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DESBKY 031200Z

FROM PEKING 031015Z AUG 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 758 OF 3/8/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: THIRD PLENARY ROUND, SECOND MEETING

1. I BEGAN TODAY'S MEETING BY DELIVERING MY RESUME STATEMENT. THIS WAS BASED VERY LARGELY ON THE TEXT IN MY TEL NO 741 BUT INCLUDED A PASSAGE TO TAKE ACCOUNT OF YAO'S ACCUSATION OF YESTERDAY THAT WE WERE EVADING THE CENTRAL ISSUE. I SAID WE WERE NOT EVADING ANYTHING BUT ON THE CONTRARY WE WERE TRYING TO WORK TOWARDS THE COMMON AIM AGREED BY OUR LEADERS IN THE COMMUNIQUE OF 24 SEPTEMBER 1982. WE WERE HOWEVER FRUSTRATED IN THIS BY THE CHINESE ERECTION OF BARRIERS OF 'PRINCIPLE'.

2. LI JUSHENG THEN SPOKE VERY BRIEFLY. HE REFERRED TO THE STATEMENT MADE BY YAO GUANG YESTERDAY AND REPEATED THE HOPE THAT THE BRITISH GOVERNMENT WOULD ADOPT A NEW ATTITUDE WHEN TALKS RESUMED IN SEPTEMBER. HE CLAIMED THAT OUR ARGUMENT THAT THE KEY TO PROSPERITY WAS BRITISH ADMINISTRATION DID NOT HOLD WATER. HOWEVER HE DID NOT WISH TO DWELL ON THE PRESENT REALITIES IN HONG KONG, WHICH WOULD BE TO EVADE THE QUESTION OF PRINCIPLE. HE SAID THAT IN OUR COMMENTS ON HIS EARLIER STATEMENT WE HAD QUOTED HIM OUT OF CONTEXT, DISTORTED HIS ARGUMENTS AND USED IMPROPER LANGUAGE. HE RESERVED THE RIGHT TO MAKE FURTHER COMMENT.

3. YAO GUANG THEN MADE A RATHER LENGTHY STATEMENT. MUCH OF IT WENT OVER THE GROUND COVERED IN HIS STATEMENT OF YESTERDAY. THE ARGUMENTS IN PARAS 3-7 OF MY TEL NO 751 REPORTING YESTERDAY'S MEETING WERE ALL REHEARSED IN SIMILAR TERMS. HE INSISTED AGAIN THAT SOVEREIGNTY AND ADMINISTRATION WERE INSEPERABLE AND SAID IN TERMS THAT SOVEREIGNTY WAS NON-NEGOTIABLE AND THAT ADMINISTRATION (GUANLIQUAN) WAS ALSO NON-NEGOTIABLE. MOREOVER IT WAS NOT ESSENTIAL THAT CHINA SHOULD HAVE BRITAINS AGREEMENT TO HER RESUMING SOVEREIGNTY. IN SPITE OF THIS THEY HAD CHOSEN TO HOLD DISCUSSIONS WITH US.

4. YAO REFERRED TO THE COMMUNIQUE OF 24 SEPTEMBER AND CLAIMED THAT THE SECOND SENTENCE IE 'BOTH LEADERS MADE CLEAR THEIR RESPECTIVE POSITIONS...' WAS A REFERENCE TO THE CHINESE PREMISE.

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HE ASKED WHY I CONSTANTLY QUOTED ONLY THE THIRD SENTENCE. HE MISQUOTED THE PRIME MINISTER'S LETTER OF 10 MARCH CLAIMING AGAIN THAT HER ASSURANCE WAS THAT SOVEREIGNTY WOULD EVENTUALLY REVERT TO CHINA. HE SAID THAT FOR US TO SAY, BEFORE STUDYING IN DEPTH THE PROPOSED CHINESE POLICIES FOR THE ADMINISTRATION OF HONG KONG AFTER 1997, THAT THESE POLICIES WOULD NOT WORK DEMONSTRATED THAT OUR VIEWS WERE PRECONCEIVED AND PREJUDICED. HE COULD NOT AGREE WITH WHAT I HAD SAID ABOUT CONFIDENCE. THE CRUCIAL THING FOR THE MAINTENANCE OF CONFIDENCE WAS THAT BRITAIN SHOULD COOPERATE WITH CHINA. REFERRING TO THE PRESENTATION ON HONG KONG OPINION THAT I HAD DELIVERED DURING THE PREVIOUS ROUND, YAO SAID THAT NONE OF THE ARTICLES I HAD QUOTED HAD SAID THAT HONG KONG WAS NOT CHINESE TERRITORY. MOREOVER THE OPINION OF ONE BILLION CHINESE PEOPLE, INCLUDING THE 5 MILLION RESIDENTS OF HONG KONG, WAS THAT HONG KONG SHOULD REVERT TO CHINA AND THAT PROSPERITY SHOULD BE MAINTAINED. WHAT POINT WAS THERE IN DISCUSSING OPINIONS WHICH DEVIATED FROM THIS FUNDAMENTAL FACT? HE SUGGESTED THAT THE OPINIONS I HAD QUOTED WERE NOT POPULAR OPINIONS BUT OFFICIAL OPINIONS.

5. WITH REFERENCE TO MY REMARKS THAT THE BRITISH ATTITUDE STEMMED NOT FROM PRINCIPLE BUT FROM PRACTICE, HE ASKED ME IF THIS MEANT THAT WE WISHED CHINA TO SACRIFICE HER PRINCIPLES IN ORDER TO ACCEPT CONTINUED BRITISH ADMINISTRATION IN HONG KONG. BUT CHINA WOULD NOT BARGAIN ON PRINCIPLE, NOR COULD MATTERS BE DISCUSSED WHICH DEVIATED FROM HER PRINCIPLES.

6. FINALLY YAO SAID THAT THE GOVERNOR HAD FREQUENTLY REFERRED TO THE EXECUTIVE AND LEGISLATIVE COUNCILS AND TO THE UNOFFICIALS MEMBERS OF THOSE COUNCILS. CHINA HAD NO PREJUDICE TOWARDS INDIVIDUAL UNOFFICIALS AND HAD RESPECT FOR SOME OF THEM, BUT THESE COUNCILS WERE COLONIALIST ORGANS UNDER BRITISH RULE. THE GOVERNOR HAD RECENTLY BRIEFED EXCO ON THE PROGRESS OF THE TALKS. THIS WAS IN CONTRAVENTION OF THE AGREEMENT TO MAINTAIN CONFIDENTIALITY AND IT WAS IMPROPER. THE GOVERNOR WAS A MEMBER OF THE BRITISH GOVERNMENT DELEGATION AND IN YAO'S VIEW SHOULD REPORT TO THE BRITISH GOVERNMENT.

7. AFTER A BREAK I DELIVERED COMMENTS. I SAID THAT LI JUSHENG'S STATEMENT HAD BEEN DISAPPOINTINGLY BRIEF, THOUGH I UNDERSTOOD HIS PREDICAMENT: THERE WAS LITTLE HE COULD SAY BY WAY OF SELF-EXPLANATION. HE HAD HOWEVER MADE ONE VERY REVEALING STATEMENT WHEN HE SAID THAT HE DID NOT WISH TO DWELL ON PRESENT REALITIES, WHICH WOULD BE TO EVADE THE QUESTION OF PRINCIPLE. THIS STATEMENT SEEMED TO ENCAPSULATE THE DIFFERENCES BETWEEN THE TWO SIDES.

8. I SET THE RECORD STRAIGHT ON THE TEXT OF THE JOINT COMMUNIQUE, POINTING OUT THAT IT WAS THE THIRD SENTENCE THAT CONTAINED THE AGREEMENT TO HOLD TALKS WITH A COMMON AIM. I POINTED OUT THAT YAO HAD AGAIN MISQUOTED THE PRIME MINISTER'S LETTER.

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9. I SAID I COULD MAKE NO APOLOGY FOR THE BRITISH ADDICTION TO FACTS. IF THE CHINESE SIDE WERE TO PAY ANY ATTENTION AT ALL TO THE QUESTION OF PROSPERITY THE FACTS WE HAD PRESENTED WERE CRUCIAL. IF THEY HAD NO SUCH INTENTION THEN WE WERE IN A VERY DIFFERENT GAME. TURNING TO YAO'S ACCUSATION THAT WE HAD CONDEMNED THE CHINESE PROPOSALS WITHOUT GIVING THEM PROPER STUDY, I POINTED OUT THAT THE BRITISH SIDE WAS READY TO DISCUSS THESE POLICIES AND THEIR LIKELY EFFECT ON HONG KONG TOGETHER WITH THE CHINESE IF THEY WISHED TO DO SO. HOWEVER THE CHINESE SIDE WOULD NOT PERMIT SUCH DISCUSSION UNLESS WE FIRST AGREED THE PRINCIPLE IMPOSED BY THE CHINESE SIDE THEMSELVES. THE ONLY FACTS THEY PERMITTED WERE THOSE THAT FORTIFIED THEM IN THEIR PRINCIPLE.

10. ON CONFIDENCE, I SAID THAT, CONTRARY TO YAO'S CLAIM, THIS DID NOT DEPEND ON 'BRITISH COOPERATION'. IT WAS NOT IN THE GIFT OF BRITAIN OR CHINA BUT DEPENDED ON HOW PEOPLE IN HONG KONG AND OUTSIDE IT REGARDED THE FUTUTRE. ON HONG KONG OPINION, I REMINDED YAO THAT HONG KONG HAD A FREE PRESS. I FOUND HIS STATEMENT ABOUT OPINIONS DEVIATING FROM WHAT HE CLAIMED TO BE THE OPINION OF THE ONE BILLION CHINESE PEOPLE OMINOUS AND ALARMING. IT WAS THE KIND OF STATEMENT THAT AROUSED VERY DEEP DOUBTS ABOUT THE VALUE OF ANY GUARANTEE CHINA MIGHT GIVE ABOUT THE FUTURE OF HONG KONG.

11. I CONCLUDED BY REFERRING BACK TO THE STATEMENT WITH WHICH I HAD OPENED THE MEETING AND URGING THE CHINESE TO DWELL CAREFULLY ON THE HEAVY AND PUBLIC RESPONSIBILITY THAT BOTH SIDES HAD TO ENSURE THE FUTURE WELLBEING OF HONG KONG.

12. THE GOVERNOR RESPONDED TO YAO GUANG'S REMARKS ABOUT EXCO, POINTING OUT THAT THERE WAS NOTHING NEW ABOUT A GOVERNOR OF HONG KONG REPORTING TO EXCO. INDEED HE WAS REQUIRED TO DO SO ON ALL IMPORTANT MATTERS AFFECTING HONG KONG. HE NOTED THAT YAO HAD SAID CHINA HAD RESPECT FOR INDIVIDUAL UNOFFICIALS. HE SHARED THIS RESPECT AND SO DID BRITISH MINISTERSN , WHO HAD PUBLICLY STATED THAT THEY ATTACHED GREAT IMPORTANCE TO THE VIEWS OF THE UNOFFICIALS. THE PRIME MINISTERS HERSELF HAD RECEIVED DELEGATIONS OF UNOFFICIALS IN LONDON. THE CHINESE NEED HAVE NO FEARS ABOUT CONFIDENTIALITY. THERE HAD BEEN NO LEAKS ABOUT THE CONTENT OF OUR TALKS ON THE BRITISH SIDE.

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13. YAO CONCLUDED WITH SOME BRIEF AND INCONSEQUENTIAL COMMENT
ADDING NOTHING TO WHAT HE HAD ALREADY SAID. WE AGREED A PRESS
STATEMENT, WHICH I HAVE TELEGRAPHED SEPARATELY, AND WHICH
ANNOUNCED THAT TALKS WERE TO RESUME ON 22 AND 23 SEPTEMBER.

14. SEE MIFT FOR COMMENT

CRADOCK

FUTURE OF HONG KONG

LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/LADY YOUNG
PS/MR LUCE
PS/FUS
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