

FUTURE OF HONG KONG ADVANCE COPIES 8

PS  
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COPY TO:

MR COLES, No. 10 DOWNING ST

~~RESIDENT CLERK~~



SECRET

FROM PEKING 210820Z OCT 83

IMMEDIATE

TO IMMEDIATE FCO

TELEGRAM NUMBER 1066 OF 21/10/83

ADVANCE COPY

REPEATED FOR INFO TO IMMEDIATE HONG KONG

MY TEL NO 1057: FUTURE OF HONG KONG.

1. CONVERSATION WITH THE CHINESE DELEGATION AT MY DINNER FOR THEM ON 20 NOVEMBER SUGGESTS THAT WE HAVE MADE BETTER PROGRESS THAN WE AT FIRST THOUGHT.

WE SEEM TO BE VIRTUALLY THROUGH THE DOOR.

2. THE CHINESE WERE NOTABLY FRIENDLY AND RELAXED AT THE DINNER. ONLY TWO RELATIVELY JUNIOR MEMBERS BROUGHT UP THE PREMISE AND THEN IN SUCH A WAY AS TO CONVEY THAT, THOUGH LESS THAN IDEAL, OUR POSITION WAS ACCEPTABLE. YAO GUANG THANKED ME FOR MY REPEATED EXPLANATIONS OF THE PRIME MINISTER'S MESSAGE, WHICH HE SAID HAD IMPRESSED, EVEN MOVED HIM (EXCLAM). HIS PERSONAL REPORT TO LEADERS WOULD BE MUCH MORE POSITIVE THIS TIME. HE REFERRED TO DENG'S REMARKS TO MR HEATH ON 10 SEPTEMBER, THAT WE MUST NOT GET BOGGED DOWN OVER SOVEREIGNTY AND ADMINISTRATION AND MUST GET ON TO CONSTRUCTIVE DISCUSSION (MY TEL NO 879). I SAID I HOPED HE WOULD AGREE THAT AS A RESULT OF THIS ROUND WE WERE NOT GOING TO GET BOGGED DOWN. HE AGREED.

3. YAO GUANG ASSURED ME THAT THE CHINESE WOULD BE DEALING WITH OUR QUESTIONS ON THE LEGAL AND FINANCIAL SYSTEMS AT THE NEXT ROUND AND CLAIMED THESE WOULD NOT BE TOO DIFFICULT TO ANSWER. HE ALSO ASSURED ME THAT A BROAD PRINCIPLE BEHIND THE CHINESE PROPOSALS FOR HONG KONG WAS THAT OF NO CHANGE OR NO BASIC CHANGE. HE CALIMED THIS WAS VERY APPARENT FROM THE TEXT. AT THE SAME TIME, IT WAS FAIRLY CLEAR FROM WHAT HE AND HIS COLLEAGUES SAID THAT THE CHINESE HAVE VIRTUALLY NOTHING TO ADD TO THEIR GENERAL STATEMENTS ON 25 JULY AND 19 OCTOBER ON THE FUTURE SYSTEMS IN HONG KONG. (ON THE LAW, FOR EXAMPLE, THEIR



~~TO THEIR GENERAL STATEMENTS ON 25 JULY AND 19 OCTOBER ON THE FUTURE SYSTEMS IN HONG KONG. (ON THE LAW, FOR EXAMPLE, THEIR EXPERT, SHAO TIANREN, ADMITTED TO THE GOVERNOR THAT THEY HAD NOT STUDIED THE HONG KONG LEGAL SYSTEM). THEY SAID THEY HAD PUT ALL THEIR CARDS ON THE TABLE AND PRESSED US, ALMOST DESPERATELY, TO GIVE OUR VIEWS AND PUT FORWARD OUR IDEAS. THE QUESTIONS WE HAD SO FAR SUBMITTED WERE, THEY THOUGHT, RATHER TOO NEUTRAL.~~

4. YAO GUANG ASKED ME HOW I THOUGHT WE SHOULD PROCEED. I SAID IT SEEMED TO ME THAT WE SHOULD TRY TO SEEK COMMON GROUND. WE HAD HAD SOME RATHER DIFFICULT DEBATES IN THE PAST. IT WOULD NOW HELP CONFIDENCE ON BOTH SIDES IF WE COULD REACH AGREEMENT ON CERTAIN AREAS OF THE POST-1997 ARRANGEMENTS, BEGINNING WITH THE LESS DIFFICULT ONES. WE SHOULD THEN BE ABLE TO BUILD A GOOD BUILDING FLOOR BY FLOOR. I SUGGESTED THE LEGAL AND FINANCIAL SYSTEMS AS THE FIRST TWO FLOORS. PERHAPS INTERNATIONAL ECONOMIC RELATIONS COULD BE THE NEXT. HE SEEMED ATTRACTED BY THIS. HE ASKED WHAT I THOUGHT THE DIFFICULT AREAS WERE. I EVADED THIS AND MENTIONED ONLY THE BILATERAL AGREEMENT, WHICH WOULD HAVE TO COME AT THE END. HE SAID THE CHINESE HAD ALL ALONG RECOGNISED THERE WOULD HAVE TO BE A BILATERAL AGREEMENT. (DENG, IN FACT, CONFIRMED TO MR HEATH THAT THE NEGOTIATIONS WOULD END WITH A QUOTE BINDING AGREEMENT UNQUOTE)

5. HE SAID THAT THE CHINESE HAD NOT YET PREPARED A BASIC LAW FOR THE SPECIAL ADMINISTRATION REGION. THIS IS FURTHER CONFIRMATION OF THEIR LACK OF DETAIL. I SAID THAT THE CONSTITUTION FOR POST-1997 HONG KONG WOULD HAVE TO BE AGREED BETWEEN US, THOUGH PRESUMABLY CHINA WOULD ENACT IT ALONE. HE SAID THEY HAD ALREADY SAID THEY WERE READY TO CONSULT US.

6. HE RAISED BRITISH INTERESTS IN HONG KONG AND SAID THAT ALTHOUGH WE DENIED IT, CHINA RECOGNISED BRITAIN HAD IMPORTANT ECONOMIC INTERESTS THERE. I SAID OUR REAL INTEREST WAS THAT HONG KONG SHOULD CONTINUE TO FLOURISH

CRADOCK

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