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TO IMMEDIATE FCO

TELEGRAM NUMBER 1325 OF 9 DECEMBER

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: CALLS ON LEADERS

1. I ASKED YAO GUANG AT DINNER LAST NIGHT ABOUT MY REQUEST TO CALL ON CHINESE LEADERS. HE TOLD ME THAT A CALL ON DENG XIAOPING WOULD BE DIFFICULT TO ARRANGE, BUT THAT THEY WERE ARRANGING FOR ME TO SEE WU XUEQIAN, JI PENGFEI AND ZHAO ZIYANG (AND INCIDENTALLY CHEN MUHUA). I SHOULD THINK THAT THESE CALLS WILL PROBABLY COME IN THE ABOVE ORDER IN THE LAST FEW DAYS BEFORE I LEAVE.

2. THESE CALLS WILL REPRESENT AN UNUSUAL OPPORTUNITY TO PUT OUR VIEWS DIRECTLY TO PEOPLE IN DECISION-MAKING POSITIONS, AND WE SHOULD MAKE FULL USE OF IT. I HAVE THE FOLLOWING SUGGESTIONS AS TO THE LINE WHICH I SHOULD TAKE:

(A) I SHOULD NOTE WITH PLEASURE THE PROGRESS MADE IN THE LAST THREE ROUNDS. I SHOULD REFER BACK TO THE PRIME MINISTER'S MESSAGE AND REITERATE OUR WISH, PROVIDED WE CAN REACH AGREEMENT ON AN ACCEPTABLE SOLUTION, TO GIVE OUR FULL COOPERATION.

(B) I WOULD SAY THAT THE IDEA OF MAINTAINING A CAPITALIST HONG KONG AS A SPECIAL ADMINISTRATIVE REGION WITHIN A SOCIALIST COUNTRY WAS A TOTALLY NEW CONCEPT. THE TASK AHEAD WAS COMPLEX AND DIFFICULT. THE AGREED BASIS FOR OUR PRESENT DISCUSSIONS SHOULD ENSURE THAT CHINESE REQUIREMENTS OF PRINCIPLE WOULD BE MET. BUT THERE REMAINED IMPORTANT QUESTIONS STILL UNSETTLED. THEY THREATENED NO PRINCIPLE. BUT THEY WOULD BE CRITICAL FOR THE ECONOMIC SUCCESS OR OTHERWISE OF THE ENTERPRISE. THE BRITISH SIDE BELIEVED THAT WITH ITS EXPERIENCE OF HONG KONG IT COULD BE OF VERY GREAT HELP IN GIVING THE BEST POSSIBLE CHANCE OF SUCCESS. WE THEREFORE HOPED THAT THE CHINESE SIDE WOULD LISTEN SERIOUSLY TO OUR IDEAS AND DUGGESTIONS AND TAKE ACCOUNT OF THEM IN FORMULATING THEIR PLANS AND THE BASIC LAW.

(C) THE MOST FUNDAMENTAL POINT TO US WOULD SEEM TO BE TO MAKE ONLY THE CHANGES THAT WERE ESSENTIAL TO MEET THE FUNDAMENTAL PREMISE THAT SOVEREIGNTY AND THE POWER OF ADMINISTRATION SHOULD REVERT TO CHINA. IN ALL OTHER RESPECTS THE PRESENT SYSTEMS IN HONG KONG SHOULD CONTINUE AS UNCHANGED AS POSSIBLE. IT WAS INCONTESTABLE THAT THINGS WORKED WELL NOW. CONTINUITY WAS THE BEST GUARANTEE OF STABILITY AND PROSPERITY AND WOULD ACCORD ENTIRELY WITH THE CHINESE GUIDELINE THAT THE CURRENT SOCIAL AND ECONOMIC SYSTEMS AND THE LIFESTYLE WOULD REMAIN UNCHANGED.

(D) IN PURSUANCE OF THIS I WOULD STRESS THAT THE CONTINUITY OF THE CIVIL SERVICE WAS A CENTRAL ELEMENT. SO FAR AS POSSIBLE EXISTING CIVIL SERVANTS WHETHER LOCAL OR OVERSEAS SHOULD BE ENCOURAGED TO REMAIN AT THEIR POSTS AFTER 1997 AND TO COMPLETE THEIR CAREERS IN THE NORMAL WAY. ADVISERS WOULD NOT SUFFICE. OFFICIALS HAD TO BE RESPONSIBLE FOR THEIR ACTS. THEY WOULD BE

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UNLIKELY TO STAY ON IF THEY COULD ONLY HOPE TO BECOME ADVISERS. AS OUR STATEMENT OF 28 NOVEMBER MADE CLEAR THE LOYALTIES OF CIVIL SERVANTS WOULD OF COURSE BE TO THE GOVERNMENT OF THE SAR. THE LATTER SHOULD ALSO BE ABLE TO RECRUIT PERSONS OF PROFESSIONAL SKILL AND ABILITY AFTER 1997 IN ANY WAY WHICH SEEMED BEST TO IT.

(E) CHANGES TO THE LEGAL SYSTEM SHOULD BE KEPT TO THE ABSOLUTE MINIMUM REQUIRED BY THE RETURN OF SOVEREIGNTY AND THE POWER OF ADMINISTRATION TO CHINA. THE LEGAL SYSTEM WAS THE FUNDAMENTAL BASIS FOR ALL THE SYSTEMS IN HONG KONG AND CHANGES TO IT WOULD AFFECT EVERY ASPECT OF LIFE IN THE TERRITORY. CHANGES IN THIS AREA WOULD AFFECT THE CONFIDENCE BOTH OF INVESTORS AND RESIDENTS.

(F) I WOULD EXPRESS CONCERN ABOUT THE REFERENCES DURING THE LAST ROUND TO STATIONING OF TROOPS IN HONG KONG. WE DID NOT DISPUTE THE RIGHT OF THE CHINESE GOVERNMENT TO STATION ITS TROOPS IN ANY PART OF CHINA THAT IT CONSIDERED FIT. NEVERTHELESS, THIS WAS AN EXTREMELY SENSITIVE MATTER IN HONG KONG. A DECISION TO STATION TROOPS IN KONG AFTER 1997 WOULD BE SEEN AS FATALLY IMPAIRING THE AUTONOMY OF THE REGION, AND WOULD GIVE THE APPEARANCE NOT OF A PEACEFUL TRANSITION TO A NEW STATUS, BUT AN IMPOSED SETTLEMENT. I WOULD CONSEL THE CHINESE GOVERNMENT TO ACT WITH GREAT PRUDENCE AND RESTRAINT IN THIS RESPECT.

(G) I HOPED THAT IT WOULD BE POSSIBLE NOW TO MAKE FASTER PROGRESS. GIVEN THE COMPLEXITY OF THE ISSUES, ADEQUATE TIME WOULD BE NEEDED BUT I WAS CONFIDENT THAT WILL GOODWILL A SOLUTION COULD BE REACHED.

3. THESE ARE THE POINTS WHICH IMMEDIATELY OCCUR TO ME. THERE MAY BE OTHERS WHICH OCCUR TO YOU AND THE GOVERNOR. THERE IS BOUND TO BE CONSIDERABLE REPETITION SINCE I THINK THAT I SHALL BE OBLIGED TO MAKE MUCH THE SAME POINTS TO ALL THREE OF THE LEADERS ON WHOM I CALL, I DO NOT THINK THAT THIS MATTERS. SOME MODIFICATIONS MAY BE NEEDED IN THE LIGHT OF EXPERIENCE OF THE FIRST CALL OR CALLS.

4. IN SPEAKING TO ZHAO I HOPE I COULD CONVEY THE PRIME MINISTER'S GOOD WISHES TO HIM AND DENG AND INDICATE THAT WHAT I WAS SAYING HAD HER APPROVAL.

CRADOCK

FUTURE OF HONG KONG

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HD/PLANNING STAFF

HD/PUSD

D/HD/PUSD(MR FLOWER)

RESEARCH DEPT(MR WALKER)

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From the Private Secretary

12 December 1983

Future of Hong Kong: Calls on Leaders

The Prime Minister saw over the weekend Peking telegram no. 1325 in which Sir Percy Cradock sets out the line which he believes he should take in his farewell calls in Peking.

The Prime Minister has commented as follows:-

"The most difficult point is that of acceptability of any solution to the people of Hong Kong and how we should raise that matter. This point is vital to us."

Mrs. Thatcher has further observed that if she were the Chinese in Hong Kong she would be becoming worried that the Hong Kong Chinese were not involved in the negotiations.

A. J. COLES

Peter Ricketts Esq
Foreign and Commonwealth Office

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MP