

FUTURE OF HONG KONG ADVANCE COPIES

87

40

PS  
PS/PUS  
PS/MR LUCE  
MR DONALD  
[HD/HKD]  
HD/FED

COPY TO:  
MR COLES, No. 10 DOWNING ST

OO FCO (DESKBY 210900Z)

OO HONG KONG

GRS 800

SECRET

DESKBY 210900Z

FROM PEKING 210840Z OCT 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1068 OF 21/10/83



*[Handwritten signature]*

REPEATED FOR INFO TO IMMEDIATE HONG KONG

MY TEL NO 1066: FUTURE OF HONG KONG: FUTURE TACTICS

1. ON THE BASIS OF THIS ROUND, AND PARTICULARLY WHAT WAS SAID AT THE DINNER FOLLOWING IT, I THINK THAT WE ARE NOW VIRTUALLY THROUGH THE DOOR. THE CHINESE HAVE NOT GIVEN UP THEIR PREMISE, BUT THEY SEEM TO ACCEPT THAT PROGRESS IS POSSIBLE WITHOUT AN EXPLICIT ACCEPTANCE OF IT. THE PROBLEM IS THAT THE ROOM BEYOND THE DOOR ALMOST CERTAINLY HAS VERY LITTLE IN IT. THE CHINESE HAVE ESTABLISHED BROAD PRINCIPLES FOR THEIR FUTURE POLICIES TOWARDS HONG KONG, AND THEY HAVE THE AUTHORITY OF DENG XIAOPING FOR THESE. BUT IT IS BECOMING INCREASINGLY CLEAR THAT THEY HAVE DONE LITTLE DETAILED WORK. THAT IS WHY THE CHINESE HAVE NOW STARTED TO PRESS US FOR DETAILED IDEAS ON THEIR PROPOSALS. THEY THEMSELVES HAVE NOTHING TO OFFER.

2. HITHERTO OUR TACTIC HAS BEEN TO TRY TO GET THE CHINESE TO LAY OUT FURTHER DETAILS OF THEIR IDEAS SO THAT WE COULD DISCUSS THEM CONSTRUCTIVELY AND TRY TO BUILD SOMETHING OUT OF THEM. WE SHALL NOT GET FAR DOWN THIS ROAD IF THE CHINESE HAVE NOTHING TO OFFER. WE THEREFORE HAVE A NEW SITUATION. THERE IS OPPORTUNITY IN THIS FOR US: FACED WITH A BLANK SHEET OF PAPER, WE CAN, WITHIN THE OBVIOUS LIMITS OF THE CHINESE PREMISE AND THE BROAD PRINCIPLES ENUNCIATED BY THE CHINESE, WRITE WHAT WE WISH ON IT, WITH THE RESULT THAT THE DISCUSSION THEREAFTER IS MUCH



~~ON IT, WITH THE RESULT THAT THE DISCUSSION THEREAFTER IS MUCH~~  
MORE ON OUR GROUND. I THEREFORE SEE GREAT ADVANTAGE TO US IN  
PRODUCING SOON DETAILED IDEAS ON THE VARIOUS ASPECTS OF THE  
ADMINISTRATION OF HONG KONG AFTER 1997 AND SEEKING TO GET CHINESE  
AGREEMENT TO THEM NOW. IF WE FAIL TO FILL THE CHINESE VACUUM  
RAPIDLY IN THIS WAY THERE ARE TWO DANGERS: THE FIRST IS  
THAT THE CHINESE WILL THINK THAT WE ARE NOT SERIOUS IN OUR  
UNERTAKING TO ENGAGE IN CONSTRUCTIVE DISCUSSIONS. THE SECOND IS  
THAT AFTER A PERIOD OF UNILATERAL RESEARCH THEY WILL THEMSELVES  
COME UP WITH MORE DETAILED IDEAS, WHICH ARE LIKELY TO BE  
UNSATISFACTORY TO US, AND THAT THESE WILL THEN EMERGE WITH  
THE AUTHORITY OF THE LEADERSHIP. ONCE THAT HAPPENS THEY WILL  
BE SET IN CONCRETE.

3. I REPORTED IN MY TEL NO 1066 THAT I HAD FLOATED ON 20 OCTOBER  
AT THE DINNER WITH YAO GUANG THE IDEA OF A STEP BY STEP PROCESS  
IN WHICH WE TACKLED THE VARIOUS SUBJECTS ONE BY ONE AND ROUGHED  
OUT A BLUEPRINT IN EACH AREA. I ALSO PROPOSED THAT WE SHOULD  
START WITH SOME OF THE EASIER AREAS AND SEE WHETHER COMMON  
GROUND COULD BE ESTABLISHED, SO AS TO BUILD UP CONFIDENCE.  
YAO SEEMED RECEPTIVE TO THIS. HOWEVER IF WE ARE TO PROCEED  
IN THIS WAY I SHALL NEED VERY EARLY AUTHORITY TO PROVIDE MATERIAL  
IN WRITTEN FORM, PERHAPS AS INFORMAL WORKING PAPERS TO THE  
CHINESE. NATURALLY YOU WILL WISH TO SEE DRAFTS OF ANYTHING PROD-  
UCED IN THIS WAY.

4. THE OBVIOUS POINT TO START FROM WOULD BE THE TWO AREAS IN  
WHICH I ASKED SOME DETAILED QUESTIONS DURING THE LAST ROUND,  
THAT IS THE LEGAL SYSTEMS AND THE FINANCIAL SYSTEMS. WE SHOULD  
CONSOLIDATE THIS BY PUTTING TWO WORKING PAPERS TO THE CHINESE  
CONTAINING SPECIFIC AND DETAILED PROPOSALS COVERING THESE  
TWO AREAS. WE NEED TO MOVE FAST, BECAUSE I THINK IT IS ESSENTIAL  
TO GET THESE PAPERS IN THROUGH THE INFORMAL CONTACTS WHICH  
WILL TAKE PLACE BEFORE THE NEXT ROUND. WE SHOULD ALSO BE PREPARED  
BY THE NEXT ROUND WITH PAPERS ON ONE OR TWO OTHER AREAS.  
A GOOD ONE TO START WITH WOULD BE EXTERNAL TRADING  
RELATIONS, AND PROBLEMS RELATING TO THE GATT ETC, BECAUSE IT IS  
SOMETHING ON WHICH THE CHINESE NEED OUR HELP. THESE PAPERS  
NEED NOT BE EXHAUSTIVE: WE WILL MAKE IT CLEAR TO THE CHINESE  
THAT THEY ARE INITIAL PROPOSALS.

5. I MUST EMPHASIS AGAIN THE NEED FOR SPEED. IF WE CAN  
MAINTAIN THE MOMENTUM I THINK WE STAND A REASONABLE CHANCE OF  
GETTING AWAY FROM CHINESE DEMANDS THAT WE ACCEPT THE PREMISE  
EXPLICITLY, AND ON TO GROUND WHICH TO A SIGNIFICANT EXTENT IS  
OF OUR OWN CHOOSING. THERE IS A FAIR CHANCE OF GETTING MANY OF OUR  
PROPOSALS ACCEPTED. IF WE FALTER, OR APPEAR  
RELUCTANT TO PRESENT DETAILED IDEAS, I FEAR THAT THE CHINESE  
RESIDUAL SUSPICIONS WILL BE FED AND THAT THEY WILL RETURN  
RAPIDLY TO STERILE ARGUMENTS ABOUT PRINCIPLE AND INSISTENCE  
ON THE PREMISE.

CRADOCK