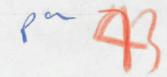
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## SECRET



SECRET

FN HONG KONG 260610Z SEP 63
TO HAMEDIATE UKMIS NEW YORK
TELEGRAM NUMBER 9 OF 26 SEPTEMBER
INFO IMMEDIATE FCO OTTAVA (FOR PRIVATE SECRETARY TO PM) PEKING

FOLLOWING FOR PRIVATE SECRETARY FROM GOVERNOR

FCO TELNOS 448 TO YOU: FUTURE OF HONG KONG: BILATERAL MEETING WITH CHINESE FOREIGN MINISTER, 27 SEPTEMBER

- 1. UNOFFICHALS WILL ATTACH CONSIDERABLE IMPORTANCE TO THE SECRETARY OF STATE'S TALK WITH WU XUEQIAN. THIS WILL PROBABLY BE THE ONLY OPPORTUNITY WE WILL GET TO PUT POINTS TO THE CHINESE AT SENIOR LEVEL BEFORE THE NEXT ROUND OF TALKS IN PEKING, AND IT WOULD BE HELPFUL IF MR LUCE COULD ASSURE EXCO THAT THE SECRETARY OF STATE WILL BE TAKING A VERY ROBUST LINE.
- 2. I HAVE DISCUSSED THE SUGGESTED POINTS TO MAKE IN FCO
  TELEGRAM UNDER REFERENCE WITH THE AMBASSADOR. FOR REASONS WHICH
  WILL BE PLAIN FROM OTHER TELEGRAMS WE DO NOT THINK THIS IS THE
  RIGHT OCCASION TO GET INTO DETAILED NEGOTIATION. BUT IN THE LIGHT
  OF THE FALL IN CONFIDENCE AND THE SEVERE IMPACT ON THE HONG KONG
  DOLLAR OVER THE PAST FEW DAYS, WE RECOMMEND THAT THE S OF S SHOULD
  TAKE A SHARPER LINE THAN THE ONE PRPOSED. IN PARTICULAR HE
  MIGHT MAKE THE FOLLOWING POINTS:
- (A) DEEPLY DISAPPOINTED WITH THE CHINESE ATTITUDE DURING LAST ROUND OF THE TALKS. WE HAD PROPOSED AN OBJECTIVE FACTUAL STUDY AND HAD PRESENTED DETAILED PAPERS AS AN INSTITUTE CONTRIBUTION TO THAT, STUDY. THE CHINESE HAD DONE NOTHING EXCEPT INSIST THAT WE MUST ACCEPT THEIR POSITION BEFORE ANY DISCUSSION OF PRACTICAL POINTS COULD BEGIN.
- (B) ASTONISHED THAT CHINESE SHOULD HAVE TURNED DOWN OUR PROPOSAL TO ISSUE A JOINT STATEMENT OF A KIND WHICH WOULD HAVE HELPED CONFIDENCE IN HONG KONG. UNDERSTAND THAT THEY REFUSED EVEN TO INCLUDE THE WORD QUOTE USEFUL UNQUOTE. THAT SUGGESTS CHINESE ARE NOT INTERESTED IN MAINTAINING CONFIDENCE.
- (C) CHINESE SHOULD BE UNDER NO ILLUSIONS ABOUT CAUSE OF LACK OF CONFIDENCE AND DECLINE IN HONG KONG DOLLAR. THE REASON IS WORRY ABOUT FUTURE, BROUGHT ABOUT LARGELY BY THE INTENSE BARAGE OF CHINESE STATEMENTS AND BRIEFINGS IN RECENT WEEKS. CHINESE ALLEGED IN LAST ROUND OF TALKS THAT BRITISH WERE TRYING TO PUT PRESSURE ON THEM BY PLAYING QUOTE ECONOMIC CARD UNQUOTE. THIS TOTALLY UNTRUE. HONG KONG GOVERNMENT HAVE DONE AND ARE DOING EVERYTHING POSSIBLE TO SUSTAIN HONG KONG DOLLAR. CHINESE STATEMENTS ARE HAVING A DAMAGING EFFECT ON MARKET SENTIMENT.

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3. WU IN LIKELY TO ACCUSE THE BRITISH OF HAVING CAUSED THE PRESENT SLIDE OF CONFIDENCE, EITHER DELIBERATELY IN AN ATTEMPT TO PUT PRESSURE ON THE CHINESE, OR THROUGH OUR ALLEGED QUOTE RIGIDITY UNQUOTE. THE SECRETARY OF STATE WILL WISH TO REFUTE THIS FIRMLY. HE MIGHT SAY THAT WE HAVE GIVEN OUR HONEST VIEW OF WHAT IS REQUIRED TO MAINTAIN STABILITY AND PROSPERITY IN HONG KONG AFTER 1997. THOUGH THERE REMAIN WIDE DIFFERENCES BETWEEN US WE REMAIN TOTALLY COMMITTED TO THE SEARCH FOR A SETTLEMENT WHICH WOULD ACCORD WITH THE INTERESTS OF BOTH CHINA AND BRITAIN. HOW COULD IT CONCENVABLY BE IN ANYONE'S INTERESTS TO DESTROY THE PROSPERITY OF HONG KONG? FURTHER REASON BOTH SIDES SHOULD DO EVERYTHING POSSIBLE TO MAINTAIN CONFIDENCE IN HONG KONG AND SHOULD REFRAIN FROM ACTIONS WHICH DAMAGE LITS PROSPERITY.

YOUDE

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

COPIES TO

SIR IAN SINCLAIR LEGAL ADVISER

MR BURROWS

LEGAL ADVISER

MR ROBERTS

NEWS D

PUSD

MR MARTIN

ASSESSMENTS STAFF

CABINET OFFICE

MR FLOWER

MR COLES

NO 10 DOWNING STREET

SIR A PARSONS NO 10 DOWNING STREET

MR WALKER RESEARCH D OAB 2/82

SECRET

## CONFIDENTIAL

OO OTTAWA

GRS57

CONFIDENTIAL

FM FCO 26133ØZ SEP 83

TO IMMEDIATE UKMIS NEW YORK

TELEGRAM NUMBER 5Ø6 OF 26 SEPTEMBER
INFO IMMEDIATE OTTAWA (FOR PRIVATE SECRETARY TO PM)
HONG KONG PEKING
FOR PRIVATE SECTETARY
HONG KONG TELNO 9: BILATERAL MEETING WITH CHINESE FOREIGN
MINISTER, 27 SEPTEMBER

1. PARAS 2 AND 3 OF TUR. WE HAVE NO OBJECTION TO SUGGESTED
POINTS TO MAKE.

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