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Mr Coles
No 10 Downing St

SECRET D E D I P

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DEDIP

FM FCO 011300Z NOV 82

TO PRIORITY WASHINGTON (PERSONAL FOR AMBASSADOR)

TELEGRAM NUMBER 1921 OF 1 NOVEMBER

INFO PEKING (PERSONAL FOR AMBASSADOR)

INFO HONG KONG.

MY TELNO 512 TO PEKING: FUTURE OF HONG KONG

1. WE SHOULD ALSO BE GRATEFUL FOR YOUR VIEWS ON THE POSSIBLE VALUE OF ENLISTING THE HELP OF SENIOR FIGURES IN INTERNATIONAL ECONOMIC ORGANISATIONS IN ORDER TO PUT OUR POINT ACROSS TO THE CHINESE.
2. WE HAVE IN MIND PARTICULARLY THE CHAIRMAN OF THE WORLD BANK AND THE MANAGING DIRECTOR OF THE IMF. DO YOU THINK THAT THEY WOULD BE EFFECTIVE AND RELIABLE ADVOCATES? ARE THEY LIKELY TO HAVE HIGH LEVEL CONTACTS WITH THE CHINESE IN THE NEAR FUTURE? HOW SECURE WOULD THEY BE?
3. WE HAVE NOT MADE ANY MOVE ON THIS YET AND SHOULD BE GRATEFUL FOR YOUR PERSONAL VIEWS BEFORE CONTEMPLATING AN APPROACH. WE SHOULD ALSO NEED YOUR ADVICE ON HOW THAT SHOULD BE DONE.

PYM

FUTURE OF HONG KONG
 LIMITED
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 HD/PUSD
 PS
 PS/LORD BELSTEAD
 PS/PUS
 MR GIFFARD
 MR DONALD

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 MR MARTIN,
 ASSESSMENTS STAFF,
 CABINET OFFICE.

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49

FM HONG KONG 300410Z OCTOBER 82

TO PRIORITY F C O

TELEGRAM NUMBER 1254 OF 30 OCTOBER

INFO ROUTINE PEKING (PERSONAL FOR AMBASSADOR) WASHINGTON (PERSONAL FOR AMBASSADOR)

YOUR TELNO 1890 TO WASHINGTON: FUTURE OF HONG KONG

1. I CAN SEE THE VALUE OF AN EXCHANGE OF VIEWS WITH AMERICAN OFFICIALS ABOUT NEGOTIATING TACTICS WITH CHINA BUT WE SHOULD BE CAREFUL NOT TO TAKE THE ANALOGY BETWEEN U S NEGOTIATIONS WITH THE CHINESE OVER ARMS SALES TO TAIWAN AND OUR DISCUSSIONS WITH THEM OVER HONG KONG TOO FAR.
2. TAIWAN IS NEARLY 200 MILES OFFSHORE AND HAS PRACTICALLY NO CONTACT WITH THE MAINLAND. IT IS MUCH LESS VULNERABLE THAN HONG KONG TO CHINESE PRESSURE. THE AMERICANS WERE NOT NEGOTIATING ABOUT ITS FUTURE WHICH DOES NOT HAVE THE 'OVERHANG' OF THE 1898 TREATY. THERE WAS THEREFORE NO REAL PROBLEM ABOUT MAINTAINING CONFIDENCE THERE. IN ANY CASE, THE REAGON ADMINISTRATION NEVER HAD ANY INTENTION OF GOING TOO FAR ON ARMS SALES. IN THE MAIN IT WAS THE CHINESE WHO WERE THE 'DEMANDEURS' AND IN THE LAST RESORT THE U S COULD SIT TIGHT.
3. GIVEN THE CHINESE ABILITY TO AFFECT CONFIDENCE IN HONG KON, WHENEVER THEY WISH WE SHALL HAVE A DIMENSION TO TAKE INTO ACCOUNT WHICH THE AMERICANS DID NOT HAVE: AND A MUCH MORE COMPLEX HAND TO PLAY.
4. MOREOVER IT SHOULD BE BOURNE IN MIND THAT THE AUGUST 17 COMMUNIQUE ON THE TAIWAN ARMS ISSUE WAS AN AGREEMENT TO DIFFER AND NEITHER THE CHINESE NOR THE AMERICANS ACHIEVED THEIR BASIC OBJECTIVES. (WHICH WERE ON THE AMERICAN SIDE TO PIN THE CHINESE DOWN ON PEACEFUL REUNIFICATION AND ON THE CHINESE SIDE TO STOP SUPPLY OF U S ARMS TO TAIWAN). A FUZZY OUTCOME OF THAT KIND WILL NOT BE ENOUGH FOR HONG KONG.
5. THERE ARE MANY OTHER EXAMPLES OF CHINESE NEGOTIATING TACTICS (E.G. WITH THE JAPANESE OVER THE TREATY OF FRIENDSHIP), AND HUANG HUA, THE FOREIGN MINISTER HAS A RECORD GOING BACK TO THE KOREAN ARMISTICE. IT MIGHT BE WORTH RESEARCH DEPARTMENT TAKING A SOMEWHAT WIDER LOOK AT THE SUBJECT.

Y0006

FUTURE OF HONG KONG

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D E D I P
FM WASHINGTON 291940Z OCT 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 3495 OF 29 OCTOBER

INFO IMMEDIATE PEKING (PERSONAL FOR AMBASSADOR)
HONG KONG (PERSONAL FOR GOVERNOR)

YOUR TELNOS 1890 AND 1891: FUTURE OF HONG KONG

1. THANK YOU FOR THESE INSTRUCTIONS. IN TAKING ACTION WITH SHULTZ AND BUSH, I SHALL EMPHASISE THE NEED TO RESTRICT KNOWLEDGE OF THE TALKS ON HONG KONG TO THE UTMOST. I STRONGLY AGREE, HOWEVER, THAT THERE ARE POSITIVE ADVANTAGES FOR US IN MAINTAINING A DIALOGUE WITH THE AMERICANS IN AS MUCH AS THIS IS POSSIBLE.
2. I ALSO WELCOME THE SUGGESTION THAT IF PRACTICABLE DONALD SHOULD COME HERE FOR THESE BRIEFINGS, AND FOR TALKS WITH HOLDRIDGE, WHO WAS THE LEADING ACTOR ON THE AMERICAN SIDE IN THE TALKS ON TAIWAN, ABOUT NEGOTIATING TACTICS. HOLDRIDGE WILL BE LEAVING WASHINGTON FOR A TRIP TO JAPAN AND KOREA ON 7 NOVEMBER, AND AFTER HIS RETURN ON 17 NOVEMBER WILL BE CONCENTRATING ON PREPARATION FOR HIS CONFIRMATION HEARINGS. IT WOULD THEREFORE BE BEST IF DONALD COULD PLAN TO COME NEXT WEEK. WE WILL TRY TO SET UP A MEETING TO FIT IN WITH THE CALL ON SHULTZ AND WILL REPORT AS SOON AS IT IS POSSIBLE TO SUGGEST A DATE.
4. TODAY'S PRESS CARRIES REPORTS (WHICH WE UNDERSTAND ARE RELIABLE) THAT PAUL WOLFOWITZ, CURRENT HEAD OF THE STATE DEPARTMENT PLANNING STAFF, WHOM WALDEN MET HERE ON 15 OCTOBER, IS TO SUCCEED HOLDRIDGE AS ASSISTANT SECRETARY FOR EAST ASIA.

WRIGHT

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MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE

SECRET

*Mr Coles
No 10 Downing Street
45*

MR 1/11

f-a.

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Mr. Coles
No 10 Downing Street

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Mey
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OO WASHINGTON
GRS 474
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D E D I P

FM FOO 271847Z OCT 82
TO IMMEDIATE WASHINGTON
TELEGRAM NUMBER 1891 OF 27 OCTOBER
INFO PEKING PERSONAL FOR AMBASSADOR
HONG KONG PERSONAL FOR GOVERNOR
MIPT: FUTURE OF HONG KONG

1. THE CHINESE LEADERS TOOK A HARD LINE IN THE TALKS WITH THE PRIME MINISTER. THEY INSISTED ON RECOVERY OF SOVEREIGNTY OVER THE WHOLE TERRITORY IN OR BEFORE 1997 SOVEREIGNTY WAS 'NON NEGOTIABLE' AND, IF IT CAME TO THE CRUNCH, TOOK PRECEDENCE OVER THE MAINTENANCE OF PROSPERITY. SUBJECT TO THIS OVERRIDING POINT, THE CHINESE WERE NEVERTHELESS PREPARED TO PURSUE SPECIAL POLICIES IN HONG KONG AND TO ALLOW THE CAPITALIST WAY OF LIFE TO CONTINUE. BRITISH INTERESTS IN INDUSTRY, COMMERCE, FINANCE, SHIPPING AND AVIATION WOULD BE TAKEN INTO ACCOUNT AND BRITISH GOVERNMENT FUNCTIONARIES COULD REMAIN IN CERTAIN POSTS. ZHAO EXPLICITLY SAID THAT CHINA WOULD NOT LET OTHERS ADMINISTER HONG KONG ON ITS BEHALF OR PLACE HONG KONG UNDER THE TRUSTEESHIP OF OTHERS. BOTH DENG AND ZHAO SAID THEY DID NOT BELIEVE THAT WITHOUT BRITISH ADMINISTRATION AND THE LINK WITH THE UNITED KINGDOM THE HONG KONG ECONOMY WOULD DECLINE. THEY SOUGHT BRITISH COOPERATION IN ENSURING A SMOOTH TRANSITION TO CHINESE SOVEREIGNTY AND THE EXERCISE OF OVERALL CONTROL IN 1997.

2. THE PRIME MINISTER TOLD THE CHINESE LEADERS THAT SHE KNEW HOW IMPORTANT SOVEREIGNTY WAS TO CHINA BUT IT WAS ALSO A DIFFICULT ISSUE FOR HER. SHE COULD NOT CONSIDER THIS QUESTION UNLESS THE TWO GOVERNMENTS COULD AGREE DEFINITE ARRANGEMENTS ABOUT THE FUTURE ADMINISTRATION AND CONTROL OF HONG KONG WHICH WOULD WORK IN PRACTICE, COMMAND CONFIDENCE AMONG THE PEOPLE OF HONG KONG AND WHICH COULD BE JUSTIFIED TO THE BRITISH PARLIAMENT. SHE MADE CLEAR HER MORAL OBLIGATION TO THE PEOPLE OF HONG

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KONG AND THE IMPORTANT CONNECTION BETWEEN CONFIDENCE AND THE CONTINUITY OF BRITISH ADMINISTRATION.

3. HM AMBASSADOR PEKING SAW VICE FOREIGN MINISTER ZHANG WENJIN ON 5 OCTOBER. ZHANG INSISTED THAT THE TALKS BE BASED ON THE PREMISE THAT CHINA WOULD RECOVER SOVEREIGNTY NOT LATER THAN 1997. WE ARE STILL DISCUSSING WITH THE CHINESE THE FRAMEWORK WITHIN WHICH SUBSTANTIVE TALKS CAN TAKE PLACE WITH THE COMMON AIM OF MAINTAINING HONG KONG'S STABILITY AND PROSPERITY

4. THE CHINESE STAND WAS PREDICTABLE. ON THE BRIGHTER SIDE, THEY AGREED TO A PRESS STATEMENT THAT DID NOT REFER TO SOVEREIGNTY. THEY WERE READY TO AGREE TO TALKS WITH THE COMMON AIM OF MAINTAINING THE PROSPERITY AND STABILITY OF HONG KONG. ZHANG HAS SEEMED TO SUGGEST THAT SUBSTANTIVE TALKS COULD BEGIN EVEN IF IT WERE NOT POSSIBLE TO SOLVE THE QUESTION OF SOVEREIGNTY TOTALLY. WE SEE A POSSIBLE ANALOGY WITH THE SINO-US TALKS ON ARMS SALES TO TAIWAN WHERE THE CHINESE REPEATEDLY TOOK A VERY HARD LINE BEFORE EVENTUAL AGREEMENT. BUT IT IS DISTURBING THAT THE CHINESE HAVE ALREADY MADE PUBLIC A NUMBER OF ELEMENTS OF THEIR POSITION ON HONG KONG WHICH WILL MAKE EVENTUAL COMPROMISE MORE DIFFICULT.

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FUTURE OF HONG KONG

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Hong Kong
3/7

TO DOWNING STREET

From the Private Secretary

27 October 1982

FUTURE OF HONG KONG

Thank you for your letter of 22 October.

As I told you on the telephone today, the Prime Minister has approved the despatch of the two telegrams you enclosed. But on page 2 of the first telegram, after the words "in strict confidence on a personal basis" the following words should be added: "and that we therefore hope it will be kept entirely to themselves". Further, in the second telegram, the sentence at the foot of the first page should read: "Both Deng and Zhao said they did not believe".

N. J. COLTS

John Holmes, Esq.,
Foreign and Commonwealth Office.

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Mr Coles
No 10 Downing Street

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OO WASHINGTON

GRS 816

SECRET

D E D I P

FM FCO 221900Z OCTOBER 82

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 1890

INFO PEKING PERSONAL FOR AMBASSADOR

HONG KONG PERSONAL FOR GOVERNOR

PERSONAL FOR AMBASSADOR

UKMIS NEW YORK TELNO 1485: FUTURE OF HONG KONG

1. I SHOULD BE GRATEFUL IF YOU WOULD FOLLOW UP MY TALK WITH SHULTZ REPORTED IN TUR. THE PRIME MINISTER AGREES THAT WE SHOULD ALSO BRING VICE PRESIDENT BUSH INTO THE PICTURE.
2. AS YOU ARE AWARE, WE HAVE BEEN IN TOUCH SEPARATELY WITH DR KISSINGER WHO WILL BE DINING WITH THE PRIME MINISTER IN LONDON ON 12 NOVEMBER. WE MUST ASSUME THAT THE FACT THAT KISSINGER SAW DENG RECENTLY IN CHINA AND WAS GIVEN AN ACCOUNT OF CHINESE THINKING ABOUT HONG KONG WILL BECOME KNOWN TO THE AMERICAN ADMINISTRATION. THE ADMINISTRATION MIGHT THEREFORE TAKE IT BADLY IF THEY FELT THAT WE WERE DELIBERATELY KEEPING THEM IN THE DARK. MOREOVER, WE THINK THAT THE AMERICANS COULD BE HELPF TO US IN OUR HONG KONG POLICY. AT THE SAME TIME, THE PRIME MINISTER DOES NOT (NOT) WISH THE CIRCLE OF KNOWLEDGE ABOUT WHAT PASSED BETWEEN HER AND THE CHINESE LEADERS TO BE WIDENED MORE THAN IS ABSOLUTELY NECESSARY. IN SPEAKING TO SHULTZ AND TO BUSH PLEASE ENSURE THAT THEY UNDERSTAND THAT THE INFORMATION IS BEING PASSED IN STRICT CONFIDENCE ON A PERSONAL BASIS. AND THAT WE THEREFORE HOPE IT WILL BE KEPT ENTIRELY TO THEMSELVES. GREAT DAMAGE COULD BE CAUSED IN HONG KONG IF FURTHER RUMOURS OF CHINESE OEDURACY APPEAR. WE ARE PARTICULARLY CONCERNED TO AVOID PUBLIC STATEMENTS IN THE WESTERN PRESS WHICH MIGHT PROVOKE THE CHINESE TO PUBLICISE FURTHER THEIR NEGOTIATING POSITION BEFORE OUR SUBSTANTIVE TALKS HA GOT UNDER WAY.
3. IN SPEAKING TO SHULTZ AND TO BUSH YOU SHOULD IN THE FIRST PLACE DRAW ON GUIDANCE TELNO 192 WHICH GIVES THE SEQUENCE OF

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EVENTS LEADING TO THE ISSUE OF THE JOINT PUBLIC STATEMENT. MIFT CONTAINS AN ACCOUNT OF THE MEETINGS WITH ZHAO AND DENG ON WHICH YOU SHOULD ALSO DRAW, BUT YOU SHOULD NOT (NOT) LEAVE ANYTHING IN WRITING.

4. THE CHINESE LEADERS SHOWED IGNORANCE ABOUT THE BASIS OF THE CONFIDENCE ON WHICH THE PROSPERITY OF HONG KONG DEPENDS. WE ARE THEREFORE SEEKING WAYS OF TRYING TO INFLUENCE THE SMALL NUMBER OF CHINESE LEADERS WHO ACTUALLY MAKE POLICY TOWARDS HONG KONG, BEYOND OUR OWN DISCUSSIONS WITH THEM. THE PRIME MINISTER WONDERS IF THERE IS ANY PROSPECT OF SECURING INVITATIONS FOR THEM TO VISIT, FOR EXAMPLE, THE UNITED STATES WHERE THEY COULD BE EXPOSED TO SOME COMMONSENSE THINKING ABOUT THE FUTURE OF HONG KONG. EQUALLY, SENIOR AMERICAN POLITICAL FIGURES MAY BE ABLE TO PUT THE POINTS ACROSS DURING VISITS TO CHINA. THIS IS SOMETHING WHICH YOU SHOULD DISCUSS WITH BUSH AND SHULTZ.

5. THE ESSENCE OF THE MESSAGE WE WISH TO GET ACROSS TO THE CHINESE IS AS FOLLOWS. AT PRESENT, PEOPLE IN HONG KONG AND INVESTORS REGARD BRITISH ADMINISTRATION, WHICH PRACTISES THE MINIMUM INTERVENTION IN THE RUNNING OF ECONOMIC AFFAIRS, AS A MEANS OF INSURING AGAINST PEKING INFLUENCE OR THE IMPOSITION OF CHINESE COMMUNIST POLICIES. WE KNOW IT IS NOT WISE TO SUGGEST TO THE CHINESE LEADERSHIP THAT CHINESE PEOPLE ARE LESS COMPETENT MANAGERS THAN THE BRITISH. BUT IF THE EXTERNAL LINK WITH THE UNITED KINGDOM IS SEVERED, THE PEOPLE OF HONG KONG WILL FIND IT VERY DIFFICULT TO HAVE CONFIDENCE IN CHINESE ASSURANCES THAT THEY WILL LEAVE HONG KONG TO RUN ITS OWN AFFAIRS.

THE UNEVEN RECORD OF CHINESE POLICIES SINCE 1952, PARTICULARLY THE DAMAGE DONE TO CAPITALISM AND FREE ENTERPRISE IN SHANGHAI, HAS NOT INSPIRED SUCH CONFIDENCE.

6. WE DO NOT KNOW WHETHER THE CHINESE WOULD LISTEN TO THIS SORT OF MESSAGE FROM THE AMERICANS IF IT WERE OFFERED AS THEIR OWN OBJECTIVE VIEW (RATHER THAN SPEAKING ON OUR BEHALF). ANY US INTERVENTION OVER HONG KONG IS BOUND TO BE DELICATE, PARTICULARLY BECAUSE OF CHINESE SUSPICIONS OF US POLICIES TOWARDS TAIWAN. THE CHINESE VIEW OF US SUPPORT FOR US DURING THE FALKLANDS CRISIS IS ANOTHER COMPLICATING FACTOR. THE

/CHINESE

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CHINESE WOULD ALSO REACT STRONGLY TO ANY IMPLICATION THAT WE HAD PUT THE US UP TO USING THEIR ECONOMIC INVESTMENTS IN HONG KONG AS A WAY OF PUTTING PRESSURE ON THEM (EG ANY APPARENT THREAT TO WITHDRAW INVESTMENTS UNLESS THE CHINESE AGREE TO CONTINUING BRITISH ADMINISTRATION AFTER 1997). BUT THE CHINESE MIGHT NEVERTHELESS RESPECT THE US VIEW ON THE BASIS OF HONG KONG'S PROSPERITY AND ON WHAT WOULD DAMAGE IT. US INVESTMENTS IN HONG KONG MIGHT THEREFORE PROVIDE A LEAD-IN TO THIS

7. YOU SHOULD ALSO ASK IF ONE OR TWO OF THE AMERICAN OFFICIALS WHO HAVE BEEN CLOSELY INVOLVED IN THE RECENT NEGOTIATIONS WITH THE CHINESE OVER ARMS SALES TO TAIWAN COULD VISIT LONDON FOR A DISCUSSION OF CHINESE NEGOTIATING TECHNIQUES. WE ALREADY HAVE GOOD MATERIAL ON THIS FROM REPORTS FROM YOUR EMBASSY AS WELL AS PEKING. BUT AN EXCHANGE OF VIEWS WITH THOSE WHO ACTUALLY NEGOTIATED THE COMMUNIQUE OF 17 AUGUST WOULD BE VALUABLE.

8. IF IT WOULD BE HELPFUL, I COULD SEND DONALD OVER TO ASSIST YOU IN THE BRIEFING. HE WAS PRESENT IN PEKING AT THE TALKS. HE COULD ALSO BE GIVEN A RUN-DOWN ON THE ARMS NEGOTIATIONS.

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FUTURE OF HONG KONG

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Foreign and Commonwealth Office

London SW1A 2AH

MS

22 October 1982

Prime Minister
Content of these instructions
to issue?

A.J.C. 23/10

Dear John,

Future of Hong Kong

Thank you for your letter of 21 October.

We have despatched instructions to Sir Edward Youde about the line he should take with Sir S Y Chung. The Governor was extremely grateful. Sir S Y Chung was much relieved and grateful that his points had been so fully taken into account.

//

I now attach two draft telegrams to Washington about briefing the Americans, which we will despatch if the Prime Minister agrees.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

OUT TELEGRAM

		Classification and Caveats SECRET	Precedence/Deskby PRIORITY
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FM FCO 221900Z OCTOBER 82
TO PRIORITY WASHINGTON
TELEGRAM NUMBER
AND REPEATED FOR INFORMATION TO PEKING DEDIP PERSONAL FOR
AMBASSADOR AND TO HONG KONG PERSONAL FOR GOVERNOR
PERSONAL FOR AMBASSADOR
UKMIS NEW YORK TELNO 1485: FUTURE OF HONG KONG
1. I should be grateful if you would follow up my talk
with Shultz reported in TUR. The Prime Minister agrees that we
should also bring Vice President Bush into the picture.
2. As you are aware, we have been in touch separately with
Dr Kissinger who will be dining with the Prime Minister in
London on 12 November. We must assume that the fact that
Kissinger saw Deng recently in China and was given an account of
Chinese thinking about Hong Kong will become known to the
American Administration. The Administration might therefore
take it badly if they felt that we were deliberately keeping them
in the dark. Moreover, we think that the Americans could be helpful
to us in our Hong Kong policy. At the same time, the Prime
Minister does not (not) wish the circle of knowledge about what

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NNNN ends telegram	BLANK	Catchword passed;
File number	Dept PRIVATE OFFICE	Distribution FUTURE OF HONG KONG
Drafted by (Block capitals) J E HOLMES		
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OUT TELEGRAM (CONT)

Classification and Caveats

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passed between her and the Chinese leaders to be widened more than

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is absolutely necessary. In speaking to Shultz and to Bush please

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ensure that they understand that the information is being passed

5

in strict confidence on a personal basis. Great damage could

6

be caused in Hong Kong if further rumours of Chinese obduracy

7

appear. We are particularly concerned to avoid public statements

8

in the Western press which might provoke the Chinese to publicise

9

further their negotiating position before our substantive talks have

10

got under way.

11

3. In speaking to Shultz and to Bush you should in the first

12

place draw on Guidance telno 192 which gives the sequence of

13

events leading to the issue of the joint public statement. MIFT

14

contains an account of the meetings ^{with} which Zhao and Deng on which

15

you should also draw, but you should not (not) leave anything

16

in writing.

17

4. The Chinese leaders showed ignorance about the basis of the

18

confidence on which the prosperity of Hong Kong depends. We

19

are therefore seeking ways of trying to influence the small

20

number of Chinese leaders who actually make policy towards Hong

21

Kong, beyond our own discussions with them. The Prime Minister

22

wonders if there is any prospect of securing invitations for them

23

to visit, for example, the United States where they could be exposed

24

to some commonsense thinking about the future of Hong Kong.

25

Equally, senior American political figures may be able to put the

26

points across during visits to China. This is something which

27

you should discuss with Bush and Shultz.

28

5. The essence of the message we wish to get across to the Chinese

29

is as follows. At present, people in Hong Kong and

30

investors regard British administration, which practises the

31

minimum intervention in the running of economic affairs, as a

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means of insuring against Peking influence or the imposition

33

of Chinese communist policies. We know it is not wise to suggest

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to the Chinese leadership that Chinese people are less competent

and that we therefore hope it will be kept entirely to ourselves.

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NNNN ends telegram

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Catchword

managers

OUT TELEGRAM (CONT)

	Classification and Caveats SECRET	Page 3.
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2 managers than the British. But if the external link with the
3 United Kingdom is severed, the people of Hong Kong will find it
4 very difficult to have confidence in ^{Chinese} assurances that they
5 will leave Hong Kong to run its own affairs. ~~will be honoured~~
6 The uneven record of Chinese policies since 1952, particularly
7 the damage done to capitalism and free enterprise in Shanghai,
8 has not inspired such confidence.
9 6. We do not know whether the Chinese would listen to this
10 sort of message from the Americans if it were offered as their
11 own objective view (rather than speaking on our behalf).
12 Any US intervention over Hong Kong is bound to be delicate,
13 particularly because of Chinese suspicions of US policies
14 towards Taiwan. The Chinese view of US support for us during
15 the Falklands crisis is another complicating factor. The
16 Chinese would also react strongly to any implication that we
17 had put the US up to using their economic investments in Hong
18 Kong as a way of putting pressure on them (eg any apparent
19 threat to withdraw investments unless the Chinese agree to
20 continuing British administration after 1997). But
21 the Chinese might nevertheless respect the US view on the basis
22 of Hong Kong's prosperity and on what would damage it. US
23 investments in Hong Kong might therefore provide a lead-in to this.
24 7. You should also ask if one or two of the American officials
25 who have been closely involved in the recent negotiations
26 with the Chinese over arms sales to Taiwan could visit London
27 for a discussion of Chinese negotiating techniques. We already
28 have good material on this from reports from your Embassy as
29 well as Peking. But an exchange of views with those who actually
30 negotiated the communique of 17 August would be valuable.
31 8. If it would be helpful, I could send Donald over to assist
32 you in the briefing. He was present in Peking at the talks. He
33 could also be given a run-down on the arms negotiations.
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OUT TELEGRAM (CONT)

Classification and Caveats

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Catchword

OUT TELEGRAM

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7	TO PRIORITY WASHINGTON
8	TELEGRAM NUMBER
9	AND REPEATED FOR INFORMATION TO PEKING DEDIP PERSONAL FOR
10	AMBASSADOR AND HONG KONG PERSONAL FOR GOVERNOR
11	MIPT: FUTURE OF HONG KONG
12	1. The Chinese leaders took a hard line in the talks with the
13	Prime Minister. They insisted on recovery of sovereignty
14	over the whole territory in or before 1997. Sovereignty was
15	'non negotiable' and, if it came to the crunch, took precedence
16	over the maintenance of prosperity. Subject to this overriding
17	point, the Chinese were nevertheless prepared to pursue special
18	policies in Hong Kong and to allow the capitalist way of
19	life to continue. British interests in industry, commerce,
20	finance, shipping and aviation would be taken into account
21	and British Government functionaries could remain in certain
22	posts. Zhao explicitly said that China would not let others
23	administer Hong Kong on its behalf or place Hong Kong under the
24	trusteeship of others. Both Deng and Zhao ^{said they} did not believe that
25	without British administration and the link with the United Kingdom,

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Telephone number		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

Classification and Caveats

Page

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2 the Hong Kong economy would decline. They sought British
3 cooperation in ensuring a smooth transition to Chinese sovereignty
4 and the exercise of overall control in 1997.

5 2. The Prime Minister told the Chinese leaders that she knew
6 how important sovereignty was to China but it was also a
7 difficult issue for her. She could not consider this question
8 unless the two governments could agree definite arrangements about the
9 the future administration and control of Hong Kong which would
10 work in practice, command confidence among the people of Hong
11 Kong and which could be justified to the British Parliament.
12 She made clear her moral obligation to the people of Hong
13 Kong and the important connection between confidence and the
14 continuity of British administration.

15 3. HM Ambassador Peking saw Vice Foreign Minister Zhang
16 Wenjin on 5 October. Zhang insisted that the talks be based
17 on the premise that China would recover sovereignty not later
18 than 1997. We are still discussing with the Chinese the
19 framework within which substantive talks can take place with
20 the common aim of maintaining Hong Kong's stability and prosperity.

21 4. The Chinese stand was predictable. On the brighter side,
22 they agreed to a press statement that did not refer to
23 sovereignty. They were ready to agree to talks with the common
24 aim of maintaining the prosperity and stability of Hong Kong.
25 Zhang has seemed to suggest that substantive talks could begin
26 even if it were not possible to solve the question of
27 sovereignty totally. We see a possible analogy with the Sino-
28 US talks on arms sales to Taiwan where the Chinese repeatedly took
29 a very hard line before eventual agreement. But it is disturbing
30 that the Chinese have already made public a number of elements
31 of their position on Hong Kong which will make eventual compromise
32 more difficult.

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34 PYM

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FM HONG KONG 140825Z OCT 82
TO PRIORITY FCO
TELEGRAM NUMBER 1179 OF 14 OCTOBER
INFO PRIORITY WASHINGTON (PERSONAL FOR AMBASSADOR), PEKING
(PERSONAL FOR AMBASSADOR)

h.a.
Mr 207
10-

PERSONAL FOR DONALD
FUTURE OF HONG KONG.

AS YOU KNOW, HENRY KISSINGER HAS RECENTLY BEEN IN PEKING WHERE HE SPENT 2 AND A HALF HOURS WITH DENG. ACCORDING TO SIR Y.K. PAO, WHO SAW KISSINGER SUBSEQUENTLY IN TOKYO, DENG GAVE KISSINGER A FAIRLY FULL ACCOUNT OF CHINESE THINKING ABOUT THE FUTURE OF HONG KONG. AMONG OTHER THINGS, HE APPARENTLY SAID THAT SOVEREIGNTY WOULD BE TAKEN BACK IN 1997 AND THERE WOULD HAVE TO BE A CHINESE GOVERNOR. BUT THERE COULD BE A BRITISH VICE-GOVERNOR.

2. IT WOULD BE VERY USEFUL IF SOMEONE SUITABLY SENIOR IN THE EMBASSY COULD HAVE A WORD WITH KISSINGER AND, WITHOUT REVEALING OUR SOURCE (SIR Y.K. PAO IS (NEXT WORD UNDERLINED) VERY SENSITIVE ON THIS POINT), TRY TO FIND OUT DISCREETLY WHAT DENG ACTUALLY SAID ABOUT HONG KONG. IT MIGHT ALSO BE HELPFUL TO HAVE KISSINGER'S OWN ASSESSMENT OF THE CHINESE POSITION IN THE LIGHT OF WHAT HE WAS TOLD.

YOUDE

FUTURE OF HONG KONG

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From the Private Secretary

8 October 1982

Talks with China: Future of Hong Kong

The Prime Minister would find it useful to have a talk with Dr. Kissinger some time, given his experience of negotiating with the Chinese.

I understand that George Walden is expecting to meet a member of Dr. Kissinger's staff during a visit to Washington on 15 October. It would be helpful, provided you see no objection, if he could establish whether Kissinger is likely to be visiting London in the near future. If there is any prospect of this, the message could be conveyed that the Prime Minister would welcome the chance for a private talk about China and Hong Kong. She would of course not wish the fact that she intended to discuss these matters with Kissinger to become public and I should be grateful if George Walden could emphasise the need for total confidentiality.

A. J. COLLIER

John Holmes Esq
Foreign and Commonwealth Office.

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