



Foreign and Commonwealth Office

London SW1A 2AH

2 November 1982

Prime Minister

10 note.

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HJ 3/u.

Dear John,

Future of Hong Kong

Sir Hugh Cortazzi in Tokyo has been given by the Japanese Foreign Ministry the text of a Japanese cable recording the section on Hong Kong of a talk between Deng Xiaoping and Mr Suzuki during the latter's visit to China at the end of September, immediately after Mrs Thatcher's own visit. The relevant passage, translated by our Embassy from the Japanese text, is attached.

The following remarks by Deng are worth noting:

- a) China will regain sovereignty in 1997; this will not be the object of negotiation. (This tallies with what the Chinese leaders told the Prime Minister in September.)
- b) The Chinese are prepared to discuss how sovereignty can be returned to China and how society and politics would be dealt with after 1997. (This also broadly agrees with the Chinese remarks to the Prime Minister.)
- c) In the 15 years from now until 1997, the Chinese would not make changes in present conditions. (This point was also made to the Prime Minister but is somewhat different from Deng's remark that the Chinese 'would discuss how to ensure a good transitional period of 15 years'. Moreover there is no mention of the threat by Deng that China might have to 'consider the time and formula for the recovery of sovereignty', if there were serious disturbances in Hong Kong in the next 15 years.)
- d) After the return of sovereignty in 1997, China did not intend to change the social system and would maintain Hong Kong as a free port and an international financial centre. So far as law was concerned 'current law' could also be used. (The reference to the social system and the free port and financial centre has been made before but the point about the law was put rather differently by Deng to the Prime Minister when he said that 'the laws enacted in Hong Kong would be relevant'.)

/e) The Chinese



- e) The Chinese wanted talks to take place with HMG within the next 2 years; they would announce in 2 years' time that they were going to retake the sovereignty of Hong Kong. In response to this Mrs Thatcher asked that the Chinese should not at present announce that they were going to retake sovereignty and the Chinese agreed. (The first part tallies with what the Chinese leaders told the Prime Minister; the second part about the Prime Minister's remarks is of course a thoroughly misleading compression.)

Apart from the fragment in point (e) Deng apparently did not tell Mr Suzuki what the Prime Minister herself said. He also omitted any reference to China running Hong Kong as a Special Administrative Zone, China not letting anyone else run Hong Kong on her behalf, and the fact that, if it came to the crunch, recovery of sovereignty took priority over the maintenance of prosperity. In other words, Deng, not surprisingly, confined himself to attempting to present a reasonable attitude, and led up to the reassurance to Japanese industrialists that their interests would be safeguarded.

We propose to reply to Sir Hugh Cortazzi asking him to thank the Japanese for sharing this information with us and to let them know in confidence that Mrs Thatcher's main points in talking to the Chinese were that Hong Kong's stability and prosperity depended to a very large extent on the continuance of British administration, and that HMG had a moral commitment to the welfare of the people of Hong Kong.

*Your ever
J E Holmes*

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

S E C R E T

EXTRACT FROM TELELETTER OF 28 OCTOBER FROM HM AMBASSADOR, TOKYO

SUZUKI:

PRIME MINISTER THATCHER, BEFORE HER VISIT TO CHINA, VISITED JAPAN AND TOLD ME THAT SHE WISHED TO DISCUSS THE HONG KONG ISSUE WITH THE CHINESE LEADERS. I ADVISED HER AT THAT TIME THAT SHE SHOULD MEET YOU, DENG XIAOPING, AND TALK TO YOU DIRECTLY ABOUT IT. YOU HAVE MET PRIME MINISTER THATCHER AND DISCUSSED WITH HER THE HONG KONG ISSUE I BELIEVE AND I WOULD LIKE TO ASK WHAT YOU THOUGHT.

DENG:

WE STATED CLEARLY TO PRIME MINISTER THATCHER THAT WITHOUT FAIL WE WILL REGAIN THE SOVEREIGNTY OF HONG KONG IN 1997 AND THIS WILL NOT BE THE OBJECT OF NEGOTIATION. HOWEVER WE CAN DISCUSS SUCH THINGS AS HOW TO RETURN SOVEREIGNTY AND AFTER THAT HOW TO DEAL WITH HONG KONG SOCIETY, POLITICS AND THE SYSTEM THERE. FURTHER IN THE 15 YEARS FROM NOW UNTIL 1997 WE WILL NOT CAUSE ANY CHANGES IN PRESENT CONDITIONS. FURTHERMORE WE ALSO STATED CLEARLY TO PRIME MINISTER THATCHER THAT AFTER THE RETURN OF SOVEREIGNTY IN 1997 WE HAVE NO INTENTION OF CHANGING THE SOCIAL SYSTEM IN HONG KONG AND THAT WE WILL MAINTAIN HONG KONG'S FREE PORT STATUS AND ITS POSITION AS AN INTERNATIONAL CURRENCY CENTRE. IN ADDITION AS FAR AS LAW IS CONCERNED WE CAN USE CURRENT LAW(AFTER THE RETURN OF SOVEREIGNTY). CONCERNING WHAT SORT OF POLICY TO TAKE AFTER THE 15 YEARS WE WISH TO TAKE ACCOUNT OF BRITISH THINKING. WE AGREED THAT WORKING LEVEL TALKS SHOULD BEGIN BETWEEN CHINA AND BRITAIN TO DISCUSS THIS ISSUE. WE CLEARLY STATED TO PRIME MINISTER THATCHER THAT WE WANT THESE TALKS TO TAKE PLACE IN A YEAR AND CERTAINLY IN NO MORE THAN TWO YEARS AND, AT THE LATEST, TWO YEARS HENCE WE WILL ANNOUNCE THAT WE WILL RETAKE SOVEREIGNTY OF HONG KONG IN 1997. IN RESPONSE TO THIS PRIME MINISTER THATCHER ASKED THAT WE SHOULD NOT AT PRESENT ANNOUNCE THAT WE ARE GOING TO RETAKE SOVEREIGNTY OF HONG KONG AND WE AGREED TO THIS.

S E C R E T

S E C R E T

SUZUKI:

I UNDERSTAND. SINCE THE HONG KONG ISSUE IS DEEPLY CONNECTED TO JAPAN AS WELL WE ARE VERY INTERESTED. YOUR EXPLANATION HAS BEEN VERY USEFUL. I WILL KEEP WHAT YOU HAVE SAID IN SECRET.

DENG:

I WOULD LIKE YOU TO TELL JAPANESE INDUSTRIALISTS THAT AFTER THE RETURN OF SOVEREIGNTY IN 1997 WE WANT THERE TO BE NO LOSS OF PROFIT BY JAPANESE, AMERICAN, BRITISH AND OTHERS' BUSINESSES.

S E C R E T

file
Bre
Hong Kong

3 November 1982

FUTURE OF HONG KONG

The Prime Minister has noted the contents
of your letter of 2 November.

John Holmes, Esq.,
Foreign and Commonwealth Office

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ADVANCE COPY

LIM 706/07

SECRET

PP FCO

PP HONG KONG (PERSONAL FOR GOVERNOR)

IMMEDIATE

GRS 360

TR COLES NO ID

SECRET

DOWNING ~~SECRET~~

FROM PEKING 070345Z OCT 82

MS

head in file.

TO PRIORITY FCO

TELEGRAM NUMBER 625 OF 7/10/82

REPEATED FOR INFO TO PRIORITY HONG KONG (PERSONAL FOR GOVERNOR)

PERSONAL FOR DONALD

HONG KONG: JAPANESE PRIME MINISTER'S TALKS

1. THE JAPANESE EMBASSY HERE HAVE GIVEN US IN STRICT CONFIDENCE AN ACCOUNT OF SUZUKI'S TALK WITH DENG XIAOPING ON HONG KONG. THEY PARTICULARLY ASKED THAT IT SHOULD NOT BE REVEALED IN TOKYO THAT THEY HAD DONE SO, PRESUMABLY BECAUSE THEY HAVE NO AUTHORITY.

2. SUZUKI APPARENTLY RAISED THE SUBJECT AND STRESSED JAPAN'S CONCERN ABOUT THE FUTURE OF HONG KONG. DENG MADE IT CLEAR THAT CHINA INTENDED TO RECOVER SOVEREIGNTY OVER HONG KONG BY 1997. THIS COULD NOT BE THE SUBJECT OF NEGOTIATIONS. CHINA WAS HOWEVER PREPARED TO HOLD NEGOTIATIONS ABOUT HOW TO RECOVER SOVEREIGNTY, AND WHAT TYPE OF SOCIOLOGICAL SYSTEM HONG KONG SHOULD HAVE AFTER 1997. THERE SHOULD BE NO CHANGE IN THE STATUS OF HONG KONG OVER THE 15 YEARS TO 1997.

THE CHINESE WOULD LIKE TO HEAR THE OPINION OF THE UK ABOUT WHAT KIND OF POLICIES SHOULD BE PURSUED TOWARDS HONG KONG AFTER 1997. DENG DID NOT MAKE ANY COMMENTS ON THE BRITISH ATTITUDE DURING MRS THATCHER'S VISIT. HE DID HOWEVER SAY THAT THE DISCUSSIONS ON THE FUTURE OF HONG KONG SHOULD TAKE PLACE OVER A RELATIVELY SHORT PERIOD. HE ASKED SUZUKI TO CONVEY A

MESSAGE TO JAPANESE ENTERPRISES THAT AFTER THE RECOVERY OF SOVEREIGNTY CHINA HAD NO INTENTION OF DAMAGING THE FINANCIAL OR OTHER INTERESTS OF JAPANESE, UK OR US ENTERPRISES.

3. THE EMBASSY COMMENTED THAT DENG DID NOT ELABORATE ON WHAT HE MEANT BY 'RECOVERING SOVEREIGNTY', WHICH THEY REGARDED AS A SOMEWHAT FLEXIBLE EXPRESSION. THEY HAVE PROMISED TO KEEP US INFORMED OF ANYTHING FURTHER THEY HEAR FROM THE CHINESE ABOUT HONG KONG. THEY DO NOT EXPECT BRIEFING IN RETURN.

4. I LEAVE YOU TO REPEAT THIS TO TOKYO IF YOU WISH.