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DESKBY 180200Z

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TO IMMEDIATE PEKING

TELEGRAM NUMBER 375 OF 17 JUNE.

INFO HONG KONG (PERSONAL FOR GOVERNOR)

YOUR TELNO 543 AND HONG KONG TELNO 780: FUTURE OF HONG KONG

1. MINISTERS HAVE NOW DISCUSSED THE FORMULA AND ORDER OF THE AGENDA FOR SUBSTANTIVE TALKS WITH THE CHINESE. THE FORMULA WHICH THEY CAN ENDORSE READS AS FOLLOWS:-

'IN ORDER TO MEET THE WISH OF THE CHINESE SIDE FOR A BROAD AGENDA COVERING THE WHOLE COURSE OF THE FORMULA TALKS, THE BRITISH SIDE AGREE THAT DURING THE COURSE OF THE TALKS MATTERS RELEVANT TO THE FUTURE OF HONG KONG SHOULD BE DISCUSSED, IN PARTICULAR ALL THE SUBJECTS MENTIONED IN MRS THATCHER'S LETTER AND PREMIER ZHAO'S LETTER. THESE WILL INCLUDE ARRANGEMENTS FOR HONG KONG AFTER 1997, ARRANGEMENTS IN HONG KONG BETWEEN NOW AND 1997, AND MATTERS RELATING TO A TRANSFER OF SOVEREIGNTY, IN THAT ORDER. IT IS AGREED THAT THIS AGENDA SHOULD REMAIN CONFIDENTIAL'.

2. THE PRIME MINISTER PREFERRED TO SPELL OUT THE IMPORTANCE OF THE ORDER OF THE AGENDA IN WRITING, RATHER THAN LEAVE IT TO YOU TO MAKE ORALLY.

3. MINISTERS AGREE THAT WHEN IT IS CONFIRMED THAT SUBSTANTIVE TALKS ARE TO TAKE PLACE, IT WILL BE IMPORTANT NOT TO GIVE THE IMPRESSION THAT THE PAST NINE MONTHS OF CONTACTS WITH THE CHINESE HAVE BEEN STERILE AND THAT ONLY NOW ARE WE BEGINNING TO TALK BUSINESS. THEY AGREE THAT IT WOULD BE APPROPRIATE FOR A JOINT STATEMENT TO BE MADE TO THE EFFECT THAT FOLLOWING USEFUL EXCHANGES THE TALK WERE ABOUT TO MOVE INTO A NEW STAGE. WE SUGGEST THE FOLLOWING FORM OF WORDS:-

'FOLLOWING THE DISCUSSIONS BETWEEN THE LEADERS OF THE TWO COUNTRIES IN SEPTEMBER 1982, AND SUBSEQUENT USEFUL EXCHANGES,

*RR 27/6
f.a.*

IT HAS BEEN AGREED THAT A SECOND PHASE OF THE TALKS ON THE FUTURE OF HONG KONG WILL BEGIN IN PEKING ON BOTH SIDES HAVE REAFFIRMED THE COMMON AIM OF MAINTAINING THE STABILITY AND PROSPERITY OF HONG KONG AND HAVE EXPRESSED THEIR DETERMINATION TO PURSUE THE TALKS TO A SUCCESSFUL CONCLUSION'.

4. HONG KONG WILL WANT TO USE A SEPARATE FORM OF WORDS EITHER FOR A STATEMENT OR IN ANSWER TO QUESTIONS. WE SUGGEST:-
'THE BRITISH DELEGATION WILL BE LED BY THE BRITISH AMBASSADOR IN PEKING. THE GOVERNOR OF HONG KONG WILL ALSO TAKE PART OPEN SQUARE BRACKETS AS A MEMBER OF THE BRITISH DELEGATION CLOSE SQUARE BRACKETS'.

PERHAPS YOU AND THE GOVERNOR COULD DECIDE BETWEEN YOU WHETHER TO INCLUDE THE PASSAGE IN SQUARE BRACKETS AND HOW TO HANDLE THIS PRESENTATIONAL POINT.

5. MINISTERS AGREE THAT IT WOULD BE USEFUL IF EXCO UNOFFICIALS COULD VISIT LONDON BEFORE THE PARLIAMENTARY RECESS, WHICH MAY BEGIN AS EARLY AS THE WEEK ENDING 22 JULY.

6. THE FORWARD STRATEGY PAPER WAS NOT CONSIDERED BY MINISTERS IN DETAIL. THEY RECOGNISED HOWEVER THAT DURING THE SUBSTANTIVE TALKS THE NEGOTIATORS WILL NEED SOME LATITUDE ON BOTH CHOICE AND ORDER OF PARTICULAR TOPICS AS WELL AS THE PRECISE LANGUAGE TO BE EMPLOYED. IT WAS GENERALLY AGREED THAT AT THE FIRST SESSION YOU AND THE GOVERNOR SHOULD MAKE A PRESENTATION SETTING OUT HOW HONG KONG WORKS NOW IN ORDER TO ILLUSTRATE THE VALUE OF THE PRESENT SYSTEMS AND THE KEY IMPORTANCE OF THE UNITED KINGDOM LINK.

7. YOU SHOULD NOW RENEW CONTACT ON A PERSONAL BASIS WITH ZHOU NAN AND PROPOSE THE FORMULA IN PARAGRAPH 1 ABOVE AS THE AGENDA FOR TALKS. AS THE SITUATION DEVELOPS WE WILL ASSUME THAT THE GOVERNOR WILL BE KEEPING EXCO CLOSELY INFORMED. IT WOULD BE HELPFUL IF THE GOVERNOR COULD PROPOSE SOME DATES FOR A POSSIBLE VISIT BY EXCO UNOFFICIALS TO LONDON.

HOWE

FUTURE OF HONG KONG

LIMITED

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