

S E C R E T

I have conveyed
amendment to the F/C.O.
M 24/9



Foreign and Commonwealth Office

London SW1A 2AH

37

~~PRIME MINISTER~~

Do you agree these
instructions?

Poly Clerk
23/9

23 September 1983

Dear John,

MT

Hong Kong

You will have seen the Ambassador's reports on the latest round of talks in Peking (copies enclosed). These went pretty much as we expected. The Chinese took a very hard line, insisting that progress must depend on our acceptance of their conditions. Sir P Cradock deployed the tactic agreed with EXCO, inviting the Chinese to provide further details of their own ideas without making any concession of principle. The Chinese agreed that this could be considered. They also agreed to further talks on 19 and 20 October but they were very cold to the idea of a joint action to help confidence in Hong Kong and the resulting agreed communique was a bald statement that talks would continue.

The Foreign Secretary has been considering our possible next steps, taking into account particularly Mr Luce's visit to Hong Kong from 24-28 September. He believes that we should take advantage of this visit to concentrate on two areas: helping morale in Hong Kong and sounding EXCO out on our next moves.

As you know, there has been considerable criticism of HMG and the Hong Kong Government for remaining silent on the substance of the issue while the Chinese have been freely engaging in propaganda. Sir Geoffrey does not think that the time has come for any major public statement of our position. That could well prejudice the progress of the talks, which must still be central to our planning. It may well be that we can do more in the future by background briefing of the press but that needs further consideration in the light of the development of our strategy. Sir Geoffrey believes nevertheless that it would be right for Mr Luce to say more than we have done in the past about the British approach to the talks, our concern for Hong Kong and our basic ideas on the criteria which must be met in any final settlement.

Mr Luce will be discussing the position with EXCO on 27 September. As well as the Governor, Sir P Cradock will be present. This will provide a useful chance to continue the work of assessment which the Governor began before the latest round of talks. Sir Geoffrey believes that it would

be right

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be right to put the position frankly to EXCO and to make clear that the talks are at a critical stage.

For practical reasons (Chinese Ministerial absences) there will be a gap of over three weeks before the next talks. We shall need to use this pause to work out our strategy and to discuss it with EXCO. One possibility might be another visit by EXCO to London. The Foreign Secretary will wish to consider, in the light of Mr Luce's discussion, whether this should take place before the next round of talks with the Chinese.

I enclose draft telegrams to Hong Kong containing general instructions, a proposed statement for Mr Luce to use, probably at his press conference at the end of his visit, and points on which he could draw when he meets EXCO. These need to be despatched on 24 September if at all possible. The Resident Clerk here can despatch them if the Prime Minister is content. If you have problems, you may wish to discuss them with Dick Clift in the first place (he will be in the office tomorrow morning).

I am copying this letter to Richard Mottram (MOD).

(J E Holmes)
Private Secretary

Yours ever
John Holmes

A J Coles Esq
10 Downing Street

S E C R E T

OUT TELEGRAM

	Classification and Caveats	Precedence/Deskby
	SECRET	IMMEDIATE 250100Z

ZCZC 1 ZCZC
 GRS 2 GRS
 CLASS 3 SECRET
 CAVEATS 4
 DESKBY 5 250100Z
 FM FCO 6 FM FCO
 PRE/ADD 7 TO IMMEDIATE HONG KONG
 TEL NO 8 TELEGRAM NUMBER

9 REPEATED FOR INFO IMMEDIATE PEKING (PERSONAL FOR AMBASSADOR)
 10 PEKING TELNOS 927,928, 932 AND 933: FUTURE OF HONG KONG:
 11 MR LUCE'S VISIT
 12 1. I agree with Sir P Cradock's comments on the latest
 13 round of talks. It is satisfactory that we have got another
 14 round agreed and announced but the Chinese performance clearly
 15 confirms our earlier assessment. Mr Luce's visit takes place at
 16 a critical time. It provides an opportunity to do more publicly
 17 to sustain confidence and to review the position with EXCO.
 18 (Begin Underlining) Public Position (Cease underlining)
 19 2. While we agree with EXCO's view that the time has not
 20 come for formal public statements on our position in the
 21 negotiations, we think it would be helpful if Mr Luce were to take
 22 a suitable opportunity to describe more fully the background to
 23 our attitude to the talks and our general aims. Clearly we do
 24 not want to do this in a way which would prejudice the talks ^{or provoke a reaction from the Chinese} but
 25 we can make clear not only our commitment to seeking a solution

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File number	Dept HKD	Distribution FUTURE OF HONG KONG
Drafted by (Block capitals) R D CLIFT, HKD		
Telephone number 233 3184		
Authorised for despatch		
Comcen reference	Time of despatch	

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Classification and Caveats

SECRET

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2 which will meet Hong Kong's interests but also our general views
 3 on the need for assurances which can genuinely maintain
 4 confidence. MIPT contains the text of a suggested statement.
 5 I think that unless you or Mr Luce see objections it should be
 6 discussed with EXCO. It might most usefully be deployed at his
 7 press conference (in combination with the other material in his
 8 brief and any suggestions which you wish to make).

9 Alternatively if Mr Luce and yourself judged that pressure in
 10 Hong Kong made an earlier statement desirable we would leave
 11 it to your discretion to arrange this.

12 3. I would envisage Sir P Cradock explaining the statement to
 13 the Chinese immediately on his return, emphasising that its
 14 purpose is to maintain confidence as they say they wish without
 15 revealing any detail about the discussions. We hope they will
 16 similarly exercise restraint.

17 (Begin underlining) Discussion with EXCO (cease underlining)

18 4. My second IFT contains notes on which Mr Luce could draw at
 19 this meeting. As you see these concentrate mainly on our
 20 assessment of the position. We do not think that it would be
 21 helpful to go into too much detail on discussion of possible
 22 options at this stage. Nevertheless we think that EXCO should be
 23 left in no doubt that the next round of talks is likely to be
 24 critical and that the negotiators' instructions will have to be
 25 very carefully devised in order to avoid a breakdown. They should
 26 be encouraged to comment and produce ideas themselves. The Prime
 27 Minister has only had time to consider the question briefly on the
 28 eve of her departure for New York. She would welcome EXCO's
 29 views on the present position and on the timing of a possible
 30 further discussion in London between Ministers and Unofficials.

/// 31 ~~The Prime Minister will wish to consider whether this should~~
 // 32 ~~take place before the next round or after.~~

/ 33 HOWE

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Precedence/Deskby
IMMEDIATE

ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	SECRET
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO 231315Z SEPT 83
PRE/ADD	7	TO IMMEDIATE HONG KONG
TEL NO	8	TELEGRAM NUMBER
	9	REPEATED FOR INFO IMMEDIATE PEKING
	10	MIPT. PROPOSED STATEMENT FOR MR LUCE'S USE WITH THE MEDIA IN HONG
	11	KONG.
	12	DRAFT STATEMENT ON HONG KONG FOR USE BY MR LUCE WITH THE PRESS
	13	IN THE LIGHT OF THE TALKS ON 22/23 SEPTEMBER.
	14	1. As you know the talks with the Chinese Government are
	15	continuing. The next round will be on 19 and 20 October. It is
	16	of course very useful for me to be in Hong Kong so soon after the
	17	latest round and to back ^{hear} the views, not only of the Governor and
	18	the Ambassador but also of the Executive Council and UMELCO on
	19	the present position..
	20	2. Since the beginning of the negotiations, we have said very
	21	little about our views on the future of Hong Kong. We thought it
///	22	best that our talks on this subject with the Government of the
//	23	People's Republic of China should be kept confidential.
/	24	We have deliberately avoided negotiation f in public and
	25	we still believe that is right. Above all we would ^{must} avoid

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SECRET

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2 prejudging the final settlement. However, ~~by some~~ ^{in some quarters} our silence has
 3 been ^{and} misunderstood, misinterpreted ~~and exploited~~. I therefore
 4 think it may be helpful if I give you some background to explain
 5 our approach to the question.

6 3. As you know, contrary to the belief of some, the British
 7 Government draw no direct economic benefit from the present
 8 status of Hong Kong. We receive no tax revenue from Hong Kong
 9 and have no control over the Hong Kong Government's reserves.
 10 Clearly we have a very strong interest in the continued
 11 prosperity of an important trading partner and financial centre,
 12 in which companies from Britain and many other countries have
 13 considerable investments. But our commitment to Hong Kong does
 14 not stem from that, or from any consideration which could rightly
 15 be labelled colonial, ~~in the pejorative sense~~. It is based on our
 16 sense of responsibility for the future of those people who have
 17 chosen to make Hong Kong their home.

18 4. The story of Hong Kong has been one of almost unparalleled
 19 economic success. This is the result of the enterprise and sheer
 20 hard work of the people of Hong Kong, ^{as well as cooperation with China.} But it is also due to the
 21 well-tried framework of stability and continuity which the
 22 present arrangements have provided for so many years. It is our
 23 belief, and, we are confident, the belief of the majority of the
 24 people of Hong Kong, that the best way to ensure the continued
 25 prosperity and stability of Hong Kong ~~in the future~~ is to avoid
 26 ^{disturbing} undue disturbance of the complex arrangements which now provide
 27 the framework of Hong Kong's success. We believe that this
 28 approach reflects the interests of those people who over the
 29 years have chosen to live here.

30 5. Throughout the negotiations we are of course concerned to
 31 get a complete understanding, ^{of the views} ~~listen to the views~~ of the Chinese
 32 Government, as the Chinese have been prepared to listen to our
 33 views. On the basis of mutual understanding we believe that the
 34 talks should focus particularly on ^{how to} ~~future~~ arrangements ~~which~~ can

British
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 2 guarantee the continuation of Hong Kong's free economy and way of
 3 life, and thus sustain the confidence which is absolutely
 4 essential to Hong Kong's success.
 5 6. As I have said, what is at stake is the continuation of a
 6 notably successful society. We are therefore committed to
 7 seeking a solution which will ^{is what the people of Hong Kong want.} ~~find acceptance among the people~~
 8 of Hong Kong. We are conducting our talks with the Chinese in
 9 good faith and with a sense of realism. From the Prime Minister
 10 down we are deeply conscious of Hong Kong's concerns and are
 11 determined to make a success of the negotiations.
 12 7. I am confident that we can build on our good relationship
 13 with China and our mutual respect to work out together a
 14 solution which will achieve this.
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GRS	2	GRS
CLASS	3	SECRET
CAVEATS	4	
DESKBY	5	250100Z
FM FCO	6	FM FCO
PRE/ADD	7	TO IMMEDIATE HONG KONG
TEL NO	8	TELEGRAM NUMBER
	9	REPEATED FOR INFORMATION IMMEDIATE PEKING (PERSONAL FOR
	10	AMBASSADOR)
	11	MIPT: FUTURE OF HONG KONG: MR LUCE'S DISCUSSION WITH EXCO -
	12	TALKING POINTS
	13	1. I know that you had a useful discussion on 14/15 September
	14	with the Governor about the Chinese position before the last
	15	round of talks. The Chinese line at the 22/23 September session,
	16	as the Ambassador has described it, confirms our earlier
	17	assessment. It is satisfactory that dates have been fixed for
	18	the next round. But as expected the Chinese have not shifted in
	19	substance. They have said that they will consider our invitation
	20	both to provide further details of their plan. But there is a
	21	strong implication that at the next session they will continue to
///	22	decline further substantive discussion unless we accept their
//	23	premise.
/	24	2. We now need to look ahead. But talks are at a <u>critical</u>
	25	stage. There is a <u>clear risk of a breakdown</u> at the next session.

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2 I am sure you will agree that this should be avoided. It is very
3 unlikely that it could be represented as a "friendly" pause or
4 that the Chinese would cooperate in this. There would therefore
5 be further severe damage to confidence in Hong Kong.

6 3. → I have no specific options to put to you but should be very
7 interested to hear any views you may have. In particular, I
8 should like to have your view on how far and how we can provide
9 our negotiators with flexibility to follow up the invitation
10 which we have made to the Chinese in order to keep the talks
11 going.

12 5. We should also consider the timing of the next meeting
13 between British Ministers and Unofficials. You may have views on
14 this. As you know, Ministers in London are always very ready to
15 see you.

16 (Begin underlining) Public Relations Policy (Cease underlining)

17 6. I know you have discussed this. I am grateful for your views.
18 I think we generally agree that there is a danger in
19 formal public statements which describe our position too
20 precisely. These could jeopardise the talks. However, more
21 background briefing of the responsible media could be helpful.

22 7. I should also like to use the opportunity to explain to
23 the Hong Kong press more about the British attitude to the talks,
24 without going into detail on the negotiations. I propose to
25 speak at my press conference on the lines of a note which is
26 being circulated to you. I should be grateful for your views.

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I should like your views so that they can be thoroughly considered in London.

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2 8. Since we must assume that Chinese propaganda will
3 continue and that confidence in Hong Kong ~~will~~^{may} be further ~~ham~~
4 damaged, we must examine together how to meet this on a
5 day-to-day basis. I realise that you in Hong Kong bear the
6 brunt of the problem. The Governor's message to LEGCO
7 will be very important. But HMG will be prepared to help.
8 Briefing of prestigious economic and other newspapers and
9 journals could be helpful, in order to counter Chinese claims
10 that the decline in the dollar and markets is in some way
11 due to our negligence or manipulation. We have already
12 had some success in this respect and are ready to do more.
13 9. As you know the Chinese declined to cooperate with us in
14 a joint statement designed to sustain confidence, after the
15 most recent round of talks. Depending on their performance in
16 propaganda and on the development of confidence itself, we may
17 have to consider further action with them before the next
18 round.

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