

ADVANCE COPIES

FUTURE OF HONG KONG: WORKING GROUP

32A

HD/ HKD

MR MOUND, HKD

SIR P CRADOCK, ROOM K195  
" " " NO.10 DOWNING ST

MR BICKFORD LEGAL ADVISERS

RESIDENT CLERK

TYPISTS

GRS 750

SECRET

DESKBY 081530Z BOTH  
FROM PEKING 081350Z SEP 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 2194 OF 8 SEP  
INFO IMMEDIATE HONG KONG

IMMEDIATE  
ADVANCE COPY

FROM WILSON

FUTURE OF HONG KONG: ASSESSMENT OF PROGRESS IN THE WORKING  
GROUP AND AD HOC GROUPS

1. IN THE WORKING GROUP PROGRESS HAS BEEN PAINFULLY SLOW. THOSE  
SUBJECTS REMAINING FOR DISCUSSION WERE AMONGST THE MOST DIFFICULT.  
WE HAVE NOTHING TO OFFER AND MUCH TO ASK. WE HAVE BEEN NEGOTIATING  
ON SEVERAL MATTERS WHERE THERE IS NEITHER AN ESTABLISHED  
CHINESE POLICY NOR ANY AGREED APPROACH BETWEEN THE TWO SIDES DURING  
THE PAST MONTHS OF NEGOTIATIONS. NEVERTHELESS, ON THE PUBLIC  
SERVICE WE NOW HAVE AN AGREED TEXT WHICH CONTAINS THE ESSENTIAL  
POINTS WE WERE SEEKING ON CONTINUITY OF SERVICE FOR PUBLIC SERVANTS  
AND FOR THE CONTINUED PAYMENT OF PENSIONS BY THE SAR GOVERNMENT AND  
WHICH HAS REASONABLY SATISFACTORY PROVISIONS ON CONTINUITY OF  
THE GENERAL PUBLIC SERVICE SYSTEM.

2. IT IS WHEN DEALING WITH CONSTITUTIONAL ARRANGEMENTS AND  
GOVERNMENT STRUCTURE THAT WE HAVE HIT THE HEAVIEST GOING.  
AS THE CHIIIIIPV

AS THE CHINESE HAVE REPEATEDLY MADE CLEAR, THEY DO NOT YET  
KNOW IN DETAIL WHAT GOVERNMENT STRUCTURE THEY WISH TO SEE IN PLACE  
AFTER 1997: THESE ARE MATTERS FOR THE BASIC LAW. MEANWHILE  
THEY ARE UNWILLING TO TIE THEIR OWN HANDS. WE FOR OUR PART,  
UNLIKE OUR USUAL ROLE OF SEEKING ASSURED CONTINUITY, ARE TRYING TO  
TIE THE CHINESE DOWN TO GOVERNMENTAL STRUCTURES WHICH DO NOT  
YET EXIST IN HONG KONG.

3. THE AD HOC GROUP HAS MADE BETTER PROGRESS. THE ANNEX ON  
LAND LEASES IS NOW FULLY AGREED APART FROM THE TWO POINTS OF  
DETAIL. IT PROVIDES FOR THE CONTINUED RECOGNITION OF  
OF EXISTING RIGHTS IN LAND, THE EXTENSION OF EXISTING LEASES BEYOND  
1997, AND THE GRANT OF NEW LEASES EXTENDING BEYOND THAT DATE IN  
LANGUAGE WHICH IS VIRTUALLY IDENTICAL TO THE WORDING WE HAD  
PROPOSED. IN RETURN WE HAVE CONCEDED THAT A PROPORTION OF THE  
REVENUE INCOME DERIVED FROM THE GRANT OF NEW LEASES SHOULD

PROPOSED. IN RETURN WE HAVE CONCEDED THAT A PROPORTION OF THE PREMIUM INCOME DERIVED FROM THE GRANT OF NEW LEASES SHOULD BE RESERVED TO THE FUTURE SAR GOVERNMENT, AND HAVE AGREED TO ESTABLISHMENT OF A (JOINT) LAND COMMISSION WITH CERTAIN POWERS. BUT THE TERMS OF REFERENCE FOR THE LATTER ARE TIGHTLY DRAWN AND THE PRICE HAS BEEN WORTHE PAYING. OUR ABILITY TO GIVE THE CHINESE SOME OF WHAT THEY WANTED HAS PAID DIVIDENDS IN TERMS OF THE OVERALL TEXT.

4. ON NATIONALITY WE ARE NEAR TO AGREEMENT ON A TEXT FOR ANNEX 1 WHICH WILL PROVIDE A SATISFACTORY DEFINITION OF THE RIGHT TO

ABODE, INCLUDING ALL WHO WILL HAVE THAT RIGHT IN HONG KONG BEFORE 1997, AND PROVISIONS WHICH SHOULD ENSURE THAT FREEDOM OF TRAVEL AND THE RIGHT TO USE FOREIGN PASSPORTS ARE EFFECTIVELY PRESERVED. BUT WE HAVE NOT YET GOT TO GRIPS WITH THE KEY ISSUES ARISING FROM THE EXCHANGE OF MEMORANDA: TRANSMISSIBILITY, THE ISSUE OF NEW-STYLE BRITISH PASSPORTS AFTER 1997, AND AN EXPLICIT REFERENCE TO "PASSPORTS" IN THE EXCHANGE ITSELF.

5. DISCUSSION ON CIVIL AVIATION HAS ONLY JUST BEGUN. THE POSITION OF THE TWO SIDES ARE STILL FAR APART AND IT IS NOT EASY TO SEE HOW THEY CAN BE RECONCILED. WE FACE A HARD SLOG ON THIS NEXT WEEK.

6. SINCE LATE AUGUST THE CHINESE HAVE BEEN TALKING ABOUT A SELF-IMPOSED DEADLINE OF 10 SEPTEMBER FOR THE WORKING AND AD HOC GROUPS TO COMPLETE THEIR WORK. ZHOU NAN STILL TALKS IN TERMS OF AN IMMEDIATE DEADLINE. BUT THE TWO LEADERS OF THE CHINESE TEAMS SHOW NO SIGNS OF EXPECTING TO COMPLETE THEIR WORK BY 10 SEPTEMBER. INDEED, THAT DEADLINE HAS CLEARLY BEEN UNATTAINABLE FOR SOME TIME, PARTICULARLY FOR THE AD HOC GROUP. DESPITE ZHOU NAN'S ATTEMPTS TO GET ALL THE WORK COMPLETED IN A HURRY, THE CHINESE SHOW NO SIGNS OF BEHAVING ACCORDINGLY IN THE TWO GROUPS. IN THE AD HOC GROUP THE CHINESE LEADER IS WRKING STEADILY AND REASONABLY PRAGMATICALLY. BY CONTRAST, IN THE WORKING GROUP THE APPROACHING DEADLINE IS PRODUCING NOT A DISPOSITION TO AGREE BUT AN OBSESSION WITH THE MINUTIAE AND A DISTRESSING TENDENCY TO GO BACK ON AGREED TEXTS, PRESUMABLY INDUCED BY SECOND THOUGHTS ON HOW THEY WILL LOOK TO READERS IN THE TOP LEADERSHIP.

7. WE ARE NEARING THE END. BUT HOW THAT END GAME WLL BE PLAYED IN THE WORKING AND AD HOC GROUPS NOW DEPENDS TO A LARGE EXTENT ON THE CHINESE RESPONSE TO YOUR MESSAGE OF TODAY.

EVANS