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FROM PEKING 172320Z APR 84

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TO IMMEDIATE FCO

TELEGRAM NUMBER 767 OF 17/4/84

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: SECRETARY OF STATE'S VISIT:

LUNCH WITH ZHOU NAN

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10 APR 1984		
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1. ZHOU NAN GAVE A WORKING LUNCH ON 17 APRIL FOR SIR PERCY CRADOCK ACCOMPANIED BY WILSON AND GALSWORTHY. HE BEGAN BY RE-ARGUING THE CHINESE CASE ON ITEM 2, SAYING THAT A JOINT ORGANISATION IN HONG KONG WAS ESSENTIAL. IT COULD BE MADE CLEAR THAT IT WAS NOT AN ORGANISATION OF AUTHORITY. IT WOULD CEASE WORK IN 1997, AND THEREFORE COULD NOT BE SEEN AS 'SENDING PEOPLE FROM PEKING TO GOVERN THE SAR'. IT HAD TO BE IN HONG KONG SINCE IT WOULD BE DEALING WITH MATTERS OF DETAIL, SUCH AS LAND AND THE INTERNAL SECURITY FORCE. IF SUCH MATTERS WERE TO BE DEALT WITH SATISFACTORILY PEOPLE WOULD HAVE TO GO TO HONG KONG IN ORDER TO UNDERSTAND THE POSITION ON THE GROUND. WE HAD REJECTED THE CHINESE PROPOSALS AND SEEMED UNWILLING EVEN TO CONSIDER THEM.

2. SIR P CRADOCK DENIED THAT WE WERE UNWILLING TO CONSIDER THIS OR ANY OTHER CHINESE IDEA. ON THE OTHER HAND ACCOUNT HAD TO BE TAKEN OF THE IMPACT OF SETTING UP SUCH AN ORGANISATION IN HONG KONG. WHATEVER NAME THE CHINESE GAVE IT, IT WOULD BE SEEN AS AN ALTERNATIVE SOURCE OF AUTHORITY. THERE WAS NO DOUBT ABOUT THE BRITISH WISH TO CO-OPERATE CLOSELY WITH CHINA IN THE PERIOD UP TO 1997 AND TO ENSURE A SMOOTH TRANSITION. BUT THERE WERE OTHER AND MUCH SAFER METHODS OF ENSURING THIS. HE PUT FORWARD AS A PERSONAL SUGGESTION THE IDEA THAT THE NEGOTIATING TEAMS IN PEKING COULD CONTINUE TO MEET, THOUGH LESS FREQUENTLY, TO DEAL WITH MATTERS OUTSTANDING FROM THE NEGOTIATION. IF LOCAL EXPERTISE WERE REQUIRED, THERE SHOULD BE NO DIFFICULTY IN BRINGING IN PEOPLE FROM HONG KONG, DEPENDING ON THE SUBJECT. HE ASKED IN PARTICULAR WHAT MATTERS ZHOU WAS PROPOSING SHOULD BE DEALT WITH BY THE JOINT ORGANISATION.

3. ZHOU GAVE NO CLEAR REPLY TO THIS LAST QUESTION, BUT HE EMPHASISED THE IMPORTANCE OF THE JOINT ORGANISATION.

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IT WAS A MATTER OF PRINCIPLE FOR THE CHINESE. HE SUGGESTED IF WE WERE HAVING DIFFICULTIES OVER THE NAME OR THE COMPOSITION OF THE ORGANISATION THIS MIGHT BE CHANGED, BUT THERE MUST BE A JOINT ORGANISATION. HE HINTED THAT IF WE COULD NOT AGREE ON ITEM 2, THEN IT MIGHT BE DIFFICULT FOR THE CHINESE TO AGREE TO OUR PROPOSALS ON THE TIMETABLE.

4. CRADOCK EXPRESSED CONCERN OVER THE UNCERTAINTY CREATED BY THE CHINESE INTENTION TO PASS A BASIC LAW AFTER THE AGREEMENT WAS SIGNED. THERE COULD BE NO ASSURANCE THAT THE LAW WOULD BE THE SAME AS THE AGREEMENT, WITH THE RESULT THAT MANY MONTHS' PATIENT WORK COULD BE WASTED. ZHOU CLAIMED THAT JI PENGFEI HAD DEALT WITH THIS ISSUE THAT MORNING WHEN HE HAD STATED THAT THE ANNEX WOULD HAVE VALIDITY LIKE THE AGREEMENT, AND THAT BOTH WOULD BE REFLECTED IN THE BASIC LAW. CRADOCK ASKED HOW MUCH DETAIL WOULD BE INCLUDED IN THE ANNEX. THIS WAS A CRITICAL ISSUE ON THE BRITISH SIDE. HE ASSUMED THE ANNEX WOULD CONTAIN ALL THE POINTS AGREED IN THE WORKING PAPERS. ZHOU WAS UNCLEAR IN HIS REPLY AND SAID THAT THIS COULD BE DISCUSSED IN ROUNDS 13 AND 14.

5. ZHOU CONTINUED THAT OUR DRAFT AGREEMENT WAS OBJECTIONABLE BECAUSE IT SOUGHT TO TELL THE CHINESE WHAT THEIR BASIC LAW SHOULD BE AND TO GIVE THE IMPRESSION THAT IT WOULD EMERGE WITH THE APPROVAL OF THE BRITISH GOVERNMENT. THIS WAS TOTALLY UNACCEPTABLE. CRADOCK SAID THAT THE PRECISE WORDING OF THE AGREEMENT COULD BE LOOKED AT, BUT WHAT WAS

IMPORTANT WAS THAT IT SHOULD BE BALANCED AND BINDING. ZHOU SAID THAT THE WHOLE TEXT OF THE AGREEMENT, INCLUDING THE ANNEX WOULD BE BINDING. CRADOCK SUGGESTED THAT THE LAWYERS SHOULD EXAMINE THIS.

6. ZHOU THEN RAISED THE ISSUE OF RATIFICATION, SAYING THAT IT HAD NOT BEEN CLEARLY ANSWERED THAT MORNING DURING THE MEETING WITH JI PENGFEI. CRADOCK EXPLAINED THAT FOLLOWING DEBATE IN PARLIAMENT AND SIGNATURE THERE WOULD HAVE TO BE LEGISLATION AFTER WHICH THE AGREEMENT WOULD BE RATIFIED AND WOULD COME INTO EFFECT. ZHOU ASKED WHAT THE LEGISLATION WOULD BE ABOUT. CRADOCK EXPLAINED THAT IT WOULD DEAL WITH THE TRANSFER OR TERMINATION OF SOVEREIGNTY AT WHICH ZHOU LOOKED MUCH RELIEVED. THERE WOULD ALSO BE A NEED FOR OTHER LEGISLATION CONSEQUENTIAL ON THE DECISION TO TERMINATE ADMINISTRATION. ZHOU ASKED WHY PARLIAMENT HAD TO HAVE TWO BITES AT THE ISSUE, FIRST HOLDING A DEBATE AND THEN PASSING LEGISLATION. CRADOCK EXPLAINED THE DIFFERENCE BETWEEN THESE TWO PROCESSES. ZHOU THEN ASKED HOW LONG THE NECESSARY LEGISLATION WOULD TAKE. CRADOCK SAID IT WOULD DEPEND ON PARLIAMENTARY TIME, BUT IF THE AGREEMENT WE ACHIEVED WAS SUFFICIENTLY DETAILED,

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THEN THE PROCESS OF RATIFICATION COULD BE EXPEDITED. ZHOU THEN SAID HIS IMPRESSION WAS THAT WE INTENDED TO LINK RATIFICATION TO THE PASSAGE OF THE BASIC LAW. CRADOCK EXPLAINED THAT THIS WOULD BE THE PROCEDURE IN NORMAL CIRCUMSTANCES, BUT HONG KONG WAS A UNIQUE CASE REQUIRING UNIQUE EXPEDIENTS. HE REPEATED THE IMPORTANCE OF DETAIL AND SAID THAT IF THERE WERE SUFFICIENT DETAIL IN THE AGREEMENT, RATIFICATION COULD BE MUCH EXPEDITED.

7. CRADOCK SAID THAT HE HAD BEEN WORRIED ABOUT THE REFERENCE IN THE CHINESE STATEMENT IN ROUND 12 TO A "REFORM" TAKING PLACE IN HONG KONG AFTER 1993. WE HAD BEEN ARGUING FOR CONTINUITY: THIS SOUNDED AS THOUGH THE CHINESE INTENDED THERE TO BE MAJOR CHANGES. ZHOU SAID THAT PERHAPS THERE HAD BEEN A MISUNDERSTANDING. ALTHOUGH THE BASIC LAW WOULD REFLECT THE AGREEMENT, THERE NEEDED TO BE A TRANSITION PERIOD. THE GROUP WHICH WOULD WORK ON THE BASIC LAW AND ADVISE ON ITS CONTENTS MUST HAVE SOME FLEXIBILITY: IF ALL THE DETAIL WAS SPECIFIED NOW IN THE AGREEMENT CONSULTATION WITH THE PEOPLE OF HONG KONG WOULD BE MEANINGLESS. SOME THINGS COULD NOT BE SETTLED AT THIS STAGE, SUCH AS THE STRUCTURE OF THE LEGISLATIVE AUTHORITY, THE STRUCTURE OF THE EXECUTIVE AUTHORITY, AND HOW ITS MEMBERS SHOULD BE PRODUCED (ZHOU NAN SAID HE FAVOURED A PROCESS OF CONSULTATION RATHER THAN ELECTION) AND WHAT THE CHINESE EXECUTIVE AND OTHER SENIOR OFFICIALS SHOULD BE CALLED. AFTER 1993, PEOPLE WOULD HAVE TO BE BROUGHT FORWARD GRADUALLY TO FORM A SORT OF SHADOW CABINET SO THAT THEY COULD TAKE OFFICE IN 1997. THE SAR GOVERNMENT COULD NOT JUST SUDDENLY APPEAR IN 1997. THE CHINESE HAD BEEN REFERRING IN THEIR STATEMENT TO THE ESTABLISHMENT AFTER 1993 OR THEREABOUTS OF THE GOVERNMENTAL ORGANS WHICH WOULD BE PROVIDED FOR IN THE BASIC LAW.

EVANS

FUTURE OF HONG KONG

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