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FN HONG KONG 260610Z SEP 83
TO IMMEDIATE UKMIS NEW YORK
TELEGRAM NUMBER 9 OF 26 SEPTEMBER
INFO IMMEDIATE FCO OTTAWA (FOR PRIVATE SECRETARY TO PM) PEKING

FOLLOWING FOR PRIVATE SECRETARY FROM GOVERNOR

FCO TELNOS 448 TO YOU: FUTURE OF HONG KONG: BILATERAL MEETING
WITH CHINESE FOREIGN MINISTER, 27 SEPTEMBER

1. UNOFFICIALS WILL ATTACH CONSIDERABLE IMPORTANCE TO THE
SECRETARY OF STATE'S TALK WITH WU XUEQIAN. THIS WILL PROBABLY BE
THE ONLY OPPORTUNITY WE WILL GET TO PUT POINTS TO THE CHINESE AT
SENIOR LEVEL BEFORE THE NEXT ROUND OF TALKS IN PEKING, AND IT
WOULD BE HELPFUL IF MR LUCE COULD ASSURE EXCO THAT THE SECRETARY
OF STATE WILL BE TAKING A VERY ROBUST LINE.

2. I HAVE DISCUSSED THE SUGGESTED POINTS TO MAKE IN FCO
TELEGRAM UNDER REFERENCE WITH THE AMBASSADOR. FOR REASONS WHICH
WILL BE PLAIN FROM OTHER TELEGRAMS WE DO NOT THINK THIS IS THE
RIGHT OCCASION TO GET INTO DETAILED NEGOTIATION. BUT IN THE LIGHT
OF THE FALL IN CONFIDENCE AND THE SEVERE IMPACT ON THE HONG KONG
DOLLAR OVER THE PAST FEW DAYS, WE RECOMMEND THAT THE S OF S SHOULD
TAKE A SHARPER LINE THAN THE ONE PROPOSED. IN PARTICULAR HE
MIGHT MAKE THE FOLLOWING POINTS:

(A) DEEPLY DISAPPOINTED WITH THE CHINESE ATTITUDE DURING LAST
ROUND OF THE TALKS. WE HAD PROPOSED AN OBJECTIVE FACTUAL STUDY AND
HAD PRESENTED DETAILED PAPERS AS AN INITIAL CONTRIBUTION TO THAT
STUDY. THE CHINESE HAD DONE NOTHING EXCEPT INSIST THAT WE MUST
ACCEPT THEIR POSITION BEFORE ANY DISCUSSION OF PRACTICAL POINTS
COULD BEGIN.

(B) ASTONISHED THAT CHINESE SHOULD HAVE TURNED DOWN OUR PROPOSAL
TO ISSUE A JOINT STATEMENT OF A KIND WHICH WOULD HAVE HELPED
CONFIDENCE IN HONG KONG. UNDERSTAND THAT THEY REFUSED EVEN TO
INCLUDE THE WORD QUOTE USEFUL UNQUOTE. THAT SUGGESTS CHINESE ARE NOT
INTERESTED IN MAINTAINING CONFIDENCE.

(C) CHINESE SHOULD BE UNDER NO ILLUSIONS ABOUT CAUSE OF LACK OF
CONFIDENCE AND DECLINE IN HONG KONG DOLLAR. THE REASON IS WORRY ABOUT
FUTURE, BROUGHT ABOUT LARGELY BY THE INTENSE BARAGE OF CHINESE
STATEMENTS AND BRIEFINGS IN RECENT WEEKS. CHINESE ALLEGED IN LAST
ROUND OF TALKS THAT BRITISH WERE TRYING TO PUT PRESSURE ON THEM
BY PLAYING QUOTE ECONOMIC CARD UNQUOTE. THIS TOTALLY UNTRUE.
HONG KONG GOVERNMENT HAVE DONE AND ARE DOING EVERYTHING POSSIBLE
TO SUSTAIN HONG KONG DOLLAR. CHINESE STATEMENTS ARE HAVING A
DAMAGING EFFECT ON MARKET SENTIMENT.

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3. WU IS LIKELY TO ACCUSE THE BRITISH OF HAVING CAUSED THE PRESENT SLIDE OF CONFIDENCE, EITHER DELIBERATELY IN AN ATTEMPT TO PUT PRESSURE ON THE CHINESE, OR THROUGH OUR ALLEGED QUOTE RIGIDITY UNQUOTE. THE SECRETARY OF STATE WILL WISH TO REFUTE THIS FIRMLY. HE MIGHT SAY THAT WE HAVE GIVEN OUR HONEST VIEW OF WHAT IS REQUIRED TO MAINTAIN STABILITY AND PROSPERITY IN HONG KONG AFTER 1997. THOUGH THERE REMAIN WIDE DIFFERENCES BETWEEN US WE REMAIN TOTALLY COMMITTED TO THE SEARCH FOR A SETTLEMENT WHICH WOULD ACCORD WITH THE INTERESTS OF BOTH CHINA AND BRITAIN. HOW COULD IT CONCEIVABLY BE IN ANYONE'S INTERESTS TO DESTROY THE PROSPERITY OF HONG KONG? FURTHER REASON BOTH SIDES SHOULD DO EVERYTHING POSSIBLE TO MAINTAIN CONFIDENCE IN HONG KONG AND SHOULD REFRAIN FROM ACTIONS WHICH DAMAGE ITS PROSPERITY.

YOUDE

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/FUSD

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

MR GIFFARD

MR DONALD

MR WRIGHT

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MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE

MR FLOWER FUSD

MR COLES NO 10 DOWNING STREET

SIR A PARSONS NO 10 DOWNING STREET

MR WALKER RESEARCH D OAB 2/82

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FM FCO 261330Z SEP 83

TO IMMEDIATE UKMIS NEW YORK

TELEGRAM NUMBER 506 OF 26 SEPTEMBER

INFO IMMEDIATE OTTAWA (FOR PRIVATE SECRETARY TO PM)

HONG KONG PEKING

FOR PRIVATE SECTETARY

HONG KONG TELNO 9: BILATERAL MEETING WITH CHINESE FOREIGN
MINISTER, 27 SEPTEMBER

1. PARAS 2 AND 3 OF TUR. WE HAVE NO OBJECTION TO SUGGESTED
POINTS TO MAKE.

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