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MR COLES, No. 10 DOWNING ST

Mr Roberts, News D.

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DESKBY 050930Z

FM PEKING 050640Z JAN 84

TO IMMEDIATE FOO

TELEGRAM NUMBER 17 OF 5TH JAN 84

INFO IMMEDIATE HONG KONG

ADVANCE COPY

IMMEDIATE

FUTURE OF HONG KONG: DINNER WITH YAO GUANG

1. I HAD DINNER WITH YAO GUANG ON 4 JANUARY. HE WAS ACCOMPANIED BY HIS INTERPRETER, MRS ZHANG. I WAS ACCOMPANIED BY EHRMAN.

2. YAO SAID THAT HE HAD A PARTICULAR REASON FOR INVITING ME. IT WAS TO INFORM ME, ON INSTRUCTIONS FROM HIS GOVERNMENT, THAT HE WOULD NO LONGER BE LEADING THE TALKS ON THE CHINESE SIDE. HE WOULD BE REPLACED BY ASSISTANT FOREIGN MINISTER ZHOU NAN WHO WOULD CHAIR THE CHINESE DELEGATION FROM THE EIGHTH ROUND ONWARDS. YAO STRESSED THAT THIS CHANGE IN NOW WAY IMPLIED THAT THE CHINESE GOVERNMENT DID NOT ATTACH IMPORTANCE TO THE TALKS. THE REASON FOR IT WAS THAT, IN THE MFA AS IN OTHER CHINESE MINISTRIES, THE CENTRAL PARTY RECTIFICATION STEERING COMMITTEE HAD DECIDED THAT TWO GROUPS SHOULD BE ESTABLISHED, ONE TO TAKE CHARGE OF PARTY RECTIFICATION, THE OTHER TO CARRY ON THE NORMAL WORK OF THE MINISTRY. HE WOULD BE IN CHARGE OF PARTY RECTIFICATION. HE WAS ALSO IN OVERALL CHARGE OF ADMINISTRATION AND PERSONNEL AND CONSIDERABLE REFORM WAS TAKING PLACE IN THIS FIELD. ZHOU NAN WAS NOT A VICE-MINISTER IN NAME BUT IN PRACTICE HE EXERCISED THE RESPONSIBILITIES OF ONE. HE WAS ONE OF THE MFA'S LEADERSHIP. YAO HOPED THEREFORE THAT WE WOULD NOT MISUNDERSTAND THIS CHANGE. ALTHOUGH HE WOULD NO LONGER BE LEADING THE CHINESE SIDE, HE WOULD NOT BE TOTALLY CUT OFF FROM THE TALKS. WE COULD STILL HAVE CONTACTS. HE WOULD ORGANISE A DINNER FOR SIR R EVANS AFTER HIS ARRIVAL IN ORDER TO INTRODUCE HIM TO ZHOU NAN BEFORE THE EIGHTH ROUND.

3. I THANKED YAO FOR INFORMING ME OF THIS CHANGE AND FOR DESCRIBING THE REASON FOR IT. WE OF COURSE HAD CONFIDENCE IN ZHOU NAN BUT NONETHELESS REGRETTED YAO'S DEPARTURE. WE KNEW AND RESPECTED HIM AND HAD APPRECIATED HIS CONTRIBUTION TO THE TALKS.

4. I WENT ON TO SAY THAT IT WOULD BE IMPORTANT TO HANDLE THE ANNOUNCEMENT OF THE CHANGE VERY CAREFULLY. IN THIS CONTEXT IT WOULD BE VERY HELPFUL IF THE REASONS BEHIND IT COULD BE EXPLAINED

~~I WENT ON TO SAY THAT IT WOULD BE IMPORTANT TO HANDLE THE ANNOUNCEMENT OF THE CHANGE VERY CAREFULLY. IN THIS CONTEXT IT WOULD BE VERY HELPFUL IF THE REASONS BEHIND IT COULD BE EXPLAINED TO THE PRESS. OTHERWISE THE CONCLUSION MIGHT BE DRAWN THAT THE TALKS HAD BEEN DOWNGRADED. WE SHOULD OF COURSE FOR OUR PART SAY THAT WE HAD FULL CONFIDENCE IN THE CHINESE TEAM.~~

5. YAO SAID THAT THE MFA HAD BEEN CONSIDERING HOW TO ANNOUNCE THE CHANGE. IT COULD POSSIBLY BE DONE AT ONE OF THEIR WEEKLY PRESS BRIEFINGS. IT COULD BE SAID THAT HE WAS VERY BUSY, THAT THE CHANGE DID NOT IMPLY LACK OF INTEREST IN THE TALKS BY THE CHINESE SIDE, THAT THE BRITISH SIDE UNDERSTOOD THE REASONS BEHIND IT AND THAT THEY KNEW ZHOU NAN WHO WAS FAMILIAR WITH THE TALKS. HE SAID HOWEVER THAT IT WOULD BE INAPPROPRIATE TO MENTION DETAILS OF HIS NEW JOB, AS THAT WAS AN INTERNAL AFFAIR.

6. I STRESSED THE IMPORTANCE OF LIAISON ON THE ANNOUNCEMENT AND HOW AN EXPLANATION OF THE REASON BEHIND THE CHANGE WOULD HELP, PARTICULARLY IN HONG KONG. YAO AGREED THAT WE SHOULD LIAISE FURTHER ON THIS QUESTION BEFORE ANY ACCOUNCEMENT WAS MADE.

7. FOR COMMENT SEE MY FIRST IFT. FOR OTHER POINTS AT THE DINNER AND COMMENT ON THEM SEE MY SECOND AND THIRD IFT.

GALSWORTHY

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FUTURE OF HONG KONG ADVANCE COPIES 10

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~~RESIDENT CLERK~~

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FM PEKING 050725Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 18 OF 5 JANUARY

INFO IMMEDIATE HONG KONG

ADVANCE COPY

IMMEDIATE

MIPT: FUTURE OF HONG KONG: DINNER WITH YAO GUANG

1. I BELIEVE THE REASONS GIVEN BY YAO FOR HIS DEPARTURE ARE GENUINE, AND HE APPEARED VERY CONCERNED THAT WE SHOULD NOT DRAW ANY OTHER CONCLUSIONS. LATER IN THE EVENING, WHEN I MENTIONED THE KNIGHTHOOD BESTOWED ON SIR R EVANS, HE QUICKLY SAID THAT HE HAD NOTED THIS AND HAD THEN THOUGHT IT EVEN MORE IMPORTANT THAT HE SHOULD LET US KNOW FRANKLY AND SINCERELY OF THE REASONS FOR THE CHANGE ON THE CHINESE SIDE. BY THIS HE CLEARLY IMPLIED A REALISATION THAT WE MIGHT INTERPRET THE CHANGE AS A RESPONSE TO SIR P CRADOCK'S DEPARTURE AND THE APPOINTMENT OF AN AMBASSADOR WITHOUT (AT THE TIME) A KNIGHTHOOD.

2. YAO GUANG'S DEPARTURE IS CLEARLY IRREVOCABLE. IT IS LIKELY THAT THE CHANGE WILL BE INTERPRETED BY THE PRESS IN HONG KONG AT LEAST AS A DOWN-GRADING OF THE TALKS, PARTICULARLY AS YAO DOES NOT WISH TO GIVE DETAILS OF HIS NEW RESPONSIBILITIES.

I DO NOT THINK THE CHINESE WISH TO GIVE THIS IMPRESSION, AND I WOULD EXPECT THEM TO BE REASONABLY COOPERATIVE OVER THE TERMS OF AN ANNOUNCEMENT. EVENTHOUGH YAO DOES NOT WISH TO GIVE DETAILS OF HIS NEW JOB IT MIGHT BE BEST TO SUGGEST THAT THEY SAY THAT HE HAS TAKEN OVER IMPORTANT NEW RESPONSIBILITIES, THAT IN THE CIRCUMSTANCES, GIVEN THE IMPORTANCE OF THE SUBJECT, IT IS BETTER FOR SOMEONE TO HEAD THE CHINESE DELEGATION WHO CAN GIVE HIS FULL TIME TO IT, AND THAT THIS IN NO WAY IMPLIES ANY DOWNGRADING OF THE TALKS, AND IS QUITE UNPELATED TO THE CHANGE IN THE BRITISH TEAM.

3. ZHOU'S APPOINTMENT IS A MIXED BLESSING. HE IS VERY BRIGHT

ZHOU'S APPOINTMENT IS A MIXED BLESSING. HE IS VERY BRIGHT AND HIS ENGLISH IS EXCELLENT: COMMUNICATION WITH HIM WILL BE EASIER. HIS CONNECTIONS WITH THE CHINESE LEADERSHIP ARE SAID TO BE GOOD (YAO EXPLICITLY SAID THIS TO ME) AND HIS VOICE WILL PROBABLY CARRY AS MUCH WEIGHT AT THE TOP AS YAO'S. NEVERTHELESS WHILE WE FOUND YAO SINCERE AND TRUSTWORTHY, IF NOT VERY QUICK, OUR IMPRESSION OF ZHOU IS THAT HE IS A RUTHLESSLY AMBITIOUS MAN, AND NOT TOO AVERSE TO SOME FAIRLY SHARP DEALING. HIS PERFORMANCE DURING THE SUMMER WHEN HE WAS DEPUTISING FOR YAO GUANG (OUR TELNO 812 OF 18 AUGUST) WAS NOT ENCOURAGING. AT A TIME WHEN THINGS WERE GETTING BETTER IN THE AUTUMN, WE HAD THE IMPRESSION THAT ZHOU NAN HAD A DISTINCT PREFERENCE FOR CONFRONTATION WITH US.

4. HOWEVER GIVEN THE PRESENT ATMOSPHERE THERE IS LIKELY TO BE PRESSURE ON ZHOU TO ACHIEVE PROGRESS. IF HE IS ANXIOUS TO DO SO HE MAY WELL SHOW MORE FLEXIBILITY AND ADROITNESS THAN YAO.

GALSWORTHY

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A.J.C. 5/1

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TELEGRAM NUMBER 19 OF 5TH JAN 84

INFO IMMEDIATE HONG KONG

MY TWO IPTS: FUTURE OF HONG KONG: DINNER WITH YAO GUANG

1. AFTER YAO HAD INFORMED ME OF HIS DEPARTURE, HE ASKED ABOUT FURTHER WORKING PAPERS. I SAID THAT WE WERE CONCENTRATING NOW ON CENTRAL ISSUES SUCH AS CONSTITUTIONAL ARRANGEMENTS AND CITIZENSHIP. THESE WERE COMPLEX, AND REQUIRED CAREFUL PREPARATION IF WE WERE TO GET THEM RIGHT. THERE WAS NO RELUCTANCE ON OUR PART TO PUT THEM FORWARD. WE WOULD DO SO AS SOON AS POSSIBLE. MEANWHILE WE AWAITED CHINESE COMMENTS ON THE FOUR WORKING PAPERS WHICH HAD ALREADY BEEN HANDED OVER BUT NOT DISCUSSED. I SAID THAT WE HAD ALSO BEEN VERY INTERESTED IN REMARKS MADE TO SIR P CRADOCK BY JI PENGFEI ON THE APPOINTMENT OF JUDGES AND ON EXPATRIATES IN THE CIVIL SERVICE. WE MIGHT OURSELVES WISH TO COMMENT FURTHER ON THESE QUESTIONS AT THE NEXT ROUND. THERE WAS HOWEVER ONE POINT ON WHICH WE WERE UNCLEAR. JI HAD SAID THAT AFTER 1997 OFFICIALS WITH HONG KONG I.D. CARDS AS WELL AS BRITISH PASSPORTS WOULD BE ABLE TO RISE UP TO AND INTO THE HIGHEST LEVELS OF THE CIVIL SERVICE. AT PRESENT I.D. CARDS WERE HELD BY ANYONE STAYING IN HONG KONG LONGER THAN SIX MONTHS. WAS JI PERHAPS REFERRING TO A DOCUMENT WHICH WOULD REQUIRE A RESIDENCE QUALIFICATION?

2. YAO THOUGHT THAT HE WAS. HE WOULD ENQUIRE FURTHER ON THIS POINT. AT THE EIGHTH ROUND THE CHINESE SIDE WOULD COMMENT ON THE FOUR PAPERS I HAD MENTIONED, WITH WHICH THEY HAD NO GREAT DIFFICULTIES, AND ALSO ON MATTERS RELATING TO THE LEGAL PAPER WHICH HAD BEEN DISCUSSED IN SIR P CRADOCK'S FAREWELL TALK WITH CHINESE LEADERS. THEY APPRECIATED THE CARE WITH WHICH IT WAS NECESSARY TO DRAW UP THE REMAINING WORKING PAPERS BUT HOPED THAT WE WOULD GET ON AS FAST AS POSSIBLE WITH THEM. PERHAPS THEY COULD HAVE THEM COMPLETE AT LEAST BEFORE THE NINTH ROUND. THEY SHOULD BE DRAFTED WITH TWO FUNDAMENTAL POINTS IN MIND: CHINESE PRINCIPLES AND HONG KONG REALITIES. 2) MUST SOLVE THE HONG KONG QUESTION AS PARTNERS, NOT OPPONENTS. PROSPERITY MUST BE PRESERVED WITHIN CHINA'S PRINCIPLES. AS TO SOME OTHER QUESTIONS WHICH HAD BEEN DISCUSSED IN SIR P CRADOCK'S FAREWELL CALLS, THESE WOULD BE COMMENTED ON WHEN WE HAD PRESENTED OUR RELATED WORKING PAPERS, SUCH AS THOSE ON NATIONALITY AND THE CENTRAL CONSTITUTIONAL ARRANGEMENTS.

YAO'S FAREWELL CALLS, THESE WOULD BE COMMENTED ON WHEN WE HAD PRESENTED OUR RELATED WORKING PAPERS, SUCH AS THOSE ON NATIONALITY AND THE CENTRAL CONSTITUTIONAL ARRANGEMENTS. WOULD WE BE SUBMITTING PROPOSALS ON INTERNAL SECURITY? I SAID THAT WE WOULD: WE WERE WORKING SIMULTANEOUSLY ON A NUMBER OF DIFFERENT AREAS. WE WERE ALSO GIVING FURTHER THOUGHT WITH OUR EXPERTS TO QUESTIONS RELATING TO EXTERNAL ECONOMIC RELATIONS, EG ARRANGEMENTS WITH THE GATT, AND SUCH THINGS AS CIVIL AVIATION. YAO WELCOMED THIS.

3. YAO SAID THAT MANY QUESTIONS WOULD BE RELATED TO AND OVERLAP WITH THE TRANSITIONAL PERIOD UP TO 1997. ALTHOUGH THE CHINESE SIDE HAD NO FIXED IDEAS ON THIS POINT, HE THOUGHT WE SHOULD PAY MORE ATTENTION TO IT THAN HITHERTO. WHEN FOR EXAMPLE SHOULD WE COMBINE DISCUSSION OF THE POST-1997 ARRANGEMENTS WITH DISCUSSION OF THE TRANSITIONAL PERIOD, AND ON WHAT SUBJECTS? I SAID THAT WE RECOGNISED THAT THE TWO COULD NOT IN PRACTICE BE ENTIRELY SEPARATED. NEVERTHELESS IN OUR VIEW THE ORDER OF THE AGENDA WAS LOGICALLY CORRECT. WE NEEDED TO KNOW EXACTLY WHAT WE WERE TRANSITTING TO BEFORE WE COULD DISCUSS THE PERIOD LEADING UP TO 1997 SENSIBLY. IN PRACTICE, WHEN WE CAME TO AREAS OF INEVITABLE OVERLAP, I THOUGHT THE CHINESE WOULD FIND THAT WE TOOK A PRACTICAL ATTITUDE. YAO ASKED WHETHER I THOUGHT THE DISCUSSION OF THE POST 1997 OR PRE 1997 QUESTIONS WOULD PROVE THE MORE DIFFICULT. I SAID THAT PROVIDED WE HAD REACHED AGREEMENT ON POST 1997 ARRANGEMENTS I DID NOT THINK DISCUSSION OF THE PERIOD LEADING UP TO 1997 WOULD POSE GREAT DIFFICULTIES.

4. YAO ASKED WHETHER WE HAD DEVELOPED OUR THINKING ON THE QUESTION OF AN AGREEMENT. I SAID THAT WHAT WAS AGREED WOULD NEED TO BE ENCAPSULATED IN A FORMAL DOCUMENT. THIS WOULD SERVE TO UNDERLINE THAT THE TWO SIDES WERE AGREED. YAO DID NOT DISSENT, BUT ASKED AT WHAT POINT ITS CONTENTS SHOULD BE MADE PUBLIC? WOULD THIS NEED TO WAIT UNTIL AFTER RATIFICATION BY PARLIAMENT? WHEN WAS PARLIAMENT IN RECESS? CHINESE LEADERS BELIEVED THAT THE SOONER AN AGREEMENT COULD BE REACHED, THE BETTER IT WOULD BE FOR HONG KONG'S STABILITY AND PROSPERITY. WOULD THE AGREEMENT ALSO COVER THE TRANSITIONAL PERIOD?

5. I SAID THAT THE CONTENTS OF AN AGREEMENT WOULD HAVE TO BE DISCUSSED BETWEEN THE TWO SIDES. IT WAS NORMAL TO PUBLISH AN AGREEMENT AFTER SIGNATURE. IN ANY EVENT IT COULD NOT BE PRESENTED TO PARLIAMENT FOR RATIFICATION IN SECRET. I ADVISED THAT THE CHINESE SIDE SHOULD CONCENTRATE ON THE POINT OF SIGNATURE OF THE AGREEMENT: ALTHOUGH PARLIAMENTARY APPROVAL WAS VERY IMPORTANT, THE GOVERNMENT WOULD NOT PUT ITS SIGNATURE TO ANYTHING WHICH IT BELIEVED WOULD NOT SUBSEQUENTLY BE RATIFIED.

6. YAO SEEMED DISINCLINED TO RAISE ANY OTHER ISSUES RELATED TO THE TALKS: THE REMAINDER OF THE DINNER WAS TAKEN UP, AT YAO'S INITIATIVE WITH A LENGTHY DISCUSSION ON THE FUNCTIONING OF THE BRITISH AND CHINESE DIPLOMATIC SERVICES AND OF CHANGES BEING CONSIDERED IN THE LATTER (DETAILS BY BAG).

GALSWORTHY