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FROM PEKING 300615Z JULY 84  
TO IMMEDIATE FCO  
TELNO 1666 OF 30/7/84.

FOLLOWING FROM FOREIGN SECRETARY TO PRIME MINISTER

HONG KONG

1. I HAD A FURTHER DISCUSSION ON THE DATE OF LOCATION OF THE LIAISON GROUP IN HONG KONG WITH WU LAST NIGHT. I PRESSED HIM HARD TO ACCEPT 1989. HE SAID THAT HIS GOVERNMENT'S POSITION WAS THAT THE GROUP SHOULD MOVE INTO HONG KONG ON 1 JANUARY 1988. AFTER CONSIDERABLE DISCUSSION I SUGGESTED TO HIM THAT HE MIGHT RECOMMEND 1 JULY 1988 AS THE EFFECTIVE DATE SINCE THIS WOULD SPLIT THE DIFFERENCE ON A YEAR, AND WILL BE THE SAME TIME OF THE YEAR AS THE EXPIRY OF THE LEASE IN 1997.

2. WHEN I MET PREMIER ZHAO THIS MORNING I BEGAN BY ARGUING FOR 1989. ZHAO WAS ADAMANT THAT IT SHOULD BE 1988, BUT AFTER DISCUSSION WAS PREPARED TO ACCEPT 1 JULY 1988 AS A SENSIBLE ARRANGEMENT. HE EMPHASISED THAT THE CHINESE HAD MADE VERHH CONSIDERABLE CONCESSIONS ON THE LIAISON GROUP FROM THEIR ORIGINAL STARTING POSITION, ON THE DATE OF MOVING INTO HONG KONG AND ON EXTENDING THE PERIOD OF THE GROUP AFTER 1997 TO 2000. HE STRESSED THAT WE COULD NOT HAVE EXPECTED TO GET THAT.

3. MEANWHILE NEGOTIATIONS HAVE CONTINUED ON TE MAIN AGREEMENT AND OUR PAPER ON THE JOINT LIAISON GROUP. WE HAVE NOW AGREED LANGUAGE WITH THE CHINESE ON THE FOLLOWING KEY FEATURES OF THE MAIN AGREEMENT, NAMELY THAT THE ANNEXES SHOULD BE OF EQUAL FORCE WITH THE MAIN AGREEMENT, AND THAT THE POLICIES SET OUT IN THE MAIN AGREEMENT AND ANNEXES SHOULD BE STIPULATED IN THE BASIC LAW. WE HAVE ALSO SECURED AGREEMENT ON THE COMPOSITION AND FUNCTIONS OF THE JOINT LIAISON GROUP ON THE BASIS OF OUR PAPER WITH ONE POINT OUTSTANDING. I HOPE TO GET THIS CLEARED UP BEFORE I LEAVE. WE HAVE SENT OUR DELEGATIONS BACK TO GET ON WITH IT.

4. I AM DUE TO SEE DENG TOMORROW MORNING. HE MAY, OF COURSE, STILL SPRING SOME SURPRISES.

5. I AM CLEAR THAT WE HAVE PUSHED THE CHINESE TO THE LIMIT. THERE ARE STILL A NUMBER OF IMPORTANT ANNEXES ON WHICH WORK NEEDS TO BE DONE. THIS WILL CONTINUE IN THE WEEKS AHEAD BOTH IN PLEINARY AND IN THE WORKING GROUP. I HAVE NO DOUBT THAT THERE WILL BE SOME ROCKS

ADVANCE COPY

SECRET

[Ho/Hro]

HO/FED

PS

PS/M. Lee

Si J. Harding

Mr. Burrell

Mr. Foot

No 10 D.S.

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THE AGREEMENT IS LEGALLY BINDING, THAT

ARE STILL A NUMBER OF IMPORTANT ANNEXES ON WHICH WORK NEEDS TO BE DONE. THIS WILL CONTINUE IN THE WEEKS AHEAD BOTH IN PLENARY AND IN THE WORKING GROUP. I HAVE NO DOUBT THAT THERE WILL BE SOME ROCKS ALONG THIS ROAD. BUT WE HAVE MADE SOME IMPORTANT BREAKTHROUGHS ON THIS VISIT AND ARE NOW BETTER PLACED TO COMPLETE THE NEGOTIATIONS IN SEPTEMBER. WE MUST ALSO GET ON WITH CONSIDERING AFTER THE SUMMER BREAK HOW TO FIT THE NECESSARY RATIFICATION PROCEDURES INTO THE 1984/85 LEGISLATIVE PROGRAMME IF WE FIND OURSELVES IN A POSITION TO GO AHEAD.

6. WE STILL FACE THE TRICKY PROBLEM OF PRESENTING THIS IN HONG KONG. THE PROSPECT OF THE LIAISON GROUP ARRIVING IN 1988 IN HONG KONG WILL AROUSE CONSIDERABLE CONCERN HERE ALTHOUGH LESS SO THAN IF WE HAD BEEN UNABLE TO SECURE THE CHANGES I HAVE DESCRIBED. BUT IT SHOULD BE HELPFUL THAT ZHAO AGREED THAT I SHOULD MAKE CLEAR IN PUBLIC ALL THEIR ASSURANCES THAT THE LIAISON GROUP WOULD NOT INTERFERE IN THE WORK OF THE HONG KONG GOVERNMENT NOR HAVE ANY SUPERVISORY ROLE. THE GOVERNOR'S ASSESSMENT IS THAT THE ANNOUNCEMENT COULD CAUSE SOME TUBBULENCE FOR A WHILE, BUT THAT HONG KONG SHOULD ABSORB IT BEFORE TOO LONG.

7. I AM VERY GRATEFUL TO YOU FOR YOUR SUPPORT IN REACHING THIS CONCLUSION.

EVANS

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For Secretary of State from PS/PM

Relating to. no 1657.

~~The Air Minister~~

I have consulted the Air Minister who agrees that you shall settle on the basis of the proposals in T.S., with the strong hope that you can obtain ~~the~~ agreement until 1989.

File No. ....

Department No. 10

OUTWARD

Security Classification  
SECRET Dedip

Drafted by Charles Powell  
(Block Capitals)

TELEGRAM

Precedence

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(Time) .....Z

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AND TO (precedence/post).....

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Distribution:-

[TEXT]

For Foreign Secretary from PS/PM

Future of Hong Kong

1. The Prime Minister has seen Peking tel. 1653. She is pleased with the way which things are going and agrees generally with what you are trying to do.

2. The Prime Minister has three specific points:

- (i) She does not (repeat not) attach high priority to extending the life of the Joint Liaison Group beyond the year 2000. She regards extension until then as already a useful and important concession which should have a positive impact on Hong Kong opinion. She doubts anyway whether the Chinese would be prepared to go beyond this.

/((ii)

On the other hand, she attaches great importance to lengthening the period before location of the Joint Group in Hong Kong if at all possible. She feels that the Chinese probably will be ready to show some flexibility on this. The Prime Minister hopes that you will negotiate as hard as possible for deferment until 1990. The tactics are of course for you to judge. She suggests, however, that one possibility would be somehow to push the starting point of a two or three year deferment forward by linking it to some event, or perhaps by counting X years back from 1993. I do not know whether this is practicable. In any event, she is firm that two years is too little and hopes that you will be able to obtain some improvement on it.

- (iii) The Prime Minister thinks it would be important for the statement in paragraph 4 of T.U.R. to be made publicly at the conclusion of the present round, either in Peking or Hong Kong, if agreement on the Joint Liaison Group is reached.

3. The above is of course on the assumption that the Chinese are prepared to stick to what Zhou Nan told Percy Cradock (paras 1 and 2 of T.U.R.) and Wu told you (para 4 of T.U.R.) on the other aspects of the Joint Group and of the agreement as a whole.

4 The Prime Minister would like, as you suggest, to have a ~~change~~<sup>chance</sup> to comment again before you take a final position.