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FROM PEKING 200600Z JUL 83

TO IMMEDIATE FCO

Lead in full.

TELEGRAM NUMBER 694 OF 20/7/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

YOUR TEL NO 420: FUTURE OF HONG KONG .

1. THE PRIME MINISTER'S QUESTION OF HOW TO ENSURE THAT THE FACTS ON HONG KONG REACH CHINA'S LEADERSHIP IS AN IMPORTANT ONE.

2. IN ONE SENSE, OF COURSE, THE CHINESE LEADERS ARE INCORRIGIBLE AND INEDUCABLE. OTHERWISE THEY WOULD NOT BE WHERE THEY ARE. WHETHER CLASSED AS 'REFORMISTS' OR 'LEFTISTS' THEY ARE ELDERLY MEN WITH RIGID VIEWS, BLINKERED BY DOGMA AND NATIONAL PRIDE AND DEEPLY IGNORANT OF HOW A PLACE LIKE HONG KONG WORKS.

3. ON PRINCIPLES, EG THE SUPERIORITY OF THE SOCIALIST SYSTEM, WE CANNOT HOPE TO SHIFT THEM. WE HAVE TO TRY TO OPERATE IN THE INTERSTICES OF THAT FRAMEWORK, OFFERING THEM FACTS WHICH MAY GIVE THEM PAUSE AND WHICH SUGGEST THAT BY RELATIVELY SMALL ADJUSTMENTS IN THEIR POSITION AND WITHOUT BETRAYING ANY BASIC BELIEFS, THEY CAN BETTER ENSURE CHINA'S INTERESTS AND INCOME.

4. THE EVIDENCE SUGGESTS THAT BEYOND CERTAIN QUESTIONS OF PRINCIPLE, THE CHINESE LEADERS HAVE NOT YET FORMED DEFINITE IDEAS ON HONG KONG. THEIR POLICY HAS NOT DEVELOPED MUCH BEYOND THE DECISION TO TAKE BACK SOVEREIGNTY AND TO EXECISE IT IN A WAY THAT STILL SEEMS UNCLEAR. THERE REMAINS, THEREFORE, A LARGE AREA WHICH THEY HAVE YET TO CONSIDER CAREFULLY.

5. WHAT WE HAVE TO TRY TO DO IS TO LEAD THEM TO SEE THAT THE RUNNING OF HONG KONG IS A COMPLEX BUSINESS QUITE DIFFERENT FROM ANYTHING IN THEIR EXPERIENCE AND SOMETHING WHICH CHINA IS ILL-EQUIPPED TO TAKE OVER. WE HAVE TO ENCOURAGE THEM TO CONCLUDE THAT, SUBJECT TO THEIR REQUIREMENTS FOR POLITICAL SATISFACTION ON QUESTIONS OF 'PRINCIPLE', HONG KONG'S AND, MORE RELEVANTLY, CHINA'S BEST INTERESTS LIE IN MAINTAINING AS FAR AS POSSIBLE THE STATUS QUO AFTER 1997. WE MAY NOT SUCCEED IN THIS. IT IS, I STRESS, THE MOST WE CAN REALISTICALLY HOPE FOR.

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6. THE ABOVE DEALS WITH THE AREAS IN WHICH THEY MIGHT BE PERSUADABLE. THE NEXT QUESTION IS HOW TO GET THE FACTS ACROSS.

7. MOST OF THE FACTS ARE, OF COURSE, ALREADY AVAILABLE IN YEAR-BOOKS, OPEN PUBLICATIONS ETC. BUT THEY NORMALLY WILL NOT REACH THE CHINESE DECISION-MAKERS. SUCH EVIDENCE AS WE HAVE SUGGEST THAT CHINESE EMBASSIES AND REPRESENTATIVES ABROAD TEND TO REPORT WHAT THEY THINK THE CENTRE LIKES TO HEAR.

THE BANK OF CHINA ARE ALSO CAUTIOUS. MISSIONS OF HONG KONG CHINESE HAVE BEEN, WITH ONE EXCEPTION, OBSEQUIOUS.

8. HOWEVER, WE DO KNOW THAT THE SENIOR LEADERS ARE INTERESTED IN THE HONG KONG NEGOTIATIONS AND WE CAN THEREFORE ASSUME THAT FAIRLY FULL REPORTS OF THE NEGOTIATIONS WILL BE SUBMITTED TO THEM. WHEN THEY WISH TO DO SO, THE CHINESE ARE ABLE TO SUBMIT REPORTS ACCURATELY AND QUICKLY TO THE TOP.

9. WE NEED THEREFORE TO ENSURE THAT AS MUCH AS POSSIBLE OF OUR MESSAGE GETS IN THE RECORD OF THE NEGOTIATIONS. ASSERTIONS OF POLITICAL PRINCIPLE ON OUR SIDE ARE LIKELY TO MEET WITH INTELLECTUAL/EMOTIONAL RESISTANCE, VERY MUCH AS CORRESPONDING CHINESE ASSERTIONS ARE DISCOUNTED BY US. FACTUAL EVIDENCE, IS, THEREFORE, AT A PREMIUM AND SUB-COMMITTEES, IF THEY CAN EVER BE ESTABLISHED, COULD SERVE BETTER THAN PLENARIES. BUT, LACKING SUB-COMMITTEES, WE MUST DO THE BEST WE CAN WITH THE PLENARIES.

10. THE PAPERS THAT ARE CURRENTLY IN PREPARATION IN HONG KONG WILL BE CRUCIAL TO OUR EDUCATIVE EXERCISE. I AM GLAD THAT THEY WILL BE AS BRIEF AS POSSIBLE AND THAT ONE-TO TWO-PAGE SUMMARIES WILL BE ATTACHED. THERE IS NO CHANCE THAT FULL-LENGTH STUDIES WILL BE PASSED UP TO CHINESE LEADERS. SHORT PAPERS, OR PERHAPS ONLY SUMMARIES, MIGHT. IN ADDITION, I PROPOSE TO MAND TO THE CHINESE SPEAKING NOTES OF THE POINTS MADE BY THE GOVERNOR AND MYSELF REBUTTING CHINESE POINTS. IN THIS TOO I SHALL AIM FOR BREVITY, USUALLY DRAWING AS FAR AS POSSIBLE ON HARD FACT AS OPPOSED TO POLITICAL CONTENTION.

11. THE ABOVE DOES NOT, OF COURSE, RULE OUT FACE-TO-FACE MEETINGS WITH CHINESE LEADERS. MORE DELEGATIONS FROM HONG KONG WITH BACKBONE, LIKE THE YOUNG PROFESSIONALS, WOULD BE VERY VALUABLE. AS REGARDS BRITISH VISITORS, THE GREAT DIFFICULTY WILL BE IN AVOIDING AROUSING UNREAL PUBLIC EXPECTATIONS. SUBJECT TO THAT, THE MORE MEETINGS WE CAN ENGINEER WITH CHINESE LEADERS THE BETTER AND SUCH OCCASIONS MUST BE METICULOUSLY PREPARED. IF WE CAN GET A SHORT SIMPLE MESSAGE OVER, THAT COULD BE VERY IMPORTANT. BUT THE VALUE OF SUCH ENCOUNTERS IS LIKELY TO LIE MORE IN INDICATIONS OF BRITISH POLICY RATHER THAN EDUCATION ABOUT HONG KONG. IN THE NATURE OF THINGS, THEY ARE LIKELY TO BE BRIEFER

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AND MORE POLITICALLY CHARGED EVENTS THAN THE DISCUSSIONS IN THE REGULAR HONG KONG TALKS. MOREOVER, THE CHINESE LEADERS ARE MORE LIKELY TO ACCEPT AS FACT MATERIAL COMING UP TO THEM THROUGH THEIR OWN CHANNELS, EG IN RECORDS OF THE NEGOTIATIONS, THAN DIRECT STATEMENTS BY BRITISH VISITORS.

12 FINALLY, CHINESE OFFICIAL VISITORS TO HONG KONG, PARTICULARLY THOSE LIKE HUAN XIANG WHOSE ADVICE GETS THROUGH TO SENIOR LEADERS, REQUIRE CAREFUL HANDLING TO PUT THEM IN TOUCH WITH THE FACTS AND ENCOURAGE THEM TO DRAW THE RIGHT

CONCLUSIONS. HUAN IS EXPECTED TO VISIT HONG KONG IN SEPTEMBER OR OCTOBER.

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FUTURE OF HONG KONG

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