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DESKBY FCO 060900Z

DESKBY HONG KONG 060800Z

FM PEKING 060640Z OCT 82

TO IMMEDIATE F C O

TELNO 623 OF 6 OCTOBER

INFO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR).

*Mr Coles
No 10 Downing Street*

PERSONAL FOR DONALD

MY TELNO 620: CALL ON ZHANG WENJIN: HONG KONG TALKS

1. THIS WAS A COURTEOUS AND FRIENDLY BUT VERY FIRM EXCHANGE. ZHANG TOOK A HARD LINE AND STUCK CLOSELY TO IT. HE IS OF COURSE ON A TIGHT REIN. HE REPEATEDLY HARPED ON THE SOVEREIGNTY "PREMISE" OR "PRE-CONDITION". I GAVE HIM A NUMBER OF OPPORTUNITIES TO CLARIFY WHICH HE MEANT, BUT HE USED THE TWO WORDS INTERCHANGEABLY. HE DENIED THAT SOVEREIGNTY AND ADMINISTRATION WERE SEPARABLE AND REINFORCED ZHAO'S REMARK TO THE PRIME MINISTER, THAT BRITISH ADMINISTRATION WAS OUT OF THE QUESTION.

2. ALTHOUGH ZHANG GAVE NOTHING AWAY, THERE WERE TWO POSITIVE POINTS IN WHAT HE SAID. FIRST HE AGREED THAT TALKS COULD BEGIN DESPITE THE MAJOR DIFFERENCES OUTSTANDING, EVEN THOUGH THE PROBLEM OF THE PREMISE WOULD BE ENCOUNTERED IMMEDIATELY. SECONDLY HE SAID THAT IF IT WERE NOT POSSIBLE TO SOLVE THE QUESTION OF SOVEREIGNTY TOTALLY WE SHOULD AT LEAST REACH A "SETTLEMENT IN PRINCIPLE" OF THE SOVEREIGNTY QUESTION SO THAT DISCUSSION OF THE MAINTENANCE OF PROSPERITY AND STABILITY COULD PROCEED.

3. AS TO WHERE WE GO FROM HERE, WE APPEAR TO HAVE TWO OPTIONS:
(A) TO RETURN TO THE CHARGE WITH ZHANG AND SEEK TO PERSUADE HIM THAT SOVEREIGNTY CAN BE CONSIDERED ONLY AFTER WE HAVE DEALT WITH THE ADMINISTRATIVE ARRANGEMENTS.
(B) TO BEGIN TALKS IN THE KNOWLEDGE THAT WE SHALL RUN INTO IMMEDIATE DIFFICULTIES ON SOVEREIGNTY.

4. IN MY VIEW ZHANG WILL NOT BE MOVED FROM HIS POSITION BY ANOTHER APPROACH ON THE LINES OF (A). FURTHERMORE IT IS IMPORTANT FOR US AND FOR CONFIDENCE IN HONG KONG THAT WE SHOULD GET INTO TALKS AS SOON AS POSSIBLE. I BELIEVE THAT WE SHOULD DO SO EVEN THOUGH WE KNOW THAT THE "PREMISE" WILL CAUSE US DIFFICULTIES. WE SHALL HAVE CONCEDED NOTHING ON PRINCIPLE. IT MAY PROVE HARD TO KEEP THE TALKS MOVING, BUT PERHAPS NOT IMPOSSIBLE. THE CHINESE WILL PRESUMABLY WISH TO AVOID A BREAKDOWN. WE COULD EXPLORE WHAT THEY MEAN BY A "SETTLEMENT IN PRINCIPLE" AND IT IS JUST POSSIBLE THAT A STRONGER ASSERTION OF OUR GENUINE INTENTION TO CONSIDER THE SOVEREIGNTY QUESTION EVENTUALLY WILL PRODUCE A CORRESPONDING MOVEMENT FROM THE CHINESE. ONLY WHEN TALKS BEGIN CAN WE EXPECT TO INFLUENCE THEIR COURSE.

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5. I RECOMMEND THEREFORE THAT WE SHOULD AIM TO BEGIN TALKS AS QUICKLY AS POSSIBLE AND WITHOUT EXPECTING TO RESOLVE THE WRANGLE OVER THE PREMISE BEFOREHAND. HOWEVER I FEEL IT WOULD BE WRONG IF I WERE TO GO BACK TO ZHANG AND AGREE TO BEGIN TALKS WITHOUT MORE ADD AND WITHOUT A STATEMENT FIRST MAKING OUR POSITION EVEN MORE PLAIN AND AVOIDING ANY IMPRESSION THAT WE WERE SUCCUMBING TO PRESSURE AND ENTERING TALKS ON HIS TERMS. I RECOMMEND THEREFORE THAT I BE INSTRUCTED TO MAKE A SECOND CALL ON ZHANG RESTATING OUR POSITION IN STRONGER TERMS, AND THEN PROPOSING THAT WE SHOULD BEGIN TALKS DESPITE THE DIFFERENCES BETWEEN US ON BASIC POINTS. IN DOING SO I MIGHT IN ADDITION DEPLOY THE IDEAS ABOUT THE FIRST STAGE OF THE TALKS IN PARA 3 OF MY TELNO 611. I COULD TELL ZHANG THAT SINCE WE PROPOSED IN ANY CASE TO START BY ASKING THE CHINESE TO ELABORATE ON THEIR IDEAS ON THE ADMINISTRATION OF HONG KONG AFTER 1997, THIS WOULD BY DEFINITION BE ON THEIR PREMISE, EVEN IF WE DID NOT ACCEPT IT. WE WOULD IN EFFECT BE TREATING THEIR PREMISE AS A WORKING HYPOTHESIS. BUT THEY SHOULD BE IN NO DOUBT THAT WE ARE NOT COMMITTED TO IT.

6. IF, WHEN SUBSTANTIVE TALKS HAVE BEGUN, THE CHINESE, AS I SUSPECT, ARE NOT FULLY SATISFIED BY THE LINE RECOMMENDED IN THE LAST FOUR SENTENCES OF MY PARA 5 ABOVE AND WE RUN STRAIGHT UP AGAINST THE PROBLEM OF THE SOVEREIGNTY PREMISE, IT MIGHT BE POSSIBLE TO FINESSE THIS BY A FORMAL STATEMENT ON SOMETHING LIKE THE FOLLOWING LINES. BEGINS. WE HAVE TAKEN FULL ACCOUNT OF AND GIVEN FULL WEIGHT TO THE CHINESE POSITION ON SOVEREIGNTY. WE HAVE NO INTENTION OF AVOIDING THE ISSUE, BUT CAN ONLY TAKE DECISIONS ON THIS POINT WHEN THE OTHER ASPECTS OF THE QUESTION HAVE BEEN SATISFACTORILY DISCUSSED. WE UNDERSTAND THE CHINESE PREMISE AND ASK THEM TO UNDERSTAND OURS. WE ARE PREPARED TO CONDUCT DISCUSSIONS ON THE BASIS OF THIS UNDERSTANDING AND ARE FULLY CONSCIOUS OF THE CHINESE POSITION ON SOVEREIGNTY. ENDS. WE MIGHT NEED TO BACK THIS BY EXPLAINING IN STRONGER TERMS WHY NO BRITISH GOVERNMENT COULD AGREE TO CEDE SOVEREIGNTY WITHOUT REFERENCE TO PARLIAMENT.

7. PARA 6 ABOVE IS ONLY PRELIMINARY THINKING AND WE SHALL NEED TO CONSIDER MORE DEEPLY HOW WE MIGHT ACHIEVE OUR FIRST OBJECT IN THE TALKS OF GETTING THE CHINESE INVOLVED IN DISCUSSION ON PRACTICAL DETAIL WITHOUT COMPROMISING OUR PRINCIPLES.

CRADOCK

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HD/HK&D
HD/FED
HD/PLANNING & STAFF
HD/PUS
PS
PS/LORD BELSTEAD
PS/PUS
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PRIME MINISTER

MR 11/10

HONG KONG

h-a.

I sent you last night Sir Percy Cradock's account of his discussion with the Chinese on 5 October. I now attach his recommendations as to the next steps. These are being considered in the FCO and I aim to let you have advice, on the basis of which you can take a decision, tomorrow (Thursday) night.

John - can we
use their technique A.S.C.
and indicate that we gave them
a signal in our opening
statements about sovereignty =

6 October 1982

keep in mind that I have
to get it through Parliament
and with as little trouble as
possible for my own sake.
ms