



Secretary of State

Beoch,  
Maybole,  
Ayrshire, KA19 8EN

MR 6/10

SECRET

~~CONFIDENTIAL~~

4th October, 1983.

Mr Clive HUD

CC, PS ←  
PS/HR huc  
PS/PUS  
Mr Gifford  
Mr Donald

(Persepolis address)

My dear Minister of State,

HONG KONG: NEXT ROUND OF TALKS IN PEKING

HUD-4/x

I was involved in the meetings with the P.M. before and after her visit to Peking last year, and I advised her not to make an issue of sovereignty over Kowloon and the Island (though to explain Parliamentary requirements), but to try to have continuing British administration over the whole territory under Chinese sovereignty, since this would be infinitely the best way of maintaining confidence.

Since then the F.C.O. have kept me generally in the picture by showing me a selection of papers. Obviously advice from me with such a restricted background should not be considered as against that of Teddy Youde, Percy Cradock or your own advisers.

Subject to this reserve, I am writing because it can well be argued that Chinese reactions to the line I once recommended have reached such a pitch that they, the Chinese, may be expected to break off, and eventually announce their own arrangements for the future of Hong Kong without further reference to us, if our line is not changed at the next round of talks, and changed unequivocally. If they did break, the immediate economic effects in Hong Kong and the long-term implications for evolving workable arrangements would be very serious.

I realise that strong views are held that we should stick to our line and that this will cause the Chinese to accept British administration; or alternatively that the prospects under Chinese administration, however qualified, would not be worth considering. These views overstate the safety to be expected from British administration in the face of opposition from the sovereign power, and understate what might be obtained from the Chinese - before we know exactly what it would be. Consequently I disagree.

I think the immediate need is:-

- a) To stop Chinese public attacks which are destroying Hong Kong confidence.
- b) To engage the Chinese in detailed and positive discussion of their plans for the future of Hong Kong and see if we can work them up into something we could recommend to Hong Kong and Parliament.

.../



But to do this we would have to concede to the Chinese:-

- c) That after 1997 sovereignty and administrative control will rest with Peking, and that the talks would be about how this control would be exercised so as best to preserve stability and prosperity. We would have to drop our insistence that the latter should not exclude British administration if this were against the wishes of the sovereign power.

In this case we would have given very little away. It would still be for H.M.G. to decide whether to agree or give public support to the arrangements and accompanying pledges that emerged from the discussions as the best the Chinese would concede. If we could do so it would be conclusive over both confidence in Hong Kong and I presume legislation in London, and this the Chinese would know. Alternatively if the arrangements were unsatisfactory H.M.G. could refuse to be associated with them unless they were amended.

If H.M.G. decided on such a change of line and it results in criticism whether in the U.K. or Hong Kong, I should like you to know, if it would help, that I would give all the support I could to a step which I believe less dangerous than soldiering on as at present, and also which still carries a possibility of a satisfactory outcome with China.

I shall be in London until mid-day on Thursday and can be contacted through someone who is acting as Secretary on 219 4467.

With apologies if I appear to  
interfere,

Yours  
Mr. R. Luce

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