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cc Mr. Jackling

MR. COLES ✓

HONG KONG

10/11/73

Sir A. Parsons

to see again.

MR 1/3

I have been thinking a lot about Hong Kong since we discussed it with the Prime Minister at the beginning of the week. The following are my personal views. I must emphasise that my only expertise derives from a fair amount of experience of negotiating with the Chinese in New York.

As I see it, our objectives are the following:-

1. To ensure, so far as it lies in our power, a reasonable future in the long term for the people of Hong Kong, combined with the minimum of uncertainty in the short and medium term. This is our moral responsibility.
2. To avoid a violent confrontation with the Chinese which might lead to blockade or war. I do not believe that either would be acceptable to the people of Hong Kong, or to the British people.
3. To avoid a situation in which there is a mass exodus from Hong Kong, a substantial part of which might head for the United Kingdom.

The fundamental problem is that our position is weak. For obvious reasons, the Chinese can have the last word just as we could if, by some chance, the Chinese had acquired the Isle of Wight and Southampton in the 19th Century and we were now determined to recover them. (China is not Argentina: the geography is totally different: the Hong Kong population is not "British".) Bilaterally, our only assets, which do not amount to all that much, are the fact that we are in possession and that China has an interest in avoiding a major row with an important European power. I am unimpressed by the economic argument, ie the importance the Chinese are alleged to attach to the continuation of Hong Kong as a prosperous, capitalist society, and by the argument that the Chinese would be affected by the impact which a Hong Kong settlement might have on the eventual peaceful reunification of China with Taiwan.

/Internationally,

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Internationally, the plain fact is that we have few, if any, assets. The Chinese are in a position to slam the door of the United Nations in our face and there would be nothing we could do about it. Equally, I do not believe that we would get any support, apart from private sympathy, from our partners and allies and from friendly regional states if it looked as though we were heading towards confrontation with the Chinese. Even the Americans would find good reason for urging us to make concessions in order to reach a peaceful accommodation with Peking. I would not count on our European partners, still less on eg ASEAN.

In the light of the above, I believe that we have two immediate tactical objectives:-

1. To involve the Hong Kong Chinese leadership in our policy-making process without further delay.
2. To involve the Chinese in serious negotiations as soon as possible.

The first objective - involving the Hong Kong Chinese - is not difficult as soon as we make up our minds on our first step.

The second objective - involving Peking in negotiations - brings us to the heart of the dilemma. The weight of opinion in the FCO is that the Chinese mean what they say in making the question of sovereignty a pre-condition for the opening of negotiations. However, my feeling is that we have not yet done enough research to be sure of this judgement as a basis for formulating our policy. Hence, to sell this important pass at this stage would be premature, and we should not in any case contemplate doing so unless the Hong Kong Chinese leadership are themselves convinced that there is no choice and that to do so would be the only way to open negotiations with China on the question of administration.

I think, therefore, that our first step should be to authorise the Governor to tell the EXCO exactly what the latest Chinese position is (Peking Tel No 160). He could then ask them for their views. Do they think that the Chinese are bluffing or that they are immovable and that there will be no negotiations (with all the consequences

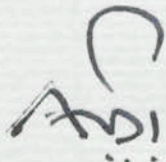
/that this could

CONFIDENTIAL

- 3 -

that this could bring in terms of a Chinese public campaign in June) unless we make the concession which the Chinese are demanding. He should give no hint that we are thinking of changing our present policy, but should emphasise that their views will, of course, be of great importance to us. He could tell them that, as soon as they have reacted, he would return to London for further discussions.

I am not meant to know this, but I think that this is what the FCO will recommend, probably before the weekend, when they produce comments on the Prime Minister's idea which she put forward at our last meeting. If the Governor is given this authority, this will start the process of involving the Hong Kong Chinese and give us more evidence on which we can make a judgement of Chinese intentions. Meanwhile, we should not have sold any passes and would not have said anything to the Hong Kong Chinese which, if they leaked to Peking, would impair our negotiating position.



A.D. PARSONS
24 February 1983

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