



FUTURE OF HONG KONG - ADVANCE COPIES

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TELEGRAM NUMBER 2140 OF 27 JULY
INFO IMMEDIATE PEKING

FUTURE OF HONG KONG : SECRETARY OF STATE'S DISCUSSION WITH EXCO.

SUMMARY

1. ALMOST THREE AND A HALF HOURS USEFUL DISCUSSION IN A GOOD ATMOSPHERE. NO (NO) DISSENT FROM GENERAL TACTICS PROPOSED FOR SECRETARY OF STATE'S VISIT TO PEKING. DISCUSSION FOCUSED HEAVILY ON JOINT GROUP AND ITS LOCATION. AGREED ON NEED TO CONSIDER POSSIBILITY OF CHINESE REJECTION OF DEVICE IN PRIME MINISTER'S LETTER. UNOFFICIALS VERY CONCERNED THAT HONG KONG GOVERNMENT'S AUTHORITY NOT UNDERMINED. EMERGING CONSENSUS THAT DEFERRAL OF LOCATION IN HONG KONG TO 1993 COMBINED WITH TIGHT TERMS OF REFERENCE (AND PROLONGATION BEYOND 1997 IF OBTAINABLE) COULD MAKE LOCATION IN HONG KONG BEARABLE. LATEST DRAFT OF PAPER ON JOINT GROUP DISTRIBUTED AND DISCUSSED.

DETAIL

2. THE SECRETARY OF STATE REVIEWED THE CURRENT STATE OF THE TALKS AND IDENTIFIED THE MAIN SUBJECTS FOR DISCUSSION DURING HIS VISIT TO PEKING AS:

- (A) AGENDA ITEM 2 AND THE JOINT GROUP IN PARTICULAR.
- (B) THE FORM AND CONTENT OF THE AGREEMENT AND REINFORCING THE CRITIQUE OF THE LATEST CHINESE DRAFT.

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(C) OTHER OUTSTANDING POINTS FROM AGENDA ITEM 1 SUCH AS CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURE, NATIONALITY, PUBLIC SERVICE, CIVIL AVIATION, THE BRITISH PROPOSAL FOR AN INTERNAL SECURITY FORCE AND LAND.

3. THE MAIN POINTS OF INTEREST FROM DISCUSSION FOLLOWING THE SECRETARY OF STATE'S PRESENTATION WERE AS FOLLOWS:

(A) CONTINUING ANXIETY ON THE PART OF UNOFFICIALS TO HAVE HMG'S BOTTOM LINE MORE CLEARLY IDENTIFIED. SIR S Y CHUNG IN PARTICULAR PRESSED THE SECRETARY OF STATE TO SAY THAT THE INCLUSION OF OUR ARTICLE 6 IN THE MAIN AGREEMENT (EFFECT OF WHICH IS TO MAKE ITS PROVISIONS BINDING) WAS VITAL.

(B) UNOFFICIAL MEMBERS SAID THAT THE FOCUS OF ANXIETIES REFLECTED TO THEM BY HONG KONG PEOPLE WAS THE PROSPECT IMPLICIT IN CHINESE PROPOSALS FOR THE JOINT GROUP THAT THERE WERE NOT EVEN 13 YEARS OF GOOD GOVERNMENT FREE FROM CHINESE INTERFERENCE TO BE LOOKED FORWARD TO.

4. IN DISCUSSION OF THE DRAFT PAPER FOR HANDING TO THE CHINESE ON ITEM 2 THE MAIN POINTS OF INTEREST WERE AS FOLLOWS:

(A) THE SECRETARY OF STATE SAID THAT IT WAS IMPORTANT TO FACE UP TO THE PROSPECT THAT THE CHINESE MIGHT REJECT OUR PROPOSAL TO DEFER DISCUSSION. WE MIGHT BE FACED WITH A CHOICE BETWEEN ACCEPTING LOCATION IN HONG KONG AT AN EARLY DATE AND NO AGREEMENT AT ALL.

(B) NO UNOFFICIAL MEMBER SUGGESTED THAT IT WOULD BE BETTER TO HAVE NO AGREEMENT THAN TO ACCEPT CHINESE PROPOSALS ON LOCATION OF A JOINT GROUP IN HONG KONG IF THEY INSISTED ON THEM. BUT IT WAS CLEAR FROM ALL THEIR COMMENTS THAT THEY REGARDED IT AS A HIGH PRICE TO PAY. HOWEVER, THERE WAS A GENERAL CONSENSUS THAT TYING THE CHINESE DOWN ON TERMS OF REFERENCE AND DEFERRING THE ESTABLISHMENT OF THE JOINT GROUP IN HONG KONG UNTIL 1993 WOULD MAKE LOCATION IN HONG KONG BEARABLE. SOME MEMBERS, NOTABLY SIR S Y CHUNG AND MR SANDBERG, CONSIDERED THAT PROLONGATION BEYOND 1997, IF OBTAINABLE, WOULD REPRESENT A MAJOR REASSURANCE.

(C) THERE WAS A LENGTHY AND BROADLY SATISFACTORY DISCUSSION OF THE TEXT OF THE PRESENT DRAFT OF THE PAPER FOR HANDING TO THE CHINESEC.

THERE WAS ALSO SOME DISCUSSION OF WHETHER THE IDEA OF PROLONGATION BEYOND 1997 SHOULD BE IN THE PAPER OR MADE ORALLY. MR SANDBERG AND SIR S Y CHUNG WERE STRONGLY OF THE VIEW THAT IT SHOULD BE IN THE PAPER. THE SECRETARY OF STATE AND I POINTED OUT THE DANGER THAT IF THE PROPOSAL WAS PRESENTED IN THE PAPER WITHOUT EARLIER PREPARATION THIS MIGHT RESULT IN INSTANT REJECTION. THE SECRETARY OF STATE ASSURED THE COUNCIL THAT THE PROLONGATION PROPOSAL WOULD BE MADE.

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5. THERE WAS ALSO SOME DISCUSSION OF THE MAIN AGREEMENT. THE ABSENCE FROM THE LATEST CHINESE DRAFT OF ANYTHING CORRESPONDING TO OUR ARTICLE 6 AND THE IMPRECISION OF THE COMMITMENT TO DRAFT THE BASIC LAW IN ACCORDANCE WITH THE AGREEMENT WERE THE MAIN POINTS OF CONCERN.

6. SIR S Y CHUNG PUT IN A STRONG PLEA FOR UMELCO MEMBERS TO BE MORE FULLY IN THE PICTURE, AND AT THE VERY LEAST TO BE TOLD AS MUCH AS THE PRESS WERE BEING TOLD IN LONDON DURING UNATTRIBUTABLE BRIEFINGS.

WQNR