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DESKBY 220100Z
FM FCO 211710Z OCT 82
TO IMMEDIATE HONG KONG
TELEGRAM NUMBER 879 OF 21 OCTOBER
INFO IMMEDIATE PEKING
YOUR TELMOS 1201 AND 1203 AND PEKING TELNO 679: FUTURE OF
HONG KONG.

1. THESE TELEGRAMS HAVE BEEN DISCUSSED WITH THE PRIME MINISTER. THE FOLLOWING POINTS EMERGED.
2. AGAINST THE BACKGROUND OF THE CHINESE TACTICS OF SPREADING KNOWLEDGE OF THEIR PLAN, IT IS IMPORTANT TO KEEP THE UNOFFICIALS' CONFIDENCE. BUT THE PRINCIPLE THAT WE SHOULD MAINTAIN FULL CONFIDENTIALITY ON THE CONTENT OF THE PRIME MINISTER'S DISCUSSIONS IN PEKING AND OF THE SUBSTANCE OF THE TALKS REMAINS VALID. IT IS CLEARLY IMPORTANT THEREFORE THAT YOU IMPRESS ON SIR S Y CHUNG THE NEED TO AVOID LEAKS, INDICATING THAT DISCLOSURE WOULD RENDER ANY FURTHER BRIEFING OUT OF THE QUESTION.
3. WE MUST ALSO AVOID GIVING UMELCO THE IMPRESSION THAT THEY HAVE THE RIGHT TO A REGULAR BLOW BY BLOW ACCOUNT OF THE TALKS OR TO A VETO ON OUR NEGOTIATING POSITION. HOWEVER, THE UNOFFICIALS ARE ALREADY MAKING DEDUCTIONS FROM WHAT HAS BEEN SAID IN CHINESE STATEMENTS AND WE NEED TO RE-ASSURE THEM. BUT IT IS ALSO IMPORTANT TO GET ACROSS TO UMELCO HOW ROBUSTLY THE PRIME MINISTER SPOKE UP IN PEKING IN DEFENCE OF BRITISH AND HONG KONG INTEREST.
4. WE UNDERSTAND THE AMBASSADOR'S CONCERN IN PEKING TUR. HOWEVER AS REGARDS HIS PARAGRAPH 3 AND YOUR POINT (C) WE DO NOT THINK THERE IS ANYTHING IN YOUR SUGGESTION RELATING TO OUR TACTICS WHICH THE CHINESE WOULD NOT WORK OUT FOR THEMSELVES. WE WOULD HOPE, NEVERTHELESS, THAT YOUR STRONG WARNING ABOUT DISCLOSURE WOULD ENSURE THAT OUR INTENTIONS WOULD NOT GET TO CHINESE EARS.

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5. IN THE LIGHT OF THE ABOVE,
WE AGREE TO THE ACTION PROPOSED IN PARAGRAPH 7 OF YOUR TELNO 1203
SUBJECT TO THE FOLLOWING AMENDMENTS TO THE POINTS YOU SUGGEST IN
PARAGRAPH 5:

A. POINT (B) REQUIRES EXPANSION TO DEMONSTRATE THAT THE
PRIME MINISTER NOT ONLY CONCEDED NOTHING
TO THE CHINESE BUT ALSO STATED THE CASE FOR CONTINUED
BRITISH ADMINISTRATION, WITHOUT WHICH THERE WOULD BE NO
CONFIDENCE IN HONG KONG. SHE SAID IN TERMS THAT NOW AND
FOR A LONG TIME IN THE FUTURE THE PROSPERITY AND STABILITY
OF HONG KONG WOULD DEPEND ON CONFIDENCE THAT THE PRESENT
ADMINISTRATION WOULD CONTINUE. SOVEREIGNTY WAS DIFFICULT
FOR BOTH SIDES: IF TREATIES WERE TO BE CHANGED, THEY SHOULD
BE CHANGED BY AGREEMENT AND NOT ABROGATED BY ONE SIDE OR
ANOTHER.

B. POINT (D) SHOULD BE MODIFIED TO READ:
BEGINS: 'WE WILL OF COURSE HOLD FULL DISCUSSIONS WITH THE
UNOFFICIALS BEFORE WE TAKE ANY DECISION ON MAJOR CHANGES
IN OUR NEGOTIATING POSITION.' ENDS.

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FUTURE OF HONG KONG

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FM PEKING 210840Z OCT 82
TO IMMEDIATE F C O
TELNO 679 OF 21 OCTOBER
REPTD IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR).

M 22/10
f.a.

HONG KONG TELS NOS 1202 AND 1203: FUTURE OF HONG KONG

1. MY VIEWS ON THE DANGER OF WIDENING THE CIRCLE OF KNOWLEDGE WERE GIVEN IN MY TELNO 660 AND WERE ENDORSED IN RESPECT OF UMELCO AT LEASTYUN YOUR TEL 858. DESPITE A NO DOUBT EXCELLENT RECORD IN THE PAST, I FEAR THERE MUST BE A CONSIDERABLE RISK OF LEAKS FROM UMELCO IN PRESENT CIRCUMSTANCES. NOR DO I BELIEVE THAT A LEAK WOULD ONLY HELP CONFIDENCE, AS SUGGESTED IN PARA 8 OF THE SECOND TUR.
2. THE PROPOSALS IN THE SECOND TUR WOULD HAVE FAR-REACHING IMPLICATIONS. THEY WOULD COMMIT US NOT ONLY TO KEEPING UMELCO INFORMED AT EVERY STAGE ABOUT THE DETAILS OF THE TALKS, BUT ALSO TO REVEALING OUR STRATEGY TO THEM AND CONSULTING THEM IN ADVANCE BEFORE ANY CHANGES WERE MADE IN THAT STRATEGY. IT IS ULTIMATELY FOR MINISTERS TO DECIDE HOW FAR THEY WISH TO COMMIT THEMSELVES TO UMELCO. SEEN FROM HERE, HOWEVER, THIS WOULD PUT US ON A VERY DIFFERENT OPERAT CG BASIS FROM THAT WHICH I THOUGHT WAS AGREED. WE SHOULD ALSO BE TAKING THIS STEP JUST AFTER WE HAVE BERATED THE CHINESE FOR BREACHES OF CONFIDENTIALITY.
3. AMONG A NUMBER OF WORRYING POINTS W DETAIL, THE SUGGESTION IN PARA 5(C) OF THE SECOND TUR GIVES ME PARTICULAR CONCERN. WE HAVE PROPOSED TO THE CHINESE TO START TALKS BY LISTENING TO THEIR OWN PROPOSALS FOR ADMINISTRATION OF HONG KONG AFTER 1997. WE ARE ASKING THEM TO PUT SOVEREIGNTY ON ONE SIDE. OUR PURPOSE IS TO SHOW THAT THEIR PROPOSALS ARE UNWORKABLE. BUT IF WE SAY THIS NOW, AND IT IS REPORTED, AS IT MAY BE, TO THE CHINESE, THEY MIGHT WELL CONCLUDE THAT THEY SHOULD NOT START TALKS WITH US ON THIS BASIS AT ALL, SINCE TO DO SO WOULD BE TO PLAY INTO OUR HANDS.

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FUTURE OF HONG KONG

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DESKBY 201200Z

FM HONG KONG 201005Z OCT 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 1203 OF 20 OCTOBER

INFO IMMEDIATE PEKING (PERSONAL FOR AMBASSADOR)

MIPT.

FUTURE OF HONG KONG.

1. IT WILL BE EVIDENT THAT THE SENIOR UNOFFICIAL HAS COME BACK FROM LONDON SUSPICIOUS THAT SOMETHING IS GOING ON WHICH WE ARE NOT PREPARED TO REVEAL AND CLOSE TO BEING CONVINCED THAT HMG IS NOT PREPARED TO TRUST THE UNOFFICIALS. I NEED NOT DILATE ON THE DAMAGE THAT WILL BE DONE HERE IF THIS IMPRESSION IS ALLOWED TO GAIN GROUND.
2. THE CHINESE ARE PLAINLY INTENT ON SPREADING KNOWLEDGE OF THIS PLAN. THEY ARE CONTINUING TO TALK TO THIRD PARTIES (PEKING TELNO 669). TWO MORE VISITORS HAVE RETURNED TO HONG KONG FROM PEKING IN THE LAST WEEK HAVING BEEN BRIEFED BY LIAO CHENGZHI (THE POLITBURO MEMBER WITH RESPONSIBILITIES FOR HONG KONG AND MACAO). ONE WAS TOLD OF THE CHINESE INTENTION TO ANNOUNCE THEIR PLANS WITHIN THE NEXT YEAR OR TWO. THIS IS PROBABLY ONLY PART OF THE PICTURE.
3. IF WE LET THIS GO ON WITHOUT COUNTER ACTION WE RISK GIVING THE IMPRESSION THAT WHILE THE CHINESE ARE PREPARED TO LET THEIR POSITION BE KNOWN WE ARE NOT PREPARED TO TAKE EVEN OUR OWN UNOFFICIALS INTO OUR CONFIDENCE. NOR CAN WE ALLOW THE IMPRESSION TO GROW THAT WE ARE LEAVING THE CHINESE POSITION UNCHALLENGED. FAILURE TO RESPOND WILL BE INTERPRETED AS DRIFT NOT AS A SIGN OF STRONG NERVES.
4. NO ONE IS SUGGESTING A DEBATE IN PUBLIC WITH THE CHINESE, AND THERE IS NO QUESTION OF REVEALING THE DETAILED CONTENTS OF OUR TALKS WITH THEM. BUT IF WE ARE TO HOLD THE CONFIDENCE OF UNOFFICIALS (AND IT IS ESSENTIAL THAT WE DO SO) WE SHALL HAVE TO DO SOMETHING QUICKLY TO COUNTER THE IMPRESSION WHICH SIR S.Y. CHUNG HAS BROUGHT BACK FROM LONDON. TO ACHIEVE THIS WE SHALL HAVE TO BE FRANKER THAN WE HAVE BEEN PREPARED TO BE SO FAR.
5. I THEREFORE RECOMMEND THAT I SHOULD NOW BE AUTHORISED TO CONVEY THE FOLLOWING TO HIM, AS A RESPONSE TO THE POINTS HE MADE IN LONDON.
 - (A) IT IS TRUE THAT THE CHINESE HAVE SAID THAT THEY PROPOSE TO RECOVER SOVEREIGNTY IN 1997: THAT THEY HAVE IDEAS OF MAKING HONG KONG A SPECIAL ADMINISTRATIVE ZONE RUN BY LOCAL PEOPLE: AND APPEAR TO THINK THAT ALL ELSE COULD REMAIN UNCHANGED. SOME OF THE ELEMENTS IN THE CHINESE POSITION, IN PARTICULAR SOVEREIGNTY, ARE CLEARLY MATTERS OF PRINCIPLE. IN OTHER AREAS, SUCH AS ADMINISTRATIVE CONTROL, THEY MAY BE SEEKING TO ESTABLISH A BARGAINING POSITION OR TESTING THE WATERS OF PUBLIC OPINION. THE SAME APPLIES TO SOME OF THE IDEAS WHICH THEY HAVE BEEN PUTTING TO THE PRESS AND LOCAL VISITORS, SUCH AS THE IDEA OF A CHINESE GOVERNOR.

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/ (B)

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(B) THE PM'S TALKS IN PEKING WERE CONCERNED WITH BROAD PRINCIPLES AND NO DETAILED PACKAGE WAS PUT TO HER. IT WAS NOT A NEGOTIATING VISIT AND NOTHING HAS BEEN CONCEDED TO THE CHINESE. THE DIPLOMATIC TALKS ARE STILL AT A PRELIMINARY STAGE.

(C) AS THE PM MADE CLEAR TO UMELCO, WE SHALL BE SEEKING TO CONVINCING THE CHINESE THAT THEIR PLANS WILL NOT WORK AND THAT CONTINUING BRITISH ADMINISTRATION IS ESSENTIAL TO STABILITY AND PROSPERITY. THE BRITISH POSITION IS THEREFORE WELL WITHIN THE VIEWS PUT TO THE PM BY THE UMELCO DELEGATION.

(D) THERE WILL BE NO DEPARTURE FROM THIS POSITION WITHOUT CONSULTATION WITH UNOFFICIALS, EITHER THROUGH EXCO, OR THROUGH UMELCO AS THE CIRCUMSTANCES REQUIRE.

(E) I WILL TAKE PART IN THE TALKS AS AND WHEN NECESSARY.

6. THIS WOULD IN EFFECT GIVE SIR S.Y. CHUNG THE ASSURANCE HE HAS SOUGHT (PARA 2 OF MIPT). (I CANNOT IMAGINE THAT HMG WOULD WISH TO MAKE A SUBSTANTIAL CHANGE OF COURSE WITHOUT SUCH CONSULTATION).

7. I WOULD THEN TELL SIR S.Y. CHUNG THAT HE COULD USE THE ABOVE IN STRICT CONFIDENCE WITH UMELCO, OR, IF HE PREFERRED, I WOULD ATTEND THEIR MEETING WITH HIM ON FRIDAY AND SAY IT ON YOUR BEHALF (I SHALL IN ANY CASE HAVE TO MEET UMELCO AGAIN FAIRLY SOON AS PART OF MY REGULAR CONTACTS WITH THEM).

8. UMELCO'S RECORD OF MAINTAINING CONFIDENTIALITY HAS SO FAR BEEN GOOD. NO WORD OF WHAT THE PM SAID TO THEM HAS LEAKED. EVEN IF THERE WAS A LEAK THIS TIME WE WOULD NOT COMMENT ON IT, AND IT COULD ONLY HELP CONFIDENCE BY CONFIRMING THAT UNOFFICIALS ARE BEING KEPT INFORMED.

9. GRATEFUL FOR A REPLY DESKBY 220030Z.

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