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TO PRIORITY HONG KONG

TELEGRAM NUMBER 941 OF 21 SEPT.

AND TO INFO PEKING, BRUNEI (PERSONAL FOR PS/MR LUCE)

QUESTIONS LIKELY TO ARISE AT MR LUCE'S PRESS CONFERENCE IN HONG KONG ON 28 SEPTEMBER 1983

FUTURE OF HONG KONG

Talks:

1. Talks in Peking through diplomatic channels have been taking place at intervals since the Prime Minister's visit to China a year ago. A second more detailed phase began in July. The latest session was held on 22/23 September.

Timetable for talks: Chinese threat to make announcement by 1984:

2. I cannot make any useful forecast of how long the talks will take. The issues are complex and are not helped by suggestions of artificial deadlines. We believe it is more important to find the right solution in the best interests of Hong Kong than to rush matters. But at the same time we understand Hong Kong's interest in avoiding undue delay.

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Future of Hong Kong

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## Progress Reports on Talks:

3. For reasons that will be obvious to you the contents of the talks must necessarily remain confidential. That the the talks are taking place in a good atmosphere and covering much detailed ground is in itself very encouraging. Do not mistake lack of bulletins for inaction.

Ministers' participation in the Talks/Why are you not going to China?:

4. The British negotiating team is led by our Ambassador in Peking, Sir P Cradock. They are doing a first class job and we have every confidence in them. There are no plans for the Secretary of State or for me to join the talks. But I do not rule out Ministerial participation at an appropriate time if this was felt desirable.

## The Governor's participation in the Talks:

5. The Governor has been participating on the British side and will continue to do so as necessary. Both he, and through him, the Executive Council are closely involved in matters relating to the talks.

## Participation by other Hong Kong Residents:

6. The composition of the British team is flexible, but the present pattern, involving the Governor and the Political Adviser, is likely to continue.

## Change of Ambassador in Peking:

7. I understand Sir Percy Cradock will be staying until about the end of the year. His successor will be announced in due course.

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Does the Governor represent Hong Kong in the talks? What of Chinese criticism that EXCO should not be consulted?:

8. Sir E Youde is the Governor of Hong Kong. His position requires him to consult EXCO, who are his advisers on all important matters. EXCO's views are reported by him to the British Government.

How did the talks go on 22/23 September?:

9. This was another useful session. The next round will take place on .....

Have you discussed this latest session with the Governor and EXCO?:

10. I have, as part of the continuing process of close consultation.

Areas of Disagreement with the Chinese:

11. Of course there are differences between us. The purpose of the talks is to try to resolve those differences. But given our common objective I believe that satisfactory arrangements can be worked out. We both have a clear interest in a prosperous and stable future for the territory.

Failure to Reach Agreement with the Chinese:

12. That is a very pessimistic view. The Chinese leader and the Prime Minister agreed on a common aim to maintain the stability and prosperity of Hong Kong and the aim of the talks is to build on this. We mean to achieve an agreement. Our current good relations with China will help us to do so.

UK Position on Sovereignty and the Treaties:

13. Our position has been clearly stated. We are now looking to the future. The right way to deal with the question is by

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friendly discussion and agreement. I would not rule out any solution that was acceptable to the people of Hong Kong and to HMG.

China's SAR plan?:

14. We are well aware of the main lines of the Chinese Government's thinking. In our talks in Peking both sides have outlined their positions. There is much exploration still to be done. The important point is that talks are taking place. The people of Hong Kong are well able to judge for themselves what future arrangement would or would not inspire confidence. I hope that people in Hong Kong will continue to voice their opinions.

1997 Deadline set by Chinese:

15. Of course 1997 is a key date because of the New Territories lease. That is precisely why we and the Chinese are holding talks. But the outcome must not be prejudged.

What is HMG's aim and plan for the future?:

16. HMG's aim, through discussion with the Chinese Government, is to agree arrangements for the future which will maintain Hong Kong's stability and prosperity in a way acceptable to the British Parliament, the Government of China and the people of Hong Kong. Both we and the Chinese Government have the strongest possible motives for reaching such an agreement.

17. We are entering the discussions on the basis of firmness and flexibility: we are firm on our commitment to maintain the well-being and way of life of Hong Kong. We are flexible on the means of achieving this. The important point is that continuity should be effectively guaranteed.

But since the Chinese have revealed their plan publicly, should not HMG tell Hong Kong their ideas in more detail?:



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18. We have of course seen a number of reports of remarks by Chinese public figures. Since many of these have been made to Hong Kong people, it is most important that Hong Kong people should make their frank views, known, not just to us but also to the Chinese. One of the main purposes of my visit here is to listen to those views.

19. The Prime Minister agreed with the Chinese leader that the talks should aim at the maintenance of stability and prosperity in Hong Kong. We are sure the Chinese share our view that nothing should be done to damage confidence in the territory. So far as we are concerned future arrangements must be worked out closely and responsibly between the two Governments in the interests of Hong Kong. The conference table is the place for an exchange of views.

Action to Prevent Erosion of Confidence in Hong Kong:

20. The Prime Minister has made it clear that Her Majesty's Government is committed to the people of Hong Kong. I know that it is the intention of the Hong Kong Government to continue to invest vigorously in the future of Hong Kong and its people, and in the development of the territory.

Involvement of People of Hong Kong:

21. The process of consultation takes place at many levels, official and unofficial, formal and informal. An important stage in it was the visit to London in July by the Governor and the Unofficial Members of the Executive and Legislative Councils. The process is a continuous one and careful consideration is being given as to how it can best be pursued. Many channels already exist through which people can make their views known. The views I have heard during my own visit are immensely helpful.



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Wishes of People of Hong Kong:

22. The Prime Minister has made it clear that the views of the people of Hong Kong will be fully taken into account in the talks.

"Acceptability" of proposals to the people of Hong Kong:

23. We shall, on a continuing basis, keep in close touch with the views of the people of Hong Kong through the existing means. When the main line of the settlement has emerged, we shall consider what means would be appropriate for testing its acceptability in the special circumstances of Hong Kong.

Independence for Hong Kong:

24. With the New Territories lease due to expire in 1997, this is not a feasible option.

Visit by Secretary of State:

25. There are no plans at present for the Secretary of State to visit Hong Kong or China.

Visit by Sir Percy Cradock:

26. The Ambassador has taken the opportunity to visit Hong Kong at the time of my visit as he did when Lord Belstead was here in December. This is very useful for me.

Frequent change of Minister responsible for Hong Kong:

27. These things happen but life goes on. I can understand Hong Kong's concern but I feel firmly in the saddle.

Hong Kong Stock Market and Exchange Rate Fluctuations:

28. Sharp fluctuations in the Hang Seng Index are more common than in Western stock exchanges. In 1973 the Index fell from 1700 to little more than 200. Of course uncertainty over the

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future from time to time affects the market but there are other factors such as the world recession, reduced growth forecasts, declining property prices, high international interest rates and the strength of the US\$ dollar affect the market.

Declining confidence in Hong Kong:

29. I know there is genuine concern here reflected in the Stock Markets and the exchange rate, about what the future holds in store. That is understandable and we are very conscious of this in London. But there is an underlying strength in the Hong Kong economy which is reflected in indicators such as export performance and full order books.

British sell-out:

30. This sort of talk is harmful and untrue. I would like to say this to the Hong Kong people: We have been trying through the talks to obtain the best possible deal for Hong Kong which will preserve its prosperity and stability. We will continue to do so. We are unwavering and united in our aim to seek a settlement which will be acceptable not only to Britain and China but also to Hong Kong.

Mr Heath's visit to China:

31. This was a entirely private visit. He carried no official message to or from the Chinese.

Mr Heath's exchange with EXCO:

32. There was a meeting between Mr Heath and EXCO members. This was an entirely private affair.

Prime Minister's meeting with Governor and Ambassador on 5 September:

33. This was an opportunity to get an up-to-date briefing from

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the men on the ground. Mr Heseltine's presence reflected his interest as a member of the Cabinet. He has attended previous meetings. No special emphasis on defence or garrison.

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