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FROM PEKING 190753Z DEC 84
TO IMMEDIATE FCO
TELNO 3034 OF 19/12/84
INFO IMMEDIATE HONG KONG

FROM PS/PRIME MINISTER

PRIME MINISTER'S VISIT: TALKS WITH ZHAO: HONG KONG

SUMMARY

1. THE PRIME MINISTER ASSURED ZHAO THAT HMG WOULD IMPLEMENT THE AGREEMENT FULLY AND DO ALL POSSIBLE TO MAINTAIN STABILITY AND PROSPERITY, EMPHASISED THE IMPORTANCE OF THE BASIC LAW AND POINTED TO THE VALUE OF LISTENING TO HONG KONG VIEWS. SHE EMPHASISED THAT CONSTITUTIONAL DEVELOPMENT WOULD BE STEADY AND SECURE. ZHAO GAVE REASSURANCES THAT CHINA WOULD IMPLEMENT THE AGREEMENT FULLY, EMPHASISED THE IMPORTANCE OF AVERTING PROBLEMS DURING THE TRANSITIONAL PERIOD AND CONFIRMED THAT CHINA WOULD NOT COMMENT ON OUR CONSTITUTIONAL PROPOSALS.

DETAIL

2. THE PRIME MINISTER HAD A SHORT INFORMAL MEETING FOLLOWED BY TWO AND A HALF HOURS OF FORMAL TALKS WITH ZHAO THIS MORNING. THE ATMOSPHERE WAS FRIENDLY AND RELAXED. THE FIRST HOUR WAS DEVOTED TO HONG KONG MATTERS.

GENERAL

3. DURING THE INFORMAL MEETING, ZHAO SAID THAT THE PRIME MINISTER'S VISIT HAD LAID THE FOUNDATIONS FOR THE SATISFACTORY SETTLEMENT. THE AGREEMENT WAS A MAJOR EVENT OF HISTORICAL AND FAR-REACHING SIGNIFICANCE. HE PRAISED THE SECRETARY OF STATE'S ROLE.

4. IN THE TALKS THE PRIME MINISTER SPOKE FIRST. SHE SAID THAT THE TWO SIDES HAD BEEN UNSURE TWO YEARS AGO FOR THE NEGOTIATIONS ON HONG KONG WOULD TURN OUT. SHE STRESSED THE IMPORTANCE HMG ATTACHED TO THE AGREEMENT. SHE WAS PLEASED THAT SHE AND ZHAO WOULD SIGN. SHE BELIEVED THE AGREEMENT FULLY MET THE INTERESTS OF BOTH COUNTRIES. IT LAID THE FOUNDATION UPON WHICH THE PEOPLE OF HONG KONG COULD BUILD THEIR FUTURE AND ALSO FOR IMPROVED BILATERAL RELATIONS.

5. ZHAO SAID THAT THE SATISFACTORY CONCLUSION OF THE AGREEMENT WAS THE RESULT OF FRIENDLY BILATERAL RELATIONS. IT WAS A MAJOR EVENT OF HISTORICAL SIGNIFICANCE. THE AGREEMENT HAD NOT ONLY SUCCESSFULLY RESOLVED THE QUESTION OF THE RESUMPTION OF THE EXERCISE OF SOVEREIGNTY BUT ALSO WAS CONDUCIVE TO THE MAINTENANCE OF HONG KONG'S LONG TERM STABILITY AND PROSPERITY AND TO WORLD PEACE. IT OPENED A NEW CHAPTER IN BILATERAL RELATIONS. IT WAS AN EXAMPLE FOR OTHER PROBLEMS LEFT OVER FROM HISTORY. ZHAO AGREED THAT THE AGREEMENT CONFORMED TO THE INTERESTS OF CHINA, THE UK AND HONG KONG COMPATRIOTS. HE PRAISED THE PRIME MINISTER'S VISION AND STATESMANSHIP AND HER GREAT CONTRIBUTION TO ITS SUCCESSFUL CONCLUSION.

Subject

cc. Master

General distrib.

My Record

IMPLEMENTATION

6. THE PRIME MINISTER UNDERLINED HMG'S COMMITMENT TO IMPLEMENTING THE JOINT DECLARATION IN EVERY RESPECT. WE APPRECIATED ZHAO'S AND DENG'S COMPARABLE STATEMENTS. THE UK WAS COMMITTED TO COOPERATING CLOSELY OVER THE AGREEMENT'S IMPLEMENTATION. IT WAS IMPORTANT THAT BOTH SIDES' TOTAL COMMITMENT SHOULD BE CLEAR IN ORDER TO SUSTAIN OVERSEAS CONFIDENCE AND THUS CONTINUED INVESTMENT.

7. ZHAO SAID THAT THE TASK WAS NOW TO IMPLEMENT THE AGREEMENT IN EVERY RESPECT. CHINA WAS READY TO DO SO. HE WAS SURE THE UK WAS TOO. THE DECISION TO PROCEED WITH THE "ONE COUNTRY, TWO SYSTEMS" CONCEPT WAS NOT ONE OF EXPEDIENCY. IT WAS A TRADITION OF THE CHINESE NATION TO ACT IN GOOD FAITH AND ALWAYS TO ABIDE BY AND IMPLEMENT FAITHFULLY INTERNATIONAL AGREEMENTS. THIS HAD BEEN THE CASE EVEN DURING YEARS OF DOMESTIC TURMOIL. THERE WERE NO GROUNDS FOR MISGIVINGS ABOUT A FUTURE CHANGE IN CHINESE POLICY. CHINA WOULD PROVE HER WORDS BY DEEDS.

TRANSITIONAL PERIOD

8. THE PRIME MINISTER ASSURED ZHAO THAT THE MAINTENANCE OF STABILITY AND PROSPERITY WAS OUR PRINCIPAL AIM AND THAT HONG KONG WOULD CONTINUE ITS CAUTIOUS AND PRUDENT FINANCIAL POLICIES. THE UK DID NOT AND WOULD NOT DERIVE INCOME FROM HONG KONG.

9. ZHAO SAID THE CHINESE WERE CONCERNED ABOUT THE TRANSITIONAL PERIOD. IT WOULD BE VERY IMPORTANT. IF ALL WENT SMOOTHLY AND ECONOMIC DIFFICULTIES WERE AVOIDED A SOLID FOUNDATION FOR CONTINUED STABILITY AND PROSPERITY WOULD BE LAID. DIFFICULTIES WOULD OTHERWISE OCCUR. CHINA SHARED THE WISH TO MAINTAIN STABILITY AND PROSPERITY IN THE TRANSITIONAL PERIOD TO ENSURE A SMOOTH TRANSFER OF GOVERNMENT IN 1997. HOWEVER, WE SHOULD BE PREPARED FOR DIFFICULTIES AND TAKE EFFECTIVE COUNTER MEASURES. IT WAS IMPORTANT TO INCREASE MUTUAL TRUST AND INTENSIFY COOPERATION.

BASIC LAW

10. THE PRIME MINISTER SAID THAT DRAFTING THE BASIC LAW WOULD BE A PARTICULARLY IMPORTANT TASK. SHE WAS SURE THAT CHINA WAS AWARE OF HONG KONG'S CONCERN. CHINA'S EXPRESSED WILLINGNESS TO SOLICIT OPINIONS FROM A WIDE BASIS WITHIN HONG KONG WAS GREATLY APPRECIATED. IT WOULD BE VERY IMPORTANT FOR THE MAINTENANCE OF CONFIDENCE. THE BASIC LAW MUST BE SUITED TO THE CAPITALIST SYSTEM AND THE HONG KONG PEOPLE HAD MUCH EXPERTISE TO OFFER. IT SHOULD ALSO BE CONSISTENT WITH THE HONG KONG LEGAL SYSTEM. THE BASIC LAW MUST BE RIGHT. THIS WAS IMPORTANT FOR A SMOOTH TRANSFER OF GOVERNMENT IN 1997.

11. ZHAO SAID THAT CHINA WOULD TRY TO EXPEDITE THE DRAFTING OF THE BASIC LAW. THE PROCESS WOULD TAKE SOME TIME BUT HE EXPECTED THE LAW TO BE PROMULGATED NO LATER THAN 1990. AFTER THE NPC HAD APPROVED THE ESTABLISHMENT OF THE SAR IT WOULD SET UP A DRAFTING COMMITTEE. THIS WOULD START AS SOON AS POSSIBLE THEREAFTER. ITS COMPOSITION AND WORKING PROCEDURES WOULD BE A MATTER FOR THE STANDING COMMITTEE OF THE NPC. HOWEVER, IN THE COURSE OF DRAFTING, HONG KONG VIEWS WOULD BE SOLICITED ON A WIDE BASIS.

CONSTITUTIONAL DEVELOPMENT

12. THE PRIME MINISTER SAID THAT ZHAO WOULD BE AWARE OF OUR CONSTITUTIONAL DEVELOPMENT PROPOSALS. WE WERE KEEN TO GIVE HONG KONG PEOPLE ADMINISTRATIVE EXPERIENCE. DEVELOPMENT WOULD BE STEADY AND SECURE AND WOULD INVOLVE CLOSE CONSULTATION WITH THE PEOPLE OF HONG KONG.

13. ZHAO SAID THAT THE GOVERNMENT STRUCTURE, FORM OF LEGISLATURE OF THE SAR AND METHOD OF SELECTION OF THE CHIEF EXECUTIVE WOULD BE DEFINED BY THE BASIC LAW. THE CHINESE GOVERNMENT WERE NOT PREPARED TO MAKE ANY COMMENT ON CONSTITUTIONAL DEVELOPMENT IN THE TRANSITIONAL PERIOD. IN PRINCIPLE, THEY TOO WANTED MORE HONG KONG PEOPLE INVOLVED IN THE ADMINISTRATION. HOWEVER, CONSTITUTIONAL DEVELOPMENT SHOULD NOT ADVERSELY AFFECT STABILITY AND PROSPERITY OR THE SMOOTH TRANSFER OF GOVERNMENT IN 1997. HE WAS SURE HMG WOULD TAKE THIS FULLY INTO ACCOUNT.

14. THE PRIME MINISTER THEN MADE THREE POINTS:

(A) SHE APPRECIATED ZHAO'S REASSURANCE ABOUT IMPLEMENTATION OF THE AGREEMENT. SHE WOULD LIKE TO REPEAT HIS REMARKS PUBLICLY IN HONG KONG. ZHAO SAID HE WOULD BE GRATEFUL IF SHE DID SO.

(B) SHE AGREED ABOUT THE NEED TO BE PREPARED FOR DIFFICULTIES IN THE TRANSITIONAL PERIOD. IT WAS VITAL THAT WE SHOULD REMAIN CALM AND DECISIVE AND CONSULT THROUGH THE LIAISON GROUP.

(C) SHE WELCOMED ZHAO'S CONFIRMATION THAT WHEN DRAFTING THE BASIC LAW, THE VIEWS OF HONG KONG PEOPLE WOULD BE SOLICITED ON A WIDE BASIS AND THAT THE LAW WOULD BE PROMULGATED NOT LATER THAN 1990. SHE WOULD ALSO LIKE TO REPEAT THESE REMARKS PUBLICLY. ZHAO ASSENTED.

15. SEE MY TWO IFTS FOR DISCUSSION OF BILATERAL AND INTERNATIONAL ISSUES.

EVANS

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(Translation)

SPEECH BY PREMIER ZHAO ZIYANG AT THE SIGNING
CEREMONY OF THE SINO-BRITISH JOINT DECLARATION
ON THE QUESTION OF HONG KONG

19 December 1984

The Rt. Hon. Prime Minister Margaret Thatcher,
The Rt. Hon. Foreign Secretary Sir Geoffrey Howe,
Distinguished British Guests,
Friends and Comrades,

I am very pleased to have formally signed with Prime Minister Margaret Thatcher, on behalf of our respective Governments, the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Question of Hong Kong. We have accomplished a task of historical significance. For this, I would like to extend our warm congratulations to the Rt. Hon. Prime Minister, our other British friends and the Hong Kong personages from various circles who have been invited to attend this signing ceremony.

The Sino-British Joint Declaration on the question of Hong Kong has satisfactorily settled China's resumption of exercise of sovereignty over Hong Kong and laid a solid foundation for the long-term prosperity and stability of Hong Kong. Our agreement provides fresh experience for the solution through peaceful negotiations

of problems between nations that are left over from history. It has received extensive support from all the Chinese people, including the five million compatriots in Hong Kong, and the British people. It has also won widespread acclaim and welcome from many countries in the world.

The conclusion of the Joint Declaration is the result of the concerted efforts of our two countries. In the course of the talks over two years, both Governments have shown regard for larger interests, taken Hong Kong's history and realities into account, and displayed a spirit of mutual understanding and friendly cooperation. Here, I deem it necessary to mention in particular the vision and statesmanship of Prime Minister Margaret Thatcher. She has made a significant and praise-worthy contribution to the satisfactory settlement of the Hong Kong question. I also wish to express my thanks to Foreign Secretary Sir Geoffrey Howe, who took the trouble to make two visits to Beijing, and to all the other British friends and my Chinese colleagues who have worked hard for the success of the Sino-British talks.

The concept of "one country, two systems" is a national policy which we formulated after careful consideration. According to this concept, the Chinese Government worked out its basic policies regarding Hong Kong, which are now embodied in the Joint Declaration and its annexes. To translate this great concept into reality will be of far-reaching significance. We appreciate our British friends' understanding and high

appraisal of this concept.

It is a common interest as well as shared responsibility of our two countries to ensure the full implementation of the Joint Declaration free from any interference. The Chinese Government will continue to work with the British Government in a spirit of goodwill and cooperation and strive to realize this goal. We also expect that our Hong Kong compatriots and inhabitants of all walks of life will make concerted efforts to contribute to the prosperity and stability of Hong Kong and its still better future.

The satisfactory settlement of the Hong Kong question has opened up new prospects for the friendly relations and cooperation between China and the United Kingdom. The mutually beneficial cooperation between the two countries in various fields will be pushed to a new high. The development of Sino-British friendship not only accords with the desire of our two peoples but also helps to maintain world peace. Let us continue to make joint efforts towards this end.

Thank you!

(Translation)

EMBARGO

NOT FOR BROADCASTING OR USE ON CLUB TAPES UNTIL DELIVERY.

The leaders of our two countries agreed to friendly talks on the settlement of the question of Hong Kong. The Chinese and British Governments have agreed on and formally signed the Joint Declaration on the Question of Hong Kong, giving us an opportunity to review the course of development of the relations between our two countries, look ahead to their broad prospects and exchange views on international issues of mutual concern.

**SPEECH BY PREMIER ZHAO ZIYANG AT THE WELCOMING BANQUET
IN HONOUR OF PRIME MINISTER MARGARET THATCHER**

19 December 1984

The Rt. Hon. Prime Minister Margaret Thatcher,
The Rt. Hon. Foreign Secretary Sir Geoffrey Howe,
Distinguished British Guests,
Friends and Comrades,

Tonight, I am privileged to extend, on behalf of the Chinese Government and people, our cordial and warm welcome to Prime Minister Margaret Thatcher, who has come to sign the Sino-British Joint Declaration on the Question of Hong Kong and pay an official visit to China, and her party. I would also like to take this opportunity to express welcome to the Hong Kong personages from various circles who have been invited to observe the signing ceremony in Beijing.

The Rt. Hon. Prime Minister is an outstanding statesman of Great Britain and an old acquaintance and friend of the Chinese people. Two years ago, Your Excellency ~~Right Honourable~~ paid your first official visit to China as the Prime Minister of the United Kingdom.

The leaders of our two countries agreed then to hold friendly talks on the settlement of the question of Hong Kong. It is highly meaningful for us to meet again today, on this joyous occasion when the Chinese and British Governments have agreed on and formally signed the Joint Declaration on the Question of Hong Kong, giving us an opportunity to review the course of development of the relations between our two countries, look ahead to their broad prospects and exchange views on international issues of mutual concern.

The Chinese and British Governments have settled the Hong Kong question, a legacy of history, through peaceful negotiations. This is a success of Sino-British friendly cooperation, and a rich reward for the historic policy decision made by the leadership of the two countries who showed great foresight and regard for larger interests and the long-term interests of the two peoples. We particularly appreciate the outstanding statesmanship of Prime Minister Margaret Thatcher and her important contribution to the success of the Sino-British talks. The satisfactory settlement of the Hong Kong question has not only laid a reliable foundation for the long-term prosperity and stability of Hong Kong but also provided useful experience for the peaceful resolution of issues between states left over from history and of international disputes. Of far-reaching significance, this important event of the 1980s will be an important chapter in the contemporary world history.

Dear Prime Minister, Friends and Comrades,

The current international situation is a matter of concern to us all. The rivalry between the superpowers

for world hegemony and the continued escalation of their nuclear arms race have threatened world peace and security. In the face of this grave situation, it is gratifying that more and more countries are endeavouring to take their destiny into their own hands and making all possible efforts to stop the arms race, ease the tension and maintain world peace. The forces for peace are growing in strength, and the factors preventing the outbreak of a new world war are on the increase. We are deeply convinced that with the concerted efforts of all peace-loving countries and peoples, a world war can be averted and peace maintained.

The Chinese people are now fully engaged in a socialist modernization drive. China needs peace. China is ready to establish and develop relations with all other countries in the world on the basis of the Five Principles of Peaceful Coexistence. In our view, efforts should be made to seek a reasonable settlement of all international disputes through peaceful negotiations instead of resorting to the use or threat of force. We hope that the United States and the Soviet Union will improve their relations as therein lies the key to relaxing world tension. For this reason, we welcome the resumption of the disarmament dialogue between the United States and the Soviet Union in the hope that they will find effective means to halt the arms race through sincere and earnest negotiations. As permanent members of the U.N. Security Council, China and the United Kingdom share a lofty international duty of maintaining world peace and international security. We are pleased to note that our two countries share common or similar views on many major international issues. We should increase contacts and exchange views more frequently so as to enhance our mutual understanding, expand the basis of cooperation and

make our respective contributions to relaxing international tension and safeguarding world peace. I believe our British colleagues share this desire.

Dear Prime Minister, Friends and Comrades,

China is now going through a very important historical period. With marked progress made in the rural economic reform, we have decided to carry out further the restructuring of the entire national economy including the industrial, commercial and other sectors with the urban economy as the focus. It is one of our major policies in the reform to open to the outside world and develop international cooperation. China attaches great importance to economic and technological cooperation with the West European countries including Great Britain. Not only are we ready to expand such cooperation, but we wish to see its steady and enduring development. While concentrating on our immediate work, we also set our eyes on the twenty-first century. Expanded international economic exchanges on the basis of equality and mutual benefit will not only help promote the economic prosperity of all countries but also ^{will be} conducive to the maintenance of world peace.

Over the years there has been a good development of Sino-British relations on the basis of the Five Principles of Peaceful Coexistence. Cooperation between the two countries in the economic, trade, scientific, technological, cultural and other fields has been growing steadily, and exchange of visits has been on the increase. With the satisfactory settlement of the Hong Kong question, Sino-British friendly relations and cooperation will undoubtedly grow in strength and develop further. The Prime Minister's current visit is short but successful. It will certainly push the relations between our two countries to a new high. Now I wish

to avail myself of this opportunity to express my sincere thanks to the British Government for their kind invitation. I look forward to meeting the Prime Minister again in London.

Now, I propose a toast,

to the Sino-British Joint Declaration on the Question of Hong Kong formally signed by the Chinese and British Governments,

to the continuous development of Sino-British friendly relations and cooperation,

to the health of Her Majesty Queen Elizabeth II,

to the health of the Rt. Hon. Prime Minister Margaret Thatcher,

to the health of the Rt. Hon. Foreign Secretary Sir Geoffrey Howe and other British friends,

to the health of the ladies and gentlemen from Hong Kong who have come to observe the signing ceremony, and,

to the health of all other friends and comrades present!

The Sino-British Joint Declaration on the question of Hong Kong has satisfactorily settled China's recognition of exercise of sovereignty over Hong Kong and laid a solid foundation for the long-term prosperity and stability of Hong Kong. Our agreement provides fresh impetus for the solution through peaceful negotiations