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FM PEKING 170905Z JAN 83

TO PRIORITY F C O

TELNO 37 OF 17 JANUARY

RPTD INFO PRIORITY HONG KONG.

Read in full.

YOUR TELNO 29: FUTURE OF HONG KONG

1. WHEN MR JENKIN CALLED ON ACTING PREMIER WAN LI ON 16 JANUARY, HE SPOKE ON HONG KONG IN TERMS OF YOUR TUR. HE REFERRED TO THE REPORTS IN THE HONG KONG PRESS OF REMARKS BY LIAO CHENGZHI TO A HONG KONG DELEGATION THAT CHINA HAD MADE PROPOSALS TO BRITAIN ON THE FUTURE OF HONG KONG AND WAS WAITING FOR A REPLY. HE WAS SURPRISED BY THIS REPORT. IT DID NOT ACCORD WITH HIS UNDERSTANDING THAT ON 19 OCTOBER HMG HAD MADE PROPOSALS TO THE CHINESE GOVERNMENT. DESPITE REPEATED REMINDERS, WE HAD RECEIVED NO REPLY SINCE THEN. MR JENKIN HOPED WAN LI WOULD CLARIFY THE SITUATION AND GIVE HIM A MESSAGE TO TAKE BACK TO MRS THATCHER.

2. WAN LI AT FIRST SOUGHT TO LAUGH OFF THE MATTER, ASKING WHAT PAPER HAD REPORTED LIAO. THERE WERE ALL SORTS OF PUBLICATIONS IN HONG KONG, SOME RUN BY COMMUNISTS, SOME BY THE KMT. AT THIS POINT THERE WAS MUCH MERRIMENT ON THE CHINESE SIDE.

3. WITH MR JENKIN'S AGREEMENT I THEREFORE TOOK WAN LI CAREFULLY THROUGH THE SITUATION AGAIN, POINTING OUT THAT LIAO'S STATEMENT TO THE NEW TERRITORIES DELEGATION WAS REPORTED BY ALL THE HONG KONG PAPERS IN SIMILAR TERMS. HIS STATEMENT THAT THE BALL WAS IN OUR COURT CAUSED US SURPRISE AND CONCERN SINCE IT WAS IN DIRECT CONTRADICTION WITH THE FACTS. WE HAD BEEN WAITING FOR A REPLY SINCE 19 OCTOBER. WE WERE ANXIOUS TO PROCEED. WE RECALLED DENG XIAOPING'S STATEMENT TO MRS THATCHER THAT HE WOULD LIKE TO SOLVE THE PROBLEM IN ONE TO TWO YEARS. AGAINST THIS BACKGROUND THE FAILURE TO REPLY FOR A PERIOD OF THREE MONTHS WAS SERIOUS.

4. WAN LI, WHO WAS NO LONGER LAUGHING, ASKED WHETHER I HAD READ THE STATEMENT BY ZHAO ZIYANG IN TANZANIA THAT THE CHINESE GOVERNMENT'S STAND ON HONG KONG REMAINED UNCHANGED. I SAID I HAD NOT READ IT, BUT I HOPED THAT THE CHINESE GOVERNMENT HAD MORE DIRECT WAYS OF CONVEYING THEIR VIEWS ON HONG KONG TO US THAN VIA THE TANZANIAN PRESS.

5. WAN LI SAID THE MATTER COULD BE DISCUSSED THROUGH THE DIPLOMATIC CHANNEL. IN ANY CASE HONG KONG PRESS REPORTS SHOULD NOT BE TAKEN AS THE VIEWS OF THE FOREIGN MINISTRY. I SAID THE REPORTED STATEMENT WAS MADE BY LIAO, WHO HELD A VERY IMPORTANT AND RELEVANT POSITION AS HEAD OF THE HONG KONG AND MACAO OFFICE.

6. WAN LI REPEATED THAT HE HAD NOT SEEN THE STATEMENT. WHATEVER LIAO HAD SAID, THE CHINESE WOULD ABIDE BY THE GUIDELINES AGREED BY MRS THATCHER AND PREMIER ZHAO. THE MATTER WOULD BE LOOKED INTO BY THE FOREIGN MINISTRY. I REPEATED THAT WE LOOKED FOR AN EARLY REPLY TO OUR PROPOSALS.

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7. WAN LI SAID THE ANSWER MIGHT HAVE BEEN DELAYED BECAUSE OF PREMIER ZHAO'S ABSECE ABROAD. HE HIMSELF HAD BEEN TOO BUSY TO GIVE ANY ATTENTION TO THE HONG KONG ISSUE OR TO READ THE HONG KONG PRESS. THE CHINESE GOVERNMENT POLICY REMAINED UNCHANGED. CHINA'S AIM WAS TO PRESERVE THE STABILITY AND PROSPERITY OF HONG KONG.

8. WANG BENZUO, HEAD OF WEST EUROPEAN DEPARTMENT AT THE FOREIGN MINISTRY, SAID HE HAD NOT READ THE PRESS REPORTS. THE CHINESE PEOPLE WERE, HOWEVER, VERY CONCERNED ABOUT HONG KONG. IT WAS ONLY NATURAL THAT LIAO CHENGZHI SHOULD EXPLAIN THE CHINESE GOVERNMENT'S STAND WHEN TALKING TO FELLOW CHINESE. MR JENKIN SAID THAT WAS NOT AT ISSUE. WHAT WAS CONCERNING US WAS THAT HE HAD NOT REFLECTED THE TRUE SITUATION.

9. SEE MIFT FOR COMMENT.

CRADOCK

FUTURE OF HONG KONG
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HD/FED
HD/PLANNING STAFF
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