

S E C R E T

22988 - 1

DD 080100Z PEKING
GRS 750
SECRET
DESKBY 080100Z
FM FCO 071430Z OCT 83
TO IMMEDIATE PEKING (PERSONAL FOR CHARGE)
TELEGRAM NUMBER 669 OF 7 OCTOBER
INFO IMMEDIATE HONG KONG

20
Mr 10/6
f.a.

MIPT:FUTURE OF HONG KONG

1. FOLLOWING CONSULTATION WITH THE UNOFFICIAL MEMBERS OF EXCO, MINISTERS HAVE NOW CONSIDERED THE FUTURE COURSE OF THE TALKS, IN PARTICULAR THE RISK, AS A RESULT OF CHINESE INTRANSIGENCE, OF AN EARLY BREAKDOWN WITH CONSEQUENT SEVERE DAMAGE TO THE HONG KONG ECONOMY AND TO THE WELL-BEING OF ITS PEOPLE.
2. THE BRITISH GOVERNMENT'S AIM THROUGHOUT HAS BEEN TO PRESERVE THE ESSENTIAL FREEDOMS AND COMMERCIAL AND FINANCIAL VITALITY OF HONG KONG. THEY CONTINUE TO SEE THE BEST INTERESTS OF HONG KONG PEOPLE BEING SERVED BY A NEGOTIATED SETTLEMENT, TO THE SUCCESSFUL IMPLEMENTATION OF WHICH BOTH BRITAIN AND CHINA WOULD BE COMMITTED. THEY RECOGNISE THAT CONFRONTATION WOULD BRING SEVERE AND POSSIBLE IRRETRIEVABLE DAMAGE IN ITS TRAIN, AND HAVE THEREFORE CONSIDERED OTHER WAYS OF MAKING PROGRESS CONSISTENT WITH THE PRIME MINISTER'S LETTER OF 10 MARCH.
3. AGAINST THIS BACKGROUND YOU SHOULD SEEK AN EARLY MEETING WITH VICE FOREIGN MINISTER YAO GUANG AT WHICH YOU SHOULD CONVEY THE FOLLOWING MESSAGE, SAYING YOU ARE SPEAKING ON THE INSTRUCTIONS OF THE PRIME MINISTER.
BEGINS.
4. THE PRIME MINISTER RECALLS HER VISIT TO PEKING IN SEPTEMBER 1982 AND THE IMPORTANT DISCUSSIONS SHE THEN HELD WITH CHAIRMAN DENG XIAOPING AND PREMIER ZHAO ZIYANG. AT THE CONCLUSION OF THOSE TALKS BOTH SIDES AGREED TO HOLD DIPLOMATIC DISCUSSIONS ON HONG KONG WITH THE OBJECT OF MAINTAINING ITS FUTURE STABILITY AND PROSPERITY. THE BRITISH GOVERNMENT REMAIN OF THE VIEW THAT WITH

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STATESMANSHIP ON BOTH SIDES AN AGREEMENT CAN BE ACHIEVED THAT WOULD BE IN THE INTEREST OF BOTH BRITAIN AND CHINA AND, MOST IMPORTANT OF ALL, WOULD CONTINUE TO ASSURE THE WELL-BEING OF THE PEOPLE OF HONG KONG.

5. IN HER LETTER OF 10 MARCH TO PREMIER ZHAO ZIYANG MRS THATCHER SAID THAT, PROVIDED AGREEMENT COULD BE REACHED BETWEEN THE BRITISH AND CHINESE GOVERNMENTS ON ADMINISTRATIVE ARRANGEMENTS WHICH WOULD GUARANTEE THE FUTURE PROSPERITY AND STABILITY OF HONG KONG AND WOULD BE ACCEPTABLE TO THE BRITISH PARLIAMENT AND TO THE PEOPLE OF HONG KONG AS WELL AS TO THE CHINESE GOVERNMENT, SHE WOULD BE PREPARED TO RECOMMEND TO PARLIAMENT THAT SOVEREIGNTY OVER THE WHOLE OF HONG KONG SHOULD REVERT TO CHINA. IN THE NEGOTIATIONS SO FAR THE BRITISH SIDE HAVE MADE PLAIN THEIR SINCERE VIEW THAT A CONTINUATION OF BRITISH ADMINISTRATION IS THE BEST AND SUREST BASIS FOR THE CONTINUED STABILITY AND PROSPERITY OF HONG KONG AND THEY HAVE PRESENTED SUBSTANTIAL MATERIAL IN SUPPORT OF THIS VIEW. THEIR VIEW HAS NOT CHANGED. HOWEVER THE CHINESE GOVERNMENT HAVE TAKEN A DIFFERENT VIEW. THE BRITISH GOVERNMENT ASSUME THE CHINESE GOVERNMENT AGREE THAT A CONFRONTATION WOULD NOT SERVE THE COMMON AIM OF MAINTAINING STABILITY AND PROSPERITY IN HONG KONG AND WOULD BE IN THE INTERESTS OF NEITHER SIDE. THE FUTURE OF HONG KONG CAN BE ASSURED ONLY ON THE BASIS OF A NEGOTIATED SETTLEMENT.

6. THE CHINESE GOVERNMENT IN THE NEGOTIATIONS SO FAR, IN VARIOUS PUBLIC STATEMENTS AND IN THE TALKS BETWEEN FOREIGN MINISTER WU AND SIR GEOFFREY HOWE IN NEW YORK, HAVE MADE CERTAIN PROPOSALS ON THE ARRANGEMENTS THEY ENVISAGE FOR HONG KONG AFTER 1997. THE BRITISH GOVERNMENT IS PARTICULARLY INTERESTED IN THOSE ELEMENTS WHICH, WITH ADEQUATE SAFEGUARDS MIGHT ENSURE AUTONOMY FOR THE HONG KONG PEOPLE, THE PRESERVATION OF THEIR EXISTING FREEDOMS, LIFESTYLE AND THE LEGAL SYSTEM: THE MAINTENANCE THE ECONOMIC SYSTEM INCLUDING THE FREE CONVERTIBILITY OF THE HONG KONG DOLLAR, A CONTINUING IMPORTANT ROLE FOR BRITAIN, AND A GUARANTEE THAT THESE SPECIAL ARRANGEMENTS FOR HONG KONG WOULD LAST FOR AT LEAST 50 YEARS.

7. IN THE CIRCUMSTANCES, THE PRIME MINISTER PROPOSES, IN

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PURSUANCE OF HER LETTER OF 10 MARCH, AND WITHOUT PREJUDICE TO ANY FINAL AGREEMENT, THAT THE NEGOTIATORS ON THE TWO SIDES SHOULD DISCUSS WHAT OTHER EFFECTIVE METHODS MIGHT BE DEvised TO MAINTAIN THE STABILITY AND PROSPERITY OF HONG KONG AND SHOULD EXPLORE FURTHER THE CHINESE IDEAS. THEIR PURPOSE WOULD BE TO SEE WHETHER BRITAIN AND CHINA COULD TOGETHER CONSTRUCT ON THE BASIS OF THE PROPOSALS PUT FORWARD BY CHINA, ARRANGEMENTS OF LASTING VALUE TO THE PEOPLE OF HONG KONG. IF, ON THIS BASIS, ARRANGEMENTS COULD BE AGREED THAT WOULD ENSURE THE MAINTENANCE OF STABILITY AND PROSPERITY IN HONG KONG, THE BRITISH GOVERNMENT WOULD BE PREPARED TO RECOMMEND TO PARLIAMENT A BILATERAL AGREEMENT ENSHRINING THEM AND TO DO ITS UTMOST TO HELP WITH THE INTRODUCTION AND IMPLEMENTATION OF SUCH ARRANGEMENTS. ENDS.

HOWE

FUTURE OF HONG KONG

LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
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SIR A PARSONS NO 10 DOWNING STREET
MR WALKER RESEARCH D OAB 2/82

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S E C R E T

SECRET

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DD PEKING 080100Z
GRS 330
SECRET
DESKBY 080100Z
FM FCO 071200Z OCT 83
TO IMMEDIATE PEKING (PERSONAL FOR CHARGE')
TELEGRAM NUMBER 668 OF 7 OCTOBER
INFO IMMEDIATE TO HONG KONG
FUTURE OF HONG KONG

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A.S.C. 10/10

1. MINISTERS HAVE REVIEWED THE COURSE OF THE TALKS AND FUTURE TACTICS THIS WEEK. THEY HAVE ALSO DISCUSSED THE SITUATION WITH THE GOVERNOR AND UNOFFICIALS.

THE RESULT IS THE INSTRUCTIONS TO SIR PERCY CRADOCK IN MIFT. THESE WERE ENDORSED UNANIMOUSLY BY THE UNOFFICIALS AT THEIR MEETING WITH THE PRIME MINISTER ON 7 OCTOBER. AT THE PRIME MINISTER'S REQUEST, MIFT HAS BEEN DRAFTED IN SUCH A WAY THAT IF AT A LATER STAGE THE TALKS WERE TO BREAK DOWN, IT COULD BE PUBLISHED. IT WAS ALSO AGREED THAT IN SUCH A CONTINGENCY THE PRIME MINISTER'S LETTER OF 10 MARCH MIGHT ALSO HAVE TO BE PUBLISHED. HOWEVER ALL CONCERNED PROFOUNDLY HOPED WE WOULD NOT REACH SUCH A PASS.

2. ON RECEIPT OF THIS TELEGRAM, YOU SHOULD APPROACH THE MINISTRY OF FOREIGN AFFAIRS AND SEEK AN INTERVIEW FOR THE AMBASSADOR WITH YAO GUANG IMMEDIATELY ON HIS RETURN, IE AN INTERVIEW FOR 14 OCTOBER. YOU SHOULD SAY THAT HE HAD AN IMPORTANT MESSAGE TO CONVEY. THERE WOULD BE ADVANTAGE IN MAKING THIS APPROACH TO THE FOREIGN MINISTRY SOON, SINCE THIS MIGHT DISCOURAGE FURTHER HOSTILE CHINESE PROPAGANDA IN THE INTERVENING PERIOD.

3. THE INTENTION IS THAT WHEN THE MESSAGE IS DELIVERED IT WILL BE SUPPORTED BY CERTAIN ORAL POINTS TO BE MADE BY THE AMBASSADOR, IN PARTICULAR A REMINDER TO YAO GUANG OF THE IMPORTANCE OF THE STEP HMG ARE NOW TAKING. HE WOULD ALSO EMPHASISE THE VITAL IMPORTANCE OF SECRECY AND WARN THE VICE MINISTER THAT IN THE EVENT OF MISREPRESENTATION OF OUR POSITION WE WOULD BE BOUND TO SET THE RECORD STRAIGHT. IT MIGHT ALSO BE DESIRABLE FOR THE AMBASSADOR TO EXPLAIN ONCE MORE TO YAO GUANG THE CONSTITUTIONAL CONSTRAINTS ON

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THE PRIME MINISTER, NAMELY THAT THE MOST SHE CAN DO IS TO MAKE RECOMMENDATIONS TO PARLIAMENT.

4. IT IS APPRECIATED THAT THE MESSAGE MAY NOT IN EXPLICIT TERMS MEET THE CHINESE PREMISE, BUT IT IS HOPED THAT IT WILL ALLOW US TO EDGE THROUGH THE DOOR.

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