

PRIME MINISTER'S TALKS WITH PREMIER ZHAO ZIYANG: 19 DECEMBER

POINTS TO MAKE

A. HONG KONG

1. Delighted to meet you again. Remember discussions during 1982 visit. At meeting with Chairman Deng Xiaoping then, agreed that our Governments would begin talks on Hong Kong. Very pleased now back in Peking, at end of negotiations, to sign Joint Declaration. Our two signatures on agreement symbolise high importance which both Governments attach to agreement and successful implementation.
2. Believe Hong Kong agreement fully meets interests of both countries. Provides foundation for people of Hong Kong to build still more flourishing community. Can also form basis for closer and more substantial co-operation between Britain and China - over Hong Kong itself and in fields of trade and technology. Look forward to reviewing co-operation later in discussion.
- ① 3. British Government committed to implementing Joint Declaration in every respect. Appreciate very clear and categorical statements which Chairman Deng Xiaoping and yourself have made to same effect. Have contributed to excellent reception which agreement has had both in international community and Hong Kong.
4. People of Hong Kong have expressed their view. Great majority view agreement positively. Only natural should be some doubts and fears in people's minds: they face momentous and unprecedented change. But Hong Kong people greatly reassured by your statement to Hong Kong Government delegation of China's total commitment to fulfilling agreement.
5. Committed to co-operating very closely with you to put agreement into effect. Joint Liaison Group of great importance as forum for liaison and consultation. Look forward to discussing with you matters for consideration set out in Annex II to Joint Declaration, in order to maintain Hong Kong's position in world trading system; to ensure continued application of international

Zhou Ziyang

1/ New chapter in Sino/British
Co-operation & friendship.

Solves a problem "left over from
the past"

Conforms with interests of British people
and their people in London

"Hong-Kong corporations"

2/ Implement - China ready to do so.

One ~~policy~~ ^{country} - two systems

← - a policy made by Chinese

← gov. of the very careful consideration

Tradition of Chinese relations to
act on good faith

We always live up to our
international commitment

← Besides it is such a good agreement.

No ground for misjudging

China will prove its word by
its deed.

Transitional period. - stability & progress
- otherwise difficulties.
Subjective premises → reality.

rights and obligations affecting Hong Kong; and in due course to help bring about a smooth transition in 1997.

2 6. If the agreement is to be made to work, a task of particular importance will be the drafting of the Basic Law. Considerable part of substance of Basic Law already determined in agreement and its first annex. But there is more. You aware of active concern in Hong Kong about Basic Law and its drafting. Greatly appreciated your statement to Hong Kong Government delegation that when time came to draft Basic Law Chinese Government would solicit opinion from wide range of people in Hong Kong. Basic Law will be as important for maintenance of confidence in Hong Kong as agreement itself. Vital to get it right. Will have to be right for capitalist system which to be maintained there. Courts in Hong Kong will have ^{H-K} British legal system which, under agreement, to be maintained in the Special Administrative Region. They must be able to understand Basic Law.

7. Agreed that until 1997 Britain will have full responsibility for Hong Kong. Can give you personal assurance that will be administered prudently and with foresight, in best interests of Hong Kong people.

3 8. ~~Know fears have been expressed that stability and prosperity~~ ^{must} may not be maintained during remaining years of British administration in Hong Kong. Can assure you that preserving these features of Hong Kong life our ^{principal} ~~highest~~ aim. The Hong Kong Government well aware of risks of social instability and will guard against them. Financial management will be prudent and cautious as ever. Hong Kong already has full control over budget and exchange fund, as will have after 1997. Land leases will be dealt with in accordance with Joint Declaration, which establishes joint commission of Chinese and British officials to oversee matter.

9. Britain derives no direct revenue from Hong Kong, and has no intention of doing so in next 12 years. Overriding objective is to ensure that Hong Kong can pass through the transition to new status as smoothly as possible without weakening of confidence or flight of

Ch. 1 of the new provisions
← - issues will be covered
Forwarded in foreword
"Be prepared".

3 Preparation of Basic Law.

↳ predict our work - Basic Law
will reflect the agreements.

But not later some time.

1st session of Special regional

← 2nd session of 6th Congress.

- a drafting committee will
be setup.

← [In the course of drafting the
view of H.K. people will
be solicited on a wide basis
Probably not later than 1990.]

4 Constitution = in H.K.

Ch. 13 issue - method of selection =

- this defined by Basic Law

More more H.K. people play
a greater role.

capital.

10. On constitutional development you aware of White Paper recently issued by Hong Kong Government. Sets out plans for introduction of indirect elections to some seats on Legislative Council in 1985. These plans entirely consistent with terms of agreement which provides for legislature of Hong Kong SAR constituted by elections. Limited reforms which we envisage are cautious, and not destabilising. If agreement to work, local people in Hong Kong must have sufficient experience to be ready to run their own administration in 1997. Our aim is to give them this experience and assist formation of administration in local hands which is firmly based and effective.

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NON-HONG KONG POINTS

POINTS TO MAKE

A. BILATERAL ISSUES

UK-China Relations: General

1. Successful conclusion of negotiations provides excellent opportunities. Close, substantive relations in both our interests. Political dialogue helped by trust built up in Hong Kong negotiations.
2. Contacts growing in many fields. Right to invest effort in framework: Consular and Double Taxation Agreements concluded this year. Must lay groundwork now for lasting cooperation in 21st century.

Visits

① 3. HM The Queen accepts Chinese invitation in principle; but visit not possible before 1986.

L second half of

② 4. Delighted to welcome Premier Zhao to Britain as early as possible in 1985.

Nuclear Cooperation Agreement

X ③ 5. China's civil nuclear programme offers wide scope for cooperation. Propose we negotiate Nuclear Cooperation Agreement.

Claims

6. Early settlement good for China's commercial image; hope negotiations can begin soon.

Air Services

④ 7. Pleased Cathay Pacific to remain leading international airline under Joint Declaration.

8. Seek further extension for arrangements on BA's Hong Kong-Peking service.

9. Seek greater role for Cathay Pacific in Hong Kong-China services.

UN Law of the Sea Convention (defensive only)

10. Did not prevent EC signing; but not helpful internationally to sign Convention with important flaws.

11. Open to us to sign, if improvements.

B. TRADE

1. Welcome Chinese expressions of wish for trade to grow faster.

2. Energy, transport, telecommunications, industrial modernisation, agriculture and defence are good prospects.

3. Momentum of high-level visits important. Useful meeting with Governor of Guangdong. Propose mission led by Lord Young.

4. On Guangdong Nuclear:

i) welcome progress towards Joint Venture agreement. Full confidence in Lord Kadoorie and China Light and Power. (Defensive: hope Hong Kong Government will approve shortly).

ii) Concerned to have contract signed by 15 January: timetable for commercial negotiations? (Defensive: difficult to extend interest rate beyond that date).

iii) Decision to move China into top ECGC credit premium category. Rate for Guangdong now most favourable possible; but premium not negotiable beyond this.

5. Mention: power generation (additional to Guangdong nuclear); offshore oil; coal mining; aerospace; other projects if time allows.

6. Investment Promotion and Protection Agreement being negotiated. Will help strengthen economic links.

7. Defensive Points:

a) COCOM: Note wish for China's removal from strategic export controls. Changes require agreement of all COCOM members. HMG tries to ensure rapid processing of applications for China.

b) GATT: Any Chinese proposal for full membership will be carefully considered by European Community and GATT as a whole.

c) Import Quotas: Decided by EC. Need to restrict certain products (eg textiles, shoes, pottery, TV sets) to preserve UK industry.

d) Aid/soft credit: Understand wish for attractive financial packages. Constraints on UK aid programme make it difficult to offer bilateral soft credit at present. But UK contributes to international lending agencies eg World Bank, which lend to China.

C. INTERNATIONAL ISSUES

East/West Relations

1. Account of Gorbachev visit to UK.

Sino-Soviet Relations

2. Objectives for Arkhipov visit to China? How far can economic cooperation develop without progress on political issues?

/Indo-China

Indo-China

3. Concerned at renewed Vietnamese offensive near Thai-Cambodian border. Situation on Sino-Vietnamese border? How seriously do you view Soviet military build up in Vietnam?

4. Can Pol Pot be removed without compromising effectiveness of resistance coalition?

Afghanistan

5. Important Pakistan's friends signal support over continuation of supplies to resistance. Not hopeful of progress in UN initiative; need to look beyond.

6. UK will continue to aid Pakistan in coping with Afghan refugees.

Korea

7. Welcome direct inter-Korean talks. Is North Korea able to establish new external policies before succession problems are solved?

South Asia

8. Impressed with performance of Rajiv Gandhi; expect Congress (I) to win election.

9. Prospects for progress on Indo-China border issue? How far can relations improve without its resolution?

10. Concerned at rise in Indo-Pakistan tensions. Expect Zia to win sufficient support in election and referendum to continue in power.