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FM HONG KONG 050515Z MAY 83
TO PRIORITY FCO
TELEGRAM NUMBER 623 OF 5 MAY 1983
INFO PRIORITY PEKING (PERSONAL FOR AMBASSADOR)



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MIPT: FUTURE OF HONG KONG: STRATEGY FOR SUBSTANTIVE TALKS.

1. FOLLOWING IS REDRAFT OF THE MAIN PAPER.
FOR CONVENIENCE NEW MATERIAL IS UNDERLINED.

INTRODUCTION

1. THE PURPOSE OF THIS PAPER IS TO PREPARE A PLAN FOR HMG'S CONDUCT OF SUBSTANTIVE NEGOTIATIONS WITH THE PRC. IT ASSUMES THAT THE CHINESE RESPONSE TO THE PRIME MINISTER'S MESSAGE ENABLES DETAILED NEGOTIATIONS TO START WITHOUT UNCONDITIONAL ACCEPTANCE OF THE CHINESE PREMISE ON SOVEREIGNTY. ON MODALITIES, IT IS BASED (NEXT WORD UNDERLINED) GENERALLY ON THE PROPOSALS WHICH WERE PUT TO THE CHINESE MFA IN OCTOBER 1982.

UK AIM

2. TO CONCLUDE AN AGREEMENT ON THE FUTURE OF HONG KONG INVOLVING THE CONTINUATION OF BRITISH ADMINISTRATION OF THE TERRITORY FOR AS LONG AS POSSIBLE BEYOND 1997.

LIKELY CHINESE AIMS

3. (FOLLOWING 29 WORDS UNDERLINED) TO OBTAIN HMG'S AGREEMENT THAT THE WHOLE OF HONG KONG MUST REVERT TO CHINA IN 1997: AND TO SECURE BRITISH COOPERATION IN EFFECTING A SMOOTH TRANSITION TO CHINESE RULE.

PLACE - PEKING

MEMBERSHIP OF BRITISH TEAM

4. AT LEAST INITIALLY THE TALKS WOULD BE THROUGH THE DIPLOMATIC CHANNEL WITH A TEAM LED BY THE AMBASSADOR. THE GOVERNOR OF HONG KONG WOULD PARTICIPATE AS NECESSARY. THE POSSIBILITY OF OTHER REPRESENTATIVES FROM HONG KONG WOULD BE KEPT IN MIND. (FOLLOWING 44 WORDS UNDERLINED) IN PARTICULAR, IT WILL BE NECESSARY TO SEEK TO INVOLVE EXCO UNOFFICIALS AT SOME STAGE, BOTH TO MEET THEIR WISH TO BE INVOLVED AND TO DEMONSTRATE TO HONG KONG PEOPLE THAT THE TALKS ARE NOT BEING CONDUCTED ENTIRELY BY EXPATRIATES ON THE BRITISH SIDE. AT A LATER STAGE MINISTERIAL PARTICIPATION MIGHT BE NECESSARY.

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/SEQUENCE

SEQUENCE OF SESSIONS

5.(A) FIRST SESSION

A PROCEDURAL (NEXT WORD UNDERLINED) MEETING INVOLVING THE AMBASSADOR AND THE MFA WOULD PROBABLY BE NECESSARY TO AGREE ON SUBSEQUENT ARRANGEMENTS. (FOLLOWING 48 WORDS UNDERLINED) IDEALLY WE SHOULD LOOK FOR SOMETHING ON THE LINES SUGGESTED BELOW. BUT WE SHOULD SEEK TO AVOID GETTING BOGGED DOWN IN PROCEDURAL ARGUMENT. IN THE EARLY STAGES IT WILL BE ENOUGH TO AGREE AT EACH MEETING THE DATE FOR THE NEXT, AND TO ALLOW A PATTERN TO DEVELOP.

(B) SECOND SESSION

THIS SHOULD BE ATTENDED BY THE GOVERNOR OF HONG KONG. OUR GUIDELINES WOULD SO FAR AS POSSIBLE FOLLOW THOSE IN ANNEX A. THE OBJECT WOULD BE (FOLLOWING 16 WORDS UNDERLINED) TO SET THE SCENE FOR SUBSEQUENT MEETINGS, TO DRAW THE CHINESE INTO DISCUSSIONS AND, WHERE NECESSARY, TO AGREE ON SUBSEQUENT DETAILED WORK. IN DOING SO WE SHOULD AVOID CONFRONTATION ON MATTERS OF PRINCIPLE, PARTICULARLY ON SOVEREIGNTY. THIS SESSION SHOULD INCLUDE A PRESENTATION BY THE GOVERNOR, SETTING OUT HOW HONG KONG OPERATES IN ORDER TO ILLUSTRATE THE VALUE OF THE PRESENT SYSTEM OF ADMINISTRATION.

(C) THIRD PHASE (WHICH MIGHT COMPRISE A NUMBER OF SEPARATE SESSIONS).

(OPEN UNDERLINING)

DURING THIS PHASE, IF NOT BEFORE, WE MUST EXPECT THE CHINESE TO MAKE A STRONG EFFORT TO DRAW US ONTO GROUND OF THEIR CHOOSING. THEY ARE LIKELY TO TAKE THE LINE THAT SOVEREIGNTY AND ADMINISTRATION ARE INSEPARABLE, AND THAT DISCUSSION SHOULD THEREFORE CONCENTRATE ON ARRANGEMENTS FOR TRANSITION AND EVENTUAL BRITISH WITHDRAWAL, AND (PERHAPS AT A LATER STAGE) ON MEASURES TO SECURE CONTINUED BRITISH INVESTMENT AND QUOTE COOPERATION UNQUOTE AFTER CHINESE CONTROL HAS BEEN RE-ESTABLISHED. WE SHOULD BE PREPARED TO LISTEN TO ANY CHINESE ARGUMENTS ON THESE LINES. BUT IN PARALLEL WE SHOULD SEEK TO CONTINUE THE PROCESS OF EDUCATING THE CHINESE ABOUT HOW HONG KONG WORKS BY MAKING DETAILED PRESENTATIONS ON SPECIFIC AREAS (E.G. THE FINANCIAL SYSTEM, INCLUDING THE ROLE OF THE HONG KONG DOLLAR: THE LEGAL SYSTEM: THE NETWORK OF TRADE AGREEMENTS ETC.). THE AIM IN EACH CASE WOULD BE TO DEMONSTRATE THE VITAL IMPORTANCE OF THE BRITISH LINK AND THE NEED TO MAINTAIN IT. (END UNDERLINING) IT MIGHT BE APPROPRIATE TO SUGGEST THAT THESE QUESTIONS COULD BE EXPLORED BY SUB-COMMITTEES BUT IT IS IN FACT DOUBTFUL WHETHER THIS SYSTEM WOULD COMMEND ITSELF TO THE CHINESE OR LEAD TO MUCH PROGRESS. (OPEN UNDERLINING) WHETHER OR NOT THERE WERE SUB-COMMITTEES, EXPERTS FROM HONG KONG MIGHT BE ADDED TO THE UK NEGOTIATING TEAM FOR DISCUSSION OF SPECIFIC TOPICS. SUPPORT FROM LONDON MIGHT ALSO BE USEFUL BUT IT IS MORE LIKELY TO BE REQUIRED AT A LATER STAGE.

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(D) FOURTH PHASE

(OPEN UNDERLINING)

IF THE CHINESE CAN BE CONVINCED THROUGH DETAILED PRESENTATIONS THAT THE MAINTENANCE OF STABILITY AND PROSPERITY REQUIRES THE CONTINUATION OF BRITISH ADMINISTRATION IT WILL STILL BE NECESSARY TO PERSUADE THEM THAT THIS CAN BE MADE POLITICALLY ACCEPTABLE TO THEM. WE CAN EXPECT THEM TO ARGUE THAT CONTINUED BRITISH ADMINISTRATION IS NOT CONSISTENT WITH CHINESE SOVEREIGNTY AND WOULD IN ANY CASE BE INTOLERABLE POLITICALLY. WE MUST BE READY TO DEMONSTRATE WITH EXAMPLES THAT SOVEREIGNTY AND ADMINISTRATION CAN BE, AND IN OTHER PARTS OF THE WORLD HAVE BEEN, SEPARATED. WE MUST ALSO INDICATE WILLINGNESS TO DISCUSS WAYS IN WHICH CHINESE POLITICAL CONCERNS MIGHT BE ACCOMMODATED. IF IN THAT CONTEXT THE CHINESE PROPOSED DISCUSSION OF SUBSTANTIVE OR SYMBOLIC CHANGES IN HONG KONG TO REFLECT THE FACT THAT SOVEREIGNTY WOULD HAVE REVERTED TO CHINA, WE SHOULD SHOW READINESS TO LISTEN TO THEIR IDEAS AND INDICATE THAT WE HAVE AN OPEN MIND. BUT SINCE OUR OBJECTIVE IS TO SECURE CHINESE AGREEMENT TO CONTINUING BRITISH ADMINISTRATION WITH AS LITTLE OUTWARD CHANGE AS POSSIBLE WE SHOULD NOT OURSELVES RAISE THE QUESTION OF CHANGES. (END UNDERLINING)

6. (OPEN UNDERLINING) IF THE CHINESE SHOWED SERIOUS INTEREST IN A PACKAGE WHEREBY CHINESE SOVEREIGNTY WAS RECOGNIZED BUT BRITISH ADMINISTRATIVE CONTROL REMAINED WE WOULD NEED TO EXPLORE MEANS OF RECORDING AN AGREEMENT TO THIS EFFECT IN A DOCUMENT WHICH WOULD PRESERVE CHINESE FACE. IF PRELIMINARY EXCHANGES WENT WELL (END UNDERLINING) WE MIGHT NEED TO RAISE THE LEVEL OF THE TALKS. BUT THE TIMING OF MINISTERIAL INVOLVEMENT IN THE TALKS (OPEN UNDERLINING) (AS OPPOSED TO MINISTERIAL INTERVENTIONS OUTSIDE THE FORMAL FRAMEWORK OF THE TALKS - SEE PARA 8 BELOW)(END UNDERLINING) WOULD NEED VERY CAREFUL CONSIDERATION.

AGREEMENT

7. THE NORMAL PROCEDURE WOULD BE:

- (I) INITIALLING OF A DRAFT AGREEMENT, SUBJECT TO RATIFICATION.
- (II) FORMAL SIGNATURE.
- (III) PASSAGE OF THE NECESSARY BILL THROUGH PARLIAMENT.
- (IV) EXCHANGE OF RATIFICATIONS.

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OTHER METHODS

8. THROUGHOUT THE SERIES WE SHOULD KEEP IN MIND THE POSSIBILITY OF USING SUPPLEMENTARY METHODS (E.G. MINISTERIAL MESSAGES OR VISITS/ AND UNOFFICIAL INTERMEDIARIES) IN ORDER TO OVERCOME OBSTACLES OR CLARIFY OUR POSITION.

CONSULTATION WITH EXCO

9. (OPEN UNDERLINING) IN ORDER TO RETAIN THE CONFIDENCE OF THE PEOPLE OF HONG KONG IT WOULD BE ESSENTIAL TO MAINTAIN CLOSE CONSULTATION WITH EXCO THROUGHOUT THE TALKS AND TO ENSURE THAT THEIR ADVICE WAS TAKEN AT ALL IMPORTANT POINTS. (END UNDERLING)

YOUDE

FUTURE OF HONG KONG

LIMITED

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HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/MR HURD
PS/LORD BELSTEAD
PS/PUS
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