

MOST CONFIDENTIAL RECORD

TO

CC(83) 28th Conclusions

Thursday 22 September 1983

FOREIGN
AFFAIRS

Hong Kong

Previous :
Reference:
CC(83) 19th
Conclusions,
Minute 2

THE PRIME MINISTER said that the next round of talks with the Chinese Government about the future of Hong Kong, which were beginning that week, would be crucial and difficult. The United Kingdom was fortunate to have a skilful and experienced negotiator in Sir Percy Cradock. The Chinese were insisting not only on Chinese sovereignty but also on Chinese administration of the whole Colony from 1997 and had so far refused to take any account of the British contention that the link with the United Kingdom was essential to confidence and hence to Hong Kong's continued prosperity. Despite the confidential character of the talks, the Chinese were making their own position and intentions public, and this had precipitated serious falls in the value of the Hong Kong dollar and on the Hong Kong Stock Exchange. There was likely to be growing Parliamentary concern about how far the Government was taking account of the wishes of the population of Hong Kong, four million of whom were refugees from China for whom Britain had a particular moral responsibility. The Government was in fact in close touch with the Executive Council, the Legislative Council and with the elected District Councils in Hong Kong, as well as with other representative organisations in the Colony. A referendum would be able to be exploited by the Chinese in a way which would make a free expression of opinion impossible. The overwhelming majority of the population wanted the status quo maintained, but unfortunately senior members of the Hong Kong Chinese community were frightened to make this clear to the Chinese Government when they visited Peking. The Chinese authorities preferred to believe that Hong Kong would continue as before following a complete Chinese takeover. It was unclear how far, if at all, they understood the importance of the confidence factor (and hence of a continued administrative link with Britain) for Hong Kong's future prosperity: but Chinese national pride, combined with Communist non-comprehension of how a capitalist system worked, made it difficult for them to accept that Britain should have any rights in Hong Kong after 1997, whatever the economic consequences. Unfortunately British public opinion tended to over estimate British power and the extent of British leverage with the Chinese. The task of the British negotiators in the coming round would be to keep the Chinese in play on the question of confidence and continue to put across the British case without prompting them to break off the talks.

The Cabinet -

Took note.