

GRS 380

SECRET

SECRET

DESKBY 131400Z FCO AND HONG KONG

FROM PEKING 131200Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 672 OF 13/7/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG AND WASHINGTON (FOR PRIVATE SECRETARY)

MIPT: FUTURE OF HONG KONG: FIRST PLENARY SESSION:

SECOND DAY : COMMENT

1. THIS WAS A TOUGHER EXCHANGE THAN YESTERDAY. YAO RESTATED MORE BLUNTLY THE PRINCIPLE THAT SOVEREIGNTY AND ADMINISTRATION ARE INSEPARABLE, SAYING THAT THE DOOR HAD NEVER BEEN OPEN ON THIS POINT. THE CHINESE APPEAR TO BE SETTING UP ANOTHER "PREMISE", AND INDEED AT ONE STAGE YAO USED THIS WORD, SAYING THAT IF WE COULD DISCUSS PROSPERITY AND POST-1997 ARRANGEMENTS ON THE PREMISE THAT SOVEREIGNTY AND ADMINISTRATIVE POWER (GUANLIQUAN) WOULD PASS TO CHINA IN 1997 THIS WOULD FACILITATE PROGRESS IN THE TALKS. OTHERWISE THERE WOULD BE CONSTANT DIFFICULTIES OR DEADLOCK.

2. IT IS CLEAR THAT THE CHINESE WILL NOT AGREE TO ESTABLISH SUB-COMMITTEES FOR SOME TIME YET. YAO SAID THAT WE WOULD NEED FIRST TO REACH AGREEMENT ON CERTAIN MATTERS IN PLENARY AND I TAKE THIS TO REFER TO THE NEW PREMISE.

3. LI JUSHENG'S STATEMENT WAS A POOR EFFORT DRAWING ON SELECTED STATISTICS TO SUPPORT THE UNSUPPORTABLE. THE ALARMING THING HOWEVER IS THAT EVEN IF LI, THE HONG KONG EXPERT ON THE CHINESE SIDE, KNOWS BETTER THAN THIS HIMSELF, IT IS THIS DISTORTED LINE THAT HE REPORTS TO PEKING. THIS AGAIN DEMONSTRATES THE NEED FOR INTENSIVE EDUCATION OF THE CHINESE BOTH BY OURSELVES, IF WE GET A CHANCE, AND BY HONG KONG VISITORS IF MORE CAN BE FOUND OF THE CALIBRE OF THE YOUNG PROFESSIONALS,

4. YAO ALSO REFERRED TO THE TWO YEAR "DEADLINE" THOUGH NOT SPECIFICALLY TO SEPTEMBER 1984.

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5. DESPITE OUR MAJOR DIFFERENCE OVER ADMINISTRATION AND YAO GUANG'S REFERENCE AT ONE POINT TO POSSIBLE DEADLOCK IN THE FUTURE THERE WAS NEVER ANY SIGN OF HESITATION ON THE CHINESE PART ABOUT CONTINUING WITH THE TALKS. INDEED DATES HAVE BEEN FIXED FOR A SECOND AND A THIRD ROUND. ALSO ON THE POSITIVE SIDE THE CHINESE HAVE AGREED TO LISTEN TO WHAT WE HAVE TO SAY ABOUT THE PRESENT ARRANGEMENTS IN HONG KONG. WE HAVE THEREFORE ATTAINED THE MODEST OBJECTIVE OF THIS MEETING BY PREPARING THE WAY FOR THE DELIVERY OF OUR PRESENTATION (ANNEX B), AT THE SECOND MEETING.

6. WE SHALL BE WORKING HERE ON AN INTRODUCTORY PASSAGE FOR MY USE BEFORE THE GOVERNOR'S PRESENTATION AT THE SECOND SESSION AND I SHALL BE TELEGRAPHING MY VIEWS ON THE STRATEGY FOR THIS AND THE THIRD SESSION IN DUE COURSE.

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FUTURE OF HONG KONG

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DESKBY FCO AND HONG KONG 131400Z

FROM PEKING 131135Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 671 OF 13/7/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG WASHINGTON (PRIVATE SECRETARY)

MIPT: FUTURE OF HONG KONG: FIRST PLENARY SESSION:

FUTURE WORK.

1. IT WAS AGREED THAT THE SECOND AND THIRD PLENARY SESSIONS WILL TAKE PLACE ON 25/26 JULY AND 2/3 AUGUST.

2. IT WAS ALSO AGREED TO COMMENCE AGENDA ITEM 1, ARRANGEMENTS AFTER 1997, AT THE SECOND PLENARY SESSION. YAO PROPOSED THAT BOTH SIDES START BY SETTING OUT THEIR GENERAL IDEAS. FROM THIS IT WOULD EMERGE WHETHER OR NOT THERE WAS AGREEMENT ON SOME BASIC QUESTIONS. DEPENDING ON THIS, THE PLENARY COULD THEN DECIDE WHETHER TO IDENTIFY SPECIFIC SUBJECTS TO BE PURSUED IN SUB-COMMITTEES. THE SUB-COMMITTEES, HOWEVER, SHOULD BE SET UP ONLY WHEN A SOUND BASIS AND CLEAR AIMS HAD BEEN AGREED FOR THEIR WORK. OTHERWISE THEY WOULD NOT ACHIEVE SPECIFIC RESULTS. ALTHOUGH PERSONALLY YAO HOPED THE SUB-COMMITTEES MIGHT BE SET UP SOON, OBJECTIVELY HE FEARED THAT THEY MIGHT STILL BE SOME WAY OFF. AS TO THEIR COMPOSITION, THE CHINESE SIDE COULD AGREE THAT THEY SHOULD BE FORMED OF EXPERTS WITH SOME MEMBERS OF THE DELEGATIONS ATTENDING. THIS WOULD BE NECESSARY SINCE THEIR DISCUSSIONS WOULD NOT BE PURELY TECHNICAL BUT WOULD TOUCH ON POLICY AND PRINCIPLES. THE SUB-COMMITTEES WOULD HAVE NO RIGHT OF DECISION, ONLY THE RIGHT TO MAKE RECOMMENDATIONS TO THE PLENARY.

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3. I SAID THAT WE SHOULD LIKE TO APPROACH ITEM 1 BY FIRST LOOK-
ING AT PRESENT-DAY HONG KONG IN ORDER TO
SEE WHAT MADE FOR ITS PROSPERITY. AT THE SECOND
PLENARY SESSION WE SHOULD LIKE TO DELIVER A
PRELIMINARY PRESENTATION ON THIS.

THE TWO SIDES COULD THEN EXCHANGE VIEWS AND COMMENT.

I HAD HOPED THAT SUB-COMMITTEES COULD BE ESTABLISHED IMMEDIATELY,
BUT NOTED THAT THEY MIGHT NOW HAVE TO BE DEFERRED FOR SOME TIME.
I AGREED TO YAO'S SUGGESTION ON THEIR COMPOSITION BUT ADDED THAT
ATTENDANCE BY MEMBERS OF THE DELEGATIONS MIGHT BE IN AN OBSERVER
CAPACITY. I ALSO AGREED THAT THEY SHOULD NOT HAVE THE RIGHT TO
DECIDE BUT ONLY TO MAKE RECOMMENDATIONS TO THE PLENARY. I DID NOT,
HOWEVER, AGREE WITH YAO THAT THEY SHOULD DISCUSS POLICY
AND PRINCIPLES. THAT WAS FOR THE PLENARY ALONE. SUB-COMMITTEES
SHOULD STICK TO TECHNICAL MATTERS. OTHERWISE THEY WOULD DO VERY
LITTLE USEFUL WORK.

4. AFTER A FURTHER PROPOSAL THAT BOTH SIDES SHOULD BEGIN BY
SETTING OUT THEIR GENERAL IDEAS FOR ARRANGEMENTS AFTER 1997 YAO
SAID THAT HE COULD AGREE TO THE BRITISH SIDE PRESENTING AN
ANALYSIS OF PRESENT-DAY HONG KONG AT THE SECOND PLENARY MEETING.
THE CHINESE SIDE WOULD THEN SAY THEIR PIECE.
ON SUB-COMMITTEES, HE SAID THAT HE DID NOT MEAN THEM NECESSARILY
TO DISCUSS POLICY AND PRINCIPLES. MATTERS WHICH THEY WOULD DISCUSS
WOULD, NEVERTHELESS, BE RELATED TO POLICY AND PRINCIPLES.
THE TWO SIDES COULD DISCUSS FURTHER IN WHAT CAPACITY MEMBERS
OF THE DELEGATIONS WOULD ATTEND THEM.

5. SEE MIFT FOR COMMENTS

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FUTURE OF HONG KONG

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GRS 1400

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DESKBY FCO /HONG KONG 131400Z

FM PEKING 131030Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 670 OF 13 JULY

AND IMMEDIATE HONG KONG

INFO IMMEDIATE WASHINGTON (FOR PRIVATE SECRETARY)

FUTURE OF HONG KONG: FIRST PLENARY SESSION: SECOND MEETING

1. I SPOKE FIRST AT TODAY'S SESSION CONTINUING THE COMMENTS I BEGAN YESTERDAY. MY MAIN POINTS WERE:

(1) TO REITERATE THE NEED TO KEEP AN OPEN MIND ON THE CRUCIAL QUESTION OF ADMINISTRATIVE ARRANGEMENTS:

(II) THAT ALTHOUGH CHINA HAD MADE GREAT PROGRESS SINCE 1978 AND HAD GOOD INTENTIONS FOR THE FUTURE, INTENTIONS WERE NOT ALWAYS REALISED. THE REAL ISSUE WAS WHAT PEOPLE IN HONG KONG BELIEVED NOW IN 1983. IT WAS ON THIS BASIS THAT THEY ACTED AND MOVED THEIR MONEY AND THEIR SKILLS. THEY DID NOT YET HAVE FAITH IN THE CONTINUITY OF CHINA'S POLICIES. IN ANY CASE THE FACT THAT ECONOMIC PROGRESS WAS NOW BEING MADE IN SOCIALIST CHINA COULD NOT PROVIDE ANY GUARANTEE OF CONTINUITY IN THE VERY DIFFERENT SYSTEMS IN FORCE IN CAPITALIST HONG KONG:

(III) THAT IT WAS THE BRITISH GOVERNMENT'S AIM TO SEEK A SETTLEMENT ACCEPTABLE TO ALL PARTIES INCLUDING THE PEOPLE OF HONG KONG. IT WAS CLEAR TO US THAT THE PEOPLE IN HONG KONG WERE LOOKING FOR A GUARANTEE OF CONTINUITY AND WE BELIEVED THAT THE CHINESE GOVERNMENT'S INTENTION TO MAKE HONG KONG A SPECIAL ADMINISTRATIVE REGION UNDER CHINESE SOVEREIGNTY DID NOT PROVIDE THE GUARANTEE FOR WHICH THEY WERE LOOKING AND WOULD THEREFORE NOT COMMAND CONFIDENCE.

2. THE GOVERNOR THEN SPOKE ABOUT BRITISH INTERESTS IN HONG KONG, SHOWING THAT OUR INTEREST WAS NOT PRIMARILY ECONOMIC SINCE THE ECONOMIC BENEFITS ACCRUING TO BRITAIN FROM HONG KONG WERE THOSE OF AN ORDINARY TRADING PARTNER. HE THEN PICKED UP YAO'S REFERENCE TO HONG KONG PROSPERITY BEING DEPENDENT ON THE QUALITIES OF ITS PEOPLE AND THE COOPERATIVE POLICIES OF CHINA AND ILLUSTRATED THE INTERNATIONAL COMPLEXITY OF THE HONG KONG ECONOMY, STRESSING THAT THE HONG KONG ECONOMY DID NOT DEPEND EVEN MAINLY ON LINKS WITH CHINA, BUT THAT ITS RELATIONSHIP WITH THE UNITED STATES AND OTHER DEVELOPED COUNTRIES WAS MUCH MORE IMPORTANT.

3. YAO THEN RESPONDED MAKING THE FOLLOWING MAIN POINTS:

(1) THE PROPOSAL TO TRANSFER SOVEREIGNTY TO CHINA IN EXCHANGE FOR CONTINUED BRITISH RULE AND ADMINISTRATION WAS ABSOLUTELY OUT OF THE QUESTION. SOVEREIGNTY AND ADMINISTRATION WERE INSEPARABLE. WE HAD ASKED THE CHINESE SIDE NOT TO CLOSE THE DOOR ON THIS SUBJECT, BUT THE DOOR HAD NEVER BEEN OPEN. CHINA DID HOWEVER WANT TO EXCHANGE VIEWS WITH THE BRITISH SIDE ON HOW TO MAINTAIN PROSPERITY AFTER THE RECOVERY OF THE EXERCISE ON SOVEREIGNTY.

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(II) REFERRING TO YAO'S POINT 3(III) ABOVE, WE DID NOT PRETEND TO KNOW THE FUTURE BUT IT WAS CERTAIN THAT THE PEOPLE OF HONG KONG HAD CONSIDERABLE DOUBTS AT PRESENT ABOUT THE CHINESE PLAN. I TOOK ISSUE WITH THE CHINESE CLAIM TO KNOW HONG KONG BEST. WE KNEW IT BETTER FOR WE HAD BEEN RUNNING THE PLACE. THERE WERE MANY STRIKING EXAMPLES OF MISINFORMATION ABOUT HONG KONG ON THE CHINESE SIDE AND SOME OF THE REMARKS I HEARD THIS MORNING CONFIRMED THIS. I THEREFORE URGED THE CHINESE TO CONDUCT A JOINT STUDY OF HONG KONG WITH US.

6. THE GOVERNOR THEN TOOK UP SOME OF THE POINTS IN LI JUSHENG'S STATEMENT:

(I) IT WAS TRUE THAT PEOPLE OF HONG KONG FELT A VERY CLOSE CONNECTION WITH THEIR MOTHERLAND ORIGINS, BUT THOSE WHO HAD VISITED CHINA ON COMPATRIOT RETURN PERMITS HAD ALSO RETURNED TO HONG KONG AT THE END OF THEIR VISITS. THIS DID NOT SUGGEST THAT THEY WERE DISSATISFIED WITH LIFE IN HONG KONG:

(II) IN LOOKING AT ECONOMIC COOPERATION BETWEEN CHINA AND HONG KONG IT WAS WORTH NOTING THAT WHEREAS HONG KONG EARNED 3.8 BILLION DOLLARS IN EXPORTS TO CHINA, IT IMPORTED 32 BILLION DOLLARS WORTH FROM CHINA:

(III) MONETARY DEPOSITS SHOULD NOT BE CONFUSED WITH INVESTMENTS. A LARGE AMOUNT OF FINANCIAL MOVEMENT IN HONG KONG WAS OFFSHORE:

(IV) WE UNDERSTOOD THAT HONG KONG DELEGATIONS TO CHINA HAD EXPRESSED DOUBTS ABOUT THE CHINESE PLAN FOR THE FUTURE. ONE EXAMPLE WAS THE RECENT GROUP OF PROFESSIONALS. MR LI JUSHENG SHOULD STUDY THE MEMORANDUM THEY LEFT IN PEKING.

7. I MADE IT CLEAR THAT THESE WERE ONLY BRIEF COMMENTS AND THAT IF TIME HAD PERMITTED WE WOULD HAVE HAD MUCH MORE TO SAY BY WAY OF REFUTATION AND REBUTTAL. YAO GUANG SIMPLY REMARKED THAT LI JUSHENG'S STATEMENT HAD BEEN A VERY IMPORTANT ONE. UNEASINESS IN HONG KONG COULD NOT SIMPLY BE BLAMED ON 1997.

8. WE THEN MOVED ON TO DISCUSS THE NEXT ROUND. SEE MIFT.

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GRS 48

UNCLASSIFIED

DESKBY 130800Z (BOTH)

FROM PEKING 130620Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 667 OF 13/7/83

AND TO IMMEDIATE HONG KONG

HONG KONG TALKS : PRESS STATEMENT

1. THE FOLLOWING PRESS STATEMENT WAS AGREED FOR IMMEDIATE
RELEASE BY THE TWO SIDES AT THE CONCLUSION OF THE
TALKS.

QUOTE THE TWO SIDES HAVE HAD USEFUL AND CONSTRUCTIVE TALKS AND
WILL RESUME TALKS ON 25 JULY UNQUOTE

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MR ROBERTS NEWS D



10 DOWNING STREET

Prime Ministry

Hong Kong

In today's talks the Chinese continued to maintain strongly that sovereignty and administration were inseparable.

Further sessions on 25/26 July and 2/3 August.

A. & C. 13/7

h.a.

AdL $\frac{14}{7}$