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DESKBY FCO 300900Z

FM PEKING 300630Z JUN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1243 OF 30 JUNE

INFO IMMEDIATE HONG KONG

YOUR TELNO 671/ FUTURE OF HONG KONG: STRATEGY

1. YOU MAY FIND IT HELPFUL TO HAVE MY VIEWS ABOUT STRATEGY DURING THE PERIOD WHICH NOW LIES AHEAD AT THIS POINT. I SHALL BE CONTINUING TO CONSULT AND REFLECT SEMICOLON AND IT MAY WELL BE THAT I SHALL WANT TO OFFER MODIFICATIONS DURING THE MEETINGS WHICH ARE TO BE HELD NEXT WEEK.

2. THE ESSENTIAL ELEMENTS IN MY PRESENT VIEW ARE THE FOLLOWING:

(A) IT IS VERY CLEAR THAT THE CHINESE, UP TO AND INCLUDING DENG XIAOPING, ATTACH VERY GREAT IMPORTANCE TO THE CHINESE PROPOSALS ABOUT THE LOCATION AND MACHINERY OF A JOINT GROUP.

MY JUDGMENT IS THAT THEY ATTACH ALMOST AS MUCH IMPORTANCE TO THIS AS TO THE SATISFACTORY REFLECTION OF CHINESE REQUIREMENTS ABOUT SOVEREIGNTY IN THE AGREEMENT. IT IS ALSO MY JUDGMENT THAT

AGREEMENT WITH THE CHINESE ABOUT LOCATION AND MACHINERY OF A JOINT GROUP IS A NECESSARY, IF NOT A SUFFICIENT, CONDITION FOR OUR MAKING SUBSTANTIAL PROGRESS WITH THEM ON THE OUTSTANDING ITEM 1 ISSUES, ON THE FORM AND CONTENT OF AN AGREEMENT (INCLUDING THE ANNEXES) AND ON OTHER ITEM 2 ISSUES.

(B) IN THIS SITUATION, I FAVOUR OUR OFFERING THE CHINESE A DEAL WHICH WOULD EMBRACE, BUT NOT BE CONFINED TO, ITEM 2. THE DEAL WHICH MOST APPEALS TO ME IS BRITISH AGREEMENT TO THE ESTABLISHMENT OF A JOINT GROUP IN HONG KONG (WITH A STRICTLY DEFINED COMPOSITION AND STRICTLY DEFINED METHODS OF OPERATION) IN RETURN FOR CHINESE AGREEMENT TO OUR TERMS OF REFERENCE ABOUT THE TASKS OF THE GROUP AND REPEAT AND THE INCLUSION IN THE ANNEXES OF PRECISE LANGUAGE ON ALL POINTS AGREED BETWEEN US IN THE TALKS.

(C) I AM ALSO INCLINED TO FAVOUR OUR AT THE SAME TIME OFFERING A SECOND DEAL ON CONSTITUTIONAL STRUCTURE. HERE THE DEAL I HAVE IN MIND IS BRITISH AGREEMENT TO THE JOINT ENDORSEMENT REPEAT ENDORSEMENT IN THE LATER 1990S OF ALL OFFICIALS OF DEPUTY SECRETARY RANK AND ABOVE IN THE FIRST GOVERNMENT OF THE SAR IN RETURN FOR CHINESE AGREEMENT TO THE ELECTION OF A GOVERNOR WITH RESERVED POWERS IN THE EARLY 1990S.

(D) I BELIEVE THAT IT WOULD BE A GOOD DEAL EASIER FOR THE SECRETARY OF STATE TO GET THE CHINESE TO ACCEPT A DEAL OR DEALS ON THESE LINES BY VISITING PEKING PERSONALLY THAN BY SENDING A MESSAGE TO WU XUEQIAN OR INSTRUCTING ME TO OFFER SUCH DEALS TO ZHOU NAN (AT THE TABLE OR OTHERWISE). ONE OF THE MOST INTERESTING FEATURES OF THE SECRETARY OF STATE'S VISIT TO PEKING IN APRIL WAS THAT THE POINTS HE MADE TO WU XUEQIAN, JI PENGFEI AND ZHAO ZIYANG WERE CAREFULLY CONSIDERED BY, AND HAD THEIR CUMULATIVE IMPACT ON, DENG XIAOPING, THE PERSON WHO CALLS THE SHOTS.

(E) IF THE SECRETARY OF STATE WERE TO OFFER A DEAL OR DEALS ON THESE LINES, I BELIEVE THAT HE SHOULD DO THIS NO SOONER THAN THE END OF JULY, BUT NO LATER THAN THE MIDDLE OF AUGUST.

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LEAD TIMES FOR PLANNING AND PREPARATION APART, IT WOULD IN MY VIEW BE A MISTAKE TO OFFER THE CHINESE ANYTHING UNTIL WILSON HAS HAD AT LEAST THREE WEEKS TO GO OVER THE ANNEXES WITH HIS CHINESE OPPOSITE NUMBER IN THE WORKING GROUP. AFTER THREE WEEKS, WE OUGHT TO HAVE A FAIRLY CLEAR IDEA OF AMOUNT OF DETAILS WHICH, IN PRESENT CIRCUMSTANCES, THEY ARE WILLING TO SEE INCLUDED IN THE ANNEXES. I BELIEVE THAT TO LEAVE ANY OFFER UNTIL LATER THAN THE MIDDLE OF AUGUST COULD PREJUDICE ITS CHANCE OF ACCEPTANCE AND WOULD IN ANY CASE NOT ALLOW TIME FOR EVERYTHING TO BE PUT TOGETHER IN A DELIBERATE WAY BY THE END OF SEPTEMBER.

3. TWO FUNDAMENTAL QUESTIONS LURK IN THE BACKGROUND. THEY ARE:
(A) WOULD THE CHINESE PREFER THE BREAKDOWN OF THE NEGOTIATIONS TO THE CONCLUSION OF AN AGREEMENT IF WE STAYED PUT ABOUT THE ESTABLISHMENT OF A JOINT GROUP IN HONG KONG?
(B) WOULD AN AGREEMENT WHICH GAVE THE CHINESE WHAT THEY SEEM TO WANT MOST OVER ITEM 2 (IE THE ESTABLISHMENT OF A JOINT GROUP IN HONG KONG) BE WORSE THAN NO AGREEMENT AT ALL?

4. THE ANSWERS TO BOTH QUESTIONS ARE OF COURSE MATTERS OF JUDGMENT. AS TO (A), MY JUDGMENT IS THAT, IN SPITE OF THE VERY SERIOUS ECONOMIC AND POLITICAL CONSEQUENCE FOR CHINA OF NO AGREEMENT, THE CHINESE (IN PARTICULAR DENG XIAOPING) MIGHT BE IRRATIONAL ENOUGH TO PREFER NO AGREEMENT TO AN AGREEMENT WHICH DID NOT GIVE THEM THE ESTABLISHMENT OF A GROUP IN HONG KONG.

5. AS TO (B), I THINK THAT WE SHOULD TAKE SERIOUSLY DENG XIAOPING'S THREAT TO PUT IN HAND THE RECOVERY OF HONG KONG BEFORE 1997 IF THERE WAS SERIOUS TROUBLE THERE. I ALSO THINK THAT WE NEED TO THINK HARD ABOUT THE POSSIBILITY OF THE ABSENCE OF AN AGREEMENT LEADING, SOONER OR LATER, TO THE CREATION OF A SITUATION IN HONG KONG WHICH WOULD TEMPT DENG TO PUT HIS THREAT INTO EFFECT.

EVANS

FUTURE OF HONG KONG

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