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FROM PEKING 010500Z JUN 84

TO IMMEDIATE FCO
LATELEGRAM NUMBER 1023 OF 1/6/84

INFO IMMEDIATE HONG KONG

MS

FUTURE OF HONG KONG: ROUND 15: DINNER

1. THE FOLLOWING POINTS CAME UP DURING MY DINNER FOR THE DELEGATIONS ON 31 MAY:

(A) ITEM 2

ZHOU NAN SAID THAT HE HAD BEEN VERY DISAPPOINTED WITH MY STATEMENT. CHINESE LEADERS WOULD BE ANGRY WHEN THEY READ IT. WE MUST UNDERSTAND THAT THEY ATTACHED THE GREATEST IMPORTANCE TO THE ESTABLISHMENT OF THE JOINT GROUP IN HONG KONG.

THEY CONSIDERED THIS WOULD BE AN IMPORTANT GUARANTEE OF STABILITY AND PROSPERITY THERE AND AN IMPORTANT VEHICLE OF COOPERATION BETWEEN THE TWO COUNTRIES. I SAID THAT OUR PROPOSAL REPRESENTED A CONSIDERABLE STRIDE TOWARDS THE CHINESE POSITION. I HOPED THAT ZHOU WOULD MAKE A CONSIDERED RESPONSE AT THE NEXT ROUND. HE COMMENTED THAT HE HAD RESPONDED FORMALLY AT THE TABLE THAT DAY. HE DOUBTED WHETHER HE WOULD HAVE MUCH MORE TO SAY. LUO JIAHUAN COMMENTED THAT THE DIFFERENCES SEPARATING THE TWO SIDES ON ITEM 2 SEEMED VERY GREAT. THIS COULD PUT THE WHOLE AGREEMENT AT RISK. THE CHINESE OFFER HAD BEEN THEIR ABSOLUTE LIMIT. MANY ON THE CHINESE SIDE HAD WANTED TO ASK FOR MUCH MORE IN THE TRANSITIONAL PERIOD.

(B) AGREEMENT

WE ALL EMPHASISED STRONGLY THE NEED FOR A CLEAR, PRECISE AND DETAILED AGREEMENT. ZHOU SAID THAT THE CHINESE SIDE CONSIDERED WE OVERSTRESSED THE NECESSITY FOR DETAIL. I ARGUED THAT ADEQUATE DETAIL WAS A FUNDAMENTAL REQUIREMENT IF CONFIDENCE WERE TO BE SUSTAINED. I ASKED WHAT OBJECTION THE CHINESE SIDE COULD HAVE TO RECORDING WHAT HAD BEEN AGREED BETWEEN US. ZHOU RESPONDED BY REFERRING TO DENG XIAOPING'S STATEMENT TO YOU THAT THE AGREEMENT SHOULD NOT BE AN ENCYCLOPAEDIA. HE ADDED THAT THE AGREEMENT COULD NOT BE UNBALANCED: FOR THE CHINESE SIDE, SOVEREIGNTY WAS THE IMPORTANT THING. ZHOU AND OTHERS DESCRIBED SOME REFERENCES IN MY STATEMENT ON 30 MAY EG ABOUT COURTS AND THE MOVEMENT OF GOODS AS 'ABSURD'. WE POINTED OUT OUR VIEW OF THE NECESSITY FOR THE INCLUSION OF SUCH REFERENCES. MME ZHANG

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/CONFIRMED-

CONFIRMED THAT ZHAO ZIYANG HAD SAID TO YOU THAT ALL POINTS AGREED BETWEEN US COULD BE INCLUDED IN THE AGREEMENT. A NUMBER OF THE CHINESE TEAM HINTED STRONGLY THAT FLEXIBILITY EXISTED FOR THE INCLUSION OF CONSIDERABLY MORE DETAIL THAN IS CONTAINED IN THEIR DRAFT NOTE ONCE THE CHINESE SIDE HAD BEEN SATISFIED ON THE ARTICLES RELATING TO SOVEREIGNTY AND ON THE FORM OF THE AGREEMENT.

(C) WORKING GROUP

(I) ZHOU SAID THAT HE COULD NOT THINK WHY WE WISHED TO DISCUSS POST-1997 ARRANGEMENTS FIRST. I POINTED OUT THAT THIS WAS THE ORDER OF THE AGENDA, THAT WE BELIEVED WE COULD MAKE THE GREATEST PROGRESS MOST QUICKLY IN THIS AREA AND THAT THIS WAS THE TOPIC ABOUT WHICH MOST WOULD HAVE TO BE SAID IN THE AGREEMENT. ZHOU SAID SUCH DISCUSSION COULD NOT TAKE PLACE UNTIL THE CHINESE SIDE WAS CERTAIN THAT THE KEY ISSUES WOULD BE DEALT WITH IN THE AGREEMENT IN THE RIGHT FORM. THIS ARGUMENT WAS ECHOED BY OTHER MEMBERS OF THE CHINESE TEAM. MME ZHANG SAID IT WOULD BE LOGICAL AND RIGHT TO BEGIN WITH THE MAIN AGREEMENT BEFORE MOVING TO DETAIL. SHE ADDED THAT THE CHINESE WERE NOT ARGUING FOR DISCUSSION ONLY ON THE BASIS OF THE CHINESE DRAFT TEXTS. WU HONGPO (INTERPRETER) PUT FORWARD AS A PERSONAL SUGGESTION THAT THE WORKING GROUP MIGHT DIVIDE ITS TIME BETWEEN DISCUSSION OF THE MAIN AGREEMENT AND THE ANNEXES/DRAFT NOTE. HE STRESSED THE VITAL IMPORTANCE TO THE CHINESE SIDE OF DEALING ADEQUATELY WITH SOVEREIGNTY. THIS WAS A KEY POINT FOR THE CHINESE LEADERSHIP. MANY OF THE ELDER GENERATION WERE UNHAPPY WITH THE AMOUNT WE HAD ALREADY BEEN GIVEN BY THE CHINESE SIDE. THEY FACED DIFFICULTIES FROM, FOR EXAMPLE, NPC DEPUTIES.

(II) ZHOU SAID IT WAS NOT YET DECIDED WHO WOULD LEAD THE CHINESE WORKING GROUP TEAM. HE HOPED TO BE ABLE TO LET ME KNOW THE LEADER'S IDENTIFY SOON. HE AND OTHERS ASKED WHETHER BURROWS WOULD BE THE LEGAL ADVISER. I SAID I WAS NOT YET IN A POSITION TO GIVE DETAILS OF OUR TEAM'S COMPOSITION.

(III) PUBLIC PRESENTATION. ZHOU ACCEPTED THAT SOMETHING WOULD HAVE TO BE SAID TO THE PRESS ABOUT THE WORKING GROUP'S ESTABLISHMENT (I HAD SAID IT WOULD BE IMPOSSIBLE TO KEEP THIS FROM THE MEDIA). WE COULD PERHAPS DEAL WITH THIS IN THE COMMUNIQUE TO BE ISSUED AT THE END OF ROUND 16. HE AGREED THAT WE SHOULD NEED TO GIVE THOUGHT TO THIS.

(D) DEFENCE

ZHOU STRONGLY ADVISED THAT WE SHOULD SAY NOTHING MORE ON THE SUBJECT OF THE STATIONING OF CHINESE FORCES IN HONG KONG. WE SHOULD NOT 'ROCK THE BOAT'. I ASKED WHAT EXACTLY HE MEANT AND REMIWDDED HIM THAT I HAD TWICE REITERATED THAT OUR VIEW REMAINED UNCHANGED. ZHOU NAN SAID THAT IN THIS HIGHLY

SENSITIVE AREA FURTHER STATEMENTS MIGHT RUIN THE WHOLE AGREEMENT.
THERE WAS A STRONG PERSONAL COMMITMENT TO THEIR POLICY
BY 'AN IMPORTANT CHINESE LEADER'.

(E) UMELCO

ZHOU SAID THAT THE CHINESE SIDE HAD DECIDED TO TREAT ALL UMELCO MEMBERS AS FRIENDS. THEY WANTED TO TALK TO THEM, DESPITE SUSPICIONS OF THEIR MOTIVES AND SINCERITY. HE SAID THAT THE CHINESE SIDE KNEW THAT UMELCO HAD SENT A LOT OF TELEGRAMS FROM LONDON TO HONG KONG SOLICITING SUPPORT FROM GROUPS THERE, INCLUDING 'KMT ELEMENTS'. UNOFFICIALS HAD THUS PLACED DIFFICULTIES IN THE WAY OF THE INVITATION TO THEM TO VISIT PEKING. I SAID THAT I SUSPECTED THIS ALLEGATION WAS NONSENSE. LU PING SAID THAT THE CHINESE SIDE WERE KEEN TO SEE THE UNOFFICIALS. THEY WOULD BE WELCOME. THE CHINESE SIDE WERE WILLING TO LISTEN TO ALL SORTS OF OPINIONS, BUT THE UNOFFICIALS' HOSTILE ATTITUDE MADE THIS VERY DIFFICULT. LU PING ALSO SPOKE OF THE CHINESE SIDE'S SUSPICION OF SOME MEMBERS OF THE HONG KONG GOVERNMENT, WHOM HE DESCRIBED AS 'LIGHTING FIRES'.

(F) PUBLIC SERVICE

I PRESSED ZHOU ON THE EMPLOYMENT OF OVERSEAS OFFICERS. HE AGAIN SAID THAT THEY COULD BE ADVISERS ABOVE THE LEVEL OF DEPUTY SECRETARY.

I SAID THAT THIS WOULD GIVE NO COMFORT TO EXPATRIATE MEMBERS OF THE PUBLIC SERVICE WHO COULD HOPE TO RISE TO THE TOP. ZHOU SAID THAT CHINA MUST BE SEEN TO BE EXERCISING SOVEREIGNTY AFTER 1997. THE PRESENCE OF EXPATRIOTES IN VERY SENIOR POSITIONS WOULD 'NEGATE' THIS.

(G) PARLIAMENTARY DEBATE

ZHOU SAID HE HAD ONLY READ EXTRACTS FROM SPEECHES. I ADVISED HIM TO READ THE FULL REPORTS OF ALL THE DEBATES. I POINTED OUT THAT A NUMBER OF SPEAKERS HAD EMPHASISED THE NEED FOR DETAIL.

(H) BASIC LAW

LU PING SAID THAT IT SHOULD BE STIPULATE THAT THE SAR WOULD BE UNDER THE DIRECT AUTHORITY OF THE CPG SO THAT OTHER ADMINISTRATIONS, EG GUANGDONG, COULD NOT INTERFERE. BUREAUCRATIC TANGLES WOULD THUS BE AVOIDED.

(I) CONSTITUTIONAL ARRANGEMENTS

MME ZHANG WAS EVASIV WHEN WE ASKED ABOUT THE CONCEPT OF A 'SHADOW GOVERNMENT' BEING GROOMED FOR HONG KONG IN THE TRANSITIONAL PERIOD.

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WE EXPLAINED THE IMPRACTICALITIES OF THE CHINESE PROPOSAL.

LU PING SAID THAT, IN THE ABSENCE OF ANYONE TO REPRESENT THE INTERESTS OF THE FUTURE SAR, THE CHINESE SIDE MUST TAKE ON THIS RESPONSIBILITY UNTIL 1997. MACLAREN TOLD MME ZHANG THAT WE HAD BEEN VERY DISAPPOINTED IN THE CHINESE STATEMENT ON LAND. IT DEMONSTRATED THE CHINESE SIDE'S IGNORANCE OF THE REAL SITUATION

EVANS

FUTURE OF HONG KONG
LIMITED
HD/HKD
ED/FED
ED/PLANNING STAFF
ED/PUSD
D/ED/PUSD
RES.B. (MR WALKER)
LEGAL ADVISER (MR FREELAND)
PS
PS/LADY YOUNG
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