



Foreign and Commonwealth Office

London SW1A 2AH

13 December, 1983

Dear John,

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with AJC?

Future of Hong Kong: Sir P Cradock's Calls on Chinese Leaders

You recorded in your letter of 12 December the Prime Minister's comments on Sir P Cradock's recommendations on the line he should take with Chinese leaders.

You said that you would find it helpful to have a consolidated text reflecting our own comments and those of the Governor. This I now enclose.

This text does not take up explicitly the Prime Minister's question as to how we should take up the matter of the acceptability of any solution to the people of Hong Kong. In the discussions with the Chinese so far we have found it more fruitful to make this crucial point to the Chinese in terms of the need to maintain confidence in Hong Kong and overseas if the territory's stability and prosperity is to be maintained. This point is covered in (C) of Sir P Cradock's line to take.

If the Prime Minister agrees, we propose to authorise Sir P Cradock to speak in these terms indicating (as he has asked) that he was doing so on the Prime Minister's personal authority.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

FUTURE OF HONG KONG

Proposed line to take by Sir P Cradock with Chinese Leaders

a) Note with pleasure the progress made in the latest phase of negotiations. Refer back to the Prime Minister's message of 14 October. Reiterate our wish, provided we can reach agreement on an acceptable solution, to give our full co-operation. →

b) The idea of maintaining a capitalist Hong Kong as a special administrative region within a socialist country is a totally new concept. The task ahead is complex and difficult. The agreed basis for our present discussions should ensure that Chinese requirements of principle will be met. But there remain ^{while} important questions still unsettled. They threaten no principle. But they will be critical for the success or otherwise of the enterprise. →
 The British side believe that with its experience of Hong Kong it could be of very great help in giving the best possible chance of success. We therefore hope that the Chinese side will listen seriously to our ideas and suggestions and take account of them in formulating their plans and the basic law.

c) If stability and prosperity are to be preserved in Hong Kong it will be essential to maintain domestic and international confidence in arrangements for the period after 1997. If this confidence is to be maintained there will need to be assurances sufficient to convince local people and overseas investors that the systems will not be changed, and that the present freedoms and lifestyle will not be affected. The proposed 50 year provision will be helpful in this connection, but it will not be enough by itself.

d) The most fundamental point to us in pursuing discussions on the basis agreed at present would seem to be to consider only the changes that would be essential to meet the fundamental premise that sovereignty and the power of administration should revert to China. In all other respects the present systems in Hong Kong should continue as unchanged as possible, except where evolution is natural and desirable. ?

It is incontestable that things work well now. Continuity is the best guarantee of stability and prosperity and would accord entirely with the Chinese guideline that the current social and economic systems and the lifestyle would remain unchanged.

e) Changes to the legal system should be kept to the absolute minimum (required by the return of sovereignty and the power of administration to China.) The legal system is the fundamental basis for all the systems in Hong Kong and changes to it would affect every aspect of life in the territory. Changes in this area would affect the confidence both of investors and residents.

f) Hong Kong is a highly complex place, and needs an experienced and professional civil service to run the administration and provide the services required. Numerous ^{and} varied professional skills are needed. It is impossible to provide all of them from within Hong Kong, given the competing demands of the private sector: hence the continuing need for overseas officers. Continuity of the civil service is thus a central element in future years.

So far as possible existing civil servants, whether local or overseas, should be encouraged to remain at their posts after 1997 and to complete their careers in the normal way. Advisers will not suffice. Officials have to be responsible for their acts. They will be unlikely to stay on if they can only hope to become Advisers. As our statement of 28 November made clear the loyalties of civil servants would of course be to the government of the SAR. The latter should also be able to recruit persons of professional skill and ability after 1997 in any way which seemed best to it.

g) Concerned about the references during the last round to stationing of troops in Hong Kong. We do not dispute the right of the Chinese Government to station its troops in any part of China that it considered fit. Nevertheless, this is an extremely sensitive matter in Hong Kong. A decision to station troops in ^{Hong} Kong after 1997 will be seen as fatally impairing the autonomy of the region, and will give the appearance not of a peaceful transition to a new status, but an imposed settlement. The Chinese Government would be advised to act with great prudence and restraint in this respect.

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G I hope that it will be possible now to make faster progress. Given the complexity of the issues, adequate time will be needed but I am confident that with goodwill a solution can be reached.

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Foreign and Commonwealth Office

London SW1A 2AH

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13 December 1983

D. J. [unclear]

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Dear John,

Future of Hong Kong: Sir P Cradock's Calls on Chinese Leaders

attached

Thank you for your letter of 12 December about Sir P Cradock's farewell calls on Chinese leaders.

Sir Geoffrey Howe proposes to have a word about this with the Prime Minister in the margins of OD(K) later today. He is at present out of London and has not seen the text of this letter. But he has indicated that he is generally content with the line which Sir P Cradock proposes to take on the future of Hong Kong. He has, however, commented that the first sentence of sub-paragraph 2(c) of Peking telegram number 1325 (copy enclosed) should imply more clearly that acceptance of the Chinese premise that sovereignty and the power of administration should revert to China is still subject to the conditionality described in the Prime Minister's two messages to Zhao Ziyang.

We also consider it important that the reference to no change in Hong Kong's present systems in the second sentence of this sub-paragraph should be qualified so as to permit any natural evolution in those systems which might be considered desirable before 1997, for example, any move in the direction of a greater measure of democracy or autonomy in the Territory. We therefore propose that these two sentences should be amended to read as follows:

'The most fundamental point to us in pursuing discussions on the basis agreed at present would seem to be to consider only the changes that would be essential to meet the fundamental premise that sovereignty and the power of administration should revert to China. In all other respects the present systems in Hong Kong should continue as unchanged as possible, except where evolution was natural and desirable.'

We propose, subject to the Prime Minister's agreement, that this point and a number of less significant points of detail should be incorporated in a telegram of instructions to Peking. Sir Geoffrey does not think that it will be

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necessary to discuss the matter in OD(K). You will have seen from Peking telegram number 1338 that the first of Sir P Cradock's farewell calls has been fixed for the morning of 15 December, Peking time. Instructions to him should, therefore, issue tonight if possible.

In your letter you recorded the Prime Minister's comments on the general question of consultation with the people of Hong Kong and the acceptability of any eventual arrangement to them. We agree that these points are crucial. They underline the importance to us of ensuring that EXCO, the main channel through which we seek the view of the Hong Kong people, should remain in full agreement with our negotiating strategy.

Yours ever,

Peter Ricketts

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Private Secretary

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10 Downing Street

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