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DD 141330Z PEKING

GRS 733

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DESKBY 141330Z

FM FCO 141045Z DEC 83

TO IMMEDIATE PEKING

TELEGRAM NUMBER 872 OF 14 DECEMBER

INFO IMMEDIATE HONG KONG

MIPT: FUTURE OF HONG KONG CALLS ON LEADERS

1. FOLLOWING IS LINE TO TAKE:

(A) NOTE WITH PLEASURE THE PROGRESS MADE IN THE LATEST PHASE OF NEGOTIATIONS. REFER BACK TO THE PRIME MINISTER'S MESSAGE OF 14 OCTOBER. REITERATE OUR WISH, PROVIDED WE CAN REACH AGREEMENT ON AN ACCEPTABLE SOLUTION, TO GIVE OUR FULL CO-OPERATION

(B) THE IDEA OF MAINTAINING A CAPITALIST HONG KONG AS A SPECIAL ADMINISTRATIVE REGION WITHIN A SOCIALIST COUNTRY IS A TOTALLY NEW CONCEPT. THE TASK AHEAD IS COMPLEX AND DIFFICULT. THE AGREED BASIS FOR OUR PRESENT DISCUSSIONS SHOULD ENSURE THAT CHINESE REQUIREMENTS OF PRINCIPLE WILL BE MET. BUT THERE REMAIN IMPORTANT QUESTIONS STILL UNSETTLED WHICH WILL BE CRITICAL FOR THE SUCCESS OR OTHERWISE OF THE ENTERPRISE. THE BRITISH SIDE BELIEVE THAT WITH ITS EXPERIENCE OF HONG KONG IT COULD BE OF VERY GREAT HELP IN GIVING THE BEST POSSIBLE CHANCE OF SUCCESS. WE THEREFORE HOPE THAT THE CHINESE SIDE WILL LISTEN SERIOUSLY TO OUR IDEAS AND SUGGESTIONS AND TAKE ACCOUNT OF THEM IN FORMULATING THEIR PLANS AND THE BASIC LAW.

(C) IF STABILITY AND PROSPERITY ARE TO BE PRESERVED IN HONG KONG IT WILL BE ESSENTIAL TO MAINTAIN DOMESTIC AND INTERNATIONAL CONFIDENCE IN ARRANGEMENTS FOR THE PERIOD AFTER 1997. IF THIS CONFIDENCE IS TO BE MAINTAINED THERE WILL NEED TO BE ASSURANCES SUFFICIENT TO CONVINCE LOCAL PEOPLE AND OVERSEAS INVESTORS THAT THE SYSTEMS WILL NOT BE CHANGED, AND THAT THE PRESENT FREEDOMS AND LIFESTYLE WILL NOT BE AFFECTED. THE PROPOSED 50 YEAR PROVISION WILL BE HELPFUL IN THIS CONNECTION, BUT IT WILL NOT BE ENOUGH BY ITSELF.

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(D) THE MOST FUNDAMENTAL POINT TO US IN PURSUING DISCUSSIONS ON THE BASIS AGREED AT PRESENT WOULD SEEM TO BE TO CONSIDER ONLY THE CHANGES THAT WOULD BE 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 POSSIBLE, EXCEPT WHERE EVOLUTION IS NATURAL AND DESIRABLE. IT IS INCONTESTABLE THAT THINGS WORK WELL NOW. CONTINUITY IS 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.

(E) CHANGES TO THE LEGAL SYSTEM SHOULD BE KEPT TO THE ABSOLUTE MINIMUM. THE LEGAL SYSTEM IS 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) HONG KONG IS A HIGHLY COMPLEX PLACE, AND NEEDS AN EXPERIENCED AND PROFESSIONAL CIVIL SERVICE TO RUN THE ADMINISTRATION AND PROVIDE THE SERVICES REQUIRED. NUMEROUS AND VARIED PROFESSIONAL SKILLS ARE NEEDED. IT IS IMPOSSIBLE TO PROVIDE ALL OF THEM FROM WITHIN HONG KONG, GIVEN THE COMPETING DEMANDS OF THE PRIVATE SECTOR: HENCE THE CONTINUING NEED FOR OVERSEAS OFFICERS. CONTINUITY OF THE CIVIL SERVICE IS THUS A CENTRAL ELEMENT IN FUTURE YEARS.

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 WILL NOT SUFFICE. OFFICIALS HAVE TO BE RESPONSIBLE FOR THEIR ACTS. THEY WILL BE UNLIKELY TO STAY ON IF THEY CAN 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.

(G) CONCERNED ABOUT THE REFERENCES DURING THE LAST ROUND TO STATIONING OF TROOPS IN HONG KONG. WE DO NOT DISPUTE THE RIGHT

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OF THE CHINESE GOVERNMENT TO STATION ITS TROOPS IN ANY PART OF CHINA THAT IT CONSIDERS FIT. NEVERTHELESS, THIS IS AN EXTREMELY SENSITIVE MATTER IN HONG KONG. A DECISION TO STATION TROOPS IN HONG KONG AFTER 1997 WILL BE SEEN AS FATALLY IMPAIRING THE AUTONOMY OF THE REGION, AND WILL GIVE THE APPEARANCE NOT OF A PEACEFUL TRANSITION TO A NEW STATUS, BUT AN IMPOSED SETTLEMENT. THE CHINESE GOVERNMENT WOULD BE ADVISED TO ACT WITH GREAT PRUDENCE AND RESTRAINT IN THIS RESPECT.

(H) HOPE THAT IT WILL BE POSSIBLE NOW TO MAKE FASTER PROGRESS. GIVEN THE COMPLEXITY OF THE ISSUES, ADEQUATE TIME WILL BE NEEDED. BUT I AM CONFIDENT THAT WITH GOODWILL A SOLUTION CAN BE REACHED.

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ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD(MR FLOWER)

RESEARCH DEPT(MR WALKER)

LEGAL ADVISER(SIR IAN SINCLAIR)

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TO IMMEDIATE PEKING

TELEGRAM NUMBER 871 OF 14 DECEMBER

INFO IMMEDIATE HONG KONG

YOUR TELNO 1325 AND HONG KONG TELNO 1928: FUTURE OF HONG KONG:

CALLS ON LEADERS

1. THE PRIME MINISTER HAS AGREED THAT IN YOUR CALLS ON CHINESE LEADERS YOU SHOULD SPEAK IN THE TERMS SET OUT IN MIFT. YOU MAY CONVEY THE PRIME MINISTER'S GOOD WISHES TO ZHAO AND THROUGH HIM TO DENG. YOU MAY INDICATE IN ALL YOUR CALLS THAT YOU ARE SPEAKING ON THE PRIME MINISTER'S AUTHORITY.

2. THE PRIME MINISTER ATTACHES GREAT IMPORTANCE TO TWO PHRASES IN THE INSTRUCTIONS:

(A) IN PARAGRAPH A: OPEN QUOTES PROVIDED WE CAN REACH AGREEMENT ON AN ACCEPTABLE SOLUTION CLOSE QUOTES.

(B) IN PARAGRAPH D: OPEN QUOTES ON THE BASIS AGREED AT PRESENT CLOSE QUOTES.

YOU SHOULD ENSURE THAT THE POINTS COVERED BY THESE PHRASES ARE MADE WITH UNMISTAKABLE EMPHASIS.

3. THE SUPPLEMENTARY POINT IN YOUR TELNO 1330 WILL BE EXAMINED HERE AS QUICKLY AS POSSIBLE. BUT THERE CAN BE NO QUESTION OF TELLING THE CHINESE AT THIS STAGE THAT WE ARE CONSIDERING THE POSSIBILITY OF A WITHDRAWAL OF BRITISH TROOPS BEFORE 1997. THERE WILL FIRST NEED TO BE FULL CONSULTATION WITH ALL CONCERNED.

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A. & C. $\frac{15}{2}$
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