

Prime Minister



Agree

Foreign and Commonwealth Office

London SW1A 2AH

20 July 1983

(a) to review the position with Foreign Secretary, Percy Cradock and the former in early September?

(b) that no hint should be given to the Chinese before then that we are shifting our position on British administration?

(c) that work should continue within the F/C.O., but as wide as possible,

Dear John, Yes on what modifications to the administrative status quo we could accept?

A.S.C. 21/7

Yes

Yes

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Future of Hong Kong: Medium and Long Term Strategy for Substantive Talks

Sir Percy Cradock has reported on the first plenary session in Peking on 12 and 13 July (Peking telegrams Nos 663, 664, 666, 670, 671 and 672). Despite the rebuttal by the Chinese of press reports about the Governor's claim to represent the people of Hong Kong, the atmosphere of the talks was good.

The Chinese agreed to further sessions on 25/26 July and 2/3 August, although the latter dates have not yet been publicly announced. The reaction in Hong Kong has so far been quite good; the agreed statement that the two sides had had 'useful and constructive talks' has been interpreted as a sign of progress.

However, the Chinese line on substance was extremely tough both on the basic sovereignty point and on the 'indivisibility' of sovereignty and administration. The Chinese negotiator, Yao Guang, emphasised that there was no room for flexibility on the latter point.

In his telegrams Nos 678 and 679, the Ambassador has summed up the position so far and made recommendations for our own strategy in the late July and early August session. He also discusses the problems likely to arise after that. He sees the Chinese as having created a new 'premise' that administrative rights will pass with sovereignty to China in 1997. Although the Chinese are apparently still ready to listen to what we have to say, he believes that before long they will demand that we accept their new premise or face deadlock. That could happen, he believes in the third round in August, or in the autumn.

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For the next two sessions the Ambassador suggests that we should pass to the Chinese as much factual and educative material as possible about Hong Kong and the importance of the British link. He proposes that at the July 25 meeting the Governor should make a presentation on the lines which Ministers have already seen, explaining generally how Hong Kong works. In the third round in August we would hand over papers dealing in more detail with different aspects of Hong Kong administration.

Sir Geoffrey Howe agrees with the Ambassador's proposals. There is no doubt about the difficulty of our task, but we must take every opportunity to hammer home the facts about Hong Kong to the Chinese in a form which stands a chance of reaching the leadership. At the same time, we need to have line ready in case they put pressure on us at the third or even the second sessions to accept their view. We should try to keep the dialogue going, but Sir P Cradock should stand firm, emphasising that the problems of Hong Kong administration were far too detailed to be dismissed so quickly and pressing the Chinese to hear us out and to think over the points which we have made before the resumption of talks in September.

The Ambassador suggests that we should aim at a resumption in the third week in September. (Both he and the Governor are due to be on leave until the second week and the Chinese negotiator will also be away.) This looks sensible. We want, for the sake of confidence in Hong Kong, to be seen to be keeping up the momentum, but it is clear that a pause will be necessary.

The suggested timing would also allow an opportunity for Ministers to take stock of the position and consider longer term strategy with the Ambassador and the Governor while they are in London, probably at the beginning of September. The Ambassador believes that by then we shall probably at the best have done no more than persuade the Chinese that the administration of Hong Kong is a more complex problem than they have appreciated up to now. He holds out, however, no hope that they will find our arguments persuasive in favour of continuing the administrative status quo without modification. He believes that they will be pressing us by September to begin work on agreeing general principles for the changes which would take place after 1997. He suggests that he might probe the possible Chinese position to find out how much more than formal sovereignty they may require in order to satisfy their political principle. He suggests that this could probably best be done through his

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personal contact with Assistant Foreign Minister Zhou Nan. The Ambassador would make a very cautious approach, while at the same time continuing to underline the fundamental difficulties in the current Chinese plan.

The Governor agrees with this line of approach. He makes two points. We must not start our probing process too early for fear of giving the impression that we are going soft on the importance of the present form of administration. In other words we should not make any approaches of this sort until after the resumption of talks in September. Secondly, he emphasises the need to consult EXCO before we embark on this process. He suggests that it would be right for Ministers to consider our strategy in early September and for this to be discussed with EXCO on the Governor's return to Hong Kong from London.

Sir G Howe agrees with the general thrust of the Ambassador's and Governor's thinking. There is no doubt that we are in for a hard slog. The present assessment must be that the Chinese are very unlikely to agree to any deal in which purely formal sovereignty would be traded for the continuation of the status quo, and in particular to the continuation of a controlling link with London after 1997. It is, of course, precisely that link which is the strongest element in preserving the confidence in Hong Kong. But these are early days in the negotiations, and it would be quite wrong to come to conclusions before we have tested the water much more thoroughly. Deng is certainly a pragmatist, and, although he will stick to principle, we do not yet know quite how much of the ground that will turn out to cover.

Sir Geoffrey Howe would like to review the situation with the Prime Minister in good time before the talks resume after the holidays. It may well be that some probing of the Chinese position would be useful thereafter but until then we should not give any impression of shift on our part. Meanwhile, as Sir Geoffrey mentioned to the Prime Minister this afternoon, we are preparing a study, which will be agreed with the Ambassador and Governor, examining the sort of changes from the present administrative position which may be suggested to us by the Chinese if they show a willingness - perhaps informally at first - to negotiate on details. We shall need to discuss these ideas with Sir P Cradock and Sir E Youde; and we shall, of course, wish to define very clearly what would and would not be acceptable in Hong Kong.



S E C R E T



I should be grateful to know whether the Prime Minister agrees to the ideas in this letter. We need to get instructions to the Ambassador on the handling of the second and third rounds and on a resumption of talks in September well before the next session on 25 July.

*Yours ever,*

(B J P Fall)  
Private Secretary

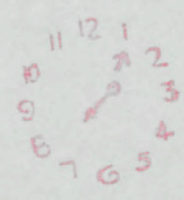
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21 JUL 1983





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From the Private Secretary

22 July 1983

Future of Hong Kong:  
Medium and Long Term Strategy for Substantive Talks

The Prime Minister has seen your letter of 20 July. She agrees generally with the ideas advanced by the Foreign and Commonwealth Secretary for handling the substantive talks in the medium and long term. Mrs. Thatcher will be glad to review the position with Sir Geoffrey Howe, Sir Percy Cradock and Sir Edward Youde in early September. She agrees that meanwhile no hint should be given to the Chinese that we have any intention of shifting our position on British administration. She further agrees that work should continue within the Foreign and Commonwealth Office (but not more widely in Whitehall) on the question of what modifications to the administrative status quo we could accept.

A. J. COLES

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