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FM FCO 062107Z JUNE 83

TO IMMEDIATE PEKING

TELEGRAM NUMBER 350 OF 6 JUNE

AND REPEATED TO FOR INFO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR FROM PUS)

PERSONAL FOR AMBASSADOR FROM PUS

YOUR TELNOS 517 AND 518 AND HONG KONG TELNO 760: FUTURE OF HONG KONG

1. THE SECRETARY OF STATE THOUGHT THAT IT WOULD BE WRONG FOR YOU TO PURSUE, EVEN ON A STRICTLY PERSONAL BASIS, THE LINE RECOMMENDED IN PARAGRAPHS 13 AND 14 OF YOUR FIRST TUR AS AMENDED BY YOUR SUBSEQUENT TELEPHONE CONVERSATION WITH ZHOU NAN, UNLESS IT WAS CLEAR THAT THE PROPOSED WORDING FOR THE AGENDA WAS ACCEPTABLE TO THE PRIME MINISTER. I HAVE JUST HAD AN HOUR WITH HER AND WE WENT INTO THE MATTER IN SOME DEPTH ALTHOUGH SHE HAD TO PREPARE FOR YET ANOTHER SPEAKING ENGAGEMENT IN THE ELECTION CAMPAIGN. SHE IS NOT WHOLLY HAPPY WITH WHAT IS PROPOSED AND WANTS MORE TIME TO REFLECT. FURTHERMORE, SHE THINKS THAT IT WOULD BE CONSTITUTIONALLY WRONG TO COMMIT HERSELF TO QUITE A MAJOR STEP IN THE NEGOTIATIONS WITH THE CHINESE IN THE LAST DAYS OF THE ELECTION CAMPAIGN. SHE IS CONCERNED THAT IN THE FORMULA IN PARAGRAPH 14 OF YOUR FIRST TUR THE REFERENCE TO ARRANGEMENTS IN HONG KONG BETWEEN NOW AND 1997 GIVES THE CHINESE A NEW STATUS IN THE SITUATION. SHE ALSO THINKS THAT IF SPECIFIC SUBJECTS ARE QUOTED THEY SHOULD INCLUDE POINTS FROM HER LETTER LIKE THE REQUIREMENT THAT THE ARRANGEMENTS ARE ACCEPTABLE TO THE PEOPLE OF HONG KONG IN ADDITION TO THE THREE FROM PERMIER ZHAO'S (I ARGUED THAT THE ORDER HAD BEEN CHANGED AND THAT THE WORDING HAD BEEN CONSIDERABLY IMPROVED FROM OUR POINT OF VIEW). WE CAN OF COURSE DISCUSS THESE POINTS FURTHER AFTER THE ELECTION.

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2. FOR THE TIME BEING THE IMPORTANT OBJECTIVES ARE TO KEEP THE CHINESE IN PLAY AND NOT TO LOSE THE FAVOURABLE DEVELOPMENTS ARISING FROM YOUR TWO TALKS WITH ZHOU NAN AND ALSO TO AVOID ANY PUBLIC STATEMENT FOLLOWING THE NATIONAL PEOPLE'S CONGRESS WHICH WE WOULD HAVE TO REFUTE.

3. IN THESE CIRCUMSTANCES I SUGGEST, UNLESS YOU SEE STRONG OBJECTION, THAT YOU ARRANGE A FURTHER MEETING WITH ZHOU NAN AND TELL HIM THAT MINISTERS ARE PREOCCUPIED WITH THE ELECTION AND HAVE NOT BEEN ABLE TO CONSIDER THE POSSIBLE FORMULA FOR GETTING THE TALKS STARTED. IT WOULD IN ANY CASE BE CONSTITUTIONALLY WRONG FOR THEM TO TAKE DECISIONS OF THIS IMPORTANCE IN THE LAST DAYS OF THE ELECTION CAMPAIGN. IF THE PRIME MINISTER IS RE-ELECTED YOU ARE SURE THAT SHE AND HER COLLEAGUES WILL FOCUS ON THE MATTER AT THE EARLIEST POSSIBLE OPPORTUNITY. YOU SHOULD ADD THAT YOU GREATLY HOPE THAT MEANWHILE THERE WILL BE NO STATEMENTS MADE, EG AT THE NATIONAL PEOPLE'S CONGRESS, WHICH COULD GIVE A MISLEADING IMPRESSION ON THE POSITION SO FAR REACHED OR ANY SUGGESTION THAT THE BRITISH HAVE ACCEPTED TRANSFER OF SOVEREIGNTY AS A FOREGONE CONCLUSION. SUCH SUGGESTIONS WOULD BE VERY DAMAGING TO CONFIDENCE IN HONG KONG AND NO BRITISH GOVERNMENT COULD BE EXPECTED TO NEGOTIATE ON THAT BASIS. WE HAVE MADE OUR POSITION CLEAR AND WE SHALL NOT BACK-TRACK FROM IT. IT WOULD BE VERY UNDESIRABLE IF WE WERE FORCED TO REACT PUBLICLY TO ANY PUBLIC STATEMENT BY THE CHINESE, THEREBY JEOPARDISING THE START OF THE TALKS WHICH WE BOTH WANT TO BEGIN AS SOON AS POSSIBLE.

4. THE GOVERNOR SHOULD EXPLAIN TO EXCO THAT THE PRIME MINISTER HAS NOT FELT ABLE TO TAKE A DECISION ON THE PROPOSED FORMULA AT THIS STAGE. FOR SIR E YOUDE'S PERSONAL INFORMATION, THE PRIME MINISTER WONDERED WHETHER EXCO HAD REALLY FOCUSED ON THE RISKS WHICH SHE WAS INCLINED TO SEE. I SAID THAT IT WOULD BE UNWISE TO STIR THEM UP TO OBJECT IF THEY WERE NOT DISPOSED TO DO SO, IT WOULD HOWEVER BE USEFUL TO SIR E YOUNDE'S CONFIRMATION THAT THEY SEE NO PARTICULAR DANGERS OR HOSTAGES TO FORTUNE IN THE FORMULA PROPOSED.

PYM

LIMITED

HD/HK D

HD/PLANN STAFF

HD/FED

PS

PS/PUS

MR GIFFARD

MR DONALD

COPY TO:

MR BUTLER, NO.10 DOWNING STREET

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