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FROM PEKING 150600Z JU 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 679 OF 15/7/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

*Read in full.**ms*

MIPT:

FUTURE OF HONG KONG

1. WHEN THE GOVERNOR WAS HERE ON 13 JULY, I DISCUSSED WITH HIM THE FOURTH ROUND OF TALKS. WE AGREED THAT THE EARLIEST PRACTICABLE TIME TO RECONVENE, WHEN HE AND I AND YAO GUANG WOULD ALL HAVE RETURNED FROM OUR RESPECTIVE TRAVELS, WOULD BE THE THIRD WEEK IN SEPTEMBER. I NOTE FROM YOUR TEL NO 627 TO HONG KONG THAT THIS WOULD NOT CLASH WITH THE PROPOSED TIMING OF MR LUCE'S VISIT. IF POSSIBLE I SHOULD LIKE TO BE ABLE TO DISCUSS THIS TIMING WITH THE CHINESE AT OUR NEXT PLENARY MEETING.

2. I HAVE BEEN GIVING SOME THOUGHT TO WHERE WE ARE LIKELY TO BE IN OUR TALKS BY THE TIME WE RETURN FROM THE SUMMER BREAK. IF THE SECOND AND THIRD ROUNDS FOLLOW THE SCENARIO IN MIPT, WE SHALL HAVE DONE REASONABLY WELL IN PUTTING ACROSS OUR DETAILED ARGUMENTS. WE MAY EVEN HAVE GIVEN THE CHINESE SOME PAUSE FOR THOUGHT AND PERHAPS PERSUADED THEM THAT THE ADMINISTRATION OF HONG KONG IS A MORE COMPLEX AFFAIR THEN THEY PRESENTLY APPRECIATE. HOWEVER, WHETHER OR NOT OUR PRESENTATIONS RECEIVE THEIR CAREFUL CONSIDERATION I HOLD OUT NO HOPE THAT THE CHINESE WILL FIND OUR ARGUMENTS PERSUASIVE AS A CASE FOR CONTINUING THE ADMINISTRATIVE (NEXT TWO WORDS UNDERLINED) STATUS QUO WITHOUT MODIFICATION, AND BY SEPTEMBER I WOULD EXPECT THEM TO BE IMPATIENT TO BEGIN WORK ON AGREEING GENERAL PRINCIPLES FOR ADMINISTRATIVE ARRANGEMENTS AFTER 1997.

3. I THEREFORE ENVISAGE THAT IN THE AUTUMN WE SHALL BE FORCED TO FACE THE ADMINISTRATION PREMISE HEAD ON. IT WILL REQUIRE VERY CAREFUL THOUGHT ON OUR SIDE OVER THE COMING WEEKS IF WE ARE TO BE READY FOR THIS, AND I SEE TWO WAYS IN WHICH WE MIGHT PREPARE. THE FIRST IS TO PROBE THE CHINESE POSITION TO SEE IF WE CAN DISCOVER THEIR BOTTOM LINE, I E HOW MUCH MORE THAN TITULAR SOVEREIGNTY

THEY REALLY REQUIRE IN ORDER TO SATISFY THEIR POLITICAL PRINCIPLE. WE NEED TO KNOW THE SIZE OF THE PROBLEM BEFORE US.

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4. THE BEST WAY TO CONDUCT SUCH PROBING WOULD BE INFORMALLY WITH ZHOU NAN . IT WOULD BE A MOST DELICATE SUBJECT TO DISCUSS AND THE ESSENTIAL THING WOULD BE TO AVOID GIVING THE IMPRESSION THAT WE WERE READY TO TRADE. ZHOU DID HOWEVER RAISE THE QUESTION WITH ME AT LUNCH ON 8 JULY AND HE WILL PROBABLY DO SO AGAIN. AS I DID THEN, I COULD TRY TO DRAW HIM OUT, AND I WOULD EXPECT HIM TO REPEAT THAT THE GOVERNOR (PERHAPS ALSO THE CHIEF SECRETARY) COULD NO LONGER BE BRITISH AND THAT BRITISH TROOPS MUST GO. I WOULD THEN PROPOSE TO TELL ZHOU THAT THE PEOPLE OF HONG KONG WOULD HAVE NO CONFIDENCE IN A CHINESE GOVERNOR ACCOUNTABLE TO PEKING, AND THAT SUCH A PROPOSAL WAS THEREFORE QUITE UNACCEPTABLE TO US. I WOULD REPEAT THE NEED FOR GUARANTEES AGAINST INTERFERENCE AND ASK HIM HOW HE WOULD PROPOSE TO MEET THIS NEED. ZHOU MAY NOT BE ABLE TO RESPOND TO THIS, BUT IT IS IN MY VIEW WORTH TESTING THIS LINE OF INQUIRY TO SEE IF THE CHINESE ARE CONTEMPLATING ANYTHING LESS THAN A STRAIGHTFORWARD REPLACEMENT OF THE BRITISH GOVERNOR BY A CHINESE.

5. I HAD A VERY BRIEF EXCHANGE WITH HIM ON THIS SUBJECT AT MY LUNCH FOR THE DELEGATIONS ON 12 JULY, WHERE HE SAID, APROPOS 'CLOSED DOORS', THAT WE MUST NOT ATTEMPT THE IMPOSSIBLE. ASKED WHAT WAS IMPOSSIBLE, HE REFERRED TO THE TALK OF 8 JULY AND CITED A BRITISH GOVERNOR AS AN EXAMPLE. I REPLIED THAT A CHINESE GOVERNOR WOULD BE SEEN AS A STOOGES OF PEKING AND HOW COULD WE GUARANTEE AGAINST INTERFERENCE? HIS ANSWER WAS, WE NEED A VERY SPECIAL AGREEMENT FOR A VERY SPECIAL CASE. IN OTHER WORDS, HE PROPOSED RELIANCE ON THE TERMS OF AN EVENTUAL BILATERAL AGREEMENT. BUT IN PURSUING THIS MATTER WE SHOULD HAVE TO URGE THE NEED NOT JUST FOR ASSURANCES IN WRITING BUT FOR SOME PHYSICAL SYMBOL THAT HONG KONG ADMINISTRATORS WOULD NOT BE PEKING'S RUNNING DOGS.

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6. MEANWHILE

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6. MEANWHILE, ON OUR SIDE WE SHOULD EXAMINE CAREFULLY HOW MUCH LESS, IF ANYTHING, THAN THE PRESENT INTACT BRITISH ADMINISTRATION WOULD BE SUFFICIENT TO MAINTAIN THE CONFIDENCE OF THE PEOPLE OF HONG KONG. THIS IS AFTER ALL THE NUB OF THE QUESTION WHERE CAN THE LINE BE DRAWN BETWEEN SOVEREIGNTY AND ADMINISTRATION SO THAT BOTH PEKING AND THE POEPL^e OF HONG KONG WILL BE SATISFIED, OR WILL TA^{ke} BREAK DOWN ON THIS POINT? IT WOULD BE HELPFUL IF HARD THINKING COULD BE DONE ON THIS BEFORE THE GOVERNOR AND I ATTEND ANY DISCUSSIONS WITH MINISTERS IN THE UK, PRESUMABLY IN EARLY SEPTEMBER.

CRADOCK

(REPEATED AS REQUESTED)

FUTURE OF HONG KONG

LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/LADY YOUNG
PS/MR LUCE
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