

Text of the record by HM Ambassador Peking of a discussion on Hong Kong during a call by Mr Edward Heath on Vice-Chairman Deng Xiaoping on 6 April 1982 (Peking telegram No. 202 of 6 April to FCO)

1. Mr Heath raised the question of Hong Kong, recalling that he had first raised it with Mao Zedong and Zhou Enlai in 1977 in Deng's presence. Mao had said that nothing should happen before 1997, and then the younger men present could settle the issue. There were now only 15 years to go. What thought had the Vice-chairman given to the interim period when investors were worried about their investments?
2. Deng first asked for Mr Heath's ideas. The latter replied that we should work on the premise that we wanted people to keep their investments in Hong Kong. It was particularly good for China that Hong Kong people were making large investments in China. It was necessary to convince the population that their investment would be safe after 1997, and this required help from the PRC Government.
3. Deng then asked whether Mr Heath thought that it would be possible to base ourselves on the spirit of the nine point proposals for Taiwan, as applied to Hong Kong. This would mean that sovereignty over Hong Kong would belong to China, but that Hong Kong itself could remain a free port and an international financial centre. Foreign investment would not be affected. Hong Kong would be managed by its inhabitants, including such foreigners as were resident there, but sovereignty would be Chinese.
4. Mr Heath said that he supposed that in such circumstances Britain would still be able to make its contribution to Hong Kong's prosperity, which was also so much to the advantage of China. Deng replied that there could be local government in Hong Kong. The new Chinese state constitution would specifically allow for the creation of Special Administrative Zones. The local government would be formed by the

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inhabitants, whether Chinese, British or of other nationality. Such people could either be employed by the local government or themselves be members of the local government. The "various systems" of Hong Kong would remain unchanged. It could use the name "Hong Kong: China" and could manage its own non-governmental trade and commercial relations with other countries.

5. Deng went on to say that the problem of the exodus of Chinese from the mainland to Hong Kong would be easier to solve under such a regime. There were now quotas and many people wished to settle in Hong Kong. Under such an arrangement the United Kingdom might suffer a loss of taxation revenue from Hong Kong, but trade and commerce would not suffer.

6. Mr Heath said that Britain received nothing from Hong Kong and suggested that Britain managed Hong Kong for the benefit of China and of mankind. Deng replied that in that case the matter would be even easier to settle. As a friend of long standing he could tell Mr Heath that if China did not recover her sovereignty over Hong Kong she could not be accountable to her own people. Mr Heath said that the question of sovereignty was very clear in the treaties. Deng said that he was referring to sovereignty over the whole area of Hong Kong and not just the New Territories. It would involve abrogating the past unequal treaties.

7. Mr Heath concluded by saying that these were interesting ideas which he would consider. He hoped that the Chinese side would show flexibility in negotiations.

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PRIME MINISTER'S VISIT TO THE FAR EAST

16-29 SEPTEMBER 1982

Brief by Foreign and Commonwealth Office

THE FUTURE OF HONG KONG

[The Background part only of this Brief is attached.

The Points to Make will follow separately.]

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BACKGROUND

1. This is contained in the following Annexes:

Annex A: Text of the Treaty of Nanking by which Hong Kong Island was ceded by China in perpetuity in 1842.

Annex B: Text of the First Convention of Peking by which the Kowloon Peninsula and Stonecutters Island were similarly ceded in 1860.

Annex C: Text of the Second Convention of Peking by which China leased the New Territories to Britain for 99 years in 1898.

Annex D: A note on the extent of interdependence of the ceded areas and the New Territories.

Annex E: The 'Nine Principles' for the reunification of Taiwan and China outlined by Ye Jianying, Chairman of the Standing Committee of the National People's Congress, in September 1981.

Annex F: The record of a meeting between Mr Humphrey Atkins (then Lord Privy Seal) and Ji Pengfei in Peking on 5 January 1982 (paragraphs 11 - 13).

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Annex G: The record of a meeting between Mr Humphrey Atkins and Zhao Ziyang in Peking on 6 January 1982.

Annex H: The record of a meeting between Mr Edward Heath and Deng Xiaoping in Peking on 6 April 1982.

Annex I: A paper by Hong Kong's Chief Secretary, endorsed by the Governor on 'Why the Continuation of British Administration is necessary for the maintenance of prosperity and stability in Hong Kong'.

Annex J: A chronology of major events and Chinese statements concerning Hong Kong.

Annex K: Statements by HMG and the last Labour Government on the commitment to Hong Kong.