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DESKBY 270900Z

FM HONG KONG 270755Z FEB 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 523 OF 27 FEBRUARY

INFO IMMEDIATE PEKING

YOUR TELNO 344: FUTURE OF HONG KONG: STRATEGY AND TIMETABLE.

1. MR LUCE HAD A TWO AND A HALF HOUR MEETING WITH EXCO THIS MORNING THE BULK OF WHICH WAS DEVOTED TO THE QUESTION OF STRATEGY AND TIMETABLE.

2. MR LUCE PREFACED HIS OPENING REMARKS BY STRESSING THAT NO MINISTERIAL DECISIONS HAD YET BEEN TAKEN: HIS PURPOSE WAS TO OUTLINE CURRENT THINKING IN LONDON AND OBTAIN EXCO'S REACTIONS. IN THE TALKS HMG HAD ~~two~~ OBJECTIVES: TO NEGOTIATE THE BEST POSSIBLE AGREEMENT WITH THE CHINESE, AND TO ENSURE THAT IT WAS ACCEPTABLE TO THE PEOPLE OF HONG KONG. IN CONSIDERING HOW BEST TO MEET THESE OBJECTIVES VARIOUS FACTORS HAD TO BE TAKEN INTO ACCOUNT, IN PARTICULAR THE CHINESE DEADLINE, WHICH HMG BELIEVED TO BE REAL: THE FACT THAT CONFRONTATION WOULD DO A GREAT DISSERVICE TO THE PEOPLE OF HONG KONG: AND THE NEED FOR A DETAILED AGREEMENT INCORPORATING AS MANY ASSURANCES AS COULD BE NEGOTIATED, AND TO TIE THE CHINESE DOWN AS MUCH AS POSSIBLE ON THE CONTENT OF THE BASIC LAW. IT WAS HMG'S JUDGEMENT THAT THIS COULD NOT BE DONE WITHOUT CHINESE COOPERATION. THE TIME AVAILABLE BEFORE THE SEPTEMBER DEADLINE SHOULD BE USED TO THE FULLEST POSSIBLE ADVANTAGE, SINCE IT WAS CLEAR THAT THIS WAS WHEN THE CHINESE WOULD BE MOST RECEPTIVE TO OUR IDEAS.

3. MR LUCE EMPHASISED THAT THE CONCERNS OF HONG KONG WERE UPPERMOST IN MINISTERS' MINDS. IN PARTICULAR, THEY WERE CLEAR THAT TIME WOULD BE NEEDED TO ESTABLISH THE ACCEPTABILITY OF WHAT WAS PROPOSED TO THE PEOPLE OF HONG KONG. IT WAS AGAINST THIS BACKGROUND THAT THE WAY FORWARD HAD TO BE CONSIDERED. ONE POSSIBLE OPTION WOULD BE TO AIM FOR AN AGREEMENT WHICH WOULD BE SIGNED THIS YEAR. ON THIS BASIS IT MIGHT BE POSSIBLE TO HAVE A DRAFT AGREEMENT WHICH MIGHT BE PUBLISHED IN JUNE OR JULY. THERE COULD THEN BE AN ASSESSMENT OF ITS ACCEPTABILITY IN HONG KONG DURING AUGUST, SEPTEMBER AND EARLY OCTOBER BEFORE THE DRAFT AGREEMENT WAS PUT TO PARLIAMENT FOR DEBATE AFTER THE SUMMER. IF THE DRAFT AGREEMENT WAS ACCEPTABLE TO PARLIAMENT IT MIGHT BE SIGNED IN NOVEMBER. THE AGREEMENT WOULD STILL BE SUBJECT TO RATIFICATION WHICH WOULD HAVE TO AWAIT PUBLICATION OF THE BASIC LAW. THIS MIGHT TAKE SOME YEARS.

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4. MR LUCE SAID THAT MINISTERS WERE ACUTELY AWARE OF THE CONCERN ABOUT PUBLIC PRESENTATION OF HMG'S POSITION IN HONG KONG AND THE NEED TO GIVE THE MAXIMUM TIME FOR HONG KONG PEOPLE TO CONSIDER THE LIKELY CONTENT OF A PACKAGE. IT MIGHT BE POSSIBLE TO THINK IN TERMS OF SOME KIND OF STATEMENT BY HMG, POSSIBLY BY THE SECRETARY OF STATE, WHICH COULD BE BACKED UP BY A WHITE PAPER AND WOULD BE PUBLISHED SIMULTANEOUSLY IN HONG KONG. SUCH A STATEMENT WOULD GIVE AN INDICATION OF THE KIND OF AGREEMENT WHICH HMG WERE SEEKING TO NEGOTIATE.

5. I THEN INVITED THE AMBASSADOR TO GIVE HIS ASSESSMENT. HE REINFORCED WHAT MR LUCE HAD SAID ABOUT THE CHINESE DEADLINE, DRAWING ATTENTION TO THE TERMS OF THE CHINESE FOREIGN MINISTRY SPOKESMAN'S STATEMENT IN NOVEMBER 1982. IT WAS TRUE THAT THE CHINESE HAD BEEN KNOWN IN THE PAST TO SHIFT THEIR DEADLINES BUT IT WOULD BE DIFFICULT TO PERSUADE THEM TO POSTPONE SIGNATURE OF AN AGREEMENT BEYOND SEPTEMBER. EVEN IF THE DEADLINE DID NOT PROVE IMMUTABLE, HE BELIEVED THAT CHINESE RECEPTIVENESS TO OUR IDEAS WOULD DIMINISH AS TIME WENT ON.

6. I THEN INVITED COMMENTS FROM THE COUNCIL. THE UNOFFICIAL MEMBERS WERE UNANIMOUS IN THE VIEW THAT IT WOULD NOT BE POSSIBLE TO GET TO THE POINT WHERE HMG COULD WITH CONFIDENCE REACH A FINAL AGREEMENT BEFORE SEPTEMBER. THEY MADE THE FOLLOWING POINTS:

(A) HONG KONG PEOPLE WERE STILL IN THE DARK. ALTHOUGH THE CHINESE HAD PUBLICISED THEIR POSITION HMG HAD SO FAR BEEN SILENT.

(B) IT WAS CLEAR THAT HONG KONG PEOPLE WOULD PREFER THE STATUS QUO OR AT LEAST BRITISH ADMINISTRATION UNDER CHINESE SOVEREIGNTY. THERE HAD BEEN NO CONSULTATION WITH THEM ABOUT AN ALTERNATIVE OBJECTIVE. THE UNOFFICIALS HAD POINTED OUT TO THE PRIME MINISTER IN JANUARY THAT THEY COULD NOT BE SURE THAT THE HONG KONG PEOPLE WOULD ACCEPT THE CHINESE PLAN EVEN WITH THE SAFEGUARDS WE WERE SEEKING.

(C) HMG WERE NOW NEGOTIATING ABOUT THE FUTURE OF HONG KONG AFTER 1997 WHEN THEY WOULD HAVE NO FURTHER RESPONSIBILITY. THEY SHOULD NOT REACH AN AGREEMENT WITH THE CHINESE WITHOUT HAVING FIRST ASCERTAINED THE VIEWS OF THE PEOPLE OF HONG KONG.

(D) IT WOULD BE A MISTAKE TO MISINTERPRET THE PRESENT APPARENT OPTIMISM IN HONG KONG. THE CHINESE HAD BEEN ACTIVE IN PROMOTING ECONOMIC CONFIDENCE IN RECENT MONTHS BUT THERE WAS STILL DEEP CONCERN.

(E) THE UNOFFICIALS BELIEVED THAT IT HAD BEEN AGREED WITH THE PRIME MINISTER IN JANUARY THAT THE OBJECTIVE SHOULD BE AN INTERIM STATEMENT OF SOME KIND THIS SUMMER. IF HMG DECIDED TO GO FOR A FINAL AGREEMENT THEY WOULD BE TAKING A VERY GRAVE RISK. NO AGREEMENT WOULD BE BETTER THAN A BAD AGREEMENT.

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(F) THE DIFFERENCES BETWEEN INITIALLING, SIGNATURE AND RATIFICATION WOULD NOT BE UNDERSTOOD IN HONG KONG. IN ANY CASE IT WOULD NOT BE POSSIBLE TO CHANGE A FINAL AGREEMENT ONCE IT HAD BEEN INITIALLED AND ANNOUNCED.

(G) THERE WAS GREAT CONCERN THAT THE CHINESE WOULD PAY LITTLE ATTENTION TO THE CONTENT OF AN AGREEMENT IN SUBSEQUENT DRAFTING OF THE BASIC LAW. MOST MEMBERS THEREFORE CONCLUDED THAT THERE SHOULD BE NO FINAL AGREEMENT UNLESS IT INCLUDED THE PROVISIONS OF THE BASIC LAW.

(H) SOME MEMBERS EXPRESSED DOUBTS ABOUT THE IDEA OF AN EARLY UNVEILING OF THE LIKELY CONTENT OF A PACKAGE. WHILE THEY SAW A NEED TO GIVE HONG KONG PEOPLE SOME INDICATION OF THE PROSPECTS SOON, THEY ENVISAGED A LONGER TIMESCALE FOR EDUCATION AND PREPARATION OF HONG KONG OPINION: IN ANY CASE THEY THOUGHT IT UNLIKELY THAT WE SHOULD HAVE NEGOTIATED SUFFICIENT DETAIL BY THE SPRING.

(I) THE CHINESE HAD ONLY SAID PUBLICLY THAT THEY WOULD ANNOUNCE THEIR POLICY AND GUIDELINES BY SEPTEMBER. WE SHOULD NOT ASSUME THAT THEY WANTED A FINAL AGREEMENT BY THEN WITHOUT TESTING THAT ASSUMPTION.

7. THE OFFICIAL MEMBERS GENERALLY SUPPORTED THE STATEMENTS MADE BY UNOFFICIALS. THE POINTS WERE MADE THAT WE SHOULD BE CONSCIOUS BOTH OF THE RISKS INHERENT IN CONFRONTATION, AND OF THE POTENTIAL PROBLEMS FOR PUBLIC ORDER IN HONG KONG IF PEOPLE FELT THAT HMG WAS NOT FULFILLING ITS RESPONSIBILITIES TO HONG KONG. THEY ALSO DREW ATTENTION TO THE VITAL NEED TO MAINTAIN THE CONFIDENCE OF THE CIVIL SERVICE, THE POLICE AND THE JUDICIARY.

8. IN A FURTHER INTERVENTION MR. LUCE REITERATED THAT HMG HAD SO FAR TAKEN NO DECISIONS ON STRATEGY OR TIMING. HE WOULD REPORT THE VIEWS WHICH HAD BEEN EXPRESSED IN THE COUNCIL TO YOU AND TO THE PRIME MINISTER AND THE COUNCIL WOULD BE CONSULTED AGAIN ON THE BASIS OF A PAPER BEFORE ANY DECISIONS WERE TAKEN. HE NOTED THE VIEW THAT NO AGREEMENT WAS BETTER THAN A BAD AGREEMENT BUT

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STRESSED THAT THE QUESTION WAS HOW REALISTICALLY TO GET THE BEST POSSIBLE AGREEMENT FOR HONG KONG. HE THOUGHT THERE WAS GENERAL ACCEPTANCE THAT THE NEXT 6 MONTHS WOULD BE VERY IMPORTANT IN TERMS OF INFLUENCING CHINESE VIEWS OVER THE NEGOTIATION OF DETAIL.

YOUDE

FUTURE OF HONG KONG  
LIMITED  
ED/HKD  
ED/FED  
ED/PLANNING STAFF  
ED/PUSD  
D/ED/PUSD (MR FLOWER)  
RES.B. (MR WALKER)  
LEGAL ADVISER (SIR IAN SINCLAIR)  
PS  
PS/LADY YOUNG  
PS/MR LUCE  
PS/PUS  
SIR J BULLARD  
SIR W HARDING  
MR DONALD  
MR WRIGHT  
SIR C TICKELL

COPIES TO:  
BUCKINGHAM PALACE  
PS/LORD PRESIDENT OF THE COUNCIL  
PS/HOME SECRETARY  
PS/CHANCELLOR OF THE EXCHEQUER  
PS/LORD PRIVY SEAL  
PS/SECRETARY FOR TRADE & INDUSTRY

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