

GRS 460

SECRET

34

SECRET

DESKBY 221400Z

FROM PEKING 221125Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 928 OF 22/9/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG
AND IMMEDIATE BRUNEI (PERSONAL FOR PS/MR LUCE)

MIPT: FUTURE OF HONG KONG: SECOND PHASE,

ROUND FOUR: FIRST DAY

COMMENT

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1. THE ATMOSPHERE WAS DISTINCTLY CHILLIER THAN IN THE EARLIER ROUNDS. YAO GUANG'S OPENING STATEMENT WAS A FEW DEGREES STRONGER THAN ITS PREDECESSORS AND HIS DELIVERY WAS STERNER THAN BEFORE. HE USED MORE EMOTIONAL LANGUAGE, ACCUSING US FOR EXAMPLE OF ADOPTING AN "IMPERIALIST MANNER" TOWARDS CHINA.
2. THE SUBSTANCE OF HIS STATEMENT WAS TOUGH, AS WE HAD EXPECTED IT WOULD BE. YAO REPEATED DENG'S DEADLINE AND, FOR THE FIRST TIME IN THIS FORUM, SPECIFIED SEPTEMBER 1984. HE ALSO REPEATED THE THREAT THAT CHINA WOULD RECONSIDER THE TIMING OF ITS RECOVERY OF HONG KONG IF THERE WERE MAJOR DISTURBANCES. HE SAID THAT THERE HAD BEEN STALEMATE IN THE FIRST THREE MEETINGS AND THAT, UNLESS WE ACCEPTED THE PREMISE THAT SOVEREIGNTY AND ADMINISTRATION WOULD PASS TO CHINA IN 1997, IT WAS DIFFICULT TO SEE HOW OUR TALKS COULD PROCEED.
3. YAO, HOWEVER, STOPPED SHORT OF A DIRECT THREAT TO SUSPEND THE TALKS. INDEED SOME OF HIS REMARKS IMPLIED THAT TALKS SHOULD CONTINUE, EG HIS SUGGESTION THAT WE SHOULD GO AWAY AND STUDY DENG'S WORDS TO MR HEATH: AND THE INTEREST HE EXPRESSED, THREE TIMES, IN HEARING MORE ABOUT WHAT WE MEANT BY THE "BRITISH LINK".
4. THIS LAST POINT IS NOTEWORTHY. TO SOME EXTENT YAO MAY HAVE BEEN FISHING TO SEE IF THE USE OF THIS EXPRESSION REPRESENTED A SHIFT

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AWAY FROM "BRITISH ADMINISTRATION". IN FACT, OF COURSE, IT WAS MADE CLEAR IN MY OPENING STATEMENT THAT THE ONLY CHANGE WAS ONE OF TERMINOLOGY. HOWEVER, IT IS MORE LIKELY THAT YAO'S MAIN MOTIVE IN THIS WAS TO DRAW US INTO SAYING THAT BY THE BRITISH LINK WE MEAN THE STATUS QUO, WHICH THE CHINESE HAVE ALREADY SAID IS UNACCEPTABLE, AND THEREBY GIVE THEM A CHANCE TO SHOW THAT WE ARE SIMPLY SEEKING TO MAINTAIN COLONIAL RULE.

5. IN CONCLUSION, OUR EARLIER ASSESSMENT OF THE BLEAK SITUATION WE ARE IN WAS CONFIRMED AT THIS MEETING. THERE HAS BEEN NO MOVEMENT IN THE CHINESE POSITION. OUR FOUR PAPERS HAVE BEEN BALDLY DISMISSED AS A PUT-UP JOB. THE DEMAND THAT WE ACCEPT THE CHINESE PREMISE HAS BEEN REPEATED MORE FIRMLY. AT THIS POINT, IT LOOKS AS THOUGH WE MAY GET A FIFTH ROUND, BUT IT IS PLAIN THAT OUR PRESENT COURSE HAS REACHED A DEAD END. I THEREFORE INTEND, WITH THE GOVERNOR'S AGREEMENT, TO DEPLOY TOMORROW THE TACTIC AUTHORISED IN YOUR TEL NO 624.

CRADOCK

FUTURE OF HONG KONG

LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/LADY YOUNG
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SIR J BULLARD
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SIR IAN SINCLAIR LEGAL ADVISER
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MR MARTIN ASSESSMENTS STAFF
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MR FLOWER PUSD
MR COLES NO 10 DOWNING STREET
SIR A PARSONS NO 10 DOWNING STREET
MR WALKER RESEARCH D
OLD ADMIRALITY BUILDING

2
SECRET

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DESKBY 221400Z

FROM PEKING 221100Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 927 OF 22ND SEP

INFO IMMEDIATE HONG KONG, IMMEDIATE BRUNEI (PERSONAL FOR PS/MR LUCE)

FUTURE OF HONG KONG SECOND PHASE TALKS

ROUND FOUR: FIRST DAY

1. I SPOKE FIRST AT TODAY'S MEETING AND DELIVERED THE OPENING STATEMENT IN YOUR TELNO 895 INCORPORATING THE AMENDMENTS IN YOUR TELNO 619.

2. YAO GUANG THEN REPLIED, EXPRESSING GREAT DISAPPOINTMENT AT MY STATEMENT. THE CHINESE SIDE HAD HOPED FOR A CHANGE OF ATTITUDE ON OUR PART. IN THE FIRST THREE ROUNDS WE HAD CLUNG OBSTINATELY TO OUR UNREASONABLE DEMAND FOR CONTINUED BRITISH ADMINISTRATION, THUS CREATING A STALEMATE IN THE TALKS. NOW WE WERE STILL SINGING THE SAME TUNE. CHINA HAD MADE UP ITS MIND TO RECOVER BOTH SOVEREIGNTY AND ADMINISTRATION OVER HONG KONG IN 1997. THE TWO WERE INDIVISIBLE. THERE WAS ABSOLUTELY NO ROOM FOR BARGAINING. IT WAS FUTILE TO TRY TO RESIST THIS.

3. YAO SAID THAT OUR INSISTENCE ON ADMINISTRATION AMOUNTED TO OUT AND OUT INSISTENCE ON COLONIAL RULE. HE REFERRED TO THE OPIUM WAR AND ACCUSED US OF TRYING TO REPLACE THE OLD UNEQUAL TREATIES WITH A NEW ONE, AND ADOPTING AN IMPERIALIST ATTITUDE. WE MUST BE DAY-DREAMING.

4. WE HAD USED CONFIDENCE AND POPULAR OPINION AS A PRETEXT FOR CONTINUED BRITISH ADMINISTRATION. BUT THE KEY QUESTION WAS WHETHER WE WOULD COOPERATE WITH CHINA IN SOLVING THE HONG KONG PROBLEM AND REMOVING THOSE FACTORS UNFAVOURABLE TO THE STABILITY AND PROSPERITY OF HONG KONG. THE FACT THAT WE WERE NOT ACTING IN THIS WAY SHOWED A LACK OF SINCERITY. HE QUESTIONED WHETHER WE WERE SEEKING TO SUSTAIN CONFIDENCE IN HONG KONG. WE WERE SEEKING TO EXERT PRESSURE ON THE CHINESE GOVERNMENT IN ORDER TO EXTRACT COMPROMISES. BUT THE CHINESE GOVERNMENT WOULD NOT BE SCARED. THEY WERE FULLY PREPARED FOR ANY EVENTUALITIES.

5. YAO SAID THAT BRITISH INSISTENCE ON ADMINISTRATION LED THE CHINESE TO WONDER ABOUT OUR SINCERITY IN SEEKING A NEGOTIATED SETTLEMENT. THE CHINESE SIDE HAD SAID THAT ONLY ON THE BASIS OF THE RECOGNITION OF CHINA'S SOVEREIGNTY OVER HONG KONG AFTER 1997 WOULD IT BE POSSIBLE TO DISCUSS OTHER MATTERS RELATING TO HONG KONG. BY PROPOSING CONTINUED BRITISH ADMINISTRATION AS SOON AS DISCUSSION OF THE FIRST AGENDA ITEM BEGAN THE BRITISH SIDE HAD IN EFFECT WRITTEN OFF THE SECOND AND THIRD ITEMS. WE HAD REFERRED TO THE BRITISH LINK AND CONTINUITY BUT WE HAD FAILED TO EXPLAIN CLEARLY WHAT WE MEANT BY THIS. NOT ONLY HAD WE VIOLATED THE AGREED AGENDA BUT WE HAD ALSO PLACED SERIOUS OBSTACLES IN THE WAY OF THE TALKS. IN THESE CIRCUMSTANCES HOW COULD TALKS PROCEED AND WHAT WAS THE POINT OF HAVING TALKS?

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6. YAO SAID THAT DENG XIAOPING HAD TOLD MR HEATH AT THEIR RECENT MEETING THAT HE HOPED THE BRITISH GOVERNMENT WOULD NO LONGER HAGGLE OVER ADMINISTRATION AND THAT THEY WOULD ADOPT A WISE APPROACH AND NOT ENTER A BLIND ALLEY. HE HAD ASKED THE BRITISH CHARGE TO REPORT THESE REMARKS AND HOPED THE BRITISH SIDE WOULD CONSIDER THEM IN EARNEST.

7. YAO SAID THAT THE CHINESE SIDE HAD EXPRESSED A FRIENDLY DESIRE FOR BRITISH COOPERATION ON THE BASIS OF CHINESE SOVEREIGNTY. THEY HAD TOLD US ABOUT THE POLICIES THEY INTENDED TO ADOPT TOWARDS HONG KONG, THEIR INTENTION TO PROTECT BRITISH INTERESTS AND THEIR WILLINGNESS TO HEAR OUR CONSTRUCTIVE SUGGESTIONS. REGRETTABLY WE HAD SHOWN NO INTEREST IN THE CHINESE PROPOSALS AND WE HAD FAILED TO MAKE CONSTRUCTIVE SUGGESTIONS. WE HAD SIMPLY ALLEGED THAT THE CHINESE PLAN WOULD NOT MAINTAIN CONFIDENCE. COULD THIS BE CALLED SINCERITY?

8. YAO SAID THAT CHINA AND BRITAIN HAD AGREED IN 1972 TO ESTABLISH FULL DIPLOMATIC RELATIONS ON THE BASIS OF MUTUAL RESPECT FOR EACH OTHER'S SOVEREIGNTY AND TERRITORIAL INTEGRITY, NON-AGGRESSION, NON-INTERFERENCE, EQUALITY AND MUTUAL BENEFIT. THE BRITISH POSITION DID NOT ACCORD WITH THESE PRINCIPLES.

9. YAO SAID HE WANTED TO REPEAT ONCE AGAIN THAT CHINA WOULD DEFINITELY RECOVER HONG KONG IN 1997 AND THAT THIS WAS NOT SUBJECT TO INFLUENCE OR INTERFERENCE FROM ANY QUARTER. AS DENG XIAOPING HAD TOLD MRS THATCHER, CHINA WOULD DEFINITELY ANNOUNCE THE POLICIES IT WOULD ADOPT TOWARDS HONG KONG WITHIN ONE OR TWO YEARS IE IN SEPTEMBER 1984. IF, HOWEVER, THERE WERE MAJOR DISTURBANCES IN HONG KONG THE CHINESE WOULD HAVE NO CHOICE BUT TO RECONSIDER HOW AND WHEN TO RECOVER HONG KONG. CHINA SINCERELY HOPED THAT IT WOULD NOT HAVE TO ISSUE A UNILATERAL STATEMENT. A JOINT STATEMENT WOULD BE IN THE INTERESTS OF BRITAIN AND BENEFICIAL TO BOTH SIDES.

10. YAO SAID THAT BRITAIN HAD RELINQUISHED MANY COLONIES SINCE WORLD WAR II. IF TODAY WE COULD ADOPT A FAR-SIGHTED POLICY, THE FRIENDLY RELATIONS BETWEEN CHINA AND BRITAIN COULD BE MAINTAINED AND DEVELOPED FOR A LONG TIME TO COME. CHINA HAD HAD EVERY RIGHT TO TAKE BACK HONG KONG AT ANY TIME SINCE THE FOUNDING OF THE NEW CHINA BUT, IN DEFERENCE TO THE FRIENDLY RELATIONS BETWEEN CHINA AND BRITAIN, CHINA WAS READY TO WAIT UNTIL 1997 AND TO HAVE A NEGOTIATED SETTLEMENT. WAS THIS NOT THE UTMOST FOREBEARANCE AND PATIENCE ON CHINA'S PART? BUT THERE WAS A LIMIT TO CHINA'S PATIENCE. HE ADVISED THE BRITISH GOVERNMENT NOT TO MISINTERPRET THIS PATIENCE: TO GIVE UP ITS UNREASONABLE DEMAND FOR ADMINISTRATION AND TO GET DOWN TO EARNEST NEGOTIATION OF ARRANGEMENTS AFTER 1997 AND IN THE TRANSITIONAL PERIOD.

SECRET

/11. AFTER

SECRET

11. AFTER A BREAK HE REPLIED WITH SOME COMMENTS ON YAO GUANG'S STATEMENT. HE SAID THAT HE WAS DISAPPOINTED IN IT. WE HAD HOPED THAT THE FOUR PAPERS HANDED OVER AT THE LAST MEETING WOULD HAVE ENABLED US TO GET DOWN TO AN OBJECTIVE FACTUAL STUDY WHICH WE BELIEVED WAS THE PRE-REQUISITE OF SUCCESS IN OUR DISCUSSIONS. WE HAD EXPECTED AT THE LEAST SOME REFERENCE TO THEM OR QUESTIONS DERIVED FROM THEM. HOWEVER, LISTENING TO YAO'S STATEMENT, IT WAS AS IF THE PAPERS HAD NEVER BEEN WRITTEN. HE HAD SIMPLY REITERATED PRINCIPLES AND DEMANDS WHICH APPARENTLY HAD TO BE MET BEFORE WORTHWHILE NEGOTIATIONS COULD BEGIN. THIS WAS PUTTING THE CART BEFORE THE HORSE.

12. HE SAID THAT THERE WERE DEEP DIFFERENCES BETWEEN US BUT WE SHOULD NOT BE OVERWHELMED BY THIS FACT. IT WAS TO RESOLVE THOSE DIFFERENCES THAT WE WERE MEETING. HE EXPRESSED REGRET THAT YAO HAD CHARGED US WITH A LACK OF SINCERITY. WE WERE SINCERE. AN EXAMPLE OF THIS WAS THE MATERIAL WHICH WE HAD PREPARED SO CAREFULLY AND HANDED TO THE CHINESE SIDE AND WHICH HAD RECEIVED SUCH SCANT ATTENTION.

13. HE TOLD YAO THAT WE PROFOUNDLY WISHED FOR A NEGOTIATED SETTLEMENT. THERE WAS NO FUTURE FOR HONG KONG EXCEPT ON THE BASIS OF AN AGREEMENT BETWEEN BRITAIN AND CHINA. WE WISHED FOR A BILATERAL AGREEMENT. IT WAS NOT HELPFUL TO USE THE THREAT OF A UNILATERAL DECLARATION AS AN ULTIMATUM. HE REBUTTED YAO'S ACCUSATION THAT WE WERE VIOLATING THE AGENDA. WE WERE TRYING TO TACKLE THE FIRST ITEM AS AGREED, AND WE WOULD BE READY TO MOVE ON FROM THAT TO THE SECOND AND THIRD ITEMS.

14. HE SAID HE WAS SOORY IF IT SEEMED TO YAO THAT WE WERE SINGING THE SAME OLD TUNE BUT IT REPRESENTED OUR HONEST VIEW, WHICH WAS BASED ON AN OBJECTIVE EXAMINATION OF THE FACTS.

15. IN ANSWER TO THE CHARGE OF COLONIALISM HE TOLD YAO THAT IT WOULD HAVE BEEN ENTIRELY IN ACCORDANCE WITH BRITISH POLICY SINCE THE SECOND WORLD WAR IF HONG KONG HAD BECOME INDEPENDENT. FOR REASONS THAT HE AND HE DID NOT NEED TO DISCUSS HERE, INDEPENDENCE WAS NOT AN OPTION FOR HONG KONG: BUT THIS WAS NOT BECAUSE OF ANY BRITISH COLONIAL AMBITION, NOR WAS IT FOR SUCH A REASON THAT WE WERE ARGUING FOR THE RETENTION OF THE ADMINISTRATIVE LINK WITH BRITAIN. IT WAS BECAUSE WE SAW NO OTHER WAY OF ACHIEVING OUR COMMON AIM OF MAINTAINING PROSPERITY AND STABILITY.

16. HE ASSURED YAO THAT DENG'S WORDS TO MR HEATH HAD BEEN CAREFULLY REPORTED AND WERE BEING CAREFULLY STUDIED, AS WOULD YAO'S OWN WORDS.

SECRET

17 TAKING UP YAO'S QUESTION ABOUT OUR WILLINGNESS TO COOPERATE IN REMOVING THE FACTORS UNFAVOURABLE TO STABILITY AND PROSPERITY, AND SEEKING TO MAINTAIN CONFIDENCE, HE SAID THAT WE WISHED MOST EARNESTLY TO COOPERATE TOWARDS THIS END. THERE WERE MANY THINGS THAT WE MIGHT DO IN THE FUTURE BUT THERE WERE ALSO THINGS WHICH ALSO COULD BE DONE HERE AND NOW. HE THEN PROPOSED THAT AFTER TOMORROW'S MEETING WE SHOULD ISSUE A JOINT STATEMENT ON THE FOLLOWING LINES WHICH WOULD GREATLY ASSIST CONFIDENCE:

'THE TWO SIDES RESUMED THEIR TALKS ON 22 AND 23 SEPTEMBER IN A FRIENDLY ATMOSPHERE AND HAD USEFUL AND CONSTRUCTIVE EXCHANGES. THEY REAFFIRM THEIR COMMON AIM WHICH IS TO MAINTAIN HONG KONG'S STABILITY AND PROSPERITY AND THEIR DETERMINATION TO PURSUE THEIR DISCUSSIONS TO THIS END. THEY TAKE THE OPPORTUNITY TO CONFIRM THEIR CONFIDENCE IN HONG KONG NOW AND IN THE FUTURE. THEY WILL MEET AGAIN FOR FURTHER TALKS ON.....'.

18. YAO THEN MADE SOME COMMENTS. HE CLAIMED THAT THE CHINESE SIDE HAD STUDIED THE FOUR PAPERS VERY CAREFULLY AND HAD CONCLUDED THAT THE REAL POINT OF THEM WAS TO ARGUE THE CASE FOR CONTINUED BRITISH ADMINISTRATION. THEY PROCEEDED FROM THE PRINCIPLE OF CONTINUED BRITISH ADMINISTRATION, AND FACTS HAD BEEN MANUFACTURED IN SUPPORT OF THIS PRINCIPLE. HE CLAIMED THAT HIS OPENING STATEMENT CONSTITUTED AN ANSWER TO THIS ARGUMENT.

19. YAO AGAIN TOOK UP OUR REFERENCE TO THE BRITISH LINK. WHAT WAS THIS LINK AND WHAT WAS THE SUBSTANCE OF THE CONTINUATION WE HAD IN MIND? THIS HAD NOT BEEN EXPLAINED TO THE CHINESE SIDE, YET WE WANTED THEM TO BELIEVE THAT WE WERE NOT INSISTING ON CONTINUED BRITISH COLONIAL RULE.

20. YAO GUANG REFERRED AGAIN TO THE CHINESE PREMISE AND SAID THAT, ONCE THIS HAD BEEN AGREED, IT WOULD BE EASY TO SETTLE OTHER RELEVANT ISSUES. HE SAID THAT IT WAS WE, NOT THE CHINESE, WHO WERE PUTTING THE CART BEFORE THE HORSE.

21. YAO DENIED THAT THE SEPTEMBER 1984 DEADLINE WAS AN ULTIMATUM. IT WAS INSTEAD / SOLEMN STAND OF THE CHINESE GOVERNMENT. HE SAID IT WAS OUT OF CONSIDERATION FOR THE BRITISH SIDE THAT CHINA HAD DECIDED TO WAIT UNTIL 1984 TO PUBLICISE ITS POLICIES FOR HONG KONG. HE REMARKED THAT THIS LINE OR ARGUMENT TOOK MY BREATH AWAY.

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/22. YAO NOTED

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22. YAO NOTED WHAT HE HAD SAID ABOUT OUR WISH FOR COOPERATION AND FOR A JOINT STATEMENT (HE HAD IN FACT SAID BILATERAL AGREEMENT) AND SAID THAT WE SHOULD THEREFORE MAKE UP OUR MIND TO HAND OVER SOVEREIGNTY AND ADMINISTRATION TO CHINA, AND THEN MAKE GOOD USE OF THE LIMITED TIME REMAINING. HE SAID THAT THE CHINESE SIDE WOULD BE VERY INTERESTED TO KNOW THE DIFFERENCE BETWEEN CONTINUED BRITISH ADMINISTRATION AND COLONIAL RULE. THE CHINESE SIDE HAD EXPLAINED ITS POLICIES FOR HONG KONG AFTER 1997 IN EXPLICIT TERMS ABOUT WHAT WAS THE CONTENT OF THE BRITISH LINK? FINALLY HE REPEATED THAT IF WE DID NOT ACCEPT THE PREMISE OF CHINESE SOVEREIGNTY AND ADMINISTRATION IT WOULD BE VERY DIFFICULT FOR THE TALKS TO PROCEED.

23. SEE MIFT FOR COMMENT.

CRADOCK

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17 TAKING UP YAO'S QUESTION ABOUT OUR WILLINGNESS TO COOPERATE IN REMOVING THE FACTORS UNFAVOURABLE TO STABILITY AND PROSPERITY, AND SEEKING TO MAINTAIN CONFIDENCE, HE SAID THAT WE WISHED MOST EARNESTLY TO COOPERATE TOWARDS THIS END. THERE WERE MANY THINGS THAT WE MIGHT DO IN THE FUTURE BUT THERE WERE ALSO THINGS WHICH ALSO COULD BE DONE HERE AND NOW. HE THEN PROPOSED THAT AFTER TOMORROW'S MEETING WE SHOULD ISSUE A JOINT STATEMENT ON THE FOLLOWING LINES WHICH WOULD GREATLY ASSIST CONFIDENCE:

"THE TWO SIDES RESUMED THEIR TALKS ON 22 AND 23 SEPTEMBER IN A FRIENDLY ATMOSPHERE AND HAD USEFUL AND CONSTRUCTIVE EXCHANGES. THEY REAFFIRM THEIR COMMON AIM WHICH IS TO MAINTAIN HONG KONG'S STABILITY AND PROSPERITY AND THEIR DETERMINATION TO PURSUE THEIR DISCUSSIONS TO THIS END. THEY TAKE THE OPPORTUNITY TO CONFIRM THEIR CONFIDENCE IN HONG KONG NOW AND IN THE FUTURE. THEY WILL MEET AGAIN FOR FURTHER TALKS ON.....".

18. YAO THEN MADE SOME COMMENTS. HE CLAIMED THAT THE CHINESE SIDE HAD STUDIED THE FOUR PAPERS VERY CAREFULLY AND HAD CONCLUDED THAT THE REAL POINT OF THEM WAS TO ARGUE THE CASE FOR CONTINUED BRITISH ADMINISTRATION. THEY PROCEEDED FROM THE PRINCIPLE OF CONTINUED BRITISH ADMINISTRATION, AND FACTS HAD BEEN MANUFACTURED IN SUPPORT OF THIS PRINCIPLE. HE CLAIMED THAT HIS OPENING STATEMENT CONSTITUTED AN ANSWER TO THIS ARGUMENT.

19. YAO AGAIN TOOK UP OUR REFERENCE TO THE BRITISH LINK. WHAT WAS THIS LINK AND WHAT WAS THE SUBSTANCE OF THE CONTINUATION WE HAD IN MIND? THIS HAD NOT BEEN EXPLAINED TO THE CHINESE SIDE, YET WE WANTED THEM TO BELIEVE THAT WE WERE NOT INSISTING ON CONTINUED BRITISH COLONIAL RULE.

20. YAO GUANG REFERRED AGAIN TO THE CHINESE PREMISE AND SAID THAT, ONCE THIS HAD BEEN AGREED, IT WOULD BE EASY TO SETTLE OTHER RELEVANT ISSUES. HE SAID THAT IT WAS WE, NOT THE CHINESE, WHO WERE PUTTING THE CART BEFORE THE HORSE.

21. YAO DENIED THAT THE SEPTEMBER 1984 DEADLINE WAS AN ULTIMATUM. IT WAS INSTEAD / SOLEMN STAND OF THE CHINESE GOVERNMENT. HE SAID IT WAS OUT OF CONSIDERATION FOR THE BRITISH SIDE THAT CHINA HAD DECIDED TO WAIT UNTIL 1984 TO PUBLICISE ITS POLICIES FOR HONG KONG. HE REMARKED THAT THIS LINE OR ARGUMENT TOOK MY BREATH AWAY.

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/22. YAO NOTED

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22. YAO NOTED WHAT HE HAD SAID ABOUT OUR WISH FOR COOPERATION AND FOR A JOINT STATEMENT (HE HAD IN FACT SAID BILATERAL AGREEMENT) AND SAID THAT WE SHOULD THEREFORE MAKE UP OUR MIND TO HAND OVER SOVEREIGNTY AND ADMINISTRATION TO CHINA, AND THEN MAKE GOOD USE OF THE LIMITED TIME REMAINING. HE SAID THAT THE CHINESE SIDE WOULD BE VERY INTERESTED TO KNOW THE DIFFERENCE BETWEEN CONTINUED BRITISH ADMINISTRATION AND COLONIAL RULE. THE CHINESE SIDE HAD EXPLAINED ITS POLICIES FOR HONG KONG AFTER 1997 IN EXPLICIT TERMS ABOUT WHAT WAS THE CONTENT OF THE BRITISH LINK? FINALLY HE REPEATED THAT IF WE DID NOT ACCEPT THE PREMISE OF CHINESE SOVEREIGNTY AND ADMINISTRATION IT WOULD BE VERY DIFFICULT FOR THE TALKS TO PROCEED.

23. SEE MIFT FOR COMMENT.

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FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

MR GIFFARD

MR DONALD

MR WRIGHT

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MR COLES NO 10 DOWNING STREET

SIR A PARSONS NO 10 DOWNING STREET

MR WALKER RESEARCH D OAB 2/82

SECRET

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DESKBY 221400Z

FROM PEKING 221125Z SEP 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 928 OF 22/9/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG
AND IMMEDIATE BRUNEI (PERSONAL FOR PS/MR LUCE)

MIPT: FUTURE OF HONG KONG: SECOND PHASE,

ROUND FOUR: FIRST DAY

COMMENT

1. THE ATMOSPHERE WAS DISTINCTLY CHILLIER THAN IN THE EARLIER ROUNDS. YAO GUANG'S OPENING STATEMENT WAS A FEW DEGREES STRONGER THAN ITS PREDECESSORS AND HIS DELIVERY WAS STERNER THAN BEFORE. HE USED MORE EMOTIONAL LANGUAGE, ACCUSING US FOR EXAMPLE OF ADOPTING AN "IMPERIALIST MANNER" TOWARDS CHINA.
2. THE SUBSTANCE OF HIS STATEMENT WAS TOUGH, AS WE HAD EXPECTED IT WOULD BE. YAO REPEATED DENG'S DEADLINE AND, FOR THE FIRST TIME IN THIS FORUM, SPECIFIED SEPTEMBER 1984. HE ALSO REPEATED THE THREAT THAT CHINA WOULD RECONSIDER THE TIMING OF ITS RECOVERY OF HONG KONG IF THERE WERE MAJOR DISTURBANCES. HE SAID THAT THERE HAD BEEN STALEMATE IN THE FIRST THREE MEETINGS AND THAT, UNLESS WE ACCEPTED THE PREMISE THAT SOVEREIGNTY AND ADMINISTRATION WOULD PASS TO CHINA IN 1997, IT WAS DIFFICULT TO SEE HOW OUR TALKS COULD PROCEED.
3. YAO, HOWEVER, STOPPED SHORT OF A DIRECT THREAT TO SUSPEND THE TALKS. INDEED SOME OF HIS REMARKS IMPLIED THAT TALKS SHOULD CONTINUE, EG HIS SUGGESTION THAT WE SHOULD GO AWAY AND STUDY DENG'S WORDS TO MR HEATH: AND THE INTEREST HE EXPRESSED, THREE TIMES, IN HEARING MORE ABOUT WHAT WE MEANT BY THE "BRITISH LINK".
4. THIS LAST POINT IS NOTEWORTHY. TO SOME EXTENT YAO MAY HAVE BEEN FISHING TO SEE IF THE USE OF THIS EXPRESSION REPRESENTED A SHIFT

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AWAY FROM 'BRITISH ADMINISTRATION'. IN FACT, OF COURSE, IT WAS MADE CLEAR IN MY OPENING STATEMENT THAT THE ONLY CHANGE WAS ONE OF TERMINOLOGY. HOWEVER, IT IS MORE LIKELY THAT YAO'S MAIN MOTIVE IN THIS WAS TO DRAW US INTO SAYING THAT BY THE BRITISH LINK WE MEAN THE STATUS QUO, WHICH THE CHINESE HAVE ALREADY SAID IS UNACCEPTABLE, AND THEREBY GIVE THEM A CHANCE TO SHOW THAT WE ARE SIMPLY SEEKING TO MAINTAIN COLONIAL RULE.

5. IN CONCLUSION, OUR EARLIER ASSESSMENT OF THE BLEAK SITUATION WE ARE IN WAS CONFIRMED AT THIS MEETING. THERE HAS BEEN NO MOVEMENT IN THE CHINESE POSITION. OUR FOUR PAPERS HAVE BEEN BALDLY DISMISSED AS A PUT-UP JOB. THE DEMAND THAT WE ACCEPT THE CHINESE PREMISE HAS BEEN REPEATED MORE FIRMLY. AT THIS POINT, IT LOOKS AS THOUGH WE MAY GET A FIFTH ROUND, BUT IT IS PLAIN THAT OUR PRESENT COURSE HAS REACHED A DEAD END. I THEREFORE INTEND, WITH THE GOVERNOR'S AGREEMENT, TO DEPLOY TOMORROW THE TACTIC AUTHORISED IN YOUR TEL NO 624.

CRADOCK

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OLD ADMIRALTY BUILDING

2

SECRET