

S E C R E T

DESKBY 271200Z OTTAWA

FM HONG KONG 271020Z SEP 83

TO IMMEDIATE OTTAWA

TELEGRAM NUMBER 12 OF 27 SEPTEMBER

AND TO IMMEDIATE F C O, WASHINGTON (FOR PRIVATE SECRETARY TO CHANCELLOR OF THE EXCHEQUER), UKMIS NEW YORK (FOR PRIVATE SECRETARY) AND PEKING.

SECRET 45

*P.N. has seen  
Apr 27/83*

IN

ACTION COPY

FOR PRIVATE SECRETARY TO THE PRIME MINISTER FROM GOVERNOR.

OTTAWA TELNO 6.

1. I HAVE VERY CAREFULLY CONSIDERED THE QUESTIONS POSED IN YOUR TUR, TOGETHER WITH MR LUCE AND SIR P CRADOCK. YOU WILL HAVE SEEN OUR ASSESSMENTS OF THE SITUATION WE FACE IN PEKING TELNO 937 AND HONG KONG TELNO 1407. IN THE LIGHT OF THESE ASSESSMENTS OUR ANSWERS TO THE QUESTIONS ARE AS FOLLOWS:-

2. YOUR QUESTION 2(A). IN OUR VIEW THE ONLY STATEMENTS FROM PEKING LIKELY TO STEADY OPINION IN HONG KONG WOULD BE EITHER:-

- (I) A STATEMENT SAYING THAT THE TALKS HITHERTO HAD MADE GOOD PROGRESS:
- (II) ONE INDICATING CHINESE WILLINGNESS TO MOVE FROM THEIR PUBLICLY PROPAGATED PLAN FOR HONG KONG IN THE DIRECTION OF WHAT IS CORRECTLY SURMISED IN THE PRESS TO BE THE BRITISH POSITION I.E. BRITISH ADMINISTRATION: OR
- (III) EXPRESSING THEIR UNDERSTANDING AND SUPPORT FOR THE HONG KONG GOVERNMENT'S EFFORTS TO STABILISE THE SITUATION, AND IN PARTICULAR THE DOLLAR.

3. NONE OF THESE STATEMENTS COULD BE REALISTICALLY EXPECTED. ON (I), THE CHINESE HAVE TOLD US THAT THE TALKS ARE STALEMATED AND THEIR FOREIGN MINISTER HAS PUBLICLY ATTRIBUTED THE LACK OF PROGRESS TO OUR "RIGIDITY".

ON (II), THE CHINESE ARE IMMOVABLE IN THEIR VIEW THAT BRITISH ADMINISTRATION IS UNACCEPTABLE: AND ON (III), AS ILLUSTRATED IN THE LAST ROUND OF TALKS, THEY TAKE THE LINE THAT THE DOLLAR CRISIS IS OUR AFFAIR AND IN FACT ACCUSE US OF FOMENTING IT IN ORDER TO BRING PRESSURE ON THEM.

4. YOUR QUESTION 2(C). THIS MESSAGE HAS ALREADY BEEN CONVEYED WITH CONSIDERABLE FORCE IN THE TALKS ON 22/23 SEPTEMBER. THE AMBASSADOR THEN SPOKE OF THE SERIOUSNESS AND GENUINENESS OF THE FINANCIAL SITUATION AND OF THE EFFORTS MADE BY THE HONG KONG

AND BRITISH GOVERNMENTS TO SUSTAIN CONFIDENCE. HE PROPOSED PRACTICAL CO-OPERATION WITH OTHE CHINESE IN THE SENSE OF A BEEFED-UP COMMUNIQUE. YAO GUANG ACCEPTED THERE WAS A PROBLEM OF CONFIDENCE BUT SAID WE WERE TO BLAME. HE REFUSED TO EMBELLISH THE COMMUNIQUE AND EVEN REFUSED TO INSERT THE WORD "USEFUL". ALTHOUGH REMINDED OF THE LIKELY IMPACT ON THE DOLLAR.

THE S OF S WILL NO DOUBT BE MAKING SIMILAR POINTS TO THE CHINESE FOREIGN MINISTER TODAY.

SECRET

4. YOUR QUESTION 2(D). I AM AFRAID WE DO NOT SEE ANY OTHER MEANS AVAILABLE AT THE PRESENT TIME OF GETTING OVER THE MESSAGE. THE CHINESE RECOGNISE THAT THERE IS A CRISIS BUT BELIEVE WE ARE TRYING TO USE IT IN ORDER TO BRING PRESSURE ON THEM AND ARE DETERMINED NOT TO GIVE WAY. THEY HAVE ALSO MADE PLAIN THEIR READINESS IF NEED BE TO ACCEPT CONSIDERABLE ECONOMIC DAMAGE IN PURSUIT OF THEIR OVERRIDING POLITICAL OBJECTIVE. THE ONLY WAY TO GET THEIR CO-OPERATION OVER THE IMMEDIATE FINANCIAL CRISIS OR TO EXPLORE WHAT THEY WOULD BE PREPARED TO GIVE TO ACHIEVE A SETTLEMENT ON HONG KONG IS TO MAKE A BOW IN THE DIRECTION OF THE PREMISE (SEE PARA 7 OF PEKING TELNO 937). SHORT OF SUCH A MOVE ON OUR PART, MINISTERIAL MESSAGES WOULD BE UNLIKELY TO HAVE ANY EFFECT AND SPECIAL EMISSARIES WOULD AROUSE PUBLIC EXPECTATIONS WHICH COULD NOT BE FULFILLED.

SECRET

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GRS 50

f UNCLASSIFIED  
FM OTTAWA 272000Z SEP 83  
TO IMMEDIATE EDMONTON  
TELEGRAM NUMBER OF 27 SEPTEMBER

PLEASE PASS FOLLOWING TO PS/PM ON ARRIVAL AS FCO TELNO 530  
TO UKMIS NEW YORK (FOR PRIVATE SECRETARY):

HONG KONG TELNO 12

1. WE HAVE NOTHING TO ADD AT THIS STAGE TO THE GOVERNOR'S  
COMMENTS, WITH WHICH WE FULLY CONCUR.

HOWE

MORAN

NNNN

PSE CONFIRM 27