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GRS 1907
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DESKBY 070030Z
FM FCO 051220Z JULY 1983
TO IMMEDIATE PEKING
TELEGRAM NUMBER 421 OF 6 JULY
AND TO HONG KONG
MIPP: FUTURE OF HONG KONG: OPENING STATEMENT

Sir Perry Candochi
opening statement.
A.J.C. 12/7

1. THANK YAO GUANG FOR HIS OPENING STATEMENT.
2. I SHOULD LIKE TO BEGIN BY SAYING HOW GLAD I AM THAT WE ARE AT LAST SITTING DOWN TO DETAILED TALKS ON THE VERY IMPORTANT QUESTION OF HONG KONG'S FUTURE. IT WAS AGREED ON 24 SEPTEMBER 1982 BY CHAIRMAN DENG XIAOPING AND MRS THATCHER THAT THE TWO SIDES SHOULD ENTER TALKS THROUGH DIPLOMATIC CHANNELS WITH THE COMMON AIM OF MAINTAINING THE STABILITY AND PROSPERITY OF HONG KONG. SINCE LAST SEPTEMBER THERE HAVE BEEN MANY IMPORTANT EXCHANGES BETWEEN OUR TWO SIDES BUT NOT UNTIL NOW HAVE WE ASSEMBLED TOGETHER FOR FULL SCALE TALKS. WE HAVE A GREAT DEAL TO DISCUSS AND I HOPE THAT FROM NOW ON WE SHALL BE ABLE TO MAKE MORE RAPID PROGRESS THAN HAS HITHERTO BEEN POSSIBLE.
3. ALTHOUGH THE PRELIMINARY TALKS FOLLOWING MRS THATCHER'S VISIT TO CHINA IN SEPTEMBER 1982 PROCEEDED AT A SLOW PACE, IT WOULD NOT BE TRUE TO SAY THAT THIS TIME HAS BEEN WASTED. FUNDAMENTAL QUESTIONS HAVE BEEN DISCUSSED AND BOTH SIDES HAVE LEARNED MORE ABOUT EACH OTHERS POSITIONS. ON THE BRITISH SIDE WE HAVE STUDIED VERY CAREFULLY STATEMENTS MADE BY THE CHINESE SIDE INCLUDING CHAIRMAN DENG'S AND PREMIER ZHAO ZIYANG'S REMARKS TO MRS THATCHER ON 23 AND 24 SEPTEMBER 1982, AND OF COURSE PREMIER ZHAO ZIYANG'S LETTER OF 28 APRIL 1983 TO MRS THATCHER. WE HAVE ALSO NOTED THE REMARKS MADE TO ME BY FORMER VICE FOREIGN MINISTER ZHANG WENJIN, AND MORE RECENTLY BY YOU YOURSELF. YOU MAY BE SURE THAT THESE STATEMENTS HAVE ALL RECEIVED THE CLOSEST ATTENTION ON THE BRITISH SIDE. THE OPENING STATEMENT WHICH THE VICE-MINISTER HAS JUST DELIVERED HAS ALSO BEEN CAREFULLY NOTED AND WILL ALSO RECEIVE

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CLOSE ATTENTION. THE BRITISH SIDE HAS A GOOD GRASP OF THE CHINESE POSITION AND IN PARTICULAR THE IMPORTANCE TO THE CHINESE SIDE OF THE PRINCIPLE OF SOVEREIGNTY ON WHICH OUR EXCHANGES TO DATE HAVE MAINLY DWELT.

4. DURING MRS THATCHER'S VISIT TO CHINA IN SEPTEMBER 1982 AND IN THE SUBSEQUENT EXCHANGES BETWEEN OUR TWO SIDES WE HAVE ALSO TRIED TO EXPLAIN THE BRITISH POSITION ON THIS QUESTION. I AM SURE THAT THE MINISTER HAS STUDIED OUR STATEMENTS AND HAS A GOOD UNDERSTANDING OF THE POSITION BUT I SHOULD LIKE NEVERTHELESS TO REPEAT ONCE AGAIN OUR POSITION AS IT WAS EXPRESSED IN MRS THATCHER'S STATEMENTS TO CHINESE LEADERS IN SEPTEMBER AND HER LETTER OF 10 MARCH 1983 TO PREMIER ZHAO ZIYANG.

5. IN HER LETTER MRS THATCHER SAID THAT SHE FULLY UNDERSTOOD THE IMPORTANCE THE CHINESE GOVERNMENT ATTACHED TO THE MATTER OF SOVEREIGNTY BUT, AS SHE HAD EXPLAINED DURING HER VISIT TO CHINA, IT WAS NOT WITHIN THE CONSTITUTIONAL LIMITS OF HER POWERS AS PRIME MINISTER ACTING ALONE TO AGREE TO THE TRANSFER OF SOVEREIGNTY. THAT WAS A MATTER WHICH SHE WOULD HAVE TO REFER TO PARLIAMENT WHICH ALONE HAD THE POWER TO DECIDE. FOR SUCH A TRANSFER OF SOVEREIGNTY TO BE REFERRED TO PARLIAMENT IT WOULD NEED TO BE PART OF THE OVERALL PACKAGE OF MEASURE GUARANTEEING THE FUTURE STABILITY AND PROSPERITY OF HONG KONG. MRS THATCHER GAVE PREMIER ZHAO THE ASSURANCE THAT PROVIDED THAT AGREEMENT COULD BE REACHED BETWEEN THE BRITISH AND CHINESE GOVERNMENT ON ADMINISTRATIVE ARRANGEMENTS FOR HONG KONG WHICH WOULD GUARANTEE THE FUTURE PROSPERITY AND STABILITY OF HONG KONG AND WOULD BE ACCEPTABLE TO THE BRITISH PARLIAMENT AND TO THE PEOPLE OF HONG KONG AS WELL AS TO THE CHINESE GOVERNMENT, SHE WOULD BE PREPARED TO RECOMMEND TO PARLIAMENT THAT SOVEREIGNTY OVER THE WHOLE OF HONG KONG SHOULD REVERT TO CHINA.

6. AS I HAVE EXPLAINED TO THE VICE FOREIGN MINISTER ON SEVERAL EARLIER OCCASIONS THIS IS AS FAR AS ANY BRITISH PRIME MINISTER COULD CONSTITUTIONALLY GO AT THIS STAGE TO MEET THE CHINESE POSITION ON THE QUESTION OF SOVEREIGNTY. WE WERE THEREFORE VERY GLAD THAT IN HIS LETTER OF 28 APRIL 1983 TO MRS THATCHER PREMIER ZHAO AGREED THAT SUBSTANTIVE TALKS ON THE QUESTION OF

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HONG KONG COULD BEGIN.

7. IN THE WEEKS FOLLOWING THAT EXCHANGE OF LETTERS BETWEEN MRS THATCHER AND PREMIER ZHAO, THE VICE FOREIGN MINISTER AND I DISCUSSED HOW TO PROCEED WITH SUBSTANTIVE TALKS ON THE BASIS OF THOSE TWO LETTERS. ON 28 APRIL 1983, WE AGREED THE FOLLOWING AGENDA FOR THE SECOND PHASE OF THE SINO-BRITISH TALKS ON THE QUESTION OF HONG KONG:

QUOTE IT IS AGREED THAT DURING THE COURSE OF THE TALKS MATTERS RELEVANT TO THE FUTURE OF HONG KONG SHOULD BE DISCUSSED, IN PARTICULAR ALL THE SUBJECTS MENTIONED IN MRS THATCHER'S LETTER AND PREMIER ZHAO'S LETTER. THESE WILL INCLUDE ARRANGEMENTS FOR THE MAINTENANCE OF THE STABILITY AND PROSPERITY OF HONG KONG AFTER 1997, ARRANGEMENTS IN HONG KONG BETWEEN NOW AND 1997, AND MATTERS RELATING TO TRANSFER OF SOVEREIGNTY, IN THAT ORDER. IT IS AGREED THAT THIS AGENDA SHOULD REMAIN CONFIDENTIAL. UNQUOTE

8. (THE MINISTER HAS NATURALLY REFERRED TO THE HISTORICAL BACKGROUND OF THIS ISSUE) I SHOULD LIKE TO STRESS THAT THE BRITISH SIDE, WHICH IS FULLY AWARE OF THE HISTORICAL BACKGROUND TO THE QUESTION, APPROACHES IT IN A FORWARD LOOKING SPIRIT. WE WISH TO AGREE APPROPRIATE ARRANGEMENTS FOR THE FUTURE WHICH ARE ACCEPTABLE TO ALL CONCERNED, TO THE CHINESE AND BRITISH GOVERNMENT AND TO THE PEOPLE OF HONG KONG. WE BELIEVE THAT SUCH ARRANGEMENTS CAN BE MADE.

9. (IF YAO LAYS DOWN THE CHINESE FORMULA FOR POST-1997 ARRANGEMENTS.) WE HAVE LISTENED WITH INTEREST TO WHAT THE CHINESE SIDE HAS SAID ABOUT THE FUTURE ADMINISTRATION OF HONG KONG AND WE LOOK FORWARD TO DISCUSSING AS THE FIRST ITEM ON OUR AGREED AGENDA ARRANGEMENTS FOR FUTURE ADMINISTRATION. WE FEEL THAT THE BEST WAY TO LEAD INTO SUCH A DISCUSSION IS TO CONDUCT A JOINT EXAMINATION OF THE PRESENT ARRANGEMENTS FOR THE ADMINISTRATION OF THE TERRITORY AND WE SHALL BE PROPOSING TO EMBARK ON THIS IN THE SECOND ROUND OF THESE TALKS. GLAD THAT GOVERNOR IS HERE TO TAKE PART.

10. IT IS AS WELL THAT WE SHOULD REMEMBER THE SUBJECT OF OUR

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TALKS. IT IS A STABLE, WELL ORDERED SOCIETY OF SOME FIVE AND A QUARTER MILLION PEOPLE WHICH IS A MAJOR FORCE IN WORLD TRADE AND AN INTERNATIONAL FINANCIAL CENTRE OF GROWING IMPORTANCE. IN TERMS OF GNP PER HEAD, IT IS THE MOST PROSPEROUS TERRITORY IN ASIA AFTER JAPAN. UNDER PRESENT ARRANGEMENTS IT CONTRIBUTES GREATLY TO THE WELL BEING OF CHINA AND THE ENTIRE ASIAN REGION. IN MY GOVERNMENT'S VIEW, WE NEED TO REVIEW TOGETHER THE FACTORS WHICH HAVE PRODUCED THE PRESENT LEVEL OF STABILITY AND PROSPERITY IN HONG KONG, AND TO DETERMINE THE CONDITIONS AND ARRANGEMENTS NECESSARY FOR THEIR CONTINUATION. IN PARTICULAR WE NEED TO UNDERSTAND THE CRUCIAL IMPORTANCE OF CONFIDENCE. ON THIS POINT LET THERE BE NO MISTAKE: HONG KONG COULD NOT PRESERVE ITS PRESENT LEVEL OF PROSPERITY AND STABILITY IF THERE WERE A WITHDRAWAL OF INVESTMENT AND SKILLS, OR DOUBTS ABOUT THE CONVERTIBILITY AND THE VALUE OF THE HONG KONG DOLLAR OR THE CONTINUITY OF THE LEGAL SYSTEM.

THE HUMAN AND CAPITAL RESOURCES WHICH ARE ESSENTIAL TO HONG KONG'S SUCCESS ARE HIGHLY MOBILE. HONG KONG PLACES NO RESTRICTIONS UPON THE MOVEMENT OF CAPITAL, AND THE SKILLS OF HONG KONG'S ENTREPRENEURS, MANAGERS AND PROFESSIONALLY QUALIFIED PEOPLE ARE EASILY MARKETABLE ELSEWHERE. BOTH DOMESTIC AND INTERNATIONAL INVESTORS AND THOSE WHOSE SKILLS ARE ESSENTIAL TO HONG KONG REQUIRE SOME GUARANTEE THAT THERE WILL BE NO FUNDAMENTAL CHANGE IN THE SYSTEMS NOW IN FORCE OR IN THE POLICIES PURSUED.

OTHERWISE THERE WILL BE NO CONFIDENCE AND THEY WILL LEAVE. WE THEREFORE NEED TO CONSIDER HOW TO GUARANTEE THE CONTINUITY OF THE HONG KONG SYSTEMS AFTER 1997. UNILATERAL DECLARATIONS OR GENERAL EXPRESSIONS OF HOPE OR GOOD INTENTION WILL NOT SUFFICE TO ENSURE THIS. IT IS INEVITABLE THAT THERE SHOULD BE SERIOUS DOUBTS WHETHER A COUNTRY WITH A SOCIALIST SYSTEM CAN ABSORB A SMALL TERRITORY WITH A LIBERAL CAPITALIST SYSTEM WITHOUT INDUCING FUNDAMENTAL CHANGE IN THE LATTER. MOREOVER, WHILE THEY RECOGNISE THAT GREAT PROGRESS HAS BEEN MADE IN CHINA IN RECENT/ YEARS, THE PEOPLE OF HONG KONG HAVE ALSO WITNESSED MAJOR CHANGES OF OF POLICY WITHIN CHINA OVER THE PAST 20 YEARS: THEY CANNOT BE SURE THAT SUCH CHANGES WILL NOT HAPPEN AGAIN IN SUCH A WAY AS TO

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DAMAGE CONFIDENCE AND STABILITY IN HONG KONG. IT IS THE BRITISH SIDE'S VIEW THAT IF THE CONTINUITY OF THE SYSTEMS AFTER 1997 IS TO BE GUARANTEED, VERY SPECIAL ARRANGEMENTS WILL HAVE TO BE MADE TO ENSURE THAT CAPITALIST HONG KONG IS INSULATED FROM SOCIALIST CHINA.

WE ARE DEALING THEREFORE WITH A VERY SPECIAL PROBLEM WHICH WILL DEMAND GREAT REALISM, GREAT PRAGMATISM, AND GREAT FREEDOM FROM PRECONCEPTIONS ON BOTH SIDES. I AM SURE THAT THESE QUALITIES WILL NOT BE WANTING. BUT I MUST REMIND YOU, MINISTER, THAT THE EYES OF THE WORLD ARE UPON US AND THAT THEY WILL JUDGE US ACCORDING TO OUR RESULTS.

11. THE BRITISH SIDE CANNOT SEE HOW A SUFFICIENT GUARANTEE CAN BE GIVEN UNLESS AN ARRANGEMENT IS REACHED WHICH ALLOWS THE CONTINUATION OF THE BRITISH ADMINISTRATIVE ROLE IN HONG KONG IN ORDER TO INSPIRE CONFIDENCE THAT THE SYSTEMS WILL NOT BE CHANGED, THOUGH WE ALL SHOULD AGREE THAT THERE WOULD BE INCREASED SCOPE FOR HONG KONG PEOPLE TO TAKE PART. IT IS RECOGNISED THAT TO MAKE THIS ACCEPTABLE TO THE CHINESE GOVERNMENT, IT WOULD HAVE TO BE COUPLED TO AN ACCEPTANCE BY BRITAIN OF CHINESE SOVEREIGNTY OVER THE WHOLE OF HONG KONG, AS PART OF AN OVERALL PACKAGE WHICH PARLIAMENT AND THE PEOPLE OF HONG KONG COULD ACCEPT.

12. AS PREMIER ZHAO NOTED IN HIS LETTER OF 28 APRIL THERE STILL EXIST DIFFERENCES BETWEEN CHINA AND BRITAIN ON CERTAIN ISSUES. HOWEVER, HE ALSO NOTED THAT CHINA AND BRITAIN WERE FRIENDLY COUNTRIES WHICH ENJOYED GOOD RELATIONS AND EXPRESSED HIS BELIEF THAT THE HONG KONG QUESTION SHOULD AND COULD BE RESOLVED THROUGH BILATERAL DISCUSSIONS BETWEEN THE TWO GOVERNMENTS AND HIS HOPE THAT THROUGH THE COMMON EFFORTS OF BOTH SIDES THE REMAINING DIFFERENCES COULD BE GRADUALLY NARROWED, LEADING TO SMOOTH PROGRESS IN THE TALKS AND A SATISFACTORY SETTLEMENT OF THE HONG KONG QUESTION. IN HER LETTER OF 10 MARCH 1983 MRS THATCHER ALSO EXPRESSED HER CONFIDENCE THAT IF THE TWO GOVERNMENTS COOPERATED TO EXERCISE THEIR JOINT RESPONSIBILITIES TO ACHIEVE AN EARLY NEGOTIATED SOLUTION TO THE PROBLEM OF HONG KONG IT WOULD BE POSSIBLE TO REACH A SOLUTION CONSONANT WITH CHINESE AND

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BRITISH INTERESTS AND THOSE OF THE PEOPLE OF HONG KONG. THIS WOULD BE A GREAT CONTRIBUTION TO THE DEVELOPMENT OF FRIENDLY RELATIONS BETWEEN BRITAIN AND CHINA TO WHICH WE ATTACH THE HIGHEST IMPORTANCE. IT WOULD POINT THE WAY TO EVEN CLOSER COOPERATION BETWEEN OUR TWO GOVERNMENTS AND PEOPLES. I AM ASKED TODAY BY MY GOVERNMENT TO REITERATE THAT CONFIDENCE IN OUR ABILITY TO ACHIEVE AN EARLY AND ACCEPTABLE SOLUTION AND THE BELIEF THAT WE SHALL THEREBY BE ABLE TO STRENGTHEN OUR ALREADY EXCELLENT RELATIONS. I AM SURE OUR TWO DELEGATIONS CAN WORK TOGETHER WITH THE GREATEST POSSIBLE URGENCY IN A SPIRIT OF MUTUAL RESPECT AND FRIENDSHIP AND IN CONDITIONS OF STRICT CONFIDENTIALITY TO ACHIEVE OUR OBJECTIVES AND TO ASSURE CONTINUING STABILITY AND PROSPERITY IN HONG KONG. SQUARE BRACKETS BEGIN INDEED WE ARE HOPEFUL THAT THE SETTLEMENT OF THIS QUESTION CAN PAVE THE WAY FOR A FURTHER GREAT INCREASE IN HONG KONG'S PROSPERITY, TO THE BENEFIT OF THE PEOPLE OF HONG KONG, CHINA AND THE ENTIRE ASIAN REGION SQUARE BRACKETS END

13. I BELIEVE THAT IN THE LIGHT OF THE POSITIVE AND CONSTRUCTIVE SENTIMENTS EXPRESSED IN THESE TWO PRIME MINISTERIAL LETTERS AND ON THE BASIS OF THE AGENDA WHICH HAS BEEN AGREED BY OUR TWO GOVERNMENTS, THE PROSPECTS ARE GOOD FOR THE TALKS WHICH ARE BEGINNING HERE TODAY AND FOR STEADY PROGRESS TOWARDS A SETTLEMENT SATISFACTORY TO BOTH SIDES AND TO HONG KONG.

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