

SECRET

SECRET

FROM PEKING 230900Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 932 OF 23/9/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG AND IMMEDIATE SINGAPORE (PERSONAL FOR PS/MR LUCE)

FUTURE OF HONG KONG: SECOND PHASE: FOURTH ROUND:

SECOND DAY

1. I SPOKE BRIEFLY AT THE START OF TODAY'S MEETING, EXPRESSING MY HOPE THAT THE CHINESE SIDE COULD AGREE TO THE JOINT STATEMENT I HAD PROPOSED YESTERDAY. I ALSO TOLD YAO GUANG THAT I WOULD BE INTERESTED TO HEAR HIS PROMISED THOUGHTS ON THE STATE OF THE HONG KONG DOLLAR.

2. YAO SAID THAT HE HAD STUDIED MY STATEMENT AND COMMENTS AT YESTERDAY'S MEETING VERY CAREFULLY. HE HAD CONCLUDED THAT, DESPITE THE CLEVER PRESENTATION OF OUR VIEWS AND THE USE OF DIFFERENT EXPRESSIONS, OUR AIM WAS UNCHANGED. HE SAID THE CONTINUATION OF BRITISH ADMINISTRATION AFTER 1997, THIS WAS FRANKLY A BLIND ALLEY FOR BRITAIN AND AN INSURMOUNTABLE OBSTACLE IN OUR TALKS. HE MUST PLACE THIS ISSUE SQUARELY ON THE TABLE. IF BRITAIN CONTINUED TO CLING TO THIS UNREASONABLE AND COLONIALIST DEMAND WHAT POINT WAS THERE IN TALKING FURTHER? WHAT RESULT COULD ONE EXPECT? THE ONLY WAY OUT FOR BRITAIN ON THE QUESTION OF HONG KONG WAS TO MOVE WITH THE TIDE OF HISTORY, CAST OFF ITS COLONIALIST REPUTATION AND HAND HONG KONG BACK TO CHINA. I HAD SAID THAT BRITAIN DID NOT WANT TO SEE A UNILATERAL DECLARATION BY CHINA, SO YAO HOPED THAT BRITAIN WOULD CEASE HAGGLING AND GIVE UP THE IDEA OF AN EXCHANGE OF SOVEREIGNTY FOR ADMINISTRATION. THE CHINESE GOVERNMENT ATTACHED IMPORTANCE TO THE STABILITY AND PROSPERITY OF HONG KONG AND PLANNED TO SET UP A SPECIAL ADMINISTRATIVE REGION, IN ACCORDANCE WITH ARTICLE 31 OF THE CONSTITUTION. THEY WOULD ADOPT VERY SPECIAL POLICIES FOR HONG KONG AND WOULD GIVE FULL CONSIDERATION TO BRITISH INTERESTS THERE. I HAD REMARKED YESTERDAY THAT THE CHINESE HAD FORMULATED THEIR POLICIES IN A CONSTRUCTIVE SPIRIT. SO WHY COULD BRITAIN NOT AGREE TO HAVE DISCUSSIONS WITH CHINA ON THIS BASIS?

3. YAO REPEATED THE OBJECTION HE MADE YESTERDAY TO MY REMARKS THAT IN OTHER CIRCUMSTANCES BRITAIN WOULD BE READY TO GRANT INDEPENDENCE TO HONG KONG. HONG KONG WAS QUITE DIFFERENT FROM OTHER TERRITORIES TAKEN BY BRITAIN. IT WAS NOT A QUESTION OF NATIONAL LIBERATION, BUT OF THE RECOVERY OF CHINESE TERRITORY. THE FUTURE OF HONG KONG COULD ONLY BE AS PART OF THE MOTHERLAND.

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5. YAO SAID THAT THE DRAFT JOINT PRESS STATEMENT I HAD PROPOSED YESTERDAY WAS UNACCEPTABLE. IT WOULD ONLY SERVE TO DECEIVE THE PUBLIC, SINCE THERE HAD BEEN NO CHANGE IN BRITAIN'S RIGID ATTITUDE. IN THE CHINESE VIEW, DISCUSSION OF MAINTAINING STABILITY AND PROSPERITY SHOULD NOT BE APPROACHED IN AN ISOLATED OR ACADEMIC WAY, AND COULD ONLY BE MEANINGFUL ON THE PREMISE OF CHINESE RECOVERY OF SOVEREIGNTY AND ADMINISTRATION. OUR DISCUSSIONS COULD NOT LAST INDEFINITELY. CHINA WOULD ANNOUNCE ITS POLICIES NOT LATER THAN SEPTEMBER 1984. HOW COULD WE SAY IN THE JOINT STATEMENT THAT WE HAD CONFIDENCE IN THE FUTURE, WHEN BRITAIN STILL DID NOT ACCEPT CHINA'S PROPOSALS FOR THE FUTURE? FOR THESE REASONS AND OTHERS THE JOINT STATEMENT WAS UNACCEPTABLE.

6. I SAID THAT I FOUND YAO'S STATEMENTS AT THIS ROUND VERY DISAPPOINTING AND WORRYING. I TOOK SERIOUS EXCEPTION TO HIS CHARGE THAT WE HAD MANUFACTURED FACTS TO SUPPORT CONCLUSIONS WE HAD ALREADY REACHED. IT WAS ONLY ON THE BASIS OF FACTS THAT WE HAD REACHED OUR SINCERE CONCLUSION THAT THE BRITISH LINK WAS THE ONLY WAY TO MAINTAIN STABILITY AND PROSPERITY. BECAUSE THE CHINESE TOOK A DIFFERENT VIEW, WE HAD PROPOSED THAT WE EXAMINE JOINTLY THE BASIS OF THIS CONCLUSION. BUT THE CHINESE SIDE HAD MADE NO ATTEMPT TO RESPOND ON A FACTUAL BASIS.

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9. YAO THEN MADE SOME BRIEF COMMENTS. HE SAID THAT THE CHINESE SIDE COULD CONSIDER OUR PROPOSAL. HE REPEATED THAT WE HAD FAILED TO EXPLAIN CLEARLY WHAT WE MEANT BY BRITISH LINK. HE CLAIMED THAT HE HAD NOT ACCUSED US OF MANUFACTURING FACTS. , (AT WHICH POINT I QUOTED HIS WORDS BACK AT HIM) BUT SAID THAT WE PROCEEDED FROM OUR PRECONCEIVED PRINCIPLE THAT BRITISH CONOLIAL ADMINISTRATION SHOULD BE MAINTAINED. I REJECTED THIS CHARGE.

10. YAO SAID THAT AT THE BEGINNING OF THE SECOND PHASE CHINA HAD WELCOMED MATERIAL FROM THE BRITISH SIDE WHICH WAS BENEFICIAL TO THE MAINTENANCE OF STABILITY AND PROSPERITY AFTER CHINA RECOVERED HONG KONG AFTER 1997. OBVIOUSLY IT WAS NOT RIGHT THAT WE SHOULD ASK CHINA TO DISCUSS SUCH MATERIAL AS LONG AS WE REJECTED THE IDEA OF CHINA'S RECOVERY OF HONG KONG. IT WAS A FACT THAT HONG KONG WAS CHINA'S TERRITORY FORCIBLY OCCUPIED BY BRITAIN. OUR INSISTENCE ON CONTINUING BRITISH RULE WAS A PRECONCEPTION. ON CONFIDENCE, WHETHER WE WERE PLAYING CARDS OR NOT, OR EXERTING PRESSURE OR NOT, WAS SOMETHING ON WHICH THE PUBLIC THEMSELVES WOULD MAKE UP THEIR OWN MIND. IF WE REALLY WANTED TO HAVE SERIOUS NEGOTIATIONS IN THE DAYS TO COME, WE SHOULD CEASE MANOEUVRES OF THIS KIND. WE HAD SAID THAT CONFIDENCE WAS THE CRUCIAL QUESTION BUT IN FACT THE CRUCIAL QUESTION WAS WHETHER WE WERE READY TO COOPERATE WITH THE CHINSE IN SETTLING THE QUESTION OF HONG KONG. WHETHER OR NOT IT WOULD BE POSSIBLE TO MAINTAIN STABILITY AND PROSPERITY IN HONG KONG AND FOR THE TALKS TO PROCEED SMOOTHLY DEPENDED ON THE BRITISH ATTITUDE.

11. DISCUSSION THEN TURNED TO THE DATE OF THE NEXT MEETING. WE HAD EARLIER PROPOSED 14 AND 15 OCTOBER. YAO SAID THAT THIS WAS DIFFICULT FOR THE CHINESE SIDE IN VIEW OF THE INTERVENING NATIONAL DAY HOLIDAY AND THE FOREIGN MINISTER'S TRIP TO AMERICA. WE EVENTUALLY AGREED ON 19 AND 20 OCTOBER. WE THEN AGREED THE PRESS STATEMENT WHICH I HAVE REPORTED SEPARATELY IN MY TEL N O 931 . I PRESSED YAO VERY HARD TO AGREE TO INCLUDE AT LEAST THE WORD 'USEFUL', STRESSING THAT WE HAD A COMMON RESPONSIBILITY TO PREVENT A WORSENING OF THE CONFIDENCE SITUATION. HE REFUSED. I ASKED HIM DIRECTLY WHETHER HE WISHED TO PREVENT THE VALUE OF THE HONG KONG DOLLAR FALLING FURTHER.

12. YAO ARGUED THAT, SINCE NO PROGRESS HAD BEEN MADE AT THIS ROUND, HE SAW NO NEED FOR A SUBSTANTIALLY DIFFERENT PRESS STATEMENT FROM THAT ISSUED AFTER THE LAST ROUND. HE SAID THAT, FRANKLY, BECAUSE OF THE BRITISH ATTITUDE, THE CHINESE SIDE HAD VEN CONSIDERED WHETHER OR NOT TO ISSUE A PRESS STATEMENT AT ALL.

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13. I EXPRESSED DEEP REGRET AT OUR FAILURE TO AGREE TO TAKE THIS VERY MODEST STEP IN SUPPORT OF THE DOLLAR AND TOLD YAO THAT THE RESPONSIBILITY LAY WITH THE CHINESE. HE CLAIMED TO BE SHOCKED BY THIS REMARK. HE SAID OF COURSE THE CHINESE DID NOT WANT THE HK DOLLAR TO FALL BUT THAT EMPTY WORDS WOULD NOT SOLVE THE PROBLEM AND HE HOPED THAT THE BRITISH WOULD TAKE PRACTICAL STEPS TO SUPPORT THE DOLLAR. IF NOT WE WOULD BE HELD RESPONSIBLE.

14. SEE MIFT FOR COMMENT

CRADOCK

(REPEATED AS REQUESTED)

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

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MR COLES NO 10 DOWNING STREET

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MR WALKER RESEARCH D OAB 2/82

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DESKBY 231030Z FCO AND H.K.
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FROM PEKING 230945Z SEP 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 933 OF 23RD SEPT
INFO IMMEDIATE HONG KONG AND IMMEDIATE SINGAPORE (PERSONAL
FOR PS/MR LUCE)

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MIPT: FUTURE OF HONG KONG: SECOND PHASE, ROUND FOUR:
SECOND DAY.

COMMENT

1. WE ACHIEVED OUR MINIMUM REQUIREMENT OF AGREEMENT TO A FURTHER
ROUND BUT THIS WAS ANOTHER DIFFICULT SESSION AND THE TEMPERATURE
FELL ANOTHER FEW DEGREES.

2. YAO MADE NO ATTEMPT TO ARGUE ON THE BASIS OF FACTS. HE
REITERATED HIS DEMAND THAT WE SHOULD ACCEPT THE CHINESE PREMISE
OF SOVEREIGNTY AND ADMINISTRATION. HIS COMMENTS WERE DOMINATED
BY ONE ISSUE: BRITISH OBSTINACY IN INSISTING ON THE CONTINUATION
OF BRITISH ADMINISTRATION WAS AN INSURMOUNTABLE OBSTACLE TO
PROGRESS. WE HAD RAISED IT (SIC): WE MUST REMOVE IT. THE TALKS
WERE DEADLOCKED AND NO PROGRESS WAS POSSIBLE UNLESS WE ACCEPTED
THE CHINESE PREMISE. HE RE-EMPHASISED THAT WE WERE TRYING TO
EXERT PRESSURE OVER CONFIDENCE AND THE HONG KONG DOLLAR BUT
THAT CHINA WOULD NOT SUCCUMB. HE CAME CLOSER THAN ON 22 SEPTEMBER
TO SAYING THAT UNLESS WE SHIFTED ON PRINCIPLES THE TALKS COULD
NOT CONTINUE. HE REJECTED THE DRAFT PRESS RELEASE WHICH WE HAD
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REITERATED THE CHINESE VIEW THAT THE TALKS WERE DEADLOCKED AND
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13. DISCUSSION

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3. DISCUSSION OVER THE DRAFT COMMUNIQUE MADE IT PLAIN THAT THE CHINESE GOVERNMENT WOULD NOT GIVE ANY ASSISTANCE OVER BOLSTERING CONFIDENCE IN THE DOLLAR UNLESS THEIR TERMS WERE MET. IN THE MEANTIME IT WAS OUR PROBLEM.

4. YAO DID NOT REACT DIRECTLY TO MY PROPOSAL THAT THE CHINESE ENLARGE ON THE POLICIES THEY INTENDED FOR HONG KONG (YOUR TELNO 624), SAYING ONLY IT COULD BE CONSIDERED.

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OO F C O DESKBY 231030Z

OO HONG KONG DESKBY 231030Z

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CRS 450

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