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PREM 19/1262

Future of Hong Kong.

New Territorial Leases.

PART II

HONG KONG

Part I: June 1979

Part II: January 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
3-1-84							
6-1-84							
11-1-84							
17-1-84							
20-1-84							
25-1-84							
26-1-84							
31-1-84							
31-1-84							
31-1-84							
PREM 19/1262							
PART II —							
ENDS							

PART 11 ends:-

PCO to AJC 31-1-84

PART 12 begins:-

PEKING TEL 182 1-2-84



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

Content will working
paper enclosed with this
letter?

Yes. mb.

31 January 1984

A.F.L. $\frac{36}{1}$

Dear John,

Future of Hong Kong: Working Paper on the Public Service

Sir Geoffrey Howe's minute of 9 January referred to the preparation of working papers on the key issues relating to Hong Kong's future and emphasised that they would need very careful study. FCO officials have subsequently been preparing these papers in close cooperation with Hong Kong and Peking. Mr Luce also discussed them in general terms at a meeting with the Governor and the Unofficial Members of EXCO on 17 January.

I enclose a draft working paper on the public service that has been agreed at official level with the Governor and the Ambassador. It places great emphasis on the need for the maximum possible continuity in the public service in Hong Kong after 1997, for example in such areas as appointments, conditions of service, promotions and codes of discipline. One particularly important point for us is that the Government of the Hong Kong SAR should assume responsibility for paying all public service pensions and gratuities, including those to retired officers. The paper also noted that some changes will be required, e.g. by the replacement before July 1997 of Colonial Regulations affecting the public service by laws enacted by the Hong Kong Government and the removal of the words 'Royal' and 'Crown' from public service bodies and institutions.

The normal means of preserving continuity in the public service when dependent territories attain independence would be for the successor government as one of its first acts, to sign a Public Officers Agreement with HMG whereby it agreed to continue to employ members of the public service on the terms and conditions laid down therein. If the Chinese agree to the general proposals in this working paper, something of the kind would probably be required for Hong Kong. One other important point would be before 1997 to convert the Public

/Service



Service Commission by stages into a body with full executive powers relating to appointments, promotions and discipline. This evolution would provide some kind of guarantee against political interference in these areas and is again a standard feature in other dependent territories approaching independence. Paragraph 11 of the working paper has been drafted so as to allow for this.

I should be grateful to know if the Prime Minister is content with the working paper. We will then put it formally to the Executive Council. Unless they have any unforeseen objections to it, we will be able to hand it over to the Chinese before the next round of talks.

I am copying this letter and the draft working paper to the Private Secretaries of members of OD(K) and to Sir Robert Armstrong.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

WORKING PAPER ON THE PUBLIC SERVICE

THE CHINESE PLAN

1. The Hong Kong SAR would enjoy a high degree of autonomy and would be vested within the power of legislation. The laws, decrees and regulations currently in force would remain basically unchanged. The Government of the Hong Kong SAR would be composed of local inhabitants. Chief officials would be nominated by the SAR Government and appointed by the central government. ~~Other officials would be appointed by the central government.~~ Other officials would be appointed by the SAR Government. Overseas officers not holding a Hong Kong identity card could serve as advisers at and above the rank of secretary. Those holding a Hong Kong identity card could serve as officials up to the highest level of the public service.

IMPLICATIONS

2. The stability of Hong Kong up to and beyond 1997 cannot be assured without maintaining the continuity and efficiency of the public service. Serving officers must feel encouraged to remain in the service: men and women of ability must feel attracted to join it. Standards must be maintained.
3. The loyalty of all officers regardless of origin would be to the Government of the Hong Kong SAR. Arrangements would be made for the existing contractual responsibilities for and by members of the public service to be transferred to the government of the Hong Kong SAR.
4. The concept of a single unified service performing both central and local government functions would be maintained, at the discretion of the SAR government acting on its own authority.
5. All members of the public service would continue to be subject to the laws of Hong Kong and their actions would continue to be subject to challenge in the courts.
6. Officers currently serving, both local and overseas, and those

recruited in the future would, subject to continuing good conduct and performance, be able if they wish to complete a full career in Hong Kong on terms and conditions of service not less favourable than present terms, except where these are modified on the authority of the bodies listed in paragraph 12 below.

7. All vacancies in the public service which cannot be satisfactorily filled by a serving officer would continue to be advertised publicly, and to be filled on the basis of merit from among those qualified candidates who meet the advertised requirements. The Government of the SAR would continue to be free to advertise vacancies outside Hong Kong, and to appoint suitable candidates from outside Hong Kong on appropriate terms and conditions of service, where it was unable to fill vacancies locally with suitably qualified candidates.

8. All vacancies in ranks above the basic recruitment rank would normally continue to be filled by the promotion of serving officers on the basis of qualifications, experience and merit.

9. In addition to participation in training courses within the SAR, members of the public service would continue to be able to participate in training courses outside Hong Kong, and the existing arrangements by which certain public service training courses allow public officers to become eligible to obtain qualifications recognised overseas would be retained.

10. All members of the public service would continue to be subject to codes of discipline laid down by the SAR government incorporating provisions comparable with those now provided for in existing regulations.

11. The government of the SAR would assume responsibility for paying all public service pensions and gratuities no less favourable than currently existing and in accordance with the law, including those of officers who had retired prior to 1 July 1997, regardless of the recipient's place of residence.

12. The composition of the following public bodies and the functions

that they discharge with regard to public service appointments, discipline, pay and conditions of service would continue as immediately prior to 1 July 1997:

The Public Service Commission.

The Standing Commission on Civil Service Salaries and Conditions of Service.

The Standing Committee on Directorate Salaries and Conditions of Service.

Any change in the status or duties of these bodies would only be effected with the approval of the legislature of the SAR. Advice from these bodies having financial implications would continue to be subject to their acceptance by the legislature of the SAR.

13. The post of Chief Secretary should be retained within the public service and would be responsible for its central administration and direction and for carrying out the recommendations of the above bodies.

14. Prior to 1 July 1997, Colonial Regulations affecting the public service would be replaced by laws enacted by the Hong Kong Government. The present requirement to refer certain questions to the Secretary of State for Foreign and Commonwealth Affairs in London would cease.

15. On 1 July the word 'Royal' and 'Crown' would be removed from the titles of those bodies and institutions in the public service that now carry them (eg the Royal Hong Kong Police Force, the Royal Observatory).

APPOINTMENT OF CHIEF OFFICIALS

16. The Chief Officials of the Government (ie the Chief Secretary, the Financial Secretary and the Attorney-General) should be appointed according to procedures in force immediately prior to 1 July 1997. These appointments should be reported to the Central

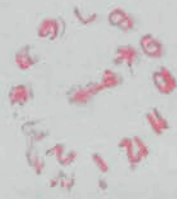
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Government. [The appointments should be considered to have been confirmed unless formal objections were received from the latter within () days].

Hong Kong Department
January 1984

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31 JAN 1984

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Foreign and Commonwealth Office

London SW1A 2AH

31 January 1984

Rather worrying, but I do not want to make any decision on this moment.

Prime Minister.

A.S.C. 2/1

Dear John,

Future of Hong Kong: 8th Round of Talks

25/26 January 1984

Sir R Evans has reported on this round which was again described in the joint communiqué as useful and constructive. The next round is fixed for 22/23 February.

In some ways this was a helpful round. The first day and part of the second was spent in detailed discussion of papers already submitted by us. The Chinese clarified their position on a number of points. It is evident that on the monetary system, lifestyle, freedoms and rights of the individuals, the economy, and the legal system, their ideas are broadly in line with ours. In general they accept the principle of a high degree of autonomy for the SAR, although they stress that this must be within the confines of the 'basic law'. Whether they will be prepared to specify this autonomy in a binding bilateral agreement in sufficient detail to retain confidence in Hong Kong remains to be seen. Nevertheless, there is a good basis on which we can build.

*I wonder!
A.S.C. 2/1*

The discussions ran into difficulties when Zhou Nan brought up the question of the pace of the talks and particularly the presentation of our working papers. Indeed the Chinese have only reluctantly accepted 22/23 February as the date for the next round and in informal discussion have said that if we do not get at least one working paper on a central issue to them by 10 February they may have to ask for a postponement and blame it on us. The Chinese are also pressing for the overall timetable for the negotiations to be speeded up. They envisage completion of work on agenda item 1 (arrangements after 1997) by the end of March and as rapid discussion as possible of items 2 and 3 (arrangements up to 1997 and the transfer of sovereignty). They have again referred to their interest in discussion on the form of a possible agreement.

/The Chinese



The Chinese are accusing us of impeding progress by raising points which they regard as inconsistent with their premise, citing our objections to the stationing of Chinese troops in Hong Kong as an example. They have also urged that our working papers should be as general as possible and should avoid points likely to cause offence to Chinese susceptibilities.

Immediate Tactics

We have to decide how to react to Chinese pressure both in the short and the long term. Although some EXCO officials have expressed misgivings about being rushed, Ministers have already agreed that our own interests require us to get our working papers in as quickly as possible. We shall of course need to watch carefully that our papers, without being provocative, do not simply endorse Chinese ideas, and this means that a sufficient amount of detail must be included. Nevertheless the Chinese can be expected to press us continuously to move quickly and our own interests require us to get our ideas over in order to influence their thinking.

The working paper on nationality will cause most difficulty and although the Chinese would like this soon, we shall need considerably longer for Ministers to consider the problem and for EXCO to absorb all the implications. But we should be able to put in papers on Defence and the Public Service and possibly on Constitutional Structures much sooner. One of the problems is the fact that EXCO would not normally have a meeting between 31 January and 15 February, because of the Chinese New Year. Sir Geoffrey has asked the Governor to see whether a special meeting can be held in that period. He has pointed out a number of objections and we have asked him to reconsider the position.

Longer Term Strategy

The implications of Chinese pressure for rapid negotiation and conclusion of an agreement this summer need to be very carefully examined. The Chinese want a quick agreement on the main principles; we want to include as much detail as possible to show that autonomy will be assured, and we have to ensure that conditionality is safeguarded. The Chinese are still arguing that many points will have to be left for promulgation in the 'basic law' or for decision by a future SAR Government. The Chinese probably already have firm views on how the agreement will look. We must ensure that we have as much influence on it as possible. There are therefore strong arguments for ourselves presenting our ideas on the form of an agreement quite soon.

/The question

S E C R E T



The question of a timetable for our handling of the talks, in particular whether we aim at a definitive or interim agreement this year, involves a complex series of factors including the timing and method both of testing acceptability in Hong Kong and of seeking Parliamentary approval. Sir Geoffrey will let the Prime Minister have advice on this subject as soon as possible.

I am sending copies of this letter to the Private Secretaries of members of OD(K) and of Sir R Armstrong.

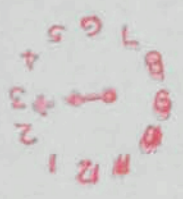
Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

S E C R E T



311 JAN 1984

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MR Coles
Nº 10 DOWNING ST
A.F.C. 1/2

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PP WASHINGTON

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FM FCO 311340Z JAN 84

TO PRIORITY WASHINGTON

TELEGRAM NUMBER 191 OF 31 JANUARY

INFO PRIORITY HONG KONG, PEKING (PERSONAL FOR AMBASSADOR)

FUTURE OF HONG KONG: BRIEFING THE AMERICANS

1. THE FOLLOWING UPDATES THE BRIEFING PROVIDED IN OUR TELNO 019. HONG KONG AND PEKING MAY WISH TO DRAW ON IT WITH THEIR SENIOR OFFICIAL CONTACTS. WE SHALL DO SO IN BRIEFING FOR VICE-PRESIDENT BUSH'S UK VISIT 11/12 FEBRUARY.
2. THE GOVERNOR AND EXCO UNOFFICIALS' VISITED LONDON FOR DISCUSSION 13-17 JANUARY. MINISTERS REAFFIRMED HMG'S CONTINUING COMMITMENT TO HONG KONG AND THE IMPORTANCE THEY ATTACH TO CONSULTATIONS WITH EXCO. THERE WAS A COMPREHENSIVE REVIEW OF DEVELOPMENTS IN THE TALKS. THIS PRODUCED A CLOSE IDENTITY OF VIEWS ON THE MATTERS INVOLVED.
3. THE 8TH ROUND OF TALKS (25/26 JANUARY) WAS JOINTLY DESCRIBED AS USEFUL AND CONSTRUCTIVE. SIR R EVANS IS NOW LEADING THE BRITISH TEAM. ON THE CHINESE SIDE VICE FOREIGN MINISTER YAO GUANG HAS BEEN REPLACED BY ASSISTANT FOREIGN MINISTER ZHOU NAN. THE CHINESE INFORMED US IN ADVANCE OF THE CHANGE. IT HAS NO DIRECT CONNECTION WITH THE TALKS AND THERE IS NO QUESTION OF THESE HAVING BEEN 'DOWN-GRADED'. ZHOU NAN IS WELL KNOWN TO US AND HAS ALREADY BEEN ASSOCIATED WITH THE NEGOTIATIONS. SIR P CRADOCK HAD A GOOD DEAL OF INFORMAL CONTACT WITH HIM LAST SUMMER WHEN THE FORMAL TALKS WERE AT A DIFFICULT STAGE.
4. THE ATMOSPHERE AT THIS ROUND WAS GENERALLY GOOD. THE CHINESE AGAIN EXPRESSED THEIR WISH TO REACH A BILATERAL AGREEMENT WITH US AS QUICKLY AS POSSIBLE. WE SAID THAT WE TOO WERE APPROACHING THE TALKS IN THIS SPIRIT AND LOOKED FORWARD TO ENLARGING THE AREA OF COMMON GROUND BETWEEN US. WE REITERATED THE

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NEED FOR:

- (A) MAXIMUM CONTINUITY OF HONG KONG'S CURRENT SYSTEMS AND FREEDOMS:
- (B) SOLID ASSURANCES OF SUCH CONTINUITY IN THE INTERESTS OF CONTINUING STABILITY AND PROSPERITY:

AND OUTLINED SOME OF THE REMAINING KEY ISSUES WHICH WE EXPECTED THE TALKS TO COVER. THESE INCLUDE CONSTITUTIONAL AND ADMINISTRATIVE ARRANGEMENTS FOR HONG KONG AFTER 1997 SEMI-COLON DEFENCE AND EXTERNAL SECURITY SEMI-COLON THE PUBLIC SERVICE SEMI-COLON NATIONALITY AND CITIZENSHIP. AT THIS ROUND WE HANDED OVER A FURTHER WORKING PAPER (ON LAND LEASES IN THE FUTURE). THE CHINESE UNDERTOOK TO STUDY IT CAREFULLY.

5. WE CONTINUED THE PROCESS OF EXPLORING BEGIN UNDERLINING WITHOUT PREJUDICE CEASE UNDERLINING CHINESE PROPOSALS FOR HONG KONG. WITH OUR INFORMAL WORKING PAPERS AS A BASIS FOR DISCUSSION, THE CHINESE EXPANDED THEIR IDEAS ON HONG KONG'S:

- (A) MONETARY SYSTEM:
- (B) ECONOMIC SYSTEM:
- (C) CULTURE AND EDUCATION:
- (D) THE RIGHTS OF INDIVIDUALS IN HONG KONG.

THEY ALSO CLARIFIED IN A GENERALLY HELPFUL WAY THEIR THINKING ON CERTAIN ASPECTS OF HONG KONG'S LEGAL SYSTEM. (OUR TELNO 2082 OF 1983). ON ALL THESE MATTERS THERE IS CLEARLY A GOOD MEASURE OF AGREEMENT BETWEEN US. BUT DIFFICULTIES REMAIN. WE NEED AND HAVE REQUESTED FURTHER EXPANSION ON POINTS OF DETAIL, ESPECIALLY ON THOSE IN THE MONETARY FIELD.

6. WE SEEM TO HAVE FOUND A WAY TO ENABLE SUBSTANTIVE DISCUSSION TO CONTINUE. WE, LIKE TO THE CHINESE, ARE KEEN TO KEEP UP THE MOMENTUM OF THE TALKS. WITH THIS IN MIND WE HOPE TO HAND OVER THE REMAINDER OF OUR WORKING PAPERS WITHIN THE NEXT FEW WEEKS. USING THESE AS A BASIS FOR DISCUSSION WE WISH TO COMPLETE AS SOON AS POSSIBLE OUR OVERALL EXPLORATION OF THE IMPLICATIONS OF THE CHINESE PROPOSALS FOR HONG KONG. BUT SOME OF THE ISSUES OUTSTANDING (SEE PARAGRAPH 4 ABOVE) ARE COMPLEX AND WE ENVISAGE MUCH HARD NEGOTIATION AHEAD. WE ARE OF COURSE STILL OPERATING ON THE BASIS THAT EXPLORATION OF THE CHINESE PLAN IS ENTIRELY

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WITHOUT PREJUDICE TO ANY FINAL AGREEMENT.

7. YOUR TELNO 145. CHINESE FOREIGN MINISTER'S TALKS IN WASHINGTON. WE WERE GRATEFUL FOR THE DETAILS OF WU'S TALK WITH SHULTZ. THESE REFLECT THE RECENT TREND OF CHINESE PROPAGANDA WHICH AIMS AT RECONCILING HONG KONG PEOPLE AND INTERNATIONAL OPINION TO CHINESE PLANS. THE CHINESE HAVE BEEN AT PAINS TO REASSURE PEOPLE THAT THERE WILL BE NO CHINESE INTERFERENCE.

HOWE

FUTURE OF HONG KONG
LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
D/HD/PUSD (MR FLOWER)
RES.B. (MR WALKER)
LEGAL ADVISER (SIR IAN SINCLAIR)
PS
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SIR J BULLARD
SIR W HARDING
MR DONALD
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PS/S OF S FOR DEFENCE D
PS/ATTORNEY GENERAL
SIR P CRADOCK RM K195

-3-
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PS
 PS/FUS
 PS/MR LUCE
 MR DONALD
 H/ED
 D/ED

COPY TO:
 MR COLES, No. 10 DOWNING ST
 Mr Roberts, News D.
 Sir P. Cadogan

RESIDENT CLERK

SECRET
 FM HONG KONG 311050Z JAN 84
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 253 OF 31 JANUARY
 INFO PRIORITY PEKING

IMMEDIATE

ADVANCE COPY

F/C.O. see 65
 write.
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RY TELNO 236: FUTURE OF HONG KONG: PUBLIC PRESENTATION.

1. I DISCUSSED THE PAPER IN YOUR TELNO 74 TO PEKING WITH EXCO THIS MORNING. MEMBERS EXPRESSED GREAT DISAPPOINTMENT WITH IT. THEY FELT THAT IT SHOWED INSUFFICIENT UNDERSTANDING OF THE STATE OF PUBLIC OPINION IN HONG KONG, PARTICULARLY IN THE WAKE OF THE RECENT SPATE OF APPARENTLY AUTHORITATIVE ARTICLES IN THE UK PRESS. A MORE ROBUST AND EXPLICIT PRESENTATION OF THE BRITISH POSITION WAS REQUIRED, THAN WAS ENVISAGED IN THE PAPER, TO COUNTER THE IMPRESSION OF 'SELL OUT' BEING SPREAD BY THE UK PRESS.

2. THE UNOFFICIALS WERE MUCH CONCERNED WITH THE RAPIDLY DIMINISHING CREDIBILITY OF LEGCO MEMBERS WHERE THE FUTURE IS CONCERNED. AS SIR S.Y. CHUNG PUT IT, HONG KONG PEOPLE COULD NOT UNDERSTAND WHY LEGISLATIVE COUNSELLORS WHO WERE APPOINTED TO REPRESENT THEM REMAINED SILENT ON THE MOST IMPORTANT ISSUE OF THE TIME WHEN BRITISH MPS EXPRESSED THEIR VIEWS FREELY INSIDE AND OUTSIDE PARLIAMENT. THE GENERAL CONSENSUS WAS THAT:

(A) THE LEGCO MEMBERS WHO WERE NOT ALSO MEMBERS OF EXCO SHOULD NOW BE FREE TO EXPRESS THEIR VIEWS ABOUT THE FUTURE, AND THEIR UNDERSTANDING OF THE VIEWS OF THE PEOPLE OF HONG KONG.

(B) GOVERNMENT SHOULD CONTINUE TO GIVE THEM SUCH BRIEFING ABOUT THE TALKS AS WAS THOUGHT POSSIBLE AND DESIRABLE, BUT SHOULD NOT SEEK TO RESTRICT THEIR FREEDOM TO EXPRESS THEIR VIEWS.

(C) TO ENSURE AS FAR AS POSSIBLE THAT THEY DID NOT AROUSE UNREALISTIC EXPECTATIONS IT WOULD BE HELPFUL TO GIVE THEM SOME GUIDANCE ON OUR REVISED OBJECTIVES, BUT WHAT THEY SAID SHOULD BE LEFT TO THEM.

(D) IT MIGHT BE COUNTERPRODUCTIVE IF THERE WAS A SUDDEN FLURRY OF SPEECHES AND STATEMENTS BY LEGCO MEMBERS. THERE WOULD THEREFORE BE A NEED FOR CAREFUL ORCHESTRATION.

(E) THE ABOVE POINTS APPLIED TO SPEECHES ETC MADE OUTSIDE THE LEGISLATIVE COUNCIL ITSELF. SOME MEMBERS THOUGHT THAT LEGCO MEMBERS SHOULD ALSO BE FREE TO EXPRESS THEIR VIEWS AND ASK

MEMBERS SHOULD ALSO BE FREE TO EXPRESS THEIR VIEWS AND ASK QUESTIONS IN THE LEGCO CHAMBER AS MPS DID; BUT IT WAS AGREED THAT THIS WOULD REQUIRE SEPARATE CONSIDERATION.

3. THERE WERE TWO MAIN SUGGESTIONS AS TO THE THEMES WHICH SHOULD BE PUT ACROSS:

(I) SIR S.Y. CHUNG SAID THAT IT SHOULD BE MADE CLEAR THAT CONTINUING BRITISH ADMINISTRATION COULD NOT BE ACHIEVED AND THAT HMG WERE SEEKING THE BEST POSSIBLE ALTERNATIVE. HE DID NOT BELIEVE THAT WE SHOULD BE DETERRED FROM EXPLAINING THE POSITION HONESTLY BY ANY THOUGHT OF THE 'RESENTMENT' WHICH DOING SO MIGHT AROUSE (PARA 2 OF THE PAPER).

(II) WITH SUPPORT FROM OTHERS, MISS DUNN SAID THAT LEGCO MEMBERS SHOULD BE ENCOURAGED TO DISCUSS THE CHINESE PLAN CRITICALLY, AND SUGGEST AREAS WHERE IT MIGHT BE MADE MORE SPECIFIC.

4. I UNDERTOOK TO REPORT MEMBERS' COMMENTS, AND THEIR CLEARLY EXPRESSED VIEW THAT A FRESH PAPER SHOULD BE PREPARED.

5. COMMENT. WHILE I APPRECIATE THAT THE PAPER IN YOUR TELNO 74 TO PEKING HAS BEEN SEEN BY MINISTERS, THERE IS NO DOUBT THAT IT IS NO LONGER SUFFICIENT TO MEET THE SITUATION HERE. I WILL TELEGRAPH FURTHER RECOMMENDATIONS ON WHAT I SHOULD SAY TO LEGCO UNOFFICIALS. (GIVEN THEIR HIGH DEGREE OF DISSATISFACTION WITH THE PRESENT POSITION I HAVE AGREED TO MEET THEM ON FEBRUARY 10). I SHOULD ALSO BE GLAD TO KNOW WHETHER YOU WISH TO PREPARE A REVISED VERSION OF THE PAPER IN LONDON, TAKING ACCOUNT OF THE COMMENTS IN MY TELNO 236 AS WELL AS THOSE IN THIS TELEGRAM. ALTERNATIVELY WE COULD DO SO HERE.

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Prime Minute.



Agree that the Working Paper at Annex
A should be put to the Chinese?

PM/84/21

A.S.C. 20/7

PRIME MINISTER

Yes not

Future of Hong Kong: Defence, Security and Public Order

1. As we approach the more central issues in our discussions on Hong Kong with the Chinese we need to prepare our position carefully on this key area. As with other subjects we should aim to do this through a Working Paper to be presented to the Chinese as soon as possible after the forthcoming round of talks on 25/26 January.

2. From what we know of the Chinese attitude so far to the situation after 1997, national defence would be the responsibility of the Central Chinese Government but the Special Administrative Region of Hong Kong would assume the responsibility for keeping social order in the region. There have been some worrying indications, though the Chinese may not have been explicit about this, that they might wish to station some of their forces in the SAR. The attached paper, which I mentioned in my minute FCS/83/267 of 15 December, has been prepared jointly by the Foreign and Commonwealth Office and the Ministry of Defence, and takes account of points made by the Governor of Hong Kong and our Embassy in Peking. It argues strongly that we should aim for Chinese agreement not to station their own troops in the SAR but to accept the creation of an indigenous internal security force within the SAR to support the police in maintaining public order. The aim would be for this force to be effective by 1997, thus enabling the British garrison to be withdrawn.

3. Attached to the paper is a draft Working Paper for presentation to the Chinese, together with points to be made when handing it over.

4. The draft Working Paper takes account of points made in general discussion with Unofficial members of the Executive Council during their visit to London from 13-17 January. It will however



need to be put to them formally for comments in the normal way before it is presented to the Chinese.

5. The Defence Secretary and I have considered these papers and their implications. We realise that it may not be easy to dissuade the Chinese from having some PLA presence in Hong Kong, perhaps in the form of a liaison office, but we nevertheless take the view that the permanent stationing of PLA troops in the SAR should be opposed, for the reasons given in the papers.

6. If you agree, we should like to present the Working Paper to the Chinese at the earliest opportunity with a view to holding discussions with them on this matter soon. This would of course be on the usual conditional basis.

7. I am copying this minute to other members of OD(K).

GEOFFREY HOWE

Foreign and Commonwealth Office
30 January, 1984

JOINT FCO/MOD PAPER ON THE FUTURE OF HONG KONG: DEFENCE, SECURITY AND PUBLIC ORDER

BACKGROUND

1. Our present aim in the talks with the PRC is to discover whether effective guarantees for Hong Kong's autonomy can be agreed, on the basis that sovereignty and the right of administration would be assumed by China in 1997, (without prejudice to any final agreement on our position on sovereignty in the meanwhile).
2. HMG have responsibility for the defence and internal security of Hong Kong. There is a British garrison in Hong Kong totalling nearly 10,000 (24% UK, 60% Gurkha and 16% Hong Kong Chinese.) These last mainly in the Hong Kong Military Service Corps. In addition, the Royal Hong Kong Regiment (the Volunteers) and the Royal Hong Kong Auxiliary Air Force come under the Commander British Forces' command when called out.
3. The primary role of the garrison at present is internal security in support of the civil power. British forces have not had to be deployed for this purpose in recent years, but if a serious internal security situation developed the police would only be able to cope for a limited period and would thus require assistance. Recently the prevention of illegal immigration from China has been one of the garrison's major operational activities.
4. An agreement with China is likely to involve the establishment of a Special Administrative Region (SAR) of Hong Kong under Article 31 of the constitution of the PRC. We would aim to negotiate as much autonomy and insulation for the SAR as possible, even though Hong Kong would become constitutionally a part of China.
5. At the December round of talks the Chinese side made plain their view that autonomy did not include responsibility for defence or foreign affairs, which would rest with Peking. They also strongly implied that they would wish to station troops in the SAR. They added however that responsibility for maintaining 'social

order' would rest with the SAR Government.

ARGUMENT

6. Peking might well argue that the stationing of some Chinese forces in Hong Kong - if only for the purposes of communications, early warning and general deterrence - was necessary for national and regional defence. Their negotiators have said that such troops would not interfere in the SAR's internal affairs (and would be maintained at Peking's expense). In the margins of the talks they have sought to play down the importance of the proposed presence by describing it as 'symbolic'. But a permanently-stationed unit of PLA forces in the SAR would do very serious damage to confidence in Hong Kong and raise serious doubts in the minds of the Hong Kong people about Chinese intentions.

7. In trying to change Chinese minds on this point we need to:

(a) Exploit the openings provided by the proposal that the SAR should be responsible for social order: and the statement that there will be no interference in its internal affairs:

(b) Convince the Chinese that the stationing of PLA forces (including warships) in the SAR will damage confidence and be against the interests of all parties.

(c) Convince the Chinese that a permanent military presence is unnecessary given the unlikelihood of external threat and the speed with which PLA forces could be moved into the SAR in that circumstance.

Our aim should be to persuade them of both the advisability and practicability of the SAR maintaining its own internal security force on a scale adequate to handle all situations short of external attack, and thus give the Chinese no excuse for intervention in internal affairs. If we fail to get agreement that there should be no PLA presence at all in the SAR, we should have ready a tolerable fall-back position.

POSSIBLE FORM OF INTERNAL SECURITY FORCE

8. There would be no prospect of securing Chinese agreement if we sought to pass off any form of British garrison as part of the SAR's own internal security force. Any suggestion that a security force might be recruited externally (from Gurkhas or elsewhere) is likely to be almost as unacceptable to the Chinese. The remaining options would be:

- (a) To strengthen the existing police force, perhaps by adding a permanent paramilitary wing:
- (b) To form an indigenous local security force based on the existing Hong Kong Military Service Corps (HKGSC) and perhaps incorporating elements of the existing Hong Kong Regiment and the Auxiliary Air Force.

(a) is almost certainly not enough on its own; police confidence to handle internal security problems has always depended on the assurance that, if things got out of hand, there is a separate, well-trained internal security force to fall back on. Since it is very doubtful whether even the addition of a permanent paramilitary wing would give the police this essential source of independent support, (b) would be needed too.

9. However these methods are combined, it will be difficult in the time available to recruit and train the leadership for a local force: There will be a number of other agencies competing for similar talent, and some local citizens, including existing part-time members of the Hong Kong Regiment and the Auxiliary Air Force, may be reluctant to commit themselves for fear of compromising their future and that of their families. The police will face problems over local recruitment and retention in an increasingly localised force. However, if the total package negotiated is generally acceptable to the people of Hong Kong, it should be possible to make satisfactory arrangements in the time available. If agreement can be reached with the Chinese on the setting up of an internal security force this might be coupled with an early public statement that no PLA forces, (including warships)

would be stationed in the SAR.

POSSIBLE UK CONTRIBUTION

10. If we are successful in securing agreement to an internal security force the Chinese might agree to a British advisory and training role continuing beyond 1997 in the interests of stability for the SAR. This might include:

- (i) providing personnel (officers and/or other ranks) as members of or advisers to the local security force;
- (ii) providing training assistance;
- (iii) continuing to provide personnel for the police force in the middle and senior ranks.

In cases (i) and (iii) the personnel would have to be employed directly by the local SAR Government. There might however be scope under (ii) for continuing provision of loan service personnel, provided the Chinese could be satisfied that their function was essentially to train rather than control.

POSSIBLE FALL BACK

11. If the Chinese insist on some permanent PLA presence, we should argue for:

- (a) An internal security force with PLA presence restricted to a PLA liaison office, if necessary with periodic visits by warships.

If this is unacceptable to the Chinese we should argue for:

- (b) An internal security force, with a limited mainland presence, located well away from the urban area, strictly for purposes of national defence. This might include external communications and early warning facilities.

As a last resort, if agreement is not reached on the setting up of

an internal security force, we might have to accept:

(c) A limited PLA presence, well away from the urban area, with a strengthened police force.

BRITISH GARRISON

12. In order to have credible arrangements ready by 1997 we should need to start setting up a local force as soon as agreement is reached with the Chinese. Depending on progress we could decide on possible phased reductions of the existing British garrison, with handover to a local security force completed not later than 30 June 1997. This could well be aided if agreement with the Chinese reduced the risk of Peking-inspired disorder, although if the agreement hit confidence there could be substantial spontaneous unrest, which might continue for a prolonged period. While HMG clearly cannot abdicate their responsibilities there may on the other hand be advantages in our negotiators indicating at some stage the possibility of a phased reduction in order to influence the Chinese to a helpful stance.

ANNEX A

DRAFT WORKING PAPER TO BE PRESENTED TO THE CHINESE: DEFENCE,
SECURITY AND PUBLIC ORDER

CHINESE PROPOSALS

1. There would be a high degree of autonomy for the SAR, but national defence would be the responsibility of the central Government. Any armed forces stationed in the SAR would not interfere with the internal affairs of the region; their military expenses would be borne by the central Government. The SAR would assume the responsibility of keeping social order in the region.

IMPLICATIONS

2. To discharge its obligations for 'social order' without seeking assistance from the central Government, the SAR would not be able to rely on its police force alone and would need in addition an internal security force. The police would be responsible for the maintenance of law and order, but their resources would not be equal to dealing with any major disturbance, or controlling effectively any illegal movement of persons into the SAR. The local internal security force would be available at all times to assist the police in these and other respects. Its role would enable it to be smaller than the present garrison. It would be locally raised and made effective by 1997.

3. British Forces, which for reasons of time and distance have had to be stationed in Hong Kong, would thus be withdrawn. The Chinese Government, for whom these considerations would not apply, could make clear that their forces would not be stationed in the SAR in normal circumstances. This would help to ensure that the SAR enjoyed a high degree of autonomy.

ANNEX B

POINTS TO BE MADE TO THE CHINESE WHEN PRESENTING THE WORKING PAPERS ON DEFENCE, SECURITY AND PUBLIC ORDER

1. While we do not dispute the right of the Chinese Government to station its forces in any part of China, the presence of PLA forces in the SAR could give the impression that Hong Kong was to be under some force of occupation: Even a token force would imply that the SAR enjoyed its high degree of autonomy on sufferance only.
2. On the other hand, the creation of a local, internal security force to support the police, together with a statement to the effect that mainland forces will not be stationed in the SAR, would confirm the intention to leave unchanged Hong Kong's present social and economic systems and lifestyle.
3. Such a system would equate roughly to the first two tiers of the Chinese three-tier system of police, armed police and army.
4. We have assumed that when the Chinese speak of 'social order' this encompasses all police and security functions other than external defence.
5. The considerations of time and distance which have caused British forces to have to be stationed in Hong Kong would not apply to the central Government in meeting its obligations for national defence.
6. During his visits to the US and Canada in January 1984 Premier Zhao repeated publicly a point made by Ye Jianying in September 1981 to the effect that under China's SAR plan for Taiwan no PLA forces would be stationed there. We see advantage, from the point of view of confidence, in this point being applied to Hong Kong.



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30 JAN 1984

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FM HONG KONG 250450Z JAN 84
TO PRIORITY FCO
TELEGRAM NUMBER 231 OF 28 JANUARY
INFO PRIORITY PEKING

FUTURE OF HONG KONG: DISCUSSION WITH EXCO.

1. I GAVE EXCO AN ACCOUNT OF THE 8TH ROUND AT A PART II MEETING ON THE EVENING OF 27 JANUARY.

2. DISCUSSION CONCENTRATED ON THE NEW CHINESE TIMETABLE AS SET OUT BY ZHOU NAN (PARA 3 OF PEKING TELNO 144) AND ITS IMPLICATIONS FOR OUR STRATEGY IN THE TALKS. MOST MEMBERS SAW NO (NO) POSSIBILITY OF REACHING A FINAL AGREEMENT BY THE SUMMER, NOR DID THEY SEE WHY THE BRITISH SIDE SHOULD BE RUSHED INTO INADEQUATE CONSIDERATION OF IMPORTANT ISSUES JUST BECAUSE ZHOU NAN HAD BEEN GIVEN ORDERS BY HIS MASTERS TO GET ON FASTER.

3. SIR S.Y. CHUNG RECALLED THE POSSIBLE ADVANTAGES OF AIMING FOR A JOINT STATEMENT OF PRINCIPLES WHICH ONCE ISSUED COULD LEAVE DETAILED MATTERS TO BE DISCUSSED AND AGREED IN SLOWER TIME. I SAID THAT WE WOULD NEED TO CONSIDER CAREFULLY WHAT WOULD BE INCLUDED IN A JOINT STATEMENT: ONE OF THE DIFFICULTIES WAS THE CHINESE VIEW, NOW INCREASINGLY EVIDENT, THAT ANY AGREEMENT CONCLUDED IN THE SUMMER SHOULD BE THE SUBSTANTIVE AGREEMENT.

4. THE DISCUSSION BROUGHT OUT ONCE MORE MEMBERS' CONCERN THAT THE PEOPLE OF HONG KONG WERE STILL IN THE DARK ABOUT THE NEGOTIATIONS AND THAT TIME WOULD BE NEEDED TO PREPARE THEM FOR AN OUTCOME WHICH DID NOT PROVIDE FOR CONTINUING BRITISH ADMINISTRATION. THEY WERE ALSO VERY CONSCIOUS OF THE GROWING FRUSTRATION OF THE LEGCO MEMBERS OF UMELCO AT THE POSITION IN WHICH THE MAINTENANCE OF CONFIDENTIALITY, COMBINED WITH THEIR BEING GIVEN LITTLE GUIDANCE ON WHAT IS HAPPENING, IS PLACING THEM. THIS FRUSTRATION IS BECOMING PARTICULARLY INTENSE IN THE FACE OF CONTINUING AND

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(APPARENTLY

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APPARENTLY CREDIBLE PRESS REPORTS ON HMG'S POSITION APPEARING
IN SERIOUS BRITISH NEWSPAPERS.

5. I CIRCULATED THE PAPER ON PUBLIC PRESENTATION IN YOUR TELNO 74
TO PEKING AND SAID THAT I WOULD DISCUSS IT WITH THE COUNCIL NEXT
WEEK.

YOUDE

THIS TELEGRAM
WAS NOT
ADVANCED

FUTURE OF HONG KONG
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HD/FED
HD/PLANNING STAFF
HD/PUSD
D/HD/PUSD (MR FLOWER)
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FM PEKING 270910Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 157 OF 27TH JAN 84

INFO IMMEDIATE HONG KONG

NY TELNOS 143 AND 144: FUTURE OF HONG KONG: EIGHTH ROUND: DINNER.

1. THE FOLLOWING POINTS EMERGED DURING ZHOU NAN'S DINNER ON 26 JANUARY.

TIMETABLE

2. ZHOU SAID TO ME THAT HE HOPED THAT WE HAD NOTED WHAT HE HAD HAD TO SAY IN HIS INTERVENTION THAT MORNING ABOUT THE TIMETABLE WHICH THE CHINESE SIDE HAD DRAWN UP AND ABOUT THE DATE FOR THE NEXT ROUND. HE VERY STRONGLY HOPED THAT FURTHER WORKING PAPERS WOULD BE TABLED BY 10 FEBRUARY. IF NO PAPERS WERE AVAILABLE BY THAT DATE THE CHINESE MIGHT HAVE TO ASK FOR POSTPONEMENT OF THE NINTH ROUND. THIS WOULD BE BAD FOR BOTH SIDES AS WELL AS FOR CONFIDENCE IN HONG KONG. LUO JIAHUAN SEPARATELY SAID THAT, IF FURTHER PAPERS WERE NOT AVAILABLE BY 10 FEBRUARY, POSTPONEMENT OF THE ROUND WOULD ALMOST CERTAINLY BE NECESSARY. SEVERAL OF THE CHINESE PRESSED US ABOUT THE REASONS FOR THE LENGTH OF TIME NEEDED FOR THE PREPARATION OF THE CENTRAL PAPERS. LU PING ASKED OUTRIGHT IF THESE PAPERS WERE SUBMITTED FOR CLEARANCE TO EXCO. ALTHOUGH HE DID NOT RECEIVE A DIRECT ANSWER, HE WILL HAVE HAD NO DIFFICULTY GUESSING THAT THE ANSWER WAS YES. IT IS CLEAR THAT THE CHINESE SUSPECT EXCO OF DELIBERATELY SLOWING UP THE PROCESS. WE SUGGESTED THAT IT WAS NOT IN THE CHINESE INTEREST FOR US TO PUT FORWARD PROPOSALS WHICH DID NOT COMMAND CONSENSUS.

WORKING PAPERS

3. ZHOU NAN ALSO URGED THAT OUR FUTURE WORKING PAPERS SHOULD NOT BE TOO DETAILED, THEY MIGHT OTHERWISE OVERSTEP 'A CERTAIN LIMIT'. LUO JIAHUAN SAID IT WOULD HELP GREATLY IF JUST ONE PAPER COULD BE MADE AVAILABLE ON 10 FEBRUARY AND THE OTHERS SUBMITTED BETWEEN THAT DATE AND THE NEXT ROUND. THE PAPERS DID NOT NEED TO BE PERFECT. FURTHER DISCUSSIONS OF THEM WOULD BE POSSIBLE LATER.

4. LU PING MADE THE FOLLOWING SPECIFIC COMMENTS:
 (A) GOVERNMENTAL STRUCTURE: THIS WOULD BE THE MOST DIFFICULT PAPER. THERE WAS DISAGREEMENT ON THE CHINESE SIDE, EG ABOUT WHETHER ELECTIONS SHOULD BE INTRODUCED

(B) NATIONALITY: THIS WOULD NOT BE AS DIFFICULT AS THE BRITISH SIDE SEEMED TO ENVISAGE. BRITISH DEPENDENT TERRITORIES CITIZENS COULD SIMPLY BE MADE INTO BRITISH OVERSEAS CITIZENS. LU PING ADDED THAT IT WOULD BE BETTER IF THE NATIONALITY PAPER COULD BE DISCUSSED BEFORE THAT ON THE PUBLIC SERVICE,
(C) LEGAL: WE RECEIVED THE IMPRESSION THAT THE CHINESE SIDE WOULD BE PREPARED TO THINK AGAIN IN THE DISMISSAL OF JUDGES. IT WAS AGREED THAT WE SHOULD PRODUCE A PIECE OF PAPER, SETTING OUT IN DETAIL THE CURRENT ARRANGEMENTS,
(D) SHIPPING: DIFFICULTIES WERE NOT FORESEEN,
(E) CIVIL AVIATION: THIS WOULD RAISE THE QUESTION OF LANDING RIGHTS. WE ADDED THOSE OF PRESERVING HONG KONG'S EXCELLENT AIRLINE AND ROUTE NETWORK.
(F) ID CARDS: LU PING CONFIRMED THAT THE CHINESE SIDE HAD BEEN THINKING OF A RESIDENCE QUALIFICATION, PERHAPS OF 7 YEARS.

THREE PART CONSULTATIVE COUNCIL

5. ON MUN KIN-CHOK'S ACCOUNT OF JI PENGFEI'S COMMENTS ABOUT A CONSULTATIVE COUNCIL FOR HONG KONG (HONG KONG TELNO 61), LU PING SAID THAT JI HAD BEEN MISREPORTED. JI HAD SIMPLY ASKED MUN FOR HIS VIEW ABOUT THIS IDEA. HE HAD NOT EXPECTED THIS THOUGHT TO BE PUBLISHED. LU PING COMMENTED THAT ANYWAY THIS SUGGESTION WOULD BE QUITE UNWORKABLE.

6. ZHOU NAN ALSO SAID TO ME THAT THERE HAD BEEN TROUBLE IN HONG KONG SINCE THE 7TH ROUND. IT WOULD HAVE BEEN APPARENT FROM THE WAY THE CHINESE HAD REACTED THAT THEY DID NOT WANT SUCH TROUBLE AT THE PRESENT TIME. HE ASSUMED THAT WE SHARED THIS DESIRE. HE HAD BEEN TOLD THAT "CERTAIN POLITICAL ELEMENTS" HAD DECIDED TO EXPLOIT THE TAXI DRIVERS' DISSATISFACTION. I SAID IT WAS OUR UNDERSTANDING THAT NO POLITICAL MOTIVE LAY BEHIND ANY PHASE OF THE RECENT DISTURBANCES.

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26 January 1984

The Prime Minister has asked me to thank you very much for your letter of 12 January about Mr. David Newbigging.

The Prime Minister was most grateful to you for writing to her. She knows that the Governor has much appreciated Mr. Newbigging's contribution to the work of the Executive Council, and the life of Hong Kong in general; and she will certainly bear in mind the experience he has to offer. The Prime Minister hopes that Mr. Newbigging will maintain his interest in Hong Kong and China when he returns to this country.

David Barclay

Mrs. E. Ling.

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Foreign and Commonwealth Office

London SW1A 2AH

26 January 1984

Dear John,

Hong Kong: Mr David Newbigging

Thank you for your letter of 18 January enclosing a letter from Mrs Eleanor Ling suggesting that we should find some way of using the experience of Mr David Newbigging, by implication on matters concerning Hong Kong and Sino-British relations.

Should we ever wish to, Mr Newbigging's knowledge and experience, both with Jardine Matheson and with the Executive Council, would make him an obvious person to approach if we wished to take soundings outside government. We would see no immediate reason to do so, however. In replying to Mrs Ling you may therefore wish to say that you know how much the Governor has appreciated Mr Newbigging's contribution to the work of the Executive Council and the life of Hong Kong, and that we shall certainly bear in mind the experience that he has to offer. You might wish to add the hope that he will maintain his interest in Hong Kong and China on his return to Britain.

Yours ever,

Peter Ricketts

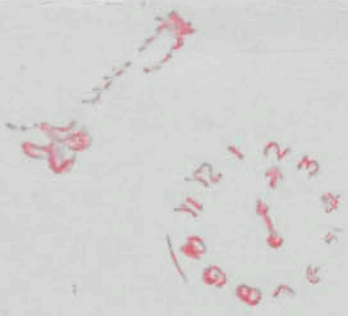
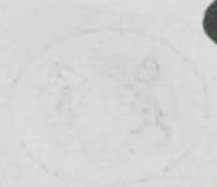
(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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1000th Anniversary of the G.I.B.

London 2001-2002



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HONG KONG TALKS: PRESS STATEMENT

1. THE FOLLOWING IS THE TEXT OF THE POINT STATEMENT ON THE EIGHTH ROUND OF TALKS, EMBARGOED FOR RELEASE AT 1500 HOURS LOCAL TIME.

QUOTE THE CHINESE AND BRITISH SIDES CONTINUED THEIR USEFUL AND CONSTRUCTIVE TALKS ON THE HONG KONG QUESTION ON 25 AND 26 JANUARY IN PEKING. IT WAS AGREED THAT THE NINTH ROUND OF TALKS WOULD TAKE PLACE ON 22 AND 23 FEBRUARY IN PEKING END QUOTE.

EVANS

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NEWS.D.
MR. DONALD

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DESKBY 251100Z

FROM PEKING 251030Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 132 OF 25TH JAN 84

INFO IMMEDIATE HONG KONG

MIPT. FUTURE OF HONG KONG: 3TH ROUND: FIRST DAY: COMMENT.

1. THERE WAS NO SURPRISES IN ZHOU NAN'S OPENING STATEMENT, THE TONE OF WHICH WAS FRIENDLY. HIS DETAILED COMMENTS OF THE FOUR MOST RECENT WORKING PAPERS WERE REASONABLY ENCOURAGING. WE SHALL BE DOING A MORE DETAILED ANALYSIS, BUT OUR INITIAL IMPRESSION IS THAT THE CHINESE SIDE HAVE NOT CHALLENGED MOST OF THE POINTS IN THEM. THERE WAS AN UNWELCOME NOTE IN ZHOU NAN'S SUGGESTION THAT TEACHING MATERIAL CONTAINING TERMS IMPLYING COLONIAL RULE OR IMPAIRING CHINESE SOVEREIGNTY WOULD HAVE TO BE REVISED. MORE IMPORTANTLY, HE SET ASIDE THE IDEA OF AN INDEPENDENT MONETARY COMMISSION AS A MATTER FOR THE FUTURE SAR GOVERNMENT TO DECIDE.

2. AT TOMORROW'S SESSION ZHOU HAS PROMISED TO PRODUCE SOME ADDITIONAL COMMENTS ON LEGAL QUESTIONS, AND PERHAPS SOME INITIAL COMMENTS ON THE PAPER ON LAND. WE SHALL MAKE SOME PRELIMINARY COMMENTS ON ZHOU'S STATEMENT OF TODAY, WE WILL ALSO MAKE SOME FURTHER COMMENTS ON THE LEGAL SYSTEM AND ON EXTERNAL TRADE RELATIONS, DRAWING ON FCO TELS NOS 42 AND 43, THOUGH WITHOUT ATTEMPTING TO SUM UP THE PROGRESS ACHIEVED IN PREVIOUS ROUNDS.

3. THE DATE OF THE NEXT ROUND IS LIKELY TO BE A PROBLEM. ZHOU AGAIN INDICATED CHINESE ANXIETY TO SPEED UP THE TALKS. WE SUSPECT THAT THE CHINESE WOULD LIKE TO SEE A ROUND RATHER EARLIER IN FEBRUARY THAN WE HAD ENVISAGED. THEY HAVE, HOWEVER, SAID INFORMALLY THAT THERE WILL BE LITTLE TO DISCUSS UNLESS WE HAVE BY THEN GOT IN AT LEAST SOME OF THE REMAINING WORKING PAPERS. THIS IS IN FACT TRUE: WE HAVE ONLY JUST ENOUGH MATERIAL TO KEEP US GOING FOR THE REST OF THIS ROUND. GIVEN THAT THE NEXT WORKING PAPERS ARE UNLIKELY TO BE AVAILABLE BEFORE AT BEST ABOUT 20 FEBRUARY, THE GOVERNOR AND WE THINK WE MAY HAVE TO GGO FOR A SLIGHTLY LATER DATE, PERHAPS IN THE WEEK BEGINNING MARCH 5, WHICH WOULD GIVE THE CHINESE TIME TO CONSIDER THEM.

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4. WE SHALL TRY TO HAVE AN INFORMAL WORD WITH THE CHINESE SIDE ABOUT THIS THIS EVENING. UNLESS THEY ARE PREPARED TO GO AHEAD WITH THE MEETING ON 22 AND 23 FEBRUARY IN THE KNOWLEDGE THAT THE WORKING PAPERS WILL AT BEST REACH THEM ONLY SHORTLY BEFORE THIS, WE SHALL NEED TO GO FOR THE LATER DATE, AND TO EXPLAIN THE RATHER LONG INTERVAL AS BEST WE CAN PUBLICLY IN TERMS OF MCHINESE NEW YEAR, THE PRESENTATION OF THE BUDGET TO LEGCO ON 29 FEBRUARY, AND MINISTERIAL VISITS BOTH HERE AND TO HONG KONG AT THE END OF FEBRUARY.

EVANS

FUTURE OF HONG KONG
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FM PEKING 250920Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 131 OF 25TH JAN 84

INFO IMMEDIATE HONG KONG



MS

FUTURE OF HONG KONG: 5TH ROUND OF TALKS: FIRST DAY.

1. ZHOU NAN SPOKE FIRST. HE WELCOMED ME AND RECALLED THE PROGRESS MADE SO FAR. HE REFERRED TO ZHAO ZHYANG'S MESSAGE TO THE PRIME MINISTER, CONVEYED THROUGH SIR PERCY CRADOCK ON 20 DECEMBER, IN WHICH ZHAO HAD SAID IT WAS DESIRABLE AND POSSIBLE TO EXPEDITE THE TALKS AND TRY TO REACH AGREEMENT AT AN EARLY DATE. NOW THAT WE HAD ENTERED 1984, THERE WAS NOT MUCH TIME LEFT. THE CHINESE SIDE CONSIDERED THAT OBJECTIVE CONDITIONS CURRENTLY EXISTED FOR SPEEDING UP THE TALKS. HE REPEATED THAT THE CHINESE SIDE WOULD WELCOME SUGGESTIONS FROM US ON THE 12 POINT PLAN AND WOULD GIVE THEM SERIOUS CONSIDERATION SO LONG AS THEY WERE CONDUCTIVE TO THE MAINTENANCE OF STABILITY AND PROSPERITY AND DID NOT PREJUDICE BASIC CHINESE PRINCIPLES. HE HOPED WE WOULD SET OUT SINCERELY AND STRAIGHTFORWARDLY ALL MATTERS THAT CONCERNED US AND WOULD PRODUCE AS QUICKLY AS POSSIBLE ALL OUR WORKING PAPERS. IT WOULD NOT BE DIFFICULT TO REACH AGREEMENT IN PRINCIPLE QUICKLY IF WE FOCUSED ON MAJOR MATTERS OF PRINCIPLE AND DID NOT GET ENTANGLED IN EXCESSIVE DETAIL.

2. ZHOU THEN OFFERED FURTHER ELABORATION OF THE 12 POINT PLAN, RELATING HIS COMMENTS TO OUR FOUR MOST RECENT WORKING PAPERS. POINT 7 (THE MONETARY SYSTEM)
THE STIPULATION IN THIS POINT OF THE PLAN WAS IN ITSELF CLEAR AND EXPLICIT. THE CHINESE GOVERNMENT HAD FORMULATED A SET OF POLICIES WHICH WERE ROUGHLY AS FOLLOWS:
A) AFTER THE ESTABLISHMENT OF THE SAR, THE MONETARY AND FINANCIAL SYSTEMS AND THE RELEVANT LAWS AND ORDINANCES CURRENTLY IN FORCE WOULD REMAIN BASICALLY UNCHANGED.

~~CURRENTLY IN FORCE WOULD REMAIN BASICALLY UNCHANGED,~~

3 EXCEPT FOR COLONIAL LAWS AND TERMS. CURRENT FINANCIAL INSTITUTIONS WOULD ALSO BE BASICALLY MAINTAINED.

B) HONG KONG WOULD CONTINUE TO BE OPEN TO FOREIGN FINANCIAL BUSINESSES AND THEIR FREEDOM OF OPERATION AND THE FREE FLOW OF CAPITAL WOULD BE GUARANTEED. THERE WOULD BE NO EXCHANGE CONTROLS. THE FOREIGN EXCHANGE, GOLD, SECURITIES AND FUTURES MARKETS WOULD REMAIN OPEN. "FREE TRANSACTIONS WOULD BE PROTECTED." (SHC)

C) THE SAR GOVERNMENT WOULD EXERCISE AUTHORITY TO CONTROL CURRENCY AND FINANCE IN HONG KONG IN ACCORDANCE WITH THE BASIC LAW AND COULD WHEN NECESSARY REVISE AND FORMULATE REGULATIONS IN ACCORDANCE WITH LEGISLATIVE PROCEDURES. THE SAR GOVERNMENT WOULD ALSO BE ABLE TO REORGANISE OR SET UP MANAGEMENT AGENCIES.

D) THE HONG KONG DOLLAR WOULD CONTINUE TO CIRCULATE AND REMAIN FREELY CONVERTIBLE. NOTES AND COINS BEARING A CROWN OR MARKINGS WITH COLONIAL IMPLICATIONS WOULD BE PROGRESSIVELY REPLACED AND WITHDRAWN FROM CIRCULATION WITHIN A DEFINITE PERIOD.

E) THE SAR GOVERNMENT WOULD BE VESTED WITH THE AUTHORITY TO ISSUE THE HONG KONG DOLLAR AND COULD AUTHORISE DESIGNATED BANKS TO ISSUE CURRENCY. WITH THE AUTHORIZATION OF THE SAR GOVERNMENT, THE CURRENT NOTE ISSUING BANKS COULD PARTICIPATE IN ISSUING, PROVIDED THIS PROCEEDED IN A SOUND FASHION AND A STABLE VALUE HAD BEEN FIRMLY ESTABLISHED. THE PROPORTIONS OF CURRENCY TO BE ISSUED BY EACH ISSUING BANK WOULD BE SPECIFIED THROUGH LEGISLATION OF THE SAR.

F) THE EXCHANGE FUND WOULD BE MANAGED AND CONTROLLED BY THE SAR GOVERNMENT IN ORDER TO HELP STABILISE THE HONG KONG DOLLAR.

G) USING THE NAME "HONG KONG, CHINA" THE SAR COULD MAINTAIN OR ESTABLISH RELATIONS WITH INTERNATIONAL MONETARY ORGANISATIONS WHOSE MEMBERSHIP WAS NOT LIMITED TO STATES. HONG KONG COULD PARTICIPATE AS A MEMBER OF THE CHINESE GOVERNMENT DELEGATION IN ORGANISATIONS AND CONFERENCES WHOSE PARTICIPANTS WERE LIMITED TO STATES, BUT COULD MAKE STATEMENTS IN THE NAME OF THE HONG KONG SAR.

H) ADMINISTRATIVE PERSONNEL OF FINANCIAL AGENCIES WOULD BE APPOINTED BY THE SAR, WHICH COULD ALSO RECRUIT FOREIGN EXPERTS. THE RECRUITMENT AND EMPLOYMENT OF STAFF IN COMMERCIAL INSTITUTIONS WOULD BE FOR DECISION BY THE RESPECTIVE INSTITUTIONS THEMSELVES.

3. ZHOU SAID IT WAS CLEAR FROM THE ABOVE THAT THE CONTENTS OF THE MONETARY SYSTEM WORKING PAPER WERE LARGELY COVERED IN THESE EIGHT POINTS AND THERE WAS NOT MUCH DISCREPANCY BETWEEN OUR UNDERSTANDING AND THE CHINESE POINTS. BUT SOME FORMULATIONS IN THE WORKING PAPER WERE INACCURATE OR INAPPROPRIATE, AN EXAMPLE WAS THE STATEMENT THAT HONG KONG WOULD REMAIN A MEMBER OR AN ASSOCIATE MEMBER OF INTERNATIONAL ECONOMIC ORGANISATIONS ON THE PRESENT BASIS. IT WOULD BE INAPPROPRIATE IF THE PHRASE "ON THE PRESENT BASIS" WERE TO BE INTERPRETED AS MEANING HONG KONG'S MEMBERSHIP OF INTERNATIONAL ORGANISATIONS AFTER 1997 AS A BRITISH DEPENDENCY. HIS SEVENTH POINT ((G) ABOVE) WAS CLEAR IN THIS RESPECT AND HE BELIEVED HE WOULD NOT OBJECT TO IT. HE REFERRED TO THE

~~SEVENTH POINT ((G) ABOVE) WAS CLEAR IN THIS RESPECT AND HE BELIEVED WE WOULD NOT OBJECT TO IT. HE REFERRED TO THE PROPOSAL IN THE PAPER TO ESTABLISH AN INDEPENDENT MONETARY COMMISSION AND TO THE SUGGESTION THAT THE HONG KONG DOLLAR COULD BE LINKED TO ANOTHER CONVERTIBLE CURRENCY OR BASKET OF CURRENCIES. THESE SUGGESTIONS WERE TOO SPECIFIC AND COULD AND SHOULD BE LEFT TO THE SAR GOVERNMENT TO HANDLE IN THE LIGHT OF THE PREVAILING CIRCUMSTANCES. IT WAS INADVISABLE TO MAKE PREJUDGEMENTS.~~

POINT 5 (LIFE STYLE, FREEDOMS, PROTECTION OF PROPERTY)

4. ZHOU SAID THIS POINT IN THE PLAN COVERED THE MAIN PART OF THE WORKING PAPERS ON THE ECONOMIC SYSTEM, CULTURE AND EDUCATION AND THE RIGHTS OF INDIVIDUALS.

ECONOMIC SYSTEM: THE STATEMENT THAT, AFTER CHINA HAD RESUMED THE EXERCISE OF SOVEREIGNTY OVER HONG KONG, THE CURRENT SOCIAL AND ECONOMIC SYSTEMS WOULD REMAIN UNCHANGED MEANT THAT THE SAR WOULD CONTINUE TO PRACTICE A CAPITALIST SYSTEM. THE PROPERTY OF INDIVIDUALS, CORPORATIONS AND OTHER LEGAL PERSONS AND THE OWNERSHIP OF ENTERPRISES WOULD BE PROTECTED BY LAW. IT WENT WITHOUT SAYING THAT THE CHINESE GOVERNMENT WOULD NOT INTRODUCE SOCIALIST POLICIES IN HONG KONG.

THERE WAS NO MAJOR DISCREPANCY BETWEEN OUR UNDERSTANDING AND THEIRS. BUT HE POINTED OUT THAT THE WORKING PAPER STATED THAT THE HONG KONG ADMINISTRATION WOULD CONTINUE TO HAVE FULL AUTHORITY TO DECIDE ITS ECONOMIC POLICY. THE WORDS FULL AUTHORITY WERE NOT CLEAR IN MEANING AND LACKED PRECISION. A MORE APPROPRIATE FORMULATION WOULD BE "THE FUTURE SAR GOVERNMENT WOULD HAVE AUTHORITY TO DECIDE ECONOMIC POLICY AND TO MAKE ECONOMIC POLICY DECISIONS WITHIN THE FRAMEWORK OF THE BASIC LAW".

CULTURE AND EDUCATION: THE CHINESE SIDE HAD ALREADY STATED THAT THE HONG KONG SAR WOULD ENJOY A HIGH DEGREE OF AUTONOMY AND, USING THE NAME "HONG KONG, CHINA", COULD ON ITS OWN MAINTAIN AND DEVELOP CULTURAL RELATIONS AND CONCLUDE AGREEMENTS WITH FOREIGN COUNTRIES, REGIONS AND THE RELEVANT INTERNATIONAL ORGANISATIONS. THAT MEANT THAT THE SAR GOVERNMENT COULD FORMULATE ON ITS OWN AUTHORITY SPECIFIC POLICIES IN THE FIELDS OF CULTURE, EDUCATION AND SCIENCE FOR HONG KONG AND COULD CARRY ON AND DEVELOP EXISTING EXTERNAL TIES IN THESE FIELDS.

ACCORDING TO THE PRINCIPLE THAT SOCIAL AND ECONOMIC SYSTEMS WOULD BE UNCHANGED, THE CURRENT EDUCATIONAL SYSTEM WOULD BE RETAINED AND THE SAR GOVERNMENT WOULD HAVE AUTHORITY TO DECIDE ITS OWN SPECIFIC POLICIES ABOUT THE SCHOOL SYSTEM, THE ADMINISTRATION OF SCHOOLS, THE LANGUAGE OF TUITION, THE ALLOCATION OF FUNDS, "DEGREE QUOTAS" (SNC), EXAMS AND THE EXISTENCE OF PRIVATE SCHOOLS. EDUCATIONAL INSTITUTES IN HONG KONG COULD CONTINUE TO RECRUIT AND EMPLOY STAFF FROM OUTSIDE HONG KONG AND USE TEACHING MATERIALS PRODUCED ABROAD. OF COURSE, ALL MATERIAL WHICH IMPLIED COLONIAL RULE AND IMPAIRED CHINESE SOVEREIGNTY WOULD HAVE TO BE REMOVED, WHETHER IT WAS IN TEXTBOOKS PRODUCED IN HONG KONG OR IN FOREIGN MATERIAL. SCHOOLS AND SCIENTIFIC AND CULTURAL INSTITUTES RUN BY MISSIONARIES, ORGANISATIONS, INDIVIDUAL AND FOREIGN COUNTRIES COULD REMAIN AND OPERATE WITHIN THE FRAMEWORK OF THE BASIC

~~MISSIONARIES, ORGANISATIONS, INDIVIDUAL AND FOREIGN COUNTRIES~~
COULD REMAIN AND OPERATE WITHIN THE FRAMEWORK OF THE BASIC
LAW. EDUCATIONAL AND TECHNICAL QUALIFICATIONS GAINED OUTSIDE
HONG KONG WOULD BE RECOGNISED AND RESPECTED SUBJECT TO
CERTAIN EVALUATION PROCEDURES BASED ON THE PRINCIPLE OF
EQUAL TREATMENT WITHOUT DISCRIMINATION. THESE POINTS
COVERED THE CONTENTS OF THE WORKING PAPER ON CULTURE AND
EDUCATION.

RIGHTS OF INDIVIDUALS: POINT 5 OF THE CHINESE PLAN PRESCRIBED
IN BROAD TERMS THE INDIVIDUAL RIGHTS AND FREEDOMS OF
INHABITANTS OF THE SAR. RIGHTS AND FREEDOMS HAD NOT BEEN
ENUMERATED BECAUSE IT WAS NOT POSSIBLE TO ENUMERATE
ALL OF THEM. ACCORDING TO THE PRINCIPLE OF NO CHANGE IN THE
LIFESTYLE, IN ADDITION TO THE BASIC RIGHTS AND FREEDOMS
ALREADY PRESCRIBED, THE OTHER RIGHTS AND FREEDOMS CURRENTLY
ENJOYED BY PEOPLE IN HONG KONG WOULD BE RESPECTED. CURRENT
LAWS DEALING WITH RIGHTS AND FREEDOMS WOULD REMAIN AND
WOULD INCLUDE, FOR EXAMPLE, LAWS GOVERNING THE FREEDOMS TO
ENGAGE IN ACADEMIC RESEARCH, CHOOSE A JOB, DEMONSTRATE AND
STRIKE. AS THE WORKING PAPER HAD POINTED OUT, NO RIGHT
OR FREEDOM WAS ABSOLUTE AND ALL WERE SUBJECT TO CERTAIN
RESTRICTIONS. IN EXERCISING THESE RIGHTS AND FREEDOMS, THE
BASIC LAW SHOULD NOT BE OVERSTEPPED, NOR SHOULD NATIONAL
SECURITY AND THE PUBLIC INTEREST BE HARMED, NOR SHOULD THE
RIGHTS OF OTHER INDIVIDUALS BE ENCROACHED UPON. ON THIS POINT,
THERE WAS NO DIFFERENCE BETWEEN US. ZHOU REFERRED TO THE
INTERNATIONAL COVENANT ON CIVIL AND POLITICAL RIGHTS AND
THE INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND
CULTURAL RIGHTS. AFTER 1997, THE SAR WOULD NOT BE ABLE TO
REMAIN WITHIN THE TWO COVENANTS OR TO UNDERTAKE OBLIGATIONS
ARISING FROM THEM AS A BRITISH DEPENDENCY. BUT THE SAR
ON ITS OWN COULD DECIDE TO APPLY THE PRINCIPLES AND SPIRIT
OF THEM TO LEGISLATION IN HONG KONG.

5. ZHOU SAID IT WOULD NOT BE DIFFICULT FOR US TO SEE FROM
HIS COMMENTS ON THE FOUR WORKING PAPERS, THAT THE CHINESE
SIDE HAD EARNESTLY AND FULLY STUDIED ALL OUR PROPOSALS AND
WERE APPROACHING OUR COMMON TASK IN A FRIENDLY SPIRIT. HE
HOPED WE WOULD SHOW A GOOD UNDERSTANDING OF WHAT HE HAD
SAID AND MAKE A POSITIVE RESPONSE. HE WOULD OFFER COMMENTS ON
POINTS RELATING TO THE LEGAL SYSTEM THE NEXT DAY.

6. I THANKED ZHOU FOR HIS STATEMENT AND SAID WE WOULD GIVE
IT THE MOST CAREFUL STUDY. I THEN SPOKE ON THE LINES
SUGGESTED IN YOUR TELNO 48.

7. ZHOU RESPONDED BRIEFLY. HE SAID HE HAD LISTENED WITH
GREAT CARE. HE WAS GLAD TO NOTE THAT WE FULLY AGREED WITH
PREMIER ZHAO THAT THE TWO SIDES SHOULD SPEED UP THE TALKS
TO REACH AGREEMENT AT THE EARLIEST POSSIBLE DATE. HE WOULD
REPORT THIS POSITIVE RESPONSE TO THE PREMIER. (I HAD NOT OF
COURSE SAID THIS. I CONFINED MYSELF TO THE TEXT IN
PARAGRAPH 2 OF YOUR TELNO 48). HE NOTED THE PREVIEW OFFERED
IN MY STATEMENT OF THE AREAS TO BE COVERED IN THE MAIN
WORKING PAPERS STILL TO BE PRESENTED. HE WOULD IF NECESSARY
MAKE FURTHER COMMENTS ON MY STATEMENT LATER.

~~WORKING PAPERS STILL TO BE PRESENTED. HE WOULD IF NECESSARY~~
MAKE FURTHER COMMENTS ON MY STATEMENT LATER.

8. HE THEN SPOKE ALONG THE LINES IN HONG KONG TELNO 116 TO YOU,
AS AMENDED BY HONG KONG TELNO 148 TO YOU, AND PASSED OVER
COPIES OF THE PAPER ON LAND. HE CONCLUDED BY ASSURING
ZHOU THAT WE WOULD STUDY WITH GREAT CARE ALL THAT HE HAD SAID
THAT DAY AND WOULD COMMENT ON IT IN DUE COURSE. ZHOU
THANKED ME FOR THE WORKING PAPER. THE CHINESE SIDE WOULD
GIVE CAREFUL STUDY TO THE QUESTION OF HOW AND WHEN TO SETTLE
THE ISSUE OF LEASES AND IF POSSIBLE WOULD OFFER SOME
COMMENTS THE FOLLOWING DAY.

9. COMMENT IS IN MIFT.

EVANS

NNNN

UNRECOGNIZABLE COPIES OF CHINA AND HONGKONG BOARDS FOR
REVISION AND NO DIFFERENCE BETWEEN THE TWO TELEPHONS TO THE
REVISION OF OTHER HONGKONG BOARDS BY HONGKONG BOARD. ON 11.2.1954
HE SPOKE ALONG THE LINES IN HONG KONG TELNO 116 TO YOU,
AS AMENDED BY HONG KONG TELNO 148 TO YOU, AND PASSED OVER
COPIES OF THE PAPER ON LAND. HE CONCLUDED BY ASSURING
ZHOU THAT WE WOULD STUDY WITH GREAT CARE ALL THAT HE HAD SAID
THAT DAY AND WOULD COMMENT ON IT IN DUE COURSE. ZHOU
THANKED ME FOR THE WORKING PAPER. THE CHINESE SIDE WOULD
GIVE CAREFUL STUDY TO THE QUESTION OF HOW AND WHEN TO SETTLE
THE ISSUE OF LEASES AND IF POSSIBLE WOULD OFFER SOME
COMMENTS THE FOLLOWING DAY.

9. COMMENT IS IN MIFT.

EVANS

NNNN

FUTURE OF HONG KONG ADVANCE COPIES 10

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PS

PS/PUS

PS/MR LUCE

MR DONALD

HD/HKD

HD/FED

COPY TO:

MR COLES, No. 10 DOWNING ST ✓

Mr Roberts, News D.

Sir P. Cadock

~~RESIDENT CLERK~~

SECRET

FM HONG KONG 250750Z JAN 84
TO IMMEDIATE PEKING
TELEGRAM NUMBER 59 OF 25 JANUARY
INFO IMMEDIATE FCO



YOXR TELNO 120 TO FCO: FUTURE OF HONG KONG

1. AS YOU WILL SEE FROM TODAY'S PRESS TELEGRAM, MR ROBERT ADLEY HAS APPARENTLY ASKED FOR AN INVESTIGATION INTO THE POSSIBLE INVOLVEMENT OF PRO-KMT ELEMENTS IN THE RECENT DISTURBANCES DURING THE TAXI DRIVERS' DISPUTE. THIS IS NOT THE FIRST TIME MR ADLEY HAS SHOWN INTEREST IN THE ACTIVITIES OF THE KMT AND CHOW HING-CHUEN AT EXACTLY THE SAME TIME AS THE CHINESE HAVE MENTIONED SUCH ACTIVITIES TO US (PARA 6 OF TEL UNDER REF).

2. THE NEW EVENING POST EDITORIAL, ALSO MENTIONED IN TODAY'S PRESS TELEGRAM, TIES IN WITH ZHOU NAN'S REMARKS REPORTED IN PARA 2 OF TEL UNDER REF.

HADDON-CAVE

MS



The National Archives

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PIECE/ITEM <i>1262</i> (one piece/item number)	
Extract/Item details: <i>Coles to Ricketts dated 25 January 1984</i>	
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S E C R E T



FILE

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10 DOWNING STREET

From the Private Secretary

25 January, 1984

HONG KONG: HMG'S PUBLIC POSITION

The Prime Minister has seen your letter of 23 January and the accompanying paper.

The Prime Minister is content that the paper should be discussed with EXCO on 31 January but, following that discussion, she will wish to consider the outcome and take a view on the extent to which there should be unattributable briefing about our approach to the negotiations.

A. J. DOLES

P. Ricketts, Esq.,
Foreign and Commonwealth Office

S E C R E T

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PRIME MINISTER

HONG KONG

The attached Foreign Office letter covers a paper for discussion with EXCO about unattributable briefing designed to make clear to Hong Kong public opinion and opinion in this country our present objectives in the negotiations with the Chinese.

As you know, I have always been rather nervous about this exercise, believing that it could provoke Parliamentary difficulties before it is necessary to do so - and also that the conditionality of our present position will get lost in media presentation. I am by no means convinced that it is necessary to embark on this exercise so early in 1984.

But on the other hand, there was a substantial leak of our position in the Sunday Times this Sunday and it may be that other such articles will appear.

Do you agree that the paper should be discussed with EXCO but that I should make it clear that, following that discussion, you will wish to consider the outcome and take a view on the extent to which there should be unattributable briefing on our approach to the negotiations?

Y
hs
mt

A.J.C.

24 January 1984



The National Archives

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Extract/Item details: <i>Folio 35</i> <i>Ricketts to Coles dated 24 January 1984</i>	
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LPO

10 DOWNING STREET

From the Private Secretary

24 January 1984

Dear Peter,

HONG KONG UNOFFICIALS: SUMMARY CONCLUSIONS
OF MEETING ON 16 JANUARY

The Prime Minister has seen your letter of 23 January. She has noted the view of the Foreign and Commonwealth Secretary and the Minister of State that we should not seek to repeat the procedure of agreeing conclusions with the Unofficials. Mrs. Thatcher has, however, observed that the comments made by the Unofficials do reveal fears which are not without justification.

Peter Ricketts Esq
Foreign and Commonwealth Office

ASC

SECRET



Prime Minister.

Foreign and Commonwealth Office

See last paragraph in
particular.

London SW1A 2AH

A.J.C. $\frac{23}{1}$

23 January 1984

Dear John,

MB

Summary of Conclusions at Prime Minister's Meeting
with Hong Kong Unofficials on 16 January

Your letter of 17 January suggested amendments to the text enclosed with my letter of 16 January. I enclose a copy of the revised text with amendments to paragraphs 1 and 3.

The text was shown to EXCO Unofficials and discussed at Mr Luce's meeting with them on 17 January. They had a number of comments. They did not press for the note of conclusions itself to be amended, but asked that their views should be passed to you for the Prime Minister's information. I am therefore doing so for the record.

On the redefined objective in paragraph 1, it was suggested that the words "consistent with the assumption by China of sovereignty and the right of administration" should be omitted. Some of the Unofficials argued that this phrase was unnecessary because we were already speaking of seeking "the highest possible degree of autonomy" and that in itself implied that absolute autonomy would not be attainable. Mr Luce and Sir P Cradock argued that it was helpful to include the phrase in order to clarify our negotiating aim as precisely as possible.

Still on the objective, Miss Lydia Dunn suggested that in the second sentence the words "we should also seek in the negotiation to assert the principle of minimum change in the Hong Kong systems" should read "we should also seek to negotiate for the minimum change in the Hong Kong systems". It was pointed out that this objective was implicit in the existing text and explicit in the last sentence of the redefined objective.

In paragraph 2 on "Assurances" Mr T S Lo suggested that the phrase "no particular assurance or group of assurances could be seen as absolute requirements for acceptance of an agreement" was not fully satisfactory because it implied that it might be possible to form a judgement in advance on any of the elements which would be seen by the Hong Kong

A J Coles Esq
10 Downing Street



people as necessary for acceptance. He agreed with Sir P Cradock's view that the omission of the phrase "for acceptance of agreements" might meet the point.

In the same sentence of paragraph 2, Miss Lydia Dunn suggested that the phrase "to command confidence in Hong Kong" might better read "to be acceptable to the people of Hong Kong".

On paragraph 3 on Conditionality, Miss Lydia Dunn suggested that mention should also be made of evidence that the Hong Kong people accepted an overall package when mentioning the prerequisites for removing the principle of conditionality. She accepted however that this point was covered adequately in other parts of the summary, notably in the mention of the Prime Minister's messages of the first sentence of paragraph 1.

On paragraph 7, Sir S Y Chung suggested that the title might more appropriately read: "Presence of Hong Kong Residents in the British Negotiating Team" and that the first sentence should begin: "Unofficials explained their concern that the absence of Unofficials who were Hong Kong residents on the British negotiating team ...".

It was Mr Luce's impression that this detailed discussion of the text was more disturbing than constructive in its effect and he concluded that it was a process that need not and should not if possible be repeated. Sir Geoffrey is inclined to accept this view. Better to revert to previous practice.

Yes but it really does reveal their justifiable fears.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary



SUMMARY OF CONCLUSIONS REACHED AT THE MEETING BETWEEN THE
PRIME MINISTER AND THE UNOFFICIALS ON 16 JANUARY: FUTURE
OF HONG KONG

Objective of the Negotiations

1. There was general agreement that it was unrealistic to continue to insist on British administration and that within the conditionality contained in the Prime Minister's messages to the Chinese Government of 10 March and 14 October, the British negotiating objective should now be defined as follows:-

"Negotiation for the highest possible degree of autonomy for Hong Kong, both internal and external, consistent with the assumption by China of sovereignty and the right of administration. We should also seek in the negotiation to assert the principle of minimum change in the Hong Kong systems. Any agreement should contain the maximum possible safeguards against Chinese interference including of course a Chinese undertaking of no change for at least 50 years after 1997."

This was an internal definition. The reference to "interference" could be covered in the negotiations by use of a formula relating to continuity.

Assurances

2. It was agreed that we should try to insert at appropriate stages of the negotiation as many assurances against Chinese interference as we could for inclusion in any final agreement. No particular assurance or group of assurances could be seen as absolute requirements for acceptance of an agreement, nor

/could



could there be any absolute guarantee against Chinese violation, but the objective should be to seek sufficient assurances to enable the agreement to command confidence in Hong Kong. The package would need to be examined as a whole. It would be important that observance of the agreement, once signed, should be carefully watched. This task would naturally fall to Britain as the other party to the bilateral agreement.

Conditionality

3. It was agreed that the British side had to retain the principle of conditionality. This would have to remain until such time as the Chinese side had passed the Basic Law on the Special Administrative Region and the British Parliament had approved the overall package.

Interim Statement

4. It was agreed that in the light of the Chinese deadline of September 1984, it would be highly desirable for both sides to aim for at least a joint interim statement at some point in the summer or early autumn. Among other things this would have the advantage of preparing public opinion particularly in Hong Kong, on the nature of the likely settlement and to give an opportunity of assessing its reactions.

Constitutional Development up to 1997

5. The meeting endorsed in general terms the idea of progressive change towards a more representative system of government in Hong Kong. The precise pattern and rate of constitutional development would require further discussion.

Public Presentation

6. It was agreed that a paper would be prepared for discussion with EXCO as a matter of urgency on how to prepare opinion in Hong Kong and in the UK for the possibility of a solution not

/involving



involving continued British administration. It would in no way prejudice the principle of conditionality.

Representation by a Hong Kong Resident in the British Negotiating Team

7. Unofficials explained their concern that the absence of an Unofficial Hong Kong representative on the British negotiating team could fuel suspicion about British motives in the negotiations. The Prime Minister noted this view and said that it would be considered, but thought at this time it would not be the best way of furthering the negotiations.

H-K future Pt 11



23 JAN 1984
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Foreign and Commonwealth Office

London SW1A 2AH

23 January 1984

Dear John,

with AJC

When the Prime Minister met the Governor and EXCO on 16 January there was some discussion of HMG's public position on the future of Hong Kong. The Prime Minister said a paper would be prepared as a matter of urgency on this subject which would be sent to Hong Kong for the Governor to discuss with EXCO. The appearance of articles in the "Sunday Times" of 22 January, alleging that HMG are negotiating "on the conditional level" on the hypothesis that sovereignty and administration over Hong Kong will pass to China in 1997, has of course fuelled speculation, especially in Hong Kong. This makes consideration of our public position all the more urgent.

The paper is now attached. It is intended as a basis for discussion of policy with EXCO rather than a precise guide for points which should be made in briefing. As the paper makes clear, the content of briefings would need to be carefully considered and, in the case of those in Hong Kong, discussed with the Governor.

The paper takes account of the discussions which EXCO had during their visit, not only with the Prime Minister but also with the Foreign Secretary and Mr Luce.

Reference is made in paragraph 7(i) to the explanation of HMG's commitment to Hong Kong which was discussed by Mr Luce with the Unofficials on 17 January. The text which was agreed was as follows:

" Hong Kong's status as a British Dependent Territory commits HMG to provide for its good Government in the best interests of its people and to make provision for Hong Kong's security and public order. HMG are also committed to seek a solution on the future of Hong Kong after 1997 acceptable to the British Parliament, the Government of China and the people of Hong Kong."

A J Coles Esq
10 Downing Street

S E C R E T



The Governor of Hong Kong would like to discuss the paper with the Ambassador while they are together in Peking for the next round of talks on 25/26 January. The Governor then proposes to discuss it with EXCO on 31 January.

I should be grateful to know very soon therefore whether the Prime Minister is content with the paper, so that we may telegraph it to Hong Kong and Peking.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

S E C R E T



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FUTURE OF HONG KONG: HMG'S PUBLIC POSITION

1. So far HMG (and the Hong Kong Government) have adhered to the principle of confidentiality in the talks. We have not responded publicly to declarations by Chinese spokesmen of their aims. This has been necessary to facilitate confidential negotiation, to avoid provoking the Chinese into unnecessarily hard attitudes, and to make easier the evolution in our negotiating position. It is, however, a stance likely to become increasingly untenable, and possibly dangerous, as the time approaches for an announcement on the talks, whether that takes the form of an interim statement or a fuller agreement. That could well come by September 1984 at the latest, when it will probably be necessary to pre-empt a unilateral Chinese statement by proposing a bilateral announcement.

2. We must avoid resentment in Hong Kong resulting from disappointed expectations that an agreement would include a British link of authority. Conversely we must counter impressions that HMG has been eased out of any significant role in the negotiations and that a statement or announcement is likely to include nothing more promising than the Chinese 12 points.

3. There is already concern in Hong Kong about the lack of any clear statement of HMG's aims in the negotiations. We need to consider whether we should find some way of indicating at least the outline of our redefined objective to the Hong Kong people as a whole. This will become particularly necessary if, as seems likely, there is increased public speculation that HMG may be discussing, albeit on the basis of conditionality, the possible reversion of sovereignty and administration to China in 1997.

4. There are problems. We are operating within the limits of 'conditionality'. We reserve the right to reject any final package as unacceptable. We must not make public statements which undermine that position. We also have to be careful not to make statements which either weaken our position in negotiation, or appear provocative to the Chinese and lead to a hardening of their line and even confrontation. This could sour the atmosphere of the talks and

reduce their chance of success.

5. These difficulties suggest that it may not be appropriate at this stage to try to put over a new public line by means of eg a Ministerial statement or a statement by the Governor. We must gauge the tone and content of any statements in Parliament, and elsewhere, very carefully. But they should in principle continue to be brief and restrained, maintaining a strict line on confidentiality.

6. Other ways in which opinion might be influenced are:

- (a) Statements by EXCO members. These would need to take account of fact that EXCO are publicly known to be consulted about the negotiations, but it would be possible to air a number of ideas without going into detail and without running the same risks as we would meet if we used Ministerial statements.
- (b) Statements by LEGCO members. UMELCO have been given a very general picture of our objectives in the talks. They could be briefed or encouraged to air a number of ideas quite widely.
- (c) Briefing of District Board members and the Hong Kong Civil Service. This could be considered but would have to be approached very carefully. If the Hong Kong Government undertook such briefing there would be a risk of leaks and prejudice to our position on conditionality. Nevertheless selective briefing of this sort could be helpful in tackling some of the main opinion formers in Hong Kong.
- (d) Briefing of responsible UK media. This would involve unattributable briefing suggesting how HMG's objective in the talks has evolved and encouraging the press to speculate along these lines.
- (e) More limited briefing of responsible Hong Kong media. As with (d) this would be unattributable.

7. Helpful elements in any such briefing might be:

- (i) Stress on the continuing negotiations and the need to judge any eventual package as a whole, as necessary explaining HMG's commitment to Hong Kong as agreed in discussion at Mr Luce's meeting with EXCO Unofficials on 17 January;

- (ii) a shifting of emphasis away from the British link as the guarantee of continuity towards the concept of continuity itself in life-style and social and economic systems, stressing the concept of autonomy;
- (iii) the idea that stability and prosperity can be assured by means other than a continuation of British administration;
- (iv) Discussion of various forms of devices in different areas of administration and legal, social and economic systems which collectively would be a powerful reinforcement of Hong Kong's autonomy.

8. The exact content of any briefings would need to be carefully geared to the audience and circumstances at the time. It would be helpful if Unofficials could consult the Governor about the points which they might use.

9. Naturally any press briefings would have to take account of possible Parliamentary sensitivity. Methods would have to be found, through background briefings, of ensuring that any inspired evolution of public opinion proceeded in step with Parliamentary opinion.

Foreign and Commonwealth Office
23 January 1984

G/10

CONFIDENTIAL



Ref.A084/242

MR COLES

Mr 27

f.a.

Hong Kong

I understand that you have asked about triad societies in Hong Kong, which were mentioned in paragraph 7 of JIC(84)(N) 15. I attach a very short note produced by the Assessments Staff.

Al

R P HATFIELD

20 January 1984

CONFIDENTIAL

CONFIDENTIAL

Triad Societies

Triad societies originated as underground opposition groupings to the Manchu conquerors of China. They established a close sense of solidarity between members, reinforced by elaborate rituals and ruthless punishment of defectors. In Hong Kong the tradition has degenerated and the triads have become no more than criminal gangs (some of them involved in the international drug trade), but they retain their discipline and cohesiveness and are accordingly a force to be reckoned with in Hong Kong society.

CONFIDENTIAL

20 January 1984

Future of Hong Kong: Opening Statement
at Eighth Round of Talks

The Prime Minister agrees that Sir Richard Evans should, in his opening statement at the next round of talks, comment on Premier Zhao's oral message to Sir Percy Cradock on 20 December in the terms suggested in your letter. Mrs. Thatcher has also noted that Sir Richard Evans will make it plain that the British position continues to be based on the understanding set out in the Prime Minister's messages of 10 March and 14 October.

AJC

Peter Ricketts Esq
Foreign and Commonwealth Office.

SECRET 30

cc: BORNEO + BRUNEI
Internal Slt.
March 12

SECRET

FM BRUNEI 190730Z JAN 84
TO PRIORITY FCO
TELEGRAM NUMBER 29 OF 19 JANUARY
INFO PRIORITY SINGAPORE

ADVANCE COPY

No 10 DSE
(FOR P.M.)

1. LORD FANSHAWE HAS ASKED FOLLOWING MESSAGE TO BE PASSED TO
THE PRIME MINISTER AND TO THE SECRETARY OF STATE.

QUOTE

DURING A PRIVATE MEETING ALONE WITH LEE KUAN YEW YESTERDAY
THE FOLLOWING POINTS WERE DISCUSSED BETWEEN US:

A) INTERNATIONAL DEMOCRAT UNION

LEE EXPRESSED GREAT INTEREST AND WILL CONSIDER POSSIBILITY OF
HIS PARTY APPLYING TO JOIN ORGANISATION. *ms*

B) HONG KONG

LEE VIEWS OUTLOOK FOR OUR NEGOTIATIONS WITH PEKING AS GLOOMY.
HE HOLDS LITTLE HOPE OF SUCCESSFUL NEGOTIATION
AS PEKING HAS MADE TOO MANY PUBLIC STATEMENTS WHICH GIVES CHINESE
LITTLE FLEXIBILITY WITHOUT LOSS OF FACE. HE CONSIDERS THAT
FOREIGN EXCHANGE ASSET PROVIDED BY HONG KONG IS LESS IMPORTANT TO
PEKING THAN THE POLITICAL/EMOTIONAL ISSUE. HE FORESEES HONG KONG
MIDDLE MANAGEMENT BECOMING DEMORALISED AND DANGER OF AN ECONOMIC
RUN DOWN WITHIN FIVE YEARS. LEE STRESSES THAT THIS WILL BE
DAMAGING TO SINGAPORE AS HIS ECONOMY FLOURISHES AND STRENGTHENS
IN COMPETITION WITH A PROSPEROUS HONG KONG. HE MUCH VALUED HIS
TALK WITH YOU IN DELHI.

C) PHILIPPINES

LEE GIVES MARCOS ONE TO THREE YEARS BEFORE DYING FROM SERIOUS
ILLNESS. HE SUSPECTS THAT IMELDA MARCOS AND A GENERAL WERE
INVOLVED WITHOUT HER HUSBAND'S KNOWLEDGE IN MURDER OF AQSIMO.
SHE NOW PLANS TO SUCCEED ON MARCOS' DEATH. LEE IS VERY WORRIED
ABOUT THE REAL DANGER OF U S FORCED WITHDRAWAL FROM PHILIPPINE
BASES. IF THIS OCCURS SOVIET PRESENCE IN CAM RANH BAY WILL CAUSE
GRAVE INSTABILITY IN THE AREA.

D) BRUNEI

LEE IS DISAPPOINTED THAT SULTAN HAS NOT TAKEN HIS ADVICE AND APPOINTED ABLE BRUNEIANS TO IMPORTANT CABINET POSTS. HE ASSESSES

THAT THERE ARE ABOUT 12 ABLE MEN IN BRUNEI. THREE OR FOUR SHOULD BE IN CABINET. IF THEY DON'T PERFORM SACK THEM. THAT IS HOW LEE RUNS HIS CABINET. HE TAKES A VERY CLOSE INTEREST IN BRUNEI WITH 400 SINGAPOREAN TROOPS IN PERMANENT TRAINING. HE FEARS INTERNAL TROUBLE IN ABOUT FIVE YEARS UNLESS SULTAN INVOLVES MORE EDUCATED BRUNEIANS IN GOVERNMENT. HE WOULD LIKE FRANCIS CORNISH TO CALL ON HIM AND DISCUSS SITUATION WHENEVER HE PASSES THROUGH SINGAPORE.

E) MAHATHIR IN KUALA LUMPUR IS BASICALLY ANTI BRUNEI AND WILL STIR UP TROUBLE IN DUE COURSE WHEN HIS OWN INTERNAL PROBLEMS WITHIN MALAYSIA ARE SORTED OUT. LEE TOLD ME THAT TAN SRI GAZALI LEAKED ALL CABINET DISCUSSIONS ON CONSTITUTIONAL PROBLEMS DIRECT TO THE MALAYSIAN SULTANS. MAHATHIR HAS DISCOVERED THIS AND AS A RESULT GAZALI'S POSITION IN THE GOVERNMENT IS VERY PRECARIOUS.

F) LEE TOOK HIS USUAL SUPPORTIVE AND FRIENDLY ATTITUDE BOTH TO YOU PERSONALLY AND THE CONSERVATIVE GOVERNMENT'S POLICY IN THE UK.

UNQUOTE

CORNISH

NNNN

SECRET



PERSONAL AND CONFIDENTIAL

MR A J COLES

N. Foster
Pl. return.

A.J.C. 19.
1

HONG KONG

Thank you for sending me a copy of your important minute to Mr Donald of 17 January.

It is good to know that, with all your pressing problems, you have time to keep an eye on the important issues.

As you know, I have always had the highest regard for the Foreign Office but I think it is a pity that they had not picked up the full significance of Mr Li Chuwen's views.

I am hoping myself to make a visit to Hong Kong in April. I see from the newspapers that, despite months of negotiation, nothing has been agreed and my strong impression is that our negotiators are being outwitted day by day. If it would help, I would be quite ready to drop in on Peking for an hour or two where I am sure I could bring matters to a satisfactory conclusion.

I am sending copies of this minute to Mr Donald and to Mrs Carline Ryder.

R W Gray

19 January 1984

29

SECRET

13917 - 2

DD 200100Z HONG KONG

GRS 117

SECRET

DESKBY 200100Z

FM FCO 191730Z JAN 84

TO IMMEDIATE HONG KONG

TELEGRAM NUMBER 83 OF 19 JANUARY

YOUR TELNO 156: FUTURE OF HONG KONG: MR LUCE'S MEETING WITH EXCO UNOFFICIALS

1. RECORD OF MEETING INCLUDES MR LUCE'S DEFINITION OF QUOTE COMMITMENT UNQUOTE. THIS READS AS FOLLOWS:

BEGINS HONG KONG'S STATUS AS A BRITISH DEPENDENT TERRITORY COMMITS HMG TO PROVIDE FOR ITS GOOD GOVERNMENT IN THE BEST INTERESTS OF ITS PEOPLE AND TO MAKE PROVISION FOR HONG KONG'S SECURITY AND PUBLIC ORDER. HMG ARE ALSO COMMITTED TO SEEK A SOLUTION ON THE FUTURE OF HONG KONG AFTER 1997 ACCEPTABLE TO THE BRITISH PARLIAMENT, THE GOVERNMENT OF CHINA AND THE PEOPLE OF HONG KONG. ENDS

2. DEFINITIVE RECORD WILL FOLLOW SOONEST BY BAG.

HOWE

FUTURE OF HONG KONG
LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
D/HD/PUSD (MR FLOWER)
RES.B. (MR WALKER)
LEGAL ADVISER (SIR IAN SINCLAIR)
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR J BULLARD

MR DONALD
MR WRIGHT
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MR ROBERTS N EWS D
MR BURROWS LEGAL ADVS
MR COLES NO 10 DOWNING ST

MR MARTIN ASSESSMENT STAFF CABINET OFFICE
MR GOODALL CABINET OFFICE
MR BRENNAN CABINET OFFICE
PS/S OF S FOR DEFENCE D
PS/ATTORNEY GENERAL
SIR P CRADOCK RM K195

SECRET



Prime Minister.

Sir Perry Cradock has seen this.

Foreign and Commonwealth Office

Agree that Sir Richard
Evans should speak, at the
next round, as at X and
Y below?

London SW1A 2AH

Yes MJ

19 January 1984

Dear John, A.J.C. 19.

Future of Hong Kong: Opening Statement at Eighth Round of
Talks: 25-26 January

The next round of talks opens on 25 January. We have been giving thought to the opening statement which Sir R Evans will make on that occasion. We consider that in the course of this statement he should refer to the remarks addressed to the Prime Minister by the Chinese Premier, Zhao Ziyang, in the course of the latter's farewell discussion with Sir P Cradock last month (recorded in Peking telegram no 1387 - copy enclosed).

We propose that Sir R Evans should speak on this point on the basis of the following outline:

X "Close consultation with Prime Minister and Secretary of State in London before my departure. Reference to message which Premier Zhao asked Sir P Cradock to convey to Prime Minister when he paid his farewell call on Zhao on 20 December. Authorised to convey her appreciation. The Prime Minister wishes me to confirm that the British side does indeed view the talks in the context of friendly Sino-British relations. She takes encouragement from the fact that both sides share a conviction that agreement is entirely possible. This would be beneficial to confidence in Hong Kong and to the stability and prosperity there which is the common aim of the two sides."

Y I would be grateful to know whether the Prime Minister is content that we should proceed on this basis. The statement will also, of course, make the point that there is total continuity in the British position which is based, as before, on the understanding set out in the Prime Minister's messages of 10 March and 14 October 1983.

(P F Ricketts)
Private Secretary

Yang too,
Peter Ricketts

A J Coles Esq
10 Downing Street

THE UNIVERSITY OF CHICAGO
LONDON, ENGLAND

20 JAN 1992
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OF PRINCIPLE. WHAT REMAINED WERE MATTERS NOT ABSOLUTELY CRUCIAL TO THOSE PRINCIPLES BUT NEVERTHELESS VERY IMPORTANT FOR THE ECONOMIC SUCCESS OR OTHERWISE OF THE SAR. WE THEREFORE HOPED THAT THE CHINESE SIDE WOULD LISTEN TO OUR PROPOSALS AND TAKE ACCOUNT OF THEM IN DRAWING UP THE BASIC LAW. I NOTED THAT AGREEMENT HAD ALREADY BEEN REACHED ON A NUMBER OF POINTS AND SAID THAT I ASSUMED THAT THESE WOULD BE INCORPORATED IN THE BASIC LAW.

6. I THEN REFERRED TO THE IMPORTANCE OF CONTINUITY. CHANGES SHOULD NOT BE MADE EXCEPT WHERE THEY WERE ABSOLUTELY NECESSARY TO MEET CHINESE PRINCIPLES. THERE SHOULD BE NO CHANGE FOR THE SAKE OF CHANGE. WE SHOULD BE AS PRECISE AS POSSIBLE IN STATEMENTS OF WHAT WAS TO BE ESTABLISHED. I DREW ATTENTION TO MY COMMENTS IN OTHER DISCUSSIONS ON THE NEED FOR CONTINUITY IN THE CIVIL SERVICE. WE HOPED THAT ALL CIVIL SERVANTS, WHETHER OF LOCAL OR OVERSEAS ORIGIN, WOULD BE ABLE TO STAY ON AND COMPLETE THEIR CAREERS IN THE NORMAL WAY. THEIR LOYALTIES WOULD NATURALLY BE TO THE SAR NOT TO ANYBODY ELSE. I SAID I HAD BEEN ENCOURAGED TO HEAR FROM JI PENGFEI THAT THOSE WHO HELD HONG KONG IDENTITY CARDS AS WELL AS UK PASSPORTS WOULD BE PERMITTED TO STAY ON AND RISE UP TO AND INTO THE MOST SENIOR CIVIL SERVICE POSTS.

I URGED HONGKONG SIDE TO BEAR IN MIND THE IMPORTANCE OF CONTINUITY, SUBJECT OF COURSE TO MEETING THEIR FUNDAMENTAL PRINCIPLES. I SAID THAT IT LAY IN THE TWO SIDES' HANDS TO MAKE THE FUTURE HONG KONG A GREAT SUCCESS. THIS WOULD ALSO BE AN INTERNATIONAL SUCCESS. IT WOULD COST THE CHINESE NOTHING BUT WOULD MEAN EVERYTHING TO HONG KONG. IT WAS A BIG OPPORTUNITY.

7. ZHAO SAID THAT AS ONE WHO HAD SERVED LONG IN CHINA I WOULD BE WELL AWARE OF CHINESE POLICIES. CHINA FOLLOWED PRINCIPLE BUT WAS ALSO VERY REASONABLE AND PRACTICAL. SO LONG AS FUNDAMENTAL CHINESE PRINCIPLES WERE NOT IMPAIRED, THE CHINESE SIDE WAS READY TO LISTEN TO WHATEVER SUGGESTIONS WE MIGHT HAVE CONCERNING THE MAINTENANCE OF STABILITY AND PROSPERITY IN HONG KONG AND WOULD TAKE THEM INTO ACCOUNT. WE SHOULD SEE THAT CHINA WAS VERY FLEXIBLE AND OPEN-MINDED. CHINA AIMED TO RECOVER SOVEREIGNTY INCLUDING THE RIGHT OF ADMINISTRATION WHILST MAINTAINING STABILITY AND PROSPERITY. ZHAO POINTED OUT HOWEVER THAT THE RECOVERY OF SOVEREIGNTY WAS THE PREMISE. ON THAT BASIS CHINA WOULD DO WHATEVER WAS POSSIBLE TO MAINTAIN STABILITY AND PROSPERITY. UNNECESSARY CHANGES WOULD NOT BE MADE SO LONG AS THE ARRANGEMENTS FOR HONG KONG WERE CONSISTENT WITH THE CHINESE PREMISE AND CONDUCIVE TO THE MAINTENANCE OF STABILITY AND PROSPERITY. IT WAS POSSIBLE THAT OUR VIEWS WOULD DIFFER ON SPECIFIC QUESTIONS. THESE COULD BE DISCUSSED THROUGH NEGOTIATION. AS LONG AS BOTH SIDES ABIDED BY THE FUNDAMENTAL PRINCIPLES AND CHERISHED THE AIM OF MAINTAINING STABILITY AND PROSPERITY, AN AGREEMENT WOULD EVENTUALLY BE REACHED. ZHAO SAID THAT THE ISSUES OF GREATEST CONCERN TO THE CHINESE SIDE, NAMELY SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION, WERE KNOWN TO US. HE HOPED THAT WE WOULD IDENTIFY OUR POINTS OF MAJOR CONCERN SOON IN A STRAIGHTFORWARD AND FRANK WAY.

²
SECRET

/ THIS WOULD

THIS WOULD BENEFIT THE TALKS . SO LONG AS OUR SUGGESTIONS DID NOT IMPAIR CHINESE PRINCIPLES IT MIGHT BE POSSIBLE TO AGREE ALL OR PART OF SUCH SUGGESTIONS. THERE MIGHT OF COURSE ALSO BE AREAS WHERE WE DID NOT AGREE. MUTUAL UNDERSTANDING AND TRUST WOULD BE INCREASED. THE RATE OF TALKS WOULD BE ACCELERATED. ZHAO REFERRED TO OUR RECENT COMMENTS ON THE CIVIL SERVICE AND THE ELECTION OF JUDGES: THE CHINESE SIDE WAS CONSIDERING THEM.

8. I REPLIED THAT WE WOULD TRY TO PUT THESE ISSUES AS SOON AS POSSIBLE TO THE CHINESE SIDE. I WAS ENCOURAGED BY ZHAO'S COMMENTS. IN THEIR SPIRIT THERE WAS ONE POINT WHICH, ALTHOUGH RAISED IN EARLIER DISCUSSIONS, I WISHED TO REPEAT. I REFERRED TO THE POSSIBILITY THAT THE CHINESE INTENDED TO STATION TROOPS IN HONG KONG. I SAID THAT WE DID NOT DISPUTE THE CHINESE RIGHT TO STATION TROOPS IN ANY PART OF CHINESE TERRITORY. THIS WAS NOT AT ISSUE. HOWEVER I ASKED ZHAO TO REFLECT VERY CAREFULLY ON THE EFFECT UPON THE INHABITANTS OF HONG KONG AND THE OUTSIDE WORLD OF A DECISION TO STATION THEM IN HONG KONG. IT WOULD DAMAGE THE SAR'S CREDIBILITY AS AN AUTONOMOUS REGION AND LEAD TO THE CONCLUSION THAT THE HONG KONG ISSUE HAD BEEN SOLVED NOT THROUGH FRIENDLY RELATIONS BUT BY MILITARY MEANS. THIS WOULD BE VERY DAMAGING.

9. ZHAO SAID THAT ONE ASPECT OF CHINA'S SOVEREIGNTY OVER HONG KONG WOULD BE CHINA'S RIGHT TO STATION TROOPS THERE. IT WAS A CHINESE PRINCIPLE THAT HONG KONG'S FOREIGN AFFAIRS AND DEFENCE WOULD BE THE CENTRAL GOVERNMENT'S RESPONSIBILITY. HOWEVER, CONCRETE DISCUSSIONS ON THIS ISSUE COULD BE CONDUCTED. IT WAS NOT NECESSARILY THE CASE THAT CHINESE TROOPS WOULD BE SENT TO HONG KONG ON THE DAY OF RESUMPTION OF SOVEREIGNTY. IT HAD BEEN MADE CLEAR THAT DEFENCE WAS THE CENTRAL GOVERNMENT'S RESPONSIBILITY, PUBLIC ORDER THAT OF THE SAR POLICE. TROOPS STATIONED IN HONG KONG FOR NATIONAL DEFENCE WOULD NOT INTERFERE IN THE SAR'S INTERNAL AFFAIRS. THEIR FUNCTION WOULD NOT BE THE SAME AS THE PLA ON THE MAINLAND.

10. ZHAO RECALLED THAT A FURTHER ISSUE OF CONCERN TO THE UK WAS WHETHER OUR AGREEMENT WOULD BE REFLECTED IN THE BASIC LAW. HE CONFIRMED THAT IT WOULD BE. ON THE METHOD OF DISCUSSIONS HE SAID THAT WE HELD DIFFERENT VIEWS. CHINA CONSIDERED THAT WE SHOULD JUST DISCUSS IMPORTANT QUESTIONS LEAVING ASIDE EXCESSIVE DETAIL. TO DO OTHERWISE WOULD TAKE TOO MUCH TIME AND WOULD IMPINGE UPON THE SAR'S AUTONOMY. IF THE BASIC LAW CONTAINED MORE DETAIL, LIMITATIONS ON THE SCOPE AND FUNCTION OF THE FUTURE SAR WOULD BE SET. ON CONTINUITY, HE UNDERSTOOD THAT THIS WAS A QUESTION OF GREAT CONCERN. IN VIEW OF THE PROGRESS MADE, HE SUGGESTED THAT IT MIGHT BE BENEFICIAL IF WHILE DISCUSSING POST-1997 ARRANGEMENTS QUESTIONS AFFECTING THE TRANSITIONAL PERIOD WERE ALSO DISCUSSED. COMBINING THESE TWO AREAS WOULD CREATE BETTER UNDERSTANDING OF CONTINUITY AND WOULD ALSO ENABLE DISCUSSION OF HOW THE TWO SIDES COULD BEST COOPERATE IN THE TRANSITIONAL PERIOD TO MAINTAIN STABILITY AND PROSPERITY. HE HOPED THAT BOTH SIDES WOULD MAKE EFFORTS AND COOPERATE TO

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/ MAINTAIN

MAINTAIN STABILITY AND PROSPERITY IN THIS PERIOD AND ALSO THAT THE UK WOULD CONTINUE TO PLAY A POSITIVE ROLE IN HELPING HONG KONG'S ECONOMIC DEVELOPMENT.

11. I SAID THERE WAS ONLY TIME LEFT FOR ME TO MAKE BRIEF COMMENTS, AS FOLLOWS:

(A) TROOPS: WE DID NOT DISPUTE CHINA'S RIGHT TO STATION TROOPS IN HONG KONG. IT WAS A QUESTION OF HOW THAT RIGHT MIGHT BE EXERCISED AND THE EFFECT OF EXERCISING IT. WE UNDERSTOOD THAT PUBLIC ORDER WOULD BE THE RESPONSIBILITY OF THE SAR POLICE.

I NOTED THAT CHINESE TROOPS IN HONG KONG WOULD NOT HAVE THE SAME FUNCTION AS THE PLA. NEVERTHELESS I URGED THE CHINESE SIDE TO THINK VERY CAREFULLY ABOUT THE EFFECT OF STATIONING TROOPS:

(B) BASIC LAW: I WAS GRATEFUL FOR ZHAO CONFIRMATION THAT OUR AGREEMENT WOULD BE REFLECTED IN THE BASIC LAW:

(C) METHOD OF TALKS: I SAID THAT OUR WORKING PAPERS WERE CONCERNED ONLY WITH THE MOST IMPORTANT PRINCIPLES IN EACH AREA. A CERTAIN DEGREE OF PRECISION WAS NECESSARY IF CONFIDENCE, AND THEREFORE PROSPERITY, WERE TO BE RETAINED. WE DID NOT DISPUTE THAT THE SAR SHOULD HAVE A HIGH DEGREE OF AUTONOMY AND SHOULD BE ABLE TO TAKE ITS OWN DECISIONS OVER LARGE AREAS. BUT WE MUST BE SURE OF THE STARTING POINT OR CONFIDENCE WOULD NOT CONTINUE. THIS WOULD NOT PREVENT THE SAR MAKING CHANGES LATER:

(D) AGENDA ORDER: I ACCEPTED THAT A NUMBER OF ISSUES SEEMED TO OVERLAP. HOWEVER UNTIL WE KNEW WHAT HONG KONG WAS TRANSITING TO, WE COULD NOT DECIDE UPON TRANSITIONAL ARRANGEMENTS:

(E) UK INTERESTS: WE CONSIDERED IT MOST IMPORTANT THAT HONG KONG SHOULD FLOURISH. THERE WAS NO POINT IN HAVING INTERESTS IN A DEAD CITY. CONFIDENCE WAS ALL IMPORTANT.

12. SEE MIFT FOR COMMENT.

W58

CRADOCK

FUTURE OF HONG KONG

LIMITED

HD/HRD

HD/FED

HD/PLANNING STAFF

ED/PUSD

D/HD/PUSD(MR FLOWER)

RESEARCH DEPT(MR WALKER)

LEGAL ADVISER(SIR LAN SINCLAIR)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

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MR GOODALL CABINET OFFICE

MR BRENNAN " "

PS/S OF S FOR DEFENCE

PS/ATTORNEY GENERAL

4
SECRET

Hong Kong: future of Pt II

SECRET

HL

27

19 January 1984

HONG KONG

Thank you for your letter of 18 January comparing the earlier Chinese attitude to Shanghai with their current proposals for making Hong Kong a Special Administrative Region. The Prime Minister has noted the contents of your letter.

JOHN COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

NR

SECRET

Mrs. Eleanor LING



to ✓

1/2

10 DOWNING STREET

From the Private Secretary

18 January 1984

Hong Kong: Mr. David Newbigging

I enclose a copy of a letter which the Prime Minister has received from Mrs Eleanor Ling. This suggests that we should find some way of using the experience of Mr. Newbigging, who is leaving Hong Kong, in the future. I should be grateful if you could let me know whether you see any possibility of doing so. I shall then reply to Mrs Ling.

A. J. COLES

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

So.

ef?
sure?

file

da



cfo

GRB

10 DOWNING STREET

From the Private Secretary

18 January 1984

Pl. attach

The Prime Minister has asked me to thank you for your letter of 29 December and for sending her a copy of the statement that you made at the Urban Council's Annual Conventional Debate on 10 January. The points made in paragraphs 9-12 of your speech have been noted.

May I take this opportunity to reassure you that in their talks with the Chinese Government over Hong Kong's future the British Government are taking and will continue to take full account of the views and interests of the Hong Kong people. Our aim remain to seek a settlement which will ensure the territory's stability and prosperity, with as much continuity as possible, and which will be acceptable to the British Parliament, to China and to the Hong Kong people.

As you know, the Prime Minister has been having talks in London this week with the Governor and the Unofficial members of Hong Kong's Executive Council. In the course of these talks, Ministers have reaffirmed HMG's continuing commitment to Hong Kong and to the search for an acceptable settlement.

The Prime Minister is grateful to you for bringing your speech to her notice. I know it has attracted wide attention in the Hong Kong press.

A. J. COLES

Mr. Hilton Cheong-Leen, O.B.E.

4

H-K future



Foreign and Commonwealth Office

London SW1A 2AH

18 January 1984

Dear John,

Type letter pl.

A.F.C. 15/1

Future of Hong Kong: Letter to the Prime Minister
from the Chairman of Hong Kong's Urban Council

As requested in your letter of 6 January I attach a draft reply for you to send to Mr Hilton Cheong-Leen, Chairman of Hong Kong's Urban Council.

Since Mr Cheong-Leen's letter was also copied to the Governor of Hong Kong we have consulted Hong Kong over the reply. They share our view that the reply should not deal with the specific points made in paragraphs 9-12 of the speech to which Mr Cheong-Leen draws particular attention, but should concentrate on general assurances that in the talks with China Her Majesty's Government is taking account of the views and interests of the Hong Kong people and seeking the best possible deal for them.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:

Reference

A J COLES

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Mr Hilton Cheong-Leen OBE
 Chairman, Urban Council
 Urban Council Chambers
 Edinburgh Place
 HONG KONG

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

The Prime Minister has asked me to thank you for your letter of 29 December and for sending her a copy of the statement that you made at the Urban Council's Annual Conventional Debate on 10 January. The points made in paragraphs 9-12 of your speech have been noted.

sh *May 3*
~~I would like to~~ take this opportunity to reassure you that in ~~our~~ talks with the Chinese ~~over~~ Hong Kong's future ~~we~~ are taking and will continue to take full account of the views and interests of the Hong Kong people. Our aims remain to seek a settlement which will ensure the territory's stability and prosperity, with as much continuity as possible, and which will be acceptable to the British Parliament, to China and to the Hong Kong people.

As you know, the Prime Minister has been having talks in London this week with the Governor and the Unofficial members of Hong Kong's Executive Council. In the course of these talks, Ministers have reaffirmed HMG's continuing commitment to Hong Kong and to the search for an acceptable settlement.

The Prime Minister is grateful to you for bringing your speech to her notice. I know it has attracted wide

/attention

Enclosures—flag(s).....

attention in the Hong Kong press.

A. S. C. $\frac{45}{7}$



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

18 January 1984

An analysis of the
parallel drawn by the
Tongan representative at

CHOGON.

A.J.C. 18/1

[Handwritten signature]

Dear John,

Hong Kong

Thank you for your letter of 11 January. As Roger said in his letter of 9 January, we do not believe that the "promise" given by the new Chinese Government in the common programme of September 1949 to "encourage the active operation of all private economic enterprises beneficial to the national welfare and to the people's livelihood" can reasonably be compared with current Chinese proposals for making Hong Kong a Special Administrative Region with a high degree of autonomy, as part of the negotiation with us.

The Communists did not negotiate their takeover with Shanghai. Their armed forces occupied it on 24 May 1949, following its evacuation by the Nationalist garrison. They did not give any undertakings or guarantees for their future conduct that related specifically to Shanghai.

During the latter half of the 1940s, the Nationalists and the Communists did conduct inconclusive negotiations on several occasions. The Communists were at first conciliatory but, as it became clear that they were winning the Civil War, their stand hardened. Their last set of proposals, put forward in a draft 'Agreement on Interim Peace', were initially accepted by Nationalist negotiators in Peking in April 1949, but were subsequently rejected by the Government. Many of the points in the 'Agreement' were incorporated in the Common Programme adopted by the communist-dominated Chinese People's Political Consultative Conference (CPPCC) in September 1949. The CPPCC was attended by representatives from various 'democratic' parties but not the Nationalists.

The Common Programme was the Communists' most authoritative public statement of the policies to be pursued after their victory in the Civil War, and it served as the national Constitution until replaced by a more formal document in 1954. There is little in the April 1949 Draft Agreement or the Common Programme that is analogous to the Chinese proposals for Hong Kong. However, an annex, which attempts to compare these two documents with China's present '12-point plan' for Hong Kong, is attached.

A J Coles Esq
10 Downing Street

S E C R E T



Although some private businessmen were initially tolerated by the Communists in Shanghai, the Communists moved quickly to establish state control and by January 1956 all privately-run business in Shanghai had been eliminated. During this process many businessmen were victimised; some were executed and many more imprisoned. There is, however, an obvious difference between the circumstances then and now. In the 1950s the Communists were in the first flush of their revolutionary enthusiasm and building a new state. They are now well aware of the advantages which they derive from Hong Kong with its well-established capitalist system, whereas in the early 1950s they inherited conditions of economic collapse in Shanghai as in other Chinese cities. It is worth noting, moreover, that even at that time (and during the Korean War) the Chinese refrained from taking serious measures against Hong Kong.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

S E C R E T

H-K future P111

ANNEX: COMPARISONS

Chinese 12 Point Plan,
For Hong Kong

1. China to resume sovereignty over Hong Kong.
2. Hong Kong to become a Special Administrative Region (SAR) with a high degree of autonomy.
3. The SAR to enjoy power of legislation and independent judiciary with laws remaining basically unchanged.
4. SAR government to be composed of local inhabitants. Civil Servants of Chinese and foreign nationality of the former government can be employed.
5. Current social, and economic systems, and life to be unchanged.
- SAR to remain a free port.
7. SAR to remain international financial centre, including commodity markets. Hong Kong dollar to be freely convertible.
8. SAR to have financial independence.

Communist Statements in the
'Agreement on Internal Peace'
and the 'Common Programme'

The 'Constitution of the Republic of China' (Nationalist) to be abolished. (Agt. Article 3)

No similar provision

No reference to independence of the judiciary in the Common Programme. 'All laws, decrees and judicial systems ... which oppress the people shall be abolished' (Article 17)

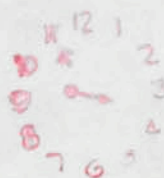
'... the Democratic Coalition Government of China shall take care to enlist all patriotic and useful persons among the former's (ie Nationalist) personnel, give them democratic education and assign them to suitable posts ...' (Agt. Article 20)

No sweeping provision of this kind. The Agreement and the Common Programme both contained commitments to expropriate 'bureaucrat-capitalists' and to reform the 'feudal' system of land-ownership. But the Common Programme also contained provisions for the freedoms of speech, change of domicile etc (Article 5); and it undertook to 'encourage the active operation of all private economic enterprises beneficial to the national welfare' (Article 30).

No such provisions. 'Financial enterprises shall be strictly controlled by the state. The right of issuing currency belongs to the state. The circulation of foreign currency within the country shall be prohibited. The buying and selling of foreign exchange, foreign currency, gold and silver shall be handled by the state banks' (Article 39).

9. SAR may establish reciprocal economic relations with Britain. 'The People's Republic of China may restore and develop commercial relations with foreign governments and peoples'. (Article 36). 'Control shall be exercised over foreign trade and the policy of protecting trade shall be adopted. (Article 37).
10. SAR as 'Hong Kong/China' may develop its own economic and cultural relations. Not applicable.
11. SAR to be responsible for its own public order. Not applicable.
12. The above to be incorporated into a basic law and to remain unchanged for 50 years. The 'Agreement' referred to a fundamental law to be drawn up by the Political Consultative Conference (ie the 'Common Programme'). No time limits were mentioned. The Common Programme was itself superceded by the State Constitution adopted in 1954 (which has in its turn been revised on several occasions).

8 JAN 1984





10 DOWNING STREET

Adley.

Will welcome reports of progress
on Hong Kong

Will say that it would be
wrong for the people of Hong Kong
to reject any agreement reached
between Britain and China.

RECORD OF MEETING BETWEEN MR RICHARD LUCE MP, MINISTER OF STATE,
THE GOVERNOR OF HONG KONG AND EXCO UNOFFICIALS:

10.00 AM 17 JANUARY 1984

Present

Mr Richard Luce MP
PS/Mr Luce
Sir P Cradock GCMG
Mr A E Donald CMG
Mr R D Clift CMG
Mr R J F Hoare
Mrs J S C Priest

Sir Edward Youde GCMG MBE
Sir S Y Chung CBE
Mr O V Cheung CBE QC
Mr R H Lobo CBE QC
Mr F W Li CBE
Mr M G R Sandberg OBE
Mr T S 'Lo CBE
Miss Lydia Dunn CBE
Mr Q W Lee CBE
Mr S L Chen CBE
Miss Maria Tam
Mr G A Higginson (Private
Secretary to the Governor)

1. Mr Luce welcomed the Governor and the Unofficials and suggested that the agenda for the meeting might be:
 - (i) discussion of the summary of the conclusions reached at the Prime Minister's meeting with the Unofficials on 16 January;
 - (ii) clarification of HMG's commitment to Hong Kong;
 - (iii) the principles underlying the working papers on:
 - (a) Defence and Internal Security;
 - (b) The Public Service;
 - (c) Government Structures;
 - (d) Nationality.
 - (iv) Public Presentation of HMG and HKG policy.
2. Sir S Y Chung said the Unofficials were grateful for an opportunity for further constructive discussion on Hong Kong. He began with comments on the summary of the Prime Minister's

discussion with the Unofficials:

- (i) the words 'consistent with the assumption by China of sovereignty and the right of administration' should be deleted from our redefined negotiating objective; we should aim simply at the highest possible degree of internal and external autonomy for Hong Kong;
- (ii) the words 'violation and' should be inserted before 'interference' in the penultimate line of the objective.

3. Mr T S Lo agreed with Sir S Y Chung's first point.

Sir P Cradock explained that the words which Sir S Y Chung had quoted were intended to reflect what we might now realistically hope for in the Hong Kong negotiations. Their deletion might convey a false impression. Miss Dunn thought that Sir P Cradock's point was adequately covered by the words 'highest possible degree of autonomy for Hong Kong'; the phraseology to which Sir S Y Chung had drawn attention implied a limitation to this. Sir E Youde reminded the meeting of the Prime Minister's willingness to recommend to Parliament that sovereignty over Hong Kong revert to China if it were possible to make satisfactory arrangements with the Chinese for Hong Kong's future.

4. Mr T S Lo suggested that if the sentence under discussion could not be deleted from the summary of conclusions, it might be replaced by the words 'subject to the assumption by China' etc.

Sir P Cradock said the Unofficials' comments on the summary would be noted. Despite differences of emphasis he had noted no basic contradictions between the Unofficials' proposals and the summary as drafted. Mr Luce undertook to convey the Unofficials' views on the summary to the Prime Minister and to the Secretary of State.

5. There was some further discussion about the definition of our negotiating objective. Miss Dunn saw a difference between asserting 'the principle of minimum change in the Hong Kong systems' and seeking in the negotiations to assert it. It was pointed out that this point was implicit in the existing text as a whole and explicit in the final sentence of the redefined objective.

6. Sir S Y Chung suggested that the words 'to be acceptable to the people of Hong Kong' should replace 'command confidence in Hong Kong' in paragraph 2, line 8 of the summary. Mr T S Lo asked for clarification of the term 'absolute requirements' in the second sentence of that paragraph. Mr Luce explained that no one particular assurance against Chinese interference in Hong Kong should be seen to be a sticking point. The central issue was to devise a bundle of acceptable assurances. Mr T S Lo agreed but pointed out that the officials had no mandate to commit the people of Hong Kong to what would or would not be acceptable to them. Sir P Cradock suggested that the point might have been met by the deletion of the words 'for acceptance of an agreement' from line 5 of paragraph 2 of the summary.

7. Paragraph 3 of the summary ('Conditionality') was discussed. Sir S Y Chung said that this paragraph should include a mention of acceptability to the people of Hong Kong. Miss Dunn agreed. Acceptability to the people of Hong Kong should be included as a precondition for the removal of the conditionality contained in the Prime Minister's messages to the Chinese Government. It was explained that this point was covered fully in the first paragraph of the summary.

8. Miss Tam had some points to make about public presentation of HMG and HKD policy (para 6 of the summary). It was agreed that these be discussed in their own specific context.

9. Sir S Y Chung suggested that the heading of paragraph 7 of the summary be amended to read 'presence of Hong Kong residents in the British negotiating team' with consequential amendments to the text of that paragraph.

10. Sir S Y Chung handed Mr Luce a petition from 81 Hong Kong Trade Unions listing the assurances they sought on Hong Kong's future. Sir S Y then turned to the question of HMG's 'commitment' to the people of Hong Kong. What did this mean? How would HMG react towards individuals in Hong Kong who did not agree with any arrangements reached with China?

11. Mr Luce read out a definition of HMG's commitment to Hong Kong as follows:

'Hong Kong's status as a British dependent territory commits HMG to provide for its good government in the best interests of its people and to make provision for Hong Kong's security and public order. HMG are also committed to seek a solution on the future of Hong Kong after 1997 acceptable to the British Parliament, the Governemnt of China and the people of Hong Kong'.

He explained that this was broadly divisible into:

- (a) the type of commitment which we had towards any British Dependent Territory;
- (b) our commitment in the Hong Kong talks to seek a solution acceptable to Britain, China nad the people of Hong Kong. Sir S Y Chung asked how we would define 'acceptability'. Sir P Cradock explained that this was a matter parallel to, but separate from our actual 'commitment'. Mr Luce agreed. He added that we did not yet know how a test of acceptability to Hong Kong would be conducted. Miss Dunn suggested that the question of acceptability was bound up with nationality questions. HMG would have a commitment to assist anyone not wishing to remain in Hong Kong in the light of arrangements made with China. Sir S Y Chung agreed. Mr Luce said Miss Dunn's point would be taken up later. Meanwhile he wished to state that we were not contemplating failure in the talks but were seeking a successful outcome to them.

12. Sir S Y Chung said that a basic problem stemmed from our newly defined negotiating objective. Our former objective of continuing British administration was proven to be acceptable to Hong Kong people. This could not be said of the new objective. Mr Sandberg suggested that even if acceptability of any arrangements reached were tested by referendum, HMG would still retain a commitment to those who had voted against its terms.

13. Mr O V Cheung believed HMG had a commitment additional to those listed by Mr Luce: to do its best for Hong Kong. Mr Luce said that this point was implicit in the overall concept of commitment. Mr T S Lo said that it followed from the second commitment mentioned

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by Mr Luce that the final outcome of the Hong Kong talks could include only arrangements which were acceptable to Hong Kong. Sir S Y Chung said this again touched upon the important question of HMG's reaction towards those who did not find the outcome acceptable. Mr Luce noted the Unofficials concern about this point. He reiterated HMG's commitments to Hong Kong and undertook to let the Unofficials have a written definition of these. Miss Tam asked what was meant by HMG's 'moral' commitment to the people of Hong Kong. Sir P Cradock said that use of this phraseology showed that HMG's overall concern was Hong Kong itself and not any specific benefit which HMG might stand to gain from it.

14. Mr Donald and Sir E Youde further discussed the acceptability question. Sir E Youde emphasised that a suitable test of acceptability would have to be devised whilst HMG was still in overall control of Hong Kong. This was a complicated matter requiring much thought. He could however say now that it would be insufficient merely to solicit EXCO's views.

WORKING PAPERS ON CENTRAL ISSUES

15. Mr Luce said that these working papers would cover 4 very important areas. They had not yet been prepared by HMG, and would be sent to EXCO in the normal way, but it would be helpful for drafting purposes to have EXCO's initial comments on areas that should be covered.

DEFENCE

16. Mr Luce said that this working paper might cover the following points:

(a) The maintenance of social order, perhaps by a strengthened police force.

(b) The distinction between internal and external security, and the possible need for a locally raised military force under the control of the SAR Government.

(c) The question of transitional arrangements and whether any changes would be required before 1997.

(d) The stationing of outside forces in particular the PLA.

17. Sir Percy Cradock said that he had already made clear to Chinese leaders that while HMG did not contest their right to send troops to the SAR we thought that this would have an extremely damaging effect on confidence in Hong Kong. Zhao Ziyang had said that troops might not be sent immediately. It might not however be possible to dissuade the Chinese from the idea entirely and it would therefore be necessary to consider possible fall-back positions.

18. Sir S Y Chung suggested that HMG should point out to the Chinese that they had already said that Taiwan could continue to have its own army and that they would not send troops there if it became a SAR. Hong Kong should be treated in the same way. Miss Dunn said that we should resist the idea of any Chinese force in Hong Kong as this would undermine the role of the police. Mr Sandberg was concerned that if the Chinese did not send troops 'immediately' this might imply that they would do so during the 50 year period. This would have the dangerous implication that other changes might also take place.

19. Sir S Y Chung suggested that the present volunteer Hong Kong Regiment could be extended into a professional local force. Sir E Youde agreed and added that the British forces in Hong Kong already contained a 25% local element. There was also an auxilliary air force with some full-time officers. He said it was important to have an internal security force to which we could refer when arguing that the PLA was not required in Hong Kong. What this force should comprise would need further discussion. Mr Cheung asked if there was any chance of retaining the Gurkhas after 1997. Sir P Cradock said that he thought it extremely unlikely that the Chinese would accept this.

20. Miss Tam said that comparison with Taiwan should be emphasised. She also thought that the ICAC should be included in the paper.

PUBLIC SERVICE

21. Mr Luce said that this paper might cover:

(a) The need for continuity and for security of career prospects, pensions etc for members of the Public Service.

(b) The retention of existing procedures for appointments, promotions and discipline.

(c) The appointment locally of the Chief Secretary, Financial Secretary and Attorney-General.

(d) The retention of the Public Service Commission and the two Standing Commissions, possibly on a statutory basis.

(e) Some minor changes such as the replacement of Colonial Regulations and the removal of such words as 'royal' from titles.

22. Sir E Youde said that everyone would agree with the main principle of continuity. We should do our best to make sure that all who wanted to were able to remain in the Public Service for a full career. Changes to the status of the PSC and other advisory bodies could be made before 1997 to guard against political interference. Mr Clift agreed that it would be important to have an executive PSC in place before 1997. Miss Tam said that the security of pensions and other retirement benefits was psychologically important.

CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURE

23. Mr Luce said that we would not want to go into too much detail on democratic evolution in this paper but that it was important to stress the basic principles in order to buttress autonomy. The paper might cover:

(a) The position and election of the Governor/Chief Executive.

- (b) The separation of the Executive, Legislature and Judiciary.
- (c) The retention of full internal powers for the SAR Government.
- (d) The retention of EXCO, LEGCO, Regional Councils and District Boards; allowing for democratic evolution.

24. Sir E Youde said that the working paper was for presentation to the Chinese and should therefore provide a picture of what we wanted to see after 1997. This must not prejudice our freedom to do what we wanted to do before 1997. We should therefore refer to the elective process without specifying what we meant by this. There were various ways in which the present administrative system could be recreated through the elections. The people of Hong Kong would have to decide the details of how the system should develop.

NATIONALITY AND CITIZENSHIP

25. Mr Luce said that he was fully aware of the sensitivity of this issue in Hong Kong. The Home Office, who had not yet been consulted would also hold strong views on it. He suggested that the paper might cover:

- (a) The nationality status after 1997 of BDTC's and eligibility for Hong Kong (China) citizenship.
- (b) Issue of travel documents, freedom of travel and consular protection.
- (c) The right of abode, freedom of entry and exit and immigration controls.

26. Sir S Y Chung said that it was essential to preserve each person's freedom of choice as to whether they continued as a BDTC or accepted the new form of citizenship. Most Hong Kong people were refugees from China or the descendants of refugees and they felt that the retention of British nationality was their only chance of escaping from Hong Kong if things went wrong. If we were proposing to return the ceded areas to China we must make proper arrangements

for securing the rights of BDTC's. Miss Dunn agreed that it was important to retain existing rights. If this were not done, people might consider the whole agreement on the future of Hong Kong to be unacceptable.

27. Sir E Youde said that the Unofficials wished to retain the rights of BDTCs both as British nationals and as citizens of a dependent territory. He could see that it might be a point for discussion whether the title of BDTC should be retained once Hong Kong was no longer a dependent territory, but preservation of the present arrangements would be the preferred option. He said that this would be one of the most important subjects in the agreement with China and the people of Hong Kong would watch it like hawks as a key part in the retention of a link with the UK. Everyone was aware that the category of British overseas citizen carried fewer rights than BDTC, so if the term BDTC was not acceptable it would be necessary to invent another name. However, it would be difficult to explain to people that a different title would give the same rights as BDTC, even if it were true.

28. Mr Luce said he realised that this was a very important issue. Individual rights had not been affected by the changes of terminology introduced in the BNA but these had nevertheless created great ill-feeling. Sir Percy Cradock said that he thought it would be difficult to persuade the Chinese to accept the retention of the term BDTC once Hong Kong was no longer a dependent territory. Miss Dunn said that people would consider re-titling to be down-grading. While she saw the difficulty with the Chinese, we could not strip people of their nationality or citizenship. Miss Tam said that it was important that the SAR Government should control who had the right of abode in the SAR. She also said that there was a general belief in the police force that the nature of their duties gave them the right to come to the UK under Section 4(5) of the BNA. HMG would have to consider carefully the implications of this.

29. Mr Q W Lee said that the question of travel documents was a very important one. Mr Sandberg reiterated that HMG would come under pressure from those who could not accept the agreement, who

would argue that HMG had an obligation for the UK to find somewhere else for them to live. BDTG proposals did not provide for this.

MR LUCE'S VISIT TO HONG KONG

30. Mr Luce said that he was hoping to visit Hong Kong in February and would like this to be seen as a routine visit as part of his efforts to keep in close touch with Hong Kong and in particular the Executive Council. Sir S Y Chung welcomed this proposal. He warned, however, that if by then it was public knowledge that HMG's position in the talks had changed Mr Luce would come under considerable pressure to give details of HMG's attitude to such questions as nationality.

PUBLIC PRESENTATION

31. Mr Luce said that this subject had already been discussed at length. HMG had agreed to prepare a paper. Within the constraints of confidentiality, it had been proposed that we should try for an interim agreement with the Chinese. In the shorter term we should either publicly float possible ideas on a speculative basis or carry out unattributable press briefings.

32. Sir E Youde said that information could be conveyed on various levels. Not everyone had to say the same amount but they should clearly be consistent. The people of Hong Kong would then have a clearer idea of what was going on. It would be useful to have all the possible levels set out in the paper.

33. Sir Percy Cradock said that he saw advantage in unattributable briefing about the possible outcome of the talks. He was however worried about possible confrontation with the Chinese, leading to public statements and counter statements by important officials. Sir S Y Chung said that he doubted if the danger existed now that we had dropped the idea of British administration. Sir E Youde said that it was interesting that Miss Dunn's recent speech, outlining what was important to Hong Kong people, had not been criticised by the Chinese; nor had his television interview in Summer 1983, when he had referred to the people of Hong Kong seeking assurances of

continuity.

34. Sir S Y Chung agreed that the presentation aspect was very important. There was an increasing belief in Hong Kong that the Government would relax confidentiality and this placed a greater constraint on Unofficials. Mr Luce said that he was conscious of the burdens that EXCO carried. HMG would give priority to the preparation of this paper.

35. Sir S Y Chung thanked Mr Luce for his time and his patience in hearing the views of the Unofficials.

HONG KONG DEPARTMENT

26 JANUARY 1984

DISTRIBUTION

PS

PS/Mr Luce

PS/PUS

Sir P Cradock

Sir I Sinclair

Mr Donald

HKD

FED

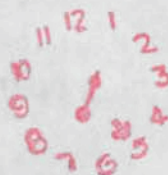
Research Department

Mr J Coles (10 Downing Street)

Personal: Governor, Hong Kong

HM Ambassador, Peking.

27 JAN 1984





10 DOWNING STREET

From the Private Secretary

17 January, 1984

FUTURE OF HONG KONG

Thank you for your letter of 16 January enclosing a note summarising the main conclusions reached at the Prime Minister's meeting with the Governor of Hong Kong and his Unofficials yesterday.

As I told you on the telephone earlier today, the Prime Minister is content with the summary. She has made one or two suggestions for changes but only because she thinks that the Unofficials may not be quite satisfied with the text. You therefore have discretion as to how far you wish to pursue these changes. They are:-

- (a) in paragraph 1 replace "seek" with "insist on".
- (b) add to paragraph 2 the sentence: "The monitoring could be carried out through the British presence in Hong Kong".
- (c) in paragraph 3 after the words "the Basic Law" add "on the special administrative region".

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office

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DESKBY 161200Z F C O

FM HONG KONG 160800Z JAN 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 112 OF 16 JANUARY

INFO IMMEDIATE HONG KONG GOVERNMENT OFFICE LONDON , PEKING
ROUTINE HONG KONG GOVERNMENT REPRESENTATIVES WASHINGTON, NEW YORK,
BRUSSELS AND GENEVA.

FUTURE OF HONG KONG: PRESS COVERAGE.**SUMMARY.**

THE MAJOR STORIES OVER THE WEEK-END WERE SIR PETER BLAKER'S PRESS CONFERENCE AT THE CONCLUSION OF HIS VISIT TO HONG KONG, CONTINUING COMMENT ON THE TAXI DRIVERS DISPUTE AND THE DISTURBANCES, THE INTERVIEW GIVEN BY STATE COUNCILLOR JI PENGFEI TO THE PEKING MAGAZINE LIA O WANG, AND REMARKS TO REPORTERS MADE BY NCHA DIRECTOR XU JIATUN AFTER ATTENDING THE FIRST ANNUAL MEETING OF THE LOCAL PRESSURE GROUP, MEETING POINT.

DETAIL.

2. ALL PAPERS GAVE EXTENSIVE COVERAGE TO SIR PETER BLAKER'S PRESS CONFERENCE. THE LEFT-WING PRESS HIGHLIGHTED HIS ASSERTION THAT HE WAS OPTIMISTIC ABOUT THE CHANCES OF REACHING AN AGREEMENT IN THE TALKS ON HONG KONG'S FUTURE BEFORE SEPTEMBER. OTHER POINTS GIVEN PROMINENT COVERAGE IN THE INDEPENDENT PRESS WERE HIS PRAISE FOR THE HARD WORK OF THE LOCAL PEOPLE AND HIS BELIEF THAT THERE WAS NO POLITICAL MOTIVATION BEHIND THE DISTURBANCES ON 13 JANUARY.

3. A NUMBER OF PAPERS HAVE PUBLISHED FURTHER COMMENT ON THE TAXI DRIVERS DISPUTE. THE WEN WEI PO AND TAN KUNG PAO (BOTH COMMUNIST) PUBLISHED SHORT COMMENTARIES ON 15 JANUARY SUPPORTING THE ACTING GOVERNORS'S CONDEMNATION OF THE VIOLENCE WHICH HAD OCCURRED ON 13 JANUARY. BUT THEY ALSO SUPPORTED THE VIEW ATTRIBUTED TO UNOFFICIAL MEMBERS OF LEGCO THAT THE GOVERNMENT'S DECISION TO INCREASE LICENCE FEES AND FIRST REGISTRATION TAX HAD BEEN TAKEN WITHOUT PROPER CONSULTATION AND WAS "INAPPROPRIATE". THE GOVERNMENT SHOULD LEARN ITS LESSON AND REVIEW ITS DECISION-MAKING PROCESS. THE LESSER COMMUNIST NEWSPAPERS ALSO PUBLISHED SIMILAR COMMENT. AMONG THE INDEPENDENT NEWSPAPERS, THE MING PAO, HONG KONG DAILY, WAH KIU EVENING NEWS AND THE ORIENTAL DAILY ALL SAID THAT THERE WAS A LESSON TO BE LEARNED FROM THESE INCIDENTS AND CALLED FOR PEOPLE TO REMAIN CALM SO AS NOT TO DISTURB HONG KONG'S SOCIAL STABILITY. THERE WAS RENEWED PRAISE FOR THE POLICE HANDLING OF THE DISTURBANCES AS WELL AS FOR NCHA'S DECISION NOT TO BECOME INVOLVED IN THE DISPUTE. THE HONG KONG ECONOMIC JOURNAL IN ITS EDITORIAL ON 16 JANUARY, SAID THAT THE GOVERNMENT MUST HAVE HAD GOOD REASONS FOR RAISING THE CHARGES

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/ EVEN

EVEN THOUGH ITS ACTION HAD BEEN TOO HASTY. UNOFFICIAL MEMBERS OF LEGCO SHOULD NOT IGNORE THE STATISTICS ON WHICH THE DECISION WAS BASED MERELY BECAUSE OF PUBLIC PRESSURE TO CHANGE THE DECISION. THE PAPER URGED COUNCILLORS TO CONSIDER CAREFULLY THE CONSEQUENCES OF THE GOVERNMENT GIVING IN TO THE STRIKE ACTION.

4. ON 16 JANUARY ALL PAPERS REPORTED PROMINENTLY AN NCNA AND CHINA NEWS SERVICE DESPATCH GIVING DETAILS OF AN INTERVIEW WITH JI PENGFEI, STATE COUNCILLOR AND HEAD OF THE HONG KONG AND MACAU OFFICE, IN THE LATEST EDITION OF A PEKING WEEKLY MAGAZINE 'LIAO WANG' (SOMETIMES KNOWN AS 'OBSERVATION WEEKLY'). ACCORDING TO THESE REPORTS, JI SPOKE IN FAMILIAR TERMS ABOUT THE CHINESE POLICY ON THE FUTURE OF HONG KONG, EMPHASISING CHINA'S INTENTION TO PRESERVE HONG KONG'S SOCIAL AND ECONOMIC SYSTEMS, AND TO ALLOW HONG KONG A HIGH DEGREE OF AUTONOMY.

IN ADDITION TO THE FAMILIAR THEMES, JI WAS REPORTED TO HAVE MADE THE FOLLOWING POINTS:

(A) ALL THOSE HONG KONG PEOPLE WITH WHOM JI HAD EXCHANGED VIEWS ON THE FUTURE HAD SUPPORTED THE IDEA OF SETTING UP A SPECIAL ADMINISTRATIVE REGION WITH HONG KONG PEOPLE RULING HONG KONG.

(B) IMPORTANT OFFICIALS WOULD BE SELECTED THROUGH CONSULTATION OR ELECTION AND APPOINTED BY THE CENTRAL GOVERNMENT.

(C) THE ECONOMIC INTERESTS OF BRITISH AND OTHER FOREIGN COUNTRIES IN HONG KONG WOULD BE PROTECTED BY LAW.

5. XU JIATUN'S ATTENDANCE AT THE FIRST ANNUAL MEETING OF A LOCAL PRESSURE GROUP, MEETING POINT, ON 15 JANUARY WAS ALSO GIVEN EXTENSIVE AND PROMINENT COVERAGE IN ALL PAPERS. ALTHOUGH XU DID NOT PARTICIPATE IN THE PROCEEDINGS, HE WAS BESIEGED BY REPORTERS AFTER THE MEETING WHO PRESSED HIM FOR A COMMENT ON DEMOCRACY IN HONG KONG. XU SAID THAT DEMOCRACY WAS AN INEVITABLE DEVELOPMENT, WHOSE PROGRESS DEPENDED ON THE DIFFERENT BASIS IN PARTICULAR SOCIETIES AND ON THE LOCAL SITUATION. THERE WAS DEMOCRACY IN CHINESE SOCIALISM WHEN ASKED WHETHER DEMOCRACY COULD BE INTRODUCED IN HONG KONG DURING THE TRANSITIONAL PERIOD TO 1997, XU REPLIED THAT THIS WAS A MATTER FOR THE BRITISH GOVERNMENT.

6. AT THE MEETING, THE CHAIRMAN OF MEETING POINT MR. LAU NAI-KEUNG, ANNOUNCED THAT THE GROUP WAS DRAFTING A MINI-CONSTITUTION TO BE SUBMITTED TO BOTH CHINESE AND BRITISH GOVERNMENTS. A 10 MEMBER WORKING GROUP OF MEETING POINT MEMBERS AND LAWYERS HAD BEEN SET UP IN DECEMBER FOR THIS PURPOSE.

7. IN ITS EDITORIAL ON 15 JANUARY THE WEN WEI PO (COMMUNIST) SAID THAT PROPOSALS FOR "INTERNATIONALISING" THE HONG KONG ISSUE ORIGINATED WITH THE NATIONALIST AUTHORITIES IN TAIWAN. UNDER THEIR INSTRUCTIONS, SO-CALLED LIBERAL BODIES AND OTHERS STAGED MASS

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/ RALLIES

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RALLIES AND SIGNATURE CAMPAIGNS. (A REFERENCE TO THE ACTIVITIES OF CHOW HING-CHUEN AND THE PRESENTATION OF PETITIONS BY PRO-KMT ORGANISATIONS AT GOVERNMENT HOUSE (MY TELSNO 105 -NOT TO ALL- AND 42). IT WAS SURPRISING THAT A CHINESE POLITICAL PARTY, THE KMT, SOUGHT TO HAND OVER HONG KONG WHICH WAS PART OF CHINESE TERRITORY TO FOREIGN POWERS. SUCH MOVES UNDERMINED THE CHANCES OF A SATISFACTORY SOLUTION TO THE PROBLEM OF HONG KONG'S FUTURE.

8. MOST PAPERS REPORTED CHINESE PRIME MINISTER'S ZHAO ZIYANG'S REMARKS ON HONG KONG AT HIS PRESS CONFERENCE IN SANFRANCISCO. ACCORDING TO THE REPORTS ZHAO REITERATED THAT HONG KONG'S SYSTEM AND LIFE STYLE WOULD REMAIN UNCHANGED FOR 50 YEARS AFTER CHINA REGAINED SOVEREIGNTY IN 1997 AND THAT THIS POLICY WOULD BE IMPLEMENTED IN ACCORDANCE WITH A BASIC LAW TO BE RATIFIED BY THE NATIONAL PEOPLE'S CONGRESS. THE NEW EVENING POST (COMMUNIST) AND THE TIN FUNG DAILY (PRO-CHINA) PUBLISHED EDITORIAL COMMENT PRAISING ZHAO'S REMARKS AND ASSERTING THAT THEY HAD DRAWN "A WARM RESPONSE" IN THE UNITED STATES.

9. MOST PAPERS REPORTED ROUTINELY THAT THE GOVERNOR AND UNOFFICIAL MEMBERS OF EXCO'S HAD HAD MEETINGS AT THE FCO ON 13 SEPTEMBER AND THAT A CALL ON THE PRIME MINISTER WAS SCHEDULED FOR 16 JANUARY.

HADDON-CAVE

FUTURE OF HONG KONG
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HD/FED
HD/PLANNING STAFF
HD/PUSD
D/HD/PUSD (MR FLOWER)
RES.B. (MR WALKER)
LEGAL ADVISER (SIR IAN SINCLAIR)
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PS/S OF S FOR DEFENCE D
PS/ATTORNEY GENERAL
SIR P CRADOCK RM WH MZ 21

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister.

Agree this note of conclusions? (I have of course made a much more detailed record - attached)

16 January 1984

A.J.C. 17/1

Dear John,

I agree - (have put some suggestions only where I think the Unofficials may not be quite satisfied)

Future of Hong Kong

Following today's meeting between the Prime Minister and the Governor of Hong Kong and his Unofficials, I enclose a note summarising the main conclusions reached. This has been seen by Mr Luce, but not by the Foreign Secretary, who left for Stockholm immediately after the meeting.

Subject to the Prime Minister's approval, this note will be shown to the Unofficials at Mr Luce's meeting tomorrow.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street



SUMMARY OF CONCLUSIONS REACHED AT THE MEETING BETWEEN THE
PRIME MINISTER AND THE UNOFFICIALS ON 13 JANUARY: FUTURE
OF HONG KONG

Objective of the Negotiations

Insistence? 1. There was general agreement that it was unrealistic to continue to seek British administration and that within the conditionality contained in the Prime Minister's messages to the Chinese Government of 10 March and 14 October, the British negotiating objective should now be defined as follows:-

"Negotiation for the highest possible degree of autonomy for Hong Kong, both internal and external, consistent with the assumption by China of sovereignty and the right of administration. We should also seek in the negotiation to assert the principle of minimum change in the Hong Kong systems. Any agreement should contain the maximum possible safeguards against Chinese interference including of course a Chinese undertaking of no change for at least 50 years after 1997."

This was an internal definition. The reference to "interference" could be covered in the negotiations by use of a formula relating to continuity.

Agreed

Assurances

2. It was agreed that we should try to insert at appropriate stages of the negotiation as many assurances against Chinese interference as we could for inclusion in any final agreement. No particular assurance or group of assurances could be seen as absolute requirements for acceptance of an agreement, nor

/could



could there be any absolute guarantee against Chinese violation, but the objective should be to seek sufficient assurances to enable the agreement to command confidence in Hong Kong. The package would need to be examined as a whole. It would be important that observance of the agreement, once signed, should be carefully watched. This task would naturally fall to Britain as the other party to the bilateral agreement.

[The monitoring could be carried out through the British presence in Hong Kong?]

Conditionality

3. It was agreed that the British side had to retain the principle of conditionality. This would have to remain until such time as the Chinese side had passed the Basic Law ^{on special order} and the British Parliament had approved the overall package. *Reyn*

Interim Statement

4. It was agreed that in the light of the Chinese deadline of September 1984, it would be highly desirable for both sides to aim for at least a joint interim statement at some point in the summer or early autumn. Among other things this would have the advantage of preparing public opinion particularly in Hong Kong, on the nature of the likely settlement and to give an opportunity of assessing its reactions.

Constitutional Development up to 1997

5. The meeting endorsed in general terms the idea of progressive change towards a more representative system of government in Hong Kong. The precise pattern and rate of constitutional development would require further discussion.

Public Presentation

6. It was agreed that a paper would be prepared for discussion with EXCO as a matter of urgency on how to prepare opinion in Hong Kong and in the UK for the possibility of a solution not

/involving



involving continued British administration. It would in no way prejudice the principle of conditionality.

Representation by a Hong Kong Resident in the British
Negotiating Team

7. Unofficials explained their concern that the absence of an Unofficial Hong Kong representative on the British negotiating team could fuel suspicion about British motives in the negotiations. The Prime Minister noted this view and said that it would be considered, but thought at this time it would not be the best way of furthering the negotiations.

File
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10 DOWNING STREET

From the Private Secretary

LPO/DSC
No-one to see this record without ASD's authority
cc: LPO
HO
HM
MOJ
LPSO
DTI
16 January 1984
AH-Gen
M/S (Mr. Luce), FCO
CO

Dear Peter,

HONG KONG

I enclose a record of the discussion which took place here this morning when the Prime Minister received a delegation of Unofficial members of EXCO.

I am copying this letter and enclosure to the Private Secretaries of the other members of OD(K) and to Richard Hatfield (Cabinet Office).

Yours ever
for Col.

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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DRG

SUBJECT

cc MASTER.

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RECORD OF A DISCUSSION AT A MEETING WITH THE UNOFFICIAL MEMBERS OF EXCO AT 1030 HOURS ON MONDAY 16 JANUARY 1984 AT No. 10 DOWNING STREET.

PRESENT

The Prime Minister	The Governor of Hong Kong
Foreign and Commonwealth Secretary	Sir S Y Chung
Mr. Luce	Mr. O V Cheung
Sir Antony Acland	Mr. R H Lobo
Sir Percy Cradock	Mr. F W Li
Sir Richard Evans	Mr. M G R Sandberg
Mr. Donald	Mr. T S Lo
Mr. Coles	Miss Lydia Dunn
	Mr. Q W Lee
	Mr. S L Chen
	Miss Maria Tam

The Prime Minister welcomed the delegation of Unofficials. It was most helpful to have their advice and thoughts at each stage of the negotiations. It remained vital that we did all we could to secure the best possible arrangement for the people of Hong Kong after 1997. It was one thing to pose the problems. It was another to devise the most realistic way forward. She had seen an account of the meeting between the Unofficials and the Foreign and Commonwealth Secretary on 13 January. Although the Chinese had said that they would issue a public statement in September on the course of the negotiations, it looked as though negotiations might have to continue beyond that date since it was unlikely that by then the Chinese would have drawn up the Basic Law for the future Special Administrative Region.

Sir S Y Chung thanked the Prime Minister for the personal interest she was taking in the negotiations. He wished to look first at one or two major developments since her visit to Peking in September, 1982. It was then agreed that the common objective was to seek to maintain stability and prosperity in Hong Kong after 1997. It had become obvious in ensuing months that the Hong
/Kong people

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Kong people also attached great importance to maintaining their present freedoms and life style. The belief was that the best means of securing these objectives was for British administration to continue in Hong Kong after 1997. But by October, 1983 it had become clear that this was not acceptable to the Chinese. For that reason, it had been decided to use a "without prejudice" formula in further discussion with the Chinese with the objective of building on to the Chinese plan for Hong Kong continuing British links and influence. Since then, details of the twelve-point Chinese plan had emerged. But it had unfortunately not proved possible to gain Chinese acceptance for a continuing British link of authority. The Chinese had now leaked their twelve-point plan, had furnished some details of it to the Hong Kong people and had specified that there would be no change after 1997 for a fixed period of 50 years.

During the recent review of policy the Unofficials had agreed with the British assessment that any British link of authority was likely to be unacceptable and that short of embarking on a confrontation with China, it was not possible to see clearly what the Chinese bottom line was. The Unofficials agreed with the British suggestion that we should seek a number of assurances designed to make any agreement last for 50 years. A British paper referring to this point had been of high quality. But, in order to increase the acceptability to Hong Kong of the Chinese plan, we needed to devise more safeguards than the paper had envisaged. The Hong Kong people had themselves suggested the same. An article in the South China Morning Post by a professor in the Chinese University of Hong Kong had put forward the idea of a kind of Chinese Commonwealth. Another professor had reported a conversation with the Head of the Hong Kong and Macau Bureau in Peking at which the latter had apparently expressed Chinese interest in the need for safeguards and for some British involvement in ensuring that there should be no Chinese interference for 50 years after 1997. Thus, the Chinese authorities seemed to give some weight to the suspicions expressed by the Hong Kong people. It was suggested that HMG should follow up these ideas with the Chinese as soon as possible.

With regard to the acceptability of the final agreement, the Unofficials were very confident that the Hong Kong people would accept British administration as the best device. But they were not
/so confident

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- 3 -

so confident that the Hong Kong people would accept the Chinese plan, whatever safeguards were devised.

The Chinese constantly leaked the details of their own plan and of HMG's position in the negotiations. HMG had remained silent for 15 months and this had led to increasing frustration and disappointment in Hong Kong. The opinion was growing in Hong Kong that HMG should state clearly the present purpose of the negotiations. If this was not done, both the Government and the Unofficials would gradually lose credibility with the people. The manner of making the objective clear needed very careful consideration. But it was necessary for HMG to condition the Hong Kong people to accepting with the minimum emotion the realities of the situation. This would also be a way of testing the acceptability to the Hong Kong people of any final arrangement. To repeat, the Unofficials were not altogether confident that any final arrangement would be accepted.

With regard to a possible Chinese announcement in September, 1984, it was the belief of the Unofficials that the Chinese would then set out only basic principles and not details. Everybody in Hong Kong knew the fundamentals of the Chinese plan. The Head of the **N**ew China News Agency in Hong Kong had made a speech last Sunday setting out the whole situation. If HMG could reach an interim agreement with the Chinese before September, 1984, it would be useful to announce this. But if not, then we should not rush into an agreement for the sake of an agreement if the terms were not right. A bad agreement was worse than no agreement. Everything he had so far said was agreed unanimously by the Unofficials.

The Prime Minister pointed out that even if we stuck to the treaties we should have a problem since we should lose most of the territory in 1997. We had long hoped that it would be possible to exchange Chinese sovereignty for British administration. It then became clear that the Chinese regarded administration as a function of sovereignty. This touched something very deep in Chinese psychology and could not be overcome by argument. So we had had to try to find another way round the obstacle. That had led to the

/last meeting

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- 4 -

last meeting with the Unofficials.

We still had the cards of sovereignty and conditionality. But since the Chinese did not observe the treaties, in their own eyes they had sovereignty already and could on that basis promulgate a plan at any time. Yet the Chinese wanted to preserve a good international reputation and wanted the success of Hong Kong to continue. Those were cards in our hands. In our handling of the negotiations we constantly emphasised these things. A further card was the impact of any outcome on the Taiwan situation.

She understood that the Unofficials had accepted in their talks with the Foreign and Commonwealth Secretary the re-definition of our objective in the negotiations.

A matter of great importance would be the draft Basic Law. The purpose of the present detailed negotiations was that each item of the agreement should be incorporated in this Basic Law. So the details of every single paper which we submitted were important. We also had to consider the continuity of the political system up to 1997 and must work out how it would be developed. The Chinese knew that unless the details of the eventual agreement commanded confidence in Hong Kong and the rest of the world, they would not secure all their objectives.

Sir S Y Chung intervened to say that he thought there was a slight difference of assessment between the Unofficials and HMG. In the view of the Hong Kong people it was not the details of the agreement but the accompanying safeguards which were crucial to confidence. The Prime Minister said that the safeguards would have to be incorporated in the bilateral agreement. She asked whether there was any evidence that China had broken an international agreement. Sir Percy Cradock said that he could not recall a violation of a formal agreement entered into by China after 1949. Mr. Sandberg raised the case of Tibet. Sir Percy Cradock said that the Chinese believed that there had been a major national uprising in Tibet. The Prime Minister added that the Chinese also regarded Tibet as a part of China.

/There could

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There could be no absolute guarantee of Chinese behaviour after 1997 any more than there was now. The Chinese could walk into Hong Kong at present but had not done so. We had to negotiate with the cards that we possessed. Sir S Y Chung said that he had merely been reflecting the fears of the Hong Kong people. The Prime Minister said that they were her fears too. But the way forward was to seek the maximum agreement and to incorporate in that agreement the maximum number of safeguards. We should also pin down the Chinese to an international reputation for integrity. If the Chinese failed to negotiate a satisfactory agreement, they would themselves incur penalties. There would be effects on their international prestige and on Taiwan and American opinion. It was generally recognised that you did not use force to solve disputes. In talking of the period within which there would be no change in Hong Kong, we should seek the phrase "at least 50 years" after 1997. If the new system worked well for 50 years, there was no reason why it should not continue indefinitely. It was wise to try to seek an agreement while Deng Xiaoping was still in office - at least we knew who we were dealing with. We could not obtain an absolute guarantee but we had very considerable cards.

Miss Dunn said that one felt rather helpless in this situation. Many people in Hong Kong had gone there to escape a Communist regime in China. The Chinese track record in respecting bilateral agreements was good. But she was not sure that that was sufficient for those Hong Kong people who had actual memories of treatment at the hands of the Chinese. It was necessary to secure as many assurances as possible. People would question whether a paper agreement was sufficient and if they did not believe in the agreement, confidence in Hong Kong would collapse. The Foreign and Commonwealth Secretary pointed out that the more Hong Kong could be locked into a network of international agreements and arrangements, the better the position would be. Miss Dunn said that people asked what Britain would do if China did violate the agreement. In a sense flagrant violations could be dealt with - but what safeguard was there against more subtle interference? The Prime Minister

/ said

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said that this point also worried her. The Chinese had no concept of a free society. But they would have to consider whether the disadvantages of interfering outweighed the advantages. How far was it possible to hint to the Chinese that confidence depended very largely on their behaviour?

Sir Percy Cradock said that this was the meaning of our frequent references to continuity. This term of art was understood to mean non-interference by the Chinese. They had come near to accepting continuity as a formal principle. In the end there was no absolute guarantee. All we could do was insert as many steel structures as possible and rely on their cumulative effect.

Miss Dunn said that people nevertheless worried that the agreement would not hold. Could we not devise a mechanism or a body with authority to intervene only in cases of breaches of the agreement. For example, the Chinese had floated the idea of a tripartite arrangement. The Prime Minister said that she was aware of this idea. But one had to guard against a mechanism which looked like a safeguard but turned out to be a vehicle of interference.

Mr. Lobo said that there was another problem, that of the frequent manipulation of the media by the Chinese. Hong Kong people would warmly agree with the Prime Minister's references on television yesterday to the need for prosperity, law and order and a free lifestyle in Hong Kong. But they would ask how these things could be secured. If safeguards could not be secured, many people would leave, and the Chinese would say that those who wished to depart could do so. The Prime Minister said that they were bound to take this line. But both China and the Soviet Union had shown that they did care how they were regarded by the rest of the world. In addition, China wanted to keep close to the West because of its fears of the Soviet Union. If China did not value Hong Kong it could have entered the territory earlier.

Mr. Lo said that his worry was that of insidious changes. There was also the danger of Hong Kong becoming the pawn of

/ internal

internal Chinese politics. One practical safeguard was to be as specific as possible about the details of any agreement. That would make it easier to demonstrate breaches of the agreement. Timing was difficult. It would not be possible to work out all the details before September. So the negotiations must continue beyond that date and one of our objectives should be to secure Chinese acceptance of that proposition. The Prime Minister said that she agreed with this point, especially because the Basic Law would take time to draft.

Mr. Lo said that it would also be necessary to have an independent organisation after 1997 with the function of drawing attention to breaches. The Prime Minister said that Britain, as a party to the agreement, could probably do that. The Foreign and Commonwealth Secretary said that indeed we could do no less. Mr. Lo wondered whether the future British representative in Hong Kong could be given the function of reporting on breaches.

Mr. Lee said that the people of Hong Kong were now prepared to accept some changes. But once these had been identified they needed the assurance that no more changes would be imposed against their free will. The British negotiators were doing their best, and it was true that China was concerned about its international reputation. But that was an external factor. They could always bring about changes by manipulation in Hong Kong. That was the real fear. Only absolute insulation in the form of a link of authority with Britain could guard against this.

The Prime Minister said that in Hong Kong the Chinese would be exercising authority over a very different society to that which they knew at home. It would be difficult for them to impose their system against the will of Hong Kong. Furthermore, there was a substantial international community in the colony. Mr. Lee said that he did not agree entirely. Recently, a Hong Kong editor who had been writing pro-Hong Kong articles had been silenced. The Foreign and Commonwealth Secretary pointed out that that implied that there was no guarantee against Chinese

/ interference

interference even today. Mr. Lo said that the view in Hong Kong was that Chinese interference would be ten times worse when British administration left.

Mr. Li said that it was difficult to negotiate with Marxists. He wished to emphasise the need for some kind of interim announcement as proposed by Sir S. Y. Chung. The fact was that we had changed course and people should know this. Any process of softening opinion should be very gradual. We must avoid the appearance of sudden change. The Prime Minister stated that we must continue to emphasise the conditionality of the present negotiations. Miss Tam stressed the usefulness of a body to police the agreement. When Hong Kong came to consider the acceptability of the final arrangement, it would look to the methods of enforcement. This was crucial to those who could not leave Hong Kong. The Foreign and Commonwealth Secretary said that the more we stressed to China the need for assurances, the less likely we were to obtain them. We must try discreetly to insert them during the course of negotiations.

Mr. Cheung said that we should try to steer the Chinese away from drafting a mini-Constitution for Hong Kong. The Prime Minister commented that we were in effect helping to draft the Basic Law now. But we would need to look at it very carefully as a whole. Mr. Cheung said that he thought that the Chinese might be willing to consider a joint statement in September embodying the agreed details. Miss Dunn said that she was attracted by the idea of a joint statement. It would let the people of Hong Kong know where they stood; their reaction, in emphasising the need for guarantees, would strengthen the British hand; and this could be helpful with the British Parliament. Sir Percy Cradock said that the Chinese themselves had indicated interest in a joint statement. Mr. Chen said that if it was not possible to obtain a joint statement, we should make an interim report to the Hong Kong people. The absence of such a report was contrasted with Chinese propaganda.

/ The Prime Minister

The Prime Minister stated that our aim should be to achieve a joint interim statement. We should also consider what more could be said unattributably to the media and we should need to make China understand our problems.

Mr. Lo said that the Hong Kong Government had been telling the people not to believe press statements but to wait for statements from their own Government. This process of waiting could not continue until September. There must be an interim report before then. The Prime Minister said that she understood this point. We were preparing a paper which would cover both unattributable briefing and what EXCO might say more publicly on the progress of negotiations. This paper would be prepared urgently and the Governor would discuss it with EXCO.

Reverting to the current objective of the negotiations, she said that she believed it had been agreed at the meeting with the Foreign and Commonwealth Secretary that this should read as follows:

"Negotiation of the highest degree of autonomy for Hong Kong, both internal and external, consistent with the assumption by China of sovereignty and the right of administration. We should also seek to assert in the negotiations the principle of minimum change in the Hong Kong systems. The arrangement should be backed by the maximum assurances in order to maintain domestic and international confidence".

Clearly this was an internal definition and was not for public consumption. Sir S.Y. Chung suggested that the definition should include after the word "systems" the phrase "for at least 50 years after 1997".

Sir Percy Cradock said that we needed from Peking a maximum assurance that there would be no change in Hong Kong as a result of Chinese Government actions after 1997 - but of course the SAR

/ would

would have the usual right to change its own laws. Sir S.Y. Chung commented that we needed guarantees of two different things - no change and no interference. The Prime Minister commented that we would be seeking assurance at several levels - in the details of the negotiation and in the eventual bilateral agreement. Did we envisage that a bilateral agreement would be reached before we had seen the Basic Law? Sir Percy Cradock said that he believed this would be necessary - but Parliamentary approval would have to be deferred until the Law was clear. Sir E. Youde pointed out that the two things went together. Until there was a bilateral agreement it was not possible to determine the Basic Law. The Prime Minister said that we would also have to consider wider consultations in Hong Kong. In response to a question from Miss Dunn, she confirmed that conditionality remained until we had seen the Basic Law and the bilateral agreement would be subject to acceptability in the British Parliament.

Sir S. Y. Chung asked whether we could write into the objective of the negotiations a British monitoring role after 1997. The Foreign and Commonwealth Secretary said that that idea was contained in the reference to "maximum assurances". Sir Percy Cradock said that the aim must be to work for as many assurances as possible. But it was better not to work to a detailed list. The Prime Minister said that we would consider very carefully the question of a future monitoring role. There was bound to be a British diplomatic representative in Hong Kong after 1997. Sir Percy Cradock pointed out that the continuity of service of a number of British civil servants would lead to a continuing British presence after 1997. Mr. Sandberg pointed out that this would be a fading presence. Mr. Lo observed that their loyalty would be to the future SAR. What was needed was a British monitoring role.

The Prime Minister said that we would also need to give further thought to constitutional development in Hong Kong up to 1997. Mr. Lo said that as soon as the people of Hong Kong realised that there would be no British administration after 1997,

/ the

the pressure for elections would be considerable. Sir S. Y. Chung recalled that EXCO had discussed with the Governor a paper on this matter. It was of great importance and EXCO was not yet ready to make realistic recommendations. All they could indicate now was that the direction in the paper was right - the majority of EXCO accepted this. But they were not ready yet to discuss the future pattern or structure. The Governor pointed out that it had been agreed that there should be a progressive development in the direction suggested in the paper, i.e. Hong Kong would not jump to a new pattern straightaway. EXCO would wish to consider the pattern and rate of development again and probably to take soundings of Hong Kong opinion. The Prime Minister observed that the critical point was for EXCO to move from a position of giving advice to taking decisions on certain things. That was the essence of democracy. She thought that it would be necessary to have a new system well entrenched before 1997. That in the end was the greatest safeguard for Hong Kong.

Miss Dunn said that she agreed entirely. It would be very dangerous to rush into the great unknown. Hong Kong was not ready and this would provoke the Chinese. It must be very clear that for 13 years Hong Kong would be under British rule. We should not lose the 13 years that we now had. Mr. Lo repeated his view that direct elections would be the most credible system at the end of the day.

The Governor pointed out that we needed to produce a working paper for the Chinese which would indicate the point which we hoped constitutional development would have reached by 1997. The Prime Minister noted that further work would now be done on the question of constitutional development.

Sir S. Y. Chung said that the Unofficials felt that circumstances had changed since HMG was no longer contemplating British administration after 1997. So in effect HMG was negotiating with China about the structure of the Hong Kong Government after 1997 on the assumption that this would be based on Hong Kong people

/ ruling

ruling Hong Kong. China was briefing the media that the major matter for negotiation was how British interests would be guaranteed after 1997. This line was causing increasing suspicions in Hong Kong. The Unofficials were frequently questioned as to whether EXCO was being fully informed about the negotiations. The Unofficials believed that they were fully informed, but were not in a position formally to confirm this. So the Unofficials asked that when the time was ripe the British negotiating team should have a Hong Kong resident as a member. This would go a long way to alleviating suspicions in Hong Kong. The Prime Minister said that she understood this position. If it was up to us, the team would include Hong Kong people. But we believed that to propose this now would raise Chinese suspicions and would not be the best way to further the negotiations. She noted the reference to the time being ripe and therefore proposed to note the suggestion which had been made. She recognised that the Unofficials needed some clear indication from HMG that they were being fully consulted and informed. It had been suggested to her that a brief summary of the conclusions of today's talks should be agreed. She suggested that such a summary be drafted and be considered at a meeting which the Minister of State would hold with Unofficials tomorrow.

Mr. Sandberg said that he continued to be worried by the frequent Chinese references to the protection of British interests after 1997. These references created the impression that it was British interests, and the wishes of the Hong Kong people, which were the main preoccupation. The Chinese were attempting to divide Britain from Hong Kong and this needed to be countered. The Foreign and Commonwealth Secretary suggested that this should be considered in the paper which was to be produced about publicity. Sir S. Y. Chung pointed out that the public position of HMG would be stronger once it became clear that we were working not for British administration but for the future of the Hong Kong people.

/ There was

There was then some discussion of a press release, following which a text was agreed. Sir S. Y. Chung then asked what the reference in paragraph 2 to "HMG's continuing commitment to Hong Kong" meant. It was observed that this phrase had been used before and that further elaboration could perhaps await the Minister of State's meeting with the Unofficials tomorrow.

Sir S. Y. Chung then thanked the Prime Minister for the meeting and wished Sir Richard Evans every success in the continuing negotiations.

The meeting ended at 1230 hours.

A copy of the agreed press release is annexed to this record.

A.J.C.

16 January 1984

"The Prime Minister met the Governor of Hong Kong and the Unofficial members of the Executive Council on 16 January.

~~Sir Geoffrey Howe~~ and Mr Luce were also present, as were Sir Richard Evans, who will shortly be taking up his appointment as HM Ambassador in Peking, and Sir Percy Cradock. The programme for the Governor and the Unofficials also includes separate calls on Sir Geoffrey Howe and Mr Luce.

This was the third visit by the Governor and the Unofficials since July 1983. Ministers reaffirmed HMG's continuing commitment to Hong Kong and to the search for a settlement acceptable to Parliament, to China and to the people of Hong Kong.

As on previous occasions there was a comprehensive review of developments in the talks. It produced a close identity of views on the matters involved.

The Prime Minister and the Foreign Secretary reiterated the importance which they continue to attach to keeping the Executive Council fully informed and to receiving their advice. The Governor and the Unofficials expressed their appreciation for this further opportunity to meet the Prime Minister and her colleagues, and for their continuing support and encouragement.

Annex

PROPOSED TEXT OF PRESS RELEASE TO BE ISSUED AFTER THE
PRIME MINISTER'S MEETING ON 16 JANUARY WITH THE
GOVERNOR OF HONG KONG AND EXCO UNOFFICIALS

"The Prime Minister met the Governor of Hong Kong and the Unofficial members of the Executive Council on 16 January. Sir Geoffrey Howe and Mr Luce were also present, as were Sir Richard Evans, who will shortly be taking up his appointment as HM Ambassador in Peking, and Sir Percy Cradock. The programme for the Governor and the Unofficials also includes separate calls on Sir Geoffrey Howe and Mr Luce.

This was the third visit by the Governor and the Unofficials since July 1983. Ministers reaffirmed HMG's continuing commitment to Hong Kong and to the search for a settlement acceptable to Parliament, to China and to the people of Hong Kong.

As on previous occasions there was a comprehensive review of developments in the talks. It produced a close identity of views on the matters involved.

Ministers reiterated the importance which they continue to attach to the advice of the Executive Council. The Governor and the Unofficials expressed their appreciation for this further opportunity to meet the Prime Minister and her colleagues, and for their continuing support and encouragement."

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PS / RuS

Mr Donato

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Sr P Goodrich (No 10)

MOD (RC)

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FM HONG KONG 140540Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 108 OF 14 JANUARY 84

INFO IMMEDIATE HONG KONG GOVERNMENT OFFICE LONDON, PEKING,
HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS, UKMIS GENEVA

OUR TELNOS 103 AND 104: INCREASE IN REGISTRATION TAX AND LICENCE
FEES FOR TAXIS.

FURTHER TO PARAGRAPH 4 OF OUR TELNO 103, THE BACKGROUND TO THE
UMELCO PRESS RELEASE IS A COMPLICATED ONE. TO SUMMARISE IT, THE
PACKAGE WE AND UMELCO HAD AGREED UMELCO SHOULD TRY TO GET THE
TAXI OPERATORS TO ACCEPT WAS:

- (A) UMELCO HAD LISTENED CAREFULLY TO THE TAXI OPERATORS
REPRESENTATIONS:
- (B) UMELCO HAD BEEN IMPRESSED BY THE ARGUMENTS UNDERLYING THESE
REPRESENTATIONS:
- (C) UMELCO WOULD, THEREFORE, PRESS THE ADMINISTRATION TO ACCEPT
APPROPRIATE AMENDMENTS TO THE TWO BILLS AND REGULATIONS:
- (D) SHOULD THE ADMINISTRATION NOT ACCEPT THE PROPOSED AMENDMENTS
THEN UNOFFICIALS WOULD VOTE AGAINST THE BILLS IN LEGISLATIVE
COUNCIL.

2. AFTER LENGTHY DISCUSSIONS WITH THE TAXI OPERATORS, UMELCO
WERE PERSUADED THAT THESE FOUR POINTS DID NOT AMOUNT TO A
SUFFICIENTLY STRONG UNDERTAKING TO PREVENT THE BILLS AS DRAFTED
COMING INTO FORCE TO SATISFY THE TAXI OPERATORS. UMELCO
CONCLUDED THAT THE ONLY WAY TO GET THE DRIVERS BACK TO WORK
WAS AN UNAMBIGUOUS STATEMENT THAT UNOFFICIALS WOULD OPPOSE THE
BILLS AS DRAFTED IN LEGISLATIVE COUNCIL ON 18 JANUARY, I.E. THEY
WOULD NOT PUT FORWARD ANY AMENDMENTS AT THE COMMITTEE STAGE BUT

BILLS AS DRAFTED IN LEGISLATIVE COUNCIL ON 18 JANUARY, I.E. THEY WOULD NOT PUT FORWARD ANY AMENDMENTS AT THE COMMITTEE STAGE, BUT JUST VOTE THE BILLS OUT ON THE SECOND READING. I ARGUED STRONGLY AGAINST SUCH A STATEMENT ON THE GROUNDS THAT IT WOULD INVOLVE A COMPLETE CAPITULATION TO FORCE WITH SERIOUS IMPLICATIONS FOR THE FUTURE. THEY WERE NOT TO BE PERSUADED AND BEFORE MIDNIGHT INSISTED ON ANNOUNCING THEIR REVISED POSITION TO THE PRESS. SUBSEQUENTLY, IN THE COURSE OF MEDIA INTERVIEWS, SEVERAL MEMBERS, NOTABLY FANG AND BROWN, WENT EVEN FURTHER BY SAYING THAT THEIR UNDERTAKING TO VOTE OUT THE BILLS WAS CONDITIONAL UPON THE TAXI OPERATORS DISPERSING AND RETURNING TO NORMAL DUTIES, DESPITE OUR CLEAR UNDERSTANDING THAT THE UNOFFICIALS DID NOT SEE THE ONE AS A TRADE-OFF FOR THE OTHER. THIS CAN FAIRLY BE HELD RESPONSIBLE FOR THE MANY REFERENCES TO 'CAPITULATION' IN TODAY'S PRESS STORIES.

3. WE ARE NOT CONSIDERING HOW BEST TO HANDLE THE RESUMED LEGISLATIVE COUNCIL DEBATE ON 18 JANUARY AND I HAVE COME THE FOLLOWING PRELIMINARY VIEWS:

(A) DEPENDING ON JUST HOW UNOFFICIALS SPEAK, AND ALONG WHAT LINES, AND THE DEGREE OF UNANIMITY OR OTHERWISE, WE SHALL FIELD 2-3 OFFICIAL SPEAKERS IN ADDITION TO THE SECRETARY FOR TRANSPORT. ESSENTIALLY, THEY WILL RESPOND TO SPECIFIC CRITICISMS AND REHEARSE THE CASE FOR THE POLICY BEHIND THE PACKAGE:

(B) OFFICIALS WILL BE INSTRUCTED TO ABSTAIN FROM VOTING
THEREBY ALLOWING THE BILLS TO BE VOTED OUT ON THE SECOND READING:

(C) AS TO THOSE ELEMENTS OF THE PACKAGE WHICH ARE NOT PART OF THE BILLS, LEGISLATIVE COUNCIL WILL BE TOLD THAT THE ADMINISTRATION'S INTENTION IS TO SEEK EXECUTIVE COUNCIL'S ADVICE ON

(I) TO RETAIN THE FREEZE ON THE ISSUE OF FURTHER TAXI LICENCES: AND

(II) ON THE QUESTION OF FARE INCREASES.

4. AS REGARDS PARAGRAPHS 3(C)(I): IT REMAINS IMPORTANT, ON TRANSPORT POLICY GROUNDS TO LIMIT THE GROWTH OF THE URBAN TAXI FLEET AND SO WE REALLY CANNOT AVOID GIVING AWAY THIS CARD (REGRETTABLY). THE RETENTION OF THE FREEZE WILL INVOLVE A LOSS OF REVENUE FROM TENDER PREMIA OF SOME DOLLARS 170 MILLION.

5. AS REGARDS PARAGRAPH 3(C)(II): THIS IS NECESSARY BECAUSE THE INCREASES AS AT PRESENT PROPOSED INCLUDE AN ELEMENT IN RECOGNITION OF THE INCREASES IN FRT AND ALF WHICH WILL NOW LAPSE WITH THE BILLS.

6. WHEN PASSING A COPY OF THIS TELEGRAM TO SIR E. YOUDE AT HIS HOTEL PLEASE TELL HIM THAT I SHALL TRY TO TELEPHONE HIM AT A CIVILISED HOUR OVER THE WEEKEND. I SHALL BE AVAILABLE ON 96696 APART FROM THE LATTER PART OF THIS AFTERNOON AND BETWEEN 0830 HOURS AND 1100 HOURS TOMORROW MORNING (SUNDAY).

HADDON-CAVE

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TO IMMEDIATE FCO

TELEGRAM NUMBER 107 OF 14 JANUARY

INFO IMMEDIATE HONG KONG GOVERNMENT OFFICE LONDON, PEKING
INFO ROUTINE HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS,
UKMIS GENEVA

Hq/HK

Hq/FED

Hq/Asst Dir

PS (6)

PS/Mr Luce

PS/PUS

Mr Donald

Be

No 10 DS

Sir P Crockett

RC/Asst Dir

HKGO, London

ms

TAXI OPERATORS DISPUTE: PRESS COVERAGE.

ALL NEWSPAPERS DEVOTED FULL-PAGE COVERAGE TO THE TAXI OPERATORS DISPUTE AND THEIR DECISION IN THE EARLY HOURS OF THIS MORNING TO CALL OFF THEIR PROTEST ACTION. ALL NEWSPAPERS DREW A DISTINCTION BETWEEN THAT DISPUTE AND YESTERDAY EVENING'S DISTURBANCES IN KOWLOON CAUSED BY 'UNRULY AND IRRESPONSIBLE ELEMENTS'.

2. ALL PAPERS REPORTED THE ANNOUNCEMENTS MADE BY MYSELF AND UMELCO (MY TELNO 98). THERE WAS PREDICTABLE INTEREST TOO IN THE TAXI OPERATORS UNIONS CALL ON NCNA YESTERDAY AND A STATEMENT ISSUED BY NCNA DEPUTY DIRECTOR QU FENG, AND REPORTED PROMINENTLY IN THE COMMUNIST PRESS. FULL TEXT READ (NCNA TRANSLATION):

'WE HAVE BEEN SHOWING CONCERN ON THE MATTER ALL THE TIME, BUT THE LOCAL OFFICE OF THE XINJUA NEWS AGENCY IS NOT THE HONG KONG GOVERNMENT. THE HONG KONG GOVERNMENT HAS SPECIAL DEPARTMENTS TO DEAL WITH THE MATTER. SINCE YOU HAVE APPLIED THROUGH THE CHANNEL OF MANY ELECTED COUNCILLORS TO SOLVE YOUR REQUEST IN A REASONABLE WAY, WE BELIEVE THE CONCERNED PARTIES WILL ADOPT PROMPT MEASURES TO SOLVE THE ISSUE, WITH THE PURPOSE OF MAINTAINING HONG KONG'S STABILITY AND PROSPERITY. WE HOPE YOU ALL CAN KEEP CALM AND

TO SOLVE THE ISSUE, WITH THE PURPOSE OF MAINTAINING HONG KONG'S STABILITY AND PROSPERITY. WE HOPE YOU ALL CAN KEEP CALM AND PREVENT THE INTERFERENCE OF DISTURBING FACTORS AND PAY ATTENTION TO SOLIDARITY AMONG YOURSELVES.''

3. IN ADDITION TO THE NCNA STATEMENT, WEN WEI PO AND TA KUNG PAO (BOTH COMMUNIST) PUBLISHED EDITORIALS APPLAUDING THE FACT THAT THE TAXI OPERATORS DISPUTE HAD BEEN RESOLVED 'WITHIN 32 HOURS' AND PRAISED 'THE AUTHORITIES' AND THE TAXI OPERATORS FOR REACHING A REASONABLE SETTLEMENT THROUGH NEGOTIATION AND COMPROMISE. BOTH PAPERS CONDEMNED THE UNRULY THUGS WHO HAD CAUSED THE DISTURBANCES IN KOWLOON. THEIR ACTIONS THREATENED TO UNDERMINE HONG KONG'S STABILITY AND PROSPERITY. TA KUNG PAO SAID THAT THE YEARS AHEAD CALLED FOR COOPERATION AMONG THE PEOPLE OF HONG KONG TO MAINTAIN THE TERRITORY'S PROSPERITY AND STABILITY. THE PRESENT STORM HAD NOW CLEARED AND THE PAPER HOPED THAT THE APPROPRIATE LESSONS HAD BEEN LEARNED. WEN WEI PO SUGGESTED THAT THE WHOLE INCIDENT COULD BE SEEN IN THE CONTEXT OF THE TALKS ON HONG KONG'S FUTURE. THE PAPER HOPED THAT THE AUTHORITIES WOULD TAKE INTO ACCOUNT THE 'HARDSHIPS' CAUSED BEFORE INTRODUCING SUCH TAX INCREASES IN FUTURE.

4. THESE THEMES WERE ECHOED IN THE MINOR LEFT-WING PRESS ALTHOUGH TIN TIN DAILY NEWS (PRO-CHINA) CRITICISED THE HONG KONG GOVERNMENT FOR LEAVING TO UMELCO THE TASK OF NEGOTIATING WITH THE TAXI OPERATORS.

5. EDITORIAL COMMENT IN MOST INDEPENDENT NEWSPAPERS TOOK THE VIEW THAT THE HONG KONG GOVERNMENT HAD BEEN FORCED TO BACK DOWN OVER THE PROPOSED INCREASES IN REGISTRATION TAX AND LICENCE FEES FOR TAXIS. ITS CREDIBILITY HAD INEVITABLY BEEN AFFECTED AS A RESULT OF THE MANNER IN WHICH THE INCREASES WERE INTRODUCED, WHICH MOST EDITORIALS DESCRIBED AS BEING HASTY AND WITHOUT PROPER CONSULTATION.

6. REACTION IN THE INDEPENDENT PRESS TO THE NCNA STATEMENT WAS ALMOST UNANIMOUSLY FAVOURABLE. THE INDEPENDENT PAPERS AND EVEN THE EXPRESS AND KUNG SHEUNG DAILY NEWS (BOTH PRO-KMT) DESCRIBED NCNA'S ROLE AS 'APPROPRIATE' OR 'RATIONAL'. A COLUMNIST IN THE ECONOMIC JOURNAL, HOWEVER, CONSIDERED THE PRESENCE OF URBAN COUNCILLOR AUGUSTINE CHUNG DURING THE TAXI OPERATORS CALL ON NCNA A 'COMPLICATION' THAT WOULD GIVE THE IMPRESSION OF THE HONG KONG GOVERNMENT'S HAVING BACKED DOWN UNDER PRESSURE FROM NCNA. THIS WOULD UNDERMINE THE GOVERNMENT'S CREDIBILITY.

J
13/1/84

Foreign and Commonwealth Office

London SW1A 2AH

13 January, 1984

ms

Dear John,

Hong Kong: Meeting with Governor and Unofficials 13 January 1984

I wrote to you earlier today with a short brief for the Prime Minister's meeting. Sir Geoffrey Howe met the visitors this afternoon. The following main points emerged.

Objective of Negotiations

There was a general agreement that it was unrealistic to continue to seek British administration and that, within the conditionality contained in the Prime Minister's messages to the Chinese Government, our objective should be redefined. The formula in paragraph 3 of the brief for the Prime Minister's meeting was generally accepted but there was a suggestion that the need for no change after 1997 should be included. The objective would thus read 'Negotiation of the highest degree of autonomy for Hong Kong, both internal and external, consistent with the assumption by China of sovereignty and the right of administration. We should also seek to assert in the negotiations the principle of minimum change in the Hong Kong systems. The arrangement should be backed by the maximum assurances against interference in order to maintain domestic and international confidence'. *Period of about 50 years*

Assurances

As expected the Unofficials put much stress on this point. In the discussion they accepted that we should not regard the seeking of assurances as a separate exercise but as a series of proposals which we should try to insert at appropriate stages of the negotiation, as confidence building components in any final arrangement. Sir Geoffrey Howe pointed out that it would not be right to regard any particular assurances or group of assurances as absolute requirements for acceptance of an agreement. We would need to examine the package as a whole. It was agreed that further consideration would be given to the types of assurance which we might seek. The Unofficials showed particular interest in a recent suggestion that Ji Pengfei, Head of the Chinese Hong Kong and Macau Office of the State Council, made to a visiting Hong Kong Professor, to the effect that there should be a tripartite 'Council' in Hong Kong. Unofficials were particularly struck by a reference by Ji to the possibility of representation by 'pro-British' elements on the Council. They thought that this might give us an opportunity of establishing machinery to monitor the observance of an agreement on Hong Kong, with the inclusion of some sort of British role. Sir Geoffrey



Howe pointed out that our information on this proposal was sketchy. We should clearly find out more about it but at first sight he doubted whether it would provide a basis for any form of outside supervisory role of an agreement after 1997.

Tactics

The meeting discussed how we should react to and take advantage of the Chinese ''deadline'' of September 1984. The Unofficials showed interest in reaching an interim agreement before that date, in order to pre-empt the Chinese action and possibly to give people in Hong Kong a first chance to offer views on the acceptability of an arrangement. It was agreed that there was a variety of possible permutations ranging from a full agreement in the autumn to a joint statement which would allow for negotiation to continue thereafter. We must be careful that our position on conditionality was not damaged and also ensure that we were not shown to be edged out of any further discussion if the Chinese had made a unilateral statement in September.

Conditionality

Unofficials pointed out that whereas the British side had impressed on the Chinese side the conditional nature of our willingness to explore the Chinese position, the Chinese side always talked as though unconditional concessions had been made. Sir P Cradock said that we had always insisted on the point. Sir Richard Evans would also make a point of making sure the position was clear when he restarted the talks.

Public Presentation

The Unofficials showed some interest in the idea that we should start to prepare opinion in Hong Kong for the possibility of an eventual agreement not involving British administration. It was agreed that the means of doing this for instance by unattributable briefings should be considered further bearing in mind the importance of not prejudicing conditionality.

Constitutional Development up to 1997

All but one of the Unofficials, Mr T S Lo, endorsed in general terms the idea of the evolution towards a more representative system on a collegiate, step by step basis. All agreed with Sir Geoffrey Howe that there was no dispute over the direction of constitutional development, but that the pattern and pace of the precise arrangements would require further discussion. We should also need to consider carefully how to get the Chinese to acquiesce without allowing them any sort of veto.

/Possible representation



Possible Representation of Hong Kong Unofficials on British
Negotiating Team

Sir S Y Chung pressed this idea strongly, arguing that, since British administration was no longer our objective. Legislative Council Unofficials and others in Hong Kong would be likely to demand that a Hong Kong Chinese took part in the negotiations as part of the British team. Sir Geoffrey Howe expressed sympathy with the idea in principle but pointed out that in practice it would pose severe risks to the talks. The Chinese would be bound to turn it down. They would react badly. If we pressed it the talks could be at risk. If we acquiesced in the Chinese refusal we should be seen to accept that the Chinese could dictate the composition of the British delegation. The Chinese somewhat reluctantly accepted this but they could revert to it on Monday.

This letter has been seen in draft by Sir P Cradock. Sir Geoffrey has not yet seen it: I shall be showing him a copy over the weekend.

Yours ever,

Peter

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street



Foreign and Commonwealth Office

13/1/84

London SW1A 2AH

13 January 1984

Dear John,

Future of Hong Kong: Recent Public Remarks by
Chinese Officials on China's Plan for Hong Kong
after 1997

The Prime Minister may find it helpful to have the attached note of some recent public remarks by Chinese officials on the Chinese plan for Hong Kong after 1997, before her meeting with the Governor and the EXCO Unofficials on 16 January.

*Yours ever**Peter*

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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RECENT REMARKS BY CHINESE OFFICIALS ON CHINA'S PLAN FOR HONG KONG
AFTER 1997

1. Considerable publicity has been given in the last few days to remarks by Ji Pengfei, Head of the State Council's Hong Kong/Macao Office and to a speech by Xu Jiatusun, Head of the New China News Agency in Hong Kong.

JI PENGFEI

2. Ji's remarks stem from an interview given to Dr Mun of the Chinese University of Hong Kong. Dr Mun spoke to the press on his return to Hong Kong on 7 January. According to the independent Hong Kong press Ji made three points of particular interest:

(i) In the future Government of Hong Kong there would be a "Consultative Council" with members comprising one third "pro-China", one third "pro-British" and one third "politically neutral". (?)

(ii) Hong Kong people could be defined under three categories:

(a) The 95% of the population who held either "Hong Kong passports" or certificates of identity would become Chinese subjects resident in Hong Kong. As such they would have the right to vote and to be voted for, not only in Hong Kong but also in mainland China.

(b) The second category contained Chinese holding foreign passports who had been in Hong Kong for a long time. They would have the right to vote but not the right to stand for election.

(c) The third category comprised foreigners living in Hong Kong. They would neither have the right to vote nor be voted for. Their children who were born in Hong Kong could choose to

become "Hong Kong residents".

(iii) The draft of the "Basic Law" of the SAR would take time. The views of the Hong Kong people would be sought on the draft. The final version would not be announced before the talks ended [no date specified].

3. A further gloss was added by the Communist New Evening Post in an editorial elaborating on Ji's remarks but not directly attributing them to him. The editorial described articles in China's existing constitution which deal with the relationship between the central authorities and local government, observing that the central government's leadership over a local government did not mean monopolising and intervening in everything. The editorial went on to say that while the NPC Standing Committee had powers to annul local statutes and decisions if they contravened the constitution, laws, decrees or resolutions, the "Basic Laws" for the SAR, would provide a basis for non-intervention from the central government so long as the local government acted within its powers.

XU JIATUN

4. Xu's remarks were made in a speech and question and answer session at Hong Kong University on 10 January. Communist papers used the full text under headlines stressing that Hong Kong's future was bright. For the most part Xu's speech contained the main, well-known elements of China's plan, much in line with the 12 points listed by Vice-Minister Yao in the formal talks. However, on several points Xu provided some elaboration as compared with earlier Chinese public statements:-

- (a) Expatriate and local civil servants in various government departments, and police officers, may keep their jobs. The definition of their specific duties will be a matter for the SAR Government to decide.
- (b) Local residents will enjoy the freedoms of speech, the press, assembly, association, (including the right to

trade union activity), communication and the right to move into and out of the territory.

- (c) The drafting committee on the "Basic Law" will be set up in Peking but it will invite representatives from Hong Kong.
- (d) The SAR will be able to issue its own travel documents.
- (e) Maintaining law and order will be the responsibility of the SAR government.

Xu also said that China's policies were aimed partly at looking after the interests of people from different quarters in Hong Kong. China would maintain Hong Kong's capitalist system for 50 years after 1997. Policies would be prescribed by law and be made known to the public. A draft Basic Law would be drawn up and then passed to Hong Kong compatriots for discussion. After amendment it would be submitted to the National People's Congress for approval and promulgation. It would take a relatively long time to complete. The SAR government would be able to handle independently its own future within the limits prescribed "by law." affairs

Comment

5. Both these sets of remarks are clearly aimed at reassuring the people of Hong Kong. To some extent they may do so, though most people will remain sceptical. Chinese thinking in a number of areas is still not clear but as time goes by they seem to be revealing more of their plan for Hong Kong. One encouraging aspect is that they appear to be more aware of the need for continuity of systems eg in the civil service. We shall be considering separately the question of the relationship between the SAR and central government, as well as Ji's remarks about a Consultative Council. This appears to be a new idea. We do not think Ji is referring to this Council as the government of Hong Kong but as an adjunct to it, perhaps on the lines of the existing Chinese People's Political Consultative

Conference.

6. What is increasingly clear is that the more detail that can to be included in the Basic Law, especially on the SAR Government's specific powers, the better the chance of non-interference by China.

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21



Foreign and Commonwealth Office

London SW1A 2AH

PO/84/23

13 January 1984

Dear John,

Hong Kong: Meeting with Governor of Hong Kong and EXCO Unofficials
16 January

I enclose a brief for the Prime Minister's meeting with the Governor and Unofficials on 16 January. The visitors will be having meetings with Sir Geoffrey Howe on the afternoon of 13 January and with Mr Luce on the morning of 17 January. These meetings will cover a good deal of detail and enable the Prime Minister to concentrate on the essential points. The Governor has advised that the Unofficials will be particularly interested in discussing:

- (a) the redefinition of our objective in the light of the assessment that we cannot realistically seek the continuation of British administration after 1997 in our negotiations;
- (b) the assurances which HMG would try to include in a package agreement with the Chinese in order to reassure Hong Kong that a deal would be honoured;
- (c) the strategy and tactics which we should adopt over the next few months.

It is likely that the senior Unofficial, Sir S Y Chung, will wish to make a statement. We may well know more of the line which the Unofficials will take after Sir Geoffrey's meeting with them on 13 January. We shall send an additional brief if necessary.

We discussed attendance at the meeting with the Prime Minister. I enclose a list of the names of the Hong Kong Unofficials who will be accompanied by the Governor and his Private Secretary, Mr Higginson.

/In



In addition to the Foreign Secretary, you agreed that the following should attend on our side: Mr Luce, Sir A Acland, Sir P Cradock, Sir R Evans and Mr Donald.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

BRIEF

HONG KONG, MEETING WITH GOVERNOR AND EXCO UNOFFICIALS, 16 JANUARY 1984

EXCO's Role

1. Value EXCO's advice. Regular meetings essential.

State of Negotiations

2. Developments since last met in October have confirmed assessment of Chinese position. No possibility of negotiating continuation of British administration after 1997. But the move which we agreed on conditional basis to see whether we can build on Chinese proposals has produced results. Detailed discussion underway. Many points still to be argued. Chinese are listening to us and showing signs of flexibility. We have opportunity to influence them.

Objective

3. Our tactics still within conditionality. Reserve right to reject eventual package though would have to weigh consequences carefully. On that basis suggest redefine current objective as negotiation of the highest degree of autonomy for Hong Kong both internal and external consistent with the assumption by China of sovereignty and the right of administration, backed by the maximum assurances against interference in order to maintain domestic and international confidence.

Assurances

4. Understand Unofficials' concerns. Must tie Chinese down as much as possible.
5. There are three main areas in which to seek assurances:
 - (a) Blanket undertaking of non-interference for at least 50 years to be included in agreement binding on Chinese;
 - (b) Inclusion in agreement of detailed provisions against interference applying to specific areas, eg Advisory Commission to ensure continuity of laws;
 - (c) Action with foreign governments to put pressure on Chinese to respect Hong Kong's autonomy after 1997.

6. Do not believe Chinese would accept International Advisory Commission with authoritative powers. We could consider trying to get undertaking that variations on the "basic law" should only be made on Hong Kong's initiative but we should concentrate on pinning Chinese down to their statements that they envisage no change for 50 years.

7. Wrong to lay down precise list of assurances as requirements. We shall need to examine whole package. But suggest we discuss with EXCO during next few weeks text of possible draft agreement. This should be ready for presentation to Chinese when we ~~should be~~ calculate we need to sum up points of agreement and pin them down. We will be in touch with Governor about this.

Future Tactics

8. We should press on with substantive discussions on present conditional basis. Need to put in further working papers on central issues soon in order to influence Chinese before their positions harden. Must not be pressurised by September 1984 deadline but can take advantage of it to seek at least joint statement describing main elements of Hong Kong's autonomy after 1997. When the time is ripe to attempt a summing up we should be ready to propose our form of draft agreement.

Constitutional Development up to 1997

9. Crucial in ensuring solid basis for Hong Kong's autonomy later. Have seen paper you have discussed with Governor. On the right lines. Grateful for views.

10. Need to consider working paper for Chinese. Crucial issue will be local election of Governor/Chief Executive in some form. We shall discuss with you further.

Public Presentation

11. Understand discussed with Sir Geoffrey Howe. HMG must maintain strictly non-committal line in public statements in order to preserve the position on conditionality. Do we need to ~~give more detailed~~ ~~very line in~~ ~~non-attributable~~ ~~our forms of~~ briefing in order to prepare Hong Kong for possibility of agreement not involving British administration? Could you assist?



Σ

List of Unofficial Members of EXCO

Jones

Sir S Y Chung CBE
Mr O V Cheung CBE QC
Mr R H Lobo CBE
Mr F W Li CBE
Mr M G R Sandberg OBE
Mr T S Lo CBE
Miss Lydia Dunn CBE
Mr Q W Lee CBE
Mr S L Chen CBE
Miss Maria Tam

PA

FCS

Mr. Linn

Sir A. Ashford

Sir A. Evans

Mr. Donald

Sir P. Cudde

Mr. Coler

FUTURE OF HONG KONG: POLICY REVIEW: DISCUSSION PAPER FOR EXCO

COVERING NOTE

The attached paper and accompanying assessment review the course of negotiations with the Chinese. They discuss the position reached at present in which HMG, following the meeting with Unofficials in October, are examining in the negotiations whether satisfactory arrangements can be built on the basis of the Chinese proposals. These discussions are subject to the conditions spelt out to the Chinese side in the Prime Minister's letter of 10 March and her message of 14 October. The papers go on to examine the prospects for the way ahead, in preparation for the visit by Unofficial Members to London later in January.

FUTURE OF HONG KONG: POLICY REVIEW: DISCUSSION PAPER FOR EXCO

INTRODUCTION

1. The purpose of this paper is to help members prepare for their discussions with Ministers in January. It reviews the course of the negotiations since September 1982 and provides an up-to-date assessment of the Chinese position. It considers what alternative objective might be set if it is accepted that continuing British Administration after 1997 is no longer attainable and suggests that this should be full internal autonomy for Hong Kong consistent with the assumption by China of sovereignty and the right of administration. It identifies the essential elements of autonomy, and sets out the assurances which might realistically be sought. The paper then sets out two alternative policy options for consideration. In conclusion it seeks to identify the major questions of public presentation which will need to be covered in the review.

ASSESSMENT OF THE TALKS

2. A detailed assessment of the Chinese position in the negotiations and the degree of flexibility in it was contained in memorandum XCX (83) 79 of 23 November 1983. A revised and up-dated account which includes a summary account of the negotiations so far is annexed. It is clear from this assessment of the position taken by the Chinese in the talks, from Chinese discussions with other countries on the Hong Kong issue, from Chinese public statements and propaganda that they are adamant in their insistence that sovereignty and administration over the whole of Hong Kong must revert to China in 1997 and that no link of authority or accountability between Hong Kong and HMG will be acceptable to them after that date.

BRITISH ADMINISTRATION

3. In her message of 14 October the Prime Minister recorded the sincere view of the British side that a continuation of British Administration is the best and surest basis for the continued stability and prosperity of Hong Kong and stated that this view had not changed. However the experience of the past 15 months, and in particular of the seven rounds of formal talks since July, leads to

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the inescapable conclusion that the Chinese will not accept the continuation of British Administration after 1997 in any form. It is also clear that there is no prospect of changing that position through argument. Nor is it realistic to believe that the Chinese position could be changed by confrontation. They have made it abundantly clear that recovery of sovereignty is an overriding national objective, rooted in a deep historical sense of humiliation over the events which led to a part of Chinese territory being administered by a foreign power. They do not accept that achievement of this objective is inconsistent with continued stability and prosperity in Hong Kong. However genuine their attachment to the latter aim, in the event of a choice national reunification must take priority. The recovery of sovereignty over Hong Kong is thus more important to the Chinese leadership, whether under Deng Xiaoping or any conceivable successor, than the maintenance of the territory's stability and prosperity, and the economic benefits they gain from it.

ALTERNATIVE OBJECTIVE

4. If continuing British Administration is no longer obtainable, the best possible alternative must clearly be sought. It is suggested that the objective should be full internal autonomy for Hong Kong, consistent with the assumption by China of sovereignty and the right of administration. This would include freedom for the territory to conduct its own external affairs in the economic, trade and cultural fields, backed by assurances against interference sufficient to maintain domestic and international confidence.

5. The key elements in arrangements for autonomy should include:
- (a) The administration of the future SAR would have freedom to determine its own domestic policies.
 - (b) There should be evolution of the system of Government gradually over the years up to 1997 in a manner which would strengthen its ability to resist interference. This would be maintained after 1997 with only such changes as were essential to take account of the formal transfer of sovereignty and the right of administration to China.
 - (c) The present systems would be maintained. In particular the legal systems including the independent judiciary and the corpus of

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Hong Kong's laws would be unchanged, except that the final court of appeal would be in Hong Kong, that the legal instruments giving expression to the colonial link would be abolished, and that quote colonial unquote phraseology would be removed from the laws.

(d) The freedoms which all Hong Kong residents now enjoy would continue to be guaranteed by law. - *whose law?*

(e) There would be continuity in the Civil Service. Hong Kong civil servants serving on permanent and pensionable terms in 1997 would, if they wished, continue to serve in Hong Kong after 1997 until they reached the normal age of retirement. Overseas officers would continue to be employed: they would owe their loyalty to the Government of the SAR.

(f) While external defence would be the responsibility of the Chinese Government, no Chinese troops would be stationed permanently in Hong Kong: their absence would symbolize the Chinese intention to allow full autonomy. The Hong Kong Administration would be fully responsible for the internal security of the territory.

(g) Hong Kong would continue to have the right to determine its own external trade policies and maintain and develop economic relations with foreign countries and territories. The Hong Kong SAR would be free to join or continue membership of international organisations and to take part in multilateral and bilateral agreements in relevant fields in its own right. It would be free to maintain its own offices abroad for these purposes.

6. None of these elements is inconsistent with the recovery by China of sovereignty, including the right of administration. But the key to the maintenance of confidence will lie less in the statement of the proposed arrangements than in the additional elements which can be obtained to bolster confidence that the agreed assurances will in fact be maintained and that the Chinese will not interfere. If any link of authority must be ruled out, then the people of Hong Kong will look to:-

(a) The extent to which an arrangement with China commits the Chinese to respect the autonomy of the territory:

(b) The status of the UK in the matter of future observance of the terms of an arrangement:

(c) The degree of international backing which can be obtained for the new autonomous status of Hong Kong:

(d) The internal strength of the Government structure which it is

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proposed should exist in Hong Kong after 1997.

7. In the light of the Chinese position as described in the annexed assessment it can be said that:-

(I) on (a) in para 6, while the Chinese will not concede that the details of post-1997 arrangements are a matter for agreement between the two Governments it will be our aim to include in the bilateral arrangement as specific and substantive a declaration as possible by the Chinese side of their proposed arrangements for autonomy, and of the intended duration for 50 years. Where the form of arrangement is concerned, our preference would be for a formal, legally binding treaty, registerable at the United Nations as an international agreement. The constitutional and other implications of this are still under study.

(II) on (b), the UK could base its representations to the Chinese Government, and its appeal to the international community, on the undertakings contained in the bilateral arrangement, if those undertakings were not observed. In addition, since the Chinese maintain that British interests in Hong Kong will be protected, they may be ready to agree that there would be an official British representative in Hong Kong with the right to look after these interests. We shall need to examine carefully whether, and if so how far the British representatives responsibilities might be extended beyond consular, economic and trade matters.

(III) would put pressure on Hong Kong's major trading partners to make clear to the Chinese Government that they would maintain their bilateral trade agreements with the SAR, and give their backing to private trade and investment there only so long as Hong Kong's autonomy was respected by the People's Republic of China: and that the same would apply to Hong Kong's continued participation in international economic agreements such as the GATT and the MFA (assuming this is eventually agreed by all concerned). Failure to respect Hong Kong's autonomy would in consequence lead to a substantial reduction in foreign exchange income, (and in associated benefit for China).

(IV) on (d), the governmental structure would, if it were developed along the lines envisaged, be a source of internal strength. Though they could not be eliminated entirely, the opportunities for interference would be minimised. The presence of a substantial

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numbers of overseas civil servants, including in the judiciary, would be an additional barrier against interference.

(V) In addition, it might be possible to secure agreement to the establishment of independent advisory commissions (for example in the legal and economic fields), and to obtain British representation on those commissions.

8. The fact that the Chinese still hope to reach an agreement with Taiwan at a later date might provide some additional degree of assurance, since if they violated an agreement with Hong Kong it would almost certainly rule out the possibility of a subsequent agreement with Taiwan for a long time thereafter.

OPTIONS

9. Against this background, two options are now available.

10. OPTION A. To decide now that the best package likely to be obtainable, including such assurances as can be negotiated on the lines of paras 6 and 7 above, would be insufficient to command confidence, and that there is therefore no point in continuing with the talks on the present basis. To tell the Chinese, in consequence, that their principles are unacceptable and that no package can be constructed on the basis of them that will ensure the future stability and prosperity of Hong Kong. On these grounds to insist either

(I) On full British Administration

or

(II) On a continuation of the British link of authority.

COMMENT

11. Either (I) or (II) would lead to immediate confrontation. In our judgement the Chinese would break off the talks. The propaganda campaign intensive would restart and there is a strong possibility that the Chinese would announce their plan immediately. If the resulting situation in Hong Kong became unstable, there is a chance that the Chinese would carry out their threat to take over control of the colony at an earlier date than 1997. This option would not

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win us international support. It would prevent HMG from doing anything to ameliorate the lot of Hong Kong inhabitants after 1997. It would make Hong Kong very difficult to govern in the transitional period. It would be likely to provoke a considerable outflow of Hong Kong inhabitants. To take such a course at this stage, moreover, having proposed full discussion of the Chinese plan and being only at an early stage of substantive discussion, would lead to Chinese accusations of bad faith, to which there would be no answer.

12. OPTION B. To continue the present process of exploration and quote construction unquote on the basis of the Chinese proposals in pursuit of the objective in para 4 above and subject always to the reservations in the Prime Minister's letter of March 10 and her message of October 14, and to do our utmost to obtain a satisfactory package, including assurances on the lines of paras 5 to 7 above. This would entail putting in the remaining working papers as quickly as possible in order to influence Chinese thinking in detailed areas while it is still in the formative stage. It would be necessary to submit soon a number of papers dealing with key issues, in particular constitutional arrangements, defence, internal security and the public service.

COMMENT

13. This course would enable the Council and Ministers to take an overall view of the outcome of the negotiations before assessing whether that outcome was acceptable. Conditionality would be retained: the ultimate right to reject the final package as unacceptable would remain. The decision would have to be taken by Ministers in the light of the circumstances at the time. Given the Chinese intention to make a formal announcement of their position in September 1984 a decision would be needed by the later Summer of 1984 so that HMG could determine whether they could agree to join with the Chinese in a joint announcement or not.

THE SEPTEMBER 1984 DEADLINE

14. As the annex makes clear, the Chinese are publicly committed to

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some form of announcement in September 1984. Its precise terms will no doubt depend on how much progress can be made by then. But at present the Chinese clearly envisage announcing their 12 point plan in September, perhaps with some elaboration, but without going into much detail. Should HMG then be unable to secure a definitive joint announcement on acceptable lines at that stage every effort should be made to persuade the Chinese not to couch any unilateral announcement in terms which could give the impression that they intended to impose a settlement irrespective of the views of HMG. In such circumstances we should seek to defuse the Chinese statement so as to make it as harmless as possible.

15. Ji Pengfei has now told us that talks would continue beyond an initial agreement. It is conceivable that the Chinese might be brought to agree, assuming that progress was being made, that a definitive joint declaration should come at a later stage than the September 1984 announcement. HMG would of course decide on the acceptability of the final package at the conclusion of the talks before subscribing to a final arrangement.

16. If nonetheless the Chinese insisted on a formal unilateral announcement in September 1984 of arrangements which were unacceptable to HMG it might be necessary to make it clear to the Chinese that while the talks had been valuable they had not so far produced results which HMG could endorse: that the British side were ready to continue talking but could not co-operate with the Chinese plan: and that in the meantime HMG would conscientiously carry out their responsibilities for the administration of the territory. This would in effect allow the Chinese to continue the process of deciding the future arrangements for Hong Kong alone. It would be necessary for HMG to give a public account of its position. There would be a grave risk of confrontation, even if it was not of our seeking.

17. The implications of confrontation, either as a result of a scenario outlined above or as a consequence of option A (paras 10-11), are examined in more detail in the annex to this paper. It also draws attention to the immediate risks involved in endorsing an agreement which did not contain sufficient assurances to command

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confidence in Hong Kong

PUBLIC PRESENTATION

18. The forthcoming review will need to cover the question of HMG's and HKG's public posture. The persistence of the Chinese in making known their own plans and seeking public support for them with no indication of HMG's objective is creating an increasing credibility gap in Hong Kong. The issues which will need to be covered therefore include:

(a) The advantages and disadvantages of maintaining the present low profile. The former include the maintenance of the present non-confrontational atmosphere: The latter include the danger that the talks will be increasingly perceived as irrelevant and that Hong Kong opinion will come to accept that the Chinese will decide unilaterally what will happen after 1997.

(b) The possibility of making known more at least in general terms what HMG's aims in the negotiations now are, on the lines of paras 4 and 7 above. The means available range from ministerial speeches or statements to unattributable briefings for reliable journalists. It would be necessary to weigh the advantages against the risk of acrimonious public debate with the Chinese. The more authoritative the statement the greater the impact in Hong Kong, but also the more likely that there would be an adverse reaction from the Chinese.

(c) In this context, whether the LEGCO members of UMELCO should be encouraged in future to speak their minds regarding future arrangements for Hong Kong, in particular the need for the people of Hong Kong to be given the best possible assurances that the present systems will be maintained and the present freedoms of Hong Kong people will be preserved. It would be important to respect their wish that their efforts should be co-ordinated, and with those of HMG and the HKG.

19. Subject to the decisions taken on the general strategy now to be pursued, it should be possible, and will probably be desirable to make known by these means the general objectives which HMG are pursuing. While discussions continue in Peking great care will be required not to present any public statement in a confrontational fashion. To do so would generate a public argument with the

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Chinese, sour the atmosphere of the Peking talks and thus reduce their chances of success.

HONG KONG DEPARTMENT

22 DECEMBER 1983

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AN ASSESSMENT OF THE CHINESE POSITION ON THE FUTURE OF HONG KONG.
CHRONOLOGY OF THE TALKS

1. Agreement for the talks was reached during the Prime Minister's September 1982 visit to Peking. A joint statement was approved announcing that the two sides would hold talks through diplomatic channels with the common aim of maintaining the stability and prosperity of Hong Kong. The Chinese leaders made it clear in their talks with the Prime Minister in September 1982 that they sought recovery of sovereignty and administration over all Hong Kong after 1997. Deng Xiaoping indicated that he considered this to be the premise for negotiations.
2. From the first contacts on the subject in October 1982, the Chinese pressed for UK affirmation of the premise for entering formal talks. The British position was that HMG would be prepared to consider recommending a transfer of sovereignty to Parliament if administrative arrangements were made which would command confidence and would be acceptable to the people of Hong Kong: and that the maintenance of confidence required the maintenance of British administration. Sterile wrangling ensued until the Prime Minister's letter of 10 March 1983 to Premier Zhao Ziyang which slightly strengthened her original assurance on sovereignty. She said that provided agreement could be reached between the UK and Chinese Governments on administrative arrangements which would guarantee Hong Kong's future prosperity and stability and would be acceptable to Parliament and to the people of Hong Kong as well as to the Chinese Government, the Prime Minister would be prepared to recommend to Parliament that sovereignty over the whole of Hong Kong would revert to China. The Chinese then agreed to open formal talks, but argument about the agenda caused further delay. The compromise reached placed post-1997 arrangements as the first item followed by arrangements in the period up to 1997 and finally questions relating to transfer of sovereignty.
3. During the first four rounds of talks (July to September) the British side argued steadily for continuing British administration, whilst the Chinese demanded explicit UK affirmation of agreement to transfer sovereignty and all associated administrative rights over

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the whole of Hong Kong. Breakdown of the talks threatened by the end of September. Following consultations in London on 6-8 October the text of a message from the Prime Minister, delivered on 14 October, was agreed. The Prime Minister proposed, in pursuance of her earlier letter and without prejudice to any final agreement, that the two sides should examine the Chinese proposals to see if on that basis arrangements of lasting value for Hong Kong could be built. If the resulting package was satisfactory the British Government was prepared to recommend it to Parliament. It was subsequently made clear to the Chinese that for the purposes of discussion HMG were no longer insisting on British administration as a prerequisite.

4. Deep Chinese suspicions of British motives remained. The Chinese were then formally told on 28 November that in pursuing the discussions proposed in the Prime Minister's message of 14 October, HMG envisaged no link of authority or accountability between Britain and Hong Kong after 1997, would make no proposal conflicting with the Chinese premise and saw the UK role as one of assistance not authority. All of this was subject to the condition that a satisfactory agreement as defined above should be reached. The first substantial discussion of detail was thus made possible at the 7/8 round.

THE CHINESE POSITION

5. The following are the most important elements in the Chinese position. It is clear that they have been laid down from the top and that they are basic principles for the Chinese.
- (a) sovereignty and the right of administration over the whole of Hong Kong must revert to China by 1997. British administration or co-administration in any form are unacceptable;
 - (b) After 1997 Hong Kong will be established as a Special Administrative Region (SAR) of China under Article 31 of the Chinese constitution. The National People's Congress (NPC) will lay down a basic law for the Hong Kong SAR under that article.
 - (c) The Chinese 12 point plan (see appendix A) will form the basis of this law.

In addition the Chinese have made it clear that their policies and guidelines for Hong Kong after 1997 will be announced publicly not

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later than September 1984. The Chinese hope for agreement with the UK before then, but failing that will issue a unilateral statement.

6. Prior to the 7th round (7/8 December) deep Chinese mistrust of British ambitions and intentions regarding Hong Kong was clearly evident. These suspicions seem to have been largely dissipated by the Ambassador's clarificatory statement of 28 November about the future British role within the terms of the instructions which EXCO saw when they last visited No 10. As a result the rigid Chinese position of insistence upon explicit affirmation by the British side of the Chinese premise that sovereignty and the power of administration would revert to China in 1997 has been relaxed. The 7th round of talks showed the first real discussion of detail of the Chinese plan.

7. A number of points have become clearer as a result of the last round and discussions since then:

- (a) The Chinese 12 point plan as announced by Yao Guang on 14 November is at appendix A. A note detailing additional elements of Chinese policy as enunciated in subsequent discussion is at appendix B.
- (b) The Chinese have offered substantial comment on the first three working papers submitted. Inevitably not all the detail has been to our liking, but a number of points in our working papers have been accepted. (A list of working papers so far submitted is at appendix C and the texts of the first three working papers identifying those elements so far accepted by the Chinese at appendix D). The Chinese have told us that our working papers are helpful and have promised comment on outstanding ones. The charge that our working papers contained 'excessive detail' had not been repeated and we now have a good chance of discussing detailed arrangements over a wide area of Hong Kong's various systems. The Chinese are no longer drawing their earlier sharp distinction between those matters relating to Hong Kong's future which they considered their internal affairs and on which they will listen to HMG's comments but decide for themselves and those more limited areas affecting British interests in Hong Kong over which more genuine negotiation would be possible. Zhao Ziyang has told the Ambassador that anything can be discussed if it does not

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conflict with the premise, and that points of agreement will be reflected in the basic law.

- (c) The Chinese have informally drawn our attention to Yao Guang's 8 December statement that it was not impossible that current practice in those areas for which the future SAR would be responsible could continue unchanged after 1997 until the SAR Government decided otherwise. This too is an important improvement on the earlier Chinese position that such discussion was impossible because all relevant decisions were for the future SAR to take. It may be possible to develop this.

MODIFICATIONS TO THE CHINESE POSITION

8. Since September 1982 the Chinese side, while remaining wholly inflexible on basic principle, has nevertheless modified its stance in response to UK argument on a number of occasions:

The Prime Minister's letter of 10 March persuaded the Chinese to enter formal talks although the Chinese demand for explicit affirmation of their premise was not met:

- (b) The Chinese revised their original position on the agenda to meet our wishes:
- (c) The Prime Minister's message of 14 October and the clarification about the future British role delivered on 28 November made possible detailed discussion at the seventh round despite the fact that the Chinese had earlier maintained that the British side should first explicitly affirm the Chinese premise.
- (d) It is impossible to assess the exact degree to which the Chinese may have modified their ideas on detailed arrangements as this detail was not made known to us before we expressed our own ideas. However discussion of the first three working papers submitted shows that a considerable number of points in those papers now figure in the elaborated Chinese plan. It is reasonable to suppose that this has to some extent been influenced in a direction favourable to us.
- (e) Recent contacts, though not yet entirely conclusive, tend to show that the Chinese are relatively open-minded and receptive to our ideas so long as our proposals do not conflict with fundamental Chinese principles. Zhao Ziyang said this explicitly recent discussion has shown signs of flexibility, eg over continuity in the civil service and appointment of judges.

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DEGREE OF FLEXIBILITY IN THE CHINESE POSITION

9. The Chinese are publicly committed to an announcement of their policies in September 1984. Some announcement at that time is now inevitable. Its precise terms will no doubt depend on how much progress is made in the talks in the meantime. But the Chinese clearly envisage announcing their 12 Point Plan in September. They are also keen to reach a bilateral agreement by then. There are however indications that failing conclusion of such an agreement, the talks could continue beyond the September announcement.

10. The Chinese have made clear that the basic elements in their position (see para 5 above) are matters of principle and not negotiable. All the evidence suggests that they mean this and our assessment is that they will not modify these basic elements. However there may well be scope for modification of some of the detail contained in the 12 Point Plan and subsequent Chinese explanations of its implications. We are however unlikely to establish this until the Chinese have reacted to our counter-suggestions. This process may take some rounds of discussions. This process may take some rounds of discussion. We are still at an early stage in that process.

IMPLICATIONS OF CONFRONTATION

11. In our judgement there is no possibility that the Chinese would back down on their principles if faced with confrontation. Indeed it would be political suicide for any Chinese leader to be seen to yield to British pressure on these points, to which the Chinese are already publicly committed. Deng Xiaoping has said repeatedly that he is not prepared to be another Li Hungzhang (the eminent Chinese statesman who signed the New Territories lease). If he were to give way it is questionable whether even he could survive. We see no prospect of any successor to Deng, whether supporter or opponent of his policies, taking a softer line on Hong Kong.

12. These considerations rule out any Chinese concessions resulting from confrontation. On the contrary confrontation would be likely

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to produce a hardening of the Chinese position to the point of total rigidity. Hostile Chinese propaganda would be resumed with more intensity and there is a strong likelihood that the Chinese would formally announce their proposals well before the September 1984 date, quite possibly immediately. In that event the scope for negotiations would be further reduced since the Chinese would almost certainly refuse to retreat from any points which had been included in a unilateral announcement. Confidence would collapse with resultant consequences for the economy. A considerable outflow of Hong Kong inhabitants would ensue. Local Government would become increasingly difficult. If the situation in Hong Kong became unstable, there is a chance that the Chinese would carry out their threat to take control of the territory before 1997.

13. The implications of a confrontation are therefore grave. If the outcome of the negotiations was unsatisfactory, these implications would have to be balanced against the immediate consequences involved in accepting an agreement which did not command confidence in Hong Kong. These consequences would themselves include a rapid decline in the economy, serious and increasing difficulty in administering the territory and accelerated preparations for departure on the part of those people in a position to leave.

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SUGGESTED FORMS OF ASSURANCES FOR LASTING SETTLEMENT FOR HONG KONG

PROPOSAL

COMMENT

SOURCE

- | PROPOSAL | COMMENT | SOURCE |
|---|---|---|
| <p>1. A legally binding international agreement, registrable at the UN, (ie a treaty, whatever its name).
Two Options
(i) an agreement which described in detail the principles determining arrangements for administration of Hong Kong after 1997.
(ii) an agreement in fairly general terms, but accompanied by a detailed Chinese statement (previously negotiated with us) describing continuity of systems, freedoms, laws.
Each option would require Parliamentary endorsement of general package, but would not require immediate Parliamentary legislation on transfer of sovereignty.</p> | <p>Unlikely to be acceptable to Chinese

Reasonable prospect of being acceptable to China.</p> | <p>Policy Review Paper

" "</p> |
| <p>2. A joint declaration. Exactly the same as either of the options in 1 above, except that it would not be legally binding or registrable at the UN. Parliamentary implications identical to 1.</p> | <p>Less satisfactory than 1.
At present, Chinese appear to be ready to accept an agreement but their eventual attitude could well alter, depending on the content of the arrangement.</p> | <p>" "</p> |
| <p>3. The power of the UK to ensure future observance of the terms of an arrangement.</p> | <p>This would depend on the form of the agreement, but would probably be limited to diplomatic representations.</p> | <p>" "</p> |
| <p>4. Canvassing international support for Hong Kong's autonomy. In some contexts (especially international economic relations eg GATT and MFA) Hong Kong's special status might be made conditional on maintenance of its autonomous status.</p> | | <p>" "</p> |
| <p>5. Development towards fully democratic structure for Hong Kong run up to 1997.</p> | <p>Would strengthen Hong Kong's indigenous political base and</p> | <p>Policy Review Paper and separate paper on Constitutional</p> |

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PROPOSAL

COMMENT

SOURCE

6. Changes in agreed constitutional arrangements for Hong Kong to be made only on Hong Kong initiative and then submitted to Peking for approval. If Peking wished to amend, agreement with Hong Kong necessary.

thus reduce to some extent scope of Chinese interference. Effectiveness would largely depend on degree of democratisation and bedding in of new arrangements

Development.

7. Any changes to SAR basic law to be initiated only from Hong Kong.

Sir S Y believes, erroneously, that such an arrangement currently applies to Macau. But may be worth trying.

Sir S Y Chung

8. Advisory Commission with international representation to approve any proposed constitutional changes before being put to Peking.

See 6. Chinese officials made 'non-committal' response.

HK observers
Dec 1983

Constitution-

9. Arrangements whereby any powers not specifically reserved for PRC Central Government should automatically reside with Hong Kong SAR.

Chinese very unlikely to accept external limit on their exercise of sovereignty. Some international participation in HK affairs might be possible but would probably be limited to advice on eg commercial matters.

Sir S Y Chung

10. Membership of any drafting committee for the SAR 'mini-constitution' (or 'basic law') to be determined by consultation with Hong Kong.

Chinese officials made a 'non-committal' response. This would in practice not amount to a real assurance.

HK observers
Dec 1983

Chinese officials indicated Hong Kong people would be consulted on list of candidates for membership but imprecise on methodology.

" "

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PROPOSAL

COMMENT

SOURCE

11. Referendum in Hong Kong to test acceptability of any draft 'mini-constitution'.

Chinese officials said only that China would try its best to consult representative organisations. Agreement to a referendum is in fact very unlikely.

HK observers
Dec 1983

12. Hong Kong/China relationship to be comparable to US/Puerto Rico one.

Not something which would appeal to us. Except in taxation matter US has same authority in Puerto Rico as it does in States of the Union. This would seem less favourable to Hong Kong than the Chinese 12 Point Plan.

Sir S Y Chung
(HK telno 35)

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Foreign and Commonwealth Office

London SW1A 2AH

PO/84/22

Dear John,

Future of Hong Kong: Visit by Unofficial Members of EXCO

In his telegram No 31 from UKMis New York the Governor of Hong Kong listed three points which the Unofficial members of EXCO accompanying him had put to him in advance of their meeting with Ministers in London at the end of this week. I enclose a copy of the telegram for ease of reference.

We would be grateful if the Prime Minister could give separate consideration to the second point, namely the idea that there might be a text of conclusions of EXCO's discussion with the Prime Minister. The Governor considers that this would be helpful. We agree. The paper would not in any sense constitute a record of their meeting with the Prime Minister, but would provide an agreed starting point for the next phase of negotiations with the Chinese. The paper would of course need to be drafted in the light of the Prime Minister's meeting, but the subjects covered might include:

- (i) the newly-defined objective for the talks on the future, perhaps on the lines of the formulation in paragraph 4 of the paper prepared for EXCO, amended to take into account the importance attached by the Unofficials to assurances to reinforce any agreement with the Chinese;
- (ii) possible assurances, their respective importance and likely practicability;
- (iii) the tactics to be pursued in the coming round of negotiations, including:
 - (a) continuing the process of seeking to build on the Chinese proposals, within the conditions explained in the Prime Minister's message to Zhao Ziyang;
 - (b) ways of working for effective assurances.

/It would



It would be most helpful if you could let me know whether the Prime Minister would be content with this procedure. The notes of conclusions would of course be cleared with you before being submitted to the Unofficials.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 31 OF 9 JANUARY
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FOLLOWING FROM GOVERNOR HONG KONG
FUTURE OF HONG KONG.

IN DISCUSSIONS HERE, THE GROUP OF UNOFFICIALS ACCOMPANYING ME IN NEW YORK HAVE STRESSED THREE POINTS:-

- A) THEIR WISH TO ESTABLISH CLEARLY AND EXPLICITLY WHILE THEY ARE IN LONDON, WHAT PACKAGE OF ASSURANCES HMG WILL BE SEEKING TO REPLACE THE ASSURANCE WHICH QUOTE CONTINUED BRITISH ADMINISTRATION UNQUOTE WOULD HAVE PROVIDED. THEY ARE PARTICULARLY CONCERNED ABOUT QUOTE GUARANTEES OF CHINESE PERFORMANCE UNQUOTE, OF AN AGREEMENT: ABOUT THE FORM AND ENFORCEABILITY OF AN AGREEMENT: AND ABOUT THE STATUS OF HMG IN RELATION TO THAT AGREEMENT DURING THE FIFTY YEARS QUOTE NO CHANGE UNQUOTE PERIOD.
- B) THAT THEY SHOULD BE GIVEN A FULL OPPORTUNITY TO THINK ABOUT ANY PROPOSITIONS AND PARTICULARLY ANY TEXT OF CONCLUSIONS, BEFORE THEY ARE ASKED TO GIVE A FINAL VIEW ON THEM. (I HAVE EXPLAINED THAT THE PATTERN OF DISCUSSIONS WITH MINISTERS SHOULD PROVIDE FOR THIS; BUT THEY ARE OBVIOUSLY WORRIED THAT THEY MAY BE PRESENTED WITH SOME DOCUMENT AT THE MEETING WITH THE PRIME MINISTER ON THE PATTERN OF THE LAST MEETING).
- C) THEY ARE ATTACHING SOME IMPORTANCE TO THE IDEA OF THE CONSULTATIVE COMMISSION. IT WAS APPARENTLY SUGGESTED BY WANG GUANG-YIN AND XU JIA-TUN TOLD ALAN LEE THAT QUOTE IT COULD BE CONSIDERED UNQUOTE. (IS THERE ANY CONFUSION HERE WITH THE IDEA IN PARA 2 OF HONG KONG TELNO 61 WHICH SUGGESTS A CONSULTATIVE COUNCIL AS THE GOVERNMENT OF HONG KONG?).

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12.

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2. ON (B), SIR S Y CHUNG IS MUCH TAKEN WITH THE IDEA OF A SECOND MEETING WITH THE SECRETARY OF STATE AFTER THE MEETING WITH THE PRIME MINISTER. I HAVE TOLD HIM THAT I SEE NO LIKELIHOOD THAT THIS WILL BE POSSIBLE.

THOMSON

FUTURE OF HONG KONG
LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
D/HD/PUSD (MR FLOWER)
RES.D. (MR WALKER)
LEGAL ADVISER (SIR IAN SINCLAIR)
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR J BULLARD

MR DONALD
MR WRIGHT
SIR C TICKELL

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PS/ATTORNEY GENERAL
SIR A CRADOCK
ROOM WITH MZ 21

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13 JAN 1984

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No 10 DS

TO IMMEDIATE FCO

Sr P Craddock

TELEGRAM NUMBER 104 OF 14 JANUARY

Rc Jaro D

INFO IMMEDIATE HONG KONG GOVERNMENT OFFICE LONDON, PEKING,
HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS, UKMIS GENEVA

HKGO, London

MIPT REFERS. THE FOLLOWING IS THE TEXT OF THE PRESS RELEASE
ISSUED BY THE UMELCO OFFICE AT 0100 HOURS TODAY:

QUOTE MEMBERS OF UMELCO LED BY DR HARRY S.Y. FANG HELD A
LENGTHY DISCUSSION WITH REPRESENTATIVES OF THE TAXI TRADE
LAST (FRIDAY) EVENING.

THEY THEN DISCUSSED AMONG THEMSELVES THE VARIOUS ISSUES RAISED
BY THE TRADE AND CAME TO A VIEW THAT THE MEASURES PROPOSED,
NAMELY A SHARP INCREASE IN THE FIRST REGISTRATION TAX AND
ANNUAL LICENCE FEES, AS WELL AS THE IMPOSITION OF A DIESEL
SURCHARGE ON TAXIS, REPRESENTED AN UNREASONABLE BURDEN ON
MANY TAXI OPERATORS.

THEY ACCORDINGLY ADVISED THE TAXI TRADE REPRESENTATIVES THAT
THEY WOULD OPPOSE THE BILLS AT THE FORTHCOMING LEGCO MEETING
ON WEDNESDAY, JANUARY 15.

THEY ACCORDINGLY ADVISED THE TAXI TRADE REPRESENTATIVES THAT
THEY WOULD OPPOSE THE BILLS AT THE FORTHCOMING LEGCO MEETING
ON WEDNESDAY, JANUARY 18.

AT THE SAME TIME THEY URGED THE TAXI OPERATORS TO RESUME NORMAL
OPERATIONS IMMEDIATELY, IN THE GENERAL INTEREST OF THE COMMUNITY.
THE REPRESENTATIVES GAVE AN UNDERTAKING TO DISPERSE THEIR TAXI
BLOCKADES WITHOUT DELAY.-''

HADDON-CAVE

NNNN

IMMEDIATE

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HO/News Dept

TS (6)

PS/Mr. Mar Luce

PS/PUS

BC

Mr. Donald

No 10 DS

Mr. P. Condo

Hkgo, London

RC/PROD

ms

CONFIDENTIAL

FM HONG KONG 140345Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 103 OF 14 JANUARY

INFO IMMEDIATE HONG KONG GOVERNMENT OFFICE LONDON, PEKING, HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS, UKMIS GENEVA

OUR TELNO 96 OF 13 JANUARY: INCREASE IN REGISTRATION TAX AND LICENCE FEES FOR TAXIS.

THE FOLLOWING WAS THE POSITION AT 0900 HOURS TODAY.

2. COMPLEX NEGOTIATIONS CONTINUED DURING THE LATE EVENING. TAXI DRIVERS CONTINUED NEGOTIATIONS WITH UNOFFICIALS AT UMELCO AND THE ACTING GOVERNOR WAS IN DIRECT CONTACT THROUGHOUT WITH THE LEADER OF THE UNOFFICIALS DR HARRY S.Y. FANG. AT 0100 THE UMELCO OFFICE ISSUED A FORMAL PRESS STATEMENT THE TEXT OF WHICH IS IN MIFT. EARLIER ANNOUNCEMENTS OF THE UMELCO DECISION IN THE MEDIA DISTORTED THIS STATEMENT AND WERE TO THE EFFECT THAT UNOFFICIALS WOULD OPPOSE THE BILLS ON THE CONDITION THAT THE TAXI DRIVERS CEASED THEIR PROTEST ACTION. THIS IS THE WORDING UNFORTUNATELY USED IN THE GREAT MAJORITY OF MEDIA COVERAGE.

ms

3. THE SITUATION ON THE GROUND IS NOW NORMAL WITH NO TRAFFIC CONGESTION AND THE TAXI DRIVERS' PROTEST HAS EFFECTIVELY CEASED. THE SITUATION WAS AT ITS MOST SERIOUS FOR A SHORT PERIOD OF ABOUT TWO OR THREE HOURS COMMENCING 22.00 HOURS IN THE NATHAN ROAD AREA OF MONGKOK AND YAUMATEI IN KOWLOON. THE SITUATION IN DETAIL DURING THE PERIOD UNDER REPORT WAS AS FOLLOWS:

HONG KONG ISLAND: THE SITUATION REMAINED UNCHANGED UNTIL AROUND MIDNIGHT WHEN SOME TAXIS BEGAN GRADUALLY LEAVING THEIR POSITIONS ON CONNAUGHT ROAD AND OTHER MAIN ROADS IN CENTRAL DISTRICT. BY 0140 HOURS THE SITUATION HAD RETURNED TO NORMAL.

KOWLOON: AN UNRULY CROWD ESTIMATED AT ONE STAGE TO BE AS HIGH AS 10,000 AT ABOUT 2230 HOURS BEGAN TO TAKE ADVANTAGE OF THE SITUATION TO STIR UP TROUBLE INCLUDING ROBBERY, CRIMINAL DAMAGE, THEFT AND ARSON. SEVERE DAMAGE TO PROPERTY WAS CAUSED BETWEEN TSIM SHA TSUI AND MONGKOK WITH THE CROWDS DAMAGING SHOP WINDOWS, PARKED VEHICLES AND LITTER BINS. THERE WERE NUMEROUS CASES OF LOOTING. THE POLICE WERE OBLIGED TO USE TWO SMOKE GRENADES TO DISPERSE A MOB AT THE JUNCTION OF NATHAN ROAD AND SHANTUNG STREET AT 22.25 HOURS. THE POLICE TACTICAL UNIT SUCCEEDED IN DISPERSING THE CROWD AND BY 0130 THE SITUATION WAS BEGINNING TO RETURN TO NORMAL. NINETY EIGHT PEOPLE HAD SUFFERED MINOR INJURIES, THERE WERE FOUR MINOR POLICE CASUALTIES AND A TOTAL OF 150 PERSONS HAD BEEN ARRESTED FOR VARIOUS CRIMINAL OFFENCES 101 OF WHOM WERE ARRESTED IN MONGKOK. THE RIOTERS WERE PRIMARILY UNRULY LOCAL YOUTHS EXPLOITING THE TENSE SITUATION CREATED AS A RESULT OF THE LARGE NUMBERS OF TAXIS BLOCKING NATHAN ROAD.

NEW TERRITORIES: THE SITUATION REMAINED UNCHANGED UNTIL ABOUT MIDNIGHT WHEN TAXIS SLOWLY BEGAN TO LEAVE THE ROADS THEY HAD BEEN BLOCKING. BY 0140 HOURS ALL ROADS IN THE N.T. WERE CLEARED OF TAXIS.

4. A FURTHER TELEGRAM EXPLAINING THE BACKGROUND TO THE UMELCO PRESS RELEASE WILL FOLLOW AS SOON AS POSSIBLE.

5. PLEASE PASS A COPY OF THIS TELEGRAM TO SIR E. YOUDE.

HADDON-CAVE

IMMEDIATE

GR 100

UNCLASSIFIED
DESKBY 140730Z
FM HONG KONG 140250Z JAN 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 101 OF 14 JANUARY
INFO IMMEDIATE PEKING, HONG KONG GOVERNMENT OFFICE LONDON,
HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS, UKMIS GENEVA

MF

HO/HKO
Ho/Alan Def
Ho/FED
PS (6)
PS/Mr Luce
PS/Pus
Mr Donald

MIPT: BBC NEWS ITEM ON DISTURBANCES IN HONG KONG

1. FOLLOWING IS TRANSCRIPT:

No 10 DS
Sir ? Eradach
(Nuis)

RIOT POLICE IN HONG KONG HAVE SEALED OFF A MAIN SHOPPING AREA IN
THE KOWLOON PENINSULA AFTER STREET DISTURBANCES INVOLVING
THOUSANDS OF PEOPLE. AT LEAST A HUNDRED ARRESTS WERE MADE AND
ABOUT THIRTY PEOPLE WERE INJURED. SHOPS WERE LOOTED, BUSES
HIJACKED, AND A POLICE STATION ATTACKED.
THE BBC FAR EAST CORRESPONDENT SAW A CROWD OF SEVERAL THOUSAND
PEOPLE ENCOURAGING LOOTERS. HE SAID THE POLICE RESPONSE WAS SLOW,
PROBABLY BECAUSE THEY WERE PRE-OCCUPIED WITH THE TAXI DRIVER STRIKE,
WHICH HAD BROUGHT TRAFFIC TO A STANDSTILL IN PART OF HONG KONG.
LAST, A SPOKESMAN FOR THE CHINESE FOREIGN MINISTRY SAID CHINA
MIGHT MOVE TO REGAIN SOVEREIGNTY OVER HONG KONG BEFORE THE DEADLINE
OF 1997 IF SPECIAL PROBLEMS OCCUR, SUCH AS SERIOUS DISTURBANCES
IN THE TERRITORY.

RC/MOD
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TO IMMEDIATE FCO
TELEGRAM NUMBER 100 OF 14 JANUARY
INFO IMMEDIATE PEKING, HONG KONG GOVERNMENT OFFICE LONDON,
HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS, UKMIS GENEVA

MS

H/L HKD
HO/FED
HO/News Dept
PS (L)
PS/Mr Luce
PS/Rus
Mr Donald

No 10 DS

Mr P Craddock

RC/MSD

H/KG, London

Re

BBC NEWS ITEM ON DISTURBANCES IN HONG KONG

1. MIFT CONTAINS A TRANSCRIPT OF A REPORT ON LAST NIGHT'S
DISTURBANCES CARRIED IN THE BBC WORLD SERVICE NEWS HEARD
HERE AT 0700 AND 0800 LOCAL TIME.

2. AS SEEN FROM HERE THE REFERENCE TO CHINESE PUBLIC STATEMENTS
THAT CHINA MIGHT RECONSIDER ITS TIMETABLE FOR THE RECOVERY OF
SOVEREIGNTY IN THE EVENT OF DISTURBANCES IN HONG KONG IS
UNNECESSARY AND UNHELPFUL. YOU MAY THINK IT WORTH SUGGESTING
TO THE BBC THAT IT BE OMITTED FROM FUTURE NEWS BROADCASTS.

3. RESIDENT CLERK PLEASE INFORM CLIFT, HKD AND DUTY OFFICER,
NEWS DEPARTMENT.

HADDON-CAVE

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FM HONG KONG 131535Z JAN 64 (collected version)

TO IMMEDIATE FOO

TELEGRAM NUMBER 99 OF 13 JANUARY

INFO IMMEDIATE HONGKONG, PEKING, HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS, UKMIS GENEVA

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HQ/News Dept
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PS/Int. Sec.
PS/Pres
Mr. Daniels
LRC
No 10 DS
Sir P. Cassel
R/L MOD
H.K.G.O. London

H.I.P.T. REFERS. THE FOLLOWING IS THE TEXT OF THE STATEMENT MADE BY THE ACTING GOVERNOR ON THE EVENING OF 13 JANUARY:

QUOTE I HAVE, OF COURSE, BEEN TAKING VERY CAREFUL NOTE OF THE UNFAVOURABLE REACTION OF TAXI OPERATORS AND INDEED OF THE DEGREE OF PUBLIC DISQUIET LINKED WITH THE PROPOSED INCREASE IN FIRST REGISTRATION TAX AND ANNUAL LICENCE FEES.

THE PROPOSALS WHICH WERE BEFORE THE LEGISLATIVE COUNCIL LAST WEDNESDAY RESULTED FROM A MAJOR STUDY OF THE TAXI TRADE WHICH FOLLOWED MUCH CONSULTATION WITH ALL CONCERNED OVER MANY MONTHS INCLUDING THE TAXI OPERATORS THEMSELVES.

NOW, WE ALL KNOW THAT IT IS MOST IMPORTANT THAT THE VIEWS OF ANY GROUP IN OUR COMMUNITY SHOULD BE MADE KNOWN TO THE GOVERNMENT AND TO THE PUBLIC AT LARGE WHEN MEASURES ARE ANNOUNCED WHICH DIRECTLY OR INDIRECTLY AFFECT THEM. THAT IS WHY THERE ARE CHANNELS WITHIN OUR OPEN SOCIETY WHICH ALLOW FOR THE FREE EXPRESSION OF VIEWS IN A MANNER WHICH DOES NOT DISRUPT THE NORMAL LIFE OF THE COMMUNITY. IT IS IMPORTANT THAT THESE CHANNELS ARE USED AND I AM GLAD THAT THEY HAVE BEEN DURING THE PAST 24 HOURS OR SO.

REPRESENTATIVES OF THE TAXI OPERATORS HAVE MET FOR MANY HOURS WITH UNOFFICIAL MEMBERS IN THE UMELCO OFFICE AND I HAVE SPOKEN TO THESE UNOFFICIAL MEMBERS MYSELF AT SOME LENGTH AND THE TAXI OPERATORS MADE REPRESENTATIONS TO UNOFFICIAL MEMBERS WHICH WILL BE GIVEN VERY CAREFUL CONSIDERATION BY THEM AND BY THE GOVERNMENT.

OPERATORS MADE REPRESENTATIONS TO UNOFFICIAL MEMBERS WHICH WILL BE GIVEN VERY CAREFUL CONSIDERATION BY THEM AND BY THE GOVERNMENT.

THE MEASURES THAT HAVE BEEN PUT FORWARD ARE PROPOSALS ONLY, AND THEY HAVE TO BE AGREED TO BY THE LEGISLATIVE COUNCIL BEFORE THEY CAN BECOME PART OF THE LAWS OF HONG KONG. THOSE PROPOSALS HAVE BEEN INTRODUCED INTO THE LEGISLATIVE COUNCIL LAST WEDNESDAY, AND DEBATE ON THEM WILL BEGIN THIS COMING WEDNESDAY, A WEEK EARLIER THAN PREVIOUSLY ENVISAGED, AT THE REQUEST OF UNOFFICIAL MEMBERS, IN VIEW OF THE PUBLIC INTEREST AND CONCERN WHICH HAS BEEN EXPRESSED, AND, I SHOULD STRESS, THAT UNOFFICIAL MEMBERS ARE AS CONCERNED AS I AM, AT THE REACTION OF TAXI OPERATORS, AT THE LEVEL OF PUBLIC DISQUIET, AND, I MIGHT ADD, AT THE INCONVENIENCE CURRENTLY BEING EXPERIENCED AS THE RESULT OF DISRUPTION TO NORMAL TRAFFIC FLOWS.

IT SURELY MUST BE CLEAR TO TAXI OPERATORS THAT THE PROPOSED INCREASES WILL BE EXAMINED VERY CAREFULLY INDEED BEFORE ANY FINAL DECISION IS REACHED IN THE LEGISLATIVE COUNCIL, AND I HOPE THAT, MEANWHILE, THEY WILL BE PATIENT AND GOOD CITIZENS AND RESUME THEIR SERVICES TO THE PUBLIC. NOTHING, I FEAR, CAN BE GAINED BY ANY OTHER COURSE UNQUOTE.

2. THE FOLLOWING IS THE TEXT OF THE STATEMENT ISSUED ON BEHALF OF THE UNELCO OFFICE SHORTLY AFTERWARDS:

QUOTE THE UNOFFICIAL MEMBERS OF THE UNELCO HAVE HAD A THOROUGH DISCUSSION AMONGST THEMSELVES AND WITH THE ADMINISTRATION AND HAVE REPRESENTED VIVIDLY AND STRONGLY THE FEELINGS AND THE GRIEVANCES OF THE REPRESENTATIVES OF THE TAXI TRADE. THE UNOFFICIALS ARE GENERALLY SYMPATHETIC WITH THE OPERATORS' COMPLAINTS AND WELCOME THE ADMINISTRATION'S PROMPT AGREEMENT TO THEIR REQUEST FOR AN EARLIER SITTING OF LEGISLATIVE COUNCIL WHEN THE PROS AND CONS OF THE PROPOSALS WILL BE FULLY AIRED AND DISCUSSED. IN THE MEANTIME, THE UNOFFICIALS WILL, IN THE NEXT FEW DAYS, STUDY AND DISCUSS IN MORE DETAIL THE VARIOUS POINTS OF CONTENTION.

APART FROM ASKING THE ADMINISTRATION TO ADVANCE THE DATE OF THE LEGISLATIVE COUNCIL SITTING, MEMBERS ARE TO PRESS FOR SUBSTANTIAL AMENDMENTS TO THE BILLS WITH A VIEW TO MAKING IT FAIR AND REASONABLE FOR TAXI OPERATORS. FAILING THIS, MEMBERS MAY REJECT THE BILLS ALTOGETHER.

WE BELIEVE WE WILL BE ABLE TO PRESENT SOME USEFUL SUGGESTIONS THAT WILL ALLEVIATE THE HARDSHIP OF TAXI OPERATORS. WE SINCERELY HOPE THAT REPRESENTATIVES OF THE TAXI TRADE WILL BE SUCCESSFUL IN APPEALING TO THEIR COLLEAGUES, IN THE GENERAL INTEREST OF THE COMMUNITY, TO RESUME NORMAL OPERATIONS UNQUOTE.

HADDON-CAVE

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FM FCO 131830Z JAN 84

TO IMMEDIATE OTTAWA (PERSONAL FOR HIGH COMMISSIONER)

TELEGRAM NUMBER 17 OF 13 JANUARY

INFO PRIORITY PEKING (PERSONAL FOR CHARGE)

AND PRIORITY HONG KONG

YOUR TELNO 21: FUTURE OF HONG KONG: BRIEFING THE CANDADIANS

1. THANK YOU. THIS IS HELPFUL.
2. WE AGREE YOUR PARA 6 AND ARE GRATEFUL FOR THE LINE TAKEN BY CONNOR (PARA 5).
3. GRATEFUL TO KNOW IN DUE COURSE IF HONG KONG RAISED DURING PREMIER ZHAO'S VISIT.

HOWE

A.S.C. 17/1
h.a.

FUTURE OF HONG KONG
LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
D/HD/PUSD (MR FLOWER)
RES.B. (MR WALKER)
LEGAL ADVISER (SIR IAN SINCLAIR)
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR J BULLARD

MR DONALD
MR WRIGHT
SIR C TICKELL

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MR BURROWS LEGAL ADVS
MR COLES NO 10 DOWNING ST ✓

MR MARTIN ASSESSMENT STAFF CABINET OFFICE
MR GOODALL CABINET OFFICE
MR BRENNAN CABINET OFFICE
PS/S OF S FOR DEFENCE D
PS/ATTORNEY GENERAL
SIR P CRADOCK RM WH MZ 21

FUTURE OF HONG KONG

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MR COLES, No. 10 DOWNING ST

Mr. Roberts, News D.

RESIDENT CLERK

GR 230

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TO IMMEDIATE FCO

TELEGRAM NUMBER 67 OF 13TH JAN84

INFO IMMEDIATE HONG KONG

MIPT. FUTURE OF HONG KONG: MEETING WITH LUO JIAHUAN.

1. LUO ALSO RAISED THE SUBJECT OF WORKING PAPERS. HE REPEATED WITH STRONG EMPHASIS THE CHINESE HOPE THAT WE WOULD SUBMIT THE REMAINING ONES AS SOON AS POSSIBLE. ALTHOUGH THERE WERE EARLIER PAPERS ON WHICH THEY WOULD BE COMMENTING AT THE EIGHTH ROUND HE THOUGHT WE WOULD BE SATISFIED WITH THEIR COMMENTS ON THESE; HE THEREFORE HOPED THERE MIGHT BE FURTHER PAPERS FOR THE CHINESE TO COMMENT ON BY THEN. PERHAPS WE COULD PASS SOME OVER IN THE COURSE OF THE NEXT WEEK. I SAID THAT THE BEST I THOUGHT WE COULD MANAGE, (AND THAT NOT CERTAINLY) WOULD BE ONE PAPER AT OR BEFORE THE NEXT ROUND. LUO LOOKED WORRIED AND SAID THIS WAS TOO SLOW. THE CHINESE WERE KEEN TO GET AN OVERALL UNDERSTANDING OF OUR VIEWS AS SOON AS POSSIBLE. THEY NEEDED ALL OUR PAPERS IN ORDER TO DO THIS.

2. I SAID WE UNDERSTOOD VERY WELL THE CHINESE WISH AND HAD NO DESIRE TO HOLD UP THE TALKS. THE TIME TAKEN IN PREPARING THE PAPERS WAS NOT DUE TO ANY RELUCTANCE ON OUR PART TO PUT OUR IDEAS FORWARD, BUT WAS A REFLECTION OF THE AMOUNT OF WORK IT WAS NECESSARY TO PUT INTO THE MORE IMPORTANT PAPERS. WE HAD TO DO OUR WORK CAREFULLY, BUT WITHIN THIS LIMITATION WERE DOING OUR BEST TO BE AS QUICK AS POSSIBLE. LUO SAID THE CHINESE SIDE HOPED THAT THE TALKS COULD BE SPEEDED UP AND SPOKE OF HAVING EVENTUALLY A ROUND EVERY TWO WEEKS. I SAID THAT CHINESE NEW YEAR WOULD PRESUMABLY SLOW THINGS DOWN A BIT; THEREAFTER THE TALKS MIGHT PERHAPS BE SPEEDED UP.

GALSWORTHY

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No 10 DS
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Sir P Coadoch
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PS/Mr Luce
PS/PUS
Mr Donald
LRE

OO UKMIS GENEVA

GR 500

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MS

FM HONG KONG 101530Z JAN 84 CORRECTED VERSION

TO IMMEDIATE FOO

TELEGRAM NUMBER 98 OF 13 JANUARY

INFO IMMEDIATE HONGKONG, PEKING, HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS, UKMIS GENEVA

OUR TELNO 96 OF 13 JANUARY: INCREASES IN REGISTRATION TAX AND LICENCE FEES FOR TAXIS.

THE FOLLOWING WAS THE POSITION AT 2200 HOURS TODAY.

2. AT A MEETING CHAIRED BY THE ACTING GOVERNOR WITH SENIOR OFFICIALS AT 1700 HOURS AND AFTERWARDS WITH SEVERAL UMELCO MEMBERS, IT WAS AGREED THAT THE RESUMPTION OF THE DEBATE ON THESE MEASURES SHOULD BE BROUGHT FORWARD ONE WEEK TO BE DISCUSSED IN A SPECIAL SESSION OF LEGISLATIVE COUNCIL ON 18 JANUARY.

3. EARLIER IN THE DAY THE SECRETARY FOR TRANSPORT AND UMELCO MEMBERS HAD DISCUSSED POSSIBLE AMENDMENTS TO THE BILLS AND UMELCO MEMBERS EXPRESSED A DESIRE TO PROPOSE SUCH IN THE RESUMED DEBATE. IT WAS AGREED THAT THE ACTING GOVERNOR SHOULD MAKE A PUBLIC ANNOUNCEMENT REGARDING THE BRINGING FORWARD OF THE DEBATE AND THAT IT WOULD BE MORE DESIRABLE FOR UMELCO TO ANNOUNCE SEPARATELY THEIR INTENTION TO PROPOSE AMENDMENTS TO BE BILL IN THAT DEBATE, MIFT CONTAINS THE FULL TEXT OF THE TWO ANNOUNCEMENTS.

4. IT WAS HOPED THAT THESE ANNOUNCEMENTS WOULD SOLICIT A POSITIVE RESPONSE FROM THE TAXI DRIVERS. BUT THE SITUATION ON THE GROUND HAS INFACT DETERIORATED AND AT 1915 HOURS A GROUP OF DRIVERS TOLD THE SECRETARY FOR DISTRICT ADMINISTRATION THAT THEY WERE NOT SATISFIED WITH THE ACTING GOVERNOR'S STATEMENT AND THE TAXIS BLOCKING TAIPO WOULD REMAIN IN PLACE AT LEAST UNTIL 13 JANUARY. THE SITUATION IS AS FOLLOWS:

THE SITUATION IS AS FOLLOWS:

HONG KONG ISLAND: TRAFFIC CONGESTION REMAINS SEVERE IN CENTRAL DISTRICT. BY 2000 HOURS BOTH EAST AND WEST BOUND CARRIAGEWAYS OF CONNAUGHT ROAD OUTSIDE THE FURAMA HOTEL WERE COMPLETELY BLOCKED BY TAXIS.

KOWLOON: AN ESTIMATED 2,000 TAXIS WERE COMPLETELY BLOCKING THE SOUTH BOUND CARRIAGEWAY OF NATHAN ROAD BY 1830 HOURS. IN THE FIRST INCIDENT SINCE THE PUBLIC ANNOUNCEMENTS IN MIFT A LARGE CROWD GATHERED IN NATHAN ROAD TO JOIN DRIVERS SHOUTING DISAPPROVAL. AT 2035 HOURS AN ANGRY CROWD OF 200 FOLLOWED POLICE TO YAUMATEI POLICE STATION AFTER THEY HAD ARRESTED A MAN ABOUT TO THROW SOMETHING AT A GROUP OF POLICEMEN. SINCE 2100 HOURS AN UNRULY CROWD OF ABOUT 1,000 HAS BEEN ROAMING NATHAN ROAD WITH ABOUT THE SAME NUMBER OF ONLOOKERS AND VARIOUS VEHICLES HAVE BEEN STONED. CRIMINAL ELEMENTS HAVE TAKEN THE OPPORTUNITY TO CARRY OUT THREE ROBBERIES IN THIS GENERAL AREA.

NEW TERRITORIES: THE TAIPO ROAD BETWEEN TAIPO AND SHATIN HAS NOW BEEN COMPLETELY BLOCKED BY TAXIS. ABOUT 400 TAXIS ARE PARKED OUTSIDE SHATIN RACECOURSE AND ABOUT 700 ARE BLOCKING THE KWONG FUK ROAD INSIDE TAIPO. IN VIEW OF THE GENERAL SITUATION THE JOCKEY CLUB HAS CANCELLED SHATIN RACES TOMORROW AND A PRESS RELEASE TO THIS EFFECT WAS ISSUED AT 2135 HOURS.

5. PLEASE PASS A COPY OF THIS TELEGRAM TO SIR E. YOUDE. UNLESS THERE IS A MARKED DETERIORATION OF THE SITUATION OUR NEXT SITREP WILL BE AT 0900 HOURS HONG KONG TIME TOMORROW.

HADDON-CAVE

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PRIME MINISTER

HONG KONG: VISIT BY UNOFFICIAL MEMBERS OF EXCO

There is a lot of paper here but you have seen most of it before.

The main new document is a suggested line to take with EXCO. We have a one hour preparatory meeting on Monday morning when you will be able to go through this with the Foreign Secretary and others.

I am still concerned about the point in paragraph 11 of the line to take which was discussed at OD(K). If we now undertake non attributable briefing designed to educate opinion to the fact that we have changed our objective, the conclusion will be drawn that we have abandoned all thought of British administration after 1997 (I do not believe that the subtleties about conditionality will get through to public opinion). We shall then face the possibility of a premature row in Parliament. My own feeling is that it is far too early to start briefing of this kind. ✓

There is then an FCO letter suggesting that, following your meeting with EXCO, a set of conclusions is drafted and agreed with them. The letter does not set out the arguments for this new departure. I understand that the Governor would find it helpful so that EXCO are in no doubt afterwards what has been agreed. The disadvantage is that we shall then be committed to a piece of paper - and it may leak. You may wish to consider this also at the preparatory meeting on Monday.

We shall have to agree a press release with EXCO. A draft is annexed to this minute.

A. J. C.

13 January, 1984

Annex

PROPOSED TEXT OF PRESS RELEASE TO BE ISSUED AFTER THE
PRIME MINISTER'S MEETING ON 16 JANUARY WITH THE
GOVERNOR OF HONG KONG AND EXCO UNOFFICIALS

"The Prime Minister met the Governor of Hong Kong and the Unofficial members of the Executive Council on 16 January. Sir Geoffrey Howe and Mr Luce were also present, as were Sir Richard Evans, who will shortly be taking up his appointment as HM Ambassador in Peking, and Sir Percy Cradock. The programme for the Governor and the Unofficials also includes separate calls on Sir Geoffrey Howe and Mr Luce.

This was the third visit by the Governor and the Unofficials since July 1983. Ministers reaffirmed HMG's continuing commitment to Hong Kong and to the search for a settlement acceptable to Parliament, to China and to the people of Hong Kong.

As on previous occasions there was a comprehensive review of developments in the talks. It produced a close identity of views on the matters involved.

Ministers reiterated the importance which they continue to attach to the advice of the Executive Council. The Governor and the Unofficials expressed their appreciation for this further opportunity to meet the Prime Minister and her colleagues, and for their continuing support and encouragement."

010

Mr Cates
10 DOWNING ST.

SECRET

19888 A.S.C. 25/11

RECORD OF A MEETING BETWEEN THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS, THE GOVERNOR OF HONG KONG AND EXCO UNOFFICIALS: 13 JANUARY 1984

Present

- | | |
|-----------------------------------|--|
| Right Hon Sir Geoffrey Howe QC MP | Sir Edward Youde GCMG MBE |
| Mr Richard Luce MP | Sir S Y Chung CBE |
| Sir A Acland KCMG KCVO | Mr O V Cheung CBE QC |
| Sir P Cradock GCMG | Mr R H Lobo CBE QC |
| Sir R Evans KCMG | Mr F W Li CBE |
| (HM Ambassador designate Peking) | Mr M G R Sandberg OBE |
| Mr A E Donald CMG | Mr T S Lo CBE |
| Mr R D Clift CMG | Miss Lydia Dunn CBE |
| Mr P F Ricketts | Mr Q W Lee CBE |
| Mr C O Hum | Mr S L Chen CBE |
| Mr W Morris | Miss Maria Tam |
| | Mr G A Higginson (Private Secretary to the Governor) |

1. Welcoming the Governor and the EXCO Unofficials, Sir Geoffrey Howe said he thought that some headway had been made in talks with the Chinese on the future of Hong Kong. The idea of conditionality had been maintained. The negotiators had got on to detailed discussion.

2. Sir S Y Chung said it was timely to review the situation and to consider strategy. He did not dispute that the three parties to the negotiations - the Chinese and British Governments and the people of Hong Kong - were in agreement over the common objective of stability and prosperity for Hong Kong. He should like to add to the objective the idea of freedom. The Chinese, too, seemed to attach importance to this for Hong Kong.

3. Sir S Y Chung said that for the last two years we had all believed that the best means of achieving freedom was the continuation of British administration in Hong Kong. It was now clear that it was not possible to achieve this, unless the British

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Government engaged in serious confrontation in a bid to see the Chinese bottom line. Failing that venture (which all agreed was not in Hong Kong's interest) the Unofficials now accepted that British administration was no longer a viable proposition. No other single means of achieving the common objective was effective. The alternative was probably to find a 'bundle' of means: like a bundle of sticks, they might not be effective individually but could be powerful in conjunction. This would be the second best approach. It would create a number of hurdles for the Chinese to cross if they sought to break their promises.

4. Sir S Y Chung said that paras 6-7 of the paper submitted to EXCO listed some possibilities. The Chinese means of achieving the objective was the 12 point Plan. This had recently been spelt out by the head of NCNA in Hong Kong. It was similar to the plan given to the British side, but one point had been added: it had been made clear that the plan was not a stopgap measure but had been approved by the State Council.

5. Sir S Y Chung said he had no dispute with the Chinese plan. On the surface it went far towards acceptance of the capitalist system. But we knew from experience that we should be uneasy. If the Chinese were not sincere, what recourse would we have? Normally a colony moved towards independence. But Hong Kong would not become independent, and it was Britain that was representing Hong Kong in the negotiations with China. After 1997, and in particular within the 50 year period to which the Chinese referred, Hong Kong would look to the British Government and ask what recourse it had against China. The Chinese assurances were therefore the foundation of a settlement and the Chinese 12 point plan was only a super-structure. Until we were certain of the foundation, there was no point in going into details.

6. Sir S Y Chung said the Chinese had recently indicated that they accepted the concern of the Hong Kong people. A Hong Kong professor had recently reported a proposal from Ji Pengfei that there might be a consultative council with one third of the members nominated by China and one third by Britain. This showed that the Chinese accepted the need for assurances implying a degree of British

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involvement. Wang Guangying (head of a mainland Chinese concern in Hong Kong) had recently suggested to a member of LEGCO that there might be a consultative commission, with half the members appointed by China and half by Britain: the head of NCNA could not confirm that this idea had Peking's backing, but had said it could be considered.

7. Sir S Y Chung concluded that it was time to discuss assurances with China. The possibilities should be considered with urgency. In addition to those in the EXCO paper, he had further ideas:

(i) a relationship between China and Hong Kong similar to that between Portugal and Macao. (Any change to the constitution of Macao had to be initiated by Macao for approval by the Portuguese Parliament);

(ii) some form of consultative commission;

(iii) 'a Chinese Commonwealth' as recently proposed by a professor of political science in Hong Kong.

If these ideas had any merit they should be put to the Chinese.

8. Sir S Y Chung said that although EXCO was not elected by the Hong Kong public, it reflected their views. He was confident that he knew what the Hong Kong public wanted, namely continued British administration. If HMG was to aim for something different, he was not sure what the views of the Hong Kong public would be. There could also be difficulties with the British Parliament. Perhaps a way should be found of informing the Hong Kong people of the new objective of the talks. One means might be an interim agreement with China on the basis of the 12 Point Plan and a joint announcement subject to later assurances. This might retain the confidence of the Hong Kong public and encourage them to discuss the future.

9. Mr T S Lo commented that even if the Chinese meant what they said today, there would always be pressures to change from within China. This was an additional reason why assurances were needed. Mr S L Chen said that a suitable body with joint British and Chinese membership

would ensure that there was a British link.

10. Sir Geoffrey Howe commented that it was difficult to determine the status of these recent contributions to the debate. Sir S Y Chung remarked that the authors of these remarks had been authoritative figures. Miss Dunn said that the suggestions had been vague and muddled. But the introduction of the concept that Britain might appoint representatives to a committee with joint responsibility was significant. Sir E Youde commented that the points had not been raised or even foreshadowed in the Peking negotiations.

11. Sir Geoffrey Howe recalled that initially HMG had tried to retain the concept of British administration. This would have been best. But it had become clear that it could not have been achieved, except perhaps at unacceptable risk. He agreed that one single adequate assurance was unlikely to be achieved. The objective should perhaps be to secure the highest possible degree of internal and external autonomy for Hong Kong as a means of securing in place the components of the 12 Point Plan. We should not discard any idea that might be acceptable to China and have a chance of working. He understood the reasons for suggesting (on the Macao analogy) that any change in the basic law should be initiated locally. But this could undermine the concept of a 50 year period of stability. The concept of a Chinese commonwealth was difficult to comprehend. As regards a consultative commission, what form would it take?

12. Sir S Y Chung said this was not clear. The significance was that China was receptive to the need for assurances and accepted a British presence. This was a real breakthrough. Sir Geoffrey Howe said we should guard against appearing to question Chinese good faith: this could erode the basis of confidence. There had already been discussion of a possible British presence in some aspects of Hong Kong's life. The notion of external involvement in legal matters was helpful and constituted a form of assurance. We should look at the widest possible range of such components.

13. Miss Tam said she appreciated Sir Geoffrey's reservations about a change of approach. While the British and Hong Kong people might believe that the present negotiations were without prejudice, and that

it was possible to go back to the conditionality of the Prime Minister's message, the Chinese might well feel that the British position was unconditional. If we continued to discuss Working Papers covering such difficult points as a Chinese garrison in Hong Kong, the Chinese might maintain their position, then build it into the 12 Point Plan. But if the Chinese were now ready to bring up the idea of a commission or a committee with the role of policing or enforcing an agreement (even if this was not done at the highest level) the idea should be followed up. It was the first suggestion that a British personality might have a operational role. Sir Geoffrey Howe commented that he understood the potential significance of the proposal. But it would be wrong to build up undue hopes.

14. Miss Dunn asked what was the most essential assurance. If the Chinese agreed to everything in the British Working Papers and incorporated it into the basic law - was this enough?

Sir Geoffrey Howe said that no absolute assurance could be given. In Britain, for example, the supremacy of Parliament diminished every assurance. Miss Dunn wondered how the absence of change for 50 years could be assured. Mr T S Lo commented that it would be wrong to appear to question Chinese sincerity. But questions about assurances could be based on the ideas of the Chinese themselves.

15. Mr Luce said no agreement anywhere could be water tight. But the strongest assurance would be a package with a 50 year guarantee. This could be buttressed by further assurances. No one assurance in isolation was particularly strong but they could be made into a bundle. Sir Geoffrey Howe said that an agreement, with Britain as one party, might not give us power to enforce but would give us standing. We could make representations, build Hong Kong's status into international organisations and involve other countries. The latter would have an interest too. This was like an investment protection agreement where both sides benefitted. T S Lo said the Chinese would welcome this sort of thing. Mr Sandberg did not think Ji Pengfei's Consultative Committee idea was particularly strange and that we should not pour cold water on it, Sir Geoffrey Howe agreed. Sir Percy Cradock said it was very important not to pin too much on one particular assurance, but a bundle could provide a fair degree of guarantee. These assurances should be injected like steel rods

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as the building went up all the way along. A bilateral agreement would be a strong assurance in itself. This would be different from the old Ching Treaties. The Chinese had a good record since 1949 on keeping their word. He agreed with Sir Geoffrey Howe that it was better to go for 50 years with no change than to propose how a possible change might be dealt with. Sir S Y Chung agreed.

16. Sir Percy Cradock thought there might be some misunderstanding over the International Commission idea. No such suggestion had been made in the talks. Ji's remarks dealt with a tripartite Consultative Council which was very different. An International Commission of a policing nature would be unacceptable to the Chinese. As he understood it, Ji's idea was for a local internal body playing a consultative role. He was not overly impressed with this so far. On the Chinese Commonwealth idea, the SAR proposal was the Chinese idea of a Commonwealth. There would be one SAR for Taiwan and one for Hong Kong. This was a long way from tightly controlled central government. The Chinese had already made considerable concessions. We should be establishing our new objective, now that the old one of continuing British administration was unattainable. The new one was: the highest possible degree of internal and external autonomy for the SAR. Q W Lee said the Chinese press spoke simply of a Council; this was different from a Consultative Council. Mr Donald described the sort of Council Ji Pengfei proposed as reported in the press. Sir E Youde thought the the word "Consultative" had crept into the press but had not originally been used by Ji. Miss Dunn said the Chinese were still searching in the dark for ideas. Sir S Y Chung said many people were talking about getting assurances in the next few months for a change that would not happen for another 13 years. During those 13 years more ideas might come up. It was therefore wrong to go into a detailed agreement too soon. An interim one would be sufficient leaving details to be filled in, along with assurances over the next 3 or 4 years.

17. Sir Geoffrey Howe underlined the importance of assurances if an agreement was to stick. He agreed that they should be built in gradually. We should not suddenly present our ideas on assurances to the Chinese. We were seeking a more final agreement than the

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Chinese seemed to want. Their present aim was a 'pre-final one'. He accepted Sir Percy Cradock's assessment that an International Commission would not be acceptable to the Chinese but where assurances were concerned the involvement of other countries' interests might be part of an agreement. We might find that through some of the assurances there were opportunities for extending our own interests and involvement in the SAR. Mr Cheung proposed one more objective: no change to the agreed arrangements unless absolutely necessary, as a principle.

18. Mr T S Lo said that as far as possible any joint announcement or agreement should reflect the views of the people of Hong Kong. Sir S Y Chung agreed. He thought many of the concessions the Chinese had made in recent months were reaction to the views of the people. Thus the longer talks dragged on the more we might get the Chinese to concede. Neither Sir Geoffrey Howe nor Miss Dunn were sure about this, although Miss Dunn agreed the Chinese were receptive to the views of the Hong Kong people. She wanted to know whether we thought the International Commission idea was worth simply putting to the Chinese. Sir Percy Cradock said not; it would annoy them and create a bad atmosphere. Sir S Y Chung suggested using informal channels. Sir E Youde said it should be possible to find out what Ji had actually said. We could simply ask the Chinese for fuller details. But proposing any sort of commission ourselves, international or tripartite, was another matter. Sir Geoffrey Howe thought we should keep an eye on all this. In any case something might emerge. He felt that if the Chinese did not accept British administration they would be unlikely to accept continued British surveillance through some form of commission. He thought it might be risky to sound out Ji Pengfei through unofficial channels. The Chinese would think any approach was an official one. Mr Sandberg expressed enthusiasm for pursuing Ji's Consultative Council idea, whatever it was. Miss Dunn agreed. We ought to discuss it with the Chinese and perhaps even touch on it in a Working Paper. Here was a chance to put more of our ideas to them. Sir Geoffrey Howe agreed that the ideas were worth exploring to gain a better idea of what the Chinese did or did not mean. But we should avoid a great leap before their own thoughts were clearer. Miss Dunn understood but thought that some form of council might appear in an eventual

agreement. Sir E Youde also thought Ji's remarks were worth exploring to see if we could build on them.

19. Sir Geoffrey Howe said that what had been discussed on "assurances" should be kept strictly to ourselves. He would welcome further views from EXCO for examination. Some might be included in a Working Paper in due course. On the timing of an agreement we could not be too precise. We were to some extent hemmed in by China's September 1984 deadline. But we would still have influence and talks would still carry on after this. We might aim at an interim agreement by September 1984, as a staging post. Mr Sandberg agreed. It could take the sting out of China's announcement. Sir Percy Cradock stressed how strongly the Chinese were committed to an announcement in September. There was not a lot of time before then, particularly if talks continued at monthly intervals. The most important papers were still to go in. When he left Peking the atmosphere was very good, with the Chinese being very receptive to ideas. The Chinese had virtually said that apart from sovereignty and administration everything else was negotiable and flexible. To take advantage of this atmosphere we should get the remaining Working Papers in quickly, before Chinese ideas became set. This gave us the best chance of getting some form of interim agreement in July, August or September.

20. Mr F W Li asked if the Chinese were anxious to tackle the second point on the agenda ie arrangements between now and 1997. Sir Percy Cradock thought they were and said we should not be too rigid about this. Mr Chen asked about conditionality. We were sure about it, but did the Chinese accept it or were we in a no return position? Sir Percy Cradock said the position had been made plain to them over and over again, with frequent reference to the Prime Minister's messages. He was not surprised the Chinese tried to represent what we had said as acceptance by us of their position. We would continue to stress the conditionality.

21. Mr Q W Lee said Britain and China controlled the destiny of 5 1/4 million people. Eventually acceptability would have to be judged by the people of Hong Kong. Assurances had to be built in by

1997. Sir Geoffrey Howe said that if negotiations went on indefinitely this fact alone would erode confidence. He thought it best to aim for the early establishment of a general framework, still coupled with conditionality which we would continue to stress to the Chinese. Sir S Y Chung said we adhered to confidentiality, while the Chinese continued to spread stories about their position and said we had given up sovereignty. He realised it was difficult for us to comment publicly but the Hong Kong people were gradually believing that Britain had conceded. Presentation was a problem.

22. Returning to September 1984 Mr Sandberg thought that since the Chinese had said so much already in public an announcement then would be an anti-climax. If we moved too hastily and reached a bad agreement by then this could be worse than a Chinese announcement that might contain little new. Sir Percy Cradock thought it wrong to under-estimate the adverse effect of a Chinese announcement. This would be a formal statement perhaps from the Foreign Minister or Prime Minister, carrying much more weight than a statement by Xu Jiatus. Sir E Youde thought the question was not so much one of content of the Chinese announcement, but of its authority and rigidity. It would make it appear that Britain was left out and that the Chinese would thereafter consult the Hong Kong people on the Basic Law. If an agreed announcement were made we would be seen to be still in the game. Sir Geoffrey Howe said time put pressure on us but we should not settle in haste for something unsatisfactory. He thought those present were generally agreed that a joint announcement of some kind should be the aim.

23. Sir Antony Acland suggested we might find out what the Chinese themselves intended to put into their announcement. What was its maximum extent? He agreed it was a reason for getting on quickly with our outstanding working papers. Mr Cheung and Mr Lo both thought that a joint statement might be made taking account of what had been agreed up to that point. Sir Geoffrey Howe agreed. There might be scope for further statements later at different stages eg when something had been settled about relations between the SAR and GATT. Mr Donald expressed concern about how to deal with conditionality in any interim agreements. If conditionality was too strongly stressed we might get an adverse reaction from the Chinese

on the question of sovereignty. Sir Geoffrey Howe agreed. Sir E Youde said we should decide on what was common ground in consultation with the Chinese. But we needed to get further down the line before doing so. Sir Percy Cradock thought we would get close to this position in July or August.

24. Sir Geoffrey Howe said another problem was presentation. Was it possible to lift the veil at all in Hong Kong? As well as the people of Hong Kong, Parliament's interest had to be borne in mind. We had not formed a clear view. Mr Cheung said the Chinese had said their announcement would contain general principles. They had also said they would draft the Basic Law. We should steer them off this. It should be produced as a result of consultation between the UK and China. Sir Geoffrey Howe could see the attraction of this. Sir Percy Cradock said this was a further argument for moving on quickly so we could add fine print to the Chinese 12 Points. Premier Zhao had said to him that what the two sides had agreed would go into the Basic Law, so we were on the way.

Constitutional Development

25. Sir Geoffrey Howe raised the question of constitutional development in Hong Kong between now and 1997. He detected a wish in Hong Kong for greater democracy and more representative structures. The Chinese seemed to be looking for development in this direction too, but their position was not clear. If the Governor and Chief Executive were not going to be appointed by London or Peking then there would have to be some alternative; universal suffrage might be going too far but should we move more down this road? Mr Cheung said we should. The Regional Council elections in 1985/6 were a starting point. He thought we had 10 years or so during which we could go further down the road.

26. Mr Lo, admitting he was probably in a minority of one, said the District Board system did not fit the bill. He was in favour of full universal suffrage, direct elections to LEGCO, collegiate elections from LEGCO to EXCO and some form of directly

lected Governor. Such a system should be introduced well before 1997. Miss Dunn thought this dangerous. The key thing was the calibre of the Governor. The community was not ready and candidates would be hesitant about coming forward. Any development should be controlled and allowed to evolve step by step. Mr Q W Lee was afraid that the Chinese would have much influence over the election of a Governor. Mr Sandberg said we should not accept the present position, where on the one hand China was calling for more democracy but at the same time was saying effective measures could not be initiated until 1997 become an SAR.

27. Sir S Y Chung said that those present could only really talk about the direction developments might take. The pattern and rate were up to the people of Hong Kong. They needed to be consulted. There was a need for Green Papers on the subject. Miss Tam said the Hong Kong Government had not been active in encouraging Hong Kong people towards democratic reform. This should change. LEGCO and EXCO could do much to encourage people to come forward to form political parties and to get more involved before 1997. Positive thinking was at present concentrated among a very small group. She felt some frustration at being unable to tell Hong Kong people what was best for Hong Kong. Sir Geoffrey Howe agreed that this should all be looked at very carefully, particularly the direction in which things might go.

Possible Representation of Unofficial Members On British Delegation to Talks

28. Sir S Y Chung said that this idea had been revived following the Governor's meeting in December with UMELCO members. LEGCO Unofficials had been concerned at hearing that British administration was not attainable. They were querying whether EXCO members were in fact getting full information from HMG, maintaining that there should be a Hong Kong resident on the negotiating team.

29. Sir Geoffrey Howe said that he understood the need to maintain confidence in Hong Kong. However he saw two difficulties. To propose a change in the team now would risk a bad reaction from the Chinese. Moreover the Chinese had earlier shown their opposition to

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Hong Kong representation. Sir S Y Chung interjected that the idea was not to have representation of Hong Kong but a Hong Kong resident as part of the British team. Sir Geoffrey Howe said that he believed the Chinese would object equally to that. Sir S Y Chung queried this. He said that even if the Chinese were to reject the idea again it was better to put it forward with the onus on them of turning it down.

30. Sir P Cradock said that he acknowledged the logic of the Unofficials' proposal. But the Chinese had consistently taken the line that the negotiations were bilateral between the UK and China. Moreover they maintained that they represented the Chinese people, including the "compatriots" in Hong Kong. Therefore we would be likely to get a very strong Chinese reaction to the proposal. Was it worth taking the risk? He questioned whether it was sensible either to try to take the line that we should be seen to try, even though we anticipated failure. If we did that we should be seen to have proposed the inclusion of Hong Kong Chinese and to have had our request refused. This would show HMG in an unacceptably weak light. Moreover the Chinese reaction could be so bad that the talks might be jeopardised.

31. Mr O V Cheong questioned whether the Chinese would object to Unofficials being made formal members of the British team. Sir P Cradock believed they would. He pointed out that the Chinese object even to our consulting EXCO about the talks. They took the line that we only represented British interests. Sir S Y Chung asked in that case who did speak for the Hong Kong people.

32. Sir Geoffrey Howe said he was not arguing the merits of the proposal. But the Chinese had shown their suspicion on this point. They had not even been happy with the inclusion of the Governor in the team though they now accepted this. We had thought about the proposal very carefully. In his view we should not challenge Sir P Cradock's advice. It would be a mistake to risk knocking the negotiations off course.

33. Mr Sandberg said that there was a risk that public opinion would see the British side as only negotiating for British

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interests. There was a strong argument for making the proposal in order to counter this. Mr T S Lo suggested that possibly the Chinese position had changed with the improvement in the atmosphere in the talks. Mr Q W Lee suggested that the idea might be floated informally with the Chinese. Mr S L Chen thought that we could suggest that the stage had been reached when the Hong Kong people should be given a say in the talks. Sir S Y Chung emphasised that they were not suggesting separate representation of Hong Kong.

34. Sir E Youde saw great risk in allowing the Chinese to appear to dictate the composition of the British team. It was either that or insisting on putting who we wanted in the team and causing a breakdown in the negotiations. He emphasised that he saw the logic and merit of the proposals but he was afraid that if we raised this question of principle and were seen to back down we could damage our own position.

35. Sir Geoffrey Howe pointed out that we would be making the proposal at a very late stage in the negotiations. Miss Dunn asked whether the Chinese would really risk stopping the talks over this. Sir E Youde thought that was a real possibility. The Chinese would be asked to accept that someone would speak in the talks on behalf of the Hong Kong Chinese community. (It would be impossible to disguise that that was happening).

36. Sir S Y Chung said that he would not insist but he wanted to make some points for the record. He had not realised that we had already made a proposal of this sort and been turned down. That in itself suggested that EXCO were not being told everything. An important consideration was that, now we were clearly negotiating not for British administration but for an autonomous local Government, the people of Hong Kong should be more clearly involved. How could EXCO recommend an agreement to the people of Hong Kong if HMG were accepted that they were negotiating only for British interests?

37. Sir P Cradock said we did not accept that. It was what the Chinese chose to think. But we had to consider the choice before us and the risk to the negotiations.

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38. Mr Luce pointed out that the concerns which the Unofficials had raised were the very reason why we had intensive consultations on the present lines. Sir Geoffrey Howe said he understood why Unofficials felt as they did. But there was a real risk of jeopardising the talks. He suggested that it would not be necessary to raise the point with the Prime Minister on Monday. Sir S Y Chung said that he would leave the matter there, with a warning that when the news broke, that there would be no British administration in Hong Kong people in the territory would inevitably ask whether there had been a Hong Kong man on the team. Sir Geoffrey Howe said that we should have to face that point when the time came.

HONG KONG DEPARTMENT

17 January 1984

DISTRIBUTION:

PS

PS/Mr Luce

PS/PUS

Sir P Cradock

Sir I Sinclair

Mr Donald

HKD

FED

Research Department

Mr J Coles (10 Downing Street)

Personal: Governor, Hong Kong

HM Ambassador, Peking

*Mr. & Mrs. T. Ling
No 5 Guildford Road, B1
The Peak, Hong Kong*

12th January, 1984

The Rt. Hon Margaret Thatcher, MP,
Prime Minister,
First Lord of the Treasury
and Minister for the Civil Service,
10 Downing Street,
London, SW1,
U.K.

(b1)

Dear Prime Minister,

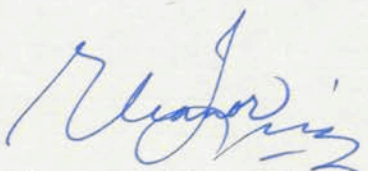
You probably will not have seen the recent articles in the South China Morning Post about David and Carolyn Newbigging, who leave Hong Kong this week, so I enclose copies.

David Newbigging is 50 this month and is in top mental and physical condition. His "little bit of experience" of Hong Kong and China in particular is unrivalled by any other non-Chinese in Hong Kong with the possible exception of Sir Edward Youde in the context of China. He knows more about China than many of the Chinese in Hong Kong - I dare say this being a Chinese myself and one who was born and educated in Hong Kong. David is well-known and highly regarded in China where, as I am sure you know, "old friends" are particularly important. I would even suggest that his 25 years of close involvement with China are unique amongst British businessmen and have made him a worthy successor in this respect to the late Sir John Keswick.

.../Cont'd. p.2

David Newbigging is as loyal to Britain as he is to Hong Kong and to Jardine, Matheson & Co. Ltd. I hope you will forgive me for recommending, therefore, that you make use of his experience, determination and cool head in the many complex issues which we all face in this part of the world. Dedicated and highly intelligent, he has a proven track record in public service, thus I, my family and many of my friends (one could loosely categorise us as the "young professionals") hope that he will continue to have an opportunity to make a worthwhile contribution to Hong Kong, our home. For we are only too aware that Sino-British relations impact greatly on our lives and community, particularly over the issue of our Future.

Yours sincerely,



Eleanor Ling (Mrs.)

CAROLYN Newbigging pulled the lanyard which fires the legendary Jardine's gun at East Point at the stroke of midnight. As the roar of the blank shell from the 2.1 ins gun echoed over the Harbour it not only signalled the beginning of 1984 but also the end of her husband's 30-year career with the Colony's most venerable hong.

For David Newbigging, it signalled the end of the longest chapter in his life.

"I've been a one-company man," the former taipan told me last week as he looked out of his temporary office on the 48th floor of Connaught Centre, the distinctive skyscraper in Central which was erected under Henry Keswick's direction as the very obvious symbol of Jardine Matheson and Co and its historic links with the Colony the early hong traders did so much to found.

"I joined the firm straight from the Army when I was 20 and I'll be 50 in January so Jardines has been my entire adult life."

That part of his life ended with the roar of the gun at midnight and David Newbigging prepared for the next chapter.

At 50, there's plenty of life left yet in the man who became a director of the main board of Jardines at the age of 32, a managing director in 1970 at 35 and chairman and senior managing director in 1975.

After three decades, loyalty to the company is deeply ingrained; he is reticent about discussing the behind-the-scenes boardroom struggles that resulted in his departure from Jardines "a bit earlier than I would have expected."

Nor will he talk about the policies and personnel changes implemented by his successor, Jardines' new taipan, Simon Keswick.

He may no longer be with the company for which he worked all his adult life; but he remains, at heart, a company man.

This attitude, he stressed, will follow him into his new, uncertain, career.

"I'm not yet sure what I am going to do," he says. "I have been offered a few directorships in Britain but I have not yet made any definite decisions."

"I would also like a couple of international arrows in my corporate quiver."

"I'm turning over a new business leaf and would like a small portfolio of interests, not so many as to be over-committed but a variety of directorships in firms for which I can do something constructive."

"One has to be realistic; just because you have been a reasonably large fish in the Hongkong pond does not necessarily mean that people are going to be queuing up wherever you go to snap you up."

"I've never worked in a senior position in Britain. I'm not part of the fabric there, so I will take it quietly at first and see what the future holds. Fortunately I'm in excellent health and am prepared to work hard."

"But Hongkong is not the sort of place where it is conducive for a former quote taipan unquote of Jardines to hang around. For a start, it would not be fair on one's successor."

In the three decades he worked for Jardines, David Newbigging says he has been through some good times and bad times.

Looking back, 1967 looms in his mind as a time when nobody knew what the outcome would be.

But 1983, he says wryly, with the focus continually on the issue of 1997, was even more dramatic than the outright confrontations of the disturbances.

The past 15 months seemed to have had an even greater impact on corporate affairs than the riots and bombings of the 1960s.

When he and his family leave Hongkong in a couple of weeks, David Newbigging will be travelling through America, the Far East, Middle East and other areas where he has served the company, saying goodbye to former colleagues.

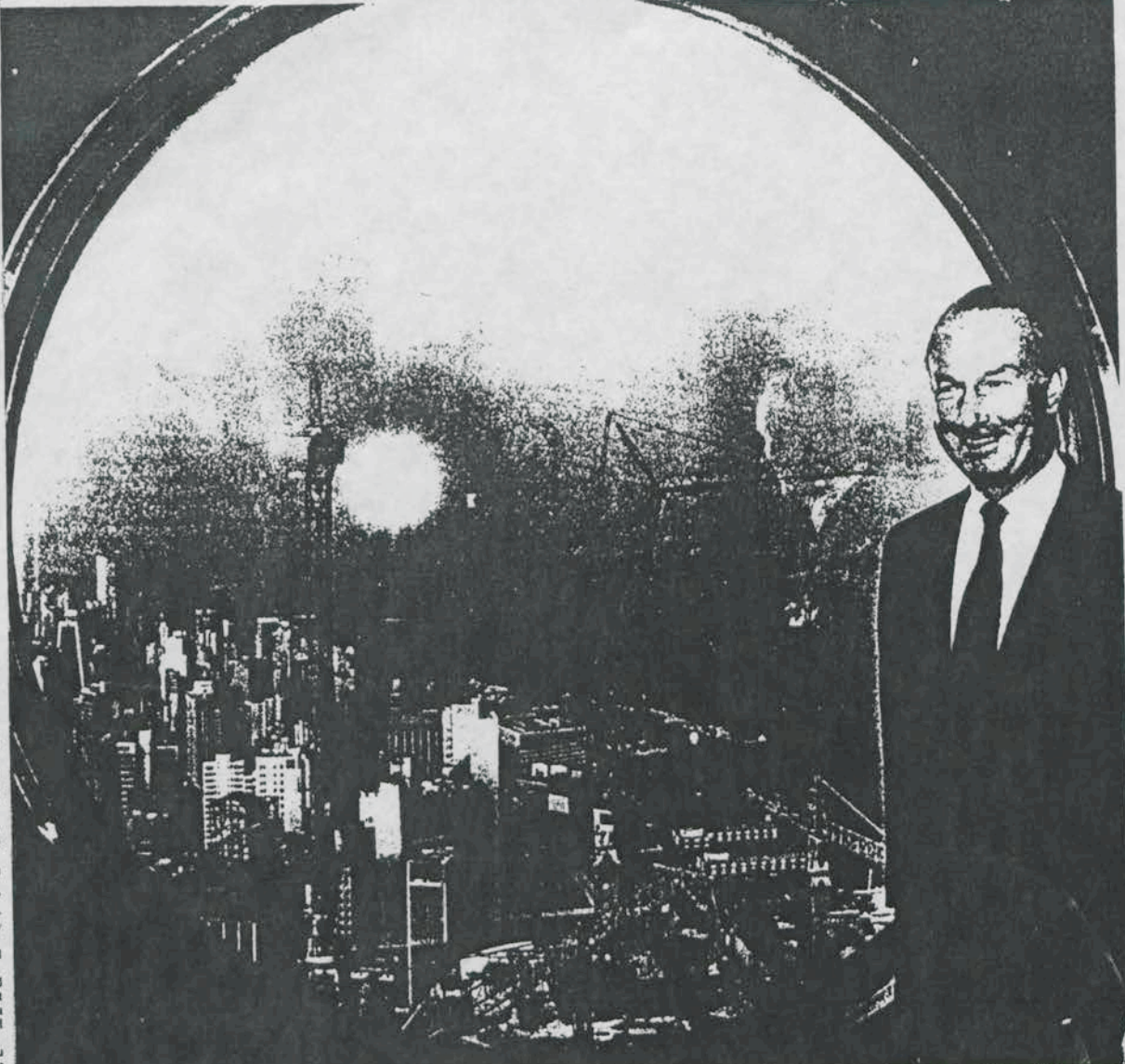
After a skiing holiday in Europe, he will be casting his eyes about in April to decide on his future.

The future, he says, looks promising, partly because of a trend in Britain to recruit generalist managers to the boards of British companies.

"I would hope that whatever little expertise I have managed to build up in this part of the world in the past 30 years might be of interest," he explains, adding the cautionary note that situations change so rapidly that one swiftly becomes out of date after leaving Hongkong.

But one thing is certain about his future, he says. He will not be poaching business from Jardines.

For example, if people in Britain ask me



From the 48th floor of the Connaught Centre, the building cranes behind David Newbigging are busy atop the rising structure of Exchange Square. The ambitious new building is a symbol of faith in the future of Hongkong, he says. And our future, no matter the constitutional arrangements, is a viable one.

Picture by C. Y. Yu

Going with a bang

30 years of service come to an end

CONVERSATIONS
with Kevin
Sinclair



advice about doing business with China, I'll direct them to Jardines because the firm has the best organisation in China trade," he says.

If that is so, much of the reason can be credited to David Newbigging. He first began going to China to do business at the age of 25 and has been a regular visitor ever since.

"When we wanted to set up three offices, in Peking, Shanghai and Canton, people scoffed and said it couldn't be done," he says. "That just made me more determined to do it."

He did it. David Newbigging may be reticent about his personal future, but about the future of Hongkong he is more definite.

"Hongkong has a future, a viable future, no matter what constitutional arrangements are worked out," he says with confidence.

This confidence is echoed by his decision to retain investments in Hongkong.

"I have put my money where my mouth is," he proclaims.

Although he will not go into details about the reasons he is leaving Hongkong, he says his departure from the House of Jardines has, ironically, much to do with his backing Hongkong.

Looking back to the way in which the company's balance sheet came under pressure, he speaks of the 1980 cross-share deal with Hongkong Land, aimed at keeping con-

rol of the real estate giant and of Jardines itself out of the hands of competitors.

In the context of that time, he maintains, it was the right thing to do.

But then came three simultaneous developments — "unanticipated by myself and probably everyone else in their timing" — which added together came up with a recipe for disaster.

The property market plummeted.

The question of Hongkong's future was brought implacably to the forefront of public attention in the aftermath of Mrs Thatcher's 1982 visit to Peking.

And the international recession added the final straw.

"I backed Hongkong," he says simply.

"I did not take Mrs Thatcher's trip to China to make Jardine Matheson start thinking of 1997," he says. "We had been planning for the eventuality for years. The date had always been known and prudent management had been making provision for it."

And as for the Hongkong Land deal which did so much to provoke Jardine's liquidity problems, he says: "The property outlook is dismal at present but if it comes back, then Hongkong Land will come roaring back with it."

"Hongkong Land tends to reflect the fortunes of Hongkong itself."

That future, he repeats, is a viable one.

"If it was not thought viable in 1980, one would have said to hell with it, let's get out of here, and sell up."

"As it was, we went through with the Hongkong Land deal which put the balance sheet under strain, but if we had not done so

people would have said Jardines was chicken livered and would have asked why we did not stand up and fight."

For the past several weeks, David Newbigging has been divesting himself of his many posts and positions both in the commercial world and the many other fields in which he has had a keen interest.

The midnight gun which signalled his official departure from Jardines also sounded the knell that saw him step down as an official of the Royal Hongkong Jockey Club.

So, too, will he depart from the many boards of public companies on which he has served.

David Newbigging feels strongly that being head of a major organisation like Jardines is a role that calls for the incumbent to fulfil a wide range of public services.

These he has done assiduously: the Tourist Association, TDC, Community Chest, Missions to Seamen, China Fleet Club, the Chinese University, the Universities and Polytechnic Grants Committee. ... these are but a handful of the voluntary roles he has filled.

As head of the most noted trading house in Hongkong, he has also served his stint as chairman of the Chamber of Commerce.

Wife Carolyn, too, has made her contribution; working for spastics, children's charities and other worthy causes. (The job of the wife of Jardine's taipan, says David Newbigging,

calls for dedication and toil well above and beyond the call of marital duty.)

One of the last roles he will surrender before his departure from the Colony is his seat on the Executive Council, a position he has valued greatly because of the contribution it allowed him to make to the Hongkong community in the widest sense.

That position he will give up only a few days before he is due to leave in the middle of this month.

Working in his Exco role, he says, has given him an insight into Hongkong far beyond the narrow commercial viewpoint. (It has also made him an admirer of the quiet, intellectual approach to his job of the Governor, Sir Edward Youde, a man he describes as one who gets on with the job rather than attempting to win popularity polls.)

The situation today, he maintains, is calmer and more stable — but still somewhat fragile.

"Hongkong, of course, has got its problems, like everywhere else, but I believe these problems will be overcome."

In his 30 years with Jardines, David Newbigging has seen many changes. One of the most significant, and most welcome, he believes, is the way in which there is more relaxed and easier relationship between all races in Hongkong.

This is also reflected inside Jardines, he says, where local executives are now climbing the managerial ladder to positions of greater seniority.

"Chinese executives used to tell each other not to join Jardines because there was no chance of advancement," he says. "That is no longer true."

A similar change has taken place in Hongkong society as a whole, he says, with a closer mingling of all the peoples who make up the community.

"One of Hongkong's strengths is the multi-cultural chemistry of our community in which people cross the barriers quite easily. This is very important."

"When I first came to Hongkong I remember being as frustrated as hell because one just couldn't get over the barriers and get to know people no matter how hard one tried."

"Now, the situation is different and it would be tragic if this multi-national recipe was destroyed."

If David Newbigging describes himself as a "one-company man" that can partly be blamed on destiny.

His father, the late D.L. Newbigging, was Jardine manager in Tientsin and young David was born in the bosom of the hong.

Evacuated from Hongkong in 1940, he was to spend most of the war years in Canada with his mother. His father, along with many other Jardine men, was to be interned behind the wire at Stanley. His health broken by imprisonment, he died not long after the war.

After being commissioned into the King's Own Scottish Borderers, David Newbigging considered the Army as a career, but opted instead to apply for a job with his father's old firm.

Accepted, he started in the shipping department in London and after three months training was sent to Hongkong.

His first job, he recalls whimsically, was as a "ship jumper," and his duties called on him to look after freighters bringing the trade of the world to Fragrant Harbour.

It gave him a fish's eye view of business, what was being bought and sold, imported, manufactured and re-exported through the port.

Last week, he looked down from the 48th floor to the harbour, choked once again with shipping loading cargoes that are boosting our export-led economic expansion.

Like many young Jardine Matheson executives, he was posted around the region and to London carrying out a number of different tasks.

But Hongkong was to be his base and his first love.

"I still love it," he said, simply, last week as he looked out of the window of the modest office he was occupying during his last days. It was on the other side of the building from the imposing taipan's suite he once called home.

He hopes his personal future holds out the opportunity of doing something for Hongkong.

"After 30 years, you just don't kiss the place goodbye forever," he says.

How can he be of use? What can he do to help put forward Hongkong's case to the world?

"God knows if I could contribute anything, but if I could I would be delighted," he exclaims.

"I've got a little bit of experience," he says with understatement. "Perhaps I could be of some use."

After heading the Noble House for more than eight years, having been a managing director for longer than anyone else since World War II and having played a centre stage role in many aspects of Hongkong public life, David Newbigging prepares to take his leave with a great deal of sadness.

But it is regret tinged with gratitude for the active, driving life he has led in Hongkong.

And it's a fair bet that David Newbigging — and his "little bit of experience" — may well be called on in future when Hongkong has need of a knowledgeable friend in London or elsewhere.

A very private person who loves the high life

IF IT hadn't been for a sudden attack of laryngitis, she would have missed out on one of the most fantastic adventures of her life, reflects Mrs Carolyn Newbigging.

There she was at the start of Chris Bonington's Everest ascent in 1981, stuck at base camp and feeling very sorry for herself.

Not for long. "Well," said Carolyn to herself, "if I can't go along with the rest, I'll explore."

Somehow, she managed to find a Tibetan driver and an interpreter and the unlikely trio set off.

"We went to this amazing ruin," she recalls, "opened a trapdoor and climbed down to a cave full of Buddhas and butter lamps."

"It was amazing down there."

"I felt like Aladdin! I took stacks of photos, but when I got back to Hongkong I couldn't find the roll of film anywhere."

"Then one day, I reached into the pocket of my thick mountaineering jacket and there it was — ruined."

"The jacket had been washed with the film still inside."

Carolyn Newbigging loves mountains and it's fitting that she's lived on the Peak for the past 15 years.

High places, away from the public eye, suit her.

As the wife of Jardine's Taisan, she could have wallowed in the spotlight, exploiting her unique social position to the hilt.

Instead, she chose the lowest of profiles; an intensely private young woman best known for her behind-the-scenes community work and steadfast refusal to grant interviews to the press.

The irony of it is that

Carolyn Newbigging knows all about the publicity machine.

In fact, that's what brought her to Hongkong in 1967 when the riots were at their height.

"It wasn't the most appropriate time to arrive, I suppose, but I'd been working as an account executive for S.H. Benson (a public relations firm) in London and when I heard there was an opening in Hongkong, I decided to come over."

AS the wife of the Taisan of Jardine Matheson, Mrs Carolyn Newbigging could have wallowed in the spotlight, exploiting her unique social position to the hilt.

Instead, as ZELDA CAWTHORNE found out in a rare and exclusive interview, she chose the lowest of profiles; an intensely private young woman best known for her behind-the-scenes community work and steadfast refusal to grant interviews.

"At the time, it seemed the right moment to make the break."

"I was happy in London, but the two girls I was sharing a flat with suddenly got jobs overseas and I thought 'Why not?'"

"Bobby Knight, the boss of Benson's in Hongkong then, met me at the airport and I'll never forget his first words: 'Hello,' he said: 'you'd better have a bath.'"

"I was mortified — it had been a long flight — until he explained it was bath day."

"There was severe water rationing, you see and the taps were only on for four hours every fourth day."

She was Carolyn Band then: a tall, brown-eyed girl with a curious background.

Her father's people had come from Cheshire, but with the outbreak of war, Geoffrey Band found himself serving in the Army in Northern Ire-

land and that's where his first-born, Carolyn Susan, arrived.

She was six when he decided to grow bananas on the island of Dominica in the West Indies.

It wasn't that bizarre; fruit was the family business. The five years she lived in Dominica with her parents and two brothers, Nick and Simon, still seem magical, says Carolyn.

The old plantation house where they lived; the joys of

running barefoot along beaches and riding horses into the sea; the spine-tingling mysteries of obeah.

"That's what the islanders called voodoo and there was a lot of it on Dominica."

"A young groom who worked for us was a victim. One day, he found he couldn't lift his cutlass to cut the grass and no matter how hard he tried, he just couldn't get his arm up."

"I remember we tried to help by sending him to a doctor, but it was hopeless."

"He'd had an obeah spell put on him and that was that."

"In the end, we had to let him go."

Even school was out of the ordinary in those days. Barbados had the only suitable one and a six-seater seaplane was used to get her there, recalls Carolyn.

"When we returned to England in 1953, I went to a boarding school in Shrop-

shire, but even that was a little different.

"About the only thing they excelled in was Greek dancing."

A career with Vogue magazine was Carolyn's dream, but though she was offered a chance, it came at the wrong time.

"I often wonder if my life would have turned out quite differently if I'd gone to Vogue, but I ended up looking after PR accounts like Chessington Zoo and a brand of corsets, then came to Hongkong."

And as it turned out, met a young Jardines executive called David Newbigging, soon after.

"I didn't know him at all when I arrived, though strangely enough, one of my flatmates had a friend who was sharing a place with his sister."

"I met David on a junk in the middle of Clearwater Bay. He had nice eyes, I thought."

They were married at St John's Cathedral in May 1968 — the bride was given away by the then chairman of Jardines, Mr M.A.R. Herries, and a reception followed in the Jardines penthouse — and settled into the house with the stunning view that was to be home for the next 15 years — Bangour in Mount Kellett Road.

Built in the early 1950s, it's a solid, comfortable bungalow, ideally suited for a young family.

Even stripped of most of its furnishings and its garden strewn with crates and boxes, as it was last week, you could sense it was a happy, unpretentious home.

No gold faucets in the bathrooms or other excesses of the super-rich; the mistress of the house preferred it that way.

She never even called it by its fancy name, confesses Carolyn.

"Bangour is a place in Scotland, but I never used the name; hideous, I always



Mrs Carolyn Newbigging and family.

thought."

Anonymous or not, the house has had its share of drama.

The Newbiggings had only been married a couple of months when a burglar broke in while they were asleep and relieved them of a collection of valuable paintings and artefacts as well as some of their wedding presents.

"I think my worst moment was the next day when I discovered the bracelet and watch David had given me when we were married were missing."

"That's when we realised the burglar must have been in our bedroom."

"It was the most awful feeling."

Another major trauma — far from the Peak this time — came in 1973 when David Newbigging was in transit at Athens Airport during a terrorist attack in which three people died and more than 50 were injured.

"I was in Cyprus at the time and was on tenterhooks after I heard the report on the radio."

"Everyone said it was highly unlikely David was at the airport when the bomb and grenades went off, but I worked out it was highly likely he was there."

"As it turned out, he had been and dived to the floor behind the reservations desk when the first explosion happened."

"I only relaxed when I got his cable the next day, saying he was safe."

"Later, I even managed to laugh when David told me that a chap who'd dived down to the ground with him said: 'Oh God, I was hijacked last week!'"

Carolyn Newbigging might easily have been at Athens that day.

Over the years, she's frequently accompanied her husband on business trips and their mutual love of mountains has allowed plenty of other opportunities to enjoy their travels together.

The birth of their third child, Susie, in 1977, started it all.

"I couldn't ski for a while after she was born, but then David organised a trek in Nepal with some friends, so we went on that instead."

"It was fantastic."

So much so, that the following year, the Newbiggings repeated the exercise on Annapurna and then in 1981 made it to the big time when they joined the trekking party for the historic ascent of Mount Kongur, led by Chris Bonington.

"I was the only woman in that trekking party — not too intimidating for the men, though they did clean their teeth and brush their hair in the morning, which they probably wouldn't have bothered to do otherwise."

"It was an amazing trip, not least because it was the first British expedition allowed in China since liberation."

Again, the following year, the Newbiggings were among the trekkers when Chris Bonington and his team attempted their ill-fated ascent of Everest.

"I'll never forget the morning we woke at base camp to howling winds and a temperature of 26 degrees below zero — that was when the laryngitis struck — or the two friends we made who died on that expedition."

"Joe Tasker and Peter Boardman were marvellous people."

There are many in Hongkong who will never forget Carolyn Newbigging either.

Though she's shunned personal publicity, few have worked so tirelessly for so many groups and organisations.

The Save the Children Fund, the Arts Festival, the Hongkong Academy of Ballet, the Hongkong Phil. St James Settlement, the Community Chest — the list goes on and on to all she's given support and enormous amounts of time and energy.

Closest to her heart, perhaps, is the Hongkong Spastics Association, whose centre for disabled children at Wong Tai Sin was her special "baby."

Typically, Carolyn Newbigging refuses to take credit.

"My title was just supervisor. The real power at the centre is an incredible lady called Helen Chen."

"She performs miracles."

At Bangour last week, Carolyn Newbigging somehow managed to preserve order among the chaos — no mean feat with children Annabelle (12), Alexander (11) and Susie (6) all home from school, two dogs still awaiting new homes and packers milling around everywhere.

Luckily, nanny Sandra Lumsdon ("I couldn't cope without her") was there to help.

"I'll miss all the young faces most I think," said Carolyn Newbigging.

"You don't realise what a youthful population Hongkong has until you go to England."

One memento will ensure she doesn't forget: a beautifully-bound scrap book made by the children and staff of the Wong Tai Sin centre.

Carolyn Newbigging packed that one herself.

South China Morning Post
Wednesday, January 11, 1984



New Year's Eve after Mrs Carolyn Newbigging had fired Jardine's gun in Causeway Bay at midnight.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

12 January 1984

John [unclear]

Future of Hong Kong: Visit by Governor and Unofficials to
London

/ I attach a copy of Hong Kong telno 70 in which it is proposed that a press release be issued after the Governor of Hong Kong and the Unofficial members of the Executive Council meet the Prime Minister on 16 January. Such a press release has been issued by No 10 on similar occasions in the past and we believe it would be helpful to Hong Kong if there could be one on this occasion too.

/ The text proposed by Hong Kong seems too long to us. We have made a few changes which do not alter significantly its content. A revision is attached. I should be grateful if you could let us know when the text and the timing of its release is agreed so that we can warn Hong Kong in advance.

Sir Geoffrey Howe has not seen this text. I shall be showing him a copy tomorrow.

[Handwritten signature]
(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL



MR 13

Sub Comd for
Thank you

10 DOWNING STREET

Sir Percy Cundell. U. C. H.

The attached is the letter from Mr. Henning which arose in connection with the Prime Minister's visit.

I have brought his remarks about Guam and Macao to the attention of the F.C.O.

A.F.C. $\frac{12}{1}$.

GR

CONFIDENTIAL

WHT 127

CONFIDENTIAL

FUTURE EGRET

FM HONG KONG 110340Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 70 OF 11 JANUARY

INFO IMMEDIATE UKMIS NEW YORK (FOR SIR E. YOUDE)

INFO ROUTINE PEKING

PERSONAL FOR CLIFT, HKD

FUTURE EGRET: VISIT BY GOVERNOR AND UNOFFICIALS TO LONDON.

1. AS ON PAST OCCASIONS, IT WOULD BE HELPFUL HERE IF A PRESS RELEASE COULD BE ISSUED AFTER THE MEETING WITH THE PRIME MINISTER ON 16 JANUARY. YOU MAY WISH TO CONSIDER RECOMMENDING SOMETHING ON THE FOLLOWING LINES:

"THE PRIME MINISTER MET THE GOVERNOR OF HONG KONG AND THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL ON 16 JANUARY. THEY HAD PREVIOUSLY CALLED ON THE FOREIGN AND COMMONWEALTH SECRETARY AND THE MINISTER RESPONSIBLE FOR HONG KONG IN THE FOREIGN AND COMMONWEALTH OFFICE, MR RICHARD LUCE. SIR RICHARD EVANS WHO WILL SHORTLY BE TAKING UP HIS APPOINTMENT AS H.M. AMBASSADOR IN PEKING, AND SIR PERCY CRADOCK ALSO ATTENDED THE MEETING.

THIS WAS THE THIRD VISIT BY THE GOVERNOR AND THE UNOFFICIALS SINCE THE SECOND PHASE OF THE TALKS BEGAN IN JULY 1983. MINISTERS REAFFIRMED HMG'S CONTINUING COMMITMENT TO HONG KONG AND TO THE SEARCH FOR A SETTLEMENT ACCEPTABLE TO PARLIAMENT, TO CHINA AND TO THE PEOPLE OF HONG KONG.

AS ON PREVIOUS OCCASIONS THERE WAS A COMPREHENSIVE REVIEW OF DEVELOPMENTS IN THE TALKS. IT PRODUCED A CLOSE IDENTITY OF VIEWS ON THE ISSUES INVOLVED, IN PARTICULAR ON THE ELEMENTS REQUIRED TO PRESERVE HONG KONG'S STABILITY AND PROSPERITY INTO THE NEXT CENTURY.

MINISTERS REITERATED THE IMPORTANCE WHICH THEY ATTACHED TO THE ADVICE OF THE EXECUTIVE COUNCIL, WHICH THEY WOULD CONTINUE TO SEEK THROUGHOUT THE COURSE OF THE TALKS. THE GOVERNOR AND THE UNOFFICIALS EXPRESSED THEIR APPRECIATION FOR THIS FURTHER OPPORTUNITY TO MEET THE PRIME MINISTER AND HER COLLEAGUES, AND FOR THEIR CONTINUING SUPPORT AND ENCOURAGEMENT."

HADDON-CAVE
LIMITED
HDI HKD
MR GIFFARD
MR DONALD

CONFIDENTIAL

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10 DOWNING STREET

From the Private Secretary

11 January, 1984

Dear Roger,

Hong Kong

Thank you for your letter of 9 January.

As regards the comparison made by the Tongan representative at CHOGM between past Chinese promises over Shanghai and present promises over Hong Kong, I believe that the Prime Minister was looking for a rather more detailed analysis. Could you possibly let me have by Monday, 16 January a fuller account of the statement/undertakings made by the Chinese Government in respect of Shanghai, comparing these where appropriate with the current Chinese proposals in respect of Hong Kong.

*Yours ever
John Major*

R. B. Bone, Esq.,
Foreign and Commonwealth Office



10 DOWNING STREET

Prime Minister.

Hong Kong.

Mr. Tebbitt cannot attend
OD (K) on Wednesday: he will
be in India.

Do you wish Mr. Channon
to come instead?

Yes A. & C. $\frac{9}{1}$

I have told the Cabinet
Office that he may.

A. & C. $\frac{10}{1}$

AJC

Parl.



Yes - but
pl. reqd. through
the Cabinet

10 DOWNING STREET

Office.

OD(K)

Sodere A.J.C. (10)
will
10/11.

Sorry to come back on this
again.

Sir Antony Acland has
asked if he can attend
and has suggested to
Lindsay that consideration
should be given to inviting
Sir Percy Craddock and
Sir Richard Evans.

Agree that all 3 can
attend?

Mal
10/11/84.



18

SECRET

B.06934

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong:
Constitutional and Governmental Development

BACKGROUND

At the last meeting of the Sub-Committee, it was suggested that there was no prospect of reaching an agreement with the Chinese over the future of Hong Kong which could be commended to Parliament. There were still some 13 years before the expiry of the lease on the New Territories, and in the meantime steps could be taken to give Hong Kong a greater measure of self-government. The Chinese Government would then be faced with the need to negotiate with a locally-elected Government in Hong Kong which would in principle be able to continue to administer the Special Administrative Region (SAR) after 1997. Summing up the discussion, you said that urgent consideration should be given to the possibilities for giving the people of Hong Kong a greater measure of internal self-government.

flag A

2. The Foreign and Commonwealth Secretary's minute to you of 9 January reports on the work that has been done to date, and attaches a paper which the Governor of Hong Kong discussed with EXCO on 5 January. This paper identifies two possible approaches to the introduction of increased self-government: a progressive approach building on existing institutions such as the Legislative Council, and a more radical approach involving a direct move to a fully elective system based on adult suffrage, and including direct election of the Governor. Members of EXCO unanimously believed that the progressive approach was to be preferred. They also agreed that, while



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the process should not be rushed, it would be important to have a self-sustaining system in place by 1997. The Foreign and Commonwealth Secretary endorses this approach, and suggests that colleagues should agree quickly on the main principles involved as a basis on which a working paper could be produced for discussion with the Chinese. The Foreign and Commonwealth Secretary comments that it will be important to carry the Chinese with us in the development of the constitution of Hong Kong, but that we shall need in discussion to be careful not to imply that they have any veto over our actions.

3. The Foreign and Commonwealth Secretary, who is in the Middle East, the Chancellor of the Exchequer, who is chairing an NEDC meeting, and the Secretary of State for Trade and Industry, who is in India, will be unable to attend. The Minister of State, Foreign and Commonwealth Office (Mr Luce), the Economic Secretary to the Treasury, the Minister of State, Department of Trade and Industry (Mr Channon), Sir Antony Acland, Sir Percy Cradock and Sir Richard Evans, Foreign and Commonwealth Office have been invited to be present.

HANDLING

4. You should invite the Minister of State, Foreign and Commonwealth Office (Mr Luce) to introduce the subject. The main point to establish in subsequent discussion is whether the Sub-Committee agrees that some form of representative government is appropriate for Hong Kong, and that the approach to it should be gradualist.

CONCLUSION

5. Subject to the points made in discussion, you could guide the Sub-Committee to ^{endorse} the approach advocated by the Foreign and Commonwealth Secretary, to invite him to consider further the detailed steps which might be taken to introduce progressively greater self-government in Hong Kong, and to report.

David Goodall

10 January 1984

2
SECRET

A D S GOODALL

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17

B.06935

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Hong Kong: Review of the way ahead
in negotiation with the Chinese Government

BACKGROUND

The Sub-Committee last considered progress in the negotiations with the Chinese at their meeting on 13 December 1983. The Foreign and Commonwealth Secretary was invited to prepare:

(i) a paper reviewing the current position and the way ahead in the negotiations with the Chinese Government;

(ii) a paper addressing the same issues to be shown to the Unofficials and used as a basis for discussion with them; and

(iii) a paper on the possibilities for increasing the scope of internal self-government in Hong Kong and ways of putting over the Government's case to the people of Hong Kong.

2. The Foreign and Commonwealth Secretary's minute, PM/84/7, of 9 January covers the first two of these papers. His minute, PM/84/9, of the same date covers the third paper, and is the subject of a separate brief. The paper for the Unofficials was discussed with them by the Governor on 5 January and their reactions are described in the Foreign and Commonwealth Secretary's covering minute.

3. The Foreign and Commonwealth Secretary suggests that the meeting might concentrate on the following main topics:

(a) the line to be taken in discussing the negotiating strategy with EXCO members, who now seem ready to

flag B
flag A

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acknowledge that it is no longer realistic to aim for continued British administration after 1997, but who believe we must seek to pin down the Chinese on the nature of the assurances they might give as to their respect for Hong Kong's autonomy after 1997. They have in mind either the Chinese being prepared to agree to a self-denying ordinance on any interference with Hong Kong's autonomy during the 50 years from 1997 or to the establishment of some body such as an international commission which would have to approve proposals for changes to Hong Kong's "basic law". The Foreign and Commonwealth Secretary believes the latter is a non-starter, but that we should in negotiation eventually aim to get the Chinese to make firm statements as to their future respect for Hong Kong's autonomy. But he considers that this should not be done now: the present pace and tactics in negotiation should be maintained for the next two or three rounds. (The latest reports suggest, however, that although the Unofficials may be open to persuasion on timing, they are likely to press for a clear indication of the sort of assurances which HMG will seek from the Chinese when the right moment comes.)

(b) the tactics to be adopted with the Chinese. As already noted, the Foreign and Commonwealth Secretary believes the present process of building on the working papers should continue despite the reservations of some members of EXCO. At the same time, we have to keep an eye on the Chinese insistence that they will make public their detailed plans for Hong Kong in September 1984. He suggests that we might in March or April present the Chinese with a possible text of an agreed statement to be made by both sides in September. The aim would be to enshrine Chinese assurances about Hong Kong's autonomy in such a statement in as binding



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terms as proved negotiable; but it is not clear at what point the Foreign and Commonwealth Secretary thinks that these assurances should be negotiated.

(c) The Government's public position. An authoritative Ministerial statement at this stage would be difficult to formulate without giving the impression either that we had already conceded too much to the Chinese or that we were still seeking continued British administration. The former impression could be damaging to confidence in Hong Kong and the latter would be confrontational vis-à-vis the Chinese. The Foreign and Commonwealth Secretary therefore believes that it will be better to allow developments in the British position to emerge gradually by means of judicious briefing, rather than by making any formal statements at this point.

(d) Acceptability of an Agreement. This is covered in paragraphs 20-24 of the first paper (marked A). The Foreign and Commonwealth Secretary agrees with the Governor that the arguments against holding a referendum to test the acceptability of any agreement are convincing. Other means will have to be found, perhaps involving a wide range of associations, councils and district boards.

4. The Foreign and Commonwealth Secretary, who is in the Middle East, the Chancellor of the Exchequer, who is chairing an NEDC meeting, and the Secretary of State for Trade and Industry, who is in India, will be unable to attend. The Economic Secretary to the Treasury, the Minister of State, Department of Trade and Industry (Mr Channon), Sir Antony Acland, Sir Percy Cradock and Sir Richard Evans, Foreign and Commonwealth Office have been invited to be present.

HANDLING

5. You should invite the Minister of State, Foreign and Commonwealth Office (Mr Luce) to introduce the paper. Points


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to establish in subsequent discussion are whether the Sub-Committee are broadly content with the approach suggested to the forthcoming discussions with EXCO and the tactics to be adopted in the next round of discussions with the Chinese. In particular:

(a) is it agreed that it would be counter-productive to try to seek firmer assurances at this stage from the Chinese about the future autonomy of Hong Kong, despite EXCO's feelings? What assurances (e.g. as to Chinese respect for any agreement reached, the enforceability of the agreement and the British Government's role in relation to Hong Kong after 1997) should we eventually seek from the Chinese? What will be the right moment for this? Is the suggestion that a draft joint statement should be put to the Chinese in March or April agreed? Is the Sub-Committee content for the negotiations to proceed at least for the next round or two on the basis of our presenting further working papers for discussion?

(b) Is it agreed that the Government's public position should be allowed to develop gradually? Is there any requirement for a Ministerial statement at this stage?

(c) Is it agreed that other forms of local consultation are to be preferred to a referendum as a means of testing the public acceptability of any eventual agreement?

CONCLUSION

6. Subject to the points made in discussion you could guide the Sub-Committee to:

(i) endorse the strategy and tactics recommended by the Foreign and Commonwealth Secretary in his minute of 9 January.

(ii) invite the Foreign and Commonwealth Secretary to prepare, in the light of the discussion, a speaking



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note covering the points to be made to the Unofficials on 16 January.

(iii) invite the Foreign and Commonwealth Secretary to report further after completion of the next round of talks with the Chinese on 25 and 26 January.

David Goodall

A D S GOODALL

10 January 1984

5
SECRET



SECRET

17

PM/84/7

ms

PRIME MINISTER

HONG KONG: MEETING OF OD(K), 11 JANUARY 1984

1. I have now circulated to you and OD colleagues a revised version of the paper enclosed with my minute of 23 December. The meeting of OD(K) on 11 January (which Richard Luce will attend in my absence abroad) will provide an opportunity to take stock before the Governor of Hong Kong visits London with the Unofficial members of his Executive Council. They will be seeing you on the morning of 16 January.

2. At the OD(K) meeting you may wish to cover the following ground:
- (a) the line we should take in discussing our strategy with EXCO Unofficials;
 - (b) the tactics for the negotiations during the next few months;
 - (c) the public position of HMG on the future of Hong Kong;
 - (d) testing of acceptability of an eventual agreement to the people of Hong Kong;
 - (e) the development of Government structures in Hong Kong up to 1997.

Recent Developments

3. In Peking, Sir Percy Cradock's calls on Chinese leaders before his departure in December were reasonably encouraging, although Chinese views on a number of important points remain open. There was no indication of any shift on the essentials of the Chinese position but a general welcome on the Chinese side for the start of a constructive dialogue and some hint of flexibility on issues which are causing us concern. On a fundamental point, the question of stationing of Chinese troops in Hong Kong, no undertakings were given but there was a readiness to listen to our point of view and we may be able to make some progress in arguing how badly such a move would hit confidence.

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4. We have circulated separately an assessment of the change of Chinese negotiator.

Governor's Discussion with EXCO

5. Sir E Youde discussed with EXCO on 5 January the paper for the Council attached to my minute of 23 December. Their reaction was interesting. There was clear readiness, even by Sir S Y Chung, to acknowledge that it was no longer realistic to aim for continuing British administration after 1997. But Sir S Y and others argued that, before going much further with the present tactic of detailed discussion with the Chinese, or at least in parallel with it, we should seek to pin the Chinese down on the nature of assurances which might tie them to respect Hong Kong's autonomy after 1997. The Governor believes that when they visit London, many Unofficial members will argue that we need more than a simple Chinese statement that they will refrain from interference for 50 years after 1997.

Strategy for Negotiations

6. Sir S Y Chung and his supporters want us to press the Chinese now to agree either to a self-denying ordinance which would in effect give a future Hong Kong SAR a veto on changes in the territory during the 50 years after 1997; or to some other arrangement involving for instance an international advisory commission, including representatives of the UK, which would have to approve proposals for changes to Hong Kong's "basic law". The Unofficials are right that we shall, at the proper time, need to press the Chinese hard for the most convincing assurances possible. I do not myself believe that the idea of an international commission is a starter, given the Chinese clear objection to outside involvement in Hong Kong. They are likely also to be cagey about agreeing to an absolute ban on their initiating changes for Hong Kong; they might see this as conflicting with their sovereignty. Nevertheless they have already made public statements saying that there will be no change for 50 years after the new arrangements come into effect. We shall need to consider whether this can be improved on in negotiation.

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7. The key point is timing. I do not believe that we should make this shift of gear at this stage. There is strong logic in pursuing our present course in order to establish that the content of an eventual agreement is likely to be acceptable. We have now got the Chinese to agree to this. Some progress has already been made and we have clearly got the Chinese leadership thinking at last on some key points. If we were now to interrupt that process with demands that the Chinese should tie themselves to respect an unspecified agreement, they would, I am sure, react very badly. I therefore believe that we must continue the present process as energetically as possible, for at least another two or three rounds.

Tactics

8. EXCO however have a good point. We may well lose out if we allow detailed discussion to go on too long without at the right moment taking the initiative to sum up the points of agreement, and to pin the Chinese down to acceptance of them in terms as binding as possible. We have to take account of their intention to announce at any rate the outline of their ideas formally in September 1984. We must not allow ourselves to be stampeded by such a "deadline" but I believe that if we handle things carefully we can take advantage of it and of the declared Chinese desire for a joint rather than a unilateral statement at that time. We need therefore to have ready the text of an agreement. Work is in hand on this within the FCO and I shall of course be consulting you and our colleagues on it. We may well need to present a draft as early as March or April, having discussed it with EXCO beforehand.

9. We should also keep up the momentum in the presentation and discussion of our working papers, including those on key issues. Some EXCO members do not accept this. I myself do not think we should be rushed. The subjects we are about to cover, including Defence and Internal Security, Nationality and Citizenship, the Civil Service and, above all, central Government structures require very careful study on our part. But both Sir P Cradock and Sir E Youde believe that in order to have a fruitful discussion with the Chinese, we must cover all the elements of a package as soon as is reasonably possible. I agree with that.



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HMG's Public Position

10. Decisions on this must to some extent await agreement on strategy. However EXCO members themselves accept that there are dangers in continuing to give the impression that we are seeking continuing British administration. Our public line must be geared to give a fair wind to an eventual settlement, without prejudicing our stand of conditionality. Given that we shall still be negotiating, I believe that this can probably best be done by judicious briefing of the press and members of Parliament rather than by Ministerial statements, although we shall of course have to consider the form of these very carefully.

Acceptability of Agreement

11. This important subject is covered in the Policy Review paper (paragraphs 20-24). The arguments against a referendum, which reflect the Governor's views, are convincing. We shall have to devise a system which will be credible both in Hong Kong and here. This will be very difficult. My preliminary view is that this will have to be based on the methods of consultation already existing in Hong Kong.

Government Structures and Development of Autonomy up to 1997

12. I have minuted separately on this.

13. I am copying this minute to other members of OD(K), to Sir Robert Armstrong, Sir Percy Cradock and Sir Richard Evans,

(GEOFFREY HOWE)

Foreign and Commonwealth Office
9 January 1984

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FUTURE OF HONG KONG: POLICY REVIEW

Development of Negotiations

1. The Chinese position has not altered in essentials since the Prime Minister's visit to Peking in September 1982. They stated then that they intended to recover sovereignty and control by 1997 and to establish Hong Kong as a Special Administrative Region of the PRC within the Chinese constitution. Even at that stage it seemed possible that they would not agree to any authoritative role for Britain continuing after 1997. But this was by no means clear and, given Hong Kong's concern to maintain the status quo, (strongly endorsed by the Executive Council) our negotiating objective over the next few months was to establish whether a sovereignty/administration deal could be struck. The Chinese continued to insist that their premise on sovereignty must be accepted before substantive talks could begin. While we were not prepared to concede acceptance of this premise, in order to make possible the holding of substantive talks the Prime Minister gave to the Chinese Premier a conditional assurance that, if an arrangement acceptable to the two Governments and to the people of Hong Kong could be agreed, she would be prepared to recommend a transfer of sovereignty to Parliament.

2. The first few rounds of substantive discussion in the summer showed that the Chinese would not agree to continuing British administration. They maintained that the essential purpose of the negotiation was to agree on smooth arrangements for a transition to Chinese sovereignty including the right of administration with protection for undefined British "interests". In October 1983 Ministers agreed with EXCO against this background that we should examine whether a satisfactory arrangement could be built on the basis of the Chinese proposals, still with the condition that if the final package was not acceptable HMG would not be prepared to recommend it to Parliament.

3. This move produced progress towards detailed discussion but only after we had refined our position to spell out that, still under the same conditions, we did not intend for the purpose of the negotiations to make any proposals involving an authoritative link between Hong Kong and the UK after 1997.

4. On that basis, genuinely detailed discussion began at the seventh round in December and the Chinese offered comments on three of the working papers which we had already submitted. This more forthcoming attitude was reflected in their propaganda which, during the autumn, changed from a strongly hostile tone to a theme of reassurance for the people of Hong Kong that the establishment of a Special Administrative Region would not threaten the essentials of their way of life and that there would be continuity in the territory's economic, legal and social systems. There are however still criticisms of HMG and warnings that we have no right to be consulted on internal arrangements in Hong Kong after 1997.

Factors affecting the British and Chinese Positions

5. This evolution has reflected the consistent balance of strength in the negotiation. The Chinese are ultimately able to impose their will on Hong Kong. They reject our view of the validity of the 19th Century Treaties. These are thus a bargaining card only in the sense that we can insist that Parliament must judge an overall package before sovereignty could be given up. The current Chinese administration under Deng Xiaoping though pragmatic to the extent of being ready to see a capitalist regime continue in Hong Kong, strongly shares the nationalist feeling of all Chinese administrations since 1911 in seeing the recovery of Hong Kong as a step in the "sacred task" of reunifying China. China values the economic benefits which it obtains from Hong Kong but does not value them above national pride. The Chinese do not accept the argument that the people of Hong Kong have an overriding right to decide their future. In the Chinese view they are Chinese first and Hong Kong people second: their wishes must be subordinated to those of the people of China as a whole.

6. We have one positive card in the negotiations: the fact that the Chinese would like our cooperation, and it will be necessary if stability and prosperity are to be preserved. They would much prefer not to be obliged to impose a solution on Hong Kong, which would destroy confidence, remove most of the economic benefits and leave them with a major problem in administering a recalcitrant population. This explains their contradictory themes of insisting that Britain gives up its "colonial" power in 1997 and of

threatening intervention if there are major disturbances in Hong Kong (by implication caused directly or indirectly by HMG). They will aim to get our cooperation on their terms but may be prepared to adjust their position to some extent. They will not, however, give ground on principle in order to obtain it. In the last resort they would seek to settle the question without it.

Position of Hong Kong Executive Council

7. EXCO, in particular the Chinese Unofficial members, clearly agreed to our move in October with mixed feelings. They were prepared to recognise that it was important to keep the talks going and so far as possible to avoid confrontation with China in order to maintain confidence in Hong Kong. But a number of them remained extremely sceptical about the chances of negotiating an agreement on the basis of the Chinese proposals which would maintain confidence. Some of them saw the move not as likely to lead to an acceptable agreement but as a good way of demonstrating that the Chinese would not provide any satisfactory guarantees and of placing HMG and the Hong Kong Government in a more publicly presentable position in which to reject the Chinese ideas.

8. The progress in the talks since October has not lessened EXCO's concern. They made clear then their strong preference for continuing British administration. They still believe that only that would provide really satisfactory assurances for continuity in Hong Kong. Although they received our assessment in November that the Chinese would not agree to British administration, they make a distinction between a tactical shift which took account of this and a decision by HMG to abandon British administration as an objective. They are concerned that the clarifications which we have subsequently made of our move in October, although still on a conditional basis, have made it more difficult to withdraw and to take up a position under which we would reject the Chinese proposals as insufficient to command confidence.

9. EXCO have requested a clear statement of HMG's current objectives, if we have in fact abandoned the continuation of British administration as an aim. They have asked:

(a) If we are working simply for the highest degree of autonomy on

the basis of the Chinese proposals, what precise assurances would HMG try to build into an arrangement in order to maximise the incentive to the Chinese to observe that autonomy and minimise the opportunities for interference? Are there particular points which we would regard as essential for that autonomy? Would we make them sticking points in a negotiation and refuse to associate ourselves with any Chinese plan which did not contain them? -

- (b) How would HMG see an agreement with China on Hong Kong being monitored and enforced after 1997? What action would HMG take if China broke it?

Paper for EXCO

10. The separate paper for EXCO and annexed assessment examine the position frankly. It concludes that there is no realistic point in continuing to seek British administration. Given that, it poses the alternatives of breaking off the talks and continuing on our present course. It discusses a redefinition of our objective: to agree with the Chinese Government that after 1997 there should be full internal autonomy for Hong Kong, consistent with the assumption by China of sovereignty and the right of administration. This would require changes from the present systems to be confined to those which would be consistent with the resumption of Chinese sovereignty and of the right of administration. We should aim to ensure that such an agreed arrangement would be as specific and detailed and as binding as possible on the Chinese Government.

11. The paper for EXCO examines the chances of obtaining an acceptable arrangement by continuing on our present course of building on the Chinese proposals. It notes that we are still at an early stage in establishing how much can be built into an arrangement. It discusses a number of key elements for inclusion in any agreement. It notes that it might be impossible to negotiate a satisfactory package with the Chinese and that new decisions would be required in that event. Finally the annexed assessment considers the implications of confrontation, resulting either from suspension of talks now or a later refusal to accept Chinese proposals.

Discussion with EXCO

12. The Governor's assessment is that, if they believe that HMG would be prepared to reject an unsatisfactory package, EXCO would probably agree to continue to support negotiation on the present basis. When they visit London in mid-January, however, they are likely to need very strong persuasion and to be brought face to face with the reality of China's dominant position and the need to negotiate a settlement which will provide the best possible deal for the great majority of the population who have nowhere else to go. It will of course be necessary to acknowledge the sincerity of EXCO's concern to get an arrangement which will inspire confidence. But Ministers may have to impress upon them that it would be irresponsible to decide now that we cannot usefully pursue talks on the present lines, before we know better what can be built on the Chinese proposals; and that a balanced long-term view may well point to settling for the best we can get from Peking rather than standing out, however honourably, for more. The latter course might win short term approval in Hong Kong but would almost certainly be worse for the territory in the end because it would involve first confrontation with Peking and then an imposed solution. It has to be faced in either event that many people would leave Hong Kong, the economy would decline and immigration problems for the UK would ensue. While HMG would continue to press strongly for the best possible arrangement and there could be circumstances in which HMG would have to dissociate itself from a Chinese plan, EXCO should be under no illusion that we could expect to get all our requirements built into it. At the same time we must also keep in mind that what may be negotiable with the Chinese may fail to command confidence in Hong Kong and thus, even if endorsed by HMG, would not avoid the collapse of the economy and the departure from Hong Kong of those who are able to leave. The concern of EXCO is not to make difficulties for HMG but to ensure that HMG are fully aware of the risks involved and that they will not be accused later in the day of having failed to bring them to HMG's attention.

Tactics

13. If it is agreed that we should continue to probe and attempt to build on the Chinese proposals our tactics over the next nine months

will need very careful planning and monitoring. We need to take account of the following factors:

- (a) Our need for an arrangement which will command the maximum confidence in Hong Kong and will meet our publicly declared objective of acceptability to the people of Hong Kong.
- (b) The need for Parliamentary endorsement of any arrangement.
- (c) The Chinese "deadline" of September 1984, when they intend to announce their "plan";
- (d) The Chinese are now prepared to comment on our working papers. Although at the last round they appeared to relax the clear distinction which they had earlier drawn between matters falling within their right of administration and "British interests" they may well revert to this.
- (e) The Chinese intention to keep the drafting of a basic law (or "mini-constitution") for Hong Kong to themselves, with undefined "discussion" with the people of Hong Kong. This would take place after September 1984). The Chinese now say that they would include in the basic law points on which they had reached agreement with us; but the risk of our appearing to be squeezed out remains.

14. When we began to probe the Chinese proposals, our initial aim was to build up section by section a framework of agreed points, starting with less contentious areas and concluding with the most difficult-central constitutional issues including the position of the Governor. Sir Percy Cradock and the Governor agree that, although we have been able to note some common ground, we are unlikely to make much progress unless we speed up the process of discussion and put in all our working papers, including the more contentious ones, quickly. If we do not make clear our own ideas on the constitutional issues soon, our chances of influencing the Chinese on this and other key areas will diminish. It was apparent from the Ambassador's farewell calls on Chinese leaders that the Chinese are currently receptive to our ideas and are keen to learn the extent of them. It is therefore in our interests to push ahead as quickly as we can with feeding in our thoughts on areas of major concern. To this end we should aim to submit at least one major working paper in advance of the next round. We must make the most of the Chinese statement in the December round of talks that "current practices" might continue after 1997 until the SAR decided

to replace them. The Chinese have asked for the rest of our working papers before the next round of 25/26 January. That is impracticable but we could reasonably aim to get them in after that session. They should include the following subjects: Future Constitutional Development; Defence and Internal Security; the Future of the Civil Service; and Citizenship and Nationality after 1997. It will be necessary in preparing the working papers and the statements to be made by the British delegation in the early round of the next phase to take full account of the assurances which HMG will wish to seek as a guarantee of the final settlement - hence the need to decide now on what those assurances will be. (The points to be discussed with EXCO under this head are set out in paras 5 to 7 of the discussion paper.) The next series of papers will in consequence raise more difficult issues and the course of the talks is likely to become more bumpy as a result: on the other hand they will provide us with a chance to make clear points which will be necessary in order to maintain confidence in Hong Kong. An important example would be the question of stationing of troops in Hong Kong.

Chinese Deadline of September 1984

15. It is clear that the Chinese intend to make a public statement on Hong Kong in September 1984. They have stated that they would prefer to make a joint statement with us, but if, for whatever reason, that is impossible, they will make a unilateral statement anyway. In either situation their present intention is probably that the statement should be along the lines of their 12 point plan, perhaps with some additions, but without going into much detail. This will have a major bearing on our tactics in the talks. We shall have to monitor progress very carefully and to time our moves in order to avoid being left at a disadvantage by the Chinese deadline. There are a number of possibilities:

- (a) To reach agreement with the Chinese before September 1984. This would be the best outcome, provided that the resulting arrangement was comprehensive and satisfactory to us. It would enable us to issue a definitive joint statement describing the arrangement. The pace of the negotiations however may not permit this. Because the issues discussed will become more complex, both sides will need to take high

level decisions. We face in addition the need for Parliament to endorse an arrangement. Therefore if the negotiations are still proceeding satisfactorily but are not complete by September we may have to settle for:

- (b) An interim bilateral statement, or
- (c) Separate but complementary Chinese and British interim statements. In either case we should aim to say that we had reached full agreement on certain points and that it was intended that discussion should continue on the remaining points. But to avoid the risks posed by the Chinese deadline, we shall need to keep our options open and be ready to take the initiative in putting forward proposals either for a comprehensive joint declaration describing a package deal or for interim joint or complementary statements.

16. In any event we must avoid finding ourselves in the late summer bogged down in discussion and possible dispute on key issues to the extent that the Chinese decide to go ahead with a statement on their own. They might include in such a statement those of our suggestions which suited them. The resulting package would be fuller than the proposals they have made public so far and to that extent an improvement. But this would not be enough for confidence. Any arrangement for Hong Kong must have two elements: the maximum specific assurance that current systems will continue and existing freedoms be maintained; and enshrinement in a bilateral understanding which would be seen placing a commitment on the Chinese. !!

Eventual Agreement or Arrangement

17. Both the content and form of the eventual agreement will be important. There are a number of possibilities:

- (a) One, and in our view the best, would be a formal legally binding treaty registrable at the UN. This would describe in detail the principles determining the future arrangements for the administration of Hong Kong after 1997. The Constitutional and other implications of such an agreement are still under study. It is however very unlikely that the Chinese will agree to that. They regard the preparation of the "mini-constitution" for Hong Kong as

their affair and will resist our involvement in it. They will try to whittle any agreement down to an acknowledgement of their sovereignty on our part, an undertaking on theirs to look after our "interests" and a joint undertaking to cooperate in a smooth transition. But we must make it clear that any agreed arrangement should include assurances of Hong Kong's effective autonomy and Chinese non-interference for 50 years after 1997. One way of doing this would be:

(b) a joint declaration referring to a more detailed statement, possibly a unilateral Chinese one, as its Annex which would describe the essential continuity of systems, freedoms and laws etc in some detail. This would have the advantage that, unlike a formal agreement, it would not require immediate Parliamentary legislation on a transfer of sovereignty although general endorsement by Parliament of the package would be necessary.

18. While we must try to make any arrangement as binding as possible, we shall also need to get international support for Hong Kong's autonomy and to encourage other governments to impress this on China. This will need a sustained diplomatic effort. The most practical context will be the negotiation of agreements for continuation of Hong Kong's special status in international economic relations, eg the special regimes enjoyed under GATT and the multi-fibre arrangement. Under the GATT and under GSP agreements such arrangements could continue only so long as Hong Kong's autonomous status persisted. This point should be brought firmly home to China.

Public Position of HMG and the Hong Kong Government

19. So far we have stuck to the principle of confidentiality in the talks and have not responded to Chinese declarations of their aims. This has been necessary to avoid pushing the Chinese into unnecessarily hard attitudes, and to take account of adjustments in our own negotiating position. It is however likely to become increasingly untenable, and positively dangerous as a public announcement of an arrangement approaches. Expectations in Hong Kong, which started high, have now slumped. There is concern about the lack of any clear statement of HMG's aims in the negotiations. While few people believe that the Chinese plan will work, there is a

growing feeling that there is little which HMG can do to prevent it being imposed. We shall need to explain our own adjusted objectives, not merely to EXCO and to LEGCO, but in outline to the Hong Kong people as a whole and convince them that there is still a future for Hong Kong. This will apply also to the line we take in Parliament. In other words, if we assess that Hong Kong's long term interests will in practice best be met by an arrangement based on the Chinese plans we shall need to prepare Hong Kong and UK opinion for it. While discussions continue in Peking, great care will be required not to present any public statement in a confrontational fashion. To do so would generate a public argument with the Chinese, sour the atmosphere of the talks and thus reduce their chances of success.

Acceptability

20. People in Hong Kong are likely to demand an opportunity to voice opinions on any agreement reached with the Chinese Government. Public opinion in the UK will be less concerned (at least initially) but there could be considerable pressure in Parliament for a convincing demonstration that HMG's undertaking on acceptability had been honoured. The degree of pressure will depend partly on whether EXCO Unofficials, and to a lesser extent those of LEGCO, are prepared to endorse an arrangement. Carrying EXCO with us therefore must remain a priority in our tactics on acceptability. But other means of testing opinion need to be reviewed, although it will not be possible to decide finally on the form of such a text until the form which that agreement will take is clear, and the time at which the test will be required is known.

21. One of our objectives must be to counter Chinese attempts to conduct their own survey of opinion (and thus improve their claim to involvement in Hong Kong before 1997). That would almost certainly rule out any type of assessment of acceptability conducted jointly with the Chinese. Our own arrangements must be convincing, while taking realistic account of likely Chinese sensibilities.

22. A referendum is unlikely to be practicable. Even if questions intelligible to the population at large could be devised, given the complexity of the agreement it would be very difficult to make a

simple vote a valid test of opinion and there would be great difficulty in deducing from it the true views of a society as disparate as that of Hong Kong. Moreover the Chinese, who challenge HMG's right to represent the people of Hong Kong (and that of the Hong Kong people to override the views of the people of China as a whole), would be likely to seek to frustrate or manipulate the referendum process, to the extent that it would cease to be a convincing demonstration of opinion.

23. On the other hand if the Chinese were prepared to acquiesce it would be possible to conduct a consultative process over a period of a few months involving a wide range of associations, councils and district boards. This might be carried out after the initialling of an agreement but before signature. It could involve the issue of a "green paper" describing the proposed arrangement in general. The mechanics of such an exercise would need careful handling. In order to make the results of the consultation acceptable in Parliament it might well be that a Parliamentary Committee would wish to take part in the consultative process in Hong Kong although we should not want to encourage this. But we should avoid anything on the lines of a Rhodesian "Pearce Commission" which would smack of colonial manipulation.

24. The bodies consulted in this way are partly elected. On present plans the elected component will be increased in 1985 and 1986 (see the separate paper on constitutional and governmental development). If the test could wait until 1985 it could take advantage of the proposed increase in the elected membership of the District Boards.

Government Structures and Development of Autonomy in Hong Kong up to 1997

25. Hong Kong has already developed considerable effective autonomy. This has led to important modifications to the normal colonial pattern. Looking to the future, we need to consider how local and central government should evolve further to respond to popular demand and to strengthen confidence in Hong Kong that a

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local administration will be established before 1997 which can remain genuinely autonomous and resist Chinese interference after that date. A separate paper on this subject is in preparation.

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PM/84/9

PRIME MINISTER

Future of Hong Kong: Constitutional and Governmental Development

- See pt 10 .

1. At the OD(K) meeting on 13 December it was decided that a paper should be prepared examining the scope for increasing self-government in Hong Kong up to 1997. I now attach a paper that the Governor of Hong Kong discussed with the Executive Council on 5 January. You may wish to discuss this at the OD(K) meeting on 11 January (I am minuting separately on other points which might be covered at that meeting).

2. In presenting the paper, the Governor emphasised that it had been designed to provide a basis for members' discussions with Ministers and should not be taken to represent any commitment on HMG's part to any particular course of action. Members of the Council unanimously considered that progressive development, building on existing institutions, was the right course. No-one favoured moving directly to the introduction of a fully elective system, and some thought that this might be interpreted in Hong Kong as an indication that the British were pulling out. There was a generally favourable reaction to the proposed collegiate system. Members were cautious about the timing of the introduction of any changes. They thought it was important not to be rushed but agreed on the need to have in place by 1997 a self-sustaining system which would continue thereafter.

3. The Governor's discussion with EXCO was useful. The Unofficials clearly appreciate the importance of devising a machinery of government which should be firmly in place by 1997 and which would help Hong Kong to withstand Chinese interference after that date. We must now consider carefully

/how



how the electoral process should be developed in order to avoid a constitutional vacuum in 1997. I think that the step by step approach is the right one. We have to watch Chinese reservations on the subject and I have some anxieties about the risk that elections might stir up conflict in Hong Kong itself. At the same time I would see merit in keeping open the possibility of direct elections in Hong Kong before 1997, for example as the last stage in a process that involved an earlier collegiate system. If feasible, such a system would have a number of advantages: it would provide the most credible way of demonstrating that the will of the people of Hong Kong was reflected in the Government; and if a fully elective system were in place, it might help to pre-empt attempts by the Chinese to manipulate a collegiate arrangement to their advantage.

4. We need to clear our minds on the next steps before meeting EXCO Unofficials. While we may well thereafter need to keep in close touch with them in some detail as the situation evolves, we should try to agree quickly on the main principles including the way in which the Governor or Chief Executive might eventually be appointed or elected. On that basis we would be able to produce a working paper for the Chinese with our views on the essentials of Hong Kong's future constitutional structure. Obviously, we should need to secure Chinese acquiescence in any measures which we might take in order to establish a full autonomous local structure before 1997, but as with all questions falling within the agenda item on the period up to 1997 we will need to be careful not to imply that Peking has any veto on our actions.

/5. I am



5. I am copying this minute to the other members of OD(K) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
9 January 1984

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HONG KONG: CONSTITUTIONAL DEVELOPMENT UP TO 1997

INTRODUCTION

1. This paper is designed to provide a basis for a discussion on a more representative system of Government in Hong Kong and sets out some options for possible reforms to the constitutional and governmental structure of Hong Kong.

THE INCREASING INTEREST IN THE ISSUE

2. In recent years, an increasing interest has been taken by some groups in Hong Kong in the possibility of elections to the Legislative Council, or at least having the members of the Legislative Council selected on a more formal and visibly representative basis than the present appointed system. This is partly the result of the increasing maturity of the Hong Kong system, notably through the emergence of an articulate professional middle class many of whom were educated in the US, Canada and UK.

3. The approach of 1997 and the negotiations on the future have also stimulated public debate on constitutional and governmental issues. The Chinese have indicated publicly their intention of consulting the people of Hong Kong on the mini-constitution for the Special Administrative Region (SAR) which the Chinese intend Hong Kong to become post-1997.

4. The Chinese side in the talks have also exerted pressure on the British side to produce ideas on the central constitutional issues. There have also been indications that the Chinese understand that Hong Kong cannot remain static up to 1997 and that the question of constitutional development and Government organisation between now and 1997 will have an important bearing on the success of any post-1997 arrangements which may be agreed.

THE PURPOSE OF CHANGE

5. The purpose of change would be:

- (a) To keep pace with the natural development of Hong Kong society.
- (b) If the link of authority with the UK is to be severed to provide Hong Kong with as strong and stable indigenous source of political authority as possible.
- (c) To ensure that any new system was in place before that link of authority was severed.

POSSIBLE COURSES OF ACTION

6. There are two possible courses of action, some features of which would be interchangeable. One such approach would be to concentrate on indirect elections: another would be to move more quickly to direct elections for central government institutions, viz.

- (a) Progressive development, building on existing institutions, that is to say:-
 - (i) The election of the unofficial membership of the Legislative Council in part through elections from an electoral college made up of people who had themselves been directly elected to lower level bodies (Regional Councils and District Boards) and in part through elections from identified functional groups such as industrial associations, the Universities, the legal and medical profession, Labour Boards and so on. The relationship with the administration would be retained by a few key officials being members of this Council.

- (ii) The unofficial membership of the Executive Council following the same principle of progressive development based on existing institutions, to be partly elected by the Legislative Council from among their own members. There would also be advantage in having one or two reserved seats for functional bodies (eg the note issuing banks or a representative of overseas companies in Hong Kong). (See paragraph 8(E) below). To retain a link with the administration three or four ex-officio members from the senior civil service as at present would be useful.
- (iii) The post of Governor or Chief Executive to be filled through a consultative process, confirmed by election, again on an electoral college basis similar to that proposed for the Legislative Council.
- (b) To move directly to the introduction of a fully elective system based on adult suffrage involving:
- (i) Direct elections of all unofficial members of the Legislative Council.
- (ii) Unofficial members of the Executive Council to be elected by the Legislative Council.
- (iii) The Governor to be directly

elected.

7. Once a system of indirect election to the Legislative and Executive Councils from a body of candidates who had themselves been directly elected to lower level bodies had been established, the way would still be open to move towards full direct elections at a later date if this course was favoured by the Hong Kong community.

FACTORS TO BE TAKEN INTO ACCOUNT

8. In assessing the right features for any new system, the following factors need to be taken into account:

- (a) The elective system in Hong Kong is in its infancy. Of the 2.7 million qualified to register only 33% have done so and of those only 39% participated in 1982/83 Urban Council and District Board elections.
- (b) It is likely to take time for a sufficiently large body of suitably qualified candidates for election to emerge.
- (c) The attitude of the Chinese Government. This has always been considered a major obstacle to the introduction of a more representative system of Government in Hong Kong. The Chinese have now indicated that they envisage some form of elective or consultative process for the election of the Governor/Chief Executive post - 1997. The Chinese have also supported calls by groups in Hong Kong for a greater degree of democracy. During his meeting with Sir P Cradock on 19 December, Ji Pengfei specifically said that quote democracy should be promoted unquote but appeared to be opposed to the immediate introduction of elections in Hong Kong. However, the Chinese would not necessarily seek to frustrate all moves in the direction of greater democracy.
- (d) The need to avoid a rapid polarisation of the community, with the danger of political rivalries (eg pro-China and pro-Taiwan) irrelevant to Hong Kong's real concerns.

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- (e) The advantages in terms of stability in building as far as possible on existing institutions.
- (f) The need to devise a system which can credibly be represented as giving expression to the wishes of the people of Hong Kong.

POSSIBLE NEXT STEPS

9. Members are considering XCX(84)4 on the further development of the District Administration System. The proposal to extend the elective system at Urban Council level through the establishment of a second Regional Council with at least half its members directly elected would create a territory-wide constituency based elective system at both District Board and Urban Council levels. The same constituencies, or combinations of them, could be the basis for direct elections. Alternatively members elected from these constituencies to Regional Councils and District Boards could provide the membership of the electoral college mentioned in paragraph 6(a)(i) above. Representative organisations for industry, commerce and the professions already exist. It might be necessary to arrange for some collaboration among them for the purpose of electing members to the Legislative Council.

10. In deciding the future Government structure, careful consideration would need to be given to the relationship of the Governor or Chief Executive with the Executive Council. Under most likely systems he would still chair the Council but as Chief Executive of the Government he would be bound to accept and implement the Council's decisions, unless there were areas reserved for his personal decision by law. Since no Governor has gone against the advice of the Executive Council in living memory this would only formalise an existing situation.

TIMESCALE

11. Whichever method or combination of methods were chosen, any new system should be implemented during the course of the next decade.

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Copy 1 of 26

This would ensure that changes were brought about in good time before 1997, although the link of authority with the UK could remain unbroken until that date. The Urban Council and District Board elections in 1985 and 1986 could be a first step in widening the role of elections in the territory. Measures to extend the elective process to the Legislative Council, the Executive Council and the Governorship could follow progressively thereafter.

SECRET

15

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Mr Roberts, News D.

Sir P Craddock WH Mz 21

IMMEDIATE

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FM UKMIS NEW YORK 091700Z JAN 84

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 32 OF 9 JANUARY

INFO IMMEDIATE HONG KONG, PEKING.

FOLLOWING FROM GOVERNOR HONG KONG

FUTURE OF HONG KONG

SIR S Y CHUNG HAS TOLD ME THAT THE UNOFFICIALS, PARTICULARLY LEGCO UNOFFICIALS, HAVE REVERTED TO THE IDEA THAT THERE SHOULD BE A HONG KONG CHINESE ON OUR DELEGATION TO THE TALKS. HE WOULD SIT, AS I DO, AS A MEMBER OF THE UK DELEGATION, AND NOT AS REPRESENTATIVE OF HONG KONG (TO PRE-EMPT CHINESE OBJECTIONS THAT THE TALKS ARE BILATERAL); BUT HIS PRESENCE WOULD INDICATE TO THE PEOPLE OF HONG KONG THAT THEIR INTERESTS WERE BEING FULLY TAKEN INTO ACCOUNT.

2. THEY CONSIDER THAT THE ARGUMENTS IN FAVOUR ARE NOW MUCH STRONGER IN THE SENSE THAT IF OUR OBJECTIVE IS GOING TO CHANGE TO A MAIN ROLE FOR THE HONG KONG CHINESE AFTER 1997, THEY SHOULD BE SEEN TO BE DIRECTLY INVOLVED IN THE CONSTRUCTION OF THE ARRANGEMENTS. (THE IDEA IS, OF COURSE, THAT SIR S Y HIMSELF WOULD BE THE MAN)

3. IN DISCUSSING THIS WITH THE UNOFFICIAL GROUP HERE WITH ME, I HAVE POINTED OUT THAT, ALTHOUGH ON THE FACE OF IT THERE IS MUCH IN WHAT THEY SAY, THE CHINESE ARE ALMOST CERTAIN TO OPPOSE THE IDEA, AND COULD WELL SEEK TO DRAW UNOFFICIALS INTO THEIR SEPARATE "CONSULTATIONS WITH THE HONG KONG PEOPLE".

THE UNOFFICIALS' ANSWER IS THAT:

A) IT IS BETTER FOR THE CHINESE RATHER THAN HMG TO BE SEEN TO TURN THE IDEA DOWN; AND

B) THEY WOULD DECLINE TO BE SEPARATED FROM HMG'S POSITION ON THE GROUNDS THAT THERE COULD BE ONLY ONE CHANNEL OF NEGOTIATION.

4. THEY WILL WISH TO RAISE THE ISSUE IN LONDON.

THOMSON

SECRET

MT

EPS 330
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FM UKMIS NEW YORK 091650Z JAN 84

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 31 OF 9 JANUARY

INFO IMMEDIATE HONG KONG, PEKING.

FOLLOWING FROM GOVERNOR HONG KONG

FUTURE OF HONG KONG.

IN DISCUSSIONS HERE, THE GROUP OF UNOFFICIALS ACCOMPANYING ME IN NEW YORK HAVE STRESSED THREE POINTS:-

A) THEIR WISH TO ESTABLISH CLEARLY AND EXPLICITLY WHILE THEY ARE IN LONDON, WHAT PACKAGE OF ASSURANCES HMG WILL BE SEEKING TO REPLACE THE ASSURANCE WHICH QUOTE CONTINUED BRITISH ADMINISTRATION UNQUOTE WOULD HAVE PROVIDED. THEY ARE PARTICULARLY CONCERNED ABOUT QUOTE GUARANTEES OF CHINESE PERFORMANCE UNQUOTE, OF AN AGREEMENT: ABOUT THE FORM AND ENFORCEABILITY OF AN AGREEMENT: AND ABOUT THE STATUS OF HMG IN RELATION TO THAT AGREEMENT DURING THE FIFTY YEARS QUOTE NO CHANGE UNQUOTE PERIOD.

B) THAT THEY SHOULD BE GIVEN A FULL OPPORTUNITY TO THINK ABOUT ANY PROPOSITIONS AND PARTICULARLY ANY TEXT OF CONCLUSIONS, BEFORE THEY ARE ASKED TO GIVE A FINAL VIEW ON THEM. (I HAVE EXPLAINED THAT THE PATTERN OF DISCUSSIONS WITH MINISTERS SHOULD PROVIDE FOR THIS: BUT THEY ARE OBVIOUSLY WORRIED THAT THEY MAY BE PRESENTED WITH SOME DOCUMENT AT THE MEETING WITH THE PRIME MINISTER ON THE PATTERN OF THE LAST MEETING).

C) THEY ARE ATTACHING SOME IMPORTANCE TO THE IDEA OF THE CONSULTATIVE COMMISSION. IT WAS APPARENTLY SUGGESTED BY WANG GUANG-YIN AND XU JIA-TUN TOLD ALAN LEE THAT QUOTE IT COULD BE CONSIDERED UNQUOTE. (IS THERE ANY CONFUSION HERE WITH THE IDEA IN PARA 2 OF HONG KONG TELNO 61 WHICH SUGGESTS A CONSULTATIVE COUNCIL AS THE GOVERNMENT OF HONG KONG?).

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12.

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2. ON (B), SIR S Y CHUNG IS MUCH TAKEN WITH THE IDEA OF
A SECOND MEETING WITH THE SECRETARY OF STATE AFTER THE
MEETING WITH THE PRIME MINISTER. I HAVE TOLD HIM THAT
I SEE NO LIKELIHOOD THAT THIS WILL BE POSSIBLE.

THOMSON

FUTURE OF HONG KONG
LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
D/HD/PUSD (MR FLOWER)
RES.D. (MR WALKER)
LEGAL ADVISER (SIR IAN SINCLAIR)
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SIR P CRADOCK
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2

SECRET



Foreign and Commonwealth Office

London SW1A 2AH

PO/84/18

9 January 1984

Joe Shan,

Hong Kong

In your letter of 21 December you asked for comments on two points which arose during Richard Evans's call on the Prime Minister that morning.

Firstly, the remarks made by the Tongan representative at CHOGM are, we think, misleading. The promise given by the new Chinese Government in the Common Programme of September 1949 to "encourage the active operation of all private economic enterprises beneficial to the national welfare and to the people's livelihood" cannot reasonably be compared with the current Chinese proposals for making Hong Kong a Special Administrative Region with a high degree of autonomy as part of a negotiation with us. The Tongan Government maintains close relations with the Chinese Nationalist Regime in Taiwan. It is possible therefore that the Tongan representative's remarks are based on views expressed by Taiwan officials.

On the Prime Minister's second point about Chinese views on democratic institutions in Hong Kong before 1997, the Chinese have been floating ideas on this subject, and on what might happen after 1997, for some months now. Some of their remarks indicate that they would be happy to see greater progress towards democratization before 1997, while others suggest that they are rather reluctant. I think that, as with us, their views are still crystalising. It is natural enough that these matters should be considered by both sides at this time, and we have no evidence to lead us to make any other connection between the timing of the last OD(K) meeting and the expression of certain Chinese views.

Richard Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

Hong Kong Future A11

THE HONG KONG AIRWAYS CORPORATION

1975-1976



CONFIDENTIAL

file JP



10 DOWNING STREET

From the Private Secretary

9 January 1984

HONG KONG

It may be of interest to you to know that the Prime Minister has recently been told by a private source that the United States Government plans to take advantage of the decline in confidence in Hong Kong. The source states that the Americans are planning to turn Guam into a fully fledged tax haven with all the benefits which are available in the Dutch Antilles. They are said to be intending to approve very liberal methods of operation in Guam which will benefit accounting firms, banks, lawyers and others who wish to transfer money with ease, speed and without trace. Finally, the source states that moves are also afoot to establish Macao as a financial centre with incentives to banking organisations and manufacturers to move their operations there.

A. J. COLES

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.



File HL

10 DOWNING STREET

THE PRIME MINISTER

9 January 1984

STRICTLY PERSONAL

Dear Lord Gomer.

I was very grateful for your letter of 15 December about Hong Kong. Please do not hesitate to write again about this or any other subject. Your views are most valuable.

As you say, Sir Percy Cradock was held in the highest esteem both in China and in Hong Kong. I am very glad that he is due to take up his job here this month as my adviser on foreign affairs and that he will also be taking over responsibility in the FCO for supervising Hong Kong negotiations. His appointment has been widely welcomed in Hong Kong.

A great deal of thought was given to the appointment of the new Ambassador in Peking. Both Sir Richard Evans and his staff have been selected on grounds of all round ability, not just because of their knowledge of the Chinese language and Chinese affairs. Seen from inside, the negotiating team seems to have put up a very good performance.

I note what you say about the inclusion in the delegation of the Governor of Hong Kong. But as you will appreciate, we have the difficult task of making progress in the negotiations with the Chinese while retaining confidence in Hong Kong at the same time. The presence of the Governor in Peking at the negotiating sessions is essential in order to reassure Hong Kong opinion - and the people of Hong Kong pressed very strongly in the early stages that Sir Edward Youde should be in the team.

/ The Chinese

The Chinese Government would no doubt prefer it if he were not present, but they have accepted him as a member of the British negotiating delegation.

I found interesting your ideas about appointing a distinguished political or legal figure to conduct the negotiations. I certainly do not have a closed mind about the best way of managing the negotiations but for the time being I think that the present team with the continued involvement at this end of Percy Cradock is appropriate.

We are all giving the highest priority to this matter. Not only I, but Geoffrey Howe, Richard Luce and a number of senior officials spend a great deal of time on the problem and are prepared to deploy whatever resources are necessary to ensure that no chance of a successful outcome is missed.

Your reference to the political adviser in Hong Kong is being followed up separately.

Warm regards

Yours sincerely
Raghuvaran Datta

The Rt. Hon. The Earl of Cromer

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10 DOWNING STREET

From the Private Secretary

9 January 1984

Future of Hong Kong: Change of
Chinese Negotiator

The Prime Minister has noted the contents
of your letter of 6 January.

A. J. COLES

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

JP



Foreign and Commonwealth Office

London SW1A 2AH

6 January 1984

PO/84/12

Dear John,

Future of Hong Kong *attached*

With his minute of 23 December to the Prime Minister, the Foreign Secretary circulated a policy review paper in preparation for the meeting of OD(K) and the visit of the Hong Kong Unofficials.

/ This policy review paper has now been slightly updated and I enclose a copy. The annexes to the original policy review paper are unaffected.

I am sending a copy of this letter to Private Secretaries of members of OD(K).

Yours ever

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

Forrest and Company

London W.C.2



6 JAN 1904

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FUTURE OF HONG KONG: POLICY REVIEW

Development of Negotiations

1. The Chinese position has not altered in essentials since the Prime Minister's visit to Peking in September 1982. They stated then that they intended to recover sovereignty and control by 1997 and to establish Hong Kong as a Special Administrative Region of the PRC within the Chinese constitution. Even at that stage it seemed possible that they would not agree to any authoritative role for Britain continuing after 1997. But this was by no means clear and, given Hong Kong's concern to maintain the status quo, (strongly endorsed by the Executive Council) our negotiating objective over the next few months was to establish whether a sovereignty/administration deal could be struck. The Chinese continued to insist that their premise on sovereignty must be accepted before substantive talks could begin. While we were not prepared to concede acceptance of this premise, in order to make possible the holding of substantive talks the Prime Minister gave to the Chinese Premier a conditional assurance that, if an arrangement acceptable to the two Governments and to the people of Hong Kong could be agreed, she would be prepared to recommend a transfer of sovereignty to Parliament.

2. The first few rounds of substantive discussion in the summer showed that the Chinese would not agree to continuing British administration. They maintained that the essential purpose of the negotiation was to agree on smooth arrangements for a transition to Chinese sovereignty including the right of administration with protection for undefined British "interests". In October 1983 Ministers agreed with EXCO against this background that we should examine whether a satisfactory arrangement could be built on the basis of the Chinese proposals, still with the condition that if the final package was not acceptable HMG would not be prepared to recommend it to Parliament.

3. This move produced progress towards detailed discussion but only after we had refined our position to spell out that, still under the same conditions, we did not intend for the purpose of the negotiations to make any proposals involving an authoritative link between Hong Kong and the UK after 1997.

4. On that basis, genuinely detailed discussion began at the seventh round in December and the Chinese offered comments on three of the working papers which we had already submitted. This more forthcoming attitude was reflected in their propaganda which, during the autumn, changed from a strongly hostile tone to a theme of reassurance for the people of Hong Kong that the establishment of a Special Administrative Region would not threaten the essentials of their way of life and that there would be continuity in the territory's economic, legal and social systems. There are however still criticisms of HMG and warnings that we have no right to be consulted on internal arrangements in Hong Kong after 1997.

Factors affecting the British and Chinese Positions

5. This evolution has reflected the consistent balance of strength in the negotiation. The Chinese are ultimately able to impose their will on Hong Kong. They reject our view of the validity of the 19th Century Treaties. These are thus a bargaining card only in the sense that we can insist that Parliament must judge an overall package before sovereignty could be given up. The current Chinese administration under Deng Xiaoping though pragmatic to the extent of being ready to see a capitalist regime continue in Hong Kong, strongly shares the nationalist feeling of all Chinese administrations since 1911 in seeing the recovery of Hong Kong as a step in the "sacred task" of reunifying China. China values the economic benefits which it obtains from Hong Kong but does not value them above national pride. The Chinese do not accept the argument that the people of Hong Kong have an overriding right to decide their future. In the Chinese view they are Chinese first and Hong Kong people second: their wishes must be subordinated to those of the people of China as a whole.

6. We have one positive card in the negotiations: the fact that the Chinese would like our cooperation, and it will be necessary if stability and prosperity are to be preserved. They would much prefer not to be obliged to impose a solution on Hong Kong, which would destroy confidence, remove most of the economic benefits and leave them with a major problem in administering a recalcitrant population. This explains their contradictory themes of insisting that Britain gives up its "colonial" power in 1997 and of

threatening intervention if there are major disturbances in Hong Kong (by implication caused directly or indirectly by HMG). They will aim to get our cooperation on their terms but may be prepared to adjust their position to some extent. They will not, however, give ground on principle in order to obtain it. In the last resort they would seek to settle the question without it.

Position of Hong Kong Executive Council

7. EXCO, in particular the Chinese Unofficial members, clearly agreed to our move in October with mixed feelings. They were prepared to recognise that it was important to keep the talks going and so far as possible to avoid confrontation with China in order to maintain confidence in Hong Kong. But a number of them remained extremely sceptical about the chances of negotiating an agreement on the basis of the Chinese proposals which would maintain confidence. Some of them saw the move not as likely to lead to an acceptable agreement but as a good way of demonstrating that the Chinese would not provide any satisfactory guarantees and of placing HMG and the Hong Kong Government in a more publicly presentable position in which to reject the Chinese ideas.

8. The progress in the talks since October has not lessened EXCO's concern. They made clear then their strong preference for continuing British administration. They still believe that only that would provide really satisfactory assurances for continuity in Hong Kong. Although they received our assessment in November that the Chinese would not agree to British administration, they make a distinction between a tactical shift which took account of this and a decision by HMG to abandon British administration as an objective. They are concerned that the clarifications which we have subsequently made of our move in October, although still on a conditional basis, have made it more difficult to withdraw and to take up a position under which we would reject the Chinese proposals as insufficient to command confidence.

9. EXCO have requested a clear statement of HMG's current objectives, if we have in fact abandoned the continuation of British administration as an aim. They have asked:

(a) If we are working simply for the highest degree of autonomy on

the basis of the Chinese proposals, what precise assurances would HMG try to build into an arrangement in order to maximise the incentive to the Chinese to observe that autonomy and minimise the opportunities for interference? Are there particular points which we would regard as essential for that autonomy? Would we make them sticking points in a negotiation and refuse to associate ourselves with any Chinese plan which did not contain them?

- (b) How would HMG see an agreement with China on Hong Kong being monitored and enforced after 1997? What action would HMG take if China broke it?

Paper for EXCO

10. The separate paper for EXCO and annexed assessment examine the position frankly. It concludes that there is no realistic point in continuing to seek British administration. Given that, it poses the alternatives of breaking off the talks and continuing on our present course. It discusses a redefinition of our objective: to agree with the Chinese Government that after 1997 there should be full internal autonomy for Hong Kong, consistent with the assumption by China of sovereignty and the right of administration. This would require changes from the present systems to be confined to those which would be consistent with the resumption of Chinese sovereignty and of the right of administration. We should aim to ensure that such an agreed arrangement would be as specific and detailed and as binding as possible on the Chinese Government.

11. The paper for EXCO examines the chances of obtaining an acceptable arrangement by continuing on our present course of building on the Chinese proposals. It notes that we are still at an early stage in establishing how much can be built into an arrangement. It discusses a number of key elements for inclusion in any agreement. It notes that it might be impossible to negotiate a satisfactory package with the Chinese and that new decisions would be required in that event. Finally the annexed assessment considers the implications of confrontation, resulting either from suspension of talks now or a later refusal to accept Chinese proposals.

Discussion with EXCO

12. The Governor's assessment is that, if they believe that HMG would be prepared to reject an unsatisfactory package, EXCO would probably agree to continue to support negotiation on the present basis. When they visit London in mid-January, however, they are likely to need very strong persuasion and to be brought face to face with the reality of China's dominant position and the need to negotiate a settlement which will provide the best possible deal for the great majority of the population who have nowhere else to go. It will of course be necessary to acknowledge the sincerity of EXCO's concern to get an arrangement which will inspire confidence. But Ministers may have to impress upon them that it would be irresponsible to decide now that we cannot usefully pursue talks on the present lines, before we know better what can be built on the Chinese proposals; and that a balanced long-term view may well point to settling for the best we can get from Peking rather than standing out, however honourably, for more. The latter course might win short term approval in Hong Kong but would almost certainly be worse for the territory in the end because it would involve first confrontation with Peking and then an imposed solution. It has to be faced in either event that many people would leave Hong Kong, the economy would decline and immigration problems for the UK would ensue. While HMG would continue to press strongly for the best possible arrangement and there could be circumstances in which HMG would have to dissociate itself from a Chinese plan, EXCO should be under no illusion that we could expect to get all our requirements built into it. At the same time we must also keep in mind that what may be negotiable with the Chinese may fail to command confidence in Hong Kong and thus, even if endorsed by HMG, would not avoid the collapse of the economy and the departure from Hong Kong of those who are able to leave. The concern of EXCO is not to make difficulties for HMG but to ensure that HMG are fully aware of the risks involved and that they will not be accused later in the day of having failed to bring them to HMG's attention.

Tactics

13. If it is agreed that we should continue to probe and attempt to build on the Chinese proposals our tactics over the next nine months

will need very careful planning and monitoring. We need to take account of the following factors:

- (a) Our need for an arrangement which will command the maximum confidence in Hong Kong and will meet our publicly declared objective of acceptability to the people of Hong Kong.
- (b) The need for Parliamentary endorsement of any arrangement.
- (c) The Chinese "deadline" of September 1984, when they intend to announce their "plan";
- (d) The Chinese are now prepared to comment on our working papers. Although at the last round they appeared to relax the clear distinction which they had earlier drawn between matters falling within their right of administration and "British interests" they may well revert to this.
- (e) The Chinese intention to keep the drafting of a basic law (or "mini-constitution") for Hong Kong to themselves, with undefined "discussion" with the people of Hong Kong. This would take place after September 1984). The Chinese now say that they would include in the basic law points on which they had reached agreement with us; but the risk of our appearing to be squeezed out remains.

14. When we began to probe the Chinese proposals, our initial aim was to build up section by section a framework of agreed points, starting with less contentious areas and concluding with the most difficult-central constitutional issues including the position of the Governor. Sir Percy Cradock and the Governor agree that, although we have been able to note some common ground, we are unlikely to make much progress unless we speed up the process of discussion and put in all our working papers, including the more contentious ones, quickly. If we do not make clear our own ideas on the constitutional issues soon, our chances of influencing the Chinese on this and other key areas will diminish. It was apparent from the Ambassador's farewell calls on Chinese leaders that the Chinese are currently receptive to our ideas and are keen to learn the extent of them. It is therefore in our interests to push ahead as quickly as we can with feeding in our thoughts on areas of major concern. To this end we should aim to submit at least one major working paper in advance of the next round. We must make the most of the Chinese statement in the December round of talks that "current practices" might continue after 1997 until the SAR decided

to replace them. The Chinese have asked for the rest of our working papers before the next round of 25/26 January. That is impracticable but we could reasonably aim to get them in after that session. They should include the following subjects: Future Constitutional Development; Defence and Internal Security; the Future of the Civil Service; and Citizenship and Nationality after 1997. It will be necessary in preparing the working papers and the statements to be made by the British delegation in the early round of the next phase to take full account of the assurances which HMG will wish to seek as a guarantee of the final settlement - hence the need to decide now on what those assurances will be. (The points to be discussed with EXCO under this head are set out in paras 5 to 7 of the discussion paper.) The next series of papers will in consequence raise more difficult issues and the course of the talks is likely to become more bumpy as a result: on the other hand they will provide us with a chance to make clear points which will be necessary in order to maintain confidence in Hong Kong. An important example would be the question of stationing of troops in Hong Kong.

Chinese Deadline of September 1984

15. It is clear that the Chinese intend to make a public statement on Hong Kong in September 1984. They have stated that they would prefer to make a joint statement with us, but if, for whatever reason, that is impossible, they will make a unilateral statement anyway. In either situation their present intention is probably that the statement should be along the lines of their 12 point plan, perhaps with some additions, but without going into much detail. This will have a major bearing on our tactics in the talks. We shall have to monitor progress very carefully and to time our moves in order to avoid being left at a disadvantage by the Chinese deadline. There are a number of possibilities:

- (a) To reach agreement with the Chinese before September 1984. This would be the best outcome, provided that the resulting arrangement was comprehensive and satisfactory to us. It would enable us to issue a definitive joint statement describing the arrangement. The pace of the negotiations however may not permit this. Because the issues discussed will become more complex, both sides will need to take high

level decisions. We face in addition the need for Parliament to endorse an arrangement. Therefore if the negotiations are still proceeding satisfactorily but are not complete by September we may have to settle for:

- (b) An interim bilateral statement, or
- (c) Separate but complementary Chinese and British interim statements. In either case we should aim to say that we had reached full agreement on certain points and that it was intended that discussion should continue on the remaining points. But to avoid the risks posed by the Chinese deadline, we shall need to keep our options open and be ready to take the initiative in putting forward proposals either for a comprehensive joint declaration describing a package deal or for interim joint or complementary statements.

16. In any event we must avoid finding ourselves in the late summer bogged down in discussion and possible dispute on key issues to the extent that the Chinese decide to go ahead with a statement on their own. They might include in such a statement those of our suggestions which suited them. The resulting package would be fuller than the proposals they have made public so far and to that extent an improvement. But this would not be enough for confidence. Any arrangement for Hong Kong must have two elements: the maximum specific assurance that current systems will continue and existing freedoms be maintained: and enshrinement in a bilateral understanding which would be seen placing a commitment on the Chinese.

Eventual Agreement or Arrangement

17. Both the content and form of the eventual agreement will be important. There are a number of possibilities:

- (a) One, and in our view the best, would be a formal legally binding treaty registrable at the UN. This would describe in detail the principles determining the future arrangements for the administration of Hong Kong after 1997. The Constitutional and other implications of such an agreement are still under study. It is however very unlikely that the Chinese will agree to that. They regard the preparation of the "mini-constitution" for Hong Kong as

their affair and will resist our involvement in it. They will try to whittle any agreement down to an acknowledgement of their sovereignty on our part, an undertaking on theirs to look after our "interests" and a joint undertaking to cooperate in a smooth transition. But we must make it clear that any agreed arrangement should include assurances of Hong Kong's effective autonomy and Chinese non-interference for 50 years after 1997. One way of doing this would be:

(b) a joint declaration referring to a more detailed statement, possibly a unilateral Chinese one, as its Annex which would describe the essential continuity of systems, freedoms and laws etc in some detail. This would have the advantage that, unlike a formal agreement, it would not require immediate Parliamentary legislation on a transfer of sovereignty although general endorsement by Parliament of the package would be necessary.

18. While we must try to make any arrangement as binding as possible, we shall also need to get international support for Hong Kong's autonomy and to encourage other governments to impress this on China. This will need a sustained diplomatic effort. The most practical context will be the negotiation of agreements for continuation of Hong Kong's special status in international economic relations, eg the special regimes enjoyed under GATT and the multi-fibre arrangement. Under the GATT and under GSP agreements such arrangements could continue only so long as Hong Kong's autonomous status persisted. This point should be brought firmly home to China.

Public Position of HMG and the Hong Kong Government

19. So far we have stuck to the principle of confidentiality in the talks and have not responded to Chinese declarations of their aims. This has been necessary to avoid pushing the Chinese into unnecessarily hard attitudes, and to take account of adjustments in our own negotiating position. It is however likely to become increasingly untenable, and positively dangerous as a public announcement of an arrangement approaches. Expectations in Hong Kong, which started high, have now slumped. There is concern about the lack of any clear statement of HMG's aims in the negotiations. While few people believe that the Chinese plan will work, there is a

growing feeling that there is little which HMG can do to prevent it being imposed. We shall need to explain our own adjusted objectives, not merely to EXCO and to LEGCO, but in outline to the Hong Kong people as a whole and convince them that there is still a future for Hong Kong. This will apply also to the line we take in Parliament. In other words, if we assess that Hong Kong's long term interests will in practice best be met by an arrangement based on the Chinese plans we shall need to prepare Hong Kong and UK opinion for it. While discussions continue in Peking, great care will be required not to present any public statement in a confrontational fashion. To do so would generate a public argument with the Chinese, sour the atmosphere of the talks and thus reduce their chances of success.

Acceptability

20. People in Hong Kong are likely to demand an opportunity to voice opinions on any agreement reached with the Chinese Government. Public opinion in the UK will be less concerned (at least initially) but there could be considerable pressure in Parliament for a convincing demonstration that HMG's undertaking on acceptability had been honoured. The degree of pressure will depend partly on whether EXCO Unofficials, and to a lesser extent those of LEGCO, are prepared to endorse an arrangement. Carrying EXCO with us therefore must remain a priority in our tactics on acceptability. But other means of testing opinion need to be reviewed, although it will not be possible to decide finally on the form of such a text until the form which that agreement will take is clear, and the time at which the test will be required is known.

21. One of our objectives must be to counter Chinese attempts to conduct their own survey of opinion (and thus improve their claim to involvement in Hong Kong before 1997). That would almost certainly rule out any type of assessment of acceptability conducted jointly with the Chinese. Our own arrangements must be convincing, while taking realistic account of likely Chinese sensibilities.

22. A referendum is unlikely to be practicable. Even if questions intelligible to the population at large could be devised, given the complexity of the agreement it would be very difficult to make a

simple vote a valid test of opinion and there would be great difficulty in deducing from it the true views of a society as disparate as that of Hong Kong. Moreover the Chinese, who challenge HMG's right to represent the people of Hong Kong (and that of the Hong Kong people to override the views of the people of China as a whole), would be likely to seek to frustrate or manipulate the referendum process, to the extent that it would cease to be a convincing demonstration of opinion.

23. On the other hand if the Chinese were prepared to acquiesce it would be possible to conduct a consultative process over a period of a few months involving a wide range of associations, councils and district boards. This might be carried out after the initialling of an agreement but before signature. It could involve the issue of a "green paper" describing the proposed arrangement in general. The mechanics of such an exercise would need careful handling. In order to make the results of the consultation acceptable in Parliament it might well be that a Parliamentary Committee would wish to take part in the consultative process in Hong Kong although we should not want to encourage this. But we should avoid anything on the lines of a Rhodesian "Pearce Commission" which would smack of colonial manipulation.

24. The bodies consulted in this way are partly elected. On present plans the elected component will be increased in 1985 and 1986 (see the separate paper on constitutional and governmental development). If the test could wait until 1985 it could take advantage of the proposed increase in the elected membership of the District Boards.

Government Structures and Development of Autonomy in Hong Kong up to 1997

25. Hong Kong has already developed considerable effective autonomy. This has led to important modifications to the normal colonial pattern. Looking to the future, we need to consider how local and central government should evolve further to respond to popular demand and to strengthen confidence in Hong Kong that a

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local administration will be established before 1997 which can remain genuinely autonomous and resist Chinese interference after that date. A separate paper on this subject is in preparation.

SECRET



Foreign and Commonwealth Office

London SW1A 2AH

PO/84/7

6 January 1984

Prime Minister.

A.S.C. 6/11.

Dear John,

Future of Hong Kong: Change of Chinese Negotiator

Peking telegrams 17 and 18 report that Vice Foreign Minister Yao Guang told our Charge in Peking, Mr Galsworthy, that he is being replaced as leader of the Chinese negotiating team before the next round of talks by Assistant Foreign Minister Zhou Nan.

Yao Guang expressed concerned that we might think the Chinese side were downgrading the level of their negotiating team and thus attached less importance to the talks than hitherto. He stressed that this was not the case. While Zhou Nan was not a Vice Minister in name he exercised the responsibilities of one in practice. He, Yao Guang, was to be moved to another important post in charge of Party rectification.

Mr Galsworthy told Yao that a Chinese announcement of this change needed to be handled carefully so as not to cause people, particularly in Hong Kong, to think that the talks had been downgraded. We understood the position but others might not, unless it was carefully explained to them.

We share Mr Galsworthy's assessment that the Chinese are sincere in saying that the talks are in no way being downgraded; it is encouraging that Yao agreed that there should be further liaison on the announcement before one was made by the Chinese.

As Mr Galsworthy comments, Zhou Nan, with whom Sir Percy Cradock has already had a good deal of contact over Hong Kong, though less so recently, is very bright and has excellent English. He is a more sophisticated operator than Yao and negotiating with him may prove less heavy-going. On the other hand, Zhou Nan's appointment could cause us some

/difficulties



difficulties. He can be devious and may well make use of sharper negotiating tactics, although like Yao Guang, he is bound to be on a tight rein during the formal talks.

I am copying this letter to the Private Secretaries of the other members of OD(K) and of Sir Robert Armstrong.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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6 JAN 1984



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10 DOWNING STREET

From the Private Secretary

6 January, 1984

Hong Kong

I enclose a copy of a letter which the Prime Minister has received from Mr. Hilton Cheong-Leen, Chairman of the Urban Council, Hong Kong. The speech which Mr. Cheong-Leen proposes to make on 10 January is also enclosed.

I should be grateful for a draft reply to his letter which I might sign on behalf of the Prime Minister.

BT/

AJ. COLES

P. F. Ricketts, Esq.,
Foreign and Commonwealth Office

MR

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Hong Kong
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10 DOWNING STREET

From the Private Secretary

6 January 1984

Future of Hong Kong: Policy Review

Thank you for your letter of 5 January.

The Prime Minister has noted that, in the revised version of the paper which Sir Geoffrey Howe will circulate to OD(K) colleagues, he proposes to amend paragraph 1 of the earlier version but not paragraphs 5 and 6.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

6 January 1984

*See letter**WJ 6.1**Dear John,*

With your letter of 20 December you enclosed a copy of a letter from Lord Cromer to the Prime Minister about the Hong Kong negotiations.

The question of Robin McLaren is being dealt with separately, but the Prime Minister asked for Sir Geoffrey Howe's comments on the general suggestions made about the negotiations with the Chinese.

Sir Geoffrey suggests that in reply to Lord Cromer the following points should be made:

- (a) The Prime Minister is grateful to Lord Cromer for writing and welcomes comments from someone like himself on a matter as important as the future of Hong Kong.
- (b) The comments about Mr McLaren are being dealt with separately by Robin Butler.
- (c) Sir Percy Cradock has been able to open up a real discussion with the Chinese about the future arrangements for Hong Kong. It is certainly true that he has played a very important part in the negotiations and is held in high respect by the Chinese. In addition to being the Prime Minister's adviser on foreign affairs at No 10, he is being re-employed as an additional Deputy Under Secretary in the FCO with responsibility for the Hong Kong negotiations. This appointment has been widely welcomed in Hong Kong.
- (d) The new Ambassador, the staff of the Embassy in Peking, and all those involved in the negotiations are selected with the greatest care. Their all-round ability, in addition to their knowledge of the Chinese language and Chinese affairs in general, is of course considered to be of prime importance.

/(e)



- (e) As Lord Cromer will appreciate, we have the very difficult task of making progress in the negotiations with the Chinese while retaining confidence in Hong Kong at the same time. The presence of the Governor Sir Edward Youde in Peking at the negotiating sessions is essential in order to reassure Hong Kong opinion. The Chinese Government would no doubt prefer it if he were not present, but they have accepted him as a member of the British negotiating delegation.
- (f) Lord Cromer's ideas about appointing an eminent political or legal figure to conduct the negotiations are interesting. Ministers certainly do not have closed minds about the best way of conducting the negotiations, but are satisfied that for the time being the present team with the continued involvement of Sir Percy Cradock is appropriate.
- (g) There is absolutely no question of not attaching the highest importance to the Hong Kong negotiations. The Prime Minister and the Foreign and Commonwealth Secretary as well as the Minister of State, Mr Luce, and a number of senior officials, spend a great deal of time on the problem and are prepared to deploy whatever resources are necessary to ensure that no chance of a successful outcome is missed.

Yours ever,

(B J P Fall)
Private Secretary

A J Coles Esq
10 Downing Street

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FEB JAN 1984



10 DOWNING STREET

Prime Minister.

Hong Kong.

The Foreign Secretary accepts most
but not all the amendments I
proposed to his O.S. paper on
Hong Kong.

2. I suggest that we accept
this. It is his paper - and your
views are on record.

Agree?

A.S.C. $\frac{5}{1}$

Yes not

Foreign and Commonwealth Office

London SW1A 2AH



PO/84/6

5 January 1984

*Dear John,*Future of Hong Kong: Policy Review

In your letter of 3 January you listed a number of comments on the paper for OD(K) annexed to Sir Geoffrey Howe's minute of 23 December. Sir Geoffrey has considered these carefully.

The amendments suggested to paragraph 1 of the paper obviously clarify the position on both points. However Sir Geoffrey does see difficulty in the suggestions relating to paragraphs 5 and 6. It is important to include in any assessment a description of the extent of nationalist feeling over the reunification of China, of which the recovery of Hong Kong is seen as part. This Chinese view certainly affects the calculations of the present administration in Peking and is likely to influence future governments similarly. A statement of this sort of course carries no implication about our own reaction. But it is something which we must take into account.

The point about the Chinese view of the respective wishes of the people of Hong Kong and the people of China is, we think, an accurate reflection of their position. It is, of course, true that they are prepared to envisage a Special Administrative Region for Hong Kong. However we think that that reflects more a cool assessment by Peking of how they can best reconcile their nationalist objectives with their economic interests than a concession to the wishes of the local people. We do not believe that the Chinese would really be prepared to concede what the people of Hong Kong want - the continuance of the status quo.

On paragraph 6 we do not think that we should go as far as to describe our sovereignty over Hong Kong Island and Kowloon as a positive card in the negotiations. We have mentioned it as a bargaining card in the preceding paragraph in the sense that we can insist that Parliament must judge an overall package. But in negotiation with the Chinese it does not carry positive weight. They do not accept our legal view of the position and they are not prepared to bargain on that point. Indeed they may well regard the existence of the 19th century treaties more as a plus point for themselves in the sense that they calculate, rightly in Sir Geoffrey's view, that world opinion in general

/would



would not be inclined to support the UK over the retention of a territory acquired by force. There is, moreover, a fundamental difference between the Chinese and the Argentine problems. The vast majority of the people of Hong Kong are Chinese, many of whom were born in China. The inhabitants of the Falklands are British. However that may be, our problem is that there is no chance of our taking the Hong Kong issue to any international legal forum where we should be able to take advantage of our title in international law.

Sir Geoffrey Howe therefore proposes to circulate a revised version of paragraph 1 of the Policy Review paper to OD(K) colleagues. He will be putting round a further minute after the weekend. This will take into account the discussion which the Governor of Hong Kong is having this week with EXCO and will suggest points on which OD(K) should concentrate at its meeting on 11 January.

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

A J Coles Esq
10 Downing Street

Hong Kong Future Pt 11

5 JAN 1984



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TO IMMEDIATE F C O

TELEGRAM NUMBER 36 OF 5 JANUARY

INFO IMMEDIATE PEKING

ADVANCE COPY

IMMEDIATE

YOUR TELNO 1403: FUTURE OF HONG KONG: PAPER ON CONSTITUTIONAL DEVELOPMENT AND GOVERNMENT STRUCTURE.

I PUT THE PAPER TO EXCO AT TODAY'S PART II MEETING.

THE FINAL TEXT INCORPORATED THE AMENDMENTS IN YOUR TUR.

THE COUNCIL HAD EARLIER ENDORSED (IN A PART I MEETING HELD IMMEDIATELY BEFOREHAND) THE PAPER DEALING WITH THE PROPOSED NEW TERRITORIES COUNCIL AND CHANGES IN THE COMPOSITION AND FUNCTIONS OF DISTRICT BOARDS (YOUR TELNO 1380 OF 22 DECEMBER).

2. IN INTRODUCING THE DISCUSSION I EMPHASISED THAT THE PAPER HAD BEEN DESIGNED TO PROVIDE A BASIS FOR MEMBERS' DISCUSSION WITH MINISTERS ON THE DEVELOPMENT OF A MORE REPRESENTATIVE SYSTEM OF GOVERNMENT IN HONG KONG. IT WAS NOT INTENDED TO INDICATE ANY COMMITMENT ON THE PART OF MINISTERS OF ANY PARTICULAR COURSE OF ACTION. BUT THE QUESTION WAS IMPORTANT SINCE THE FUTURE PATTERN OF GOVERNMENT WOULD EITHER BE SET BY HMG, ACTING BEFORE 1997, OR BY THE CHINESE AFTER THAT DATE.

3. THERE WAS A UNANIMOUS AND UNPROMPTED VIEW THAT PROGRESSIVE

~~3. THERE WAS A UNANIMOUS AND UNPROMPTED VIEW THAT PROGRESSIVE~~
DEVELOPMENT, BUILDING ON EXISTING INSTITUTIONS WAS THE RIGHT
COURSE. NO MEMBER SPOKE IN FAVOUR OF MOVING DIRECTLY TO THE
INTRODUCTION OF A FULLY ELECTIVE SYTEM: SOME THOUGHT THAT THIS
WOULD BE INTERPRETED LOCALLY AS AN INDICATION THAT THE BRITISH
WERE PULLING OUT. THERE WAS ALSO A GENERALLY FAVOURABLE REACTION
TO THE PROPOSED COLLEGIATE SYSTEM, PARTICULARLY AS A MEANS OF GETTING
OVER THE DIFFICULTY OF FINDING SUFFICIENT SUITABLY QUALIFIED
PEOPLE FOR THE LEGISLATIVE COUNCIL FROM AMONG DIRECTLY ELECTED
CANDIDATES FROM DISTRICT BOARDS AND REGIONAL COUNCILS.

4. MEMBERS WERE CAUTIOUS AS REGARDS THE TIMING OF THE INTRODUCTION
OF ANY CHANGES. THE THOUGHT IT WOULD BE IMPORTANT NOT TO BE RUSHED,
AND TO MOVE STEP BY STEP. BUT THEY AGREED ON THE NEED TO HAVE IN
PLACE BY 1997 A SELF-SUSTAINING SYSTEM WHICH COULD CONTINUE
THEREAFTER.

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FUTURE OF HONG KONG ADVANCE COPIES 10

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TO IMMEDIATE FCO

TELEGRAM NUMBER 35 OF 3 JANUARY 1984

INFO IMMEDIATE PEKING

YOUR TELNO 1405 (OF 30 DECEMBER) FUTURE OF HONG KONG:
POLICY REVIEW

1. AT TODAY'S PART II MEETING THE COUNCIL HAD A PRELIMINARY DISCUSSION OF THE POLICY REVIEW PAPER AND THE ACCOMPANYING ASSESSMENT. THE TEXTS BEFORE MEMBERS WERE AS INDICATED IN PARA 1 OF YOUR TUR. THEY WERE ACCOMPANIED BY A COVERING NOTE USING THE WORDING IN PARA 2.

2. IT WAS NOT AN EASY MEETING. AFTER I HAD BRIEFLY INTRODUCED THE PAPERS SIR S Y CHUNG SPOKE AT SOME LENGTH. HE REITERATED HIS VIEW THAT THE HONG KONG PEOPLE WOULD ALBEIT RELUCTANTLY AND AS SECOND BEST, NOT QUARREL WITH THE CHINESE TWELVE POINT PLAN AS SUCH: BUT THEY DID NOT TRUST THE CHINESE AND THE KEY TO CREDIBILITY WAS THEREFORE WHAT ASSURANCES THE CHINESE WOULD GIVE TO SUPPORT IT. HE DID NOT REGARD OPTION A IN PARA 10 AS A REAL OPTION: WE HAD PASSED THAT POINT. BUT OPTION B WAS NOT THE ONLY ALTERNATIVE. THERE SHOULD BE A NEW OPTION C WHICH WOULD BE TO CONCENTRATE FIRST ON SEEKING AN EFFECTIVE ASSURANCE OR ASSURANCES, ACCEPTABLE TO THE PEOPLE OF HONG KONG, THAT WHATEVER AGREEMENT WAS REACHED WOULD NOT BE CHANGED FOR AT LEAST 50 YEARS AFTER 1997. UNLESS SUCH ASSURANCES COULD BE OBTAINED THERE WOULD BE LITTLE POINT IN CONTINUING WITH THE PROCESS OF EXPLORATION AND CONSTRUCTION, AND INDEED THE PROCESS COULD ALL TOO EASILY LEAD PAST THE POINT OF NO RETURN BEFORE THE QUESTION OF ASSURANCES HAD BEEN SETTLED.

3. AS REGARDS POSSIBLE ASSURANCES, SIR S Y CHUNG GAVE AS EXAMPLES THE FOLLOWING IN ADDITION TO THOSE LISTED IN THE PAPER:

(A) CHANGES IN THE AGREED CONSTITUTIONAL ARRANGEMENTS COULD ONLY BE MADE ON HONG KONG INITIATIVE. THEY WOULD THEN HAVE TO BE SUBMITTED TO PEKING FOR APPROVAL. IF PEKING WISHED TO MAKE AMENDMENTS, THE AMENDMENTS WOULD HAVE TO BE AGREED BY HONG KONG. SIR S Y CHUNG BELIEVED (I THINK ERRONEOUSLY) THAT SUCH AN ARRANGEMENT NOW APPLIES IN MACAU.

~~BY HONG KONG. SIR S Y CHUNG BELIEVED (I THINK ERRONEOUSLY) THAT SUCH AN ARRANGEMENT NOW APPLIES IN HONG KONG.~~

(D) THERE SHOULD BE AN ADVISORY COMMISSION WITH INTERNATIONAL REPRESENTATION WHICH WOULD NEED TO APPROVE ANY PROPOSED CHANGES BEFORE THEY WERE PUT TO PEKING (MISS DUNN SUBSEQUENTLY EXPLAINED THAT THIS IDEA HAD ORIGINATED WITH A LEGCO MEMBER WHO BELIEVED THAT IT MIGHT BE ACCEPTABLE TO THE CHINESE. THE COMMISSION WOULD INCLUDE REPRESENTATIVES FROM BRITAIN, CHINA AND SOME OTHER OVERSEAS MEMBERS AND THE GOVERNOR WOULD IN SOME WAY BE RESPONSIBLE TO IT. IT WOULD THEREFORE CONSTITUTE A BUFFER BETWEEN HONG KONG AND CHINA).

(C) THE RELATIONSHIP BETWEEN HONG KONG AND CHINA MIGHT BE SOMEWHAT AKIN TO THAT BETWEEN THE UNITED STATES AND PUERTO RICO. SIR S Y CHUNG QUOTED A SUGGESTION TO THIS EFFECT MADE BY PROFESSOR BYRON WENG OF THE CHINESE UNIVERSITY IN A RECENT NEWSPAPER ARTICLE.

4. THE DISCUSSION WHICH FOLLOWED WAS SOMEWHAT CONFUSED. MR OSWALD CHEUNG SAW NO CASE FOR DEPARTING FROM THE COURSE AGREED WITH THE PRIME MINISTER IN OCTOBER AND SUPPORTED OPTION B. HE THOUGHT THAT THE NEGOTIATING TEAM HAD ALREADY ACHIEVED A CONSIDERABLE DEGREE OF SUCCESS IN GETTING THE CHINESE TO CONFIRM THAT THE ESSENTIAL FEATURES OF THE HONG KONG SYSTEM WOULD CONTINUE AFTER 1997. A REVERSAL AT THIS STAGE WOULD LEAD TO CONFRONTATION. SIR S Y CHUNG MADE IT CLEAR THAT HE ENVISAGED A TRADE OFF: THE CHINESE WOULD BE TOLD, UNCONDITIONALLY, THAT HMG WERE NO LONGER SEEKING THE CONTINUATION OF BRITISH ADMINISTRATION IN ANY PART OF HONG KONG AFTER 1997. IN RETURN THE CHINESE WOULD AGREE TO EFFECTIVE ASSURANCES THAT THERE WOULD BE NO CHANGE FOR 50 YEARS. HE EXPLAINED THAT HE HAD NO OBJECTION TO THE CONTINUED SUBMISSION OF WORKING PAPERS, BUT ASSURANCES SHOULD BE THE FIRST PRIORITY AND THERE SHOULD BE A WORKING PAPER DEALING SPECIFICALLY WITH THEM.

5. FURTHER INTERVENTIONS SHOWED THAT THERE WAS GENERAL AGREEMENT WITH THE ALTERNATIVE OBJECTIVE FORMULATED IN PARA 4 OF THE PAPER, WITH DRAFTING AMENDMENTS TO HIGHLIGHT THE IMPORTANCE OF ASSURANCES, BUT THAT THERE WAS A DIVISION OF OPINION ON HOW THE OBJECTIVE SHOULD BE PURSUED BETWEEN:

(I) THOSE WHO THOUGHT THAT DISCUSSION OF ASSURANCES SHOULD TAKE PLACE IN PARALLEL WITH THE PROCESS OF EXPLORATION AND CONSTRUCTION ON THE BASIS OF THE CHINESE PLAN; AND

(II) THOSE WHO AGREED WITH SIR S Y CHUNG THAT THE FIRST PRIORITY SHOULD BE TO ESTABLISH WHAT ASSURANCES COULD BE OBTAINED.

6. SEVERAL MEMBERS EXPRESSED DISAGREEMENT WITH THE STATEMENT IN PARA 12 OF THE PAPER THAT THE PURSUIT OF OPTION B WOULD ENTAIL PUTTING IN THE REMAINING WORKING PAPERS AS QUICKLY AS POSSIBLE. THEY TOOK THE VIEW THAT THE THREAT OF A SEPTEMBER ANNOUNCEMENT WAS AN ATTEMPT TO PUT PRESSURE ON HMG, AND THAT SINCE THE CHINESE WERE UNLIKELY TO ANNOUNCE

6. ~~SEVERAL MEMBERS EXPRESSED DISAGREEMENT WITH THE STATEMENT~~
IN PARA 12 OF THE PAPER THAT THE PURSUIT OF OPTION B WOULD
ENTAIL PUTTING IN THE REMAINING WORKING PAPERS AS QUICKLY
AS POSSIBLE. THEY TOOK THE VIEW THAT THE THREAT OF A
SEPTEMBER ANNOUNCEMENT WAS AN ATTEMPT TO PUT PRESSURE ON
~~US, AND THAT SINCE THE CHINESE WERE UNLIKELY TO ANNOUNCE~~
MORE THAN THE TWELVE POINT PLAN, SEPTEMBER SHOULD NOT BE
REGARDED AS A DEADLINE. THE ISSUES WERE IMPORTANT ONES AND
WE SHOULD NOT BE RUSHED.

7. ON PUBLIC PRESENTATION, SIR S Y CHUNG ARGUED THAT THE
TIME HAD COME TO MAKE IT CLEAR TO THE HONG KONG PEOPLE
THAT THERE WAS NO LONGER ANY HOPE OF MAINTAINING CONTINUING
BRITISH ADMINISTRATION. HOW THIS SHOULD BE DONE WAS ANOTHER
MATTER. OTHER MEMBERS DID NOT EXPRESS VIEWS ON THIS POINT
BUT AGREED THAT THE QUESTION OF PUBLIC PRESENTATION WOULD
HAVE TO BE CONSIDERED ONCE THE STRATEGY HAD BEEN DECIDED.

8. I SUMMED UP THE DISCUSSION ON THE LINES OF PARAS 5 (I)
AND (II) ABOVE BUT MADE IT CLEAR THAT I WAS NOT ASKING THE
COUNCIL TO REACH CONCLUSIONS AT THIS STAGE.

9. COMMENT. IT IS CLEAR FROM THIS DISCUSSION THAT MEMBERS
WILL WISH TO CONCENTRATE ON THE QUESTION OF ASSURANCES IN
THEIR MEETINGS WITH MINISTERS, IN PARTICULAR (A) WHAT
SPECIFIC ASSURANCES CAN BE OBTAINED; AND (B) WHAT PRIORITY
SHOULD NOW BE GIVEN TO SEEKING THEM. IT IS LIKELY THAT
SIR S Y CHUNG WILL REPEAT MOST OF THE POINTS HE MADE TODAY,
AND THAT HE WILL RECEIVE CONSIDERABLE SUPPORT FROM THE
OTHER UNOFFICIALS, THOUGH NOT FROM ALL OF THEM. IT WOULD
BE HELPFUL IF MINISTERS COULD GIVE A CLEAR STATEMENT ON
THE ASSURANCES WHICH WILL BE SOUGHT, TAKING INTO ACCOUNT
THE ADDITIONAL ONES SUGGESTED BY SIR S Y CHUNG (I DO NOT
REGARD PARA 3 (B) AS A STARTER BUT WILL SEEK TO OBTAIN
FURTHER CLARIFICATION OF WHAT IS IN MIND). THERE WILL ALSO
NEED TO BE A RESPONSE TO THE IDEA OF A WORKING PAPER
DEVOTED SPECIFICALLY TO THE QUESTION OF ASSURANCES.

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MR DONALD
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TO IMMEDIATE FCO

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TELEGRAM NUMBER 19 OF 5TH JAN 84

INFO IMMEDIATE HONG KONG

MY TWO IPTS: FUTURE OF HONG KONG: DINNER WITH YAO GUANG

1. AFTER YAO HAD INFORMED ME OF HIS DEPARTURE, HE ASKED ABOUT FURTHER WORKING PAPERS. I SAID THAT WE WERE CONCENTRATING NOW ON CENTRAL ISSUES SUCH AS CONSTITUTIONAL ARRANGEMENTS AND CITIZENSHIP. THESE WERE COMPLEX, AND REQUIRED CAREFUL PREPARATION IF WE WERE TO GET THEM RIGHT. THERE WAS NO RELUCTANCE ON OUR PART TO PUT THEM FORWARD. WE WOULD DO SO AS SOON AS POSSIBLE. MEANWHILE WE AWAITED CHINESE COMMENTS ON THE FOUR WORKING PAPERS WHICH HAD ALREADY BEEN HANDED OVER BUT NOT DISCUSSED. I SAID THAT WE HAD ALSO BEEN VERY INTERESTED IN REMARKS MADE TO SIR P CRADOCK BY JI PENGFEI ON THE APPOINTMENT OF JUDGES AND ON EXPATRIATES IN THE CIVIL SERVICE. WE MIGHT OURSELVES WISH TO COMMENT FURTHER ON THESE QUESTIONS AT THE NEXT ROUND. THERE WAS HOWEVER ONE POINT ON WHICH WE WERE UNCLEAR. JI HAD SAID THAT AFTER 1997 OFFICIALS WITH HONG KONG I.D. CARDS AS WELL AS BRITISH PASSPORTS WOULD BE ABLE TO RISE UP TO AND INTO THE HIGHEST LEVELS OF THE CIVIL SERVICE. AT PRESENT I.D. CARDS WERE HELD BY ANYONE STAYING IN HONG KONG LONGER THAN SIX MONTHS. WAS JI PERHAPS REFERRING TO A DOCUMENT WHICH WOULD REQUIRE A RESIDENCE QUALIFICATION?

2. YAO THOUGHT THAT HE WAS. HE WOULD ENQUIRE FURTHER ON THIS POINT. AT THE EIGHTH ROUND THE CHINESE SIDE WOULD COMMENT ON THE FOUR PAPERS I HAD MENTIONED, WITH WHICH THEY HAD NO GREAT DIFFICULTIES, AND ALSO ON MATTERS RELATING TO THE LEGAL PAPER WHICH HAD BEEN DISCUSSED IN SIR P CRADOCK'S FAREWELL TALK WITH CHINESE LEADERS. THEY APPRECIATED THE CARE WITH WHICH IT WAS NECESSARY TO DRAW UP THE REMAINING WORKING PAPERS BUT HOPED THAT WE WOULD GET ON AS FAST AS POSSIBLE WITH THEM. PERHAPS THEY COULD HAVE THEM COMPLETE AT LEAST BEFORE THE NINTH ROUND. THEY SHOULD BE DRAFTED WITH TWO FUNDAMENTAL POINTS IN MIND: CHINESE PRINCIPLES AND HONG KONG REALITIES. 2) MUST SOLVE THE HONG KONG QUESTION AS PARTNERS, NOT OPPONENTS. PROSPERITY MUST BE PRESERVED WITHIN CHINA'S PRINCIPLES. AS TO SOME OTHER QUESTIONS WHICH HAD BEEN DISCUSSED IN SIR P CRADOCK'S FAREWELL CALLS, THESE WOULD BE COMMENTED ON WHEN WE HAD PRESENTED OUR RELATED WORKING PAPERS, SUCH AS THOSE ON NATIONALITY AND THE CENTRAL CONSTITUTIONAL ARRANGEMENTS.

YAO'S FAREWELL CALLS, THESE WOULD BE COMMENTED ON WHEN WE HAD PRESENTED OUR RELATED WORKING PAPERS, SUCH AS THOSE ON NATIONALITY AND THE CENTRAL CONSTITUTIONAL ARRANGEMENTS. WOULD WE BE SUBMITTING PROPOSALS ON INTERNAL SECURITY? I SAID THAT WE WOULD: WE WERE WORKING SIMULTANEOUSLY ON A NUMBER OF DIFFERENT AREAS. WE WERE ALSO GIVING FURTHER THOUGHT WITH OUR EXPERTS TO QUESTIONS RELATING TO EXTERNAL ECONOMIC RELATIONS, EG ARRANGEMENTS WITH THE GATT, AND SUCH THINGS AS CIVIL AVIATION. YAO WELCOMED THIS.

3. YAO SAID THAT MANY QUESTIONS WOULD BE RELATED TO AND OVERLAP WITH THE TRANSITIONAL PERIOD UP TO 1997. ALTHOUGH THE CHINESE SIDE HAD NO FIXED IDEAS ON THIS POINT, HE THOUGHT WE SHOULD PAY MORE ATTENTION TO IT THAN HITHERTO. WHEN FOR EXAMPLE SHOULD WE COMBINE DISCUSSION OF THE POST-1997 ARRANGEMENTS WITH DISCUSSION OF THE TRANSITIONAL PERIOD, AND ON WHAT SUBJECTS? I SAID THAT WE RECOGNISED THAT THE TWO COULD NOT IN PRACTICE BE ENTIRELY SEPARATED. NEVERTHELESS IN OUR VIEW THE ORDER OF THE AGENDA WAS LOGICALLY CORRECT. WE NEEDED TO KNOW EXACTLY WHAT WE WERE TRANSITTING TO BEFORE WE COULD DISCUSS THE PERIOD LEADING UP TO 1997 SENSIBLY. IN PRACTICE, WHEN WE CAME TO AREAS OF INEVITABLE OVERLAP, I THOUGHT THE CHINESE WOULD FIND THAT WE TOOK A PRACTICAL ATTITUDE. YAO ASKED WHETHER I THOUGHT THE DISCUSSION OF THE POST 1997 OR PRE 1997 QUESTIONS WOULD PROVE THE MORE DIFFICULT. I SAID THAT PROVIDED WE HAD REACHED AGREEMENT ON POST 1997 ARRANGEMENTS I DID NOT THINK DISCUSSION OF THE PERIOD LEADING UP TO 1997 WOULD POSE GREAT DIFFICULTIES.

4. YAO ASKED WHETHER WE HAD DEVELOPED OUR THINKING ON THE QUESTION OF AN AGREEMENT. I SAID THAT WHAT WAS AGREED WOULD NEED TO BE ENCAPSULATED IN A FORMAL DOCUMENT. THIS WOULD SERVE TO UNDERLINE THAT THE TWO SIDES WERE AGREED. YAO DID NOT DISSENT, BUT ASKED AT WHAT POINT ITS CONTENTS SHOULD BE MADE PUBLIC? WOULD THIS NEED TO WAIT UNTIL AFTER RATIFICATION BY PARLIAMENT? WHEN WAS PARLIAMENT IN RECESS? CHINESE LEADERS BELIEVED THAT THE SOONER AN AGREEMENT COULD BE REACHED, THE BETTER IT WOULD BE FOR HONG KONG'S STABILITY AND PROSPERITY. WOULD THE AGREEMENT ALSO COVER THE TRANSITIONAL PERIOD?

5. I SAID THAT THE CONTENTS OF AN AGREEMENT WOULD HAVE TO BE DISCUSSED BETWEEN THE TWO SIDES. IT WAS NORMAL TO PUBLISH AN AGREEMENT AFTER SIGNATURE. IN ANY EVENT IT COULD NOT BE PRESENTED TO PARLIAMENT FOR RATIFICATION IN SECRET. I ADVISED THAT THE CHINESE SIDE SHOULD CONCENTRATE ON THE POINT OF SIGNATURE OF THE AGREEMENT: ALTHOUGH PARLIAMENTARY APPROVAL WAS VERY IMPORTANT, THE GOVERNMENT WOULD NOT PUT ITS SIGNATURE TO ANYTHING WHICH IT BELIEVED WOULD NOT SUBSEQUENTLY BE RATIFIED.

6. YAO SEEMED DISINCLINED TO RAISE ANY OTHER ISSUES RELATED TO THE TALKS: THE REMAINDER OF THE DINNER WAS TAKEN UP, AT YAO'S INITIATIVE WITH A LENGTHY DISCUSSION ON THE FUNCTIONING OF THE BRITISH AND CHINESE DIPLOMATIC SERVICES AND OF CHANGES BEING CONSIDERED IN THE LATTER (DETAILS BY BAG).

GALSWORTHY

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FUTURE OF HONG KONG ADVANCE COPIES 10

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PS
PS/PUS
PS/MR LUCE
MR DONALD
HD/HKD
HD/FED



COPY TO:
MR COLES, No. 10 DOWNING ST
Mr Roberts, News D.

~~RESIDENT CLERK~~

SECRET

DESKBY FCO 050930Z

FM PEKING 050725Z JAN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 18 OF 5 JANUARY

INFO IMMEDIATE HONG KONG

ADVANCE COPY

IMMEDIATE

MIPT: FUTURE OF HONG KONG: DINNER WITH YAO GUANG

1. I BELIEVE THE REASONS GIVEN BY YAO FOR HIS DEPARTURE ARE GENUINE, AND HE APPEARED VERY CONCERNED THAT WE SHOULD NOT DRAW ANY OTHER CONCLUSIONS. LATER IN THE EVENING, WHEN I MENTIONED THE KNIGHTHOOD BESTOWED ON SIR R EVANS, HE QUICKLY SAID THAT HE HAD NOTED THIS AND HAD THEN THOUGHT IT EVEN MORE IMPORTANT THAT HE SHOULD LET US KNOW FRANKLY AND SINCERELY OF THE REASONS FOR THE CHANGE ON THE CHINESE SIDE. BY THIS HE CLEARLY IMPLIED A REALISATION THAT WE MIGHT INTERPRET THE CHANGE AS A RESPONSE TO SIR P CRADOCK'S DEPARTURE AND THE APPOINTMENT OF AN AMBASSADOR WITHOUT (AT THE TIME) A KNIGHTHOOD.

2. YAO GUANG'S DEPARTURE IS CLEARLY IRREVOCABLE. IT IS LIKELY THAT THE CHANGE WILL BE INTERPRETED BY THE PRESS IN HONG KONG AT LEAST AS A DOWN-GRADING OF THE TALKS, PARTICULARLY AS YAO DOES NOT WISH TO GIVE DETAILS OF HIS NEW RESPONSIBILITIES. I DO NOT THINK THE CHINESE WISH TO GIVE THIS IMPRESSION, AND I WOULD EXPECT THEM TO BE REASONABLY COOPERATIVE OVER THE TERMS OF AN ANNOUNCEMENT. EVENTHOUGH YAO DOES NOT WISH TO GIVE DETAILS OF HIS NEW JOB IT MIGHT BE BEST TO SUGGEST THAT THEY SAY THAT HE HAS TAKEN OVER IMPORTANT NEW RESPONSIBILITIES, THAT IN THE CIRCUMSTANCES, GIVEN THE IMPORTANCE OF THE SUBJECT, IT IS BETTER FOR SOMEONE TO HEAD THE CHINESE DELEGATION WHO CAN GIVE HIS FULL TIME TO IT, AND THAT THIS IN NO WAY IMPLIES ANY DOWNGRADING OF THE TALKS, AND IS QUITE UNPELATED TO THE CHANGE IN THE BRITISH TEAM.

3. ZHOU'S APPOINTMENT IS A MIXED BLESSING. HE IS VERY BRIGHT

ZHOU'S APPOINTMENT IS A MIXED BLESSING. HE IS VERY BRIGHT AND HIS ENGLISH IS EXCELLENT: COMMUNICATION WITH HIM WILL BE EASIER. HIS CONNECTIONS WITH THE CHINESE LEADERSHIP ARE SAID TO BE GOOD (YAO EXPLICITLY SAID THIS TO ME) AND HIS VOICE WILL PROBABLY CARRY AS MUCH WEIGHT AT THE TOP AS YAO'S. NEVERTHELESS WHILE WE FOUND YAO SINCERE AND TRUSTWORTHY, IF NOT VERY QUICK, OUR IMPRESSION OF ZHOU IS THAT HE IS A RUTHLESSLY AMBITIOUS MAN, AND NOT TOO AVERSE TO SOME FAIRLY SHARP DEALING. HIS PERFORMANCE DURING THE SUMMER WHEN HE WAS DEPUTISING FOR YAO GUANG (OUR TELNO 812 OF 18 AUGUST) WAS NOT ENCOURAGING. AT A TIME WHEN THINGS WERE GETTING BETTER IN THE AUTUMN, WE HAD THE IMPRESSION THAT ZHOU NAN HAD A DISTINCT PREFERENCE FOR CONFRONTATION WITH US.

4. HOWEVER GIVEN THE PRESENT ATMOSPHERE THERE IS LIKELY TO BE PRESSURE ON ZHOU TO ACHIEVE PROGRESS. IF HE IS ANXIOUS TO DO SO HE MAY WELL SHOW MORE FLEXIBILITY AND ADROITNESS THAN YAO.

GALSWORTHY

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MR DONALD
ED/HKD
ED/FED

COPY TO:

MR COLES, No. 10 DOWNING ST

Mr Roberts, News D.

SECRET

DESKBY 050930Z

FM PEKING 050640Z JAN 84

TO IMMEDIATE FOO

TELEGRAM NUMBER 17 OF 5TH JAN 84

INFO IMMEDIATE HONG KONG

ADVANCE COPY

IMMEDIATE

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FUTURE OF HONG KONG: DINNER WITH YAO GUANG

1. I HAD DINNER WITH YAO GUANG ON 4 JANUARY. HE WAS ACCOMPANIED BY HIS INTERPRETER, MRS ZHANG. I WAS ACCOMPANIED BY EHRMAN.

2. YAO SAID THAT HE HAD A PARTICULAR REASON FOR INVITING ME. IT WAS TO INFORM ME, ON INSTRUCTIONS FROM HIS GOVERNMENT, THAT HE WOULD NO LONGER BE LEADING THE TALKS ON THE CHINESE SIDE. HE WOULD BE REPLACED BY ASSISTANT FOREIGN MINISTER ZHOU NAN WHO WOULD CHAIR THE CHINESE DELEGATION FROM THE EIGHTH ROUND ONWARDS. YAO STRESSED THAT THIS CHANGE IN NOW WAY IMPLIED THAT THE CHINESE GOVERNMENT DID NOT ATTACH IMPORTANCE TO THE TALKS. THE REASON FOR IT WAS THAT, IN THE MFA AS IN OTHER CHINESE MINISTRIES, THE CENTRAL PARTY RECTIFICATION STEERING COMMITTEE HAD DECIDED THAT TWO GROUPS SHOULD BE ESTABLISHED, ONE TO TAKE CHARGE OF PARTY RECTIFICATION, THE OTHER TO CARRY ON THE NORMAL WORK OF THE MINISTRY. HE WOULD BE IN CHARGE OF PARTY RECTIFICATION. HE WAS ALSO IN OVERALL CHARGE OF ADMINISTRATION AND PERSONNEL AND CONSIDERABLE REFORM WAS TAKING PLACE IN THIS FIELD. ZHOU NAN WAS NOT A VICE-MINISTER IN NAME BUT IN PRACTICE HE EXERCISED THE RESPONSIBILITIES OF ONE. HE WAS ONE OF THE MFA'S LEADERSHIP. YAO HOPED THEREFORE THAT WE WOULD NOT MISUNDERSTAND THIS CHANGE. ALTHOUGH HE WOULD NO LONGER BE LEADING THE CHINESE SIDE, HE WOULD NOT BE TOTALLY CUT OFF FROM THE TALKS. WE COULD STILL HAVE CONTACTS. HE WOULD ORGANISE A DINNER FOR SIR R EVANS AFTER HIS ARRIVAL IN ORDER TO INTRODUCE HIM TO ZHOU NAN BEFORE THE EIGHTH ROUND.

3. I THANKED YAO FOR INFORMING ME OF THIS CHANGE AND FOR DESCRIBING THE REASON FOR IT. WE OF COURSE HAD CONFIDENCE IN ZHOU NAN BUT NONETHELESS REGRETTED YAO'S DEPARTURE. WE KNEW AND RESPECTED HIM AND HAD APPRECIATED HIS CONTRIBUTION TO THE TALKS.

4. I WENT ON TO SAY THAT IT WOULD BE IMPORTANT TO HANDLE THE ANNOUNCEMENT OF THE CHANGE VERY CAREFULLY. IN THIS CONTEXT IT WOULD BE VERY HELPFUL IF THE REASONS BEHIND IT COULD BE EXPLAINED

~~I WENT ON TO SAY THAT IT WOULD BE IMPORTANT TO HANDLE THE ANNOUNCEMENT OF THE CHANGE VERY CAREFULLY. IN THIS CONTEXT IT WOULD BE VERY HELPFUL IF THE REASONS BEHIND IT COULD BE EXPLAINED TO THE PRESS. OTHERWISE THE CONCLUSION MIGHT BE DRAWN THAT THE TALKS HAD BEEN DOWNGRADED. WE SHOULD OF COURSE FOR OUR PART SAY THAT WE HAD FULL CONFIDENCE IN THE CHINESE TEAM.~~

5. YAO SAID THAT THE MFA HAD BEEN CONSIDERING HOW TO ANNOUNCE THE CHANGE. IT COULD POSSIBLY BE DONE AT ONE OF THEIR WEEKLY PRESS BRIEFINGS. IT COULD BE SAID THAT HE WAS VERY BUSY, THAT THE CHANGE DID NOT IMPLY LACK OF INTEREST IN THE TALKS BY THE CHINESE SIDE, THAT THE BRITISH SIDE UNDERSTOOD THE REASONS BEHIND IT AND THAT THEY KNEW ZHOU NAN WHO WAS FAMILIAR WITH THE TALKS. HE SAID HOWEVER THAT IT WOULD BE INAPPROPRIATE TO MENTION DETAILS OF HIS NEW JOB, AS THAT WAS AN INTERNAL AFFAIR.

6. I STRESSED THE IMPORTANCE OF LIAISON ON THE ANNOUNCEMENT AND HOW AN EXPLANATION OF THE REASON BEHIND THE CHANGE WOULD HELP, PARTICULARLY IN HONG KONG. YAO AGREED THAT WE SHOULD LIAISE FURTHER ON THIS QUESTION BEFORE ANY ACCOUNCEMENT WAS MADE.

7. FOR COMMENT SEE MY FIRST IFT. FOR OTHER POINTS AT THE DINNER AND COMMENT ON THEM SEE MY SECOND AND THIRD IFT.

GALSWORTHY

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TO ROUTINE CANBERRA (PERSONAL FOR HIGH COMMISSIONER)

TELEGRAM NUMBER 3 OF 4 JANUARY

INFO ROUTINE PEKING (PERSONAL FOR CHARGE)

ROUTINE HONG KONG

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YOUR TELNO 4: FUTURE OF HONG KONG: BRIEFING OF ALLIES

1. WE SHALL ENDEAVOUR TO TELEGRAPH MATERIAL ON THE 8TH ROUND OF TALKS (25/26 JANUARY) TO ENABLE YOU TO BRIEF MR HAWKE BEFORE HIS DEPARTURE ON 28 JANUARY. BUT THIS TIMETABLE WILL LEAVE US VERY LITTLE TIME TO REACH FULLY CONSIDERED ASSESSMENT.

2. WE SHALL, AS USUALM COPY MATERIAL TO HONG KONG. IF NECESSARY MR HAWKE CAN BE BRIEFED THERE.

HOWE

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

D/HD/PUSD (MR FLOWER)

RES.D. (MR WALKER)

LEGAL ADVISER (SIR IAN SINCLAIR

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

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COPIES TO: (VIA ADR)

MR ROBERTS N EWS D

MR BURROWS LEGAL ADVS

MR COLES NO 10 DOWNING ST

SIR A PARSONS NO 10 DOWNING ST.

MR MARTIN ASSESSMENT STAFF CABINET OFFICE

MR GOODALL CABINET OFFICE

MR BRENNAN CABINET OFFICE

PS/S OF S FOR DEFENCE D

PS/ATTORNEY GENERAL

SECRET



I have spoken
accordingly to
Mr. Henning.

10 DOWNING STREET

A.S.C. 9
/ 1.

Prime Minister.

Would you like me to ring
Mr. Henning, ~~hand~~ him his
letter, encourage him to keep in
touch - and say that the
atmosphere of the talks is now
better but that the negotiations
will continue to be very difficult?

Yes - I doubt whether we
A.S.C. 4
could mount the media
exercise he desires.

The most interesting point
is U.S. attitudes -

Hll



10 DOWNING STREET

From the Private Secretary

3 January 1984

Mr. Roger Henning

You may recall that I wrote to you on 11 July about the above and asked that you should arrange for H.M. Consul General in Sydney to accept any request which Mr. Henning might put to him for help in passing on communications to me.

I now enclose a copy of a letter which I have received from Donald Pragnell in Sydney, together with a copy of a letter from Mr. Henning to Martin Berthoud. You will see that, although no harm has been done, it appears that Pragnell is not aware of the procedure which we established earlier. Since I do not know precisely what action you were able to take on my letter of 11 July, it might be easier for you to take this matter up again - and I should be grateful if, in reply to Pragnell's last sentence, you could say that I should like any further letters to be forwarded to me unopened.

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

3 January, 1984

Thank you for your letter of 21 December enclosing the position paper which you presented to the Chinese Government during the visit of the Hong Kong Observers to Peking. I was grateful to receive this.

My best wishes for 1984.

Ms. C. Loh

A. H. COLES

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10 DOWNING STREET

From the Private Secretary

3 January, 1984

Hong Kong

You will recall (my letter of 15 November) that Christine Loh of the Hong Kong Observers called on me on 15 November and described the position paper which the Hong Kong Observers propose to present to the Chinese during their visit to Peking.

I have now had a letter from Ms. Loh enclosing the final version of the position paper. A copy is enclosed with this letter in case you have not received it from any other source.

A. J. COLES

P. F. Ricketts, Esq.,
Foreign and Commonwealth Office

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10 DOWNING STREET

From the Private Secretary

3 January 1984

Future of Hong Kong

As David Barclay said in his letter to you of 30 December, the Prime Minister has made a number of comments on the paper for OD(K) which was annexed to the Foreign and Commonwealth Secretary's minute of 23 December. Sir Geoffrey Howe may wish to arrange for a revised version of the paper to be circulated for consideration in the sub-committee.

With regard to the third sentence of paragraph 1, the Prime Minister thinks it is over-stating the case to say that even in September, 1982 we judged it probable that the Chinese would not agree to any authoritative role for Britain in Hong Kong continuing after 1997. She recalls that it was our aim to influence the Chinese in discussion towards our view that the continuance of British administration was an important element in maintaining stability and prosperity. It may be that the substitution of "possible" for "probable" would meet the point.

The fourth sentence of paragraph 1 (beginning "The Chinese insistence") conveys, in the Prime Minister's view, the impression that faced with Chinese insistence on explicit acceptance of their premise on sovereignty, we abandoned our own position; whereas we have done no more than give a conditional assurance that we will be prepared to recommend a transfer of sovereignty to Parliament, if an arrangement acceptable to the two Governments and to the people of Hong Kong could be agreed. This point could probably be met by redrafting on the following lines:

"The Chinese continued to insist that their premise on sovereignty must be accepted before substantive talks could begin. While we were not prepared to concede acceptance of this premise, in order to make possible the holding of substantive talks the Prime Minister gave to the Chinese Premier a conditional

/assurance

assurance that, if an arrangement acceptable to the two Governments and to the people of Hong Kong could be agreed, she would be prepared to recommend a transfer of sovereignty to Parliament."

With regard to the fourth sentence of paragraph 5, the Prime Minister is uneasy at the implication that we should give weight to the nationalist feeling of all Chinese administrations since 1911 in seeing the recovery of Hong Kong as a step in the "sacred task" of re-unifying China. She has pointed to the similarity with Argentine attitudes over the Falklands. Later in the same paragraph, Mrs. Thatcher has questioned whether it is correct to say that, in the Chinese view, the wishes of the Hong Kong people must be subordinate to those of the people of China as a whole. The fact that the Chinese are prepared to envisage a special administrative region for Hong Kong may point somewhat in the opposite direction.

Paragraph 6 states that we have one positive card in the negotiations. The Prime Minister has observed that we also have the card of our sovereignty at international law over Hong Kong and Kowloon.

I am copying this letter only to Richard Hatfield (Cabinet Office).

Peter Ricketts Esq
Foreign and Commonwealth Office.

A. J. COLES

● PART 10 ends:-

DB to AJC 30/12/83

PART 11 begins:-

AJC to FCC 3/1/84

