

00 F C O

00 PEKING

00 HONG KONG

GRS 470

S E C R E T

FM TOKYO 201510Z SEP 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 563 OF THE 20 SEP 82

INFO IMMEDIATE PEKING AND HONG KONG (PERSONAL FOR GOVERNOR)

## PRIME MINISTER'S TALKS WITH MR. SUZUKI (20 SEPT)

1. FOLLOWING DISCUSSION OF THE SITUATION IN CHINA, THE PRIME MINISTER EXPLAINED TO SUZUKI A LITTLE OF HER THINKING ON THE PROBLEM OF THE FUTURE OF HONG KONG.
2. THE PRIME MINISTER EMPHASISED THE IMPORTANCE OF MAINTAINING THE PROSPERITY AND STABILITY OF HONG KONG. SHE WOULD TRY TO CONVINCE THE CHINESE LEADERS THAT FOR CONFIDENCE TO CONTINUE THERE WOULD HAVE TO BE ARRANGEMENTS UNDER WHICH BRITISH ADMINISTRATION CONTINUED. SHE POINTED OUT THAT HONG KONG WITH ITS FREE ENTERPRISE ECONOMY HAD INVESTMENTS FROM THE WHOLE WORLD INCLUDING JAPAN. AN INDEPENDENT HONG KONG DOLLAR AND THE FREE ENTERPRISE SYSTEM, COUPLED WITH THE BRITISH SYSTEM OF LAW, HAD PRODUCED A GOOD COMBINATION BETWEEN CHINESE PEOPLE AND BRITISH ADMINISTRATION. THE CHINESE THOUGHT THAT BRITAIN GOT REVENUE FROM HONG KONG. WE DID NOT TAKE A SINGLE DOLLAR OR POUND. THE MONEY WAS ALL PLOUGHED BACK INTO HONG KONG. AND THERE WAS NO ECONOMIC ASSISTANCE FROM HONG KONG.
3. HER TASK WAS TO CONVINCE THE CHINESE GOVERNMENT THAT IF THERE WAS ANY SUGGESTION OF A BASIC CHANGE IN THE ADMINISTRATION THERE COULD BE A COLLAPSE OF THE HONG KONG DOLLAR, PROPERTY VALUES WOULD DROP AND THE RESULT COULD BE DISASTROUS. SHE HOPED THAT IT WOULD BE POSSIBLE TO ENTER INTO TALKS WITH THE CHINESE GOVERNMENT IN ORDER TO ASSURE PEOPLE THAT PROSPERITY AND STABILITY WOULD CONTINUE IN HONG KONG.
4. SUZUKI RECOGNISED THAT HONG KONG WAS PRIMARILY A BILATERAL ISSUE BETWEEN THE UK AND CHINA. BUT BECAUSE OF JAPAN'S ECONOMIC RELATIONSHIP WITH HONG KONG AND THE MANY CONTACTS THERE, JAPAN HAD A DEEP INTEREST IN ITS FUTURE. HE ADVISED THAT IT WOULD BE WISE TO TRY AND HAVE A FRANK TETE-A-TETE WITH DENG XIAOPING. ON THE TERRITORIAL DISPUTE ABOUT THE SENKAKU ISLANDS, HE HAD FOUND DENG PARTICULARLY HELPFUL. DENG IN EFFECT HAD SAID THAT IT WAS IMPORTANT TO CONCENTRATE ON THE POINTS IN COMMON AND SET ASIDE SMALL DIFFERENCES. THE FUTURE OF THE SENKAKU ISLANDS COULD BE LEFT TO THE DECISION OF POSTERITY. SINCE THEN THE CHINESE HAD NEVER REFERRED TO THE SENKAKU DISPUTE AGAIN.
5. DONALD SUBSEQUENTLY STRESSED TO THE JAPANESE FOREIGN MINISTRY THE EXTREME IMPORTANCE OF NOT DIVULGING ANY OF THE SUBSTANCE OF THIS EXCHANGE. IN SPEAKING TO THE PRESS WE SHALL ACKNOWLEDGE ONLY THAT THE SUBJECT OF HONG KONG WAS DISCUSSED BRIEFLY.

OORTAZZI