

SECRET



Teleprinted to
Blackpool on

Foreign and Commonwealth Office

12/10 at 1630 hrs. London SW1A 2AH

cc AT

24

12 October 1983

Dear John,

Hong Kong

With my letter of 11 October I enclosed a telegram about proposed measures to stabilise the Hong Kong dollar. The Governor has now told us by telephone that he had a difficult but inconclusive meeting with EXCO this morning. A further meeting will be held first thing tomorrow morning. It is quite likely that the outcome will be that he will not obtain either full endorsement or outright opposition but that a majority of members will record that they do not wish to advise against the Governor implementing the measures if he judges it right.

The Governor has asked for an indication of Ministers' views on the contingency either of opposition or of grudging assent from EXCO. We shall need to send instructions tonight. The Foreign Secretary, who is on his way back from Athens, has not yet considered the latest position but, to save time, I enclose a telegram drafted by officials which might form the basis of a reply.


Yours ever

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

OUT TELEGRAM

	Classification and Caveats	Precedence/Deskby
	SECRET	IMMEDIATE DESKBY 130005Z

ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	SECRET
CAVEATS	4	
DESKBY	5	DESKBY 130005Z
FM FCO	6	FM FCO
PRE/ADD	7	TO IMMEDIATE HONG KONG
TEL NO	8	TELEGRAM NUMBER
	9	PERSONAL FOR GOVERNOR
	10	PROPOSED FINANCIAL MEASURES
	11	1. Ministers have considered your proposals against the
	12	background of the political situation, including the talks with
	13	the Chinese. They recognise that constitutionally the decision
	14	is for you but in the circumstances they believe it would be
	15	helpful to you to be able to confirm that you had kept in close
	16	touch with them. They also need to take account of the fact that
	17	the matter could come up in Parliament and that they may be asked
	18	there or elsewhere what their view of the measures was.
	19	2. If at the meeting with EXCO today you face outright
	20	opposition to the proposals, you would clearly wish to consider
	21	every alternative, including delay, before going ahead this week.
///	22	Given the need to maintain good relations with EXCO and to help
//	23	the Council's standing in the Territory, Ministers would expect
/	24	that you would go ahead only if you judged that otherwise the risk
	25	of an imminent collapse was unacceptable. If you did in all the

NNNN ends telegram	BLANK	Catchword circumstances
File number	Dept Private Office	Distribution
Drafted by (Block capitals) JE Holmes		PS HKD Mr Burrows Mr Donald PS/Mr Luce Sir I Sinclair Mr Giffard Mr Donald Mr Appleyard
Telephone number 233 4641		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

Classification and Caveats

SECRET

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1 <<<<
 2 circumstances so judge, they would not wish to dissuade you, and
 3 would make clear as necessary, if asked publicly, that while the
 4 final decision was for you to make on the spot, they had been
 5 aware of what was proposed and had confidence in your judgement
 6 of the situation.
 7 3. If EXCO do not oppose outright and a majority record that
 8 they would not advise against implementation, Ministers would be
 9 prepared to leave the question of implementation and its timing
 10 to your judgement and again would give you backing, with the
 11 same public line as in para 2 above.
 12 4. In either event I should of course be grateful for a full
 13 account of the basis of your decision for use in Parliament and
 14 elsewhere.
 15 5. I can in any case give contingent approval for the transfer
 16 of HK\$250 million from the Exchange Fund to the general revenue
 17 amount in case you decide to go ahead with the abolition of the
 18 withholding tax on interest on Hong Kong dollar deposits.

20 HOWE
 21 NNNN

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31
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NNNN ends
 telegram

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Catchword

Hong Kong
Future
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02 OCT 1953

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HONG KONG
POST OFFICE
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SECRET

Teleprinted to
Blackpool on 12/10 at
1630 hrs.

MR. BUTLER

cc: Mr. Turnbull

23

Note:- Mr Butler phoned from Blackpool
to say Prime Minister content. FCO
Resident Clerk informed 20.00 hrs
AT 12/10

HONG KONG

I attach an FCO letter and a draft telegram to
Hong Kong.

The telegram has to be sent tonight. The Foreign
Secretary may have views (he is being consulted when
he gets back from Athens). But is the Prime Minister
generally content with the telegram?

We have checked paragraph 5 with the Treasury
who are happy with it.

Should you need further information on the
constitutional position, the following is the relevant
extract from the Letters Patent:

Governor
may act in
opposition
to Executive
Council.

Reporting
grounds for
so doing.

Members
may require
their adverse
opinions to
be recorded
on Minutes.

XII. The Governor may, in the exercise of the powers and
authorities granted to him by Our said recited Letters Patent, act in
opposition to the advice given to him by the Members of the Executive
Council, if he shall in any case deem it right to do so; but in any such
case he shall fully report the matter to Us by the first convenient
opportunity, with the grounds and reasons of his action. In every
such case it shall be competent to any Member of the said Council to
require that there be recorded at length on the Minutes the grounds
of any advice or opinion he may give upon the question.

Andrew Turnbull, who is on duty tonight, has seen
the papers and will take your reply.

A. J. C.

AJC

12 October 1983

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HONG KONG

WITH MY LETTER OF 11 OCTOBER I ENCLOSED A TELEGRAM ABOUT PROPOSED MEASURES TO STABILISE THE HONG KONG DOLLAR. THE GOVERNOR HAS NOW TOLD US BY TELEPHONE THAT HE HAD A DIFFICULT BUT INCONCLUSIVE MEETING WITH EXCO THIS MORNING. A FURTHER MEETING WILL BE HELD FIRST THING TOMORROW MORNING. IT IS QUITE LIKELY THAT THE OUTCOME WILL BE THAT HE WILL NOT OBTAIN EITHER FULL ENDORSEMENT OR OUTRIGHT OPPOSITION BUT THAT A MAJORITY OF MEMBERS WILL RECORD THAT THEY DO NOT WISH TO ADVISE AGAINST THE GOVERNOR IMPLEMENTING THE MEASURES IF HE JUDGES IT RIGHT.

THE GOVERNOR HAS ASKED FOR AN INDICATION OF MINISTERS' VIEWS ON THE CONTINGENCY EITHER OF OPPOSITION OR OF GRUDGING ASSENT FROM EXCO. WE SHALL NEED TO SEND INSTRUCTIONS TONIGHT. THE FOREIGN SECRETARY WHO IS ON HIS WAY BACK FROM ATHENS, HAS NOT YET CONSIDERED THE LATEST POSITION BUT, TO SAVE TIME, I ENCLOSE A TELEGRAM DRAFTED BY OFFICIALS WHICH MIGHT FORM THE BASIS OF A REPLY.

DRAFT TELEGRAM FROM FCO TO HONG KONG

SECRET

PROPOSED FINANCIAL MEASURES

MINISTERS HAVE CONSIDERED YOUR PROPOSALS AGAINST THE BACKGROUND OF THE POLITICAL SITUATION, INCLUDING THE TALKS WITH THE CHINESE. THEY RECOGNISE THAT CONSTITUTIONALLY THE DECISION IS FOR YOU BUT IN THE CIRCUMSTANCES THEY BELIEVE IT WOULD BE HELPFUL TO YOU TO BE ABLE TO CONFIRM THAT YOU HAD KEPT IN CLOSE TOUCH WITH THEM. THEY ALSO NEED TO TAKE ACCOUNT OF THE FACT THAT THE MATTER COULD COME UP IN PARLIAMENT AND THAT THEY MAY BE ASKED THERE OR ELSEWHERE WHAT THEIR VIEW OF THE MEASURES WAS.

IF AT THE MEETING WITH EXCO TODAY YOU FACE OUTRIGHT OPPOSITION TO THE PROPOSALS, YOU WOULD CLEARLY WISH TO CONSIDER EVERY ALTERNATIVE, INCLUDING DELAY, BEFORE GOING AHEAD THIS WEEK. GIVEN THE NEED TO MAINTAIN GOOD RELATIONS WITH EXCO AND TO HELP THE COUNCIL'S STANDING IN THE TERRITORY, MINISTERS WOULD EXPECT THAT YOU WOULD GO AHEAD ONLY IF YOU JUDGED THAT OTHERWISE THE RISK OF AN IMMINENT COLLAPSE WAS UNACCEPTABLE. IF YOU DID IN ALL THE CIRCUMSTANCES SO JUDGE, THEY WOULD NOT WISH TO DISSUADE YOU AND WOULD MAKE CLEAR AS NECESSARY IF ASKED PUBLICLY THAT WHILE THE FINAL DECISION WAS FOR YOU TO MAKE ON THE SPOT, THEY HAD BEEN AWARE OF WHAT WAS PROPOSED AND HAD CONFIDENCE IN YOUR JUDGEMENT OF THE SITUATION.

IF EXCO DO NOT OPPOSE OUTRIGHT AND A MAJORITY RECORD THAT THEY WOULD NOT ADVISE AGAINST IMPLEMENTATION, MINISTERS WOULD BE PREPARED TO LEAVE THE QUESTION OF IMPLEMENTATION AND ITS TIMING TO YOUR JUDGEMENT AND AGAIN WOULD GIVE YOU BACKING WITH THE SAME PUBLIC LINE AS IN PARAGRAPH 2 ABOVE.

IN EITHER EVENT I SHOULD OF COURSE BE GRATEFUL FOR A FULL ACCOUNT OF THE BASIS OF YOUR DECISION FOR USE IN PARLIAMENT AND ELSEWHERE.

I CAN IN ANY CASE GIVE CONTINGENT APPROVAL FOR THE TRANSFER OF HK\$ 250 MILLION FROM THE EXCHANGE FUND TO THE GENERAL REVENUE AMOUNT IN CASE YOU DECIDE TO GO AHEAD WITH THE ABOLITION OF THE WITHHOLDING TAX ON INTEREST ON HONG KONG DOLLAR DEPOSITS.

SECRET



Sub
25

10 DOWNING STREET

From the Private Secretary

13 October 1983

HONG KONG

With your letter of 12 October you enclosed a draft telegram to Hong Kong about the proposed measures to stabilise the Hong Kong dollar.

This is simply to record that your Resident Clerk was informed yesterday evening that the Prime Minister had seen the draft and was content with it.

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

SECRET

NR



With the compliments of

FOREIGN AND COMMONWEALTH OFFICE
LONDON, SW1A 2AH

too unimportant to require their advice, or too urgent to admit of their advice being given by the time within which it may be necessary for him to act in respect of any such matters. In all such urgent cases he shall, at the earliest practicable period, communicate to the Executive Council the measures which he may so have adopted, with the reasons therefor.

Governor alone entitled to submit questions.

XI. The Governor shall alone be entitled to submit questions to the Executive Council for their advice or decision; but if the Governor decline to submit any question to the Council when requested in writing by any Member so to do, it shall be competent to such Member to require that there be recorded upon the Minutes his written application, together with the answer returned by the Governor to the same.

Governor may act in opposition to Executive Council.

XII. The Governor may, in the exercise of the powers and authorities granted to him by Our said recited Letters Patent, act in opposition to the advice given to him by the Members of the Executive Council, if he shall in any case deem it right to do so; but in any such case he shall fully report the matter to Us by the first convenient opportunity, with the grounds and reasons of his action. In every such case it shall be competent to any Member of the said Council to require that there be recorded at length on the Minutes the grounds of any advice or opinion he may give upon the question.

Reporting grounds for so doing.

Members may require their adverse opinions to be recorded on Minutes.

Constitution of Legislative Council.

(Amended on
30.4.38.
1.7.64.
6.1.66.
28.2.69.
5.2.71.
14.7.72.
24.9.76.
26.8.77.)

XIII. The Legislative Council of the Colony shall consist of the Governor, the persons for the time being lawfully discharging the functions of Chief Secretary, Attorney-General, Secretary for Home Affairs, and Financial Secretary of the Colony, who are hereinafter referred to as *ex officio* Members, and such other persons holding office under the Crown in the Colony, and not exceeding twenty in number at any one time, as We may from time to time appoint by any Instructions or Warrants under Our Sign Manual and Signet, or as the Governor, in pursuance of Instructions from Us through one of Our Principal Secretaries of State, may from time to time appoint by an Instrument under the Public Seal of the Colony, and all such persons shall be styled Official Members of the Legislative Council; and further of such persons, not exceeding twenty-five in number at any one time, as the Governor, in pursuance of Instructions from Us through one of Our Principal Secretaries of State, may from time to time appoint by an Instrument under the Public Seal of the Colony, and all such persons shall be styled Unofficial Members of the Legislative Council.

Official Members.

Unofficial Members.

If any Official Member of the Legislative Council cease to hold office under the Crown in the Colony, his seat in the Council shall thereupon become vacant.

Provisional appointment of Members.
(Amended on
30.4.38.)

XIV. Whenever any Member of the Legislative Council, other than an *ex officio* Member, shall, in the manner hereinafter provided, have resigned his seat in the Council or shall die, or whenever the seat of any such Member shall otherwise become vacant, or whenever