



PM/83/11

PRIME MINISTER

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Future of Hong Kong

1. Before the Governor of Hong Kong and I call on you tomorrow, you may find a short note on the main points helpful.
2. The Chinese position on the main principle has not shifted in recent months. We never had any illusion about the difficulty of moving them on the sovereignty question or of achieving the continuation of British administration in return for token recognition of Chinese sovereignty. We were right to make this our first objective, especially as it reflected the advice of the Hong Kong Executive Council, and we had to operate on the basis of the agreement with Deng to conduct talks. But the Chinese continue to sidestep these and to concentrate on a direct approach to people in Hong Kong, presenting their basic plan as a foregone conclusion. The latest report from our Ambassador in Peking suggests that the Chinese are prepared to keep the talks alive, but frankly I do not believe that we shall make significant progress in them. I suspect that we shall come repeatedly up against the Chinese sovereignty premise, while the Chinese continue to develop their preparations for a unilateral presentation of their ideas on a take it or leave it basis.

It looks as though we may face an announcement by the Chinese in June of this year. If this happened without any substantive discussion with us on future arrangements in the meantime, we risk a serious collapse of confidence in Hong Kong in the summer.

3. These circumstances make a discussion with the Governor very timely. I suggest that we should try to cover:

(a) the current assessment, as sketched out above;

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(b) our own policy options. Partly because we have been waiting for the Chinese to move in the talks, we have not taken any separate initiative. However, there may now be a need for a fresh review of our position and of the options before us, in particular whether we should continue to sit tight or whether there are ways of meeting the Chinese insistence on the premise of sovereignty while also fulfilling our obligations to the people of Hong Kong.

(FRANCIS PYM)

Foreign and Commonwealth Office

27 January, 1983

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