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TO IMMEDIATE FCO

TELNO 1677 OF 31/7/84

FROM PRIVATE SECRETARY

FUTURE OF HONG KONG: MEETING WITH CHINESE PRIME MINISTER 30 JULY

SUMMARY

1. THE SECRETARY OF STATE HAD NINETY MINUTES WITH ZHAO YESTERDAY. AGREEMENT AFTER CONSIDERABLE NEGOTIATION ON MOVE OF THE JOINT GROUP TO HONG KONG ON 1 JULY 1988 AND TO EXTENSION OF GROUP UNTIL 2000 SUBJECT TO ASSURANCES. ZHAO OPPOSED DIVISION OF PRE-1997 PERIOD INTO TWO PHASES. HE AGREED THAT SECRETARY OF STATE'S PUBLIC STATEMENT IN HONG KONG SHOULD MAKE CLEAR CHINESE ASSURANCES ABOUT WORK OF JOINT GROUP. BASIC LAW TO BE PROMULGATED BY 1990, PERHAPS IN 1988/89. THE SECRETARY OF STATE ARGUED THE NEED FOR COMPREHENSIVE AND CLEAR ANNEXES.

DETAIL

2. ZHAO WENT STRAIGHT TO THE POINT. HAD THE SECRETARY OF STATE RECEIVED ANY INSTRUCTIONS FROM LONDON ON THE TIMING OF THE JOINT GROUP'S MOVE TO HONG KONG?

3. THE SECRETARY OF STATE SAID THAT HIS TALKS WITH WU HAD BEEN SUEFUL. THEY HAD PAVED THE WAY FOR THE BREAKTHROUGH. BUT IMPORTANT WORK REMAINED TO BE DONE ON THE ANNEXES. HE SAID THE PRIME MINISTER HAD ASKED HIM TO CONVEY HER GOOD WISHES. SHE HAD A STRONG PERSONAL COMMITMENT TO ACHIEVING A GOOD AGREEMENT AND TO COOPERATING OVER ITS IMPLEMENTATION. AS HER LETTER MADE CLEAR, HMG WOULD WANT TO LOOK AT THE AGREEMENT AND ANNEXES AS A WHOLE BEFORE DECIDING IF THEY COULD BE COMMENDED. IT WAS VERY IMPORTANT THAT THEY SHOULD COMMAND CONFIDENCE IN PARLIAMENT AND IN HONG KONG.

4. ON THE JOINT GROUP, THE SECRETARY OF STATE SAID THAT THE TRANSITION IN 1997 SHOULD BE CARRIED OUT COMPETENTLY SO AS TO RETAIN CONFIDENCE. WE ATTACHED GREAT IMPORTANCE TO WU'S ASSURANCES



RETAIN CONFIDENCE. WE ATTACHED GREAT IMPORTANCE TO WU'S ASSURANCES THAT THE JOINT GROUP WOULD NOT BE AN ORGAN OF POWER, WOULD PLAY NO PART IN THE ADMINISTRATION OF HONG KONG AND WOULD NOT HAVE A SUPERVISORY ROLE. WE APPRECIATED THE AGREEMENT THAT THE GROUP SHOULD MEET IN HONG KONG, PEKING AND LONDON. THE CHINESE SIDE RECOGNISED THE CASE FOR DELAYING THE GROUP'S LOCATION IN HONG KONG. WU HAD FAVOURED 1968. THIS WAS EARLIER THAN DESIRABLE.

5. THE SECRETARY OF STATE SAID THAT HE HAD BEEN IN TOUCH WITH HIS COLLEAGUES IN LONDON ABOUT THE TIMING. THE BRITISH POSITION REMAINED THAT THE GROUP SHOULD MOVE TO HONG KONG IN 1989. THE GROUP WOULD OF COURSE COME INTO EXISTENCE IMMEDIATELY AFTER RATIFICATION. ONE YEAR THUS DIVIDED THE TWO SIDES.

6. ZHAO SAID THAT THE NAME, TASKS AND COMPOSITION OF THE GROUP WOULD NOT CAUSE DIFFICULTY. WU HAD CLARIFIED THE CHINESE POSITION ON THESE POINTS: HIS REMARKS REPRESENTED THE CHINESE GOVERNMENT'S POSITION. THE ONLY PURPOSE BEHIND THE CHINESE INSISTENCE ON NOT DELAYING ESTABLISHMENT OF THE GROUP IN HONG KONG WAS TO MAINTAIN STABILITY AND PROSPERITY. WU HAD ALREADY SAID THAT THE BASIC LAW WOULD BE PROMULGATED NO LATER THAN 1990. THE CHINESE SIDE MIGHT PROMULGATE IT IN 1988 OR 1989. HENCE THE CHINESE DECISION TO AGREE TO DELAY ESTABLISHMENT OF THE GROUP IN HONG KONG UNTIL 1988. THIS WAS A BIG CONCESSION MADE TO MEET THE BRITISH WISHES. IT WAS NOT WITHIN THEIR ORIGINAL PLAN BUT THEY WERE PREPARED TO MAKE THIS CONCESSION TO REMOVE THE OBSTACLES TO AN EARLY AGREEMENT.

7. THE BRITISH SIDE HAD REPEATEDLY SUGGESTED THAT THE BASIC LAW SHOULD BE PROMULGATED EARLY. THE CHINESE SIDE AGREED THAT EARLY PROMULGATION WOULD HELP CONFIDENCE IN HONG KONG. THE DECISION TO DELAY THE MOVE OF THE JOINT GROUP TO HONG KONG UNTIL 1988 HAD ALREADY HAD SOME EFFECT ON THE CHINESE SIDE, FURTHER DELAY WOULD UPSET THEIR WHOLE TIMETABLE FOR FUTURE WORK. IT WAS NOT JUST A QUESTION OF ONE OR TWO YEARS: THE TWO SIDES SHOULD PROCEED WITH THE GREATER INTEREST OF HONG KONG'S STABILITY AND PROSPERITY IN MIND. THEIR MAJOR CONCESSION HAD BEEN MADE IN A SPIRIT OF MUTUAL ACCOMMODATION. THIS WAS ALSO THE CASE FOR THEIR AGREEMENT TO PROLONG THE GROUP'S EXISTENCE UNTIL 2000. IT DEMONSTRATED CHINESE SINCERITY. IT MARKED THE BEGINNING OF A NEW ERA. HE HOPED THAT THEIR DISCUSSION ON ONE OR TWO YEARS NEED NOT BE CONTINUED AND THAT THE ISSUE WOULD BE FINALISED DURING THE VISIT.

8. THE SECRETARY OF STATE SAID HE AGREED WITH THE LATTER POINT. HE COULD ACCEPT THAT THE GROUP SHOULD END IN THE YEAR 2000. ON THE TIMING OF ITS MOVE TO HONG KONG, HE SUGGESTED THAT, TO RESOLVE THE DIFFERENCE BETWEEN THE TWO SIDES, THE GROUP SHOULD MOVE TO HONG KONG ON 1 JULY 1988. IF THIS WERE ACCEPTABLE, HE WOULD RECOMMEND IT TO THE PRIME MINISTER.

9. ZHAO PRESSED FOR CONFIRMATION THAT AGREEMENT HAD BEEN REACHED THAT THE GROUP WOULD MOVE TO HONG KONG ON 1 JULY 1988 WITH ITS STANDING MACHINERY. THE SECRETARY OF STATE INDICATED THAT HE HAD AGREED, SUBJECT TO THE OVERALL RESERVE THAT WE WOULD WANT TO LOOK AT THE PACKAGE AS A WHOLE AND DECIDE WHETHER WE COULD COMMEND IT TO PARLIAMENT. HE EMPHASISED THAT HIS AGREEMENT WAS ON THE BASIS OF THE JOINT GROUP. THE TEXT OF

AT THE PACKAGE AS A WHOLE AND DECIDE WHETHER WE COULD COMMEND IT TO PARLIAMENT. HE EMPHASISED THAT HIS AGREEMENT WAS ON THE BASIS OF THE TERMS SET OUT IN THE PAPER ON THE JOINT GROUP, THE TEXT OF WHICH HAD BEEN AGREED SUBJECT TO ONE POINT, AND ON THE BASIS OF THE ASSURANCES GIVEN BY STATE COUNCILLOR WU. THE PAPER WE HAD PUT FORWARD VISUALISED MOVEMENT TO A PERIOD OF INTENSIFIED COOPERATION IN THE LATER YEARS. WU HAD ACCEPTED THIS DOCUMENT IN PRINCIPLE ON 28 JULY. SINCE THEN, THE CHINESE SIDE HAD SAID THAT THEY DID NOT AGREE ABOUT THE TIMING OF THE TWO PHASES. THE DATE IN THE DOCUMENT WHICH WU HAD ACCEPTED IN PRINCIPLE WAS 1993. HE HOPED THAT THIS WAS ACCEPTABLE.

10. ZHAO SAID THAT THE TWO SIDES WERE STILL SOME DISTANCE APART ON THE DIVISION OF THE TRANSITION PERIOD. THIS COULD BE LEFT TO THE DELEGATIONS IF IT COULD NOT BE RESOLVED DURING THE VISIT. HOWEVER, HE SAW NO NEED TO DIVIDE THE TRANSITION PERIOD. IT WOULD BE DIFFICULT TO DECIDE ON CRITERIA FOR THE DIVISION: E.G. ON ESTABLISHMENT OF THE JOINT GROUP IN HONG KONG, PROMULGATION OF THE BASIC LAW OR IN 1993 AS SUGGESTED BY THE BRITISH SIDE. HE HAD APPRECIATED BRITISH STATEMENTS ABOUT VERY CLOSE COOPERATION IN THE TRANSITION PERIOD AND AS 1997 APPROACHED. THERE SHOULD NOT (NOT) BE A CLEAR-CUT DIVISION OF THE TRANSITIONAL PERIOD. AS AGREEMENT HAD BEEN REACHED ON THE JOINT GROUP, OTHER QUESTIONS SHOULD NOT BE DIFFICULT TO SOLVE. WU INTERJECTED THAT HE HAD SAID THAT THE CHINESE SIDE COULD AGREE IN PRINCIPLE THAT THE BRITISH DOCUMENT SHOULD SERVE AS A BASIS FOR DISCUSSION, NOT THAT THE CHINESE SIDE AGREED TO DIVIDING THE TRANSITION PERIOD AT 1993. ZHAO SUGGESTED THAT THIS POINT BE LEFT TO THE DELEGATIONS.

11. THE SECRETARY OF STATE SAID THAT THE QUESTION OF THE JOINT LIAISON GROUP HAD BEEN VERY CAREFULLY CONSIDERED BY THE PRIME MINISTER. HER APPROVAL ON THE DIFFICULT QUESTION OF TIMING HAD BEEN GIVEN ON THE BASIS THAT THE CHINESE ACCEPTED THE MAINPOINTS IN THE BRITISH PAPER ON THE GROUP, INCLUDING THE TWO PHASES, AND ON THE BASIS OF WU'S ASSURANCE.

12. ZHAO SAID THAT IF THE BRITISH SIDE STILL CONSIDERED DIVISION DESIRABLE, THIS COULD BE DISCUSSED FURTHER DURING THE VISIT. IF AGREEMENT WAS REACHED, SO MUCH THE BETTER. HE DID NOT THINK THE PROBLEM DIFFICULT TO SOLVE. BUT HE SOUGHT TO OPPOSE DIVISION. THE SECRETARY OF STATE SAID THAT HE WISHED TO RESOLVE THIS POINT DURING HIS VISIT, BECAUSE OF THE NEED TO PRESENT THE ARGUMENT ON THE JOINT GROUP TO PUBLIC OPINION IN HONG KONG SOON (THE POINT WAS RESOLVED IN FURTHER WORKING LEVEL EXCHANGES LATER - REPORTED SEPARATELY).

13. THE SECRETARY OF STATE REMINDED ZHAO OF HIS APRIL UNVEILING STATEMENT WHICH WU HAD DESCRIBED AS HELPFUL. HE WANTED TO MAKE A SIMILAR STATEMENT ON THIS TRIP. HE HOPED TO INCLUDE THE JOINT LIAISON GROUP IN THIS PRESENTATION. HE BELIEVED IT WOULD BE HELPFUL IF HE PRESENTED THE ISSUE HIMSELF IN HONG KONG AND THAT NEWS DID NOT REACH HONG KONG BEFORE HIS PRESENTATION. ZHAO AGREED THAT THE SECRETARY OF STATE COULD SPEAK ABOUT THE GROUP'S COMPOSITION AND TIMING OF ESTABLISHMENT IN HONG KONG AND THAT HE COULD MAKE PUBLIC THE ASSURANCES WE HAD RECEIVED FROM WU THAT THE GROUP

MAKE PUBLIC THE ASSURANCES WE HAD RECEIVED FROM WU THAT THE GROUP WOULD NOT INTERFERE IN HONG KONG AFFAIRS. HIS VISIT HAD GIVEN FRESH IMPETUS TO THE TALKS AND HAD BEEN SUCCESSFUL. HE APPRECIATED THE SECRETARY OF STATE'S EFFORTS.

14. ZHAO THANKED THE SECRETARY OF STATE FOR CONVEYING THE PRIME MINISTER'S LETTER. HE FULLY UNDERSTOOD THE IMPORTANCE THE PRIME MINISTER ATTACHED TO THE TALKS AND HER CONCERN. HER LETTER HAD HELPED ACHIEVE A BREAK-THROUGH. HE APPRECIATED HER FRIENDLY ATTITUDE AND STATESMANSHIP. HE ASKED THAT HIS GOOD WISHES AND THANKS FOR THE LETTER BE CONVEYED TO THE PRIME MINISTER.

15. ZHAO SAID HE WISHES TO REITERATE SIX POINTS:

(A) TO PROCEED WITH TWO SYSTEMS WITHIN ONE COUNTRY HAD BEEN A CAREFULLY CONSIDERED STRATEGIC POLICY DECISION. IT WAS BY NO MEANS AN EXPEDIENT. IT WOULD BE IMPLEMENTED IN EARNEST. CHINA MEANT WHAT SHE SAID.

(B) HE WELCOMED AGREEMENT ON THE MAIN AGREEMENT. THIS AND THE ANNEXES WOULD BE EQUALLY BINDING. THEY WOULD BE BINDING ON BOTH SIDES. THEIR CONTENTS WOULD BE REFLECTED IN THE BASIC LAW.

(C) FOR THE SAKE OF HONG KONG'S STABILITY AND PROSPERITY - THE CHINESE SIDE WAS READY TO EXPEDITE WORK IN DRAWING UP THE BASIC LAW. IT WOULD BE PROMULGATED NOT LATER THAN 1990. THE CHINESE SIDE WOULD TRY TO PROMULGATE IT IN 1989 OR 1989.

(D) IN THE PERIOD UP TO 1997, THE UK WOULD CONTINUE TO BE RESPONSIBLE FOR THE ADMINISTRATION OF HONG KONG. CHINA HAD NO INTENTION OF ENTERING INTO A CONDOMINIUM.

(E) THERE WERE NO BIG DIFFERENCES OVER THE NAME, TASKS OR COMPOSITION OF THE JOINT GROUP. HE THEN REITERATED IN STANDARD TERMS THE ASSURANCES ON THE GROUP'S ACTIVITIES.

(F) TO MEET BRITISH WISHES, THE CHINESE SIDE WAS PREPARED TO DELAY ESTABLISHMENT THERE UNTIL 1 JULY 1988 AND TO PROLONG THE GROUP'S EXISTENCE UNTIL 2000.

ALL THIS WOULD BE CONDUCIVE TO THE MAINTENANCE OF HONG KONG'S STABILITY AND PROSPERITY UP TO AND BEYOND 1997. IT TOOK FULL ACCOUNT OF RATIONAL BRITISH SUGGESTIONS AND MET BRITISH DIFFICULTIES.

16. THE SECRETARY OF STATE SAID THAT CONFIDENCE AND PROSPERITY DEPENDED VERY MUCH ON THE CONTENT OF THE ANNEXES. HE WAS GLAD THAT SIX ANNEXES WERE AGREED. VERY IMPORTANT ANNEXES REMAINED. THEY SHOULD CONTAIN ALL THE ELEMENTS NECESSARY FOR CONTINUITY AND CONFIDENCE. HE RECALLED ZHAO'S COMMENTS ABOUT LEAST POSSIBLE CHANGE AND GREATEST POSSIBLE CONTINUITY. HE HOPED THAT TOO MUCH ATTENTION WOULD NOT BE GIVEN TO TRIVIALITY. HE REFERRED TO THE NEED FOR ASSURANCES ABOUT THE LEGAL SYSTEM AND LAND, AND MORE SPECIFICALLY TO CIVIL AVIATION: IF CPA WAS TO CONTINUE TO EXPAND IT NEEDED TO BE ASSURED OF BEING ABLE TO RECOVER THE HUGE INVESTMENT THAT WAS NECESSARY. IT WAS EQUALLY IMPORTANT THAT THE REMAINING ANNEXES

TO CIVIL AVIATION: IF CPA WAS TO CONTINUE TO EXPAND IT NEEDED TO BE ASSURED OF BEING ABLE TO RECOVER THE HUGE INVESTMENT THAT WAS NECESSARY. IT WAS EQUALLY IMPORTANT THAT THE REMAINING ANNEXES SHOULD BE COMPREHENSIVE AND CLEAR.

17. ZHAO SAID THAT THE TWO SIDES COULD TRY TO INCLUDE AS MANY AGREED POINTS AS POSSIBLE, PROVIDED THEY DID NOT ADVERSELY AFFECT THE SOLEMNITY OF THE DOCUMENT. EXCESSIVE DETAIL WAS UNNECESSARY. ONLY IMPORTANT GENERAL PRINCIPLES OR DETAILS SHOULD BE INCLUDED. SOME PEOPLE IN HONG KONG MIGHT CLAIM THAT INCLUSION OF TOO MUCH DETAIL IN THE AGREEMENT, AND HENCE IN THE BASIC LAW, COULD ADVERSELY AFFECT THE AUTONOMY OF THE SAR.

18. THE SECRETARY OF STATE SAID THAT NO ONE SOUGHT UNNECESSARY DETAIL. SO FAR THE NEED FOR BREVITY, CLARITY AND PRECISION HAD BEEN BALANCED. DETAIL WAS REQUIRED NOT JUST TO REASSURE PEOPLE IN HONG KONG, BUT ALSO OVERSEAS INVESTORS. IT WOULD BE A GREAT PITY TO 'SPOIL THE SHIP FOR A HA'PORTH OF TAR'.

19. ZHAO SAID THAT AGREEMENT ON THE MOST IMPORTANT QUESTION HAD BEEN ACHIEVED. IT WOULD NOT BE DIFFICULT TO SETTLE OUTSTANDING ISSUES.

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