

GRS 600

SECRET

SECRET
FROM PEKING 231012Z JULY 84
TO IMMEDIATE FCO
TELNO 1556 OF 23/7/84
INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: MY LUNCH WITH ZHOU NAN

1. ZHOU NAN GAVE ME LUNCH TODAY. THOMSON WAS WITH ME. HE WAS ACCOMPANIED BY TWO OFFICIALS FROM THE WESTERN EUROPEAN DEPARTMENT.

2. I ACTED, AT DIFFERENT STAGES DURING THE LUNCH, ON THE INSTRUCTIONS IN YOUR TUR. I DID NOT BRING UP THE TEST OF ACCEPTIBILITY. NOR DID ZHOU. BUT THOMSON GAVE ONE OF THE TWO OFFICIALS A COPY OF YOUR WRITTEN ANSWER IN THE HOUSE LAST WEEK. ZHOU DID NOT MENTION THE GREEN PAPER. NOR DID I.

3. ON THE JOINT GROUP, ZHOU STARTED BY SAYING THAT HE HAD AUTHORITY TO TELL ME THEN AND THERE WHERE THE CHINESE COULD BE FLEXIBLE IF I COULD INDICATE FLEXIBILITY ON OUR PART ABOUT LOCATION AND MACHINERY. I SAID THAT I COULD NOT DO THIS. HE SAID HE WAS DISAPPOINTED. IT WAS HIS JOB AND MINE TO PREPARE FOR THE MEETINGS BETWEEN YOU AND THE CHINESE LEADERS SEMICOLON THE GREATER THE EXTENT THAT WE COULD EXPLORE THE GROUND TO BE DISCUSSED IN ADVANCE OF YOUR ARRIVAL, THE GREATER THE CHANCE THAT YOUR MEETINGS WOULD BE FRUITFUL. HE SAID EXPLICITLY THAT HE COULD NOT UNVEIL WHAT HE HAD BEEN AUTHORISED TO LET ME HAVE, ON THE CONTINGENT BASIS HE HAD OUTLINED, IF I WAS NOT PREPARED TO MEET HIM ON THIS BASIS.

4. I SAID I HAD REPORTED THAT LOCATION WAS A CENTRAL ISSUE FOR THE CHINESE AND THAT MACHINERY WAS ALSO IMPORTANT. COULD HE GIVE ME ANY INDICATION OF THE RELATIVE IMPORTANCE OF THE TWO? ZHOU REPLIED THAT, IF WE WISHED TO KNOW THE RELATIVE WEIGHT OF THE TWO IN NUMERICAL TERMS, HE WOULD PUT IT AT 60:40. BUT HE WANTED TO EMPHASISE THAT BOTH ISSUES WERE IMPORTANT.

5. I ASKED SHOU WHETHER CHINESE FLEXIBILITY COVERED THE TASKS OF A JOINT GROUP ONLY OR WHETHER IT WENT FURTHER THAN THIS. HE SAID THIS QUESTION WAS NOT REALLY LEGITIMATE IN THE CIRCUMSTANCES. BUT HE COULD SAY THAT THE DEFINITION OF TASKS OUGHT NOT TO BE DIFFICULT TO SETTLE, PROVIDED WE COULD AGREE TO SPLIT THE TRANSITIONAL PERIOD INTO TWO - A PERIOD UP TO THE PROMULGATION OF THE BASIC LAW AND THE PERIOD THEREAFTER. HE COULD ALSO TELL ME THAT THE AREA OF POTENTIAL CHINESE FLEXIBILITY EXTENDED TO LAND LEASES.

SECRET

/6.

6. I THEN ASKED HIM WHETHER CHINESE FLEXIBILITY MIGHT ALSO COVER THE ARTICLES IN THE CHINESE DRAFT PROTOCOL ABOUT THE PROVISION OF FINANCIAL INFORMATION AND THE HANDING OVER OF PROPERTY AND DOCUMENTS. HE JIBBED AT THIS, MERELY SAYING THAT THE ARTICLE ABOUT PROPERTY AND DOCUMENTS WAS A MATTER OF 'PROTOCOL'. I REMINDED HIM THAT HE HAD DESCRIBED IT TO ME ON AN EARLIER OCCASION AS A POLITICAL RATHER THAN A LEGAL QUESTION. HE RESPONDED BY SAYING THAT IT WAS A MATTER BOTH OF POLITICA AND OF PROTOCOL.

7. ZHOU SAID THAT WE COULD CALL THE CHINESE DRAFT PROTOCOL SOMETHING ELSE IF WE WISHED. BUT THERE WOULD HAVE TO BE A DOCUMENT SEPARATE FROM THE DECLARATION AND THE EXCHANGE OF NOTES. THE DECLARATION OUGHT NOT TO BE BURDENED WITH TOO MUCH ABOUT THE TRANSITIONAL PERIOD SEMICOLON AND THE EXCHANGE OF NOTES DEALT WITH POST-1997 ARRANGEMENTS. ZHOU ALSO SAID THAT THE ESTABLISHMENT OF A JOINT GROUP COULD NOT WAIT FOR THE PROMULGATION OF THE BASIC LAW. IN THE CHINESE VIEW, IT OUGHT TO BE SET UP AFTER SIGNATURE OF AN AGREEMENT.

8. ON THE SPIRIT IN WHICH YOU WOULD BE COMING TO CHINA, I USED THE LANGUAGE OF THE FIRST SENTENCE IN THE SECOND PARAGRAPH OF TUR. ZHOU SAID THAT HE NO LONGER HAD ANY DOUBTS ABOUT THE SPIRIT IN WHICH YOU WOULD BE COMING. HE HAD SEEN REPORTS 'FROM OTHER SOURCES' WHICH MADE IT CLEAR THAT YOU WOULD BE SEEKING TO AVOID CONFRONTATION.

9. SEE MY 3 IFTS.

EVANS

FUTURE OF HONG KONG
LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
RESEARCH D (MR WALKER)
LEGAL ADVISERS(SIR J FREELAND)
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR W HARDING
SIR C TICKELL
MR GOODALL

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 DEPT
MR BURROWS LEGAL ADVISERS
MR FIFOOT LEGAL ADVISERS
MR POWELL NO 10 DOWNING ST.
MR INGHAM NO 10 DOWNING ST.
MR MARTIN ASSESSMENTS STAFF CABINET OFFIC
MR CARTLEDGE CABINET OFFICE
MR BRENNAN CABINET OFFICE
PS/S OF S FOR DEFENCE
PS/ATTORNEY GENERAL
SIR P CRADOCK ROOM K195
SIR P CRADOCK NO 10 DOWNING ST.

3
SECRET