

PART IV

Recommendations for the Prime Minister's Visit to Peking

34. In her talks with Chinese leaders about Hong Kong the Prime Minister's main objectives should be:

- (a) to secure Chinese agreement that negotiations about the future should begin very soon on a basis acceptable to both sides, and that this agreement be registered in a joint statement in terms which will strengthen confidence in Hong Kong;
- (b) failing this, to ensure as far as possible that any public statements made from the Chinese side during or after the visit represent a sufficient step forward to maintain confidence in Hong Kong;
- (c) throughout the discussions and the follow up, to avoid a damaging confrontation with the Chinese.

35. Much will depend on how the Chinese play their hand during the talks. But the evidence suggests strongly that the Chinese will assert that:

- (i) the whole of Hong Kong is Chinese territory. This is to them a matter of principle and Chinese sovereignty must be 'recovered';
- (ii) Subject to this, they wish to preserve the prosperity and stability of Hong Kong;
- (iii) Their present thinking is that this could be achieved by making Hong Kong a 'Special Administrative Region' of China largely run by Hong Kong Chinese under a regime which would preserve the capitalist system, existing law etc. Some British civil

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servants could remain to help with the local administration. But British jurisdiction over Hong Kong would cease.

36. The PRC leaders will probably indicate that they expect this to happen in 1997, and that they are not seeking any early radical change. But they have not ruled out a date before 1997, and they may well suggest that preparatory steps should be agreed soon and introduced gradually so as to ensure a smooth transition.

37. In response the Prime Minister may wish to express the UK's shared concern for the future welfare, stability and prosperity of the territory and respect for the view that its eventual future lies in closer association with the mainland of China. The UK has no 'colonialist' ambitions, and the British Government as such takes no revenue from Hong Kong, but HMG has a clear duty to the people of Hong Kong deriving from 140 years of responsibility for the territory.

38. But the Prime Minister will then need to stress that the key to the maintenance of confidence among international and domestic investors, on which the prosperity and stability of the territory depend, lies in the British connection. Assurances that the present 'systems' will be preserved will not be enough, at least until the Chinese have built up a long track record of consistency. Any official announcement now of the Chinese plan would immediately and seriously undermine confidence. Neither HMG nor the Chinese want this.

39. There will almost certainly be a wide gap between the positions of the two sides. This is likely to be reflected in seriously divergent views on the purpose of follow up talks. On our side we will want talks about arrangements for the continuation of British administration. To that end the Prime Minister may wish to propose the early start of discussions through diplomatic channels aimed at reaching agreement on mutually acceptable arrangements for the future. For their part, the Chinese will no doubt want talks directed to the modalities of resumption of sovereignty probably involving a transition to Special Administrative Region status. They may well push hard for this.

40. The Prime Minister will not wish to agree that the Chinese position should be accepted as the basis on which future talks should be conducted; nor will she wish to make any substantive concession on sovereignty without a clear indication from the Chinese that they would be prepared in return to contemplate the continuation of British administration after 1997. In order to avoid an impasse it is for consideration whether the Prime Minister should indicate willingness in the course of talks, without prejudice to the positions of either side, to discuss ways in which the Chinese position on sovereignty might be protected, provided this was on the strict understanding that in return the Chinese were prepared to accept that no changes should be made in present arrangements for administering the territory for a long time to come. Depending on the course of the discussions, the Prime Minister might go further and hint at

willingness to explore the concept of a 'management contract'. However, a concession of this kind would at best buy no more than Chinese agreement to continuing talks; it would not ensure a favourable outcome.

41. But whatever the gap remaining between the two sides at the conclusion of the Prime Minister's discussions it will be essential, in order to maintain confidence in Hong Kong, to give the impression that progress had been made, at least to the extent of being able to announce at the end of the visit that agreement has been reached on the early commencement of talks aimed at mutually acceptable arrangements for the future. It would also be highly desirable from the point of view of confidence in Hong Kong, but tactics on this would need to be decided on the spot, to announce a date on which this new phase of talks would begin.

42. If agreement on the basis for the talks cannot be reached, we should aim for discussions without commitment on either side. The first stage would probably then be devoted on our side to convincing the Chinese that continued British administration and authority are essential to confidence in Hong Kong; and on the Chinese side to an exposition of their position on sovereignty and their belief that their plan would work. But the talks will almost certainly reach a point where if breakdown is to be avoided, with all the attendant consequences, one side or both will have to shift.

43. At a later stage and depending on the course of the discussions in Peking and subsequent talks, one way of making progress might be to propose that the issue of Hong Kong should be considered in the context of a wider agreement with China on future friendship and cooperation. This would enable Hong Kong to be dealt with as an important feature of such cooperation (particularly with Guangdong Province) and might make it easier for the Chinese to agree to continuing British administration. More concrete ways of easing progress might be financial and other assistance by Hong Kong to China. These ideas would require further consideration in Hong Kong and should only be introduced in the detailed talks if they would clearly help progress on the main issue.

Public Presentation

44. The public presentation especially in Hong Kong of the results of the Prime Minister's visit will also be very important. To maintain confidence, we should seek:

- (a) to avoid any public impression of a clash with the Chinese;
- (b) to emphasise that we and the Chinese share a common objective in maintaining the prosperity and stability of Hong Kong;
- (c) to provide evidence of a step forward (e.g. detailed talks will now be held).

45. Attached at Annex P are some illustrative questions and answers for the press, written on the assumption that, while no

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substantial progress will have been made, agreement will at least have been reached to hold talks on possible arrangements for the future. They would need to be adapted for use in the different contexts of Peking, Hong Kong and London. They could also form the basis for answering questions in Parliament.

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THE FUTURE OF HONG KONG

A SPECIAL STUDY

BY THE FOREIGN & COMMONWEALTH OFFICE

AUGUST 1982

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FUTURE OF HONG KONG

SPECIAL STUDY

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PRIME MINISTER
FIRST LORD OF THE TREASURY

FUTURE OF HONG KONG

SPECIAL BRIEFING

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Do Not Destroy

FUTURE OF HONG KONG

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