



Prime Minister

Foreign and Commonwealth Office

There has been so much well-informed press comment on London SW1A 2AH our position recently that I no longer see objection to unattributable briefing.

Agree with the revised paper attached?

8 February 1984

Dear John,

A.S.C. 8/2

Para 9 is very weak. It does look like a sell-out. No reference to Hong Kong being made by Hong Kong officials. It really will destroy confidence out

Hong Kong: Public Presentation of HMG's Position

See Pt II

In your letter of 25 January about the draft paper on this question you said that the Prime Minister would wish to look further at the problem once EXCO had considered it.

The Governor discussed the paper with EXCO on 31 January. The Unofficials felt that it showed inadequate understanding of the state of public opinion in Hong Kong, particularly in the wake of recent articles in the UK press. Unofficial members urged that a "more robust and explicit presentation" of the British position should be made in order to counter the impression of a sell-out by HMG. They were particularly concerned at the position of LegCo members who were not nearly as fully briefed as EXCO, and as a result felt unable to speak out on the question and needed guidance.

This reaction reflects a shift in mood in Hong Kong since the paper was prepared. It results partly from UK press articles, in particular that by Murray Sayle in the Sunday Times of 22 January. There is a widespread belief in Hong Kong that that article reflected official briefing. In fact the Murray Sayle article was written by a Tokyo-based correspondent after visits to China and Hong Kong; he had no briefing in London. It clearly represents intelligent but speculative piecing together of information acquired in the Far East. It must also reflect Chinese briefing, particularly in underplaying the effectiveness of "conditionality".

The mood in Hong Kong has also clearly been influenced by those EXCO Unofficials who remain unconvinced that satisfactory assurances can be negotiated with the Chinese and who retain suspicions of HMG. An article in the Economic Journal on 1 February, which suggested that EXCO had not been fully informed on our informal contacts with the Chinese during the talks, and which said that all Britain's pledges to EXCO had been broken, provides collateral for this view. Whatever the reasons, and despite the continuing buoyancy of the Hong Kong stock market, there is a clear warning here

/that



that we may face before long another sharp downturn in confidence in the territory. Many people in Hong Kong have got the impression that an agreement between the UK and China is imminent. They will become more fractious when they see that it is at least some months away.

The Governor has pointed out separately that we need to consider urgently and with more precision a line to counter these tendencies. He has highlighted the problem with LegCo but also believes that we must consider providing more information in statements not merely by EXCO members but also to a lesser extent by Ministers. This needs to be looked at very carefully, particularly because of the need to preserve conditionality. You will have seen the reports from Peking on Dr Owen's press conference there, in which he said that sovereignty and administration were no longer an issue and that HMG were right not to pursue them. However, we also need to consider the position of the Governor, who is himself under increasing pressure to say more in Hong Kong. That in turn raises the question of what Ministers might have to say to back the Governor.

/ We have taken these new points into account in the enclosed revision of the paper for reconsideration in EXCO. This considers separately the guidance which should be given to Unofficials, both of EXCO and LegCo; what the Governor and Ministers might say; and unattributable briefing of the press. The main conclusion is that, in Sir Geoffrey Howe's view, we should be preparing a more forthcoming line, at least in unattributable briefing, but, very probably, for use in due course by the Governor and by Ministers.

This would mean going considerably further than we have done in the past in airing the possibility of an end to British Administration. But it would restate in clear terms the conditional basis of our present approach. There is, of course, a serious risk that if the Governor used the formula in paragraph 9, Ministers should be pressed in Parliament to reveal more of their hand. That in turn might hit confidence in Hong Kong or provoke the Chinese, depending on the line we took. To avoid this risk it would be essential to stick very closely to the language in paragraph 9 of the paper. Sir Geoffrey also proposes to ask the Governor to seek specific authority if he decides that he must use this more forthcoming line.

/The Governor

S E C R E T



The Governor will be discussing the problem with EXCO and LegCo this week. It would be helpful to get guidance to him as soon as possible. I should be grateful to know whether the Prime Minister agrees with the revised paper.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

S E C R E T

FUTURE OF HONG KONG: PUBLIC PRESENTATION OF HMG'S POSITION

The Problems

1. So far HMG (and the Hong Kong Government) have adhered to the principle of confidentiality in the talks. We have not responded publicly to declarations by Chinese spokesmen of their aims. This has been necessary to facilitate confidential negotiation, to avoid provoking the Chinese into unnecessarily hard attitudes and to preserve conditionality as our negotiating position evolved.
2. However this stance is likely to become increasingly untenable, for two main reasons. In the first place we shall need to anticipate an announcement, whether in September 1984 or before, showing that British Administration after 1997 cannot be negotiated. Opinion in Hong Kong and in the UK needs to be carefully prepared for an arrangement which would be based on assurances of a different type.
3. The other problem relates to HMG's credibility. As more information and speculation appears in the media, opinion in Hong Kong is likely to get a distorted view of the handling of the negotiations, and to believe that HMG have effectively already conceded sovereignty and administration to the Chinese. It becomes increasingly unrealistic to decline to comment. Recently the problem has become more pressing, partly because of Chinese statements suggesting an imminent agreement on the basis of their proposals, and partly because of a number of articles in the press which have been interpreted in Hong Kong as indicating a British 'sell out'. Some Hong Kong newspapers have picked up this line. One at least has cast doubts on HMG's good faith, suggesting that while EXCO have been told about the formal talks, they have not been fully informed of our informal contacts with the Chinese, and that Britain's pledges to EXCO have been broken. Misunderstanding has been increased by statements by some British MPs. For instance Dr David Owen, after a meeting with the Chinese Foreign Minister in Peking on 1 February told the press that the question of sovereignty and administration was no longer at issue, that HMG was right not to

pursue an attempt to separate the two, and that Britain would come under increasing pressure to reach an agreement in some detail by September.

4. There is also the problem of the line which members of LEGCO should take on the future. It is hard for Hong Kong people to understand why LEGCO members, appointed to represent them, should remain silent on the future when speculation is increasing in the press and elsewhere. There is a strong view that LEGCO members should be free to express their views about the future.

5. Pressure is also likely to grow for a more open line by the Governor and other senior officials in Hong Kong, and by UK Ministers. Parliamentary interest will grow as press and other coverage increases.

EVOLUTION OF HMG'S LINE

6. We are thus unlikely to be able to continue to avoid taking a more forthcoming line. Indeed it will be to our advantage to adopt a selective but more informative position. How this is done will vary according to whether Ministers, officials or Unofficials are involved, and whether the information is provided on the record, unattributably, or as background only. The themes which we should aim to put over are:

- (a) The close cooperation and consultation between HMG and EXCO throughout the negotiation;
- (b) Our determination to assure the maximum continuity of systems in Hong Kong;
- (c) Our careful examination from the beginning of the talks of a variety of ways of assuring this, including British administration;
- (d) The likelihood that an authoritative link with London will not be attainable but that other effective assurances should be negotiated;
- (e) Our conditional approach to the negotiations, ie the package must be judged as a whole and no 'concessions' could have been made beforehand;
- (f) HMG have thus neither 'sold out' Hong Kong or been eased out of

a significant role in deciding Hong Kong's future.

- (g) HMG cannot on their own take a final decision, which must be for Parliament.

7. The most difficult problem is to preserve conditionality and to make this explicit without provoking the Chinese or damaging our negotiating position. In general that problem will be exacerbated if statements are made at a high level and for the record.

OFFICIAL STATEMENTS

8. These include:

- (a) Ministerial statements;
- (b) Statements by the Governor;
- (c) On the record statements or briefing by the FCO.

9. There is still a strong case against initiating Ministerial or FCO Statements going much beyond our present line, because they would have to emphasise conditionality and that in turn could well provoke the Chinese, who are sensitive to pronouncements from London. However there is strong pressure for greater information in Hong Kong. It may be necessary for the Governor to speak out in order to check a decline in confidence and to preserve his and HMG's credibility in the face of well-informed, if distorted, press reports. His remarks would still need to be very carefully selected, but depending on circumstances, they could be on the following lines:

HMG, in close consultation with EXCO, are looking in the talks at all possible ways of maintaining the continuity of Hong Kong's systems in every aspect of life. We are examining Chinese ideas; they are looking carefully at ours. There is a genuine common interest in Hong Kong's future prosperity. There is bound to be change in Hong Kong, which has always been an evolving and forward-looking society. There is no intention of preserving a colonial situation for the UK's benefit. It is right to consider every possible way to assure confidence in the future in Hong Kong. We are examining among other things, whether this would be possible if, after 1997, there were no authoritative British link. We are however, still in the

middle of negotiation and nothing final has been agreed. We have to see the full content of any final package before assessing its acceptability to the people of Hong Kong and deciding whether to recommend it to Parliament.

10. Such a line would go much further than previous statements in indicating the possibility of an end to British Administration. It does however preserve our position on the final package. It should be for the Governor to advise whether pressures in Hong Kong will make it necessary to use it. An alternative might be for Ministers to speak on these lines if they visited Hong Kong. But however such a statement were made it would almost certainly lead to further questions in Parliament and to pressure on Ministers to go further. It would be essential to maintain the line on conditionality but the Chinese would be quick to pick up and to misinterpret any suggestion that we still preferred the continuation of British Administration. This could only be avoided by sticking strictly to the theme in para 9.

UNOFFICIAL STATEMENTS

EXCO Unofficials

11. EXCO Unofficials will have a vital role in correcting impressions of a sell-out and in making it clear that they have been closely consulted about the negotiations at every stage. They could also, in consultation with the Governor, draw publicly on the themes in para 10 above. To carry conviction, they could also expand on the sort of assurances which Hong Kong people would like to see included in a final package, while making clear that none would necessarily be an absolute requirement.

LEGO Unofficials

12. LEGCO members will be brought up to date by the Governor on 10 February on our revised objective in the talks. Like EXCO, they should be encouraged to conduct commonsense discussion among Hong Kong people, including consideration of the most realistic outcome, the unlikelihood of achieving continued British

administration and Chinese interest in achieving a lasting negotiated settlement. They too might discuss the sort of assurances which should be sought. A sudden flurry of statements by LEGCO members would probably be counter-productive, so there would be a need for careful orchestration and consultation with the Governor. LEGCO members should be encouraged to adopt individual lines of discussion, but to assist in countering impressions of a disagreement between HMG and Hong Kong. It would not be helpful at this stage for questions on the future to be asked in the LEGCO chamber.

BRIEFING OF DISTRICT BOARD MEMBERS AND OF THE HONG KONG CIVIL SERVICE

13. Selective briefing of District Board Members could be useful in tackling some of the main opinion formers in Hong Kong. The same applies to the Civil Service, where more information could help to keep up morale.

BRIEFING OF RESPONSIBLE UK AND HONG KONG MEDIA:

14. This would involve unattributable briefing explaining how HMG's objective of the talks has evolved on the lines of the passage proposed in paragraph 9, keeping in mind conditionality and confidentiality, while encouraging the press to speculate along these lines. There should be particular stress in Hong Kong on the cooperation between HMG and EXCO and in both cases some expansion on the various ways in which assurances could be provided.

HONG KONG DEPARTMENT
FEBRUARY 1984

HONG KONG: Future #12



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bcc: Sir P. Crooket.



10 DOWNING STREET

9 February, 1984

From the Private Secretary

Hong Kong: Public Presentation of HMG's Position

The Prime Minister has considered your letter of 8 February and the enclosed revised paper on the public presentation of HMG's position on the question of Hong Kong.

The Prime Minister considers that a statement on the lines set out in paragraph 9 of the paper would be regarded as a sell out and would destroy confidence. She is concerned that the Government would be made to appear very weak if such a statement were issued. Mrs. Thatcher has further observed that the proposed statement makes no reference to Hong Kong being run by the people of Hong Kong.

I should be grateful if you could look again at paragraph 9 of the paper in the light of the Prime Minister's comments and let me have your further observations.

A. J. COLES

P. F. Ricketts, Esq.,
Foreign and Commonwealth Office

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