

RECORD OF A MEETING BETWEEN THE LORD PRIVY SEAL
AND PREMIER ZHAO ZIYANG ON 6 JANUARY 1982

Present

Lord Privy Seal
Sir Percy Cradock
Mr. Tom Arnold, MP
Mr. A.E. Donald
Mr. R. Westbrook
Mr. M.A. Arthur
Mr. M.W. Atkinson
Mr. A.C. Galsworthy,
Mr. R.N. Peirce
Mr. J. Ashton

Premier Zhao Ziyang
Zhang Canming, Vice-Minister,
Wang Benzuo, Director, Western
European Dept, MFA
Zheng Yaowen, Division Head,
WED, MFA
Tang Longbin, Deputy Director,
Protocol Dept, MFA
Interpreters
Junior Officials

1. Premier Zhao Ziyang began by extending a warm welcome to the Lord Privy Seal on his first visit to China. The Lord Privy Seal thanked the Premier and said that he had been asked to convey greetings and best wishes from Mrs. Thatcher. During Lord Carrington's visit to China in April 1981 the possibility of a visit to China by Mrs. Thatcher had been raised. At that time Lord Carrington had confirmed that the Prime Minister would in principle very much like to pay a visit. Mrs. Thatcher had now asked the Lord Privy Seal to tell Premier Zhao Ziyang that she had set aside 16-29 September: if convenient to the Chinese she would very much like to come during that period. However, there was no immediate need to finalise exact dates.
2. In reply Premier Zhao asked the Lord Privy Seal on his return home to reaffirm to the Prime Minister that she would be welcome to visit China and that specific dates could be discussed through diplomatic channels. The Lord Privy Seal agreed to do this. Premier Zhao said that he had talked with Lord Carrington on his visit to China in April 1981 and again at Cancun where he had also met Mrs. Thatcher. Their conversation had been friendly and had left deep and fine memories. He asked the Lord Privy Seal to convey his greetings to the Prime Minister and the Secretary of State.
3. The Lord Privy Seal said that his discussions over the last two days with Vice-Minister Zhang Canming and Vice Premier Ji Pengfei had also been very agreeable. He had learned a lot

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about Chinese policies and he hoped that the Chinese side had also learned something of British thinking. What both sides were seeking to do in the world coincided in many areas. British and Chinese feelings about the Soviet Union were particularly convergent: both countries were doing what they could to curtail Soviet efforts to extend their influence.

4. The Lord Privy Seal continued by saying that there were three specific issues he wanted to raise. Firstly he would like to have the Premier's view on current relations between China and Hong Kong. He believed that these were very good in many areas, and were progressing well with many practical forms of co-operation. He noted that a Chinese Visa Office had recently opened in Hong Kong. The Lord Privy Seal said he was interested in developments in the Shenzhen Special Economic Zone (SEZ). He understood that the Premier had been there last November: the Governor of Hong Kong had also visited the SEZ a few days earlier, under arrangements made with the local authorities. He believed that Sir Murray MacLehose had had talks with the Mayor of Shenzhen about co-operation in infrastructure questions, and other matters. The Lord Privy Seal asked for Mr. Zhao's views on developments in that area, and also on the prospects for the construction of a nuclear power station in Guangdong. He understood there were some differences of opinion about the merits of French and US proposals; Britain was willing to cooperate with either, as the Chinese wished, and to make a contribution to the project. He asked for Mr. Zhao's ideas on co-operation between Britain, China and Hong Kong, not just about the nuclear power station, but in other respects also.

5. Premier Zhao said there were now no deep problems between Hong Kong and China. Economic co-operation was good, as was exchange of personnel. Co-operation had helped the maintenance of order in Guangdong, and was, he thought, helpful also to Hong Kong. Premier Zhao said that he had worked

in the Guangdong area in the 1960's: relations in general, and economic and trade relations, had improved greatly since then.

6. Premier Zhao referred to the decision by the Hong Kong industrialist, Mr. Gordon Wu, to invest in Guangdong Province. He thought that this was one of the questions Sir Murray MacLehose had discussed during his recent visit to the SEZ, but he had not yet had a detailed report. He understood there had been discussions about frontier formalities, and mentioned that Mr. Wu planned to bring electric trains from Hong Kong to Shenzhen, to which place the Customs post would have to be moved from Lo Wu.

7. Premier Zhao said that many landowners in Hong Kong were concerned about the future. Lord Carrington had raised this when he met Vice Chairman Deng Xiaoping in April last year. Premier Zhao said the Chinese had not studied this question in any very concrete way but he believed the British side was well aware of the Chinese side's general stand, namely that (i) China would safeguard her sovereignty, and (ii) the prosperity of Hong Kong would be maintained. Hong Kong was now a free port, and a centre of trade and finance. These aspects would not be changed: Hong Kong's prosperity could only be maintained if it was a centre of trade and a free port. As to the approach to a settlement of the issue, and its possible forms, very careful studies would be taken. At an appropriate time China would discuss the problem with the "various circles" in Hong Kong and all the parties concerned and take heed of their views.

8. Premier Zhao said that in September 1981, Ye Jianying had set out a 9-point plan concerning the reunification of China with Taiwan. From the 9-point proposal, circles in Hong Kong, as well as the British Government, could get some idea of Chinese thinking. The policies now being implemented in the special economic zones were also relevant. With reference to an eventual settlement, Chinese policies would be "very reasonable".

/9. Premier Zhao ...

9. Premier Zhao said that Vice Premier Ji Pengfei had told Mr. Atkins something about the Chinese stand on this issue the previous day. He said that what he himself had said, together with what Mr. Ji had said, represented China's general stand: there was as yet no specific formula. But Zhao Ziyang assured the Lord Privy Seal that the problem would not be put on the shelf until 1997. At an appropriate time, the Chinese side would discuss it with the various circles in Hong Kong, and with the British side. That was all he could say at present.

10. The Lord Privy Seal thanked the Premier. He was not suggesting that the problem must be solved immediately. But years were passing and the problem had become a subject of discussion and commentary in Hong Kong, especially in the business community. It was in everyone's interest that Hong Kong should prosper by continuing to be a free trading port, and a financial and commercial centre. He repeated that the problem was not an immediate one, but, as he had told Vice Premier Ji on 5 January, there was the absolute certainty that in 1997 the legal basis would come to an abrupt end. This was indeed something the British and Chinese Governments needed to study.

11. Premier Zhao agreed that the matter was very important. He suggested that, until a concrete formula had been worked out, neither side should do anything that could harm the prosperity of Hong Kong.

12. The Lord Privy Seal said he entirely agreed. In fact, the actions the two sides took should bolster confidence. The two countries had a common interest in promoting confidence in Hong Kong, and helping to increase it.

13. Premier Zhao repeated that he had not yet had a detailed report on Sir Murray MacLehose's talks in Guangdong, but he had heard that the Governor had said that he would encourage more

Hong Kong capital investment in Shenzhen. He appreciated the Governor's approach. The Lord Privy Seal commented that this had HMG's support.

14. The conversation then turned to the Guangdong nuclear power station project. Discussion is recorded separately in Peking tel no. INDUS 001 to the DOI.

15. Before the meeting ended, The Lord Privy Seal told Premier Zhao that he would have to speak to the press both in Peking and elsewhere about his visit to China. He would like to be able to report his understanding of the Chinese Government position on Hong Kong, namely that they were committed to the continued prosperity of Hong Kong as a free port and a commercial and financial centre. After conferring with Vice Foreign Minister Zhang Canming, Premier Zhao said Mr. Atkins could use words to the effect that his understanding of the Chinese Government's position was that, when they addressed themselves to the question of the future of Hong Kong, they would take into consideration the prosperity of Hong Kong as a free port and as a commercial and financial centre.

16. The Lord Privy Seal said that he had originally wanted to ask the Premier for details about the Chinese plan to reduce bureaucracy in China - but time was running out. He hoped that Premier Zhao Ziyang could explain this to him on a future occasion because the British Government was seeking to do the same thing.

17. In conclusion Premier Zhao said that relations between Britain and China were currently very good and that the Chinese side were very satisfied. On major international issues and especially how to cope with Soviet hegemonism they had many points in common. In the trade and economic field, China would adhere to its open-door policy. Co-operation between Britain and China was good; the Chinese economy had improved in 1981 and was in a healthy condition. He was sure it would continue

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to improve. The volume of Sino-British trade was not at present very great, but there was tremendous scope for development. Both sides should have confidence in this and try to work out appropriate ways to increase trade.

Copies to:-

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September 1982

PRIME MINISTER'S VISIT TO THE FAR EAST

16-29 SEPTEMBER 1982

Brief by Foreign and Commonwealth Office

THE FUTURE OF HONG KONG

[The Background part only of this Brief is attached.

The Points to Make will follow separately.]

14 SEP 1982

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BACKGROUND

1. This is contained in the following Annexes:

Annex A: Text of the Treaty of Nanking by which Hong Kong Island was ceded by China in perpetuity in 1842.

Annex B: Text of the First Convention of Peking by which the Kowloon Peninsula and Stonecutters Island were similarly ceded in 1860.

Annex C: Text of the Second Convention of Peking by which China leased the New Territories to Britain for 99 years in 1898.

Annex D: A note on the extent of interdependence of the ceded areas and the New Territories.

Annex E: The 'Nine Principles' for the reunification of Taiwan and China outlined by Ye Jianying, Chairman of the Standing Committee of the National People's Congress, in September 1981.

Annex F: The record of a meeting between Mr Humphrey Atkins (then Lord Privy Seal) and Ji Pengfei in Peking on 5 January 1982 (paragraphs 11 - 13).

/ Annex G:

Annex G: The record of a meeting between Mr Humphrey Atkins and Zhao Ziyang in Peking on 6 January 1982.

Annex H: The record of a meeting between Mr Edward Heath and Deng Xiaoping in Peking on 6 April 1982.

Annex I: A paper by Hong Kong's Chief Secretary, endorsed by the Governor on 'Why the Continuation of British Administration is necessary for the maintenance of prosperity and stability in Hong Kong'.

Annex J: A chronology of major events and Chinese statements concerning Hong Kong.

Annex K: Statements by HMG and the last Labour Government on the commitment to Hong Kong.