



*Japan  
Hong Kong } Policy*

Foreign and Commonwealth Office

London SW1A 2AH

7 July 1982

Sir Robert Armstrong KCB CVO  
CABINET OFFICE

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p.a.*

*My dear Robert,*

PRIME MINISTER'S VISIT TO THE FAR EAST, 16-29 SEPTEMBER 1982

1. The Prime Minister is due to visit Japan, China and Hong Kong in September. This will be her first visit to Japan since 1979, when she attended the Tokyo Economic Summit, and to China and Hong Kong since 1977 when she was Leader of the Opposition. No British Prime Minister has visited China while in office. Most other Western heads of government and state have done so.

2. Since 1979 the Liberal Democratic Party Government of Japan, which has increased its majority, has concentrated on administrative reform and efforts to balance the national budget; on a gradual extension of Japanese involvement in international affairs; and, with even greater caution, on the development of a stronger defence posture. During this period the Japanese economy has been characterised by low inflation and unemployment and by an ever-growing external trade surplus, causing increased friction with OECD partners. Neither in the political nor in the economic arena has Japan's performance as a member of the club of advanced countries been entirely satisfactory; her sense of political responsibility is still immature, and her response to the pressures of the international economic situation has been inadequate.

3. Changes in China have been much greater since the Prime Minister's visit to Peking in 1977. Deng Xiaoping, who was beginning then to re-emerge as a major face in Chinese politics, has eased Mao Zedong's designated heir Hua Guofeng out of both the Premiership and the Chairmanship, and put in his own men; China has embarked on a course of economic modernisation which she has had to modify substantially in the light of experience since the programme was launched in 1978; and Sino/US relations have been normalised, although the relationship is at present threatened by disagreement over the supply of US arms to Taiwan.

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4. Hong Kong has continued to prosper throughout the last 5 years under the outstanding governorship of Sir Murray MacLehose, who was succeeded by Sir Edward Youde in May. A growth rate of 8-10% has been sustained despite the world recession, and a number of major development projects, in which the participation of British companies has been prominent, have been undertaken in both the private and public sectors. The influx of refugees from China has been brought under control, but a steady albeit reduced stream of refugees from Vietnam continues. The importance of Hong Kong as a market for British export goods has increased dramatically: at over £500 million the level of British sales makes Hong Kong almost as important in this respect as Japan.

5. By visiting the Far East at this time the Prime Minister will show that Britain as a world power has a role to play in an area of great strategic importance and in relations with two great Asian powers. Bilaterally the visit will enable us to impress on the Japanese that in our view they have so far failed to live up to our expectations of them in the international political and economic fields; it will be an opportunity to continue the development of our relationship with China, and specifically to begin discussion of the future of Hong Kong; and to identify HMG firmly with the interests of Hong Kong.

6. It is evident that the Japanese attach considerable importance to the visit, especially in the light of the uncertainty surrounding French economic policy and the domestic political strength of the West German Government. For the Chinese it will be an opportunity to gauge British thinking on the future of Hong Kong. People in Hong Kong will watch the outcome of the talks in Peking carefully and will look for progress on the problem, in order to sustain the confidence which is critical to their continuing prosperity.

7. I attach at Annex A a list of objectives for the tour, and at Annex B a proposed list of briefs. The list of briefs may appear long, but this is in our view unavoidable given the importance and breadth of interest of the two major countries to be visited, and their very different outlook. We suggest that Departments be asked to have all the briefs circulated by Friday, 10 September, with a view to a briefing meeting with the Prime Minister at the beginning of the following week. Both Sir H Cortazzi and Sir P Cradock (both at present on UK leave) are planning to return to their posts to supervise final preparations for

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the visit before the Prime Minister returns from holiday in September, but she will have had an opportunity to meet the two Ambassadors to discuss the overall shape of the visit before she leaves for her holiday in early August.

*Yours ever*  
*Antony*

Antony Acland

cc: Sir Douglas Wass GCB  
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NUMBER 10



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OBJECTIVES

A) JAPAN

Broad Objectives (UK)

1. To encourage Japan to accept greater responsibility for the international consequences of her economic success, and to adapt her economic and trading policies accordingly.
2. To promote industrial collaboration between the UK and Japan.
3. To convey the continued importance we attach to collaboration with Japan on political as well as economic issues.
4. To promote specific bilateral economic and commercial objectives.

Specific Objectives (UK)

Economic - International

5. To bring the Japanese to recognise the need for adjustment of their economic policies so as to prevent the re-emergence of a large trade surplus; to avoid export-led growth; to increase import propensity; and to encourage action to strengthen the yen.

Economic - Bilateral

To promote inward investment and scientific and industrial cooperation.

Political

7. To seek Japanese support for UK/Western objectives especially in East/West matters and the Middle East; and to exchange views on other international issues, especially Asian questions.

Commercial

8. To promote aircraft sales (BAe 146); defence sales (especially Sea Harrier); and sales of high technology equipment. To emphasise the need for changes in the structure of Japanese industry and distribution to reduce the propensity for self-sufficiency and to secure easier access for foreign goods.

### Likely Japanese Objectives

1. To repair the damage to Anglo-Japanese relations caused by Japanese unhelpfulness over the Falklands.
2. Following recent visits to Japan by other European leaders (Pertini, Mitterrand) and contacts eg at Versailles, to strengthen overall political and economic cooperation with Britain.
3. To avoid excessive concentration on bilateral (UK-Japan and EC-Japan) trade problems; and to convey the importance of recent measures to open the Japanese market.

### B) CHINA

#### Main Objectives (UK)

1. To demonstrate Britain's willingness to develop through exchanges at the top level an enduring and balanced relationship with China. To show our confidence in China's stability and our interest in long-term cooperation, especially in Chinese economic development.
2. To continue a dialogue with the Chinese leadership on international issues. To explain our view particularly of the Soviet threat and of North-South questions. To persuade China of Western unity, realism and determination. To encourage China to play a constructive role in international organisations and debates.
3. Against this background, to obtain further Chinese understanding and cooperation over Hong Kong: this is the dominant objective for the visit. To reaffirm our wish to see a major Hong Kong contribution to China's economic development. To seek agreement on the opening of discussions on the future of the Territory after 1997. To contain public expectations of progress on the issue so that confidence in Hong Kong is not undermined.
4. To take such limited opportunities as may arise to further our commercial interests. To register with the Chinese what we have to offer in terms of technology and experience. To discuss possibilities for future commercial cooperation, including the Guangdong nuclear project.

#### Likely Chinese Objectives

1. To discourage any weakening of British resolve to resist Soviet expansionism. To persuade HMG to work for greater European and NATO cohesion and to adopt more radical North/South policies aimed at reducing Soviet penetration of the Third World.

2. To persuade HMG of Chinese political stability and of the prospect of continuity for China's current 'open door' economic policy.
3. To achieve progress towards the re-establishment of Chinese sovereignty over Hong Kong without jeopardising the Territory's prosperity.
4. To secure aid or concessionary finance in support of British involvement in China's economic modernisation.
5. To obtain HMG's support for the further development of economic cooperation between China and Hong Kong.
6. To obtain HMG's support for the maintenance of Democratic Kampuchea's credentials at the United Nations and to secure political support for the recently formed coalition of anti-Vietnamese forces in Cambodia.

#### C) HONG KONG

##### Main Objectives (UK)

1. To reassure the people of Hong Kong that HMG's commitment is as strong as ever.
2. To confirm that the common objective of the UK and China is to maintain Hong Kong's prosperity and stability.
3. [Depending on the results of the China visit] To confirm that in discussions with the Chinese on Hong Kong's future the interests of the people of Hong Kong will be taken into account.

##### Likely Hong Kong Objectives

1. To bring to the Prime Minister's attention certain UK/Hong Kong issues, notably Hong Kong's unhappiness over the Multi-Fibre Arrangement, the Nationality Act, and students' fees.
2. To obtain firm assurances that Britain is in no way distancing itself from Hong Kong.
3. To encourage HMG to face up to the problem of the future of Hong Kong in the near future and to ensure that in any discussions with the Chinese the wishes of the Hong Kong people are taken into account.

## PRIME MINISTER'S VISIT TO THE FAR EAST, SEPTEMBER 1982

LIST OF BRIEFS	Lead Department	In consultation with
A) JAPAN		
1. Steering Brief (together with programmes and personality notes)	FCO (FED)	
<u>Bilateral Matters</u>		
2. Industrial issues (including inward investment and industrial and scientific cooperation)	DOI	FCO (FED/EESD/TRED)
3. Commercial issues (including BAe 146)	DOT	FCO (FED/TRED)
4. Defence sales	MOD	FCO (FED/DEFENCE)
<u>International Matters</u>		
5. EC/Japan (trade/economic/political cooperation)	FCO (ECD(E))	DOT, DOI, TREASURY
6. East and South East Asia	FCO (FED/SEAD)	
7. East-West political relations (including Afghanistan)	FCO (EESD)	
8. East-West economic relations	FCO (TRED)	DOT, TREASURY
9. North-South dialogue	FCO (ERD)	TREASURY
10. Middle East	FCO (NENAD/MED)	
<u>Background Briefs</u>		
11. Japan foreign policy	FCO (FED)	
12. Anglo-Japanese political relations	FCO (FED)	
13. Politics in Japan	FCO (FED)	
14. Japanese economy	FCO (FED)	TREASURY, DOI, DOT
15. Japanese economic relations with UK and other countries	FCO (ERD)	
16. Northern islands	FCO (FED)	

B) CHINA

1. Steering Brief (together with programmes and personality notes) FCO (FED)

Bilateral Matters

2. Future of Hong Kong FCO (HKGD)
3. Guangdong nuclear project DOI FCO (FED/NED)
4. Other commercial issues (eg involvement in modernisation of Chinese coal industry and ports, telecommunications and agricultural cooperation) DOT FCO (FED)
5. Defence sales MOD FCO (FED/TRED)
6. Aid ODA FCO (FED/CRD)
7. Scientific and Technological Cooperation and Educational exchanges FCO (CRD) DES, ODA
8. Air services FCO (MAED) DOT
9. Consular agreement (including opening of consulate at Shanghai) FCO (FED)
10. Claims FCO (Claims Dept)
11. Travel restrictions FCO (FED)

International Matters

12. East and South East Asia FCO (FED/SEAD)
13. China and South Asia FCO (SAD)
14. East-West relations (including Poland and Afghanistan) FCO (EESD)
15. Middle East FCO (NENAD/MED)
16. Arms control FCO (ACDD)
17. COCOM FCO (TRED) MOD



Background Briefs

- |   |            |                |
|---|------------|----------------|
| 18. Chinese foreign policy<br>(including Sino/US and Sino/<br>Soviet relations) | FCO (FED)  |                |
| 19. Anglo-Chinese political<br>relations  | FCO (FED)  |                |
| 20. Chinese internal policies   | FCO (FED)  |                |
| 21. Chinese economy (including<br>modernisation)                                | MOD (DI73) | FCO (FED), DOT |
| 22. Taiwan  | FCO (FED)  | DOT            |

C) HONG KONG

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|---|------------|--|
| 1. <u>Steering Brief</u> (together<br>with programmes and<br>personality notes) | FCO (HKGD) |  |
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Bilateral Matters

- |  |            |            |
|--|------------|------------|
| 2. UK/Hong Kong issues<br>(eg Nationality Act,<br>Students Fees, MFA,<br>refugees)             | FCO (HKGD) |            |
| 3. Defence and Security  | FCO (HKGD) | MOD        |
| 4. Castle Peak Power Station   | DOI        | FCO (HKGD) |
| 5. Other major commercial<br>opportunities   | DOT        | FCO (HKGD) |
| 6. Meeting with Unofficial<br>Members of the Executive<br>and Legislative Councils<br>(UMELCO) | FCO (HKGD) |            |

Background Briefs

- |   |            |  |
|---|------------|--|
| 7. Hong Kong's political,<br>economic and social<br>situation     | FCO (HKGD) |  |
| 8. Hong Kong's economic<br>relations with UK, EC, US<br>and Japan | FCO (HKGD) |  |