

HK  
Future  
10/7  
(24)

Max Cole or  
No ID Don't

37A

SECRET D E D I P

12957 - 1

PP WASHINGTON  
GRS 510  
DEDIP  
SECRET  
DEDIP  
FM FCO 191700Z AUG 83  
TO PRIORITY WASHINGTON  
TELEGRAM NUMBER 1376  
INFO PRIORITY HONG KONG (PERSONAL FOR ACTING GOVERNOR)  
PRIORITY PEKING (PERSONAL FOR CHARGE)  
PERSONAL FOR THOMAS FROM DONALD  
YOUR TELNOS 1836 AND 1991: BRIEFING OF AMERICANS ON FUTURE OF  
HONG KONG

A-S-C-5/2  
h-a-

1. SUBJECT TO YOUR VIEWS, WE THINK IT WOULD BE TIMELY FOR YOU TO BRIEF SHULTZ AND/OR APPROPRIATE SENIOR STATE DEPARTMENT OFFICIALS ON THE MEETINGS IN THE SECOND PHASE OF TALKS HELD IN PEKING, L2/L3 JULY, 25/26 JULY, AND 2/3 AUGUST. IF THEY SEE ADVANTAGE, HONG KONG AND PEKING MAY ALSO DRAW ON THE FOLLOWING MATERIAL TO UP-DATE LEVIN AND FREEMAN.
2. THREE ROUNDS OF SUBSTANTIVE TALKS (PUBLICLY DESIGNATED 'SECOND PHASE') WERE HELD ON 12/13 JULY, 25/26 JULY AND 2/3 AUGUST. THEY WILL RESUME ON 22/23 SEPTEMBER. THE CHINESE DELEGATION IS BEING LED BY VICE MINISTER YAO GUANG AND THE BRITISH DELEGATION BY HMA PEKING. THE GOVERNOR OF HONG KONG IS PARTICIPATING ON THE BRITISH SIDE AS APPROPRIATE. THE CHINESE ARE INSISTENT THAT THE TALKS ARE BILATERAL BETWEEN BRITAIN AND CHINA AND THAT THE HONG KONG GOVERNMENT IS NOT A THIRD PARTY. IN PRACTICE, HOWEVER, WE ARE IN CLOSE CONSULTATION WITH THE HONG KONG EXECUTIVE COUNCIL AND ARE TAKING THEIR VIEWS INTO ACCOUNT.
3. THE ATMOSPHERE AT THE JULY AND AUGUST ROUNDS WAS GOOD, AND THE CHINESE BEHAVED BETTER IN THE SENSE THAT THERE WERE FEWER LEAKS AND LESS PROPAGANDA PRESSURE. HOWEVER, FOLLOWING THE MEETING HELD ON 3 AUGUST, YAO GUANG DID BREACH CONFIDENCE AT A DINNER WITH SCANDANAVIAN AMBASSADORS WHILST ON 15 AUGUST, CCP GENERAL SECRETARY, HU YAOBANG, GAVE A DISTORTED VIEW OF THE POSITION TO JAPANESE REPORTERS. HE TOLD THEM THAT CHINESE WOULD RECOVER

1  
SECRET D E D I P

SOVEREIGNTY OVER HONG KONG ON 1 JULY 1997 AND GAVE THE ERRONEOUS IMPRESSION THAT WE HAD CONCEDED CHINA'S PREMISE ON SOVEREIGNTY.

4. DESPITE THE FRIENDLY ATMOSPHERE AT THE THREE ROUNDS, THE CHINESE LINE ON SUBSTANCE WAS TOUGH THROUGHOUT. THEY HELD TO THEIR POSITION ON SOVEREIGNTY AND ADDED TO THIS THE LINE THAT SOVEREIGNTY AND ADMINISTRATION WERE NOT DIVISIBLE. BOTH SIDES REHEARSED THEIR BASIC VIEWS ON HONG KONG AND MORE DETAILS EMERGED OF CHINA'S HONG KONG 'PLAN'. HMG'S OBJECTIVE DURING ALL THESE MEETINGS WAS TO EXPLAIN TO THE CHINESE THE COMPLEXITY OF HONG KONG'S ECONOMY AND LEGAL SYSTEM, THE IMPORTANCE OF THE BRITISH LINK IN MAINTAINING CONFIDENCE AND THE CONSEQUENT DISTRUST BY PEOPLE IN HONG KONG OF THE CHINESE PROPOSALS FOR THEIR FUTURE, AS REVEALED PUBLICLY. WE GAVE THE CHINESE A NUMBER OF PAPERS ON SPECIFIC ASPECTS OF HONG KONG'S STRUCTURE. THE EVIDENCE SUGGESTS THAT, ALTHOUGH THEY ARE STANDING BY THEIR HARD LINE ON SOVEREIGNTY, THE CHINESE HAVE NOT YET THOUGHT THROUGH MOST OF THE DETAILED ISSUES RELATING TO HONG KONG'S ADMINISTRATION.

5. ALTHOUGH THE CHINESE LISTENED TO WHAT WE HAD TO SAY, AND SEEMED GLAD TO HAVE OUR EXPLANATORY PAPERS, IT REMAINS TO BE SEEN WHAT IMPACT THESE WILL HAVE. WE EXPECT THE CHINESE TO MAINTAIN THEIR HARD LINE WHEN TALKS RESUME ON 22/23 SEPTEMBER. WE SEE A HARD SLOG AHEAD, AND A PROBABLE INTENSIFICATION OF THE PROPAGANDA CAMPAIGN.

WHITNEY

FUTURE OF HONG KONG

LIMITED  
 ED/HKD  
 HD/FED  
 HD/PLANNING STAFF  
 ED/PUSD  
 PS  
 PS/LADY YOUNG  
 PS/MR LUCE  
 PS/PUS  
 SIR J BULLARD  
 MR GIFFARD  
 MR DONALD  
 MR WRIGHT

COPIES TO:

SIR I SINCLAIR LEGAL ADVISER  
 MR BURROWS LEGAL ADVISERS  
 MR MARTIN ASSESSMENTS STAFF  
 CABINET OFFICE  
 MR FLOWER PUSD  
 MR COLES NO 10 DOWNING ST  
 SIR A PARSONS " "  
 MR WALKER, RESEARCH DEPT  
 MR ROBERTS NEWS D (GOGGS)

2  
 SECRET