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FUTURE OF HONG KONG AND TALKS WITH CHINESE

The following are some preliminary ideas for the Prime Minister's consideration.

1. The First Step

The first step to be taken is to make contact with the Chinese in Peking to set in motion the talks agreed on by the Prime Minister and Chairman Deng. This should be done by H.M. Ambassador to Vice Foreign Minister Zhang Wenjin. At this very first stage Hong Kong officials need not attend, though obviously they would be essential in later stages. The first meeting should cover two broad aspects:

- (a) the guidelines for the talks
- (b) the modalities

2. Guidelines

The question of guidelines could prove difficult since it probably will be the Chinese objective to insist that talks take place on their terms, i.e. acceptance that sovereignty over the whole of Hong Kong must pass to them and that, on that premise, discussions are held simply to ensure stability and prosperity and a smooth transition between now and 1997. This must be resisted. We shall have to insist that the talks take place on the basis of the joint statement by the two leaders, i.e. that having expressed their respective positions the leaders agreed that talks should take place with the common aim of ensuring stability and prosperity. For the Chinese to attempt to add conditions now would be inconsistent with this agreed aim and frustrate the two leaders' intentions.

3. If this argument proves successful it should then be possible to direct talks to analyse the ingredients of Hong Kong's stability and prosperity. We should say that we had made clear our sincerely held belief that only continuing British administration would be able to secure such stability and prosperity, i.e. what obtains here and now. Chairman Deng said he did not

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George Walden
David Wilson

agree. We should very much like to hear from the Chinese details of their proposals for the maintenance of stability and prosperity which should obtain in Hong Kong after 1997. We would then examine their proposals and offer our comments.

4. The object here would be to get the Chinese into detail. We must avoid a situation in which we are continually advancing proposals which are continuously rejected by the Chinese. Once work on detail begins we would need Hong Kong official experts to come to Peking to join the team to cover the various technical aspects under discussion. Their movements should be as discreet as possible.

5. The above is the bright scenario. We must however be prepared for China's insistence that we agree at once that sovereignty should be conceded or at least discussed. If the Chinese prove obdurate we should have a number of courses open to us:
 - (a) after seeking further instructions we could advance further argument, e.g. pointing out that the Chinese were seeking to depart from the agreed common basis and as a result were imperilling the talks and our relations;
 - (b) we could seek agreement on some variant of the formula agreed between the two leaders e.g. "without prejudice to" or "paying due regard to" the positions of both sides;
 - (c) we could deliberately stall for a while;
 - (d) we could send a message via a high level visitor ostensibly in China on other business;
 - (e) we could launch a concurrent discussion through some disavowable channel covering the question of sovereignty. This would obviously need to be handled with great care. The object would be to reassure the Chinese that sovereignty was not to be entirely put on one side and to allow their education on the ingredients of stability and prosperity to continue. There are probably a number of channels

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which could be used but one would be secret contact via the Governor, ostensibly paying a holiday visit to some nearby part of China where he could discuss matters with a Chinese contact on a purely personal basis.

6. Modalities

As indicated above, discussions should be held in the first instance at least in Peking via H.M. Ambassador and Vice Foreign Minister Zhang Wenjin. The Chinese will want us to propose this and since they themselves have proposed the use of diplomatic channels will almost certainly agree. It will be necessary to emphasise that the talks must be secret. The fact that they were being held would of course be known, but no further details should be divulged. The model would be that used by the Americans in discussing the question of Taiwan with the Chinese. This proved very successful and avoided the scrutiny of reporters. The Peking team would be supplemented as occasion required by Hong Kong experts and there would have to be continuous and close consultation with Hong Kong, and the Governor should be seen to be closely involved at all stages. The arrangements should remain flexible, allowing for an occasional high level visitor e.g. if a Minister were appointed in London to take charge of the whole subject he could pay a visit to the scene to familiarise himself. This would be an "event" which would buy us more time. It might also be possible for an occasional message to be passed by a British visitor in China on other business, though here a problem would arise that the visitor would necessarily be ignorant of the detailed background and unable to engage in worthwhile discussions with the Chinese. A special emissary would be undesirable since his movements would attract maximum publicity and arouse dangerously unreal expectations, with consequent damage to confidence when these were disappointed.

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HONG KONG : TALKS

The attached paper simply contains preliminary ideas put together by Sir Reginald, the Governor and Alan Donald.

2. Decisions are not needed at the meeting. In the light of the discussion Reginald and the Governor will telegraph their considered recommendations so that you can consider the matter in London and decide how you wish to pursue the talks. We would aim at a discussion with Anthony Ireland next week - I think you will find it useful to have his views.

3. After the meeting - and before Y. K. Pao comes - Reginald would be grateful for a few minutes with you to say goodbye. He goes back to Peking tomorrow.

A. J. C.