

F0
LIS 032/18

20

DD 181400Z LISBON

GR 650

SECRET
DESKBY FCO PEKING LISBON 181400Z
FM HONG KONG 181250Z APR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 1053 OF 18 APRIL
INFO IMMEDIATE PEKING LISBON (FOR PS/PM)

Destroy after
Register
18 APR 1984	
INDEXED
FILED
3	

FOLLOWING FROM PRIVATE SECRETARY

MIPT: FUTURE OF HONG KONG: DISCUSSION WITH ZHOU NAN

1. THE SECRETARY OF STATE HAD A FURTHER DISCUSSION WITH ZHOU NAN ON THE WAY TO THE AIRPORT AFTER HIS MEETING WITH DENG XIAOPING.
2. ZHOU NAN BEGAN BY EMPAHSISING THE IMPORTANCE WHICH THE CHINESE LEADERS ATTACHED TO THE SETTING UP OF A JOINT LIAISON BODY. HE HOPED THAT WE WOULD FIND THIS IDEA ACCEPTABLE ON THE BASIS DISCUSSED WITH DENG XIAOPING. THE SECRETARY OF STATE SAID THAT HE HOPED IN TURN THAT THE CHINESE LEADERS UNDERSTOOD THE REASONS FOR OUR CONCERN. WE REALISE OF COURSE THAT THERE NEED TO BE DISCUSSIONS OF VARIOUS ADMINISTRATIVE QUESTIONS. BUT WE WERE CONCERNED ABOUT THE IDEA OF SETTING UP SUCH A BODY IN HONG KONG. HE POINTED OUT THAT HE HAD NOT ACCEPTED DENG'S PROPOSAL BUT HAD AGREED TO EXAMINE IT CONSTRUCTIVELY. ZHOU NAN WENT ON TO REFER TO RECENT EVENTS (EG DISTURBANCES IN THE CURRENCY MARKETS) IN HONG KONG AS A CAUSE OF CONCERN FOR THE CHINESE. THE SECRETARY OF STATE EXPLAINED THAT THESE MATTERS HAD BEEN HANDLED INDEPENDENTLY BY THE HONG KONG GOVERNMENT. THIS WAS AN EXAMPLE OF THE PRESENT INDEPENDENCE OF THE GOVERNMENT OF HONG KONG. IT WAS THIS WHICH HAD TO BE LEFT UNDISTURBED.
3. ZHOU SAID THAT THERE WERE MANY ASPECTS OF HONG KONG'S ECONOMIC AND SOCIAL SYSTEM WHICH THE CHINESE GOVERNMENT DID NOT FULLY UNDERSTAND. HE GAVE THE EXAMPLE OF THE HONG KONG DOLLAR EXCHANGE RATE SYSTEM. THE SECRETARY OF STATE EXPLAINED ONCE AGAIN THAT THE HONG KONG EXCHANGE RATE SYSTEM WAS OPERATED BY THE HONG KONG GOVERNMENT AND NOT BY LONDON. THIS WAS HOW IT SHOULD REMAIN.
4. ZHOU SAID THAT THE CHINESE SIDE WOULD FORMALLY TABLE THE CHINESE DRAFT AND ANNEX EITHER AT THE NEXT OR AT THE SUCCEEDING ROUND. THE SECRETARY OF STATE SAID THAT WE WOULD EXAMINE THIS CLOSELY. THE BEST WAY MIGHT BE FOR PEOPLE NOW TO WORK TOGETHER ON BOTH DRAFTS.
5. ZHOU NAN WENT ON TO EXPRESS ANXIETY ABOUT THE SECRETARY OF STATE'S IMPENDING UNVEILING STATEMENT. HE HOPED THAT THIS WOULD NOT TRESSPASS ON CHINESE POLICY IN HONG KONG. THE SECRETARY OF STATE ASSURED HIM THAT IT WOULD RESPECT THE PRINCIPLE OF CONFIDENTIALITY. ZHOU COMMENTED THAT IF THE SECRETARY OF STATE QUOTED DIRECTLY WHAT HAD BEEN SAID PUBLICLY BY CHINESE LEADERS THIS WOULD CAUSE NO DIFFICULTY. THE SECRETARY OF STATE SAID THAT WE WERE WELL AWARE OF THIS. HE VERY MUCH HOPED THAT THE CHINESE GOVERNMENT WOULD REFRAIN FROM ANY PUBLIC ADVERSE COMMENT ON THIS STATEMENT. ZHOU PRESSED TO KNOW THE CONTENTS OF THE STATEMENT BUT THE SECRETARY OF STATE REFUSED TO DISCLOSE THEM.

6. ZHOU WENT ON TO SAY THAT HE HOPED WE RECOGNISED THE POSITIVE MOVES WHICH THE CHINESE HAD MADE OVER THE TIMETABLE. HE UNDERSTOOD THAT THE AGREEMENT WOULD BE PUBLISHED AND INITIALLED IN SEPTEMBER, APPROVED BY PARLIAMENT IN NOVEMBER AND SIGNED WELL BEFORE THE END OF THE YEAR. THE SECRETARY OF STATE CORRECTED HIM, SAYING THAT ON THIS BASIS THE AGREEMENT COULD BE SIGNED BY THE END OF THE YEAR. HE WENT ON TO SAY THAT THE LEGISLATION WOULD BE ENACTED IN THE NORMAL WAY. THE CHINESE BASIC LAW WOULD ONLY BE PUBLISHED AFTER A PERIOD OF TIME. ZHOU ATTEMPTED TO ARGUE THAT UNDER BRITISH PRACTICE, IF THE AGREEMENT WAS ON THE TABLE OF THE HOUSE AND THERE WERE NO OBJECTIONS WITHIN 30 DAYS, THE AGREEMENT WAS AUTOMATICALLY RATIFIED. THE SECRETARY OF STATE TOLD HIM THAT THE RATIFICATION WOULD REQUIRE LEGISLATION, AS HAD HAPPENED IN THE CASE OF COMMUNITY LEGISLATION. ZHOU SAID THEY WANTED THE AGREEMENT TO COME INTO EFFECT ONLY A MONTH OR TWO AFTER SIGNATURE. THE SECRETARY OF STATE GAVE HIM NO ASSURANCE ON THIS POINT AND SAID THAT ALL THIS NEEDED TO BE DISCUSSED FORTHER. THE SECRETARY OF STATE CONCLUDED BY SAYING THAT THE MORE COMPREHENSIVE AND DETAILED THE AGREEMENT THE EASIER IT WOULD BE TO SECURE PARLIAMENTARY APPROVAL.

YOUDE

NNNN