

FUTURE OF HONG KONG ADVANCE COPIES

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PS

PS/PUS

PS/MR LUCE

MR DONALD

[HD/HKD]

HD/FED

COPY TO:

MR COLES, No. 10 DOWNING ST

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~~RESIDENT CLERK~~



00 FCO (DESKBY 191230Z)

00 HONG KONG

GRS 2500

SECRET

DESKBY 191230Z

IMMEDIATE

ADVANCE COPY

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FROM PEKING 191040Z OCT 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1050 OF 19/10/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

1. I SPOKE FIRST. I REMINDED YAO GUANG THAT THE MESSAGE I HAD CONVEYED TO HIM ON 14 OCTOBER HAD RESULTED FROM CONSULTATIONS IN LONDON WHICH HAD TAKEN PLACE BECAUSE OF THE PRIME MINISTER'S CONCERN AT THE DIFFERENCES STILL DIVIDING THE TWO SIDES. I REPEATED OUR BELIEF THAT HONG KONG'S FUTURE COULD BE ASSURED ONLY ON THE BASIS OF A NEGOTIATED SETTLEMENT AND THAT WE REMAINED COMMITTED TO A SUCCESSFUL OUTCOME OF THE TALKS. THE PRIME MINISTER'S MESSAGE WAS CLEAR EVIDENCE OF OUR SINCERITY AND OF OUR WISH TO MOVE FORWARD IN A SPIRIT OF FLEXIBILITY AND CO-OPERATION.

2. I THEN REPEATED THE PRIME MINISTER'S MESSAGE (PARAS 4 TO 7 OF FCO TEL NO 669) SO THAT IT WOULD BE FORMALLY ENTERED IN THE RECORD OF THE DISCUSSIONS.

3. I CONTINUED BY EXPRESSING OUR PROFOUND HOPE THAT THE CHINESE SIDE WOULD RECOGNISE THE IMPORTANCE AND MAGNITUDE OF THE STEP WE WERE NOW TAKING. IT WAS A MAJOR ATTEMPT TO ACCOMMODATE CHINESE VIEWS ON SOVEREIGNTY AND ADMINISTRATION AND IT CALLED FOR AN EQUIVALENT RESPONSE. WE BELIEVED THAT THE WAY SHOULD NOW BE CLEAR FOR SUBSTANTIAL PROGRESS. I REPEATED THE CONTINUING NECESSITY FOR CONFIDENTIALITY AND STRESSED THE IMPORTANCE OF THE EXISTENCE AND CONTENT OF THE PRIME MINISTER'S MESSAGE REMAINING SECRET. I AGAIN WARNED YAO THAT ANY PUBLIC MIS-REPRESENTATION OF THE IMPORTANT STEP WE WERE NOW TAKING WOULD MAKE IT NECESSARY FOR US TO CLARIFY OUR POSITION IN PUBLIC. SUCH PUBLIC STATEMENTS WOULD MAKE BOTH SIDES' TASK MORE DIFFICULT. I HOPED THAT IT WAS BY NOW EVIDENT THAT WE HAD DONE OUR UTMOST TO CREATE A CALM AND STABLE ATMOSPHERE IN WHICH TO CONTINUE THE TALKS. THIS SHOULD NOT BE PUT AT RISK BY FURTHER PUBLIC QUARRELING. WE HOPED THAT THE IMPORTANT STEP EMBODIED IN THE PRIME MINISTER'S MESSAGE WOULD BE REFLECTED IN A MORE POSITIVE OUTCOME AND IN SUBSTANTIVE PROGRESS.

4. YAO THANKED ME FOR FORMALLY CONVEYING THE PRIME MINISTER'S MESSAGE AND FOR MY EXPLANATORY COMMENTS. HE HAD ALREADY MADE A DETAILED REPORT TO THE CHINESE GOVERNMENT. THE CHINESE SIDE WELCOMED THE PRIME MINISTER'S EXPECTATION THAT THE TALKS WOULD MAKE PROGRESS AND THAT THE CHINESE PROPOSALS WOULD BE THE BASIS FOR FURTHER DISCUSSION. THEY ATTACHED IMPORTANCE TO THE BRITISH EFFORTS TO MOVE FORWARD. THEY HOPED THIS WOULD LEAD TO A SATISFACTORY AGREEMENT AT AN EARLY DATE. IT HAD BEEN CHINA'S CONSISTENT POSITION THAT THE HONG KONG QUESTION SHOULD BE SETTLED BY FRIENDLY CONSULTATIONS. YAO NOTED THAT WE UNDER-

BE SETTLED BY FRIENDLY CONSULTATIONS. YAO NOTED THAT WE UNDERSTOOD THE INDIVISIBILITY OF SOVEREIGNTY AND ADMINISTRATION AND WERE NO LONGER INSISTING ON THE BRITISH LINK AS A PREREQUISITE. CHIND HOPED THAT THIS WOULD MAKE SUBSTANTIVE PROGRESS POSSIBLE. MEANWHILE, HE HAD FRANKLY TO POINT OUT THAT THE PRIME MINISTER STILL HELD THE VIEW THAT CONTINUING BRITISH ADMINISTRATION WAS THE BEST AND SUREST BASIS FOR HONG KONG'S CONTINUING STABILITY AND PROSPERITY AND THAT THAT VIEW HAD NOT CHANGED. YAO WONDERED HOW, IF THAT STILL REMAINED OUR VIEW, EFFECTIVE DISCUSSIONS COULD BE CONDUCTED ON THE BASIS OF THE CHINESE PROPOSALS. THE CHINESE PROPOSALS WERE BASED ON THE CHINESE PREMISE. THIS WAS FUNDAMENTAL TO THE SETTLEMENT OF THE HONG KONG QUESTION.

5. YAO THEN CONDUCTED A REVIEW OF THE COURSE OF OUR CONTACTS ON HONG KONG SINCE THE PRIME MINISTER'S VISIT LAST SEPTEMBER. HE SAID THAT THE CHINESE LEADERS HAD EXPLAINED FULLY AND CLEARLY THE PRINCIPLE UPON WHICH A SETTLEMENT COULD BE BASED: CHINA WOULD RECOVER SOVEREIGNTY WHILST MAINTAINING PROSPERITY IN HONG KONG. SOVEREIGNTY WAS NOT NEGOTIABLE. CHINA WOULD RECOVER THE ENTIRE AREA OF HONG KONG NOT LATER THAN 1997. IT HAD BEEN ON THIS PREMISE THAT THE CHINESE LEADERS HAD AGREED TO THE ORIGINAL COMMUNIQUE. THE SUBSEQUENT DELAYS HAD BEEN THE RESULT OF BRITISH DISREGARD FOR THE CHINESE PRINCIPLE ON SOVEREIGNTY AND ADMINISTRATION. THIS LESSON SHOULD BE FIRMLY BORNE IN MIND.

6. YAO GUANG REFERRED TO HIS 25 JULY STATEMENT IN WHICH HE HAD MADE A "COMPREHENSIVE STATEMENT" OF CHINA'S INTENDED POLICIES TOWARDS HONG KONG. THE CHINESE SIDE HAD EXPECTED US TO JOIN IN CONSTRUCTIVE DISCUSSION OF THESE PROPOSALS BUT HAD HAD NO POSITIVE RESPONSE. HOWEVER, THE PRIME MINISTER WAS NOW WILLING TO NEGOTIATE ON THE BASIS OF THE CHINESE PROPOSALS. HE WOULD THEREFORE REPEAT THE PRINCIPLES GOVERNING INTENDED CHINESE POLICY TOWARDS HONG KONG.

7. YAO GUANG THEN REPEATED, AS FAR AS WE CAN JUDGE WORD FOR WORD, THE POLICIES HE HAD OUTLINED ON 25 JULY (PARA 12 OF THE FULL RECORD OF THAT SESSION). HE ADDED ONLY THAT THE CHINESE GOVERNMENT WAS CONSIDERING KEEPING THESE POLICIES UNCHANGED OVER A LONG PERIOD, SAY FOR 50 YEARS. TO ENSURE THAT THE NEGOTIATIONS WOULD PROCEED SMOOTHLY ON THE BASIS OF THE CHINESE POLICIES HE CONSIDERED IT NECESSARY TO EMPHASISE THE FOLLOWING PRINCIPLES:

~~HE CONSIDERED IT NECESSARY TO EMPHASISE THE FOLLOWING PRINCIPLES:~~

- (A) A NEGOTIATED SETTLEMENT HAD BEEN THE CHINESE GOVERNMENT'S CONSISTENT POLICY BUT THE BASIC ISSUE MUST NOT BE EVADED: THE HONG KONG AREA WAS CHINESE TERRITORY AND CHINA HAD THE RIGHT TO RESUME THE EXERCISE OF SOVEREIGNTY. SOVEREIGNTY WAS NOT NEGOTIABLE. THE POLICIES HE HAD JUST RECOUNTED WERE BASED ON AND MUST PROCEED FROM THE CHINESE PREMISE. THE CHINESE SIDE WERE MAKING A CONSIDERABLE EFFORT TO REACH A SETTLEMENT WITH THE UK. THE ABOVE POINTS MUST FIRST BE CLARIFIED AND CONFIRMED.
- (B) CHINA'S INTENDED POLICIES TOWARDS HONG KONG WERE PART OF HER INTERNAL AFFAIRS AS A SOVEREIGN STATE. HOWEVER, BECAUSE OF THE FRIENDLY RELATIONS WITH THE UK AND BECAUSE OF BRITISH WILLINGNESS TO CO-OPERATE OVER THE MAINTENANCE OF STABILITY AND PROSPERITY IN HONG KONG, CHINA WAS WILLING TO BRIEF THE UK IN ADVANCE OF A PUBLIC STATEMENT OF HER INTENDED POLICIES AND TO LISTEN TO HER USEFUL OPINIONS AND PROPOSALS.
- (C) SOME OF THE INTENDED POLICIES WERE DIRECTLY RELATED TO BRITISH INTERESTS. THE TWO SIDES COULD DISCUSS THESE POLICIES AS LONG AS THE DISCUSSION ACCORDED WITH THE PRINCIPLE OF EQUALITY BETWEEN SOVEREIGN STATES. THE CHINESE LOOKED FORWARD TO A POSITIVE RESPONSE TO THEIR INTENDED POLICIES AND THEIR EXPLANATIONS OF PRINCIPLE.

8. YAO THEN TOOK UP MY COMMENTS ON CONFIDENTIALITY. HE SAID THAT THE CHINESE SIDE HAD NOT AND WOULD NOT DISCLOSE DETAILS OF THE PRIME MINISTER'S MESSAGE OR THE TALKS. ANY PUBLIC DISCUSSION OF THESE DID NOT EMANATE FROM THE CHINESE SIDE. HE DREW MY ATTENTION TO BOTH SIDES' RESPONSIBILITY TO MAINTAIN CONFIDENTIALITY.

9. AFTER A RECESS, I TOLD YAO GUANG THAT I HAD LISTENED WITH GREAT INTEREST TO HIS STATEMENT. WE WERE GLAD THAT THE CHINESE SIDE HAD BEEN ABLE TO WELCOME THE PRIME MINISTER'S MESSAGE. THIS WAS VERY ENCOURAGING FOR, I STRESSED AGAIN, IT WAS A MOST IMPORTANT MESSAGE. IT REPRESENTED A MAJOR INITIATIVE AND DESERVED A CORRESPONDING RESPONSE. THE MESSAGE SHOULD BE READ AS A WHOLE. IT MADE QUITE CLEAR THE BASIS UPON WHICH WE APPROACHED THE TALKS.

10. IN RESPONSE TO YAO³ PUZZLEMENT AT HOW WE COULD CONTINUE EFFECTIVE DISCUSSIONS ON THE BASIS OF THE CHINESE PROPOSALS WHILST RETAINING OUR BELIEF THAT BRITISH ADMINISTRATION REPRESENTED THE BEST AND SUREST BASIS FOR HONG KONG'S STABILITY AND PROSPERITY, HE SAID THAT WE HAD STATED OUR HONEST AND SINCERE VIEW BUT THAT THAT DID NOT PREVENT US, IN A SPIRIT OF ACCOMMODATION, FROM EXPLORING OTHER METHODS WITH THE CHINESE SIDE. IF WE WERE SUCCESSFUL IN CONSTRUCTING ARRANGEMENTS WHICH ALTHOUGH IN OUR VIEW NOT IDEAL, WOULD, ASSURE HONG KONG'S CONTINUED STABILITY AND PROSPERITY AND MEET THE CONDITIONS IN THE PM'S MESSAGE, WE WERE READY TO RECOMMEND THEM TO PARLIAMENT.

11. IN RESPONSE TO YAO REVIEW OF THE COURSE OF OUR DISCUSSIONS, HE SAID THAT THE TEMPTATION TO RAKE OVER THE PAST SHOULD BE RESISTED. IT WAS IMPORTANT TO LOOK FORWARDS. IT WAS IN THIS SPIRIT THAT HE WOULD MOVE ON TO THE LATTER PART OF HIS STATEMENT.

12. HE TOOK YAO UP ON HIS DESCRIPTION OF HIS 25 JULY STATEMENT OF CHINESE INTENTIONS TOWARDS HONG KONG AS "'COMPREHENSIVE'". WE DID NOT SEE IT QUITE AS THAT BUT AS A HELPFUL STARTING POINT. WE NEEDED A GREAT DEAL MORE DETAIL. WE WERE PLEASED TO NOTE THAT THE CHINESE SIDE WAS WILLING TO BRIEF US AND TO LISTEN TO OUR REACTIONS. HE EMPHASISED THAT THESE WOULD BE HELPFUL AND CONSTRUCTIVE. WE WISHED TO BE POSITIVE. OUR AIM WAS TWOFOLD:

- (A) TO UNDERSTAND THE GENERAL PRINCIPLES UNDERLYING THE CHINESE PLAN FOR THE VARIOUS SECTORS OF HONG KONG LIFE. THE CHINESE SIDE HAD SPOKEN OF NO FUNDAMENTAL CHANGES. IT WOULD BE HELPFUL TO HAVE CONFIRMATION THAT THIS WOULD BE THEIR GENERAL APPROACH.
- (B) WE SHOULD LIKE TO HEAR MORE OF HOW HONG KONG PEOPLE AND HMG WOULD BE ASSURED THAT THIS STATE OF AFFAIRS WOULD CONTINUE. WE ATTACHED IMPORTANCE TO THE CHINESE SUGGESTION THAT THE SYSTEMS SHOULD REMAIN UNCHANGED FOR A PERIOD OF 50 YEARS. THE CHINESE GOVERNMENT HAD SAID THAT PROVISION EXISTED UNDER THEIR CONSTITUTION FOR THE ESTABLISHMENT OF AN SAR WITH SPECIAL LAWS. DID THE CHINESE SIDE HAVE OTHER ASSURANCES IN MIND TO TAKE ACCOUNT OF THE EXISTENCE OF ONE SYSTEM ON THE MAINLAND AND ANOTHER

13. I THEN MOVED ON TO TAKE THE LEGAL SYSTEM AS AN EXAMPLE. I SAID THAT IF OUR UNDERSTANDING WAS CORRECT, THE CHINESE GOVERNMENT INTENDED TO LEAVE THE HONG KONG LEGAL SYSTEM TO OPERATE BASICALLY AS IT WAS AT PRESENT. THE ONLY CHANGES WE HAD HEARD SUGGESTED WERE THAT THERE SHOULD BE NO APPEAL TO THE PRIVY COUNCIL AND THAT COLONIAL LAWS MUST CHANGE. WE NEEDED FURTHER CLARIFICATION. FOR EXAMPLE, DID THE REFERENCE TO COLONIAL LAWS IMPLY A CHANGE SOLELY TO TERMINOLOGY OR WERE THERE SPECIFIC LAWS THAT THE CHINESE SIDE CONSIDERED AS COLONIAL LAWS AND WOULD THEREFORE WISH TO ALTER. I DESCRIBED THE LEGAL SYSTEM AS AN EXAMPLE OF THE IMPORTANCE OF HONG KONG'S EXTERNAL CONNECTIONS. THE HONG KONG COURTS DREW ON DECISIONS MADE IN COURTS THROUGHOUT THE COMMONWEALTH. CERTAIN HONG KONG JUDGES WERE DRAWN FROM OTHER COMMONWEALTH COUNTRIES. WE ASSUMED THAT UNDER THE CHINESE PLAN THIS COULD CONTINUE ON THE BASIS OF NO BASIC CHANGE. THE LEGAL SYSTEM PROVIDED AN IMPORTANT EXAMPLE OF THE SORT OF CLARIFICATION WE NEEDED AND OF THE SORT OF DISCUSSIONS WE COULD PURSUE. I EMPHASISED AGAIN OUR WISH TO TALK CONSTRUCTIVELY ON THE BASIS SET OUT IN THE PRIME MINISTER'S MESSAGE. I WAS SURE THAT WE SHOULD NOW BE ABLE TO MOVE TO DETAILED DISCUSSION.

14. YAO GUANG REPLIED THAT HE HAD LISTENED WITH GREAT CARE. HOWEVER HE STILL NEEDED FURTHER CLARIFICATION ON A NUMBER OF POINTS:

(A) EXACTLY WHAT DID WE MEAN WHEN WE SPOKE IN THE PRIME MINISTER'S MESSAGE OF 'OTHER EFFECTIVE METHODS'?

(B) DID WE AGREE THAT THE PRINCIPLES HE HAD IDENTIFIED AS UNDERLYING THE CHINESE POLICY TOWARDS HONG KONG SHOULD BE GUIDING PRINCIPLES FOR OUR DISCUSSIONS?

(C) WHAT DID WE SEE AS THE NATURE AND FORM OF A FUTURE BRITISH ROLE?

(D) WHAT WAS THE DIFFERENCE BETWEEN THE BRITISH LINK TO WHICH WE WERE NOW REFERRING AND THE ONE TO WHICH WE HAD REFERRED IN THE PAST?

15. I REPLIED THAT I WAS A LITTLE CONCERNED THAT CLARIFICATION WAS STILL NEEDED ON SUCH IMPORTANT ELEMENTS OF THE MESSAGE WHICH ITSELF WAS VERY CLEAR. I WOULD REPEAT THE EXPLANATIONS I HAD

~~ITSELF WAS VERY CLEAR. I WOULD REPEAT THE EXPLANATIONS I HAD GIVEN ON 14 OCTOBER.~~

16. ON (A) I CONFIRMED THAT THIS PHRASE MEANT METHODS OTHER THAN THOSE WHICH WE HAD HITHERTO ADVOCATED, I.E. OTHER THAN BRITISH ADMINISTRATION. YAO GUANG INTERJECTED THAT HE WAS UNSURE WHETHER THIS MEANT THAT WE WOULD CONTINUE DISCUSSIONS ONLY ON THE BASIS OF THE CHINESE PROPOSALS OR HAD WE OTHER METHODS IN MIND? I REPLIED THAT I HAD ALSO ANSWERED THIS POINT ON FRIDAY. WE WERE READY TO TRY TO CONSTRUCT ARRANGEMENTS OF LASTING VALUE TO THE PEOPLE OF HONG KONG ON THE BASIS OF THE CHINESE PROPOSALS.

17. ON YAO'S POINT (B) , I SAID THAT THE MESSAGE WAS CLEAR. I RE-READ TO HIM THE RELEVANT SECTIONS OF THE FINAL PARAGRAPH OF THE MESSAGE. I SAID THAT I DID NOT THINK I NEEDED FURTHER TO INTERPRET THE MESSAGE. IT WAS CLEAR THAT WE WERE NO LONGER INSISTING UPON BRITISH ADMINISTRATION AS A PRE-REQUISITE. THE CHINESE SIDE HAD SAID BEFORE THAT OUR INSISTENCE ON MAINTAINING THE BRITISH LINK WAS AN INSURMOUNTABLE OBSTACLE TO PROGRESS. WE HAD NOW REMOVED THAT OBSTACLE AND HOPED FOR AN EQUIVALENT RESPONSE FROM THE CHINESE SIDE WHICH WOULD MAKE POSSIBLE RAPID PROGRESS. THE CHINESE SIDE HAD MADE PLAIN THAT THEY SAW THEIR PROPOSALS AND PREMISE AS BEING INDISSOLUBLY LINKED. THE MESSAGE SPOKE CLEARLY. I REPEATED IT SHOULD BE READ AS A WHOLE. I CONTINUED BY REMINDING YAO OF THE CONSTITUTIONAL CONSTRAINTS ON THE PRIME MINISTER. SOVEREIGNTY DID NOT LIE IN HER GIFT. ON THIS ONLY PARLIAMENT COULD DECIDE. BUT I EMPHASISED THAT IF WE WERE ABLE TO AGREE ARRANGEMENTS WHICH MET THE CONDITIONS IN THE MESSAGE WE WERE READY TO RECOMMEND THESE ARRANGEMENTS TO PARLIAMENT.

18. ON YAO'S POINT (C) , I SAID THAT HERE WE WERE REPEATING A PHRASE USED BY FOREIGN MINISTER WU IN HIS TALKS IN NEW YORK WITH THE SECRETARY OF STATE. WE SHOULD BE MOST INTERESTED IN CLARIFICATION OF THE CHINESE THOUGHTS. THE EXACT MEANING OF A FUTURE BRITISH ROLE SHOULD BE THE SUBJECT FOR DISCUSSION IN FURTHER DETAILED TALKS. HOWEVER I COULD CONFIRM THAT IT DID NOT MEAN BRITISH ADMINISTRATION IN THE SENSE WE HAD PREVIOUSLY ADVOCATED.

19. ON YAO'S POINT (D) I EXPLAINED AGAIN THAT OUR REFERENCE TO A BRITISH LINK WAS A SHORTHAND PHRASE FOR THE VERY CLOSE RELATIONS IN MANY SPHERES BETWEEN THE UK AND HONG KONG. WE HAD SUBMITTED MUCH MATERIAL WHICH EXPLAINED THESE VARIOUS LINKS

RELATIONS IN MANY SPHERES BETWEEN THE UK AND HONG KONG. WE HAD SUBMITTED MUCH MATERIAL WHICH EXPLAINED THESE VARIOUS LINKS. IN DETAIL ABOUT THE FUTURE RELATIONSHIP BETWEEN THE UK AND HONG KONG WOULD EMERGE FROM OUR FURTHER DISCUSSIONS. HE REPEATED AGAIN THAT WE NO LONGER INSISTED UPON CONTINUING BRITISH ADMINISTRATION AS A PREREQUISITE. WE WISHED TO MOVE FORWARDS HELPFULLY AND CONSTRUCTIVELY ON THE BASIS OF THE CHINESE PROPOSALS TO SEE WHAT WE CAN BUILD.

20. YAO THEN MADE A LONG AND RAMBLING RESPONSE. THE MAIN POINTS BOILED DOWN TO

(A) HE APPRECIATED MY EMPHASIS ON OUR CONSTRUCTIVE APPROACH:

(B) DID WE UNDERSTAND AND AGREE WITH THE THREE PRINCIPLES UNDERLYING CHINESE INTENDED POLICY FOR HONG KONG (I.E. THE CHINESE PREMISE)? IF WE DID NOT DISAGREE COULD WE CONFIRM THEM?

(C) IF THE PREMISE WERE NOT CLEARLY AFFIRMED, HOW COULD DISCUSSIONS BE CONDUCTED FURTHER, SINCE ALL THE CHINESE INTENDED POLICIES WERE BASED UPON THE PREMISE?

(D) COULD WE FIRST OF ALL REACH UNDERSTANDING ON THE PREMISE? THEN FURTHER DISCUSSION OF THE DETAIL OF THE CHINESE PROPOSALS COULD BEGIN VERY SOON.

(E) HE HAD STILL NOT CLARIFIED EXACTLY WHAT SORT OF ROLE WE ENVISAGED FOR THE UK.

(F) HE AGREED THAT WE SHOULD LOOK FORWARDS IN OUR DISCUSSIONS BUT IT WAS RELEVANT FOR THE UK SIDE TO ASK ITSELF WHERE THE BLAME FOR THE LACK OF PROGRESS HITHERTO LAY.

21. WE THEN ADJOURNED. HE TOLD YAO THAT HE WOULD REPLY ON 20 OCTOBER TO THE POINTS HE HAD MADE IN HIS FINAL STATEMENT.

22. SEE MIFT FOR COMMENT.

CRADOCK

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FUTURE OF HONG KONG ADVANCE COPIES

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COPY TO:

MR COLES, No. 10 DOWNING ST

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SECRET

DESKBY 191300Z

Prime Minister.

We shall have to wait
to see how tomorrow
goes.

A.F.C. 19/10

FROM PEKING 191130Z OCT 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1051 OF 19/10/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

MIPT: FUTURE OF HONG KONG: FIFTH ROUND: FIRST DAY

COMMENT

1. THERE WAS INITIALLY A NOTICEABLE IMPROVEMENT IN THE
ATMOSPHERE. YAO'S FIRST STATEMENT WAS MILDER THAN WE MIGHT HAVE
EXPECTED AND HIS WELCOME, ALBEIT QUALIFIED, FOR THE PRIME MINISTER'S
MESSAGE WAS ENCOURAGING. ALTHOUGH HIS SECOND STATEMENT,
STARTED OFF HOPEFULLY (WITH REFERENCES TO A WILLINGNESS TO
PROVIDE FURTHER EXPLANATIONS OF CHINESE POLICIES) IT

~~PROVIDE FURTHER EXPLANATIONS OF CHINESE POLICIES. IT~~
QUICKLY TURNED SOURER~~S~~ AND HE SPENT THE REST OF THE
TIME TRYING TO PIN US DOWN TO AFFIRMING CATEGORICALLY THAT WE
ACCEPTED THE CHINESE PREMISE.

2. IT IS DIFFICULT AT THIS STAGE TO SAY HOW MUCH SIGNIFICANCE
SHOULD BE ATTACHED TO YAO'S INSISTENCE ON THE PREMISE.
HE MAY HAVE RECEIVED ONLY PRELIMINARY INSTRUCTION FROM HIS
LEADERS TO SOUND US OUT AND SEE HOW FAR HE CAN PUSH US OVER IT.
LESS PLAUSIBLY BUT POSSIBLY, THE LEADERSHIP MAY HAVE DECIDED
TO INSIST ON HOLDING OUT FOR THEIR FULL TERMS TO BE MET.
IN ANY EVENT IT IS CLEAR THAT THE CHINESE ARE INTENSELY
SUSPICIOUS OF OUR NEW LINE AND MOTIVES. THEY FIND IT HARD TO
BELIEVE THAT THE PRIME MINISTER'S MESSAGE REALLY ADDS UP TO
THE STEP THAT WE ARE REPEATEDLY DESCRIBING AND EXPLAINING TO
THEM.

3. WHAT THE MESSAGE HAS IMMEDIATELY ACHIEVED IS THE ABSENCE
OF ANY FURTHER THREATS TO BREAK OFF THE TALKS.
WHAT IT HAS YET TO ACHIEVE, AND IT LOOKS AS IF IT WILL TAKE UP
THE REST OF THIS ROUND IN TRYING TO ACHIEVE IT, IS TO PERSUADE
THE CHINESE TO MOVE FORWARD TO DISCUSS THEIR PROPOSALS.

CRADOCK

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