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FM PEKING 120930Z JUL 83
TO IMMEDIATE FCO
TELNO 666 OF 12 JULY 83
REPEATED FOR INFO TO HONG KONG
AND TO WASHINGTON (FOR PRIVATE SECRETARY) (BOTH IMMEDIATE)
DESKBY 121030Z FCO AND HONG KONG

MIPT: FUTURE OF HONG KONG: FIRST PLENARY SESSION

COMMENT:

1. THE ATMOSPHERE SO FAR HAS BEEN VERY FRIENDLY. AT THE WELCOMING BANQUET, THIS MORNING'S MEETING, AND MY LUNCH THE CHINESE SIDE WERE DELIBERATELY AFFABLE.

2. YAO'S OPENING STATEMENT WAS SHORT (25 MINUTES) AND RELATIVELY MILD IN TONE).

SOME THEMES WHICH WE HAVE HEARD BEFORE WERE EITHER OMITTED OR PLAYED DOWN. YAO DID NOT LABOUR THE HISTORY OF THE QUESTION, OR LECTURE ME ON THE OBLIGATION OF THE CHINESE GOVERNMENT TO ITS PEOPLE.

HE DID NOT MENTION THE SEPTEMBER 1984 DEADLINE, OR THREATEN POSSIBLE CHINESE INTERVENTION BEFORE 1997 IN THE EVENT OF MAJOR 'FLUCTUATIONS'.

HIS STATEMENT CONTAINED NO SPECIFIC ATTACK ON COLONIALISM AND IT WAS ALTOGETHER MORE IN THE FLAVOUR OF ZHAO'S LETTER OF 29 APRIL THAN OF DENG'S REMARKS TO MRS THATCHER LAST YEAR. MOREOVER, IT CONTAINED NO PROTEST ABOUT THE GOVERNOR'S PRESS CONFERENCE ON 7 JULY.

3. ALTHOUGH IT COULD HAVE BEEN MUCH MORE UNPLEASANT, YAO'S STATEMENT WAS, NEVERTHELESS, FIRM, INCLUDING THE FOLLOWING MAIN POINTS -

- (A) THAT THE TREATIES WERE UNEQUAL (SEMI-CLN)
- (B) THAT HONG KONG WAS CHINESE TERRITORY (SEMI-CLN)
- (C) THAT IT HAD BEEN DECIDED THAT CHINA WOULD RECOVER SOVEREIGNTY NOT LATER THAN 1997 (SEMI-CLN)
- (D) THAT SOVEREIGNTY INCLUDED THE EXERCISE OF SOVEREIGNTY AND THEREFORE THAT SOVEREIGNTY AND ADMINISTRATION WERE INSEPARABLE (SEMI-CLN)
- (E) THAT SOVEREIGNTY AND THE MAINTENANCE OF PROSPERITY WERE INSEPARABLE AND THAT SOVEREIGNTY COULD NOT BE ABANDONED OR POSTPONED FOR THE SAKE OF PROSPERITY
- (F) THAT THE DEVELOPMENT OF THE MAINLAND WAS THE ONLY GUARANTEE OF THE PROSPERITY OF HONG KONG.

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4. IN HIS COMMENTS, YAO WAS AGAIN FIRM ON THE PRINCIPLE OF THE INDIVISIBILITY OF SOVEREIGNTY AND ADMINISTRATION AND ON THE THEME THAT HONG KONG COULD NOT BE A THIRD PARTY TO THE TALKS, BUT COULD ONLY BE REPRESENTED BY THE CHINESE GOVERNMENT.

5. DESPITE THE FRIENDLY ATMOSPHERE, WE HAVE, THEREFORE, MOVED RAPIDLY UP AGAINST THE MAIN ISSUE, I.E. ADMINISTRATION. ALTHOUGH SEVERAL POINTS EMERGED TODAY WHICH WILL HAVE TO BE TAKEN UP IN TOMORROW'S SESSION. I CONSIDERED IT RIGHT TO CONFINE MY COMMENT TODAY TO THE CENTRAL QUESTION, URGING THE CHINESE NOT TO PUSH AHEAD WITH PRECONCEIVED IDEAS UNTIL THEY HAVE LISTENED TO WHAT WE HAVE TO SAY. I MADE THIS POINT AGAIN AT LUNCH AND SHALL DO SO ONCE MORE AT TOMORROWS MEETING BEFORE MOVING ON TO OTHER POINTS.

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FUTURE OF HONG KONG

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DESKBY 121000Z (FOR FCO AND HONG KONG)

FROM PEKING 120850Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 664 OF 12/7/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

AND TO IMMEDIATE WASHINGTON (FOR PRIVATE SECRETARY)

MIPT: FUTURE OF HONG KONG:

FIRST PLENARY SESSION: COMMENTS ON OPENING STATEMENTS

1. FOLLOWING A BRIEF RECESS AFTER THE OPENING STATEMENTS, YAO GUANG AND I EXCHANGED PRELIMINARY COMMENTS, SUMMARISED BELOW.

2. YAO SAID THE CHINESE HAD NOTED MRS THATCHER'S ASSURANCE IN HER LETTER OF 10 MARCH THAT SHE WOULD BE PREPARED TO RECOMMEND TO PARLIAMENT THAT SOVEREIGNTY BE TRANSFERRED TO CHINA. THE CHINESE HAD HAD GREAT EXPECTATIONS THAT RAPID PROGRESS ON THE TRANSFER OF SOVEREIGNTY COULD BE MADE IN THE FORMAL TALKS ON THE BASIS OF THAT ASSURANCE. YAO HAD, THEREFORE, BEEN DISAPPOINTED BY MY OPENING STATEMENT. HE WISHED TO TELL ME FRANKLY THAT CHINA WOULD RECOVER SOVEREIGNTY IN 1997 AND WOULD ALSO RESUME THE EXERCISE OF ADMINISTRATION. SOVEREIGNTY AND ADMINISTRATION WERE INSEPARABLE: ANY ATTEMPT TO SEPARATE SOVEREIGNTY FROM ADMINISTRATION WOULD NOT BE ACCEPTABLE TO THE CHINESE GOVERNMENT.

3. YAO SAID THAT THE MAINTENANCE OF STABILITY AND PROSPERITY AFTER 1997 DEPENDED MAINLY ON THE POLICIES AND PRINCIPLES THAT CHINA WOULD ADOPT TOWARDS HONG KONG. THE PROPOSAL TO ESTABLISH A SPECIAL ADMINISTRATIVE ZONE WAS SUITED TO THE ACUTAL CONDITIONS IN HONG KONG AND SUFFICIENT TO GUARANTEE CONTINUING PROSPERITY. IN THE FINAL ANALYSIS, THE PROSPERITY OF A PLACE DEPENDED UPON THE HARD WORK AND INTELLIGENCE OF ITS PEOPLE. THE ENTHUSIASM AND INGENUITY OF THE HONG KONG PEOPLE WOULD BE BROUGHT INTO FULLER PLAY AFTER 1997 (SMI-CLN) THE FACTORS CONTRIBUTING TO PROSPERITY AND STABILITY IN HONG KONG WOULD CONTINUE BEYOND 1997 EG CHINA'S PREFERENTIAL POLICY TOWARDS HONG KONG AND THE STRONG ECONOMIC BACKING OF THE MAINLAND.

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4. TAKING UP MY REFERENCE TO CHANGES OF POLICY IN CHINA OVER THE PAST 20 YEARS, YAO SAID THAT THE SITUATION IN CHINA SINCE 1976, AND PARTICULARLY SINCE 1978, WAS VERY GOOD AND THE OUTLOOK FOR THE FUTURE WAS BRIGHT.

5. HE SAID THAT THE OVERWHELMING MAJORITY OF THE HONG KONG PEOPLE HAD CONFIDENCE IN THE FUTURE AND BELIEVED THAT ONCE HONG KONG HAD BEEN ESTABLISHED AS A SPECIAL ECONOMIC ZONE ITS STATUS WOULD BE UNCHANGED FOR SOME TIME TO COME. THE HONG KONG DELEGATES TO THE NPC AND THE CPPCC HAD EXPRESSED FULLY THE WISHES OF THE PEOPLE OF HONG KONG. REFERRING TO MY STATEMENT THAT THE ARRANGEMENTS MUST BE ACCEPTABLE TO THE HONG KONG PEOPLE, YAO SAID THAT THE POLICY OF RECOVERING SOVEREIGNTY AND MAINTAINING PROSPERITY WAS FULLY IN ACCORDANCE WITH THE WISHES OF THE CHINESE PEOPLE INCLUDING THE RESIDENTS OF HONG KONG. THE MAJORITY OF HONG KONG PEOPLE WERE CHINESE NATIONALS AND PART OF THE CHINESE PEOPLE. WHO ELSE BUT THE CHINESE GOVERNMENT HAD THE RIGHT TO REPRESENT THEM? HONG KONG COULD NOT BE A THIRD PARTY TO THE TALKS.

6. IN RESPONSE I QUOTED THE RELEVANT PASSAGE OF MRS THATCHER'S LETTER OF 10 MARCH, DRAWING PARTICULAR ATTENTION TO THE CONDITIONAL NATURE OF THE ASSURANCE THEREIN. I REMINDED YAO THAT THE FIRST ITEM ON OUR AGREED AGENDA WAS THE ARRANGEMENTS IN HONG KONG AFTER 1997. HOWEVER, IF I WAS TO TAKE YAO'S STATEMENT AT ITS FACE VALUE, IT WOULD SEEM THAT THE CHINESE HAD FORECLOSED ON THE FIRST ITEM AND DISCUSSION WOULD BE POINTLESS.

WE WERE LOOKING FOR ARRANGEMENTS TO ACHIEVE OUR COMMON AIM OF MAINTAINING STABILITY AND PROSPERITY (SEMI-CLN) THE LOGICAL FIRST STEP WAS TO EXAMINE THE BASIS OF STABILITY AND PROSPERITY UP TO THE PRESENT TIME. I TOLD YAO THAT WE HAD A GREAT DEAL OF INFORMATION TO TRANSFER TO THE CHINESE WHICH THEY SHOULD TAKE INTO ACCOUNT BEFORE THEY BECAME COMMITTED TO A PLAN WHICH WE BELIEVED WOULD NOT WORK. I URGED THE CHINESE SIDE TO LISTEN TO WHAT WE HAD TO SAY WITH AN OPEN MIND BEFORE WE TRIED TO MAKE PROPOSALS FOR THE FUTURE. HONG KONG WAS A VERY SPECIAL AND UNUSUAL PLACE MERITING CAREFUL STUDY. MOREOVER IT WAS AN INCONTESTABLE FACT THAT IT WORKED. I SINGLED OUT THREE OF YAO'S STATEMENTS - THAT A SPECIAL ADMINISTRATIVE ZONE WOULD BE SUFFICIENT TO GUARANTEE FUTURE PROSPERITY (SEMI-CLN) THAT THE ENTHUSIASM AND INGENUITY OF THE HONG KONG PEOPLE WOULD BE BROUGHT INTO FULLER PLAY AFTER 1997 (SEMI-CLN) AND THAT THE FACTORS CONTRIBUTING TO PROSPERITY WOULD STAY AFTER 1997. THERE WERE STATEMENTS OF FAITH OR HOPE. THERE WAS NO HARD EVIDENCE FOR THEM. AGAINST THESE STATEMENTS OF FAITH WE HAD TO WEIGH FACTS, THE ~~ACTUAL~~ **ACTUAL** CONDITIONS IN HONG KONG AND THE DOUBTS OF THE PEOPLE OF HONG KONG. AGAIN, I STRESSED THAT THE CHINESE SIDE SHOULD APPROACH THE MATTER

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WITHOUT PRECONCEPTIONS AND WITHOUT DOGMA IN A SPIRIT OF SCIENTIFIC EXAMINATION. THEY SHOULD PUT INTO PRACTICE THEIR FAVOURITE SLOGAN TO "SEEK TRUTH FROM FACTS".

7. I CONCENTRATED ON THIS SINGLE THEME AND TOLD YAO THAT I WOULD DEFER COMMENT ON HIS OTHER POINTS UNTIL TOMORROW'S MEETING

8. SEE MIFT FOR COMMENTS ON THE FIRST DAY'S PROCEEDINGS.

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DESKBY 121000Z (FCO AND HONG KONG)

FROM PEKING 120915Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 663 OF 12/7/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

AND WASHINGTON (FOR PRIVATE SECRETARY)

Prime Minutes

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This and the other telegrams below describe the first plenary session. Good atmosphere. No give in the Chinese position - but we would expect any pt.

A.F.C. 12.7

FUTURE OF HONG KONG: FIRST PLENARY SESSION: OPENING STATEMENTS

1. AT THE FIRST SESSION OF THE SECOND PHASE OF THE TALKS YAO GUANG MADE THE FIRST OPENING STATEMENT.

HIS MAIN POINTS WERE AS FOLLOWS.

2. HONG KONG WAS AN INTEGRAL PART OF CHINA. THE CHINESE HAD NEVER RECOGNISED THE THREE UNEQUAL TREATIES. EVER SINCE 1949 CHINA HAD REPEATEDLY SAID THAT SHE WOULD RECOVER HONG KONG AT AN OPPORTUNE MOMENT. IT HAD NOW BEEN DECIDED THAT THE EXERCISE OF SOVEREIGNTY OVER THE ENTIRE HONG KONG AREA WOULD BE RECOVERED BY CHINA BY 1997 AT THE LATEST. THIS WAS NOT NEGOTIABLE. THE RECOVERY OF SOVEREIGNTY AND THE MAINTENANCE OF PROSPERITY WERE AN INTEGRAL WHOLE. CHINA WOULD NEVER ABANDON OR POSTPONE THE RECOVERY OF SOVEREIGNTY MERELY FOR THE SAKE OF PROSPERITY.

3. AFTER SOVEREIGNTY WAS RECOVERED THE SPECIAL CONDITIONS PREVAILING IN HONG KONG WOULD BE FULLY TAKEN INTO CONSIDERATION AND SPECIAL POLICIES TO MAINTAIN HONG KONG'S PROSPERITY WOULD BE PURSUED. HONG KONG WOULD BE A SPECIAL ADMINISTRATIVE ZONE. THE EXISTING SOCIO-ECONOMIC SYSTEMS AND WAY OF LIFE WOULD REMAIN BASICALLY UNCHANGED. CHINA WOULD TAKE ACCOUNT OF AND PROTECT FOREIGN INTERESTS, ESPECIALLY BRITISH INTERESTS. DURING THE TRANSITIONAL PERIOD UP TO 1997 CHINA AND THE UK SHOULD WORK TO ENSURE STABILITY AND REFRAIN FROM DOING ANYTHING DETRIMENTAL TO HONG KONG.

4. CHINA WOULD NEVER ACCEPT ANY SEPARATION OF ADMINISTRATIVE POWER FROM SOVEREIGNTY.

5. THE DEVELOPMENT OF THE MAINLAND WAS THE SOLE GUARANTEE OF THE PROSPERITY OF HONG KONG.

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6. CHINA HAD LISTENED TO THE VIEWS OF A WIDE RANGE OF HONG KONG PEOPLE ON THE FUTURE AND WOULD CONTINUE TO LISTEN. SHE WOULD ALSO LISTEN TO BRITISH VIEWS.

7. IT WOULD NOT BE DIFFICULT TO REACH AN AGREEMENT IF THERE WAS A REAL DESIRE FOR A SETTLEMENT AND IF A REALISTIC SPIRIT PREVAILED. A SETTLEMENT WOULD HEAL THE HISTORICAL TRAUMA AND CONTRIBUTE TO A FURTHER DEVELOPMENT OF SINO-BRITISH RELATIONS.

8. THE TEXT OF MY STATEMENT WAS AS IN YOUR TEL NO 421, INCLUDING PARAS 8 AND 9.

9. BOTH SIDES THEN MADE PRELIMINARY COMMENTS. SEE MY IFT, FOR MY IMPRESSIONS OF THE DAY'S PROCEEDINGS AS A WHOLE SEE MY SECOND IFT.

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FUTURE OF HONG KONG

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 DESKBY 121000Z
 FM HONG KONG 120900Z JUL 83
 TO IMMEDIATE PEKING
 TELEGRAM NUMBER 350 OF 12 JULY 1983
 INFO IMMEDIATE FCO

*Prime Minutes**To note Mr. Adley's
remarks.**A.S.C. 12
7.***FUTURE OF HONG KONG: PRESS COVERAGE OF THE TALKS**

1. TVB LUNCH TIME NEWS CARRIED A REPORT FROM PEKING QUOTING UNSPECIFIED SOURCES AS SAYING THAT THE MAJOR AREAS TO BE COVERED IN THE TALKS ARRANGEMENTS BETWEEN NOW AND 1997, WERE ARRANGEMENTS AFTER 1997, AND THAT SOVEREIGNTY WAS THE LAST ITEM ON THE AGENDA, BECAUSE BOTH NATIONS HAD REACHED AN UNDERSTANDING ON THIS ISSUE. ATV CARRIED A REPORT FROM PEKING BY TELEPHONE IN WHICH THE VOICE OF QI WAI-YUAN OF THE MFA'S INFORMATION DEPARTMENT WAS AUDIBLE. QI GAVE FULL DETAILS OF THE CHINESE DELEGATION AND ANSWERED ONE QUESTION ABOUT A RECENT ARTICLE IN ASIA WEEK SUGGESTING THAT CHINA HAD TOLD THE BRITISH SIDE THAT IT WOULD BE PREPARED TO REVISE ITS CONTINUATION TO ALLOW A CAPITALIST SYSTEM TO CONTINUE IN HONG KONG. QI SAID THAT THE ASIA WEEK STORY WAS QUOTE NOT ACCURATE UNQUOTE. QI SAID THAT CHINA'S POLICY WAS AS LAID DOWN BY PREMIER ZHAO AT THE 6TH NPC, NAMELY TO TAKE BACK SOVEREIGNTY OVER HONG KONG AT THE APPROPRIATE TIME AND TO TAKE MEASURES TO PRESERVE ITS STABILITY AND PROSPERITY.

2. COMMERCIAL RADIO INTERVIEWED MR. ROBERT ADLEY, M.P., BY LONG DISTANCE TELEPHONE CALL. ADLEY SAID THAT MOST OF HONG KONG ALREADY BELONGED TO CHINA AND IT WAS THEREFORE UNREALISTIC TO DWELL ON THE SOVEREIGNTY ISSUE. IN RESPONSE TO A QUESTION, HE SAID THAT THE PEOPLE OF HONG KONG SHOULD NOT RUN THE RISK OF DESTROYING THEIR OWN FUTURE BY ENTERTAINING UNREALISTIC HOPES OF EXERCISING A VETO OVER THE ARRANGEMENTS WHICH MIGHT BE AGREED BETWEEN BRITAIN AND CHINA.

(REPEATED AS REQUESTED)

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FUTURE OF HONG KONG

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FM HONG KONG 120705Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 990 OF 12 JULY 1983

INFO IMMEDIATE PEKING AND HONG KONG GOVERNMENT OFFICE LONDON
AND INFO ROUTINE HONG KONG GOVERNMENT REPRESENTATIVES WASHINGTON,
NEW YORK, BRUSSELS AND UKMIS GENEVA

A.S.C. 12/7

f.a.

FUTURE OF HONG KONG: PRESS COVERAGE ON 12 JULY.

1. THE GOVERNOR'S ARRIVAL IN PEKING WAS GIVEN WIDESPREAD AND PROMINENT COVERAGE IN TODAY'S PRESS, INCLUDING THE COMMUNIST PRESS. BOTH TV CHANNELS HAVE CARRIED REPORTS FROM THEIR CORRESPONDENTS IN PEKING. THE FACT THAT THE GOVERNOR WAS MET ON THE CHINESE SIDE BY A JUNIOR OFFICIAL FROM THE MFA IS ALSO WIDELY REPORTED.

2. MANY PAPERS CARRIED EDITORIAL COMMENT. MOST WERE AGREED THAT THERE WERE GROUNDS FOR OPTIMISM ABOUT THE OUTCOME OF THE SECOND PHASE, BUT MOST PAPERS ALSO CONSIDERED THAT THE TALKS WERE LIKELY TO BE PROTRACTED. THE ECONOMIC JOURNAL (INDEPENDENT SUGGESTED THAT PREMIER ZHAO ZIYANG AND OTHER OFFICIALS BEING GROOMED BY DENG XIAOPING TO TAKE OVER THE LEADERSHIP MIGHT WISH TO USE THE HONG KONG ISSUE IN ORDER TO BUILD UP THEIR REPUTATION. DENG'S INSISTENCE ON RETAINING THE CHAIRMANSHIP OF BOTH PARTY AND STATE MILITARY COMMISSIONS INDICATED THAT EXTREME LEFTISM STILL EXISTED IN CHINA. REFORMERS WOULD THEREFORE NOT DARE TO MAKE CONCESSIONS ON THE HONG KONG ISSUE IN ORDER TO AVOID WEAKENING THEIR POSITION. THE ECONOMIC JOURNAL SUGGESTED THAT THERE SHOULD BE EXPANDED TRADE AND CULTURAL EXCHANGES IN ORDER TO BOOST HONG KONG PEOPLE'S CONFIDENCE WHILE THE TALKS WERE GOING ON. IT ALSO SUGGESTED THAT A ROYAL VISIT WOULD BE HELPFUL IN THIS RESPECT.

3. THE MING PAO (INDEPENDENT) SUGGESTED THAT THE SECOND PHASE WOULD COVER HOW TO PRESERVE HONG KONG'S STABILITY AND PROSPERITY FOR, DURING AND AFTER 1997. THE TWO SIDES HAD PROBABLY AGREED TO DEFER DISCUSSION OF SOVEREIGNTY IN ORDER TO CONCENTRATE ON THE OTHER ISSUES AND FIND A BREAKTHROUGH. AGREEMENT SHOULD BE SOUGHT DURING THE NEXT 14 YEARS ON TRANSPORT LINKS WITH SHENZHEN, HONG KONG'S ROLE IN SOUTH CHINA SEA OIL EXPLORATION AND ON THE QUESTION OF THE VALIDITY OF LAND TRANSACTIONS. AGREEMENTS ON INDIVIDUAL MATTERS OF THIS KIND SHOULD BE ANNOUNCED AS SOON AS THEY WERE CONCLUDED.

4. THE FINANCIAL DAILY (INDEPENDENT) SAID THAT SUBSTANTIVE TALKS HAD BEEN MADE POSSIBLE BY A CHANGE IN BRITAIN'S ATTITUDE WHICH HAD ENABLED CHINA TO AGREE TO SET ASIDE THE SOVEREIGNTY ISSUE IN ORDER TO HAVE SUBSTANTIVE TALKS. THE EXPRESS (RIGHT WING) ON THE OTHER HAND SAID THAT THE BRITISH POSITION HAD NOT CHANGED SINCE LAST SEPTEMBER. IT WAS PEKING WHICH HAD DECIDED TO ADOPT A MORE PRAGMATIC APPROACH. THERE WERE STILL MANY DIFFERENCES TO BE RECONCILED.

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5. THE ONLY COMMENT IN THE COMMUNIST PRESS WAS A COMMENTARY IN THE TA KUNG PAO SAYING THAT THE DISCUSSIONS WOULD COVER HOW TO MAINTAIN HONG KONG'S STABILITY AND PROSPERITY WHEN SOVEREIGNTY REVERTED TO CHINA AND THE TRANSITIONAL ARRANGEMENTS BEFORE THEN. THIS WOULD INVOLVE A LOT OF DETAILS AND PEOPLE SHOULD NOT EXPECT RESULTS VERY SOON. THE COMMENTATOR HOPED THAT THE TALKS WOULD NEVERTHELESS NOT DRAG ON FOR TOO LONG AND CALLED ON THE MEDIA TO RESPECT THE CONFIDENTIALITY OF THE DISCUSSIONS.

6. MOST INDEPENDENT NEWSPAPERS HAVE REPORTED, SOME OF THEM MORE THAN HALF SERIOUSLY, THAT THE REGISTRATION NUMBER OF SIR P CRADOCK'S OFFICIAL CAR IS 1996 (THE CANTONESE PAY GREAT ATTENTION TO SUCH OMENS.)

HADDON-CAVE

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