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TELNO 133 OF 9 FEBRUARY  
RPTD INFO IMMEDIATE HONG KONG.

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FUTURE OF HONG KONG

1. I CALLED ON VICE FOREIGN MINISTER YAO GUANG THIS MORNING AT HIS REQUEST. HE SAID HE HAD BEEN ENTRUSTED BY THE CHINESE GOVERNMENT TO GIVE A REPLY TO SUGGESTIONS I HAD PUT FORWARD TO VICE FOREIGN MINISTER ZHANG WENJIN AND TO HIMSELF. HE THEN READ FROM A PIECE OF PAPER, OF WHICH WE ARE PROMISED A TRANSLATION IN A FEW DAYS' TIME. THE POINTS WERE AS FOLLOWS:

- (A) DURING MRS THATCHER'S VISIT THE LEADERS OF BOTH SIDES HAD HELD FAR-REACHING TALKS ON HONG KONG AND AGREED TO CONTINUE TALKS THROUGH DIPLOMATIC CHANNELS.
- (B) THE QUESTION OF THE PROSPERITY AND STABILITY OF HONG KONG WAS BOUND UP WITH THAT OF SOVEREIGNTY. HONG KONG WAS PART OF CHINA AND MUST BE RETURNED. THE CHINESE GOVERNMENT HAD OFFICIALLY NOTIFIED ITS INTENTION TO RECOVER SOVEREIGNTY OVER THE WHOLE OF HONG KONG BY 1997. THIS WAS DEFINITE AND BEYOND DOUBT.
- (C) THE CHINESE PRINCIPLE FOR A SETTLEMENT OF THE MATTER WAS THAT RECOVERY OF SOVEREIGNTY AND MAINTENANCE OF PROSPERITY AND STABILITY WERE INTEGRAL PARTS OF A WHOLE.
- (D) DIPLOMATIC CONSULTATIONS IN PURSUIT OF THE COMMON AIM OF PROSPERITY AND STABILITY COULD ONLY CONSIST OF CONFIRMATION OF THE RECOVERY OF SOVEREIGNTY BY CHINA BY 1997 AND EXPLORATION ON THAT BASIS OF HOW TO EFFECT A SMOOTH TRANSITION AND HOW BRITAIN WOULD COOPERATE WITH CHINA IN MAINTAINING PROSPERITY AND STABILITY IN THE INTERESTS OF BOTH SIDES FOLLOWING RECOVERY OF SOVEREIGNTY.
- (E) DISCUSSIONS ON PROSPERITY AND STABILITY COULD BE CONDUCTED ONLY ON THE BASIS OF CONFIRMING THE RETURN OF THE ENTIRE AREA BY 1997. IT WOULD BE POSSIBLE TO ENTER INTO DISCUSSIONS ON SPECIFIC ARRANGEMENTS ONLY IF AGREEMENT ON THIS KEY ISSUE WAS REACHED. THEN BOTH SIDES COULD CONSIDER NOMINATING TEAMS TO CARRY OUT THE DISCUSSIONS.

2. I THANKED YAO GUANG FOR THIS COMMUNICATION AND UNDERTOOK TO CONVEY IT TO MY GOVERNMENT. I WISHED TO MAKE SOME PRELIMINARY COMMENTS AND PUT SOME QUESTIONS IN ORDER TO CLARIFY WHAT HAD BEEN SAID. FIRST, WERE THE CHINESE SAYING THAT ACCEPTANCE OF CHINESE SOVEREIGNTY WAS AN ABSOLUTE PRE-CONDITION FOR TALKS, OR WERE THEY SAYING THAT TALKS COULD BE HELD EVEN THOUGH BOTH SIDES AGREED TO DIFFER ON THAT POINT? AT THIS STAGE, SURPRISINGLY, YAO GUANG LOOKED NON-PLUSED AND STARTED FUMBLING THROUGH HIS NOTES. HE THEN LAUNCHED

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INTO A LONG REHEARSAL OF THE CHINESE POSITION TO THE EFFECT THAT IF TALKS WERE TO BE CONDUCTED THE QUESTION OF SOVEREIGNTY SHOULD BE MET FIRST, AND IF THIS PREMISE WERE NOT MET THE TALKS WOULD NOT HAVE A BASIS AND WOULD NOT PRODUCE RESULTS. THIS DID NOT MEAN THE CHINESE NEGLECTED THE STABILITY AND PROSPERITY OF HONG KONG. ON THE CONTRARY, THEY WERE WILLING TO COOPERATE WITH BRITAIN TO SECURE THESE OBJECTIVES BUT THERE MUST BE A PREMISE. THE CRUX WAS THAT BRITAIN MUST CONFIRM THAT BY 1997 SOVEREIGNTY WOULD PASS TO CHINA. IT WOULD THEN BE POSSIBLE TO ENTER INTO DISCUSSIONS ON SPECIFIC ISSUES. SOVEREIGNTY AND PROSPERITY WERE INSEPARABLE. THE BRITISH SIDE TENDED TO SEPARATE SOVEREIGNTY FROM PROSPERITY AND GIVE UNDUE EMPHASIS ON THE SECOND.

3. I SAID I FEARED YAO GUANG WAS NOT REALLY ANSWERING MY QUESTION. BUT I UNDERSTOOD HIM TO BE SAYING THERE COULD BE NO SUBSTANTIVE TALKS UNTIL THE PREMISE OR PRECONDITION WAS MET. THAT WAS WHAT I WOULD REPORT. ON THAT BASIS I HAD A NUMBER OF PRELIMINARY COMMENTS.

4. THE FIRST WAS THAT THE CHINESE REPLY WENT BACK ON THE STATEMENTS MADE TO ME BY VICE FOREIGN MINISTER ZHANG WENJIN ON 5 OCTOBER AND 4 DECEMBER, WHEN IN RESPONSE TO SPECIFIC QUESTIONS, HE CONFIRMED THAT THERE COULD BE TALKS EVEN WITHOUT AGREEMENT ON THE PREMISE, THOUGH THEY WOULD BE DIFFICULT.

5. MY SECOND COMMENT WAS THAT THE CHINESE REPLY DID NOT ACCORD WITH THE JOINT STATEMENT MADE BY THE LEADERS IN SEPTEMBER, THE TEXT OF WHICH I READ TO HIM. THERE WAS NO MENTION THERE OF PREMISE OR PRECONDITION. THE AGREED BASIS FOR THE TALKS WAS THE MAINTENANCE OF STABILITY AND PROSPERITY. THE FACT THAT THERE WERE DIFFERENCES BETWEEN THE TWO SIDES WAS CLEAR FROM THE SECOND SENTENCE WITH ITS REFERENCE TO RESPECTIVE POSITIONS. BUT THAT HAD NOT PREVENTED AGREEMENT TO TALK. WHAT THE CHINESE SIDE WERE NOW DOING, IN EFFECT, WAS TO INSERT A NEW CONDITION AND, AS I SAW IT, THEREBY FRUSTRATE THE INTENTIONS OF THE LEADERS EXPRESSED IN SEPTEMBER.

6. THIRDLY, I REITERATED THAT WE HAD NO INTENTION OF NEGLECTING OR BYPASSING THE QUESTION OF SOVEREIGNTY. MRS THATCHER HAD MADE IT PLAIN THAT IF SHE WERE SATISFIED ON ADMINISTRATIVE ARRANGEMENTS SHE WOULD BE ABLE TO CONSIDER RECOMMENDATIONS ON SOVEREIGNTY. BUT WHAT WAS NEEDED WAS A SATISFACTORY PACKAGE. THE CHINESE WERE TRYING TO BREAK UP THE PACKAGE AND PICK OUT THE BITS THAT THEY WANTED. IT WAS IMPOSSIBLE, IN PRACTICE, FOR THE PRIME MINISTER TO MAKE RECOMMENDATIONS ON TRANSFER OF SOVEREIGNTY TO PARLIAMENT WITHOUT BEING SATISFIED ON ADMINISTRATION. IN ORDER TO OBTAIN A SATISFACTORY PACKAGE WE HAD TO HAVE TALKS, BUT THESE WERE NOW BEING REFUSED, IF I UNDERSTOOD THE CHINESE REPLY CORRECTLY.

7. FINALLY, I REMINDED YAO GUANG THAT WE WERE NOT SEEKING TO CLING TO THE PAST. WHAT WE WANTED WERE NEW ARRANGEMENTS WHICH WOULD MEET THE WISHES OF CHINA, BRITAIN AND THE PEOPLE OF HONG KONG. BUT AGAIN, ANY SUCH NEW ARRANGEMENTS REQUIRED TALKS.



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8. YAO GUANG MADE THE OBLIGATORY REJOINDER TO THE EFFECT THAT WHAT HE HAD SAID WAS THE SAME AS ZHANG WENJIN HAD SAID AND THAT THE CHINESE WERE NOT INSERTING A NEW CONDITION INTO THE JOINT STATEMENT. HE THEN LAUNCHED INTO AN UNHAPPY EXEGESIS OF THE JOINT STATEMENT IN AN ENDEAVOR TO FIND BACKING FOR THE PREMISE. I SAID IF HE COULD FIND THE WORDS PREMISE OR PRECONDITION THERE I WOULD GIVE HIM A PRIZE. HE CLAIMED THAT WE WERE PUTTING UNDUE EMPHASIS ON THE THIRD SENTENCE OF THE JOINT STATEMENT. I EXPLAINED IT WAS THE ONE WHICH CONTAINED THE AGREEMENT TO TALK.

9. YAO GUANG THEN CLAIMED THAT WE WERE ATTEMPTING TO BYPASS THE QUESTION OF SOVEREIGNTY (WHICH I DENIED). IF THE BRITISH SIDE DID NOT DENY THE CHINESE POSITION ON THE JOINT STATEMENT WHY COULD THEY NOT CONFIRM THAT SOVEREIGNTY OVER HONG KONG WOULD PASS TO CHINA BY 1997 SO THAT BOTH SIDES COULD ENTER INTO DISCUSSIONS? IT WAS NOT THAT THE CHINESE WERE NOT WILLING TO ENTER INTO DISCUSSIONS. WHAT HE WAS SAYING WAS THAT THERE SHOULD BE A PREMISE, OR A BASIS. THE TALKS WOULD THEN PRODUCE GOOD RESULTS. AT LEAST THERE SHOULD BE A SETTLEMENT IN PRINCIPLE OF THE ISSUE OF SOVEREIGNTY. I HAD SPOKEN ABOUT BRITISH DIFFICULTIES. THE CHINESE HAD THEIR DIFFICULTIES TOO. THESE WERE DIFFERENT IN NATURE. IF BOTH SIDES DID NOT SETTLE ISSUES LEFT OVER FROM HISTORY HOW COULD WE LOOK TO THE FUTURE?

10. THERE WAS FURTHER REPETITIOUS ARGUMENT ALONG THESE LINES IN THE COURSE OF WHICH YAO GUANG QUOTED EXTENSIVELY FROM THE REMARKS MADE BY DENG AND ZHAO TO MRS THATCHER IN SEPTEMBER. I LEFT HIM WITH THE THOUGHT THAT NONE OF WHAT HE HAD QUOTED APPEARED IN THE JOINT STATEMENT. MRS THATCHER HAD ALSO SAID MANY THINGS WHICH WE REGARDED AS IMPORTANT, BUT THE LEADERS HAD AGREED ON THREE SENTENCES IN WHICH THERE WAS NO MENTION OF A PRECONDITION FOR TALKS. THE MEETING ENDED AMICABLY AFTER AN HOUR AND A HALF.

11. SEE MIFT FOR COMMENT.

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### FUTURE OF HONG KONG

LIMITED

HD/HKGD

ED/FED

ED/PLANNING STAFF

ED/PUSD

PS

PS/LORD BELSTEAD

PS/PUS

MR GIFFARD

MR DONALD

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MIPT: FUTURE OF HONG KONG: CALL ON YAO GUANG

1. YAO'S REPLY WAS UNFORTHCOMING BUT NOT UNEXPECTED. YAO HIMSELF WAS, AS USUAL, UNINSPIRED. HE WAS UNABLE TO SAY IN PLAIN TERMS WHETHER HIS REPLY MEANT THAT THE CHINESE WERE NOT PREPARED TO BEGIN TALKS WITHOUT PRIOR ACCEPTANCE OF THEIR PRE-CONDITION. HE WAS ALSO CLEARLY ON THE TIGHTEST OF REIGNS, UNABLE TO ADD A WORD TO THE AUTHORISED TEXT OR WHAT HIS LEADERS HAD SAID EARLIER. HE RESORTED THROUGHOUT OUR MEETING TO HIS NOTES AND QUOTED REPEATEDLY FROM THE JOINT STATEMENT AND FROM THE RECORDS OF MRS THATCHER'S MEETINGS WITH DENG AND ZHAO. THE ONLY HINT OF ANY GIVE WAS HIS STATEMENT (PARA 9 OF MIPT) THAT THERE SHOULD AT LEAST BE A SETTLEMENT IN PRINCIPLE OF THE SOVEREIGNTY ISSUE. EVEN SO, HE DID NOT MAKE THIS POINT WITH THE FORCE ZHANG WENJIN DID ON 5 OCTOBER.

2. DESPITE THE LINGERING OBSCURITY, WHICH MAY BE BECAUSE THE CHINESE DO NOT WISH TO APPEAR TO BE FLATLY REFUSING TALKS, THEIR ANSWER IN PRACTICE AMOUNTS TO INSISTENCE ON THEIR PRECONDITION BEFORE TALKS CAN GET UNDER WAY. WE MUST THEREFORE CONSIDER OUR NEXT STEP. IN MY VIEW WE SHOULD BYPASS FORIEGN MINISTER WU XUEQIAN, BOTH BECAUSE TIME IS RUNNING ON AND BECAUSE I WOULD NOT EXPECT A CALL ON WU TO BE ANY MORE USEFUL THAT MY CONTACT WITH YAO GUANG. I RECOMMEND THEREFORE THAT CONSIDERATION BE GIVEN TO A MESSAGE FROM THE PRIME MINISTER TO ZHAO ZIYANG. MIFT CONTAINS POINTS WHICH MIGHT BE INCLUDED IN SUCH A MESSAGE.

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TO IMMEDIATE FCO  
TELMO 128 OF 7 FEBRUARY  
RPTD IMMEDIATE INFO HONG KONG.

FUTURE OF HONG KONG

1. YAO CUANG HAS ASKED TO SEE ME AT 1000 AM WEDNESDAY 9 FEBRUARY ON HONG KONG. I PRESUME THAT HE WILL GIVE ME THE LONG AWAITED REPLY.

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CRADOCK

*[Handwritten signature]*

FUTURE OF HONG KONG

- LIMITED
- HD/HKGD
- HD/FED
- HD/PLANNING STAFF
- HD/FUSD
- PS
- PS/LORD BELSTEAD
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