

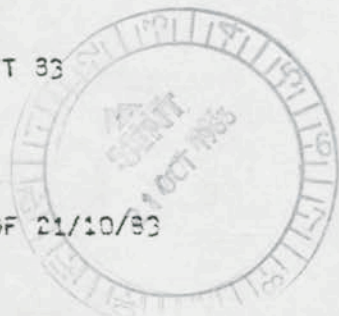
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FROM PEKING 210730Z OCT 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 1062 OF 21/10/83



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REPEATED FOR INFO TO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: CALL ON LUO JIAHUAN.

1. AT THE END OF THE 19 OCTOBER SESSION, I WAS CONCERNED THAT THE IMPORTANCE OF THE PRIME MINISTER'S MESSAGE HAD NOT BEEN FULLY UNDERSTOOD BY THE CHINESE SIDE AND FEARED THEY MIGHT AGAIN IMPALE THEMSELVES ON THE PREMISE. AS A FURTHER EFFORT TO DRIVE HOME THE EXTENT OF THE STEP WE WERE TAKING, AND TO SEE THAT THEY UNDERSTOOD THAT WE HAD NO FURTHER ROOM FOR MANOEUVRE, GALSWORTHY CALLED, ON MY INSTRUCTIONS, ON THE EVENING OF 19 OCTOBER ON LUO JIAHUAN AT THE MFA FOR AN INFORMAL DISCUSSION.

2. GALSWORTHY SAID THAT ALTHOUGH WE THOUGHT WE HAD IDENTIFIED IN THE FIRST PART OF YAO'S STATEMENT ON 19 OCTOBER SOME RECOGNITION OF THE MESSAGE'S IMPORTANCE, I WAS VERY WORRIED AT THE WAY THE LAST PART OF THE DISCUSSIONS HAD GONE AND AT THE APPARENT TENDENCY ON THE PART OF THE CHINESE TO ASK FOR EXPLICIT STATEMENTS WHEN THESE WERE NOT NECESSARY OR POSSIBLE AT THIS STAGE. I HAD ASKED GALSWORTHY INFORMALLY TO LET LUO KNOW THAT THE PRIME MINISTER'S MESSAGE WAS THE RESULT OF VERY GREAT EFFORTS ON THE BRITISH SIDE. IT HAD BEEN DIFFICULT FOR HER TO GO THIS FAR. I HAD NOW REACHED THE LIMIT OF MY INSTRUCTIONS. WE CONSIDERED THAT PROGRESS SHOULD HAVE BEEN MADE POSSIBLE BY OUR STEP AND WERE VERY WORRIED THAT SUCH PROGRESS SHOULD NOT BE PUT AT RISK BY A FAILURE BY THE CHINESE SIDE TO UNDERSTAND OR RESPOND APPROPRIATELY TO THE PRIME MINISTER'S MESSAGE.

3. GALSWORTHY REITERATED EXPLACATORY COMMENTS WHICH I HAD MADE EARLIER: THE MESSAGE SUGGESTED THAT OUR DISCUSSIONS SHOULD BE BASED ON THE CHINESE PROPOSALS. THE CHINESE SIDE HAD TOLD US THAT THEIR PROPOSALS WERE BASED ON THEIR PREMISE. WE UNDERSTOOD THIS. IT WAS THEREFORE OBVIOUS THAT THE DISCUSSIONS WHICH WE HAD

~~INTERESTS IN HONG KONG. HE STRESSED THAT THE CHINESE
PARTICULARLY WANTED OUR VIEWS ON THE LATTER.~~

6. IN REPLY, GALSWORTHY STRESSED THAT OUR CONSTITUTIONAL CON-
STRAINTS MUST NOT BE UNDERESTIMATED. THIS WAS FUNDAMENTAL.
IF THE CHINESE SIDE FAILED TO UNDERSTAND THEM WE WOULD
ENCOUNTER GREAT DIFFICULTIES. CHINA MUST UNDERSTAND THAT THE
TRANSFER OF SOVEREIGNTY DID NOT LIE WITHIN THE PRIME MINISTER'S
GIFT. WE WERE CERTAINLY AWARE THAT THE CHINESE PROPOSALS
WERE BASED ON THE CHINESE PREMISE. THIS DID NOT MEAN THAT WE
NECESSARILY AGREED WITH CHINESE VIEWS ON THE PREMISE, BUT IN
AN EFFORT TO EACH AGREEMENT, WE WERE PREPARED TO MOVE FORWARD
BY SEEKING TO CONSTRUCT ACCEPTABLE ARRANGEMENTS ON THE BASIS
OF THE CHINESE PROPOSALS. IF WE WERE SUCCESSFUL, WE SHOULD
RECOMMEND THOSE ARRANGEMENTS TO PARLIAMENT AND COOPERATE FULLY
OVER THEIR INTRODUCTION AND IMPLEMENTATION. IF THE CHINESE
CONTINUED TO PRESS US FOR AN EXPLICIT ACCEPTANCE OF THEIR
PREMISE, WE WOULD ENCOUNTER VERY REAL CONSTITUTIONAL
DIFFICULTY. THERE WAS NO SENSE IN CONTINUING TO PRESS FOR
SOMETHING WHICH IT WAS NOT IN THE PRIME MINISTER'S POWER
TO GIVE.

7. GALSWORTHY REMINDED LUO OF ZHOU NAN'S COMMENTS IN NEW YORK
DURING THE MEETING BETWEEN YOU AND WU XUEQIAN (PARA 7 OF UKMIS
NEW YORK TEL NO 6 TO HONG KONG) IN WHICH ZHOU HAD EXPRESSED
SURPRISE AND DISAPPOINTMENT AT OUR CONTINUING INSISTENCE
ON BRITISH ADMINISTRATION. HE HAD SAID THAT SHOULD OUR
POSITION CHANGE, DETAILED DISCUSSIONS ON ALL PRACTICAL ASPECTS
COULD BEGIN IMMEDIATELY. GALSWORTHY SAID THAT THE PRIME MINISTER'S
MESSAGE AND MY CLARIFICATORY COMMENTS MADE CLEAR THAT OUR
POSITION HAD CHANGED. WE WERE NO LONGER INSISTING ON
CONTINUING BRITISH ADMINISTRATION AS A PRE-REQUISITE. IT WOULD BE
TRAGIC FOR US TO LOSE THE PROSPECT OF PROGRESS BECAUSE OF
CHINESE INSISTENCE ON A STATEMENT WHICH WE COULD NOT MAKE.

8. GALSWORTHY NOTED LUO'S COMMENTS ON CHINESE INTEREST IN
OUR IDEAS ON THEIR POLICIES. HE SAID THAT HE PERSONALLY COULD
SEE LITTLE DISTINCTION BETWEEN MATTERS DIRECTLY INVOLVING
BRITISH INTERESTS AND THOSE WHICH DIDN'T. WE SHOULD
HAVE IDEAS ON BOTH, AND SO FAR AS HE COULD SEE THE CHINESE
WERE SAYING THEY WOULD WELCOME THEM. LUO AGREED THAT THEY WOULD.

CRADOCK

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