled forward.

**Airbus**

10. Airbus and Rolls-Royce hope your visit to China will allow for the signature of a sale of the new Airbus A340-500/600 only available with Rolls-Royce engines. The Government has invested £323m in this aircraft. We will receive a levy on each aircraft and engine sold.

11. The A340-500/600's four engines allow it to fly further over water than its Boeing 777 rival. The A340-500 will be able to fly three separate non-stop routes from China to New York with full payload. Airbus already have 120 commitments from nine operators from around the world guaranteeing sales for the first two years of production, 2002-2004.

12. The industry are hoping to agree during your visit the sale to China of 5-8 Airbus A340-500/600 available from 2004

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and 10 Airbus A321 narrow-bodied aircraft from 2003. This could give a headline figure of US\$1bn. However, it is unlikely that any deal will be finalised until the last minute. The Chinese have expressed concerns about the affects of the Asian financial crisis, the need to divert resources to deal with the floods and the need to concentrate on sustaining the 8% growth target. We have urged them to plan for future growth.

13. Sir Richard Evans of British Aerospace and Sir Ralph Robins of Rolls-Royce will be part of your business group. They wrote identical letters to you on 3 September updating you on progress on promoting sales of A340-500/600 and calling on your support as crucial to a successful outcome. You responded offering your support. Your letter to Premier Zhu (22/9/98) drew his attention to the importance you attach to a sale being agreed during your visit. Noel Foregeard, Managing Director, Airbus Industrie (whom you met in Toulouse), plans to be in Beijing too if a deal is signed.

**Chemicals**

14. Major recent business includes a \$4.5 billion Shell Chemicals/China National Offshore Oil Corporation joint venture project announced in February 1998, and the award to Zeneca of a business licence for its \$110m paraquat project in Nantong (the largest agrochemical joint venture in China) in May 1998. ICI is pursuing a joint MDI (Chemical intermediate) project with BASF in Caojing, Shanghai. BP Chemicals is still seeking approval for a joint venture with Shanghai Petrochemicals to construct a \$2.5 billion ethylene cracker at Jinshan near Shanghai. However BP Chemicals is concerned that it may lose out to competing foreign bids to build ethylene crackers in China, particularly from the USA.

**New Baiyun Airport**

15. The New Baiyun International Airport Guangzhou will have 3 runways and a maximum annual handling capacity of 80 million passengers. It will be constructed in 3 phases between 1999 and 2010 (value £2.3bn).

16. Sir Norman Foster and Partners are bidding with Netherlands Airport Consultants (NACO). are on the shortlist with France and the USA for the design contract. The latest intelligence is that Parsons (USA) may get the terminal design contract. UK companies still hope to get involved with all the other elements of the project.

**Power projects**

17. The Three Gorges is a project to dam the Yangtze River to relieve flooding in the lower Yangtze valley and generate 18,200 MW hydro-electric power. Having won a substantial share of the turbine contract for the Three

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Gorges, Alstom are well-placed to win all or part of the power evacuation/transmission project, valued at £300 million.

18. In December 1994 Mitsui Babcock Energy (MBEL) were awarded a crucial boiler supply contract for two privately-financed power stations (value £230 m). There have been major delays because of the difficulties in putting together an acceptable securities package. The formal signing was in May 1998. The Chinese are delaying final approvals for construction.

### National Theatre Project

19. Terry Farrell is one of only four foreign firms to make the second round of a competition to design Beijing's new National Theatre. The project budget is US \$350M. It is one of the most prestigious in the country. The UK is in with a good chance. Zhu Rongji and other senior leaders will play an active role in the final decision. A push from the Prime Minister to Zhu will show that we are paying attention to this project, and might well help swing it. Decisions will be made in early November.

### Mobile Telecommunications

20. For mobile telecommunication standards, international harmonisation is being co-ordinated by the ITU (International Telecommunications Union). Europe has submitted a wideband CDMA proposal to the ITU for evaluation. The US has submitted three technologies, one of which is the Qualcomm proposal (called "CDMA 2000"). The UK secured agreement of wideband CDMA within Europe. Japan also favours wideband CDMA. China favours TD/CDMA. Clinton raised the US Qualcomm technology during his visit to China. We want to redress the balance by promoting the European decision on wideband CDMA (or the Asian/Japanese equivalent TDD/UTRA). The value of the market for cellular handsets is forecast to be US \$55bn in 2001.

### Other Priority Sectors

#### Automotive

21. An MOU was signed in 1996 for a five year programme of cooperation, including: encouragement of joint ventures and transfer of technology; development of training programmes; identification of major cooperative projects and the establishment of UK/China Centres of Excellence in major automotive centres.

22. Current major projects with UK involvement include i) the design and development of a new diesel engine at First Auto Works (FAW) in Changchun in co-operation with Perkins Engines; ii) the development of petrol engine infrastructure by Yuejing Motors in Nanjing using a Ford UK engine. The formation of a

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successful joint venture between FAW and Perkins depends on the agreement of the Chinese Government. The project would provide a basis for developing a family of engines tailored to Chinese needs for a huge potential market.

### Agriculture

23. There are opportunities for UK companies across the whole of the food chain (eg machinery, chemicals, seeds, biotechnology, livestock husbandry/breeding, horticulture, malting barley, food processing etc). Through a Memorandum of Understanding, MAFF has supported technological projects in China since 1981.

### Telecommunications

24. The telecommunications market in China is essentially closed to foreign operators. Negotiations on China's accession to the WTO have resulted to date in a very poor offer on value added telecommunications services. This is limited to foreign ownership at 25% and only one foreign joint venture operation in Shanghai and Guangzhou.

25. In November 1996, Cable & Wireless (C&W) signed a memorandum of understanding with China setting the framework for co-operation in a number of areas, including development of a direct submarine fibre optic cable between China and the US.

26. In 1997 C&W sold 5.5% of Hong Kong Telecommunications Ltd, a C&W subsidiary, for \$9.17bn to mainland Chinese investment institutions to gain enhanced chances of access to the mainland market. C&W is also reported to have agreed to a further transfer to China of up to 20% of HKT shares in due course in exchange for further unspecified benefits. The Chinese authorities deny promising any privileged access, and C&W were not allowed to participate in the public offer for shares in CTHK.

27. In March BT signed a memorandum of understanding with China Telecom to foster "co-operation and understanding. There is no investment involved. BT is looking at opportunities in China but has no current projects there.

### Inward Investment

28. There are 35 Chinese investments in the UK, mainly in the service and finance sectors. The Chinese Government has encouraged overseas investment: (i) to support a world-wide network of Chinese owned commercial infrastructure enterprises, such as banks and trading companies, and (ii) to secure access to supplies of raw materials. As Chinese industry matures it is also seeking access to new technology

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and to enlarged markets in the West.

29. IBB investment seminars in Beijing and Shanghai in January led to a number of investment enquiries. A third seminar in Guangzhou is scheduled and other marketing activities have been launched to raise the profile of the UK as the natural partner in Europe for Chinese companies. In the short term, there is minimum real opportunity for investment from China into the UK other than from the financial and service sectors. However, given the rapid growth of China and its wish to compete globally, significant potential exists for the future.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER 1998: TALKS WITH PREMIER ZHU RONGJI

FINANCIAL SERVICES SECTOR: MARKET ACCESS ISSUES

Background

Insurance

1. The Chinese insurance market is currently ranked 21st in the world and clearly has massive potential. The market is gradually being opened up to foreign companies. The Chinese have been granting two insurance licences to foreign firms each year. Two licences have already been granted this year, one to Royal Sun Alliance (RSA), the first UK company to win a licence.
2. Prudential, CGU, Standard Life, Eagle Star and Guardian are also active in China. Following RSA's receipt of a non-life licence, Prudential is probably in the lead. It is the UK's largest life insurance company, and we believe that the Chinese preference may now be for life insurers. However, the Chinese have now ruled that the Chinese Joint Venture partner must be an insurance company. We want this to be extended to include banks - not least because Prudential's partner is an arm of the Bank of China.
3. If a life licence is not immediately "on offer", we still wish to lobby for a further licence as soon as possible. If, contrary to expectations, the Chinese express a preference for a non-life insurer, our strongest candidate would be CGU whose Chinese non-life business is much the largest of any UK company.
4. Defensive line on pension mis-selling: Personal pensions were introduced by the British government in 1988 as a means of encouraging labour mobility. In the light of experience, regulators and the industry now have a better understanding of the relative merits of occupational and personal pensions and a number of UK life insurance companies have been asked to review some of their past sales of pension products.

Banking

5. The banking market is only slowly opening up. The Chinese follow a strategy of gradually easing the strict numerical, geographical and business restrictions they still place on banks (for instance, restricting foreign bank branch operations to 24 major cities, limiting local currency business).
6. The ability of foreign banks to engage in local currency business free of operating restrictions and on the same terms as domestic banks is a priority for the UK and EU in negotiations on China's accession to the WTO. We argue that

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liberalisation of banking restrictions would significantly benefit China's future economic growth, helping to attract investment and allocate capital to promising businesses, and raising the level of professionalism and training in the industry.

7. The most active UK banks in the market are Standard Chartered and HSBC, which each have a network of branches. Both were granted licences to set up in Shanghai in 1997.

8. Standard Chartered have been lobbying hard to upgrade their representative office in Beijing to a branch. We have received strong signals from senior central bank and MFA officials that this will be granted during your visit. Standard Chartered have been in China since 1858 and have the largest network of any foreign bank there.

9. Zhu Rongji may ask about Chinese banks in London. The Bank of Communications and the China Construction Bank are keen to upgrade their representative offices in London to branches. This would be difficult at the moment as Chinese accounting and banking supervision standards fall short of international standards. The FSA considers all applications on their merits. In London in April, Zhu Rongji commented publicly that the sooner we assisted China in developing its regulatory system the sooner the sector could be opened. At the invitation of the Bank of England and the FSA, the Deputy Governor of the People's Bank of China will be coming to London in November to learn more about the FSA and our system of regulation.

### Equities

10. The Treasury and then SIB (now FSA) signed a Memorandum of Understanding with the China Securities Regulatory Commission in October 1996, allowing Chinese state-owned enterprises to list in London for the first time. It was the first European country to complete such an agreement. Since then, four Chinese companies have listed on the London Stock Exchange. However, there have been no further listings since September 1997, during which time two Chinese companies have listed on the New York Stock Exchange.

11. During Zhu Rongji's visit to London in April 1998, the Premier stated publicly that he would like to see more Chinese companies listed on the LSE. The London Stock Exchange can offer the largest pool of international investment capital in the world and the most liquid trading market in international equities (59% of the world market).

12. The LSE has MoUs with the Shanghai and Shenzhen exchanges (dating from 1994) and will sign a further MoU with the Shanghai exchange on 8 October to provide a more concrete framework of training and cooperation. In addition, the LSE and Shanghai exchange are co-hosting a seminar on 8 October in

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Shanghai on the development of capital markets, in conjunction with the Chatham House China Task Force group, of UK investment banks.

**Mutual Funds**

13. Five domestic mutual funds have been set up in China this year. UK firms such as Jardine Fleming and Schroders are active advisers in this field, and will seek joint venture mutual fund management licences when they are made available.

**London's Preparations for the Euro**

14. Zhu may ask about this. London will be ready for the euro. Financial firms in London, whatever their nationality, see the euro as a key part of their business and they have been actively preparing for its introduction.

15. The introduction of the euro is a major opportunity for London. London thrives on liquid markets, regardless of currency, and it will thrive on the euro. London's position derives from the critical mass of markets and the concentration of financial businesses based there. It is home to all the professional skills necessary to service the markets. It has a world-class technological infrastructure, which is constantly being updated.

16. London has to continually earn this pre-eminent position. The Bank of England is helping to ensure that the financial infrastructure is in place in London so that on the first day of EMU anyone can trade and settle in euro, whatever the deal. The euro will be a major currency for financing, with significant depth and liquidity. London will be the European and international financial centre for the euro. The City of London is not just a major national asset. It is a major asset for Europe and the international economy as a whole.

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AIR SERVICES

Background

1. In January a UK delegation, comprising officials and airline representatives, negotiated an increase in traffic rights with the Chinese. The agreed Memorandum of Understanding (MOU) provided for:

- the start of a London-Shanghai service (2 services per week (spw) immediately, 4 spw from Summer 2000);
- an increase on the Beijing-London route from the present 4 spw to 5 spw from Summer 1999, and to 6 spw from Summer 2000.

The MOU provided for reciprocal rights on these routes for Chinese airlines.

2. We now look very close to a deal which will allow signature of the MOU during your visit (Signature, by our Ambassador and the Chinese Aviation Minister, would probably take place on 6 or 7 October.)

3. The Chinese withheld their signature to the agreement at the very last moment pending resolution of three "irritants":-

- a) the requirement that Chinese passport holders transiting the UK should hold Direct Airside Transit Visas (DATVs);
- b) Carriers Liability Act (CLA) debts incurred by Air China;
- c) use of the BA designator code on flights to Taipei.

4. After further intensive negotiations at official level, the Chinese declared themselves satisfied with a deal on DATVs and dropped their demand on the Taipei designator. In late June the Chinese agreed that sufficient progress had been made to permit the Deputy Prime Minister to announce the new Shanghai service and the frequency increases on the Beijing-London route during his visit to China. However, the Chinese have continued to delay signature of the MOU, without which the arrangements cannot come into effect.

5. Chinese concerns are now focused on CLA debts and the granting of Approved Gate Check (AGC) status to Air China. Granting of AGC status means that the UK Immigration Service considers that an airline has sufficient document checks in place prior to passengers boarding an aircraft to enable the airline to be exempted from CLA fines for carrying non-documented passengers and, in some circumstances, fines for passengers travelling with forged documents. The Chinese

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have expressed concern that Air China has been granted AGC status only for a six-month period. We have assured them that the initial six-month period is a standard provision that applies to all airlines and that, provided Air China retains its current procedures, AGC status will not be withdrawn. The Deputy Prime Minister has given similar assurances in a discussion with Chinese Aviation Minister Liu in early September and in a subsequent letter. As a result of being granted AGC status Air China has been exempted from virtually all its CLA debts.

(Not to be revealed to the Chinese)

5. The Chinese delaying tactics possibly reflect a desire to defer the introduction of additional services by highly-competitive foreign carriers just as Chinese airlines are having to adjust to the effects of the downturn in Far East economies. UK carriers, on the other hand, remain keen to operate the additional services, although they accept that, in the short term, they are unlikely to be profitable.

7. We were disappointed in January that we were only able to secure 2 spw to Shanghai for Summer 1998, with 4 spw from Summer 2000. Both BA and Virgin want to fly to Shanghai. The 2 spw initial limit will almost certainly mean that the Civil Aviation Authority will have to hold a scarce capacity hearing to determine which airline should be granted the right to fly the route. Once the present agreement is signed, we shall begin pressing the Chinese to allow 4 spw to Shanghai. That would bring us into line with the rights enjoyed by other European countries; Air France, for example, already flies 4 spw to Shanghai. It could also allow both UK airlines to operate services to Shanghai.

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DEVELOPMENT ASSISTANCE

Background

1. The main emphasis of the new strategy for development co-operation with China was agreed during the visit of the Secretary of State for International Development in June. It will focus on:

**Human development** Primarily in the fields of education and health.

**Economic, social and administrative reform** In particular, State owned Enterprise (SOE) reform and financial sector training.

2. The overall level of spending under the bilateral technical co-operation programme (as distinct from residual Aid and Trade Provision (ATP) projects) will be of the order of £30 million over the coming two years.

3. Under the financial sector we are providing up to 225 work attachments in the UK for promising Chinese financial managers. The first participants in the scheme are due to arrive early next year. We are also investigating how we can assist with wider "soft infrastructure" needs, including banking and accountancy training.

4. There will also be support under this heading for selected projects flowing from the human rights dialogue. (See separate brief).

**Environment** (see separate brief)

5. The Prime Minister might wish to refer to the following specific new initiatives:  
co-operation:

(a) approval in principle for three new project proposals in the health and water sectors.

(b) Approval for the Commonwealth Development Corporation to operate in China; and

6. We have recently agreed to proceed with detailed preparation of three substantial new proposals. These are:

- Support for the World Bank's Basic Health Services (VIII) project which will help to improve health services in six provinces and the municipality of Chongqing. The DFID component will provide technical assistance to help ensure that project interventions are effectively managed.

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- Assistance to prevent and control the spread of HIV/AIDS and to improve reproductive health. The project is likely to focus on the provinces of Yunnan and Sichuan.

- A programme to strengthen capacity to tackle a range of technical and institutional issues in the water sector with a view to improving quality of and access to water supplies.

7. DFID officials will press on with detailed project design work in close consultation with Chinese partners. Fully designed projects should be ready for approval by Mrs Short, by the end of the first quarter of 1999.

#### Commonwealth Development Corporation

8. The CDC is the Government's main channel for stimulating the creation and growth of commercial enterprise in developing economies. The CDC have been investigating the scope for investment in China since 1996 and the Corporation's Board has recently sought the approval of the Secretary of State for International Development to operate in China. This has now been given. A number of detailed issues remain to be resolved before an agreement on operating conditions can be signed and it is hoped that the announcement will give the process impetus.

9. The Corporation will wish to move cautiously in developing a programme of investment in China, but sees scope for working with DFID in the poorer provinces in the context of state-owned enterprise reform, and the development of small and medium sized enterprises. Sectors of interest include agro-industry, forestry and infrastructure. The CDC can bring to China valuable experience in enterprise development and has a useful role to play as an ethical investor, encouraging adoption of best practice in areas such as labour standards and the environment.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER 1998: TALKS WITH PREMIER ZHU RONGJI

TRADE POLICY ISSUES, INCLUDING WTO

Background

WTO

1. Progress in China's negotiations to join the WTO has been fitful. The past year has seen a growing conviction among EU and US negotiators that accession is taking second place to the process of internal economic reform and to concerns about the contagious effects of the Asian financial crisis. The Commission has a mandate to negotiate on behalf of the European Union. Recent progress includes a "road map" agreed between Sir Leon Brittan and Shi Guangsheng (Minister of Foreign Trade and Economic Cooperation) in Brussels in June.
2. China has much to gain from membership. Joining the WTO would remove the need for repeated bilateral negotiations with trading partners. And accession before the start of the next round of multilateral negotiations, at the end of next year, would also ensure full Chinese participation at the table. Indeed, recent Chinese concessions in Geneva have been conditional on accession by the end of 1999 (a conditionality which the EU and US reject).
3. Although the start of the next round provides a useful target for accession the gap between Chinese and EU/US negotiators remains wide. At the current rate of progress the end of 1999 appears an over-ambitious target. At the last meeting of the WTO Accession Working Party in Geneva in July it was clear that, while progress had been made in some areas, much work had still to be done. The Commission has been pressing for an average tariff level of 7% but the latest Chinese offer is around 11% with the additional problem of major peaks (up to 15%) and exceptions. In the services field - telecoms, banking, insurance, distribution, accounting and legal services - where the UK has significant interests at stake, the concessions so far made by the Chinese fall far short of what our companies would consider to be commercially attractive.
4. The nature of the accession process, in which bilateral and collective negotiations go hand in hand, is conducive to "divide and rule" tactics, and the Chinese will be quick to exploit any signs of schism (the Japanese were roundly criticised when they provisionally concluded their bilateral negotiations with the Chinese on goods). To date there has been close cooperation between EU and US negotiators on issues of substance and it will be important to maintain this solidarity. President Clinton's visit to China in June saw no discernible progress on accession issues, although the Chinese seem to have tried to trade early accession for a guarantee

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not to devalue the renminbi. Again, such attempts to forge linkages must be resisted.

5. The EU is content for China to negotiate transition periods so that her economy is gradually opened up to the rest of the world. However, given the pressures on the Clinton administration, the likely electoral timetable, and continued Congressional wariness of China, close attention to the detail of the transitional arrangements is needed if US support for Chinese accession to the WTO is to be maintained.

6. The Commission have in place a variety of programmes of technical assistance to help the Chinese with the reforms needed for WTO accession. The Chinese however are suspicious of the motives behind this assistance and have not taken advantage of all the available funds. Whilst any bilateral assistance we can offer would be a drop in the ocean in comparison to Commission funding, it would be worthwhile exploring with the Chinese what assistance we could give to move forward the necessary reforms.

#### Other Trade Policy Issues

##### EU Anti-Dumping Action

7. Following its third investigation into imports into the EU of **unbleached cotton fabric** from China, India, Indonesia, Pakistan, Egypt and Turkey, the Commission has proposed definitive (ie 5 year) duties on such imports. The UK opposes such measures as unjustified by economic evidence and against overall EU interests. The UK and 9 other Member States (MS) were instrumental in seeing off provisional (6 month) duties in April this year. A final EU (simple majority) decision is likely to have been made at the 5 October General Affairs Council in Brussels.

8. Following UK and other liberal MS' lobbying, the Commission recently amended China's non-market economy status for anti-dumping purposes (a special methodology by which the Commission uses a comparator market economy to determine duty rates, usually resulting in higher duties) and to look at individual cases on their merits.

##### EU Quotas on Imports of Chinese (Non-Textile) Products

9. As part of the Single Market, the Commission proposed replacing the 6,400 national import restrictions (4,700 against China) with EU quotas on, amongst others, 7 Chinese products. The quotas were adopted by qualified majority, the UK alone voting against - mainly because of inclusion of toys, which most EU (and virtually all UK) producers opposed. Quotas on car radios, gloves, glassware and toys have now been removed and those on tableware increased (the others are on porcelain and shoes). China has strongly opposed the measures and the action it has taken by rejecting a compromise proposal

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for price undertakings may have been instrumental in preventing the measures being introduced. China defends her own quotas as internationally applicable, resenting the EU's for being China-specific (and causing factories to close). The Commission links removal of EU quotas with China eliminating hers, a linkage the UK opposes. China welcomed the UK's constructive role during the UK's Presidency. A final decision is expected from the Commission the week of the PM's visit.

#### Generalised System of Preferences -GSP

10. GSP offers preferential market access to developing countries' products. GSP now includes the concept of "graduation": countries reaching a certain level of development lose benefit. China has been excluded from GSP in several sectors including clothing, chemicals, glass, ceramics, leather, footwear and base metals.

#### Market Access Problems in China

11. The main problems for foreign business - lack of transparency in regulations and discrimination in their application cut across all spheres of activity. Laws are opaque or enforced inconsistently and are liable to change at short notice. Trading rights are limited: foreign firms cannot distribute or, for the most part, import, export or advertise their own/others' products. Contracts are often awarded/withheld on a political basis or linked to extraneous issues. Separate standards testing bodies for foreign and domestic products leads to discrimination.

12. Tariff peaks on consumer goods along with the trading restrictions lead to smuggling, causing loss of government revenue. 385 products (notably cars) are affected by quotas. Chemicals companies must disclose technically detailed (hence often commercially sensitive) information to get products registered. Enforcement of Intellectual Property Rights lags behind improved legislation.

13. Foreign investors face export performance and local content requirements and are often confined to minority owned joint ventures. China's concern to protect its infant services industries means limited licences (not awarded transparently) and severe restrictions (on geographical location, scope of activity, number of offices, form of investment) for foreign players.



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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER 1998: TALKS WITH PREMIER ZHU RONGJI

UN ISSUES - SECURITY COUNCIL

Background

1. Bilateral talks on UN issues originally scheduled for mid-September were postponed at our request (due to unforeseen G7 meeting). We hope to reschedule them for later this year.
2. The Chinese generally tuck in behind the Russians and French in Security Council discussion on Iraq.
3. The Chinese abstained on SCR 1199 which, under Chapter VII of the Charter, called for a ceasefire in Kosovo, meaningful dialogue between the parties, and action by all sides to avert a humanitarian disaster.
4. On Lockerbie, we lobbied the Chinese following the announcement of the UK/US initiative in August. They welcomed the initiative. As a P5 member, China's support is particularly valuable.

Security Council enlargement

5. The Chinese are unenthusiastic supporters of Security Council enlargement. They favour an "appropriate expansion" based on increased representation for the developing countries and geographical balance. They have been vague on numbers. China agrees that the issue of veto rights for new permanent members could be settled at a later stage.
6. We support early enlargement in both permanent and non-permanent categories. We want to see permanent seats for developing countries in Asia, Latin America and the Caribbean and Africa, and for Germany and Japan. (China is wary of Japanese permanent membership). We would support an expanded Council of up to 24 (five new permanent and up to four new non-permanent members).

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

NON PROLIFERATION/ARMS CONTROL ISSUES

Background

Nuclear issues/anti-personnel landmines

1. China is the only one of the five NPT-defined Nuclear Weapon States (NWS) to profess a policy of No First Use of nuclear weapons, and claims to be prepared to agree a formal mechanism to discuss nuclear disarmament at the Conference on Disarmament (CD) in Geneva, which is opposed by the US, France and Russia (we have taken a holding line). However, China has yet to ratify the Comprehensive Test Ban Treaty and, unlike the rest of the P5, has not formally announced that it has stopped producing fissile material for weapons purposes.

2. But China has agreed, in line with the other NWS, to participate in negotiations at the CD on a Fissile Material Cut-off Treaty (FMCT), to end the production of fissile material for use in nuclear weapons. The CD established an Ad Hoc Committee (AHC) on FMCT in August, shortly before the end of its session this year. We expect the AHC to be re-established when the CD resumes in late January. FMCT negotiations would be an appropriate topic for confidential discussion in a P5 forum, which we hope to be able to propose soon.

3. China did not participate in the process leading to the Ottawa Convention banning anti-personnel landmines. They have, however, indicated that they could support work in Geneva on landmines, perhaps starting with a transfer ban.

Chemical weapons convention

4. The 1993 Chemical Weapons Convention (CWC), bans the development, stockpiling and use of chemical weapons. It entered into force on 29 April 1997, and is the first multilaterally negotiated disarmament agreement which aims to ban an entire category of weapons of mass destruction in a verifiable manner. To date, there are 117 States Parties to the Convention including all EU member states, the United States, Russia, India, Pakistan, China, Iran and Jordan. The UK aims to achieve a treaty with universal adherence.

5. Implementation of the CWC is overseen by the Organisation for the Prohibition of Chemical Weapons (OPCW), located in The Hague. The OPCW has made a generally good start in implementing a rigorous but fair verification and inspection regime. The UK has received 18 inspection visits since the Convention's entry into force.

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### Biological weapons convention

6. Biological weapons have been banned since 1972 by the Biological and Toxin Weapons Convention (BTWC). However, this Treaty has no effective verification provisions. Measures are needed to strengthen confidence in compliance.

7. Good progress has been made towards this in the BW Ad Hoc Group in Geneva. A rolling text of a Protocol on verification is now firmly established as the basis for negotiations.

8. China is a key player in negotiations on a verification Protocol to strengthen the Biological Weapons Convention (BWC). Whilst largely constructive, China has been reluctant to see things move too fast and worried about intrusive measures. Encouragingly, a Sino/US joint statement (25 June 1998) affirmed the need to further accelerate an early conclusion to the negotiations.

9. We remain cautiously optimistic about concluding negotiations next year. The UK together with its EU partners is pressing for intensification of the work of the Ad Hoc Group next year and has called for 20 weeks of negotiation.

### Weapons of mass destruction

10. China has over the last year introduced export controls on nuclear items which are almost equivalent to Western standards (with the exception of not requiring IAEA safeguards on all nuclear facilities in a country to which it exports, allowing it continuing exports to safeguarded facilities in Pakistan). Under the CWC, it has applies export controls to many chemicals of CW concern, but has resisted controls on all precursors for chemical weapons. China appears to be allergic to controls on missile technology, although it has cut back on its missile assistance to some countries developing ballistic missiles.

11. This is an area where the Chinese tend to be very sensitive, more so than their actions would suggest. In practice, only the US appears to be able to convince them to take action, but China's capability to supply key technologies means we need to keep up the pressure.



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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
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INDIA/PAKISTAN

Background

1. China is not a neutral player in South Asia. She and India fought a brief war (which the Chinese comprehensively won) over their border in 1962. Sino-Indian relations were on an upward curve from 1993, with border talks and Confidence Building Measures. In 1996 Jiang Zemin became the first Chinese Head of State to visit India.

2. Quite soon after its election, the new BJP government began to antagonise China. The Defence Minister, Fernandes, a Tibetan sympathiser, referred openly to China's transfer of missile and nuclear technology to Pakistan and alleged that China was making incursions across the Line of Actual Control. He concluded that China was a threat to India's security. India's nuclear tests on 11 and 13 May, and subsequent justifications, which pointed to security concerns about China, completed the rupture in relations.

3. China is one of Pakistan's key allies. She has supplied missile technology and has been implicated in supplying the technology for a nuclear reprocessing plant. The extent of current Chinese assistance to Pakistan is unclear: but we believe that they continue to have some influence over Pakistan.

Nuclear

4. The Prime Minister met Sharif on 21 September, in the margins of UNGA. It had been expected that Pakistan might announce her intention to sign CTBT at UNGA: in the event, Sharif tied signature to lifting of sanctions. He also hinted that Pakistan would first want to see progress on Kashmir. India's statement confirmed that she is in no hurry to sign, but indicated that she might do so in time for the Treaty to enter into force on schedule (September 1999).

5. The US has taken the lead in pursuing the non-proliferation agenda with India and Pakistan. As well as urging CTBT signature, they are also trying to get the Indians and Pakistanis to sign up to various Confidence Building Measures (eg separate storage of nuclear weapons and delivery systems, limiting numbers and types of delivery systems, notification of missile tests).

6. Despite her support for Pakistan, China has avoided taking sides on the Kashmir issue.

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UK/China Joint Statement

7. The Chinese originally wanted a specific reference in the Joint Statement to the South Asian tests. A similar reference in the communique issued during Clinton's visit was angrily criticised by India, which interpreted it as evidence for an old paranoia: that the US was granting China a special interest in South Asian regional security. We should avoid falling into the same trap. A reference to UNSCR 1172 amounts to a restatement of our position.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER 1998: TALKS WITH PREMIER ZHU RONGJI

ENVIRONMENT

Background

Climate Change

1. The Kyoto Protocol, agreed in December 1997, left many details to be settled on how the reductions in greenhouse gas emissions which it set out were to be achieved and accounted for. Some of these details are politically controversial (eg if and when developing countries will take on commitments to limit their emissions); others are more technical (eg how emission monitoring and reporting systems should work).
2. The next conference of the Climate Change Convention will take place in Buenos Aires in November. The politically controversial questions will not be resolvable there. But Buenos Aires has to be seen to keep climate negotiations moving forward. To avoid deadlock, Convention Parties should look at each issue on its merits, moving forward where possible and trying to agree on a timetable for resolving those differences which remain.
3. One of the key issues is to persuade the US ratify the Kyoto Protocol. In order to achieve this, the US Administration will have to satisfy the Senate that there is "meaningful participation" by developing countries. The US Government are pressing for progress on this at Buenos Aires, despite firm developing country opposition (particularly from major G77 players such as India and China) to the idea of voluntary accession to emissions targets. We recognise that all countries will need to go well beyond the Kyoto commitment in due course, but progress on future commitments is unachievable at the November meeting.
4. The Prime Minister's visit to China (one month before Buenos Aires) provides a crucial opportunity to encourage China - the key developing country in the climate change process - to continue to play a more helpful role.
5. In his address to the UN General Assembly on 21 September, the Prime Minister said that the success of Kyoto was a close run thing; that Buenos Aires will be hard work; but that it has to work.
6. In a minute to the Prime Minister dated 23 September, the Deputy Prime Minister records the successful outcome of the very important Ministerial preparatory meeting he attended in Japan in July. Mr Prescott warns, however, that failure in Buenos Aires will jeopardise the achievements of Kyoto. He notes that all concerned must approach Buenos Aires with a degree of realism. He also indicates areas where agreement

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can be reached. In this regard, he identifies how important the Prime Minister's visit to China will be.

7. The attitude of developing countries, particularly China, will be crucial at Buenos Aires. China has, in the past, been a major obstacle to progress in the climate change discussions, adopting a confrontational approach towards developed countries. We have been working to encourage greater pragmatism, in China's own interests (given its vulnerability to the impacts of climate change). This is bearing fruit. On his visit in July, Mr Prescott secured Chinese agreement to a UK/China "informal dialogue" on climate change, which began with a visit by officials to Peking in September. The Chinese indicated during the latter that they would be willing to approach discussion on technical issues at Buenos Aires constructively, and set aside for later outstanding differences of principle, eg on commitments, provided the US or others did not press on these.

**DFID Environmental cooperation**

8. The broad framework for co-operation in the environment sector (covering a range of DFID, DETR and FCO-sponsored activities) is provided by a Memorandum of Understanding signed during Ms Short's visit in June. The impact of rapid economic growth on the environment is an issue of growing concern in China. Activities at the planning stage include:

- A £6 million environmental programme in Yunnan province which will help to build local capacity in integrated development planning.
- A £6 million water sector development programme (see Annex).

**Private sector activity**

9. China's annual market for environmental goods and services was estimated at around \$3.5bn in 1997. High economic growth and rapid industrialisation, together with a range of governmental protection targets, mean that growth in the market is likely to be around 10%. China accounts for 1% of the UK's environmental exports.

10. The focus of the Chinese issues which directly affect the quality of life in urban areas: air quality, drinking water and to a lesser extent noise pollution. China's leaders have continued to make clear that China will continue to depend on coal as the main source for energy. There is increasing interest in clean coal technology which could help control emissions of sulphur dioxide.

11. China is also emerging as a large prospective market for renewable energy with positive encouragement from the Government and support from international agencies such as the

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World Bank and UNDP. The market is projected to increase from £2 billion per year now to £6 billion in the next 10 - 15 years. DTI has been working on China as a target renewables market for 18 months, promoting UK renewable energy companies in China under the banner " Renewable Energy From Britain ". Ten companies participated in a trade mission this September, including a seminar opened by Lord Sainsbury. The companies included Shell, BP Solar and National Power.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

DRUGS

Background

1. China does not present a significant drugs threat to the UK. Most of the traffic through China is destined for regional or US/Australian markets. China is a source of many of the precursor chemicals used to produce illicit drugs, and Chinese organised crime is increasingly involved in the production and trafficking of heroin and synthetic drugs.
2. China faces a growing domestic abuse problem, with official estimates of about one million addicts, but the total is almost certainly much higher. Attempts to tackle the problem have focused on repression, although there have been some efforts at prevention and rehabilitation more recently. Convicted traffickers are very often sentenced to death in China. Drugs trade related corruption is becoming increasingly pervasive.
3. China considerably strengthened its anti-drugs legislation in 1997, specifically identifying money laundering as a crime for the first time. China participates in the Asia-Pacific Group on money laundering, which aims to promote regional cooperation. It has chosen not to formalise its support for the APG while Taiwan is a member. It is also a serious candidate for membership of the global Financial Action Task Force (FATF).
4. UNDCP is active in China through its Sub-Regional Action Plan for the Mekong Countries (China, Burma, Thailand, Laos, Cambodia and Vietnam). DFID contributes to this. There is also growing cooperation on drugs between UK police forces and Chinese law enforcement.
5. At ASEM 2, Leaders endorsed a UK initiative to promote cooperation to improve the control of precursor chemicals and to tackle synthetic drugs. We are looking for ideas from Asian ASEM partners on projects through which the EU might transfer knowledge to them on synthetics. China will also benefit from technical cooperation which is being developed by the Asia-Pacific Group to be funded by the EU under the anti-money laundering initiative agreed at ASEM 2.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
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ASEM FOLLOW-UP

Background

1. The Asian financial crisis was the dominant theme of ASEM 2 in London in April. The ASEM Trust Fund was the major result. Its purpose is to support work in the financial and social sectors. Complementing the Fund is a network of expertise which has been set up by the European Commission to give access to specialists who can help with restructuring. The Fund became operational at the end of June with the first commitment of funds, from the UK. We are keen to see Asians contribute to the Fund and have been pressing China, among others. US\$ 2 million's worth of projects are under consideration for China, for enhancing the role of non-state banks, assisting the transfer of social assets from state industrial enterprises to non-state operators.
2. During ASEM 2 the Asians pressed hard for an agreement that Europe would send high-level missions to see for themselves the business opportunities offered by Asia's present predicament. European leaders agreed to encourage business missions. The UK carried out the first mission, in June. Others are planned from the Commission (led by Sir Leon Brittan), France, Austria and Italy.
3. Following the London Summit, the Chinese proposed a Science and Technology Ministerial next Spring. This is the only initiative they have proposed under ASEM and they are pursuing it keenly. We would like more information before committing Ministerial attendance.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
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BURMA

Background

1. The State Law and Order Restoration Council (SLORC) seized power in 1988 and subsequently refused to recognise the outcome of the elections they organised in 1990, in which the National League for Democracy (NLD) won a landslide victory. SLORC was formally dissolved in November 1997, and reformed as the State Peace and Development Council (SPDC).

UK/EU Actions

2. An EU Common Position was adopted in 1996 (and is renewed every 6 months). This includes an arms embargo; a ban on non-humanitarian aid; a ban on high-level bilateral visits; and visa restrictions on members of the regime. There is no consensus for UN Security Council resolutions on Burma. China is the major obstacle.

3. China's relations with Burma have been traditionally close - probably the closest of all neighbours. China continues to support the SPDC, for example by supplying arms. Cross-border trading continues, but has slackened recently due to Burmese economic difficulties. But China is concerned about drugs traffic across her border. And there are signs of concern at political stability.

4. Burma is the world's second largest heroin producer and also a major producer of amphetamines. These drugs are smuggled across the Thai and Chinese borders. Production is concentrated in areas controlled by ethnic minorities (mostly Shan and Wa). Most of the drugs are destined for the North American market.

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PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: TALKS WITH PREMIER ZHU RONGJI

Background

CHINA/TAIWAN

1. The question of Taiwan is a matter of the utmost sensitivity for the Chinese. They view Taiwan as a breakaway province of the People's Republic of China, and their goal is reunification, peacefully if possible, but by force should it prove necessary.

UK/Taiwan

2. In our 1972 agreement establishing full diplomatic relations with the PRC, we stated that we "acknowledge" the position of the Chinese Government that Taiwan is a province of the People's Republic of China". (In fact, we consider that the status of Taiwan remains to be determined, hence our use of the word "acknowledge" rather than "accept".)

3. The Chinese have been content with our public "acknowledgement" of their position, and we have never needed publicly to reiterate it. However, emboldened by their recent success in persuading President Clinton, while in China, to enunciate the (established) US policy of "three noes" [no US support for Taiwan's independence; no US support for "two Chinas" or "one China, one Taiwan"; and no US support for Taiwan's membership of international organisations requiring statehood as a condition of membership], the Chinese have been pressing us for a reiteration of our position in the proposed Joint Statement. Our view remains that, since the Chinese are well aware of our position on Taiwan, there is no need for us to repeat it publicly.

4. We do not recognise Taiwan as a state, or have diplomatic relations with it. We are however keen to encourage trade and cultural relations, and are (unofficially) represented in Taipei by the British Trade and Cultural Office (BTCO). The Taiwanese are similarly represented in London by the Taipei Representative Office (TRO).

Defence Sales

5. Defence sales to Taiwan are a particularly neuralgic issue for the Chinese and a major bone of contention with the US. We have not in recent years permitted sale of any major defence equipment to Taiwan. Our published position is that we restrict the export to Taiwan of licensable equipment and, in considering applications, give particular weight to the implications for regional stability.

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BUSINESS SUMMIT, GREAT HALL OF THE PEOPLE, 10.30 6 OCTOBER

Running in parallel to the Prime Minister's talks with Premier Zhu Rongji, the Business Summit will be co-chaired by Sir Charles Powell (President, China Britain Business Council and Director, Jardine Matheson) and Mr Wang Xuebing (President, Bank of China). It will be attended by the Prime Minister's business delegation and by senior counterparts from a cross-section of Chinese industry, both state and non-state enterprises.

The agenda begins with brief presentations on the economies of the two countries. It then develops two key themes dealing with how companies survive and compete in a global environment (including structural reform and human resources development) and environmental protection and its interface with economic development. Discussion will focus on these themes within the limited time available. The meeting will end with a discussion of priority sectors for China and UK trade and investment.

Following the summit, there will be a formal photograph with Premier Zhu Rongji and the Prime Minister. Premier Zhu will depart and the PM will stay for informal chat with the participants over a drink. Each participant will have an assistant/interpreter who will join the group at this point to facilitate conversation. After the PM has departed, the participants will move to another room for a buffet lunch and more informal discussion.



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SEMINAR ON THE REFORM OF STATE-OWNED ENTERPRISES: UK AND  
CHINESE EXPERIENCE: OPENING CEREMONY ON 7 OCTOBER

DRAFT SPEAKING NOTE FOR THE PRIME MINISTER

Thank you, Professor Liu. I am delighted to be visiting China as the guest of your Government, and to be here today to take part in the opening of the seminar on the reform of state-owned enterprises.

The theme of this seminar is one of great importance. Britain and China have much in common. We are both trading nations, and we have both faced the need to modernise our economies in order to maintain and raise the living standards of our people. We recognise, too, that we both belong to a world which is becoming increasingly inter-dependent.

As international trade continues to grow and national economies become more open, we all become aware of the increasing strength of global economic forces. We are aware that economic problems in one part of the world can affect other regions. But globalisation is now one of the facts of economic life. We cannot retreat into an isolationism; international trade is the source of our prosperity.

The need to modernise is ever present. But no-one can claim that economic change is an easy process. The pursuit of any economic policy can have some negative consequences even when the net, overall result is positive. Devising an economic strategy requires careful judgment; and the management of a process of economic change requires political skill and a sense of social justice.

Over a period of years, Britain has pursued an economic policy which has involved an extensive reform of its state-owned enterprises. This has been the subject of much political debate and academic discussion. It is not too soon, I

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believe, to draw a number of lessons from the experience and to conclude that some policy decisions produced better results than others. In general, however, I think it can be argued that the reform of the state sector has led to improved efficiency and competitiveness in the companies concerned. And the British Government takes the view that certain industries, whether they are privately or publicly owned, need to be subject to a clear system of regulation so that the consumer's interests will be properly protected.

I do not suggest that the lessons learned in the reform of state-owned enterprises in Britain or anywhere else can all be applied in China. There are many factors which make China different from Britain. But because our two countries both seek economic efficiency and operate in the same world conditions, we have much to gain from exchanging our experience and wisdom in this field.

I hope that the seminar over the next two days will produce a good exchange of ideas. It is a mark of the trust and friendship between our two countries that such a seminar event is taking place, and I congratulate you, Professor Liu, for suggesting the event and the Chinese Academy of Social Sciences for organising it. With so many well qualified British and Chinese speakers and such a powerful list of participants, I feel sure that the two days will be stimulating and fruitful.

I know that the seminar is to be followed by some practical co-operation on the reform of state-owned enterprises. Very soon, British consultants will visit Liaoning and Sichuan Provinces to help design an enterprise reform and re-structuring project to be financed by the UK's Department for International Development.

I wish all of you a successful and enjoyable two days.

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SEMINAR ON THE REFORM OF STATE-OWNED ENTERPRISES: UK AND CHINESE EXPERIENCE: OPENING CEREMONY ON 7 OCTOBER

BACKGROUND NOTE

1. This seminar was arranged in response to a suggestion made by Professor Liu Ji, Vice-President of the Chinese Academy of Social Sciences (CASS), during a visit to the UK last November. It has been organised by the FCO, the Embassy in Beijing and the Great Britain-China Centre (a Non Departmental Public Body) with funding from DFID and DTI.
2. The purpose is to share British experience of reform of state-owned enterprises. The audience will be high-level Chinese political and economic decision-makers, enterprise managers and academics, many of whom will be working with DfID on enterprise reform. British speakers will give an overview of state-owned enterprise reform, discuss the financial, legal and social aspects of enterprise re-structuring and present a number of case studies of privatisation/commercialisation in particular industries. Chinese speakers will describe China's objectives, problems and methods in enterprise reform.
3. The seminar is designed to facilitate a free exchange of questions and comments between the speakers and the seminar audience. It is hoped that the event will initiate a process of continued UK-China dialogue on enterprise reform which DfID regard as important for promoting their projects in the state-owned enterprise sector, and which may lead to specific commercial opportunities for UK business. The speakers' talks will be supported by papers which will subsequently be published.
4. The seminar will be chaired by Professor Liu Ji for the Chinese side and Lord Kingsdown (Robin Leigh-Pemberton), former Governor of the Bank of England, for the British side. The British speakers include Harry Bush (HM Treasury), Peter Benson (Price Waterhouse Coopers), Ed Wallis (Chairman and Chief Executive of Powergen) and Sir Gavin Laird (former General Secrerary of the Amalgamated Engineering Union). The Chinese speakers include Shang Fulin (Vice-Governor of the People's Bank), Lou Jiwei (Vice-Minister of Finance) and Luo Bingsheng (Director-General of the Shougang Steel Corporation). Professor Liu, as well as being the Vice-President of an important academic institution (CASS), is an economic adviser to President Jiang.
5. The opening ceremony is planned to last not more than 25 minutes. The Prime Minister will be greeted on arrival in the VIP room by the two chairmen and Li Tieying, the President of CASS, who will represent the Chinese Government. At 9.00 am,



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the Prime Minister and Mr Li will be escorted to the seminar room, where they will be shown to the platform. Professor Liu will introduce the Prime Minister to the assembled audience and ask him to speak. After the Prime Minister's remarks - which are expected to take 3-4 minutes - Lord Kingsdown will introduce Li Tieying, who will reply. The chairmen will introduce the Chinese and British speakers as the Prime Minister and Li Tieying leave the room.

6. Li Tieying (age 62) had a number of ministerial portfolios from the mid 1980s until the spring of this year, when he became President of CASS. Most recently, from 1993 to 1998, he was the Minister in charge of the State Commission for Re-structuring the Economic System, a portfolio which he also held in 1987-88. He has been a member of the Politburo since 1987.

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## VIDEO LINK OPENING OF BRITISH JOINT VENTURES AND FINANCIAL SEMINAR

British Prime Minister links live with three Chinese cities  
Satellite link up, Wednesday 7 October

1. On Wednesday 7 October at 9.15 am, there will be a live satellite link up between the China World Hotel in Beijing and three sites of British Commercial activity in China:

- \* The opening of the new Burmah Castrol plant in Shekou, Guangdong Province

This new plant has just started preliminary production, making motorcycle engine oil and other lubricants for the Chinese market. The Prime Minister's speech will mark the plant's formal opening. Senior local government officials will attend.

- \* The British Invisibles Seminar in Wuhan, China

This delegation of 8 financial sector professionals from the UK is in Wuhan to talk to government officials and company representatives for Hubei and surrounding provinces about how British financial services can help Chinese enterprises raise capital in global markets. As one of the world's major financial centres, London is an unrivalled source of specialists in the sector. The Mayor of Wuhan and Vice Governor of Hubei Province will attend.

- \* Vesuvius, a British company manufacturing ceramic parts - used in the continuing casting of steel - at its factory in Suzhou Industrial Park.

The audience will enjoy a "virtual visit" to this dynamic company, which has been manufacturing successfully in Suzhou since May of this year. Vesuvius is glad to have this opportunity to mark its success in being awarded ISO9002 certification. We are delighted that the Mayor of Suzhou will be attending this event.

2. The audience in Beijing will watch events as they proceed in Shekou, Suzhou and Wuhan, and there will be live interaction between Beijing and participants in each of those venues. The cities will be fully interconnected, so each audience will be able to see and hear what is happening in other locations. This is an important opportunity for senior British and Chinese government officials to see the wealth of commercial cooperation between Britain and China that exists in many sectors across the country.

3. The event is sponsored by Cable and Wireless, a global telecommunications service provider based in the UK, in conjunction with Britain's Department of Trade and Industry. Production is by Globalvision with technical services provided by Chinese organisations, including CCTV. British Embassy would also like to thank MOFTEC for its support.



Petrochemical and Clean Coal Technology Seminar  
Wednesday 7 October

The Prime Minister will meet senior Chinese guests to these seminars over coffee.

**Cleaner Coal Technology Seminar**

The Cleaner Coal Technology Seminar (jointly sponsored by DTI and 4 Chinese organisations) is designed to exploit a niche in the market as the Chinese retreat further towards self-sufficiency in the power sector. China is forecast to increase its coal use from 1bn tonnes at present to over 2bn tonnes by 2010. This represents a major environmental problem and a substantial export opportunity for the UK with its range of components and know how in cleaner coal technology from mining to power and industrial applications. The DTI is developing a number of initiatives to promote closer collaboration in this sector.

**The China-UK Petrochemical Seminar**

This is taking place to support BP and Shell who are involved in large scale petrochemical projects. UK contractors in the industry will also meet relevant Chinese organisations.

Shell (50%) and its Chinese partner CNOOC (Chinese National Offshore Oil Corporation) have received official approval for a US \$4.5 billion world-scale petrochemical complex in Nanhai. It is the largest ever joint-venture between China and a foreign company. Production could begin around the end of 2003.

BP Chemicals and Shanghai Petrochemicals Company (SPC) are working to create a US \$2.5 billion, 50:50 joint-venture to build a petrochemical complex on SPC's existing site at Jinshan. This will be BP Chemical's largest ever investment and planned commissioning is 2004. The project proposal is currently with the Chinese Government for approval.

There will be a great deal of pressure from the Chinese to procure a large amount of the equipment and services for these two major projects from within China, and 3 leading UK contractors to take part in the seminar. The opportunities for joint-venturing between UK and Chinese suppliers will also be highlighted.



## **British Law Week Meeting With Scholarship Holders**

### **Background**

Six young candidates from Chinese organisations working in areas associated with human rights will study the legal aspects of human rights at Nottingham University. The period of scholarship will start in January 1999 and last for three months. This is the first human rights programme funded by the British government. Representatives from the Chinese partner organisations including the Ministry of Justice will also be present.

### **People to be met:**

Ms Jiang Anjie, Legal Daily

Mr Yang Qinhuo, Director of International Exchange Centre, University of Politics and Law

Mr Yang Xiaokun, Department of International Organisations, Ministry of Foreign Affairs

Mr Zhao Qiang, Department of International Organisations, Ministry of Foreign Affairs

Ms Wang Yunxia, Associate Professor, People's University

Mr Liang Ying, Lecturer, Central Party School

### **Programme**

Mrs Blair will be accompanied to the VIP suite. She will be joined by the Prime Minister at 10.40am. They will talk to the scholars and Ministry of Justice officials over tea and coffee.



## **"Shooting Stars" exhibition and schools science event**

### **Background**

A series of activities, which reflect Britain's world leading developments in enabling ordinary people to understand and participate in scientific debate are being organised in the runup to, and during, the arrival in Chinese skies in November of the Leonid meteors, which from earth appear as a shower of shooting stars. An exhibition of David Malin's astronomy photographs is being mounted in the Beijing Ancient Observatory, the Beijing Planetarium and in schools science centres throughout the city. Public lectures and specialist seminars are being given by David Malin and a visiting group of British astronomers. Alongside this parallel schools science competitions are being organised in China and the UK, in which British experts and Chinese teachers are devising educational materials and activities relating to the astronomy of comets and shooting stars (including computer links between schools in China and the UK, and project work with photography, scientific observation and recording etc). The winning teams of schoolchildren will visit each other's countries to participate in astronomy activities.

### **People to be met**

- David Malin, British deep-space photographic scientist and public science expert
- John Hodges, Head of OMEN (British schools science organisation)
- Ms Li Bing, Chinese schools science expert recently trained in the UK
- Director and senior staff of the Beijing Ancient Observatory & Beijing Planetarium
- Director and senior staff of Youth S&T Centres in Beijing
- Chinese students participating in educational activities

### **Programme**

1. PM introduced to David Malin and museum staff in front of display of deep space photographs. Brief discussion of how astronomy is being used to further the public appreciation science, and public interest in David Malin's exhibition. (5 minutes)
2. PM introduced to John Hodges and Li Bing. Brief discussion of schools science projects and competitions being prepared for November observation of Leonid meteors. (2 minutes).
3. John Hodges and Li Bing take PM round demonstrations by five groups of Chinese schoolchildren (age range 9 - 17 years) of schools science projects developed through collaboration between Chinese and British experts, using materials and software produced with British input. Demonstrations will include use of Bradford-based "Internet telescope", making simple working models to understand meteors and rockets, and use of a pioneering method of meteor observation (using long wave radio) developed by British experts. (8 minutes)



DRAFT REMARKS BY THE PRIME MINISTER AT JANET/CERNET  
LAUNCH CEREMONY, 7 OCTOBER

Mr Li Lanqing, Dr Wei Yu, distinguished guests, ladies and gentlemen.

I am delighted today to launch an exciting new phase in the long-standing relationship between Chinese and British universities.

Over many years a wide network of academic links has been built up between scholars, students and institutions in our two countries. A recent survey has identified over 700 partnerships in the field of science and technology alone. And this is only part of the picture.

New partnerships are being formed and developed all the time. Earlier today I was present at the signing ceremony of a pioneering joint venture between Tsinghua University and Surrey University for the development and production of small satellites.

We are firmly committed to strengthening links - between individuals and between institutions - working in partnership with Chinese institutions, in particular the Ministry of Education. Today I am pleased to announce a new initiative in this area. Our Office of Science and Technology has committed £300,000 of additional UK funding for Science and Technology collaboration with China over the next three years. I am delighted that China's Ministry of Science and Technology has agreed to match this new fund. I am confident that we will be able to attract significant additional support from the private sector.

Private-public sector partnerships are very important to us. We have an excellent example in front of us today, in the form of the generous sponsorship provided by Cable and Wireless for the link between JANET and CERNET.

Through this link, the network of partnerships between our two countries will grow and develop at a faster pace than ever, taking the benefits we all derive into new dimensions for the coming century. I congratulate all those who have been involved in making this link a reality and wish its users every success in the future.



## **Launch of JANET/CERNET Link**

### **Background.**

The British Council and the Higher Education Funding Council for England (HEFCE) have jointly brokered the creation of a dedicated link between the academic computer networks in UK and China (JANET in the UK, CERNET in China). Through the link academics and students in both countries will be able to conduct collaborative work in research, teaching and learning. The link will be CERNET's first wideband link with Europe, enabling the UK to serve as China's educational gateway to Europe. The link has attracted strong political and academic support from the Chinese side. Cable and Wireless is sponsoring the costs of establishing and running the link. The launch ceremony will also provide an opportunity to announce the new Office of Science and Technology projects fund for China of £300,000 over 3 years to be matched by the Chinese side.

### **People to be met**

- Mr Li Lanqing, Vice-Premier (responsibilities include education & science)
- Dr Wei Yu, Vice-Minister of Education
- Professor Wu Jianping, Head, CERNET
- Lady Kennedy, Chair of the British Council
- Mr Richard Brown, Chief Executive, Cable and Wireless
- Sir Ralph Robbins, Chairman, Cable and Wireless
- Ms Jannette Cheong, Head, International Collaboration and Development, HEFCE
- Professor Roger King, Pro Vice-Chancellor, University of Leeds
- Dr Malcolm Read, Secretary, Joint Information Service Commission

### **Programme**

#### **1. Speeches (15 minutes)**

1.1 Dr Wei Yu - short welcoming comments and mention of VIPs present.

1.2 Brief comments by Vice-Premier Li Lanqing

1.3 Brief comments by PM

2. PM and Vice-Premier move to computer terminals, exchange envelopes containing launch passwords, open envelopes to remove cards with passwords, then type passwords on computer keyboards. Videoscreen display shows animated sequence : two arrows meet across a map of the world to display connection between UK and China computer networks. (2 minutes)

3. PM and Vice-Premier remain standing besides videoscreen watching on-line interactive link (videolink between staff/students and collaborative educational use of computer applications) between Qinghua University and Manchester University (8 minutes).



**Lunch Wednesday 7 October****Purpose**

To meet a range of young Chinese with close contact with UK through study in Britain or through contact with DFID, Embassy and British Council projects. A number of bright young contacts of the Embassy and the British Council with individual views on what is happening in China will also be present.

**Guests**

The Prime Minister and Mrs Blair will be asked to meet approximately 80 guests of whom 60 have studied in UK and with interests in:

- science and environment
- law
- education
- economic reform
- defence and international politics
- information and the media
- the arts

Guests will also include 6 representatives from the finance and banking sector who will form the first group going to UK under the DFID funded Financial Sector Training Scheme.



## **New Urban Environments - Exhibition and site visit**

### **Background.**

The Royal Academy's "New Urban Environments" exhibition, which uses models, drawings, photographs and plans to give a vivid display of the cutting-edge achievements of modern British architecture and urban design is being shown in the Chinese Museum of National History overlooking Tiananmen Square. A series of professional events has been organised to run alongside the exhibition. These include symposia, colloquia and a competition in which teams of Chinese students are working with British students to prepare innovative proposals for the regeneration of the Baitasi area of Peking as a modern urban space. The entries for the student competition, including the winning entry selected by a panel of British and Chinese architects, will be displayed in the museum alongside "New Urban Environments".

### **People to be met**

1. Selection of Chinese and British students working on the competition. (The others will be in attendance in the background).
2. Competition judges (senior Chinese architects and urban designers).
2. Senior officials from the Museum and the Architects Society of China (who have organised the competition).
3. Winning team of students and one or two of their University teachers.
4. Senior officials from the Baitasi Local Government.

### **Programme**

#### **1. At Museum :**

1.1 Meet and chat with Chinese and British students who have worked on the competition and present prize envelope (brief remarks) to winning team (10 minutes).

1.2 View "New Urban Environments" exhibition" (10 minutes)

#### **2. At Baitasi site :**

2.1 Walk down alleyway with busy street market guided by prize winners and one of their University teachers (10 minutes).

2.2 Visit traditional courtyard house on way : cup of team and informal chat with residents (10 minutes).

2.3 Visit Baitasi ancient temple (10 minutes).

2.4 Walk down final stretch of alleyway to waiting car.



## Presentation of prizes to urban design competition winners

### Points to make

- Impressed by the creativity and energy of the plans and ideas developed in these proposals.
- Particularly struck by the ingenuity shown in building a modern future by working from - not simply demolishing and replacing - the richness of the past.
- Shows what can be achieved when young people from Britain and China work together on problems of common interest and concern.
- Delighted to learn that members of the prize-winning team will visit the UK soon for study attachments with architectural firms. I am sure that this will consolidate and strengthen the professional links and friendships which have already been established.
- Having seen the quality of the work on display, its clear that the judges must have had an extremely difficult time selecting a winner. I congratulate the organisers on setting up such an innovative competition, and each and every one of the Chinese and British students whose participation has made it such a success.
- I would now like to present the First Prize certificates to the winning team from Qinghua University.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: CALL ON PRESIDENT JIANG ZEMIN

FLOODS IN CHINA

Points to make

- Greatly saddened to hear of appalling floods. Deepest sympathy for loss of life and devastation caused. Hope UK contribution to relief effort will go some way to help alleviate suffering.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10  
OCTOBER 1998: CALL ON PRESIDENT JIANG ZEMIN

OVERALL BILATERAL RELATIONSHIP

Points to Make

- Believe we have now given real form to the wishes we expressed, in Hong Kong last year, for new, modern relationship between UK and China.
- Pleased that we have been able to agree Joint Statement. Demonstrates range of shared interests and clear strategy for addressing them together.
- Also delighted formally to convey invitation from HM The Queen for you to make State Visit to UK in second half of 1999. Your visit will be very important symbol.
- As part of the effort to strengthen ties across the board, and economic/commercial ties in particular, would like to open new Consulate General in Chongqing. Hope you can give this early, positive consideration.

(if Jiang queries UK commitment to China market)

- UK firmly committed to strengthening commercial ties with China: hence plans for new Consulate General, increase in commercial staff at existing Posts, re-launched and enhanced Chin British Business Council. Want to ensure UK companies fully aware of opportunities China offers.
- UK already No 1 EU investor in China. And many further projects in pipeline. (Hope to see early progress through approvals procedures eg for BP, ICI/BASF projects.) Shows long term commitment.



(if raised) - Keen to enhance Science and Technology cooperation. Lord Sainsbury's visit last month part of this. UK has considerable expertise.

(if raised)

Kunming Horticultural Exposition

- Very pleased that Edinburgh Royal Botanic Gardens, with FCO and private sector support, will construct a British Garden for the Expo. Understand the importance you place on this event.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10  
OCTOBER 1998: CALL ON PRESIDENT JIANG ZEMIN

ROLE OF UK AND CHINA IN THE WORLD

Points to make

- Greatly impressed at the pace of development in China. Also at the extremely responsible policies China is pursuing in face of international financial crisis - despite internal economic challenges.
- China has increasingly important role to play. Want to work together to address our responsibilities in a changing world.
- Our interests are linked in many ways: as P5 members, beneficiaries of international trade and investment, consumers of the world's resources, and as fellow nuclear powers.
- Interested to hear your views on developments in China and China's role in international systems.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: CALL ON PRESIDENT JIANG ZEMIN

HONG KONG

Points to make

- Encouraged by developments over the last fifteen months in Hong Kong. "One country, two systems" is working well.
- This reflects great credit both on UK/China cooperation to achieve a smooth handover, and on the Chinese leadership to ensure that "one country, two systems" works in practice.
- May elections a credit to the Special Administrative Regional Government, and high turn-out reinforced Hong Kong residents' commitment to democratic development, as laid down in the Basic Law.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: CALL ON PRESIDENT JIANG ZEMIN

HUMAN RIGHTS

Points to Make

- Welcome establishment of open and expanding dialogue on human rights. Also appreciate positive steps taken by China. Hope we can keep up the momentum.
  
- Also welcomed your readiness to discuss Tibet during President Clinton's visit. Lasting solution can only be brought about through dialogue. I hope this will be possible.



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10  
OCTOBER 1998: CALL ON PRESIDENT JIANG ZEMIN

TAIWAN

Points to Make (defensive)

- Our position is well known to the Chinese Government and is set down in the 1972 agreement (ie we acknowledge the position of the Chinese People's Government that Taiwan is a province of the People's Republic of China).

- We have healthy trade and cultural relations with Taiwan. This in no way affects our formal position on Taiwan's status.

(if pressed)

- We do not have official contacts with Taiwan which would be at odds with our formal position. But we will continue to exchange visits of a trade or cultural nature.

(if pressed)

- Taiwanese investment in UK entirely in keeping with non-recognition. Part of commercial relationship. Does not, in any way, affect our wider position. (Taiwan has many investments overseas, and in mainland China.)



PRIME MINISTER'S VISIT TO CHINA AND HONG KONG, 6 - 10 OCTOBER  
1998: CALL ON PRESIDENT JIANG ZEMIN

Background

1. Jiang Zemin will not want to follow a formal agenda. In international meetings (which he enjoys) he prefers a more conversational style. He will want to hear our overall message on the bilateral relationship and it will be useful to have his endorsement of the various bilateral initiatives we are proposing. Jiang may also ask about UK commitment to the China market.
2. We would also wish to express to him our general satisfaction with developments in Hong Kong and to hear his assurances on Chinese policy in this respect. (It will be important when you reach Hong Kong, for you to be able to say that you discussed this with Jiang.)
3. It will also be important that you be able to say that you raised human rights, including Tibet, with Jiang.
4. Otherwise, a useful focus for the call would be developments in the UK and China and our respective roles in the world. Jiang is likely to welcome the opportunity to discuss his vision for China and may be interested to hear about developments in the UK. (We have delivered English and Chinese language versions of your book, New Britain, to Jiang.)
5. There is a risk that Jiang will raise the issue of UK contacts with Taiwan, including Taiwanese investment in the UK: Jiang is committed to the "resolution" of the China/Taiwan problem. Our position is clearly set out in our 1972 agreement with China. Our economic/commercial and cultural contacts with Taiwan are entirely in keeping with that position and we see no reason to accept Chinese attempts to impose new limitations. Nor do we see any need to make a further public statement on the subject. Our situation is very different from that of the US, where certain actions and a vocal lobby in Congress, led the Chinese to seek (and obtain) from President Clinton a reiteration of US policy.
6. Jiang may well move into more conversational mode, when he is likely to express his enthusiasm for English literature, especially Shakespeare. He also frequently mentions to UK visitors the 1940 Hollywood film "Waterloo Bridge" - his favourite - which is set in London at the time of WWI. One of the gifts which you have brought for Jiang is a framed print of Waterloo Bridge as it was then. (Jiang was deeply disappointed when he saw the current Waterloo Bridge.)



## SPIRAX SARCO ENGINEERING PLC

Contact: Mr Tony Moulder, Managing Director

Purpose of visit: to open new factory and offices:

### Background

First set up in 1910, this Cheltenham based company has been listed on the London stock exchange for over 30 years. It has offices in 32 countries worldwide and global staff numbers over 3500.

For over 80 years, the company has been committed to providing steam users with knowledge, service and products to improve and maintain steam heating and process plants of all types. It is a world leader in the control and efficient use of steam and other fluids and has accumulated a wealth of experience on how steam should be used most efficiently to transfer heat energy. Their products are widely used in hospitals, laundries, horticulture, and in the biotechnology sector for heating, humidification and sterilisation applications. Their customer base is very broad, ranging from petrochemicals to pulp and paper. The vast majority of the products are manufactured in their own factories.

China operations were handled through the Hong Kong office from 1988 and 1992 saw the company being granted a licence to "manufacture" in China and the opening of their first representative office: in Shanghai. The company has 14 other representative offices around China, with Shanghai as the national HQ.

The first phase of the factory is almost completed and will total around 2000m<sup>2</sup>. The plan is to eventually build up to seven stories. The factory will handle assembly only for distribution within the domestic market and may export to the rest of Asia in the future. The company has been growing steadily and continues to expand its business around the world.



## BRITISH CONSULATE GENERAL SHANGHAI

VISIT OF THE PRIME MINISTER, MR TONY BLAIR  
THURSDAY 8 OCTOBER 1998

CALL ON MAYOR OF SHANGHAI, XU KUANGDI

### Purpose of call (and lunch thereafter):

Mayor (& Mme Xu) hosting visit to Shanghai. Opportunity to get to know him, and to raise issues of importance to UK.

### Background:

See CV. Last visited UK in 1996, as guest of Foreign & Commonwealth Office. Hosted visit by Lord Mayor of London in 1996, during which Protocol signed, aimed at fostering links (principally financial) between the City of London and Shanghai.

### Points to make:

Pleased to be making first official visit to Shanghai.

Impressed with development taking place in the Municipality. Modern infrastructure particularly striking. Look forward to seeing more.

UK largest European investor in Shanghai, with more investment than rest of EU.

### Commercial

Know of Unilever's proposals for restructuring. Sure this will benefit the company, Shanghai and China.

BP keen to push ahead with its ethylene cracker in Jinshan. Mayor will recall visit to BP plant at Grangemouth in 1996. Hope to see early approval for this project. Grateful to Mayor for his support.

ICI now aiming to work with BASF for an MDI plant. Hope this can soon be given the go-ahead.

Look forward to start of direct air services next year. (If confirmed) Agreement signed in Beijing earlier this week.

UK keen to participate in development of Shanghai's infrastructure and environment. Strong track record, eg. Bovis/Thames Water participation in Da Chang Water Treatment Project.

(If confirmed) Look forward to welcoming you to Shangri-La Hotel in Pudong tonight to enjoy a "flavour of Britain" - some British gourmet food and an exhibition of British products made in China.

### Shanghai's links with London and Liverpool

Shanghai & City of London - Lord Mayor of London has invited group from Shanghai to visit later this year. Hope this can take place.

Shanghai & Liverpool. After slow start, links between two developing well. Chambers of Commerce are twinned; good cooperation exists between Universities in both cities. Good visit by Liverpool Council and Chamber last month. Look forward to seeing this relationship develop.



Sporting and Cultural

Shanghai Shenhua player Fan Zhi Yi signed up to play for Crystal Palace. Understand there is keen support for football in China and in particular in Shanghai. Photo-call later this afternoon with representatives of Shanghai Shenhua Youth team and of Crystal Palace Football Club.

British Council making an important contribution to China's economic and financial reform process. Supporting development with China's Securities Regulatory Commission of a training, examination and licensing system for professionals in the financial services industry. Vital for China, in view of Asian economic crisis and weaknesses revealed in such areas.

(if announcement already made in Beijing)

Delighted it was possible to announce opening of first Sino-British English Language Teaching Centre while I was in Beijing. Hope we shall see opening of second centre in Shanghai very shortly.



ROYAL AND SUN ALLIANCE INSURANCE COMPANY

Contact: Mr Jo Perrott, Chief Representative

Purpose of visit: to open new office

Background

The Royal and Sun Alliance Group was founded in London in 1710. It is now operating in 55 countries and regions of the world with a staff of about 42,000. Gross revenues reached the equivalent of US\$15.2bn at end 1997, when total assets were US\$100bn.

Royal and Sun Alliance Insurance Group was the first European Insurer to set up a representative office in Beijing in 1993, followed by Dalian (1994) and then Shanghai in 1996. An application for a Guangzhou office is currently awaiting approval from the People's Bank of China.

In April 1998, Royal and Sun Alliance was the first British Insurer to be granted an operating licence to write general non-life insurance business in Shanghai. This will also be the first operating licence for a British insurer in China.

The anticipated scope of the licence would cover the following classes:

- Nationwide Marine Insurance
- Commercial Property Insurance for foreign funded enterprises
- Liability Insurance
- Other classes of general insurance business for foreign funded enterprises in Shanghai area only.



## SHANGHAI STOCK EXCHANGE (SSE)

Contact: Mr Tu Guangshao, President  
Mr David Wall, Institute of International Affairs  
Ms Li Qian, Foreign Affairs Office

Purpose of visit: i) to participate briefly in London Stock Exchange Capital Markets Symposium  
ii) to witness the signing of an updated Memorandum of Understanding between the London Stock Exchange and Shanghai Securities Exchange  
iii) to visit the trading floor.

### Background

SSE was founded on 26 November 1990. It is a non-profit making membership institution directly governed by China Securities Regulatory Commission (CSRC). The SSE was the first stock exchange to open in the wake of the "open door policy" in China, which highlights Shanghai's commercial importance. It has become the largest, best functioned, most comprehensive and extensive stock market in the country.

Eight years to the day after its first operations, the SSE moved to its present Pudong location in December of last year. The trading system uses state of the art equipment - no physical paper required for transactions. The trading floor has a total of 1600+ seats making it the largest in Asia. Market capitalisation of the stocks has reached 921 billion yuan (£66bn).

Flemings is the only UK company with a trading desk on the Shanghai Stock Exchange. Another UK presence on the trading floor is the Reuters screen providing up to date financial information.

### Symposium on Capital Market Development

The London Stock Exchange and the Shanghai Securities Exchange are to hold a joint symposium on "Capital Market Development" in Shanghai on 8 October 1998.

The symposium will be chaired jointly by Gavin Casey, Chief Executive of the London Stock Exchange, and Tu Guangshao, President of the Shanghai Securities Exchange. Speakers from the UK include senior representatives from leading British investment banks and financial advisers. Chinese speakers are senior representatives of the Chinese financial community. The symposium will take place in the magnificent new Shanghai Stock Exchange building in Pudong.



## CHINA BRITAIN INDUSTRIAL CONSORTIUM SEMINAR

### Closing Remarks by the Prime Minister

- \* An organisation's most important resource is its people. Its best investment is in training.
- \* Very pleased that this is an area of close cooperation between Chinese and British enterprises, through the UK-China Training Initiative. Impressed by the quality of the activities arranged under the initiative, including this week's seminar. It is a practical example of how the UK can meet China's needs as she develops her business base and moves to a market economy.
- \* Appreciate the support shown by the State Economic and Trade Commission who, together with the China Britain Industrial Consortium, have pulled it all together.
- \* Know the consortium are very keen to see the initiative grow and develop so that more direct relationships can be established between British and Chinese companies. I very much support this.
- \* I hope you have found the seminar both interesting and useful. I wish the initiative every success in its future activities.



## CHINA BRITAIN INDUSTRIAL CONSORTIUM (CBIC) SEMINAR

Contact: Mr Roger Caesley, UK Director

Purpose of visit: to underline support for the participants and offer words of encouragement to seminar participants.

### Background

A major seminar will be held in Shanghai between 6 and 8 October as part of Five-year Training Initiative between China and the UK.

The seminar, involving some of the UK's largest industrial and commercial companies, is being held in Shanghai from 6 - 8 October to help develop management skills of Chinese State Owned Enterprises (SOEs). It is one of a number of measures under a Five-Year Training Initiative between China and Britain which not only aids Chinese managers but helps leading British industrial and commercial concerns to position themselves in the Chinese market. It was established by a Memorandum of Understanding between the Department of Trade and Industry, China's State Economic & Trade Commission and a consortium of 17 leading British companies known as the China Britain Industrial Consortium.

The Consortium seeks to achieve the aim of the initiative by helping to develop the management skills of SOEs. In this way the members build links with Chinese industry and government and foster long-term good will.

Around 180 Chinese senior managers and Government officials drawn from the airline, aviation, banking, metallurgy, petrochemical, power generation and telecommunications sectors will participate in the seminar, which will deal with the problem of strategic decision making.

Seven British companies will use recent examples to illustrate the process that their companies use to reach strategic decisions. The types of decision include acquisitions, mergers, joint ventures, strategic alliances, divestments and major changes to corporate cultures. The companies making presentations are British aerospace, BTR, GEC, GKN Westland, Lucas Aerospace, national power and Rolls Royce.

In order to help mutual understanding between Chinese and British business five Chinese SOEs will also present papers on the problems they face in strategic planning.



**BRITISH CONSULATE GENERAL SHANGHAI**

VISIT OF THE PRIME MINISTER, MR TONY BLAIR  
THURSDAY 8 OCTOBER 1998

**FOOTBALL PHOTO-CALL**

Contact: Marilyn Zhu, China Global Public Relations Company  
(PR company for Perkins)  
Phil Alexander, Managing Director, Crystal Palace FC

Purpose: To highlight British connections with football in China

Background

Perkins have been involved with supporting the Shanghai Shenhua youth team for about a year. The company would like the Prime Minister to present new football kit to the team coach, Fan Jiuling.

Crystal Palace FC have signed Fan Zhiyi, the son of Fan Jiuling. Younger Fan's first game attracted some 500 million viewers in China according to local press reports.



## INSTITUTE OF CONTEMPORARY ARTS IN CHINA

The British Council, China, and the Institute of Contemporary Arts are creating an ICA project in Beijing and Shanghai which will attract young Chinese audiences to contemporary UK arts and lifestyle exhibitions and events. It aims to highlight the profound and varied sources of innovation in the UK and the ways in which innovation continues to engender renewal of strong traditions to produce a distinctly British style. UK sources of creativity are found in science, business, and government as well as in the arts and design. This series of ICA events will help to highlight some of the more vibrant and youthful ways in which Britain is renewing.

The ICA will be presented at the Westgate Mall on Nanjing Road from 7-12 October with the Prime Minister hopefully attending the opening ceremony. The various elements of the exhibition will be mounted in public spaces throughout the shopping centres along with specially commissioned banners and signage, which will be placed to guide visitors to the main exhibition area.

The ICA programme in Shanghai and Beijing will include the following elements:

1. Helen and Kate Storey 'Primitive Streak' fashion/science exhibition 'Primitive Streak' is the title of a challenging and exhilarating project by two sisters, the fashion designer Helen Storey and Kate Storey, a developmental biologist from the University of Oxford.

The Exhibition brings together fashion and science, often thought to be incompatible through the creation of a fashion collection which explores and illuminates the first 1,000 hours of life. Each garment is inspired by a theme related to science and technology. Hung without mannequins, the clothes are moved by a series of small fans. Helen Storey will attend the unveiling of the exhibition in Shanghai to talk to visitors about the inspiration behind the designs.

2. New Media Exhibition

The digital revolution through which we are living is transforming the worlds of the arts, science, business and government. A sense of the shape of the arts world to come can best be achieved by engaging with the digital world. The ICA is hosting a Turner Prize for digital art and will display selected pieces of work for display in Shanghai and Beijing.

3. Multiples Artshow

A stimulating collection of approximately 40 small works by artists such as young (Damien Hirst) and older (Eduardo Paolozzi). The development of the multiples is one manifestation of the ICA's continuing commitment to making art available to more than the privileged few.

4. Kissing Booth

A special photo booth is set up for guests to take a "kissing photo", this photo will then be transferred to the Kissing Booth where the walls will display the special effect images using this photo. (To be confirmed)

6. Zuppa Inglese

Zuppa Inglese is a British Council touring exhibition and will be exhibited alongside the ICA exhibition in both Shanghai and Beijing. It explores the ideas, approaches and inspirations of eight designers based in the UK - from architecture, fashion, graphics and product design.

7. Bookshop

The ICA Bookshop exhibition provides a rich selection of books, magazines and videos from around the world on subjects from film and visual arts through feminism and architecture. A postcard display, incredibly popular at the ICA in London will add to this varied and stimulating exhibition in both Shanghai and Beijing.



**BRITISH CONSULATE GENERAL SHANGHAI**

VISIT OF THE PRIME MINISTER, MR TONY BLAIR  
THURSDAY 8 OCTOBER 1998

BRITISH COUNCIL

Contact: Ms Barbara Wickham, Regional Director

Background

British Council (the Cultural and Education Section of British Consulate-General) principal aim in East China is to encourage broad contact between the peoples of China and UK in the fields of culture, education and science. This key theme is realised by responding to a desire in China for knowledge about UK, in particular in the areas of education and English language teaching as well as encouraging the greater study of China in Britain.

In addition, the British Council proactively supports the strong mutual desire for greater contact between professionals in each country.

Ms Wickham is hosting the Prime Minister and Mrs Blair's visit to the ICA Exhibition.



"FLAVOUR OF BRITAIN" - EVENING EVENT IN SHANGHAI,  
8 OCTOBER

Contact: Mr Simon Mackinnon, Chairman of British Chamber of Commerce, Shanghai (also Chief Representative, P & O/Bovis, Shanghai.

Background

The event, hosted by the British Chamber of Commerce in China, Shanghai Branch in conjunction with the British Consulate-General Shanghai, for the Prime Minister and the Mayor of Shanghai will take place in the Ballroom of the Pudong Shangri-La Hotel.

The buffet reception catered by the Scottish chef, Nick Nairn. Two exhibitions are being mounted at the venue to showcase British expertise in food technology and processing and to demonstrate the breadth and range of British manufacturing investment in China. The menu will aim to be an education in modern British food. The following day there will be a seminar in the same venue on British expertise in food production.



REMARKS BY PRIME MINISTER AT SHANGHAI EVENING EVENT, 8 OCTOBER

Mayor Xu Kuangdi [phon: shoo kwang dee], ladies and gentlemen, I am delighted to be here in Shanghai. In Beijing last night, I spoke of the new, modern and diverse relationship which Britain and China are forging. Nowhere in China is the strength of our ties and the scope for future partnership so clear and so exciting as in Shanghai.

Energy and innovation are the keynotes of this great city. I have had less than one day here, but the pace of development and the enthusiasm of Shanghai people for their city is immediately apparent. Many of the areas of cooperation which I discussed with Chinese leaders in Beijing are already at work here in Shanghai. We want to increase UK direct investment - in Shanghai there is more investment from the UK than from all other EU countries put together and more is in the pipeline, including major projects by BP, ICI and Unilever; we want to work together to tackle environmental challenges - in an innovative scheme in Shanghai British companies have built and are operating the Dachang water treatment plant; we want to help China to create the financial markets needed to underpin economic growth - the growing partnership between our financial institutions is centred on the special relationship between the City of London and Shanghai; we want to work with you to address social concerns - a British NGO is working with the Shanghai authorities to develop a pilot foster programme; we want to increase people to people contacts - the decision to allow direct flights between London and Shanghai will help both sides to meet that goal too.

I was delighted today to open the new office of Royal and Sun Alliance, the first British insurer to receive a licence to operate in China - I hope the first of many. In the same building Linklaters and Paine too have chosen Shanghai for their first office in mainland China. And at the Shanghai Stock Exchange this afternoon I was again able to see Britain and China in partnership: in the signing of a new Memorandum of Understanding between the London and Shanghai Stock Exchanges; at a seminar between British and Chinese financial experts; and in the British presence on the trading floor, in the form of both the Flemings desk and the Reuters screen which brings to the trading floor a constant flow of the latest financial information.

I am also delighted to have seen that the cultural links between Britain and Shanghai are being renewed and refreshed. On the Bund, British consultants have been involved in the restoration of the Hong Kong and Shanghai Bank building, now the magnificent home of the Shanghai Pudong [phon: poo dong] Development Bank. In its exhibition at the Westgate Mall, the Institute for Contemporary Art has brought to Shanghai the bold and innovative approach to the arts for which it is famous in the UK. And - through their sponsorship of the Shanghai youth soccer team, whom I met today - the British company Perkins is helping to promote another UK cultural export. Although I should note that we are now importers too - of two Chinese players to Crystal Palace, one of whom is from Shanghai. I also met a number of British "GAP" students who are spending a year between school and university working here in the Shanghai region [tbc]. I am sure that their experience will help to cement ties for the future.



I hope that the "Britain in China" initiative and some of today's events under that banner - not least the magnificent contribution by tonight's chef Nick Nairn - will have helped to highlight the extent of UK/China cooperation and the opportunities to do more.

Please join me in a toast to our future partnership.



## Background Note on the Chinese Economy

1. The pace of development in China is truly impressive. The reforms China has pursued since 1979 have produced a vibrant non-state sector and high levels of foreign investment. Average annual growth over the last 19 years has been over 8 per cent, and average per capita income has quadrupled. China is now in the top ten countries in terms of world trade, and continues to move up the ladder. It attracts more foreign investment than any other developing country (a record US\$45.3 billion in 1997).

2. However with a per capita income of just \$750 (in 1996), China is still a developing country. While the number of people in absolute poverty (on the basis of the World Bank's one dollar per day definition) has been reduced from some 470 million to 270 million since 1979, poverty remains a significant problem. Uneven growth has led to immense regional disparities. The eastern coastal regions, accounting for more than 50 per cent of China's GDP, are substantially more developed than the land-locked western provinces, and continue to grow faster. Incomes in remote rural areas can be as low as \$40 per annum, a mere 2 per cent of levels in Shanghai or Guangzhou.

3. China's leaders are concerned at the current slow-down in growth, resulting from a combination of cyclical forces, structural problems, and the impact of the Asian crisis. In the financial sector bad debts are endemic, financial markets are immature and supervision and regulation are at an early stage. While capital controls have insulated China from the immediate effects of the Asian crisis, exports and inward investment have begun to slow as countries such as Japan, Singapore, Malaysia and Korea - important partners for trade and investment - grapple with their own difficulties. GDP growth of 7% in the first half of 1998 represents a significant fall from 8.8 per cent for last year, and are below the target for the year of 8 per cent. Chinese leaders have ruled out (at least for this year) devaluing the Renminbi as a means to boost exports. (They recognise that any benefit would be marginal and probably short-lived.) Instead they are attempting to stimulate domestic economic activity through lower interest rates and, probably more effectively, increased public infrastructure spending.

4. The slow-down in economic growth and the Asian crisis have underscored the need for China to deal with structural problems in their economy. The ambitious programme which premier Zhu Rongji and his new government are pushing forward is aimed at creating the modern framework essential to continue the transition to a market economy and support economic development. The challenge is immense.

5. The chronically inefficient state-owned enterprises (SOEs) are to be rationalised, banks are to operate on a commercial basis (not as branches of the state treasury), and government is to be drawn back to a policy-setting and regulatory role (with a reduction in staff numbers to match). The provision of social benefits such as housing, health care and education will be transferred from SOEs, either to local government or to the market.

6. These reforms mean that Government cuts alone will result in up to 4 million redundancies. Tens of millions more employees will need to be laid off in order to address excess capacity in SOEs, which still



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account for about two-thirds of urban employment. The need to create a welfare system to support this transition will be exacerbated by a rapidly ageing population (life expectancy in China is 70.8 years and the problem is complicated by the one child policy). The likelihood is that the leadership would slow reforms rather than risk serious social instability.

7. The severe flooding in China this year has added to the country's economic troubles. Official estimates set the damage at US\$20bn and it has been suggested that this will knock 0.5% off growth this year. At the same time some suggest that reconstruction work may help to stimulate the economy.

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JIANG ZEMIN

General Secretary of Chinese Communist Party (CCP) Central Committee  
Member of the Politburo Standing Committee.  
Chairman of CCP Central Military Commission.  
President of the People's Republic of China.  
Chairman of State Central Military Commission.

1926	Born in Yangzhou, Jiangsu Province.
1946	Joined CCP.
1947	Graduated from the Electrical Machinery Department of Shanghai Jiaotong (Communications) University.
1949-55	Deputy Director of the Yimin No 1 Foodstuff Factory, Shanghai. First Deputy Director Shanghai Soap Factory. Chief of Electrical Machinery Section No 2 Design Division of the Ministry of Machine Building in Shanghai.
1955	Trainee at the Stalin Automobile Plant in Moscow.
1956-59	Assistant to the Minister of the First Ministry of Machine Building.
1956-70	Director of the Power Plant of the Changchun No 1 Automobile Plant. Deputy Director of the Shanghai Electrical Equipment Research Institute under the First Ministry of Machine Building. Acting Secretary of Wuhan Power Machinery Institute.
1971-79	Deputy Director, later Director, of the Foreign Affairs Bureau of the First Ministry of Machine Building.
1980-82	Vice-Minister of the Administrative Commission on Import and Export Affairs.
1980-82	Vice-Minister of the Foreign Investment Commission.
1982-83	Vice-Minister of Electronics Industry.
1982-	Member of the CCP Central Committee.
1983-85	Minister of Electronics Industry.
1985-87	Mayor of Shanghai.
1985-87	A Deputy Secretary of Shanghai Municipal CCP Committee.
1987-89	Secretary of Shanghai Municipal CCP Committee.
1987-	Member of the Politburo

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- 1989- General Secretary of the CCP Central Committee.  
the Politburo Standing Committee.
- 1989- Chairman of CCP Central Military Commission.
- 1990- Chairman of State Central Military Commission.
- 1993- President of the PRC.

Jiang comes from a technocratic background. He seemed an ideal choice for the leadership of Shanghai, being (relatively) young, able and professionally skilled (having trained as an electrical engineer). He was the perfect model of the new style go-ahead Chinese leader. He enjoys music and literature, and speaks or understands several foreign languages, including English, Russian, Romanian, as well as some French and Japanese. In his political attitudes, however, he has aligned himself more with the older and more conservative leaders. This was most evident during the difficult post-Tiananmen period. He did not enjoy the experience of being virtually forced to speak with demonstrating students in 1986-87 and took a very firm line in 1989, using the demonstrations in May as an opportunity to sack the outspoken reformist editor of the Shanghai newspaper World Economic Herald. He was not popular in Shanghai and was often compared unfavourably with his more charismatic successor, Zhu Rongji.

His elevation to the post of Party General Secretary, taking over from Zhao Ziyang, came as a surprise. Apart from his spell in Shanghai, he had had little experience of Party administration at a high level. While he does seem to be in favour of economic reform, in Shanghai he was not at the forefront of new developments, concentrating more on trying to restore the city's industrial pre-eminence. Far from being an innovator, he is cautious and puts heavy emphasis on maintaining stability. He has a reputation for being an opportunist, motivated more by personal ambition than fixed ideals. Jiang did not appear to have any strong network of his own in the Party set up and was probably heavily dependent on the Party veterans who put him in power. He has, however, worked hard at placing his supporters in key positions in Peking and this promotion of a 'Shanghai clique' has drawn considerable attention. Since the death of Deng Xiaoping in February 97, Jiang has consolidated his grip on power. He seems finally to have defied the perception, common since 1989, that he was only a transitional leader.

In his dealings with foreigners he can be both affable and agreeable. But from his performance in meetings with British visitors, it is difficult to detect the leadership qualities which presumably brought him to his present post. He was host to both HM the Queen and HRH the Princess Margaret during their visits to Shanghai. He visited Britain in March 1988 as a Category One sponsored visitor and had a meeting the then Prime Minister (Mrs Thatcher). He gave an informal banquet for Mr Major during his visit to China in September 1991. He received Lord Howe's (human rights) mission in December 1992 and met the then Foreign Secretary Mr Rifkind in Peking in 1996. He speaks laboured but serviceable English and frequently quotes from Shakespeare. He visited Moscow in 1991, 1994 and 1995. He met President Clinton in Seattle in 1993 during an APEC meeting and again in New York in 1995 when attending the 50th anniversary of

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the UN celebrations. He visited France in 1994, Germany, South Korea and Japan in 1995, and the US in 1997.

Jiang is said to suffer from a range of minor health problems, although he seems robust enough. They have two married sons, both of whom studied in the United States (the eldest is Jiang Jinheng), a grandson and a granddaughter.

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WANG YEPING

Wife of President Jiang Zemin

Wang Yeping, 72 years old, hails from Yangzhou, Jiangsu province, which is also the hometown of her husband. She is believed to be the niece of Jiang's stepmother. Reports indicate that she graduated from the Shanghai Foreign Languages Institute.

Wang Yeping and Jiang Zemin are believed to have married in Changchun, Jilin province, in the early 1950s, shortly before he was sent to the Soviet Union to study engineering. Wang herself entered the Changchun Institute of Optical, Mechanical and Electrical Studies. Before her retirement Wang Yeping was head of an electrical engineering institute in Shanghai.

Wang Yeping is reported to be a rather shy person, who avoids the limelight and is said to be uncomfortable with the protocol demands of the spouse of a head of state; observers often note the contrast between her shyness and Jiang's garrulous nature. She is believed to be unwilling to attend state banquets and was reported to have undertaken public appearances during the visit to the United States only after lengthy persuasion. She often appears very uncomfortable in public.

Despite her opaque character, Wang Yeping remains important to Jiang, who is said to value his family highly. Jiang appreciates any sensitive effort to draw out Wang Yeping. Wang Yeping is said to have been in rather poor health in recent years.

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ZHU RONGJI

Premier. Member of the Chinese Communist Party (CCP) Politburo Standing Committee.

1928	Born in Hunan Province.
1947-51	Studied electric motor manufacturing at Qinghua University.
1952-75	Deputy Division Chief, State Planning Commission.
1975-78	Deputy Chief Engineer, Ministry of Petroleum.
1978-79	Director of the Industrial Economics Institute.
1982	Member of the State Economic Commission and Director of its Technical Transformation Bureau.
1983-88	Vice-Minister of the State Economic Commission.
1988-89	Deputy Secretary of the Shanghai Municipal Committee.
1988-91	Mayor of Shanghai.
1991-98	A Vice Premier.
1992-93	Director of the State Council Economic and Trade Office.
1992-	Member of the CCP Central Committee.
1992-	Member of the CCP Politburo Standing Committee.
1993-95	Governor of the People's Bank of China.
1998-	Premier.

Despite having a similar technological background to the former Premier Li Peng, Zhu has a history of sticking his neck out on economic policy issues. Mao purged him for this in 1957. Like other Chinese leaders during the Cultural Revolution, he spent much of the 1970s in the countryside. Deng Xiaoping appreciated his aptitude for economic planning and promoted him rapidly in the 1980s. He defused serious student protests in Shanghai in 1989 without shedding blood and soon after was brought to the centre by Jiang Zemin. Since 1993 he has run China's economic policy. His main achievement to date has been to maintain 8-12% growth per annum and to cool an inflatory spiral without swinging into recession. He also made a start on financial reform. He has a clear view of the deficiencies of the current system and some ideas on how to change them. But he does not appear to be ready to give up ownership of the very biggest state owned industries or to grasp that a firmly

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established system of civil law implies a big erosion of the monopoly on power of the Chinese Communist part. Zhu has given no hint of interest in political reform. He did not welcome the reputation as "China's Gorbachev", which the foreign press gave him during his time in Shanghai.

Zhu likes to get to the point quickly and may spend less time on meaningless platitudes than most Chinese leaders. He speaks some English although he may well choose to fall back on the interpreter seated behind his chair at meals. He is likely to be preoccupied with the immense task ahead of him. His successes to date have been achieved by the traditional Communist approach of a campaign launched by a strongman at the centre. He lacks widespread Party support of his own and is therefore vulnerable if his economic reforms overstress the system.

Zhu has previously visited the UK, in 1992, as part of a tour which also took in four Nordic countries. Mr Heseltine (the then President of the Board of Trade) was his host and he was received by the then prime Minister, Mr Major. Apart from London, he visited Edinburgh and Derby.

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LAO AN

Wife of Zhu Rongji

Madam Lao has a bourgeois background (her family ran a pharmacist shop in Changsha, south China). She met Zhu at high school. Both attended Qinhua University, China's most prestigious seat of learning. She studied engineering.

Lao An shared her husband's political disgrace during the 60's and 70's. at one point during the cultural revolution, the couple were sent to the countryside to herd pigs.

Officially, Lao An has no political involvement in her husband's work. But she is said to be Zhu's confidant, and Zhu is believed to consult her on important issues.

She is not overkeen on travelling, although she accompanied Zhu on a tour of south America and on his April 1998 visit to the UK. During that visit she undertook a number of cultural engagements independent to her husband. She understands four languages: Chinese, English, French and Russian.

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LI LANQING

Member of Chinese Communist Party Politburo,  
Vice-Premier

(May attend JANET/CERNET link on 7 October)

1932	Born in Zhenjiang, Jiangsu Province.
1952	Graduated from the Enterprise Management Department of Fudan University, Shanghai.
1952-60	Head of the Planning Section in the No 1 Automobile Plant.
1961-69	A Section Chief in the Enterprise Management Bureau of the State Economic Commission.
1972-78	Deputy Chief of the Planning Division of the Second Motorworks under the No 2 Automobile Plant.
1982-83	Director of the Foreign Investment Bureau of the Ministry of Foreign Economic relations and Trade.
1983-86	A Vice-Mayor of Tianjin.
1986-90	A Vice-Minister of Foreign Economic Relations and Trade.
1987-92	An Alternate Member of the CCP Central Committee.
1990-93	Minister of Foreign Economic Relations and Trade.
1992-93	Deputy Director of the State Council Economic and Trade Office.
1992-	Member of Politburo.
1993-	Vice-Premier.

Li made swift progress through the hierarchy in the early 1990s, reflecting the increased importance attached to foreign economic relations as much as his personal standing. As a Vice-Premier, he has expanded his responsibilities beyond foreign economic relations to include some aspects of the domestic economy and education. He is head of leading groups on foreign investment, smuggling and trade with Taiwan.

Li graduated in business administration and spent a considerable time working in China's automobile industry (he was also for a time in charge of the Flying Pigeon bicycle factory in Tianjin). During the early 1980s he was for a brief period in charge of the Foreign Investment Bureau under the Ministry of Foreign Economic

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Relations and Trade. He then spent time as a Vice-Mayor of Tianjin, (serving under Li Ruihuan) before returning to the Ministry of Foreign Economic Relations and Trade. During 1991, he oversaw a major restructuring and reform of China's foreign trade system.

He is friendly, reasonably accessible, urbane and apparently capable. He speaks Russian and quite good English, but usually chooses not to use it. He hosted the then Deputy Prime Minister Mr Heseltine's visit to China in 1995. He visited the UK in October 1996. He has a son and a daughter. He is said to be interested in cars and plays tennis and bridge.

He is widely travelled, including visits to New Zealand, India and Italy in 1991, Japan and Singapore in 1992 and the Middle East in 1993. More recently, he accompanied Li Peng to Austria, Romania and Germany in 1994 and also visited the USA. He toured the Nordic countries in 1995. He has visited the Soviet Union and republics of the FSU on several occasions over the last few years.

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TANG JIAXUAN

Minster for Foreign Affairs

(May attend talks with Zhu Rongji on 6 October)

1958	Graduated in English from Fudan University, Shanghai.
1962	Graduated from the Oriental Languages Department, Peking University.
1962-64	Intern in the Japanese Language Section, External department, Radio Broadcasting Bureau of the PRC.
1964-70	Staff member of the Interpretation and Translation Team of the MFA.
1970-78	Council Member of the Chinese People's Association for Friendship with Foreign Countries (1975-78 Deputy Division Chief). Council Member of the Sino-Japanese Friendship Association.
1973	Joined CCP.
1978-83	Second Secretary later First Secretary, Chinese Embassy in Japan.
1983-88	First Secretary and later Deputy Director-General, Asian Department, MFA.
1988-91	Minister-Counsellor later Minister, Chinese Embassy in Japan.
1991-93	Assistant Foreign Minister.
1993-98	Deputy Foreign Minister.
1997	Joined Central Committee.
Mar 1998	Foreign Minister.

Tang is from the same province as President Jiang Zemin and is thought to be backed by him. He is tall and has a mild and likeable manner. He is not as assertive or as communicative as his predecessor Qian Qichen and talks very softly (almost inaudibly at times), but has a down to earth approach. He can be quite gregarious on occasion, but is usually rather stiff in official gatherings.

Tang's career in the MFA has been very much focussed on Asia. His appointment as Foreign Minister is seen as a reflection of the current Chinese emphasis on relations with Asian countries. Tang

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is highly intelligent and very knowledgeable about Asian issues. The Japanese Embassy view him as the best informed Chinese diplomat on Japan and he commands an extensive network of Japanese contacts, especially in the political arena. Asian diplomats consider that he did a good job as Vice-Foreign Minister responsible for Asian affairs, managing sensitive issues well. He has impressed ASEAN colleagues as having a good understanding of the ASEAN way of operating.

On global, American and European issues he has so far tended to take a secondary role to Jiang Zemin, Zhu Rongji and former Foreign Minister Qian Qichen.

Tang's high language aptitude was spotted during his time at Fudan University. He was selected for the MFA and sent to study Japanese. His Japanese is said to be excellent. As relations with Japan normalised, he started off his diplomatic career as an interpreter and tells of how he interpreted for Zhou En Lai. He was deeply involved in the normalisation talks as an interpreter and assisted in the drafting of the Sino/Japanese Joint Communiqué of 1971. His English comprehension seems competent, but he lacks confidence.

Tang likes spicy food. (He once challenged the Pakistani Ambassador to a hot food eating contest and won.) He likes reading and enjoys hot springs when visiting Japan. He is a non-smoker.

Tang is married with one son. His wife a former classmate at Beijing University where she later taught Japanese.

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GAO CHANGLI

Minister of Justice

(May attend meeting with Human Rights Scholarships Holders on 7 October)

Gao Changli was appointed Minister of Justice at the National People's Congress in March 1998. He is an alternative member of the 15th CCP Central Committee. He served as Vice President of the Supreme People's Court from 1993 to 1998. He is also a former Deputy Secretary-General of the Shandong Provincial Party Committee.

Gao, 61 years old, is a native of Shandong province and a graduate of the Chinese People's University. He is reportedly a fine brush calligrapher.

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JING SHUPING

Chairman of the All China Federation of Industry and Commerce (ACFIC) .

(Guest of Honour at the Banquet on 7 October)

As well as being AFCIC Chairman, Jing is a Vice Chairman of the Chinese People's Political Consultative Conference and Chairman of the (private) Mingsheng Bank. He is the leading representative of business in China.

Jing Shuping was born in 1918, and graduated from St John's University Shanghai. His family was part of the old Shanghai business elite and Jing was a leading figure in the tobacco industry there. Following the Communist takeover Jing cooperated with the authorities and was touted as a model red capitalist. In 1963 he was appointed Deputy Secretary-General of the ACFIC, but was purged during the Cultural Revolution. He reappeared in 1976 and by 1979 was made Director of the Board of Directors at the China International Trade and Investment Corporation (CITIC). From 1984-89 he was vice president of CITIC. In 1986 he was elected a member of the Standing Committee of the 6th National People's Congress. In 1993 he was elected chairman of the ACFIC.

Jing's credentials as a businessman and major Shanghai figure have been employed in reunification activities. In 1991 he was elected vice-chairman of the Association for Relations Across the Taiwan Straits (ARATS) - the non-governmental body handling relations with Taiwan. He also served on the Preparatory Committee of the Hong Kong Special Administrative Region and was involved in the drafting of the Basic Law for Macau. Jing's role as a vice-chairman of the Chinese People's Political Consultative Conference - a largely powerless, but prestigious role - reflects his general high standing.

Jing is believed to be valued by Jiang Zemin as a senior adviser.

Jing has visited Britain and met many senior British business visitors. He speaks reasonable English.

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XU KUANGDI

Mayor of Shanghai, Alternate Member of the CCP Central Committee

1937	Born in Tongxian, Zhejiang Province.
1959	Graduated from Metallurgy Department of the Peking Institute of Iron and Steel Engineering.
1963-66	Deputy Director of Teaching and Research Section, Shanghai Engineering Institute.
1972-79	Lecturer at Metallurgy Department of Shanghai Institute of Mechanical Engineering.
1980-86	Worked in Shanghai Polytechnical University, rising to be a Professor.
1983	Joined CCP.
1984-85	Seconded by China Steel Corporation to Scandinavian Lancers of Sweden.
1986-89	Executive Deputy President of Shanghai Polytechnical University.
1989-91	Deputy Director of Shanghai Municipal Education and Public Health Office.
1989-91	Head of Shanghai Municipal Higher Education Bureau.
1991-92	Director of Shanghai Municipal Higher Education Bureau.
1991-92	Director of Shanghai Municipal Planning Committee.
1992-95	Vice Mayor of Shanghai.
1993-	Deputy Director, Shanghai Municipal Committee on State Property.
1994-	Deputy Secretary, Shanghai Municipal CCP Committee.
1995-	Mayor of Shanghai.
1997-	Member of 15th CCP Central Committee.

Xu is unusual in that he spent a long career as an academic before rising quickly through the government hierarchy in Shanghai. He is said to be a protege of Zhu Rongji and this helps to explain his rise. But many interlocutors have found him impressive and he is very well regarded in Shanghai, both by locals and by resident expatriates. He is said to be a renowned expert on reinforced

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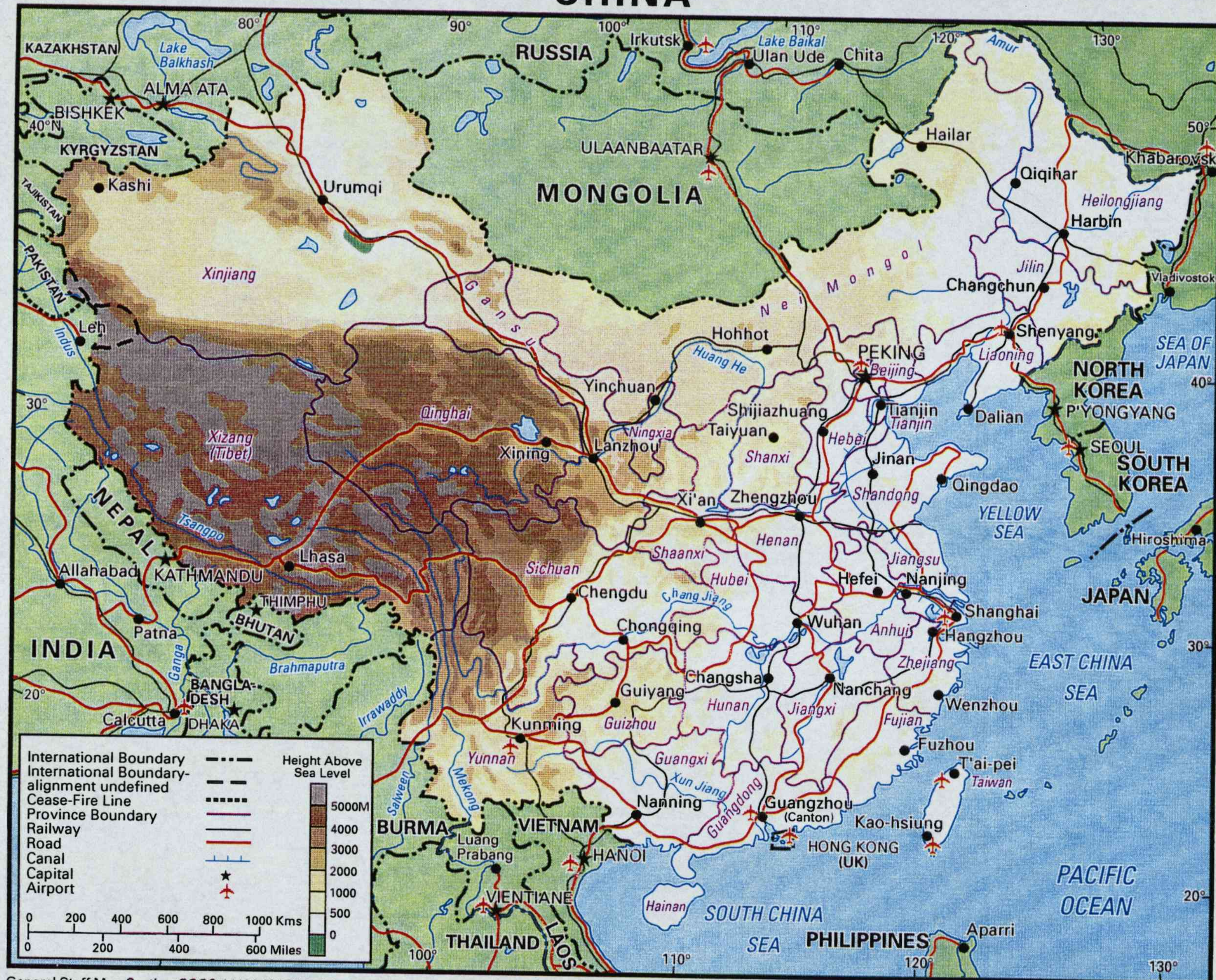
steel and metallurgy and worked in Sweden in this capacity in the mid-1980s. He is said to have visited over 30 countries and to speak English, German and Swedish well. He has also taught in the engineering department of Imperial College in London. As Vice Mayor he was responsible for economic, financial and planning issues. He hosted a banquet for Lord Howe and his delegation in Shanghai in 1992. Said to be a creative person with an open disposition.

His wife Xu Luoping is Director of the Jinxiang Teaching and Research Office of Shanghai University. They have two daughters. The elder, a biochemistry graduate, studied abroad on a WHO scholarship. The younger, who graduated in electronic engineering, also studied abroad.

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# CHINA



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Last updated: 29 Sep 1998

**MRS BLAIR'S VISIT TO BEIJING  
6-8 OCTOBER**

**MRS BLAIR'S OUTLINE PROGRAMME**

\* denotes joint event with the Prime Minister

**Monday 5 October**

1430 Depart LHR

**Tuesday 6 October**

0730 \*Arrive Beijing

\*Greeted by Vice Foreign Minister

0740 \*Depart airport for Diaoyutai State Guest House

0820 \*Arrive Diaoyutai State Guest House

0950 \*Depart for Great Hall of the People

1000 \*Arrive at Great Hall of the People, Tiananmen Square

\*Formal welcoming ceremony

1015 Tea with Mme Lao An

1045 approx Depart for Central Academy of Drama

1100 Arrive Central Academy of Drama

1115 Visit Ralph Koltai Theatre Design Retrospective Exhibition

1130 Visit David Glass Workshop

1200 Depart for Diaoyutai State Guest House

1230 Arrive Diaoyutai State Guest House

1450 \*Depart for Forbidden City

1500 \*Arrive Forbidden City

(Prime Minister has 15 minute interview with CCTV)

1515 \*Tour of Forbidden City



Last updated: 29 Sep 1998

1615 approx \*Depart for Diaoyutai State Guest House  
1820 \*Depart for Great Hall of the People  
1830 \*Arrive Great Hall of the People  
1830 \*Banquet hosted by Premier Zhu Rongji  
2000 approx \*Return Diaoyutai State Guest House

Wednesday 7 October

0835 \*Depart for China World Hotel  
0900 Meet participants in the mock trial  
0930 Attend mock trial  
1045 Meeting with participants in British Law Week  
and recipients of human rights scholarships  
\*Join Prime Minister's party  
1105 \*Depart for Beijing Ancient Observatory  
1115 \*JANET/CERNET computer link up ceremony  
1150 \*Tour of Shooting Stars exhibition  
1220 \*Buffet lunch with young Chinese  
1300 \*Depart for National History Museum, Tiananmen  
Square  
1310 \*Present urban regeneration competition prize  
and view "New Urban Environments" exhibition  
1340 \*Depart for Baitasi urban renewal site  
1355 \*Guided tour of Baitasi urban renewal site  
(lively street market)  
1430 Depart Baitasi for Great Wall, Badaling  
1540 Visit Great Wall at Badaling  
1640 Return to Diaoyutai State Guest House  
1750 Arrive Diaoyutai State Guest House  
1900 Event with lawyers at - venue TBC  
2120 approx Prime Minister Arrives Diaoyutai State Guest  
House



Last updated: 29 Sep 1998

2130 \*Farewell call by Premier Zhu Rongji

Thursday 8 October

0815 \*Depart Guest House for airport

0845 Depart Beijing

1045 Arrive Shanghai



**VISIT OF RT HON TONY BLAIR TO SHANGHAI : 8 - 9 OCTOBER 1998****OUTLINE PROGRAMME FOR CHERIE BLAIR**

8 October	10:45	Arrive at Hongqiao Airport from Peking (BA Charter)
	11:00	Depart for Shanghai Medical University Cancer Hospital
	11:20	Arrive at and privately tour hospital - Breast cancer ward
	12:10	Depart for Regal East Asia Hotel
	12:25	Arrive hotel for banquet lunch hosted by Mayor Xu
	13:45	Depart for Shangri-La hotel
	14:00	Arrive hotel
		Private affairs
	17:45	Depart for ICA exhibition at Westgate Plaza (British Council) event
	18:00	Arrive Westgate Plaza and tour exhibition
	18:30	Depart for Pudong Shangri-La
	18:45	Arrive Hotel
	19:00	Proceed to Ballroom to view exhibition
	19:30	Mayor Xu arrives at hotel
	19:35	Greet Mayor Xu in VIP room adjacent to Ballroom
	19:40	Re-enter Ballroom for welcoming remarks (Britcham Chairman, PM, Mayor) and tour exhibition
	20:20	Proceed to terrace for photo opportunity with Mayor (overlooking Bund)
	20:30	Retire to suite
	20:45	Leave hotel to pier for ferry across to Bund
	21:00	Stroll along Bund and return to hotel



21:20 Return to Shangri-La hotel

21:30 Arrive hotel

9 October 08:15 Depart for Shanghai Hongqiao Airport (entire party)

08:30 Arrive airport and board aircraft

08:45 Depart for Hong Kong

10:45 ETA Hong Kong airport



## British Law Week Mock Trial

### Background

The Mock Trial is the first event of British Law Week. The objective of the trial is to form a reference point for discussion on a range of issues associated with criminal justice and the law which will be the subject matter of the seminars on the following days.

The trial will feature a theft case. The parts of the judges, barristers and lawyers will be taken by professionals including Lord Justice Otton, Peter Goldsmith QC, Robert Seabrook QC, Philip Havers QC. Heather Hallett QC and Lord Gill will join the panel discussion. The jury will be made up of senior Chinese legal figures.

This is the first time a British mock trial has been put on in China and one of the first of any foreign law system. The trial will be widely viewed on Chinese television and will be the first exposure for most Chinese to the British legal system.

### People to be met:

The judge at the Mock Trial: Lord Justice Otton,

and members of the Mock Trial jury, including:

Mr Zheng Lu, Vice-President, China University of Politics and Law

Mr Chu Haizhi, Professor, Beijing University Law Department

Mr Wu Yan Ping, former Director, Crime Prevention Institute, Ministry of Justice

Mr Chen Zhucheng, Tianping Law Firm

Mr Wang Gongyi, Judicial Research Institute

Ms Guo Jianmei, Executive Director, Centre for Women's Law Studies and Legal Services

Ms Zhang Fengyan, Criminal Procuratorial Department, Supreme People's Procuratorate

Mr Huang Yulin, Legal Consultant, Xinhua News Agency

### Also present:

Martin Davidson, Director British Council China

Katie Lee, Director of Great Britain-China Centre

Stephen Forbes, Asst Director British Council China

Ni Jing, Senior Project Officer, British Council China

### Programme

On arrival Mrs Blair will be accompanied to the VIP suite to meet the jury (made up of Chinese legal figures), Lord Otton, and British organisers. She will talk with them for half an hour, then go to the auditorium to watch the Mock Trial. At the coffee break she will leave and return to the VIP suite



## **British Law Week, 6th -10th October 1998**

### **Working Document**

#### **Aim**

To increase knowledge and understanding by the British visitors of China's legal system, and by Chinese participants and public of the British legal systems.

#### **Activities**

Three types of activities will take place:

- a series of seminars - in-depth in nature and aimed at those working in the legal professions or professions associated with the law;
- discussions - in-depth in nature and aimed at students, those working in the legal professions or in professions associated with the law;
- a number of events to raise the profile of the Week and the cooperation which exists between Britain and China - less serious and aimed at an audience which does not necessarily have a legal background.

#### **1. Seminars**

**Venue - China World Hotel, Seminar Rooms**

**Demonstration of a British trial, followed by discussion.**

Date - 7th October, am (trial) and pm (discussion)

Venue - China World Hotel, Conference Hall

Partners - Institute of Law Research, Great Britain- China Centre, Cultural and Education Section, British Embassy.

The seminars will be introduced by a demonstration of a British trial. The objective of the trial is to form a reference point for discussion on a range of issues associated with criminal justice and the law which will be the subject matter of the seminars.

The trial will feature a theft case. The parts of the judges, barristers and lawyers will be taken by professionals including Lord Justice Otton, a Court of Appeal Judge, Peter Goldsmith QC, Robert Seabrook QC, Philip Havers QC. Heather Hallett QC and Lord Gill will join the panel discussion. The jury will be made up of senior Chinese legal figures. The discussion will be chaired by the judge.

#### **Non-Commercial Law**

##### **a) Seminar on Professional Ethics**

Date - 8th October



Partners - Great Britain China Centre and Ministry of Justice

Topic - a discussion on the establishment and maintenance of professional ethics. This builds on a previous legal education visit to the UK. Details to be agreed between the Centre and the Ministry.

Speakers - Philip Sycamore, Law Society  
Chris Gorman, former managing partner, Linklaters and Paine  
Nick Olley, College of Law  
Heather Hallett, Chair, General Council of the Bar

**b) Seminar on Criminal Procedure**

Date - 8th-9th October

Partners - the Cultural and Education Section of the British Embassy and the China University of Politics and Law.

Topic - to be agreed; to follow up on a visit to the UK in March 1998.

Speakers - Mike McConville, Warwick University  
Lord Justice Otton  
Lord Gill  
Prof John Jackson, Queen's University Belfast  
Robert Seabrook QC (contributor)

**c) Seminar on human rights and international conventions.**

Date - 8th-9th October

Partners - Cultural and Education Section in partnership with China Society for Human Rights Studies

Topic - impact on national law and the legal implications of signing international conventions.

Speakers - Viscount Colville\*  
Anne Owers, Justice (mainly on seminar e)  
Philip Havers QC  
Professor Chris Gane, Aberdeen University

**d) Seminar on the status on Legal Personality in the UK**

Date - 8th-9th October

Partners - Cultural and Education Section and Beijing University

Topic - introduction of UK status, implication, and relevance of UK experience to China.

Speakers - Anne Owers, Justice (also in seminar c))  
Richard Corden, Charity Commission\*  
Stephen Swann, Dundee

**e) Seminar on Law and Policing**

Date - 8th-9th October

Partners - Gong An University and Cultural and Education Section

Topic 1 - Juvenile Justice (8th October)

Speakers - Tony Burns-Howell, Scarman Centre, Leicester University  
Roger Hopkins-Burke, Scarman Centre  
David Kelbie, Juvenile Justice Sheriff\*  
Charles Clarke, Deputy Chief Constable, Essex



Helena Kennedy, Chair of the British Council (tbc)

**Topic 2 - Criminal Evidence (9th October)**

Speakers - Alistair Duff, McCourts Solicitors  
Dr Janet Thompson, Metropolitan Forensic Dept  
Robert Seabrook, QC (also involved in seminar f)

**f) Seminar on Prosecution Services.**

Date - 9th-10th October

Partners - Cultural and Education Section / Supreme People's Procuratorate.

Topic - to follow up on SPP visit to UK in January 1998.

Speakers - Robin Booth, Assistant Chief Crown Prosecutor\*  
Len Higson, Regional Procurator Fiscal for Grampian  
Gary Patten, Assistant Director of Casework Services  
Robert Seabrook, QC (contributor)

\* seminar coordinator

## **2. Seminars**

### **Commercial Law**

Partners - All China Lawyers Association, Cultural and Education Section British Embassy, and Law Society of England and Wales

**a) General Introduction to Commercial Law in Britain**

Date - 8th October

Venue - China World Hotel, Conference Centre

Speakers - Helen Ramsay, Law Society of England and Wales, and other speakers to be confirmed

**b) Inward Investment**

Date - 9th October

Speakers - Nicholas Craig, Eversheds  
Neil Sampson, Rosenblatt  
Martin Baker, Taylor Joynson Garrett

**c) Insurance Law**

Date - 9th October

Speakers - Robin Healey, Ince & Co  
Anthony Day, Holman, Fenwick & Willan  
Peter Cashin, Cameron McKenna  
Khawar Qureshi, One Hare Court  
Timothy Ingham, Cameron McKenna

**d) Privatisation / Corporate Law**

Date - 9th October



Speakers - David Renton, Cameron McKenna  
Benita Yu, Slaughter and May  
Teresa Ko, Freshfields  
Tessa Beilin, Rosenblatt

**e) Commercial Dispute Resolution**

Date - 9th October

Speakers - Colin Passmore, Simmons & Simmons, Law Society of England & Wales  
Anthony Connerty, Lamb Chambers, London  
Michael Palmer, School of Oriental and African Studies

**3. Lectures and discussions**

Venue - China World Hotel, Conference Centre

**a) Introductory lectures on British Legal System.**

Date - 10th October, am

Partners - Cultural and Education Section and Beijing University.

Speakers - Coral Hill from Legal Network TV and Nick Olley, College of Law

**b) Lecture on dissemination of legal information**

Date - 10th October, am

Partners - Cultural and Education Section, Legal Forum and Qinghua University

Speakers - Paul Cheng, Legal Forum  
Cultural and Education Section, British Embassy

Lunch

**c) Lecture on legal education in the UK**

Date - 10th October

Subject to include both pre-professional and career development training - followed by discussions on the relevance and status in China.

Partners - Great Britain China Centre and Ministry of Justice.

Speakers - Nick Olley  
- others, including from Scotland, tbc

**4. Profile-Raising Events**

Venues - China World Hotel (except Opening Ceremony)

**a) Opening Ceremony.**

Date - 6th October, 3.30pm

Venue - Diaoyutai State Guest House.

Speakers - Lord Justice Otton, Lord Gill, Sir Colin Campbell; Liu Yang (Vice Minister of Justice) and Yang Yonglin (President of the University of Politics and Law). Speeches followed by reception



**b) Television programmes.** British documentaries and docu-dramas featuring aspects of British law to be made available, with the agreement of British television companies, to Chinese television companies.

**c) Human Rights Scholarships**

Venue - China World Hotel

Date - 7th October 1998, 10.30am

Ceremony for the 6 selected recipients of scholarships for studying the legal aspects of human rights at Nottingham University

**e) Alumni event.**

Venue - China World Hotel, Conference Hall

Date - 10th October, evening

Chinese graduates and post-graduates of law studies in the UK to be invited to an event organised by the Cultural and Education Section of the British Embassy and the Ministry of Justice. The event to follow on from the lecture on British legal education (see above).

**f) Backdrop.**

Venue - lobby areas, China World Hotel

A series of individual booths, photographs, exhibits and explanations of British law to form the backdrop to the lobby area of the Conference Centre at the World Trade Centre.

Panels to include:

- photographs
- exhibits
- rolling Powerpoint screen

**g) Brochures - to include:**

- i) Catalogue: high quality introduction to the week, featuring prefaces from senior figures, introductions on British and Chinese legal systems and organisations, introduction to the law week. English and Chinese.
- ii) Events Programme: details of events taking place during the week
- iii) Mock Trial Programme: information about the mock trial
- iv) Post Event Report

Brief summary of events which took place to be distributed to participants.



## Visit to Central Academy of Drama 6 October 1998

### Background

The British Council has organised a series of drama related events at the Central Academy of Drama in Beijing. Events include a Ralph Koltai Theatre Design Retrospective Exhibition which traces the key points in his work through a wealth of striking stage designs, complete stage sets, models and documents showing how enduring the impact of innovation can be. At the same time David Glass one of Britain's leading exponents of physical theatre will both perform in Beijing and also hold workshops with Chinese aid workers and educationalists who work with special needs children. The workshops are both practical and theoretical, aiming to give careworkers from all fields easily assimilated skills in working with and for children in distress. The workshops will include Chinese teachers, care workers, NGOs (Save The Children, UNICEF), educationalists and other people dealing with children in difficulties. While in Beijing David Glass and his Ensemble will also hold a series of theatre workshops with a group of special needs children aged 12-14.

### People to be met

Prof Xu Xiaozhong President of the Central Academy of Drama ,  
(pron Prof. Shoo)

Prof Liu Yuansheng Vice President of the Academy  
(pron Prof. Leeoo)

Dr. Shen Lin, Vice President of Research Institute of Academy of Drama.  
(pron Dr Shun)

David Glass

A group of aid workers from local and international charities

### Programme

Visit Ralph Koltai Theatre Design Retrospective Exhibition in adjacent rooms. Meet small group of Academy drama students and small group of theatre design teachers/students who will have attended theatre design seminars given by Ralph Koltai 23/24 September.  
*10 mins*

Visit to David Glass workshop. David Glass who will introduce workshop participants and give a brief introduction about work which has been done in the workshop. A short five minute question and answer session in which Mrs Blair will be invited to participate. The workshop will break allowing time to speak informally with workshop participants  
*20 mins*

A short walk down an old Beijing 'hutong' lane accompanied by elderly actress who can describe old Beijing  
*10 mins*



## BRITISH CONSULATE GENERAL SHANGHAI

VISIT OF THE PRIME MINISTER, MR TONY BLAIR  
THURSDAY 8 OCTOBER 1998

### *MRS BLAIR'S CALLS*

SHANGHAI MEDICAL UNIVERSITY CANCER HOSPITAL

Contact:

Purpose of visit: to see the achievements of Shanghai's cancer hospital

### Background

The hospital is the oldest and most famous of its kind in China. Formerly the Sino-Belgian Radium Institute, it was founded in 1931 on a different site. Now known officially as the Cancer Hospital of Shanghai Medical University, the hospital is 100% state funded.

The hospital has a total of 561 beds and 840 medical staff, 24 of whom are professors and 55 associate professors. The radiotherapy department has approximately 500 visiting patients per day. The hospital is equipped to deal with most kinds of cancer (including breast cancer) with "most advanced equipment". It has its own Chinese traditional medicine department. Research material, covering a wide range and different kinds of cancer, has been published both locally and internationally.

The breast cancer ward treats round 400 patients per year (more than one new patient per day). The number of cases of this type of cancer has risen dramatically in recent years, with yearly increases. Most of the equipment used in the ward is of an advanced nature, equating to standards found in Western hospitals. The highest risk areas of breast cancer occur in women between the ages of 40 - 50, and 60 - 70 years of age. Five year survival rate is around 90%, with the overall survival rate approximately 85%.

Since China's "open door policy" was declared in 1979, the hospital has seen academic collaboration with many cancer centres overseas. In the years since 1996, it has received a several overseas but none, as far as we aware, from the UK.



## UK/CHINA JOINT STATEMENT

1. The Prime Minister of the United Kingdom of Great Britain and Northern Ireland, Mr Tony Blair, and the Premier of the State Council of the People's Republic of China, Mr Zhu Rongji, held talks in Beijing on 6 October 1998. They exchanged views on bilateral relations and international issues of common concern in a friendly atmosphere and issued the following joint statement.
2. The United Kingdom and China as permanent members of the UN Security Council share extensive international interests and responsibilities. The two countries will step up cooperation both bilaterally and multilaterally, including within the framework of the UN, for the maintenance of world peace and security.
3. The two Governments welcome the positive development of bilateral relations during recent years, and particularly since the successful handover in Hong Kong. Both sides consider that the time is right for the opening of a new chapter in relations between the United Kingdom and China. They agree to expand political, economic, cultural and technological links. In this context, it is agreed that President Jiang Zemin should pay a State Visit to the UK at the invitation of Her Majesty Queen Elizabeth II in the second half of 1999.
4. The two sides note that the Joint Declaration of 1984 and the successful handover in Hong Kong in 1997 were historic achievements. The peaceful resolution of the question of Hong Kong is something in which the people of both countries, and especially the people of Hong Kong, can take pride. Both sides reiterate that the implementation of the Joint Declaration and the principles of 'one country, two systems',



'Hong Kong people administering Hong Kong' and a high degree of autonomy will ensure the maintenance of the prosperity and stability of Hong Kong.

5. The two sides note that growing economic ties and trade between China and the UK are not only of mutual benefit, but also serve to enhance overall cooperation and understanding. They agree on the need to put new energy into the bilateral economic relationship and trade through enhanced business promotion activities and improved market access, matching the skills and needs of the two economies. They agree to take positive measures to expand bilateral trade and investment. They note with satisfaction both the launch of the restyled China Britain Business Council and the continued high level of UK investment in China.

6. Both sides reaffirm their commitment to continue working for China's entry to the World Trade Organisation, on terms which will reinforce the world trading system and on the principle of balancing rights and obligations. Both sides agree to explore options for practical cooperation in support of this.

7. The two sides note the growing global interdependence of national economies and financial structures. In this context, they will strengthen the UK/China Financial Dialogue, conduct regular exchanges on strategic economic and financial issues and foster wider regional and global discussion of these issues, with the aim of ensuring a stable environment for development.

8. While recognizing that the social and economic context in the two countries is different, both sides are committed to meeting the continuing challenges of modernisation. Through an expanding programme of development cooperation, they will strengthen cooperation between the two countries in the following areas: the development and restructuring of State-owned enterprises; the provision of training and small business creation for unemployed workers; the provision of financial sector training, including in the field of



regulation; poverty elimination and promotion of development of the interior provinces.

9. Both sides note the vital importance of protecting the environment at the national and global levels and, in particular, addressing the issue of climate change. They agree that the developed countries have a responsibility to set an example in this area. At the same time, it is noted with appreciation that China is intensifying efforts to address the environmental challenges it faces. China and the UK also share concerns about more local environmental issues, particularly in relation to water resources.

10. Both sides agree to strengthen environmental cooperation. This will embrace practical cooperation, including scientific exchanges as well as informal dialogue. Both sides agree that the UK should work particularly closely with China as a Partner country. Future UK/China cooperation on the environment will build on the Memorandum of Understanding signed in June 1998.

11. The two sides will strengthen and expand their political/military dialogue. In addition to annual senior official-level talks, they will pursue a programme of senior military visits, including ministerial-level exchanges.

12. Both sides welcome the development of practical exchanges between police forces in China and in the UK, which have served to promote the interests of justice and to protect the victims of crime. China and the UK will work to strengthen cooperation aimed at tackling international crime.

13. The two sides note with satisfaction the growing range and volume of contacts between the Chinese and British people. They will work to increase the number of focused parliamentary, academic, scientific and professional exchanges.

14. Both sides believe that the UK/China Forum, launched by the two Heads of Government, will play an important part in



providing a clear focus for non-Governmental high-level contacts between China and the UK and ensuring that the development of such contacts contributes positively to the overall bilateral relationship.

15. Both sides note that cultural and artistic contacts will help to strengthen understanding and awareness between China and the UK and to provide a positive atmosphere for bilateral cooperation. They welcome the Britain in China initiative as a means of promoting cultural as well as commercial activities. They will explore options and ways to further expand the above-mentioned exchanges and cooperation in both countries. They welcome the UK/China sports authorities' protocol providing for practical cooperation. They note the value of sporting links in building bridges between the two countries, and particularly between their young people.

16. The two sides welcome the positive progress of Europe-Asia cooperation in recent years and the establishment of a long-term, stable and constructive Europe-China partnership oriented towards the 21st century. The establishment of friendly relations of equality and mutual benefit between Europe and Asia and between Europe and China benefits not only the interests of the two sides but also the interests of world peace and stability. The two sides consider that increased bilateral political consultations, including dialogue on human rights, help to broaden mutual understanding. They welcome the resumption of human rights dialogue between the European Union and China and the commencement of such dialogue between the UK and China in 1997. Despite the differences between them the two sides note the achievements in these processes so far, both in practical progress and enhanced mutual understanding. They agree to continue their constructive dialogue and to conduct judicial exchanges and cooperation on the basis of equality and mutual respect.

17. The two sides stress their commitment to non-proliferation, and full support for Security Council Resolution No 1172. As parties to the Treaty on the



Nonproliferation of Nuclear Weapons, the Biological Weapons Convention and the Chemical Weapons Convention, the two countries will continue their commitment to the prevention of the proliferation of weapons of mass destruction and their delivery vehicles, and will step up bilateral and international cooperation to this end. The two sides are ready to make continued efforts to bring about universal accession to and effective compliance with the Comprehensive Test Ban Treaty. They support the efforts to strengthen the efficacy of the Biological Weapons Convention and express opposition to the weaponisation of outer space.

18. The two sides agree that the above statement should form the framework for an enhanced, comprehensive UK/China partnership. Both sides look forward to developing to the full the opportunities offered by such a partnership, and to working together to address the shared challenges of the new millenium.



## 中英联合声明（中方稿）

1998年10月6日，中华人民共和国国务院总理朱镕基与大不列颠及北爱尔兰联合王国首相托尼·布莱尔在北京举行了会谈。双方在友好的气氛中就双边关系和共同关心的国际问题交换了意见，并发表联合声明如下：

应问题交换了意见，并发表联合声明如下：

1998年10月6日，中华人民共和国国务院总理朱镕基与大不列颠及北爱尔兰联合王国首相托尼·布莱尔在北京举行了会谈。双方在友好的气氛中就双边关系和共同关心的国际问题交换了意见，并发表联合声明如下：

1998年10月6日，中华人民共和国国务院总理朱镕基

1998年10月6日，中华人民共和国国务院总理朱镕基与大不列颠及北爱尔兰联合王国首相托尼·布莱尔在北京举行了会谈。双方在友好的气氛中就双边关系和共同关心的国际问题交换了意见，并发表联合声明如下：

中英作为联合国安理会常任理事国在世界上有着广泛的共同利益和责任。两国将在双边和多边领域包括在联合国框架内加强合作，以维护世界和平与安全。

两国政府对近年来，特别是香港政权顺利交接后，双边关系的积极发展表示欢迎。双方认为，现在正是揭开中国与英国关系新篇章的良好时机。双方同意拓展在政治、经济、文化和技术领域的联系。在此情况下，双方同意江泽民主席于1999年下半年应伊丽莎白二世女王陛下的邀请，对英国进行国事访问。

双方指出，1984年的联合声明和1997年香港政权的顺利交接是历史性的成就。香港问题的和平解决，值得两国人民，尤其是香港人民为之骄傲。双方重申，遵循联合声明和贯彻“一国两制”、“港人治港”及高度自治的原则，香港就一定能保持繁荣和稳定。

双方指出，中英两国不断发展的经贸关系不仅对双方有利，而且可以促进全面合作与理解。双方一致认为需要进一步促进商贸活动，改善市场准入，为双方的经贸关系注入新



的活力，使之与两国经济的优势和需求相符合。双方同意采取积极措施扩大双边贸易和投资。双方满意地注意到英国再次建立中英贸易协会并持续在华进行大量投资。

双方重申将继续努力使中国在加强世界贸易体制和权利与义务平衡的条件下加入世界贸易组织，双方同意将探讨具体合作的途径。

双方注意到世界各国经济和金融结构的相互依存性正日益增强。在这种情况下，双方将加强两国的财金对话机制，就战略性的经济和金融问题进行经常性的交流，并促进关于这些问题的更广泛的地区和全球性讨论，以确保发展所需的稳定环境。

双方认识到两国社会和经济背景不同，但都致力于迎接现代化带来的不断挑战。双方将通过扩大发展合作项目，加强两国在以下领域的合作：国有企业的发展和体制改革；为失业工人提供培训和创造小企业就业机会；提供包括监管在内的金融方面培训；消除贫困和促进内陆省份的发展。

双方注意到，保护本国和全球环境，特别是解决气候变化问题是至关重要的。双方一致认为，发达国家有责任在这一领域作出表率。同时，人们赞赏地注意到，中国正在加强努力迎接其面临的环境挑战。中英两国还对更多的地方环境问题，特别是水资源问题表示关心。

双方同意加强环境合作。这将包括科学交流以及非正式对话等实际合作。双方同意，英国作为伙伴国将与中国进行特别密切的合作。未来中英在环境问题上的合作将在 1998 年



6月签定的《谅解备忘录》的基础上进一步发展。

双方将加强和扩大政治和军事对话。除了每年举行高官会谈外，双方还将执行包含部长级互访在内的高级军事访问计划。

双方欢迎中英警方实际交流的发展，这些交流有助于维护正义，保护受害者。中英将加强合作，打击国际犯罪。

双方满意地注意到，中英两国人民交往的广度和频率正不断扩大和增加。双方将着重增加议会、学术、科学和专业交流。

双方相信，由两国政府首脑启动的“中英论坛”在为中英非政府高层接触提供一个明确的中心和确保这些接触的增多对双边总体关系产生积极影响方面将发挥重要作用。

双方注意到，文化和艺术交流有助于增进中英两国之间的了解和相知，并为双方的合作营造一个积极的氛围。双方欢迎“98英国在中国”活动，这一活动促进了文化和商业活动的开展。双方将探寻进一步扩大两国上述交流与合作的方式和途径。双方欢迎中英体育部门为开展实际合作而签定的议定书。双方注意到体育交流对于构筑两国特别是两国年青人之间的桥梁具有价值。

双方欢迎近年来亚欧合作取得的积极进展和中欧建立的面向二十一世纪的长期稳定的建设性伙伴关系。亚欧和中欧之间建立平等互利的友好关系不仅符合双方的利益，也有助于维护世界的和平与稳定。双方认为加强双边政治磋商，其中包括人权对话，有助于增进彼此了解。双方欢迎中国与欧



盟恢复人权对话及中国与英国于 1997 年开始的人权对话。尽管仍存在分歧，但双方注意到迄今在上述进程中取得的成果，这些成果既包括实际进展，也包括相互了解的加强。双方同意在平等和相互尊重的基础上继续进行建设性的对话和开展司法交流与合作。

双方强调对不扩散的承诺，并表示完全支持安理会 1172 号决议。作为《不扩散核武器条约》、《生物武器公约》和《化学武器公约》的缔约国，双方将继续致力于防止大规模杀伤性武器及其运载工具的扩散，并将为此加强双边及国际合作；双方愿继续努力使《全面禁核试条约》得到普遍加入和切实遵守；双方都支持加强《生物武器公约》有效性的努力，均表示反对外层空间武器化。

双方同意，上述声明应成为增强全面的中英伙伴关系的框架。双方期待着充分扩大这一伙伴关系所提供的契机，共同努力，迎接共同面临的新世纪的挑战。



RESTRICTED



Foreign &  
Commonwealth  
Office

London SW1A 2AH

Telephone: 0171

01 October 1998

Philip Barton Esq OBE  
Private Secretary  
No 10 Downing St

*Dear Philip*

**PRIME MINISTER'S VISIT TO CHINA: SUPPLEMENTARY PAPERS**

You have received the full briefing pack for the visit to China by the Prime Minister and Mrs Blair. As discussed, I now attach some supplementary papers which, while probably not of general interest, may be of use to you in your preparation. I am also passing a copy to Hugh Davies here.

These are:

detailed timetables for events (where available)

the latest detailed programmes for both the Prime Minister and Mrs Blair in Shanghai

Project Concept Notes setting out in detail the 3 DFID projects referred to in the briefing for the Prime Minister's talks with Zhu Rongji.

*Yours ever,*

*Catherine Mackenzie*

Catherine Mackenzie  
China Hong Kong Department

0171 270 2953

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Opening Ceremony of Seminar on Reform of State-owned Enterprises

China World Trade Centre

Wednesday 7 October

0855 PM arrives China World Trade Centre

Met by Christopher Segar (Commercial Counsellor)

Escorted to VIP room

Introduced to:

Li Tieying (Politburo member and President of Chinese Academy of Social Sciences ("CASS"))

Prof Liu Ji (Vice President of CASS; joint Chairman of seminar)

Lord Kingsdown (UK Chairman of seminar)

Other people in VIP Room:

Prof Pei Changhong (Director-General, CASS Foreign Affairs Bureau)

David Brewer (Chairman, Great Britain China Centre)

0900 Proceed to seminar hall. PM, Li Tieying, Liu Ji, Lord Kingsdown, HM and Ambassador Ma proceed to seats on front platform. Others go to reserved seating situated by entrance.

Liu Ji speaks

PM speaks


Lord Kingsdown speaks

Li Tieying speaks

PM approaches podium and shakes Li's hand (photographs taken)

PM, Li etc come down from platform and meet some of the seminar participants.

0925 Depart seminar hall





VIDEO SATELLITE LINK

<u>Time</u>	<u>Action</u>
0923	PM departs Commercialisation Seminar
0925	PM meets VIPs briefly in Function Room 7, leads them towards the satellite link in FR6. HMA takes them inside.
0927	PM goes to FR5 for final preparation and make-up
0932	PM enters FR6 and takes seat in front row
0933	Video presentation begins. Voice over (in English in Beijing, Chinese at remote sites) welcomes everyone and gives a general introduction explaining what is about to happen.
0936	MC welcome and introduce PM
0937	<i>PM - pleased to welcome you to this 'tour of British business in China'. Very much looking forward to seeing what British companies are doing in other parts of the country</i>
0940	MC introduces Wuhan tape
0940	Video segment on Wuhan, shows clips of Wuhan and of financial services sector.
0941	MC links to live hook-up with Wuhan

Chairman of seminar, Roy Leighton introduces what the mission is doing in Wuhan.

*PM asks about audience reaction, both in Wuhan and earlier in the week in Chongqing*

Roy Leighton responds - high level of interest, some nervousness because of Asian crisis. UK finance industry is long term friend. What the seminars have covered.

*PM comments about strength of UK financial services, recalls Zhu Rongji's comments about wanting to see more Chinese companies listing in London*

Roy Leighton introduces Mayor of Wuhan and Governor of Hubei

*PM - pleased at the support for the seminar from Wuhan and Hubei. Reference to twinning of Wuhan with Manchester - in Mayor's view, how is that working?*

Mayor to respond

*PM - extends sympathy to Governor and people of Hubei who have suffered from the severe flooding. Pleased HMG and British companies (eg Smithkline Beecham) have been able to offer help. Will continue to do so.*

Governor replies

*PM - suitable response. Wishes the seminar every success.*



- 0946 MC introduces Suzhou tape
- 0946 Video giving background to Suzhou, to the China-Singapore Suzhou Industrial Park and to Vesuvius Advanced Ceramics.
- 0948 MC links to live hook up with Alan Ridley, President of Vesuvius Asia Pacific
- 0948 Alan Ridley introduces those present, including Mayor Chen Deming. Then passes to Anita Zhang, Human Resources Manager. Anita gives her impressions of what it is like to work for a British company in China.

*PM - very pleased to be able to 'visit' the Vesuvius factory. You clearly are enjoying working for a British company. Sure that Vesuvius' success in China will depend on you and your colleagues - most important resource. Wish you every success in your career with Vesuvius.*

Alan Ridley gives brief background to plant start-up (ground breaking May 1997, first production May 1998). Hands over to Stephane Canonne, technical manager to say few words about how they achieved ISO9002 (to be awarded today).

Mr RR Thomson and Dr Peter Miller of Lloyds' hand over ISO9002 certificate and say a few words.

*PM - congratulations on achieving this quality status. Very important.*

Alan Ridley introduces Mayor Chen to say a few words.

*PM - pleased to have this opportunity to visit Suzhou. The China Singapore Industrial Park is clearly impressive. Hope I can visit in person on my next visit.*

- 0954 MC introduces Shekou tape
- 0954 Video introduction to Burmah Castrol lubricants factory in Shekou (Shenzhen).
- 0955 MC hands links to live hook up with Ian Pringle, Director Asia Pacific

Ian Pringle welcomes PM to Shekou site. Introduces Mr Guo Rongjun, Vice Mayor of Shenzhen and Mr Li, General Manager of Shenzhen Nanyou Holdings Ltd (Castrol's jv partner).

*PM - how has the project gone - was it completed to schedule?*

Ian Pringle responds and invites Mr Guo and Mr Li to say a few words. Then invites PM to 'open' the factory.

*PM - very pleased to participate in your opening ceremony, grateful if Mayor Guo could unveil the plaque on my behalf. Gives me great honour to declare this factory open, wish the factory and all its employees every success.*



- 1002 PM - closing comments to those in Beijing. Very impressed with what I've seen - range of British activity in China. Just a small sample of what British firms are doing here - investing for the long term, engaging in technical cooperation and training, advising on raising capital. Although visit to China this time all too brief, satellite link has enable me to see more places and wider range of commercial activity. Visible sign that Britain is China's partner for the long term.
- 1005 Video closing credits
- 1006 PM departs for commercial contracts signings



PM's visit to New Urban Environments Exhibition and Baitasi site visit

Wednesday, 7 October

1315 PM arrives Museum of National History, Tiananmen Square  
(Cai drives up ramp to right of main stairs on square)

Met by Martin Davidson (British Council Director) and Prof Kong Xiangxing (Museum Director)

Escorted up stairs to landing outside New Urban Environments exhibition gallery, to view display of results of Chinese-British students design competition.

Introduced to :

Prof Dou Yide (General Secretary, Architects Society of China)  
Prof Wu Liangyong (Professor Emeritus, Qinghua University)  
Dr Zhang Jie (Tutor of students in prize-winning team)

Competition judges :

- Prof Zou Deci (President, Urban Planning Society of China)
- Prof Bai Demao (Consultant, Beijing Design Research Institute)
- Prof Liu Kaijing (Consultant, Beijing Design Research Institute)
- Huang Yan (Senior Planner, Beijing Municipal Design Research Institute)

British students (Liverpool University) who have participated in competition :

- Magnus Wills
- Christopher Fox
- Ben Edwards
- Adrian Bailey
- Katrina Merrett

Small selection of Chinese students who have participated in competition.

1320 View results of competition and brief chat with students

1325 Present prize envelope to winning teams (brief remarks - Points to Make attached)

1335 Escorted by Prof Kong Xiangxing, Prof Dou Yide, Prof Wu Liangyong and Dr Zhang Jie into "New Urban Environments" gallery for brief tour of exhibition

1345 Depart Museum of National History with

- Christopher Fox (British student from winning team)
- One Chinese student from winning team
- Dr Zhang Jie (tutor from winning team from Qinghua University)
- One competition judge (tbc)
- Dr Bhaskar Chakravarti (British Council Deputy Director)
- Ms Long Weili (British Council Projects Officer)



- 1400 Arrive Baitasi (White Pagoda Temple, on Fuchengmen Nei St)  
Met by Local Government officials (names and positions tbc).  
View temple conservation site from inside main gate (NB local authorities stress danger of walking into the reconstruction site itself). Brief discussion with Conservation Project Director (name tbc) of the work being done.
- 1405 Proceed on foot round corner for guided tour (South to North) of Baitasi Xi Jia Dao (lively street market in traditional "hutong" alleyway), accompanied by :  
- Christopher Fox (British student from winning team)  
- One Chinese student from winning team  
- Dr Zhang Jie (tutor from winning team from Qinghua University)  
- One competition judge (tbc)
- Discussion en route of conservation and regeneration strategies proposed in prize-winning competition entry.
- 1415 Visit traditional courtyard house ("siheyuan") along way. Met by residents :  
- Mr Cui Ruilu (a painter of traditional Chinese watercolours)  
- His wife (name tbc)  
- Prof Li Shouling (his father : 83 years old, retired Prof of Chemistry)
- Brief look at living quarters around central courtyard. Cup of tea and informal chat with the family about the pleasures and pressures of living in traditional courtyard housing.
- 1425 Walk up final stretch of alleyway to awaiting vehicles. Bid farewell to accompanying party (students, teachers and local government officials).
- 1430 Depart Baitasi area.



**CONTRACT EXCHANGE CEREMONY, WED 7 OCT, 10.15 - 10.30AM**

Function Room 4A and 4B, China World Hotel

Background

The five companies represent most of our key strengths in China: water, power, pharmaceuticals, technology transfer (microsatellites), and communications.

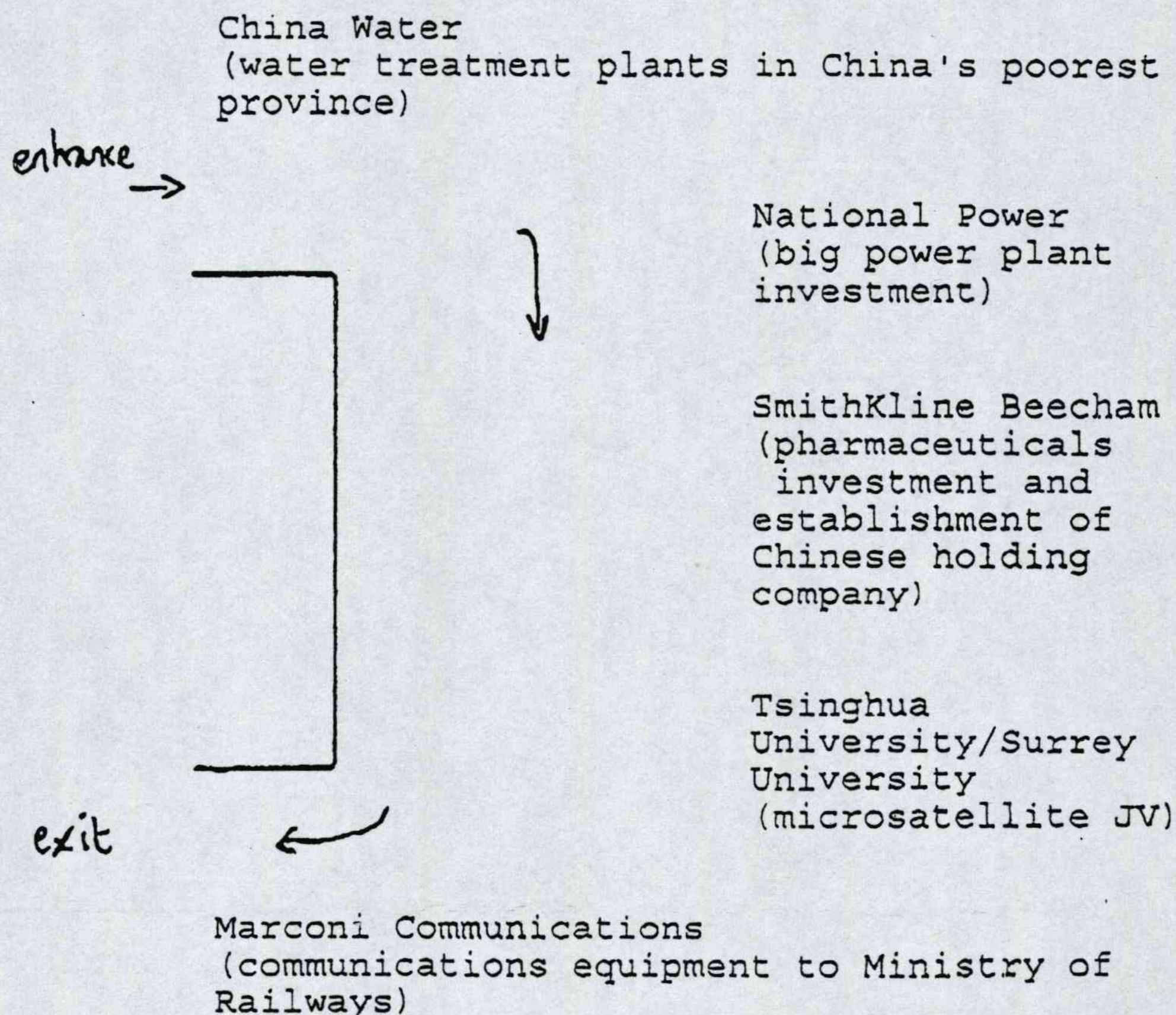
Contracts which have been signed before this event will be exchanged in the Prime Minister's presence. He has already provided quotes for each company. Further background on each contract attached.

Sequence

The PM will spend three minutes with each company. He will

- a) meet the two key guests
- b) pose for photographs in front of the company's backdrop
- c) say a few words to the key Chinese guest

The order will be as follows:



1. Two members of the Business delegation will be present. Sir Charles Powell will be at the China Water ceremony, as Jardines is one of the investors. Sir Peter Walker will be at the SKB ceremony.



## PROJECT BACKGROUND

### China Water

Two water projects in Guiyang, capital of Guizhou, total value £15m. One new treatment plant, one upgrade, for China's poorest province. John Prescott's July water mission helped with high level contacts to push this project forward.

#### Key guests:

James Turnbull, Chairman of China Water  
Sun Guoqiang, Mayor of Guiyang city  
Sir Charles Powell

### Smithkline Beecham (SB)

This event marks the establishment of SB's new holding company in China. This makes SB one of the largest pharmaceutical groups in China. Also announcing intention to invest in a new pharmaceutical manufacturing JV, Smithkline Beecham (Tianjin) Limited. SB is one of the first healthcare companies to establish a presence in China, 14 years ago. JV in Tianjin has annual sales of almost £100 million, second largest pharmaceutical JV in China.

#### Key guests:

Sir Peter Walker  
tbc

### Tsinghua University/Surrey Satellites

£3 million contract to build "Tsinghua I" at Surrey Space Centre, and provide technical training for 8 Chinese academics. Build and launch in 15 months, then jointly construct micro-satellites in China, under a 20 year collaborative JV. Seminar on small satellite technology financed by British Embassy to mark establishment of Tsinghua Surrey joint research centre, during Lord Sainsbury's visit last month. Tsinghua is Zhu Rongji's alma mater.

#### Key guests:

tbc

### National Power

Changsha, a 700 MW coal-fired power station to be built in Hunan Province, will be the first project in China wholly-owned by National Power. The power station will cost £440 million. It will be financed by a US\$180 million investment from National Power and international project finance.

#### Key guests:

tbc

likely to be a Vice Governor of Hunan Province

### Marconi Communications/ Ministry of Railways Communication Project

This expansion project relates to eight routes in the Ministry of Railways, over 2,400 miles. Total value £15 million. The UK made equipment will provide digital transmission of the Ministry of Railway's operational voice and data services along the routes. Marconi is the world leader.

Key guests tbc: if project not finalised, they will drop out.



## PRIME MINISTER'S QUOTES FOR CONTRACT EXCHANGE CEREMONY

The Prime Minister's Press Office have already cleared the following quotes for use by the companies in their press releases.

### CHINA WATER

'The China Water Company's investment demonstrates the new partnership between Chinese cities and British backed water companies. British companies provide much needed capital, technical and managerial expertise and are playing a key role in developing China's water infrastructure.'

### NATIONAL POWER

'I am pleased to see that a British company, National Power, has been awarded the contract to develop an important project such as Changsha Power Plant. This represents a major commitment to China's infrastructure development.'

### SMITHKLINE BEECHAM

'Fourteen years ago, Smithkline Beecham was one of the first foreign healthcare companies to establish a presence in China. Today sees two new landmarks, the establishment of a Chinese holding company, and a commitment to invest further in its new pharmaceuticals manufacturing JV in Tianjin. I am pleased to see SmithKline Beecham making a significant contribution to people's health in China.'

### TSINGHUA/ SURREY SATELLITES

'This major technological exchange take place between two leading electronics enterprises is another example of the new high tech partnership between China and Britain. I wish Tsinghua and Surrey every success in their joint project to develop small satellites.'

### MARCONI

'This is a tremendous opportunity for Marconi Communications - both as Britain's largest telecoms equipment manufacturer and a truly international leader in the field of digital communications technology. The company's increasingly close commercial relationship with China is good news for Britain, for Europe and for China.'



Date: 7th October 1998

Place: Beijing Ancient Observatory

11.15 All Chinese guests and British Council and Embassy staff in place

11.25 Chinese government V.I.P arrives (To be confirmed)

11.30 Prime Minister arrives at the south-west corner of Jianguomen flyover  
(right-hand drop)

Met by Dr Bhaskar Chakravarti, Deputy Director, British Council and Ms Cui Shizhu  
Director, Beijing Ancient Observatory plus Interpreter and escorted into the Ancient  
Observatory inner courtyard

Introduced by Dr Bhaskar Chakravarti to the Chinese government V.I.P

In attendance:

- HMA and Mrs Galsworthy
- Mr Martin Davidson, Cultural Counsellor
- Lady Helena Kennedy QC

11.35 Prime Minister guided towards the South Pavilion to view the  
temporary display of the David Malin exhibition *Night Skies: the Art of Deep Space*

Prime Minister introduced by Dr Bhaskar Chakravarti to :

- David Malin, Photographic Scientist, Anglo Australian Observatory
- Mr Wang Rongbin, Deputy Director, Beijing Planetarium
- Ms Lin Qiao, Deputy Director, Beijing Ancient Observatory

A brief discussion on the exhibition

11.40 Prime Minister proceeds to the west side of the courtyard towards the  
Children's Pavilion where he is introduced by Dr Bhaskar Chakravarti to:

- Mr John Hodges, The Orbital Mechanics Educational Network
- Mr Ge Lizhen, President, Youth Science and Technology Centre
- Ms Lin Qiao, Deputy Director, Youth Science and Technology Centre
- Mr Liu Hayang, Youth Science and Technology Centre
- Ms Li Bing, Youth Science and Technology Centre

Mr John Hodges and Ms Li Bing guide Prime Minister to meet five groups of  
children involved in school science activities. A short walk-around the activities

11.50 Prime Minister proceeds to the Purple Hall, North Pavilion, for the launch of  
the *Janet/Cernet computer network link*

Prime Minister introduced to by Martin Davidson to Dr Wei Yu, Vice Minister,  
Ministry of Education and meets:

- Professor Wu Jianping, Head, CERNET
- Mr Richard Brown, Chief Executive, Cable and Wireless
- Sir Ralph Robbins, Chairman, Cable and Wireless



- Ms Jannette Cheong, Head, International Collaborations and Development, HEFCE
- Professor Roger King, Pro Vice-Chancellor, University of Leeds
- Dr Malcolm Read, Secretary, Joint Information Service-Commission

Short speech by Chinese government V.I.P

Short speech by Prime Minister

12.05 Prime Minister and Chinese V.I.P 'push the button' to launch the link

Short on-line large-screen display of links between the UK and Chinese universities

12.15 Prime Minister leaves the Purple Hall and is guided out of the inner courtyard by the left hand circular entrance to bid farewell to Chinese V.I.P and party at the inner carpark.

Prime Minister ascends the Observatory bastion to view the astronomical instruments and Beijing skyline

**Accompanied by:**

HMA and Mrs Galsworthy

Mr Martin Davidson Director British Council

Ms Cui Shizhu, Director, Beijing Ancient Observatory

12.20 Prime Minister descends from the bastion and guided back through to the inner courtyard via the right hand circular entrance for a buffet lunch

80 key Chinese contacts arranged in informal groups accompanied by British Council and Embassy staff for introduction to the Prime Minister

Ten core groups of guests will be introduced to the Prime Minister and Mrs Blair who will spend five minutes each with each group

13.00 Prime Minister departs from the Observatory

*Rain contingency plan for the venue of Lunch (Marquee in the courtyard to the tower)*

12.20 Prime Minister descends the bastion and guided towards the courtyard behind the tower for a buffet lunch

80 key Chinese contacts arranged in informal groups accompanied by British Council and Embassy staff for introduction to the Prime Minister

Ten core groups of guests will be introduced to the Prime Minister who will spend five minutes each with each group

13.00 Prime Minister departs from the Observatory



## PM's visit to New Urban Environments Exhibition and Baitasi site visit

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(Car drives up ramp to right of main stairs on square)

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Prof Wu Liangyong (Professor Emeritus, Qinghua University)

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- Adrian Bailey
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- British student from winning team
  - One Chinese student from winning team
  - One tutor from winning team's University
  - One competition judge (tbc)
  - Dr Bhaskar Chakravarti (British Council Deputy Director)
  - Ms Long Weili (British Council Projects Officer)



- 1350 Arrive Baitasi area (An Ping Xia Hutong, North end of Baitasi Xi Jia Dao).  
Met by Local Government officials (names and positions tbc).
- 1355 Guided tour (North to South) of Baitasi Xi Jia Dao (lively street market),  
accompanied by :  
- British student from winning team  
- One Chinese student from winning team  
- One tutor from winning team's University  
- One competition judge (tbc)
- 1405 Visit traditional courtyard house (siheyuan) along way. Cup of tea and brief chat with  
residents (names tbc) about pressures living in traditional buildings
- 1415 Visit Baitasi Temple (enter by Northwest door) to see architectural features
- 1425 Walk down final stretch of Baitasi Xi Jia Dao to main road (Fuchengmen Nei).
- 1430 Bid farewell to accompanying party (students, teachers and local government  
officials).



WELCOMING BANQUET HOSTED BY PREMIER ZHU RONGJI  
TUESDAY 6 OCTOBER, GREAT HALL OF THE PEOPLE

TOP TABLE

Premier Zhu Rongji

The Rt Hon Tony Blair MP

HE Mr A Galsworthy CMG

Yu Hui, Interpreter

Mr Dai Bingguo, Head, International  
Department, CPC Central Committee

Vice Foreign Minister Wang Yingfan

Interpreter

Ambassador Ma Zhengang

Madame Chen Xiaodong

Mr Song Zhe, Interpreter

Liang Yan, Mrs Blair's Interpreter

Chen Nanxian, Deputy Chairman,  
China Association for Promoting  
Democracy

Mrs Blair

Mrs Galsworthy

Madame Lao An

1. C.C. to office  
2. Plan book to me  
CM 1/10



TÊTE-À-TÊTE TALKS WITH PREMIER ZHU RONGJI

TUESDAY 6 OCTOBER, 10.15AM

NORTH ANTECHAMBER OFF EAST HALL, GREAT HALL OF THE PEOPLE

Chinese Side

Premier Zhu Rongji

Mr Ma Zhengang, Chinese Ambassador

Mr Wang Yingfan, Vice Minister, MFA

Mr Zhen Jianguo, Deputy Director General, WED, MFA

Interpreter

UK Side

The Rt Hon Tony Blair MP

Mr Anthony Galsworthy CMG

Mr Alan Holmes

+1?

Interpreter



01-OCT-1998 10:30 FROM PHALUK BRITISH TO CHINA TAIPEI 1.00/00

OFFICIAL TALKS WITH PREMIER ZHU RONGJI

TUESDAY 6 OCTOBER, 11.00AM

LARGE EAST HALL, GREAT HALL OF THE PEOPLE

Chinese Side

Premier Zhu Rongji

Mr Zeng Peiyan, Chairman, State Planning Committee

Mr Shi Guangsheng, MOFTEC Minister

Mr Shi Wanpeng, Deputy Chair, SETC

Mr Ma Zhengang, Chinese Ambassador

Mr Wang Yingfan, Vice Minister, MFA

Mr Ma Canrong, Director General, WED, MFA

Mr Zhen Jianguo, Deputy Director General, WED, MFA

Mr Qian, Private Secretary to Premier Zhu

Mr Han, Deputy Director, WED, MOFTEC

Mr Li Huming, Counsellor, Information Department, MFA

Interpreter

4 reporters

UK Side

The Rt Hon Tony Blair MP

Mr Anthony Galsworthy CMG, Ambassador

Mr Jonathan Powell

Mr Alan Holmes

Mr Alastair Campbell

Mr Tony Sprake

Mr Hugh Davies

Mr Philip Barton

Mr John Everard

Ms Caroline Wilson

Interpreter



PRESIDENT JIANG ZEMIN MEETING WITH THE PRIME MINISTER  
WEDNESDAY 7 OCTOBER, 4.30PM  
YANGYUAN HALL, DIAOYUTAI STATE GUESTHOUSE

Chinese Side

President Jiang Zemin

Mr Chen Nanxian, Chairman, China Association for Promoting  
Democracy

Mr Shi Guangsheng, MOFTEC Minister

Mr Ma Zhengang, Chinese Ambassador

Mr Wang Yingfan, Vice Minister, MFA

Mr Ma Canrong, Director General, WED, MFA

Mr Qian, Private Secretary to President Jiang

Mr Zhen Jianguo, Deputy Director General, WED, MFA

Mr Zhang Zhijiang, Deputy Director, Protocol

Mr Li Huming, Counsellor, Information Department, MFA  
Interpreter

3 Reporters

UK Side

The Rt Hon Tony Blair MP

Mr Anthony Galsworthy CMG, Ambassador

Mr Jonathan Powell

Mr Alan Holmes

Mr Alastair Campbell

Mr Hugh Davies

Mr Philip Barton

Ms Caroline Wilson

+2?



BUFFET LUNCH FOR YOUNG AND LIVELY CHINESE, BEIJING  
ANCIENT OBSERVATORY, WEDNESDAY 7 OCTOBER

GUEST LIST (by group)

\* Denotes Chevening Scholar

Science/Environment

- \* Kang Jincheng, Chinese Association of Science and Technology
- \* Shi Dongmei, Beijing Science and Technology Commission
- \* Liu Hongpeng, State Economic and Trade Commission
- Sun Fangzhen, Chinese Academy of Science
- Wu Yishan, Institute of Scientific and Technical Information of China
- Russell Liu, Webleader
- Wang Xieping, Ministry of Education
- Liang Congjie, Friends of Nature
- Zhang Xuan, Ministry of Information Industries
- Li Liyan, State Development and Planning Commission
- Sun Liping, Beijing Library
- Tang Dingding, State Environmental Protection Administration
- Qu Lijia, Beijing University

Law

- \* Fan Cuihua, Minsheng Law Firm
- \* Fong Xiumei, All China Lawyers Association
- You Xueyuan, Human Rights
- Zhang Mingshu, Minsheng Law Firm
- Feng Cui, All China Women's Federation
- Wu Jibao, Narcotics Commission
- Cong Jun, Family Planning

Education

- \* Wang Wei, Ministry of Labour
- Yang Jin, Ministry of Education
- Li Pengyi, Foreign Language Teaching and Research Press
- Wei Zhiyong, Ministry of Personnel
- Gu Yuaguo, Beijing Foreign Studies University
- Han Jin, Ministry of Education
- Guan Zhichen, Vice President, Qinghua University

Art

- Zhao Qin, Transport Ads Co
- Shon Lin, Drama Academy
- Liu Jing, Holl Design
- victor Lang, 1st Private Opera
- Prof Li Zhaoyang, Central Conservatory
- Jin Xing, Ballet
- Yu Peng and wife, Ministry of Culture
- Richard Yang, Slowboat Pub



## Economic

- \* Fang Xinxin, State Information Centre
- \* Cui Jianguo, Intl Financing Corp
- \* Jiang Nan, Yousee Development Co
- \* Lao Dongwei, North Star Ind Corp
- \* Li Donglin, Ministry of Labour
- \* Fan Yue, Ford Motors
- \* Wu Xiaomei, Commercial Union
- \* Long Baijin, Scottish Trade International
- \* Gao Lan, Novartis
- \* Zhou Yunfan, Chinese Academy of Social Sciences
- \* Wang Liu, Bank of China
- Wang Yuan, State Development Bank
- Wang Shuillin
- Feng Xu, People's Bank of China (FIST)
- Feng Wensheng, Ministry of Railways
- Liu Hong, China Securities Regulatory Commission
- Zhou Xiaobing, Ministry of Finance
- Zhou Lan, State Commission for Restructuring the Economic System
- Zhang Xunhai, People's Bank of China

## Defence/Political

- \* Ji Bin, Chinese Commission for Promotion of Friendship between Foreign Countries
- \* Zhang Yingxia, Chinese Association for the International Exchange of Personnel
- \* Zhao Liqing, Central Party School
- \* Zhou Bo, Ministry of Defence
- \* Ouyang Yingbin, All China Federation of Trade Unions
- \* Zhou Aihua, Ministry of Public Security
- \* Liu Jianfei, Central Party School
- \* Xu Tongwu, Chinese Centre for International Cultural Exchanges

## Info/Media

- \* Li Wenzheng, People's Daily
- \* Huang Hengang, Ministry of Foreign Trade and Economic Cooperation
- \* Jiang Hong, China Central Television (CCTV)
- \* Chen Yingming, Press & Pub
- \* Feng Cunli, CCTV
- Yu Jiafu, Qinghua University
- Xue Ling, China Film Corp
- Cao Yin, Radio, Film and TV
- Xu Mingqiang, Foreign Language Press



Shanghai Stock Exchange London Stock Exchange Seminar  
Sponsored by the Chatham House China Task Force

*Capital Market Development*  
Shanghai Stock Exchange  
8 October 1998

10:45 am Registration

11:00 am Seminar starts (Tu Guangshao chair)

Main Scheme:

Regulation, responsibility, and development of the market

11:01 am Speech by Gavin Casey

11:16 am Speech by Tu Guangshao

11:31 am Speeches

UK : Stuart Smith, Head, Financial Advisory Service,  
PriceWaterHouseCoopers (5 min)  
Charles Allen-Jones, Senior Partner Linklaters & Paines (5 min)

China:

11:50 am Discussion

12:00 Lunch

1:00 pm Seminar resume (Gavin Casey Chair)

Main Scheme:

Role of investment banks and other market participants in the development of the market

1:00 pm UK :  
David Loyd, Head of Corporate Finance, Dresdner Kleinwort Benson  
(10 min)



Peter Letley, Managing Director, Business Operations, HSBC  
Investment (10 min)  
John Parrott, Director, CGU Investment (10 min)

China:

2:00 pm Discussion

UK:

Colin Leaver, Partner, Simmons & Simmons (5 min)  
Wilson Ip, Director, Global Group, Jardine Fleming (5 Min)

Chinese:

2:40 pm Tu Guangshao leaves to meet PM at main entrance

2:43 pm Gavin Casey leaves to meet PM at lift on 26/F1

2:45 pm PM joins seminar

2:50 pm Seminar ends

2:52 pm PM, Mr Tu, Mr Casey to Viewing Platform  
Other participants to Trading Floor



BRITISH CONSULATE GENERAL SHANGHAI

VISIT OF THE PRIME MINISTER, MR TONY BLAIR  
THURSDAY 8 OCTOBER 1998

ROYAL & SUNALLIANCE INSURANCE COMPANY SHANGHAI BRANCH  
Senmao International Building  
101 Yin Cheng East Road, Pudong  
Shanghai 200120  
Tel: 6841 2700

Contact: Mr Jo Perrott, Chief Representative

*Purpose of visit:* to open new office.

*Background:* see note. Royal & SunAlliance nominated as the "chosen" British insurance company by then Deputy Prime Minister at time of his visit in 1996. Use of "chosen instrument" at request of Chinese. Helped to expedite issue of licence of a UK firm. Premier Zhu Rongji announced during his visit to UK in April this year that RSA had been authorised to start writing general (non-life) business.

*Points to make:*

Delighted to be here to open offices of first British insurance company to be licensed to write insurance business in China. Hope it will be first of many British insurers to gain operating licences, not only in Shanghai.

Sure that RSA will contribute greatly to development of insurance industry in China. Already various training programmes in place to facilitate this process.

Impressive location, in Mori Senmao Building, in heart of new financial district of Shanghai and overlooking park which was designed and landscaped by another British company.

OPENING FEW WORDS / CUT RIBBON



## BACKGROUND ON ROYAL & SUN ALLIANCE INSURANCE GROUP -

The Royal and Sun Alliance Group was founded in London in 1710. It is now operating in 55 countries and regions of the world with a staff of about 42,000. Gross revenues reached the equivalent of US\$15.2bn at end 1997, when total assets were US\$100bn.

Royal & Sun Alliance Insurance Group was the first European Insurer to set up a representative office in Beijing in 1993, followed by Dalian (1994) and then Shanghai in 1996. Application for Guangzhou office is currently awaiting approval from the People's Bank of China (PBOC).

In April 1998, R&SA was the first British Insurer to be granted an operating license to write general non-life insurance business in Shanghai. This will also be the first operating license for a British insurer in China.

The anticipated scope of the license would cover the following classes:

- Nationwide Marine Insurance
- Commercial Property Insurance for foreign funded enterprises
- Liability Insurance
- Other classes of general insurance business for foreign funded enterprises in Shanghai area only.



BRITISH CONSULATE GENERAL SHANGHAI

VISIT OF THE PRIME MINISTER, MR TONY BLAIR  
THURSDAY 8 OCTOBER 1998

SPIRAX SARCO ENGINEERING (SHANGHAI) CO. LTD.  
Energy House  
No. 107 GuiQing Road  
Caohejing Hi-tech Park, Shanghai 200233  
Tel: 6485 4898

Managing Director: Tony Moulder

*Purpose of visit:* To open new factory and offices

*Background:* See note from company. Established in Shanghai in 1992, the company was granted an operating licence in 1995 and soon started generating business. Within two years, it was making a profit which has enabled it to expand its base in China. Spirax now has 14 representative offices throughout the country, with more planned for this year and next.

The opening of the factory is recognition of the need to develop a manufacturing base in the region, both for domestic Chinese sales and to enable the company to consider exporting from Shanghai in the future.

*Points to make:*

Delighted to be here.

"Good news" story; excellent opportunity to support a British medium-size company, a world leader in its field, in its expansion plans in the dynamic market of China.

Future opportunities for export to region will further boost company's profile, as well as identifying the China operation as one of quality.

Commend vision of Spirax management in choice of Shanghai, the "dragonhead" of the Yangtse corridor, as focal point for their China operation.



## BACKGROUND ON SPIRAX SARCO ENGINEERING PLC

First set up in 1910, this company based in Cheltenham has been listed on the London stock exchange for over 30 years. It has offices in 32 countries worldwide and global staff numbers over 3500.

For over 80 years, this company has been committed to providing steam users with knowledge, service and products to improve and maintain steam heating and process plants of all types. It is a world leader in the control and efficient use of steam and other fluids and has accumulated a wealth of experience on how steam should be used most efficiently to transfer heat energy. Their products are widely used in hospitals, laundries, horticulture, and in the biotechnology sector for heating, humidification and sterilisation applications. Their customer base is very broad, ranging from petrochemicals to pulp and paper. The vast majority of the products are manufactured in their own factories.

China operations were handled through the Hong Kong office from 1988 and 1992 saw the company being granted a license to 'manufacture' in China and the opening of their first representative office: in Shanghai. The company has 14 other rep offices around China, with Shanghai as the national HQ.

The first phase of the factory is almost completed and will total around 2000m<sup>2</sup>. The plan is to eventually build up to seven stories. The factory will handle assembly only for distribution within the domestic market and may export to the rest of Asia in the future. The company has been growing steadily and continues to expand its business around the world.



BRITISH CONSULATE GENERAL SHANGHAI

VISIT OF THE PRIME MINISTER, MR TONY BLAIR  
THURSDAY 8 OCTOBER 1998

SHANGHAI STOCK EXCHANGE (SSE)  
528 Pudongnan Road  
Shanghai 200120  
Tel: 6880 8705, 6880 8888

Contact: Mr Tu Guangshao, President  
Mr David Wall, Institute of International Affairs  
Ms Li Qian, Foreign Affairs Office

*Purpose of visit:* i) to participate briefly in London Stock Exchange Seminar - Capital Markets, and to witness signing of updated Memorandum of Understanding between London Stock Exchange and Shanghai Securities Exchange.

ii) to visit the trading floor.

*Background:* see note. Shanghai Stock Exchange has largest trading floor in Asia. Also one of the most sophisticated with on-line dealing. But rarely a hive of activity, especially in present circumstances.

*Points to make:*

Pleased to be here, particularly for signing of Memorandum of Understanding (MOU) between London Stock Exchange and Shanghai Securities Exchange.

MOU builds on existing memorandum signed in 1996 by then Lord Mayor of London, Sir John Chalstrey and present Mayor of Shanghai, Mr Xu Kuangdi.

Impressed with modern Stock Exchange building, a testament to Shanghai moving into 21st Century.

Trading floor envy of many other exchanges around the world.

Glad to see a British company (Jardine Fleming) represented on the floor.



## BACKGROUND ON SHANGHAI STOCK EXCHANGE (SSE)

SSE was founded on 26 November 1990. It is a non-profit making membership institution directly governed by China Securities Regulatory Commission (CSRC). The SSE was the first stock exchange to open in the wake of the 'open door policy' in China, which highlights Shanghai's commercial importance. It has become the largest, best functioned, most comprehensive and extensive stock market in the country.

Eight years to the day after its first operations, the SSE moved to its present Pudong location in December of last year. At the end of 1997, 383 companies from provinces (except Taiwan) - (one company B shares and GSRs listed on the London Stock Exchange). Around 500 members of which roughly 100 are securities companies and the remainder are other financial institutions. Market capitalisation of the stocks hit 921 billion yuan (GBP66bn)

The trading system uses state of the art equipment - no physical paper required for transactions. The trading floor has a total of 1600+ seats making it the largest in Asia.



### **Symposium on Capital Market Development**

The London Stock Exchange and the Shanghai Securities Exchange are to hold a joint Symposium on 'Capital Market Development' in Shanghai on 8 October 1998.

The symposium will be chaired jointly by Gavin Casey, Chief Executive of the London Stock Exchange, and Tu Guangshao, President of the Shanghai Securities Exchange. Speakers from the UK include senior representatives from leading British investment banks and financial advisers. Chinese speakers are senior representatives of the Chinese financial community.

The symposium will take place in the magnificent new Shanghai Stock Exchange building in Pudong.

Participants at the symposium will also witness the signing of an updated Memorandum of Understanding between the London Stock Exchange and Shanghai Securities Exchange on the trading floor of the Shanghai Stock Exchange.

This event is timed to coincide with the visit to China of the British Prime Minister.



FAX - LEADER

BRITISH CONSULATE GENERAL

SHANGHAI

Suite 301 Shanghai Centre  
1376 Nanjing Xi Lu  
Shanghai 200040  
People's Republic of China

Phone: (86 21) 6279 7650  
E-Mail: shangbcg@uninet.com.cn

Fax: (86 21) 6279 7651

Total pages:

15

Ref:

PM'S AND MRS  
BLAIR'S VISIT

Date:

1/10/98

From: Bryan D Scarborough

TO : Catherine MacKenzie,  
CHKD, FCO

Fax No. 00 44 171 270 3669/3387

Dear Catherine,

1. We have this morning discussed the Prime Minister's and Mrs. Blair's draft programmes for the Shanghai leg of the visit with the reverse recce team.
2. Attached are the latest versions, valid at least for the time being. We will let you know if there are any significant changes.

Yours ever,





## DRAFT DETAILED PROGRAMME

PRIME MINISTER'S VISIT TO SHANGHAI - 8/9 OCTOBER 1998.

THURSDAY 8 OCTOBER:

10.45 Arrive Hongqiao Airport from Peking by BA Charter 747

Greeted on arrival by: Deputy Mayor of Shanghai  
Representative of FAO  
Representative of SMERT  
Representative of Shanghai Women's Federation  
Consul General and Mrs. Townend

## Consulate General Attendees:

Mr. Davies, Deputy Consul-General  
Mr. Scarborough  
Mr. Grant  
Mr. Shen  
Ms. Gaywood, Press Liaison Officer

## Business Delegation:

Sir Clive Thompson  
Ms. Caroline Barker  
Mr. Michael Baunton  
Mr. Richard Brown  
Mr. Barclay Forrest  
Sir Patrick Gillam  
Mr. David John  
Mr. Bob Mendelsohn  
Sir Charles Powell  
Sir Ralph Robins  
Mr. Nick Salmon  
Mr. Bob Scott  
Mr. Bill Thomson  
Sir Peter Walters

Three sets of steps to aircraft; Press exit by rear steps; Business delegation and Private Office with their official baggage exit by middle steps; HMA and Mrs. Galsworthy exit by front steps; PM and Mrs. Blair last off by front steps.

Transport (arranged by Shanghai Municipal Government):

Prime Minister and Official Party Motorcade, including Business Delegation

Mrs. Blair's motorcade

Private Office and baggage Motorcade

11.00 Prime Minister's motorcade departs airport for new Spirax Sarco Factory in Caohejing Hi-Tech Park

Accompanied by Business Delegation

Mrs. Blair's motorcade departs for Shanghai Medical University Cancer Hospital

Private Office motorcade departs for Pudong Shangri-La Hotel

Each motorcade will have a police escort.



Advance Car:

The advance team comprising Mrs. Cleaver, Mr. Grant and DCI Lloyd will travel ahead of the Prime Minister's motorcade to venues in a Consulate-General vehicle.

Press Buses:

Ms Hall and Mr. Richards will each accompany a press bus.

Business Delegation Buses:

Ms Bishop and Ms Reeves will accompany one Businessmen's bus, Ms Wilson will accompany the other.

Private Office Bus:

Mr. Johnson will accompany the Private Office bus  
(Mr. Mendelsohn from the business delegation will also go direct to the Pudong Shangri-La Hotel with Private Office)



## SPIRAX SARCO ENGINEERING (CHINA) LTD

11.10 Prime Minister's motorcade arrives at Spirax Sarco Engineering (China) Ltd. site

Greeted on arrival by: Mr. Christopher Ball, International Director, Spirax Sarco Engineering plc.  
Mr. Tony Moulder, Managing Director, Spirax Sarco (China)  
Mr. David Watts, Production Manager, Spirax Sarco (China)

Attending: Prime Minister and party (incl. HMA)  
Business delegation

## Consulate General attendees:

Consul General  
Mr. Davies  
Mr. Scarborough  
Mr. Grant  
Mr. Shen  
Ms. Gaywood, Press Assistant

## Business Delegation:

Sir Clive Thompson  
Lord Marshall  
Mr. Baunton  
Mr. Forrest  
Sir Patrick Gillam  
Mr. John  
Sir Charles Powell  
Sir Ralph Robins  
Mr. Salmon  
Mr. Scott  
Mr. Thomson  
Sir Peter Walters

Brief tour of site and officially open new offices and factory

11.40 Depart for lunch at Regal International Hotel with business delegation.



## MEETING WITH MAYOR OF SHANGHAI

12.00 Arrive at hotel for meeting with Mayor of Shanghai, Mr. Xu Kuangdi

Attending: Prime Minister and Party (incl. HMA)  
Consul General

12.30 Lunch Hosted by Mayor of Shanghai at Regal International Hotel (150 guests)

Attending: Prime Minister and Mrs. Blair  
PM's Party (incl. HMA and Mrs. Galsworthy)  
Consul-General and Mrs. Townend

Business Delegation:

Sir Clive Thompson  
Lord Marshall  
Ms. Barker  
Mr. Baunton  
Mr. Brown  
Sir John Browne  
Mr. Forrest  
Sir Patrick Gillam  
Mr. John  
Sir Charles Powell  
Sir Ralph Robins  
Mr. Salmon  
Mr. Scott  
Mr. Thomson  
Sir Peter Walters

13.45 Depart for Royal and Sun Alliance Office, Mori Sen Mao Building, Pudong, with Business Delegation



## ROYAL &amp; SUN ALLIANCE INSURANCE

14.00 Arrive at Mori Sen Mao Building, Pudong

Introduced to: Mr. Mori (Owner of building)

Greeted on arrival by: Mr. Robert Mendelsohn, Chief Executive, Royal & Sun Alliance Group plc  
Mr. Joe Perrott, General Manager, Shanghai Branch

Attending: Prime Minister and party (incl. HMA)  
Consul General  
Business delegation

Consulate General attendees: Business Delegation:

Mr. Davies  
Mr. Scarborough  
Mr. Grant  
Mr. Shen  
Press Assistant (tba)

Sir Clive Thompson  
Ms. Barker  
Mr. Baunton  
Mr. Forrest  
Sir Patrick Gillam  
Mr. John  
Sir Charles Powell  
Mr. Scott  
Sir Peter Walters

Tour of new offices on 9<sup>th</sup> Floor followed by official opening ceremony in foyer of building.

14.25 Linklaters & Paines

Photocall in foyer for opening of new offices with Mr. Zu Ming, Representative (other Linklaters participants to be advised soonest)

14.30 Depart Mori Sen Mao Building for Shanghai Stock Exchange



## SHANGHAI STOCK EXCHANGE

14.35 Arrive at Shanghai Stock Exchange building

Greeted on arrival by: Mr. Tu Guangshao, President of Shanghai Stock Exchange

Attending: Prime Minister and party (incl. HMA)  
Consul General  
Business Delegation

Consulate General attendees: Business Delegation:

Mr. Davies  
Mr. Scarborough  
Mr. Grant  
Mr. Shen  
Press Assistant (tba)

Sir Clive Thompson  
Ms. Barker  
Mr. Baunton  
Mr. Gavin Casey - will sign MOU  
Mr. Forrest  
Sir Patrick Gillam  
Mr. John  
Sir Charles Powell  
Mr. Scott  
Sir Peter Walters

Proceed to 26<sup>th</sup> Floor to attend Capital Markets Seminar

14.55 Descend to trading floor for closing of Shanghai Market at 15.00 and signing of Memorandum of Understanding

15.15 Depart Shanghai Stock Exchange for Pudong Shangri-La Hotel



## PUDONG SHANGRI-LA HOTEL

15.20 Arrive Pudong Shangri-La Hotel

Greeted on arrival by: Mr. Stuart Pinnell, General Manager

Attending: Prime Minister and Party (incl. HMA)  
Consul General  
Business Delegation

Consulate General attendees: Business Delegation:

Mr. Davies  
Mr. Scarborough  
Mr. Grant  
Mr. Shen  
Press Assistant (tba)

Sir Clive Thompson  
Ms. Barker  
Mr. Baunton  
Mr. Casey  
Mr. Forrest  
Sir Patrick Gillam  
Mr. John  
Mr. Mendelsohn  
Sir Charles Powell  
Mr. Scott  
Sir Peter Walters

Proceed To meet CBIC Training Seminar participants

Free time for Domestic Business/Rest Period

17.30 Football event

17.55 Prime Minister, Mrs. Blair and party depart hotel for ICA Exhibition at Westgate Plaza  
(British Council event) via Nanpu Bridge



## WESTGATE PLAZA

18.15 Arrive at ICA Exhibition at Westgate Plaza

Greeted on arrival by: Ms. Barbara Wickham, Director, British Council (E China)  
Ms Karen Wingad, Event Manager, British Council  
Mr. Dennis O'Brien, Examinations Manager, British Council  
Mr. Philip Dodd, Director ICA  
Prof. Helen and Dr. Kate Storey, Exhibitors

Attending: Prime Minister and Mrs. Blair  
PM's Party (incl. HMA and Mrs. Galsworthy)  
Consul General and Mrs. Townend

Consulate General attendees:

Mr. Davies  
Mr. Scarborough  
Mr. Grant  
Mr. Shen

Meet GAP Students and major UK Supporters/Sponsors  
Meet members of public

18.30 Depart Westgate Plaza for Pudong Shangri-La Hotel



## PUDONG SHANGRI-LA HOTEL

- 18.45 Arrive at hotel to attend British Chamber of Commerce event.
- 19.00 Prime Minister, and Party escorted via 'secret door' into Grand Ballroom by Chairman of the British Chamber of Commerce, Mr. Simon Mackinnon to attend "A Flavour of Britain" and "Made by Britain in China" Exhibitions. Prime Minister and Party circulate.
- 19.30 Mr. MacKinnon, HMCG and Mr. Pinnell greet Mayor and wife in main lobby of Hotel. Escort to 3<sup>rd</sup> Floor.
- 19.35 Prime Minister, Mrs. Blair and party greet Mayor of Shanghai and Mme Xu Luoping in VIP room or at entrance to Grand Ballroom. (Attendance of Mayor and wife to be confirmed).
- 19.40 Mr. MacKinnon welcomes guests and introduces Prime Minister (1 Minute)  
Prime Minister speaks (2 minutes)  
Mayor of Shanghai responds (2 minutes)
- Prime Minister tours Grand Ballroom meeting guests
- Mrs. Blair circulates separately
- 19.50 - Cooking Demonstration - Nick Nairn  
20.15
- 20.15 Proceed to Terrace for
- 20.20 Photo opportunity for Prime Minister and Mrs. Blair, Mayor of Shanghai and Mme Xu Luoping.
- 20.30 Prime Minister, Mrs. Blair and party bid goodbye and depart with Mayor and wife.
- Consul General and Mr. MacKinnon escort Mayor of Shanghai and Mme Xu Luoping to hotel lobby
- Prime Minister and Mrs. Blair return to suite for short break.
- 20.45 Prime Minister and Mrs. Blair leave hotel for pier for ferry across Huang Pu.
- 21.0. Stroll along Bund.
- 21.20 Return to hotel

## Attending:

Prime Minister and Mrs. Blair  
Ambassador and Mrs. Galsworthy  
Consul General and Mrs. Townend  
Prime Minister's party



Business Delegation:

Sir Clive Thompson  
Ms. Barker  
Mr. Baunton  
Mr. Brown  
Sir John Browne  
Mr. Casey  
Mr. Forrest  
Sir Patrick Gillam  
Mr. John  
Mr. Mendelsohn  
Sir Charles Powell  
Sir Ralph Robins  
Mr. Salmon  
Mr. Scott  
Mr. Thomson  
Sir Peter Walters



## FRIDAY 9 OCTOBER 1998

- 08.10 Depart for Hongqiao Airport (entire party \*)
- 08.30 Arrive at Airport to VIP Room (No. to be confirmed)  
Thereafter board aircraft for
- 08.45 Depart for Hong Kong on BA Chartered Boeing 747
- 11.30 Estimated arrival at Hong Kong

\* Ms. Barker may remain in Shanghai depending on signing of new contract - tbc



## DRAFT DETAILED PROGRAMME

MRS. BLAIR'S VISIT TO SHANGHAI - 8/9 OCTOBER 1998.

THURSDAY 8 OCTOBER:

10.45 Arrive Hongqiao Airport from Peking by BA Charter 747

Greeted on arrival by: Deputy Mayor of Shanghai  
Representative of FAO  
Representative of SMERT  
Representative of Shanghai Women's Federation  
Consul General and Mrs. Townend

Consulate General Attendees:

Mr. Davies, Deputy Consul-General  
Mr. Scarborough  
Mr. Grant  
Mr. Shen  
Ms. Gaywood, Press Liaison Officer

Three sets of steps to aircraft; Press exit by rear steps; Business delegation and Private Office with their official baggage exit by middle steps; HMA and Mrs. Galsworthy exit by front steps; PM and Mrs. Blair last off by front steps.

Transport (arranged by Shanghai Municipal Government):

Prime Minister and Official Party Motorcade, including Business Delegation

Mrs. Blair's motorcade

Private Office and baggage Motorcade

11.00 Depart airport for Shanghai Medical University Cancer Hospital

11.20 Arrive Shanghai Medical University Cancer Hospital

Greeted on arrival by:

Short introduction (5 minutes)

Attending: Mrs. Galsworthy  
Mrs. Townend  
Mrs. Chen Xiaoding, Wife of Ambassador Ma  
Mrs. Corinne Hwa

Tour of breast cancer wards

Explanation of the use of traditional Chinese medicines in the treatment of cancer victims.

12.10 Depart Cancer Hospital for Mayor of Shanghai's Lunch at the Regal International Hotel



- 12.25 Arrive hotel for lunch
- 13.45 Depart Regal International Hotel for Pudong Shangri-La Hotel
- 14.00 Arrive Pudong Shangri-La Hotel
- Retire to suite
- Free time
- 17.55 Depart hotel with Prime Minister and party for ICA exhibition at Westgate Plaza via Nanpu Bridge
- 18.15 Arrive at ICA Exhibition at Westgate Plaza
- Greeted on arrival by: Ms. Barbara Wickham, Director, British Council (E China)  
Ms Karen Wingad, Event Manager, British Council  
Mr. Dennis O'Brien, Examinations Manager, British Council  
Mr Philip Dodd, Director ICA  
Prof. Helen and Dr. Kate Storey, Exhibitors
- Attending: Prime Minister and Mrs. Blair  
PM's Party (incl. HMA and Mrs. Galsworthy)  
Consul General and Mrs. Townend
- Consulate General attendees:
- Mr. Davies  
Mr. Scarborough  
Mr. Grant  
Mr. Shen  
Ms. Gaywood
- Meet GAP Students and UK Sponsors (tbc)  
Meet members of public
- 18.30 Depart Westgate Plaza for Pudong Shangri-La Hotel

## PUDONG SHANGRI-LA HOTEL

- 18.45 Arrive at hotel to attend British Chamber of Commerce event.
- 19.00 Prime Minister, and Party escorted via 'secret door' into Grand Ballroom by Chairman of the British Chamber of Commerce, Mr. Simon Mackinnon to attend "A Flavour of Britain" and "Made by Britain in China" Exhibitions. Prime Minister and Party circulate.
- 19.30 Mr. MacKinnon, HMCG and Mr. Pinnell greet Mayor and wife in main lobby of Hotel. Escort to 3<sup>rd</sup> Floor.
- 19.35 Prime Minister, Mrs. Blair and party greet Mayor of Shanghai and Mme Xu Luoping in VIP room or at entrance to Grand Ballroom. (Attendance of Mayor and wife to be Confirmed).



- 19.40 Mr. MacKinnon welcomes guests and introduces Prime Minister (1 Minute)  
 Prime Minister speaks (2 minutes)  
 Mayor of Shanghai responds (2 minutes)
- Prime Minister tours Grand Ballroom meeting guests.
- Mrs. Blair circulates separately
- 19.50 - Cooking Demonstration by Nick Naim  
 20.15
- 20.15 Proceed to Terrace for
- 20.20 Photo opportunity for Prime Minister and Mrs. Blair, Mayor of Shanghai and Mme Xu Luoping.
- 20.30 Prime Minister, Mrs. Blair and party bid goodbye and depart with Mayor and wife.
- Consul General and Mr. MacKinnon escort Mayor of Shanghai and Mme Xu Luoping to hotel lobby
- Prime Minister and Mrs. Blair return to suite for short break.
- 20.45 Prime Minister and Mrs. Blair leave hotel for pier for ferry across Huang Pu.
- 21.00.. Stroll along Bund.
- 21.20 Return to hotel

Attending: Prime Minister and Mrs. Blair  
 Ambassador and Mrs. Galsworthy  
 Consul General and Mrs. Townend  
 Prime Minister's party  
 Business Delegation

# FRIDAY 9 OCTOBER 1998

- 08.10 Depart for Hongqiao Airport (entire party)
- 08.30 Arrive at Airport to VIP Room (No. to be confirmed)
- Thereafter board aircraft for
- 08.45 Depart for Hong Kong on BA Chartered Boeing 747
- 11.30 Estimated arrival at Hong Kong



## **Project Concept Note**

### **CHINA: WATER SECTOR DEVELOPMENT PROGRAMME** (estimate £6 million over 3-4 years) (MIS code: 145-544-033)

#### **1.0 Project Goal**

- 1.1 The equitable and sustainable use of water resources in China.

#### **2.0 Project Purpose**

- 2.1 To strengthen China's capacity to address key institutional and technical issues constraining the availability and quality of water supply, and its equitable allocation.

#### **3.0 Background**

- 3.1 Low rainfall, high rates of economic growth, industrialisation and urbanisation together with sub-optimal water management structures have created a severe water resources problem. The adverse effects of a number of these problems are most seriously experienced by the poor.

The MWR have stated that:

- a) The annual shortage of water amounts to 30 billion m<sup>3</sup> of which 6 billion m<sup>3</sup> occurs in urban areas. The crop area severely influenced by drought amounts to 20 million hectares which reduces crop production by 2.5 million tonnes per year.
- b) Over 400 out of 600 existing cities are experiencing a lack of water resulting in a loss of industrial output of over RMB\$200 billion Yuan.
- c) Over 60 million poor people are living without decent access to potable water.
- d) Over 80% of the total waste water is discharged into rivers and lakes without treatment; over half the river system and over 90% of water bodies in and around cities are severely polluted.
- e) Water use and extraction policies to date have resulted in widespread environmental and ecological problems eg subsidence, drying up of rivers and lakes, extinction of species and sea water intrusion.
- f) Water is wasted due to low water use efficiency in industry and irrigation.

MWR have requested DFID assistance in addressing some of these problems.

- 3.2 Assistance to the water sector in China is consistent with the UK White Paper emphasis on poverty elimination and the DFID China Country Strategy paper which includes an emphasis on environmental protection. The work programme also falls within the scope of the MOU on Environmental Cooperation recently signed by both governments and complements the discussions held by the Secretary of State and the Deputy Prime Minister during their visits to China earlier this year.



3.3 The cost of the UK element of the programme from UK grant funds is expected to be £6.0 million.

3.4 The Ministry of Water Resources (MWR) will be the lead organisation for implementation, and close liaison will be maintained with the State Environmental Protection Administration (SEPA) and relevant user institutions.

#### 4.0 The Programme

4.1 The programme will comprise four interlinking components and there will be useful linkages with other DFID supported projects (i.e. the Yunnan Environment Development Programme and the Practical Economics for Environmental Management project). The underlying theme will be the alleviation of water shortage through management of water as a scarce resource where quality and quantity are both important.

##### A. Demand based water management

4.2 Under this component it is proposed to assist China in developing a new policy framework for national water resource management. It is recognised that there is only a fixed amount of water available for use and it is not longer possible or practical to rely on a supply side approach which continually requires new sources of water to be identified. The solution lies in managing the demand for water and minimising waste so that the resource is used to best effect for social, economic, environmental and ecological purposes.

4.3 Considerable progress has already been made in the water sector in adapting to the needs of a market economy; water licensing and the water resources tax are good examples of such progress.

4.4 The policy development work will be based on studies of possible reforms to the water management system based on separating the management of the water resource from the management of water industry. It should be recognised that at present water service companies in China typically belong to the municipality. The project will therefore look at the roles of water authorities at all levels of government, the legal and regulatory system, the role of the private sector and the organisation of water users associations. Proposed policy reforms will need pilot studies in both urban and rural areas.

4.5 Water licensing and tariff collection will also be studied in order to develop systems which ensure that services can be provided to all households, adopting market principles where appropriate. However, it is recognised that requiring all water users to meet the full economic cost of the water they use may bear heavily on the poorest members of society. Particular consideration will therefore be given to the feasibility of a subsidy scheme for poor people administered by a dedicated social department in liaison with the water company.

4.6 The role of technical standards will be studied in order to promote water saving techniques and to establish a quota system for different industries. This work will involve the clean technology research associations, operated by many of China's large industries.



## B. Capacity building

4.7 This component will concentrate on improving the human and institutional capacity of the organisations charged with developing and implementing water management systems under the new policy framework. This will include improving the participatory skills of these organisations to encourage better interaction between them and the communities using their services.

4.8 Training programmes focusing on principles rather than on any specific institutional approach will be designed and implemented across a wide range of disciplines and at various levels in accordance with the provisions of an integrated training plan. A particular emphasis will be given to helping to develop approaches to water management that take account of improving capacity so as to better address the needs of poor people.

4.9 Maximum involvement will be sought from the UK private sector to take full advantage of their unique recent history of water sector reform. Opportunities for the development of genuine new public-private partnerships will be actively sought in keeping with the spirit of the recent UK White Paper. However, bearing in mind important differences between water management in the UK and in China, inputs from the UK water sector will be balanced by inputs from UK consultants with experience of water management in China and other comparable countries.

## C. Rural Water Supply

4.10 This component aims to apply the principles and policies of demand based integrated water resources management developed under Component A above to the particular needs of people in rural areas both with regard to health and sustainable rural livelihoods. Technical pilot schemes will be implemented in one or more of the provinces identified as priorities in the DFID China Strategy Paper (ie Yunnan, Sichuan, Gansu and Liaoning).

4.11 MWR have particularly asked that emphasis should be given to consideration of rain water collection systems and to study the extent to which such systems should be widely promoted in China. Pilot schemes will involve a study of choice of technology for water supply and sanitation, health and hygiene, operations and maintenance, water users associations, tariff rates and collection, drinking and garden irrigation water and accessibility issues.

## D. River Basin Water Management

4.12 This component aims to provide a system for water quality monitoring and forecasting in a river basin to inform water resource management under the new policy framework. Consideration will need to be given to the role and responsibilities of an institution managing river basin resources and to the relationship with other forces operating in the market. The results will assist in water pollution control and water resources protection, but should also be assessed for relevance in the context of demand-based management reform.

4.13 The system will be developed for the whole catchment area of the Liao River basin, which is one of the "Three Rivers and Three Lakes" identified as a priority by the Fourth National Environmental Protection Conference. It also lies largely within



Liaoning Province which is one of the agreed priority provinces for DFID involvement. However, it is expected that the system will be replicable for other river catchments in China.

4.14 The main tasks will be to model water quality and pollution in the river catchment area and to assess the costs of meeting water quality standards. This information will assist management decision-making and rapid assessment of impact and remedies in the event of a major pollution incident. The model will provide a means of testing the impact of policy changes proposed in item A above, inform pollution discharge and water extraction licensing policies and assist in prioritising construction programmes for new water treatment plants. The model will draw together outputs from the existing network of 81 water quality monitoring stations in the Liao River Basin.

## **5.0 Programme Design and Appraisal**

5.1 The detailed design and appraisal of the programme will be carried out by a firm of UK consultants using its own multidisciplinary team working closely with Chinese partners in MWR and SEPA and in close liaison with DFID advisers.

5.2 The consultants will be appointed in October 1998 after a competitive bidding process and will carry out work in 2 stages. The first stage will comprise familiarisation, discussing and/or workshops with potential partners and will result in a provisional outline design. After due consideration and acceptance by both parties the consultants will proceed to Stage 2 which will result in a detailed design and appraisal. Project documentation for final negotiation and approval will be prepared by the end of January 1999.

5.3 The process will involve consultations with a wide range of Chinese institutions, which are expected to include MWR, MOFTEC and SEPA as major partners; with provincial and local government units; and with multilateral and bilateral donors involved in the sector and/or provinces involved. Provincial, county and village level representatives of the lead Chinese institutions will be closely involved in pilot projects. The rural water supply component will also involve organisations responsible for health, sanitation, and construction.

5.4 It is expected that the implementation of the agreed programme will involve a range of UK organisations with specialist expertise.



## 6.0 Key Issues for Appraisal

6.1 The key issues for appraisal include the following:-

- a) The extent to which the programme provides practical application of the internationally accepted principles first promoted at the UN sponsored Dublin International Conference on Water and the Environment and subsequently expanded at the UNCD Earth Summit in Rio de Janeiro in June 1992, ie:-
  - Freshwater is a finite and vulnerable resource, essential to sustain life, development and the environment.
  - Water development and management should be based on a participatory approach, involving users, planners and policy makers at all levels.
  - Women play a central role in the provision, management and safeguarding of water.
  - Water has an economic value in all its competing uses and should be recognised as an economic good.
- b) Identification of appropriate and enthusiastic project partners for each component.
- c) The extent to which people in China view the collection, treatment and disposal of waste water as an economic good, and the extent to which they view it as a public service.
- d) The extent to which the UK private sector water industries can contribute their experience of UK water sector reform and training.
- e) The extent to which the programme will lead to systemic issues being addressed and the practical development and implementation of new policies.
- f) The extent to which, and methodology by which, pilot projects can be replicated elsewhere.
- g) The methodology to be adopted for the individual components and for the overall coordination and management of the programme eg the need for steering groups and/or project managers.
- h) The extent to which the urban and rural poor are affected by water management policies, and the nature and extent of any measures taken to mitigate adverse effects.
- i) The division of responsibilities for the components of integrated water resources management (quantity, quality, demand from people,



industry and agriculture) between different institutions, and the extent to which they co-operate effectively.

- j) The extent to which the programme complements, and is consistent with, other multilateral and bilateral donor initiatives.

## **7.0 Project Team**

7.1 The project officer will be Susan Ryland-Jones in China section of EAPD. The lead adviser will be the EAPD Environmental Engineering Adviser. The project team will also include professional inputs from economic, institutional and social development advisers.

7.2 The draft logical framework (to output level) and project header sheet are appended.

**Eastern Asia & Pacific Department**  
**17 September 1998**



PRESS F1 FOR HELP IN COMPLETING THE FORM . PLEASE NOTE BOXES EXPAND TO THE SIZE OF THE ENTERED TEXT.

COUNTRY: CHINA FILE REFERENCE: DEPT. REF: EAPD  
 SHORT PROJECT TITLE: Water Sector Development Programme  
 FULL PROJECT TITLE:  
 PROJECT PURPOSE: Strengthen the capacity of Ministry of Water Resources to tackle key problem areas which affect poor people

	MIS CODE	TOTAL COSTS	LOCAL COSTS
DFID FINANCIAL AID:		£	£
DFID TC:	145-544-033	£6,000,000	£
MULTI-FUNDED MIS CODE		£	£

IS PROJECT COFINANCED WITH OTHER DONORS? : No Tying Status: Tied

IF YES, ENTER TOTAL PROJECT VALUE:

£	£
---	---

PLANNED PROJECT DATES - START: Oct 98 END: Oct 2002  
 PROJECT STAGE: Implementation  
 ECON SECTOR CODE: 92100 ESC DESCRIPTION: WATER SUPPLY  
 BENEFITTING COUNTRY/REGION: China

*Refer to PIMS 'PINK BOOK' for guidance on scoring and choice of Objectives.  
 projects of £100,000 and over to be marked for PAM, POM and PIMS*

### POVERTY AIM MARKER (PAM)

SELECT WHICH OF THE FOLLOWING IS THE PREDOMINANT MEANS BY WHICH THE PROJECT ADDRESSES THE ELIMINATION OF POVERTY. ( ENTER X IN ONE BOX)

<b>ENABLING ACTIONS</b> [ WHICH ARE NECESSARY TO ESTABLISH OR STRENGTHEN THE PRECONDITIONS FOR POVERTY REDUCTION AND ELIMINATION]	<input type="checkbox"/>
<b>INCLUSIVE</b> [BROAD BASED ACTIONS WHICH WILL IMPROVE CONDITIONS AND SERVICES GENERALLY, AND ALSO ADDRESS ISSUES OF EQUITY AND BARRIERS TO PARTICIPATION OF POOR PEOPLE]	<b>X</b>
<b>FOCUSED</b> [ACTIONS WHICH WILL BRING BENEFITS PREDOMINANTLY TO POOR PEOPLE AND SPECIFICALLY IMPROVE THEIR CONDITIONS AND REMOVE BARRIERS TO THEIR PARTICIPATION]	<input type="checkbox"/>

### POLICY OBJECTIVE MARKER (POM)

SELECT WHICH ONE DFID'S OBJECTIVE IS PREDOMINANTLY ADDRESSED BY THIS PROJECT. ( ENTER X IN ONE BOX)

OBJECTIVE	OBJECTIVE TARGETED
POLICIES AND ACTIONS WHICH PROMOTE SUSTAINABLE LIVELIHOODS	<input type="checkbox"/>
BETTER EDUCATION, HEALTH AND OPPORTUNITIES FOR POOR PEOPLE	<input type="checkbox"/>
PROTECTION AND BETTER MANAGEMENT OF THE NATURAL AND PHYSICAL ENVIRONMENT	<b>X</b>



LEAD ADVISOR	EAPD Environmental Engineer
DESK/ PROJECT OFFICER	Susan Ryland-Jones, China section EAPD
TYPE OF ENVIRONMENTAL SCREENING/ASSESSMENT/AUDIT:	IS
DATE ENVIRONMENTAL ASSESSMENT COMPLETED:	Sept 98
NAME OF OFFICER WHO COMPLETED INITIAL ENVIRONMENTAL SCREENING	Dr C West
DATE OF IEA	Sept 98

### POLICY INFORMATION MARKER SYSTEM (PIMS)

NOTE: ENTER EITHER **P** (PRINCIPAL ) OR **S** (SIGNIFICANT) AGAINST ALL POLICY AREAS ADDRESSED BY THE PROJECT

	POLICIES AND ACTIONS WHICH PROMOTE SUSTAINABLE LIVELIHOODS		17	LITERACY, ACCESS TO INFORMATION AND LIFE SKILLS	
01	SOUND SOCIAL AND ECONOMIC POLICIES		18	SAFE DRINKING WATER AND ADEQUATE SANITATION	<b>S</b>
02	DIRECT ASSISTANCE TO THE PRIVATE SECTOR		19	FOOD SECURITY	
03	ACCESS OF POOR PEOPLE TO LAND, RESOURCES AND MARKETS	<b>S</b>	20	EMERGENCY AND HUMANITARIAN NEEDS	
04	GOOD GOVERNANCE	<b>S</b>	21	HIV/AIDS	
05	HUMAN RIGHTS		22	POST PRIMARY EDUCATION	
06	THE PREVENTION AND RESOLUTION OF CONFLICTS			PROTECTION AND BETTER MANAGEMENT OF THE NATURAL AND PHYSICAL ENVIRONMENT	
07	THE REMOVAL OF GENDER DISCRIMINATION		23	NATIONAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT	
08	BUSINESS PARTNERSHIP		24	INTEGRATED MANAGEMENT OF WATER RESOURCES	<b>P</b>
09	REDUCING THE ILLICIT DRUGS TRADE		25	EFFICIENT USE OF PRODUCTIVE CAPACITY	
10	RIGHTS OF THE CHILD		26	PROTECTION OF THE GLOBAL ENVIRONMENT	
11	TRAINING AND SKILLS DEVELOPMENT	<b>S</b>	27	URBAN DEVELOPMENT	
	BETTER EDUCATION, HEALTH AND OPPORTUNITIES FOR POOR PEOPLE		28	ENERGY EFFICIENCY	
12	LOWER CHILD MORTALITY		29	SUSTAINABLE FOREST MANAGEMENT	
13	LOWER MATERNAL MORTALITY		30	BIODIVERSITY	
14	ESSENTIAL HEALTH CARE		31	SUSTAINABLE AGRICULTURE	
15	REPRODUCTIVE HEALTH SERVICES		32	DESERTIFICATION, LAND DEGRADATION AND DROUGHT MITIGATION	
16	EFFECTIVE UNIVERSAL PRIMARY EDUCATION			OTHER MARKERS	
			33	KNOWLEDGE GENERATION	

**ASSOCIATES (MANDATORY FOR FOOD AID, DISASTER & REFUGEE RELIEF, JFS)**



MANAGING AGENT(S)	
PROCUREMENT AGENT(S)	
COFINANCIER(S)	
NGO(S) JOINTLY FUNDING	
EDUCATION LINK/PARTNER(S)	
MULTILATERAL CHANNEL	
PARTNER INSTITUTION(S)	

APPROVAL DATE:

APPROVAL LEVEL: Secretary of State (Not on PEC Advic

DATE PROJECT DOCUMENTS SIGNED:

I APPROVE THIS PROJECT AS DESCRIBED IN THIS DOCUMENT AND CONFIRM THAT THE COMMITMENT, ECONOMIC SECTOR, POLICY MARKERS AND ASSOCIATES HAVE BEEN CHECKED FOR ACCURACY IN LINE WITH THE PIMS GUIDANCE.

SIGNED \_\_\_\_\_ NAME      DATE



## Project Framework

Project Name: **Water Sector Development Programme**  
 Country: **China**  
 Date of Preparation: **28 August 1998**  
 Design Team: **Ellis, Mullard, Zeitlyn, Warren, Ryland-Jones**  
 Latest Date of Revision: **29-Sep-98**

Narrative Summary	OVis	MoV	Assumptions
<b>Goal:</b> The equitable and sustainable use of water resources in China.	Availability of water of appropriate quality to meet agricultural, commercial and domestic needs.	<ul style="list-style-type: none"> <li>MWR and other GoC data</li> <li>External assessments (World Bank, etc)</li> </ul>	
<b>Purpose:</b> To strengthen China's capacity to address key institutional and technical issues constraining the availability and quality of water supply, and its equitable allocation.	<b>EoPS:</b> <ul style="list-style-type: none"> <li>MWR accepts and implements new policy framework</li> <li>Pilot studies demonstrate improved interaction between water authorities and communities using their services</li> <li>Pilot schemes implemented to apply new policy framework to address particular needs of poor people in rural areas</li> <li>Water quality monitoring and forecasting system established and operating in Liao River basin</li> </ul>	<ul style="list-style-type: none"> <li>DFID/GoC discussions</li> <li>Study data collated by consultants</li> <li>DFID monitoring/consultant reports</li> <li>DFID monitoring/consultant reports</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced capacity and co-ordination of key actors in water sector</li> <li>No drastic change to climatic conditions affecting rainfall patterns</li> </ul>
<b>Outputs:</b> <ol style="list-style-type: none"> <li>A new policy framework for demand based water management in China</li> <li>Improved human and institutional capacity to solve demand based water management problems in ways that recognise the needs and economic status of poor people.</li> <li>Improved systems for</li> </ol>	<b>Indicators may include:</b> <ul style="list-style-type: none"> <li>Agreed policy framework in place</li> <li>Access by users to adequate water supplies of appropriate quality</li> <li>New approaches to</li> </ul>		



Narrative Summary	OVIs		MoV	Assumptions
the provision of water supply to poor people in areas of water shortage. 4 Improved system for water quality monitoring and forecasting in river basins	rural water supply development <ul style="list-style-type: none"><li>Enhanced availability of data</li></ul>			
<b>Activities:</b>  1 2 3 4 5	<b>Inputs:</b>			
		£000s		
	Total			



## Project Concept Note

**CHINA: Prevention and Control of HIV/AIDS**  
(estimate £15 million over 5 years)  
(MIS codes: Financial aid: 145-555-002  
Technical co-operation: 145-555-003)

### Background

1.1 The proposed project is the second major component of the Health Sector Strategy recently agreed between DFID and the Chinese Government, Ministry of Health (MoH).

1.2 At present, the incidence of HIV in China is largely confined to injecting drug users (IDUs), and prostitutes and their clients, but the evidence of a wider spread is increasingly apparent. More importantly, the *conditions* for a rapid spread of HIV/AIDS are well established given the current rapid pace of economic and social transition in China.

1.3 The behaviours involved in prostitution and drug use are very high risk for the transmission of HIV. However, surveillance and preventive interventions are made more difficult because of the illegality of, and stigma attached to, such behaviours. Fear of being identified deters people from being tested for HIV. Policies which are designed to control illegal activities may therefore have the effect of increasing rather than reducing the transmission of HIV.

1.4 The HIV/AIDS epidemic in China is still in its early stages. The first AIDS case in China was reported in 1985. The epidemic spread initially through injecting drug users in Yunnan province, but by the end of 1996 a total of 5,990 HIV infections throughout China had been reported to the MOH. Best *estimates* suggest between 150,000 to 200,000 infections by the end of 1996, although detailed information on the epidemiology of HIV is limited. In addition there are now serious epidemics of STIs in parts of China. As prompt and effective treatment of STIs can significantly reduce transmission of HIV, there is an urgent need to improve STI services and ensure that those most at risk have access to high quality and affordable services.

1.5 In 1986 the government established a National AIDS committee, followed in 1987 by the establishment of a National Programme for AIDS Prevention and Control. Chinese HIV/AIDS policy has continued to evolve, and a new AIDS policy is expected later in 1998. However limited government staffing and budget means there are immediate organisational, management and financial challenges to be addressed.

### DFID Project Purpose, Outputs and estimated Cost

2.1 The overall goal of the proposed DFID-funded project is to ensure better sexual health for people vulnerable to HIV, especially the poor. The purpose is to ensure people who are vulnerable to HIV, particularly the poorest, are better able to avoid HIV/STI infection. The project will focus



initially on two provinces (probably Yunnan and Sichuan, although a final decision will be made during the design phase). Successful approaches developed, and lessons learned, will be disseminated elsewhere in China.

## 2.2 Specific outputs of the DFID project will be:

- Development and improvement of increased central level capacity for strategic action to enable poor people to improve their sexual health;
  - ⇒ Indicators may include: surveillance systems, public sector policy, project approaches evaluated and disseminated
- Partnerships with international organisations established and sustained (particularly UNAIDS and WHO), to support strategic action at provincial level;
  - ⇒ indicators may include: UNAIDS and WHO technical programmes strengthened and expanded; development of strategic planning and management at provincial level
- Provincial government capacity to promote the sexual health of poor people developed and sustained in at least two provinces;
  - ⇒ indicators may include increased demand for reproductive health services by the poorest/high risk groups; innovative public sector harm reduction programmes pilot-tested; innovative NGO and private sector programmes implemented

2.3 The cost of the DFID project is currently estimated to be in the region of £15m over a five year period. Of this, it is estimated that £6 million will be disbursed as financial aid for provision of equipment.

## Principal Recipient Institutions

3.1 Principal project partners will be the Ministry of Health (at national and provincial level) and other government departments such as Public Security. Primary beneficiaries will be the individuals and groups at risk (particularly IDUs, prostitutes), and their partners. Other beneficiaries will be government and parastatal institutions, particularly academic and training institutes, who will be contracted to provide expertise and training.

## Other Inputs

4.1 The national and international response is now gaining momentum, with UNAIDS recently committing US\$0.5 million. The World Bank is currently negotiating an IDA loan worth US\$25 million for STI/HIV prevention and control activities with four provinces (Health IX). The EC, AusAID, the Dutch Government, Save the Children (UK), Ford Foundation, the Australian Red Cross, DKT (social marketing), and Medicines Sans Frontiers are also active. From 1995-97 central government provided US\$4.3 million to the national programme. About 50% of the budget is allocated to the provinces



with the remainder used to finance the two key national level institutions responsible for the national response.

4.2 The total investment to date in STI/HIV/AIDS epidemics from all sources is likely to be in the order of US\$25-\$28 million. Given the size of the country, and the potential for rapid escalation of the epidemic, this is clearly a very limited resource base to ensure an effective programme of action (comparative figures for India are well over US\$100 million for the same period). DFID's proposed £15 million project would represent a substantial strengthening of the programme.

### **Project Team**

5.1 The Project Officer will be Susan Ryland-Jones in China section of EAPD. The lead adviser will be the EAPD Health & Population Adviser. The project team, and the appraisal team, will include professional inputs from the economic, institutional, and social development advisers. During project design and appraisal, a representative from the Ministry of Health will be included as part of the team and there will be close liaison with officials at provincial and (where possible) county levels. The consultants and the appraisal mission will also consult with UNAIDS, WHO and World Bank staff in Washington and Beijing. Local and UK support staff, required to support implementation of the project, will be assessed during appraisal.

### **Other Issues for Design and Appraisal**

6.1 The linkages between tuberculosis (TB) and HIV/AIDS should be considered during project design.

### **Timetable for Design and Appraisal**

7.1 The project concept has been agreed in principle with MoH and the World Bank. DFID will contract a small team of consultants to prepare a detailed project design, to be completed by the end of December 1998. DFID staff will aim to have the submission to the PEC and the Secretary of State ready by the end of April 1999.

7.2 The draft logical framework (to output level) and project header sheet are appended.

**Eastern Asia and Pacific Department**  
**17 September 1998**



PRESS F1 FOR HELP IN COMPLETING THE FORM . PLEASE NOTE BOXES EXPAND TO THE SIZE OF THE ENTERED TEXT.

COUNTRY: China FILE REFERENCE: DEPT. REF: EAPD

SHORT PROJECT TITLE: HIV/AIDS Project

FULL PROJECT TITLE: HIV/AIDS Prevention and Control Project -

PROJECT PURPOSE: People who are vulnerable to HIV, particularly the poorest, are better able to avoid HIV/STI infection.

----- COMMITMENT (£) -----

	MIS CODE	TOTAL COSTS	LOCAL COSTS
DFID FINANCIAL AID:	145-555-002	£6,000,000	£3,000,000
DFID TC:	145-555-003	£9,000,000	£6,000,000
MULTI-FUNDED MIS CODE		£	£

IS PROJECT COFINANCED WITH OTHER DONORS? : No Tying Status: Untied

IF YES, ENTER TOTAL PROJECT VALUE:

£	£
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PLANNED PROJECT DATES - START: JAN-99 END: DEC-04

PROJECT STAGE: Planning

ECON SECTOR CODE: 96410 ESC DESCRIPTION: AIDS

BENEFITTING COUNTRY/REGION: China

Refer to PIMS 'PINK BOOK' for guidance on scoring and choice of Objectives.  
projects of £100,000 and over to be marked for PAM, POM and PIMS

**POVERTY AIM MARKER (PAM)**SELECT WHICH OF THE FOLLOWING IS THE PREDOMINANT MEANS BY WHICH THE PROJECT ADDRESSES THE ELIMINATION OF POVERTY. ( ENTER X IN ONE BOX)

<b>ENABLING ACTIONS</b> [ WHICH ARE NECESSARY TO ESTABLISH OR STRENGTHEN THE PRECONDITIONS FOR POVERTY REDUCTION AND ELIMINATION]	<input type="checkbox"/>
<b>INCLUSIVE</b> [BROAD BASED ACTIONS WHICH WILL IMPROVE CONDITIONS AND SERVICES GENERALLY, AND ALSO ADDRESS ISSUES OF EQUITY AND BARRIERS TO PARTICIPATION OF POOR PEOPLE]	<input checked="" type="checkbox"/>
<b>FOCUSED</b> [ACTIONS WHICH WILL BRING BENEFITS PREDOMINANTLY TO POOR PEOPLE AND SPECIFICALLY IMPROVE THEIR CONDITIONS AND REMOVE BARRIERS TO THEIR PARTICIPATION]	<input type="checkbox"/>

**POLICY OBJECTIVE MARKER (POM)**SELECT WHICH ONE DFID'S OBJECTIVE IS PREDOMINANTLY ADDRESSED BY THIS PROJECT. ( ENTER X IN ONE BOX)

OBJECTIVE	OBJECTIVE TARGETED
POLICIES AND ACTIONS WHICH PROMOTE SUSTAINABLE LIVELIHOODS	<input type="checkbox"/>
BETTER EDUCATION, HEALTH AND OPPORTUNITIES FOR POOR PEOPLE	<input checked="" type="checkbox"/>
PROTECTION AND BETTER MANAGEMENT OF THE NATURAL AND PHYSICAL ENVIRONMENT	<input type="checkbox"/>

LEAD ADVISOR	Senior Health & Population Adviser, Eapd
DESK/ PROJECT OFFICER	Susan Ryland-Jones, Eapd



DATE ENVIRONMENTAL ASSESSMENT COMPLETED:	SEP-98
NAME OF OFFICER WHO COMPLETED INITIAL ENVIRONMENTAL SCREENING	Dr C West
DATE OF IEA	SEP-98

### POLICY INFORMATION MARKER SYSTEM (PIMS)

NOTE: ENTER EITHER **P** (PRINCIPAL ) OR **S** (SIGNIFICANT) AGAINST ALL POLICY AREAS ADDRESSED BY THE PROJECT

	POLICIES AND ACTIONS WHICH PROMOTE SUSTAINABLE LIVELIHOODS		17	LITERACY, ACCESS TO INFORMATION AND LIFE SKILLS	
01	SOUND SOCIAL AND ECONOMIC POLICIES		18	SAFE DRINKING WATER AND ADEQUATE SANITATION	
02	DIRECT ASSISTANCE TO THE PRIVATE SECTOR		19	FOOD SECURITY	
03	ACCESS OF POOR PEOPLE TO LAND, RESOURCES AND MARKETS		20	EMERGENCY AND HUMANITARIAN NEEDS	
04	GOOD GOVERNANCE		21	HIV/AIDS	<b>P</b>
05	HUMAN RIGHTS		22	POST PRIMARY EDUCATION	
06	THE PREVENTION AND RESOLUTION OF CONFLICTS			PROTECTION AND BETTER MANAGEMENT OF THE NATURAL AND PHYSICAL ENVIRONMENT	
07	THE REMOVAL OF GENDER DISCRIMINATION		23	NATIONAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT	
08	BUSINESS PARTNERSHIP		24	INTEGRATED MANAGEMENT OF WATER RESOURCES	
09	REDUCING THE ILLICIT DRUGS TRADE		25	EFFICIENT USE OF PRODUCTIVE CAPACITY	
10	RIGHTS OF THE CHILD	<b>S</b>	26	PROTECTION OF THE GLOBAL ENVIRONMENT	
11	TRAINING AND SKILLS DEVELOPMENT		27	URBAN DEVELOPMENT	
	BETTER EDUCATION, HEALTH AND OPPORTUNITIES FOR POOR PEOPLE		28	ENERGY EFFICIENCY	
12	LOWER CHILD MORTALITY	<b>S</b>	29	SUSTAINABLE FOREST MANAGEMENT	
13	LOWER MATERNAL MORTALITY	<b>S</b>	30	BIODIVERSITY	
14	ESSENTIAL HEALTH CARE	<b>S</b>	31	SUSTAINABLE AGRICULTURE	
15	REPRODUCTIVE HEALTH SERVICES	<b>S</b>	32	DESERTIFICATION, LAND DEGRADATION AND DROUGHT MITIGATION	
16	EFFECTIVE UNIVERSAL PRIMARY EDUCATION			OTHER MARKERS	
			33	KNOWLEDGE GENERATION	

### ASSOCIATES (MANDATORY FOR FOOD AID, DISASTER & REFUGEE RELIEF, JFS)

MANAGING AGENT(S)	
PROCUREMENT AGENT(S)	
COFINANCIER(S)	
NGO(S) JOINTLY FUNDING	
EDUCATION LINK/PARTNER(S)	
MULTILATERAL CHANNEL	
PARTNER INSTITUTION(S)	

APPROVAL DATE:

APPROVAL LEVEL: Secretary of State (on PEC Advic



I APPROVE THIS PROJECT AS DESCRIBED IN THIS DOCUMENT AND CONFIRM THAT THE COMMITMENT,  
ECONOMIC SECTOR, POLICY MARKERS AND ASSOCIATES HAVE BEEN CHECKED FOR ACCURACY IN LINE WITH  
THE PIMS GUIDANCE.

SIGNED \_\_\_\_\_ NAME DATE



## Project Framework

Project Name: **Prevention and Control of HIV/AIDS**  
 Country: People's Republic of China  
 Date of Preparation: September 1998 - first draft  
 Design Team: Ryland-Jones, Cleves, Mullard, Grant, and McNeil  
 Latest Date of Revision: 29-Sep-98

Narrative Summary	OVI	MoV	Assumptions
<b>Goal: Better sexual health for people vulnerable to HIV, especially the poor.</b>	<ul style="list-style-type: none"> <li>■ HIV cases averted</li> <li>■ HIV incidence stabilising</li> </ul>	<ul style="list-style-type: none"> <li>■ national sero-prevalence survey data</li> <li>■ National AIDS CP and provincial reports</li> </ul>	
<b>Purpose: To ensure people who are vulnerable to HIV, particularly the poorest, are better able to avoid HIV/STI infection.</b>	<b>EOPS:</b> <ul style="list-style-type: none"> <li>■ increased uptake of STI services</li> <li>■ increased condom utilisation</li> <li>■ effective harm reduction programmes implemented</li> </ul>	<ul style="list-style-type: none"> <li>■ STI prevalence studies in 2 provinces</li> <li>■ demand/utilisation surveys for condoms</li> <li>■ KAP results among high risk groups and their clients</li> </ul>	<ul style="list-style-type: none"> <li>■ policy makers support introduction of harm reduction programmes</li> <li>■ at-risk groups willing to utilise services</li> </ul>
<b>Outputs:</b> <ol style="list-style-type: none"> <li>1 Increased and improved central level capacity for strategic action to enable poor people to improve their sexual health.</li> <li>2 Partnerships with international organisations established and sustained, to support strategic action at national and provincial level.</li> <li>3 Provincial level capacity to promote the sexual health of poor people developed and sustained, in at least two provinces (Yunnan &amp;</li> </ol>	<u>Indicators may include:</u> <ul style="list-style-type: none"> <li>■ surveillance systems</li> <li>■ public sector policy</li> <li>■ project approaches evaluated and disseminated</li> <li>■ UNAIDS &amp; WHO technical programmes strengthened and expanded</li> <li>■ development of strategic planning and management at provincial level</li> <li>■ increased demand for reproductive health services by poorest/high risk groups</li> <li>■ innovative public sector harm reduction</li> </ul>		



Narrative Summary	OVIs		MoV	Assumptions
Sichuan).	programmes implemented ■ innovative NGO programmes implemented			
<b>Activities:</b> 1 2 3 4 5	<b>Inputs:</b> Over a five year period	£000s 15,000 approx.		
	Total	15,000		



## Project Concept Note

### CHINA: Basic Health Services Project (Health VIII) (estimate £12 million over 6 years) (MIS code: 145-555-001)

#### Background

1.1 The proposed project is the first major component of the Health Sector Strategy recently agreed between DFID and the Chinese Government, Ministry of Health (MoH).

1.2 China made outstanding progress in improving its population's health between the 1950s and 1970s. Since the late 1970s the Chinese government has instituted changes which have affected the health sector including devolution of public sector finance and administrative responsibilities to lower levels of government; de-collectivisation of the land and, more recently, reform of state-owned enterprises. As a consequence, health facilities derive a diminishing share of their budgets from government sources, which often no longer cover salary costs. By 1997 total health expenditure was about 3.8% of GDP<sup>1</sup>. Due to the collapse of government funding and insurance schemes, many poor people are finding it more difficult to access health care services.

1.3 In order to respond to these problems, the government has issued a policy document which calls on local governments to incorporate health into their anti-poverty programmes, and makes a commitment that government health expenditure will not fall as a percentage of total government expenditure.

#### The Basic Health Services Project

2.1 One of the government's strategies for overcoming the difficulties *in rural areas* has been to design an ambitious Basic Health Services Project (Health VIII), with IDA loan funding, to support the rehabilitation and reform of health services in 71 poor counties in 6 provinces (Qinghai, Henan, Guizhou, Gansu, Anhui and Shanxi) and the municipality of Chongqing. The project is designed to improve access to effective and appropriate health services on a sustainable basis in 71 poor rural counties and develop models of health management and finance which other poor counties can adopt. The six-year project has been approved and will be launched in late 1998 costing US\$129m (65% World Bank loan and 35% counterpart funding).

2.2 Project success depends on the implementation of all components. County strategies for improving the performance of the health sector are not as well developed as the capital investment plans. It is essential that all

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<sup>1</sup> World Bank "China 2020: Financing Health Care" (1997)



elements of the strategies are fully implemented if the reforms are to succeed in China's highly decentralised system.

2.3 The national and provincial levels will provide the project counties with technical support to implement the project. The government has established a national expert group with sub-specialist groups on planning, health services improvement and local health finance. They will produce guidelines for, and then supervise, the implementation of the project, and train and support provincial expert groups. The relatively low level of funding for Chinese and international experts to support implementation, and a lack of funding for essential health interventions threatens to reduce the impact of the project in the counties, by creating difficulties with the timely and effective implementation of activities.

2.4 The capacity of each provincial expert team to provide effective technical support to approximately 10 counties will strongly influence implementation. However because of funding constraints the Bank project provides these teams with only limited technical support. Additional DFID grant funding would substantially increase their effectiveness.

### **DFID Project Purpose, Outputs and estimated Cost**

3.1 The purpose of the proposed DFID-funded project is to ensure that Health VIII project interventions are effectively managed at national and provincial level, as well as successfully implemented and sustained in two out of seven selected provinces (probably Gansu and Chongqing but a final decision will be made during the design phase). DFID funding will significantly strengthen the technical assistance component of the Health VIII project.

3.2 Specific outputs of the DFID project will be:

- National level capacity to support and oversee project interventions strengthened and sustained;
- Provincial technical support teams established (6 provinces plus Chongqing municipality) to effectively support county level activities;
- Improved allocation and management of primary health resources in the project counties of two of the seven provinces (on a pilot basis);
- Improved service quality and effectiveness of public sector primary health programmes in the project counties of the two selected provinces (on a pilot basis);
- Improved access to primary health services for the poorest, particularly women and girls, through expansion of appropriate health insurance schemes, and essential health interventions in the project counties of the two selected provinces (on a pilot basis);
- Project approaches evaluated and effective methodologies disseminated to other Health VIII provinces and elsewhere in China.

3.3 The cost of the DFID project is currently estimated to be in the region of £12m over a six year period.



## **Principal Recipient Institutions**

4.1 Principal project partners will be the Ministry of Health (at national and provincial level) and the county governments in selected provinces. Primary beneficiaries will be the populations of the poor counties directly involved in the DFID-funded components in two provinces, and indirectly the populations of the poor counties in the remaining four provinces and Chongqing municipality. Other beneficiaries will be government and parastatal institutions, particularly academic and training institutes, which will be contracted to provide expertise and training.

## **Other Inputs**

5.1 Funding for the overall Health VIII project will comprise US\$ 85m from World Bank (IDA) and US\$44.2m local contribution from government at national, provincial and county levels.

## **Project Team**

6.1 The Project Officer will be Susan Ryland-Jones in China section of EAPD. The lead adviser will be the EAPD Health & Population Adviser. The project team, and the appraisal team, will also include professional inputs from economic, institutional, and social development advisers. During project design and appraisal, a representative from the Ministry of Health will be included as part of the team and there will be close liaison with officials at provincial and (where possible) county levels, as well as World Bank staff in Washington DC and Beijing. Requirements for local and UK support staff, to support implementation of the project, will be determined during appraisal.

## **Other Issues for Design and Appraisal**

7.1 It is likely that the DFID project will be funded in parallel to the World Bank project. The exact financial management structure will be considered in detail during the design phase.

## **Timetable for Design and Appraisal**

8.1 The project concept has been agreed in principle with MoH and the World Bank. DFID will contract a small team of consultants to prepare a detailed outline for a joint MoH/WB/DFID Inception Mission scheduled for late November/early December 1998. Following the Inception Mission, the design will be finalised by the consultants. DFID staff will aim to have the submission to the PEC and the Secretary of State ready by the end of April 1999.

8.2 The draft logical framework (to output level) and project header sheet are appended.

## **Eastern Asia and Pacific Department**



17 September 1998



PRESS F1 FOR HELP IN COMPLETING THE FORM . PLEASE NOTE BOXES EXPAND TO THE SIZE OF THE ENTERED TEXT.

COUNTRY: China FILE REFERENCE: DEPT. REF: EAPD

SHORT PROJECT TITLE: Health VIII

FULL PROJECT TITLE: Basic Health Services Project

PROJECT PURPOSE: Health VIII project interventions effectively managed at national level; and successfully implemented and sustained in two selected provinces.

	MIS CODE	TOTAL COSTS	LOCAL COSTS
DFID FINANCIAL AID:		£	£
DFID TC:	145-555-001	£12,000,000	£8,000,000
MULTI-FUNDED MIS CODE		£	£

IS PROJECT COFINANCED WITH OTHER DONORS? : Yes      Tying Status: Untied

IF YES, ENTER TOTAL PROJECT VALUE:

£78,000,000	£70,600,000
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PLANNED PROJECT DATES - START: MAY-99      END: DEC-05

PROJECT STAGE: Planning

ECON SECTOR CODE: 96110      ESC DESCRIPTION: HEALTH MANAGEMENT &amp; REFORM

BENEFITTING COUNTRY/REGION: China

*Refer to PIMS 'PINK BOOK' for guidance on scoring and choice of Objectives.  
projects of £100,000 and over to be marked for PAM, POM and PIMS*

**POVERTY AIM MARKER (PAM)**

SELECT WHICH OF THE FOLLOWING IS THE PREDOMINANT MEANS BY WHICH THE PROJECT ADDRESSES THE ELIMINATION OF POVERTY. ( ENTER X IN ONE BOX)

<b>ENABLING ACTIONS</b> [ WHICH ARE NECESSARY TO ESTABLISH OR STRENGTHEN THE PRECONDITIONS FOR POVERTY REDUCTION AND ELIMINATION]	<input type="checkbox"/>
<b>INCLUSIVE</b> [BROAD BASED ACTIONS WHICH WILL IMPROVE CONDITIONS AND SERVICES GENERALLY, AND ALSO ADDRESS ISSUES OF EQUITY AND BARRIERS TO PARTICIPATION OF POOR PEOPLE]	<input type="checkbox"/>
<b>FOCUSED</b> [ACTIONS WHICH WILL BRING BENEFITS PREDOMINANTLY TO POOR PEOPLE AND SPECIFICALLY IMPROVE THEIR CONDITIONS AND REMOVE BARRIERS TO THEIR PARTICIPATION]	<input checked="" type="checkbox"/>

**POLICY OBJECTIVE MARKER (POM)**

SELECT WHICH ONE DFID'S OBJECTIVE IS PREDOMINANTLY ADDRESSED BY THIS PROJECT. ( ENTER X IN ONE BOX)

OBJECTIVE	OBJECTIVE TARGETED
POLICIES AND ACTIONS WHICH PROMOTE SUSTAINABLE LIVELIHOODS	<input type="checkbox"/>
BETTER EDUCATION, HEALTH AND OPPORTUNITIES FOR POOR PEOPLE	<input checked="" type="checkbox"/>
PROTECTION AND BETTER MANAGEMENT OF THE NATURAL AND PHYSICAL ENVIRONMENT	<input type="checkbox"/>

LEAD ADVISOR	Senior Health & Population Adviser, Eapd
DESK/ PROJECT OFFICER	Susan Ryland-Jones, Eapd



DATE ENVIRONMENTAL ASSESSMENT COMPLETED:	SEP-98
NAME OF OFFICER WHO COMPLETED INITIAL ENVIRONMENTAL SCREENING	Dr C West
DATE OF IEA	SEP-98

### POLICY INFORMATION MARKER SYSTEM (PIMS)

NOTE: ENTER EITHER **P** (PRINCIPAL ) OR **S** (SIGNIFICANT) AGAINST ALL POLICY AREAS ADDRESSED BY THE PROJECT

	POLICIES AND ACTIONS WHICH PROMOTE SUSTAINABLE LIVELIHOODS		17	LITERACY, ACCESS TO INFORMATION AND LIFE SKILLS	
01	SOUND SOCIAL AND ECONOMIC POLICIES		18	SAFE DRINKING WATER AND ADEQUATE SANITATION	
02	DIRECT ASSISTANCE TO THE PRIVATE SECTOR		19	FOOD SECURITY	
03	ACCESS OF POOR PEOPLE TO LAND, RESOURCES AND MARKETS		20	EMERGENCY AND HUMANITARIAN NEEDS	
04	GOOD GOVERNANCE		21	HIV/AIDS	<b>S</b>
05	HUMAN RIGHTS		22	POST PRIMARY EDUCATION	
06	THE PREVENTION AND RESOLUTION OF CONFLICTS			PROTECTION AND BETTER MANAGEMENT OF THE NATURAL AND PHYSICAL ENVIRONMENT	
07	THE REMOVAL OF GENDER DISCRIMINATION		23	NATIONAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT	
08	BUSINESS PARTNERSHIP		24	INTEGRATED MANAGEMENT OF WATER RESOURCES	
09	REDUCING THE ILLICIT DRUGS TRADE		25	EFFICIENT USE OF PRODUCTIVE CAPACITY	
10	RIGHTS OF THE CHILD		26	PROTECTION OF THE GLOBAL ENVIRONMENT	
11	TRAINING AND SKILLS DEVELOPMENT		27	URBAN DEVELOPMENT	
	BETTER EDUCATION, HEALTH AND OPPORTUNITIES FOR POOR PEOPLE		28	ENERGY EFFICIENCY	
12	LOWER CHILD MORTALITY	<b>S</b>	29	SUSTAINABLE FOREST MANAGEMENT	
13	LOWER MATERNAL MORTALITY	<b>S</b>	30	BIODIVERSITY	
14	ESSENTIAL HEALTH CARE	<b>P</b>	31	SUSTAINABLE AGRICULTURE	
15	REPRODUCTIVE HEALTH SERVICES	<b>S</b>	32	DESERTIFICATION, LAND DEGRADATION AND DROUGHT MITIGATION	
16	EFFECTIVE UNIVERSAL PRIMARY EDUCATION			OTHER MARKERS	
			33	KNOWLEDGE GENERATION	<b>S</b>

### ASSOCIATES (MANDATORY FOR FOOD AID, DISASTER & REFUGEE RELIEF, JFS)

MANAGING AGENT(S)	
PROCUREMENT AGENT(S)	
COFINANCIER(S)	Ministry of Health; World Bank (IDA)
NGO(S) JOINTLY FUNDING	
EDUCATION LINK/PARTNER(S)	
MULTILATERAL CHANNEL	
PARTNER INSTITUTION(S)	

APPROVAL DATE:

APPROVAL LEVEL: Secretary of State (on PEC Advic



I APPROVE THIS PROJECT AS DESCRIBED IN THIS DOCUMENT AND CONFIRM THAT THE COMMITMENT,  
ECONOMIC SECTOR, POLICY MARKERS AND ASSOCIATES HAVE BEEN CHECKED FOR ACCURACY IN LINE WITH  
THE PIMS GUIDANCE.

SIGNED \_\_\_\_\_ NAME DATE



## Project Framework

Project Name: **Basic Health Services Project (Health VIII)**  
 Country: People's Republic of China  
 Date of Preparation: September 1998 - first draft  
 Design Team: Ryland-Jones, Mullard, Grant, McNeil and Bloom  
 Latest Date of Revision: 29-Sep-98

Narrative Summary	OVI	MoV	Assumptions
<b>Goal: Sustained improvements in health status for the populations of the selected Health VIII poor rural counties.</b>	<ul style="list-style-type: none"> <li>■ Increased utilisation of essential health services in all counties</li> <li>■ National Health Sector Reform capacity strengthened</li> </ul>	<ul style="list-style-type: none"> <li>■ Provincial and county level health bureaux reports</li> <li>■ National Expert Panel established and fully functional</li> </ul>	
<b>Purpose: Health VIII project interventions effectively managed at national level; and successfully implemented and sustained in two selected provinces (Gansu and Chongqing).</b>	<ul style="list-style-type: none"> <li>■ EoPS: Increased utilisation of essential health services (2 prov.) by poor people</li> <li>■ Increased capacity to manage and implement health sector reforms</li> </ul>	<ul style="list-style-type: none"> <li>■ Prov. MoH and private sector reports</li> <li>■ CMS and EHI programmes established</li> <li>■ Prov. Expert Groups in place and fully functioning</li> <li>■ MoH reports on supervisory training and visits</li> </ul>	<ul style="list-style-type: none"> <li>■ World Bank and Government funding for Health VIII available as programmed</li> </ul>
<b>Outputs:</b> 1 National level capacity to support and oversee project interventions strengthened and sustained. 2 Provincial technical support teams established, trained and effectively supporting county level activities in six provinces and Chongqing. 3 Improved allocation and management of primary health resources in two selected province/s.	<u>Indicators may include:</u> <ul style="list-style-type: none"> <li>■ National Expert Panel and sub-groups fully functioning</li> <li>■ Teams established and trained</li> <li>■ Satisfaction with technical support from counties</li> <li>■ Implem. programmes on schedule</li> <li>■ Rational allocation of scarce personnel</li> <li>■ Increased spend on non-salary</li> <li>■ Training and support</li> </ul>		



Narrative Summary	OVIs		MoV	Assumptions				
<p>4 Improved service quality and effectiveness of public sector primary health programmes in two selected province/s.</p> <p>5 Improved access to primary health services for the poorest, particularly women and girls, through increased risk sharing and essential health interventions in two selected province/s.</p> <p>6 Project approaches evaluated and effective methodologies disseminated to other Health VIII provinces and elsewhere in China.</p>	<p>for line supervisors</p> <ul style="list-style-type: none"><li>■ service quality measures</li><li>■ client satisfaction studies</li><li>■ access and uptake studies</li><li>■ number of functioning CMS schemes</li><li>■ number and effectiveness of essential health interventions</li><li>■ project evaluation unit</li><li>■ client satisfaction and non-user studies</li><li>■ dissemination seminars</li><li>■ study visits/tours</li><li>■ pro-poor policy documents developed and approved</li></ul>							
<p><b>Activities:</b></p> <p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p>	<p><b>Inputs:</b></p> <table><tr><td></td><td><b>£000s</b></td></tr><tr><td>Over a six year period</td><td>12,000 approx.</td></tr></table>			<b>£000s</b>	Over a six year period	12,000 approx.		
	<b>£000s</b>							
Over a six year period	12,000 approx.							
	<p><b>Total</b></p>	<p><b>circa</b></p> <p><b>12,000</b></p>						



