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FM HONG KONG 290940Z SEP 83

TO HAMMEDIATE FCO

TELEGRAM NUMBER 1443 OF 29 SEPTEMBER
HNFO HAMEDHATE HONG KONG GOVERNMENT OFFICE LONDON, PEKING,
UKMIS NEW YORK (FOR S OF S PARTY), WASHINGTON (FOR PS TO PM)
HNFO ROUTHNE HK GOVT REPS WASHINGTON, CG NEW YORK, UKMIS GENEVA,
BRUSSELS

FUTURE OF HONG KONG: PRESS COVERAGE.

- 1. THE MANN STORY ON TODAY'S HINDEPENDENT PRESS WAS THE PRESS CONFERENCE GREEN BY MR LUCE YESTERDAY EVENING. THREE POINTS WERE HIGHLIGHTED:
- (A) MR LUCE'S RESTERATION OF HMG'S FERM COMMENTMENT TO SEARCH FOR A SETTLEMENT ACCEPTABLE TO BRESTARIN, CHEMA AND THE PEOPLE OF HONG KONG.
- (B) HIMS REMARK THAT COMMENTS BY CHAINESE OFFICIALS ON THE BRITIALS POSITION WERE UNHELPFUL.
- (C) HHS ANNOUNCEMENT THAT UNOFFHICHAL MEMBERS OF EXCO WOULD ACCOMPANY ME TO LONDON NEXT WEEK.
- 2. THERE HAS SO FAR BEEN LINTTLE COMMENT BY UNDEPENDENT NEWSPAPERS. WAH KULU YAT PO REGARDED MR LUCE'S REMARKS AS A BOOST TO CONFUDENCE WHILST EDINTORHALS ON THE FUNANCIPAL DAMLY AND MUNG PAO URGED BRUTAUN AND CHANA TO AGREE ON CONCRETE MEASURES TO RESTORE CONFUDENCE ON HONG KONG'S FUTURE.
- 3. THE LEADING COMMUNIST PAPERS (TA KUNG PAO AND WEN WENDO) GAVE THE PRESS CONFERENCE ROUTHINE COVERAGE ON THE BACK PAGES. THESE WERE LARGELY FACTUAL REPORTS. IN HITS EDITOR HAL TA KUNG PAO ARGUED THAT MR LUCE'S VINSHIT WAS PART OF BRITAINN'S TACTHIC TO PLAY THE ''PUBLISC OPHINION CARD''. ALTHOUGH HE HAD MADE MUCH PLAY OF LINSTENING TO THE VINEWS OF VARIOUS COMMUNITY GROUPS, THESE WERE ALL UNDER THE CONTROL OF OR SET UP BY THE HONG KONG GOVERNMENT. THE EDITOR HAL DENIED THAT CHINA HAD BREACHED CONFIDENT HALLITY IN THE TALKS SO FAR. A SHORT COMMENTARY IN WEN WELL PO SAID HIT WAS THE BRITTISH, NOT THE CHINESE, SIDE WHICH HAD TALKED TOO MUCH IN PUBLISC. INT CLITED AS EXAMPLES REMARKS MADE BY HONG KONG ''COUNCINCLORS'

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(NOT SPECIFICALLY INDENTIFIED BUT BY IMPLICATION, SHR S.Y. CHUNG AND THE URBAN COUNCIL CHAHRMAN, HILTON CHEONG-LEEN). THE COMMENTARY JUSTIFHED CHANESE STATEMENTS BY THE NEED TO DISTINGUISH " REGHT FROM WRONG ' WHICH HAD MADE NECESSARY 'CLARIFICATIONS AND EXPLANATIONS ".

YOUDE

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

MR JAMES MR GIFFARD

MR DONALD

MR WRIGHT

COPIES TO

SIR IAN SINCLAIR LEGAL ADVISER

MR BURROWS

LEGAL ADVISER

MR ROBERTS

NEWS D

MR MARTIN

ASSESSMENTS STAFF

CABINET OFFICE

MR FLOWER PUSD

MR COLES

NO 10 DOWNING STREET

SIR A PARSONS NO 10 DOWNING STREET

MR WALKER RESEARCH D O'AB 2/82

HONG KONG GOVT. OFFICE, LONDON

RESTRICTED

How. Kong. Textagned to reply out vin exert DRAFT PRESS NOTICE WHICH ROGER BONE WOULD LIKE JOHN COLES' APPROVAL ON -THE FOREIGN SECRETARY HAS ALREADY APPROVED IT As a further step in the continuing process of consultation on the future of Hong Kong the Governor of Hong Kong, accompanied by the unofficial members of the Executive Council will visit London on 6 - 8 October. While in London they expect to call on the Prime Minister, the Secretary of State for Foreign Affairs and the Minister responsible for Hong Kong in the Foreign Office, Mr. Richard Luce. 28 September 1983

UX hitera RESTRICTED 21287 - 2 **GRS 118** RESTRICTED DESKBY 290100Z FM FCO 281700Z SEP 83 TO IMMEDIATE HONG KONG TELEGRAM NUMBER 986 OF 28 SEPTEMBER INFO IMMEDIATE PEKING (PERSONAL FOR AMBASSADOR) YOUR TELECON WITH CLIFT: VISIT TO LONDON BY EXCO UNOFFICIALS NO 10 HAVE AGREED THAT YOU MAY MAKE THE FOLLOWING STATEMENT: 'AS A FURTHER STEP IN THE CONTINUING PROCESS OF CONSULTATION ON THE FUTURE OF HONG KONG THE GOVERNOR OF HONG KONG, ACCOMPANIED BY THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL, WILL VISIT LONDON ON OCTOBER 6-8. WHILE IN LONDON THEY EXPECT TO CALL ON THE PRIME MINISTER, THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS AND THE MINISTER RESPONSIBLE FOR HONG KONG IN THE FOREIGN AND COMMONWEALTH OFFICE, MR RICHARD LUCE.' HOWE FUTURE OF HONG KONG COPIES TO SIR IAN SINCLAIR LEGAL ADVISER LIMITED MR BURROWS LEGAL ADVISER HD/HKD MR ROBERTS NEWS D HD/FED HD/PLANNING STAFF MR MARTIN ASSESSMENTS STAFF HD/PUSD CABINET OFFICE PS MR FLOWER PUSD PS/LADY YOUNG PS/MR LUCE NO 10 DOWNING STREET MR COLES PS/PUS SIR J BULLARD MR GIFFARD SIR A PARSONS NO 10 DOWNING STREET MR WALKER RESEARCH D O'AB 2/82 MR DONALD MR WRIGHT RESTRICTED



10 DOWNING STREET

Willie, Thunk ym Willie, Thunk ym Hong Kong unoFFICIALS PRE-MEETING.

The Prime Minister hopes that E. Y. will be able to change his engagement and attend the meeting ans 10. If not it will unfortunately be necessary to go ahead without him. Thursday 6 October is not passible.

27.9.

SECRET 10 DOWNING STREET From the Private Secretary 27 September, 1983. This is just to confirm that the Prime Minister has agreed that Mr. Luce should be authorised to invite the unofficial members of EXCO to call on her at 0930 on 7 October. We have set aside 2 hours in the diary for this meeting. This is also to confirm that the Prime Minister would like to hold a meeting with the Foreign Secretary and Defence Secretary at 1630 on Wednesday, 5 October, to prepare for the meeting with EXCO. No doubt you will be arranging for Sir Edward Youde and Sir Percy Cradock to attend this meeting as well. I am copying this letter to Richard Mottram (Ministry of Defence). W. F. S. RICKETT R.B. Bone, Esq., Foreign and Commonwealth Office. SECRET

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FM HONG KONG 260550Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1408 OF 26 SEPTEMBER

INFO HMMEDIATE OTTAWA (FOR PS TO PRIME MINISTER) UKMIS NEW YORK

(FOR PRIMATE SECRETARY) PEKING

MIPT AND PEKING TELNO 937: FUTURE OF HONG KONG

IF HAVE DISCUSSED THE SITUATION WITH MR LUCE. ON TIMING. IN THE LIGHT OF THE TWO TELEGRAMS UNDER REFERENCE, WE HERE ALL TAKE THE VIEW THAT WE MUST ENDEAVOUR TO GET THE UNOFFICIALS BACK TO LONDON FOR DISCUSSIONS WITH THE PRIME MINISTER AND YOUR BEFORE THE NEXT ROUND OF TALKS ON 19 OCTOBER. AS SUGGESTED IN YOUR TELNO 960 WE SHALL BE CONSIDERING POSSIBLE TIMING WITH EXCO TOMORROW. THEY CAN BE EXPECTED TO OFFER TO COME TO LONDON AT ANY TIME CONVENIENT FOR MINISTERS. BUT IF WE ARE TO HAVE A WORTHWHILE DISCUSSION IN EXCO ON THIS, WE SHALL NEED TO KNOW BEFOREHAND WHAT SEEM TO YOU TO BE THE PRACTICAL POSSIBILITIES FOR A MEETING IN LONDON IN THE PERIOD.

- 2. IN VIEW OF THE DATES OF THE CONSERVATIVE PARTY CONFERENCE (11 14 OCTOBER) AND MY OWN COMMITMENT TO GIVE MY ANNUAL SPEECH TO LEGCO ON 5 OCTOBER, IT WOULD SEEN TO US THAT THE ONLY POSSIBLE SLOT IS FROM 6 TO 10 OCTOBER. WE CANNOT DO ANYTHING EARLIER BECAUSE OF THE NEED TO PREPARE WITH YOUR APPROVAL A PAPER FOR EXCO SETTING OUT THE COURSES OPEN TO US. (SEE MIPT). WE THINK A MEETING WITH UNOFFICIALS SHOULD BE PRECEDED BY A MEETING AT WHICH YOU AND THE PN COULD GO OVER THE GROUND WITH THE AMBASSADOR AND MYSELF.
- 3. IF YOU TAKE THE VIEW THAT DATES BEFORE 19 OCTOBER ARE IMPOSSIBLE, THEN THE ONLY OPTION OPEN TO US IS FOR THE AMBASSADOR TO APPROACH YAO GUANG TO SEEK A DEFERMENT OF THE NEXT ROUND FOR, SAY, SEVEN TO TEN DAYS ON THE GROUNDS THAT WE NEED EXTRA TIME FOR REFLECTION. WE THINK YAO WOULD PROBABLY AGREE TO THIS. IT WOULD, OF COURSE, REQUIRE PUBLIC EXPLANATION AND WOULD CAUSE SPECUALTION, BUT WE THINK THIS WOULD BE MANAGEABLE.
- A. THE ONE COURSE WHICH IN OUR VIEW IS TO BE AVOIDED IS TO DEFER MEETING THE UNOFFICIALS IN LONDON UNTIL AFTER THE NEXT ROUND: FOR THE REASONS GIVEN IN PEKING TELEGRAM UNDER REFERENCE THERE IS A HIGH RISK OF A PUBLIC BREAKDOWN AT THIS MEETING, AND WHATEVER COURSE OF ACTION WE WISH TO ADOPT WILL NEED TO BE DECIDED IN ADVANCE.

15.

H-K: heteros SECRET 5. GRATEFUL FOR YOUR IMMEDIATE VIEWS ON WHAT CAN BE MANAGED. MR LUCE FEES OT ESSENTIAL TO BE ABLE TO INVITE EXCO TO LONDON WHEN HE SEES THEM TOMORROW MORNING, AND HE WOULD LIKE IF POSSIBLE TO BE ABLE TO GIVE THEM AN INDICATION OF DATES. YOUDE FUTURE OF HONG KONG COPIES TO LIMITED SIR IAN SINCLAIR LEGAL ADVISER LEGAL ADVISER MR BURROWS HD/HKD HD/FED MR ROBERTS NEWS D HD/PLANNING STAFF MR MARTIN ASSESSMENTS STAFF HD/PUSD CABINET OFFICE PS PS/LADY YOUNG MR FLOWER PUSD PS/MR LUCE MR COLES NO 10 DOWNING STREET PS/PUS SIR J BULLARD MR GIFFARD SIR A PARSONS NO 10 DOWNING STREET MR WALKER RESEARCH D OAB 2/82 MR DONALD MR WRIGHT 2 SECRET

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ZZ OTTAWA

GRS 120

CONFIDENTIAL

FM UKMI S NEW YORK 261540Z SEP 83

TO FLASH OTTAWA

TELEGRAM NUMBER 003 OF 26 SEPTEMBER

AND TO IMMEDIATE FCO, HONG KONG, PEKING.

FOLLOWING FOR PUS (WITH PRIME MINISTER'S PARTY)
FROM PRIVATE SECRETARY.

1. THE SECRETARY OF STATE AGREES WITH THE RECOMMENDATIONS IN TUR.
IN PARTICULAR HE AGREES THAT WE SHOULD AVOID IF AT ALL POSSIBLE
ANY POSTPONEMENT OF THE NEXT ROUND OF TALKS, AND THAT A
MEETING WITH EXCO SHOULD THEREFORE BE ARRANGED FOR 6 OR 7
OCTOBER, DESPITE THE DIFFICULTIES.

THOMSON

: PS/PM.



10 DOWNING STREET

Mr. Clift singgested that you would want. to take the attacked on the trip. X

P.S. He also warbed to talk to you urgently on an unrelated marter. Switch have murbes but him at home and work.

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Classification and Caveats

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- 250100Z
- FM FCO 241100Z SEPT 6
- TO IMMEDIATE HONG KONG 7
- TELEGRAM NUMBER 8
- INFO IMMEDIATE PEKING DESKBY 250100Z (PERSONAL FOR AMBASSADOR/ 9
- CHARGE) 10
- MY TELNOS 940 AND 941: MR LUCE'S PRESS CONFERENCE 11
 - 1. Following are suggested amendments to a number of points to take the present situation into account. References are to
- second TUR. 14
 - (a) Paragraph 3 and 18 and 19. Combine in composite answer
- 16
- propaganda", as follows: "I quite understand why the policy of tile us to say mae.
- 18 you a full description of the basis of the British position. 19
- People in Hong Kong need to know that. I still believe that it 20
- is right that the actual content of the talks should be 21
- confidential. The negotiations themselves are what matter. 22
- must not prejudice them. We have of course seen a number of 23
 - reports of remarks by Chinese public figures or media agencies.
 - Some have been made to the press, others to Hong Kong people.

NNNN ends telegram	BLANK	Catchword			
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Classification and Caveats

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I believe that statements made outside the talks, but referring directly to the negotiating position on either side, are not helpful. They are too easily misunderstood and, as we have seen, damage confidence severely. It is of course helpful if Hong Kong people make their views known on any of these statements, not only to us but to the Chinese. (If asked whether we have made representations to the Chinese about propaganda). Yes, we have told them why we think this is unhelpful. We have explained why in our view the only place for an exchange of views is the conference table."

(b) Paragraph 9. This is being covered in a separate telegram his visit is Peking on his return. The next round on 19/20 October is he easiest practical data for both sides.

the basis of firmness and flexibility: we are firm in our commitment to seek a solution which will maintain the well-being and way of life of Hong Kong. We have no inflexible preconceived view on the means of achieving this. The important point is

Paragraph 20, reword: "I well understand that Hong Kong people are worried about the future. This arises partly from the length of the negotiations. They are bound to take time. But the Prime Minister has made clear that HMG is committed to seeking the best possible arrangements for Hong Kong after that the best possible arrangements for Hong Kong after the Best possible arrangement are the Best possible arrangement are the Best possible arrangement and Hong Kong After the Best possible arrangement are the Best

We are determined to make a success of this. Meanwhile I know it is not easy but I would ask you and investors to be patient. I am impressed by the basic good shape of the Hong Kong economy. The present damage to the exchange rate and the stock markets stems from political uncertainty and unhelpful stories circulating outside the talks. I know you understand very well the limitations on intervention in a free economy by governments to smooth out erratic shifts in the exchange rate. But I know that the Hong Kong Government are doing all they can."

NNNN ends telegram Catchword (e)

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DAJO . Putre de Mile

Mr. Clift phoned. A line was omitted from one of the telegrams which the FCO sent over last night, - the third telegram headed "Mr. Luce's discussion with EXCO: talking points".

Paragraph 6 should read: -

"I know you have discussed this. I am grateful for your views. I think we generally agree that there is a danger in formal public statements which describe our position too precisely"

Mal.

OO PEKING GRS 583 SECRET FM FCO 231315Z SEP 83 TO IMMEDIATE HONG KONG TELEGRAM NUMBER 961 OF 24 SEPTEMBER INFO IMMEDIATE PEKING MIPT. PROPOSED STATEMENT FOR MR LUCE'S USE WITH THE MEDIA IN HON

THE PRESENT POSITION ..

- KONG. 1. AS YOU KNOW THE TALKS WITH THE CHINESE GOVERNMENT ARE CONTINUING. THE NEXT ROUND WILL BE ON 19 AND 20 OCTOBER. IT IS OF COURSE VERY USEFUL FOR ME TO BE IN HONG KONG SO SOON AFTER THE LATEST ROUND AND TO HEAR THE VIEWS, NOT ONLY OF THE GOVERNOR AND AMBASSADOR BUT ALSO OF THE EXECUTIVE COUNCIL AND UMELCO ON
- 2. SINCE THE BEGINNING OF THE NEGOTIATIONS, WE HAVE SAID VERY LITTLE ABOUT OUR VIEWS ON THE FUTURE OF HONG KONG. WE THOUGHT IT BEST THAT OUR TALKS ON THIS SUBJECT WITH THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA SHOULD BE KEPT CONFIDENTIAL. WE HAVE DELIBERATELY AVOIDED NEGOTIATION IN PUBLIC AND WE STILL BELIEVE THAT IS RIGHT. ABOVE ALL WE MUST AVOID PREJUDGING THE FINAL SETTLEMENT. HOWEVER, OUR SILENCE HAS BEEN IN SOME QUESTIONS MISUNDERSTOOD AND MISINTERPRETED. I THEREFORE THINK IT MAY BE HELPFUL IF I GIVE YOU SOME BACKGROUND TO EXPLAIN OUR APPROACH TO THE QUESTION.
- 3. AS YOU KNOW, CONTRARY TO THE BELIEF OF SOME, THE BRITISH GOVERNMENT DRAW NO DIRECT ECONOMIC BENEFIT FROM THE PRESENT STATUS OF HONG KONG. WE RECEIVE NO TAX REVENUE FROM HONG KONG AND HAVE NO CONTROL OVER THE HONG KONG GOVERNMENT'S RESERVES. CLEARLY WE HAVE A VERY STRONG INTEREST IN THE CONTINUED PROSPERITY OF AN IMPORTANT TRADING PARTNER AND FINANCIAL CENTRE, IN WHICH COMPANIES FROM BRITAIN AND MANY OTHER COUNTRIES HAVE CONSIDERABLE INVESTMENTS. BUT OUR COMMITMENT TO HONG KONG DOES NOT STEM FROM THAT, OR FROM ANY CONSIDERATION WHICH COULD RIGHTLY BE LABELLED COLONIAL. IT IS BASED ON OUR

SENSE OF RESPONSIBILITY FOR THE FUTURE OF THOSE PEOPLE WHO HAVE

CHOSEN TO MAKE HONG KONG THEIR HOME.

- 4. THE STORY OF HONG KONG HAS BEEN ONE OF ALMOST UNPARALLELED ECONOMIC SUCCESS. THIS IS THE RESULT OF THE ENTERPRISE AND SHEER HARD WORK OF THE PEOPLE OF HONG KONG, AS WELL AS COOPERATION WITH CHINA. BUT IT IS ALSO DUE TO THE WELL-TRIED FRAMEWORK OF STABILITY AND CONTINUITY WHICH THE PRESENT ARRANGEMENTS HAVE PROVIDED FOR SO MANY YEARS. IT IS OUR BELIEF, AND, WE ARE CONFIDENT, THE BELIEF OF THE MAJORITY OF PEOPLE OF HONG KONG, THAT THE BEST WAY TO ENSURE THE CONTINUED PROSPERITY AND STABILITY OF HONG KONG IS TO AVOID DISTRURBING THE COMPLEX ARRANGEMENTS WHICH NOW PROVIDE THE FRAMEWORK OF HONG KONG'S SUCCESS. WE BELIEVE THAT THIS APPROACH REFLECTS THE INTERESTS OF THOSE PEOPLE WHO OVER THE YEARS HAVE CHOSEN TO LIVE HERE.
- 5. THROUGHOUT THE NEGOTIATIONS WE ARE OF COURSE CONCERNED TO GET A COMPLETE UNDERSTANDING OF THE VIEWS OF THE CHINESE GOVERNMENT, AS THE CHINESE HAVE BEEN PREPARED TO LISTEN TO OUR VIEWS. ON THE BASIS OF MUTUAL UNDERSTANDING WE BELIEVE THAT THE TALKS SHOULD FOCUS PARTICULARLY ON HOW FUTURE ARRANGEMENTS CAN GUARANTEE THE CONTINUATION OF HONG KONG'S FREE ECONOMY AND WAY OF LIFE, AND THUS SUSTAIN THE CONFIDENCE WHICH IS ABSOLUTELY ESSENTIAL TO HONG KONG'S SUCCESS.
- AS I HAVE SAID, WHAT IS AT STAKE IS THE CONTINUATION OF A NOTABLY SUCCESSFUL SOCIETY. WE ARE THEREFORE COMMITTED TO SEEKING A SOLUTION ACCEPTABLE TO THE PEOPLE OF HONG KONG. WE ARE CONDUCTING OUR TALKS WITH THE CHINESE IN GOOD FAITH AND WITH A SENSE OF REALISM. FROM THE PRIME MINISTER DOWN WE ARE DEEPLY CONSCIOUS OF HONG KONG'S CONCERNS AND ARE DETERMINED TO MAKE A SUCCESS OF THE NEGOTIATIONS.
- 7. I AM CONFIDENT THAT WE CAN BUILD ON OUR GOOD RELATIONSHIP WITH CHINA AND OUR MUTUAL RESPECT TO WORK OUT TOGETHER A SOLUTION WHICH WILL ACHIEVE THIS.

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FUTURE OF HONG KONG

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PS/LADY YOUNG

PS/MR LUCE

PS/PUS SIR J BULLARD

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MR WALKER RESEARCH D OAB 2/82

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