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FM HONG KONG 191025Z APR 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 536 OF 19 APRIL 1983

INFO IMMEDIATE PEKING

FUTURE OF HONG KONG: PRESS REPORTS

TODAY'S ECONOMIC JOURNAL'S (INDEPENDENT) FRONT PAGE LEAD IS A STORY UNDER THE HEADLINE QUOTE CHINA REJECTS CONFIDENTIAL BRITISH PROPOSALS UNQUOTE. QUOTING QUOTE SOURCES CLOSE TO CHINESE OFFICIALS UNQUOTE THE JOURNAL ASSERTS THAT BRITAIN PUT FORWARD A SECRET PROPOSAL ON HONG KONG'S FUTURE THROUGH THE BRITISH EMBASSY IN PEKING LAST OCTOBER. THE PROPOSAL CONCENTRATED ON THE MAINTENANCE OF HONG KONG'S STABILITY AND PROSPERITY AND DID NOT (NOT) DEAL WITH THE QUESTION OF SOVEREIGNTY. THE BRITISH SIDE INSISTED THAT THE TALKS BE CONDUCTED WITHOUT PRECONDITIONS. HOWEVER, SIR P CRADOCK HAD HINTED ORALLY TO ZHANG WENJIN DURING THEIR PRELIMINARY CONTACTS THAT THE BRITISH MIGHT RECOGNISE CHINA'S SOVEREIGNTY OVER HONG KONG IN RETURN FOR RETAINING ADMINISTRATIVE CONTROL AFTER THE EXPIRY OF THE NEW TERRITORIES LEASE.

2. THE ARTICLE SAYS THAT THE CHINESE SIDE DELAYED GIVING A REPLY TO THESE PROPOSALS UNTIL LATE JANUARY THIS YEAR, WHEN YAO GUANG TOLD SIR P CRADOCK ORALLY THAT THE PROPOSALS WERE UNACCEPTABLE. THE BRITISH SIDE EXPRESSED DISSATISFACTION THAT THE CHINESE HAD DELAYED THEIR REPLY FOR THREE MONTHS AND THAT THE CHINESE HAD NOT RESPECTED THE CONFIDENTIALITY OF THE DISCUSSIONS. YAO GUANG EXPLAINED THAT THE MAIN REASON FOR THE DELAY WAS PERSONNEL CHANGES. HE ALSO SAID THAT THE VIEWS EXPRESSED BY SENIOR OFFICIALS WERE NO MORE THAN REITERATIONS OF CHINA'S PUBLIC STAND ON THE QUESTION AND THAT THERE WAS NO BREACH OF THE AGREEMENT ON CONFIDENTIALITY. CHINA'S OPEN DECLARATION OF HER POSITION WOULD IN FACT BE BENEFICIAL TO THE PROGRESS OF THE TALKS.

3. YAO GUANG IS ALSO SAID TO HAVE STRESSED THAT SOVEREIGNTY WAS NON-NEGOTIABLE AND THAT THE CHINESE SIDE COULD NOT PERMIT ANY FORM OF BRITISH CONTROL AFTER 1997. THE TALKS WOULD THEREFORE CONCENTRATE ON HOW TO MAINTAIN HONG KONG'S PROSPERITY BETWEEN NOW AND 1997, ON THE BASIS THAT SOVEREIGNTY LAY WITH CHINA. IN THE CHINESE VIEW THE TRANSITIONAL PERIOD BEFORE HONG KONG REVERTED TO CHINA REFERRED TO THE 14 YEARS BEFORE 1997 AND NOT TO THE POST-1997 PERIOD. ON THE PREMISE THAT BRITAIN ACCEPTED CHINESE SOVEREIGNTY, THE CHINESE WERE ALSO PREPARED TO DISCUSS WITH THE BRITISH SIDE REFORMS TO THE EXECUTIVE AND LEGISLATIVE COUNCILS AND THE QUESTION OF HONG KONG'S RESERVES. IN OTHER WORDS CHINA WAS PREPARED TO DISCUSS WITH BRITAIN ANY MATTERS RELATING TO THE TRANSITIONAL PERIOD BEFORE 1997. THE QUESTION OF HONG KONG'S FUTURE AFTER 1997 WAS A DOMESTIC MATTER FOR CHINA AND DID NOT CONCERN OTHER COUNTRIES.

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4. ON THE FURTHER CONDUCT OF THE TALKS, THE ARTICLE SAYS THAT THE CHINESE SIDE HAS NOT CHOSEN ITS NEGOTIATING TEAM BECAUSE THE TALKS ARE STILL AT A PRELIMINARY STAGE AND BECAUSE THEY ARE WAITING TO SEE WHO WILL SUCCEED SIR P CRADOCK WHO IS DUE TO RETIRE IN OCTOBER. THE GOVERNOR WOULD NOT BE ABLE TO TAKE PART AS A REPRESENTATIVE OF HONG KONG, BECAUSE THE TALKS ARE BETWEEN THE CHINESE AND BRITISH GOVERNMENTS.

5. ON THE SELF RULE PROPOSAL, THE SOURCES ARE QUOTED AS SAYING THAT THE CHINESE GOVERNMENT HOPED THAT HONG KONG CHINESE WOULD PROGRESSIVELY TAKE OVER THE SENIOR POSITIONS WITHIN THE HONG KONG GOVERNMENT WITHIN SEVEN OR EIGHT YEARS. PROMOTION OF LOCAL CHINESE INTO THESE POSTS SHOULD BEGIN WITHIN TWO OR THREE YEARS. BY 1997 THE CHINESE FLAG WOULD HAVE REPLACED THE BRITISH FLAG, AND THE GOVERNOR, THE SECRETARY FOR SECURITY AND THE COMMANDER, BRITISH FORCES WOULD HAVE TO RETURN TO BRITAIN. THE ARTICLE ALSO SUGGESTED THAT THE CHINESE WISHED THE CHARTERED BANK AND THE HONG KONG AND SHANGHAI BANK TO CONTINUE ISSUING HONG KONG'S BANKNOTES. IF THEY DID NOT CO-OPERATE, CHINA WOULD CONSIDER INVITING US AND JAPANESE BANKS TO HELP THE BANK OF CHINA ISSUE LOCAL CURRENCY.

6. IN CONCLUSION, THE SOURCES ARE QUOTED AS SAYING THAT THE LACK OF PROGRESS IN THE TALKS IS DUE TO OBSTACLES RAISED BY BRITAIN. CHINA IS SHOWING ITS CONCERN FOR THE WELL BEING OF HONG KONG PEOPLE BY INVITING A SERIES OF DELEGATIONS TO PEKING TO PRESENT THEIR VIEWS. BRITAIN HAD UNDER-ESTIMATED THE FIRMNNESS OF CHINA'S STAND ON SOVEREIGNTY, AND HAD MISTAKENLY THOUGHT THAT SOVEREIGNTY MIGHT BE A BARGAINING COUNTER IN THE NEGOTIATIONS. CHINA WAS CONFIDENT THAT A SOLUTION WOULD BE FOUND, BUT WOULD NOT BE THE DEMANDEUR, EVEN THOUGH AN EARLY SOLUTION WOULD BE IN HONG KONG'S BEST INTERESTS. THE SOURCES ARE QUOTED AS HAVING SAID QUOTE CHINA IS NOT ARGENTINA AND HONG KONG IS NOT THE FALKLANDS UNQUOTE. THIS IS INTERPRETED AS MEANING THAT CHINA'S POSITION IS BOTH QUOTE REASONABLE AND BACKED BY STRENGTH UNQUOTE (THE ORIGINAL CHINESE INVOLVES A PLAY ON WORDS).

7. FULL TRANSLATION FOLLOWS BY DAG.

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FUTURE OF HONG KONG

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HD/HEGD
HD/FED
HD/PLANNING STAFF
HD/FUSD
PS
PS/MR HURD
PS/LORD BELSTEAD
PS/FUS
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FM HONG KONG 191035Z APR 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 537 OF 19 APRIL
INFO IMMEDIATE PEKING

MIPT: FUTURE OF HONG KONG: HONG KONG ECONOMIC JOURNAL ARTICLE

1. WE KNOW FROM SALLY LIN (WHOSE HUSBAND IS OWNER AND EDITOR OF THE HONG KONG ECONOMIC JOURNAL AND WHO PLAYS AN ACTIVE ROLE IN THE PAPER'S AFFAIRS HERSELF) THAT SHE HAS VERY RECENTLY RECEIVED A LETTER FROM A RELATIVE OF HER MOTHER'S WHO IS AN OFFICIAL IN CHINA AND A CCP MEMBER, AND THAT THIS LETTER DEALS WITH THE QUESTION OF THE NEGOTIATIONS ON THE FUTURE. THE ARTICLE REPORTED IN MY TELEGRAM UNDER REFERENCE IS EVIDENTLY BASED ON THIS LETTER.

2. THE ARTICLE CONTAINS A NUMBER OF REASONABLY ACCURATE POINTS REFLECTING THE COURSE OF SINO-BRITISH CONTACTS UP TO LAST JANUARY/FEBRUARY WITH SOME POINTS INTRODUCED FROM ELSEWHERE. THERE CAN BE NO DOUBT THAT THIS IS A DELIBERATE LEAK ON THE PART OF THE CHINESE. IT WOULD NOT HAVE BEEN POSSIBLE, IN THE ABSENCE OF SUCH A LEAK, FOR THE HONG KONG ECONOMIC JOURNAL TO PUT TOGETHER SUCH AN ACCOUNT FROM INFORMATION ALREADY AVAILABLE. NOR WOULD A CHINESE OFFICIAL PROVIDE INFORMATION OF THIS KIND EXCEPT ON INSTRUCTIONS FROM HIGHER AUTHORITY.

3. THE CHOICE OF THE HONG KONG ECONOMIC JOURNAL AS A VEHICLE IS ALSO LIKELY TO HAVE BEEN DELIBERATE. THE PAPER IS KNOWN TO BE INDEPENDENT AND HAS PREVIOUSLY CARRIED ARTICLES CRITICAL OF CHINESE POSITIONS. IT WILL THEREFORE BE EASIER FOR THE CHINESE TO BRUSH ASIDE ANY COMPLAINTS ABOUT BREACH OF CONFIDENTIALITY THAN IT WOULD HAVE BEEN IF THE PIECE HAD APPEARED IN ONE OF THE COMMUNIST PAPERS.

4. IT WOULD BE HELPFUL TO HAVE THE AMBASSADOR'S COMMENTS. BUT AS SEEN FROM HERE THIS LEAK IS OF A PIECE WITH THEIR ACTION OVER THE PRIME MINISTER'S MESSAGE, AND THEIR MOTIVES ARE LIKELY TO BE SIMILAR.

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FM FCO 201200Z APR 83

TO IMMEDIATE HONG KONG

TELEGRAM NUMBER 375 OF 20 APRIL

AND TO PEKING

FUTURE OF HONG KONG : HONG KONG TELNOS 513 AND 521 AND

PEKING TELNO 346 : PRIME MINISTER'S MESSAGE

1. THANK YOU FOR THESE HELPFUL COMMENTS.
2. THE PRIME MINISTER AGREES THAT ANY INITIAL PRESS ENQUIRIES SHOULD BE MET WITH REFUSAL TO COMMENT ON THE GROUNDS THAT THE TALKS WITH THE CHINESE SHOULD BE KEPT CONFIDENTIAL. IF THE PRESS BEGIN TO GIVE THE STORY PROMINENCE, OR THEIR ENQUIRIES BECOME PERSISTENT, IT WILL BE NECESSARY TO MAKE IT CLEAR THAT THE CHINESE HAVE BEEN TOLD ON SEVERAL OCCASIONS THAT THE QUESTION OF SOVEREIGNTY IS NOT IN THE GOVERNMENT'S GIFT AND THAT PARLIAMENT ALONE HAS THE POWER TO DECIDE ON THIS.
3. AS FOR COMPLAINING TO THE CHINESE, WE AGREE WITH HMA PEKING THAT WE SHOULD NOT REPEAT NOT, RUSH IN. OBVIOUSLY WE SHOULD NEED TO CONSIDER VERY CAREFULLY BOTH THE CONTENTS OF ANY PRESS STORY AND THE DEGREE TO WHICH IT WAS DIRECTLY ATTRIBUTABLE TO THE CHINESE GOVERNMENT. WE SHOULD ALSO TAKE INTO ACCOUNT THE CURRENT STATE OF PLAY ON A RESPONSE TO THE PM'S MESSAGE. WE CERTAINLY DO NOT WANT TO PREJUDICE THE SUBSTANCE OF THE DIALOGUE WITH THE CHINESE. AT THE SAME TIME WE CANNOT EXCLUDE THE POSSIBILITY THAT A SERIOUS BREACH OF CONFIDENTIALITY, IN PARTICULAR A DIRECTLY ATTRIBUTABLE DISTORTION OF THE PM'S POSITION ON SOVEREIGNTY, MIGHT MAKE IT NECESSARY TO RAISE THE MATTER IN PEKING.
4. WE HAVE JUST SEEN HONG KONG TELNOS 536 AND 537 ON THE ARTICLE IN THE NEW ECONOMIC JOURNAL. WE EXPECT TO SUBMIT TO MINISTERS ON WHETHER TO REMONSTRATE WITH THE CHINESE, ON THE BASIS OF YOUR AND PEKING'S COMMENTS.

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