

SECRET

HONG KONG

1. I should like to brief the Cabinet orally on Hong Kong.
2. As colleagues know, I visited Peking in September. I agreed with Deng on a communique which, while noting our differing position on sovereignty, agreed that there should be talks with the common aim of ensuring the continued stability and prosperity of Hong Kong.
3. There have been contacts between the two sides since then. But the Chinese hedged for a long time about starting talks and recently stated to us formally that a precondition for talks was British recognition that China would have sovereignty over the whole area in 1997.
4. Meanwhile the Chinese have engaged in a massive propaganda campaign designed to persuade the people of Hong Kong of the inevitability of Chinese sovereignty. They have implied that administration must go with sovereignty, though Hong Kong Chinese would have a role in running Hong Kong after 1997.
5. Recently, there has been a report [redacted] that in June China may publicise its "plan" for Hong Kong. That would be the first official public statement and could well damage confidence in Hong Kong.
6. Against this background I have reviewed the position with the Foreign and Defence Secretaries, the Governor and our Ambassador in Peking. We believe that our aim must be to continue to work for a solution which will preserve stability and prosperity. That means that the essential elements of British administration must continue after 1997.

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7. But we shall not be able to persuade the Chinese of this, nor shall we discover the true Chinese position, until we engage them in talks.
8. When in Peking I told Deng that if suitable arrangements could be made to preserve the stability and prosperity of Hong Kong I would be prepared to consider making recommendations to Parliament about sovereignty.
9. That has proved not to be a sufficient inducement to them to enter into talks. Following our recent review of the position I propose to Cabinet that we should take a further step. That is, I would send a formal message to the Chinese Prime Minister:
 - (a) recalling our talks and the agreed communique
 - (b) expressing my disappointment at the lack of progress
 - (c) stressing that it is not in my power to agree to the transfer of sovereignty
 - (d) but adding that provided agreement can be reached on administrative arrangements for Hong Kong which would guarantee its future prosperity and stability, and were acceptable to Parliament and the people of Hong Kong, I would be prepared to recommend to Parliament that sovereignty over the whole of Hong Kong should revert to China.
10. This would mark an advance in their eyes. There is no guarantee that it will ensure that talks start but it is worth trying. If my colleagues agree with the proposition the Hong Kong Executive Council would be informed of the step shortly before the message is delivered.
11. It is vital that no word of this leaks either now or later. The Cabinet minutes will simply record that Cabinet was briefed orally and approved the action proposed.

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10 DOWNING STREET

PRIME MINISTER

HONG KONG

I attach, as you asked,
a speaking note for Cabinet
tomorrow. _____

I also attach an agreed
message from yourself to
Zhao. _____

A.J.C.

9 March 1983

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