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OO PEKING
GRS 827
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DESKBY 092000Z
FM FCO 091856Z NOV 83
TO IMMEDIATE ATHENS
TELEGRAM NUMBER 460 OF 9 NOVEMBER
INFO IMMEDIATE HONG KONG, PEKING

FCO 460

FOR SECRETARY OF STATE FROM MR LUCE
PEKING TELNOS 1160, 1161 AND 1170 AND HONG KONG TELNO 1699:
FUTURE OF HONG KONG

1. IT IS CLEAR FROM RECENT TELEGRAMS THAT THE CHINESE STILL SUSPECT US OF TRYING TO ENGINEER A 'CO-ADMINISTRATION' OF HONG KONG AFTER 1997.

2. DENG XIAOPING'S LINE AS REPORTED IN TURS MAY HAVE ARISEN PARTLY FROM MISINTERPRETATION OF REMARKS MADE BY SIR P CRADOCK TO YAO GUANG ON 28 OCTOBER. BUT I AM SURE THAT THE AMBASSADOR IS RIGHT IN SAYING THAT THE CHINESE REMAIN DEEPLY SUSPICIOUS OF US, THAT THEY HAVE NOT IN ANY WAY GIVEN UP THEIR AIM OF GETTING US TO ACKNOWLEDGE THEIR PREMISE, AND THAT THEY WILL CONTINUE TO APPLY PRESSURE TO THIS END. DENG'S REMARKS, AND THE RENEWED REFERENCE TO THE SEPTEMBER 1984 DEADLINE SUGGEST WE ARE SEEING ANOTHER ATTEMPT TO TURN THE SCREW NOW. IT IS TRUE THAT SO FAR CHINESE PROPAGANDA HAS NOT BEEN RENEWED, BUT THE TAP COULD BE TURNED ON AT SHORT NOTICE. I SUSPECT THAT THE CHINESE ARE WAITING TO ASSESS OUR PERFORMANCE AT THE NEXT ROUND ON 14/15 NOVEMBER AND THAT THE AMBASSADOR MAY WELL BE RIGHT THAT WE SHALL HAVE A ROUGHER RIDE THEN THAN WE HAD HOPED FOR.

3. SIR P CRADOCK HAS RECOMMENDED THAT WE SHOULD BE PREPARED TO MAKE A GENERAL FORMAL STATEMENT, STILL WITHIN THE CONTEXT OF THE PRIME MINISTER'S MESSAGE AND SUBJECT TO THE SAME CONDITIONALITY THAT WE ENVISAGE NO LINK OF AUTHORITY BETWEEN POST 1997 HONG KONG AND THE UK. THE GOVERNOR ARGUES STRONGLY AGAINST THIS, BELIEVING THAT WE SHOULD BE FORCED TO GIVE AWAY TOO MUCH TOO SOON AND

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SAYING THAT EXCO WOULD OPPOSE SUCH A MOVE. IN PEKING TELNO 1170, THE AMBASSADOR SUGGESTS THE LINE HE SHOULD TAKE AT HIS PRIVATE DINNER ON 10 NOVEMBER WITH YAO GUANG. THIS WOULD INCLUDE REMARKS GOING A LONG WAY TOWARDS HIS SUGGESTED FORMULA.

4. THERE IS OF COURSE LOGIC IN WHAT THE AMBASSADOR PROPOSES: PROVIDED THAT WE KEPT WITHIN THE TERMS OF THE PRIME MINISTER'S MESSAGE, IT COULD CERTAINLY BE ARGUED THAT DISCUSSION ON THE BASIS OF THE CHINESE PROPOSALS MUST RULE OUT AN AUTHORITATIVE BRITISH LINK. BUT, WHILE I WOULD NOT GO SO FAR AS THE GOVERNOR IN SEEING SUCH A MOVE AS IMPLICIT AFFIRMATION OF THE CHINESE PREMISE, IT WOULD CERTAINLY BE REGARDED AS YET ANOTHER SIGNIFICANT STEP ON OUR PART AND I DO NOT RECOMMEND IT NOW. LIKELY OPPOSITION BY EXCO UNOFFICIALS IS AN IMPORTANT FACTOR ARGUING AGAINST SUCH A MOVE NOW. ANOTHER IS THAT SIR P CRADOCK, ON INSTRUCTIONS, HAS EXPLAINED OUR POSITION TO YAO GUANG AND PUT FORWARD SKILFUL ARGUMENTS TO COUNTER DENG'S SUSPICIONS. WE DO NOT KNOW WHAT WILL BE THE RESULT OF YAO'S REPORT OF THAT CONVERSATION. MOREOVER, WE HAVE GIVEN THE CHINESE TWO WORKING PAPERS, ON THE LEGAL SYSTEM AND FINANCE, AND IT WOULD BE LEGITIMATE TO ASK FOR THEIR REACTION TO THEM. WE MAY RUN INTO PROBLEMS IF THE CHINESE TAKE THE LINE THAT THEY CANNOT AGREE TO 'A STEP-BY-STEP' APPROACH, AS INDICATED BY YAO GUANG. BUT TACTICALLY I SUGGEST THAT IT WOULD BE RIGHT FOR THE AMBASSADOR TO CONTINUE TO ARGUE, ON THE LINES SUCH AS ALREADY DEPLOYED, THAT WE HAVE ALREADY TAKEN A SIGNIFICANT STEP SEMI COLON THAT WE ARE INTERESTED IN EXAMINING WHETHER A SATISFACTORY SOLUTION CAN BE DEvised ON THE BASIS OF THE CHINESE PROPOSALS SEMI COLON AND THAT THIS CAN ONLY EFFECTIVELY BE DONE BY A DISCUSSION OF DETAILED AREAS.

5. IF THAT DOES NOT SUCCEED WE SHALL HAVE TO CONSIDER THE AMBASSADOR'S SUGGESTION CAREFULLY, YET AGAIN WEIGHING UP THE BALANCE OF ARGUMENT BETWEEN A FURTHER MOVE DESIGNED TO KEEP THE TALKS GOING AND PROBABLE CONFRONTATION WITH ITS CONSEQUENCES FOR CONFIDENCE IN HONG KONG. BUT I AM SURE THAT FOR THE MOMENT WE SHOULD STAND ON OUR POSITION.

6. ON PARA 3 OF SIR P CRADOCK'S TELNO 1170, I AGREE THE GENERAL THRUST, BUT SUGGEST THAT HE SHOULD ALTER THE PASSAGE FROM THE

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THIRD SENTENCE TO THE END OF THE PARAGRAPH TO READ:

'WITH SUITABLE (BEGIN UNDERLINING) CAVEATS (CEASE UNDERLINING) ABOUT CONDITIONALITY, WE WERE SINCERELY PREPARED TO EXAMINE WHETHER SATISFACTORY ARRANGEMENTS COULD BE BUILT ON THE BASIS OF THE CHINESE PROPOSALS WHICH, AS WE UNDERSTOOD THEM, DID NOT INVOLVE ADMINISTRATIVE ACCOUNTABILITY OR RESPONSIBILITY TO LONDON IN THE ARRANGEMENTS AFTER 1997.'

7. ON THE AMBASSADOR'S SUGGESTIONS FOR COVERING THE CRITICISMS OF THE PRIME MINISTER'S PHONE-IN, I THINK THAT IN PARA 4 SIR PERCY SHOULD AVOID REPEATING OUR VIEW ABOUT BRITISH ADMINISTRATION BEING THE 'BEST AND SUREST BASIS FOR HONG KONG'S CONTINUED STABILITY AND PROSPERITY'. THIS CAN ONLY IRRITATE THE CHINESE LEADERS. A BETTER LINE MIGHT BE THAT MRS THATCHER WAS MERELY RECALLING THE JOINT COMMUNIQUE OF SEPTEMBER 1982. IN A PUBLIC COMMENT IN RESPONSE TO AN UNSOLICITED QUESTION SHE CLEARLY COULD NOT MAKE ANY REFERENCE TO CONFIDENTIAL EXCHANGES WITH CHINESE LEADERS.

8. IF YOU AGREE WITH THESE COMMENTS THEY COULD SERVE AS AN INSTRUCTION TO SIR P. CRADOCK FOR HIS NEXT MEETING WITH YAO GUANG ON 10 NOVEMBER. YOU MAY WISH TO TELEGRAPH YOUR VIEW DIRECTLY TO PEKING.

HOWE

FUTURE OF HONG KONG

LIMITED

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