ADVANCE COFIES FUTURE OF HONG KONG -PS COPIES TO: MR COLES, NO.40 DOWNING ST PS/PUS MR ROBERTS, NEWS DEPT PS/MR LUCE SIR PERCY CRADOCK MR WILSON HD/HKD HD/FED SECRET DESKBY 131030Z FROM PEKING 130915Z APR 84 IMMEDIATE TO IMMEDIATE FCO TELEGRAM NUMBER 739 OF 13/4/84 INFO IMMEDIATE HONG KONG VFUTURE OF HONG KONG: CALL ON ZHOU NAN ON 13 APRI 1. I CALLED ON ZHOU NAN AT THE MFA ON 13 APRIL, BOTH TO HAND OVER THE FURTHER ANNEXES AND TO HEAR THE CHINESE REACTION TO OUR DRAFT AGREEMENT. HE HAD TOLD ME THE NIGHT BEFORE THAT THE CHINESE HAD A COUNTER-DRAFT. 2. ZHOU SAID THAT, ALTHOUGH TIME HAD BEEN SHORT, THE CHINESE SIDE HAD MADE A SERIOUS AND EARNEST STUDY OF OUR DRAFT. TAKEN AS A WHOLE, IT WAS FUNDAMENTALLY UNACCEPTABLE. IT COULD NOT BE TAKEN AS A DASIS FOR NEGOTIATION. THE REASON FOR THIS WAS OBVIOUS. IT WAS A CLEAR ATTEMPT TO NEGATE AND LIMIT CHINESE SOVEREIGNTY OVER HONG KONG. THE CHINESE SIDE COULD NOT BUT FEEL THAT, THROUGH, BOTH THE FORM AND CONTENT OF THE DRAFT, THE UNITED KINGDOM WAS TRYING TO TURN THE FUTURE SAR INTO SOME SORT OF INDEPENDENT POLITICAL ENTITY. 3. THERE WERE FOUR SUBSTANTIVE ARTICLES TO THE DRAFT. THE FIRST TOUCHED ON THE QUESTION OF CHINA'S SOVEREIGHTY AND RIGHT OF ADMINISTRATION, BUT FAILED TO DEAL WITH IT SQUARELY. THE ARTICLE CONTAINED NOTHING ON THE RESTORATION OF HONG KONG BY THE UNITED KINGDOM TO CHINA, NOR ON THE RESUMPTION BY CHINA OF SOVEREIGHTY AND THE RIGHT OF ADMINISTRATION IN 1997. AN EXAMPLE OF THE ATTEMPT TO TURN HONG KONG INTO AN INDEPENDENT POLICAL ENTITY WAS CONTAINED IN THE FIRST CLAUSE OF ARTICLE 1 WHERE THE UNITED KINGDOM TRIED TO NAME THE FUTURE SAR "HONG KONG (CHINA)". IN SO DOING, WE WERE ATTEMPTING TO CHANGE THE TERRITORY'S FORMAL FUTURE NAME.

WHICH WOULD BE THE "HONG KONG SPECIAL ADMINISTRATIVE REGION

OF THE PEOPLE'S REPUBLIC OF CHINA'. OTHER EXAMPLES WERE EXPRESSIONS IN OTHER PARTS OF THE DRAFT SUCH AS ''ALL RIGHTS AND POWERS IN SUCH AND SUCH A FIELD WILL BE EXCLUSVIELY VESTED IN HONG KONG (CHINA)' AND ''THERE SHALL BE NO POWER OF DISALLOWANCE OUTSIDE HONG KONG(CHINA)'. THE CHINESE SIDE HAD PREVIOUSLY REPUDIATED SUCH EXPRESSIONS IN THE TALKS, BUT THEY WERE STILL PRESENT IN THE DRAFT. THIS INDICATED A DELIBERATE ATTEMPT TO CONFUSE THE DISTINCTION BETWEEN INDEPENDENCE AND AUTONOMY.

4. ARTICLE 2 OF THE DRAFT WAS AN ATTEMPT TO TREAT THE CHINESE 12 GUIDELINES AS SOMETHING TO BE APPROVED BY THE UNITED KINDGOM . THIS WAS TNADAISSIBLE. FROM THE OUTSET THE SERIES OF SPECIAL POLICIES WHICH CHINA WOULD ADOPT TOWARDS HONG KONG HAD BEEN PURELY CHINA'S INTERNAL AFFAIR AND THEY WERE NOT SUBJECT TO APPROVAL BY ANOTHER COUNTRY. IN THE COURSE OF THE TALKS. THE CHINESE SIDE HAD MERELY ACQUANINTED US WITH THEM. WHAT WAS EVEN MORE ABSURD WAS THAT ARTICLE 2 ALSO ATTEMPTED TO DRAW UP THE BASIC LAW ON BEHALF OF THE CHINESE GOVERNMENT. THE DRAWING UP OF THE BASIC LAW WAS AN INTERNAL CHINESE AFFAIR, NOT A BRITISH AFFAIR. THE DRAFT NEVER-THELESS TRIED TO DEFINE THE FRAMEWORK OF THE BASIC LAW IN THIS AND THAT WAY, SPREAD OVER A TOTAL OF NINE CLAUSES. WE HAD EVEN SAID THAT THE ANNEXES WHICH SHOULD FORM PART OF THE AGREEMENT SHOULD ALL BE INCLUDED IN THE BASIC LAW. THE UNITED KINGDOM WAS NOT ONLY TRYING TO DEFINE THE FRAMEWORK OF THE BASIC LAW, BUT ALSO THE DETAILS. NATURALLY CHINA COULD NOT ACCEPT THIS.

5. NO PERIOD WAS SET ON THE PROPOSAL IN ARTICLE 3 (SEMI-COLN,) NOR DID IT CONTAIN ANY SPECIFIC CONTENT. IT WOULD LEAD TO THE IMPRESSION OF A SINO-BRITISH CONDOMINIUM IN HONG KONG AFTER 1997. WAS IT INDEED NOT AN ATTEMPT BY THE UNITED KINGDOM TO CREAT A LEGAL BASIS BY WHICH SHE COULD INTEREFERE IN THE SAR FOR A LONG TIME AFTER 1997?

6. THE FIRST SENTENCE OF ARTICLE 4 WAS AN ATTEMPT BY THE SUNITED KINGDOM TO INTERNATIONALISE THE HONG KONG QUESTION, IN OTHER WORDS TO SEEK SO-CALLED INTERNATIONAL GUARANTEES FOR HONG KONG.

7. FINALLY, NOT ONLY DID MANY POINTS WHICH CHINA HAD ALREADY REPUDIATED IN THE COURSE OF THE TALKS REAPPEAR IN DIFFERENT FORMS IN THE BRITISH DRAFT, BUT WE HAD ALSO NOW MADE SOME NEW REQUESTS, FOR EXAMPLE WE HAD PROPOSED THAT THE HONG KONG SAR SHOULD HAVE THE RIGHT TO CONCLUDE AGREEMENTS WITH FOREIGN COUNTRIES IN THE (NEXT WORD UNDERLINED) LEGAL FIELD. IF THE FURTHER BRITISH ANNEXES WERE MORE OR LESS LIKE THE ONE ALREADY HANDED OVER, WOULD THIS NOT BE TANTAMOUNT TO THE INITIATION OF ANOTHER ROUND OF TALKS WITH THE BRITISH WORKING PAPERS PRESENTED IN A NEW FORM? THE ONLY EFFECT OF THAT WOULD BE TO PROLONG THE COURSE OF THE TALKS.

S. IN HANDING OVER THE BRITISH DRAFT, \$1 HAD STRESSED HOW MUCH WORK HAD GONE INTO IT. I HAD SAID THAT IT WAS A FIRST SHOT AT AN AGREEMENT AND THAT I HOPED IT WOULD BE TAKEN AS A TOKEN

SHOP AT AN AGREEMENT AND THAT I HOPED IT WOULD BE TAKEN AS A TOKEN OF OUR SINCERITY AND DESIRE TO MOVE THE TALKS FORWARD. HOWEVER, AFTER STUDYING IT, THE CHINESE SIDE COULD NOT SEE HOW IT EMBODIED AN EXPRESSION OF BRITISH SINCERITY. IF THE DRAFT WERE TO BE TAKEN AS A BASIS FOR THE TALKS IT WOULD IN NO WAY EXPEDITE THEM. QUITE THE CONTRARY. IT CHALLENGED CHINESE PRINCIPLES ON SOVEREIGNTY IN MANY PLACES.

IT WAS FUNDAMENTALLY UNACCEPTABLE AS A BASIS FOR NEGOTIATION OF AN AGREEMENT. THIS WAS A SERIOUS REACTION BY THE CHINESE SIDE TO OUR DRAFT.

9. ZHOU WENT ON TO INTRODUCE THE CHINESE DRAFT.

HE RECALLED HAVING INFORMALLY LET ME KNOW OF CHINAS' S IDEAS ABOUT THE FORM AND CONTENT OF AN AGREEMENT. ON FORM, THE CHINESE SIDE THOUGHT IT APPROPRIATE THAT WE SHOULD WORK FOR A JOINT COMMUNIQUE OR JOINT DECLARATION, HE HAD EARLIER MENTIONED THAT THE SHANGHAI COMMUNIQUE COULD SERVBDAS A POINT OF REFERENCE. ON CONTENT, AN AGREEMENT MUST FIRST AND FOREMOST SOLVE THE CENTRAL QUESTION OF SOVEREIGNTY IN EXPLICIT AND UNEQUIVOCAL TERMS. SECONDLY, CHINA WAS PREPARED FORMALLY TO DECLARE IN THE AGREEMENT HER BASIC POLICIES TOWARDS HONG KONG AFTER 1997, IE THE 12 GUIDELINES. BUT IT WAS FOR THE CHINESE GOVERNMENT TO FORMULATE AND DECLARE THESE POLICIES. THEY COULD NOT BE EXPRESSED AS AGREED BETWEEN THE TWO COUNTRIES. THESE 12 GUIDELINES WOULD BE REFLECTED IN THE BASIC LAW. BUT AN AGREEMENT SHOULD IN NO WAY ATTEMPT TO DEFINE THE BASIC LAW. THIRDLY, AN AGREEMENT SHOULD MAKE A BRIEF REFERENCE TO BASIC PRINCIPLES FOR ARRANGEMENTS, IN THE TRANSITIONAL PERIOD. THE CHINESE SIDE HAD OFTEN SAID THAT THIS JOINT COMMUNIQUE OR JOINT DECLARATION MUST FOCUS ON MAJOR PRINCIPLES AND NOT BE A DOCUMENT CONTAINING DETAILS. DETAILS SHOULD NOT BE DEALT WITH IN THE AGREEMENT. IN THE VIEW OF THE CHINESE SIDE, THE 12 GUIDELINES WERE QUITE SUFFICIENT.

10. OF COURSE, THE BRITISH SIDE HAD SAID THAT IT WAS

NECESSARY TO INCLUDE DETAILS DISCUSSED IN THE TALKS.

TO SOLVE THIS QUESTION, THE CHINESE SIDE CONTEMPLATED AN

ANNEX, WHICH COULD TAKE THE FORM OF AN EXCHANGE OF NOTES.

IT WOULD AMPLIFY THE IMPLICATIONS OF THE 12 GUIDELINES IN THE LIGHT

OF THE TALKS. BUT IT WOULD BE FOR THE CHINESE GOVERNMENT TO SET

OUT THESE IMPLICATIONS AND ONLY MAJOR QUESTIONS OF PRINCIPLE,

NOT DETAILS GOVERED IN THE TALKS, COULD IN INDLUDED. MANY

DETAILED POINTS SHOULD BE LEFT TO THE SINO-BRITISH JOINT

GROUP WHICH WOULD BE SET UP IN THE TRANSITIONAL PERIOD.

11. AT THE TIME THE AGREEMENT WAS SIGNED, IT WOULD BE NECESSARY TO SIGN A PROTOCOL ON ARRANGEMENTS FOR THE TRANSITION—AL PERIOD. THIS NEED NOT BE LONG. IT WOULD DESCRIBE THE WORK OF THE SINO-BRITISH JOINT GROUP AND THE PRINCIPLES WHICH WOULD ENSURE AN ORDERLY TRANSFER OF GOVERNMENT DURING THIS PERIOD.

A14. ZHOU THEN HANDED ME SOPIES OF A DRAF JOINT DECLARATION, DRAFT NOTES, AND A DRAFT PROTOCOL (SEE TEXTS IN MY THREE IFTS)

13. I THANKED ZHOU FOR THE SPEED OF HIS REACTION. I HAD TO SAY THAT I WAS VERY DISAPPOINTED BY IT AND WAS SURE THAT HMG WOULD

SAY THAT I WAS VERY DISAPPOINTED BY 11 AND WAS SORE THAT MMC WOULD

BE SO TOO. IT WAS PARTICULARLY DISAPPOINTING THAT THE CHINESE
SIDE CONSIDERED OUR DRAFT UNACCEPTABLE AS A BASIS FOR
NECOTIATION. YOU WOULD CERTAINLY WISH TO DISCUSS IT
FURTHER WITH CHINESE LEADERS AND TO ARGUE ITS MERITS,.
MEANWHILE, I WANTED TO REPLY IMMEDIATELY TO A NUMBER OF ZHOU'S
COMMENTS:

- (A) ZHOU HAD SAID THAT AFTER 1997 WE WERE ATTEMPTING TO TURN HONG KONG INTO AN INDEPENDENT POLITICAL ENTITY, OR THAT WE WERE TRYING TO MAKE IT A CONDOMINIUM. THIS WAS COMPLETELY GROUNDLESS.
- (B) WE BELIEVED THAT WE HAD DEALT SQUARELY WITH THE QUESTION OF SOVEREIGNTY IN ARTICLE 1 AND THAT OUR FORMULATION MET THE ESSENTIAL CHINESE POINT THAT HONG KONG SHOULD BECOME AN SAR OF THE PEOPLE'S REPUBLIC OF CHINA.
- (C) IT WAS NOT WE WHO HAD INVENTED THE NAME ''HONG KONG

  (CHINA)''. THIS LOCUTION WAS FAVOURED BY THE CHINESE

  GOVERNMENT: WE HAD HEARD IT OFTEN IN THE TALKS.
- (D) ON THE QUESTION OF DEVOLUTION OF POWERS TO THE FUTURE SAR, WE HAD TRIED IN OUR DRAFT TO GIVE AS PRE— A DEFINITION AS POSSIBLE OF THE HIGH DEGREE OF AUTONOMY WHICH THE SAR WOULD ENJOY. THIS WAS VITAL IF CONFIDENCE WAS TO BE RETAINED.
- (E) IN DRAFTING ARTICLE 2; WE HAD DRAWN ON THE 12
  POINTS OUTLINED BY THE CHINESE SIDE, ON OUR WORKING
  PAPERS AND ON THE DIALOGUE IN THE TALKS. AGAIN WE
  BELIEVED THAT THE ARRANGEMENTS AFTER 1997 IN THE
  SAR HAD TO BE SPELLED OUT CLEARLY AND WITH PRECISION
  IF CONFIDENCE IN THE TERRITORY WAS TO BE
  MAINTAINED.
- (F) ON ZHOU'S POINT THAT IT WAS INADMISSIBLE FOR ANY
  COUNTRY SAVE CHINA TO PREAPRE THE BASIC LAW, I SAID
  THAT WE WERE NOT DRAFTING THE BASIC LAWS BUT A CLEAR
  AND PRECISE AGREEMENT ON FUTURE ARRANGEMENTS WHICH
  WOULD BE REFLECTED IN THE BASIC LAW.
- (G) I WAS ASTONISED AT THE CHINESE REACTION TO ARTICLE 3.

  IT ENCAPSULATED AN EXPRESSION OF OUR WILLINGNESS TO

  COOPERATE WITH CHINA IN ADDITION TO OUR MEETING

  CHINA'S REQUIREMENT ON SOVEREIGNTY. I SHOULD HAVE

  EXPECTED IT TO BE WELCOMED.
- (H) THE PURPOSE OF ARTICLE 4 WAS TO SEEK TO ENSURE THAT THE SAR WOULD CONTINUE TO CAUJOY THOSE RIGHTS AND PRIVILEGES WHICH IT NOW ENJOYED, AND WHICH IT MIGHT COME TO ENJOY BY 1997, FLOWING FROM HONG KONG'S PARTICIPATION IN MANY INTERNATIONAL AGREEMENTS AND INTERNATIONAL ORGANISATIONS.

SECRET

Sir P. Cradoon

16 April 1984

FUTURE OF HONG KONG

The Prime Minister saw over the weekend Peking telegram number 739 describing our Ambassador's call on Zhou Nan on 13 April.

Mrs. Thatcher has minuted:

"It seems that the Unofficials were right in their judgement of the Chinese".

A. J. COLES

Roger Bone, Esq., Foreign and Commonwealth Office. R

RESIDENT CHECK

HD/FED

GRS 1400

SECRET

ADVANCE COPY

DESBKY 131130Z

FROM PEKING 131000Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 740 OF 13/4/84

INFO IMMEDIATE HONG KONG

MIPT: CALL ON ZHOU NAN ON 13 APRIL:

JOINT DECLARATION.

1. FOLLOWING IS THE TEXT OF THE DRAFT JOINT DECLARATION PROPOSED BY CHINA:

M

PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF
THE UNITED KINDOM
OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG

(DRAFT)

1. THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAL N AND NORTHERN IREAL DN HAVE REVEIEWED WITH SATISFACTION THE FRIENDLY RELATIONS EXISTING BETWEEN THE TWO GOVERNMENTS AND PEOPLES IN RECENT YEARS AND AGREED THAT A PROPER NEGOTIATED SETTLEMENT OF THE QUESTION OF HONG KONG, WHICH IS LEFT OVER FROM THE PAST, IS CONDUCTIVETO THE FURTHER STRENGTHENING AND DEVELOPMENT OF THE RELATIONS BETWEEN THE TWO COUNTRIES ON A NEW BASIS. AFTER TALKS BETWEEN THE DELEGATIONS OF THE TWO GOVERNMENTS, IT IS AGREED THAT THE UNITED KINGDOM GOVERNMENT WILL RESTORE THE HONG KONG AREA (INCLUDING HONGKONG ISLAND, KOWLOON AND THE NEW TERRITORIES, THE SAME BELOW)

TO THE PEOPLE'S REPUBLIC OF CHINA ON 1 JULY 1997 AND

TO THE PEOPLETS REPUBLIC OF CHINA ON I JULY 1997 AND

WITHDRAW ALL ITS ARMED FORCES FROM THE HONG KONG AREA.

THE PEOPLE'S REPUBLIC OF CHINA WILL RESUME THE EXERCISE OF

ITS SOVEREIGNTY OVER THE HONG KONG AREAS AS FROM 1 JULY

1997. THE TIME BETWEEN NOW AND 30 JUNE 1997 IS THE TRANSITION PERIOD

FOR THE SETTLEMENT OF THE HONG KONG QUESTION.

2. THE CHINESE GOVERNMENT DECLARES THAT THE GUIDLINES OF THE PEOPLE'S REPLUBIC OF CHINA FOR THE SETTLEMENT OF THE HONG KONG QUESTION ARE AS FOLLOWS:

TERRITORY SINCE ANCIET TIMES. THE GOVERNMENT OF
THE PEOPLE'S REPUBLIC OF CHINA DOES NOT RECOGNIZE THE THREE
UNEQUAL TREATIES CONCERNING THE HONG KONG AREA WHICH
BRITAIN IMPOSED ON CHINA IN THE 19TH CENTURY. TO RECOVER
THE HONG KONG AREA AND RESUME THE EXERCISE OF SOVEREIGNTY
IS THE COMMON ASPIRATION OF THE ENTIRE CHINESE
PEOPLE, INCLUDING THE COMPATRIOTS IN HONG KONG. IN ORDER
TO UPHOLD THE UNITY AND TERRITORIAL INTEGRITY OF THE
COUNTRY AND OUT OF CONSIDERATION FOR THE HISTORICAL
AND PRESENT CONDITIONS IN THE HONG KONG AREA, THE PEOPLE'S
REPUBLIC OF CHINA HAS DECIDED TO ESTABLISH, IN ACCORDANCE
WITH THE PROVISIONS OF ARTICLE 31 OF THE CONSTITUTION OF THE PEOPLES
REPUBLIC OF CHINA, A HONG KONG SPECIAL ADMINISTRATIVE REGION
UPON RESUMING EXERCISE OF ITS SOVEREIGNTY OVER THE HONG KONG AREA.

- (2) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE DIRECTLY UNDER THE AUTHORITY OF THE CENTRAL PEOPLE'S GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA. THEY HONG KONG SPECIAL ADMINISTRATIVE REGION WILL ENJOY A HIGH DEGREE OF AUTONOMY, EXCEPT IN FOREIGN AND DEFENCE AFFAIRS WHICH ARE THE RESPONSBILITIES OF THE CENTRAL PEOPLE'S GOVERNMENT.
- (3) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE VESTED WITH THE POWER OF LEGISLATION AND INDEPENDENT JUDICIAL POWER, INCLUDING THAT OF FINAL ADJUDICATION.
  THE LAWS, DECREES AND ORDINANCES CURRENTLY IN FORCE WILL REMAIN BASICALLY UNCHANGED.
- (4) THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE CONSTITUTED BY LOCAL INHABITANTS. THE CHIEF EXECUTIVE WILL BE APPOINTED BY THE CENTRAL PEOPLE'S GOVERNMENT ON THE BASIS OF THE RESULTS OF ELECTIONS OR CONSULTATIONS TO BE HELD LOCALLY. THE PRINCIPAL OFFICIALS WILL BE NOMINATED BY THE GOVERNMENT OF THE SPECIAL ADMINISTRATIVE REGION FOR APPOINTMENT BY THE CENTRAL PEOPLE'S GOVERNMENT. THE CHINESE AND FOREIGN NATIONALS WORKING IN THE PUBLIC AND POLICE SERVICES IN THE DEPARTMENTS OF THE BRITISH AUTHORITIES IN HONG KONG MAY REMAIN IN EMPLOYMENT. BRITISH AND OTHER FOREIGN NATIONALS MAY ALSO BE EMPLOYED TO SERVE AS ADVISERS IN ORGANS AT VARIOUS LEVELS IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION.
- (5) THE CURRENT SOCIAL AND ECONOMIC SYSTEMS IN THE HONG KONG AREA WILL REMAIN UNCHANGED, SO WILL THE

THE HOUS KONG AREA WILL REMAIN UNCHANGED, SO WILL THE LIFE-STYLE, FREEDOMS OF SPEECH, OF THE PRESS, OF ASSEMBLY, OF ASSOCIATION, OF TRAVEL, OF MOVEMENT, OF CORRES-PONDENCE, OF STRIKE, OF CHOICE OF OCCUPATION, OF ACADEMIC RESEARCH AND OF RELIGIOUS BELIEF WILL BE ENSURED BY LAW IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION. PRIVATE PROPERTY , OWNERSHP OF ENTERPRISES, LEGITIMATE RIGHT OF INHERITANCE AND FOREIGN INVESTMENT WILL BE PROTECTED BY LAW. (6) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL RETAIN THE STATUS OF A FREE PORT AND A SEPARATE TARIFF AREA. (7) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL RETAIN THE STATUS OF AN INTERNATIONAL FINANCIAL CENTRE, AND ITS MARKETS FOR FOREIGN EXCHANGE, GOLD, SECURITIES AND FUTURES WILL REMAIN OPEN. THERE WILL BE FREE FLOW OF CAPITAL. THE HONG KONG DOLLAR WILL CIRCULATE AND BE CONVERTIBLE AS USUAL. (8) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL HAVE INDEPENDENT FINANCES. (9) THE HONG KONG SPECIAL ADMINISTRATIVE REGION MAY ESTABLISH MUTUALLY PREFERENTIAL ECONOMIC RELATIONS WITH THE UNITED KINGDOM. BRITISH ECONOMIC INTERESTS IN THE HONG KONG AREA WILL BE TAKEN CARE OF. (10) USING THE NAME OF " HONG KONG, CHINA", THE HONG KONG SPECIAL ADMINISTRATIVE REGION MAY ON ITS OWN MAINTAIN AND DEVELOP ECONOMIC AND CULTURAL RELATIONS AND SIGN AGREEMENTS ON THESE MATTERS WITH FOREIGN COUNTIRES AND REGIONS AND RELEVANT INTERNATIONAL ORGANIZATIONS. THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION MAY ISSUE ON ITS OWN TRAVEL DOCUMENTS FOR ENTRY INTO AND EXIT FROM HONG KONG. (11) THE MAINTENANCE OF PUBLIC ORDER IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE THE RESPONSIBILITY OF THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION. (12) THE ABOVE-STATED GUIDELINES ON THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE STIPULATED IN A BASIC LAW OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA TO BE PROBULGATED BY THE NATIONAL PEOPLE'S CONGRESS OF THE PEOPLE'S REPUBLIC OF CHINA, AND THEY WILL REMAIN UNCHANGED FOR FIFTY YEARS. THE GOVERNMENT OF THE UNITED KINGDOM EXPRESSES ITS APPRECIATION OF THE ABOVE POLICIES DECLARED BY THE CHINESE GOVERN-MENT. 3. THE UNITED KINGDOM GOVERNMENT DECLARES THAT DURING

WINE UNLIFED KTHEDOM GEVERNMENT DEGLARGS THAT DURING THE TRANSITION PERIOD BETWEEN NOW AND 30 JUNE 1997, THE UNITED KINGDOM GOVERNMENT WILL BE RESPONSBIEL FOR MAINTAINING AND PRESERVING THE ECONOMIC PROSPERITY AND SOCIAL STABILITY OF THE HONG KON

4. THE TWO SIDES HAVE AGREED THAT WITH ( ) MONTHS AFTER THE SIGNING OF THIS JOINT DECLARATION, A SINO-BRITISH JOINT GROUP (JOINT COMMITTEE) COMPOSED OF AN EQUAL NUMBER OF PERSONS FROM EACH SIDE HEADED BY OFFICIALS OF AMBASSADORIAL RANK WILL BE SET UP TO CONDUCT CONSULTATIONS WHENEVER NECESSARY DURING THE TRANSITION PERIOD ON THE IMPLEMENTATION OF THIS JOINT DECLARATION, THE MSOOTH TRANSFER OF GOVERNMENT AND OTHER RELATED MATTERS.

5. THIS JOINT DECLARATION SHALL ENTER INTO FORCE ON THE DATE OF SIGNING.

ONE IN DUPLICATE AT ON DAY OF 1984, IN THE CHINESE AND ENGLISH LANGUAGES, BOTH TEXTS BEING EQUALLY AUTHENTIC.

(SIGNED)

(SIGNED)

PLENIPOTENTIARY OF THE GOVERNEMNT OF THE PEOPLE'S REPUBLIC OF CHINA KINGDOM OF GREAT BRITAIN

PLENIPOTENTIARY OF THE GOVERNMENT OF THE UNITED AND NORTHERN IRELAND.

REF PARA ONE LINE TWO END OF LINE SHOUDD READ

GREAT BRITAIN AND NRO NORTHERN IRELAND HAVE REVEIWED WITH ETC K

PS

PS/PUS

PS/MR LUCE

MR WILSON

HD/HKD

HD/FED

RESIDENT CLERK

COPIES TO:
MR COLES, NO.10 DOWNING ST
MR ROBERTS, NEWS DEPT
SIR PERCY CRADOCK



GRS 200

SECRET

DESBKY 131130Z

FROMPEKING 131048Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 743 OF 13/4/84

INFO IMMEDIATE HONG KONG

MY 41PTS: CALL ON ZHOU NAN ON 13 APRIL:

COMMENT

GRS 330

SECRET

DESKBY 131130Z

FROM PEKING 131030Z APR 84

TO IMMEDIATE FCO

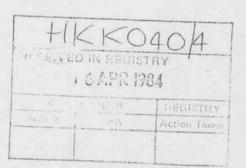
TELEGRAM NUMBER 741 OF 13/4/84

INFO IMMEDIATE ONG KONG

859 860

MY 2 IPTS: CALL ON ZHOU NAN ON 13 APRIL:

EXCHANGE OF NOTE .



10-000

1. FOLLOWING ARE THE TEXTS OF THE DRAFT NOTES PROPOSED BY CHINA:

EXCHANGE OF NOTES

(1) CHINA'S NOTE

DATE 1984

HIS EXCELLENCY.....,

.....OF THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

SECRET

EXCELLENCY,

EXCELLENCY,

I HAVE THE HONOUR THE ELABORATE FURTHER ON THE POLICIES THE PEOPLE'S REPUBLIC OF CHINA WILL PURSUE AFTER IT RESUMES THE EXERCISE OF ITS SOVEREIGNTY OVER THE HONG KONG AREA, AS SET FORTH IN ARTICLE OF THE JOINT DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG WHICH HAS BEEN SIGNED BY OUR TWO SIDES TODAY:

1.	
2.	

IF OUR EXCELLENCY WOULD KINDLY CONFIRM THE RECEIPT OF
HIS NOTE IN A NOTE OF REPLY, THIS NOTE AND YOUR EXCELLENCY'S
NOTE OF REPLY WILL CONSTITUTE ANNEXES TO THE JOINT
DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND
THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORHTERN
IRELAND ON THE QUESTION OF HONG KONG.

I AVAIL MYSELF OF THIS OPPORTUNITY TO RENEW TO YOU EXCELLENCY THE ASSURANCES OF MY HIGHEST CONSIDERATION.

(SIGNED)......
.....OF THE PEOPLE'S REPUBLIC OF CHINA
(2) BRITAIN'S NOTE OF REPLY

DATE 1984

HIS EXCELLENCY.....

.....OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

2....

SECRET

EXCELLENCY:

EXCELLENCY.

! HAVE THE HONOUR TO ACKNOWLEDGE THE RECEIPT OF YOUR EXCELLENCY'S NOTE OF TODAY, WHOSE CONTENTS ARE AS FOLLOWS:

1.....

YOUR EXCELLENCY'S NOTE AND THIS NOTE OF REPLY WILL CONSTITUTE ANNEXES TO THE JOINT DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG.

I AVAIL MYSELF OF THIS OPPORTUNITY TO RENEW TO YOUR EXCELLENCY THE ASSURANCES OF MY HIGHEST CONSIDERATION.

(SIGNED).....

..... OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND

EVANS

FUTURE OF HONG KONG
LIMITED

ED/HKD

ED/FED

ED/FLANNING STAFF

ED/PUSD

D/ED/FUSD

PES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/AE LUCE

PS/FUS

SIR J BULLARD

SIR W EARDING

MR WILSON

LE WRIGET

SIR C TICKELL

COPIES TO:
BUCKINGHAM PALACE
PS/LORD PRESIDENT OF THE COUNCIL
PS/HOME SECRETARY
PS/CHANCELLOR OF THE EXCHEQUER
PS/LORD PRIVY SEAL
PS/SECRETARY FOR TRADE & INDUSTRY

COPIES TO: (VIA ADR)
MR ROBERTS N EWS D
MR BURROWS LEGAL ADVS
MR COLES NO 10 DOWNING ST

MR MARTIN ASSESSMENT STAFF CABINET OFFICE
MR GOODALL CABINET OFFICE
MR BRENNAN CABINET OFFICE
PS/S OF S FOR DEFENCE D
PS/ATTORNEY GENERAL
SIR P CRADOCK EN K195
SIR P CRADOCK NO 10 DOWNING STREET

SECRET

GRS 200

TOP COPY

SECRET

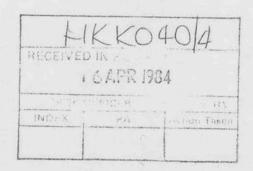
DESKBY 131130Z

FROM PEKING 131040Z APR 84

TO IMMEDIATE FCO

TELEGRAM NU BER 742 OF 13/4/84

INFO IMMEDIATE HONG KONG



(359) 360 (361)

MY 3 IPTS: CALL ON ZHOU NAN ON 13 APRIL: PROTOÇOL ON ARRANGEMENTS FOR THE TRANSITIONAL PERIOD.

1. FOLLOWING IS THE TEXT OF THE DRAFT PROTOCOL PROPOSED BY CHINA:

DRAFT PROTOCOL ON THE ARRANGEMENTS FOR THE TRANSITION
PERIOD BETWEEN THE GOVERNMENT OF THE PEOPLE'S REPUBLIC
OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND

IN ACCORDANCE WITH THE JOINT DECLARATION THE QUESTION OF HONG KONG SIGNED BY THE TWO GOVERNMENTS ON 1984, THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND HAVE SIGNED THIS PROTOCOL.

ARTICLE 1

ARTICLE 2

ARTICLE ...

THIS PROTOCOL IS AN ANNEX TO THE JOINT DECLARATON OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG.

1 DONE

DONE IN DUPLICATE IN .....ON .....1984, IN THE CHINESE AND ENGLISH LANGUAGES, BOTH TEXTS BEING EQUALLY AUTHENTIC

(SIGNED.....

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KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

EVANS

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SIR C TECKELL

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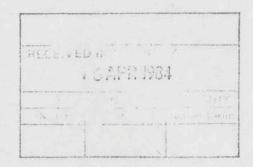
DESBKY 1311307

FROMPEKING 131048Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 743 OF 13/4/84

INFO IMMEDIATE HONG KONG



CALL ON ZHOU NAN ON 13 APRIL:

COMMENT

1. I AM NOT SURPRISED THAT ZHOU REJECTED OUR DRAFT AGREEMENT AS A BASIS FOR NEGOTIATION. HE SAID THAT THE REACTION WHICH HE WAS CONVEYING TO ME HAD BEEN CAREFULLY CONSIDERDED. BUT HE DID NOT MAKE ANY ATTEMPT TO ARGUE WHEN I SAID, BOTH AT THE BEGINNING AND THE END OF MY RESPONSE, THAT I WAS SURE YOU WOULD WISH TO ARGUE THE MERITS OF OUR DRAFT WITH WU XUEQIAN AND OTHER CHINESE LEADERS WHEN YOU MET THEM NEXT WEEK. NOR DID HE REFUSE TO STUDY OUR DRAFT ANNEXES.

2. QUITE A LOT OF ZHOU'S CRITICISMS OF OUR DRAFT ARE FAR FETCHED. SOME OF THEM WILL BE EASY TO DEMOLISH. MANY MORE OF HIS CRITICISMS CONCEREND FORM THATN SUBSTANCE.

3. GIVEN ALL THAT I HAVE SAID TO ZHOU NAN IN CNFORMAL DISCUSSIONS WITH HIM DURING THE PAST SIX WEEKS, HE AT LEAST CANNOT SERIOUSLY EXPECT US TO ACCEPT THE CHINESE DRAFT. 14.

SECRET 4. THE WAY IS OPEN FOR YOU TO ARGUE THE MERITS OF OUR DRAFT WITH WU AND OTHERS YOU MEET. YOU WILL, I IMAGINE, WISH TO DO THIS VIGOROUSLY, EVENIN IF YOU DECIDE TO CONCEDE A FEW POINTS WHICH ARE UNIMPORTANT TO US (E.G. TO AGREE TO AMEND THE REFERENCE TO ''HONG KONG(CHINA)'' IN ARTICLE 1) EVANS - FUITHE OF HONG KONG COPIES TO: LIMITED . . BUCKINGHAM PALACE ED/EXD PS/LORD PRESIDENT OF THE COUNCIL ED/FED PS/HOME SECRETARY ED/FLANNING STAFF PS/CHANCELLOR OF THE EXCHEQUER PS/LORD PRIVY SEAL ED/FUSD D/ED/FUSD PS/SECRETARY FOR TRADE & INDUSTRY RES.B. (MR WALKER) COPIES TO: (VIA ADR)
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MR BURROWS LEGAL ADVS LEGAL ADVISER (MR FREELAND) PS/LADY YOUNG MR COLES NO 10 DOWNING ST PS/ME LUCE PS/FUS SIR J BULLARD MR MARTIN ASSESSMENT STAFF CABINET OFFICE MR GOODALL CABINET OFFICE MR BRENNAN CABINET OFFICE SIR WILSON PS/S OF S FOR DEFENCE D LE REIGHT PS/ATTORNEY GENERAL SIR C THOMELL SIR P CRADOCK BY KIPS BIR P CRADOCK NO 10 DOWNING STREET

PS PS/HUS PS/MR LUCE MR WILSON HD/HKD HD/FED

COPIES TO: MR COLES, NO.10 DOWNING ST MR ROBERTS, NEWS DEPT SIR PERCY CRADOCK

GRS 610

SECRET

**DESKBY 131130Z** 

IMMEDIATE

ADVANCE COPY

FROM PEKING 131050Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 745 OF 13/4/84 INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: ROUND 12: DINNER

1. THERE WAS NO MUCH SUBSTANTIVE DISCUSSION OVER DINNER. DISCUSSION OF THE AGREEMENT HAS NOW BEEN OVERTAKEN (MY TEL NO 739).

#### ITEM 2

2. ZHOU SAID THAT HE HAD BEEN YERY DISAPPOINTED AT MY REACTION TO HIS PROPOSALS FOR THE TRANSITIONAL PERIOD. HE HAD DARED TO HOPE THAT WE WOULD SEE NO DIFFICULTIES IN THEM. HE WAS SURPRISED THAT WE SHOULD OBJECT TO DESCRIBING THE PERIOD BETWEEN NOW AND 1997 AS THE TRANSITIONAL PERIOD, AS THE CHINESE HAD USED THIS DESCRIPTION REPEATEDLY IN THE PAST. I ASKED ZHOU TO IMAGINE THE NEGATIVE EFFECT THAT SUCH A DESCRIPTION WOULD HAVE UPON OPION IN HONG KONG. THOU COUNTER-CLAIMED THAT IT WOULD HAVE A POSITIVE EFFECT.

### BRITISH REPRESENTATION

3. I SAID THAT WE HAD BEEN DIAPPOINTED AT THE CHINESE REACTION. IT SEEMED THAT THE CHINESE WANT TO EQUATE US WITH ALL OTHER COUNTRIES POST-1997. ZHOU ARGUED THAT WE SHOULD HAVE A GREATER ROLE TO PLAY BECAUSE OF THE EXTENT OF OUR ECONOMIC

AND OTHER INTERESTS. I REMINDED ZHOU OF WU XUEQIAN'S COMMENT TO YOU IN NEW YORK IN SEPTEMBER THAT BRITISH EXPERIENCE IN RUNNING A CAPITALIST ECONOMY WOULD BE VERY HELPFUL AND BRITAIN COULD PLAY A GREAT ROLE (UKMIS NEW YORK 1983 TEL NO 6 TO HONG KONG.) I SAID THAT THIS DID NOT SEEM TO US TO EQUATE WITH THE CHINESE POSITION ON BRITISH REPRESENTATION. I POINTED OUT THAT OTHER COUNTRIES (EG JAPAN AND THE US) COULD WELL HAVE MORE INVESMENT IN HONG KONG. ZHOU COUNTERED THAT WE WOULD HAVE NOTE-ISSUING BANKS AND ADDED THAT WU'S REMARK TO YOU HAD BEEN RATHER A ''JOKING ONE''.

#### TIMETABLE

4. ZHOU AGAIN ENQUIRED WHETHER I HAD BEEN INSTRUCTED TO OFFER CLARIFICATION ON THE THREE POINTS HE HAD EARLIER RAISED WITH ME (PARAGRAPH 5 OF MY TELNO 688). I SAID I HAD NOT.

#### FUTURE ROUNDS

J. ZHOU ABKED IF WE COULD AGREE TO TWO FURTHER ROUNDS IN MAY. I SAID THAT DECISION ON THIS WOULD HAVE TO WAIT UNTIL AFTER YOUR VISIT. (THE GOVERNOR TELLS ME THAT HIS TIMETABLE WOULD PERMIT ROUNDS ON 9/10 AND 30/31 MAY)

### GENERAL

6. ZHOU ASKED IF YOU WOULD HAVE A MESSAGE TO CONVEY FROM THE PRIME MINISTER. I SAID THAT I HAD NOT HEARD OF ONE.

IN RESPONSE TO ZHOU'S QUESTION, I SAID THAT THE SUBJECTS WHICH YOU WOULD WISH TO DISCUSS WOULD BE THE FORM

AND CONTENT OF AN AGREEMENT, THE TIMETABLE AND SUBJECTS ON WHICH WE WERE STILL NOT AGREED, SUCH AS NATIONALITY AND THE PUBLIC SERVICE.

EVANS

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