

GR 220

CONFIDENTIAL

CONFIDENTIAL
FM HONG KONG 090440Z APR 83
TO PRIORITY FCO
TELEGRAM NUMBER 482 OF 9 APRIL
INFO PRIORITY PEKING

A.S.C. 1/4

h.a.

MIPT: FUTURE OF HONG KONG: CHINESE PRESS COMMENT.

1. THE COMMUNIST NEW EVENING POST CARRIED AN EDITORIAL ON 7 APRIL COMMENTING ON AN INTERVIEW WITH THE PRIME MINISTER IN THE ASIAN WALL STREET JOURNAL ON 4 APRIL. THE EDITORIAL SAID THAT THE INTERVIEW WAS SIGNIFICANT FOR WHAT THE PRIME MINISTER HAD NOT SAID. SHE HAD NOT REFERRED TO THE VALIDITY OF THE TREATIES, WHICH COULD BE SAID TO BE AN ENCOURAGING STEP FORWARD. BUT HER UNDERSTANDING WAS STILL IMPERFECT BECAUSE SHE HAD SAID THAT THE REASON FOR NEGOTIATING WAS THE EXPIRY OF THE LEASE IN 1997: THE TRUE REASON FOR NEGOTIATING WAS THAT SOVEREIGNTY OVER THE WHOLE OF HONG KONG BELONGED TO CHINA AND IT WAS THEREFORE NECESSARY TO EXAMINE WAYS OF ENDING BRITISH RULE WHILST MAINTAINING STABILITY AND PROSPERITY. THE PRIME MINISTER'S REFERENCE TO HONG KONG'S CHINESE CHARACTER AND PRESENT ADMINISTRATION AS THE STARTING POINT FOR THE DISCUSSIONS WAS DESCRIBED AS AMBIGUOUS. HONG KONG'S CHINESE CHARACTER WAS DUE TO THE FACT THAT IT WAS AN INALIENABLE PART OF CHINESE TERRITORY AND A SOCIETY OF CHINESE PEOPLE. ITS GROWTH AS A TRADING PORT AND FINANCIAL CENTRE WERE DEPENDENT ON CHINA. DISCUSSION OF STABILITY AND PROSPERITY COULD ONLY BE ON THE PREMISE THAT CHINA'S SOVEREIGNTY WAS RECOGNIZED. AS FOR ADMINISTRATION, IF THE PRIME MINISTER'S REMARKS MEANT PRESERVING THE GENERAL LEGAL AND ORGANISATIONAL CHARACTERISTICS OF THE PRESENT ADMINISTRATION, THIS WAS ACCEPTABLE. IF THEY MEANT THE PRESERVATION OF BRITISH CONTROL, THIS COULD NOT BE TOLERATED. THE PRIME MINISTER SHOULD LIVE UP TO THE CHINESE NAME WHICH HONG KONG PEOPLE HAD GIVEN HER (WHICH MEANS 'OUTSTANDING') AND PUT AN END TO THE LAST REMAINING PROBLEM OF BRITISH COLONIAL RULE IN ASIA.

YOUDE

FUTURE OF HONG KONG

LIMITED

ED/HKGD

ED/FED

ED/PLANNING STAFF

ED/PUSD

PS

PS/MR HURD

PS/LORD BELSTEAD

PS/PUS

SIR J BULLARD

MR GIFFARD

MR DONALD

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SIR I SINCLAIR LEGAL ADVISER

MR BURROWS LEGAL ADVISERS

MR ROBERTS NEWS D

MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE

MR FLOWER PUSD

MR COLES No 10 DOWNING STREET

CONFIDENTIAL

SECRET

Mr. Cole

What is this?

GR 90
SECRET
FM PEKING 120740Z APR 83
TO IMMEDIATE FCO
TELNO 325 OF 12 APRIL
RPTD INFO IMMEDIATE HONG KONG.

A.S.C. 13/4

HONG KONG TELNO 482: FUTURE OF HONG KONG

1. I SHOULD BE GRATEFUL TO SEE URGENTLY THE FULL TEXT OF THE PRIME MINISTER'S INTERVIEW WITH THE ASIAN WALL STREET JOURNAL. THERE IS EVERY LIKELIHOOD THAT WE SHALL BE ASKED ABOUT IT EITHER BY THE CHINESE OR BY DIPLOMATIC COLLEAGUES AND CORRESPONDENTS HERE. I SHOULD NOT LIKE TO APPEAR UNSIGHTED; I HOPE IN FUTURE I MAY BE FOREWARNED OF SUCH INTERVIEWS OR GIVEN A TELEGRAPHIC REPORT.

CRADOCK

A.S.C. 13/4
Mr. Cole The PM gave an interview on 29 March to the WSS. HK was mentioned but was not included in the resulting article in the main US edition or the European edition. It did feature in the Asian Edition. A copy of the article is attached. It is unexceptional. Had the interview revealed more or had been for an exclusively Chinese/HK audience Peking would certainly have been informed. As it was we only received a copy of the Asian edition today. *13/4*

FUTURE OF HONG KONG

- LIMITED
- HD/HKGD
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- MR COLES NO 10 DOWNING ST.

SECRET

HK&GD have replied explaining the background.

Felix



With the compliments of

HONG KONG AND GENERAL DEPARTMENT

*Plans. Here is the HK interview.
It appeared in the Asian
edition, but not in the US
or European ones. (You
may care to pass to
No 10)*

David 12/4

FOREIGN AND COMMONWEALTH OFFICE

SW1A 2AH

NTARY

THE ASIAN WALL

Monday, 4

Sitting in her office in the House of Commons, British Prime Minister Margaret Thatcher last week discussed economic and other issues with Norman Pearlstine, editor and publisher of The Wall Street Journal/Europe and Alan L. Otten, European bureau chief of The Wall Street Journal. Here are excerpts from that interview.

* * *
WSJ: Since (last month's) European Community summit, there have been some very interesting developments in the foreign exchange market with regard to the pound, some questions about where interest rates are going, and at the same time, some quite cheering news from the latest British economic survey. And I thought perhaps you might give us your view of where you see the economy heading, whether you have concern about the state of the pound, whether you think intervention will have to be returning to sustain the pound or whether you are comfortable with the way things are going as they are right now.

Mrs. Thatcher: First, things didn't start at the summit. The dollar has been very strong against all European currencies for quite a time. During my period in office as prime minister, we've had two almost opposite phenomena to cope with — a very weak dollar, during which time the pound went up to \$2.40 and over that, and then a very strong dollar. And I think eventually the dollar will weaken. It is strong at the moment partly because of the deficit and partly because people realize that in order to finance that deficit, they'll probably have to offer considerable interest rates to do it. And also because the money supply figures in your country have been such that people believe that with the deficit and the money supply, there is a chance of inflation rising. That tends to put up your interest rates and therefore money tends to go to the dollar.

There is always a background reason as well, why in times of uncertainty money tends to go to the dollar. That is because the United States being a free enterprise economy, a very strong powerful enterprising economy, whatever temporary problems they may have, there is an underlying strength in the American economy. There is no fear of a socialist government, and it is a politically stable country....

But it is very important for all of us to try to get and keep interest rates down. I cannot overstress that, it is so important.... If you don't keep them falling, then you shall just strangle your recovery. Your construction (firms) have got to have lower interest rates in order to give them confidence to go

[Given at the hour
on 29/3/83]

AND ANALYSIS

STREET JOURNAL

(Asia Edition - not in US or Europe)

April 4, 1983

A Conversation With Margaret Thatcher

overcome any lack of running your own economy in a sound way - there's just no substitute. It's absolutely vital for us jointly to pursue policies which enable us to get and keep interest rates down and to keep inflation rates down.

WSJ: Are you thinking of any countries in particular that aren't running their economies in a sound way?

Mrs. Thatcher: We really have run our economy in a sound way. So, if I might say so, has Germany. Inflation down, public expenditure under control, the deficit reasonable, money supply reasonable.

WSJ: What about some of the other members? The United States, for example, still has very large deficits.

Mrs. Thatcher: The United States deficit causes problems - I indicated that right at the beginning. It's not for me to indicate how they should get it down. The president is the person most anxious to get it down. He says there are two ways of doing it. One is by reducing your expenditure as a propor-

on which the commercial banks will lend in addition to the IMF - that the regimes that are in difficulty should not conduct their affairs in the way that led them into difficulty, but should in fact conduct their affairs in a totally different way to restore them to solvency. And I think the IMF, the combination of that and the commercial banks, have made a very good job of it, in relation particularly to some of the Latin American countries.

You obviously have to watch very very warily indeed, and that again is why I'm anxious that one should try to do everything one can to stabilize the price of oil. We can't do it ourselves. You look at the market. Russia produced 11 million barrels of oil a day, the United States, eight million barrels, the Saudis about five and the Gulf considerably. Then I think we're about six - two million barrels a day. (We) can't affect the market. I'm sure that a falling oil price, as far as it has fallen, has been in the interests of the world, and

On Hong Kong's Future

WSJ: Over the last year, there has been a lot of questioning in Hong Kong about the status of negotiations with China. Is there anything you can tell us, about where the discussions with China are going, or about the future of Hong Kong?

Mrs. Thatcher: No, there is nothing further I can tell you. We had to open up the subject because the lease ends in 1997 and we were soon going to come to the time when people were going to worry about what the future was, particularly with property on the scheduled territories. We have to open up the dialogue now but there is nothing that I can tell you further than what was published in the communiqué at the time.

I do think that we are all very keen to keep the stability and prosperity of Hong Kong if we possibly can. That is compounded of these two remarkable things - the Chinese character and the present administration. That is where we have to start.

WSJ: Do you think the communiqué had a stabilizing effect?



did was to set out agreed objectives. The communiqué was agreed between Deng Xiaoping and myself; the statement was agreed to by the two of us after considerable discussions. The objectives still remain, and I just hope that we can reach agreement on how to do it because I believe it is in all our interests that we should. And really when you have got this remarkable thing, you would really think that both China and ourselves could reach some agreement

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(editor)

of image? Does that play a role or is that overdone?

Mrs. Thatcher: I don't really think so. People have seen him on television frequently; he is a marvelous communicator, and usually manages to express himself in language which everyone understands. What happens is that the protesters get at it first and of course the protesters always get more publicity than those of us who come in to back up. I am saying every day in the House that you really ought to address your objections to the Soviet Union who won't take down the nuclear weapons, not to us — we are the genuine nuclear disarmers.

WSJ: The president last week talked about some futuristic defense against ballistic missiles. Did you have any advance word...

Mrs. Thatcher: No, it's not futuristic. It's a theory. It can be done in theory; in practice, you'll need years and years of research, and then we don't know whether it can be done.

WSJ: But I think the president himself made it sound a little more imminent than you are making it sound.

Mrs. Thatcher: Well, not really. He said, at my recollection, embarking on research to see if we can do this. Because if you can do it, there is no point in having these things. But the time scale we are talking about is 30, 40 years ahead.

WSJ: Assuming you win reelection, as the polls seem to suggest, what will be the shape of Britain after eight, nine or 10 years of Thatcher government?

Mrs. Thatcher: We will carry on in the course which we have already adopted. The fact was that in this country, we had gone very very much further toward socialism than most democratic countries in Europe — in the extent of the public sector, with the nationalized industries, and the amount of control, and to some extent in attitudes. We had to turn that back. In other words, the center is always the midway between two points, and the whole of the political debate had gone to the left, so the center had moved to the left and I think we are now well on the way to pulling it back toward the center. But some wishes to go further.

Some of the decisions we have to take about public sector industries are some which politicians ought never to have to take. You don't have to take them in your country because there aren't any big public sector monopolies, big nationalized industries. It's not a good way to run an industry. We've had to vary trade union law because there is not the slightest shred of doubt that the