

GRS 750
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FM HONG KONG 141045Z SEP 83
TO IMMEDIATE F C O
TELEGRAM NUMBER 1356 OF 14 SEPTEMBER
INFO IMMEDIATE PEKING

YOUR TELSNOS 870 AND 880 : FUTURE OF HONG KONG:

DISCUSSION WITH EXCO

1. H DISCUSSED THE CURRENT POSITION IN THE TALKS WITH EXCO ON 14 SEPTEMBER. H HAD WARNED THEM ON 13 SEPTEMBER THAT H WOULD BE SEEKING THEIR VIEWS AND HAD CIRCULATED COPIES OF THE PAPER IN YOUR SECOND TUR, THE OUTLINE OF THE DRAFT OPENING STATEMENT FOR 22 SEPTEMBER IN YOUR TELNO 896, AND A SUMMARY OF THE MAIN POINTS MADE BY THE CHINESE IN THE CONVERSATIONS BETWEEN ZHOU NAN AND MR CLARK (PEKING TELNO 812), US SENATORS HATCH AND ZORINSKY AND FOREIGN MINISTER WU XUEQIAN (PIERCE'S TELELETTER OF 7 SEPTEMBER) AND MR HEATH AND DENG XIAOPING (PEKING TELNO 879). THE COUNCIL CLEARLY WELCOMED THIS OPPORTUNITY TO DISCUSS THE POSITION REACHED AND ALTHOUGH THE MEETING WAS LONG (THREE AND A HALF HOURS) MEMBERS WISHED TO PURSUE THE DISCUSSION FURTHER BEFORE THE TALKS IN PEKING RESUME NEXT WEEK. H HAVE ARRANGED A FURTHER MEETING FOR TOMORROW EVENING (LOCAL TIME). YOU MAY NEVERTHELESS FIND IT USEFUL TO HAVE AN ACCOUNT OF THE MAIN POINTS TODAY.
2. H INTRODUCING THE SUBJECT H SPOKE AS INSTRUCTED IN YOUR FIRST TUR, ADDING THAT WHILE DENG'S REMARKS TO MR HEATH DID NOT CHANGE OUR VIEW OF THE LINE WHICH THE BRITISH TEAM SHOULD TAKE ON 22/23 SEPTEMBER, THEY DID REINFORCE THE ASSESSMENT OF THE CHINESE POSITION.
3. AS REGARDS THE POINT IN PARA 2(A) OF YOUR FIRST TUR, THERE WAS A REASONABLE CONSENSUS THAT A STALEMATE OR BREAKDOWN IN THE TALKS WOULD CARRY SERIOUS RISKS FOR THE HONG KONG DOLLAR, AND THAT IT WOULD ACCELERATE PREPARATIONS FOR DEPARTURE AMONG THOSE IN A POSITION TO LEAVE HONG KONG. THERE WAS ALSO AGREEMENT THAT THE EXTENT OF THE DAMAGE TO CONFIDENCE WOULD DEPEND IN PART ON THE CIRCUMSTANCES IN WHICH THE STALEMATE OR BREAKDOWN OCCURRED AND THE WAY IN WHICH IT WAS PRESENTED BY THE TWO SIDES. SOME MEMBERS BELIEVED THAT THE CHINESE WOULD COOPERATE IN PRESENTING AN AGREEMENT TO DIFFER IN A NEUTRAL WAY ('A FRIENDLY PARTING OF THE WAYS' OR 'A PAUSE FOR REFLECTION') AND TOOK THE VIEW THAT, IN THAT EVENT, THE CONSEQUENCES FOR CONFIDENCE WOULD BE LESS SERIOUS. SOME ALSO FELT THAT THE CONSEQUENCES FOR CONFIDENCE OF A STALEMATE OR BREAKDOWN, WOULD HAVE TO BE ACCEPTED NO MATTER HOW SERIOUS THEY MIGHT BE. OTHERS WERE MORE CONSCIOUS OF THE RISK THAT THE CHINESE MIGHT PLAY ROUGH, AND DECIDE FORMALLY TO ANNOUNCE THEIR PLAN.

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4. IT WAS THE GENERAL VIEW THAT THE BRITISH TEAM SHOULD SEEK TO AVOID A BREAKDOWN ON 22/23 SEPTEMBER, PROVIDE THIS COULD BE DONE WITHOUT CONCESSING ESSENTIAL PRINCIPLES, AND SHOULD IF NECESSARY LEAVE THE CHINESE IN NO DOUBT OF THE CONSEQUENCES OF A BREAKDOWN OF A CONFRONTATIONAL KIND. THERE WAS AGREEMENT ON THE NEED TO GIVE CAREFUL THOUGHT TO THE WAY IN WHICH ANY INTERRUPTION OF THE TALKS MIGHT BE PRESENTED PUBLICLY BY HMG AND THE HKG WHENEVER IT OCCURED.

5. IN DISCUSSION OF POSSIBLE COURSES OF ACTION SHOULD THE CHINESE MAINTAIN THEIR PRESENT HARD LINE, THERE WAS NO SUPPORT FOR THE OPTION SET OUT IN PARA 10 OF YOUR TELNO 880 AT LEAST AT THIS STAGE. THE VIEW WAS EXPRESSED THAT TO OFFER ADMINISTRATIVE CHANGES WOULD WEAKEN THE BRITISH NEGOTIATING POSITION WITHOUT GAINING ANYTHING IN RETURN.

6. A NUMBER OF MEMBERS SUGGESTED, ON THEIR OWN INITIATIVE AND WITHOUT PROMPTING, THAT THE BEST TACTICS MIGHT BE TO TELL THE CHINESE THAT OUR OWN VIEW WAS STILL THAT THAT CONTINUING BRITISH ADMINISTRATION WAS NECESSARY TO CONFIDENCE, BUT AT THE SAME TIME INVITE THEM TO DEVELOP AND PROVIDE FURTHER DETAILS OF THEIR OWN PLAN AND PARTICULARLY ON WHAT GUARANTEES THEY WOULD BE PREPARED TO OFFER.

7. SIR S Y CHUNG THOUGHT THAT THERE WERE OTHER OPTIONS THAT COULD BE CONSIDERED, E.G. SEEKING AN EXTENSION OF BRITISH ADMINISTRATION FOR A SPECIFIED PERIOD OF TIME, BUT HE HAD NOT DEVELOPED THESE FULLY. THE COUNCIL SHOWED LITTLE INTEREST IN THEM.

8. WHEN THE COUNCIL RESUMES ITS DISCUSSION TOMORROW IT IS LIKELY THAT MEMBERS WILL PURSUE FURTHER THE IDEA IN PARA 6 ABOVE AND ALSO FOCUS ON THE QUESTION OF OUR PUBLIC RELATIONS STANCE. THEY ARE MUCH CONCERNED ABOUT THE EFFECT WHICH OUR PRESENT SILENCE IS HAVING ON THE MORALE OF THE COMMUNITY IN HONG KONG.

YOUDE

FUTURE OF HONG KONG

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HD/FED

HD/PLANNING STAFF

HD/PUSD

PS

PS/LADY YOUNG

PS/MR LUCE

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