

29 A

0102

DWF G 20/19

OO FCO (DESKBY 190900Z)

OO HONG KONG (PERSONAL FOR GOVERNOR)

GRS 800

D/B 190900Z

SECRET

DESKBY 190900Z

IMMEDIATE

FROM PEKING 190615Z OCT 82

ADVANCE COPY

TO IMMEDIATE FCO

TELEGRAM NUMBER 672 OF 19/10/82

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

Prime Minister

Somewhat more encouraging.
We can discuss at our
meeting arranged for Thursday.

PERSONAL FOR DONALD

YOUR TEL NO 481.

FUTURE OF HONG KONG.

A. J. C. 14/10

1. I CALLED ON VICE FOREIGN MINISTER ZHANG WENJIN THIS MORNING AND SPOKE AS INSTRUCTED, MAKING THE POINTS-

(A) THE PRIME MINISTER REGARDED THE JOINT STATEMENT AGREED BY HERSELF AND DENG AS THE BASIS FOR THE TALKS. THIS WOULD NOT MEAN THE CHINESE SIDE WOULD BE GIVING UP THEIR POSITION, OF WHICH WE WERE FULLY AWARE, BUT AS MRS THATCHER MADE CLEAR TO CHINESE LEADERS, SHE COULD ONLY CONSIDER MAKING RECOMMENDATIONS ON SOVEREIGNTY IF THE PRACTICAL ARRANGEMENTS FOR THE FUTURE ADMINISTRATION SEEMED

~~CONCERNATIONS ON SOVEREIGNTY IF THE~~
PRACTICAL ARRANGEMENTS FOR THE FUTURE ADMINISTRATION SEEMED
SATISFACTORY.

(B) CHAIRMAN DENG SAID THAT THE TALKS SHOULD, AMONG OTHER MATTERS, COVER ARRANGEMENTS FOR THE PERIOD AFTER 1997. WE PROPOSED THEREFORE THAT THE NEXT STAGE SHOULD BE AN EXCHANGE OF VIEWS ON THE PRACTICAL ARRANGEMENTS FOR ADMINISTRATION. IN ORDER TO SEE WHETHER THESE MET THE REQUIREMENTS OF STABILITY AND PROSPERITY WE SHOULD LIKE TO HEAR MORE ABOUT THE CHINESE IDEAS.

(C) TO SUM UP, WE PROPOSED THAT, DESPITE THE DIFFERENCES ON CERTAIN BASIC POINTS, WE SHOULD BEGIN SUBSTANTIVE TALKS VERY SOON. I STRESSED AGAIN THAT, AS WOULD BE CLEAR FROM MRS THATCHER'S REMARKS TO CHINESE LEADERS, WE HAD NO INTENTION OF BRUSHING ASIDE THE QUESTION OF SOVEREIGNTY. WE WERE WELL AWARE OF THE CHINESE POSITION OF PRINCIPLE ON THE HONG KONG QUESTION WHICH HAD BEEN OUTLINED TO US ON SEVERAL OCCASIONS.

2. ZHANG THANKED ME FOR MY MESSAGE AND SAID HE WOULD HAVE TO REPORT. AFTER STUDYING OUR COMMENTS, THE CHINESE WOULD REPLY. THE CHINESE POSITION HAD BEEN MADE CLEAR BY THEIR LEADERS TO MRS THATCHER AND BY ZHANG HIMSELF AT OUR MEETING ON 5 OCTOBER. THERE WAS NO NEED TO REPEAT IT. THEY WOULD, HOWEVER, CAREFULLY STUDY OUR MESSAGE.

3. ZHANG WENT ON TO SAY THAT THE CHINESE SIDE ATTACHED GREAT IMPORTANCE TO THE TALKS AND WOULD ADOPT A FORTHCOMING AND CONSTRUCTIVE ATTITUDE. HE HOPED THE TALKS WOULD BE SUCCESSFUL AND WOULD RESOLVE THE DIFFERENCES BETWEEN THE TWO SIDES. THE BRITISH WERE CLEAR ABOUT THE CHINESE BASIC POSITION AS EXPLAINED BY CHINESE LEADERS.

4. IN REPLY I WELCOMED ZHANG'S COMMENTS IN PARA 3 ABOVE. WE AHDRED THAT POSITIVE APPROACH. I HOPED IN VIEW OF THESE REMARKS WE COULD EXPECT AN EARLY REPLY. ZHANG SAID HE HOPED SO TOO.

5. I ASKED WHETHER THE CHINESE HAD YET ANY COMMENTS ON THE

5. I ASKED WHETHER THE CHINESE HAD YET ANY COMMENT ON THE PROPOSALS ON MODALITIES PUT TO THEM ON 5 OCTOBER. ZHANG SAID HE PREFERRED TO COMMENT ON THIS TOGETHER WITH THE SUBSTANTIVE POINTS IN ONE PACKAGE.

6. FINALLY, I SPOKE AS IN PARA 8 OF TELEGRAM UNDER REFERENCE ABOUT STATEMENTS BY CHINESE OFFICIALS TO THIRD PARTIES. ZHANG MADE A RATHER WOOLLY REPLY, SAYING HE AGREED THE CHINESE WOULD CERTAINLY TREAT THE TALKS AS HIGHLY CONFIDENTIAL. BUT THEY WOULD FROM TIME TO TIME HAVE TO MAKE THEIR BASIC POSITION CLEAR.

HE CLAIMED THAT THIS HAD NO DIRECT BEARING ON THE TALKS. PEOPLE OUTSIDE WERE VERY INTERESTED AND IT WOULD BE HARD TO AVOID SOME STATEMENTS. OTHERWISE THIS COULD GIVE RISE TO MORE SPECULATION. HE SAID THERE HAD ALSO BEEN LOTS OF STATEMENTS IN THE BRITISH PRESS WHICH COULD HAVE BEEN DETRIMENTAL. HE WOULD NOT LIKE TO GUESS THROUGH WHICH CHANNEL THE BRITISH REPORTERS HAD OBTAINED THEIR INFORMATION. HE ADDED THAT THE HONG KONG PRESS CONFERENCE AND REMARKS ON THE TREATIES HAD GIVEN THE CHINESE "MANY HEADACHES".

7. I SAID I WAS GLAD THE CHINESE WOULD TREAT THE MATTER AS HIGHLY CONFIDENTIAL. I DID NOT ACCEPT THAT STATEMENTS ON THE CHINESE SIDE HAD NO DIRECT BEARING ON THE TALKS. I CITED EXAMPLES WHICH REVEALED WHAT HAD BEEN SAID BY CHINESE LEADERS

TO MRS THATCHER. I DENIED IT WAS NECESSARY TO FEED THE APPETITE OF THE PRESS OR THAT FAILURE TO DO SO WOULD GIVE RISE TO DAMAGING SPECULATION. RATHER THE REVERSE. DESPITE GREAT PRESSURE WE ON THE BRITISH SIDE HAD KEPT OUR MOUTHS SHUT AND WOULD CONTINUE TO DO SO. WE HOPED THE CHINESE WOULD DO THE SAME.

8. ZHANG TOOK ALL THIS REASONABLY WELL AND I HAVE NO DOUBT THE POINT HAS BEEN TAKEN, THOUGH I WOULD NOT EXPECT MORE THAN A TEMPORARY IMPROVEMENT IN CHINESE BEHAVIOUR.

9. THIS WAS A MORE RELAXED OCCASION THAN 5 OCTOBER. FROM ZHANG'S REMARKS IN PARA 3 ABOVE, AND THE FACT THAT HE DID NOT CHOOSE TO REHEARSE THE THEME OF SOVEREIGNTY, I WOULD GUESS WE CAN EXPECT A POSITIVE REPLY ON SUBSTANTIVE TALKS IN THE NEAR FUTURE.

SECRET

23

(2)

PRIME MINISTER

Hong Kong

Last Friday you asked for an early meeting on Hong Kong. I had arranged one for Tuesday morning but learned today that Sir Percy Cradock's next meeting with the Chinese is also on Tuesday. I think it will lead to a more productive meeting if we give ourselves a little time to digest his report. I have therefore rearranged the meeting for Thursday, when we shall have quite a lot to discuss.

Meanwhile, there have been no important new developments. I enclose a note about the performance of the Hong Kong stock market and exchange rate today.

mt

A.J.C.

18 October 1982

SECRET

012.
UNCLASSIFIED

PS

HONG KONG STOCK MARKET AND EXCHANGE RATE:
MONDAY, 18 OCTOBER

1. Hang Seng Index closed at 878.89 (down 1.57).
2. The HK dollar exchange rate index was 82.9 (down 0.3).
3. The HK dollar closed at 6.545 to the US dollar (down 0.01).

18 October 1982

R D Clift
Hong Kong & General Department
WH307 233.3184

cc:PS/Lord Belstead
PS/PUS
Mr Giffard
Mr Donald
Mr Roberts, News D
Mr Coles, 10 Downing Street

SECRET

Mr Coles
No 10 Downing St
14

ARS 150
SECRET

FROM PEKING 120900Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 649 OF 12/10/82

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

PERSONAL FOR DONALD

MY TEL NO 647: INTERVIEW WITH ZHANG WENJIN

1. THE MFA HAVE JUST INFORMED US THAT ZHANG WENJIN WILL BE OUT OF TOWN WITH THE WEST GERMAN PRESIDENT UNTIL MONDAY 18 OCTOBER. IF WE CANNOT WAIT UNTIL THEN THEY OFFER WANG BENZUO, THE HEAD OF THE WEST EUROPEAN DEPT.

2. WANG WOULD HAVE EVEN LESS ROPE THAN ZHANG, AND COULD DO NOTHING BUT UNDERTAKE TO REPORT WHAT I HAVE TO SAY. THIS WOULD BE UNPRODUCTIVE. THE CHINESE HAVE OBVIOUSLY CONCLUDED THAT I WILL NOT WISH TO SEE ANOTHER VICE MINISTER NOW THAT WE HAVE ALREADY STARTED MEETINGS WITH ZHANG WENJIN. I THINK THIS IS RIGHT. I AM RELUCTANT TO ASK FOR HUANG HUA. HE MIGHT ON PAST EXPERIENCE BE MORE UNLEPFUL THAN ZHANG. I THEREFORE RECOMMEND THAT I SEEK AN INTERVIEW WITH ZHANG ON 18 OCTOBER. IF YOU AGREE I WILL SO INFORM THE MFA.

CRA DOCK

LIMITED
HD/HK(SD)
HD/FED
HD/PLANNING STAFF
HD/PUS
PS
PS/LORD BELSTEAD
PS/PUS
MR GIFFARD
MR DONALD

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

SECRET

13
Mr Coles
No 10 Downing Street

S E C R E T

GRS 220

SECRET

FROM PEKING 120700Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 647 OF 12/10/82

REPEATED FOR INFO TO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR)
PERSONAL FOR DONALD

YOUR TEL NO 481: FUTURE OF HONG KONG

1. AS INSTRUCTED, I HAVE REQUESTED A CALL ON ZHANG AND HOPE TO GET IT TOMORROW, BUT HE IS INVOLVED WITH THE VISIT OF THE WEST GERMAN PRESIDENT AND THERE MAY BE A DELAY.

2. LOOKING AHEAD AND ASSUMING THAT ZHANG AGREES TO START TALKS, THE FIRST SUBSTANTIVE ROUND COULD BEGIN IN AS LITTLE AS A WEEK OR TEN DAYS AFTER MY CALL. WE ARE ASKING THE CHINESE TO ELABORATE ON THEIR IDEAS FOR MAINTAINING HONG KONG'S STABILITY AND PROSPERITY, AFTER 1977. EVEN IF THEY AGREE TO THIS I FEAR THAT IT IS LIKELY THAT THEY WILL BE UNABLE, AT LEAST INITIALLY, TO GO MUCH FURTHER THAN REITERATION OF DENG'S PROPOSALS TO MR HEATH. THE PRIME MINISTER HAS ALREADY TOLD THEM THAT THESE WOULD KILL THE GOOSE, BUT I THINK WE SHOULD BE PREPARED TO COMMENT ON AND CRITICISE THESE PROPOSALS IN DETAIL. IF YOU AGREE, I RECOMMEND THAT WORK ON SUCH A CRITIQUE SHOULD BEGIN AS SOON AS POSSIBLE. THE ARGUMENTS WOULD NEED TO BE CONCRETE AND SPECIFIC AND WE WOULD WANT TO LEAVE PAPER WITH THE CHINESE EMBODYING OUR COMMENTS

CRADOCK

LIMITED
HD/HK & GD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS

PS/LORD BELSTEAD
PS/PUS
MR GIFFARD
MR DONALD

COPIES TO
MR COLES
NO 10 DOWNING STREET
MR ROBERTS
NEWS DEPT

S E C R E T

GRS 300

SECRET

*Mr Coles
No. 10 Downing Street
12*

SECRET

FROM PEKING 120615Z OCT 82
TO IMMEDIATE FCO TELEGRAM NUMBER 645 OF 12/10/82

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

PERSONAL FOR DONALD. MY TEL NO 642:

FUTURE OF HONG KONG : CHINESE COMMENTS

1. THE FOREIGN PRESS HERE HAVE REPORTED COMMENTS MADE TO FINANCIAL TIMES VISITORS BY ZENG TAO, A DEPUTY SECRETARY GENERAL OF THE NPC AND FORMER DIRECTOR OF NCNA.

2. ZENG, WHO IS NOT IDENTIFIED BY NAME IN THE REPORTS, IS QUOTED AS SAYING THAT ULTIMATE CONTROL WOULD REST WITH PEKING. 'WITH SOVEREIGNTY IN CHINESE HANDS YOU THINK IT IS NOT POSSIBLE TO MAINTAIN HONG KONG'S PROSPERITY AND STABILITY. THIS IS A MATTER OF OPINION. I BELIEVE THAT WITH THE MANAGEMENT OF THE CHINESE GOVERNMENT THERE WOULD BE NO LESS FREEDOM IN HONG KONG THAN THERE IS NOW.' ZENG IS SAID TO HAVE ADDED THAT CERTAIN FREEDOMS WOULD NOT BE PERMITTED. 'YOU CAN IMAGINE WHAT FREEDOMS WILL NOT BE ALLOWED.'

3. THE REPORT GOES ON TO SAY THAT ZENG SAID THE PEOPLE OF HONG KONG WOULD ENJOY DUE AND LAWFUL FREEDOM UNDER CHINESE MANAGEMENT AND THAT CHINA WOULD TRY TO KEEP THE ADVANTAGES OF BRITISH MANAGEMENT. 'SOME PEOPLE SAY SOVEREIGNTY WILL GO TO CHINA AND MANAGEMENT TO BRITAIN. THIS IS NOT COMPLETE.'

4. THE REPORTS WE HAVE SEEN DO NOT ELUCIDATE WHAT ZENG MEANT BY HIS FINAL COMMENT ON SOVEREIGNTY AND MANAGEMENT. BUT IT IS CLEAR THAT THE CHINESE INTEND TO CONTINUE SPEAKING TO THE PRESS IN THESE TERMS DESPITE OUR AGREEMENT TO MAINTAIN CONFIDENTIALITY. THIS LENDS EXTRA FORCE TO THE COMMENTS IN MY 642, AND I SHALL REFER TO ZENG'S REMARKS WHEN I SPEAK TO ZHANG WENJIN

CRADOCK
LIMITED
HD/HK39D
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/LORD BELSTEAD
PS/PUS
MR GIFFARD
MR DONALD

COPIES TO
MR COLES NO 10 DOWNING ST
MR ROBERTS NEWS D

SECRET

GR 600

SECRET

SECRET

FM HONG KONG 121005Z OCT 82

TO PRIORITY FCO

TELEGRAM NUMBER 1157 OF 12 OCTOBER

INFO PRIORITY PEKING (PERSONAL FOR AMBASSADOR)

PERSONAL FOR DONALD

FUTURE OF HONG KONG

PEKING TELNO 642.

THE MAIN ELEMENTS IN THE CHINESE POSITION WHICH HAVE NOW BEEN MADE PUBLIC IN HONG KONG THROUGH CHINESE STATEMENTS, NCNA ARTICLES OR INTERVIEWS ARE AS FOLLOWS.

- (A) THE CHINESE POSITION ON SOVEREIGNTY WAS TACKED ON TO THE CHINESE VERSION OF THE AGREED STATEMENT ISSUED AFTER THE PRIME MINISTER'S TALKS IN PEKING.
- (B) THE MFA STATEMENT OF 30 SEPTEMBER (PEKING TELNO 613) RESTATED THE CHINESE VIEW THAT THE TREATIES WERE UNEQUAL AND THAT CHINA IS NOT BOUND BY THEM.
- (C) THE NCNA COMMENTARY ON 1 OCTOBER (PEKING TELNO 616) REINFORCED THIS AND CONTESTED THE PRIME MINISTER'S ASSERTION OF BRITAIN'S MORAL RESPONSIBILITY FOR HONG KONG.
- (D) VICE MINISTER XIAN QIWEN TOLD CASS OF THE FINANCIAL TIMES ON 7 OCTOBER THAT SOVEREIGNTY WAS MORE IMPORTANT THAN STABILITY AND PROSPERITY AND INDICATED THAT BRITISH ADMINISTRATION AFTER 1997 WOULD NOT BE POSSIBLE (PEKING TELNO 634).

2. WE ALSO HAVE EVIDENCE THAT THE CHINESE ARE CONTINUING TO BRIEF VISITING HONG KONG BUSINESSMEN ABOUT THEIR PLANS: WHEN FRANCIS TIEN (GARMENT MANUFACTURER, LEGCO) RECENTLY VISITED SHANGHAI THE MAYOR (AN OLD SCHOOL FRIEND) INVITED HIM TO DINNER SPECIFICALLY TO TALK ABOUT THE FUTURE, AND TOLD HIM THAT THE TWO PARTS OF SOVEREIGNTY, OWNERSHIP AND ADMINISTRATIVE CONTROL, WERE INDIVISIBLE. THE CHINESE ARE ALSO GIVING SOME ACCOUNT OF THEIR POSITION TO FOREIGN VISITORS (E.G. SUZUKI-PEKING TELNO 625) AND TO SELECTED FOREIGN JOURNALISTS (THE INDIAN JOURNALIST G.K. REDDY, WHO SAW ZHAO IN PEKING LAST WEEK WAS APPARENTLY TOLD THAT THE CHINESE FLAG WOULD FLY OVER HONG KONG IN 1997 AND LEFT WITH THE IMPRESSION THAT THERE COULD BE NO ROLE FOR BRITAIN THEREAFTER). IN ADDITION THERE IS EVIDENCE * ~~~~~ * THAT EVEN BEFORE THE PRIME MINISTER'S VISIT TO PEKING LOCAL COMMUNIST CADRES WERE BEING BRIEFED IN SOME DETAIL ABOUT SINO-BRITISH EXCHANGES AND ABOUT CHINESE THINKING ON THE FUTURE.

SECRET

* ~ * Passage deleted and retained under Section 3(4) of the Official Information Act 1982. 9 October 2012

*Mr Coles
No 10 Downing Street
We shall have
to discuss
the position
Candidly
MJ*

A. J. C. 15/10

118

SECRET

3. THERE CAN BE LITTLE DOUBT THAT ALL THIS FORMS PART OF A PATTERN. IT WOULD BE HELPFUL TO HAVE THE AMBASSADOR'S COMMENTS ON CHINESE AIMS AND MOTIVES. ARE THEY, FOR EXAMPLE
- A) PUTTING THEIR POSITION ON PUBLIC OR SEMI-PUBLIC RECORD:
 - OR B) SEEKING TO "SOFTEN UP" PUBLIC OPINION IN HONG KONG TO GET IT USED TO THE IDEA OF TAKE-OVER IN 1997:
 - OR C) DELIBERATELY SEEKING TO SAUSE TURBULENCE IN THE MARKETS HERE?
4. WHATEVER THE REASONS FOR THESE CHINESE REVELATIONS, WE HAVE NOW REACHED THE POINT WHERE ANY REASONABLY PERCEPTIVE OBSERVER CAN PUT THE JIGSAW TOGETHER AND FILL IN MANY OF THE REMAINING BLANKS FOR HIMSELF. THIS HAS IMPLICATIONS FOR
- A) WHAT I TELL EXECUTIVE COUNCIL. I CANNOT KEEP THEM COMPLETELY IN THE DARK IN THE FACE OF CHINESE REVELATIONS.
 - B) WHAT ADVICE WE SHOULD GIVE UNOFFICIAL MEMBERS OF LEGCO ABOUT REFERENCES TO THE FUTURE IN THEIR SPEECHES ON THE GOVERNOR'S ADDRESS.
 - C) WHAT LINE WE SHOULD TAKE WITH CONSULAR REPRESENTATIVES HERE AND VISITING BUSINESSMEN WHO SEEK COMMENT ON WHAT THE CHINESE ARE SAYING.
5. I AM TELEGRAPHING SEPARATELY ON THESE POINTS.

YOUDE

LIMITED

HDI HK&GD
HDI PLANNING STAFF
HDI FED
HDI PUSD
PS
PS/LORD BELSTEAD
PS/PUS
MR GIFFARD
MR DONALD

COPIES TO

MR COLES NO 10 DOWNING ST
MR ROBERTS NEWS D

GRS 360

SECRET

SECRET

DEDIP

*McColles
No 10 Downing Street
10*

FROM PEKING 110615 Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 642 OF 11/10/82

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

PERSONAL FOR DONALD

*head in file
10/10/82*

HONG KONG FUTURE: CHINESE STATEMENTS

1. THE CHINESE HAVE BEEN SPEAKING FAIRLY FREELY TO JOURNALISTS AND OTHER VISITORS SINCE THE PRIME MINISTER'S VISIT. YOU WILL HAVE SEEN MY TEL NO 634 ABOUT ALAN CASS'S CALL ON QIAN QICHEN. THIS WAS THE ORIGIN OF THE AP REPORT IN HONG KONG TEL NO 1128 TO YOU AND OF AN AFP REPORT CARRIED IN THE NCNA BLUE NEWS ON 8 OCTOBER WHICH SIMPLIFIED THE ACCOUNT ALONG THE SAME LINES. (I SHOULD BE INTERESTED INCIDENTALLY TO HEAR WHAT THE HONG KONG REACTION WAS TO THESE REPORTS.)
2. AT A MEAL FOR THE VISITING AUSTRALIAN CHIEF JUSTICE LAST WEEK THE AUSTRALIANS WERE TOLD BY A LEGAL EXPERT FROM THE MFA THAT SOVEREIGNTY CAME FIRST, THAT ADMINISTRATION WAS AN ASPECT OF SOVEREIGNTY AND THAT THEREFORE THERE COULD NOT BE A BRITISH ADMINISTRATION AFTER 1997. BUT SPECIAL MEASURES WOULD BE ADOPTED AND SOME BRITISH EXPERTS COULD BE RETAINED.
3. THE JAPANESE AMBASSADOR HAS TOLD ME THAT DENG TOLD SUZUKI THAT THE CHINESE WOULD ANNOUNCE THEIR PLANS FOR HONG KONG'S FUTURE IN ABOUT TWO YEARS. THIS IS IN ADDITION TO WHAT WAS REPORTED IN MY TEL NO 625.

ms

SECRET

/COMMENT

SECRET

COMMENT

4. THE CHINESE MAY NOT HAVE BEEN SPEAKING WITH COMPLETE ABANDON, BUT THEY HAVE CERTAINLY REVEALED TO OTHERS ENOUGH FOR ANY INTELLIGENT OBSERVER TO PIECE TOGETHER A PRETTY FULL PICTURE. FORTUNATELY THE DIFFICULTIES WE ARE HAVING GETTING THE TALKS STARTED HAVE NOT BECOME OUTSIDE KNOWLEDGE, THOUGH WE SHOULD NOT TAKE IT FOR GRANTED THAT THIS WILL REMAIN CONCEALED. I SHALL OF COURSE STRESS TO ZHANG WENJIN WHEN I NEXT SEE HIM THAT IT IS NOT HELPFUL AND INDEED POTENTIALLY VERY DAMAGING TO TALK TO THIRD PARTIES IN THIS WAY. HOWEVER, I AM AFRAID THAT EXPERIENCE SHOWS THAT WE MUST EXPECT THE CHINESE TO CONTINUE WITH THIS KIND OF KINDISCRETION. THE BEST WAY TO DEAL WITH IT IS, I BELIEVE, TO REMAIN INSCRUTABLE.

CRADOCK

LIMITED
HD/HKGD
HD/FED
HD/PUSD
HD/PLANNING STAFF
HD/NEWS DEPT
PS

PS/LORD BELSTEAD
PS/PUS
MR GIFFARD
MR DONALD

COPIES TO:

MR COLES NO 10 DOWNING ST

- 2 -
SECRET