

SECRET

DESKBY 101000Z)

FROM PEKING 100900Z

TO IMMEDIATE FCO

TELEGRAM NUMBER 426 OF 10/5/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

MY TEL NO 416, 417 AND 418: FUTURE OF HONG KONG

1. I RECOMMEND THAT THE PRIME MINISTER'S REPLY SHOULD TAKE THE FORM OF INSTRUCTIONS TO ME FOR ORAL DELIVERY TO YAO GUANG RATHER THAN A FURTHER LETTER. THE DEVICE OF A LETTER, USED ONCE NOW TO GOOD EFFECT, SHOULD NOT BE USED TOO FREQUENTLY LEST ITS FUTURE IMPACT IS DEVALUED. NOR SHOULD WE HAND OVER A PIECE OF PAPER, WHICH WOULD REQUIRE STUDY BY THE CHINESE AND ENTAIL FURTHER DELAY.

2. I SUGGEST I BE INSTRUCTED TO SPEAK AS FOLLOWS:
 BEGINS: THE PRIME MINISTER HAS STUDIED WITH GREAT CARE THE LETTER FROM HE THE PRIME MINISTER ZHAO ZIYANG AND WELCOMES THE POSITIVE SPIRIT OF THAT LETTER, WHICH SHE SHARES. IN PARTICULAR SHE WELCOMES THE PROPOSAL IN THE PREMIER'S LETTER THAT SUBSTANTIVE TALKS ON THE FUTURE OF HONG KONG SHOULD BEGIN IN THE NEXT FEW T
 WEEKS.

SHE MADE CLEAR THE BRITISH APPROACH TO THESE TALKS IN HER LETTER OF 10 MARCH AND IS CONFIDENT THAT, AS A RESULT OF THE DISCUSSIONS, THE CONDITIONS CAN BE MET ENABLING THE INTERESTS OF BOTH SIDES TO BE SATISFIED. SHE HAS INSTRUCTED ME TO PUT FORWARD PROPOSALS ON TIMING, COMPOSITION OF DELEGATIONS ETC TO MAKE POSSIBLE AN EARLY START TO SUBSTANTIVE DISCUSSIONS VVMTC. SHE HOPES TH
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DISCUSSIONS ON MODALITIES WILL NOT OCCUPY THE TWO SIDES FOR LONG AND THAT WE SHALL BE ABLE TO AGREE TO HOLD AN EARLY MEETING. ENDS.

3. I WOULD THEN MAKE PROPOSALS ON MODALITIES ALONG THE LINES OF PARAGRAPH 3 OF MY TEL NO 416, SUBJECT TO HONG KONG'S AND YOUR VIEWS.

4. I THINK IT IMPORTANT TO KEEP THIS MESSAGE BRIEF AND POSITIVE AND AS UNCONTENTIOUS AS POSSIBLE. OUR NEED FOR CLARIFICATION SHOULD BE MET ADEQUATELY BY THE SENTENCE BEGINNING "SHE MADE CLEAR THE BRITISH APPROACH TO THESE TALKS....." AND BY MY OWN PERSONAL COMMENTS ON 9 MAY. IT WAS INEVITABLE THAT ZHAO'S LETTER

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WOULD WISH TO PUT A CHINESE COLOUR ON DEVELOPMENTS, BUT HE HAS GONE A FAIR WAY TO MEET OUR CONCERNS AND WHAT WE SHOULD DO IS STRIKE A BALANCE BETWEEN THE NEED TO KEEP THE RECORDS STRAIGHT ON THE ONE HAND AND TO AVOID SLIPPING BACK INTO A WRANGLE ABOUT THE PREMISE ON THE OTHER.

5. AS REGARDS THE AGENDA, I THINK IT COULD BE UNWISE FOR US TO MAKE SPECIFIC PROPOSALS. WE DO NOT WISH TO GET OURSELVES INTO LENGTHY ARGUMENT ON PROCEDURAL MATTERS AND, SINCE WE COULD NOT ACCEPT THE ORDER OF TOPICS AS OUTLINED BY ZHAO IN HIS LETTER (END OF PARAGRAPH 5 OF MY TEL NO 417), IT IS ALL TOO LIKELY THAT, IF WE WERE TO MAKE PROPOSALS, WE SHOULD THEREBY FIND OURSELVES IN SUCH A POSITION.

6. IF HOWEVER THE CHINESE WERE TO MAKE AGENDA PROPOSALS OF THEIR OWN, ALONG THE LINES OF ZHAO'S LETTER, WE WOULD BE OBLIGED TO RESPOND. IN THIS CASE WE WOULD HAVE TO SAY THAT WE AGREED THAT THE THREE SUBJECTS LISTED BY ZHAO (I.E. "THE FORM OF TRANSFERENCE OF SOVEREIGNTY AND HOW CHINA AND BRITAIN CAN COOPERATE IN THE TRANSITION PERIOD BETWEEN NOW AND 1997 AND AFTER 1997") SHOULD BE COVERED IN THE TALKS, BUT THAT IN OUR VIEW WE SHOULD LOGICALLY BEGIN WITH DISCUSSION ABOUT ARRANGEMENTS AFTER 1997, AND THAT ONLY AFTER WE HAD AGREED ON THIS (IE WHAT WE WERE TRANSITTING TOWARDS) COULD WE DISCUSS HOW TO HANDLE THE TRANSITION PERIOD, AND FINALLY HOW TO EFFECT THE TRANSFER OF SOVEREIGNTY.

7. I SHOULD LIKE TO BE ABLE TO DELIVER THE REPLY TO YAO GUANG ON THE MORNING OF MONDAY 16 MAY IN ORDER TO HAVE SOME CHANCE OF HOLDING THE FIRST SUBSTANTIVE ROUND BEFORE THE END OF THE MONTH AS THE CHINESE HAVE PROPOSED.

CRADOCK

FUTURE OF HONG KONG

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