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FM HONG KONG 130245Z JUN 83

TO PRIORITY FCO

TELEGRAM NUMBER 822 OF 18 JUNE 1983

INFO PRIORITY PEKING

FUTURE OF HONG KONG: SUBSTANTIVE TALKS

1. I NOTE THAT IN HIS CONVERSATION WITH GALSWORTHY ON 9 JUNE ZHOU NAN ASKED WHETHER THE TALKS MIGHT AT SOME STAGE BREAK UP INTO SMALLER GROUPS ON PARTICULAR POINTS, AND LATER AGREED THAT THERE MIGHT BE FORMAL SESSIONS, COMMITTEE SESSIONS AND INFORMAL CONVERSATIONS (PARA 5 OF PEKING TELNO 543). THE POSSIBILITY OF ESTABLISHING SUB-COMMITTEES HAS ALSO BEEN MENTIONED IN SOME OF OUR OWN PLANNING PAPERS, THOUGH IT HAS HITHERTO BEEN REGARDED AS UNLIKELY TO APPEAL TO THE CHINESE. I SUGGEST THAT IT NOW NEEDS FURTHER THOUGHT.

2. THE FIRST QUESTION IS WHAT FUNCTION AND TERMS OF REFERENCE SUB-COMMITTEES OR SMALL GROUPS WOULD HAVE. IF AGREEMENT HAD BEEN REACHED WITH THE CHINESE ON A PROGRAMME INVOLVING DETAILED EXAMINATION OF ARRANGEMENTS IN PARTICULAR AREAS, IT MIGHT WELL BE APPROPRIATE TO DELEGATE SOME OF THE WORK TO SUB-COMMITTEES. BUT IT IS DIFFICULT TO SEE HOW WE ARE GOING TO GET TO THAT POINT, AT LEAST ON THE BASIS OF PRESENT POSITIONS, IN DISCUSSIONS OF QUOTE ARRANGEMENTS FOR HONG KONG AFTER 1997 UNQUOTE. THE PROSPECT WE FACE IS THAT THE CHINESE WILL CONTINUE TO INSIST THAT DISCUSSION MUST BE ON THE BASIS THAT THE UK WILL RELINQUISH SOVEREIGNTY AND CONTROL IN 1997 AND THE GROUPS SHOULD EXAMINE SPECIFIC AREAS OF ADMINISTRATION ETC ON THAT BASIS. THAT WOULD NOT BE ACCEPTABLE TO US. WE WILL BE SEEKING TO DEMONSTRATE THAT A CONTINUING ADMINISTRATIVE ROLE FOR THE UK IS ESSENTIAL IF CONFIDENCE IS TO BE PRESERVED. SO THE TWO SIDES WOULD BE PROCEEDING AT LEAST IN THE FIRST STAGES ON PARALLEL RATHER THAN CONVERGING COURSES. IN MY VIEW IT WOULD BE TACTICALLY UNWISE AND DANGEROUS TO REMIT QUESTIONS TO SUB-COMMITTEES WITHOUT CLEAR AGREEMENT BETWEEN THE TWO SIDES ON WHAT THEY ARE TO DO.

3. THERE WOULD ALSO BE THE QUESTION OF WHO SHOULD LEAD AND ATTEND SUCH SUB-COMMITTEES. IF THE IDEA WAS THAT THERE SHOULD BE A SUB-COMMITTEE TO CONSIDER FINANCIAL AND FISCAL ARRANGEMENTS POST-1997 IT MIGHT WELL BE APPROPRIATE FOR E.G. THE FINANCIAL SECRETARY TO TAKE PART IN SOME AT LEAST OF ITS MEETINGS. IN THAT CASE THE FINANCIAL SECRETARY COULD HARDLY BE A MEMBER OF A SUB-COMMITTEE LED AT COUNSELLOR LEVEL: HE WOULD HAVE TO LEAD. WOULD THE CHINESE ACCEPT THIS?

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4. THESE CONSIDERATIONS SUGGEST THAT WE SHOULD NOT THINK IN TERMS OF ESTABLISHING SUB-COMMITTEES IN THE EARLY STAGES OF THE SUBSTANTIVE TALKS. BUT IT MIGHT BE WORTH CONSIDERING THE CONCEPT OF COMMITTEES OF THE WHOLE, IN WHICH THE BRITISH TEAM WOULD BE VARIED ACCORDING TO THE SUBJECT BUT THE AMBASSADOR WOULD RETAIN THE LEAD. I SHOULD BE INTERESTED IN SIR P CARDOCK'S COMMENTS.

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