

SECRET

Ref: B06918



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PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong

attached

Since my brief for this meeting was submitted earlier today we have received a further telegram from Sir E Youde (Hong Kong telegram no. 1921). This gives his own comments on the position now reached and makes a strong case for agreeing to a visit to London by Unofficial members of EXCO before the next round of talks.

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David Goodall

12 December 1983

A D S GOODALL

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FUTURE OF HONG KONG ADVANCE COPIES 10

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MY TELNO 1915: FUTURE OF HONG KONG.

1. THE RESULTS OF THE LATEST ROUND HAVE SHOWN EXCO THAT WE HAVE SUCCEEDED IN GETTING THE CHINESE TO TALK. BUT IT HAS IF ANYTHING DEEPENED THEIR CONCERN ABOUT WHERE THE PRESENT COURSE OF ACTION IS LEADING; AND THEIR FEAR THAT IF WE CONTINUE WITH IT DURING THE NEXT PHASE IN THE SPRING WE MAY FIND OURSELVES UNABLE TO BACKTRACK, IN SPITE OF OUR ASSERTIONS OF CONDITIONALITY, HENCE THEIR INCREASINGLY URGENT REQUESTS FOR A FRANK STATEMENT OF HMG'S POSITION.

2. IT WILL NOT DO SIMPLY TO SAY THAT WE ARE STILL ENGAGED IN "EXPLORING THE CHINESE POSITION ON THE BASIS OF THE PRIME MINISTER'S MESSAGE" OR "SEEING WHAT CAN BE BUILT ON THE CHINESE PLAN". IT IS ALREADY EVIDENT THAT THE CHINESE WILL OFFER NO MORE THAN THE PLAN AND IN PARTICULAR WILL OFFER NOTHING IN THE WAY OF ASSURANCES OTHER THAN THE "BASIC LAW" AND THE 50 YEAR PROVISION IN THAT LAW. IF ANY BUILDING IS TO BE DONE WE SHALL HAVE TO TAKE THE INITIATIVE IN MAKING PROPOSALS.

3. EXCO UNOFFICIALS DO NOT CONTEST THAT THEY AGREED TO THE PROCEDURE SET OUT IN THE PRIME MINISTER'S MESSAGE. BUT THAT WAS IN MID-OCTOBER AND THINGS HAVE MOVED A LONG WAY SINCE THEN. WE HAVE GIVEN TWO IMPORTANT ADDITIONAL "CLARIFICATIONS" OF OUR POSITION (AND EXCO NOTED THAT YAO QUANG "POCKETED" THEM IN HIS FIRST INTERVENTION IN THIS ROUND). WE HAVE DRAWN THE CHINESE INTO DISCUSSION OF DETAIL BUT IT IS EXCO'S CLEAR BELIEF, BAUED ON THE ASSESSMENT GIVEN TO THEM IN NOVEMBER THAT THE OUTCOME WILL NOT BE SUFFICIENT TO COMMAND CONFIDENCE IN HONG KONG.

4. WE ARE ABOUT TO MOVE INTO A NEW PHASE. WE PROPOSE TO SUBMIT TO THE CHINESE WORKING PAPERS ON FUTURE CONSTITUTIONAL DEVELLPMENT, DEFENCE AND INTERNAL SECURITY (INCLUDING WITHDRAWAL OF BRITISH TROOPS), THE FUTURE OF THE CIVIL SERVICE, AND CITIZENSHIP AND NATIONALITY AFTER 1997. THESE PAPERS ARE SUBSTANTIALLY DIFFERENT IN NATURE FROM THOSE WE HAVE SUBMITTED SO FAR, WHICH IN ESSENCE SOUGHT ONLY TO CONFIRM THAT EXISTING ARRANGEMENTS WILL CONTINUE. THE NEXT SERIES WILL SET OUT A PROGRAMME ON WHICH PRACTICAL ACTION WILL BE CALLED FOR OVER THE NEXT DECADE IN HONG KONG. WE CANNOT EXPECT EXCO TO ADVISE ON SUCH FUNDAMENTAL ISSUES WITHOUT A CLEAR STATEMENT OF THE ASSUMPTIONS ON WHICH HMG'S POLICY IS BASED AND THE PURPOSES SUCH ACTION IS DESIGNED TO ACHIEVE.

5. PUBLICLY OUR POSITION IS INCREASINGLY UNTENABLE. THE CHINESE

5. PUBLICLY OUR POSITION IS INCREASINGLY UNTEMERABLE. THE CHINESE HAVE MADE NO SECRET OF THEIR PROPOSALS. THEY HAVE NOW LET IT BE KNOWN THAT THEY PLAN TO DRAW UP THEIR OWN MINI-CONSTITUTION AND CONDUCT THEIR OWN 'CONSULTATIONS' WITH THE PEOPLE OF HONG KONG ON IT. THE OBJECT IS CLEARLY TO BY-PASS BOTH HMG AND THE HONG KONG GOVERNMENT. THE ABSENCE OF ANY INDICATION OF HMG'S OBJECTIVES WILL SOON ERODE THE CREDIBILITY OF BOTH HMG AND THE HKG.

6. IT IS THEREFORE ESSENTIAL TO ESTABLISH NOW WHAT OUR OBJECTIVES FOR THE FUTURE OF HONG KONG ARE. WE CANNOT REALISTICALLY CLAIM THAT THE OBJECTIVE WE ARE PURSUING IS ANY LONGER THE 'CONTINUATION OF BRITISH ADMINISTRATION' AFTER 1997. IT IS ALREADY EVIDENT THAT THE BEST WHICH THE COURSE ON WHICH WE ARE ENGAGED CAN NOW PRODUCE IS A HIGH BUT DEFINED DEGREE OF DOMESTIC AUTONOMY FOR HONG KONG WITH ONLY THOSE CHANGES MADE NECESSARY BY THE RESUMPTION OF CHINESE SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION. OUR WORKING PAPERS HAVE BEEN DRAFTED WITH THIS END IN VIEW.

7. BUT THAT IS ONLY PART OF THE PICTURE. WHAT CONCERNS EXCO, AND IT IS A PROPER CONCERN, IS WHAT ASSURANCES HMG WILL SEEK OR INTEND TO BUILD INTO OUR PROPOSALS IN ORDER TO MAXIMISE THE INCENTIVE TO THE CHINESE TO OBSERVE THAT AUTONOMY AND MINIMIZE THE OPPORTUNITIES FOR INTERFERENCE. AT THE PRESENT TIME THE ONLY STATEMENT WHICH EXCO HAVE HAD ON THIS IS IN PARAS 11 AND 12 OF THE ASSESSMENT OF WHAT MIGHT BE ACHIEVABLE, GIVEN TO THEM ON NOVEMBER 23, (A BILATERAL AGREEMENT, THE DEVELOPMENT OF A MORE REPRESENTATIVE STRUCTURE IN HONG KONG, A FEW ADVISORY COMMISSIONS ETC.). THEY BELIEVE THIS PACKAGE TO BE INSUFFICIENT AND STILL SPEAK OF THE NEED FOR 'INSULATORS' AND 'MONITORING ARRANGEMENTS' (MY TELNOS 1828 AND 1834). EITHER WE ACCEPT THEIR VIEW AND ASK FOR SUCH ARRANGEMENTS (WHICH WILL LEAD US BACK INTO SERIOUS DIFFICULTY WITH THE CHINESE IN THE SPRING): OR WE PERSUADE THEM THAT IT IS UNREALISTIC TO EXPECT MORE, THAT HONG KONG WILL HAVE TO LIVE WITH THIS, AND THAT THE PROPOSALS WE MAKE IN THE NEXT SERIES OF WORKING PAPERS WILL BE BASED ON THAT ASSUMPTION. THIS DECISION WILL HAVE TO BE TAKEN BEFORE WE EMBARK ON THE NEXT ROUND SINCE IT WOULD BE DOUBLY FATAL TO THE NEGOTIATIONS TO RAISE OUR BID AFTER THE NEXT PHASE.

8. ON THE POSITIVE SIDE IF WE CLARIFIED OUR OBJECTIVES THERE COULD BE NO RECRIMINATIONS FROM EXCO LATER: WE WOULD KNOW WHAT WE SHOULD STICK OUT FOR EVEN AT THE RISK OF UPSETTING THE CHINESE: AND WE WOULD BE MUCH BETTER PLACED TO DEAL WITH THE PROBLEMS OF PUBLIC MORALE IN HONG KONG (AND I PRESUME WITH INCREASING PARLIAMENTARY INTEREST). SOME POSITIVE BRIEFING ON WHAT WE ARE AIMING FOR, EVEN IF UNATTRIBUTABLE, WOULD REDUCE THE INCREASING IMPRESSION THAT IT IS THE CHINESE WHO ARE CALLING THE SHOTS.

9. IT IS FOR THESE REASONS THAT I BELIEVE A REVIEW OF HMG'S OBJECTIVES WITH EXCO IN JANUARY IS ESSENTIAL. I BELIEVE THEM TO BE RIGHT IN SAYING THAT WE STAND AT A CROSS ROADS. GIVEN THE GRAVITY OF ISSUES THEY WILL WANT TO DISCUSS THIS REVIEW WITH THE SECRETARY OF STATE AND WOULD VALUE A CALL ON THE PRIME MINISTER. THEY WILL NOT CONSIDER A DISCUSSION HERE IN HONG KONG EVEN AT MINISTERIAL LEVEL AN ADEQUATE SUBSTITUTE.

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