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TO IMMEDIATE FCO

TELEGRAM NUMBER 1194 OF 15 NOVEMBER

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: SIXTH ROUND, SECOND DAY: COMMENT

1. THIS WAS A PRETTY BLEAK SESSION. ONE CHINESE MADE AN UNYIELDING RESTATEMENT OF THEIR POSITION. IN PARTICULAR THEY EMPHASISED YET AGAIN THAT THERE WERE CERTAIN MATTERS RELATING TO FUTURE ARRANGEMENTS ON HON KONG ON WHICH THEY WERE PREPARED TO LISTEN TO OUR IDEAS AND SUGGESTIONS, BUT WHICH WERE BY DEFINITION THEIR OWN INTERNAL POLICY. BY CONTRAST, THERE WERE OTHER AREAS AFFECTING BRITISH INTERESTS IN HONG KONG, FUTURE BRITISH RELATIONS WITH THE SAR, AND SINO-BRITISH EFFORTS TO MAINTAIN THE PROSPERITY AND STABILITY OF HONG KONG, WHERE THEY WOULD UNDERTAKE MORE GENUINE NEGOTIATIONS. THEY REPEATED THEIR OBJECTIONS TO DISCUSSING DETAIL AND RESTATED THEIR INTENTION TO CONCENTRATE ON PRINCIPLES. THEY RESTATED THEIR ARGUMENT THAT MANY OF THE MATTERS RAISED IN OUR PAPERS COULD NOT BE DISCUSSED BECAUSE THEY WERE FOR THE GOVERNMENT OF THE SPECIAL ADMINISTRATIVE REGION TO DECIDE AFTER 1997. THEY SHOWED TOTAL LACK OF COMPREHENSION OF THE ARGUMENTS WE PUT FORWARD TO ILLUSTRATE THE NEED FOR DETAIL. THERE WAS, IF ANYTHING, LESS DIALOGUE BETWEEN THE TWO SIDES THAN THERE HAS BEEN IN THE PAST.

2. AS AGAINST THIS, WE WERE ABLE TO PUT ON THE RECORD SOME CONSIDERED ARGUMENTS ON THE SHEER NECESSITY OF GETTING DOWN TO DETAIL AND THE IMPOSSIBILITY OF LEAVING LARGE AREAS FOR DECISION AT SOME INDEFINITE TIME IN THE FUTURE. THE GOVERNOR'S INTERVENTION WILL ALSO SERVE AS A USEFUL BASIS FOR DISCUSSING THE IMPORTANT MATTER OF THE GOVERNMENT SERVICES.

3. ALSO ON THE POSITIVE SIDE, THE CHINESE SPOKE OF THE POSSIBILITY OF BRITISH OFFICIALS CONTINUING TO SERVE IN HONG KONG, WHICH MIGHT BE READ AS MORE PERMISSIVE THAN WHAT THEY SAID YESTERDAY. IT WAS, HOWEVER, AMBIGUOUS AND WE CANNOT YET ASSISS WHAT IT MEANS. YAO ALSO SAID THAT BRITAIN WOULD HAVE A DIFFERENT AND BY IMPLICATION BETTER POSITION IN HONG KONG AFTER 1997 THAN OTHER COUNTRIES, THOUGH HE DEFINED THIS POSITION IN TERMS OF OUR CONTINUING TO ASSIST IN MAINTAINING HONG KONG'S PROSPERITY AND STABILITY.

4. FINALLY, YAO AGAIN INDICATED THAT IF THE QUESTION OF THE LINK AND ROLE WERE CLARIFIED IT WOULD BE EASIER TO DISCUSS PRACTICALITIES.

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5. SOME OF THIS NEGATIVE RESPONSE WAS, NO DOUBT, INEVITABLE, GIVEN THE WAY YAO GUANG'S MIND WORKS, AND THE PROBABLE DIFFICULTY IN GETTING NEW INSTRUCTIONS FROM HIS LEADERS IN THE COURSE OF THE SAME ROUND. BUT THERE IS LITTLE RELIEF IN THE PICTURE OF A GENERALLY NEGATIVE CHINESE POSITION. THE TOTAL SHRINKING FROM ANY DISCUSSION OF DETAIL IS PERHAPS THE MOST WORRYING ASPECT OF THE WHOLE SCENE.

6. WE MAY GET SOME FURTHER FEELING FOR THE CHINESE POSITION AT DINNER THIS EVENING AND I SHALL TELEGRAPH FURTHER TOMORROW WITH IDEAS ON FUTURE TACTICS.

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FUTURE OF HONG KONG

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FM PEKING 151010Z NOV 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 1196 OF 15 NOVEMBER

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: SIXTH PLENARY ROUND: SECOND DAY.

1. HE SPOKE FIRST AND CONTINUED AT GREATER LENGTH WITH COMMENTS ON YAO'S STATEMENT OF THE PREVIOUS DAY. HE EMPHASISED THE NEED FOR US TO HAVE DETAIL OF THE CHINESE PROPOSALS. HE REITERATED THE THREE REASONS HE HAD OFFERED YESTERDAY AS TO WHY GREATER DETAIL WAS VITAL (PARA 9 OF MY TEL NO 1187) AND ADDED A FOURTH REASON: YAO HAD ARGUED THAT MATTERS WHERE FURTHER DETAIL WAS REQUIRED, SUCH AS THE FUTURE COURT SYSTEM AND THE INDEPENDENCE OF THE JUDICIARY FROM THE EXECUTIVE, CONCERNED ONLY THE ACTUAL IMPLEMENTATION OF BASIS POLICIES. THEY WERE MUCH MORE THAN THIS, AND WERE, IN FACT, IMPORTANT POINTS OF PRINCIPLE. AS SUCH, THEY COULD NOT MERELY BE LEFT TO THE GOVERNMENT OF THE SAR TO DECIDE AFTER 1997. WE WERE KEEN TO COOPERATE WITH THE CHINESE SIDE IN REACHING AGREED ARRANGEMENTS FOR HONG KONG AFTER 1997. BUT IT WAS IMPORTANT THAT WE KNEW EXACTLY WHAT WE WERE BEING EXPECTED TO COOPERATE WITH.

2. HE THEN SOUGHT FURTHER CLARIFICATION ON YAO'S REMARKS ON THE LEGAL AND FINANCIAL PAPERS, REFERRING TO LAWS WITH A COLONIAL FLAVOUR, THE POWER OF DISALLOWANCE, THE INDEPENDENCE OF THE JUDICIARY, AND REFERENCE OF THE HONG KONG SAR BUDGET AND ACCOUNTS TO THE CENTRAL GOVERNMENT 'FOR THE RECORD'.

3. IN RESPONSE TO YAO'S REMARKS THE PREVIOUS DAY, HE SPOKE BRIEFLY ON THE BRITISH ROLE. HE REFERRED TO WU XUEQIAN'S REMARKS TO YOU AND TO OUR HISTORICAL LINKS WITH AND EXPERIENCE OF HONG KONG. AS AUTHORISED IN YOUR TEL NO 788, HE SAID THAT FOR THE PURPOSE OF OUR DISCUSSIONS AS PROPOSED IN THE PRIME MINISTER'S MESSAGE WE WERE SINCERELY PREPARED TO EXAMINE WHETHER SATISFACTORY ARRANGEMENTS COULD BE BUILT ON THE BASIS OF THE CHINESE PROPOSALS. THESE, AS WE UNDERSTOOD THEM, DID NOT INVOLVE ANY LINK OF ACCOUNTABILITY OR RESPONSIBILITY TO LONDON AFTER 1997. HE CONCLUDED BY HANDING OVER THE WORKING PAPER ON EXTERNAL ECONOMIC RELATIONS, EXPRESSING THE HOPE THAT WE WOULD GET A DETAILED RESPONSE TO IT.

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4. THE GOVERNOR THEN ELABORATED ON THE PUBLIC SERVICE IN HONG KONG AND THE DANGERS OF AN ADMINISTRATIVE VACUUM IF GREATER DETAILS OF THE PROPOSED ARRANGEMENTS AFTER 1997 WERE NOT REVEALED. HE STRESSED THE COMPLEXITY OF HONG KONG AND THE NEED FOR CONTINUITY IF THE SERVICES OF THE PEOPLE WHO RAN IT WITH SUCH PROFESSIONAL SKILL WERE TO BE RETAINED FOR THE BENEFIT OF THE FUTURE SAR. IF THESE PEOPLE DID NOT KNOW WHAT ARRANGEMENTS THERE WOULD BE AFTER 1997 THEY WOULD BE UNWILLING TO CONTINUE TO SERVE IN HONG KONG AND IT WOULD BE IMPOSSIBLE TO REPLACE THEM WITHOUT A BREAKDOWN IN CONTINUITY.

5. YAO THEN SPOKE. HE WAS DISAPPOINTED THAT WE HAD NOT MADE AN OVERALL REACTION IN PRINCIPLE TO HIS ELABORATION OF CHINESE POLICIES YESTERDAY AND ADVISED US TO DO SO, AND NOT TO GET BOGGED DOWN IN DETAIL. THE CHINESE LEADERS ATTACHED GREAT IMPORTANCE TO THIS AS IT TOUCHED ON CHINA'S SOVEREIGNTY AND NATIONAL DIGNITY. HE REPEATED THAT CHINA COULD NOT BUT HAVE DOUBTS ABOUT OUR INTENTIONS IN VIEW OF THE SOMETIMES DIFFERING EXPLANATIONS WE GAVE ABOUT THE NATURE OF THE BRITISH LINK OR ROLE, AND THE PUBLIC REMARKS BRITISH LEADERS MADE ON THE SUBJECT. THE BRITISH SIDE HAD NOT YET CLARIFIED THEIR POSITION ON THIS POINT. IN THIS SITUATION, HOW COULD THEY ENTER INTO DETAILED DISCUSSIONS? CHINA WELCOMED BRITAIN'S COOPERATION OVER THE SMOOTH RETURN OF HONG KONG TO CHINA SO AS TO ENSURE CONTINUED STABILITY AND PROSPERITY. THE CHINESE SIDE RECOGNISED NATURALLY THAT THE BRITISH POSITION AND ROLE IN THE FUTURE SAR WOULD BE DIFFERENT FROM THAT OF OTHER COUNTRIES. IF BRITISH PEOPLE WERE WILLING TO SERVE IN THE SAR AT THE REQUEST OF THE GOVERNMENT OF THE SAR THE CHINESE WOULD WELCOME THIS. BUT THIS SHOULD NOT BE A MEANS FOR THE BRITISH TO SEEK CO-ADMINISTRATION OR PARTIAL ADMINISTRATION IN DISGUISE. CHINESE DOUBTS ABOUT OUR INTENTIONS HAD ONLY BEEN INCREASED BY THE GOVERNOR'S STATEMENT.

6. YAO REPEATED HIS ARGUMENTS OF YESTERDAY THAT OUR WORKING PAPERS WERE, IN PLACES, INCONSISTENT WITH THE CHINESE PREMISE AND IN OTHER PLACES WENT INTO EXCESSIVE DETAIL IN FIELDS THAT WOULD BE A FUNCTION OF THE FUTURE SAR GOVERNMENT. IT WAS IMPOSSIBLE FOR THE TWO SIDES, AND PARTICULARLY THE BRITISH, TO LAY DOWN SPECIFIC RULES AND REGULATIONS FOR THE SAR. IF WE GOT BOGGED DOWN ON THOSE ISSUES THE TALKS COULD NOT PRODUCE A POSITIVE RESULT. IN HIS VIEW, WE SHOULD CONCENTRATE ON SETTLING QUESTIONS OF PRINCIPLE. HE FOUND MY REASONS FOR WISHING TO GET INTO MATTERS OF DETAIL INADEQUATE. HE SPECIFICALLY REFERRED TO THE ARGUMENT THAT DETAIL WAS NEEDED TO SUSTAIN CONFIDENCE. CHINA'S 12- POINT POLICY FOR HONG KONG, WHICH WAS BASED ON CONSULTATION WITH THE PEOPLE OF HONG KONG, COMMANDED CONFIDENCE, AND THOSE TO WHOM THE CHINESE HAD SPOKEN HAD SAID THAT THEIR DOUBTS WERE REMOVED. HE COULD NOT SEE WHY CONFIDENCE WOULD ONLY BE COMMANDED BY DETAILED PLANS.

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7. HE DID NOT SEE HOW, ON THE BASIS OF CHINA'S PROPOSALS, ANY ADMINISTRATIVE VACUUM COULD COME ABOUT. HE WAS WILLING TO ASSUME THAT OUR REMARKS ABOUT THIS WERE NOT INTENDED AS A THREAT BUT IN HIS VIEW TO SPEAK IN SUCH TERMS WAS NOT BENEFICIAL TO THE TALKS. HE CONCLUDED BY DRAWING THE SAME DISTINCTION AS YESTERDAY BETWEEN POLICIES WHICH CHINA WOULD ADOPT TOWARDS HONG KONG AFTER 1997, WHICH WERE CHINA'S INTERNAL AFFAIR AND ON WHICH THEY WOULD WELCOME OUR IDEAS AND SUGGESTIONS, AND QUESTIONS ON MATTERS CONCERNING BRITISH INTERESTS IN HONG KONG, SINO-BRITISH COOPERATION IN THE MAINTENANCE OF STABILITY AND PROSPERITY IN HONG KONG, AND THE RELATIONS BETWEEN THE FUTURE SAR AND BRITAIN, ON WHICH THEY HOPED TO HAVE DETAILED DISCUSSION WITH US.

8. HE REPLIED BRIEFLY. HE EMPHASISED THAT WE WERE PROCEEDING SINCERELY ON THE BASIS OF THE CHINESE PROPOSALS AND WOULD CONTINUE ON THAT BASIS. WE WERE ANXIOUS TO COOPERATE, BUT, AS HE HAD SAID BEFORE, IN ORDER TO DO SO WE NEEDED TO KNOW WITH WHAT WE WERE EXPECTED TO COOPERATE. OUR QUESTIONS WERE GENUINELY INTENDED TO ESTABLISH THIS. BUT IT WAS NOT HELPFUL IF THEY WERE RECEIVED GRUDGINGLY AND WITH MISTRUST. HE HOPED THAT IN FUTURE WE SHOULD GET A MORE CONSTRUCTIVE RESPONSE FROM THE CHINESE SIDE TO THIS PART OF OUR WORK.

9. SEE MY TELNO 1194 FOR COMMENT.

(REPEATED AS REQUESTED)

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FUTURE OF HONG KONG

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