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FM HONG KONG 030210Z OCT 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 1456 OF 3 OCTOBER
INFO IMMEDIATE PEKING

FUTURE OF HONG KONG: CONVERSATION WITH NCNA

1. SHR S Y CHUNG AND Q W LEE CALLED ON ME ON 1 OCTOBER TO REPORT ON A DISCUSSION THEY HAD HAD THE PREVIOUS EVENING WITH XU JIATUN (NCNA DIRECTOR, AND CHINESE COMMUNIST PARTY CENTRAL COMMITTEE MEMBER) AND LIH CHUWEN (AN NCNA DEPUTY DIRECTOR). THE MEETING WAS ARRANGED ON NCNA INITIATIVE AND AT SHORT NOTICE, NO DOUBT BECAUSE XU WHO ONLY ARRIVED BACK FROM PEKING ON 29 SEPTEMBER AFTER SEVERAL WEEKS ABSENCE, WISHED TO TALK TO SHR S Y CHUNG AND LEE BEFORE THEY LEFT FOR LONDON WITH THE OTHER UNOFFICIALS.

2. THE CONVERSATION, WHICH WAS FRIENDLY AND LASTED OVER TWO HOURS RANGED WIDELY OVER THE CHINESE POSITION ON SOVEREIGNTY AND ADMINISTRATION, THE STATE OF THE HONG KONG ECONOMY AND THE DOLLAR ETC. SHR S Y AND LEE CLEARLY SPOKE WELL IN REBUTTING STANDARD CHINESE ARGUMENTS, AND IN EXPLAINING THE COMPLEXITY OF HONG KONG, THE IMPORTANCE OF CONFIDENCE AND THE NEED FOR CONTINUING INSULATION.

3. THE MAIN POINTS OF INTEREST WERE:-

(1) XU WAS VERY FIRM ON THE INDIVISIBILITY OF SOVEREIGNTY AND ADMINISTRATION, ARGUING THAT ONCE THIS PRINCIPLE WAS CONCEDED THE CHINESE WOULD BE FOUND TO BE VERY FLEXIBLE ON EVERYTHING ELSE. THE UNOFFICIALS TOLD HIM THAT IT WAS NOT ACCEPTABLE FOR THE CHINESE TO INSIST THAT THEIR DEMANDS SHOULD BE MET BEFORE NEGOTIATIONS BEGAN.

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(2) XU ASKED ABOUT THE MEANING OF THE QUOTE BRITISH LINK UNQUOTE WHICH THE BRITISH WERE SEEKING TO MAINTAIN AFTER 1997. SIR S Y SAID THAT WAS A QUESTION FOR THE NEGOTIATIONS IN PEKING, BUT TO HIS MIND IT MEANT EFFECTIVE BRITISH CONTROL.

(3) XU ALSO REFERRED TO THE QUESTION OF LAND LEASES IN THE NEW TERRITORIES, AND SAID THAT IF ARRANGEMENTS COULD BE MADE FOR THE HONG KONG GOVERNMENT TO SELL LAND FOR TERMS EXTENDING BEYOND 1997 THE SITUATION WOULD BE GREATLY IMPROVED. ON THIS SEE MIFT.

YOUDE

(REPEATED AS REQUESTED)

FUTURE OF HONG KONG

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HD/HKD
HD/FED
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FM HONG KONG 030215Z OCT 83
TO IMMEDIATE FCC
TELEGRAM NUMBER 1457 OF 3 OCTOBER
INFO IMMEDIATE PEKING

MIPT: FUTURE OF HONG KONG: CONVERSATION WITH NCNA

1. XU DECLINED TO ELABORATE ON WHAT HE HAD IN MIND OVER INDIVIDUAL LAND LEASES AND IT IS NOT CLEAR WITH WHAT AUTHORITY HE SPOKE. HE MAY HAVE BEEN INFLUENCED BY HIS DISCUSSIONS WITH THE HUNG YEE KUK WHO NEVER MISS AN OPPORTUNITY TO RAISE THE QUESTION OF LAND RIGHTS IN THE NEW TERRITORIES. THE PROPOSAL WHICH WE PUT FORWARD IN 1979 FOR ACTION TO ENABLE THE HONG KONG GOVERNMENT TO GRANT LEASES IN THE NEW TERRITORIES EXTENDING BEYOND 1997 WAS FIRMLY REJECTED AT THE TIME, AND THERE HAVE BEEN NO OTHER INDICATIONS THAT THE CHINESE HAVE BEEN RECONSIDERING THE QUESTION. AUTHORITY-TATIVE CHINESE PUBLIC STATEMENTS OVER THE 1 OCTOBER HOLIDAY HAVE PUT FRESH EMPHASIS ON THE RECOVERY OF THE EXERCISE OF SOVEREIGNTY. (PEKING TELNO 971).

2. SIR S Y IS AWARE OF THE BACKGROUND BUT IS INCLINED TO INTERPRET XU'S MENTION OF LAND LEASES AS AN INDICATION THAT THE CHINESE MAY BE READY TO REACH A SHORT TERM ACCOMMODATION IN ORDER TO STABILISE THE SITUATION HERE, LEAVING A LONGER TERM SOLUTION TO BE PURSUED AT LEISURE. HE TOLD SIR S Y THAT HE WAS DRAWING LARGE CONCLUSIONS ON FLimsy EVIDENCE. WHILE HE MAY ACCEPT THIS UNINTELLECTUALLY XU'S REMARKS ARE LIKELY TO REINFORCE HIM IN HIS VIEW THAT IN THE LAST RESORT THE CHINESE WILL NOT ALLOW THE HONG KONG ECONOMY TO RUN DOWN AND THAT THE RIGHT COURSE IS THEREFORE TO STAND FIRM.

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