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UNCLASSIFIED

FM HONG KONG 062630Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 961 OF 6 JULY 1983

INFO IMMEDIATE CANBERRA AND PRIORITY PEKING

NIPT: AUSTRALIAN FOREIGN MINISTER'S PRESS CONFERENCE

FOLLOWING ARE RELEVANT EXTRACTS:-

QUOTE TODAY I SPOKE TO SOME PEOPLE INCLUDING THE ACTING GOVERNOR ABOUT HONG KONG 1997, WHAT MIGHT BE HAPPENING AND WHERE HONG KONG MIGHT GO. BEFORE I GO ON WITH THAT I THINK I OUGHT TO PUT A JUSTIFICATION IN PLACE ABOUT OUR INTEREST IN THIS MATTER..... I HAVE BEEN EMPHASISING THAT WE ARE PART OF THIS REGION AND THAT WE THEREFORE HAVE AN INTEREST IN WHAT UNFOLDS IN THE REGION. WHERE EVENTS THAT DEVELOP OR MAY DEVELOP IN THE REGION COULD HAVE PROFOUND CONSEQUENCES FOR AUSTRALIA, WE WOULD BE IRRESPONSIBLE NOT TO TAKE AN ACTIVE INTEREST IN THOSE MATTERS AND, WHERE IT IS APPROPRIATE, WE WOULD BE VERY MUCH IRRESPONSIBLE IN NOT SEEKING TO MAKE APPROPRIATE CONTRIBUTIONS....SO I AM NOW IN HONG KONG AND MY CONCERN HERE IS WHAT DOES 1997 MEAN WHEN THE ARRANGEMENTS, THE TREATY ARRANGEMENTS IN RESPECT OF HONG KONG, KOWLOON AND THE NEW TERRITORIES, EXPIRE. THERE ARE FIVE AND A HALF MILLION PEOPLE HERE. IT IS A VITAL SOCIAL AND ECONOMIC CENTRE IN THE WORLD AND PARTICULARLY IN OUR REGION. IT IS ONE OF THE MAJOR FINANCIAL CENTRES OF THE WORLD. IT IS, I SEEM TO RECALL, THE LARGEST, THE MOST SIGNIFICANT FINANCIAL CENTRE IN THIS REGION. THE TRANSITION, ONE PRESUMES IT WOULD TAKE PLACE IN SOME FORM, FROM BRITAIN TO MAINLAND CHINA WILL BRING A NUMBER OF CONSEQUENCES IN ITS WAKE. DEPENDING ON HOW THAT TRANSITION IS ADDRESSED, HOW IT TAKES PLACE AND HOW IT FUNCTIONS AFTER 1997, THEN THERE WOULD BE A NUMBER OF CONSEQUENCES FOR THE REGION AND PARTICULARLY FOR US AS PART OF THE REGION. IF IT WERE TO BE BADLY HANDLED THEN AUSTRALIA WOULD HAVE A JUSTIFIABLE CONCERN ABOUT THE CONSEQUENCES OF THAT. IF IT IS SENSIBLY AND SUCCESSFULLY HANDLED THEN THERE WILL BE SUSTAINED STABILITY WITHIN THE AREA. MY PURPOSE IS TO TRY TO FIND OUT HOW PEOPLE FEEL IN HONG KONG ABOUT THE PROSPECTS FOR THIS PROCESS, ANTE, AT THE POINT OF, AND POST. THE IMPRESSION I GET IS THAT THERE IS A GENERAL FEELING THAT THE PROCESSES WILL BE MANAGED SUCCESSFULLY. I (OPEN SQUARE BRACKETS) DON'T (CLOSE SQUARE BRACKETS WANT TO INTERPOLATE HERE THAT MY CONSULTATIONS ON THIS MATTER ARE NOT NOVEL. WHEN MR WU, THE FOREIGN MINISTER FOR CHINA, WAS IN AUSTRALIA ABOUT SIX OR SEVEN WEEKS AGO I HAD SEVERAL EXTENDED DISCUSSIONS WITH HIM ON THIS SUBJECT. WHAT HE SOUGHT TO IMPRINT ON MY MIND WAS THE CLEAR DETERMINATION OF CHINA TO ENSURE THAT THERE WOULD BE A SMOOTH PROCESS. HE STATED WHATEVER THE ARRANGEMENTS WOULD BE, WOULD FUNCTION THEN AS IT HAD FUNCTIONED UP UNTIL THAT POINT, AS IT FUNCTIONS TODAY. HE SAID

/THAT

THAT CHINA RECOGNISED THAT FOR HONG KONG TO BE SUCCESSFUL IT WOULD HAVE TO OPERATE AS A FREE MARKET CAPITALIST SYSTEM. THAT WAS SOMETHING THAT WAS ACCEPTED AND THAT CHINA WOULD SEEK TO WORK OUT ARRANGEMENTS WHICH WOULD ALLOW AN ADMINISTRATION, A SEPARATE ADMINISTRATION AND, I RECALL I BELIEVE, AN AUTONOMOUS OR ONE WITH AUTONOMY WHICH WASN'T SPECIFIED, TO FUNCTION HERE. CHINA WOULD REGARD ITS FAILURE TO MANAGE A SUCCESSFUL TRANSITION AS A VERY SERIOUS SETBACK TO ITS OWN SELF INTEREST. I CAN UNDERSTAND THAT FOR A NUMBER OF REASONS. I AM SATISFIED THAT THE BRITISH AUTHORITIES ARE COMMITTED TO SEEKING TO ENSURE THAT THAT TRANSITION PROCESS IS SUCCESSFUL AND THAT THE POST-1997 PERIOD WILL PROTECT THE INTERESTS OF THE PEOPLE OF HONG KONG. WHATEVER DIFFERENCES I MIGHT HAVE WITH MRS THATCHER IN SOME AREAS OF HER POLICIES, I HAVE TO FREELY ACKNOWLEDGE THAT SHE IS STEADFAST IN HER PURPOSEFULNESS AND THAT THERE WOULD BE NO DOUBT ABOUT HER COMMITMENT TO SEEK TO ENSURE THAT THIS TRANSITION PROCESS WAS SMOOTH AND SUCCESSFUL. THAT IS, JUST AS THE CHINESE HAVE STRESSED TO ME THAT THE BEST INTERESTS OF THE PEOPLE OF HONG KONG IS UPPER MOST IN THEIR MIND AND THEIR MAJOR OBJECTIVE IS FOR HONG KONG TO CONTINUE OPERATING POST-1997 AS IT HAD BEEN UP UNTIL THAT POINT. I AM EQUALLY PERSUADED THAT THE BRITISH AUTHORITIES HAVE THE SAME COMMITMENT. NOW I CANT TELL YOU ANY MORE THAN THAT. I THINK YOU HAVE PICKED UP FROM WHAT I SAID, THAT AUSTRALIA HAS A JUSTIFIABLE INTEREST IN WHAT TAKES PLACE IN THIS MATTER. CERTAINLY WE DO NOT HAVE A RIGHT TO BE INTRUSIVE AND WE CERTAINLY DONT SEEK IN ANY WAY TO INVOLVE OURSELVES IN THE PROCESSES WHICH ARE UNDERWAY. MERELY TO INFORM OURSELVES.

QUESTION: DO YOU SEE ONE OF THE MAIN PROBLEMS FOR AUSTRALIA (IF THIS IS HANDLED BADLY) AS BEING THE MASSIVE REFUGEE OUTFLOW FROM HONG KONG?

MR HAYDEN: I AM ONLY PREPARED TO SAY WHAT I SAID THAT THE EVIDENCE IS THAT BOTH SIDES ARE KEEN TO SEE A SMOOTH TRANSITION AND THE EVIDENCE AT THIS POINT IS THAT THAT WILL BE ACHIEVED. THE MODALITIES HAVE TO BE WORKED OUT AND NO DOUBT THERE WILL BE SOME HAGGLING ABOUT THE SPECIFICS OF THOSE MODALITIES. AT THIS POINT ANYWAY BOTH SIDES ARE KEEN TO HAVE A SUCCESSFUL RESULT. I SEE NO REASON THEREFORE WHY THEY SHOULDNT BE SUCCESSFUL. CONSEQUENTLY, I DONT THINK IT APPROPRIATE TO REFLECT ON THE PROPOSITION YOU PUTTING FORWARD. THAT WOULD JUST ADD TO UNCERTAINTY. I DONT THINK UNCERTAINTY IS JUSTIFIED CERTAINLY NOT ON THIS POINT.

QUESTION: DO YOU HAVE ANY UNDERSTANDING WHETHER THE ISSUE OF SOVEREIGNTY BETWEEN THE UNITED KINGDOM AND CHINA HAS BECOME MORE FLEXIBLE OVER RECENT WEEKS?

MR HAYDEN: I THINK THE PROBLEM ABOUT THE FUTURE ISNT SO MUCH OVER SOVEREIGNTY BUT OVER AUTHORITY AND ADMINISTRATION OR THE QUESTIONS WILL BE, BUT I REALLY THINK THEY ARE MATTERS THAT THE BRITISH

AUTHORITIES WOULD BE BETTER QUALIFIED TO TALK TO YOU ABOUT AND IF YOU ARE WITH ME IN A COUPLE OF WEEKS TIME WHEN WE GO INTO CHINA THE CHINESE AUTHORITIES BECAUSE WHEN I GO THERE I WILL CERTAINLY BE RAISING KAMPUCHEA AS ONE OF THE MAJOR ISSUES OF CONCERN APART FROM OUR BILATERAL RELATIONSHIPS BUT I WILL ALSO BE RAISING THIS MATTER ONCE AGAIN.

QUESTION: MR HAYDEN, KI KNOW YOU HAVE NOT ADDRESSED THE PROBLEM OF A POSSIBLE REFUGEE OUTFLOW BUT IS IT POSSIBLE IN A GENERAL WAY TO SUGGEST WHAT THE CONSEQUENCES COULD BE IF THE TRANSITION DOES NOT GO SMOOTHLY?

MR HAYDEN: IF I WAS CONCERNED THAT THIS WAS A PROBABILITY THAT SHOULD BE ADDRESSED SERIOUSLY AT THIS POINT I WOULD. I DONT BELIEVE THAT THAT IS SO. I BELIEVE TO TALK ABOUT THAT IT WOULD ONLY ADD TO INSTABILITY AND YOU WILL NOTE FROM WHAT I HAVE SAID THAT I HAVE SOUGHT TO SHORE UP CONFIDENCE IN THIS REGION. HONG KONG WENT THROUGH A PERIOD OF UNCERTAINTY WHICH WAS REFLECTED IN THE PLUMMETING EXCHANGE RATE. NOW THAT IS A COST THAT PEOPLE HAVE TO BEAR. ONE WAY OR ANOTHER WE DONT WANT THAT TO HAPPEN AS A RESULT OF ANYTHING THAT I SAY BECAUSE I DONT THINK IT IS JUSTIFIED IN OCCURING.

QUESTION: ARE YOU SATISFIED ABOUT THE AMOUNT OF INFORMATION YOU ARE RECEIVING FROM BOTH SIDES ON THE NEGOTIATIONS?

MR HAYDEN: WELL WHAT WE HAVE BEEN RECEIVING HAS BEEN HELPFUL BUT I DONT KNOW JUST HOW MUCH MORE EITHER SIDE MIGHT HAVE BUT HAS NOT DECIDED TO TELL US. WE DONT TELL OTHER PEOPLE EVERYTHING THAT WE KNOW. FOR INSTANCE, THERE ARE QUITE A FEW THINGS I KNOW FROM THIS TRIP THAT I HAVENT TOLD YOU PEOPLE. UNQUOTE

HADDON-CAYE

FUTURE OF HONG KONG

LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD HD/SPD
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR J BULLARD
MR GIFFARD
MR DONALD
MR WRIGHT

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SIR A PARSONS " "
MR WALKER, RESEARCH DEPT (GOGGS)
MR ROBERTS NEWS D

Hong Kong: file of P17

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SECRET

GRS 330

SECRET

FROM PEKING 060335Z JUL 83

TO ROUTINE FCO

TELEGRAM^M NUMBER 636 OF 6/7/83

INFO ROUTINE HONG KONG CANBERRA

HONG KONG TEL NOS 953 AND 954: HAYDEN PRESS CONFERENCE

1. THE AUSTRALIAN EMBASSY HAS PASSED US THE FULL TRANSCRIPT OF THE PRESS CONFERENCE. IT WAS A MOST UNHELPFUL PERFORMANCE BY HAYDEN, AND PARTICULARLY ANNOYING IN THAT HE SPOKE AS HE DID ABOUT "TRANSITION" DESPITE THE ACTING GOVERNOR'S CORRECTIVE BRIEFING ON THIS POINT. AS HONG KONG HAVE NOTED, HE HAS CREATED THE IMPRESSION THAT HE (AND, BY EXTENSION THE AUSTRALIAN GOVERNMENT) REGARDS A TRANSITION TO CHINESE CONTROL AS A FOREGONE CONCLUSION AND THAT CHINESE ASSURANCES ABOUT THE FUTURE ARE SATISFACTORY. FURTHERMORE, SINCE HAYDEN'S REMARKS WERE MADE SO SOON AFTER HE HAD DISCUSSED THE QUESTION WITH THE ACTING GOVERNOR AND OTHERS IN HONG KONG, HIS VIEWS MAY SEEM TO BE BASED ON KNOWLEDGE OF THE BRITISH POSITION, AND GIVE CREDENCE TO THE STORY THAT BRITAIN HAS ALREADY GIVEN UP SOVEREIGNTY.

2. SEEN FROM HERE, HAYDEN WILL NOT HAVE HELPED CONFIDENCE IN HONG KONG. HE MAY ALSO HAVE DONE US HARM WITH THE CHINESE, PARTICULARLY IF, IN HIS "EXTENDED DISCUSSIONS" WITH WU XUEQIAN (OF WHICH WE WERE NOT INFORMED WHEN THE AUSTRALIANS BRIEFED US ABOUT ZHAO'S VISIT), HE TOOK THE LINE HE SEEMS TO HAVE TAKEN, IE ACCEPTING CHINESE ASSURANCES AT THEIR FACE VALUE AND TAKING THEIR "PLAN" AS THE BASIS FOR THE FUTURE.

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/ 3. SINCE HAYDEN

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3. SINCE HAYDEN WILL BE COMING TO PEKING IN AUGUST, AND APPARENTLY INTENDS TO HAVE FURTHER DISCUSSIONS WITH THE CHINESE ABOUT HONG KONG, YOU WILL WISH TO CONSIDER WHETHER HE SHOULD BE BRIEFED AGAIN AND OUR SERIOUS CONCERNS ABOUT HIS PERFORMANCE IN HONG KONG MADE PLAIN TO HIM. THE RISK THAT HE WILL PURSUE FURTHER HIS UNHELPFUL LINE WILL BE EVEN GREATER IF HE IS TEMPTED TO SEEK AN EASIER RIDE WITH THE CHINESE ON HONG KONG THAN HE IS LIKELY TO GET ON INDOCHINA. IF HE IS NOT PREPARED TO MAKE MORE HELPFUL POINTS, HE SHOULD PERHAPS BE ASKED TO SAY NOTHING AT ALL ABOUT HONG KONG'S FUTURE OTHER THAN TO EXPRESS AUSTRALIA'S INTEREST IN CONTINUING STABILITY AND PROSPERITY.

CRADOCK

FUTURE OF HONG KONG

LIMITED
ED/EKD
ED/FED
ED/PLANNING STAFF
ED/PUSD → HD/SPD
PS
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PS/MR LUCE
PS/PUS
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MR COLES NO 10 DOWNING ST
SIR A PARSONS " "
MR WALKER, RESEARCH DEPT (GOGGS)
MR ROBERTS NEWS D

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SECRET

GRS 250

RESTRICTED

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RESTRICTED

FM CANBERRA 050730Z JUL 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 344 OF 5 JULY

INFO IMMEDIATE HONG KONG (FOR ACTING GOVERNOR), BANGKOK

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THE AUSTRALIAN FOREIGN MINISTER'S PRESS CONFERENCE IN HONG KONG

? THE AUSTRALIAN NEWSPAPER TODAY, 5 JULY, REPORTS THAT AT A PRESS CONFERENCE IN HONG KONG ON 4 JULY MR. HAYDEN SAID THAT HE HAD 'GAINED ASSURANCES' FROM THE ACTING GOVERNOR AND OTHERS IN HONG KONG THAT THERE WOULD BE A SMOOTH TRANSITION OF SOVEREIGNTY AND CONTROL'. HE ADDED THAT IN HIS TALKS WITH THE CHINESE FOREIGN MINISTER A FEW WEEKS AGO IN CANBERRA HE HAD 'GAINED ASSURANCES THAT CHINA WOULD RESPECT HONG KONG'S SPECIAL POSITION. WHAT THE MINISTER SOUGHT TO IMPRINT ON MY MIND WAS THE CLEAR DETERMINATION OF CHINA TO ENSURE THAT THERE WOULD BE A SMOOTH PROCESS. HE STATED THAT THERE WOULD BE NO DOUBT THAT POST-1997 HONG KONG, UNDER WHATEVER ARRANGEMENTS, WOULD FUNCTION AS IT FUNCTIONS TODAY. HE SAID THAT CHINA RECOGNISED THAT FOR HONG KONG TO BE SUCCESSFUL IT WOULD HAVE TO OPERATE AS A FREE MARKET CAPITALIST SYSTEM.' MR HAYDEN ADDED THAT WHEN HE VISITS CHINA SHORTLY (HE IS DUE TO GO TO PEKING EARLY NEXT MONTH) HE WOULD SEEK FURTHER ASSURANCES FROM CHINESE LEADERS THAT THERE WOULD BE A SMOOTH TRANSITION IN THE HANDING BACK OF HONG KONG TO CHINESE SOVEREIGNTY.

2. THESE REMARKS GO CONSIDERABLY FURTHER THAN ANYTHING SAID TO US BY AUSTRALIAN OFFICIALS AFTER THE VISIT HERE OF ZHAO ZHANG AND THE CHINESE FOREIGN MINISTER IN APRIL WHEN INDEED WE WERE TOLD THAT HONG KONG HAD ONLY BEEN BRIEFLY MENTIONED IN PASSING. (UPTON'S LETTER OF 28 APRIL AND CULLIMORE'S OF 2 MAY BOTH TO CHICK, SPD REFER). WE WILL SEEK CLARIFICATION HERE BUT GRATEFUL FOR ANY COMMENT FROM HONG KONG.

MASON

FUTURE OF HONG KONG

- LIMITED
- ED/HKD
- ED/FED
- ED/PLANNING STAFF
- ED/PUSD
- 40/SPD
- 85
- PS/LADY YOUNG
- PS/MR LUCE
- PS/PUS
- SIR J BULLARD
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