

20a

GRS 760

SECRET

SECRET

FROM PEKING 140740Z OCT 82

TO PRIORITY FCO

TELEGRAM NUMBER 660 OF 14/10/82

NR 4/10
L-1

REPEATED FOR INFO TO PRIORITY HONG KONG (PERSONAL FOR GOVERNOR)

PERSONAL FOR DONALD.

HONG KONG TELS NOS 1170 AND 1171:

FUTURE OF HONG KONG.

1. I AM CONCERNED AT THE PROPOSALS IN THESE TELEGRAMS AND THEIR IMPLICATIONS. WE ARE DEALING WITH A SUBJECT WHICH, FROM ITS EXTREMELY DELICATE NATURE, AND BECAUSE OF THE PRIME MINISTER'S PARTICULAR REQUEST, MUST BE HELD AS TIGHTLY AS POSSIBLE. WHAT IS BEING PROPOSED IS A WIDENING OF THE CIRCLE OF KNOWLEDGE, WITH THE PROSPECT OF FURTHER WIDENING (PARA 4 OF FIRST TUR). IT IS EVEN SUGGESTED SOMETHING MAY NEED TO BE SAID TO MEMBERS OF THE HONG KONG CONSULAR CORPS AND THE BUSINESS COMMUNITY.

2. AS I SEE IT, NO REPEAT NO STEP OF THIS KIND SHOULD BE TAKEN UNLESS THE BALANCE OF ADVANTAGE IS SHOWN TO BE OVERWHELMINGLY IN FAVOUR. THIS HAS NOT BEEN DEMONSTRATED. ON THE OTHER HAND, THE DANGERS ARE VERY REAL. IN THE CASE OF EXCO, I WOULD NOT WISH TO QUESTION THEIR PAST RECORD, BUT ON A MATTER OF SUCH DELICACY AND DIRECT CONCERN TO THEM I DO NOT THINK WE CAN BE SURE THAT ALL MEMBERS, GIVEN THEIR SPECIAL INTERESTS, WILL REMAIN RELIABLE. THE RISK IS SIMPLY NOT WORTH TAKING. IN THE CASE OF UMELCO, THE DANGER OF LEAKS MUST BE VERY HIGH.

3. I EXPLAINED IN MY TEL NO 653 WHAT I THOUGHT THE CHINESE WERE TRYING TO ACHIEVE BY THEIR UNHELPFUL STATEMENTS. IT IS IMPORTANT TO REALISE THAT THEY ARE PART OF A NEGOTIATING POSTURE AND THAT WHATEVER THE BEDROCK OF THE CHINESE POSITION MAY TURN OUT TO BE AND WHATEVER THEY HAVE SAID TO US OFFICIALLY, THESE REMARKS TO THIRD PARTIES SINCE THE PRIME MINISTER'S VISIT HAVE BEEN UNOFFICIAL

SECRET

/AND

SECRET

AND DENIABLE. I DO NOT AGREE WITH THE GOVERNOR THAT THEY ARE NOW ''KNOWN'' ELEMENTS OF THE CHINESE POSITION. THERE MUST REMAIN AN ELEMENT OF UNCERTAINTY IN MOST PEOPLE'S MINDS. TO CONFIRM THAT THEY DID REPRESENT THE CHINESE POSITION WOULD BE GRATUITOUS LEAKAGE ON OUR PART.

IT WOULD ASSIST THE CHINESE IN THEIR AIM OF MAKING THEIR OWN POSITION APPEAR FIRMER AND THUS SOFTENING UP THE OPPOSITION. MY FIRM BELIEF IS THAT THE ONLY WAY TO COUNTER THESE STATEMENTS IS BY OFFERING NO COMMENT TO ANYONE. THE AMERICANS, DESPITE THE PECULIAR DIFFICULTIES OF THE R POLITICAL SYSTEM, MANAGED TO DO THIS WITH ALMOST COMPLETE SUCCESS IN THE ARMS SALES TALKS.

4. MOREOVER, IF WE BEGIN NOW TO OFFER OUR CONFIDENTIAL COMMENTS TO EXCO AND OTHERS ON CHINESE PUBLIC STATEMENTS OR ON THE PROGRESS OF THE TALKS, IT WOULD BE DAMAGING IF IN FUTURE WE WERE TO JUDGE THAT THE PRACTICE HAD TO CEASE OR BE CURTAILED. WE CAN EXPECT THE CHINESE TO MAKE MANY MORE PUBLIC STATEMENTS AND DISCLOSURES. IF WE COMMENT NOW WE SHALL BE EXPECTED TO CONTINUE TO DO SO. I FIND THE PROSPECT OF CONTINUOUS CONFIDENTIAL BRIEFINGS ON THIS DELICATE MATTER ALARMING.

5. I ALSO BELIEVE THAT IT WOULD BE DANGEROUS TO INDICATE TO EXCO OR OTHERS IN TERMS THAT ''THE BRITISH POSITION ON SOVEREIGNTY IS NOT TOTALLY INFLEXIBLE'', (PARA 3(C) OF FIRST TUR). HOWEVER, I WOULD NOT OBJECT TO THE LINE RECOMMENDED IN PARA 6 OF SECOND TUR, IE FOLLOWING CLOSELY THE LANGUAGE USED BY THE PRIME MINISTER TO THE PRESS AND NOT MENTIONING THE WORD ''SOVEREIGNTY''.

6. I REALISE THAT IT WILL NOT BE EASY FOR THE GOVERNOR, GIVEN THE PRESSURES ON HIM IN HONG KONG, BUT I AM CONVINCED THAT THE RIGHT COURSE IS FOR US, HERE AND IN HONG KONG, TO CONTINUE TO PLAY THIS ISSUE VERY TIGHTLY INDEED AND PARTICULARLY TO AVOID COMMENTING ON CHINESE LEAKS. AS THE GOVERNOR HIMSELF HAS SAID, STEADY NERVES WILL BE NEEDED.

²
SECRET

/7. THAT

SECRET

7. THAT SAID, I BELIEVE THAT THERE ARE SOME THINGS WHICH MAY BE SAID SAFELY TO MEET EXCO'S UNDERSTANDABLE WISH FOR A FULLER BRIEFING THAN THAT WE HAVE GIVEN TO THE PUBLIC PROPER.

ON THAT BASIS I SHOULD HAVE NO OBJECTION TO MAKING THE FOLLOWING POINTS TO EXCO:-

(A) THAT THE VARIOUS CHINESE STATEMENTS AND INTERVIEWS OVER THE PAST FEW WEEKS HAVE BEEN IN THE MAIN OFF-THE-CUFF REMARKS. THE CHINESE WOULD NOT CONSIDER THEMSELVES AS BOUND BY THEM. THEY ARE IN NO SENSE OFFICIALS STATEMENTS OF THE CHINESE POSITION.

(B) THE FOLLOWING PARTS OF SECOND TUR: POINT 3, THE LAST TWO SENTENCES OF PARA 4, AND POINTS 5,6 AND 7.

IT WILL BE CLEAR FROM THE ABOVE WHY I AM NOT HAPPY ABOUT POINT 1 IN HONG KONG TUR. POINT 2 TO MY MIND TENDS TO CONFIRM THAT THE CHINESE STATEMENTS ARE LEAKS OF WHAT THEY HAVE SAID TO US OFFICIALLY. AND THE FIRST PART OF POINT 4 I BELIEVE GOES TOO FAR TOWARDS DIVULGING THE CONTENT OF THE PRIME MINISTER'S TALKS.

CRADOCK

LIMITED
HD/HK&GD
HD/PLANNING
HD/FED
HQ/PUSD
HD/NEWS
PS
PS/LORD BELSTEAD
PS/PUS
MR GIFFARD
MR DONALD

COPIES TO:
MR. COMES NO.10 DOWNING ST

SIR IAN SINCLAIR
LEGAL ADVISER

3
SECRET

GR 280
SECRET

SECRET

*Am Coles 19
No 10 Downing Street*

FM PEKING 130750Z OCT 82
TO IMMEDIATE F C O
TELNO 653 OF 13 OCTOBER
INFO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR).

Prime Minister

PERSONAL FOR DONALD

14/10

HONG KONG TELNO 1157: FUTURE OF HONG KONG

1. PARA 3 OF TUR. I DO NOT BELIEVE THAT THE CHINESE ARE DELIBERATELY SEEKING TO DISTURB THE HONG KONG MARKETS, THOUGH THEY ARE NOT VERY SENSITIVE ABOUT THEM. ALTHOUGH THEIR STATEMENTS AND COMMENTARIES HAVE BEEN WORRYING, THEY WERE NOT UNEXPECTED. THE SINO/US NEGOTIATIONS OVER TAIWAN ARMS SALES BEGAN WITH SIMILAR LEAKS AND HARDLINE COMMENTARIES FROM THE CHINESE, WHICH CONTINUED INTERMITTENTLY THROUGHOUT. THIS IS PART OF THEIR NEGOTIATING STYLE, DESIGNED I BELIEVE TO PUT PRESSURE ON THE OTHER SIDE, TO MAKE THE CHINESE POSITION APPEAR TO BE ROCK FIRM AND THUS TO TRY TO "SOFTEN UP THE OPPOSITION". IN SHORT THE CHINESE APPEAR TO BE SEEKING TO MAKE THIS NEGOTIATION, AS THEY HAVE DONE WITH OTHERS, LESS A NEGOTIATION BETWEEN EQUALS THAT A SORT OF FIAT. IT REMAINS TO BE SEEN HOW MUCH OF THE CHINESE PUBLIC POSITION REMAINS IMMOVABLE AND WHETHER, AS IN THE CASE OF ARMS SALES, IT MAY BE MODIFIED IN THE LAST ANALYSIS.

M

2. MY RECOMMENDATION IS, AS SUGGESTED IN MY TELNO 642, THAT WE SHOULD NOT BE DRAWN INTO A PUBLIC WRANGLE WITH THE CHINESE AND THAT WE SHOULD PROBE THEIR POSITION FULLY IN THE COMING TALKS FOR ANY SIGN OF GIVE.

3. PARA 4 OF TUR. I HAVE VERY STRONG RESERVATIONS ABOUT GIVING FURTHER BRIEFING ON THE CONTENTS OF THE TALKS TO ANYONE, BUT I SHOULD PREFER TO SEE THE GOVERNOR'S RECOMMENDATIONS BEFORE COMMENTING IN DETAIL.

CRADOCK

LIMITEI
HD/HK
HD/PLANNING STAFF
HD/FEI
HD/PUSI
PS
PS/LORI BEKSTEAD
PS/PUS
MR & IFFARI
MR DONALD

COPIES TO:
MR COLES, NO 10 DOWNING STREET.
MR ROBERTS, NEWS DEPT

SECRET