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DESKBY BOTH 281200Z

FM PEKING 291000Z JUN 83

TO IMMEDIATE FCO

TELNO 599 OF 28 JUNE

RPTD INFO HONG KONG (IMMEDIATE DEKBY).

FUTURE OF HONG KONG

1. I CALLED ON VICE-FOREIGN MINISTER YAO GUANG AT HIS REQUEST AT 3.30 TODAY. HE BEGAN BY ASKING ME TO CONVEY HIS CONGRATULATIONS TO THE PRIME MINISTER ON THE SUCCESS OF THE ELECTION AND TO YOU ON YOUR APPOINTMENT. HE HOPED THAT OUR MEETING WOULD BE THE LAST BEFORE THE OPENING OF SUBSTANTIVE TALKS. BEARING IN MIND THE BRITISH SIDE'S PREOCCUPATION WITH THE ELECTION AND THE APPOINTMENT OF NEW MINISTERS, THE CHINESE SIDE SINCE MY LAST VISIT TO THE FOREIGN MINISTRY HAD MAINTAINED ONLY INFORMAL CONTACTS VIA ZHOU NAN. THESE HAD BEEN VERY BENEFICIAL AND YAO GUANG HOPED THEY WOULD CONTINUE.

2. HE GAVE ME THE NAMES OF THE CHINESE DELEGATION. BECAUSE THESE WERE OFFICIAL TALKS BETWEEN THE CHINESE AND BRITISH GOVERNMENTS THE CHINESE DELEGATION WOULD BE CALLED THE CHINESE GOVERNMENT DELEGATION. YAO GUANG HIMSELF WOULD LEAD IT. THE REMAINING MEMBERS WOULD BE, IN ORDER OF PRECEDENCE:

LI JUSHENG, SECOND DIRECTOR OF THE HONG KONG BRANCH OF XINHUA NEWS AGENCY

SHAO TIANREN, LEGAL ADVISER TO THE MINISTRY OF FOREIGN AFFAIRS (MFA)

LU PING, ADVISER TO THE DEPARTMENT OF WEST EUROPEAN AFFAIRS OF THE MFA

KE ZAISHUO, COUNSELLOR OF THE DEPARTMENT OF WEST EUROPEAN AFFAIRS OF THE MFA

0 LUO JIAHUAN, COUNSELLOR OF THE DEPARTMENT OF WEST EUROPEAN AFFAIRS OF THE MFA.

OF THESE, LU PING WE KNOW TO BE FROM THE HONG KONG MACAO OFFICE AND KE ZAISHUO WE STRONGLY SUSPECT TO BE FROM THE SAME OFFICE.

3. I CONFIRMED THAT OUR TEAM WOULD BE AS I HAD ALREADY GIVEN IT TO HIM, EXCEPT THAT, SINCE GALSWORTHY WOULD BE ON LEAVE, HE WOULD BE REPLACED ON THIS OCCASION BY TOM SMITH. I SAID WE WOULD WISH TO RETAIN FLEXIBILITY ABOUT THE COMPOSITION OF OUR DELEGATION FOR FUTURE TALKS. YAO GUANG SAID THEY WOULD WISH TO DO THE SAME.

4. ON THE AGENDA, YAO GUANG HANDED ME A TEXT, (ENGLISH TRANSLATION IN MY IFT AND CHINESE TEXT BY BAG). AS YOU WILL SEE, THIS IS OUR AGREED TEXT PREFACED BY A SENTENCE SAYING THAT HE AND I HAVE HELD DISCUSSIONS ON THE AGENDA FOR THE SECOND PHASE OF THE SINO-BRITISH TALKS ON THE QUESTION OF HONG KONG. I SAID I SAW NO DIFFICULTY ABOUT THIS ADDITION. WE DISCUSSED HOW TO RECORD AGREEMENT AND IT WAS AGREED YAO GUANG WOULD WRITE TO ME SUGGESTING THAT THE TEXT IN MY IFT SHOULD BE EMBODIED AS PART OF THE OFFICIAL CONFIDENTIAL RECORD OF THE TALKS. I WOULD REPLY AGREEING.

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5. WE THEN AGREED ON THE NEWS RELEASE (AS IN MY SECOND IFT) WITH THE INSERTION OF 12 JULY AS THE OPENING DATE. ON TIMING OF ~~THE~~ ^{THE} RELEASE, HE SUGGESTED 5 JULY. I SPOKE AS IN HONG KONG TELNO 874 AND HE AGREED TO 1 JULY AND FIXED A TIME, IE. BETWEEN 1900 AND 1930 IN PEKING. I SAID THERE WOULD BE A SIMULTANEOUS ANNOUNCEMENT IN LONDON. HONG KONG WOULD ALSO MAKE AN ANNOUNCEMENT AND WOULD NEED TO SAY THAT THE GOVERNOR WAS ATTENDING.

6. YAO GUANG THEN MOVED ON TO THE CONDUCT OF THE FORMAL TALKS AND AGREED WITH MY SUGGESTION AT OUR LAST MEETING THAT BOTH SIDES SHOULD MAKE OPENING STATEMENTS. HE REFERRED TO THESE AS "GENERAL OPENING STATEMENTS". HE THEN SUGGESTED THAT EACH SIDE MIGHT WISH TO MAKE COMMENTS ON THE OTHER SIDE'S STATEMENT. I SAID THIS WAS ACCEPTABLE, AND THEN SUGGESTED WE SHOULD MOVE ON AS PART OF THE SAME ROUND OF TALKS TO THE FIRST ITEM ON THE AGREED AGENDA, NAMELY ARRANGEMENTS AFTER 1997. WE WOULD WISH TO APPROACH THIS BY BEGINNING A STUDY OF HOW HONG KONG WORKED AT PRESENT IN ORDER TO REACH A JOINT ASSESSMENT OF THE FACTORS MAKING FOR STABILITY AND PROSPERITY.

7. YAO GUANG SAID HE AGREED THAT THE FIRST ITEM ON THE AGENDA SHOULD BE ARRANGEMENTS AFTER 1997, BUT THE CHINESE SIDE WOULD WISH TO CONFINE THE FIRST MEETING TO THE GENERAL STATEMENTS SO AS TO GIVE THESE MORE PROMINENCE. AFTER THE OPENING STATEMENTS AND ANY COMMENTS ON THDM, THE TWO SIDES MIGHT WISH TO CONSIDER, PERHAPS ON THE AFTERNOON OF 12 JULY, HOW TO TACKLE THE FIRST ITEM ON THE AGENDA. AFTER SOME QUESTIONING IT BECAME CLEAR THAT HE DID NOT WISH THE FIRST ROUND TO OCCUPY MORE THAN ONE DAY. HE SAID, HOWEVERN THAT IT WOULD BE POSSIBLE TO HAVE A SECOND MEETING PERHAPS AS SOON AS THREE DAYS LATER.

8. I EXPLAINED THE DIFFICULTIES THIS WOULD PRESENT TO THE HONG KONG CONTINGENT AND THE EXTRA EXPOSURE OF THE GOVERNOR TO PRESS ATTENTIONS. I COULD NOT EXPECT HIM TO COMMUTE AT THIS FREQUENCY BETWEEN HONG KONG AND PEKING, AND AN INTERVAL OF, SAY, A WEEK MIGHT BE NECESSARY. YAO GUANG SHOWED NO DISPOSITION TO CHANGE THE LENGTH OF THE FIRST MEETING BUT SAID HE NOTED MY COMMENTS. A WEEK'S INTERVAL WOULD BE ACCEPTABLE AND SUBSEQUENT MEETINGS COULD BE RATHER LONGER, EG TWO DAYS. HE ALSO SUGGESTED THAT I SHOULD MAINTAIN INFORMAL CONTACT WITH ZHOU NAN ON HOW BEST TO TACKLE THE FIRST ITEM ON THE AGENDA AND THAT FOR THIS PURPOSE ZHOU NAN AND I SHOULD MEET BEFORE 12 JULY.

9. I INFORMED THE CHINESE THAT Y P CHENG WOULD ATTEND THE FIRST PLENARY AS INTERPRETER. I ALSO STRESSED ONCE AGAIN THE GREAT IMPORTANCE OF CONFIDENTIALITY IN OUR PROCEEDINGS, ON THE AGENDA, IN FACT EVERYTHING BUT THE PRESS ANNOUNCEMENT, AND WARNED THE CHINESE OF THE PRESS SCRUTINY THEY WOULD BE SUBJECT TO.

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10. THIS WENT FAIRLY WELL AND WE GOT MOST OF WHAT WE WANTED, THOUGH THE CHINESE INSISTENCE ON CONFINING THE FIRST SESSION TO OPENING STATEMENTS WILL CAUSE US SOME INCONVENIENCE. NO DOUBT THE GOVERNOR WILL LET ME KNOW WHETHER HE COULD MANAGE A SECOND MEETING ON 19 OR 20 JULY. IT IS IN OUR INTEREST TO KEEP UP THE MOMENTUM. IT LOOKS AS THOUGH IT IS GOING TO TAKE TWO MEETINGS TO ACHIEVE WHAT I HOPED TO DO IN ONE, IE TO LAY THE GROUNDWORK FOR THE DETAILED DISCUSSION ON HONG KONG. BUT THE ARGUMENTS REMAIN AS SET OUT IN MY TELNO 593 AND I SHALL NEED EARLY INSTRUCTION TO ENABLE ME TO SPEAK TO ZHOU NAN WITHIN THE NEXT FEW DAYS.

CRADOCK

(REPEATED AS REQUESTED)

FUTURE OF HONG KONG

LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR J BULLARD
MR GIFFARD
MR DONALD
MR WRIGHT

COPIES TO:

SIR I SINCLAIR LEGAL ADVISER
MR BURROWS LEGAL ADVISERS
MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE
MR FLOWER PUSD
MR COLES NO 10 DOWNING ST
SIR A PARSONS " "
MR WALKER, RESEARCH DEPT

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