

FUTURE OF HONG KONG

ADVANCE COPIES

13 40

PS
PS/PUS
PS/MR LUCE
~~MR BOYD~~
D/D 3
D/D
PS / LADY YOUNG
SIR W. BRIDGES
RESIDENT CLERK

COPIES TO:
POWER
MR GIBBS, NO. 10 DOWNING ST
MR ROBERTS, NEWS DEPT
SIR PERCY CRADOCK

Tylists

By 111100



GRS 750
SECRET
DESKBY 111100Z FCO, PEKING.
FM HONG KONG 110945Z SEP 84
TO IMMEDIATE F C O
TELEGRAM NUMBER 2751 OF 11 SEPTEMBER
INFO IMMEDIATE PEKING

PEKING TELNO 2233: FUTURE OF HONG KONG: THE END-GAME.

1. I BROUGHT EXCO UP TO DATE WITH DEVELOPMENTS THIS MORNING THEY WERE IN A SOMBRE MOOD. THEY WERE PUZZLED BY ZHOU NAN'S UNEXPECTED SUGGESTION THAT RESPONSE TO THE OTHER ISSUES IN THE SECRETARY OF STATE'S MESSAGE DEPENDED ON OUR RESPONSE ON CIVIL AVIATION. THEY BELIEVED THAT THEY WERE NOT IN A POSITION TO ADVISE ON WHAT THE NEXT STEPS MIGHT BE UNTIL THEY HAD SEEN WHAT WOULD BE INCLUDED IN THE REPLY FROM FOREIGN MINISTER WU.
2. THE COUNCIL WENT THROUGH ALL THE POINTS UNDER NEGOTIATION AND AGREED A REPLY WHICH SHOULD SATISFY THE CHINESE ON THE NEW DIFFICULTY OVER RATEABLE VALUES WHICH HAS OCCURRED IN THE DISCUSSIONS ON LAND. (MY TEL NO 1000 TO PEKING) THEY NOTED THE OBJECTIVES WHICH WERE IN THE MEANWHILE BEING PURSUED BY THE DELEGATION ON OTHER ISSUES.
3. FOLLOWING THIS DISCUSSION I TOLD THE COUNCIL THAT IN MY VIEW WE COULD NOW IDENTIFY THE PARAMETERS WITHIN WHICH ANY AGREEMENT WOULD HAVE TO FALL. IN RECOGNISING THIS THE COUNCIL SHARED MY VIEW THAT THE CESSATION OF TRANSMISSIBILITY WOULD ALREADY HAVE REDUCED THE DEGREE OF ACCEPTABILITY OF THE AGREEMENT AS A WHOLE. THEY ALSO BELIEVED THAT FAILURE BY THE CHINESE TO CONCEDE ANY OF THE POINTS IN THE SECRETARY OF STATE'S MESSAGE WOULD ALSO REDUCE COMMENSURATELY THE DEGREE OF THE AGREEMENT'S ACCEPTABILITY HERE.
4. THERE WAS SOME DISCUSSION ON WHETHER OR NOT THE CHINESE WOULD SACRIFICE EVERYTHING TO THE END SPETEMBER DEADLINE IF WE STUCK-OUT AND ARGUED ON: AND TO SPECULATE ON WHAT WOULD HAPPEN IF WE DID TRY TO PUSH THEM BEYOND THE END OF SEPTEMBER. I TOLD THE COUNCIL THAT IN MY CONSIDERED JUDGMENT IT WAS A CASE OF INITIALLING BY THE END OF SEPTEMBER OR FACING A BREAK-DOWN AND CRISIS. I DID NOT MYSELF THINK THAT HONG KONG WOULD NOW ACCEPT A SITUATION IN

BY THE END OF SEPTEMBER OR FACING A BREAK-DOWN AND CRISIS. I DID NOT MYSELF THINK THAT HONG KONG WOULD NOW ACCEPT A SITUATION IN WHICH THERE WAS NO AGREEMENT OR THAT THEY WOULD BELIEVE THAT BREAK-DOWN WOULD BE JUSTIFIED EVEN ON OUTSTANDING ISSUES.

5. I DID NOT SEEK TO BRING THE COUNCIL TO ANY CONCLUSIONS ON THESE MATTERS WHICH MUST REMAIN OPEN UNTIL WE HAVE SEEN WHAT, IF ANY, CONCESSIONS THE CHINESE MAKE IN REPLY TO YOUR MESSAGE. BUT IT IN THE LIGHT OF DISCUSSION THIS MORNING WE ARE TO KEEP EXCO UNOFFICIALS, AND PARTICULARLY SIR S Y CHUNG, WITH US IN THIS LAST DIFFICULT STAGE I THINK TWO THINGS WILL BE ESSENTIAL.

6. FIRST THE COUNCIL ARE CONCERNED THAT WE SHOULD NOT ASSUME THAT THE PRESSURE OF TIME IS ON US ALONE. WITH TWO WEEKS STILL TO RUN BEFORE INITIALLING EXCO WILL NOT WISH TO CONCEDE UNTIL THEY ARE CERTAIN THAT EVERY LAST DROP HAS BEEN SQUEEZED OUT OF THE CHINESE ORANGE. WE SHOULD NOT THEREFORE RULE OUT FIRING A FURTHER MESSAGE BACK IMMEDIATELY IF WU'S REPLY IS INADEQUATE. (ALL MEMBERS WOULD WANT US TO STAND OUT FOR SPECIFIC MENTION OF PASSPORTS IN OUR DECLARATION)

7. THE SECOND POINT IS THAT WHERE WE CANNOT GET OUR ESSENTIALS WRITTEN IN WE SHOULD NOT ACCEPT WORDING WHICH WILL RULE THEM OUT. THIS COULD AFFECT REFERENCES TO AN ELECTED LEGISLATURE: THE ISSUE OF PASSPORTS AFTER 1997 AND SOME ASPECTS OF CIVIL AVIATION. SIR S Y CHUNG WOULD PROBABLY WISH TO INCLUDE UNILATERAL MAINTENANCE OF SOME RIGHT OF TRANSMISSIBILITY. THE OBJECT OF NOT GETTING THINGS WRITTEN OUT IS TO LEAVE AN OPPORTUNITY FOR THE ARGUMENT TO BE PURSUED AFTER THE INITIALLING.

8. ON SIR S Y CHUNG'S SPECIFIC POINT REGARDING TRANSMISSIBILITY FOR THE CHILDREN OF FORMER BDC'S BORN OUTSIDE HONG KONG, ALTHOUGH I ASSURED HIM THAT HIS RESERVATION WOULD BE RECORDED, I DOUBT IF HE WILL GIVE UP THE POINT. HE COMMENTED THAT IT DID NOT CONCERN THE CHINESE AND THAT THE TIME TO FIGHT THIS BATTLE WOULD COME WHEN AMENDMENTS WERE PROPOSED TO THE BNA IN PARLIAMENT.

9. THIS WAS, OF COURSE, A PRELIMINARY DISCUSSION AND THE COUNCIL WILL REMAIN READY TO OFFER FURTHER ADVICE AS SOON AS WU'S REPLY IS AVAILABLE. WE MEET AGAIN TOMORROW WEDNESDAY AT 9.30 A.M. LOCAL TIME.

YOUDE

NNNN