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TO IMMEDIATE HONG KONG

TELEGRAM NUMBER

REPEATED INFO IMMEDIATE PEKING

MIPT: FUTURE OF HONG HONG: DRAFT PAPER FOR EXCO

BEGINS:

Introduction

1.

THIS IS A COPY. THE ORIGINAL IS  
RETAINED UNDER SECTION 3. (4)  
OF THE PUBLIC RECORDS ACT

This paper seeks to identify the options now available to HMG in the light of the latest round of the talks on 22/23 September. Members will wish to reflect on these options before discussing the situation with Ministers in London on 7 October. No conclusions are drawn and no recommendations are made.

(Begin underlining) Chinese Position (Cease underlining)

2. Chinese statements at the fourth plenary session of the talks on 22/23 September revealed no change in the Chinese

position

PRIVATE SECRETARY

FUTURE OF HONG KONG

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position as set out [redacted] If anything their line has hardened. In particular:

- (a) The Chinese are adamant that both sovereignty and administration will be recovered by 1997 and have characterised our insistence on British administration as an insuperable obstacle to progress. They have hinted strongly that they will break off the talks if there is no change in the British position.
  - (b) They have rejected our proposal for a joint examination of the facts about the systems in Hong Kong and have dismissed the four papers submitted by the British negotiators at the 2/3 August session out of hand. They take the line that the facts in these papers were twisted to suit the British thesis (which they do not accept) that continuing British administration is necessary to maintain confidence.
  - (c) They concede that there is a problem of confidence in Hong Kong but attribute this entirely to British "rigidity", accusing us of attempting to play public opinion and economic "cards" in an attempt to put pressure on them. They have said that they will not be scared by such tactics and have declined to do anything to help bolster confidence in the Hong Kong dollar.
  - (d) They have reiterated that if there should be major disturbances in Hong Kong they would be obliged to reconsider the timing and formula for the recovery of sovereignty.
3. In the light of what the Chinese have said the following risks are apparent.
- (i) That without a shift in the British position the Chinese would not agree to a further session of the talks after the one scheduled for 19 and 20 October.
  - (ii) That, since the Chinese are unlikely to agree to a more or less friendly pause for reflection, such a break in the talks would result in a confrontation between Britain and China over Hong Kong with resultant grave damage to the Hong Kong economy.



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(iii) That the Chinese would be ready if necessary to sacrifice the economic benefits they obtain from Hong Kong in order to achieve their political objectives.

(iv) That a breakdown would lead the Chinese to take increasingly hard public positions from which they would not be able to withdraw without damaging loss of face. Even if the Chinese did not announce their own plan unilaterally and were prepared to resume negotiations, the terms which they would then be willing to offer might be worse than those which could be negotiated now. (Begin underlining) Present Situation (cease underlining)

4. During the last round of the talks the Chinese said informally that they would not be prepared to embark on detailed discussion of their plan without prior British acceptance of their premise that both sovereignty and administration will pass to China in 1997. The Chinese Foreign Minister told the Secretary of State on 27 September that the Chinese had ideas which they wished to discuss but only if the question of sovereignty was properly settled first. The tactic deployed on 22/23 September therefore looks unlikely to achieve its intended purpose of providing further opportunities to convince the Chinese that their plan would not work and that continued British administration is essential.

(begin underlining) Options (cease underlining)

5. Against this background the following options appear to be available.

(A) To continue to press the case for the continuation of British administration on present lines.

(begin underlining) Comment (cease underlining)

This course would show our resolve and best represents our continuing views. But there would be a strong risk of a breakdown at the next session of the talks and of subsequent public confrontation with the Chinese. This would have severe consequences for confidence and the Hong Kong dollar. It might

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be impossible to restart negotiations.

(B) To seek to maintain the British administrative link through a Governor responsible to HMG, but with major administrative changes designed to make this more palatable to the Chinese.

(begin underlining) Comment (cease underlining)

The Chinese would probably regard this as not significantly different from (A). Their line so far has been that the continuation of the British link through a Governor responsible to London would be unacceptable. If they did show themselves interested in exploring in this context the concessions we might be willing to make, we would have to be very careful not to get into a position which it would subsequently be difficult to claw back if the Chinese stuck to their guns on the link through the Governor.

(C) To accept the Chinese premise that sovereignty and administration must pass to China in 1997, and to negotiate the best deal possible for Hong Kong on that basis.

(begin underlining) Comment (cease underlining)

This would open the way to detailed discussion of Chinese ideas and might create some goodwill on the Chinese side. But acceptance of the Chinese position on these points would, if leaked, have a severe effect on confidence. Moreover, we might lose leverage in the subsequent negotiations.

(D) To maintain our present view that continued British administration is the best way to maintain confidence, but to seek a further formula through which we could explore what flexibility there might be in the Chinese concept of administration, and what guarantees in the form of continuing British links the Chinese would be prepared to build into their plan. One way of doing this would be to seek to extend the formula deployed over sovereignty in the Prime Minister's letter to Premier Zhao Ziyang of 10 March to the right (repeat right) of administration.

(begin



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(begin underlining) Comment (cease underlining)

This might be sufficient to persuade the Chinese to explain their ideas in more detail and to keep the talks going. It might thus allow us to find out whether Chinese terms could be made acceptable. But it might still not be acceptable to them since we should have to make it clear that we still believed that continued British administration was the best way to maintain confidence. Another problem would be the risk of the Chinese misrepresenting our position as unqualified acceptance of theirs.

(begin underlining) Public Presentation (cease underlining)

6. Whatever option was chosen we should need to have ready both for background briefing and, if necessary, for public use a careful statement of our reasons for adopting it. This would need to balance a clear reservation of our own position against the risk of stalemate and confrontation. ENDS

HOWE

NNNN



Prime Minister

Agree that the

draft paper be transmitted,

as proposed?

PM/83/75

PRIME MINISTER

Hong Kong

MCS 1/10

1. We are now at a critical stage in the talks and there is a real danger of breakdown. I am reinforced in this view by my talks with the Chinese Foreign Minister in New York. Richard Luce's discussions with EXCO show that views are divided: some members seem ready to contemplate a collapse of the talks as not necessarily causing irreparable damage, while others argued against this.
  
2. Richard Luce has gone over the matter in depth with the Governor and Ambassador. I have considered their assessment very carefully. There is no doubt that we should look very carefully at our position before the next round of talks on 19 and 20 October. EXCO's visit will be a major stage in this process. It is the Governor's strong view that, before they come to London, they should be shown a paper setting out our assessment of the position and, at least in outline, the options before us. I am sure that this is right: without this sort of preparation, they will find it hard to focus on the essentials and to give clear advice. I attach the text of a suggested paper (a revised version of a draft put forward by the Governor) which could serve this purpose. Sir E Youde has asked for instructions to reach him first thing on his Monday morning (the middle of our Sunday night). For ease of handling, I have already telegraphed the text of the revised paper to him. If you are content with it, Private Secretaries can arrange for a trigger telegram to be sent by our Resident Clerk to reach Hong Kong by 030100Z.

/3. I shall



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3. I shall be sending you early next week some thoughts on where we go from here, but I hope that meanwhile we can give the Governor this chance to get EXCO to focus clearly on the problems of the next round.

GEOFFREY HOWE

Foreign and Commonwealth Office

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*Handwritten:* Au-fax copy

PRIME MINISTER

HONG KONG

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GEOFFREY HOWE

1 October 1983



TEXT

Introduction

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THIS IS A COPY. THE ORIGINAL IS  
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This paper seeks to identify the options now available to HMG in the light of the latest round of the talks on 22/23 September. Members will wish to reflect on these options before discussing the situation with Ministers in London on 7 October. No conclusions are drawn and no recommendations are made.

Chinese Position

2. Chinese statements at the fourth plenary session of the talks on 22/23 September revealed no change in the Chinese

/ position



## 10 DOWNING STREET

*From the Private Secretary*

3 October 1983

Hong Kong

The Prime Minister saw over the weekend the Foreign Secretary's minute with which he forwarded a proposed paper to be tabled by the Governor at the next meeting of EXCO.

The Prime Minister telephoned Sir Geoffrey Howe yesterday afternoon to discuss the paper. She expressed concern that the paper would be regarded by EXCO as a weakening of the British position and emphasised that she thought it necessary for us to devise options which would enable us to recover the initiative from the Chinese.

Following discussion, it was agreed that the paper should be amended in the following ways:

- a) There should be a passage recalling the terms of the Prime Minister's earlier letter to the Chinese Premier and making it plain that sovereignty was not in the Prime Minister's gift but was a matter for the British Parliament, that we were only prepared to consider recommending a transfer of sovereignty if suitable arrangements had been reached on future administration and that any formula for the future would have to be acceptable to the people of Hong Kong.
- b) It should be made clear that the options in the paper were not an exhaustive list, that we were working on further options and that we should be grateful for any suggestions which EXCO might care to make.

At Sir Geoffrey Howe's request I conveyed these conclusions to Mr. Clift who undertook to revise the telegram and seek Sir Geoffrey's approval for its despatch.

A. J. COLES

John Holmes, Esq.,  
Foreign and Commonwealth Office.



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TO IMMEDIATE HONG KONG  
TELEGRAM NUMBER 1001 OF 2 OCTOBER  
INFO IMMEDIATE PEKING, PERSONAL FOR CHARGE  
MY TELS NOS 998 AND 999 AND PEKING TELNO 972. FUTURE OF HONG  
KONG. DRAFT PAPER FOR EXCO

1. THE PRIME MINISTER HAS AGREED THE ISSUE OF THE PAPER FOR EXCO SUBJECT TO THE FOLLOWING AMENDMENTS TO MAKE HMG'S POSITION COMPLETELY CLEAR AND TO ENCOURAGE EXCO TO PUT FORWARD SUGGESTIONS OF THEIR OWN. REFERENCES TO SECOND TUR.

2. AFTER PARA 4 INSERT NEW PARA 5 AS FOLLOWS

'IT IS IMPORTANT ALSO TO TAKE INTO ACCOUNT THE POSITION WHICH THE PRIME MINISTER SPELLED OUT TO THE CHINESE PREMIER IN HER LETTER OF 10 MARCH ON THE QUESTION OF SOVEREIGNTY. MEMBERS WILL RECALL THAT SHE REITERATED THAT IT WAS NOT CONSTITUTIONALLY IN HER POWER AS PRIME MINISTER ACTING ALONE TO AGREE TO THE TRANSFER OF SOVEREIGNTY, WHICH WAS A MATTER WHICH PARLIAMENT ALONE HAD THE POWER TO DECIDE. SHE EXPLAINED TO PREMIER ZHAO THAT IF PARLIAMENT WERE TO AGREE TO SUCH A TRANSFER OF SOVEREIGNTY IT WOULD NEED TO BE PART OF AN OVERALL PACKAGE OF MEASURES GUARANTEEING THE STABILITY AND PROSPERITY OF HONG KONG. SHE SAID THAT FOR HER TO MAKE A RECOMMENDATION TO PARLIAMENT THAT SOVEREIGNTY OVER THE WHOLE OF HONG KONG SHOULD REVERT TO CHINA IT WOULD BE NECESSARY TO REACH AGREEMENT ON ADMINISTRATIVE ARRANGEMENTS WHICH WOULD GUARANTEE THE FUTURE PROSPERITY AND STABILITY OF HONG KONG AND WOULD BE ACCEPTABLE TO THE BRITISH PARLIAMENT AND TO THE PEOPLE OF HONG KONG AS WELL AS TO THE CHINESE GOVERNMENT.

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THAT POSITION HAS NOT ALTERED.'

3. AFTER FIRST SENTENCE OF OLD PARA 5 INSERT NEW PASSAGE AS FOLLOWS:

'THESE ARE THE OPTIONS WHICH HAVE SO FAR BEEN EXAMINED IN LONDON. HMG ARE CONSIDERING WHETHER THERE ARE OTHERS. THEY WOULD WELCOME ANY SUGGESTIONS WHICH EXCO MEMBERS WOULD WISH TO MAKE.'

4. AT END OF OLD PARA 6 INSERT ADDITIONAL PSAGE AS FOLLOWS:

'SHOULD THE CHINESE GOVERNMENT CONTINUE TO BE INTRANSIGENT WE SHOULD NEED TO CONSIDER VERY CAREFULLY AND IN MUCH GREATER DETAIL THAN BEFORE WHETHER, AND IF SO HOW, FULLER USE MIGHT BE MADE OF A PUBLIC PRESENTATION OF OUR POSITION IN ORDER TO EXPLAIN IT AND TO SHOW THAT WE WERE ACTING REASONABLY.'

5. I TAKE THE POINTS IN PEKING TUR. I BELIEVE IT IS IMPORTANT TO MENTION OPTION (B) BOTH FOR THE SAKE OF COMPLETENESS AND TO LEAD LOGICALLY TO THE OTHER OPTIONS. PLEASE MAKE THE FOLLOWING AMENDMENTS TO MEET PEKING'S CONCERN

(A) IN OLD PARA 5(B) UNDER 'COMMENT' AMEND FIRST SENTENCE TO READ: 'THE CHINESE WOULD SEE THIS AS CONTAINING NO ESSENTIAL DIFFERENCE FROM (A).'

(B) ALTER NEXT SENTENCE TO READ: 'THEY HAVE TOLD US THAT THE CONTINUATION OF THE BRITISH LINK ... '

(C) ALTER NEXT SENTENCE TO BEGIN: 'IF EVEN SO THEY SHOULD SHOW THEMSELVES INTERESTED ... '

6. PLEASE NOW CIRCULATE THE PAPER TO EXCO WITH THESE AMENDMENTS. IF YOU RECEIVE ANY COMMENTS ON IT BEFORE YOUR DEPARTURE FOR LONDON, I SHOULD BE GRATEFUL FOR AN IMMEDIATE REPORT.

HOWE

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

MR GIFFARD

MR DONALD

MR WRIGHT

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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 OAB 2/82

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