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FM, PEKING

DESEKY 211000Z

TO IMMEDIATE FCO TELEGRAM NUMBER 571 OF 21 JUNE 1983, AND TO IMMEDIATE HONG KONG  
 MIPT: FUTURE OF HONG KONG

1. AT LUNCH ON 121 JUNE ZHOU NAN RECALLED THAT DENG XIAOPING HAD TOLD THE PRIME MINISTER ON 24 SEPTEMBER 1982 THAT CHINA WOULD ANNOUNCE ITS PLAN FOR HONG KONG BY SEPTEMBER 1984 AT THE LATEST. I TOLD ZHOU THAT DENG HAD NOT BEEN SPECIFIC, BUT ZHOU RESPONDED THAT IT WAS DEFINITE THAT BY SEPTEMBER 1984, IF CHINA AND BRITAIN HAD NOT REACHED AN AGREEMENT, CHINA WOULD ANNOUNCE ITS PLAN FOR HONG KONG'S FUTURE IN (NEXT WORD UNDERLINED) DETAIL. I TOLD ZHOU THAT ALTHOUGH WE AGREED THAT WE SHOULD TRY TO REACH A SETTLEMENT QUICKLY, IT WAS ARTIFICIAL AND UNHELPFUL TO WORK UNDER THE THREAT OF AN ULTIMATUM., PARTICULARLY GIVEN THE DELAYS ON THE CHINESE SIDE IN THE LAST YEAR. ZHOU SHOWED NO LATITUDE ON THIS POINT.

2. I TOOK THE OPPORTUNITY TO MENTION THE NEWSWEEK ARTICLE (HONG KONG TEL N 826) TO ZHOU, AND WARN HIM OF THE EFFECT OF SUCH SEEMINGLY AUTHORITATIVE LEAKS ON CONFIDENCE IN HONG KONG. IT WAS NOT TRUE THAT THE MEETING BETWEEN DENG AND THE PRIME MINISTER HAD BEEN 'ACRIMONIOUS'. ZHOU WAS EVIDENTLY UNSIGHTED, BUT SAID HE COULD NOT BELIEVE HU YAOBANG HAD SAID THIS AND IT MUST HAVE BEEN A JOURNALISTIC FABRICATION.

3. I ALSO MENTIONED THE CHINESE AMBASSADOR'S DISCLOSURE OF THE CONTENTS OF THE PRIME MINISTER'S LETTER TO HENRY KESWICK.. ZHOU WAS UNAWARE OF THIS TOO AND INSTRUCTED A SUBORDINATE OFFICIAL TO LOOK INTO THE MATTER.

4. I ASKED ZHOU WHAT EFFECT LIAO CHENGZHI'S DEATH WOULD HAVE ON OUR DEALINGS ON THE HONG KONG QUESTION. ZHOU SAID THAT LIAO WOULD BE HARD TO REPLACE (NO-ONE WAS YET EARMARKED TO SUCCEED HIM) BUT POLICY WAS MADE COLLECTIVELY AND THERE WOULD THEREFORE BE NO CHANGE OF LINE.

5. I ASKED ZHOU WHAT HE SAW AS THE MAIN DIFFICULTY WE FACED IN OUR TALKS. HE OFFERED NO VIEW ON THIS AND ASKED ME THE SAME QUESTION. I TOLD HIM THAT IT WAS VITAL THAT THE CHINESE DECISION MAKERS SHOULD MAKE GREATER EFFORTS TO UNDERSTAND HONG KONG, HOW IT WORKED, WHAT PEOPLE THERE WERE WORRIED ABOUT AND HOW SUDDENLY THEIR CONFIDENCE COULD BE DESTROYED. I CITED THE RECENT DECLINE OF THE HONG KONG DOLLAR AND WARNED ZHOU THAT UNLESS THE CHINESE LEADERS BECAME MORE SENSITIVE TO THE CONCERNS OF

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HONG KONG PEOPLE, WE MIGHT FIND OURSELVES DISCUSSING A WASTELAND. THIS WOULD BE TO THE DISCREDIT OF BOTH OUR COUNTRIES, SINCE THE EYES OF THE WORLD WERE UPON US. IT WOULD ALSO DO GREAT HARM TO CHINA'S HOPES OF REUNIFICATION WITH TAIWAN. IF ON THE OTHER HAND, WE WERE ABLE TO REACH A SATISFACTORY AGREEMENT, IT WOULD BE A TRIUMPH FOR BOTH COUNTRIES, AND HONG KONG WOULD BOOM AS IT HAD NEVER BOOMED BEFORE. THAT WAS THE CHOICE BEFORE US. ZHOU LISTENED AND DID NOT DEMUR. AN ASSISTANT TOOK CAREFUL NOTES.

6. ZHOU THEN RAISED THE QUESTION OF THE FINAL AGREEMENT STRESSING THAT HE WAS 'THINKING ALOUD'. HE SAID IN HIS VIEW THERE COULD BE NO QUESTION OF A 'TREATY'. HE LOATHED THE WORD AND ASSUMED HE DID NOT NEED TO EXPLAIN WHY. I INDICATED THAT I UNDERSTOOD HIS POINT, BUT THERE WOULD HAVE TO BE BILATERAL AGREEMENT AS A GUARANTEE TO THE HONG KONG PEOPLE THAT THE SETTLEMENT WOULD STICK GIVEN THE SWINGS IN CHINESE POLICY OVER THE LAST TWENTY YEARS. ZHOU SAID THAT AN 'OFFICIAL AGREEMENT' WOULD BE SUFFICIENT GUARANTEE, BUT THERE COULD BE NOT TREATY. HE QUOTED 'A ROSE BY ANY OTHER NAME WOULD SMELL AS SWEET'.

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DESKBY 21100Z

FROM PEKING 210850Z JUN 83

TO IMMEDIATE FCO

*2-4-83 21/6*

TELEGRAM NUMBER 570 OF 21/6/83

REPETED FO INFO TO IMMEDIATE HONG KONG

YOUR TEL NO 375: FUTURE OF HONG KONG

1. I LUNCHEDED WITH ZHOU NAN ON 21 JUNE TO DISCUSS THE AGENDA FORMULA IN TUR. AS USUAL WE BOTH MADE IT PLAIN THAT EVERYTHING WE SAID WAS ON A PERSONAL BASIS. HE AT ONCE PICKED UP THE PHRASE 'IN THAT ORDER'. I EXPLAINED THAT SINCE ZHOU HIMSELF HAD TOLD ME ON 2 JUNE THAT THE CHINESE COULD ACCEPT OUR ORDER OF DISCUSSION, I COULD SEE NO POSSIBLE OBJECTION TO THE PHRASE. AFTER SOME HESITATION HE DROPPED THE POINT AND EXPRESSED HIMSELF CONTENT WITH THE FORMULA SUBJECT TO TWO CHANGES:

(A) HE PROPOSED THAT THE PENULTIMATE SENTENCE SHOULD BE EXPANDED TO READ: 'THESE WILL INCLUDE ARRANGEMENTS FOR THE MAINTENANCE OF THE STABILITY AND PROSPERITY OF HONG KONG AFTER 1997, ARRANGEMENTS IN HONG KONG BETWEEN NOW AND 1997 AND ....'

(B) HE OBJECTED 'VERY STRONGLY' TO THE TERM 'A TRANSFER OF SOVEREIGNTY' AND INSISTED THAT THIS SHOULD BE CHANGED TO (NEXT WORD UNDERLINED) 'THE TRANSFER...'

2. I TOLD ZHOU THAT I WOULD REPORT BOTH POINTS. ON POINT (B) I TRIED VERY HARD TO PERSUADE HIM POINTING OUT THAT THE DISTINCTION WOULD BE NON-EXISTENT IN CHINESE (WHICH HE FIRST ADMITTED BUT LATER DENIED) AND NEED CAUSE HIM NO CONCERN IN ENGLISH. I EXPRESSED DISMAY THAT SUCH A SMALL POINT SHOULD MEAN THAT WE WERE UNABLE TO REACH AGREEMENT AT THIS SESSION. HOWEVER, ZHOU WAS ADAMANT THAT HE COULD NOT ACCEPT 'A TRANSFER'. WE RETURNED TO THE POINT SEVERAL TIMES IN THE COURSE OF THE LUNCH, WITHOUT SUCCESS.

3. ZHOU SAID HE COULD AGREE ON A PERSONAL BASIS TO KEEP THE AGENDA CONFIDENTIAL. I STRESSED THAT THIS WAS OF THE UTMOST IMPORTANCE.

4. ZHOU SAID THAT YAO GUANG HOPED TO BE ABLE TO CALL ME IN ON THURSDAY OR FRIDAY TO AGREE THE AGENDA. HE ENVISAGED THAT THE FIRST SUBSTANTIVE TALKS MIGHT THEN BEGIN ON 4 JULY. I UNDERTOOK TO REPORT THIS, BUT CAUTIONED HIM AGAIN THAT THE DIFFICULTY HE HAD RAISED ON THE AGENDA WAS NOT CONDUCTIVE TO RAPID PROGRESS. AGAIN HE WAS UNMOVED

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5. ZHOU SAID THAT YAO WOULD ALSO TELL ME THAT COMPOSITION OF THE CHINESE DELEGATION. IT WOULD HAVE SIX MEMBERS, LIKE OURS. HE COULD REVEAL NONE OF THE NAMES, BUT HE HINTED STRONGLY THAT HE WOULD NOT BE ONE OF THEM. HE WOULD HOWEVER BE AT MY DISPOSAL FOR INFORMAL CONVERSATIONS FOR AS LONG AS HE WAS IN PEKING.

6. ON THE SUBSTANCE OF THE FIRST MEETING, I EXPLAINED TO ZHOU THAT IN OUR VIEW THE BEST WAY TO BEGIN OUR CONSIDERATION OF THE FIRST AGENDA ITEM, IE ARRANGEMENTS AFTER 1997, WAS TO REACH A COMMON UNDERSTANDING OF THE ELEMENTS CONTRIBUTING TO THE STABILITY AND PROSPERITY IN HONG KONG NOW, AND ON THAT BASIS TO CONSIDER WHAT WAS NECESSARY TO MAINTAIN STABILITY AND PROSPERITY IN THE FUTURE. ZHOU SEEMED TO TAKE THIS POINT, BUT SAID THAT WE SHOULD NOT CONFINE OURSELVES TO A "PHILOSOPHICAL OR ACADEMIC DISCUSSION". I AGREED READILY THAT WE WANTED TO GET DOWN TO CONCRETE MATTERS.

7. ZHOU ASKED IF I THOUGHT IT DESIRABLE TO SET A TIME-FRAME FOR DISCUSSION OF EACH OF THE AGENDA ITEMS. I SAID I THOUGHT IT WAS HARDLY POSSIBLE TO FORESEE HOW LONG WE SHOULD NEED. HE SEEMED TO ACCEPT THIS.

8. I ALSO TRIED THE DRAFT PRESS ANNOUNCEMENT (PARA 3 OF TUR) ON ZHOU NAN. HE FIRST SAID THAT, SINCE WE HAD LAST DISCUSSED THIS, HE HAD COME TO THE VIEW THAT NO SUCH ANNOUNCEMENT WAS NECESSARY. HOWEVER, HE LATER ACCEPTED THAT SOMETHING WOULD PROBABLY HAVE TO BE SAID AND THAT IT WOULD BE BETTER TO HAVE A FORM OF WORDS AGREED BY BOTH SIDES. HE EXPRESSED DISSATISFACTION WITH OUR DRAFT SAYING THAT THE PHRASE "A SECOND PHASE OF THE TALKS" SHOULD BE REPLACED BY "SUBSTANTIVE DISCUSSIONS", AND SUGGESTING THAT THE AGREED AGENDA SHOULD ALSO BE RELEASED. I REMINDED HIM OF HIS AGREEMENT (PARA 3 ABOVE) TO KEEP THE AGENDA CONFIDENTIAL. HE FINALLY AGREED TO A PRESS ANNOUNCEMENT ON THE LINES OF THE FIRST SENTENCE OF OUR DRAFT, BUT OMITTING THE SECOND. HE MADE IT PRETTY CLEAR THAT IF WE WANTED TO SAY MORE, THE CHINESE WOULD ALSO WANT TO ADD THEIR OWN PIECE ABOUT SOVEREIGNTY.

9. WE AGREED THAT I SHOULD CONTACT ZHOU AGAIN AS SOON AS I HAD CONSULTED YOU, WITH A VIEW TO CALLING ON YAO GUANG AS QUICKLY AS POSSIBLE.

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10. ZHOU MADE IT PLAIN THAT THERE IS NO PROSPECT THAT THE CHINESE WILL AGREE TO 'A TRASFER'. MY FEELING IS THAT NOTHING SHORT OF 'THE TRANSFER' WILL BE ACCEPTABLE TO THEM. THIS IS UNFORTUNATE, BUT THE CRUCIAL POINTS FOR US ARE (A) THE ORDER OF AGENDA ITEMS, ON WHICH ZHOU HAS NOT ONLY ACCEPTED OUR SEQUENCE BUT EVEN, WITH SOME RELUCTANCE, AGREED TO THE PHRASE 'IN THAT ORDER' AND (B) THE FACT THAT TRANSFER OF SOVEREIGNTY IS DEPENDENT ON THE OTHER POINTS IN MRS THATCHER'S LETTER. HAVING SECURED THIS, WE SHOULD NOT RISK ALL THAT WE HAVE GAINED FOR THIS ONE POINT. IT IS JUST POSSIBLE, THOUGH IN MY VIEW UNLIKELY, THAT THE CHINESE MIGHT AGREE TO OMIT THE ARTICLE ALTOGETHER. I THEREFORE RECOMMEND THAT I BE INSTRUCTED FIRST TO TRY THIS WITH ZHOU NAN BUT, IF NECESSARY (AS I SUSPECT IT WILL BE ) TO AGREE TO SUBSTITUTE 'THE ' FOR 'A'', PROVIDED THE REST OF THE FORMULA WE HAVE AGREED ON A PERSONAL BASIS IS ENDORSED FORMALLY. I ALSO RECOMMEND THAT WE SHOULD AGREE TO ZHOU'S PROPOSAL AT 1(A) ABOVE, IN WHICH I SEE NO DIFFICULTY. I SHOULD BE GRATEFUL FOR INSTRUCTIONS BY 0900 LOCAL TIME ON THURSDAY 23 JUNE.

11. MIFT CONTAINS OTHER, LESS PRESSING, POINTS COVERED AT THIS LUNCH.

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