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COPIES TO:  
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MR ROBERTS, NEWS DEPT  
~~SIR PERCY CRADOCK~~

SECRET

ADVANCE COPY

DESBKY 271100Z  
FCO AND TOKYO

IMMEDIATE

FROM PEKING 270950Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 810 OF 27/4/84  
INFO IMMEDIATE HONG KONG  
AND TOKYO 0 (FOR PS/SOSFA)

*Mr Coles*  
*W*

FUTURE OF HONG KONGC 13TH ROUND OF TALKS: FIRST DAY

SUMMARY

1. BOTH SIDES REVIEWED THE UNDERSTANDINGS REACHED DURING YOUR VISIT. AGREEMENT ON THE TIMETABLE WAS CONFIRMED. ZHOU NAN SAID THE CHINESE SIDE WOULD SOON LET US HAVE THE ANNEXES TO THEIR DRAFT AGREEMENT. HE PRESSED THE CHINESE CASE FOR A JOINT GROUP IN THE TRANSITION PERIOD. I ARGUED THE MERITS OF OUR DRAFT AGREEMENT AND EXPLAINED AGAIN OUR CONCERNS OVER THE JOINT GROUP.

DETAIL

2. ZHOU SPOKE FIRST. HE SAID THAT CHINESE LEADERS HAD ATTACHED GREAT IMPORTANCE TO YOUR VISIT. BOTH SIDES HAD AGREED THAT FURTHER PROGRESS TOWARDS REACHING AN AGREEMENT HAD BEEN MADE DURING THE VISIT. IN PARTICULAR, YOUR MEETING WITH DENG HAD HELPED THE TWO SIDES COME TO AGREEMENT ON IMPORTANT MATTERS, AND ON THOSE QUESTIONS WHERE THERE WERE STILL DIFFERING VIEWS, MUTUAL UNDERSTANDING HAD BEEN ENHANCED THROUGH FRANK EXCHANGES. THE TWO SIDES SHOULD BUILD ON WHAT HAD BEEN ACHIEVED DURING THE

THE TWO SIDES SHOULD BUILD ON WHAT HAD BEEN ACHIEVED DURING THE VISIT. THE CHINESE DELEGATION WOULD CONTINUE TO WORK UNREMITTINGLY FOR AN EARLY SATISFACTORY CONCLUSION TO THE TALKS. HE NOTED THAT YOU HAD INDICATED TO DENG THAT THE TWO SIDES WERE NOT FAR FROM REACHING AGREEMENT.

3. ZHOU CONTINUED THAT DURING YOUR VISIT DISCUSSION HAD COVERED THE MAJOR MATTERS OF THE TIMETABLE, THE FORM AND CONTENT OF THE FINAL AGREEMENT, AND ARRANGEMENTS FOR THE TRANSITION PERIOD. THE TWO SIDES HAD AGREED OR APPROACHED EACH OTHER ON SOME POINTS AND HAD GAINED A CLEAR UNDERSTANDING OF EACH OTHER'S POSITION ON OTHERS, THUS CREATING THE CONDITIONS FOR AGREEMENT. HE SPOKE ABOUT EACH OF THE THREE IN TURN.

#### TIME-TABLE

4. HE NOTED YOUR EXPLANATIONS OF THE DIFFICULTIES FOR THE BRITISH SIDE IN FORMALLY SIGNING AN AGREEMENT BEFORE SEPTEMBER. HE RECALLED THAT YOU HAD SUGGESTED THAT THE TWO SIDES SHOULD INITIAL AND PUBLISH AN AGREEMENT BEFORE SEPTEMBER 1984 WHICH WOULD THEN BE DISCUSSED BY PARLIAMENT IN OCTOBER AND SIGNED WELL BEFORE THE END OF THE YEAR. DENG HAD EXPRESSED UNDERSTANDING OF THE NEED TO RESPECT PARLIAMNETARY PROCEDURES AND HAD ACCEPTED OUR TIMETABLE. ONE OF OUR MAJOR CONCERNS HAD THUS BEEN REMOVED. THE CHINESE ATTITUDE WAS UNDERSTANDING AND COOPERATIVE. THE AGREED TIMETABLE SHOULD NOW BE STRICTLY FOLLOWED AND WORK SHOULD BE COMPLETED AS SCHEDULED.

#### FORM AND CONTENT OF AGREEMENT

5. ZHOU NOTED THAT THE LEGAL ADVISERS OF THE TWO SIDES HAD HELD AN INFORMAL EXCHANGE OF VIEWS ON THE FORM OF THE AGREEMENT. IT SHOULD NOT BE DIFFICULT TO SOLVE THIS QUESTION. ON THE CONTENT, YOU HAD STRESSED THAT THERE SHOULD BE ADEQUATE DETAIL IN THE AGREEMENT. DENG HAD POINT OUT THAT IT SHOULD CONTAIN ONLY MATTERS OF PRINCIPLE, WHICH SHOULD NOT BE DEALT WITH IN DETAIL. EXCESSIVE DETAIL WOULD EASILY LEAD TO MISTAKES AND WOULD BE IMPRACTICAL. THE IDEA THAT THE AGREEMENT ITSELF SHOULD COVER ONLY MATTERS OF PRINCIPLE WHILE THE ANNEXES, IN AN EXCHANGE OF NOTES, COULD DEAL WITH RELEVANT MATTERS IN MORE SPECIFIC TERMS, MIGHT BE DESIRABLE. HE RECALLED THAT ZHAO ZIYANG HAD ALSO SAID THAT SOME AGREED MATTERS OF PRINCIPLE COULD BE INCLUDED IN THE ANNEXES AS A COMPONENT PART OF THE JOINT DECLARATION, WITH WHICH THEY WOULD BE EQUALLY VALID AND BINDING.

6. ZHAO ZIYANG AND OTHERS HAD POINTED OUT THAT CHINESE POLICIES IN HONG KONG AFTER 1997 WERE AN INTERNAL MATTER. THERE COULD BE NO IMPRESSION CREATED THAT THE POLICIES WERE SUBJECT TO ANOTHER COUNTRY'S APPROVAL AND THERE COULD BE NO INTERFERENCE IN THE SAR'S HIGH DEGREE OF AUTONOMY AFTER 1997. OUR DRAFT AGREEMENT INTERFERED IN A NUMBER OF

AFTER 1997. OUR DRAFT AGREEMENT INTERFERED IN A NUMBER OF PLACES WITH CHINESE INTERNAL AFFAIRS AND SOVEREIGNTY. THE CHINESE SIDE WOULD PRESENT THE SUBSTANCE OF THE DRAFT NOTES AND PROTOCOL ANNEXED TO THE CHINESE DRAFT AGREEMENT AS A BASIS FOR FURTHER TALKS AS SOON AS POSSIBLE. HE HOPED THIS WOULD BE AROUND THE TIME OF THE FOURTEENTH ROUND.

#### THE TRANSITION PERIOD

7. THIS WAS A VERY IMPORTANT QUESTION. SINCE THE CENTRAL ISSUE OF THE AGREEMENT WOULD BE TO AFFIRM EXPLICITLY CHINA'S RESUMPTION OF SOVEREIGNTY, IT WAS ONLY NATURAL THAT THE PERIOD FROM THE CONCLUSION OF THE AGREEMENT TO THE TRANSFER OF THE GOVERNMENT IN 1997, AND THIS PERIOD ALONE, SHOULD BE TREATED AS THE TRANSITION PERIOD. IT WOULD EXIST OBJECTIVELY AND COULD NOT BE WRITTEN OFF.

IT WAS UNDENIABLE THAT IN ORDER TO AVOID ABRUPT CHANGES AND POSSIBLE JOLTS IN 1997, APPROPRIATE ARRANGEMENTS ON MATTERS RELATING TO THE AGREEMENT HAD TO BE MADE DURING THE TRANSITION PERIOD. IN FACT, ARRANGEMENTS FOR BEFORE AND FOR AFTER 1997 WERE CLOSELY AND INSEPARABLY LINKED.

8. DENG HAD POINTED OUT TO YOU THAT THE 13 YEARS FOR THE TRANSITION PERIOD WOULD NOT BE VERY TRANQUIL AND THAT SOME PEOPLE IN HONG KONG WOULD BE LOOKING TO DE-STABILISE THINGS. THERE WERE INDEED SIGNS OF THIS ALREADY. RAISING THE MATTER NOW WOULD ONLY DO GOOD. BRITAIN SHOULD ALSO PAY ATTENTION TO THIS POINT AND TAKE PREVENTIVE MEASURES. DENG HAD ALSO POINTED OUT THAT IT WOULD CREATE CHAOS IF THE TRANSFER OF GOVERNMENT WAS SIMPLY EFFECTED BY A CHANGE OF FLAT AND GOVERNMENT IN 1997. IT HAD THEREFORE TO BE ACKNOWLEDGED THAT THERE WAS MUCH TO BE DONE IN THE TRANSITION PERIOD AND CO-OPERATION BETWEEN THE TWO SIDES WOULD BE NECESSARY.

9. WU XUEQIAN HAD GIVEN A DETAILED ACCOUNT OF BASIC CHINESE IDEAS FOR ARRANGEMENTS IN THE TRANSITION PERIOD, INCLUDING THE PROPOSAL TO SET UP A JOINT GROUP IN HONG KONG. YOU HAD AGREED THAT THERE WAS MUCH TO DISCUSS IN THE TRANSITION PERIOD. YOU HAD ALSO EXPRESSED CONCERN THAT THE JOINT GROUP WOULD CREATE THE IMPRESSION THAT CHINA WAS SENDING OFFICIALS FROM THE MAINLAND AND WOULD BE BAD FOR CONFIDENCE IN HONG KONG. CHINESE LEADERS HAD REPEATEDLY STATED THAT THIS CONCERN WAS ENTIRELY UNNECESSARY AND GROUNDLESS. IT WAS AGREED THAT BRITAIN WAS RESPONSIBLE FOR ADMINISTERING HONG KONG UNTIL 1997. THE CHINESE PROPOSAL LAID DOWN EXPLICITLY THAT THE JOINT GROUP WOULD BE A LIAISON BODY AND NOT AN ORGAN OF POWER. IT WOULD NOT INTERFERE WITH THE DAILY WORK OF THE HONG KONG AUTHORITIES AND IT WOULD BE DISBANDED AFTER THE TRANSFER OF GOVERNMENT. HOW THEREFORE COULD IT GIVE THE IMPRESSION OF A CONDOMINIUM? ZHAO ZIYANG HAD POINTED OUT THAT BRITISH MISGIVINGS WOULD DISAPPEAR

HAD POINTED OUT THAT BRITISH MISGIVINGS WOULD DISAPPEAR IF THE AGREEMENT AND THE ORGAN FOR ITS IMPLEMENTATION WERE LINKED AND NOT SET ONE AGAINST THE OTHER. IF THE BRITISH GOVERNMENT WAS FREE FROM MISGIVINGS, SO TOO WOULD THE PEOPLE OF HONG KONG BE. MOREOVER THE SIGHT OF CHINA AND BRITAIN COOPERATING AMICABLY IN IMPLEMENTATION OF THE AGREEMENT WOULD IN ITSELF BE A GREAT STABILISING FACTOR. IT WAS THE CHINESE VIEW THAT QUITE A FEW PEOPLE IN HONG KONG HAD EXPRESSED THE HOPE THAT SUCH A JOINT GROUP COULD BE SET UP, BELIEVING THAT IT WOULD PLAY A CONSTRUCTIVE ROLE.

10. DENG HAD SAID THAT IT WOULD BE REALISTIC TO SET UP A JOINT GROUP IN HONG KONG AS IT WAS VERY IMPORTANT, FOR A SMOOTH TRANSFER OF GOVERNMENT, TO ACQUIRE INFORMATION ON THE SPOT. YOU HAD STRESSED THE COMPLEXITY OF HONG KONG. HOW COULD CONTINUITY BE ASSURED WITHOUT DETAILED INFORMATION ABOUT HONG KONG'S COMPLEX SOCIETY? THERE WERE SOME IMPORTANT MATTERS WHICH WOULD BE COVERED BY THE AGREEMENT, FOR EXAMPLE LAND LEASES, PUBLIC ORDER AND SECURITY, THE ISSUE OF BANK NOTES AND PERSONNEL MATTERS, BUT WHICH NEEDED STUDY AND CONCRETE CONSULTATION ON THE SPOT BEFORE THEY COULD POSSIBLY BE SOLVED. THIS WORK EVIDENTLY COULD NOT BE DONE THROUGH DIPLOMATIC CONTACTS IN PEKING. WITH OBJECTIVE CONSIDERATION, IT WAS NOT DIFFICULT TO SEE THAT CHINESE IDEAS WERE REALISTIC, REASONABLE AND IN THE INTEREST OF BOTH SIDES. OF COURSE, THE NAME, TASKS AND FUNCTIONS OF THE JOINT GROUP COULD BE FURTHER DEFINED THROUGH CONSULTATION IF WE THOUGHT IT NECESSARY.

11. ZHOU THEN SAID THAT DENG HAD STATED THAT IT COULD BE WRITTEN IN THE TEXT OF THE AGREEMENT THAT THE JOINT GROUP WOULD BE ESTABLISHED IN HONG KONG, BUT THAT A VERBAL UNDERSTANDING COULD BE REACHED THAT IT SHOULD MEET IN PEKING, LONDON AND HONG KONG, AND THAT AT THE TIME YOU HAD AGREED TO PROCEED WITH DISCUSSION ON THIS BASIS. BEFORE LEAVING PEKING YOU HAD INDICATED THAT YOU WOULD GIVE POSITIVE CONSIDERATION TO THIS PROPOSAL AND MAKE AN EARLY RESPONSE. THE CHINESE SIDE EXPECTED THAT WE WOULD ADOPT A POSITIVE, AND NOT A PASSIVE, ATTITUDE TO THIS QUESTION SO THAT OBSTACLES IN THE WAY OF THE TALKS COULD SOON BE REMOVED.

12. ZHOU WENT ON TO REFER TO DENG'S REMARKS ABOUT THE IMPORTANCE OF HONG KONG PEOPLE PROGRESSIVELY PARTICIPATING IN THE ADMINISTRATION OF HONG KONG DURING THE TRANSITION PERIOD. THIS WAS A MAJOR POINT THAT WOULD ENSURE AGAINST DISTURBANCES AND DISCONTINUITY IN 1997. THE CENTRAL GOVERNMENT WOULD SEND NO PEOPLE TO HONG KONG WHEN THE TIME CAME AND CANDIDATES WOULD BE CHOSEN IN HONG KONG. 13 YEARS WOULD PASS QUICKLY AND IT TOOK TIME TO TRAIN THE COMPETENT PEOPLE, SO, BEGINNING NOW, YOUNGER PEOPLE SHOULD BE SELECTED - THIS COULD BE DONE JOINTLY - AND THE ONLY CRITERION FOR THEIR SELECTION WAS THAT THEY SHOULD SUPPORT CHINA'S RESUMPTION OF SOVEREIGNTY. HE REPEATED THAT THIS WAS A MAJOR POINT. IT WAS IMPORTANT TO HANDLE IT WELL, THROUGH SERIOUS CONSULTATIONS DURING THE TRANSITION PERIOD, IN ORDER TO ENSURE A SMOOTH TRANSFER IN 1997. CONCRETE MATTERS COULD BE DECIDED ON BY THE JOINT GROUP WHILE THE RELEVANT

COULD BE DECIDED ON BY THE JOINT GROUP WHILE THE RELEVANT PRINCIPLES COULD BE INCLUDED IN THE AGREEMENT.

13. I THEN SPOKE AS INSTRUCTED, BEGINNING WITH A GENERAL STATEMENT AND THEN COVERING THE AGREEMENT, THE TIMETABLE, AND ITEM 2. DETAILS ARE IN MY TELNO 812 (NOT TO TOKYO). IN RESPONDING TO THE POINTS IN PARAGRAPH 11 ABOVE I SAID:

QUOTE BEFORE HE LEFT PEKING, SIR G HOWE EXPRESSED HIS WILLINGNESS TO EXAMINE CONSTRUCTIVELY THE PROPOSAL OF CHAIRMAN DENG XIAOPING THAT THERE MIGHT BE A JOINT GROUP WHICH MIGHT MEET IN HONG KONG, PEKING AND LONDON. HOWEVER, IN ORDER TO GIVE THIS PROPOSAL DETAILED CONSIDERATION WE WISH TO HAVE A CLEARER IDEA OF THE MATTERS ABOUT WHICH THE CHINESE SIDE BELIEVE THAT CONSULTATION WOULD BE DESIRABLE AND THE REASONS FOR CONSULTATION ON THEM: BETWEEN WHOM DO THE CHINESE SIDE ENVISAGE SUCH CONSULTATION TAKING PLACE AND IN PARTICULAR WHAT KIND OF PEOPLE WOULD BE INVOLVED IN EACH CASE? WE SHOULD ALSO BE GRATEFUL TO KNOW AT WHAT STAGE IN TIME CONSULTATION ON SUCH MATTERS WOULD OCCUR.

UNQUOTE

I CONCLUDED THAT WE WOULD STUDY ZHOU'S OWN STATEMENT CAREFULLY AND MIGHT RESPOND TO IT TOMORROW.

14. ZHOU RESPONDED BRIEFLY. EACH SIDE HAD REVIEWED THE UNDERSTANDING REACHED DURING YOUR VISIT, BUT IT SEEMED THERE WERE DIFFERENCES OF UNDERSTANDING ON SOME SPECIFIC ISSUES. IT WAS POSSIBLE HE WOULD COMMENT ON SOME IMPORTANT POINTS IN MY STATEMENT TOMORROW. HE NOTED THAT I HAD SPOKE FURTHER ABOUT BOTH THE BRITISH AND CHINESE DRAFT AGREEMENTS. IT WAS ALSO POSSIBLE THAT TOMORROW HE WOULD RESPOND TO THIS AND ELABORATE FURTHER ON THE CHINESE DRAFT. HE REPEATED THAT THE CHINESE SIDE ATTACHED IMPORTANCE TO ARRANGEMENTS IN THE TRANSITION PERIOD. HIS INITIAL IMPRESSION FROM MY STATEMENT WAS THAT OUR REACTION TO CHINESE IDEAS WAS STILL FAR FROM POSITIVE. HE WOULD ELABORATE FURTHER ON THE CHINESE POSITION TOMORROW AND WOULD EXPECT US TO TAKE A MORE POSITIVE AND COOPERATIVE ATTITUDE.

15. COMMENT FOLLOWS IN MIFT.

EVANS

CCN: PARA 11 LINE 6 WA AGREED TO PROCEED

PS  
PS/PUS/SIR J. BULLOCK  
PS/MR LUCE  
MR WILSON  
HD/HKD  
HD/FED  
LADY YOUNG  
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INFO HONG KONG AND TOKYO (FOR PS/SOSEFA)

*Mr G...  
f-a*

MIPT:

FUTURE OF HONG KONG: 13 TH ROUND: FIRST DAY:

COMMENT  
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1. THE STATEMENT FROM BOTH SIDES THIS MORNING WERE GENERAL ONES, INTENDED TO GET ON RECORD EACH SIDE'S INTERPRETATION OF WHAT HAD BEEN AGREED DURING YOUR VISIT. NEITHER SIDE ATTEMPTED TO BROACH ANY ITEM 1 SUBJECTS. ZHOU NAN WAS AT PAINS TO STRESS THE MOMENTUM WHICH YOUR VISIT HAD GIVEN TO THE TALKS (HE TALKED OF A NEW PHASE), WITH THE IMPLICATION THAT AN EARLY AGREEMENT SHOULD BE POSSIBLE.

2. ZHOU CONFIRMED CHINESE AGREEMENT TO THE TIMETABLE WHICH WE HAVE PROPOSED, REPRESENTING IT AS A CONCESSION TO OUR VIEWS. HE SOUGHT TO ESTABLISH THE MOST FAVOURABLE INTERPRETATION OF WHAT HAD BEEN AGREED, MENTIONING THE CONCLUSION OF AN AGREEMENT "BEFORE" SEPTEMBER, A PARLIAM-ENTARY DEBATE "IMMEDIATELY" AFTER PARLIAMENT RECONVENED IN OCTOBER, AND SIGNATURE "WELL" BEFORE THE END OF THE YEAR. HE ALSO SAID IT HAD BEEN AGREED THAT THE DRAFT AGREEMENT SHOULD BE INITIALLED BEFORE PUBLICAION.

3. ZOHOU SUGGESTED THAT IT SHOULD BE RELATIVELY EASY FOR THE TWO SIDES TO AGREE ABOUT THE FORM OF THE AGREEMENT. HE CONFIRMED THAT THE AGREEMENT AND ANNEXES WOULD BE EQUALLY VALID AND BINDING. HE EMPHASISED DENG'S

LAST FOR THE TWO SIDES TO AGREE ABOUT THE FORM OF THE AGREEMENT. HE CONFIRMED THAT THE AGREEMENT AND ANNEXES WOULD BE EQUALLY VALID AND BINDING. HE EMPHASISED DENG'S STATEMENTS THAT THE AGREEMENT SHOULD DEAL ONLY WITH MATTERS OF PRINCIPLE. HE CONFIRMED THAT THE ANNEX COULD DEAL WITH SOME MATTERS IN MORE SPECIFIC TERMS, BUT DID NOT CONFIRM THAT ALL MATTERS AGREED IN THE TALKS SHOULD BE COVERED IN THE ANNEXES.

4. ZHOU SAID THAT THE CHINESE HOPED TO PROVIDE THEIR OWN FULL DRAFTS OF THE EXCHANGE OF NOTES AND THE PROTOCOL AROUND THE TIME OF THE 14TH ROUND, AS A BASIS FOR FURTHER TALKS. HE DID NOT CHALLENGE OUR STATEMENT THAT BOTH DRAFTS SHOULD BE DISCUSSED, BUT MAY WELL SAY MORE ON THIS TOMORROW.

5. ON ITEM 2, ZHOU ARGUED STRONGLY AND AT LENGTH IN FAVOUR OF THE CHINESE PROPOSAL FOR A JOINT GROUP IN HONG KONG. MOREOVER, AS REPORTED IN MY TEL NO 4 TO TOKYO, HE CALIMED THAT DENG XIAOPING HAD SAID SOMETHING DIFFERENT ON THIS SUBJECT FROM OUR UNDERSTANDING OF WHAT HE SAID AND EXAGGERATED THE DEGREE OF COMMITMENT YOU HAD GIVEN IN SPEAKING TO DENG. ZHOU ALSO PICKED OUT DENG'S POINTS THAT ONE OF THE TASKS DURING THE TRANSITION PERIOD WOULD BE TRAINING PERSONS IN HONG KONG TO ASSUME THE CONDUCT OF GOVERNMENT AFTER 1997, AND THAT SUCH PERSONS SHOULD BE SELECTED JOINTLY.

6. I SHALL TOMORROW USE THE PREPARED MATERIAL ABOUT GOVERNMENT STRUCTURE ( INCLUDING THE PUBLIC SERVICE ) , NATIONALITY, CIVIL AVIATION AND INTERNAL SECURITY. I SHALL ALSO PUT DOWN A MARKER ON LAND.

EVANS

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