

SECRET

24 DAB

(377)

GRS 4500

SECRET

TOP COPY

DESKBY 180700Z

FM PEKING 171645Z APRIL 84

TO IMMEDIATE FCO TELNO 764 OF 17 APRIL 84
AND TO IMMEDIATE HONG KONG
AND TO IMMEDIATE LISBON (FOR PRIVATE SECRETARY TO PRIME MINISTER)

FOLLOWING FROM PRIVATE SECRETARY.

FUTURE OF HONG KONG: SECRETARY OF STATE'S DISCUSSIONS

11KK C40/4	
18 APR 1984	
DATE	TIME
INDEX	Page

PENGFEL ON 17 APRIL

SUMMARY

see (379), (381)

1. THE SECRETARY OF STATE HAD TWO HOURS WITH JI PENGFEI THIS MORNING. HE SET OUT OUR ARGUMENTS FOR A DETAILED AGREEMENT BINDING ON BOTH SIDES AND EXPLAINED FULLY OUR VIEWS ON THE TIMETABLE, UNDERLINING THE NEED TO GIVE PARLIAMENT SUFFICIENT TIME TO CONSIDER THE DRAFT AGREEMENT. HE SAID THAT PARLIAMENT COULD ONLY ACCEPT OR REJECT THE AGREEMENT NOT (NOT) TINKER WITH IT. THE SECRETARY OF STATE ALSO REFERRED TO OUR INTENTION TO MAKE AN UNVEILING STATEMENT IN HONG KONG. JI COMMENTED ONLY THAT THIS WOULD BE A VERY IMPORTANT STATEMENT. JI DESCRIBED CHINESE VIEWS ON THE AGREEMENT AND CONFIRMED THAT MATTERS OF DETAIL COULD BE DEALT WITH IN AN ANNEX. HE SAID THAT BOTH THE AGREEMENT AND THE ANNEX WOULD BE BINDING. HE EXPLAINED THE CHINESE IDEAS FOR A JOINT ADVISORY GROUP IN HONG KONG DURING THE TRANSITIONAL PERIOD: THE SECRETARY OF STATE SAID THAT WE THOUGHT CONTACTS IN PEKING WOULD BE SUFFICIENT.

2. JI ASKED THE SECRETARY OF STATE ABOUT HIS TALKS WITH WU XUEQIAN. THE SECRETARY OF STATE SAID THAT HE WAS PLEASED TO HAVE BEEN ABLE TO HAVE TWO SUCH LONG SESSIONS. HE BELIEVED THAT BOTH HE AND WU NOW HAD CLEARER IDEAS ABOUT EACH OTHER'S POINTS OF VIEW. JI SAID THAT CHINA ATTACHED IMPORTANCE TO THE SECRETARY OF STATE'S VISIT. THAT WAS WHY PREMIER ZHAO AND CHAIRMAN DENG BOTH WISHED TO MEET HIM. THE CHINESE SIDE HOPED THAT THE VISIT WOULD ENHANCE RESPECT AND UNDERSTANDING. THE APPROACH OF BOTH SIDES TO THE QUESTION OF HONG KONG SHOULD PROCEED FROM THEIR WIDER INTERESTS. AN AGREEMENT SHOULD BE CONCLUDED AT AN EARLY DATE. THIS WOULD REASSURE THE PEOPLE OF HONG KONG, THE PEOPLE ON THE CHINESE MAINLAND AND THE BRITISH PEOPLE. A SATISFACTORY SETTLEMENT THROUGH FRIENDLY CONSULTATIONS WOULD HAVE A CONSIDERABLE EFFECT INTERNATIONALLY. CHAIRMAN DENG HAD ORIGINALLY INTENDED TO BE OUTSIDE PEKING ON AN

SECRET

/ INSPECTION

INSPECTION TOUR BUT HE HAD REMAINED IN PEKING TO MEET THE SECRETARY OF STATE. THE SECRETARY OF STATE SAID THAT HE WELCOMED THE OPPORTUNITY TO DISCUSS THE QUESTION OF HONG KONG WITH CHINESE LEADERS. HE ATTACHED IMPORTANCE TO THE QUESTION OF HONG KONG AS DID THE PRIME MINISTER.

3. THE SECRETARY OF STATE SAID THAT THE TWO NEGOTIATING TEAMS HAD HELD VALUABLE DISCUSSIONS ABOUT HONG KONG OVER THE LAST FEW MONTHS AND HAD COVERED MUCH DETAIL. THIS WAS IMPORTANT BECAUSE, AS BOTH SIDES AGREED, HONG KONG WAS A COMPLEX PLACE. A DETAILED UNDERSTANDING OF THE SITUATION THERE WAS NEEDED IF CHINA AND BRITAIN WERE TO ACHIEVE THEIR COMMON AIM OF AGREEING ARRANGEMENTS WHICH WOULD ENSURE THE CONTINUING PROSPERITY AND STABILITY OF THE TERRITORY.

4. THE SECRETARY OF STATE UNDERLINED OUR COMMITMENT TO SINCERE AND THOROUGH NEGOTIATION IN ORDER TO ACHIEVE THIS JOINT OBJECTIVE. WE WERE NEGOTIATING ON THE BASIS EXPLAINED IN THE PRIME MINISTER'S TWO MESSAGES TO PREMIER ZHAO. WE WERE EXAMINING TOGETHER WHETHER, ON THE BASIS OF THE CHINESE PROPOSALS FOR HONG KONG, ARRANGEMENTS SATISFACTORY TO THE GOVERNMENT OF CHINA, THE BRITISH PARLIAMENT AND THE PEOPLE OF HONG KONG COULD BE AGREED. IF THEY COULD, WE SHOULD BE READY TO RECOMMEND TO PARLIAMENT THAT SOVEREIGNTY OVER THE WHOLE OF HONG KONG AND THE RIGHT OF ADMINISTRATION THERE SHOULD BE TRANSFERRED TO CHINA FROM 1 JULY 1997. WE SAW OUR COMMON TASK AS BEING TO WORK OUT ARRANGEMENTS WHICH WOULD TAKE ACCOUNT OF HONG KONG'S HISTORICAL POSITION AS PART OF CHINA AND WHICH WOULD, AT THE SAME TIME, COMMAND CONFIDENCE AMONG THE PEOPLE WHO LIVED AND WORKED THERE. WE WERE DISCUSSING A NEW STATUS FOR HONG KONG AND WISHED TO ENSURE THAT THE TRANSITION WOULD BE AS SMOOTH AS POSSIBLE. THE PROBLEMS WERE UNIQUE. THEY REQUIRED UNIQUE SOLUTIONS. WE WERE CONFIDENT THAT TOGETHER WE COULD ACCOMPLISH THIS TASK.

5. THE NEGOTIATING TEAMS HAD ALMOST COMPLETED DISCUSSIONS OF AGENDA ITEM 1 ALTHOUGH THERE WERE STILL SOME QUITE IMPORTANT POINTS OUTSTANDING. WE WERE NOW BEGINNING TO DISCUSS ITEM 2 AND THE FORM AND CONTENT OF A BINDING AGREEMENT. ON THE QUESTION OF AN AGREEMENT THERE WAS FIRST THE QUESTION OF TRUST. HMG HAD CONFIDENCE IN WHAT THE CHINESE SIDE SAID ABOUT ITS INTENTIONS FOR THE FUTURE OF HONG KONG. CHINESE PROPOSALS WERE CLEARLY THE RESULT OF MUCH STUDY. THEY WERE IMAGINATIVE AND FAR REACHING. WE FIRMLY BELIEVED THAT WHAT WAS DISCUSSED AND AGREED BETWEEN US WOULD BE PUT INTO EFFECT. BUT IT WOULD ONLY BE BUSINESS-LIKE AND SENSIBLE TO SET OUT IN AN AGREEMENT THE POINTS ON WHICH WE AGREED. THIS WAS A STANDARD PROCEDURE EVEN BETWEEN THE CLOSEST OF ALLIES ON THE SIMPLEST OF MATTERS. IN THE CASE OF HONG KONG THERE WAS A PARTICULAR NEED TO CONVINCING OTHERS ABOUT THE NATURE OF THE AGREEMENT BETWEEN US. THESE WERE THE PEOPLE ON WHOM THE FUTURE PROSPERITY AND STABILITY OF HONG KONG DEPENDED: INVESTORS, BUSINESSMEN FROM ALL PARTS OF THE

2
SECRET

/ WORLD,

WORLD, THE GOVERNMENTS OF MEMBER STATES OF INTERNATIONAL ORGANISATIONS SUCH AS GATT AND THE PEOPLE OF HONG KONG THEMSELVES. THEY WOULD ALL WANT AND EXPECT TO SEE CLEARLY RECORDED IN AN AGREEMENT THE POINTS WHICH HAD BEEN DISCUSSED AND AGREED BETWEEN US.

6. FOR THE SAME REASON WE NEEDED TO HAVE AN AGREEMENT WHICH WAS BINDING OF BOTH SIDES. HMG WERE WILLING TO SIGN A SUITABLE AGREEMENT WHICH WOULD BIND US TO RELINQUISH SOVEREIGNTY AND ADMINISTRATIVE POWER OVER THE WHOLE OF HONG KONG ON 1 JULY 1997. THE AGREEMENT SHOULD BE A BALANCED ONE. THERE NEEDED TO BE AN EQUIVALENCE IN UNDERTAKINGS. HMG WOULD BE ENTERING INTO A SOLEMN OBLIGATION TO RELINQUISH SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION. PARLIAMENT WOULD ASK WHAT MATCHING OBLIGATION THERE WAS ON THE OTHER SIDE. WE BELIEVED THAT THE CHINESE SIDE SHOULD GIVE A BINDING COMMITMENT TO THE ARRANGEMENTS WHICH WOULD BE MADE FOR THE SAR AFTER 1 JULY 1997. THE PRECISE WORDS IN WHICH THIS WOULD BE EXPRESSED WOULD OF COURSE BE A MATTER FOR DISCUSSION BY THE NEGOTIATING TEAMS.

7. EACH SIDE HAD PUT FORWARD A DRAFT OF AN AGREEMENT. NOT SURPRISINGLY, AT THIS STAGE, THERE WERE DIFFERENCES OF VIEW. WE WERE NEVERTHELESS GLAD THAT WE HAD AGREED THAT OUR NEGOTIATORS SHOULD CONTINUE A STUDY OF BOTH DOCUMENTS.

8. HMG WAS ANXIOUS TO REACH A SUITABLE AGREEMENT AS SOON AS POSSIBLE. BUT ALL THE FACTORS INVOLVED HAD TO BE TAKEN INTO ACCOUNT. THERE WAS A GREAT DEAL OF WORK STILL TO BE DONE. ON OUR SIDE AN AGREEMENT OF THIS IMPORTANCE HAD TO BE DEBATED AND APPROVED BY PARLIAMENT BEFORE IT COULD BE SIGNED. IF WE COULD REACH A SATISFACTORY AGREEMENT IT WOULD BE OUR INTENTION TO RECOMMEND THAT AGREEMENT STRONGLY TO PARLIAMANT. HOWEVER SPEAKING AS A MINISTER AND MP THE SECRETARY OF STATE STRESSED THAT PARLIAMENT COULD NOT BE TAKEN FOR GRANTED. HE HAD A PARTICULAR REASON FOR SAYING THAT. IN 1972 MR HEATH HAD ASKED HIM TO PILOT THROUGH THE HOUSE THE BILL WHICH LED TO BRITAIN JOINING THE EC. IT WOULD BE A GRAVE MISTAKE TO TRY TO RUSH PARLIAMENT OR TO TAKE IT FOR GRANTED. PARLIAMENT WOULD NEED MORE THAN JUST A FEW WEEKS TO CONSIDER AN AGREEMENT BEFORE DEBATING IT. THEY WOULD ALSO WISH TO HAVE AN OPPORTUNITY TO OBSERVE REACTIONS IN HONG KONG.

9. THIS WAS NOT FOOT-DRAGGING. WE WANTED TO STEER OUR JOINT ENTERPRISE TO A SUCCESSFUL CONCLUSION. PARLIAMENT RECESSED IN JULY AND DID NOT REASSEMBEL UNTIL OCTOBER. REALISTICALLY THERE WAS NOT ENOUGH TIME TO HAVE A DEBATE BEFORE JULY. THE SECRETARY OF STATE SAID THAT IN HIS JUDGEMENT IT WAS BEST TO AIM FOR A DRAFT AGREEMENT IN SEPTEMBER WHICH WOULD BE DEBATED BY PARLIAMENT IN NOVEMBER. THIS WOULD MEET THE CHINESE WISH FOR AN ANNOUNCEMENT BY SEPTEMBER AND WOULD ALLOW FOR SIGNATURE WELL BEFORE THE END OF THE YEAR. THE CHINESE SIDE MUST TRUST US TO KNOW HOW BEST TO DEAL WITH THE PRACTICAL QUESTION OF SECURING PARLIAMENT APPROVAL FOR AN AGREEMENT.

SECRET (3)

10. IF HMG WERE TO COMMEND THE AGREEMENT TO PARLIAMENT, IT SHOULD EXPLAIN CLEARLY AND IN DETAIL WHAT THE ARRANGEMENTS WOULD BE FOR HONG KONG AFTER 1997. THIS WAS VITAL FOR ENSURING THAT INVESTORS AND PEOPLE IN HONG KONG WOULD HAVE CONFIDENCE IN THE FUTURE. THE CHINESE SIDE HAD SAID THAT THE BASIC LAW WOULD REFLECT WHAT WAS IN THE AGREEMENT. THEY HAD ALSO SAID THAT THE BASIC LAW WOULD TAKE SEVERAL YEARS TO DRAFT. IT WAS THUS ALL THE MORE IMPORTANT THAT PEOPLE SHOULD KNOW WHAT THE MAIN CONTENTS OF THE BASIC LAW WOULD BE. UNLESS THERE WERE THIS ASSURANCE AND THIS KNOWLEDGE ALL OUR WORK WOULD HAVE BEEN TO NO PURPOSE AND PEOPLE COULD NOT BE EXPECTED TO HAVE CONFIDENCE IN THE FUTURE. CLARITY IN THE AGREEMENT WAS THE ESSENTIAL BRIDGE FOR CONFIDENCE IN THE FUTURE. IF THE AGREEMENT WAS SATISFACTORY, HMG WOULD COMMEND IT STRONGLY TO PARLIAMENT.

11. TO SECURE ACCEPTANCE IT WOULD BE IMPORTANT TO PREPARE PUBLIC OPINION, PARTICULARLY IN HONG KONG BUT ALSO PARLIAMENTARY AND PUBLIC OPINION IN BRITAIN. WE SHARED A COMMON INTEREST IN ENSURING THAT THE PUBLIC REACTION TO AN ANNOUNCEMENT OF AN AGREEMENT BETWEEN US WAS ONE OF UNDERSTANDING AND ACCEPTANCE. TO HELP ENSURE THIS THE SECRETARY OF STATE THEREFORE INTENDED TO MAKE A SHORT PUBLIC STATEMENT IN HONG KONG OUTLINING THE BRITISH APPROACH TO THE NEGOTIATIONS. THIS WOULD NOT BREACH THE PRINCIPLE OF CONFIDENTIALITY WHICH WOULD EXPLICITLY BE ACKNOWLEDGED. NOR WOULD IT DIVULGE THE DETAIL OF AN EVENTUAL AGREEMENT. BUT IT WOULD HELP TO PREPARE PUBLIC OPINION FOR THE LIKELY OUTCOME OF OUR NEGOTIATIONS AND THUS HELP ASSURE ITS ACCEPTANCE.

12. JI REPLIED THAT THE STATEMENT WHICH THE SECRETARY OF STATE WOULD MAKE IN HONG KONG WOULD BE A VERY IMPORTANT ONE. SO WAS THE STATEMENT WHICH HE HAD JUST MADE. WHICH POINTS DID THE BRITISH SIDE DISAGREE WITH IN THE CHINESE DRAFT ?

13. JI CONTINUED THAT IN THE AGREEMENT, THE TRANSFER OF SOVEREIGNTY MUST BE CLEARLY AFFIRMED AS A COMMON POINT. CHINA HAD TAKEN INTO ACCOUNT THE REALITIES, HISTORICAL BACKGROUND AND INTERNATIONAL SIGNIFICANCE OF HONG KONG. AFTER 1997 THE PRESENT SYSTEM WOULD REMAIN BASICALLY UNCHANGED. HONG KONG WOULD REMAIN A CAPITALIST TERRITORY, WOULD RETAIN ITS PRESENT LIFE STYLE, WOULD REMAIN A TRADE CENTRE AND A FREE PORT. OUR TALKS HAD BEEN UNDERTAKEN FOR SOME MONTHS ON THE BASIS OF THE 12 CHINESE GUIDELINES. AMPLIFICATIONS TO THEM HAD BEEN GIVEN. THE 12 GUIDELINES SHOULD BE IN THE AGREEMENT. SOME OTHER ISSUES MIGHT BE SET OUT IN AN ANNEX ATTACHED TO THE AGREEMENT WHICH COULD TAKE THE FORM OF AN EXCHANGE OF NOTES. SINCE THE 12 GUIDELINES WERE AN INTERNAL CHINESE AFFAIR BRITAIN SHOULD SIMPLY EXPRESS APPRECIATION FOR THEM IN THE AGREEMENT. THEY COULD NOT BE ENCAPSULATED IN THE AGREEMENT AS THE RESULT OF OUR NEGOTIATIONS BECAUSE, WITH THE QUESTION OF SOVEREIGNTY SOLVED, BRITAIN SHOULD NOT INTERFERE IN THE INTERNAL AFFAIRS OF HONG KONG AFTER 1997. THIRDLY, THE

4
SECRET

/ AGREEMENT

AGREEMENT SHOULD COVER THE PERIOD BETWEEN NOW AND 1997. DURING THIS PERIOD THERE NEEDED TO BE A CONTINUITY OF EXCHANGE OF VIEWS BETWEEN THE TWO SIDES. A JOINT GROUP TO IMPLEMENT THE AGREEMENT AND CARRY ON SUCH CONSULTATIONS WAS NECESSARY.

14. ONCE THE AGREEMENT WAS SIGNED THERE WOULD BE MANY SPECIFIC ISSUES WHICH WOULD NEED TO BE DISCUSSED. CONSULTATIONS WOULD CERTAINLY CONTINUE BETWEEN THE EMBASSY AND COMPETENT CHINESE DEPARTMENTS BUT THERE WOULD BE SOME SPECIFIC ISSUES AFFECTING HONG KONG WHICH SHOULD BE DEALT WITH LOCALLY. CHINA THEREFORE SUGGESTED THE ESTABLISHMENT OF THE JOINT GROUP IN HONG KONG FOR THE TIMELY DISCUSSION OF THESE ISSUES. THE JOINT GROUP WOULD NOT BE AN ORGAN OF POWER BUT AN ADVISORY BODY FOR THE IMPLEMENTATION OF THE AGREEMENT. FROM NOW UNTIL 1997 BRITAIN WOULD HAVE FULL AUTHORITY FOR THE ADMINISTRATION OF HONG KONG AND FULL RESPONSIBILITY FOR THE STABILITY AND PROSPERITY OF THE TERRITORY. IN 1993 IT WAS PROBABLY THAT THE BASIC LAW WOULD HAVE BEEN PROMALGATED. THEN PEOPLE IN HONG KONG COULD CONSIDER THE TERRITORY'S FUTURE INSTITUTIONS, THE QUESTION OF TRANSFER OF GOVERNEMENT AND THE COMPOSITION OF THE FIRST GOVERNMENT OF THE SAR.

15. IN SHORT, CHINA SUGGESTED THAT THE THREE ASPECTS OF SOVEREIGNTY, CHINESE BASIC POLICIES AND THE TRANSITIONAL PERIOD SHOULD BE COVERED IN THE AGREEMENT. THIS WOULD SET PEOPLE'S HEARTS AT EASE AND WAS REASONABLE. OF COURSE THERE WAS SOME ROOM TO DISCUSS THE WORDING. BUT THE AGREEMENT SHOULD ONLY COVER MATTERS OF PRINCIPLE AND NOT TOO MUCH DETAIL. THERE SHOULD BE AN ANNEX WHICH WOULD BE EQUALLY VALID AND BINDING. THE AGREEMENT AND THE ANNEX WOULD BOTH BE REFLECTED IN THE BASIC LAW. ASPECTS TO BE COVERED IN THE ANNEX COULD BE FURTHER DISCUSSED.

16. JI SAID THAT THE TALKS HAD PRODUCED EFFECTIVE RESULTS. NOW ALMOST ALL THE POINTS FOR ARRANGEMENTS AFTER 1997 HAD BEEN AFFIRMED. THIS WAS A GOOD BASIS FOR THE WAY AHEAD TO AN AGREEMENT. IT SHOULD BE POSSIBLE TO CONCLUDE ONE IN MAY OR EARLY JUNE. THERE WOULD THEN BE TIME TO SUBMIT THE AGREEMENT TO PARLIAMENT WHICH WOULD HAVE ONE MONTH TO CONSIDER AND DEBATE IT BEFORE ITS RECESS IN JULY. THIS TIMETABLE WAS NOT AMBITIOUS SINCE THE AGREEMENT SHOULD ONLY COVER QUESTIONS OF PRINCIPLE. WHAT WERE THE SECRETARY OF STATE'S COMMENTS ON THE CHINESE DRAFT? THE MAIN CHINESE COMMENT ON THE BRITISH DRAFT WAS THAT IT INTERFERED TOO MUCH WITH THE PRINCIPLE OF CHINESE SOVEREIGNTY.

17. THE SECRETARY OF STATE SAID THAT THE AGREEMENT DID INDEED NEED TO DEAL CLEARLY WITH SOVEREIGNTY ALONG THE LINES WHICH JI HAD DESCRIBED. WE THOUGHT THAT OUR DRAFT DID THIS. IT WAS THE INTENTION OF BOTH OUR DRAFTS TO EXPRESS THE AGREEMENT THAT CHINA WOULD RESUME SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION FROM 1 JULY 1997. THERE WAS NO DOUBT ABOUT THAT. WE ALSO RECOGNISED THE IMPORTANCE OF THE STUDY OF HONG KONG WHICH THE CHINESE SIDE HAD UNDERTAKEN AND OF THE CONCLUSIONS WHICH THEY HAD REACHED,

5
SECRET

/ NAMELY

NAMELY TO CONTINUE THE TYPE OF SYSTEMS AND SOCIETY WHICH HONG KONG ENJOYED AT PRESENT. THESE ASSURANCES OF CONTINUITY WERE VERY VALUABLE. OUR ANXIETY ABOUT THE CHINESE DRAFT WAS THAT IT CONTAINED INSUFFICIENT DETAIL. IT SHOULD CONTAIN ALL THE POINTS FROM OUR WORKING PAPERS AGREED IN DISCUSSIONS. JI HAD SAID THAT THE IMPLICATIONS OF CHINESE POLICIES CONTAINED IN THE ANNEX WOULD BE AS VALID AS THE AGREEMENT ITSELF. THIS WAS A VERY IMPORTANT STATEMENT. IT WENT A LONG WAY TOWARDS REMOVING THE ANXIETIES WHICH WE HAD ABOUT THE ORIGINAL CHINESE DRAFT. BUT MUCH WOULD ALSO DEPEND ON WHAT THE ANNEX CONTAINED. IF IT WERE TO CARRY CONVICTION, THE SAME AMOUNT OF DETAIL AS WAS CONTAINED IN THE WORKING PAPERS WAS NECESSARY. THE PEOPLE OF HONG KONG AND INVESTORS NEEDED THE ASSURANCES OF THESE DETAILS.

18. IF THE BASIC LAW WOULD NOT BE PUBLISHED UNTIL 1993 A BRIDGE OF CONFIDENCE FROM NOW UNTIL THEN WAS PARTICULARLY IMPORTANT. IF THE FINAL AGREEMENT INCLUDING THE ANNEX WERE TO CONTAIN ALL MATTERS WHICH WE CONSIDERED IT SHOULD CONTAIN, IT WAS IMPORTANT THAT BOTH DRAFTS SHOULD REMAIN ON THE TABLE ALONGSIDE EACH OTHER. AS FOREIGN MINISTER WU HAD SAID YESTERDAY, WE SHOULD WORK ON BOTH. JI HAD SAID THAT THE PRINCIPLES WHICH CHINA HAD ENUNCIATED FOR ARRANGMENTS FOR HONG KONG AFTER 1997 WERE AN EXPRESSION OF CHINESE SOVEREIGNTY AND IN THAT SENSE AN INTERNAL AFFAIR. BUT IT WAS IMPORTANT FOR CONFIDENCE THAT CHINESE UNDERTAKINGS SHOULD FORM PART OF AN OVERALL AGREEMENT. WE WERE TAKING ON AN OBLIGATION TO RELINQUISH SOVEREIGNTY IN 1997. THIS SHOULD BE BALANCED BY OBLIGATIONS ON THE CHINESE SIDE.

19. ON ARRANGEMENTS BEFORE 1997, THE SECRETARY OF STATE SAID THAT HE WAS GLAD THAT THE CHINESE SIDE ACCEPTED THAT BRITAIN WOULD HAVE FULL RESPONSIBILITY FOR THE ADMINISTRATION OF HONG KONG UP TO 1997 AND THAT THERE WAS A NEED FOR CONTINUITY OF SYSTEMS AFTER 1997. WE ACCEPTED THAT THERE WOULD BE A NEED FOR CONSULTATION BETWEEN US BETWEEN NOW AND 1997 ON A NUMBER OF IMPORTANT QUESTIONS WHICH HAD BEEN IDENTIFIED YESTERDAY. WE AGREED WITH THE CHINESE SIDE ON THE NEED TO SET THE HEARTS OF HONG KONG PEOPLE AT EASE BETWEEN NOW AND 1997, AS WELL AS THE CHINESE VIEW THAT AFTER 1997 HONG KONG SHOULD ENJOY A HIGH DEGREE OF AUTONOMY. IT WAS IMPORTANT NOT TO GIVE AN IMPRESSION THAT CHINA WAS SETTING UP AN ORGAN OF POWER IN HONG KONG. THEREFORE CONTACTS IN PEKING OF THE PRESENT TYPE SHOULD CONTINUE. A BODY IN HONG KONG, EVEN A CONSULTATIVE ONE, WOULD WORRY PEOPLE THERE. THEY WOULD THINK THAT THERE WERE ABOUT TO BE BIG CHANGES. THE LOCATION OF CONSULTATIONS WAS THEREFORE IMPORTANT PSYCHOLOGICALLY AND SHOULD BE IN PEKING.

20. ON THE TIMETABLE THE SECRETARY OF STATE MAINTAINED HIS VIEW THAT THE CONCLUSION OF AN AGREEMENT BY MAY OR JUNE WOULD NOT BE POSSIBLE. EVEN IF IT WERE IT WOULD GIVE AN UNFORTUNATE IMPRESSION OF HASTE. HIS TIMETABLE WAS REALISTIC, NOT DILATORY. IT WAS THE MOST LIKELY TO SECURE CONFIDENCE AND THE ACCEPTANCE OF THE

^b
SECRET

/ AGREEMENT.

SECRET

AGREEMENT. WE SHOULD AIM FOR AGREEMENT IN SEPTEMBER AND DEBATE IN PARLIAMENT IN NOVEMBER. THERE WOULD THUS BE AN ANNOUNCEMENT IN SEPTEMBER AND AGREEMENT WELL BEFORE THE END OF THE YEAR.

21. THE SECRETARY OF STATE SAID THAT HE HAD DISCUSSED THREE OUTSTANDING POINTS WITH WU YESTERDAY. HE WOULD NOT REPEAT THEM. BUT HE WOULD LIKE TO RAISE ONE OTHER POINT. THIS WAS THE NEED FOR HONG KONG TO HAVE ITS OWN INTERNAL SECURITY FORCE, SET UP BEFORE 1997. IT WAS AN IMPORTANT POINT. HE HOPED THAT JI COULD CONFIRM THAT IT WAS ACCEPTABLE.

22. JI ENQUIRED ABOUT PARLIAMENTARY PROCEDURES. WOULD THE AGREEMENT BE PUBLISHED AND SUBMITTED TO PARLIAMENT FOR DEBATE? WHAT IF IT WAS NOT APPROVED? WAS THE BRITISH IDEA THAT THE AGREEMENT SHOULD BE DEBATED IN NOVEMBER? THE SECRETARY OF STATE CONFIRMED THAT WE DID INDEED AIM TO PUBLISH THE AGREEMENT IN SEPTEMBER FOR DEBATE IN NOVEMBER. PARLIAMENT REASSEMBLED IN OCTOBER AND AFTER A FEW WEEKS STUDY COULD CONDUCT ITS DEBATE. BY SEPTEMBER WE SHOULD HAVE TO ARRIVE AT AN AGREEMENT WHICH WE COULD CONVINCINGLY AND HONORABLY RECOMMEND TO PARLIAMENT. THAT WAS WHY ARRANGEMENTS FOR HONG KONG AFTER 1997 MUST BE SET OUT IN A DETAILED, CLEAR AND PRECISE MANNER. WE COULD THEN RECOMMEND THE AGREEMENT TO PARLIAMENT FOR APPROVAL. REJECTION WAS THEORETICALLY POSSIBLE BUT WOULD CREATE A VERY SERIOUS SITUATION, AND WAS MOST UNLIKELY. PARLIAMENT WOULD NOT BE ABLE TO AMEND THE AGREEMENT, ONLY TO ACCEPT OR REJECT IT. OUR INTENTION WAS TO PUBLISH A SUITABLE AGREEMENT, RECOMMEND IT TO PARLIAMENT, HOLD A DEBATE ON IT AND HOPE THAT PARLIAMENT WOULD APPROVE IT. JI ASKED IF HE WAS RIGHT IN THINKING THAT THE AGREEMENT WOULD COME INTO EFFECT AFTER SIGNATURE? THE SECRETARY OF STATE EXPLAINED THAT LEGISLATION TO GIVE EFFECT TO THE AGREEMENT WOULD HAVE TO FOLLOW SIGNATURE.

23. JI SAID THAT IT SHOULD NOT BE DIFFICULT TO SOLVE THIS QUESTION PROVIDED BOTH SIDES COOPERATED. EFFECTIVE RESULTS IN THE TALKS HAD ALREADY BEEN ACHIEVED. THERE WERE STILL SOME DIFFICULTIES ON THE AGREEMENT. THESE COULD BE STUDIED FURTHER. THE SECRETARY OF STATE WOULD HAVE OPPORTUNITIES TO DISCUSS THE TIMETABLE AGAIN WITH PREMIER ZHAO AND CHAIRMAN DENG. CHINA HAD STATED

7
SECRET

/ THAT SHE

SECRET

THAT SHE WOULD ANNOUNCE HER POLICIES TOWARDS HONG KONG IN SEPTEMBER AND MEANT WHAT SHE SAID. A CHANGE TO THIS TIMETABLE WOULD BE HARD FOR THE CHINESE SIDE TO JUSTIFY TO THE CHINESE PEOPLE. THE SEPTEMBER DEADLINE HAD BEEN MENTIONED BY CHAIRMAN DENG TO MRS THATCHER. IT WAS THEREFORE HARD FOR JI TO COMMENT ON IT. JI ADDED THAT THE QUESTION OF AN INTERNAL SECURITY FORCE COULD BE DISCUSSED FURTHER BETWEEN THE TWO NEGOTIATING TEAMS.

EVANS

FUTURE OF HONG KONG

LIMITED

ED/HKD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

PES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

SIR W HARDING

MR WILSON

MR WRIGHT

SIR C HICKELL

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 NEWS 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 RM K195

SIR P CRADOCK NO 10 DOWNING STREET

8
SECRET