

GR 990
SECRET
DESKBY 091100Z
FM PEKING 090940Z MAY 83
TO IMMEDIATE FCO
TELNO 416 OF 9 MAY
RPTD INFO IMMEDIATE HONG KONG.

SECRET

*We are still reading
on eggshells but it looks as if
we can start talks
read in full.*

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*Advice will be provided
shortly. A.S.C. '75.*

FUTURE OF HONG KONG

1. I CALLED ON VICE FOREIGN MINISTER YAO GUANG THIS AFTERNOON AT HIS REQUEST TO RECEIVE ZHAO ZIYANG'S REPLY TO MRS THATCHER'S LETTER OF 10 MARCH.
2. YAO GUANG HANDED OVER A LETTER FROM ZHAO (ORIGINAL IN TODAY'S BAG ADDRESSED TO CLIFT). HE SAID THAT ZHAO ATTACHED IMPORTANCE TO MRS THATCHER'S MESSAGE. WHEN IT WAS RECEIVED HE WAS BUSY PREPARING TO GO ABROAD BUT ON HIS RETURN HE HAD DEALT WITH IT IN EARNEST.
3. HE THEN READ FROM A CHINESE COPY OF THE LETTER, ORALLY TRANSLATED BY THE CHINESE INTERPRETER ON AN 'UNOFFICIAL BASIS'. TEXT IN MIFT.
4. HE THEN ADDED SOME WORDS OF EXPLANATION TO THE LETTER, SAYING THAT ZHAO WAS VERY PLEASED TO HAVE MRS THATCHER'S LETTER, ATTACHED IMPORTANCE TO IT AND TO MRS THATCHER'S VIEW OF THE IMPORTANCE OF SINO-BRITISH RELATIONS. ZHAO HAD NOTED MRS THATCHER'S ASSURANCE THAT SHE WAS PREPARED AT A CERTAIN STAGE TO RECOMMEND THE TRANSFER OF SOVEREIGNTY OVER THE WHOLE OF HONG KONG. ZHAO AGREED TO FORMAL SUBSTANTIVE TALKS AS SOON AS POSSIBLE TO CONSIDER WAYS OF TRANSFERRING SOVEREIGNTY AND HOW CHINA AND BRITAIN COULD COOPERATE IN THE TRANSITIONAL PERIOD AND AFTER 1997. IF THE BRITISH SIDE AGREED, THE TALKS COULD BEGIN IN MAY. THE CHINESE LOOKED FORWARD TO A POSITIVE RESPONSE. AT OUR NEXT MEETING YAO GUANG AND I COULD DISCUSS AGENDA, COMPOSITION OF DELEGATIONS AND OTHER MODALITIES.
5. I THANKED YAO FOR THE LETTER, WHICH I WOULD TRANSMIT AT ONCE.
6. I OFFERED SOME PERSONAL COMMENTS, AND SAID I HAD NOTED WITH SOME PLEASURE THAT MRS THATCHER'S LETTER HAD BEEN WELL RECEIVED AND THAT THE REPLY FROM PREMIER ZHAO WAS ONE GIVEN IN A POSITIVE SPIRIT. I NOTICED THE READINESS OF THE CHINESE SIDE TO BEGIN FORMAL TALKS ON THE HONG KONG QUESTION AS EARLY AS THIS MONTH. AS MRS THATCHER'S LETTER MADE CLEAR, WE ALSO APPROACHED THE QUESTION IN A POSITIVE AND FORWARD-LOOKING SPIRIT.
7. FOR PURPOSES OF CLARIFICATION, I SAID I WOULD LIKE TO MAKE A FURTHER COMMENT. I NOTED THAT ZHAO'S REPLY NOTED MRS THATCHER'S ASSURANCE THAT SHE WAS PREPARED AT A CERTAIN STAGE TO RECOMMEND THAT SOVEREIGNTY REVERT TO CHINA. THIS MIGHT BE JUST A MATTER OF TRANSLATION, BUT IF I WERE EXPRESSING IT I WOULD SPEAK ABOUT HER ASSURANCE THAT PROVIDED CERTAIN CONDITIONS WERE MET SHE WOULD

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RECOMMEND THAT SOVEREIGNTY COULD REVERT TO CHINA. I READ THE RELEVANT PASSAGE FROM HER LETTER. A SIMILAR COMMENT WAS REQUIRED ON THE PASSAGE IN ZHAO'S LETTER AGREEING TO HOLDING TALKS "ON THE METHOD OF TRANSFERENCE OF SOVEREIGNTY." TO AVOID MISUNDERSTANDING, I SHOULD PREFER THIS TO READ "TALKS ON HOW THE CONDITIONS MIGHT BE MET TO ENABLE TRANSFERENCE OF SOVEREIGNTY TO TAKE PLACE". THIS MIGHT BE A MATTER OF NO GREAT PRACTICAL SIGNIFICANCE WHEN WE GOT INTO SUBSTANTIVE TALKS, BUT IT WAS IMPORTANT THAT WE SHOULD AVOID ANY MISUNDERSTANDING. I THEN ASKED WHETHER YAO HAD ANY PROPOSALS ON MODALITIES.

8. YAO THEN LAUNCHED INTO ONE OF HIS PIONEER REPETITIONS, OF WHICH THE MAIN POINTS WERE THAT THE CHINESE BASIC POLICY HAD BEEN MADE CLEAR IN THE SEPTEMBER MEETINGS AND THAT SOVEREIGNTY AND PROSPERITY WERE INSEPARABLY LINKED. HE PERSONALLY THOUGHT THAT ZHAO HAD REITERATED CHINA'S POSITION IN HIS LETTER. PREMIER ZHAO HAD TAKEN NOTICE THAT IN HER LETTER MRS THATCHER HAD SHOWN UNDERSTANDING OF THE CHINESE POSITION ON SOVEREIGNTY AND HAD TAKEN NOTE OF THE ASSURANCE SHE HAD MADE WITH REGARD TO THE TRANSFER OF SOVEREIGNTY. IT WAS AGAINST THIS BACKGROUND THAT PREMIER ZHAO SUGGESTED THAT CHINA AND BRITAIN SHOULD START FORMAL TALKS AS SOON AS POSSIBLE. AS TO WHAT WE WOULD DISCUSS AND HOW WE WOULD DISCUSS IT, WE WOULD HOLD FURTHER CONSULTATIONS.

9. I SAID I DID NOT WISH TO LABOUR THE POINT, BUT IT WAS IMPORTANT HE SHOULD REALISE THAT HIS DESCRIPTION OF WHAT MRS THATCHER HAD OFFERED AS AN ASSURANCE WAS NOT AN ACCURATE QUOTATION. YAO REPLIED THAT THIS WAS NOT A DIRECT QUOTATION. THERE HAD BEEN AN ASSURANCE IN MRS THATCHER'S LETTER WHICH WAS IMPORTANT SEMICOLON IT WAS AN EXPRESSION OF HER INTENT. I HAD MENTIONED CONDITIONS FOR THE TRANSFER OF SOVEREIGNTY. THOSE CONDITIONS WERE THE CONSIDERATIONS OF THE BRITISH SIDE. THEY COULD BE DISCUSSED IN TALKS.

10. YAO THEN SAID HE WISHED TO MAKE A POINT ABOUT OUR REFERENCES TO THE PEOPLE OF HONG KONG. HE REFERRED TO THE PASSAGE I HAD QUOTED FROM THE PRIME MINISTER'S LETTER ABOUT THE NEED FOR FUTURE ARRANGEMENTS TO BE ACCEPTABLE TO THE PEOPLE OF HONG KONG AS WELL AS TO OTHER PARTIES. HE SAID THAT THE GREAT MAJORITY OF HONG KONG PEOPLE WERE CHINESE. BEING CHINESE, THEY WERE CLEAR ABOUT HISTORY. THERE WAS THEREFORE NO QUESTION OF WHETHER THE ARRANGMENTS WOULD BE ACCEPTABLE TO THE HONG KONG PEOPLE OR NOT. WHEN CHINA FORMULATED ITS POLICIES TOWARDS HONG KONG IT PROCEEDED FROM THE ACTUAL CONDITIONS IN HONG KONG AND ADOPTED A SPECIAL POLICY. CHINA KNEW THAT BRITAIN UNDERSTOOD HONG KONG AND KNEW WHAT THE PEOPLE THOUGHT. BUT CHINA ALSO HAD CONTACTS WITH HONG KONG PEOPLE AND ALSO KNEW WHAT THEY THOUGHT.

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11. HE SAID HE HAD NOTED WHAT YAO SAID WITH GREAT CARE. MY REFERENCE TO THE PEOPLE OF HONG KONG WAS DERIVED FROM MRS THATCHER'S LETTER. HE COULD ASSURE HIM THAT THE BRITISH GOVERNMENT ATTACHED THE GREATEST POSSIBLE IMPORTANCE TO THE WISHES OF THE HONG KONG PEOPLE. HE WISHED TO PUT THIS ON RECORD, BUT DID NOT WISH TO GET INVOLVED IN FURTHER LONG ARGUMENT.

12. YAO ASKED WHETHER WE COULD NOW AGREE ON THIS BASIS AND DISCUSS THE AGENDA AND THE COMPOSITION OF TEAMS WHEN WE MET NEXT TIME. HE SAID HE WOULD REPORT IMMEDIATELY TO THE PRIME MINISTER AND WOULD RESPOND AS SOON AS HE RECEIVED INSTRUCTIONS.

CRADOCK

FUTURE OF HONG KONG

LIMITED

HD/HKGD

HD/FED

HD/PLANNING STAFF

HD/PUSD

PS

PS/MR HURD

PS/LORD BELSTEAD

PS/FUS

SIR J BULLARD

MR GIFFARD

MR DONALD

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SIR I SINCLAIR LEGAL ADVISER

MR BURROWS LEGAL ADVISERS

MR ROBERTS NEWS D

MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE

MR FLOWER PUSD

MR COLES NO 10 DOWNING ST.

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SECRET

GR 720
SECRET
DESKBY 091100Z
FM PEKING 091020Z MAY 83
TO IMMEDIATE FCO
TELNO 417 OF 9 MAY
AND TO IMMEDIATE HONG KONG.

SECRET

MIPT: FUTURE OF HONG KONG

1. FOLLOWING IS A ROUGH TRANSLATION OF ZHAO ZIYANG'S LETTER TO THE PRIME MINISTER, BASED ON THE INTERPRETER'S ON-THE-SPOT TRANSLATION AND OUR OWN HURRIED GLANCE AT THE CHINESE TEXT:

2. BEGINS. THANK YOU FOR YOUR LETTER OF 10 MARCH 1983. IT REMINDED ME OF THE MEMORABLE DAYS IN SEPTEMBER 1982 WHEN YOU VISITED CHINA AND HAD PLEASANT MEETINGS WITH CHAIRMAN DENG XIAOPING AND MYSELF AND IN A FRIENDLY AND FRANK ATMOSPHERE DISCUSSED IN DEPTH A NUMBER OF QUESTIONS INCLUDING THAT OF HONG KONG. YOU WILL RECALL THAT CHAIRMAN DENG XIAOPING AND I EXPLAINED IN DETAIL THE CONSISTENT STAND OF THE CHINESE GOVERNMENT WHICH IS THAT THE ENTIRE HONG KONG AREA (INCLUDING HONG KONG ISLAND, KOWLOON AND THE NEW TERRITORIES) HAS ALWAYS BEEN CHINESE TERRITORY. IT IS INDISPUTABLE THAT CHINA HAS INHERENT SOVEREIGNTY OVER THE WHOLE HONG KONG AREA.

3. IN THE TALKS WE ALSO TOLD YOU FORMALLY THAT THE TIME WAS NOW RIPE FOR THE SETTLEMENT OF THE HONG KONG PROBLEM, AND THAT THE CHINESE GOVERNMENT WOULD RECOVER CHINESE SOVEREIGNTY OVER THE ENTIRE HONG KONG AREA NOT LATER THAT 1997 AND THAT THIS WOULD INVOLVE RESTORING THE EXERCISE OF THAT SOVEREIGNTY OVER THE WHOLE HONG KONG AREA. I ALSO EXPLAINED THAT THE CHINESE GOVERNMENT'S FUNDAMENTAL PRINCIPLE FOR THE SETTLEMENT OF THE HONG KONG PROBLEM WAS TO RECOVER SOVEREIGNTY WHILE MAINTAINING PROSPERITY, AND THESE WERE TWO PARTS OF AN INTEGRAL WHOLE. ONCE THE QUESTION OF RECOVERY OF SOVEREIGNTY WAS SOLVED, CHINA AND BRITAIN COULD CONTINUE TO EXPLORE THE QUESTION OF HOW TO MAINTAIN THE PROSPERITY AND STABILITY OF HONG KONG. ON THE ABOVE BASIS WE AGREED THAT BOTH SIDES SHOULD CONDUCT TALKS THROUGH DIPLOMATIC CHANNELS WITH THE COMMON AIMS OF MAINTAINING THE PROSPERITY AND STABILITY OF HONG KONG.

4. REGRETTABLY MORE THAN SIX MONTHS HAVE PASSED. THE CHINESE AND BRITISH REPRESENTATIVES HAVE HAD SEVERAL CONTACTS, BUT HAVE NOT ACHIEVED REAL PROGRESS. THE CRUX MUST BE CLEAR TO YOUR EXCELLENCY, IE. THAT THE RECOVERY OF SOVEREIGNTY OVER THE ENTIRE AREA OF HONG KONG IS THE PREMISE AND BASIS FOR FURTHER TALKS.

5. I HAVE READ AND STUDIED YOUR LETTER CAREFULLY. IN THAT LETTER YOU REFER TO THE HIGHEST IMPORTANCE YOU ATTACH TO THE DEVELOPMENT OF SINO-BRITISH COOPERATION AND TO YOUR HOPE THAT THROUGH SINO-BRITISH COOPERATION WE CAN ACHIEVE AN EARLY SETTLEMENT OF THE

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PROBLEM. I AGREE WITH THAT. I ALSO NOTE THE ASSURANCE IN YOUR LETTER THAT YOU ARE PREPARED AT A CERTAIN STAGE TO RECOMMEND TO PARLIAMENT THAT SOVEREIGNTY OVER THE ENTIRE HONG KONG AREA SHOULD REVERT TO CHINA. THE CHINESE GOVERNMENT AGREED TO HOLD OFFICIAL TALKS AS SOON AS POSSIBLE. WITH THE COMMON AIM OF MAINTAINING THE PROSPERITY AND STABILITY OF HONG KONG WE SHOULD BEGIN SUBSTANTIVE TALKS ON THE FORM OF TRANSFERENCE OF SOVEREIGNTY AND HOW CHINA AND BRITAIN CAN COOPERATE IN THE TRANSITION PERIOD BETWEEN NOW AND 1997 AND AFTER 1997.

6. CHINA AND BRITAIN ARE FRIENDLY COUNTRIES ENJOYING VERY GOOD RELATIONS. THE HONG KONG QUESTION IS AN ISSUE BETWEEN CHINA AND BRITAIN LEFT OVER FROM HISTORY AND I BELIEVE THAT THIS CAN BE SETTLED BY BILATERAL DISCUSSIONS BETWEEN THE TWO GOVERNMENTS. THE SETTLEMENT OF THE HONG KONG PROBLEM COULD NOT ONLY HEAL THE HISTORICAL TRAUMA BUT WOULD ALSO GREATLY HELP SINO-BRITISH RELATIONS. THIS IS NOT JUST IN CHINESE INTERESTS BUT ALSO IN BRITAIN'S INTERESTS. OF COURSE THERE ARE STILL DIFFERENCES BETWEEN CHINA AND BRITAIN ON CERTAIN ISSUES OF PRINCIPLE. SO FAR AS THE CHINESE GOVERNMENT IS CONCERNED, I GREATLY HOPE THAT THROUGH THE COMMON EFFORTS OF BOTH SIDES THESE DIFFERENCES MAY BE GRADUALLY NARROWED, LEADING TO SMOOTH PROGRESS IN THE TALKS AND FINALLY TO A SATISFACTORY SETTLEMENT OF THE HONG KONG QUESTION.

7. IN THIS SPIRIT I PROPOSE THAT CHINESE AND BRITISH REPRESENTATIVES SHOULD CONTINUE TO MEET IN PEKING TO DISCUSS THE AGENDA FOR THE TALKS, THE COMPOSITION OF DELEGATIONS AND OTHER RELEVANT MATTERS IN PREPARATION FOR AN EARLY START OF SUBSTANTIVE TALKS.

ZHAO ZIYANG

28 APRIL 1983.

ENDS.

CRADOCK

FUTURE OF HONG KONG

IMMEDIATE

HD/HKGD

HD/FED

HD/PLANNING STAFF

HD/FUSD

PS

PS/MR HURD

PS/LORD BELSTEAD

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