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GRS 800

S E C R E T

SECRET

*Prime Minister*

DESBKY 271000Z (FCO)

*Very*

*interesting.*

FROM PEKING 270900Z JU L 83

*A.J.C. 27/7.*

TO IMMEDIATE FCO

TELEGRAM NUMBER 723 OF 27/7/83

*ms*

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: SECOND ROUND

1. AT THE CHINESE DINNER ON 25 JULY, AFTER THE FIRST MEETING OF THIS ROUND (REPORTED IN MY TEL NO 710), LUO JIAHUAN, COUNSELLOR IN WEST EUROPEAN DEPARTMENT, MFA, AND A MEMBER OF THE CHINESE DELEGATION, TOOK PEIRCE TO ONE SIDE AND ASKED FOR HIS "PERSONAL" VIEWS ON THE POLICIES YAO GUANG HAD OUTLINED AS CHINA'S PLAN FOR POST-1997 HONG KONG.

2. PEIRCE SAID THAT INTENTIONS BEHIND THE PLAN WERE NO DOUBT GOOD, AND THE EMPHASIS ON CONTINUITY OF THE SYSTEMS IN FORCE AND THE FREEDOMS ENJOYED IN HONG KONG WAS A POSITIVE ELEMENT. BUT THE GUARANTEE WAS MISSING AND THIS WAS ESSENTIAL TO ANY ARRANGEMENTS FOR THE FUTURE. ASKED WHAT SORT OF GUARANTEE WAS NEEDED, PEIRCE SAID THAT IN OUR VIEW THE ONLY EFFECTIVE GUARANTEE WAS THE CONTINUATION OF BRITISH ADMINISTRATION.

3. LUO SAID WE SHOULD BE REALISTIC: THERE COULD BE NO QUESTION OF CHINA HAVING ONLY ABSTRACT SOVEREIGNTY WHILE BRITAIN CONTINUED TO ADMINISTER THE TERRITORY. WHAT WOULD BE THE DIFFERENCE BETWEEN THAT AND THE PRESENT ARRANGEMENTS? SINCE HONG KONG WAS AND HAD ALWAYS BEEN CHINESE TERRITORY, CHINA ALREADY HAD SOVEREIGNTY. PEIRCE REPLIED THAT LUO WOULD KNOW VERY WELL THE BRITISH POSITION ON SOVEREIGNTY NOW. SUBJECT TO THE CONDITIONS IN MRS THATCHER'S LETTER, WE WERE OFFERING CHINA THE PROSPECT OF RECOGNITION OF CHINESE SOVEREIGNTY BY THE BRITISH GOVERNMENT IN 1997. NO DOUBT INTERNATIONAL RECOGNITION WOULD THEREBY FOLLOW. WE TOOK SOVEREIGNTY SERIOUSLY AND DID NOT REGARD THIS OFFER AS EMPTY WORDS.

4. LUO SAID THIS WAS NOT GOOD ENOUGH AND ASKED WHAT OTHER GUARANTEE WE MIGHT ACCEPT. PEIRCE SAID THAT WE QUITE HONESTLY COULD NOT THINK OF AN ALTERNATIVE THAT WOULD BE ADEQUATE. OUR FIRM VIEW WAS THAT FUNDAMENTAL CHANGE AWAY FROM BRITISH ADMINISTRATION WOULD DESTROY HONG KONG. ON THESE GROUNDS, AND NOT ON THE GROUNDS OF "PRINCIPLE", WE THEREFORE INSISTED THAT BRITISH ADMINISTRATION WAS THE ONLY ADEQUATE GUARANTEE.

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/5. LUO

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5. LUO SAID THAT THE CHINESE PLAN WOULD BE GUARANTEED BY THE CHINESE CONSTITUTION. PEIRCE REPLIED THAT THIS WAS NOT ENOUGH. HONG KONG PEOPLE WOULD NOT BE REASSURED BY THIS. LUO SAID THAT THE HONG KONG PEOPLE WERE HAPPY WITH THE CHINESE PROPOSALS. PEIRCE REBUTTED THIS AT SOME LENGTH AND TOLD LUO THAT THE CHINESE CONSULTATION OF HONG KONG PEOPLE HAD NOT BEEN COMPREHENSIVE. THEY SHOULD LISTEN LESS TO UNREPRESENTATIVE LEFT-WING NEWSPAPER EDITORS, TRADE UNIONISTS AND OTHERS WHO WERE UNDER THE INFLUENCE OF PEKING AND MORE TO INDEPENDENT VIEWS AS EXPRESSED IN THE HONG KONG PRESS AND BY THE PROFESSIONALS. LUO SAID THAT ALLEN LEE WAS UNREPRESENTATIVE AND "PRO-BRITISH". PEIRCE SAID THAT LEE HELD NO BRIEF FOR BRITAIN. HE WAS SIMPLY AN HONEST MAN. THE CHINESE SHOULD PAY ATTENTION TO HIS MESSAGE, WHICH WAS THAT HONG KONG NEEDED A GUARANTEE THAT THE ULTIMATE AUTHORITY FOR THE POST-1997 ADMINISTRATION SHOULD NOT DERIVE FROM PEKING.

6. LUO SAID THE CHINESE PLAN WAS THAT HONG KONG PEOPLE SHOULD RUN HONG KONG. DID PEIRCE THINK THERE COULD BE A COMPROMISE ON THIS BASIS? PEIRCE ASKED IF LUO WAS SUGGESTING THAT THE ULTIMATE AUTHORITY SHOULD NOT BE PEKING. LUO SAID IT WOULD NOT. PEIRCE ASKED IF HE WAS SUGGESTING A FORM OF INDEPENDENCE, TO WHICH LUO EMPHATICALLY SAID NO. PEIRCE ASKED WHAT THEREFORE WAS LEFT. IN HIS VIEW THE ULTIMATE ADMINISTRATIVE AUTHORITY HAD TO BE LONDON. HOW DID LUO ENVISAGE THAT THE HONG KONG GOVERNMENT WOULD BE CHOSEN UNDER THIS PLAN. LUO SAID "THAT IS SOMETHING WE CAN DISCUSS" (INDICATING THAT HE MEANT CHINA AND BRITAIN).

7. FINALLY LUO ASKED BLUNTLY "WHAT IS YOUR BOTTOM LINE?". PEIRCE SAID IT WAS WRONG TO THINK IN SUCH TERMS. OUR POSITION WAS THAT THE FUTURE ARRANGEMENTS MUST GIVE THE HONG KONG PEOPLE THE GUARANTEE THEY NEED TO MAINTAIN THE CONFIDENCE ON WHICH THE CONTINUING SUCCESS OF HONG KONG DEPENDS. IT WAS CLEAR TO US THAT CONTINUED BRITISH ADMINISTRATION WAS THE GUARANTEE THEY WERE LOOKING FOR.

COMMENT

8. AS AT THE DINNER ON 20 JULY (MY TELNO 707) LUO WAS CLEARLY UNDER INSTRUCTIONS TO PROBE THE BRITISH POSITION. HE DID SO WITH CRUDE URGENCY AND HIS QUESTIONS WERE EVIDENTLY PREPARED. HE STUCK FIRMLY TO THE LINE THAT BRITISH ADMINISTRATION WAS OUT OF THE QUESTION AND WAS TOTALLY UNRECEPTIVE TO THE ARGUMENT THAT HONG KONG PEOPLE WERE UNHAPPY ABOUT THE CHINESE PLAN.

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/9. HOWEVER

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9. HOWEVER THE CONVERSATION CONTAINED POINTS OF CONSIDERABLE INTEREST. LUO SPOKE OF A "COMPROMISE" (PARA 6 ABOVE) ON THE QUESTION OF ADMINISTRATION, WHEREAS IN THE FORMAL TALKS THE PROPOSITION HAS BEEN THAT WE MUST SIMPLY ACCEPT ADMINISTRATION PASSES TO CHINA. HIS STATEMENT THAT THE ULTIMATE AUTHORITY WOULD NOT BE PEKING, AND HIS REMARK THAT THE QUESTION OF HOW TO CHOOSE THE PEOPLE TO RUN HONG KONG COULD BE DISCUSSED IN OUR NEGOTIATION, ALSO REPRESENT A LATITUDE NOT EVIDENT IN THE FORMAL CHINESE POSITION.

10. IN SHORT THIS IS AN EXTENSION OF THE PROBING THAT ZHOU NAN BEGAN WITH ME ON 8 AND 12 JULY. YOU WILL RECALL THAT I SUGGESTED IN MY TELNO S 679 AND 690 AND WE SHOULD TAKE ADVANTAGE OF SUCH CONVERSATIONS TO DISCOVER WHAT WE COULD ABOUT THE CHINESE POSITION WITHOUT RELAXING OUR OWN. ON THIS OCCASION THE CHINESE HAVE NOT MOVED FROM THEIR ESSENTIAL PRINCIPLE BUT THEY HAVE GIVEN AN INDICATION OF SOME, ALBEIT INADEQUATE, FLEXIBILITY.

CRADOCK

FUTURE OF HONG KONG

LIMITED  
ED/HKD  
ED/FED  
ED/PLANNING STAFF  
ED/PUSD  
PS  
PS/LADY YOUNG  
PS/MR LUCE  
PS/PUS  
SIR J BULLARD  
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