

GRS 550
 SECRET
 DESKBY FCO 160830Z
 FM HONG KONG 160720Z SEP
 TO IMMEDIATE F C O
 TELEGRAM NUMBER 1368 OF 16 SEPTEMBER
 INFO IMMEDIATE **PEKING**

MV

MIPT: FUTURE OF HONG KONG: DISCUSSION WITH EXCO

FOLLOWING IS TEXT OF MY SUMMING UP IN WHICH THE COUNCIL
 CONCURRED:-

"THERE WAS A GENERAL RECOGNITION THAT A STALEMATE OR
 BREAKDOWN WOULD CARRY SERIOUS RISKS FOR CONFIDENCE BOTH INTERNAL
 AND EXTERNAL AND HENCE FOR THE HONG KONG DOLLAR. MEMBERS DID NOT
 WISH TO PREDICT BY HOW MUCH THE HONG KONG DOLLAR WOULD FALL
 BUT THE FALL WAS LIKELY TO BE SUBSTANTIAL. APART FROM THE
 DOMESTIC IMPACT THIS WOULD DAMAGE THE INTERNATIONAL PERCEPTION
 OF HONG KONG. SOME MEMBERS THOUGHT THAT THE CRISIS WOULD BE
 NO WORSE THAN LAST AUTUMN, OTHERS WERE LESS SANGUINE. THERE
 WOULD ALMOST CERTAINLY BE ANOTHER COLLAPSE OF THE STOCKMARKET
 WHICH COULD FEED INTO THE BANKING SECTOR. SOME MEMBERS WERE
 CONCERNED ABOUT THE EFFECT ON EMPLOYMENT BUT OTHERS THOUGHT
 THAT THE MANUFACTURING SECTOR OF THE ECONOMY WOULD STILL BE
 SUPPORTED BY THE NEW GROWTH IN DEMAND BY THE UNITED STATES.

2. A FEW MEMBERS WERE CONCERNED ABOUT THE POSSIBILITY OF
 SOCIAL UNREST BUT IN GENERAL THIS WAS NOT THOUGHT TO PRESENT A
 SERIOUS RISK.

3. AS REGARDS MOVEMENT OF PEOPLE, MANY HAD ALREADY MADE THEIR
 PREPARATIONS TO DEPART. THESE PREPARATIONS WOULD BE ACCELERATED
 BUT ENTRY INTO OTHER COUNTRIES WAS NOT NECESSARILY EASY FOR
 THEM TO OBTAIN.

4. MEMBERS TOOK THE VIEW THAT THE EXTENT TO WHICH CONFIDENCE
 WOULD BE AFFECTED WOULD BE MUCH INFLUENCED BY HOW A STALEMATE
 OR BREAKDOWN OCCURRED, AND HOW IT WAS PRESENTED. IF THE CHINESE
 CHOSE TO PRESENT IT AS A CONFRONTATION THE DAMAGE WOULD BE
 SERIOUS. IF THEY COULD BE PERSUADED TO PRESENT IT AS A "PAUSE
 FOR REFLECTION" SOME MEMBERS THOUGHT THAT THE IMPACT WOULD BE
 LIMITED.

5. THE MAJORITY FELT THAT, IF NECESSARY, IN ORDER TO SAFEGUARD
 ESSENTIAL PRINCIPLES, THE RISK OF A STALEMATE OR BREAKDOWN WOULD
 HAVE TO BE TOLERATED. BUT ALL AGREED THAT A BREAKDOWN SHOULD BE
 AVOIDED IF THIS COULD BE DONE WITHOUT SACRIFICING SUCH
 PRINCIPLES.

TO THIS END, IF THE CHINESE THREATENED A BREAKDOWN, THEY SHOULD
 BE MADE BLUNTLY AWARE OF THE RISK TO CONFIDENCE WHICH THIS
 INVOLVED.

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6. IN THE LIGHT OF THIS THEY THOUGHT THAT IF THE CHINESE PROVED ADAMANT ON SEPTEMBER 22 THE BEST TACTIC WOULD BE TO TELL THEM THAT OUR OWN VIEW REMAINED THAT CONTINUING BRITISH ADMINISTRATION WAS ESSENTIAL TO CONFIDENCE: BUT AT THE SAME TIME TO INVITE THEM TO DEVELOP AND PROVIDE FURTHER DETAILS OF THEIR OWN PLAN AND IN PARTICULAR TO SAY WHAT GUARANTEES THEIR PLANS WOULD GIVE.

7. MEMBERS DID NOT THINK THAT THE COURSE DESCRIBED IN PARAGRAPH 10 OF THE 'PRESENT POSITION' PAPER SHOULD BE PURSUED AT THIS STAGE.

8. MEMBERS TOOK THE VIEW THAT IT WOULD NOW BE RIGHT TO REVIEW OUR PUBLIC RELATIONS STANCE. THEY DID NOT CONSIDER THAT THE TIME HAD YET COME FOR A FORMAL PUBLIC STATEMENT OF HMG'S POSITION, BUT THEY BELIEVED THAT COMPLETE SILENCE WAS NO LONGER TOLERABLE. A NEW DRAFT POLICY, RECOMMENDING THE USE OF AUTHORITATIVE BACKGROUND BRIEFINGS, WOULD BE PREPARED FOR DISCUSSION WITH MR LUCE DURING HIS VISIT.

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FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

MR GIFFARD

MR DONALD

MR WRIGHT

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MR COLES NO 10 DOWNING STREET

SIR A PARSONS NO 10 DOWNING STREET

MR WALKER RESEARCH D GOGGS

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SECRET

SECRET

Prime Minute

GR 450

SECRET

DESKBY 160930Z

FM HONG KONG 160715Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1367 OF 16 SEPTEMBER

INFO IMMEDIATE PEKING (PERSONAL FOR CHARGE)

We shall soon receive
advice on how, in the light
of these meetings, we should
handle the next round with
the Chinese.

A.J.C. 16.
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MY TELNO 1356: FUTURE OF HONG KONG: DISCUSSION WITH EXCO

1. EXCO CONTINUED THE DISCUSSION REPORTED IN MY TEL UNDER REF
ON 15 SEPTEMBER. AT THE CONCLUSION OF THE MEETING THE COUNCIL
CONCURRED IN MY SUMMARY OF THE DISCUSSION ON BOTH DAYS. THE
TEXT OF THIS SUMMARY, IS IN MIFT.

2. THIS WAS A GOOD MEETING. THE COUNCIL HAD NO DOUBT THAT IT
WOULD BE RIGHT TO MAINTAIN OUR PRESENT LINE AT THE 22/23 MEETING
WITH THE CHINESE AND AGREED THAT THE AMBASSADOR'S OPENING STATEMENT
SHOULD BE ALONG THE LINES OF THE SUMMARY IN YOUR TELNO 896.

THEY CONTINUED TO SHOW LITTLE INTEREST IN THE OPTION DESCRIBED
IN PARA 10 OF THE POSITION PAPER AND DID NOT THINK IT SHOULD BE
CONSIDERED AT THIS STAGE. THEY ALL THOUGHT THAT THE TACTIC OF
ASKING THE CHINESE TO ELABORATE ON THEIR PLAN WHILE MAINTAINING
OUR VIEW THAT CONTINUING BRITISH ADMINISTRATION IS ESSENTIAL
MIGHT PROVIDE A USEFUL WAY FORWARD AND SAW NO REASON WHY IT
SHOULD NOT BE DEPLOYED AT THE END OF THE SESSION ON 22/23
SEPTEMBER IF THE NEGOTIATORS THOUGHT IT NECESSARY. THEY
CLEARLY REGARDED THIS TACTIC AS A MEANS OF CONTINUING THE PURSUIT
OF OUR PRESENT OBJECTIVES AND NOT IN ANY SENSE AS A DEPARTURE
FROM THEM. THEY RECOGNISED THAT THERE WAS A RISK THAT THE
CHINESE MIGHT LEAK SUCH A MOVE AND SEEK TO MISREPRESENT IT,
BUT THEY TOOK THE VIEW THAT THE RISK WAS ACCEPTABLE SINCE WE
WOULD HAVE A CREDIBLE PUBLIC DEFENCE IF THE CHINESE DID LEAK.

3. SUBJECT TO MINISTERS' VIEWS I SEE ADVANTAGE IN GIVING THE
NEGOTIATING TEAM DISCRETION TO ADOPT THE TACTIC SUGGESTED BY
THE COUNCIL AT NEXT WEEK'S MEETINGS. I SHALL BE TELEGRAPHING
SEPARATELY A POSSIBLE SPEAKING NOTE WHICH MIGHT BE USED ON THE
SECOND DAY IF THE CHINESE SHOW NO INTEREST IN PURSUING DISCUSSION
OF OUR FOUR PAPERS. THE AMBASSADOR WILL NO DOUBT HAVE COMMENTS.

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4. THE BULK OF THE DISCUSSION ON 15 SEPTEMBER WAS DEVOTED TO THE QUESTION OF OUR PUBLIC RELATIONS STANCE. THE COUNCIL DID NOT THINK THAT THE TIME HAD COME FOR A FORMAL PUBLIC STATEMENT OF HMG'S POSITION IN THE NEGOTIATIONS BUT THEY TOOK THE VIEW THAT SOME AUTHORITATIVE BACKGROUND BRIEFING WILL BE REQUIRED IN ORDER TO RESTORE PUBLIC MORALE AND COUNTER THE INTENSIFIED PROPAGANDA CAMPAIGN WHICH THE CHINESE HAVE BEEN CONDUCTING. THEY LOOK FORWARD TO DISCUSSING THIS FULLY WITH MR LUCE WHEN HE IS HERE. I WILL TELEGRAPH SUGGESTIONS SHORTLY.
5. SEE MIFT.

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