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FM HONG KONG 190245Z JUL 83
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 1031 OF 19 JULY 1983
 INFO IMMEDIATE PEKING

MY TELS NOS 988 AND 1003 AND PEKING TELNO 731 TO HONG KONG :
 FUTURE OF HONG KONG: DENG XIAOPING'S REMARKS TO HONG KONG
 DELEGATES TO THE CPPCC/NPC.

1. ACCOUNTS OF THE CONVERSATION BETWEEN DENG XIAOPING THE
 DELEGATES TO THE NPC/ CPPCC LAST MONTH ARE CONTINUING TO APPEAR
 IN THE LOCAL PRESS, NOTABLY IN THE MAGAZINES OF POLITICAL
 COMMENT LIKE THE MIRROR AND THE SEVENTIES. WE HAVE RECEIVED VIA
 ALLAN LEE (UNOFFICIAL MEMBER OF THE LEGISLATIVE COUNCIL AND
 LEADER OF THE YOUNG PROFESSIONALS DELEGATION) NOTES OF THE
 MEETING TAKEN BY ONE OF THOSE PRESENT. THE MOST SIGNIFICANT
 EXTRACTS ARE AS FOLLOWS (FULL TRANSLATION FOLLOWS BY BAG
 TO HONG KONG DEPARTMENT AND PEKING):-

2. QUOTE

ONE OF THE HONG KONG AND MACAU DELEGATES ASKED IF THE WORD
 'APPROPRIATE' TWICE MENTIONED BY ZHAO ZIYANG IN HIS REPORT
 SIGNIFIED THAT HONG KONG WOULD NOT NECESSARILY BE RECOVERED IN
 1997. DENG XIAOPING REPLIED, 'OUR POSITION HAS REMAINED
 UNCHANGED. 'APPROPRIATE' DOES NOT IMPLY THAT THE
 RECOVERY WILL BE DEFERRED, BUT SIGNIFIES THAT SHOULD THE SITUATION
 GET OUT OF HAND WHEN PEOPLE MAKE TROUBLE, THE ISSUE WILL BE DEALT
 WITH IN AN 'APPROPRIATE' MANNER. WE DO NOT WANT TO SEE THIS
 HAPPEN. WE HOPE TO TAKE HONG KONG BACK IN 1997, BUT THIS IS NOT
 FOR US TO DECIDE.

3. DENG ALSO SAID, 'WHEN EDWARD HEATH VISITED CHINA SEVERAL
 YEARS AGO, I TALKED WITH HIM ABOUT A NUMBER OF THINGS WHICH
 WOULD REMAIN UNCHANGED. THE SOCIAL SYSTEM AND THE LIFE-STYLE WOULD
 BE THE SAME WHILE PEOPLE'S LIVING STANDARDS WOULD NOT BE LOWERED.
 THE LAW MUST UNDERGO CHANGES. NOT TO CHANGE THE LAW AT ALL WOULD
 BE OUT OF THE QUESTION, FOR ANYTHING THAT SMACKS OF COLONIALISM
 OF GREAT BRITAIN MUST BE REMOVED. ON THIS EDWARD HEATH AGREED.'

4. DENG XIAOPING ADDED, 'WHEN MRS. MARGARET THATCHER VISITED
 CHINA, I TALKED WITH HER ABOUT THREE QUESTIONS: (1) TO HOLD THE
 HONG KONG TALKS ON THE PREMISE THAT CHINA WILL REGAIN SOVEREIGNTY
 OVER HONG KONG AND KOWLOON IN 1997: (2) TO DISCUSS THE SYSTEM TO
 BE ADOPTED IN HONG KONG UPON REVERSION OF SOVEREIGNTY AND TO KEEP
 SEVERAL THINGS UNCHANGED: - THE FREE LIFE - STYLE WOULD NOT BE
 CHANGED, THE STATUS OF HONG KONG AS A FINANCIAL CENTRE AND
 FREE PORT WOULD BE MAINTAINED, THE LAW WOULD REMAIN BASICALLY UN-
 CHANGED WHILE THE FINAL JUDICIAL POWER WOULD REST WITH HONG KONG'S
 HIGHEST COURT:

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(3) TO DISCUSS HOW BRITAIN AND CHINA SHOULD CO-OPERATE DURING THE RUN-UP TO 1997 IF HONG KONG'S PROSPERITY WERE NOT TO BE IMPAIRED.' DENG MENTIONED ONCE AGAIN THAT TALKS WITH MRS. MARGARET THATCHER LAST YEAR WERE UNHAPPY. HER EMPHASIS ON THE THREE TREATIES AND BRITISH SOVEREIGNTY OVER HONG KONG WAS UNACCEPTABLE TO CHINA. THE BRITISH HAD NOW CHANGED THEIR POSITION, NO LONGER INSISTING ON THE TREATIES AND SOVEREIGNTY. THIS WAS A CHANGE FOR THE BETTER. THE CHINESE AND BRITISH AUTHORITIES WOULD BE ABLE TO BEGIN FURTHER CONTACTS AND SUBSTANTIVE TALKS. MEANWHILE, SUBSTANTIVE TALKS BETWEEN CHINA AND BRITAIN HAD YET TO BEGIN. HERE THE QUESTION OF 'FACE' WAS INVOLVED. TO BEGIN WITH, THE BRITISH HAD TO ACKNOWLEDGE CHINA'S SOVEREIGNTY OVER HONG KONG AND ACCEPT IT AS A PRE-CONDITION TO THE TALKS. DENG XIAOPING AGAIN SAID, 'WE WILL ENABLE THE BRITISH TO BACK DOWN WITH GRACE.' THE TALKS MIGHT NOT START WITH THE RECOVERY OF SOVEREIGNTY. THE SECOND QUESTION, I.E. WHAT TO DO AFTER 1997, COULD BE TACKLED FIRST. ONCE AGREEMENT WAS REACHED ON THE SECOND QUESTION, THERE WOULD NOT BE MUCH TO BE IRONED OUT ON THE FIRST QUESTION (OF SOVEREIGNTY). DENG XIAOPING THEN INQUIRED OF HONG KONG AND MACAU DELEGATES TO THE NATIONAL PEOPLE'S CONGRESS AND CHINESE PEOPLE'S POLITICAL CONSULTATIVE CONFERENCE HOW THEY VIEWED THE POSITION OF THE BRITISH ON THE QUESTION OF HONG KONG'S FUTURE.

5. ONE OF THE DELEGATES ASKED IF THE HONG KONG ISSUE COULD BE RESOLVED BY WAY OF SIGNING A NEW TREATY WITH THE BRITISH OR EXTENDING THE LEASE. DENG STATED IN CLEAR-CUT TERMS THAT THERE WOULD NEITHER BE ANY NEW TREATY NOR LEASE EXTENSION, ADDING, 'IF I WERE TO AGREE TO AN EXTENSION OF THE LEASE, I WOULD BE REGARDED AS (ANOTHER) LI HONGZHANG.' DENG XIAOPING FURTHER SAID THAT TALKS BETWEEN THE TWO COUNTRIES COULD NOT DRAG ON FOR TOO LONG, OR PEOPLE'S CONFIDENCE WOULD BE ADVERSELY AFFECTED.

UNQUOTE

YOUDE

FUTURE OF HONG KONG

LIMITED
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ED/FED
ED/PLANNING STAFF
ED/PUSD
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR J BULLARD
MR GIFFARD
MR DONALD
MR WRIGHT

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