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FROM PEKING 070815Z NOV 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1154 OF 7/11/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG AND PRIORITY
UKREP BRUSSELS

MIPT: FUTURE OF HONG KONG: CHINESE REMARKS TO THORN

1. TRANSLATION OF THORN'S RECORD IS AS FOLLOWS.

BEGINS

THE QUESTION OF HONG KONG WAS RAISED REPEATEDLY AND
INSISTENTLY BY THE CHINESE SIDE, BOTH IN THE FORMAL DISCUSSIONS
BETWEEN THORN, DENG AND FOREIGN MINISTER WU AND IN THE
COURSE OF INFORMAL DISCUSSIONS BETWEEN THORN AND ZHOU NAN. IN ALL
THE CONTACTS THE CHINESE POSITION APPEARED CONCERTED AND COHERENT.

DISCUSSIONS WITH DENG

2. DENG SAID THAT AS REGARDS REUNIFICATION OF CHINA, THERE WERE
TWO PROBLEMS: TAIWAN AND HONG KONG. THE CHINESE ENVISAGED A
SETTLEMENT OF THESE QUESTIONS OVER A RELATIVELY LONG PERIOD OF
TIME. SINCE THE FOUNDATION OF THE PRC, CHINA HAD CONSCIOUSLY
PUT THE PROBLEM OF HONG KONG TO ONE SIDE. BUT NOW THEY HAD RAISED
THE QUESTION OF THE RECOVERY OF HONG KONG'S SOVEREIGNTY IN
1997. THERE WERE MORE THAN 13 YEARS TO THAT TIME.

3. DENG SAID HE DID NOT WISH TO TACKLE THE PROBLEM OF HONG KONG
WITH THORN, NEVERTHELESS A MEMBER STATE OF THE COMMUNITY
WAS INVOLVED IN THE MATTER. IT WAS EASY TO RESOLVE THE PROBLEM: IN
1997 THERE WOULD BE NO REASON FOR CHINA NOT TO RECOVER SOVEREIGNTY
OVER HONG KONG. IN SEPTEMBER 1982 WHEN HE HAD MET MRS THATCHER
HE HAD SAID TO HER THAT IT WOULD BE A GOOD THING IF THE MATTER
COULD BE RESOLVED UNDER HER GOVERNMENT. A SOLUTION WOULD NOT DAMAGE
BRITISH INTERESTS. BY PUTTING AN END TO THE COLONIALIST ERA,
BRITAIN WOULD ENHANCE HER REPUTATION. MRS THATCHER CONTINUED
TO THE PRESENT TIME TO INSIST ON THE VALIDITY OF THE THREE
TREATIES, WHEREAS IN FACT THESE WERE UNEQUAL TREATIES.

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4. AT THE SECOND ROUND OF NEGOTIATIONS BRITAIN HAD PROPOSED THAT AFTER 1997 SOVEREIGNTY OVER HONG KONG WOULD RETURN TO CHINA BUT THE RIGHT OF ADMINISTRATION WOULD REMAIN WITH BRITAIN. THIS AMOUNTED TO A CONTINUATION OF THEIR COLONIAL RULE, WHICH OF COURSE WOULD NOT DO. AT THE LATEST ROUND THE BRITISH HAD NO LONGER TALKED OF THE RIGHT OF ADMINISTRATION OVER THE TERRITORY. THEY HAD SAID THAT AFTER 1997 THE BRITISH SHOULD PARTICIPATE TO A CERTAIN EXTENT IN THE ADMINISTRATION OF HONG KONG. THIS WOULD NOT DO EITHER. IT AMOUNTED TO ADMINISTRATION OF THE TERRITORY IN DISGUISE. THE BRITISH ATTITUDE HAD SHOWN SOME CHANGES BUT THEIR ACTUAL IDEAS HAD NOT.

THE POINT OF DEPARTURE OF THE BRITISH ANALYSIS WAS THAT IF HONG KONG WAS PROSPEROUS IT WAS THANKS TO BRITISH ADMINISTRATION. THIS WAS MISTAKEN. BRITAIN WAS MAKING HERSELF THE ADVOCATE OF COLONIALISM. THE CHINESE HAD NOT RESPONDED PUBLICLY TO THIS ARGUMENT WHILE NEGOTIATIONS WERE IN PROGRESS. BUT THEY HOPED THAT THE BRITISH GOVERNMENT WOULD MAINTAIN A CLEAR MIND OVER THE MATTER. AS FOR THE QUESTION OF PARTICIPATION IN THE ADMINISTRATION, THE BRITISH WISHED TO MAINTAIN A DROIT DE REGARD OVER THE POLICE AND THE COURTS. THAT POSED A VERY SERIOUS PROBLEM FOR THE CHINESE.

5. THE HONG KONG DOLLAR HAD RECENTLY BEEN IN DIFFICULTIES. THE CHINESE KNEW THAT THE BRITISH HAD ENGINEERED IT IN ORDER TO EXERT PRESSURE ON CHINA, BUT HAD NOT SAID SO IN PUBLIC. THERE REMAINED 13 YEARS AND THE CHINESE DID NOT KNOW WHAT FURTHER MACHINATIONS THE BRITISH WOULD GET UP TO. BUT THEY WERE NOT AFRAID. THE PREVIOUS YEAR PREMIER ZHAO, MRS THATCHER AND HE HIMSELF HAD ALL EXPRESSED THE HOPE THAT IN THE 13 YEARS REMAINING NEITHER SIDE WOULD DO ANYTHING TO DAMAGE THE SITUATION IN HONG KONG. HE HAD SAID TO MRS THATCHER THAT IF THE SITUATION BECAME IRRETRIEVABLE THE CHINESE GOVERNMENT WOULD DECIDE WHEN AND HOW TO RECOVER SOVEREIGNTY OVER HONG KONG. AFTER 1997 THE INHABITANTS OF HONG KONG WOULD ADMINISTER THE TERRITORY. IF THE SITUATION DEMANDED IT THE CHINESE SIDE WOULD RECONSIDER THE MANNER OF ADMINISTERING HONG KONG. BUT EVEN IF THERE WAS A CHANGE IN THE ADMINISTRATION THERE WOULD STILL BE NO CHANGE IN THE SOCIAL SYSTEM IN HONG KONG.

6. THE CHINESE HOPED THAT THE BRITISH GOVERNMENT WOULD APPROACH THE PROBLEM WITH A MORE THOROUGH AND LONG TERM VIEW. THE TWO SIDES HAD GOOD RELATIONS AND GOOD PROSPECTS FOR COOPERATION. THE CHINESE HOPED THAT THE BRITISH WOULD DO NOTHING TO DAMAGE LONG TERM RELATIONS BECAUSE OF THIS MATTER. FOR THEIR PART THE CHINESE SAW NO NEED FOR THERE TO BE DAMAGE TO THE PROSPECTS FOR COOPERATION. ACCORDING TO CHINESE IDEAS FOR THE ADMINISTRATION OF HONG KONG IT WOULD BE THE HONG KONG CHINESE WHO GOVERNED THE TERRITORY. THIS WOULD NOT DAMAGE BRITISH INTERESTS. IT WAS SIMPLY THAT THE COLONIAL IMAGE

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AND REPUTATION WOULD BE DISCARDED. PERHAPS BRITAIN WOULD LOSE CERTAIN BENEFITS? BUT MRS THATCHER HAS SAID THAT BRITAIN RECEIVED NO PROFIT FROM HONG KONG. DENG SAID HE DID NOT BELIEVE THIS. IF THAT WAS REALLY THE CASE THEN BRITAIN WOULD HAVE NOTHING TO LOSE AFTER 1997.

7. THERE WAS NO QUESTION OF BRITISH PARTICIPATION IN THE ADMINISTRATION OF HONG KONG AFTER 1997. BUT DURING A TRANSITION PERIOD IT WOULD BE POSSIBLE TO INVITE BRITISH ADVISERS IN , FOR EXAMPLE, THE FIELDS OF THE POLICE AND THE FINANCIAL SYSTEM. ONE COULD THINK OF ZIMBABWE AS AN EXAMPLE OF THIS TYPE OF ADMINISTRATION. THE NEGOTIATIONS WOULD CONTINUE IN A FRIENDLY FASHION BUT THERE WAS NOT VERY MUCH TIME LEFT. THE CHINESE HAD TOLD MRS THATCHER THAT THEY HOPED THE NEGOTIATIONS COULD BE COMPLETED IN TWO YEARS. IT WAS NECESSARY TO REACH AGREEMENT AND A JOINT STATEMENT BEFORE SEPTEMBER 1984. THE CHINESE WISHED TO COMPLETE MATTERS BEFORE THEN.

DISCUSSIONS WITH WU

8. WU SAID THAT DENG HAD IN JULY THIS YEAR MADE A SHORT SPEECH IN WHICH HE HAD SET OUT THE BASIS OF THE CHINESE POSITION. THE MATTER WAS OF INTEREST TO MANY COUNTRIES BECAUSE OF THE QUESTION OF THE SECURITY OF FOREIGN CAPITAL IN HONG KONG AFTER CHINA RECOVERED SOVEREIGNTY OVER THE TERRITORY. THE INTENTION OF THE CHINESE GOVERNMENT WAS THAT HONG KONG SHOULD BECOME A SPECIAL ADMINISTRATIVE REGION. THIS IMPLIED NO CHANGE IN THE SOCIAL AND LEGISLATIVE SYSTEMS IN HONG KONG, NO CHANGE IN ITS STATUS AS AN INTERNATIONAL FINANCIAL CENTRE, AND NO THREAT TO FOREIGN CAPITAL, PARTICULARLY BRITISH CAPITAL. HONG KONG COULD CONTINUE TO HAVE PREFERENTIAL RELATIONS WITH THE REST OF THE WORLD. AFTER RECOVERING SOVEREIGNTY, CHINA WOULD NOT SEND OFFICIALS TO ADMINISTER THE REGION. IT WOULD BE IN THE HANDS OF THE CITIZENS OF HONG KONG.

9. IN FIVE ROUNDS OF TALKS BRITAIN HAD MAINTAINED A VERY RIGID POSITION, ACCEPTING THE TRANSFER OF SOVEREIGNTY BUT INSISTING ON THE MAINTENANCE OF A BRITISH ADMINISTRATION. BUT IT APPEARED FROM THE LATEST INDICATIONS THAT THE BRITISH ATTITUDE WAS MORE FLEXIBLE. IN ANY CASE, FOR CHINA, DISCUSSION OF THE PRINCIPLE OF SOVEREIGNTY WAS IMPOSSIBLE, AS WAS DISCUSSION OF THE RIGHT OF ADMINISTRATION FOR THE REGION. BRITAIN WOULD HAVE TO ACCEPT THESE TWO PRINCIPLES. AS IT WAS A QUESTION CONCERNING A FRIENDLY COUNTRY, CHINA HOPED THAT THE SIXTH ROUND OF TALKS (IN MID-NOVEMBER IN PEKING) WOULD ENABLE PROGRESS TO BE MADE TOWARDS A SOLUTION WHICH WOULD BE BEST FOR PRESERVING STABILITY AND PROSPERITY IN HONG KONG.

Hong Kong
Future of
1911

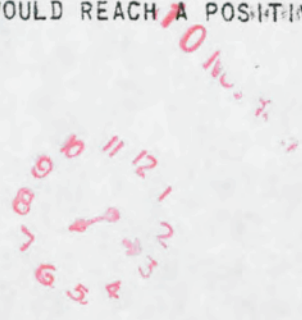
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THORN'S REMARKS

10. THE PRESIDENT DID NOT TAKE UP A POSITION ON THE PROBLEM. HE UNDERLINED THAT IT WAS A BILATERAL PROBLEM BETWEEN BRITAIN AND CHINA IN WHICH THE COMMISSION HAD NO BUSINESS TO INTERVENE OF COURSE THE NEGOTIATIONS WERE FOLLOWED WITH GREAT INTEREST BECAUSE THEY WERE SEEN AS A TEST OF HOW A PROBLEM BETWEEN AN EC MEMBER STATE AND CHINA COULD BE RESOLVED. THE COMMISSION HOPED THAT THE NEGOTIATIONS WOULD REACH A POSITIVE OUTCOME.

ENDS.

CRADOCK



FUTURE OF HONG KONG

LIMITED

- ED/HKD
- ED/FED
- ED/PLANNING STAFF
- ED/PUSD
- D/ED/PUSD (MR FLOWER)
- RESEARCH DEPT (MR WALKER)
- LEGAL ADVISER (SIR IAN SINCLAIR)
- PS
- PS/LADY YOUNG
- PS/MR LUCE
- PS/PUS
- SIR J BULLARD
- MR GIFFARD
- MR DONALD
- MR WRIGHT

COPIES TO: (VIA DISTR. ROOM)

- SIR PHILIP MOORE BUCKINGHAM PALACE
- PS/LORD PRESIDENT OF THE COUNCIL
- PS/HOME SECRETARY
- PS/CHANCELLOR OF THE EXCHEQUER
- PS/LORD PRIVY SEAL
- PS/SECRETARY FOR TRADE AND INDUSTRY

COPIES TO: (VIA ADR)

- MR ROBERTS NEWS DEPT
- MR BURROWS LEGAL ADVISERS
- MR COLES NO 10 DOWNING ST
- SIR A PARSONS " "
- MR MARTIN ASSESSMENT STAFF
- CABINET OFFICE
- MR GOODALL CABINET OFFICE
- MR BRENNAN " "
- PS/S OF S FOR DEFENCE
- PS/ATTORNEY GENERAL

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