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GRS 1500  
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DESKBY 101000Z  
FROM PEKING 100915Z SEP 83  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 879 OF 10TH SEP  
INFO IMMEDIATE HONG KONG

MIPT: FUTURE OF HONG KONG: MR HEATH'S VISIT

1. FOLLOWING HIS EXTRACT RELATING TO HONG KONG OF RECORD OF MEETING WITH DENG XIAOPING ON 10 SEPTEMBER. BEGINS:

2. MR HEATH SAID THAT HE HOPED THAT BILATERAL RELATIONS WITH WESTER EUROPE AND THE UK WOULD REMAIN GOOD. MR DENG REPLIED THAT THERE WERE NO CONTRADICTIONS BETWEEN BRITAIN AND CHINA EXCEPT FOR HONG KONG, WHICH WAS NOT DIFFICULT TO RESOLVE. THE BRITISH AIM OF EXCHANGING SOVEREIGNTY FOR ADMINISTRATION WAS NOT POSSIBLE. HE WISHED TO SAY THIS FRANKLY. ON 22 SEPTEMBER THE SECOND PHASE OF THE NEGOTIATIONS WOULD RESUME. HE HAD NOT ASKED ABOUT THE DETAILS OF THE NEGOTIATIONS, BUT HE HOPED THAT THEY WOULD NOT GET STUCK ON THE ISSUE OF ADMINISTRATION. HE HOPED THAT CHINA WOULD NOT BE OBLIGED TO ISSUE A UNILATERAL DECLARATION ABOUT THE FUTURE OF HONG KONG: CHINA HOPED ON THE CONTRARY TO SEE A JOINT DECLARATION BY CHINA AND THE UK. THIS WOULD BE MORE BENEFICIAL FOR THE UK. HE HAD TOLD MRS THATCHER WHEN HE SAW HER IN 1982 THAT THE PROBLEM SHOULD BE SOLVED IN TWO YEARS TIME, HE BY SEPTEMBER 1984. (AT THIS POINT AN MFA REPRESENTATIVE TRIED TO CORRECT HIM THAT HE HAD SAID 1-2 YEARS RATHER THAN TWO YEARS: DENG BRUSHED THIS ASIDE AND SAID THAT IT WAS THE SAME AS SAYING TWO).

3. MR HEATH SAID THAT A JOINT STATEMENT WOULD BE BENEFICIAL NOT ONLY TO THE UK BUT TO CHINA AS WELL. IT WOULD HAVE A BIG INFLUENCE ON INTERNATIONAL OPINION ON TAIWAN, AND PARTICULARLY IN THE UNITED STATES. MR DENG AGREED THAT A JOINT STATEMENT WOULD BE IN THE INTERESTS OF BOTH SIDES, PARTICULARLY WITH A VIEW TO THE LONG TERM RELATIONS BETWEEN THE TWO COUNTRIES. AFTER THE SECOND WORLD WAR THE UK HAD GIVEN UP MANY COLONIES: HAVING HAD MORE COLONIES THAN OTHER COUNTRIES SHE HAD GIVEN UP MORE, STARTING WITH INDIA. WHEN CHINA RECOVERED HONG KONG SHE WOULD IMPLEMENT REALISTIC AND PRACTICAL POLICIES, WHICH WOULD NOT BE TO THE DISADVANTAGE OF THE UK, NOR DAMAGE THE UK. IF HONG KONG WERE TO GO ON ITS PRESENT POSITION, THE UK WOULD STILL REMAIN A COLONIAL POWER. HE ASKED WHETHER HONG KONG WAS THE LAST BRITISH COLONY. HE RECALLED THAT NOT LONG AGO A COLONY IN THE CARIBBEAN HAD BECOME INDEPENDENT. HE DID NOT KNOW IF WE HAD ANY OTHERS. MR HEATH REPLIED THAT THERE WERE A SMALL NUMBER OF COLONIES WHICH DID NOT WISH TO BE INDEPENDENT, FOR INSTANCE GIBRALTAR. MR DENG OBSERVED THAT BRITAIN'S QUARREL WITH SPAIN WAS NOT YET OVER. HE HOPED

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THAT MRS THATCHER AND HER GOVERNMENT WOULD ADOPT A WISE POLICY OVER HONG KONG, AND WOULD NOT GO INTO A DEAD END. HE HOPED THAT THE REPRESENTATIVES FROM THE EMBASSY WOULD TELL THE BRITISH GOVERNMENT THAT TO EXCHANGE SOVEREIGNTY FOR ADMINISTRATION WAS NOT POSSIBLE: BY 1997 CHINA WOULD RECOVER HONG KONG, AND THERE COULD BE NO CHANGE IN THIS POLICY. IF HE DID NOT DO THIS MR DENG WOULD GO DOWN AS A LI HONGZHANG IN HISTORY. ANYBODY WHO FAILED TO ADOPT THIS POLICY IN CHINA WOULD MEET THE SAME END.

4. MR HEATH SAID THAT HE WAS NOT OF COURSE IN THE CONFIDENCE OF THE BRITISH GOVERNMENT. MR DENG SAID THAT HE UNDERSTOOD THIS, AND HAD THEREFORE ASKED THE EMBASSY TO CONVEY HIS WORDS.

5. MR HEATH SAID THAT MR DENG HAD PREVIOUSLY TOLD HIM THAT WE SHOULD STUDY TAIWAN AND THE 9 POINTS. MR DENG SAID THAT HE HAD GONE BEYOND THE 9 POINT PROPOSAL RECENTLY WHEN TALKING TO AN AMERICAN PROFESSOR, PROFESSOR YANG. MR HEATH SAID THAT UNDER THE 9 POINTS TAIWAN WOULD KEEP HER PRIVATE ENTERPRISE SYSTEM AND MAKE HER OWN TRADING ARRANGEMENTS, AND HER CITIZENS WOULD TRAVEL FREELY. IT WOULD GVERN ITSELF AND KEEP ITS OWN ARMED FORCES. MR DENG SAID THAT TAIWAN WOULD ALSO BUY WEAPONS FOR ITS FORCES, THOUGH THE SITUATION WOULD BE DIFFERENT TO THE PRESENT, SINCE THEN THEY WOULD NOT NEED MANY WEAPONS.

6. MR HEATH ASKED HOW SUCH CONSIDERATIONS WOULD AFFECT HONG KONG. MR DENG REPLIED CHINA WOULD RECOVER SOVEREIGNTY, BUT EVERYTHING ELSE WOULD REMAIN THE SAME, AND THIS WAS SIMILAR TO TAIWAN. THE CHINESE GOVERNMENT WOULD NOT SEND PEOPLE TO HONG KONG. EVEN THE LEGAL SYSTEM MIGHT REMAIN THE SAME THOUGH THE HIGHEST APPEAL WOULD NOT BE TO LONDON, BUT WOULD REST IN HONG KONG.

7. MR HEATH SAID THAT MR DENG WAS A VERY PRACTICAL MAN. HE HAD READ A RECENT STATEMENT BY A PROMINENT CHINESE FIGURE TO THE EFFECT THAT NOTHING WOULD HAPPEN IN HONG KONG BEFORE 1997. MR DENG REPEATED THAT CHINA WOULD RECOVER SOVEREIGNTY IN 1997, AND THAT THERE WERE NOW 14 YEARS TO GO. THE PROCESS OF TRANSFERRING SOVEREIGNTY MUST BE CARRIED OUT WELL. THE CORE OF THE MATTER WAS THE SITUATION IN 1997, WHEN THE RECOVERY OF SOVEREIGNTY SHOULD BE EASILY ACCEPTED BY THE HONG KONG PEOPLE: THERE SHOULD BE NO DISTURBANCES OR DAMAGE IN HONG KONG. THIS WOULD BE BENEFICIAL TO ALL, AS WELL AS TO OTHER COUNTRIES WITH INTERESTS IN HONG KONG. DURING THE TRANSITIONAL PERIOD HONG KONG PEOPLE SHOULD PLAY AN INCREASING ROLE, THOUGH NOT AS YET THE MAIN ROLE, IN RUNNING HONG KONG, SO THAT THEY WULD KNOW HOW TO GOVERN HONG KONG IN 1997. THEY NEEDED FULLY TO UNDERSTAND THE POLITICAL, ECONOMIC, COMMERCIAL AND FINANCIAL SET UP OF HONG KONG: THEY SHOULD ENTER THE ADMINISTRATION GRADUALLY SO THAT THEY COULD GAIN THIS KNOWLEDGE.

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8. ON 22 SEPTEMBER WHEN NEGOTIATIONS RESTARTED THERE SHOULD BE NO FURTHER FUSS OVER SOVEREIGNTY OR THE RIGHT OF ADMINISTRATION. WE SHOULD DISCUSS WHAT WE SHOULD DO IN HONG KONG AFTER 1997, THE ARRANGEMENTS FOR THE TRANSITIONAL PERIOD AND THE GRADUAL INCLUSION IN THE ADMINISTRATION OF HONG KONG PEOPLE.

9. MR HEATH SAID THAT THESE WERE PRACTICAL POINTS. HE THOUGHT THAT THE HONG KONG PEOPLE DID UNDERSTAND THEIR SET UP VERY WELL, WHICH WAS WHY THEY WERE SO SUCCESSFUL. IF HE UNDERSTOOD MR DENG'S POLICIES CORRECTLY HE WOULD LIKE TO INTRODUCE THE SAME DYNAMISM IN CHINA. WE HAD TO RECOGNISE THAT THERE WERE TWO DIFFERENT POLITICAL SYSTEMS IN CHINA AND HONG KONG: IN THE LAST 15 YEARS THEY HAD WORKED WELL TOGETHER, BECAUSE BOTH COUNTRIES HAD BEEN PRACTICAL RATHER THAN LOGICAL. IN RELATION TO TAIWAN DID THE CHINESE HAVE IT IN MIND THAT THE 9 POINTS SHOULD BE SET OUT IN SOME KIND OF DECLARATION, PERHAPS PASSED BY THE CENTRAL COMMITTEE? MR DENG REPLIED THAT THE 9 POINTS WERE INTENDED TO SERVE AS A BASIS FOR NEGOTIATIONS WITH THE KMT ON A THIRD PERIOD OF COOPERATION BETWEEN THEM AND THE COMMUNIST PARTY. MR HEATH ASKED WHETHER THERE WOULD BE A BINDING AGREEMENT AT THE END OF SUCH NEGOTIATIONS. MR DENG REPLIED THAT THERE WOULD. MR HEATH SAID THAT PRACTICAL PROBLEMS WERE VERY IMPORTANT: HE NO LONGER HAD POWER AND RESPONSIBILITY, BUT HE DID NOT WANT CHINA TO SAY IN 1997 THAT HONG KONG HAD DETERIORATED AND WAS NO LONGER ANY GOOD. HE WANTED IT TO REMAIN AN IMPORTANT AND INFLUENTIAL CENTRE IN EAST ASIA, WHICH HE BELIEVED WAS LIKELY TO BE THE MOST DYNAMIC AND IMPORTANT REGION OF THE WORLD IN THE NEXT PERIOD OF HISTORY.

10. MR DENG SAID THAT BOTH SIDES SHOULD SETTLE THE HONG KONG PROBLEM SMOOTHLY. FRANKLY, CHINA KNEW THAT THE QUESTION COULD NOT BE SETTLED JUST TO ONE SIDE'S SATISFACTION: FOR THE REASON CHINESE POLICIES HAD BEEN WORKED OUT (AS FOR TAIWAN) THROUGH CAREFUL CONSIDERATION. THESE WERE NOT JUST EMPTY WORDS. CHINA HAD LAID ALL HER CARDS ON THE TABLE.

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ED/PUSD  
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## FUTURE OF HONG KONG: MR HEATH'S VISIT

1. MR HEATH HAD NEARLY TWO HOURS WITH DENG XHAOPING THIS MORNING 10 SEPTEMBER. DENG LOOKED EXTREMELY FIT AND BRONZED, AND SPOKE WITH VIGOUR. HIS TONE, THOUGH VERY FIRM ON HONG KONG, WAS FRIENDLY THROUGHOUT. MIFT CONTAINS A FULL RECORD OF THE PART OF THE CONVERSATION RELATING TO HONG KONG, WHICH WAS RAISED BY DENG AND NOT MR HEATH.
2. THE CONVERSATION CONTAINS NO REAL SURPRISES, AND IS A FURTHER AFFIRMATION FROM THE HIGHEST LEVEL THAT THERE WILL BE NO COMPROMISE ON BRITISH ADMINISTRATION. HOWEVER THE POINTS ABOUT INTRODUCING HONG KONG PEOPLE INTO THE ADMINISTRATION ARE INTERESTING, ALTHOUGH HE SHARED NO KNOWLEDGE OF HOW MUCH HAS ALREADY BEEN ACHIEVED IN THIS RESPECT.
3. MIFT IS NOT ENCOURAGING THAT DENG CLAIMED NOT TO HAVE EXAMINED THE DETAILS OF THE NEGOTIATIONS.

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