

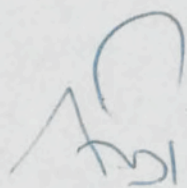
PRIME MINISTER

HONG KONG

I gather that you will be seeing the Hong Kong team at 4pm on Monday, 5 September. I have read all the telegrams which have come in during the past month. Unless there is information which I have not yet seen, it seems to me that the key document is Peking Telegram No 764 (copy attached).

In this telegram, Percy Cradock goes to the heart of the matter about the divisibility or indivisibility of sovereignty and administrative control. What he is saying is effectively the same as the points I made in my note to you of 27 July (copy attached). As I see it, the five questions in my note would form a reasonable basis for our discussion on 5 September.

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A.D. PARSONS
30 August 1983

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FROM PEKING 050450Z AUG 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 764 OF 5/8/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

FUTURE OF HONG KONG

1. I SAID IN MY TEL NO 759 THAT I WOULD TELEGRAPH CONSIDERED COMMENTS ON THE FIRST THREE PLENARY ROUNDS AND THE PROSPECTS FOR THE RESUMPTION OF TALKS IN SEPTEMBER.
2. THE SECOND AND THIRD ROUNDS FOLLOWED THE SCENARIO ENVISAGED IN MY TEL NO S 678 AND 679. WE HAVE ACHIEVED WHAT WE SET OUT TO DO IN THESE ROUNDS IE TO DELIVER PRESENTATIONS ON THE ARRANGEMENTS NOW PREVAILING IN HONG KONG AND TO HAND OVER TO THE CHINESE DETAILED PAPERS ON THE SYSTEMS IN FORCE THERE.
3. THE CHINESE HAVE LISTENED TO OUR PRESENTATIONS AS THEY SAID THEY WOULD. THEY APPEARED TO BE GENUINELY GLAD TO HAVE THE FOUR PAPERS AND THEY WILL, I THINK, STUDY THESE CAREFULLY DURING THE SUMMER RECESS. THERE IS SOME HOPE THAT THE SUMMARIES OF THESE PAPERS MIGHT BE PASSED UP TO SENIOR LEADERS.
4. IT REMAINS TO BE SEEN WHAT IMPACT, IF ANY, THIS MATERIAL AND THE STATEMENTS WE HAVE MADE DURING THE MEETINGS WILL HAVE ON THE CHINESE. IT MAY WELL MAKE THEM REALISE THAT HONG KONG IS MORE COMPLEX THAN THEY THOUGHT. BUT I SHALL BE VERY SURPRISED INDEED IF IT BRINGS ABOUT A FUNDAMENTAL CHANGE IN THEIR POSITION. WE SHOULD BE VERY UNWISE NOW TO SUPPOSE THAT THE CHINESE CAN BE SHITED FROM THEIR PRINCIPLE THAT ADMINISTRATIVE CONTROL IS A PART OF SOVEREIGNTY AND MUST PASS TO CHINA IN 1997. THIS PRINCIPLE WAS RAMMED HOME REPEATEDLY DURING OUR TALKS, AND LATTERLY TO THE EXCLUSION OF ALMOST ALL OTHER POINTS.
5. WE MUST EXPECT TO RUN UP AGAINST THIS FUNDAMENTAL PROBLEM IN SEPTEMBER. THE CHINESE HAVE INDICATED THAT THEY ARE NOT PREPARED TO CONTINUE LISTENING TO PRESENTATIONS ABOUT CURRENT ARRANGEMENTS IN HONG KONG IN WHAT THEY SAY IS EVASION OF THE CENTRAL QUESTION. IF WE DO NOT SHOW READINESS TO MOVE TOWARDS ACCEPTANCE OF THE CHINESE PREMISE I CONSIDER IT MORE THAN LIKELY THAT WE SHALL FACE THE PROSPECT OF A SWIFT BREAKDOWN OF THE TALKS, WITH VERY SERIOUS CONSEQUENCES IN HONG KONG.

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6. IT WOULD BE TACTICALLY WRONG TO MODIFY OUR POSITION FOR THE 22/23 SEPTEMBER ROUND OF TALKS BEFORE WE HAVE HAD A FURTHER CHINESE REACTION. HOWEVER, UNLESS IT IS CONSIDERED THAT A BREAKDOWN IN THE NEGOTIATIONS WOULD BE PREFERABLE TO PAYING THE SORT OF PRICE WHICH THE CHINESE WILL PROBABLY DEMAND, I SUGGEST WE MUST BEGIN NOW TO LOOK BEYOND THAT ROUND AND CONSIDER HOW TO AVOID A BREAKDOWN. AS I SAID IN MY TEL NO 679, WE SHOULD PONDER NOW WHETHER THERE IS ANYTHING SHORT OF OUR PRESENT DEMAND FOR THE CONTINUITY OF BRITISH ADMINISTRATION INTACT WHICH WOULD BE SUFFICIENT TO AVOID A COLLAPSE OF CONFIDENCE IN HONG KONG. SINCE IT IS QUITE PLAIN THAT WE SHALL NOT ACHIEVE OUR IDEAL SOLUTION, WE SHOULD CONSIDER WHAT IS THE BEST WE CAN REALISTICALLY HOPE FOR. I LOOK FORWARD TO DISCUSSING THESE POINTS ON MY RETURN TO LONDON

CRADOCK

FUTURE OF HONG KONG

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MR. COLES

HONG KONG

A pattern is beginning to emerge out of the fog of the Peking negotiations. The Chinese tactics appear to be to threaten us with the stick of a break down in the talks if we do not accept their premise that sovereignty and administration are indivisible, and at the same time to tempt us with the carrot that, once we have accepted their premise, we will find them reasonably forthcoming about the practical details of the administration of Hong Kong. The heart of the indivisibility premise is of course that, however much local autonomy Hong Kong might have under Chinese sovereignty, all links with London would be cut.

Our tactics are, of course, precisely the opposite. We are trying to involve the Chinese in a detailed discussion of each and every aspect of the administration of Hong Kong, the basis for its financial and commercial success etc in order to build the pyramid in such a way that, before we reach the top, the Chinese will be convinced that some organic links with London are necessary in order to maintain stability and prosperity post 1997.

It is clearly in our interests to maintain our approach to the negotiations for as long as possible, in order to give the local leadership in Hong Kong the maximum amount of time to digest and acquiesce in the need for change. The latest account of their views suggests that there is a longish way to go in this process. If we conceded the Chinese premise prematurely, there would be an immediate crisis of confidence in Hong Kong. If we hold out too long and the Chinese force a break down of the talks, this will also cause a crisis of confidence.

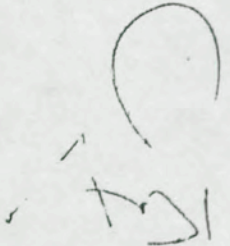
It seems to me that this tactical balance should form the basis for our discussion with Percy Cradock and Teddy Youde when they return to London in early September.

The following are the main questions in my mind;-

1. Is there a hope that the Chinese are bluffing and that they will eventually concede that their sovereignty should be titular and that a large measure of British administration should continue? Personally I doubt it.

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2. If the Chinese are not bluffing, have they got the sense to realise that they need to continue to play the negotiations fairly long in order to nurse Hong Kong opinion into the need to accept radical change?
3. If not, how soon are the Chinese likely to force a deadlock if we continue to refuse to accept their premise about indivisibility?
4. If we hold firm and the talks break down on this point, what will the effects be in Hong Kong?
5. If we accept the Chinese premise some time this autumn, and then start discussing practical details with them on the basis of the maximum of local autonomy for Hong Kong under Chinese sovereignty but without links to London, what effect will this have on Hong Kong opinion and confidence?


A.D. PARSONS
27 July 1983