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FM FCO 241030Z SEPT 83

TO IMMEDIATE OTTAWA

ACTION COPY

TELEGRAM NUMBER 283 OF 24 SEPTEMBER

AND TO IMMEDIATE WASHINGTON, UKMIS NEW YORK. (FOR PRIVATE SECRETARY ON ARRIVAL).

INFO IMMEDIATE CANBERRA (PERSONAL FOR HIGH COMMISSIONER), PEKING, HONG KONG.

FOLLOWING FOR PRIVATE SECRETARY TO PRIME MINISTER ON ARRIVAL

FUTURE OF HONG KONG

1. IN THE LIGHT OF THE LATEST ROUND OF TALKS ON HONG KONG'S FUTURE IN PEKING, THE PM MAY WISH TO DRAW ON THE FOLLOWING ADDITIONAL POINTS IN HER TALKS WITH MR TRUDEAU IN OTTAWA AND WITH PRESIDENT REAGAN OR VICE PRESIDENT BUSH IN WASHINGTON:

“(A) TALKS WERE HELD IN PEKING ON 22/23 SEPTEMBER. NEXT ROUND 19/20 OCTOBER.

(B) ANOTHER DIFFICULT SESSION. CHINESE LINE VERY TOUGH. CHINESE REITERATION THAT WE ACCEPT THEIR PREMISE OF CHINESE SOVEREIGNTY AND ADMINISTRATION IN 1997. WE CONTINUED TO EXPLAIN THE FACTORS WHICH WE BELIEVE ARE IN HONG KONG'S BEST INTERESTS, IE WHICH WOULD BEST PRESERVE PROSPERITY, STABILITY AND THE PEOPLES WELL-BEING.

(C) HOPE AT NEXT ROUND TO EXPLAIN FURTHER OUR POSITION AND TO DRAW OUT CHINESE ON THEIRS, WITHOUT PREJUDICE TO EITHER SIDES' PRINCIPLES.

(D) WE ARE INSISTING THAT IT IS THE TALKS THAT COUNT. CHINESE ARE CARRYING OUT ~~LARGESCALE PROPAGANDA CAMPAIGN.~~ ^{LARGE SCALE PROPAGANDA CAMPAIGN.} THIS IS HAVING VERY HARMFUL EFFECT ON CONFIDENCE IN HONG KONG. POOR PERFORMANCE OF HONG KONG DOLLAR AND STOCK MARKETS DUE TO POLITICAL UNCERTAINTY, NOT ECONOMIC FACTORS.”

2. THE ABOVE LINE COULD ALSO BE USED BY THE SECRETARY OF STATE WITH MR SHULTZ AND WITH MR HAYDEN, THE AUSTRALIAN FOREIGN MINISTER, AT BILATERALS IN NEW YORK.

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