

SECRET



10 DOWNING STREET

From the Private Secretary

11 October, 1982.

Future of Hong Kong: Talks with Chinese Government

Thank you for your letter of 8 October. The Prime Minister agrees that the proposed instructions to Sir Percy Cradock should issue.

Mrs. Thatcher has, however, commented that she remains worried about the Governor's request that he should be enabled to participate in the next meeting in Peking. She feels that we may not be showing sufficient comprehension of his difficult position, and would like the matter to be reviewed after the next meeting between Sir Percy Cradock and the Chinese Government. The Prime Minister has further commented that she hopes that this meeting can be held soon. She will soon have to deal with Parliamentary Questions on this matter, and it would be better if substantive talks had started by then, or if, at least, we were able to announce a date for the commencement of substantive talks.

A. J. COLES

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.

SECRET



Foreign and Commonwealth Office

London SW1A 2AH

8 October 1982

Dear John,

Future of Hong Kong: Talks with Chinese Government

/ I enclose copies of Peking telegrams Nos 620 and
 / 623 reporting and commenting on Sir Percy Cradock's first
 / discussion with Vice-Foreign Minister Zhang Wenjin.
 / Also enclosed is Hong Kong telegram No 1130 giving the
 views of the Governor of Hong Kong.

This was a firm exchange. There was no change in the
 hard line taken by Deng Xiaoping and Zhao Ziyang with the
 Prime Minister. Indeed, Zhang spelt out rather more
precisely that sovereignty should be exercised by China from
 1997 at the latest, that no distinction between sovereignty
and administration was envisaged on the Chinese side, and
 that consequently British administration must end by then.

As the Ambassador points out, the more positive side
 of the discussion was the Chinese acceptance that talks
 could begin despite the differences over sovereignty and in
 particular over the Chinese demand that the premise of the
 Chinese position should be accepted.

Given the Chinese line during the Prime Minister's
 talks, and their public statements since, Zhang's stance is
not surprising. It was to be expected that they would
 adopt a very tough opening position. While there may be
 some room for give on their approach to detail, it is
unlikely that they will shift on their key point of effective
recovery of sovereignty. At present there seems little
 prospect of their accepting the need for British administration.
 But we should still work to this end. Further efforts to
 educate the Chinese leadership will clearly be of high
 importance.

/In these



In these circumstances, and particularly given the need to bolster confidence in Hong Kong, we suggest that our objective must be to keep the contacts with the Chinese going and to be able to demonstrate publicly, especially in Hong Kong, that this is happening. Here we probably have some common ground with the Chinese. As the Ambassador comments, they are unlikely to want a breakdown. They have an interest in maintaining stability and confidence in Hong Kong and experience of their previous negotiations with ourselves and with other countries shows that they have been prepared to continue contacts over a considerable period, even when the two sides fundamentally disagreed. On the other hand the continuing Chinese tactic of presenting their position publicly makes it increasingly difficult to avoid revealing the major differences between the two sides.
 // Hong Kong telegram No 1128 and Peking Telegram No 634 show the Chinese taking this a stage further, and leaking important and damaging points from their leaders' remarks to the Prime Minister.

The Ambassador makes a distinction between talks and contacts, saying that we should get the former going as soon as possible. In his telegram No 636 he emphasises the problem of trying to blur the two. We must certainly avoid a public wrangle with the Chinese on this. Nevertheless, from the point of view of Hong Kong, it is very important to stand on the line taken in the Governor's speech on 6 October to the Legislative Council that meetings have begun to follow up Mrs Thatcher's visit. Provided that we avoid comment on the content of the discussions this should provide reassurance and be sustainable for some time.

The best course would therefore be an amalgam of the options described by the Ambassador in paragraph 3 of his telegram No 623. We may find that we simply cannot move the Chinese but it would be right to re-emphasise the basis of the talks as expressed in the agreed statement following the Prime Minister's discussions. It would be tactically wrong at this stage to make any stronger play with our conditional willingness to consider the sovereignty question, although a repetition of the points already made to Zhang by the Ambassador, to the effect that sovereignty could only be considered if administrative arrangements seemed to be satisfactory, would be helpful.

I enclose a draft telegram of instructions which is in effect the line recommended in paragraph 5 of Peking Telegram No 623 with some modification to take account of the comments above. It also comments on the Governor's suggestion in Hong Kong telegram 1130 that he should take part in the discussions very soon. We do not think that he should do this right away, but suggest a means of involving him if we are able to get talks of substance started.

SECRET



Paragraph 6 of Peking telegram No 623 looks ahead to the next stage and suggests a statement on sovereignty which might induce the Chinese to move on to substantive talks. This would need to be considered after the Ambassador's next round with Zhang. Our initial reaction is that a statement along these lines might prove useful at some stage but would have to be very carefully worded.

Mr Pym saw an earlier version of this letter and the draft telegram but has not been able to see these versions. I am submitting them to him in parallel and will let you have any comments as soon as possible.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

18 OCT 1962



SECRET

GR 850
SECRET
DEDIP

Handwritten: Hk (HKC9D)

Handwritten: 102 000

DESKBY BOTH 051200Z
FM PEKING 051010Z OCT 82
TO IMMEDIATE F C O
TELNO 620 OF 5 OCTOBER
INFO IMMEDIATE (DESKBY 05126Z) HONG KONG (PERSONAL FOR GOVERNOR).

Handwritten: Prime Minister

Handwritten: You have already seen

Handwritten: etc.

Handwritten: RR 8/12

Handwritten: mt

FOR DONALD, AUS

FUTURE OF HONG KONG

1. I SAW VICE-FOREIGN MINISTER ZHANG WENJIN THIS AFTERNOON AND SPOKE AS INSTRUCTED, IE MY PARAS 2, 3 AND 4 OF TELNO 611 ~~AS AMENDED~~ BY THE LAST SENTENCE OF PARA 5 OF HONG KONG TELNO 1105. IN VIEW OF THE ADDITIONAL POINTS IN YOUR TELNO 466, I MADE TWO SMALL VARIATIONS IN THE TEXT:

(A) SINCE WE ENVISAGED PUBLICITY FOR THE FIRST CONTACT, I TOLD SHANG THAT THE SPECIFIC VENUE IN PEKING ETC WOULD BE KEPT SECRET AND ON VENUE, FOR EXAMPLE, WE WOULD PROPOSE ONLY TO TELL THE PRESS THAT THE TALKS WERE BEING HELD IN PEKING SEMICOLON

(B) IN VIEW OF THE POSSIBLE ATTENDANCE OF THE GOVERNOR AT THE FIRST TALK ON SUBSTANCE, I ADDED THAT THE BRITISH TEAM MIGHT FROM TIME TO TIME INCLUDE THE GOVERNOR OF HONG KONG.

I ARRANGED FOR MY OPENING STATEMENT TO COVER BOTH MODALITIES AND GUIDELINES. AS EXPLAINED LATER, WE DID NOT GET TO THE QUESTION OF AGENDA OR DATES.

2. ZHANG REHEARSED THE CHINESE POSITION. CHINA WAS GREATLY CONCERNED ABOUT PROSPERITY AND STABILITY IN HONG KONG BUT SOVEREIGNTY CAME FIRST. ON THE PREMISE THAT CHINA WOULD RECOVER SOVEREIGNTY NOT LATER THAN 1997, CHINA WOULD SEEK THE COOPERATION OF THE BRITISH SIDE ON THE QUESTIONS OF HOW TO MAINTAIN STABILITY AND PROSPERITY, ENSURE A GOOD HANDOVER TO CHINA AND MAINTAIN STABILITY AND PROSPERITY DURING THE TRANSITIONAL PERIOD. IF THE TWO SIDES BEGAN TALKS THEY SHOULD FIRST OF ALL DISCUSS THE PREMISE. IF THIS WAS TACKLED FIRST THEN IT WOULD BE EASY TO DISCUSS THE MATTER OF STABILITY AND PROSPERITY. AFTER CHINA HAD RECOVERED SOVEREIGNTY OVER HONG KONG IT WOULD PURSUE SPECIAL POLICIES APPROPRIATE TO LOCAL CONDITIONS. IT WAS NOT POSSIBLE SUBJECTIVELY TO SEPARATE SOVEREIGNTY FROM ADMINISTRATION. ADMINISTRATION WAS ONE FORM OF EXERCISE OF SOVEREIGNTY BY A COUNTRY. IT WAS UNTHINKABLE THAT HONG KONG WOULD BE ADMINISTERED BY ANOTHER COUNTRY AND BY BRITAIN IN PARTICULAR. IF THE PREMISE OF SOVEREIGNTY WAS SOLVED IT WOULD BE EASY TO ACHIEVE POSITIVE RESULTS IN TALKS ABOUT STABILITY AND PROSPERITY.

SECRET

13.

SECRET

3. I REPLIED THAT THE CHINESE POSITION WAS VERY CLEAR BUT SO WAS MY PRIME MINISTER'S . SHE HAD TOLD THE CHINESE LEADERS THAT SHE COULD NOT CONTEMPLATE MAKING RECOMMENDATIONS TO PARLIAMENT ON SOVEREIGNTY UNLESS SHE WAS FULLY SATISFIED ABOUT THE ARRANGEMENTS FOR ADMINISTERING HONG KONG AFTER 1997.

4. ZHANG ELABORATED FURTHER ON THE LINES OF PARA 2 ABOVE, SAYING THAT IF THE TWO SIDES DID NOT SHARE A COMMON VIEW ON SOVEREIGNTY AND IF THE BRITISH SIDE PERSISTED WITH THE IDEA OF BRITISH ADMINISTRATION, THEN DIFFERENCES OF PRINCIPLE WOULD EMERGE AND IT WOULD BE HARD FOR THE TALKS TO PROCEED. I ASKED HIM TO CLARIFY WHETHER HE WAS SAYING THAT IT WAS POSSIBLE TO HAVE TALKS ADMITTING THAT THERE WERE DIFFERENCES BETWEEN THE TWO SIDES, OR WHETHER HE WAS MAKING IT AN ABSOLUTE PRECONDITION FOR TALKS THAT THERE SHOULD BE PRIOR AGREEMENT ON SOVEREIGNTY.

ZHANG REPLIED THAT ALTHOUGH THERE WERE DIFFERENCES WE COULD STILL ENTER INTO TALKS, BUT THE PREMISE PROBLEM MUST BE SOLVED (SENT-COLON) ONLY BY DOING SO. ONLY THEN COULD DISCUSSIONS ON SPECIFIC QUESTIONS PROCEED: WE WOULD RUN UP AGAINST THE PREMISE AT ONCE IN TALKS.

5. I THEN REFERRED HIM BACK TO THE JOINT STATEMENT WHERE THE REFERENCE TO RESPECTIVE POSITIONS REFLECTED THE FACT THAT THERE WERE DIFFERENCES OF VIEW ON BASIC POINTS. FOR THE CHINESE SIDE NOW TO INSIST THAT WE SHOULD ACCEPT PRECONDITIONS NOT EXPRESSED IN THE JOINT STATEMENT WOULD BE INCONSISTENT WITH THE AIM AGREED BY OUR LEADERS AND WOULD FRUSTRATE THEIR INTENTIONS.

6. ZHANG REPLIED THAT HE DISAGREED TOTALLY WITH MY INTERPRETATION OF THE JOINT STATEMENT. AFTER FURTHER ARGUMENT TO AND FROM HE SAID THAT THE CHINESE SIDE COULD NOT PUT ASIDE SOVEREIGNTY AND DISCUSS STABILITY AND PROSPERITY. THE CHINESE LEADERS WOULD NOT BE ABLE TO ACCOUNT TO THE CHINESE PEOPLE. I SAID THAT I FULLY UNDERSTOOD THIS (SENT-COLON) MY PRIME MINISTER'S STATEMENT (PARA 3 ABOVE) INDICATED THAT WE DID NOT INTEND TO PUT ASIDE THE SOVEREIGNTY QUESTION ALTOGETHER.

7. ZHANG THEN SLIGHTLY MODIFIED HIS POSITION SAYING THAT IF THE QUESTION OF SOVEREIGNTY WAS NOT TOTALLY SOLVED FIRST AT THE TALKS THERE SHOULD AT LEAST BE A SETTLEMENT IN PRINCIPLE ON THE SOVEREIGNTY QUESTION PROVIDING A FRAMEWORK FOR SPECIFIC DISCUSSIONS ON THE MAINTENANCE OF STABILITY AND PROSPERITY. THIS SETTLEMENT OF PRINCIPLE SHOULD COME FIRST.

SECRET

SECRET

8. AFTER FURTHER DISCUSSION I SAID THAT ZHANG'S STATEMENT WAS VERY DISAPPOINTING. I EXPECTED THE ARGUMENT IN PARA 5 ABOVE AND SAID I MUST SEEK INSTRUCTIONS. I ADDED THAT ON A PERSONAL BASIS I MUST POINT OUT THAT HE WAS ASKING FOR SOMETHING WHICH WAS BEYOND MRS THATCHER'S POWER TO GIVE, EVEN IF SHE WISHED TO.

9. I THEN ASKED IF HE HAD ANY COMMENT ON THE PRACTICAL PROPOSALS I HAD MADE AT THE BEGINNING OF OUR MEETING. HE SAID THESE WERE MINOR MATTERS. IF OUR OPINIONS CONVERGED ON MAJOR ISSUES THEN MINOR ISSUES WERE EASY. BUT THE CHINESE SIDE WOULD CONSIDER OUR PROPOSALS.

10. AS I LEFT, I SAID THAT WE WOULD RESPOND TO PRESS QUESTIONS BY SAYING THAT CONTACTS HAD BEGUN. AFTER A LITTLE HESITATION HE AGREED.

11. I SHALL SEND TOMORROW MY COMMENTS AND RECOMMENDATIONS FOR FURTHER ACTION. MY IFT CONCERNS THE QUESTION OF PUBLICITY FOR THIS MEETING

CRADOCK

LIMITED
HD/ HK+GD
HD/ FED
HD/ PLANNING STAFF
PS
PS/ LORD BELSTEAD
PS/ PUS
HR GIFFARD
HR DONALD

COPIES TO:-
SIR IAN SINCLAIR LEGAL ADVISER
MR COLES NO 10 DOWNING ST.

- 3 -
SECRET

GR 780

SECRET

SECRET

Handwritten: HK91

D E D I P

DESKBY FCO 060900Z

DESKBY HONG KONG 060600Z

FM PEKING 060640Z OCT 62

TO IMMEDIATE F C O

TELNO 623 OF 6 OCTOBER

INFO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR).

TOP SECRET

*Prime Minister
You have already
seen this.
OR 5/10*

PERSONAL FOR DONALD

MY TELNO 620: CALL ON ZHANG WENJIN: HONG KONG TALKS

1. THIS WAS A COURTEOUS AND FRIENDLY BUT VERY FIRM EXCHANGE. ZHANG TOOK A HARD LINE AND STUCK CLOSELY TO IT. HE IS OF COURSE ON A TIGHT REIN. HE REPEATEDLY HARPED ON THE SOVEREIGNTY "PREMISE" OR "PRE-CONDITION". I GAVE HIM A NUMBER OF OPPORTUNITIES TO CLARIFY WHICH HE MEANT, BUT HE USED THE TWO WORDS INTERCHANGEABLY. HE DENIED THAT SOVEREIGNTY AND ADMINISTRATION WERE SEPARABLE AND REINFORCED ZHAO'S REMARK TO THE PRIME MINISTER, THAT BRITISH ADMINISTRATION WAS OUT OF THE QUESTION.

Handwritten mark

2. ALTHOUGH ZHANG GAVE NOTHING AWAY, THERE WERE TWO POSITIVE POINTS IN WHAT HE SAID. FIRST HE AGREED THAT TALKS COULD BEGIN DESPITE THE MAJOR DIFFERENCES OUTSTANDING, EVEN THOUGH THE PROBLEM OF THE PREMISE WOULD BE ENCOUNTERED IMMEDIATELY. SECONDLY HE SAID THAT IF IT WERE NOT POSSIBLE TO SOLVE THE QUESTION OF SOVEREIGNTY TOTALLY WE SHOULD AT LEAST REACH A "SETTLEMENT IN PRINCIPLE" OF THE SOVEREIGNTY QUESTION SO THAT DISCUSSION OF THE MAINTENANCE OF PROSPERITY AND STABILITY COULD PROCEED.

3. AS TO WHERE WE GO FROM HERE, WE APPEAR TO HAVE TWO OPTIONS:
(A) TO RETURN TO THE CHARGE WITH ZHANG AND SEEK TO PERSUADE HIM THAT SOVEREIGNTY CAN BE CONSIDERED ONLY AFTER WE HAVE DEALT WITH THE ADMINISTRATIVE ARRANGEMENTS.
(B) TO BEGIN TALKS IN THE KNOWLEDGE THAT WE SHALL RUN INTO IMMEDIATE DIFFICULTIES ON SOVEREIGNTY.

4. IN MY VIEW ZHANG WILL NOT BE MOVED FROM HIS POSITION BY ANOTHER APPROACH ON THE LINES OF (A). FURTHERMORE IT IS IMPORTANT FOR US AND FOR CONFIDENCE IN HONG KONG THAT WE SHOULD GET INTO TALKS AS SOON AS POSSIBLE. I BELIEVE THAT WE SHOULD DO SO EVEN THOUGH WE KNOW THAT THE "PREMISE" WILL CAUSE US DIFFICULTIES. WE SHALL HAVE CONCEDED NOTHING ON PRINCIPLE. IT MAY PROVE HARD TO KEEP THE TALKS MOVING, BUT PERHAPS NOT IMPOSSIBLE. THE CHINESE WILL PRESUMABLY WISH TO AVOID A BREAKDOWN. WE COULD EXPLORE WHAT THEY MEAN BY A "SETTLEMENT IN PRINCIPLE" AND IT IS JUST POSSIBLE THAT A STRONGER ASSERTION OF OUR GENUINE INTENTION TO CONSIDER THE SOVEREIGNTY QUESTION EVENTUALLY WILL PRODUCE A CORRESPONDING MOVEMENT FROM THE CHINESE. ONLY WHEN TALKS BEGIN CAN WE EXPECT TO INFLUENCE THEIR COURSE.

SECRET

/5.

SECRET

5. I RECOMMEND THEREFORE THAT WE SHOULD AIM TO BEGIN TALKS AS QUICKLY AS POSSIBLE AND WITHOUT EXPECTING TO RESOLVE THE WRANGLE OVER THE PREMISE BEFOREHAND. HOWEVER I FEEL IT WOULD BE WRONG IF I WERE TO GO BACK TO ZHANG AND AGREE TO BEGIN TALKS WITHOUT MORE ADD AND WITHOUT A STATEMENT FIRST MAKING OUR POSITION EVEN MORE PLAIN AND AVOIDING ANY IMPRESSION THAT WE WERE SUCCUMBING TO PRESSURE AND ENTERING TALKS ON HIS TERMS. I RECOMMEND THEREFORE THAT I BE INSTRUCTED TO MAKE A SECOND CALL ON ZHANG RESTATING OUR POSITION IN STRONGER TERMS, AND THEN PROPOSING THAT WE SHOULD BEGIN TALKS DESPITE THE DIFFERENCES BETWEEN US ON BASIC POINTS. IN DOING SO I MIGHT IN ADDITION DEPLOY THE IDEAS ABOUT THE FIRST STAGE OF THE TALKS IN PARA 8 OF MY TELNO 611. I COULD TELL ZHANG THAT SINCE WE PROPOSED IN ANY CASE TO START BY ASKING THE CHINESE TO ELABORATE ON THEIR IDEAS ON THE ADMINISTRATION OF HONG KONG AFTER 1997, THIS WOULD BY DEFINATION BE ON THEIR PREMISE, EVEN IF WE DID NOT ACCEPT IT. WE WOULD IN EFFECT BE TREATING THEIR PREMISE AS A WORKING HYPOTHESIS. BUT THEY SHOULD BE IN NO DOUBT THAT WE ARE NOT COMMITTED TO IT.

6. IF, WHEN SUBSTANTIVE TALKS HAVE BEGUN, THE CHINESE, AS I SUSPECT, ARE NOT FULLY SATISFIED BY THE LINE RECOMMENDED IN THE LAST FOUR SENTENCES OF MY PARA 5 ABOVE AND WE RUN STRAIGHT UP AGAINST THE PROBLEM OF THE SOVEREIGNTY PREMISE, IT MIGHT BE POSSIBLE TO FINESSE THIS BY A FORMAL STATEMENT ON SOMETHING LIKE THE FOLLOWING LINES. BEGINS. WE HAVE TAKEN FULL ACCOUNT OF AND GIVEN FULL WEIGHT TO THE CHINESE POSITION ON SOVEREIGNTY. WE HAVE NO INTENTION OF AVOIDING THE ISSUE, BUT CAN ONLY TAKE DECISIONS ON THIS POINT WHEN THE OTHER ASPECTS OF THE QUESTION HAVE BEEN SATISFACTORILY DISCUSSED. WE UNDERSTAND THE CHINESE PREMISE AND ASK THEM TO UNDERSTAND OURS. WE ARE PREPARED TO CONDUCT DISCUSSIONS ON THE BASIS OF THIS UNDERSTANDING AND ARE FULLY CONSCIOUS OF THE CHINESE POSITION ON SOVEREIGNTY. ENDS. WE MIGHT NEED TO BACK THIS BY EXPLAINING IN STRONGER TERMS WHY NO BRITISH GOVERNMENT COULD AGREE TO CEDE SOVEREIGNTY WITHOUT REFERENCE TO PARLIAMENT.

7. PARA 6 ABOVE IS ONLY PRELIMINARY THINKING AND WE SHALL NEED TO CONSIDER MORE DEEPLY HOW WE MIGHT ACHIEVE OUR FIRST OBJECT IN THE TALKS OF GETTING THE CHINESE INVOLVED IN DISCUSSION ON PRACTICAL DETAIL WITHOUT COMPROMISING OUR PRINCIPLES.

CRADOCK

LIMITED
HD/HK&D
HD/FED
HD/PLANNING & STAFF
HD/PUS
PS
PS/LORD BEKSTEAD
PS/PUS
MR BIFFARD
MR DONALD

COPIES TO:
MR COLES,
NO 10 DOWNING STREET.

2
SECRET

SECRET

HOF0043/07

00 FCO DESKBY 071300Z

00 PEKING

GR 400

D E D I P

SECRET

DESKBY 071300Z

FM HONG KONG 071205Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1130 OF 7 OCTOBER

INFO IMMEDIATE PEKING (PERSONAL FOR AMBASSADOR)

PERSONAL FOR DONALD FROM GOVERNOR

PEKING TELNO 623: FUTURE OF HONG KONG

1. THE FOLLOWING ARE PRELIMINARY COMMENTS ON THE LINE RECOMMENDED IN PEKING TUR, SENT NOW TO MEET YOUR DEADLINE (MY TELECON WITH CLIFT REFERS).

2. FROM THE HONG KONG POINT OF VIEW THE FIRST REQUIREMENT IS TO KEEP TALKING. SINCE THERE IS VIRTUALLY NO PROSPECT OF REACHING AGREEMENT WITH THE CHINESE ON ANY QUOTE PREMISE UNQUOTE FOR SUBSTANTIVE TALKS, I SUGGEST THAT THE AMBASSADOR'S NEXT APPROACH SHOULD BE MADE ON THE ASSUMPTION THAT THE TALKS HAVE ALREADY BEGUN. THERE WOULD HAVE TO BE FURTHER EXHCANGES ABOUT SOVEREIGNTY DURING WHICH THE BRITISH POSITION WOULD NEED TO BE RESTATED WITH GREAT FIRMNESS, BUT THE AIM SHOULD BE TO SLIDE INTO DISCUSSION OF SUBSTANCE SO THAT WE CAN BEGIN TO PUT INTO EFFECT OUR STRATEGY OF WEARING AWAY THE CHINESE POSITION.

IMMEDIATE

ADVANCE COPY

3. IN ORDER TO MAINTAIN CONFIDENCE HERE THE SECOND HONG KONG REQUIREMENT IS THAT THERE SHOULD BE SOME VISIBLE SIGN OF PROGRESS, OR AT LEAST ACTIVITY - IN THE REASONABLY NEAR FUTURE. SINCE THERE CAN BE NO ANNOUNCEMENTS ABOUT THE CONTENT OF THE TALKS (AND EVEN IF THERE WERE THIS WOULD SCARCELY BE HELPFUL), THE BEST WAY TO ACHIEVE THIS MIGHT BE FOR ME TO GO TO PEKING TO TAKE PART. SUCH A VISIT WOULD ENABLE ME TO BRING HOME TO THE CHINESE THE GENERAL STATE OF NERVOUSNESS HERE, EXACERBATED BY THEIR OWN STATEMENTS IN THE PRESS: AND TO STRESS THE IMPORTANCE OF PRESERVING THE CONFIDENTIALITY OF THE DISCUSSIONS IF CONFIDENCE IS TO BE MAINTAINED. I WOULD ALSO SEEK TO REASSURE THEM THAT I AND THE GOVERNMENT ARE DOING EVERYTHING POSSIBLE TO MAINTAIN CONFIDENCE E.G. THROUGH MY LEGCO SPEECH.

4. AGAINST THAT BACKGROUND YOU MAY WISH TO CONSIDER WHETHER THE AMBASSADOR SHOULD BE INSTRUCTED TO PROPOSE THAT QUOTE THE SITUATION IN HONG KONG UNQUOTE SHOULD BE DISCUSSED EARLY ON IN THE TALKS. THIS MIGHT HELP TO GET ROUND THE PROCEDURAL OBSTACLE IF THE APPROACH RECOMMENDED BY SIR P. CRADOCK DOES NOT SUCCEED: THE CHINESE MAY BE SUSCEPTIBLE TO THE ARGUMENT THAT THE FIRST PROBLEM TO BE TACKLED IS THE DIFFICULTY OF MAINTAINING CONFIDENCE NOW, WHILE THE TALKS ARE TAKING PLACE.

YOUDE

SECRET

NNNN

IMMEDIATE

ADVANCE COPY

D/B 080900Z

DWF G 19/08

[LIMITED]

OO F C O (DESKBY 080900Z)

OO HONG KONG

HK60
FED } HOS
POLY
PS

GR 240

SECRET

DESKBY 080900Z

10
X 2

FM PEKING 080700Z OCT 82

TO IMMEDIATE F C O

TELNO 636 OF 8 OCTOBER

PS/ LOW 32/160
PS/ PUS
NEG/ FRAM
72 DONALD

INFO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR).

HONG KONG TELNO 1130: FUTURE OF HONG KONG

SIP-1-SINCLM7
LEO ADV

1. THE LINE RECOMMENDED IN PARAGRAPH 2 OF TUR IS NOT VERY DIFFERENT IN SUBSTANCE FROM OUR OWN RECOMMENDATION. HOWEVER, YOU SHOULD BE IN NO DOUBT THAT THE CHINESE DO NOT AS YET ACCEPT THAT FORMAL TALKS HAVE BEGUN. IT WOULD BE DANGEROUS TO TRY TO BLUR THIS, SINCE IT IS A SENSITIVE POINT FOR THEM. IT WOULD BE EVEN MORE DANGEROUS TO BLUR IT PUBLICLY, SINCE THERE WOULD THEN BE A SERIOUS RISK THAT THEY WOULD DENY PUBLICLY THAT TALKS HAVE BEGUN. A PUBLIC DISAGREEMENT ON THIS POINT WOULD BE VERY DAMAGING.

2. THE NEXT STEP, AS IMPLIED IN PARA 4 OF TUR, MUST BE ANOTHER CALL BY ME ON ZHANG TO TRY TO GET TALKS MOVING. I TAKE IT THAT THE GOVERNOR IS NOT PROPOSING TO COME TO PEKING FOR THIS CALL, BUT FOR THE SUBSTANTIVE SESSION WHICH WE HOPE WILL FOLLOW. YOU ALREADY KNOW FROM MY TELNO 633 OF MY WORRIES ABOUT THE FREQUENCY AND TIMING OF 'EVENTS'.

3. THE SUGGESTION IN PARA 4 OF TUR COULD BE USEFUL, AND WOULD ALLOW THE GOVERNOR TO UNDERLINE THE REASONS FOR THE PRESENT NERVOUSNESS IN HONG KONG. BUT IT WOULD NOT GET US OFF THE SOVEREIGNTY HOOK.

IMMEDIATE
ADVANCE COPY

Hd HKGD ↓

[Mr. Donald]

[RC]

[D/BY 080600Z]

V

DWFC 003

LDX 699/8

+

0102

LIM 731/08

OO F C O (DESKBY 080600Z)

OO HONG KONG

GR 260

SECRET

DESKBY FCO 080600Z

FM PEKING 080410Z OCT 82

TO IMMEDIATE F C O

TELNO 634 OF 8 OCTOBER

INFO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR).

PERSONAL FOR DONALD

1. THE ASIAN EDITOR OF THE FINANCIAL TIMES, ALAN CASS, WAS RECEIVED YESTERDAY BY VICE FOREIGN MINISTER QIAN QICHEN. CASS ASKED ABOUT HONG KONG. QIAN MADE IT CLEAR THAT SOVEREIGNTY WAS THE MOST IMPORTANT CONSIDERATION FOR THE CHINESE, AND THAT THIS CAME BEFORE STABILITY AND PROSPERITY. CASS DERIVED THE IMPRESSION THAT THE CHINESE DID NOT MUCH CARE ABOUT PROSPERITY IN HONG KONG. CASS ASKED WHETHER, IF THE BRITISH CONCEDED SOVEREIGNTY, THERE COULD BE A ROLE FOR BRITISH ADMINISTRATION FOR SAY A FURTHER 25 OR 50 YEARS. QIAN APPARENTLY REPLIED THAT HE DID NOT THINK THAT THIS WOULD BE POSSIBLE.

2. THE FT DELEGATION HAVE REPORTED THIS AND IT HAS ALREADY BEEN PICKED UP BY NEWS AGENCIES HERE. INEVITABLY THE STORY IS BEING SIMPLIFIED TO 'NO BRITISH ADMINISTRATION AFTER 1997'.

3. IF THE QUESTION ACTUALLY WAS PUT TO QIAN AS DESCRIBED ABOVE, IT IS NOT SURPRISING THAT HE SAID NO: NEVERTHELESS THIS IS A BREACH OF THE CONFIDENTIALITY WHICH WE AGREED ON THE SUBSTANCE OF THE TALKS, AND I DO NOT THINK WE SHOULD LET IT PASS. I WOULD PROPOSE TO MENTION IT TO ZHANG IN THE COURSE OF MY NEXT CONVERSATION WITH HIM, AND TO SAY THAT WE REGARD IT AS UNHELPFUL. WHATEVER OUR DIFFERENCES, BOTH SIDES SHOULD AVOID MAKING STATEMENTS WHICH WOULD DAMAGE CONFIDENCE IN HONG KONG WHILE THE TALKS WERE PROCEEDING.

CRADOCK

AGNNNN

RESTRICTED

RESTRICTED

FM HONG KONG 071045Z OCT 82
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 1128 OF 7 OCTOBER
 INFO IMMEDIATE PEKING

FUTURE OF HONG KONG

THE FOLLOWING REPORT WAS PUT OUT BY AP TODAY, DATELINED PEKING,
 AND WAS CARRIED IN THE AFTERNOON EDITION OF THE ENGLISH LANGUAGE
 QUOTE THE STAR UNQUOTE:-

QUOTE CHINESE OFFICIAL SAYS SOVEREIGNTY COMES BEFORE PROSPERITY

RECOVERING CHINA'S SOVEREIGNTY OVER HONG KONG MUST TAKE
PRECEDENCE, BUT EFFORTS WILL BE MADE TO GUARANTEE ITS STABILITY AND
ITS PROSPERITY, A SENIOR CHINESE OFFICIAL SAID WEDNESDAY.

QUOTE WE CANNOT PLACE MAINTENANCE OF PROSPERITY OVER SOVEREIGNTY
 UNQUOTE, HE WAS QUOTED AS TELLING A DELEGATION OF THE LONDON
 FINANCIAL TIMES.

HE SAID THAT BRITAIN AND CHINA WANT TO MAINTAIN HONG KONG'S
 PROSPERITY AND SPECIAL MEASURES WILL BE ADOPTED.

THE OFFICIAL, WHO ASKED NOT TO BE NAMED, ALSO SAID HE DID NOT
THINK IT WOULD BE POSSIBLE FOR BRITAIN TO CONTINUE AN ADMINISTRATIVE
ROLE EVEN IF IT CONCEDED SOVEREIGNTY.

QUOTE I DON'T THINK THAT WOULD BE POSSIBLE UNQUOTE, HE WAS QUOTED
 AS SAYING IN ANSWER TO A QUESTION. UNQUOTE:

YOUDE

LIMITED
 HKAGD
 FED
 PUSD
 NEWS D
 RES. D.
 PLANNING STAFF
 PS
 PS/LORD BELSTEAD
 PS/PUS
 MR GIFFARD
 MR DONALD
 SIR I SINCLAIR

COPIES TO:
 MR COLES
 NO 10 DOWNING ST

RESTRICTED

RESTRICTED

RESTRICTED

FM HONG KONG 071045Z OCT 82
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 1128 OF 7 OCTOBER
 INFO IMMEDIATE PEKING

FUTURE OF HONG KONG

THE FOLLOWING REPORT WAS PUT OUT BY AP TODAY, DATELINED PEKING,
 AND WAS CARRIED IN THE AFTERNOON EDITION OF THE ENGLISH LANGUAGE
 QUOTE THE STAR UNQUOTE:-

QUOTE CHINESE OFFICIAL SAYS SOVEREIGNTY COMES BEFORE PROSPERITY

RECOVERING CHINA'S SOVEREIGNTY OVER HONG KONG MUST TAKE
PRECEDENCE, BUT EFFORTS WILL BE MADE TO GUARANTEE ITS STABILITY AND
ITS PROSPERITY, A SENIOR CHINESE OFFICIAL SAID WEDNESDAY.

QUOTE WE CANNOT PLACE MAINTENANCE OF PROSPERITY OVER SOVEREIGNTY
 UNQUOTE, HE WAS QUOTED AS TELLING A DELEGATION OF THE LONDON
 FINANCIAL TIMES.

HE SAID THAT BRITAIN AND CHINA WANT TO MAINTAIN HONG KONG'S
 PROSPERITY AND SPECIAL MEASURES WILL BE ADOPTED.

THE OFFICIAL, WHO ASKED NOT TO BE NAMED, ALSO SAID HE DID NOT
THINK IT WOULD BE POSSIBLE FOR BRITAIN TO CONTINUE AN ADMINISTRATIVE
ROLE EVEN IF IT CONCEDED SOVEREIGNTY.

QUOTE I DON'T THINK THAT WOULD BE POSSIBLE UNQUOTE, HE WAS QUOTED
 AS SAYING IN ANSWER TO A QUESTION. UNQUOTE:

YOUDE

LIMITED
 HKAGD
 FED
 PUSD
 NEWS D
 RES. D.
 PLANNING STAFF
 PS
 PS/LORD BELSTEAD
 PS/PUS
 MR GIFFARD
 MR DONALD
 SIR I SINCLAIR

COPIES TO:
 MR COLES
 NO 10 DOWNING ST

RESTRICTED

File No.

Department HKGD

Drafted by

(Block Capitals)

Tel. Extn.

OUTWARD

TELEGRAM

SECRET <i>Security Classification</i>
IMMEDIATE <i>Precedence</i>
DESKBYZ

FOR COMMS. DEPT. USE

Despatched

(Date)

(Time)Z

POSTBYZ

PREAMBLE

(Time of Origin) Z (G.M.T.)

(Restrictive Prefix)

(Security Class.) SECRET

(Caveat/ Privacy marking)

(Codeword)

(Deskby) Z

TO IMMEDIATE PEKING
(precedence) (post)

Tel. No. of

AND TO (precedence/post)

AND SAVING TO

REPEATED TO (for info) IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR)

SAVING TO (for info)

Distribution:-

[TEXT]

and Hong Kong Tel No 1130

YOUR TELNOS 620, 623 & 636 | FUTURE OF HONG KONG :
CALL ON ZHANG WENJIN

1: We agree with your analysis of the Chinese position and with your general strategic approach. For the sake of maintaining confidence in Hong Kong, our immediate aim must be to demonstrate that contacts are continuing.

We need to sustain the line taken by the Governor in his speech to LEGCO. For this purpose we ourselves need not distinguish between preliminary contacts and substantive talks although we accept that we must try to steer the Chinese towards substance as soon as possible and that we must avoid a public wrangle with the Chinese on the question.

Copies to:-

SECRET

SECRET

-2-

2. We agree that the Chinese are unlikely to want a breakdown and we should take advantage of this. It is important for you to be able to confirm to the Chinese, after reference to London, that the Prime Minister regards the line taken in the agreed statement as the basis for talks. It should be possible to do this and to suggest ways in which substantive discussions could be started by following broadly the line suggested in paragraph 5 of your Telno 623 but without at this stage offering any stronger assertion about our intention to consider the sovereignty question.

3. Please therefore seek an early meeting with Zhang and make the following points:

- a) In our view the joint statement agreed by the Prime Minister and Chairman Deng should be the basis for the talks;
- b) This would not mean that the Chinese would be giving up their position, of which we are fully aware, but Mrs Thatcher made clear she could only consider making recommendations on sovereignty if the practical arrangements for the future administration seemed satisfactory;
- c) Deng Xiaoping said that the talks should among other matters cover arrangements post-1997. It is therefore logical that the next stage should be an exchange on the practical arrangements for administration, in order to see whether these ^{meet} ~~not~~ the requirements of stability and prosperity. We would like to hear more about the Chinese ideas.
- d) To sum up, our proposal is for talks on substance without prejudice to positions of principle, in order /that

SECRET

SECRET

-3-

that we can concentrate on the points on which we agree, and move on from there.

4. In taking this line you should not suggest that we would be talking on the basis of the Chinese premise, even by inference. We think it would be unwise to give them any suggestion of this, however qualified.

5. Depending on the outcome of the next round we shall need to consider more fully the ideas in paragraph 6 of your Telno 623.

6. We fully take the Governor's point in Hong Kong Telno 1130 of the need for a visible sign of movement soon. We do however see problems in the Governor becoming involved while the preliminary disagreement has not been overcome. There are three risks:

- a) The Chinese would be likely to respond to appeals for help in maintaining confidence in Hong Kong by blaming us for rigidity. This could lead into another argument about the need to accept the premise of sovereignty. The Governor would thus be involved at an early stage in a discussion in which no progress was made.
- b) If this happened Sir E Youde, who would be under great pressure from the press on his return to Hong Kong, would be unable to give any indication on progress. Reliance on reiterating the need for confidentiality would not be enough.
- c) It is possible that too much stress on nervousness in Hong Kong could permit the Chinese to remind us of Deng Xiaoping's threat that if things got out of control in the Territory they might need to revise their timetable for the recovery of sovereignty.

7. On balance therefore we think that a visit by the Governor

SECRET

/should

SECRET

-4-

should wait until the Chinese have agreed to move on to substance (although agreeing to differ on the premise). A way then of avoiding an early clash on the sovereignty issue could be for the Governor to provide a full factual briefing on the present system of government in Hong Kong. Although the Chinese will be generally familiar with this there must be many aspects of which they are ignorant. Indeed if we judged it tactically necessary such a briefing could be spun out over two or even three sessions and would allow time for us to engage in further education about the basis of confidence in the Territory. We shall be grateful for your and the Governor's views on this.

8. Finally, we agree with your Telno 634 that statements by Chinese officials to the press which reflect substantive points made by the Chinese leaders to Mrs Thatcher are very damaging. Hong Kong Telno 1128 underlines this. We would like you to draw Zhang Wenjin's attention to this on the following lines. Premier Zhao agreed with Mr Atkins in January that until a concrete formula had been worked out nothing should be done by either side to harm prosperity in HongKong. Statements of this sort will cause nervousness in Hong Kong and damage confidence, a fundamental element in prosperity. It was implicit in Mrs Thatcher's offer to enter into talks that we would be holding these confidentially through diplomatic channels. The Chinese statements suggest that the Chinese Government would prefer to negotiate through the press. ~~and~~ This is not likely to be conducive to trust between us in the talks. For our part we have not leaked any of the substance of the confidential talks with Chinese leaders. We hope that on the Chinese side greater discretion will be shown in future in talking to the press.

SECRET

SECRET

I agree these instructions

I remain worried about

PRIME MINISTER

the Governor's request - he will feel that we do not fully understand his difficult position. Perhaps we can

Hong Kong remind it of the next meeting.

This letter and the attached telegrams will bring you up to date.

I hope it can be held soon - I shall soon be under questioning in the

The point for decision is - do you agree that the instructions to Sir Percy Cradock at Flag A should be sent?

House - and it would be better if

The considerations are essentially tactical. - my own instinct is to follow the advice of the experts. What the FCO is proposing is very much in line with Percy Cradock's recommendations.

talks had really started

There is no hurry. The instructions can be sent on Monday.

by then - or we had a date

You may like to know that I have asked the FCO to let you have soon:-

to announce it.

(a) a paper analysing gestures which we might be able to make to the Chinese in any field which might help us to secure what we want on Hong Kong;

(b) a further paper setting out, in much more detail than I have been able to obtain yet, how we propose to "educate" the Chinese in the realities of Hong Kong. I think we need a clear plan of campaign.

A.F.C.

8 October, 1982.

SECRET

CONFIDENTIAL

GRS 100

CONFIDENTIAL

FROM PEKING 070330Z OCT 82

TO PRIORITY FCO

TELEGRAM NUMBER 624 OF 7/10/82

REPEATED FOR INFO TO PRIORITY HONG KONG (POLITICAL ADVISERS
OFFICER UKMIS NEW YORK

FUTURE OF HONG KONG: ALLEGED REMARK BY HUANG HUA

1. REUTERS ASKED US ON 6 OCTOBER TO COMMENT ON A QUOTE
RUMOUR FROM THE HONG KONG STOCK MARKET UNQUOTE THAT
HUANG HUA HAD SAID THAT TALKS ABOUT THE
FUTURE OF HONG KONG COULD BEGIN
PROVIDED THE BRITISH CONCEDED SOVEREIGNTY FIRST. WE REPLIED SIMPLY
THAT HE HAD SAID NO SUCH THING TO US.

2. HUANG HUA IS IN NEW YORK.
IT IS POSSIBLE THAT SOMETHING HE SAID THERE
HAS GIVEN RISE TO THIS RDOUR

CRADOCK

LIMITED
HK + GD
FED
NEWS D
PUSD
PLANNING STAFF
PS
PS/LORD BELSTEAD
PS/PUS
MR GIFFARD
MR DONALD

COPIES TO:

MR COLES
NO 10 DOWNING STREET
SIR IAN SINCLAIR
LEGAL ADVISER
MR MARTEN
ASSESSMENT STAFF
CABINET OFFICE

CONFIDENTIAL