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10 DOWNING STREET

From the Private Secretary

11 November 1983

FUTURE OF HONG KONG

The Prime Minister has noted the contents
of your letter of 10 November.

A. J. COLES

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

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Prime Minister.

Foreign and Commonwealth Office

This will bring you
up to date.

London SW1A 2AH

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10 November, 1983

Dear John,

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Future of Hong Kong

With my letter of 9 November I enclosed a telegram which Mr Luce had sent to Sir Geoffrey Howe in Athens commenting on recent exchanges between Sir Percy Cradock and the Chinese negotiator. This letter provides a round-up of recent developments.

As you know, the Chinese reacted reasonably favourably to the line which our negotiators took at the meeting on 19/20 October. In consultation with Hong Kong and Peking papers have been prepared on the Hong Kong legal and financial systems, suggesting ways in which safeguards might be built in after 1997. These were passed to the Chinese Ministry of Foreign Affairs on 4 November. A further paper, on external economic relations, will be ready to be passed over at the next session of talks on 14/15 November.

The Chinese have continued to play down their propaganda. In Hong Kong and elsewhere there has been a very marked reduction in criticism of the Hong Kong authorities and HMG. The exception has been over the question of the 'deadline' in September 1984. Here there has been some confusion. A Chinese Vice Foreign Minister was reported last week as having indicated to a group of Japanese journalists that negotiations could continue after that date. He appears in fact to have been misreported. The Chinese accordingly felt they had to issue a number of corrections including a firm statement on 9 November by the Ministry of Foreign Affairs to the effect that they would definitely issue a statement in September 1984 whether agreement had been reached with HMG or not. In essence we see no change in the Chinese position on the deadline.

A more worrying development came when Deng Xiaoping received M. Gaston Thorn, the President of the European Commission on 5 November. He gave Thorn a very full survey of the position reached in the talks and included detailed criticism of HMG's attitude. His line was that the position taken in the Prime Minister's message delivered before the last round of talks was still unsatisfactory to Peking. He maintained that we were still seeking some kind of directing role in Hong Kong's administration after 1997. He described this as an effort to establish 'co-administration' or 'administration of the territory in disguise'. He added that the British attitude had shown some changes but their actual ideas had not. M. Thorn told European Community Ambassadors in Peking about his conversation with Deng. He did not consult Sir Percy Cradock beforehand but he did subsequently provide a full record of his conversation with Deng.

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(I enclose a copy of Peking telno 1154 containing this). In commenting on the Deng/Thorn exchange, Sir Percy Cradock said that Deng had probably been given a misleading account of a conversation which he, the Ambassador, had had with the Chinese negotiator Yao Guang on 28 October, when Sir Percy had suggested by way of illustration that two of the jobs which might be filled by British people could be the Commissioner of Police and the Attorney General.

On the Ambassador's recommendation, we authorised him to speak to Yao Guang on 8 November in order to clarify the position. (An account of that meeting is in Peking telno 1160, enclosed with my letter of 9 November). Sir Percy explained in detail the ideas which he had put to Yao on an informal basis, making clear that these were intended as examples to be studied in the context of our examination of the Chinese proposals suggested in the Prime Minister's recent message. It followed that we were not thinking of personnel being appointed by the British Government or responsible to London; they would be serving the Government of Hong Kong and engaged at their request.

Yao, who was friendly throughout, was grateful for this explanation but went on to make comments which showed clearly that Deng Xiaoping was suspicious of British intentions. He commented that it was difficult for the Chinese to believe that the British side were not actually seeking some form of co-administration. He cited as alleged evidence for this the Prime Minister's remarks on Hong Kong in her recent phone-in programme on the World Service. He maintained that because Mrs Thatcher had said that the British view on Hong Kong had not changed, this suggested that our readiness to hold talks on the basis of the Chinese proposals did not indicate any real change of attitude. He added that 'in his view the Chinese side did not agree with the step-by-step approach', suggested by HMG. 'Detailed discussion would be little use where principles had not been clearly affirmed'. Sir Percy refuted Yao's points strongly and succeeded in getting Yao to acknowledge that there was a clear difference between the 'joint administration' about which Deng had spoken and the informal suggestions which the Ambassador had made on 28 October.

In commenting on this exchange, Sir Percy said that the Chinese remained suspicious and that there was a danger of slipping back in the negotiations. The Chinese continued to hanker after an explicit affirmation of their premise. He proposed that, in order to forestall this, we should be prepared to make at least a general formal statement for the record to the effect that in building on the Chinese proposals as envisaged in the Prime Minister's message we envisage no link of authority between post-1997 Hong Kong and the UK.

The Governor of Hong Kong, who had also been given an account by Thorn of his discussions in Peking, was equally concerned at the possibility of a setback in the talks but strongly opposed a move on the lines suggested by the Ambassador at this stage. He saw it as giving away too much



to the Chinese too soon and judged that EXCO would not endorse it.

The Ambassador is clearly right in seeing important danger signals in the latest Chinese attitude. The remarks to M. Thorn were obviously intended as a message to be passed to HMG. While they may have been based on a misinterpretation of Sir Percy Cradock's earlier remarks they also show a continuing Chinese preoccupation with their premise. Their argument that HMG still wish to retain a controlling interest in Hong Kong may have been overstated in order to put pressure on us. But we believe that it is based on deep-rooted suspicion, and reflects Deng's own views. On the basis of the Ambassador's reports and the Governor's comments, Mr Luce telegraphed Sir Geoffrey Howe in Athens, giving his views on the position and also commenting on proposals by Sir Percy Cradock for the line which he should take at a dinner which he is having with Yao Guang today. He suggested that although we might have to consider the Ambassador's suggestion soon, it would be premature for us to make any move now. This view has been broadly endorsed by Sir Geoffrey Howe in Athens.

We now await the Chinese reaction to the Ambassador's representations and their response to the papers which we presented on 4 November.

As soon as we receive the Ambassador's report on his dinner with Yao Guang, we shall send you recommendations for the line which our negotiators should take on 14 November. In view of the shortness of time we shall probably have to put these recommendations in parallel to Sir Geoffrey Howe in Athens.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

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