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10 DOWNING STREET

From the Private Secretary

14 November 1983

Future of Hong Kong

You wrote to me on 11 November concerning the round of talks which were to open in Peking today. I told you the same day that I thought that if the Foreign and Commonwealth Secretary was content with the proposed telegram of instructions to Percy Cradock, the Prime Minister would be also.

This is just to confirm that Mrs. Thatcher read over the weekend your letter and the principal papers enclosed and made no comment.

A. I. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

11 November 1983

Dear John,

Future of Hong Kong

My letter of 10 November provided a round-up of recent developments. Since then we have received a report from Sir Percy Cradock on his dinner with Yao Guang on 10 November, and his recommendations for the next round of discussions (Peking telegrams numbers 1179 and 1180, copies enclosed). There have also been telegrams from both the Ambassador and the Governor which reveal a difference of opinion between them on how we should respond to Chinese suspicions about our position (Peking telegram number 1176 and Hong Kong telegram number 1707, copies also enclosed).

As Sir Percy Cradock has commented, his discussion with Yao Guang suggests that Chinese suspicions may to some extent have been quieted. In the light of this, the Ambassador recommends that at the next round of talks we should continue on the present lines.

We have not yet been able to consult Sir Geoffrey Howe. But in view of the shortness of time before the next round begins, I enclose copies of three telegrams which we have just despatched to Sir Geoffrey in Athens giving advice on the issues raised. Mr Luce agrees with the general lines of this advice. As you will see, we recommend that Sir Percy Cradock's recommendations on the handling of the next round should be accepted. The third of the enclosed telegrams contains a draft of a brief instructions telegram to Peking. On the differences between the Ambassador and the Governor, we conclude that, while these should be examined as soon as possible, they need not affect our line in the 14/15 November round of talks.

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We shall let you know if Sir Geoffrey has any comment on the advice in these telegrams. If the Prime Minister agrees, the instructions telegram to Peking would be despatched from the FCO, if possible in the course of Saturday 12 November.

Your ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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OUT TELEGRAM

(A)

Classification and Caveats

SECRET

Precedence/Deskby

IMMEDIATE 111630Z

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GRS
CLASS
CAVEATS
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PRE/ADD
TEL NO

1 ZCZC
2 GRS
3 SECRET
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5 DESKBY 111630Z
6 FM FCO NOVEMBER 83
7 TO IMMEDIATE ATHENS
8 TELEGRAM NUMBER
9 For Private Secretary
10 PEKING TELNOS 1179 AND 1180: FUTURE OF HONG KONG
11 1. MIFT contains preliminary comments on the difference of view
12 between the Governor and the Ambassador on how and when to tackle
13 the central issue of the constitutional and administrative
14 arrangements. This telegram considers the instructions for the
15 Ambassador for the next round on 14 and 15 November, and results
16 from a discussion between officials and Mr Luce.
17 2. We agree with the Ambassador that his conversation with Yao
18 Guang had some mildly encouraging aspects. There is no
19 suggestion that the talks are likely to break down next time,
20 even though Chinese suspicions of our intentions remain! They
21 appear ready to offer some comment on our paper on legal matters
22 and there is clearly much which could be discussed on external
23 trade matters. Sir Percy's explanations are clearly having
24 some impact in removing the misunderstandings on the Chinese
25 side and he should continue to draw on these in the next round.

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File number	Dept Private Office	Distribution	
Drafted by (Block capitals) PETER RICKETTS		<i>PS</i> <i>PS/Mr Luce</i> <i>PS/PUS</i> <i>Mr Wright</i> <i>Mr Giffard</i> <i>Mr Donald</i> <i>Md/HK1</i>	
Telephone number			
Authorised for despatch <i>P. Ricketts</i>			
Comcen reference	Time of despatch		

Md(FZ)
Md/PUS)
Legal Advisers

OUT TELEGRAM (CONT)

Classification and Caveats

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3. There seems some ambiguity in Chinese minds on the key question of personnel. In the end Yao Guang appears to have conceded that there could be both officials and advisers after 1997. But a key point obviously for the Chinese is that the functionaries and advisers in the administration of Hong Kong after 1997 must owe allegiance to the SAR Government and not to Britain. As it is, the officials in Hong Kong owe their primary allegiance to the Hong Kong Government, but clearly the Chinese are most worried about those in authority who are now directly appointed by London, headed by the Governor. There is a lot to be explored here, although not so soon as the round on 14/15 November. We need to have brought EXCO into the picture first and taken the necessary policy decisions.

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4. As for our posture at the next round, we agree with the Ambassador's broad proposals in paragraph 5 of his telno 1180. You will note that the Ambassador used the formula proposed in paragraph 6 of FCO telno 460 (paragraph 5 of his telno 1179) and asked if Yao Guang thought it would help if he made a formal statement in Monday's talks on these lines. We recommend that he should do so.

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5. In short, we consider that the Ambassador should continue to follow the path mapped out at the Prime Minister's meeting with EXCO last month. Admittedly we shall have to tackle the central issues examined in MIFT in good time before the session on 7/8 December, but for the moment we should not depart from the main threads of the Prime Minister's message last month. If this line is agreed, the instructions to the Ambassador in Peking need only be very brief. My second IFT contains a draft.

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OUT TELEGRAM

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Classification and Caveats

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IMMEDIATE DESKBY 111600Z

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1 ZCZC
2 GRS
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5 DESKBY 111600Z
6 FM FCO
7 TO IMMEDIATE ATHENS
8 TELEGRAM NUMBER
9 FOR PRIVATE SECRETARY ~~FROM RICKETTS~~
10 MIPT: FUTURE OF HONG KONG
11 1. While the instructions for the next round of talks in Peking
12 do not require any adjudication now on the argument between the
13 Ambassador and the Governor (Peking telno 1176 and Hong Kong
14 telno 1707) we shall clearly have to come to grips soon with the
15 issues they have raised. The Secretary of State may find it
16 helpful to have the following preliminary comments.
17 2. The difference reflects the familiar dilemma of negotiating a
18 settlement satisfactory to the Chinese, which is also a acceptable
19 in Hong Kong and which will sustain confidence there. Both
20 protagonists are skilfully arguing their own corners but tend to
21 underestimate each other's problems.
22 3. The Ambassador argues that the Prime Minister's latest
23 message, which conditionally proposes exploration of the Chinese
24 ideas, must logically exclude our proposing arrangements which we
25 know the Chinese would not accept. He sees as the keypoint our

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File number	Dept HKD	Distribution PS PS/Mr Wce PS/PUS Mr Wright Mr Gifford Mr Donald Md/ HKD Legal Advisers. Md/FEI Mr/PUS
Drafted by (Block capitals) R D CLIFT		
Telephone number 233 3184		
Authorised for despatch <i>R. Ricketts</i>		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

Classification and Caveats
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 2 explicit acknowledgement, for the purposes of the discussion,
 3 that there can be no continuation of an authoritative link with
 4 the UK after 1997. (This term and the shorthand phrase "Link of
 5 authority", which the Ambassador has used, should be read as
 6 meaning any system under which instructions can be given by HMG
 7 to the Hong Kong Government or any of its officials, whether in
 8 the present form of your own relationship with the Governor or by
 9 any other channel). Sir Percy maintains that, equally for the
 10 purposes of the discussion, we should also give up the idea of
 11 reserving posts for British personnel, which the Chinese suspect
 12 to be a device to maintain an authoritative link.
 13 4. Moreover the Ambassador takes the view that if we are to make
 14 any progress in a detailed discussion of safeguards to be built
 15 into the Chinese proposals, we shall need to tackle, at an earlier
 16 stage than we had envisaged, the central question of Government
 17 institutions in Hong Kong, including the position of the
 18 Governor. He has proposed that we should be prepared to deal
 19 with this at the round of talks tentatively scheduled for
 20 7/8 December, if not before.
 21 5. The Governor bases his objections to the Ambassador's
 22 proposals on two grounds. In the first place he believes that we
 23 should be giving away too much too soon. He does not disagree
 24 with the concept that British personnel employed in Hong Kong
 25 should not be answerable to London but he opposes our giving up
 26 the reservation of posts at this stage. (There is a dispute
 27 between the two on whether the principle of reservation of posts
 28 has been agreed as one of HMG's aims. The Governor quotes a number
 29 of documents in which the idea has been mentioned, including
 30 Annex 2 of the "Reappraisal Study" submitted to Ministers in
 31 August of this year. However all the papers in question have been
 32 illustrative. The position on this point is that while Ministers
 33 have noted the possibility of reservation of posts as something
 34 which we might try to achieve, they have given no firm view on

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OUT TELEGRAM (CONT)

Classification and Caveats

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 2 whether it would be practicable).
 3 6. The Governor's other objection is the more fundamental charge
 4 that we should be making a major change of strategy; that this
 5 would not tally with EXCO's interpretation of the agreement with
 6 the Prime Minister; and that to tackle the central questions of
 7 administration early on would not be acceptable to EXCO and would
 8 damage confidence.
 9 7. The Ambassador's basic position seems entirely defensible in
 10 logic but he has not paid sufficient attention to the political
 11 realities in Hong Kong and to the fact that the touchstone of any
 12 agreement is not merely whether it can be negotiated with China
 13 but ^{also} whether it will command confidence in the territory and work
 14 in practice. Sir S Y Chung and his supporters in EXCO may be
 15 wrong in the interpretation which they are putting on the agreement
 16 with the Prime Minister but we shall not help matters by reading
 17 the riot act to them when they appear to be backtracking, as the
 18 Ambassador has suggested. EXCO are our main means of demonstrating
 19 acceptability and we must keep them with us. They must be fully
 20 consulted and persuaded rather than driven. How to convince them
 21 of the force of the Ambassador's logic will require all the
 22 Governor's skill, much patience and perhaps more time than
 23 Sir Percy estimates.
 24 8. The Ambassador's idea that we should tackle the question of
 25 the Governorship early on will need very careful consideration.
 26 We are not at this stage convinced that it would be right to do
 27 this as early as 7 December. It would mean an abandonment or
 28 major modification of the 'building block' approach, which we have
 29 agreed, ie. fleshing out possible safeguards in detailed areas
 30 before tackling the most contentious problems. More importantly,
 31 it could only be tackled by a more explicit acceptance of the
 32 severance of the British link. Logical though that might be for
 33 the purpose of the negotiations and under our qualification of
 34 conditionality, it is doubtful whether EXCO would accept it

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 2 without careful preparation.
 3 9. On the question of employment of personnel, the disagreement
 4 may be more apparent than real. Sir Percy Cradock's telegram
 5 number 1177 is helpful in showing that he is not against our
 6 arguing with the Chinese that particular posts can usefully be
 7 filled by British people. The Governor may under-estimate the
 8 chances of making progress on this issue. The Ambassador's
 9 argument, however, that we cannot, on the one hand demand autonomy
 10 for Hong Kong and on the other ~~argue~~ ^{maintain} that autonomy can be limited
 11 by a mandatory imposition of British personnel, is compelling.
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Classification and Caveats

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PRE/ADD	7	TO IMMEDIATE ATHENS
TEL NO	8	TELEGRAM NUMBER
	9	FOLLOWING FOR PRIVATE SECRETARY
	10	MIPT: HONG KONG
	11	1. Following is draft of instructions to HM Ambassador Peking.
	12	BEGINS: Your telegram numbers 1179 and 1180.
	13	I agree with the proposals in paragraph 5 of your second TUR
	14	for the line to adopt at the next round. I would see value
	15	in following up your suggestion to Yao Guang that you should
	16	make a formal statement for the record on the lines of the
	17	formula in paragraph 5 of your first TUR. ENDS
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File number		Dept		Distribution	
Drafted by (Block capitals) PRIVATE SECRETARY				PS	Hd/HKD
Telephone number 233 4641				PS/Mr Luce	Hd/FED
Authorised for despatch				PS/PUS	Hd/PUSD
				Mr Wright	Legal Advisers
				Mr Giffard	
				Mr Donald	
Comcen reference		Time of despatch			

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1179 OF 11 NOVEMBER

INFO IMMEDIATE HONG , ATHENS (FOR PRIVATE SECRETARY)

MY TELNO 1176: FUTURE OF HONG KONG: DINNER WITH WAO GUANG

1. I HAD YAO GUANG TO DINNER LAST NIGHT: GALSWORDY AND YAO'S INTERPRETER WERE ALSO PRESENT. FOLLOWING IS A COLLATED ACCOUNT OF THE CONVERSATION WHICH LASTED OVER 4 HOURS. THE POINTS ARE NOT NECESSARILY IN THE ORDER IN WHICH THEY WERE RAISED.

2. GUARANTEES.

YAO SAID THAT HE COULD UNDERSTAND THAT THE BRITISH WISHED TO HAVE A FULL ACCOUNT OF CHINESE POLICIES. HE BELIEVED THAT THEY HAD BEEN MADE CLEAR THROUGH VARIOUS CHANNELS. AFTER 1997 THE STATUS QUO WOULD BE MAINTAINED. THE CAPITALIST SYSTEM WOULD NOT CHANGE, NOR WOULD THE POLITICAL SITUATION CHANGE FOR 50 YEARS. THE CHINESE HAD ADDED THE WORD ' ' BASICALLY ' ' WHEN SPEAKING OF THE LAWS, BECAUSE THERE WOULD HAVE TO BE SOME CHANGES. (SEE PARA 11.) AS TO WHO WOULD RUN HONG KONG , IT WOULD NOT BE THOSE WHO HAD BEEN PRACTISING SOCIALISM IN CHINA, BUT THOSE WHO HAD BEEN PRACTISING CAPITALISM IN HONG KONG. ARTICLE 31 OF THE CHINESE CONSTITUTION WOULD PROVIDE A LEGAL BASIS FOR WRITING A BASIC LAW FOR HONG KONG IN WHICH ALL THESE THINGS WOULD BE ENSHRINED.

3. THE POINT MIGHT BE NOT SO MUCH THAT BRITIAN DID NOT UNDERSTAND CHINESE POLICIES AS THAT SHE WISHED TO KNOW WHAT ASSURANCES CHINA COULD GIVE TO ENSURE THEIR IMPLEMENTATION. IN RESPONSE TO MY QUESTION HE SAID THAT CHINA DID HAVE SUCH ASSURANCES. THEY LAY IN THE CHINESE CONSTITUTION, AND IN THE GENERAL STABILITY AND UNITY IN CHINA SINCE THE THIRD PLENUM. SINCE THAT TIME CHINA, THOUGH SOCIALIST, HAD PAID GREAT ATTENTION TO SEEKING TRUTH FROM FACTS. CHAIRMAN DENG HAD SAID TO MR HEATH THAT CHINA WOULD NOT DO THINGS IN HONG KONG IN ACCORDANCE WITH THE WISHES OF ONE SIDE ONLY. CHINA WOULD RESPECT HONG KONG'S HISTORY AND PRESENT CONDITION. IN DEALING WITH HONG KONG THEY WOULD NOT START FROM THE SITUATION ON THE MAINLAND BUT FROM THE SITUATION IN HONG KONG. I SAID THAT WE CERTAINLY DID WISH TO KNOW ABOUT WHAT ASSURANCES AND GUARANTEES CHINA COULD OFFER. ONE FORM OF ASSURANCE WAS TO PROVIDE DETAIL ON ARRANGEMENTS AFTER 1997. DETAIL WAS NEEDED IF CONFIDENCE WAS TO BE MAINTAINED THAT HONG KONG'S SYSTEMS WERE GOING TO BE LITTLE CHANGED. IT WAS ALSO ESSENTIAL IF ANY AGREEMENT WAS TO GET THROUGH PARLIAMENT.

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4. STEP BY STEP APPROACH. YAO GUANG SAID THAT THE WORKING PAPERS WE WERE PROVIDING WERE USEFUL, BUT IT WAS ANOTHER MATTER WHETHER THEY COULD BE DISCUSSED ONE BY ONE. READING THESE PAPERS CHINA WOULD GET AN IDEA OF HOW WELL BRITAIN UNDERSTOOD HER POLICIES. CHINA WOULD BE ABLE TO MAKE SOME EXPLANATIONS. I SAID THAT IT WOULD BE VERY USEFUL IF CHINA WOULD GIVE HER VIEWS ON THE IDEAS IN THE PAPERS SO THAT WE COULD JUDGE WHETHER THEY WERE BROADLY ACCEPTABLE OR NOT. WE WERE NOT PROPOSING THAT WE SHOULD REACH A SEPARATE FINAL AGREEMENT ON EACH AREA BEFORE MOVING ON TO THE NEXT. ALL WE NEEDED TO DO WAS TO GO IN A SYSTEMATIC WAY THROUGH THEM AND SEE IF THERE WERE ANY BIG DIFFERENCES BETWEEN THE TWO SIDES. WE WOULD NOT GO INTO EXCESSIVE DETAIL. YAO SAID THIS APPROACH WAS NOT IMPOSSIBLE BUT HE WONDERED WHETHER THERE WAS PERHAPS NOT ANOTHER WAY OF GETTING TO UNDERSTAND OUR DIFFERENCES. CHINA WANTED TO WORK OUT A BILATERAL AGREEMENT WITH THE UK. WHY COULD WE NOT HOLD OUR DISCUSSIONS ON THE BASIS OF A DRAFT? I SAID THAT WE WERE NOT AGAINST THAT AT ALL: BUT AT THE MOMENT WE DID NOT KNOW WHAT TO PUT IN SUCH A DRAFT. THIS WAS THE POINT OF THE PRESENT PROCEDURE. HE SAID THAT IF WE WERE INTERESTED IN A PACKAGE A BILATERAL AGREEMENT WAS THE BEST WAY TO APPROACH IT. I SAID THAT WE BROADLY AGREED WITH THIS, BUT THAT WE MUST FIRST DISCUSS THE VARIOUS AREAS SO AS TO ESTABLISH THE SORT OF THINGS WHICH COULD GO INTO AN AGREEMENT.

5. JOINT ADMINISTRATION.

THIS GAVE ME AN OPPORTUNITY TO RAISE THE QUESTION OF JOINT ADMINISTRATION AND TO SPEAK AS IN MY TEL 1170 AMENDED BY YOUR 460 TO ATHENS AND HONG KONG TEL 1703. I SAID THAT WE WERE VERY CONCERNED ABOUT A BASIC MISUNDERSTANDING WHICH SEEMED TO HAVE BEEN EVIDENT FROM WHAT MR DENG HAD SAID TO M. THORN ABOUT JOINT ADMINISTRATION. WE HAD SUGGESTED THAT FOR THE PURPOSES OF THIS DISCUSSION WE SHOULD PROCEED ON THE BASIS OF THE CHINESE PROPOSALS. WE KNEW VERY WELL THAT THEY WERE BOUND UP WITH THE CHINESE PREMISE. AT THE MINISTER'S SUGGESTION I HAD PUT FORWARD ON 28 OCTOBER SOME INFORMAL IDEAS, WHICH WERE ON THE BASIS OF THE CHINESE PROPOSALS. WE HAD TALKED OF PERSONNEL QUESTIONS. I WISHED TO MAKE IT CLEAR THAT ANY BRITISH PERSONNEL WHO REMAINED IN ADMINISTRATIVE OR JUDICIAL POSTS IN HONG KONG AFTER 1997 WOULD BE THERE ON THE INVITATION OF THE GOVERNMENT OF THE SPECIAL ADMINISTRATIVE REGION (SAR). THEY WOULD BE THERE TO SERVE THE GOVERNMENT OF THE SAR AND WOULD BE RESPONSIBLE TO IT. THEY WOULD NOT BE APPOINTED BY LONDON OR RESPONSIBLE TO LONDON. THE BRITISH ROLE WOULD BE ONE OF ASSISTANCE NOT AUTHORITY. FOR THE PURPOSES OF THE DISCUSSIONS, AS PROPOSED IN THE PRIME MINISTER'S MESSAGE OF 14 OCTOBER, WE WERE SINCERELY PREPARED TO EXAMINE WHETHER SATISFACTORY ARRANGEMENTS COULD BE BUILT ON THE BASIS OF THE CHINESE PROPOSALS. AS WE UNDERSTOOD THEM THEY DID NOT INVOLVE ANY LINK OF ACCOUNTABILITY OR RESPONSIBILITY TO LONDON AFTER 1997.

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6. YAO RESPONDED BY SAYING THAT SURELY IT WOULD BE BETTER TO BRING OUT THESE IDEAS STRAIGHT AWAY AND TO TELL THE CHINESE EXACTLY WHAT WE HAD IN MIND. WHAT BRITISH ROLE WERE WE SPEAKING OF, AND WHAT POSTS? I SAID THAT WE HAD NO TRICKS UP OUR SLEEVE. WE WERE DEVELOPING OUR IDEAS AS FAST AS WE COULD AND WRITING THEM INTO THE WORKING PAPERS. IT HAD BEEN EASIEST TO START WITH THE LEAST DIFFICULT, BUT WE WOULD COME TO THE HARDER ONES. YAO SAID THAT, SPEAKING FRANKLY, THE CHINESE SIDE STILL HAD DOUBTS. HE WISHED TO LOOK FORWARD AND NOT TO SETTLE OLD SCORES, BUT CHINA COULD HARDLY FAIL TO LOOK BACK AT THE COURSE OF THE 5 ROUNDS OF TALKS. FOR THREE MONTHS BRITAIN HAD MAINTAINED THAT SHE WISHED TO CONTINUE TO ADMINISTER HONG KONG. THIS HAD LEFT A DEEP IMPRESSION ON THE CHINESE SIDE. IN HER RECENT MESSAGE THE PRIME MINISTER HAD STILL SAID THAT THE BRITISH VIEW HAD NOT CHANGED. HOWEVER SHE HAD ALSO SAID THAT WE SHOULD SEE WHAT COULD BE BUILT ON THE CHINESE PROPOSALS AND THAT THE AMBASSADOR HAD ADDED THAT BRITAIN WAS NOT ANY MORE INSISTING ON BRITISH ADMINISTRATION AS A PREREQUISITE. IT WAS BECAUSE OF CHINA'S LINGERING DOUBTS THAT THE CHINESE SIDE AT THE LAST ROUND HAD RAISED QUESTIONS ABOUT THE TYPE OF ROLE AND LINK BRITAIN ENVISAGED. THEY WISHED TO CLEAR THE MISTS. WE HAD STILL NOT GIVEN A CLEAR ANSWER.

7. I INTERJECTED THAT I HAD AT LEAST TOLD THE MINISTER THINGS WHICH WERE NOT ENVISAGED. YAO ACKNOWLEDGED THAT THIS WAS HELPFUL. HOWEVER HE WENT ON TO SAY THAT HE STILL HAD THE IMPRESSION THAT THERE WERE SOME THINGS THAT BRITAIN DID NOT WISH TO SAY AT THE PRESENT TIME. WE APPEARED TO BE WAITING FOR THE APPROPRIATE MOMENT. WE SHOULD TELL THE CHINESE SOON WHAT WAS IN OUR MINDS SO AS TO DISPEL THEIR DOUBTS. I ASKED WHETHER IT WOULD BE HELPFUL IF I TOLD THE CHINESE SIDE FORMALLY IN THE TALKS WHAT I HAD TOLD YAO TONIGHT. HE SAID THAT IT WOULD. IF WE DID NOT GIVE OUR CLEAR VIEWS ON MATTERS AFFECTING SOVEREIGNTY IT WOULD BE DIFFICULT TO REACH AN AGREEMENT. ON THE PRIME MINISTER'S STATEMENT THAT OUR VIEWS HAD NOT CHANGED, I SAID THAT WE MIGHT WELL HAVE OUR OWN VIEWS ON WHAT AN IDEAL ARRANGEMENT WOULD BE, BUT NEVERTHELESS WE WERE READY IN THE INTERESTS OF REACHING AN AGREED SOLUTION TO BE FLEXIBLE.

8. PERSONNEL.

ON PERSONNEL, YAO SAID THAT TO SPEAK OF HAVING POSTS IN HONG KONG ACTUALLY OCCUPIED BY BRITISH PERSONNEL AFTER 1997 AND TO HAVE BRITISH ADVISERS WERE TWO DIFFERENT THINGS. THIS WAS A MATTER WHICH TOUCHED ON THE DIGNITY OF SOVEREIGN COUNTRY. ADVISERS WOULD NOT HAVE AUTHORITY, BUT WOULD ONLY BE THERE TO GIVE ADVICE. THIS WOULD REMAIN SO EVEN IF WE WERE SPEAKING OF OFFICIALS WHO HAD NO ACCOUNTABILITY OR RESPONSIBILITY TO LONDON AND WORKED UNDER THE AUTHORITY OF THE SAR GOVERNMENT. I ASKED WHETHER HE WAS SAYING THAT CHINA WOULD NOT ACCEPT ANYTHING OTHER THAN ADVISERS. HE SAID

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THAT HE HAD NOT BEEN SAYING THIS: WHAT HE WAS SAYING WAS THAT THE TWO CONCEPTS WERE DIFFERENT. I AGREED. I SAID THAT I HAD BEEN SPEAKING OF BRITISH PERSONNEL STAYING AS OFFICIALS. I RECALLED THAT MR DENG HAD MENTIONED ZIMBABWE TO M. THORN: THERE HAD BEEN MANY BRITISH IN ZIMBABWE WHO HAD REMAINED ON IN CIVIL SERVICE POSTS AND IN THE ARMED FORCES AND POLICE AFTER INDEPENDENCE. THERE WERE STILL A NUMBER OF WHITE MINISTERS AND UNTIL RECENTLY THE CHIEF JUSTICE WAS WHITE. THE LATTER HAD BEEN APPOINTED MR MUGABE.

9. YAO HAD EVIDENTLY NOT HEARD THAT DENG MENTIONED ZIMBABWE, AND ASKED IF I RAISED IT IN ORDER TO DEMONSTRATE WHAT WE WANTED IN HONG KONG. I SAID THAT THIS HAD NOT BEEN MY INTENTION: I HAD MERELY NOTED MR DENG'S REFERENCE TO ZIMBABWE AND SOUGHT TO ESTABLISH EXACTLY WHAT HAD HAPPENED THERE. I SAID HOWEVER THAT THERE WERE ABOUT 900 BRITISH PERSONNEL WORKING IN VARIOUS CAPACITIES AT VARIOUS LEVELS IN THE HONG KONG CIVIL SERVICE. THEIR CAREERS WERE IN HONG KONG. SOME WOULD HAVE RETIRED BEFORE 1997, BUT MANY WOULD NOT. YAO APPEARED INTERESTED IN THIS. HE SAID THAT ALL GOVERNMENT IN HONG KONG AFTER 1997 WOULD HAVE TO BE BY PEOPLE OWING LOYALTY TO THE SAR GOVERNMENT NOT BRITAIN. THIS WOULD BE TRU BOTH OF PERSONS HOLDING OFFICIAL POSTS AND ADVISERS. I REPEATED THAT WE SAW OUR ROLE AS BEING ONE OF ASSISTANCE NOT AUTHORITY.

10. M. THORN

I REPEATED RATHER MORE FORCEFULLY TO YAO GUANG THAN ON TUESDAY THAT DENG'S HAVING RAISED WITH AN OUTSIDER, M. THORN, THE MOST INTIMATE MATTERS FROM OUR NEGOTIATIONS, INCLUDING MATTERS WHICH I HAD MENTIONED IN INFORMAL CONVERSATION TO THE MINISTER, HAD BEEN EXTREMELY DAMAGING. IF HAD HAD ANYTHING AT ALL TO SAY ABOUT OUR PROPOSALS I HOPED THAT THE CHINESE SIDE WOULD COME TO ME, OR IF THEY PREFERRED SEND A MESSAGE TO BRITISH MINISTERS. YAO INDICATED THAT HE HAD UNDERSTOOD THIS POINT. HE MADE NO ATTEMPT TO DEFEND DENG'S ACTION.

11. LEGAL MATTERS

AT THE BEGINNING OF OUR CONVERSATION YAO SAID THAT HE HAD EXAMINED OUR PAPER ON LEGAL MATTERS. THE CHANGES WHICH THE CHINESE WERE PROPOSING WERE NOT JUST ON TERMINOLOGY (CONTRARY TO HIS STATEMENT ON 29 OCTOBER). THERE WOULD HAVE TO BE SOME CHANGES OF SUBSTANCE AND THESE INVOLVED THE ROYAL INSTRUCTIONS, THE LETTERS PATENT, AND THE COLONIAL REGULATIONS. IN GENERAL CHINA WOULD INSIST ON CHANGES TO PROVISIONS WHICH WERE DETRIMENTAL TO THE SOVERIGNTY OF THE PRC, AND THOSE WHICH HAD A COLONIAL FLAVOUR. IN ANSWER TO MY QUESTION HE CONFIRMED THAT 'COLONIAL FLAVOUR' REFERRED MAINLY TO TERMINOLOGY. YAO SAID THAT THE CHINESE SIDE HAD BEEN STUDYING THIS MATTER VERY CAREFULLY WITH EXPERTS ON BRITISH AND HONG KONG LAW. THEY WOULD BE ABLE TO OFFER SOME COMMENTS AT THE NEXT ROUND. I SAID THAT THIS WAS VERY USEFUL AND EXACTLY THE SORT OF THING WHICH OUR WORKING PAPERS WERE DESIGNED TO ESTABLISH.

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12. EXTERNAL TRADE MATTERS

WE HAD A BRIEF DISCUSSION OF EXTERNAL TRADE MATTERS ON WHICH I SAID THAT WE WOULD SUBMIT A PAPER ON MONDAY. YAO SAID THAT CHINESE POLICY ON EXTERNAL TRADE WAS VERY CLEAR. THE SAR WOULD HAVE THE RIGHT TO SEND DELEGATIONS TO ATTEND INTERNATIONAL CONFERENCES UNDER THE NAME OF HONG KONG(CHINA). I SAID THAT IT WAS NOT SUFFICIENT JUST TO HAVE POLICIES ON THIS MATTER. WE HAD TO PERSUADE THIRD PARTIES TO AGREE THINGS. THERE WOULD BE PEOPLE WHO WOULD SEEK TO TAKE ADVANTAGE OF ANY CHANGE IN HONG KONG'S STATUS IN ORDER TO DEPRIVE HER OF SOME OF HER TRADING RIGHTS. THERE WOULD NEED TO BE A COOPERATIVE APPROACH BETWEEN BRITAIN AND CHINA. YAO SAID THAT HE ENTIRELY AGREED. HE ASKED IF WE WOULD HAVE IDEAS ON HOW WE SHOULD APPROACH THESE MATTERS. I SAID THAT WE WOULD, BUT TRUSTED THAT THE CHINESE WOULD ALSO HAVE IDEAS.

13 . DATES FOR FURTHER ROUNDS .

YAO SAID THAT HE HAD TAKEN NOTE OF THE DATES WHICH WE HAD PROPOSED. 30 NOVEMBER AND 1 DECEMBER WOULD BE DIFFICULT FOR THE CHINESE SIDE BECAUSE OF THE ABSENCE OF THE FOREIGN MINISTER SHORTLY BEFORE WITH HU YAOBANG IN JAPAN. THE CHINESE SIDE HAD THEREFORE THOUGHT OF HAVING JUST ONE ROUND INSTEAD OF TWO, AND HAVING IT IN EARLY DECEMBER. THE DATES OF 7 AND 8 DECEMBER WERE CONVENIENT FOR THEM. MEANWHILE WE SHOULD CONTINUE TO HAVE REGULAR INFORMAL CONTACTS AT WHICH WE COULD PURSUE OUR BUSINESS. I SAID THAT WE WOULD REPLY FORMALLY TO THIS NEXT WEEK, BUT THAT I THOUGHT THE SCENARIO HE ENVISAGED WOULD BE ACCEPTABLE.

14. THE PREMISE.

AT THE END OF THE EVENING, AND AS IF TO CHECK OFF THE LAST POINT OF HIS BRIEF, YAO SAID THAT IT WAS A VERY GREAT PITY THAT WE WERE NOT ABLE TO AFFIRM THE PREMISE. THIS WOULD MAKE EVERYTHING SO MUCH EASIER. THE CHINESE UNDERSTOOD PARLIAMENTARY DEMOCRACIES, AND UNDERSTOOD THAT ANY AGREEMENT WOULD HAVE TO BE RATIFIED BY PARLIAMENT, BUT SURELY AS A GOVERNMENT WE COULD AFFIRM THE PREMISE FOR OUR GOVERNMENT TO GOVERNMENT DISCUSSIONS. I REPEATED THE STANDARD POINTS ABOUT THE CONSTITUTION. I THEN SOUGHT TO PERSUADE HIM THAT HE WAS REALLY ARGUING ABOUT NOTHING. THE PRIME MINISTER HAD ALREADY SAID THAT THE DISCUSSIONS SHE HAD PROPOSED IN HER MESSAGE OF 4 OCTOBER SHOULD BE ON THE BASIS OF THE CHINESE PROPOSALS. IT WAS THEREFORE A MATTER OF PURE LOGIC THAT THEY WOULD ALSO BE ON THE BASIS OF THE CHINESE PREMISE, SINCE THAT WAS ITSELF THE BASIS OF THE CHINESE PROPOSALS. FINALLY YAO SAID THAT THE CHINESE SAW TWO POSSIBLE INTERPRETATIONS OF THE BRITISH POSITION. THE FIRST WAS THAT BY SAYING THE TALKS SHOULD BE ON THE BASIS OF THE CHINESE PROPOSALS THIS WAS IN FACT TANTAMOUNT TO AFFIRMING THE PREMISE FOR THE PURPOSES OF THE

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DISCUSSIONS. THE SECOND WAS THAT BRITAIN STILL HAD SOME RESERVATIONS AND WOULD BE PROPOSING SOMETHING WHICH WOULD BE INCONSISTENT WITH THE PREMISE. I SAID THAT HE SHOULD ADOPT THE FIRST INTERPRETATION. HE REPLIED THAT THE CHINESE WERE STILL NOT YET FULLY ASSURED ON THIS POINT. I SAID THAT THIS WAS WHY WE HAD PROPOSED A STEP BY STEP APPROACH SO THAT CONFIDENCE WOULD BE BUILT UP. THE CHINESE WOULD BE ABLE TO SEE IN THE COURSE OF THIS THAT WE WERE SINCERE.

15. MRS THATCHER'S PHONE-IN WAS NOT MENTIONED AT ANY POINT.

16. SEE MIFT FOR COMMENT.

CRADOCK

FUTURE OF HONG KONG

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D/HD/PUSD(MR FLOWER)

RESEARCH DEPT(MR WALKER)

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FM PEKING 110800Z NOV 83
TO IMMEDIATE FCO

TELEGRAM NUMBER 1180 OF 11 NOVEMBER
INFO IMMEDIATE HONG KONG, ATHENS (FOR PRIVATE SECRETARY)

MIPT: FUTURE OF HONG KONG: DINNER WITH YAO GUANG
COMMENT

1. I FIND LAST NIGHT'S CONVERSATION MILDLY ENCOURAGING. IT DOES NOT LOOK AS THOUGH DENG'S INTERVENTION WITH THORN HAS DONE AS MUCH DAMAGE AS I AT FIRST FEARED POSSIBLE. THERE CLEARLY WAS A SERIOUS MISUNDERSTANDING ON THE CHINESE SIDE. BUT AFTER OUR EXPLANATIONS WE HAVE BEEN ABLE TO GET BACK TO SOMETHING LIKE THE POSITION AFTER MY INFORMAL CONVERSATION WITH YAO ON 28 OCTOBER. WE ARE PERHAPS EVEN A LITTLE BIT NEARER TO THE STEP-BY-STEP APPROACH, AS YAO HAS INDICATED THAT THE CHINESE ARE PREPARED TO HAVE GENERALISED DISCUSSIONS ON OUR PAPERS.

2. IT IS HOWEVER STILL EVIDENT THAT THE CHINESE REMAIN SUSPICIOUS OF OUR INTENTIONS, MAINLY BECAUSE WE ARE UNWILLING TO SHOW OUR HAND ON THE PRECISE MEANING OF 'THE BRITISH ROLE'. THE MOST THE CHINESE ARE PREPARED TO DO IS TO ADMIT THAT THERE IS A POSSIBILITY THAT WE MEAN WHAT WE SAY. FOR THE MOMENT I THINK WE HAVE HELD THE LINE BY THE EXPLANATIONS WHICH I HAVE BEEN ABLE TO GIVE IN MY INFORMAL CONVERSATIONS WITH YAO. I PROPOSE TO REPEAT THESE EXPLANATIONS DURING THE COURSE OF THE NEXT ROUND, DRAWING ENTIRELY ON WHAT HAS ALREADY BEEN SAID ON AUTHORITY IN THE INFORMAL CONVERSATIONS. THIS IS ESSENTIAL TO DRIVE THE POINTS HOME, AND TO GIVE YAO SOMETHING WHICH HE CAN REPORT TO HIS LEADERS.

3. WE HAVE ALSO EXPLORED FURTHER THE QUESTION OF PERSONNEL, WHICH IS CLEARLY GOING TO BE THE MOST DIFFICULT AREA. ALTHOUGH THE CHINESE HAVE SAID THAT THERE IS A DIFFERENCE BETWEEN FUNCTIONARIES AND ADVISERS, YAO WAS NOT RULING OUT THE POSSIBILITY OF BRITISH PERSONNEL REMAINING AS FUNCTIONARIES. I BELIEVE THAT THERE IS A CHANCE, DESPITE THE OBVIOUS SENSITIVITY OF THIS QUESTION TO THE CHINESE, THAT WE SHALL GET A REASONABLE DEAL HERE, PROVIDED THAT WE CAN SATISFY THE CHINESE ON THE MAIN CONSTITUTIONAL AND ADMINISTRATIVE QUESTIONS.

4. MY CONCLUSION IS THAT THERE IS NOW STRONG ADVANTAGE TO US IN TACKLING THE CENTRAL ISSUE OF THE CONSTITUTIONAL AND ADMINISTRATIVE ARRANGEMENTS AT AN EARLY STAGE. BY DOING SO WE SHALL CREATE A CLIMATE IN WHICH WE CAN MAXIMISE OUR CHANCES OF GETTING WHAT WE WANT IN OTHER AREAS. CONVERSELY

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IF WE HOLD OUT WE SHALL ONLY CONFIRM SUSPICIONS THAT WE ARE UP TO NO GOOD. SINCE WE ARE CERTAINLY GOING TO HAVE TO PUT A PAPER TO THE CHINESE ON THESE SUBJECTS AT SOME STAGE, I DO NOT THINK THAT WE HAVE ANYTHING TO LOSE, AND INDEED WE HAVE MUCH TO GAIN, BY DOING SO EARLIER THAN ORIGINALLY INTENDED. I HOPE THAT WE SHALL CONSIDER DOING SO AT OR BEFORE THE ROUND ON 7/8 DECEMBER SO THAT THERE CAN BE A DISCUSSION OF THE SUBJECT AT THAT ROUND.

5. I SEE THE ROUND ON 14 AND 15 NOVEMBER BROADLY AS FOLLOWS. I PROPOSE TO BEGIN WITH A SHORT STATEMENT ADVOCATING OUR STEP BY STEP APPROACH AND EXPLAINING WHY IT IS NECESSARY. I WOULD THEN INVITE YAO TO RESPOND TO THE LEGAL AND ECONOMIC PAPERS, AND TO ENLARGE ON THE CHINESE PROPOSALS. FOLLOWING THIS WE WOULD PUT IN OUR THIRD PAPER ON EXTERNAL ECONOMIC RELATIONS. WE SHALL HAVE TO JUDGE HOW TO PROCEED THEREAFTER ON THE BASIS OF YAO'S OPENING STATEMENT. BUT I AM CONFIDENT THAT THERE WILL BE PLENTY OF OPPORTUNITY TO REPEAT THE EXPLANATIONS GIVEN IN THE INFORMAL CONTACTS AS OUTLINED IN PARA 2 ABOVE.

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FROM PEKING 100855Z NOV 83

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1176 OF 10/11/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG, ATHENS (FOR PRIVATE SECRETARY

HONG KONG TEL NO 1699 AND FCO TEL NO 460 TO ATHENS:

FUTURE OF HONG KONG.

1. I SHALL OF COURSE SPEAK TO YAO GUANG THIS EVENING AS INSTRUCTED IN YOUR TUR AND WE SHALL NEED TO CONSIDER THE LINES TO BE TAKEN ON 14 AND 15 NOVEMBER IN THE LIGHT OF TONIGHT'S TALK.

2. IN THE MEANTIME, HOWEVER, I AM AFRAID I HAVE TO TAKE UP HONG KONG TUR. IT REVEALS A FUNDAMENTAL DIFFERENCE BETWEEN THIS EMBASSY AND THE GOVERNOR. THIS MUST BE CLARIFIED IF WE ARE NOT TO BECOME COMPLETELY STUCK.

3. THE PRIME MINISTER'S MESSAGE OFFERED - WITHOUT COMMITMENT - TO SEE WHAT COULD BE BUILT ON THE CHINESE PROPOSALS. THE LATTER ARE BASED ON THE PRESUME THAT BOTH SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION WILL PASS TO CHINA IN 1997. IT FOLLOWS AS NIGHT FOLLOWS DAY THAT THESE DISCUSSIONS WITHOUT COMMITMENT MUST BE BASED ON THE ASSUMPTION THAT THERE WILL BE NO LINK OF AUTHORITY BETWEEN THE UK AND THE HONG KONG ADMINISTRATION AFTER 1997. IF WE DO NOT ACCEPT THIS THE COURSE WHICH WE ARE PURSUING IS DOOMED TO FAILURE FROM THE START, AND INDEED WILL GENERATE SUCH SUSPICION AND RESENTMENT ON THE CHINESE SIDE THAT WE WOULD HAVE DONE BETTER NEVER TO EMBARK ON IT.

4. IF THE ABOVE IS ACCEPTED, IT FOLLOWS THAT WHEN, IN THE COURSE OF THESE DISCUSSIONS WITHOUT COMMITMENT, WE COME TO TALK OF THE CONSTITUTIONAL AND ADMINISTRATIVE ARRANGEMENTS, WE CANNOT PUT FORWARD IDEAS WHICH ENVISAGE THE CONTINUATION OF ANY LINK OF AUTHORITY BETWEEN THE UK AND HONG KONG. THE ONLY QUESTION ABOUT THIS IS ONE OF TIMING. WE HAD EARLIER THOUGHT THAT THIS STAGE SHOULD COME LATER IN OUR DISCUSSIONS. I NOW RECOMMEND THAT IT SHOULD COME EARLIER, OR AT LEAST THAT WE SHOULD GIVE AN INDICATION OF THE MAIN LINES OF OUR IDEAS. THERE IS, HOWEVER, NO NEW CONCESSION WHATSOEVER INVOLVED. IT IS A MATTER OF EXPLAINING WHAT IS MEANT BY THE PRIME MINISTER'S MESSAGE, MUCH AS WE HAVE ALREADY BEEN DOING. THE CONDITIONALITY REMAINS THE SAME AS IN THE PRIME MINISTER'S MESSAGE. WHAT WE ARE TRYING TO DO IS TO CONVINCCE THE CHINESE THAT WE MEAN WHAT WE SAY WHEN WE SPEAK OF CONSTRUCTIVE DISCUSSIONS BASED ON THEIR PROPOSALS.

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5. IT FOLLOWS THAT WE DO NOT AGREE WITH THE GOVERNOR'S SUGGESTION (HIS PARA 2) THAT THIS WOULD BE A FURTHER CONCESSION. NOR DO WE AGREE WITH THE SUGGESTION THAT IT WOULD BE "TANTAMOUNT TO IMPLICIT AFFIRMATION OF THE CHINESE PREMISE". SUCH AFFIRMATION CAN ONLY OCCUR IF THE CONDITIONALITY ATTACHED TO THE PRIME MINISTER'S MESSAGE IS REMOVED. NOR DO WE AGREE THAT THIS WILL COMPROMISE THE POSSIBILITY FOR BUILDING OTHER LINKS WITH BRITAIN INTO THE ARRANGEMENTS. THE POSITION NOW IS THAT FOR THE PURPOSE OF THESE DISCUSSIONS, LINKS OF AUTHORITY ARE IMPOSSIBLE, WHEREAS OTHER LINKS SHOULD BE NEGOTIABLE. WHAT WE ARE PROPOSING DOES NOT AFFECT THAT. IN FACT, UNLESS WE GET RID OF THE POINT ABOUT AUTHORITY WE HAVE NO CHANCE OF NEGOTIATING LESSER LINKS.

6. PARA 3 OF HONG KONG TUR ARGUES THAT MY PROPOSAL GOES BEYOND THE TERMS OF THE PRIME MINISTER'S MESSAGE, AS EXCO UNDERSTAND IT. IT WILL BE CLEAR FROM THE ABOVE THAT WE REGARD THE PROPOSAL AS IMPLICIT IN THE PRIME MINISTER'S MESSAGE. INDEED, IT IS THE ONLY WAY OF CARRYING OUT HER INSTRUCTIONS OF OCTOBER AND SEEING WHETHER WE CAN BUILD SOMETHING OF VALUE ON THE BASIS OF THE CHINESE PROPOSALS. THE QUESTION, THEREFORE, IS WHETHER WE ARE TO ALLOW EXCO TO BE THE ARBITERS OF WHAT IS MEANT BY THE PRIME MINISTER'S MESSAGE. WE DO NOT UNDERESTIMATE THE DIFFICULTIES WHICH THE GOVERNOR MAY HAVE WITH EXCO. NEVERTHELESS, AS WE HAVE SAID BEFORE, WE REGARD IT AS VITAL THAT IN ANY CASE WHERE THEY APPEAR TO BE BACKTRACKING FROM THE COURSE PROPOSED IN THE MESSAGE AND AGREED BY THEM, THEY SHOULD BE FIRMLY REMINDED OF THE RATIONALE OF THAT COURSE AND OF THE PRIME MINISTER'S REFUSAL TO CONTEMPLATE CONFRONTATION (THE ONLY ALTERNATIVE) UNTIL IT HAS BEEN FULLY EXPLORED. THIS MEANS A SERIOUS EFFORT ON OUR PART TO CONSTRUCT A WORTHWHILE BUILDING ON THE FOUNDATION OF THE CHINESE PROPOSALS. THIS OF COURSE INCLUDES A SECTION ON THE CONSTITUTIONAL AND ADMINISTRATIVE ARRANGEMENTS.

7 THE LINE PROPOSED IN PARA 4 OF HONG KONG TUR IS NOT A SUBSTITUTE FOR WHAT WE ARE PROPOSING. WE CAN AND SHALL CONTINUE TO ARGUE VIGOROUSLY THAT WE HAVE GONE AS FAR AS WE CAN IN THE AFFIRMATION OF THE CHINESE PREMISE. HOWEVER, THE "FUTURE PAPERS" WHICH THE GOVERNOR MENTIONS MUST INCLUDE PAPERS ON THE CONSTITUTIONAL AND ADMINISTRATIVE POSITION. AS ARGUED ABOVE, THESE CANNOT CONTAIN ANY PROPOSAL FOR A LINK OF AUTHORITY BETWEEN THE UK AND HONG KONG. ALL WE ARE PROPOSING IS THAT WE SHOULD TELL THE CHINESE THIS NOW INSTEAD OF WAITING FOR IT TO EMERGE WHEN WE PRESENT A PAPER ON THIS SUBJECT. IF WE DO NOT DO THIS NOW WE SHALL FAIL IN OUR IMMEDIATE TASK, WHICH IS TO DISSIPATE CHINESE SUSPICION, PARTICULARLY AT THE TOP, THAT WE STILL PLAN TO KEEP SOME OF THE POWER OF ADMINISTRATION. WE SHALL ALSO RULE OUT WHATEVER CHANCE THERE MAY STILL BE OF THE CHINESE ACCEPTING OUR STEP-BY-STEP APPROACH.

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8. FINALLY, I COME TO THE SUGGESTION IN PARA 5 OF HONG KONG
THAT CERTAIN POSITIONS IN HONG KONG SHOULD BE RESERVED
FOR BRITISH PERSONNEL. THIS IS, OF COURSE, NOT THE SAME
AS SAYING THAT THEY COULD BE FILLED BY BRITISH PERSONNEL AND
YAO HAS ALREADY DRAWN THIS DISTINCTION. I WAS NOT AWARE
THAT ANY SUCH SUGGESTION HAD BEEN MADE, LET ALONE ACCEPTED.
I WOULD REGARD IT AS HIGHLY INADVISABLE. OUR MAIN CONCERN
IN SEEKING TO DEVELOP THE CHINESE PROPOSALS IS TO PRESERVE FOR
HONG KONG AS LARGE A DEGREE OF AUTONOMY UNDER PRC SOVEREIGNTY
AS WE CAN. BY SUGGESTING THAT HONG KONG SHOULD NOT HAVE
AUTONOMY IN DECIDING WHETHER POSTS SHOULD BE FILLED BY UK
PERSONNEL OR LOCAL PERSONNEL OR PERSONNEL FROM THIRD COUNTRIES
AFTER 1997, WE SHOULD SERIOUSLY UNDERMINE OUR OWN ARGUMENTS
FOR SUCH AUTONOMY AND DAMAGE THE LOGIC OF OUR POSITION.
IF WE COULD LAY DOWN THINGS WHICH WOULD NOT BE OPEN TO
QUESTION BY THE AUTONOMOUS GOVERNMENT, WHY SHOULD THE CHINESE NOT
ALSO DO SO? MOREOVER, IT WOULD SEEM INTOLERABLY PATERNALISTIC TO
THE CHINESE AND WOULD, I THINK, SERIOUSLY PREJUDICE OUR ATTEMPTS
TO GET A REASONABLE NUMBER OF UK PERSONNEL RETAINED IN AN
AUTONOMOUS HONG KONG ADMINISTRATION. DENG'S SUSPICIONS
WOULD BE SEEN TO BE CONFIRMED AND MY ASSURANCES TO YAO PROVED
FALSE. THE CHINESE MAY WELL ACCEPT THAT AN AUTONOMOUS HONG KONG
SHOULD DECIDE ON AND APPOINT SUCH PEOPLE:
~~I AM QUITE SURE THEY WOULD NOT ACCEPT THAT~~
WE SHOULD. IN ANY CASE, WE ARE SURELY TRYING TO GUARANTEE HONG KONG
AGAINST CHINA, NOT AGAINST THE HONG KONG PEOPLE.

CRADOCK

FUTURE OF HONG KONG

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ED/PUSD

D/ED/PUSD(MR FLOWER)

RESEARCH DEPT(MR WALKER)

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DESKBY FCO 110900Z
DESKBY PEKING 110600Z
DESKBY ATHENS 110700Z
FROM HONG KONG 110440Z NOV 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 1707 OF 11 NOVEMBER 1983
INFO IMMEDIATE PEKING AND ATHENS (FOR PRIVATE SECRETARY)

ADVANCE COPY

PEKING TELNO 1176: FUTURE OF HONG KONG

1. I AGREE THAT THERE IS A NEED TO CLARIFY OUR PRESENT STRATEGY AND OBJECTIVES.
2. AS I UNDERSTAND IT, THE COURSE ON WHICH WE ARE NOW EMBARKED IS THAT RECOMMENDED IN PEKING TELNO 1068 AS AMPLIFIED BY MY TELNO 1581, AND ENDORSED BY MINISTERS IN FCO TELNO 718 TO PEKING. IT IS A COURSE WHICH INVOLVES MOVING BY STAGES FROM THE RELATIVELY UNCONTENTIOUS AREAS WHERE WE HAVE ALREADY SUBMITTED WORKING PAPERS THROUGH SUCH MATTERS AS INTERNATIONAL TRADING AND ECONOMIC ARRANGEMENTS, AND THE INTERNAL WORKINGS OF THE HONG KONG ADMINISTRATION, TO WHAT WE ENVISAGE TO BE THE MOST CONTROVERSIAL QUESTIONS, IN PARTICULAR THE ROLE, APPOINTMENT AND AUTHORITY OF THE GOVERNOR, AND SECURITY. IT WAS OUR HOPE THAT BY THE TIME WE CAME TO THESE LAST QUESTIONS WE WOULD HAVE ESTABLISHED THROUGH DETAILED DISCUSSION OF THE LESS SENSITIVE AREAS THE EXTENT TO WHICH THE CHINESE WOULD ALLOW HONG KONG REAL AUTONOMY AND EXTERNAL CONTACTS, AND WHAT GUARANTEES OR ASSURANCES THEY WOULD BE READY TO CONCEDE. THE CHINESE MAY BE ARGUING AGAINST THIS BUT THAT IS NO REASON TO BE IMMEDIATELY DEFLECTED FROM IT.
3. THE AMBASSADOR NOW ENVISAGES A DIFFERENT COURSE IN WHICH WE WOULD DEAL WITH THE CENTRAL QUESTIONS OF ADMINISTRATION SOON, BEFORE WE HAVE ANY CLEAR IDEA OF THE REST OF THE PACKAGE, AND THAT WE SHOULD DO SO HAVING ALREADY CONCEDED THAT THERE IS NO POSSIBILITY OF ANY LINK OF AUTHORITY OR RESPONSIBILITY BETWEEN THE UK AND HONG KONG. THIS MAY BE THE BEST WAY TO REACH EARLY AGREEMENT WITH THE CHINESE, BUT IT CARRIES THE DANGER, TO WHICH I DREW ATTENTION IN MY TELNO 1674, THAT WE WILL END UP WITH A PACKAGE WHICH IS NEGOTIABLE WITH THE CHINESE BUT WHICH WILL NOT BE REGARDED AS ACCEPTABLE HERE AND WILL NOT MAINTAIN CONFIDENCE.
4. AS I SAID IN THAT TELEGRAM, THE HEART OF THE MATTER FROM THE POINT OF VIEW OF MAINTAINING CONFIDENCE HERE IS THE QUESTION OF

4. AS I SAID IN THAT TELEGRAM, THE HEART OF THE MATTER FROM THE POINT OF VIEW OF MAINTAINING CONFIDENCE HERE IS THE QUESTION OF GUARANTEES AND ASSURANCES. ONE OF THE MOST IMPORTANT OF THESE GUARANTEES MUST BE THE NUMBER AND STRENGTH OF THE CONTINUING BRITISH LINKS WHICH WE ARE ABLE TO BUILD INTO THE SYSTEMS. WE NOW HAVE VIRTUALLY RULED OUT IN ADVANCE ANY LINKS OF AUTHORITY OR RESPONSIBILITY, AND THE AMBASSADOR HAS GONE A LONG WAY, IN HIS CONVERSATION WITH YAO GUANG ON 8 NOVEMBER TOWARDS EXCLUDING THE POSSIBILITY OF RESERVING POSTS FOR EXPATRIATE BRITISH OFFICIALS. THE CHINESE POSITION IS THAT SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION MUST REVERT TO CHINA. WE ARE NOW INTERPRETING THAT FOR THEM, IN A RESTRICTIVE SENSE, BEFORE WE HAVE TESTED HOW FAR THEIR POSITION COULD BE QUOTE FINESSED, UNQUOTE AND WHAT EXTERNAL LINKS COULD BE ACCOMMODATED WITHIN IT.

5. THE SUGGESTION REGARDING EXPATRIATE OFFICIALS HAS APPEARED IN MANY OF THE STUDIES WHICH HAVE BEEN MADE ON POSSIBLE SAFEGUARDS, AND WHICH HAVE BEEN THE SUBJECT OF CORRESPONDENCE BETWEEN THE EMBASSY, OURSELVES AND THE DEPARTMENT. IT IS TO BE FOUND, FOR EXAMPLE, IN ANNEX III OF THE QUOTE REAPPRAISAL UNQUOTE STUDY SUBMITTED TO MINISTERS IN AUGUST THIS YEAR (PARA 11(C)) AND IN THE DEPARTMENT'S LATEST SAFEGUARDS PAPER. IF WE ARE NOW TO RULE OUT ANY RESERVED POSITIONS FOR EXPATRIATE BRITISH OFFICIALS, AS WELL AS ANY LINKS OF AUTHORITY, THERE WILL BE PRECIOUS LITTLE LEFT FOR US TO PROPOSE IN THE WAY OF BRITISH LINKS. AS FAR AS I CAN SEE THE REMAINING LINKS WOULD AMOUNT TO LITTLE MORE THAN THOSE DESCRIBED IN THE LEGAL SYSTEM WORKING PAPER, THE POSSIBILITY OF AN INDEPENDENT FINANCIAL COMMISSION WITH SOME BRITISH MEMBERSHIP, AND THE POSSIBILITY THAT THE UK MIGHT PROVIDE TRAINING AND OTHER ASSISTANCE FOR THE POLICE AND A LOCAL DEFENCE FORCE. BUT THE AMBASSADOR MAY WISH TO SPECIFY WHAT QUOTE OTHER LINKS UNQUOTE HE HAS IN MIND (PARA 5 OF HIS TUR). MOREOVER I DO NOT SEE HOW WE CAN QUOTE GET A REASONABLE NUMBER OF UK PERSONNEL RETAINED IN AN AUTONOMOUS HONG KONG ADMINISTRATION UNQUOTE (PARA 8 OF PEKING TUR) IF SOME AGREEMENT IS NOT REACHED BEFOREHAND ON WHO THOSE PEOPLE MIGHT BE AND WHICH POSTS THEY MIGHT OCCUPY. THE CONTINUITY AND INTEGRITY OF THE CIVIL SERVICE ARE ESSENTIAL TO THE FUTURE STABILITY OF THE ADMINISTRATION (MY TEL NO 1700). WE CANNOT EXPECT EXPATRIATE CIVIL SERVANTS TO CARRY ON UNTIL 1997 IF THEIR ONLY GUARANTEE OF FUTURE EMPLOYMENT IS THE POSSIBILITY THAT THE AUTONOMOUS ADMINISTRATION MIGHT THEREAFTER CHOOSE TO ASK SOME OF THEM TO CONTINUE IN OFFICE, ON THE BASIS THAT THEY CAN BE ALSO BE DISMISSED AT WILL.

6. AT THE RISK OF REPEATING MYSELF, I AM CONCERNED THAT WE MAY NOW BE MAKING A MAJOR SHIFT IN OUR STRATEGY WITHOUT PROPER CONSIDERATION OF THE POLICY ISSUES INVOLVED, AND WITHOUT THE CONSULTATION WITH EXCO TO WHICH WE ARE COMMITTED. I FEAR ALSO THAT IN SEEKING TO GET ROUND THE NEW OBSTACLE RAISED BY DENG'S ATTITUDE AS REVEALED IN HIS CONVERSATION WITH M. THORN WE ARE OURSELVES VOLUNTEERING RESTRICTIVE INTERPRETATIONS OF THE CHINESE PROPOSALS WHICH THE CHINESE THEMSELVES HAVE NOT STIPULATED. IF WE CONTINUE TO DO THIS WE MAY FIND OUT THAT WE END UP WITH A PACKAGE WHICH AMOUNTS TO LITTLE MORE THAN THE CHINESE PLAN, AND WHICH WE WILL OURSELVES HAVE PROPOSED. I THEREFORE THINK IT ESSENTIAL THAT BEFORE WE GO FURTHER DOWN THIS PATH WE SHOULD HAVE A MUCH CLEARER IDEA OF THE SHAPE OF THE PACKAGE AT WHICH WE ARE AIMING.

OURSELVES HAVE PROPOSED. I THEREFORE THINK IT ESSENTIAL THAT BEFORE WE GO FURTHER DOWN THIS PATH WE SHOULD HAVE A MUCH CLEARER IDEA OF THE SHAPE OF THE PACKAGE AT WHICH WE ARE AIMING.

7. THIS TELEGRAM HAS BEEN DRAFTED WITHOUT BENEFIT OF THE AMBASSADOR'S REPORT ON HIS DINNER WITH YAO GUANG ON 10 NOVEMBER. BUT AS REGARDS TACTICS FOR THE NEXT ROUND OF THE TALKS ON 14/15 NOVEMBER, IT REMAINS MY VIEW THAT WE SHOULD NOT MAKE FURTHER CONCESSIONS AT THIS STAGE (AND I CONTINUE TO REGARD OUR VOLUNTEERING THE GENERAL AND EFFECTIVE EXCLUSION OF ANY LINK OF AUTHORITY AND RESPONSIBILITY BETWEEN THE UK AND HONG KONG AS A CONCESSION, HOWEVER CORRECT THE AMBASSADOR'S LOGICAL ARGUMENT MAY BE). IT MAY WELL BE THAT THE CHINESE ARE SIMPLY TESTING HOW MUCH FURTHER THEY CAN PUSH US TOWARDS EXPLICIT ACCEPTANCE OF THEIR PREMISE. UNLESS WE ARE PREPARED TO SIT TIGHT AT LEAST FOR THE NEXT ROUND WE SHALL BE IN DANGER OF GETTING ON TO THE SLIPPERY SLOPE WHICH LEADS INEXORABLY TO THE OLD OPTION C: ACCEPTING THE CHINESE PREMISE AND NEGOTIATING THE BEST DEAL WE CAN ON THAT BASIS.

YOUDE

NANN

11 NOV 1983

