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BR

10 DOWNING STREET

From the Private Secretary

23 November 1982

BF

FUTURE OF HONG KONG

The Prime Minister has seen Hong Kong Telegram No. 1354 reporting the press coverage of Liao Chengzhi's discussions with a visiting delegation from Hong Kong.

Mrs. Thatcher has expressed concern about the situation which is developing. For some time the Chinese have been conducting a massive and rather impressive publicity campaign for their own position on Hong Kong. Barely a day passes without some new report. Our own approach to the issue has been based partly on the assumption that we ourselves shall need to carry out an intensive educational campaign if the Chinese are to be brought to understand the arrangements that will be necessary if the prosperity of Hong Kong is to be preserved. It is Mrs. Thatcher's impression that we have not yet found any convincing means of conducting this campaign. But the need to find a suitable response to the current manipulation by the Chinese of public opinion is now becoming pressing. Mrs. Thatcher is inclined to think that we shall either have to issue a policy statement of our own or instruct HM Ambassador in Peking to warn the Chinese that if their campaign continues we shall have to match it. The question also arises of whether the time has come to press the Chinese for a response to our proposal for substantive talks. Finally, the Prime Minister has asked whether one way of proceeding would be to summon the Chinese Ambassador.

I should be grateful for your early advice on these points.

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office

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Ref: A082/0197

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covering
TOP SECRET - UK EYES A

PRIME MINISTER

I attach your copy of JIC(82)(N) 117, a note entitled "The Future of Hong Kong: The Chinese Position following the Prime Minister's Visit".

2. Members of the Assessment Staff directly involved in the preparation of this note were, with your agreement, allowed to see the reports on your visits to Peking and Hong Kong; but the reports are not quoted or referred to in the note.

RA

Robert Armstrong

22nd November 1982

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PRIME MINISTER

FUTURE OF HONG KONG

I attach the latest telegram from Hong Kong.

I confess that I am becoming rather concerned about this issue. I still think it possible to reach a satisfactory settlement in the end. What worries me is that the Chinese are running a massive and rather impressive publicity campaign for their own position. Barely a day passes without some new report. Meanwhile, we are doing practically nothing. We can do little about the fact that the Chinese have not yet responded to our proposal to open substantive talks. But we said at the beginning that we should need to carry out an intensive educational campaign to show what was needed if the prosperity of Hong Kong was to be preserved. Yet, so far as I know, we have not found anybody who is capable of arguing the point with the Chinese. It is easier for them than for us. The Hong Kong Chinese seem to be pretty well a broken reed. But we surely need to find some response to all this Chinese manipulation of public opinion.

If you agree, I shall convey these worries to the FCO and ask for recommendations.

I agree

A.J.C.

We can't leave it like this.

Either we have to issue a statement on Peking

and state what we mean

then that if this continues - we

shall do so - and we must challenge them about the talks

Should we call in the Chinese Ambassador?

22 November 1982

GR 480

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FM HONG KONG 220743Z NOV 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 1354 OF 22 NOVEMBER
INFO IMMEDIATE PEKING

M I P T FUTURE OF HONG KONG: PRESS COVERAGE

REPORTS OF LIAO CHENGZHI'S DISCUSSIONS WITH A VISITING DELEGATION FROM THE HONG KONG FACTORY OWNERS' ASSOCIATION (PARA 1(C) OF MY TELNO 1315) WERE CARRIED PROMINENTLY BY ALL PAPERS ON 21 AND 22 NOVEMBER. ON 21 NOVEMBER, THE WEN WEI PO (COMMUNIST) HEADLINE STORY, QUOTING A CHINA NEWS SERVICE REPORT, WAS LIAO CHENGZHI'S STATEMENT THAT CHINA WOULD RECOVER HONG KONG NO LATER THAN 1997 AND THAT THEREAFTER HONG KONG WOULD BE ADMINISTERED BY HONG KONG PEOPLE. A NUMBER OF INDEPENDENT NEWSPAPERS, INCLUDING THE ENGLISH LANGUAGE STANDARD, THE ORIENTAL DAILY NEWS AND THE HONG KONG DAILY NEWS PUBLISHED ACCOUNTS OF TELEPHONE INTERVIEWS WITH HUANG JEN THE LEADER OF THE HONG KONG FACTORY OWNERS' DELEGATION. IN THESE INTERVIEWS, HUANG GAVE DETAILS OF CHINA'S PLANS FOR THE FUTURE ADMINISTRATION OF HONG KONG APPARENTLY CONVEYED TO HIM BY LIAO CHENGZHI AND OTHER OFFICIALS WHOM THE DELEGATION MET. THE MAIN POINTS WERE:

- (A) SOVEREIGNTY AND ADMINISTRATIVE CONTROL WERE INSEPERABLE.
- (B) THERE WOULD BE A LOCAL CHINESE GOVERNOR SELECTED BY A CONSULTATIVE PROCESS. CAPABLE AND EXPERIENCED EXPATRIATES WOULD BE OFFERED APPOINTMENTS IN THE GOVERNMENT.
- (C) THE BRITISH FLAG WOULD BE REPLACED BY THE CHINESE FLAG AND A REDESIGNED HONG KONG FLAG.
- (D) CHINA WOULD BE RESPONSIBLE FOR HONG KONG'S DEFENCE AND EXTERNAL AFFAIRS.
- (E) FREEDOM OF SPEECH WOULD BE SAFEGUARDED: EVEN ANTI-COMMUNIST PUBLICATIONS COULD CONTINUE. OTHER ASPECTS OF HONG KONG'S LIFESTYLE WOULD ALSO BE PRESERVED, INCLUDING HORSE RACING.
- (F) THE HONG KONG DOLLAR WOULD BE RETAINED.
- (G) AS A SPECIAL ADMINISTRATIVE REGION, HONG KONG WOULD BE VERY DIFFERENT FROM THE SPECIAL ECONOMIC ZONES BECAUSE THE SEZ'S WERE BASED ON THE SOCIALIST SYSTEM WHEREAS HONG KONG WOULD RETAIN THE CAPITALIST SYSTEM.

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/ (H) THE BANK

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(H) THE BANK OF CHINA AND OTHER CHINESE ORGANISATIONS OPERATING IN HONG KONG WOULD BE INSTRUCTED TO ADOPT MEASURES TO STIMULATE HONG KONG INDUSTRY AND HELP PRESERVE HONG KONG'S PROSPERITY.

2. EDITORIAL COMMENT IN THE COMMUNIST PRESS WELCOMED LIAO'S REMARKS ABOUT AUTONOMY FOR HONG KONG AND SAID THAT THESE PROPOSALS SHOULD MAINTAIN PEOPLE'S CONFIDENCE IN THE FUTURE. WEN WEI PO (22 NOVEMBER) SAID THAT THOSE WHO SAID BRITAIN WOULD ADMINISTER HONG KONG AFTER 1997 AS AN AGENT OF CHINA (DAIGUAN) WERE WRONG. "THEIR ERROR LIES IN SEPARATING SOVEREIGNTY FROM ADMINISTRATIVE CONTROL". MING PAO (INDEPENDENT) POINTED OUT THAT LIAO CHENGZHI WAS THE MOST SENIOR OFFICIAL DEALING WITH HONG KONG AND MACAU AFFAIRS AND THAT HIS VIEWS WERE AUTHORITATIVE. CHINA COULD DECIDE UNILATERALLY WHAT HONG KONG'S FATE WOULD BE IF THE BRITISH REFUSED TO COOPERATE. THE WAH KIU YAT PO (INDEPENDENT) AND THE EXPRESS (PRO KMT) CAST DOUBT ON WHETHER HONG KONG COULD FUNCTION AS A SAR WITHOUT FIRM LEGAL GUARANTEES OF THE FREEDOMS ENJOYED UNDER THE PRESENT SYSTEM. THE WAH KIU YAT PO SAID THAT LIAO'S PROPOSALS LEFT MANY IMPORTANT QUESTIONS OF DETAIL UNANSWERED.

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FUTURE OF HONG KONG

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MR DONALD

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CR 230
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FM PEKING 220700Z NOV 82
TO IMMEDIATE F C O
TELNO 776 OF 22 NOVEMBER
INFO IMMEDIATE HONG KONG.

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

HONG KONG TELNO 1341: FUTURE OF HONG KONG

1. I AGREE WITH THE PROPOSAL IN PARAGRAPH 5 OF TUR, BUT IT WILL NEED CAREFUL HANDLING. IT COULD BE HEAVILY COUNTER-PRODUCTIVE IF WE WERE TO BE SEEN TO BE PULLING THE STRINGS EG. IF THE RESULTS OF THE EXERCISE COULD BE TRACED BACK TO A PRIVATE MEETING BETWEEN EDITORS AND SENIOR HONG KONG OFFICIALS. THIS COULD PROVOKE A STRONG CHINESE REACTION AND A CONSEQUENT POLARISATION IN THE HONG KONG PRESS OF DIFFERING VIEWS ON MATTERS OF PRINCIPLE AND FACE, WHICH COULD IN TURN HAVE A DAMAGING EFFECT ON THE TALKS.

2. ALTHOUGH THE CHINESE WILL ALMOST CERTAINLY SUSPECT THAT WE HAVE HAD A HAND IN ANY SUCH ARTICLES, WE MUST GIVE THEM AS LITTLE EVIDENCE AS POSSIBLE OF SUCH ACTIVITY. I WONDER IN FACT WHETHER THE BEST WAY TO PROCEED MAY NOT BE TO TRIGGER AN ARTICLE OR ARTICLES IN AN AMERICAN OR JAPANESE NEWSPAPER

WHICH WOULD NO DOUBT BE PICKED UP BY THE HONG KONG PRESS AND DISCUSSED. IF WE DO NOT PLANT THE INITIAL GERM IN HONG KONG ITSELF IT WILL BE CONSIDERABLY LESS ATTRIBUTABLE, AND MAY BE MADE TO APPEAR AS THE DISINTERESTED VIEWS OF COMMENTATORS IN THIRD COUNTRIES.

CRADOCK

FUTURE OF HONG KONG

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GR 600

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FM HONG KONG 190855Z NOV 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 1341 OF 19 NOVEMBER
INFO IMMEDIATE PEKING (PERSONAL FOR AMBASSADOR)

A.J.C. 22/11

FUTURE OF HONG KONG

1. IN MY TELNOS 1326 OF 1328 I REPORTED THE CONTINUING, AND GROWING CONCERN AMONG UNOFFICIALS ABOUT THE SCALE AND EFFECTIVENESS OF THE CHINESE CAMPAIGN TO SPREAD KNOWLEDGE OF THEIR PLAN, AND THE APPARENT LACK OF ANY ACTIVITY ON OUR PART TO COUNTER WHAT THEY ARE DOING.

2. THE CHINESE NOW SEEM PREPARED TO GIVE A GENERAL ACCOUNT OF THEIR POSITION TO ANYONE WHO ASKS (AND TO MANY WHO DO NOT) AND, WHERE THEY SEE ADVANTAGE, TO PUBLICISE WHAT IS SAID. THE MAYOR OF CANTON'S REMARKS IN MANILA (MY TELNO 1330) ARE THE MOST RECENT EXAMPLES. WE ALSO KNOW FROM SECRET SOURCES THAT THE CHINESE QUOTE UNITED FRONT UNQUOTE STRATEGY IS TO WIN OVER THOSE ON THE SIDELINES (I.E. THE LARGE SEGMENT OF POPULATION WHICH IS GENERALLY SYMPATHETIC TO CHINA BUT DOUBTFUL ABOUT CHINA'S ABILITY TO RUN HONG KONG), AND THUS TO ISOLATE THOSE WHO SUPPORT THE BRITISH.

3. THE CUMULATIVE EFFECT OF ALL THIS ACTIVITY SHOULD NOT BE UNDERESTIMATED. THOUGH THE CHINESE PLAN MAY BE FUZZY AT THE EDGES, ITS BROAD OUTLINES ARE NOW COMMON KNOWLEDGE. FEW CAN HAVE MUCH DOUBT THAT THE CHINESE AIM IS TO RECOVER ADMINISTRATIVE CONTROL AND NOT JUST TITULAR SOVEREIGNTY.

4. BY CONTRAST, THERE IS MUCH LESS KNOWLEDGE OF THE BRITISH POSITION AND OF BRITISH OBJECTIVES. PEOPLE ARE AWARE, FROM THE PRIME MINISTER'S REMARKS AT THEIR PRESS CONFERENCE AND FROM MY LEGCO SPEECH THAT OUR AIM IS TO REACH AN AGREEMENT WHICH WILL BE WELCOMED BY THE PEOPLE OF HONG KONG. THEY HAVE LITTLE IDEA OF WHAT KIND OF AGREEMENT HMG WOULD REGARD AS ACCEPTABLE, OR THINK LIKELY TO BE WELCOMED IN HONG KONG. ONLY UNOFFICIALS HAVE BEEN TOLD (THOUGH OTHERS MAY SUSPECT) THAT IN OUR VIEW PROSPERITY AND STABILITY CAN ONLY BE PRESERVED IF BRITISH ADMINISTRATION IS MAINTAINED FOR A LONG TIME TO COME.

5. I RECOGNISE THE DANGERS OF NEGOTIATING THROUGH THE MEDIA, OR OF EMBARKING ON A PROPAGANDA WAR WHICH WE COULD NOT HOPE TO WIN. BUT IF WE ARE TO STEADY OPINION HERE WE CANNOT AFFORD TO LEAVE THE FIELD ENTIRELY TO THE CHINESE. I THEREFORE PROPOSE THAT, SUBJECT

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