

SECRET

FM HONG KONG 030840Z MAR 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 295 OF 3 MARCH

INFO IMMEDIATE PEKING (PERSONAL FOR AMBASSADOR)

YOUR TELNO 181: FUTURE OF HONG KONG

1. I SPOKE TO EXCO ACCORDINGLY ON 2 MARCH. I ANALYSED THE PRESENT POSITION AND OUTLINED THE PROBLEMS FACING HMG. I THEN SOUGHT MEMBERS' VIEWS, MAKING IT CLEAR THAT MINISTERS WERE ANXIOUS TO HAVE EXCO'S ADVICE ON THE WAY FORWARD AND THAT I DID NOT WISH TO INFLUENCE THEIR VIEWS BY GUIDING THEM IN ANY PARTICULAR DIRECTION.

2. AFTER A LONG DISCUSSION THE ADVICE GIVEN BY UNOFFICIALS CAN BE SUMMARISED AS FOLLOWS:

(A) THEY WERE NOT CONVINCED THAT THE CHINESE WOULD IN THE EVENT MAKE AN EARLY FORMAL ANNOUNCEMENT OF THEIR PLAN: THEY DID NOT THINK THAT THIS WOULD BE CONSISTENT WITH THE CHINESE WISH TO PRESERVE THE PROSPERITY OF HONG KONG. EVEN IF THE CHINESE DID MAKE SUCH AN ANNOUNCEMENT, AND REVEALED THAT THE TALKS WERE DEADLOCKED OR HAD NOT YET BEGUN, UNOFFICIALS TOOK THE VIEW THAT THIS WOULD ADD LITTLE TO WHAT WAS ALREADY BELIEVED IN HONG KONG. THE IMPACT ON CONFIDENCE WOULD THEREFORE BE NO WORSE THAN HONG KONG HAD ENDURED IN SEPTEMBER/OCTOBER LAST YEAR (SOME OFFICIAL MEMBERS BELIEVED THAT THE IMPACT OF A FORMAL CHINESE ANNOUNCEMENT WOULD BE MORE SERIOUS, BUT THEY DID NOT DISSENT FROM THE VIEW AT (C) BELOW).

(B) EVEN IF THE CHINESE DID FORMALLY ANNOUNCE THEIR PLAN AND BECAME PUBLICLY COMMITTED TO IT, UNOFFICIALS BELIEVED THAT THEIR POSITION WOULD STILL BE OPEN TO NEGOTIATION. THEY DID NOT BELIEVE THAT THE CHINESE WOULD CONCEDE ON THE ISSUE OF SOVEREIGNTY OVER THE WHOLE OF HONG KONG BUT THEY THOUGHT IT POSSIBLE THAT THE CHINESE COULD STILL BE INDUCED TO BE FLEXIBLE ON ADMINISTRATION.

(C) UNOFFICIALS THEREFORE TOOK THE VIEW THAT UNLESS THERE WAS SOME MAJOR NEW DEVELOPMENT HMG SHOULD SIT TIGHT, AT LEAST FOR THE NEXT TWO MONTHS. THEY THOUGHT THAT THE CHINESE SHOULD BE TOLD, IN RESPONSE TO YAO GUANG'S STATEMENT, THAT THE PRECONDITION WHICH THE CHINESE WISHED TO INTRODUCE FOR STARTING SUBSTANTIVE TALKS DID NOT ACCORD WITH THE JOINT STATEMENT MADE BY THE LEADERS IN SEPTEMBER AND WAS UNACCEPTABLE. IN THE REPLY, WHICH SHOULD BE GIVEN SOON AFTER THE CONSULTATIONS IN LONDON, WE SHOULD CONTINUE TO PRESS FOR TALKS TO BE ON THE BASIS OF THAT STATEMENT.

(D) UNOFFICIALS ALSO TOOK THE VIEW THAT IT WOULD BE DESIRABLE TO OPEN INFORMAL CHANNELS OF COMMUNICATION WITH THE CHINESE. SUCH CHANNELS MIGHT BE USED:

(1) INITIALLY TO CONTINUE THE PROCESS OF EDUCATING THEM ABOUT THE NEED FOR BRITISH ADMINISTRATION TO CONTINUE IF DOMESTIC

SECRET

AND EXTERNAL CONFIDENCE IS TO BE MAINTAINED:

- (II) AT A LATER STAGE, TO PROVIDE A CHANNEL THROUGH WHICH TO EXPLORE, WITHOUT COMMITMENT, WHAT ARRANGEMENTS FOR CONTINUING BRITISH ADMINISTRATION COULD BE MADE IF SOVEREIGNTY WAS CONCEDED.
- (E) THE SITUATION MUST BE KEPT UNDER CONTINUOUS REVIEW.

3. AT THE END OF THE MEETING UNOFFICIALS PRESSED ME FOR MY VIEWS. I SAID THAT I WAS VERY CONTENT TO CONVEY THE ADVICE WHICH THEY HAD GIVEN TO LONDON. BUT ON SPECIFIC POINTS

(A) I WAS AMONG THOSE WHO THOUGHT THE RISKS WERE HIGH OF A MORE UNFAVOURABLE IMPACT ON CONFIDENCE IF THE CHINESE FORMALLY ANNOUNCED THEIR PLAN AND REVEALED THERE WAS NO PROGRESS IN THE TALKS.

(B) IN MY JUDGEMENT IT WAS A PROBABILITY RATHER THAN A POSSIBILITY THAT THE CHINESE WERE PLANNING SOME FORMAL ANNOUNCEMENT OF THEIR PLAN AT THE NATIONAL PEOPLES CONGRESS AROUND JUNE OF THIS YEAR:

(C) THE RISK WAS ALSO HIGH THAT A REPLY TO YAO GUANG ON THE LINES ADVOCATED BY UNOFFICIALS WOULD BE INTERPRETED BY THE CHINESE AS MAKING NO STEP FORWARD AND WE COULD THUS REACH A SITUATION OF 'STAND-OFF'.

YOUDE

FUTURE OF HONG KONG

LIMITED

HD/HKGD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/MR HURD
PS/LORD BELSTEAD
PS/PUS
SIR J BULLARD
MR GIFFARD
MR DONALD

COPIES TO

SIR I SINCLAIR LEGAL ADVISER
MR ROBERTS NEWS D
MR COLES NO 10 DOWNING STREET
MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE

2

SECRET