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MR Coles
Nº 10 DOWNING ST
A.F.C. 1/2

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PP WASHINGTON

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FM FCO 311340Z JAN 84

TO PRIORITY WASHINGTON

TELEGRAM NUMBER 191 OF 31 JANUARY

INFO PRIORITY HONG KONG, PEKING (PERSONAL FOR AMBASSADOR)

FUTURE OF HONG KONG: BRIEFING THE AMERICANS

1. THE FOLLOWING UPDATES THE BRIEFING PROVIDED IN OUR TELNO 019. HONG KONG AND PEKING MAY WISH TO DRAW ON IT WITH THEIR SENIOR OFFICIAL CONTACTS. WE SHALL DO SO IN BRIEFING FOR VICE-PRESIDENT BUSH'S UK VISIT 11/12 FEBRUARY.
2. THE GOVERNOR AND EXCO UNOFFICIALS' VISITED LONDON FOR DISCUSSION 13-17 JANUARY. MINISTERS REAFFIRMED HMG'S CONTINUING COMMITMENT TO HONG KONG AND THE IMPORTANCE THEY ATTACH TO CONSULTATIONS WITH EXCO. THERE WAS A COMPREHENSIVE REVIEW OF DEVELOPMENTS IN THE TALKS. THIS PRODUCED A CLOSE IDENTITY OF VIEWS ON THE MATTERS INVOLVED.
3. THE 8TH ROUND OF TALKS (25/26 JANUARY) WAS JOINTLY DESCRIBED AS USEFUL AND CONSTRUCTIVE. SIR R EVANS IS NOW LEADING THE BRITISH TEAM. ON THE CHINESE SIDE VICE FOREIGN MINISTER YAO GUANG HAS BEEN REPLACED BY ASSISTANT FOREIGN MINISTER ZHOU NAN. THE CHINESE INFORMED US IN ADVANCE OF THE CHANGE. IT HAS NO DIRECT CONNECTION WITH THE TALKS AND THERE IS NO QUESTION OF THESE HAVING BEEN 'DOWN-GRADED'. ZHOU NAN IS WELL KNOWN TO US AND HAS ALREADY BEEN ASSOCIATED WITH THE NEGOTIATIONS. SIR P CRADOCK HAD A GOOD DEAL OF INFORMAL CONTACT WITH HIM LAST SUMMER WHEN THE FORMAL TALKS WERE AT A DIFFICULT STAGE.
4. THE ATMOSPHERE AT THIS ROUND WAS GENERALLY GOOD. THE CHINESE AGAIN EXPRESSED THEIR WISH TO REACH A BILATERAL AGREEMENT WITH US AS QUICKLY AS POSSIBLE. WE SAID THAT WE TOO WERE APPROACHING THE TALKS IN THIS SPIRIT AND LOOKED FORWARD TO ENLARGING THE AREA OF COMMON GROUND BETWEEN US. WE REITERATED THE

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NEED FOR:

- (A) MAXIMUM CONTINUITY OF HONG KONG'S CURRENT SYSTEMS AND FREEDOMS:
- (B) SOLID ASSURANCES OF SUCH CONTINUITY IN THE INTERESTS OF CONTINUING STABILITY AND PROSPERITY:

AND OUTLINED SOME OF THE REMAINING KEY ISSUES WHICH WE EXPECTED THE TALKS TO COVER. THESE INCLUDE CONSTITUTIONAL AND ADMINISTRATIVE ARRANGEMENTS FOR HONG KONG AFTER 1997 SEMI-COLON DEFENCE AND EXTERNAL SECURITY SEMI-COLON THE PUBLIC SERVICE SEMI-COLON NATIONALITY AND CITIZENSHIP. AT THIS ROUND WE HANDED OVER A FURTHER WORKING PAPER (ON LAND LEASES IN THE FUTURE). THE CHINESE UNDERTOOK TO STUDY IT CAREFULLY.

5. WE CONTINUED THE PROCESS OF EXPLORING BEGIN UNDERLINING WITHOUT PREJUDICE CEASE UNDERLINING CHINESE PROPOSALS FOR HONG KONG. WITH OUR INFORMAL WORKING PAPERS AS A BASIS FOR DISCUSSION, THE CHINESE EXPANDED THEIR IDEAS ON HONG KONG'S:

- (A) MONETARY SYSTEM:
- (B) ECONOMIC SYSTEM:
- (C) CULTURE AND EDUCATION:
- (D) THE RIGHTS OF INDIVIDUALS IN HONG KONG.

THEY ALSO CLARIFIED IN A GENERALLY HELPFUL WAY THEIR THINKING ON CERTAIN ASPECTS OF HONG KONG'S LEGAL SYSTEM. (OUR TELNO 2082 OF 1983). ON ALL THESE MATTERS THERE IS CLEARLY A GOOD MEASURE OF AGREEMENT BETWEEN US. BUT DIFFICULTIES REMAIN. WE NEED AND HAVE REQUESTED FURTHER EXPANSION ON POINTS OF DETAIL, ESPECIALLY ON THOSE IN THE MONETARY FIELD.

6. WE SEEM TO HAVE FOUND A WAY TO ENABLE SUBSTANTIVE DISCUSSION TO CONTINUE. WE, LIKE TO THE CHINESE, ARE KEEN TO KEEP UP THE MOMENTUM OF THE TALKS. WITH THIS IN MIND WE HOPE TO HAND OVER THE REMAINDER OF OUR WORKING PAPERS WITHIN THE NEXT FEW WEEKS. USING THESE AS A BASIS FOR DISCUSSION WE WISH TO COMPLETE AS SOON AS POSSIBLE OUR OVERALL EXPLORATION OF THE IMPLICATIONS OF THE CHINESE PROPOSALS FOR HONG KONG. BUT SOME OF THE ISSUES OUTSTANDING (SEE PARAGRAPH 4 ABOVE) ARE COMPLEX AND WE ENVISAGE MUCH HARD NEGOTIATION AHEAD. WE ARE OF COURSE STILL OPERATING ON THE BASIS THAT EXPLORATION OF THE CHINESE PLAN IS ENTIRELY

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WITHOUT PREJUDICE TO ANY FINAL AGREEMENT.

7. YOUR TELNO 145. CHINESE FOREIGN MINISTER'S TALKS IN WASHINGTON. WE WERE GRATEFUL FOR THE DETAILS OF WU'S TALK WITH SHULTZ. THESE REFLECT THE RECENT TREND OF CHINESE PROPAGANDA WHICH AIMS AT RECONCILING HONG KONG PEOPLE AND INTERNATIONAL OPINION TO CHINESE PLANS. THE CHINESE HAVE BEEN AT PAINS TO REASSURE PEOPLE THAT THERE WILL BE NO CHINESE INTERFERENCE.

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RES.B. (MR WALKER)
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