

SECRET

Mr Coles 25  
No 10 Downing St

GR 850  
SECRET  
DEDIP

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DESKBY BOTH 051200Z  
FM PEKING 051010Z OCT 82  
TO IMMEDIATE F C O  
TELNO 620 OF 5 OCTOBER  
INFO IMMEDIATE (DESKBY 05126Z) HONG KONG (PERSONAL FOR  
GOVERNOR).

MR 6/10

h.a.

FOR DONALD, AUS

FUTURE OF HONG KONG

1. I SAW VICE-FOREIGN MINISTER ZHANG WENJIN THIS AFTERNOON AND SPOKE AS INSTRUCTED, IE MY PARAS 2, 3 AND 4 OF TELNO 611 AS AMENDED BY THE LAST SENTENCE OF PARA 5 OF HONG KONG TELNO 1105. IN VIEW OF THE ADDITIONAL POINTS IN YOUR TELNO 466, I MADE TWO SMALL VARIATIONS IN THE TEXT:

(A) SINCE WE ENVISAGED PUBLICITY FOR THE FIRST CONTACT, I TOLD SHANG THAT THE SPECIFIC VENUE IN PEKING ETC WOULD BE KEPT SECRET AND ON VENUE, FOR EXAMPLE, WE WOULD PROPOSE ONLY TO TELL THE PRESS THAT THE TALKS WERE BEING HELD IN PEKING SEMICOLON

(B) IN VIEW OF THE POSSIBLE ATTENDANCE OF THE GOVERNOR AT THE FIRST TALK ON SUBSTANCE, I ADDED THAT THE BRITISH TEAM MIGHT FROM TIME TO TIME INCLUDE THE GOVERNOR OF HONG KONG.

I ARRANGED FOR MY OPENING STATEMENT TO COVER BOTH MODALITIES AND GUIDELINES. AS EXPLAINED LATER, WE DID NOT GET TO THE QUESTION OF AGENDA OR DATES.

2. ZHANG REHEARSED THE CHINESE POSITION. CHINA WAS GREATLY CONCERNED ABOUT PROSPERITY AND STABILITY IN HONG KONG BUT SOVEREIGNTY CAME FIRST. ON THE PREMISE THAT CHINA WOULD RECOVER SOVEREIGNTY NOT LATER THAN 1997, CHINA WOULD SEEK THE COOPERATION OF THE BRITISH SIDE ON THE QUESTIONS OF HOW TO MAINTAIN STABILITY AND PROSPERITY, ENSURE A GOOD HANDOVER TO CHINA AND MAINTAIN STABILITY AND PROSPERITY DURING THE TRANSITIONAL PERIOD. IF THE TWO SIDES BEGAN TALKS THEY SHOULD FIRST OF ALL DISCUSS THE PREMISE. IF THIS WAS TACKLED FIRST THEN IT WOULD BE EASY TO DISCUSS THE MATTER OF STABILITY AND PROSPERITY. AFTER CHINA HAD RECOVERED SOVEREIGNTY OVER HONG KONG IT WOULD PURSUE SPECIAL POLICIES APPROPRIATE TO LOCAL CONDITIONS. IT WAS NOT POSSIBLE SUBJECTIVELY TO SEPARATE SOVEREIGNTY FROM ADMINISTRATION. ADMINISTRATION WAS ONE FORM OF EXERCISE OF SOVEREIGNTY BY A COUNTRY. IT WAS UNTHINKABLE THAT HONG KONG WOULD BE ADMINISTERED BY ANOTHER COUNTRY AND BY BRITAIN IN PARTICULAR. IF THE PREMISE OF SOVEREIGNTY WAS SOLVED IT WOULD BE EASY TO ACHIEVE POSITIVE RESULTS IN TALKS ABOUT STABILITY AND PROSPERITY.

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3. I REPLIED THAT THE CHINESE POSITION WAS VERY CLEAR BUT SO WAS MY PRIME MINISTER'S . SHE HAD TOLD THE CHINESE LEADERS THAT SHE COULD NOT CONTEMPLATE MAKING RECOMMENDATIONS TO PARLIAMENT ON SOVEREIGNTY UNLESS SHE WAS FULLY SATISFIED ABOUT THE ARRANGEMENTS FOR ADMINISTERING HONG KONG AFTER 1997.

4. ZHANG ELABORATED FURTHER ON THE LINES OF PARA 2 ABOVE, SAYING THAT IF THE TWO SIDES DID NOT SHARE A COMMON VIEW ON SOVEREIGNTY AND IF THE BRITISH SIDE PERSISTED WITH THE IDEA OF BRITISH ADMINISTRATION, THEN DIFFERENCES OF PRINCIPLE WOULD EMERGE AND IT WOULD BE HARD FOR THE TALKS TO PROCEED. I ASKED HIM TO CLARIFY WHETHER HE WAS SAYING THAT IT WAS POSSIBLE TO HAVE TALKS ADMITTING THAT THERE WERE DIFFERENCES BETWEEN THE TWO SIDES, OR WHETHER HE WAS MAKING IT AN ABSOLUTE PRECONDITION FOR TALKS THAT THERE SHOULD BE PRIOR AGREEMENT ON SOVEREIGNTY.

ZHANG REPLIED THAT ALTHOUGH THERE WERE DIFFERENCES WE COULD STILL ENTER INTO TALKS, BUT THE PREMISE PROBLEM MUST BE SOLVED (SEMI-COLON) ONLY BY DOING SO. ONLY COULD DISCUSSIONS ON SPECIFIC QUESTIONS PROCEED: WE WOULD RUN UP AGAINST THE PREMISE AT ONCE IN TALKS.

5. I THEN REFERRED HIM BACK TO THE JOINT STATEMENT WHERE THE REFERENCE TO RESPECTIVE POSITIONS REFLECTED THE FACT THAT THERE WERE DIFFERENCES OF VIEW ON BASIC POINTS. FOR THE CHINESE SIDE NOW TO INSIST THAT WE SHOULD ACCEPT PRECONDITIONS NOT EXPRESSED IN THE JOINT STATEMENT WOULD BE INCONSISTENT WITH THE AIM AGREED BY OUR LEADERS AND WOULD FRUSTRATE THEIR INTENTIONS.

6. ZHANG REPLIED THAT HE DISAGREED TOTALLY WITH MY INTERPRETATION OF THE JOINT STATEMENT. AFTER FURTHER ARGUMENT TO AND FROM HE SAID THAT THE CHINESE SIDE COULD NOT PUT ASIDE SOVEREIGNTY AND DISCUSS STABILITY AND PROSPERITY. THE CHINESE LEADERS WOULD NOT BE ABLE TO ACCOUNT TO THE CHINESE PEOPLE. I SAID THAT I FULLY UNDERSTOOD THIS (SEMI-COLON) MY PRIME MINISTER'S STATEMENT (PARA 3 ABOVE) INDICATED THAT WE DID NOT INTEND TO PUT ASIDE THE SOVEREIGNTY QUESTION ALTOGETHER.

7. ZHANG THEN SLIGHTLY MODIFIED HIS POSITION SAYING THAT IF THE QUESTION OF SOVEREIGNTY WAS NOT TOTALLY SOLVED FIRST AT THE TALKS THERE SHOULD AT LEAST BE A SETTLEMENT IN PRINCIPLE ON THE SOVEREIGNTY QUESTION PROVIDING A FRAMEWORK FOR SPECIFIC DISCUSSIONS ON THE MAINTENANCE OF STABILITY AND PROSPERITY. THIS SETTLEMENT OF PRINCIPLE SHOULD COME FIRST.

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8. AFTER FURTHER DISCUSSION I SAID THAT ZHANG'S STATEMENT WAS VERY DISAPPOINTING. I EXPECTED THE ARGUMENT IN PARA 5 ABOVE AND SAID I MUST SEEK INSTRUCTIONS. I ADDED THAT ON A PERSONAL BASIS I MUST POINT OUT THAT HE WAS ASKING FOR SOMETHING WHICH WAS BEYOND MRS THATCHER'S POWER TO GIVE, EVEN IF SHE WISHED TO.
9. I THEN ASKED IF HE HAD ANY COMMENT ON THE PRACTICAL PROPOSALS I HAD MADE AT THE BEGINNING OF OUR MEETING. HE SAID THESE WERE MINOR MATTERS. IF OUR OPINIONS CONVERGED ON MAJOR ISSUES THEN MINOR ISSUES WERE EASY. BUT THE CHINESE SIDE WOULD CONSIDER OUR PROPOSALS.
10. AS I LEFT, I SAID THAT WE WOULD RESPOND TO PRESS QUESTIONS BY SAYING THAT CONTACTS HAD BEGUN. AFTER A LITTLE HESITATION HE AGREED.
11. I SHALL SEND TOMORROW MY COMMENTS AND RECOMMENDATIONS FOR FURTHER ACTION. MY IFT CONCERNS THE QUESTION OF PUBLICITY FOR THIS MEETING

CRADOCK

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HD/ HK+GD

HD/ FED

HD/ PLANNING STAFF

PS

PS/ LORD BELSTEAD

PS/ PUS

MR GIFFARD

MR DONALD

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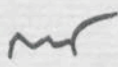
SECRET

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PRIME MINISTER

Future of Hong Kong

I attach Sir Percy Cradock's account of his discussion with Vice Foreign Minister Zhang Wenjin today. It is not very encouraging but I am sure that we must ~~always~~ remember that the Chinese are still standing on their opening position - they may move later if we adopt the right approach.

Percy Cradock will send his recommendations tomorrow on how we should proceed. We shall then let you have advice. 

The Governor will say in his speech tomorrow that, following your visit, contacts with the Chinese have now begun.

A. & C.

5 October 1982

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OO HONG KONG (DESKBY 060100Z)  
GRS 39  
SECRET  
DESKBY 060100Z  
FM FCO 051500Z OCT 82  
TO IMMEDIATE HONG KONG  
TELEGRAM NUMBER 813 OF 5 OCTOBER  
INFO IMMEDIATE PEKING  
FOR GOVERNOR FROM DONALD  
PEKING TELNO 621: FUTURE OF HONG KONG, PUBLICITY  
1. WE AGREE.

MR 6/10

f-a.

PYM  
NNNN

XXX

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SECRET

00 FCO (DESKBY 051200Z)

29

00 HONG KONGB(DESKBY 051200Z)

GRS 60

SECRET

DEDIP

DESKBY BOTH 051200Z

FM PEKING 051100Z OCT 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 621 OF 5/10/82

REPEATED INFO IMMEDIATE HONG KONG (DESKBY 051200Z) (PERSONAL  
FOR GOVERNOR)

*h.a.*

PERSONAL FOR DONALD

*OR 10/6*

MIPT: CALL ON ZHANG WENJIN: HONG KONG TALKS:

PUBLICITY

1. IN VIEW OF PARA 10 OF MY IPT IT SHOULD NOW BE POSSIBLE TO

INCLUDE IN THE GOVERNOR'S LEGCO SPEECH A REFERENCE ON THE  
LINES OF THE AGREED FORMULATION (PARA 4 OF YOUR TEL NO 466)  
AND TO RESPOND TO PRESS ENQUIRIES IN THE SAME SENSE.

CRADOCK

NNNN

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GR 100 AMENDED DISTRIBUTION 5 OCT 1982

SECRET  
FM HONG KONG 050940Z OCT 82  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1117 OF 5 OCTOBER

Prime Minister  
See also the bank's  
analysis attached  
A-26-6-10

FOLLOWING FOR DONALD FROM GOVERNOR

YOUR TELNO 809: FUTURE OF HONG KONG

THE FALL IN THE VALUE OF THE HONG KONG DOLLAR OVER THE PAST WEEK IS OF GREATER CONCERN THAN THE FALL IN THE HANG SENG INDEX, THOUGH THE LATTER HAS ALSO BEEN PRONOUNCED. THERE ARE A NUMBER OF FACTORS AT WORK, INCLUDING THE STRENGTH WORLDWIDE OF THE U.S. DOLLAR, THE OUTLOOK FOR WORLD TRADE AND THE DULL STATE OF THE PROPERTY MARKET HERE. BUT THE MOST IMPORTANT INFLUENCE HAS UNDOUBTEDLY BEEN NERVOUSNESS ABOUT THE FUTURE IN THE LIGHT OF THE PRIME MINISTER'S TALKS IN PEKING AND FUELLED BY THE VARIOUS STATEMENTS AND ARTICLES ABOUT SOVEREIGNTY WHICH THE CHINESE HAVE PUT OUT SINCE. I SHALL OF COURSE DO WHAT I CAN TO CALM THE SITUATION AND BOLSTER CONFIDENCE IN MY LEGCO SPEECH TOMORROW.

ML 7/10  
v.c.

YOUDE

LIMITED  
HD/ HK+GD  
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HD/ RESID  
HD/ FED  
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PS/ LORD BELSTEAD  
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27 (5/2)

D E D I P

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DESKBY FCO 051000Z

DESKBY PEKING 051100Z

FM HONG KONG 050940Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1116 OF 5 OCTOBER

INFO IMMEDIATE PEKING (PERSONAL FOR AMBASSADOR)

OR 5/10  
f-a-

To PEKING

YOUR TELNO 466: FUTURE OF HONG KONG : LEGCO SPEECH.

1. IN THE LIGHT OF YOUR TEL UNDER REFERENCE AND THE FACT

THAT THE AMBASSADOR IS CALLING ON ZHANG WENJIN THIS AFTERNOON

I PROPOSE TO SAY IN MY LEGCO SPEECH THAT:

"MEETINGS IN PEKING TO FOLLOW UP MRS THATCHER'S VISIT HAVE BEGUN".

THIS IS TO MEET THE NEED FOR THE TEXT OF THE SPEECH TO BE FINALISED TONIGHT FOR PRINTING TOMORROW MORNING (OCT 6).

2. TO KEEP OUR HANDS FREE IN COMMENTING ON THE QUESTION OF PARTICIPATION BY MYSELF OR OTHERS FROM HONG KONG UNTIL THE LAST POSSIBLE MOMENT, I WILL NOT COVER THIS IN MY SPEECH BUT WILL HAVE READY A STATEMENT BY THE GOVERNMENT SPOKESMAN HERE ON THE FOLLOWING LINES FOR ISSUE SOON AFTER I LEAVE THE LEGCO CHAMBER (AT ABOUT 4.30 HONG KONG TIME OCTOBER 6):

"IN ANSWER TO QUESTIONS REGARDING HONG KONG PARTICIPATION IN THE MEETINGS IN PEKING REFERRED TO IN THE GOVERNOR'S SPEECH, A GOVERNMENT SPOKESMAN DREW ATTENTION TO THE PRIME MINISTER'S STATEMENTS AT HER PRESS CONFERENCES TO THE EFFECT THAT THE TALKS WOULD BEGIN THROUGH DIPLOMATIC CHANNELS : WITH ENLARGEMENT AS NECESSARY. THE EXTENT AND LEVEL OF THE HONG KONG PARTICIPATION IN THE BRITISH TEAM WOULD NATURALLY BE DECIDED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TALKS: AND THE GOVERNOR HIMSELF WOULD CERTAINLY BE INVOLVED AS AND WHEN NECESSARY".

3. HE WOULD BE BRIEFED TO STONEWALL ON ALL FURTHER QUESTIONS ABOUT THE TALKS DRAWING ATTENTION TO THE PRIME MINISTER'S ASSURANCES THAT THEY WOULD REMAIN CONFIDENTIAL.

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PS/PUS

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MR/DONAKI

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