

**RESTRICTED***May King*

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FM HONG KONG 300950Z NOV 82  
TO PRIORITY FCO  
TELEGRAM NUMBER 1405 OF 30 NOVEMBER  
INFO PRIORITY PEKING

*A.J.C. 39/4*

FUTURE OF HONG KONG: PRESS COVERAGE

REMARKS MADE BY THE LEADER OF THE HONG KONG FACTORY OWNERS DELEGATION

HUANG JIAN, ON HIS RETURN FROM CHINA WERE GIVEN PROMINENT AND EXTENSIVE COVERAGE IN ALL PAPERS ON 29 NOVEMBER. THE REPORTS COVERED THE POINTS ALREADY FILED FROM PEKING AND REPORTED IN MY TELNOS 1354 AND 1394. HUANG ALSO SAID AT HIS PRESS CONFERENCE THAT THE SOLUTION TO THE PROBLEM OF HONG KONG'S FUTURE WOULD BE KNOWN WITHIN A YEAR; AND THAT LIAO HAD WARNED THAT SOVEREIGNTY COULD BE REGAINED AT ANY TIME IF THE LOCAL ECONOMY CONTINUED TO DETERIORATE. HUANG IS REPORTED TO HAVE PRONOUNCED HIMSELF SATISFIED WITH THE ASSURANCES HE RECEIVED IN PEKING. (COMMENT: HUANG IS A SMALL MANUFACTURER WHO CUTS LITTLE ICE HERE).

2. PENG ZHEN'S ADDRESS TO THE OPENING SESSION OF THE NPC ON 26 NOVEMBER (PEKING TELNO 800) WAS WIDELY REPORTED IN THE HONG KONG PRESS, BOTH COMMUNIST AND-INDEPENDENT, ON 27 NOVEMBER. THE ABSENCE OF ANY SPECIFIC REFERENCE TO HONG KONG TRIGGERED OFF A NUMBER OF EDITORIAL COMMENTS. THESE WERE SUBSEQUENTLY OVERTAKEN BY A COMMENTARY IN THE TA KUNG PAO ON 28 NOVEMBER WHICH MADE IT CLEAR THAT ARTICLE 31 WAS INTENDED TO APPLY TO HONG KONG AS WELL AS TO TAIWAN. THE COMMENTARY REPEATED THE NOW FAMILIAR LINE THAT WORRIES ABOUT WHETHER THE UNDERTAKINGS GIVEN BY LIAO CHENGZHI COULD BE IMPLEMENTED WERE GROUNDLESS.

3. THE COMMUNIST PRESS ON 29 NOVEMBER REPORTED PROMINENTLY A CHINA NEWS SERVICE DESPATCH REPORTING DISCUSSION IN THE HONG KONG AND MACAU SUB COMMITTEE OF THE CHINESE PEOPLE'S POLITICAL CONSULTATIVE CONFERENCE (CPPCC). ACCORDING TO THESE REPORTS THE SUB COMMITTEE, WHICH INCLUDES MEMBERS FROM HONG KONG AND MACAU, HAD PLEDGED SUPPORT FOR THE RECOVERY OF SOVEREIGNTY OVER HONG KONG AND HAD REFUTED THE THESES THAT QUOTE THE TREATIES REMAIN VALID UNQUOTE AND THAT QUOTE BRITAIN SHOULD CONTINUE ITS ADMINISTRATION UNQUOTE. THE DESPATCH ALSO QUOTED HENRY FOK (A HONG KONG BUSINESSMAN AND MEMBER OF THE SUB COMMITTEE) AS SAYING THAT BRITISH OFFICIALS IN HONG KONG WERE AWARE THAT HONG KONG WOULD BE RECOVERED AND THAT THE QUESTION FOR DISCUSSION WAS HOW HONG KONG'S ECONOMY SHOULD REMAIN STABLE AND PROSPEROUS DURING THE TRANSITIONAL PERIOD LEADING UP TO RECOVERY OF SOVEREIGNTY.

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4. THE WEN WEI PO OF 29 NOVEMBER REPRODUCED THE MAIN POINTS OF AN ARTICLE FROM THE LEFT WING MAGAZINE QUOTE WIDE ANGLE UNQUOTE SETTING OUT IDEAS ON HOW HONG KONG WOULD FUNCTION AS A SPECIAL ADMINISTRATIVE REGION, AND IN PARTICULAR POINTING OUT THE DIFFERENCES BETWEEN A SPECIAL ADMINISTRATIVE REGION AND A SPECIAL ECONOMIC ZONE (FURTHER DETAILS OF THE WIDE ANGLE ARTICLE WERE GIVEN IN MARGOLIS' TELELETTER OF 25 NOVEMBER TO HOARE (HKGD)).

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FUTURE OF HONG KONG

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FM HONG KONG 270338Z NOV 82  
TO PRIORITY F C 0  
TELEGRAM NUMBER 1394 OF 27 NOVEMBER  
INFO PRIORITY PEKING

A.J.C. 29/a

h-a.

MY TELNO 1354 : FUTURE OF HONG KONG : PRESS COMMENT

1. THE TA KUNG PAO ENGLISH WEEKLY SUPPLEMENT DATED 25 NOVEMBER PUBLISHED A COMMENT ON LIAO CHENGZHI'S MEETING WITH THE HONG KONG FACTORY OWNERS ASSOCIATION REPORTED IN MY TUR. IT SAID THAT LIAO'S REMARKS WERE MORE AUTHORITATIVE THAN ANY OTHER RECENT STATEMENTS AND HAD SPELT OUT IN MORE CONCRETE TERMS THE CONDITIONS FOR MAINTAINING HONG KONG'S STABILITY AND PROSPERITY. THE ARTICLE DESCRIBED THE PHILOSOPHICAL JUSTIFICATION FOR THE PRESERVATION OF THE CAPITALIST SYSTEM IN HONG KONG: IN AN UNDER-DEVELOPED COUNTRY LIKE CHINA, PURE SOCIALISM WAS NOT POSSIBLE. THERE WERE ELEMENTS OF CAPITALISM IN MAINLAND CHINA. THERE NEED THEREFORE BE NO FEAR THAT CHINA'S PROMISES TO HONG KONG WOULD BE SHORT-LIVED. IT WAS IN THIS SPIRIT THAT THE 9 POINT PROPOSAL TO TAIWAN HAD BEEN MADE: MOST OF IT WAS ALSO APPLICABLE TO HONG KONG.

2. THE ARTICLE EXPANDED ON LIAO'S REMARKS ABOUT THE LEGAL SYSTEM REMAINING 'BASICALLY' UNCHANGED. 'ONE CANNOT GRAFT THE SOCIALIST LAW OF THE CHINESE MAINLAND ON SOCIETY IN HONG KONG OR THAT IN TAIWAN'. LIAO'S QUALIFICATION MEANT THAT 'WHILE THE SPIRIT OF THE WHOLE BODY OF THE LAW MAY NOT CHANGE ALL THAT EASILY, CHANGING CIRCUMSTANCES OFTEN CALL FOR AMENDMENTS TO CERTAIN ORDINANCES OR EVEN THE PROMULGATION OF NEW ORDINANCES' THIS HAPPENED ALL THE TIME IN HONG KONG.

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GR 250

SECRET

25

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FM HONG KONG 270444Z NOV 82  
TO ROUTINE F C O  
TELEGRAM NUMBER 1396 OF 27 NOVEMBER  
INFO PEKING (PERSONAL FOR AMBASSADOR)

PEKING TELNO 790 : FUTURE OF HONG KONG

A-J-C. 29 / 11  
f-a

WE HAVE RECEIVED A DETAILED ACCOUNT OF LIAO CHENGZHI'S MEETING WITH THE HONG KONG FACTORY OWNERS ASSOCIATION DELEGATION FROM ONE OF THOSE WHO WAS PRESENT (COPY BY BAG). THIS INCLUDED THE POINT IN PARA 1 (A) OF PEKING TUR BUT NOT, EXCEPT BY IMPLICATION, THE POINT IN PARA 1 (B).

2. A STRONG THEME RUNNING THROUGH LIAO'S REMARKS IS THAT CHINA WILL NOT SEND 'A SINGLE SOLDIER' TO HONG KONG AND THAT IT WILL BE UP TO HONG KONG PEOPLE THEMSELVES TO RUN IT AFTER SOVEREIGNTY HAS BEEN TAKEN BACK. LIAO SEVERAL TIMES ASKED THE FACTORY OWNERS 'DO YOU THINK YOU COULDN'T DO IT?' THIS APPEAL TO CHINESE PRIDE WAS REFLECTED IN THE WEN WEI PO EDITORIAL ON 22 NOVEMBER, WHICH SUGGESTED THAT LOCAL CHINESE WHO DOUBTED THEIR OWN ABILITY TO RUN HONG KONG WERE GUILTY OF WISHING TO PRESERVE THE REMNANTS OF A REGRETTABLE COLONIAL PAST.

3. THE SUBSTANCE OF LIAO'S MESSAGE TO LOCAL PEOPLE IS CLEARLY THAT THE RECOVERY OF SOVEREIGNTY IS INEVITABLE AND THAT THEY MUST ADJUST THEMSELVES TO IT. FROM THE ACCOUNT GIVEN TO US IT IS QUITE CLEAR THAT THE FACTORY OWNERS WERE, FOR THE MOST PART, TOO INHIBITED - OR INTIMIDATED - TO ARGUE THAT THE CHINESE PLAN WOULD NOT WORK.

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FUTURE OF HONG KONG

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Hong Kong

23 B

SECRET

GR 390  
SECRET  
FM PEKING 250320Z NOV 82  
TO ROUTINE F C O  
TELNO 790 OF 25 NOVEMBER  
RPTD INFO HONG KONG.

HONG KONG TELNO 1354: FUTURE OF HONG KONG

1. THE DAILY TELEGRAPH CORRESPONDENT HERE, GRAHAM EARNSHAW, HAS TOLD US THAT, ACCORDING TO THE WEN WEI PO'S PEKING CORRESPONDENT, WHOM EARNSHAW KNOWS WELL AND WHO HE SAYS WAS PRESENT AT THE MEETING BETWEEN LIAO CHENGZHI AND THE HONG KONG FACTORY OWNERS' ASSOCIATION, LIAO MADE TWO FURTHER POINTS NOT LISTED IN TUR:-

(A) THAT IF THE BRITISH DID NOT COOPERATE, CHINA WOULD TAKE BACK HONG KONG BEFORE 1997.

(B) THAT CHINA WAS NOT AFRAID TO SUSTAIN ECONOMIC LOSSES IN HONG KONG IF THAT WAS THE PRICE OF SOVEREIGNTY.

2. IT IS INTERESTING THAT THESE POINTS HAVE NOT YET EMERGED IN THE HONG KONG PRESS, BUT WE MUST EXPECT LEAKAGE BEFORE TOO LONG. IF EARNSHAW'S SOURCE HAS REPORTED ACCURATELY, IT WOULD APPEAR THAT THE CHINESE HAVE NOW LEAKED VIRTUALLY ALL THEIR STATEMENTS TO US IN OUR DISCUSSIONS SO FAR.

3. ALTHOUGH ALL THE ELEMENTS OF LIAO CHENGZHI'S STATEMENT TO HUANG JEN, HAVE ALREADY COME TO US IN VARIOUS WAYS, OFTEN IN SECRET REPORTS, HIS REMARKS CONTAIN MORE DETAIL THAN THE CHINESE HAVE GIVEN SO FAR IN PUBLIC STATEMENTS THAT HAVE COME TO MY ATTENTION, OR EVEN IN TALKS WITH US.

4. POINT (A) IN TUR IS WORRYING, PARTICULARLY GIVEN IN PUBLIC AND FROM THIS SOURCE. GENERALLY, THE STATEMENT, MADE BY THE MAN WHO IS SUPPOSED TO HAVE THE BEST UNDERSTANDING OF THE ISSUE OF ANY MEMBER OF THE CHINESE LEADERSHIP, UNDERLINES THE LACK OF KNOWLEDGE HERE OF THE ESSENTIAL NATURE OF THE HONG KONG PROBLEM.

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5. POINT (G) MAY REPRESENT AN IMPORTANT CONCESSION IN COMMUNIST CHINESE EYES AND COULD PERHAPS POINT TO AN AMENDMENT OF ARTICLE 30 OF THE DRAFT CONSTITUTION.

6. THAT SAID, THIS IS A TOUGH AND UNHELPFUL MESSAGE, WHICH DOES NOT FIT WITH THE SOOTHING NOISES MADE TO SIR Y K KAN'S TRADE DEVELOPMENT COUNCIL DELEGATION A FEW WEEKS AGO. IT IS OF COURSE POSSIBLE (AND, IF SO, DISTURBING) THAT THE CHINESE BELIEVE THE LINE TAKEN BY LIAO WAS ON THE WHOLE A REASSURING ONE. THEY WILL HAVE BEEN ENCOURAGED IN THIS DELUSION IF, AS SEEMS LIKELY, THE INDUSTRIALISTS WERE TOO INHIBITED TO RESPOND HONESTLY.

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FM HONG KONG 220912Z NOV 82  
TO PRIORITY PEKING  
TELEGRAM NUMBER 570 OF 22 NOVEMBER  
INFO PRIORITY F C O

*Nov 23  
11  
h-a*

YOUR TELNO 127: HERALD TRIBUNE STORY ON FUTURE OF HONG KONG

THE IHT ARTICLE APPEARS TO BE BASED ON AN ACCOUNT BY ONE OF THOSE PRESENT OF A MEETING BETWEEN LI JUSHENG AND THE HONG KONG FACTORY OWNERS ASSOCIATION DELEGATION NOW IN PEKING. A BRIEFING SESSION WITH NCNA IS A NORMAL PRELUDE TO SUCH VISITS. WE HAVE RECEIVED A VERY FULL ACCOUNT OF LI JUSHENG'S REMARKS AT THE MEETING (COPY BY BAG). LI APPARENTLY SAID THAT HONG KONG WOULD BECOME A SPECIAL ADMINISTRATIVE REGION, DISTINGUISHED FROM THE EXISTING SPECIAL ECONOMIC ZONES BY ITS RETENTION OF THE CAPITALIST SYSTEM. THE REST OF HIS REMARKS WERE ON LINES NOW BROADLY FAMILIAR. THE REFERENCE TO A "CHARTER" TIES IN WITH A REPORT IN THE HONG KONG ECONOMIC JOURNAL LAST WEEK TO THE EFFECT THAT A GROUP OF HONG KONG BUSINESSMEN MEETING LI JUSHENG HAD ASKED FOR A WRITTEN ASSURANCE FROM CHINESE LEADERS ABOUT HONG KONG'S FUTURE.

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FM PEKING 190800Z NOV 82  
TO ROUTINE HONG KONG  
TELEGRAM NUMBER 127 OF 19/11/82  
REPEATED FOR INFO TO FCO

*Mr 12/11/82  
h-a.*

FUTURE OF HONG KONG

1. INTERNATIONAL HERALD TRIBUNE OF 17 NOVEMBER CONTAINED A REUTERS REPORT FROM HONG KONG, ACCORDING TO WHICH LI JUSHENG (NCNA) TOLD THE HONG KONG FACTORY OWNERS ASSOCIATION THAT THE NPC WOULD SHORTLY CONSIDER A 'CAPITALIST CHARTER' FOR HONG KONG. THE REPORT ENVISAGED A NEW CONSTITUTIONAL ARTICLE DEFINING MORE PRECISELY THE CONCEPT OF SPECIAL ADMINISTRATIVE ZONES, WHICH WOULD BE RELEVANT FOR TAIWAN AND MACAO AS WELL AS HONG KONG.
2. GRATEFUL FOR ANY DETAILS YOU MAY HAVE OF LI'S DISCLOSURE.

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