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SECRET

FROM PEKING 290500Z JULY 84
TO F L A S H FCO
TELNO 1657 OF 29/7/84.

FOLLOWING FROM FOREIGN SECRETARY FOR PRIME MINISTER

YOUR TELNO 906: FUTURE OF HONG KONG

1. THANK YOU FOR THESE HELPFUL INSTRUCTIONS.

2. I MET WU THIS MORNING IN RESTRICTED SESSION. I REPEATED THAT THE DIFFICULTIES OF THE LOCATION OF THE JOINT GROUP WERE REAL. BUT I ATTACHED GREAT IMPORTANCE TO MAKING A BREAKTHROUGH, IF POSSIBLE ON ALL OUTSTANDING ISSUES, DURING MY CURRENT VISIT. ON THAT BASIS WE WERE PREPARED IN PRINCIPLE TO APPROACH THE PROBLEM ON THE BASIS OF THE CHINESE PROPOSALS, PROVIDED THAT THE REQUIREMENTS OF BOTH SIDES COULD BE MET. POINTS OF MAJOR DIFFICULTY WOULD NEED TO BE RESOLVED BEFORE AGREEMENT WOULD BE POSSIBLE.

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3. I SAID THAT THE CHINESE OFFER TO DELAY THE ESTABLISHMENT OF THE JOINT GROUP INDICATED THAT THEY UNDERSTOOD THE BASIS FOR OUR ARGUMENTS. HONG KONG NEEDED TIME TO DIGEST AN ANNOUNCEMENT OF THE GROUP AND THE PROSPECT OF THE GROUP ITSELF. TIMING AND PRESENTATION WERE EXTREMELY IMPORTANT. WE ACCEPTED THE CHINESE VIEW THAT 1993 WAS TOO LATE. WE COULD UNDERSTAND THAT THEY WOULD NOT WISH TO WAIT UNTIL THE NEXT DECADE. WE BELIEVED THAT A DELAY OF FIVE YEARS FROM NOW UNTIL 1989 WOULD BE UNDERSTOOD. IT WAS ALSO ESSENTIAL TO PROMULGATE PUBLICLY THE VERY IMPORTANT STATEMENTS ON THE JOINT GROUP AND MAIN AGREEMENT WHICH WU HAD MADE YESTERDAY (PARAGRAPH 2(III) OF YOUR TELEGRAM).

4. I REPEATED THAT WE WOULD WANT TO LOOK AT THE PACKAGE AS A WHOLE. I THEREFORE PROPOSED THAT TWO WORKING GROUPS SHOULD BEGIN MEETING AS SOON AS POSSIBLE TO FINALISE THE MAIN OUTSTANDING POINTS ON THE MAIN AGREEMENT AND OUR PAPER ON THE JOINT GROUP.

5. I TOLD WU THAT I LOOKED FORWARD TO DISCUSSING THESE POINTS THIS AFTERNOON WITH PREMIER ZHAO ZIYANG. I WOULD THEN NEED TO CONSULT YOU AGAIN AND WOULD WELCOME A FURTHER MEETING WITH CHINESE LEADERS TOMORROW. I REAFFIRMED THAT OF COURSE WE WOULD NEED TO LOOK AT THE AGREEMENT AS A PACKAGE BEFORE DECIDING WHETHER WE COULD RECOMMEND IT TO PARLIAMENT.

6. IN REPLY WU BEGAN BY ASKING WHETHER WE HAD PROPOSED THAT THE GROUP SHOULD START WORK IMMEDIATELY OR SHOULD START WORK IN 1989. I EXPLAINED THAT WE ENVISAGED THE GROUP STARTING WORK SOON AFTER THE SIGNATURE OF THE AGREEMENT, MEETING PERIODICALLY IN LONDON, PEKING AND HONG KONG, AND MOVING TO LOCATION IN HONG KONG IN 1989.

7. WU THEN SAID THAT WE HAD CLEARLY SERIOUSLY CONSIDERED THEIR PROPOSALS, AND THEY HAD GIVEN SERIOUS CONSIDERATION TO THE PRESENTATION WHICH I MADE YESTERDAY. THEY ATTACHED GREAT IMPORTANCE TO LOCATION OF THE GROUP IN HONG KONG. THE PURPOSE OF THE GROUP WOULD SIMPLY BE TO HELP MAINTAIN STABILITY AND CONFIDENCE IN HONG KONG. ESSENTIAL FACTORS FOR MAINTAINING STABILITY WERE: AN AGREEMENT SHOULD BE CONCLUDED BETWEEN BRITAIN AND CHINA ACCEPTABLE TO BOTH SIDES AND COMPRISING OF A MAIN AGREEMENT AND ANNEXES; AFTER THE SIGNATURE BOTH SIDES SHOULD FAITHFULLY ABIDE BY IT; NEITHER CHINA NOR BRITAIN SHOULD TRY TO ACT INDEPENDENTLY AFTER SIGNATURE. COOPERATION SHOULD BE INTENSIFIED.

8. WU SAID THAT, TAKING INTO ACCOUNT APPREHENSIONS EXPRESSED BY BRITAIN, THE CHINESE GOVERNMENT WAS NOW PREPARED TO SPEED UP PROMULGATION OF THE BASIC LAW TO A TIME BEFORE 1990.

9. WE WENT ON TO SAY THAT, TAKING ACCOUNT OF THE POINTS PUT FORWARD IN MY PRESENTATION YESTERDAY, THE CHINESE GOVERNMENT HAD GIVEN FURTHER CONSIDERATION TO THE TIMING OF THE LOCATION OF THE GROUP IN HONG KONG. THEY REALISED THAT THE BRITISH GOVERNMENT'S ATTITUDE WAS SERIOUS AND SINCERE. THEY THEREFORE NOW PROPOSED THAT THE LOCATION OF THE GROUP IN HONG KONG SHOULD BE DELAYED UNTIL 1988. HENCE THERE WAS ONLY THE DIFFERENCE ON ONE YEAR BETWEEN THE PROPOSALS OF THE TWO SIDES.

10. ON THE TIMING OF THE WORK OF THE GROUP AFTER 1997, HE CONTINUED, THE CHINESE SIDE TOOK ACCOUNT OF THE FACT THAT THE YEAR 2000 WAS A BEGINNING OF A NEW ERA. THIS WAS WHY THEY DID NOT WANT THE GROUP TO CONTINUE AFTER THE YEAR 2000. THEY HOPED THAT THE BRITISH SIDE WOULD BE PREPARED TO LOOK AT THIS QUESTION AGAIN.

11. WU CONFIRMED THAT THE CHINESE SIDE WERE PREPARED TO AGREE TO PUBLICATION OF THE ASSURANCES GIVEN BY HIM YESTERDAY. THE MODALITIES WOULD NEED TO BE WORKED OUT. HE AGREED THAT THE TWO WORKING GROUPS SHOULD START WORK IMMEDIATELY TO DISCUSS THE MAIN OUTSTANDING POINTS ON THE MAIN AGREEMENT AND OUR PAPER ON THE JOINT GROUP.

12. I SAID THAT WE WOULD REFLECT ON THE NEW CHINESE PROPOSAL. I LOOKED FORWARD TO SEEING PREMIER ZHAO THIS AFTERNOON AND WOULD REPORT TO YOU AFTERWARDS. I HOPED THAT I WOULD HAVE A CHANCE TO MEET OTHER CHINESE LEADERS TOMORROW WHEN I HAD BEEN ABLE TO CONSULT MY GOVERNMENT. WU SAID THAT IT WOULD BE MOST HELPFUL IF MY RESPONSE COULD BE READY IN TIME FOR THE MEETING WITH PREMIER ZHAO THIS AFTERNOON (0830Z). I EXPLAINED THAT YOU WOULD BE IN BED AND ENTITLED TO SLEEP BUT THAT WE SHOULD DO OUR BEST.

COMMENT

13. IN FACT I BELIEVE THAT THE NEW CHINESE PROPOSAL FULLY MEETS THE REQUIREMENTS SET OUT IN YOUR TELEGRAM. I SHOULD BE GRATEFUL THEREFORE FOR YOUR AUTHORITY TO SETTLE ON THIS BASIS, IF AT ALL POSSIBLE BY 0800Z TODAY. IF THIS IS NOT POSSIBLE BY THEN I CAN OBVIOUSLY PLAY THE HAND WITH ZHAO THIS AFTERNOON IN THE MEANTIME. BUT AGREEMENT ON THESE LINES IS LIKELY TO BE THE KEY TO A MEETING WITH DENG TOMORROW WHICH WILL BE IMPORTANT FOR SUBSTANCE AND PRESENTATION PURPOSES.

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TO FLASH PEKING

TELEGRAM NUMBER 908 OF 29 JULY

FOR SECRETARY OF STATE'S PARTY
FROM PRIVATE OFFICE

MIPT: FUTURE OF HONG KONG

1. MIPT REFLECTS THE VIEWS OF THE PUS AND MR LUCE (BOTH CONSULTED).
2. THE PUS WONDERS WHETHER IT MIGHT NOT BE PRUDENT FOR US TO ENSHRINE THE CONCLUSIONS OF THESE DISCUSSIONS IN A FORMAL TEXT WHICH MIGHT BE LEFT WITH THE CHINESE. HE APPRECIATES HOWEVER THAT THERE MAY BE OBJECTIONS TO THIS, AND WOULD NOT WISH TO PRESS THE POINT.

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SENT/RECD AT 200755Z WRB/+KJM

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TO FLASH PEKING

TELEGRAM NUMBER 907 OF 29 JULY

FOR SECRETARY OF STATE'S PARTY
FROM PRIVATE OFFICE:

YOUR TELNO. 1657

FUTURE OF HONG KONG

1. I HAVE CONSULTED THE PRIME MINISTER. SHE AGREES THAT YOU SHOULD SETTLE ON THE BASIS OF THE PROPOSALS IN YOUR TUR, WITH THE STRONG HOPE THAT YOU CAN OBTAIN DEFERMENT TILL 1989.
2. I ASSUME THAT THE PREMISE IN PARAGRAPH 3 OF FCO TELNO. 906 REMAINS VALID.
3. SEE ALSO MIFT.

HOWE

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SENT/RECD AT 290754Z WRB/KJM