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*Hong Kong*  
Extract from Discussion  
between PM and Hua Guofeng  
on 1/11/1979.

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND  
PREMIER HUA GUOFENG AT 10 DOWNING STREET ON 1 NOVEMBER 1979  
AT 1600 HOURS

Present:

The Prime Minister	Premier Hua Guofeng
The Foreign and Commonwealth Secretary	Vice-Premier Yu Qiuli
The Secretary of State for Industry	Foreign Minister Huang Hua
The Secretary of State for Defence	Ambassador Ke Hua
The Secretary of State for Trade	Vice-Minister Zhang Wenjin
Mr. Peter Blaker, MP	Vice-Minister Gan Ziyu
Sir Robert Armstrong	Vice-Minister Cui Qun
Sir Michael Palliser	Mr. Pu Shouchang
Mr. Percy Cradock	Mr. Wei Yongqing
Mr. Hugh Cortazzi	Mr. Qian Qichen
Mr. Michael Alexander	Mr. Wang Benzuo
Mr. Christopher Roberts	Interpreter
Mr. Richard Samuel	Notetaker
Mr. Richard Fursland	
Mr. James Richards	

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The Prime Minister welcomed Premier Hua to their second session of talks, and expressed the hope that he had enjoyed his programme the previous day in Derby. Their present session of talks would cover bilateral issues. The Prime Minister was keen to do everything possible to ensure that Premier Hua should get everything he could out of his visit to Britain.

Hong Kong

On Hong Kong, the British Government wished to work as closely as possible with the Chinese Government. She was pleased our relations over Hong Kong were now so good. There were two particular points she wanted to raise.

The first, which was of immediate concern, was the very high rate of immigration across the border. About 250,000 immigrants from China had entered Hong Kong in the past 18 months and the

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rate had at one point reached 1,000 a day. The British Government had increased the Hong Kong garrison to deal with the situation. She would also be grateful for maximum cooperation on the Chinese side of the border. There had been some improvement in the situation earlier in the year, following reinforcement of the forces on the Chinese side. But the British Government were not sure if this had been maintained. The situation had suddenly got worse. The British Government did not understand the reasons for this.

Premier Hua first expressed his thanks for the excellent arrangements made by the Prime Minister for his visit to Derby. He had spent a very pleasant time there. Vice-Premier Yu had visited Manchester. In both places, the Chinese delegation had had very good talks on ways of expanding Sino-British economic cooperation. The Chinese Government were very pleased with the development of their bilateral relations with Britain and attached great importance to their further improvement.

The Prime Minister had raised some particular questions with regard to Hong Kong. Premier Hua had just received news from Peking about the increased rate of immigration over the past few days. There had been some speculation that he might sign some agreement on the subject during his visit to Britain. Perhaps some people had been afraid that it might not be possible thereafter to leave China for Hong Kong.

The problem of immigration had come up when the Governor of Hong Kong visited Peking earlier in the year. In the first half of the year the rate had risen. The State Council had then ordered the Guangdong Authorities to take effective measures against this, and the rate had dropped. But it had risen again in the last few days. Premier Hua wished to assure the Prime Minister that the Chinese Government had taken note of this, and would take measures to deal with it.

The Prime Minister thanked Premier Hua for this assurance. Too much movement across the border would cause difficulties for both sides. The British Government would do what they could, and knew that the Chinese would do the same.



Premier Hua said that he wished the Prime Minister to know that the Chinese Government had decided to treat Guangdong Province in a special way, to allow its economy to develop quicker. Several counties bordering on Hong Kong had been designated special areas, in the hope that this would cause production and incomes to increase and the differentials with Hong Kong to narrow. Two counties, Baoan and Zhuhai, had already been designated, and Chaozhou would follow. These counties would have powers to develop their own foreign trade.

The Secretary of State for Foreign and Commonwealth Affairs said that when he had seen the Governor of Hong Kong in London, and in Hong Kong, the Governor had been full of gratitude for the reception he had received on his visit to China, and the extent of Chinese economic collaboration with Hong Kong. Lord Carrington had seen for himself some of the problems caused by the illegal immigrants in Hong Kong. The numbers were very large by Hong Kong standards, if not by the standards of China, especially when added to the nearly 70,000 boat people in Hong Kong. Only the Chinese in Hong Kong could have coped as well as they had.

#### Sino-British Trade

The Prime Minister asked what assistance the British Government could give the Chinese Government in the commercial field. The British Government were ready to supply China with a wide range of defence equipment, including Harrier. At Prime Minister's Questions in the House of Commons, she had just been accused of causing trouble between China and the Soviet Union. When she had responded by affirming her readiness to supply Harriers to China, to further the expansion of Sino-British commercial relations, great cheers had gone up. Pravda had apparently yesterday warned her against this. She understood that a Chinese delegation would shortly be visiting Britain. In this field the Chinese Government would be given every facility and help possible. She wished Premier Hua to know that this policy came from the top.

/ Premier Hua



Sino-British Trade (continued)

At the Prime Minister's invitation, the Secretary of State for Industry resumed the discussion of industrial cooperation. On the previous day, Premier Hua had seen the British Rail Centre, and the Chinese Minister of Railways would be visiting Britain soon. The British Government hoped to cooperate with the Chinese in this field. Premier Hua said that, as he had made clear when he had been shown an advanced passenger train in Derby, China's principal transport requirement was for freight, particularly coal, which comprised a third of the freight carried. The Chinese Minister of Railways would be able to have detailed discussions during his visit. The Secretary of State for Industry observed that British Rail's technology enabled the best possible use to be made of already existing track, and therefore could speed up transport on China's present railway system.

Sir Keith Joseph went on to note that China had huge mineral wealth, eg in tin, lead, tungsten and cobalt. Proposals had been made by a number of British companies, particularly John Brown Constructors, which were so arranged that the Chinese would have to pay out nothing, as the interest would be deferred. The Secretary of State for Trade commented that the Chairman of John Brown Constructors had been one of the businessmen who had accompanied him on his call on Premier Hua on Tuesday. The Secretary of State for Industry noted that there was a lot of tin in Yunnan, lead and zinc in Qinghai and Gansu, tungsten in Hunan, cobalt in Hainan Island and copper in Jiangxi. Premier Hua said that the Chinese Government would look at these proposals. A joint venture with the British at Yangzhou in Shandong, were work by the Chinese side was already half-way to completion, could be considered.

Hong Kong

The Prime Minister then invited the Secretary of State for Foreign and Commonwealth Affairs to make a further point about Hong Kong. Lord Carrington said that Premier Hua would remember, or (if he did not), Minister of Foreign Affairs Huang Hua would remember, that when the Governor of Hong Kong had visited China, he had raised the question of the New Territories leases. The

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problem was that, as 1997 approached, uncertainty about new leases grew. The Governor had later made some proposals which the Chinese Government had found unacceptable. The British Government would not pursue these, since any proposals had to be acceptable to both sides. But he would be grateful if Premier Hua could give thought, or cause thought to be given, to the problem of maintaining confidence in Hong Kong's future. It was not in the interests of China, or of Hong Kong, that uncertainties about this should put the future of Hong Kong into jeopardy, and affect investment confidence there. The Prime Minister said that the British Government did not expect an answer on the spot, but were asking the Chinese Government to give thought to the question.

Premier Hua replied that the Chinese Government had given serious thought to this question, and had given their reply to the British Government. They had to be very careful about what was said about Chinese territory. On the other hand, the Chinese Government had very good relations with the British Government, and with the British authorities in Hong Kong. At his press conference before his departure from China for Western Europe, he had answered questions on Hong Kong, and, so far as he was aware, the reaction had been favourable. It had been noted that the Chinese Government would keep in touch with the British Government and would take account of the anxieties of investors even after the problem had been resolved.

The talks concluded at 1710. In the presence of the Prime Minister and Premier Hua, the Cultural Agreement was then signed by the Secretary of State for Foreign and Commonwealth Affairs and the Chinese Minister of Foreign Affairs; and the Air Services Agreement by the Secretary of State for Trade and Vice-Premier Yu Qiuli.