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PREM 19/1263

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PART 12

Confidential Filing

Future of Hong Kong
New Territorial Leases

HONG KONG

PART 1 June 1979

PART 12 February 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2.84							
4.2.84							
10.2.84							
13.2.84							
16.2.84							
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21.3.84							
22.3.84							
26.3.84							
27.3.84							
30.3.84							

PREM 19/1/263

● PART 12 ends:-

AJC to PM 30.3.84.

PART 13 begins:-

Hong Kong tel 885 2.4.84.

E.R.

Done

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2/4.

PRIME MINISTER

HONG KONG

The unofficials are coming to see you next Friday at 9 o'clock.

We have arranged a meeting of OD(K) on Tuesday to prepare for their visit and to consider the Foreign Secretary's latest paper on arrangements between now and 1997.

A brief will then be prepared for your meeting with EXCO. But I think it may well be a difficult meeting. If you agree, therefore, I suggest that we have the Foreign Secretary and Percy Cradock in at 0830 on Friday to go over the speaking notes with you. Content?

Yes mt

A.S.C.

Mrs. Lyda

pl. arrange.

30 March 1984

A.S.C. 3/4.

SECRET

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DESKBY 300930Z

FM HONG KONG 300810Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 865 OF 30 MARCH

INFO IMMEDIATE PEKING

ms

76

PEKING TELNO 589: FUTURE OF HONG KONG: NATIONALITY

1. THE APPROACH WHICH HMG WILL NOW ADOPT TO THE QUESTION OF NATIONALITY IN THE LIGHT OF THE CHINESE REACTION, WILL BE SEEN HERE (AND NOT ONLY BY EXCO) AS A TOUCH-STONE OF HMG'S DETERMINATION TO CARRY OUT THEIR OBLIGATIONS TO THE PEOPLE OF HONG KONG. AT YESTERDAY'S EXCO MEETING MEMBERS REFERRED TO THE ISSUE IN THE CONTEXT OF THE 'MORAL COMMITMENT' MADE BY THE P.M. DURING HER VISIT IN SEPTEMBER 1982. THEY SEE A SATISFACTORY RESOLUTION OF THIS ISSUE AS CRUCIAL TO THE ACCEPTABILITY IN HONG KONG OF THE WIDER ARRANGEMENTS ON THE FUTURE: AND BELIEVE THAT IF THERE IS ANY SIGN OF HMG ALLOWING AN EROSION OF THE RIGHTS ACCORDED TO HONG KONG'S BDTCS IN THE BNA THERE WILL BE A STRONG ANTI-BRITISH REACTION IN HONG KONG GENERALLY.

2. THE QUESTION THEREFORE FALLS INTO TWO PARTS:

(A) WHAT HMG PROPOSE TO DO: AND

(B) WHAT THE CHINESE CAN BE BROUGHT TO ACCEPT.

3. WHEN THE EXCO UNOFFICIALS VISIT LONDON NEXT WEEK THERE WILL CERTAINLY BE NO DISPOSITION TO AGREE THAT HMG SHOULD SIMPLY READJUST THEIR POSITION TO MEET WHAT THE CHINESE HAVE SAID. UNOFFICIALS WILL BE LOOKING FOR AN ASSURANCE THAT HMG WILL NOT AGREE TO ANY EROSION OF BDTCS RIGHTS AND THAT THE DELEGATION, AND IF NECESSARY THE S OF S, WILL CONTINUE TO URGE THE CHINESE TO THINK AGAIN. THIS WOULD MEAN INSISTING THAT THE CHINESE GIVE GREATER RECOGNITION TO THE 'HISTORICAL CIRCUMSTANCES' TO WHICH THE CHINESE THEMSELVES HAVE REFERRED, AND UNDER WHICH HONG KONG HAS BEEN A BRITISH TERRITORY FOR 150 YEARS: AND GETTING THEM TO RECOGNISE THAT AN UNDERSTANDING OF THE STRONG FEELINGS OF MANY PEOPLE IN HONG KONG ON THIS ISSUE WILL PAY CONSIDERABLE DIVIDENDS IN MAKING THE TRANSITION IN 1997 MORE PALATABLE TO SUCH PEOPLE.

4. THIS MEANS THAT FOR ITS PART HMG WILL NEED TO STAND BY ITS INTENTION TO PRESERVE THE STATUS AND RIGHTS OF BDTCS UNDER A NEW CATEGORY OF CITIZENSHIP WITHIN BRITISH NATIONALITY: AND ISSUE THEM WITH PASSPORTS APPROPRIATE TO THEIR STATUS.

5. IT WILL ALSO MEAN EXAMINING WHETHER THE CATEGORY OF BRITISH NATIONAL: HONG KONG CITIZEN COULD BE CREATED WITHIN BRITISH LAW IRRESPECTIVE OF WHETHER SUCH CITIZENSHIP IS CREATED IN CHINESE LAW. (THE CHINESE APPARENTLY INTEND TO CREATE IT IN ALL BUT NAME). IF IT IS CREATED BEFORE 1997 AS THE CHINESE SEEM TO SUGGEST SHOULD BE DONE THERE WOULD BE NO NEED TO ADD THE WORDS 'CHINA' AFTER HONG KONG.

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6. IT WILL ALSO INVOLVE CONTINUING TO ARGUE WITH THE CHINESE THAT THEY SHOULD NOT CONTEST THE ISSUE OF SUCH PASSPORTS IN HONG KONG AFTER 1997: AND SHOULD ALLOW THE USE OF THE NEW PASSPORTS FOR TRAVEL INTO AND OUT OF HONG KONG, IF NECESSARY IN CONJUNCTION WITH AN IDENTITY CARD, BOTH TO THE GENERATION ENTITLED TO THEM IN 1997 AND THE FIRST SUCCEEDING GENERATION.

7. THIS MAY SEEM A TALL ORDER, BUT I CANNOT EMPHASISE TOO STRONGLY THE EMOTIONAL ATTACHMENT OF THOSE CONCERNED TO THEIR BRITISH NATIONALITY AND CITIZENSHIP, AND TO THEIR LINK WITH BRITAIN: AND THEIR FEAR OF BEING LEFT TO THE CHINESE. NOR CAN THERE BE ANY DOUBT ABOUT THE SEVERITY OF THE REACTION HERE IF THERE IS ANY SUGGESTION THAT HMG WILL NOT FIGHT TO THE LAST WITH THE CHINESE TO PRESERVE THAT LINK FOR THEM.

8. THE SECRETARY OF STATE WILL CERTAINLY BE QUESTIONED ON THE ISSUE DURING HIS PRESS CONFERENCE HERE.

YOUDE

FUTURE OF HONG KONG

DEL/MBD

ED/EXD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

RES.B. (MR WALKER)

LEGAL ADVISER (SIR IAN SINCLAIR)

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SIR P CRADOCK NO 10 DOWNING STREET

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PRIME MINISTER

HONG KONG: JARDINE MATHESON

You will recall that you were briefed earlier this week to the effect that the British Government had no prior knowledge of Jardine's move.

This is in fact true. But the FCO learned today that the Governor was told a week ago. He did not inform London and is very contrite about not having done so. This may be a sign that he is under great pressure.

The Chinese Communist Press are running the line, though not yet very strongly, that the British Government must of course have known in advance and perhaps help^{ed} to organise the move.

The press will be told if they raise this matter with us that it is not our practice to comment on confidential commercial exchanges and that we had no opportunity to influence Jardine's decision.

A.S.C.
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MS

k. a.

A.S.C. 74.

30 March 1984

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 DESKBY 300930Z
 FM HONG KONG 300810Z MAR 84
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 864 OF 30 MARCH
 INFO IMMEDIATE PEKING

MA 75

MY TELNO 859: FUTURE OF HONG KONG: VISIT BY EXCO UNOFFICIALS TO LONDON.

1. THE EXCO UNOFFICIALS HAVE BEEN MEETING DAILY TO PREPARE FOR THEIR VISIT TO LONDON. THEY ARE EXPECTING TO COMPLETE THEIR DELIBERATIONS AND TO GIVE ME ADVANCE NOTICE OF THE POINTS THEY WILL WISH TO RAISE AND THE LINE THEY PROPOSE TO TAKE ON APRIL 2 (MONDAY). I WILL TELEGRAPH AGAIN THEN.
2. IT IS HOWEVER EVIDENT FROM THE MOOD OF THE COUNCIL AT YESTERDAY'S MEETING, AND FROM THE CONCERNS EXPRESSED BY MEMBERS, THAT THE UNOFFICIALS SEE THEIR VISIT TO LONDON NEXT WEEK AS THE MOST IMPORTANT OF ANY THAT HAS TAKEN PLACE SO FAR. THEY BELIEVE THAT WE HAVE NOW REACHED A CRITICAL POINT IN THE NEGOTIATIONS: THAT THE SECRETARY OF STATE'S DISCUSSIONS IN PEKING WILL BE CRUCIAL TO THE WHOLE FUTURE OF HONG KONG: THAT HMG WILL NEED NOW TO DECIDE WHAT KIND OF AGREEMENT THEY INTEND TO PRESS FOR: AND WHAT THEIR "BOTTOM LINE" WILL BE.
3. AS THE UNOFFICIALS SEE IT, THE PROCESS OF EXPLORATION AND CONSTRUCTION ON THE BASIS OF THE CHINESE PLAN ON WHICH WE EMBARKED LAST NOVEMBER HAS LARGELY BEEN EXHAUSTED. IN THEIR VIEW THE RESULTS HAVE BEEN MEAGRE AT BEST. WHILE THE CHINESE HAVE CONFIRMED SOME OF THE POINTS INCLUDED IN OUR WORKING PAPERS, THEY HAVE REJECTED MANY OTHERS OR DISMISSED THEM AS MATTERS TO BE DEALT WITH IN THE BASIC LAW OR BY THE FUTURE SAR GOVERNMENT. IN ADDITION THEY HAVE IN MIND A SKELETAL AND LARGELY NON-BINDING AGREEMENT EXCEPT ON THE TRANSFER OF SOVEREIGNTY. THE UNOFFICIALS ARE QUITE CLEAR THAT THE KIND OF AGREEMENT WHICH THE CHINESE SEEM READY TO CONTEMPLATE WOULD NOT (NOT) MAINTAIN CONFIDENCE IN HONG KONG.
4. THE UNOFFICIALS WILL THEREFORE WISH TO KNOW FROM MINISTERS WHETHER HMG WILL BE PREPARED TO STICK OUT FOR THE MAXIMALIST AGREEMENT NOW UNDER CONSIDERATION AND IF NECESSARY FACE A "STAND-OFF" WITH THE CHINESE IN AN EFFORT TO GET IT. IN THE LIGHT OF THE EXPERIENCE OF THE PAST 18 MONTHS THEY FEAR THAT HMG WILL ALLOW THAT DRAFT TO BE CHIPPED AWAY TO THE POINT WHERE IT WOULD PROVIDE FEW IF ANY OF THE ASSURANCES WHICH THEY WERE ASSURED IN JANUARY THAT HMG WOULD SEEK. SOME MEMBERS, INCLUDING SIR S.Y. CHUNG, CONTINUE TO BELIEVE THAT IF HMG WERE PREPARED TO RISK A "STAND-OFF" THE CHINESE WOULD BE FORCED, IN ORDER TO PROTECT THEIR OWN INTERESTS, TO CONCEDE TERMS BETTER THAN THOSE.

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WHICH NOW APPEAR TO BE ON OFFER. THEY DOUBT WHETHER HMG WOULD BE WILLING TO GO THAT FAR BUT WILL BE SEEKING REASSURANCE. THEY ARE LIKELY TO SAY THAT THERE IS A POINT BEYOND WHICH IT WILL NOT BE POSSIBLE FOR THEM TO GIVE HMG THEIR SUPPORT.

5. THE UNOFFICIALS MAY ALSO FOCUS ON HMG'S "MORAL OBLIGATION" TO THE PEOPLE OF HONG KONG. THEY WILL BE SEEKING FIRM ASSURANCES ON NATIONALITY (ON WHICH I AM TELEGRAPHING SEPARATELY). THEY MAY WELL REVIVE THE ISSUE OF HMG'S COMMITMENT MORE GENERALLY TO THOSE WHO MAY WANT TO LEAVE AND WILL WANT TO KNOW HOW MINISTERS WOULD PROPOSE TO FULFIL THE COMMITMENT IF, AS THEY FEAR, AN ACCEPTABLE AGREEMENT WITH THE CHINESE IS UNATTAINABLE.

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FUTURE OF HONG KONG

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DESKBY 300800Z
FM HONG KONG 300645Z MAR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 862 OF 30 MARCH
INFO IMMEDIATE HONG KONG GOVERNMENT OFFICE LONDON, PEKING
INFO ROUTINE HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS,
UKMIS GENEVA

FUTURE OF HONG KONG: PRESS COVERAGE.

1. THE DECISION BY JARDINES TO MOVE THEIR HOLDING COMPANY TO BERMUDA WAS AGAIN THE DOMINANT STORY IN ALL SECTIONS OF THE PRESS. MOST PAPERS QUOTED AN FCO SPOKESMAN AS HAVING SAID THAT IT WAS A COMMERCIAL DECISION. THE SING PAO (INDEPENDENT) RAN A LENGTHY FRONT PAGE REPORT OF COMMENTS MADE BY UNOFFICIAL MEMBERS OF LEGCO DURING THE DEBATE ON THE BUDGET SPEECH. MOST OF THE MEMBERS REPORTED WERE CRITICAL OF THE DECISION AND SAID THAT IT INDICATED A LACK OF FAITH IN HONG KONG'S FUTURE. MR ALLEN LEE, HOWEVER, WAS QUOTED AS SAYING THAT IT WOULD BE UNWISE TO MAKE TOO EARLY A JUDGMENT ABOUT THE IMPACT OF JARDINE'S DECISION. MR ANDREW SO ALSO POINTED OUT THAT THE GOVERNMENT HAD NO POWER TO PREVENT OR CONTROL SUCH A DECISION. MR RONALD LI, CHAIRMAN OF THE FAR EAST STOCK EXCHANGE, WAS QUOTED BY A NUMBER OF THE PAPERS AS SAYING THAT HE WELCOMED THE MOVE SINCE IT MIGHT SERVE TO BRING TO THE CHINESE THAT THE HONG KONG BUSINESS COMMUNITY LACKED FAITH IN THEIR PROMISES. THE ECONOMIC JOURNAL (INDEPENDENT) IN ITS FRONT PAGE REPORT QUOTED ANALYSTS CLOSE TO JARDINES AS HAVING SAID THAT THE CHAIRMAN, MR SIMON KESWICK, HAD VISITED CHINA RECENTLY AND DISCUSSED HONG KONG'S FUTURE WITH CHINESE OFFICIALS. HE HAD NOT DISCLOSED THE COMPANY'S INTENTION TO TRANSFER ITS BASE TO BERMUDA. HE WOULD VISIT CHINA AGAIN IN THE NEAR FUTURE TO EXPLAIN THE BACKGROUND TO THE DECISION. MOST PAPERS ALSO CARRIED A BRIEF ACCOUNT OF REPORTS AND COMMENT ON THE JARDINE'S DECISION IN THE UK PRESS. ALL PAPERS ALSO REPORTED PROMINENTLY THE SHARP FALL IN SHARE PRICES ON HONG KONG STOCK EXCHANGE WITH THE HANG SENG INDEX FALLING BY 61 POINTS.

2. A NUMBER OF PAPERS QUOTED THE PRO-CHINA LAWYER, MISS DOROTHY LIU, AS HAVING SAID THAT CHINA ANTICIPATED THAT BRITISH CONSORTIA WOULD GRADUALLY PULL OUT FROM HONG KONG. THIS DECISION WOULD THEREFORE NOT BE A SURPRISE AND WOULD ONLY HAVE AN AFFECT ON THOSE PEOPLE WHO DELUDED THEMSELVES INTO BELIEVING THAT BRITISH CONSORTIA HAD INFLUENCE IN HONG KONG. A SPOKESMAN FOR THE HONG KONG AND SHANGHAI BANK WAS QUOTED BY MOST PAPERS AS SAYING THAT THE BANK HAD NO PLANS TO WITHDRAW FROM HONG KONG. THE FINANCIAL DAILY QUOTED THE CHAIRMAN OF THE ANGLO/HONG KONG PARLIAMENTARY GROUP, SIR PETER BLAKER, AS HAVING SAID THAT THE DECISION DID NOT MEAN THAT JARDINES WOULD CEASE TO OPERATE IN HONG KONG.

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3. 16 CHINESE LANGUAGE PAPERS AND BOTH MAJOR ENGLISH LANGUAGE PAPERS PUBLISHED COMMENT EITHER IN THEIR EDITORIALS OR COMMENTARIES. (FULL TRANSLATIONS OF A REPRESENTATIVE CROSS SECTION OF CHINESE LANGUAGE EDITORIALS FOLLOWS BY BAG TO HKD AND PEKING.) THERE HAS STILL BEEN NO EDITORIAL COMMENT IN EITHER OF THE TWO MAJOR COMMUNIST DAILIES, THE TA KUNG PAO AND WEN WEI PO. OTHER LEFT WING PAPERS HAVE GENERALLY REACTED WITH CAUTION. THE NEW EVENING POST IN ITS EDITORIAL ON 29 MARCH SAID THAT THE JARDINE'S DECISION WAS NOT IN HARMONY WITH PREVAILING TREND OF INCREASED BUSINESS CONFIDENCE AND IMPROVEMENTS IN THE ECONOMY. THE CHANGE OF REGISTRATION FOR THE HOLDING COMPANY DID NOT MEAN THE START OF A SERIES OF WITHDRAWALS FROM HONG KONG. AGAINST THE BACKGROUND OF THE EXCELLENT FRIENDSHIP BETWEEN BRITAIN AND CHINA, BRITISH COMPANIES IN RECENT YEARS HAD BROADENED THE BASE OF THEIR OPERATIONS IN HONG KONG.

4. THE TIN TIN DAILY NEWS (PRO-CHINA) SAID THAT THE PROSPERITY OF HONG KONG WOULD BE UNAFFECTED BY JARDINE'S DECISION SO LONG AS HONG KONG PEOPLE MADE EFFORTS TO FILL THE GAP. THE COMPANY'S DECISION WAS ANOTHER "ECONOMIC CARD" AIMED AT STRENGTHENING BRITAIN'S BARGAINING POSITION IN THE NEGOTIATIONS. IN A COMMENTARY ON ITS FINANCIAL PAGE, THE TA KUNG PAO, SAID THAT THE STOCK MARKET HAD BEEN GRAVELY AFFECTED BY JARDINE'S DECISION: A SHARP DROP IN JARDINE'S OWN SHARE PRICE SHOWED THAT MANY PEOPLE DISAPPROVED OF THE DECISION.

5. THE MING PAO (INDEPENDENT) SAID THAT SINCE JARDINE'S MAIN OPERATIONS WOULD REMAIN IN HONG KONG, THE DECISION WAS CLEARLY DESIGNED TO SHOW JARDINE'S DISSATISFACTION WITH CHINA'S POLICY TOWARDS HONG KONG AND THAT THEY DOUBTED WHETHER ANY AGREEMENT RESULTING FROM THE SINO/BRITISH TALKS COULD PRESERVE THE EXISTING LEGAL SYSTEM IN HONG KONG AFTER 1997. THE SING TAO JIH PAO TOOK A SIMILAR LINE: JARDINES DID NOT TRUST PEKING AND WAS PREPARING FOR THE WORST. THE DECISION HAD SHATTERED EFFERTS TO STABILISE CONFIDENCE IN HONG KONG. THE PAPER ATTACKED THE COMMENT BY THE FINANCIAL SECRETARY THAT THIS HAD BEEN A "COMMERCIAL DECISION" AND CALLED FOR A DETAILED EXPLANATION FROM THE HONG KONG GOVERNMENT. THE SING PAO (INDEPENDENT) ALSO INTERPRETED THE DECISION AS A VOTE OF NO CONFIDENCE IN CHINA'S SELF RULE PROPOSITION AND URGED BOTH THE CHINESE AND BRITISH GOVERNMENTS TO FIND A WAY OF MINIMISING THE REPERCUSSIONS OF JARDINE'S DECISION SO AS TO STOP A CHAIN REACTION. BRITAIN AND CHINA SHOULD ISSUE A JOINT STATEMENT ON THE INCIDENT. THE SUCCESS OF ANY JOINT REMEDY HINGED ON CHINA'S ABILITY TO TAKE A PRACTICAL ATTITUDE TOWARDS THE HONG KONG ISSUE. PEKING SHOULD CEASE TO BE SO EMOTIONAL AND FACE REALITY. THE ECONOMIC JOURNAL AND FINANCIAL DAILY (BOTH INDEPENDENT) AND THE EXPRESS (RIGHT-WING) ALL TOOK THE VIEW IN THEIR EDITORIALS THAT THE MOVE WAS UNTIMELY AND WOULD SERIOUSLY UNDERMINE PUBLIC CONFIDENCE.

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6. THE WAH KIU YAT PO (INDEPENDENT) TOOK THE VIEW THAT THE DECISION WOULD NOT HAVE A MAJOR EFFECT ON HONG KONG'S ECONOMY, BUT NEVERTHELESS EXPRESSED CONCERN ON THE POSSIBILITY OF A CHAIN REACTION. THE HONG KONG DAILY NEWS (INDEPENDENT) SUGGESTED THAT THE NUMBER OF FOREIGN FIRMS INVESTING IN HONG KONG WOULD OUTNUMBER THOSE WHO WITHDREW.

7. THE PRO-TAIWAN KUNG SHEUNG DAILY NEWS REPORTED IN ITS FRONT PAGE LEAD THAT THE SECRETARY OF STATE WOULD ANNOUNCE AN AGREEMENT IN PRINCIPLE BETWEEN CHINA AND BRITAIN DURING HIS FORTHCOMING VISIT TO HONG KONG. QUOTING UNSPECIFIED SOURCES, THE REPORT SAID THAT THE PRINCIPLES EMBODIED IN THE AGREEMENT WOULD INCLUDE THE GIVING UP BY BRITAIN OF SOVEREIGNTY AND RIGHT OF ADMINISTRATION OVER HONG KONG AND THE FORMATION OF THE JOINT COMMITTEE TO MANAGE THE TRANSFER OF ADMINISTRATIVE CONTROL IN ACCORDANCE WITH THE AGREEMENT. BRITAIN INTENDED TO GAIN THE SUPPORT OF EXCO BEFORE ANNOUNCING SUCH AN AGREEMENT, BUT ACCORDING TO THE SOURCES, EXCO MEMBERS WERE VERY UNHAPPY WITH THE ARRANGEMENT AND WOULD OPPOSE IT STRONGLY.

8. ALL PAPERS REPORTED ROUTINELY THE ANNOUNCEMENT BY THE FCO SPOKESMAN OF THE DETAILS OF THE SECRETARY OF STATE'S FAR EASTERN TOUR.

YOUDE

FUTURE OF HONG KONG

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RES.B. (MR WALKER)

LEGAL ADVISER (SIR IAN SINCLAIR)

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MR. LUCE

SIR ROBERT ARMSTRONG



file

74

10 DOWNING STREET

From the Private Secretary

30 March 1984

FUTURE OF HONG KONG: AGENDA ITEM 2

The Prime Minister has seen the Foreign and Commonwealth Secretary's undated minute (PM/84/56) suggesting the line we should take with the Chinese when we begin to discuss with them Agenda Item 2 - arrangements in Hong Kong prior to 1997.

The Prime Minister believes that this paper should be discussed in OD(K). She has minuted to the effect that we are being pushed rapidly towards partial Chinese control in Hong Kong long before 1997; whereas the Unofficials, in their discussions with the Prime Minister, have derived some comfort from the thought that the present situation in Hong Kong would continue until at least 1997. Mrs. Thatcher is concerned that, under the arrangements proposed in the minute under reference, the prospect of the present situation continuing would be harmed and that the Chinese are likely to seek to push us further in the direction of a substantial element of Chinese influence in Hong Kong in the period between now and 1997.

bc || You will wish to consider with the Cabinet Office whether it is necessary for OD(K) to meet before the visit of Unofficials to London at the end of next week.

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

A J Coles

CT

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

S E C R E T

73

PS
PS/PUS
PS/MR LUCE
MR WILSON
HD/HKD
HD/FED

COPIES TO:

MR COLES, NO.10 DOWNING ST
MR ROBERTS, NEWS DEPT
SIR PERCY CRADOCK

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DESKBY 291200Z

FM HONG KONG 291055Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 859 OF 29 MARCH

INFO IMMEDIATE PEKING

IMMEDIATE

ADVANCE COPY

FUTURE OF HONG KONG: CONSULTATION WITH EXCO.

1. I REPORTED TO EXCO TODAY ON DEVELOPMENTS DURING THE 11TH ROUND. THERE WAS A STRONG REACTION, PARTICULARLY TO WHAT THE CHINESE HAD SAID ON NATIONALITY, AND TO ZHOU NAN'S INFORMAL INDICATION TO THE AMBASSADOR OF THE KIND OF AGREEMENT THE CHINESE ENVISAGED (PARA 5 OF PEKING TELNO 588).

2. SIR S.Y. CHUNG'S IMMEDIATE COMMENT WAS THAT THE CHINESE POSITION AS NOW REVEALED WAS THE LAST NAIL IN THE COFFIN. WE HAD GAINED NOTHING FROM THE PROCESS OF NEGOTIATION AND HAD BEEN FORCED INTO CONSTANT RETREAT. OTHER MEMBERS REACTED SIMILARLY. IT WAS RECALLED THAT IT HAD BEEN AGREED IN LONDON IN JANUARY THAT WE SHOULD TRY TO INSERT AT APPROPRIATE POINTS IN THE NEGOTIATIONS AS MANY ASSURANCES AGAINST CHINESE INTERFERENCE AS WE COULD FOR INCLUSION IN AN AGREEMENT. NO WORTHWHILE ASSURANCES HAD BEEN OBTAINED AND THE CHINESE CONCEPT OF AN AGREEMENT WAS WORTHLESS. A NUMBER OF MEMBERS NOTED THAT THE CHINESE WERE UNWILLING TO RECOGNISE THE BRITISH NATIONALITY OF BDTC'S AFTER 1997 AND WERE EVEN SEEKING TO STOP THE ISSUE OF BDTC PASSPORTS BEFORE 1997. THEY WISHED TO KNOW HOW HMG PROPOSED TO RESPOND.

3. I SAID THAT I WAS NOT SURPRISED BY THE STRENGTH OF MEMBERS' REACTION TO WHAT THE CHINESE HAD SAID. BUT WE HAD NOT REACHED THE END OF THE ROAD. WE HAD PREPARED A DRAFT AGREEMENT WHICH WAS VERY DIFFERENT IN FORM AND CONTENT FROM THE KIND OF COMMUNIQUE WHICH ZHOU NAN HAD OUTLINED TO THE AMBASSADOR. THE RIGHT THING WAS SURELY TO PUT FORWARD THIS AGREEMENT AND ARGUE VERY STRONGLY WITH THE

~~WOMAN HAD OUTLINED TO THE AMBASSADOR. THE RIGHT THING WAS SURELY~~
TO PUT FORWARD THIS AGREEMENT AND ARGUE VERY STRONGLY WITH THE
CHINESE THAT THIS WOULD BE THE KIND OF AGREEMENT NEEDED TO MAINTAIN
CONFIDENCE IN HONG KONG. THE SECRETARY OF STATE'S VISIT TO PEKING
SHOULD BE SEEN IN THAT CONTEXT.

4. THE FOLLOWING WERE THE MAIN POINTS MADE BY MEMBERS IN FURTHER
DISCUSSION:-

- (A) WE SHOULD LOOK AT THE CHINESE TRACK RECORD SINCE THE TALKS
BEGAN. WE HAD NOT IN FACT SUCCEEDED IN PINNING THE CHINESE
DOWN ON ANYTHING OF IMPORTANCE: THEY HAD EVEN GONE BACK ON
THINGS SAID INFORMALLY.
- (B) MEMBERS WERE NOT ARGUING THAT WE SHOULD NOT TRY TO GET A
SATISFACTORY AGREEMENT. BUT WE SHOULD RECOGNISE THAT THE
CHANCES OF DOING SO WERE VERY SMALL UNLESS HMG WERE PREPARED
TO RISK A "STAND-OFF": WE SHOULD BEGIN NOW TO PREPARE FOR
THAT EVENTUALITY.
- (C) HMG'S OBJECTIVES HAD BEEN PROGRESSIVELY WHITTLED DOWN OVER THE
MONTHS SINCE THE TALKS BEGAN. AS SIR S.Y. CHUNG PUT IT, THE
HOUSE WE WERE NOW BUILDING WAS NOT ONLY ROOFLESS BUT HAD NO
FOUNDATIONS.
- (D) SOME MEMBERS THOUGHT THAT EVEN THE PRESENT MAXIMALIST DRAFT
AGREEMENT WAS NOT SUFFICIENTLY HIGH FOR AN OPENING BID. WE
SHOULD CONSIDER INCLUDING ADDITIONAL ELEMENTS SO THAT THERE
WOULD BE ROOM FOR BARGAINING.
- (E) MEMBERS SAW THE QUESTION OF NATIONALITY AS CRUCIAL. IF THOSE
WHO NOW HELD BDMC CITIZENSHIP COULD NOT RETAIN THEIR STATUS
AND RIGHTS AND TRAVEL FREELY ON BRITISH PASSPORTS THEY WOULD
VENT THEIR ANGER AND FRUSTRATION ON HMG. IF THIS HAPPENED THE
GOVERNABILITY OF THE TERRITORY OVER THE NEXT 13 YEARS WOULD BE
PUT SERIOUSLY IN QUESTION.

5. I WILL SEND FURTHER COMMENT TOMORROW.

YOUDE



A 72
cc/c

SECRET

Prime Minister

PM/84/56

PRIME MINISTER

FUTURE OF HONG KONG: AGENDA ITEM TWO

I must discuss. We are being pushed rapidly to Chinese subject to news of OD(K) packed to what long colleagues, agree will paragraph 8? before 1997. Under no circumstances said we have until 1997! Under what A.P.C. 29/3 must help and help in future not

1. The Chinese have told us that they wish to start discussing agenda item two (arrangements prior to 1997) in April. We have said that we will try to meet this deadline. We should decide what line to take on this item.

The Chinese Objectives

2. The Chinese are the demandeurs on agenda item two. They wish to have a say in what happens in Hong Kong up to 1997. They have indicated that they wish to establish some form of institutional machinery in Hong Kong before 1997 to give the impression that they have acquired the right to be consulted on all aspects of Hong Kong's internal affairs. The areas that probably interest them most are:

- (a) constitutional developments between now and 1997:
- (b) internal security and:
- (c) localization of the civil service, police and judiciary.

Our Objectives

3. We will continue to be the administering power for Hong Kong until 1997. We must not allow undue Chinese influence in that period, to avoid reducing confidence in the territory. Some measure of Chinese pressure is inevitable. But we must not allow them a veto over developments in Hong Kong up to 1997.

4. However there are certain matters affecting the pre-1997 period which we should discuss with the Chinese. These include:

(a) Land Tenure. We must make clear to the public that leases for land in the New Territories will be issued on the same terms as those in the ceded areas. It would be helpful to have an understanding on this recorded in the agreement.

(b) Hong Kong's possible future participation in international /treaties



SECRET

treaties, at present applying to the Territory. This will require discussion between China and the UK over a long period between now and 1997.

- (c) Future GATT rights for Hong Kong. A mention of this will be needed in the agreement, but continuing discussion will be necessary between the UK and China and with other GATT members in order to ensure a continuing status for Hong Kong. (The same considerations may apply to other international economic bodies).
- (d) Shipping and Air Services. In both cases we shall need to develop arrangements for Hong Kong to control these services autonomously.
- (e) Financial. There may be some scope for discussion with the Chinese on such matters as issue of notes, coins and postage stamps bearing "colonial" emblems. They may wish to discuss the possibility of the Bank of China becoming a note-issuing bank.
- (f) Internal Security Force. If the Chinese continue to decline to react to our proposal for the creation of an internal security force in Hong Kong under Agenda Item One, and insist that this matter should be discussed during the transitional period, we shall have to raise it under Item Two. Without the Chinese side's at least tacit agreement to the force's creation, it will be very difficult to proceed with it. We must resist however any Chinese bid for involvement in the planning of such a force. Its recruitment and formation is a matter for the Hong Kong Government.

5. At the tenth round of talks the Chinese argued that our proposals for constitutional development up to 1997 would have to be discussed with them to ensure that they did not conflict with the provisions of the Basic Law. They said that this should be discussed under Agenda Item Two. This may provide us with an opening to influence the drafting of the Basic Law. We must exploit it without allowing the Chinese an opening for interference.

/Future Arrangements



SECRET

Future Arrangements

6. Possible ways of securing our objectives would be:

(a) Continuing talks through diplomatic channels. These will be necessary in any case on some matters. They would have the advantage that they would not provide an institutionalised forum in which the Chinese could interfere in Hong Kong before 1997. But equally they would not offer much scope for our own involvement in the Basic Law.

(b) Some form of institutionalised consultation with the Chinese, such as the establishment of working groups for the discussion of co-operation between September 1984 and July 1997. The terms of reference of such machinery could be made wide enough to allow us to influence the drafting of the Chinese Basic Law, and to resolve the outstanding transitional problems in the fields of international treaties, land tenure aviation and shipping.

7. We would have to be careful to ensure that such a body did not allow the Chinese an undue role before 1997. In particular there is the problem of whether it should be based in Peking or Hong Kong. If the body were in Peking we should be dealing with cadres who know little about Hong Kong, and are unexposed to the realities of life there. But against this if it were established in Hong Kong it would certainly detract from the authority of the Hong Kong Government, and complicate our job as the administering power up to 1997.

Line to Take with the Chinese

8(a) We should agree to discuss agenda item two with the Chinese in April, provided that we maintain the right to refer back to unresolved questions from agenda item one.

(b) On constitutional arrangements up to 1997 we should say to the Chinese that we propose to move to a system of indirect
/elections



SECRET

elections. We would not be likely to make a decision on whether to move to direct elections until the 1990's. We should make it clear that we are simply informing them of our intentions, and not consulting them or giving them the right to veto changes. We should however say that we will consult them before moving to direct elections. We should adopt a similar line on localisation of the civil service.

(c) we should keep in touch with the Chinese over the creation of an internal security force, but resist any suggestion that we will consult them on its recruitment or formation.

(d) On other questions covered in paragraph four we should seek Chinese acceptance of guidelines for handling these matters, and the inclusion of statements on them in the agreement.

(e) We should suggest referring remaining questions to some form of consultative machinery. This should be based in Peking and working groups should be established where both sides agree that it is necessary. It should include the participation of Hong Kong representatives.

(f) We should agree terms of reference for this machinery with the Chinese, which are wide enough to allow us to influence the drafting of the Basic Law, but avoid giving the Chinese a veto on developments in Hong Kong prior to 1997.

9. I am copying this to Sir R Armstrong and other members of OD(K).

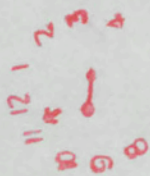
[Handwritten signature]

*9. I am copying this to Sir R Armstrong and other members of OD(K).
This is possible*

HONG KONG : Future
A12



29 MAR 1984



28 APR

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DESKBY FCO 280930Z

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FM PEKING 280600Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 590 OF 28 MARCH

INFO IMMEDIATE HONG KONG

MY SECOND IPT: FUTURE OF HONG KONG: INFORMAL DINNER 27 MARCH:
AGREEMENT

1. KE ZAISHUO SAID THAT THE CHINESE SIDE WERE NOT SUGGESTING THAT AS FAR AS THE CHINESE PLAN FOR HONG KONG WAS CONCERNED THE AGREEMENT SHOULD CONTAIN ONLY THE 12 POINTS. HE KNEW THAT WE WOULD PRESS FOR MORE. IT WAS NEVERTHELESS VERY IMPORTANT THAT WE SHOULD AVOID THE USE OF INAPPROPRIATE PHRASEOLOGY. BY USING PHRASES SUCH AS 'MAXIMUM AUTONOMY', 'EXCLUSIVE RIGHT', ETC IN OUR WORKING PAPERS WE HAD ALREADY FAILED TO ACHIEVE SOME OF WHAT WE MIGHT HAVE ACHIEVED IF WE HAD SAID THE SAME THING IN A WAY LESS OBJECTIONABLE TO CHINESE LEADERS: EG 'THE CENTRAL PEOPLE'S GOVERNMENT WILL DEVOLVE POWER TO THE GOVERNMENT OF SPECIAL ADMINISTRATIVE REGION TO DO X'. NOTHING SHOULD BE PHRASED IN TERMS OF ABSOLUTES SINCE HONG KONG WOULD NOT BE INDEPENDENT.
2. KE SAID THAT ANY PROPOSAL THAT THE AGREEMENT SHOULD SAY THAT THE UK AND CHINA HAD AGREED ON POST 1997 ARRANGEMENTS WOULD BE TOTALLY UNACCEPTABLE. WE SHOULD BE ABSOLUTELY CLEAR ON THIS POINT. POST 1997 ARRANGEMENTS COULD ONLY BE EXPRESSED IN TERMS OF CHINA'S POLICY. WHEN ASKED HOW ALL THAT WE HAD DISCUSSED COULD BE REFLECTED IN AN AGREEMENT, KE SUGGESTED THAT IT COULD BE SET OUT AS THE IMPLICATIONS OF THE 12 POINTS WHICH THE BRITISH SIDE COULD 'APPRECIATE' (XIN SHANG, CCC NUMBERS 2946 6339). KE ADDED THAT WE SHOULD BE EXCEPTIONALLY CAREFUL OVER THE WAY IN WHICH SOVEREIGNTY WAS DEALT WITH. SEPARATE CHINESE AND BRITISH STATEMENTS ON THIS WOULD PROBABLY BE NECESSARY.

EVANS

70

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PS/MR LUCE \ LAOY YOUNG
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DESKBY 281030Z (FCO)

DESKBY 280900Z (HONG KONG)

FROM PEKING 280810Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 588 OF 28/3/84
INFO IMMEDIATE HONG KONG

ADVANCE COPY

IMMEDIATE

me

FUTURE OF HONG KONG: CONVERSATION WITH ZHOU NAN
AT INFORMAL DINNER 27 MARCH.

1. I HAD ABOUT AN HOUR'S CONVERSATION WITH ZHOU NAN (ALONE) AFTER MY DINNER FOR THE TWO DELEGATIONS ON 27 MARCH.

THE TIMETABLE

2. ON SIGNATURE, ZHOU AGAIN TRIED OUT ON ME THE TWO SCENARIOS WHICH HE HAD OUTLINED ON 17 MARCH (MY TEL NO 514). I SAID THAT NEITHER WAS ACCEPTABLE. IT WOULD NOT BE POSSIBLE FOR MINISTERS TO ASK PARLIAMENT TO APPROVE AN AGREEMENT WHICH HAD ALREADY BEEN SIGNED (SEMI-COLON) AND IT WAS NOT REALISTIC TO SUPPOSE THAT THE TWO DELEGATIONS COULD COMPLETE WORK ON A DRAFT AGREEMENT BY THE END OF MAY OR THE BEGINNING OF JUNE. HE ASKED WHY NOT. IF WE WERE TO HOLD TWO ROUNDS OF FORMAL TALKS A MONTH, AND TO PUT A GROUP OF SPECIALISTS TO WORK ON THE TEXT OF A DRAFT AGREEMENT, THERE WAS NO REASON WHY WE SHOULD NOT WIND UP OUR WORK BY THE END OF MAY. I SAID THAT THIS TIMETABLE WAS SIMPLY NOT FEASIBLE. IN ANY CASE, PARLIAMENT WOULD NEED MORE THAN JUST A FEW WEEKS TO CONSIDER A DRAFT AGREEMENT. ZHOU ALSO SAID AT ONE POINT THAT CHINA COULD NOT AGREE TO PUBLISH A DOCUMENT WHICH WOULD BE SUBJECT-TO LATER ADJUSTMENT.

3. ON THE INTERVAL BETWEEN SIGNATURE AND RATIFICATION, ZHOU ASKED WHETHER I COULD YET GIVE HIM 'CLARIFICATION'. I COUNTERED BY ASKING WHETHER I WAS RIGHT IN THINKING THAT THIS WAS THE ELEMENT

~~ASKING WHETHER I WAS RIGHT IN THINKING THAT THIS WAS THE ELEMENT~~
IN OUR TIMETABLE WHICH CAUSED THE CHINESE MOST DIFFICULTY. AFTER
HESITATING FOR A MOMENT, HE SAID THAT IT WAS. IT WAS SURELY
UNKNOWN IN INTERNATIONAL PRACTICE FOR A SIGNED BILATERAL AGREE-
MENT TO REMAIN UNRATIFIED FOR YEARS ON END. WAS THERE NO WAY IN
WHICH WE COULD ACCELERATE THE PROCESS?

4. ON UNVEILING (WHICH NEITHER HE NOR I DESCRIBED AS SUCH),
ZHOU AGAIN SAID THAT THE CHINESE WOULD FIND IT UNACCEPTABLE FOR
YOU TO MAKE A STATEMENT IN THE SPRING ABOUT WHAT HAD HAPPENED
DURING THE TALKS (SEMI-COLON THE ONLY SORT OF
STATEMENT WHICH THE CHINESE COULD ACCEPT IN ADVANCE OF THE CON-
CLUSION OF AN AGREEMENT WAS ONE IN WHICH YOU ANNOUNCED THAT
THE UNITED KINGDOM WAS PREPARED TO TRANSFER SOVEREIGNTY.

FORM AND CONTENT OF AN AGREEMENT

5. ZHOU SAID HE HAD THE IMPRESSION THAT I HAD A DRAFT AGREEMENT
UP MY SLEEVE. I SAID THAT I HAD NOT, BUT THAT I EXPECTED TO BE
INSTRUCTED TO DISCUSS THE FORM AND CONTENT OF AN AGREEMENT WITH
HIM BEFORE LONG, PERHAPS IN ADVANCE OF YOUR VISIT. HE
PRESSED ME VERY HARD TO GIVE HIM MY "PERSONAL THOUGHTS" ABOUT
THE FORM OF THE AGREEMENT AND ABOUT WHAT IT MIGHT CONTAIN.
I COUNTERED BY ASKING HIM TO GIVE ME HIS PERSONAL THOUGHTS.
HE SAID THAT THE CHINESE SIDE HAD NOT YET PREPARED A DRAFT.
BUT IT CONTEMPLATED AN AGREEMENT IN FOUR PARCS:-

- (A) AN UNEQUIVOCAL UNDERTAKING BY THE UNITED KINGDOM TO
TRANSFER SOVEREIGNTY (SEMI-COLON)
- (B) THE CHINESE 12-POINT PLAN (SEMI-COLON)
- (C) A PASSAGE STATING THAT THE UNITED KINGDOM "APPRECIATED"
THE CHINESE PLAN (SEMI-COLON) AND
- (D) A SHORT CLAUSE ABOUT THE MACHINER OF CONSULTATION DURING
THE TRANSITIONAL PERIOD.

6. I SAID THAT THIS SORT OF THINKING WAS A LONG WAY FROM OUR
OWN. WE WANTED AN AGREEMENT WHICH WOULD GO INTO A GOOD DEAL OF
DETAIL, BOTH BECAUSE MINISTERS WOULD NEED TO PRESENT A
DETAILED AGREEMENT TO PARLIAMENT AND BECAUSE SUCH AN AGREEMENT WOULD
BE NECESSARY TO PRESERVE CONFIDENCE IN HONG KONG. THE TWO
ASPECTS WERE IN FACT LINKED (SEMI-COLON) ANY DAMAGE TO
CONFIDENCE IN HONG KONG WOULD HAVE AN IMPORTANT IMPACT ON
PARLIAMENTARY OPINION. ZHOU GRUMBLED, BUT DID NOT MAKE A SERIOUS
ATTEMPT TO ARGUE.

7. I TOLD ZHOU THAT WE THOUGHT THAT THE SHANGHAI COMMUNIQUE WAS
QUITE INAPPROPRIATE AS THE MODEL FOR AN AGREEMENT. IT RECORDED
DISAGREEMENT RATHER THAN AGREEMENT. IN ANY CASE, A COMMUNIQUE
WAS NOT THE SORT OF DOCUMENT WE HAD IN MIND. WE WANTED SOMETHING

~~DISAGREEMENT RATHER THAN AGREEMENT. IN ANY CASE, A COMMUNIQUE~~
WAS NOT THE SORT OF DOCUMENT WE HAD IN MIND. WE WANTED SOMETHING
MORE FORMAL. GIVEN THEIR REQUIREMENT OVER SOVEREIGNTY, DID NOT
THE CHINESE WANT THIS TOO? ZHOU SAID HE HAD FLOATED HIS IDEA
ABOUT THE SHANGHAI COMMUNIQUE ON 17 MARCH IN ORDER TO HELP OVER
SOVEREIGNTY. THE TWO COUNTRIES HAD POSITIONS WHICH WERE DIFFERENT.
IT HAD OCCURRED TO HIM THAT THOSE POSITIONS COULD BE SET OUT
IN A FORM LIKE THAT USED IN THE SHANGHAI COMMUNIQUE, THOUGH IT
WOULD OF COURSE BE NECESSARY FOR THE UNITED KINGDOM TO BIND
ITSELF TO TRANSFER SOVEREIGNTY.

ITEMS 2 AND 3

8. ZHOU AGAIN SAID THAT THE CHINESE SIDE INTENDED TO MAKE PROPOSALS
ABOUT ITEMS 2 AND 3 AT THE NEXT ROUND. THE PROPOSALS ABOUT ITEM 2
WOULD DEAL CHIEFLY WITH MACHINERY FOR CONSULTATION DURING THE
TRANSITIONAL PERIOD.

FUTURE ROUNDS

9. ZHOU ASKED WHETHER WE COULD AGREE TO A SECOND ROUND NEXT MONTH,
PERHAPS DURING THE PERIOD FROM 24 TO 26 APRIL. HE SAID THAT
WE WOULD LIKE THE TIMING OF THE 13TH ROUND TO BE LEFT
OPEN FOR THE MOMENT. TWO FACTORS WHICH WOULD ENTER INTO THE
RECKONING FOR US WERE THAT THE FOUR-DAY EASTER HOLIDAY
FELL DURING THE SECOND HALF OF APRIL AND THAT YOU WOULD NOT
BE BACK IN LONDON UNTIL 28 APRIL

EVANS

NNNN

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1263</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Coles to Appleyard dated 27 March 1984</i>	
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Extract/Item details: <i>Report dated 26 March 1984</i>	
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DESKBY FCO 271300Z

FM PEKING 271045Z MAR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 584 OF 27 MARCH
INFO IMMEDIATE HONG KONG

IMMEDIATE

ADVANCE COPY

MPT: FUTURE OF HONG KONG: 11TH ROUND: SECOND DAY: COMMENT

1. THIS WAS A SOMEWHAT DISCOURAGING SESSION.

2. AT FIRST SIGHT, ZHOU'S STATEMENT ON THE NATIONALITY WORKING PAPER LOOKED CONSIDERABLY HARDER-LINE THAN WE HAD EXPECTED FROM INFORMAL CONTACTS. HE REJECTED THE CONCEPT OF A SEPARATE CITIZENSHIP WITHIN CHINESE NATIONALITY FOR SAR RESIDENTS.

HE SAID THAT CHINA DID NOT RECOGNISE DUAL NATIONALITY FOR CHINESE NATIONALS. HE ALSO SAID THAT AFTER 1997 NO NEW BRITISH PASSPORTS COULD BE ISSUED TO CHINESE NATIONALS IN THE SAR. HE DID NOT COMMENT DIRECTLY ON THE QUESTION OF BDTCS RETAINING A FORM OF BRITISH NATIONALITY EQUIVALENT TO BDTC STATUS.

3. HE THEREFORE MADE A FIRM STATEMENT IN RESPONSE, IN WHICH HE URGED THE CHINESE TO LOOK AGAIN AT OUR PROPOSALS FOR RETENTION OF RIGHTS EQUIVALENT TO BDTC RIGHTS AFTER 1997 AND A SEPARATE CITIZENSHIP WITHIN CHINESE NATIONALITY.

4. IN RESPONDING TO THIS, ZHOU SAID THAT WE HAD NOT STUDIED THEIR FIRST STATEMENT CLOSELY ENOUGH. THE CHINESE HAD MADE CLEAR IN PREVIOUS ROUNDS THAT THE CONCEPT OF BDTC STATUS WAS CONTRARY TO THE PRINCIPLE OF CHINESE SOVEREIGNTY, AND IT COULD NOT BE ASSUMED THAT AFTER 1997 BDTC STATUS COULD BE RETAINED AND BDTC PASSPORTS CONTINUE TO BE USED. ZHOU SAID THAT I SHOULD PARTICULARLY NOTE THAT HE HAD SAID THAT THE STATUS OF BDTC COULD NOT BE MAINTAINED (NEXT 3 WORDS UNDERLINED) IN THE SAR.

HE DREW ATTENTION TO THE WORDS 'IN THE SAR', AND ADDED THAT CHINA COULD NOT CONSIDER BDTCS AS OVERSEAS BRITISH WITHIN THE TERRITORY OF THE SAR. THE UNITED KINGDOM COULD THEREFORE NOT

~~CHINA COULD NOT CONSIDER BDTCS AS OVERSEAS BRITISH WITHIN THE TERRITORY OF THE SAR. THE UNITED KINGDOM COULD THEREFORE NOT CONTINUE TO ISSUE BDTG PASSPORTS AFTER 1997 (NB AT THIS POINT HE REFERRED SPECIFICALLY TO BDTG PASSPORTS, AND NOT BRITISH PASSPORTS IN GENERAL). HE WENT ON TO UNDERLINE THAT CHINESE POLICIES INCLUDED THE MAXIMUM FLEXIBILITY PERMITTED BY THE CONCEPT OF CHINESE SOVEREIGNTY, AND URGED THAT WE SHOULD NOT OVERLOOK THIS.~~

5. TAKING ZHOU'S TWO STATEMENTS ON THIS SUBJECT TOGETHER, WE ARE NOT AT ALL CLEAR EXACTLY WHAT HE MEANT. THIS WILL NEED CLARIFICATION: WE MAY OBTAIN SOME AT THIS EVENING'S DINNER.

6. ZHOU'S REPLY TO MY STATEMENT YESTERDAY ON CONSTITUTIONAL MATTERS AND GOVERNMENT STRUCTURES WAS GENERALLY UNHELPFUL. FOR THE MOST PART HE QUOTED CHINESE STATEMENTS FROM PREVIOUS ROUNDS TO PROVE HIS THESIS THAT THE CHINESE POSITION WAS ALREADY ENTIRELY CLEAR. HE SAID THAT IT WAS NOT POSSIBLE AT THIS STAGE TO GO BEYOND THE STATEMENT THAT THE SAR GOVERNMENT WOULD HAVE A GOVERNMENT WITH A CHIEF EXECUTIVE, THE NECESSARY GOVERNMENT ORGANS PERFORMING VARIOUS FUNCTIONS, A LEGISLATURE, AND AN INDEPENDENT JUDICIARY. MATTERS RELATING TO GOVERNMENT STRUCTURES WOULD NEED TIME FOR CONSULTATION AND STUDY BY THE PARTIES CONCERNED BEFORE THE RELEVANT PROVISIONS WERE DRAFTED FOR INCORPORATION INTO THE BASIC LAW. IT WAS NOT REALISTIC TO EXPECT THAT THE BILATERAL AGREEMENT WOULD COVER THE FULL DETAILS OF THE GOVERNMENT STRUCTURE OF THE SAR.

7. ZHOU SIGNALED HIS INTENTION TO PRODUCE IDEAS ABOUT ITEMS TWO AND THREE OF THE AGENDA AT THE 12TH ROUND OF TALKS.

EVANS

NNNN

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1263</i> (one piece/item number)	Date and sign
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file ecc
cc Sir P C
CR

10 DOWNING STREET

From the Private Secretary

26 March 1984

HONG KONG: MEETING WITH UNOFFICIALS

BT | The Prime Minister has agreed to rearrange her diary so that her meeting with the unofficials next week can take place at 9 o'clock a.m. on Friday, 6 April. As the Prime Minister will need to begin work fairly early that day on a speech which she is to deliver in the afternoon, we hope that the meeting can end not later than 10.30 (and earlier if possible).

ASC

Peter Ricketts Esq
Foreign and Commonwealth Office

RESTRICTED



cc FCO
bc PC

JP

10 DOWNING STREET

From the Private Secretary

26 March 1984

Thank you for your letter of 16 March.
I have noted its contents and will bring
them to the attention of those here concerned
with policy towards Hong Kong.

A. J. COLES

— W.M. Sulke, Esq., OBE, JP.

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FROM PEKING 261010Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 568 OF 26/3/84

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: 11TH ROUND: FIRST DAY

SUMMARY

1. I RESPONDED TO ZHOU NAN'S REMARKS AT THE LAST ROUND ON THE CONSTITUTIONAL ARRANGEMENTS WORKING PAPER, ARGUING FOR A MORE FORTHCOMING CHINESE RESPONSE TO ITS PROPOSITIONS. I TABLED OUR PROPOSALS ON BRITISH REPRESENTATION AND CONSULAR REPRESENTATION IN HONG KONG AFTER 1997. ZHOU NAN COMMENTED ON THE CIVIL AVIATION PAPER: SOME OF ITS PROPOSALS WERE ACCEPTED BY IMPLICATION, BUT THE CHINESE STATED THAT THE SAR WOULD NEED AUTHORISATION FROM THE CENTRAL GOVERNMENT FOR THE NEGOTIATION AND CONCLUSION OF BILATERAL AIR SERVICE AGREEMENTS.

DETAIL

2. ZHOU BEGAN BY COMMENTING ON THE WORKING PAPER ON CIVIL AVIATION. HE RECALLED THAT POINT 6 OF THE 12 POINT PLAN STATED THAT HONG KONG WOULD REMAIN A FREE PORT AND A SEPARATE TARIFF AREA. HE ALSO RECALLED THAT THE CHINESE HAD STATED THAT HONG KONG WOULD RETAIN FREE TRADE POLICY, AND THAT EXISTING ECONOMIC AND TRADE SYSTEMS AND METHODS OF MANAGEMENT WOULD BE BASICALLY UNCHANGED. THE BASIC SPIRIT OF THIS WAS APPLICABLE TO CIVIL AVIATION.

3. ACCORDING TO RELEVANT INTERNATIONAL CONVENTIONS ON CIVIL AVIATION A STATE HAD COMPLETE AND EXCLUSIVE SOVEREIGNTY OVER



3. ACCORDING TO RELEVANT INTERNATIONAL CONVENTIONS ON CIVIL AVIATION A STATE HAD COMPLETE AND EXCLUSIVE SOVEREIGNTY OVER THE AIR SPACE ABOVE ITS TERRITORY. AFTER 1997 THE SAR GOVERNMENT WOULD HAVE TO OBTAIN AUTHORITY FROM THE CENTRAL GOVERNMENT IN HANDLING ANY MAJOR ISSUES ABOUT EXTERNAL CIVIL AVIATION RELATIONS WHICH INVOLVED SOVEREIGNTY. THE CENTRAL GOVERNMENT WOULD OF COURSE TAKE ACCOUNT OF THE SPECIAL NEEDS AND ECONOMIC INTERESTS OF THE SAR. THE WORKING PAPER USED IN SEVERAL PLACES THE TERM "EXCLUSIVE AUTHORITY". THIS WAS OBVIOUSLY CONTRARY TO THE PRINCIPLE OF SOVEREIGNTY AND THEREFORE MOST INAPPROPRIATE.

4. HONG KONG' CURRENT SYSTEM OF MANAGEMENT AND ITS LAWS AND REGULATIONS RELATING TO CIVIL AVIATION COULD REMAIN EFFECTIVE PROVIDED THEY DID NOT PREJUDICE CHINESE SOVEREIGNTY. THE SAR GOVERNMENT, IN ACCORDANCE WITH ITS LAWS AND RELEVANT PROCEDURES, WOULD PERMIT THOSE AIRLINES CURRENTLY OPERATING IN HONG KONG TO CONTINUE.

5. AFTER 1997 ALL EXISTING BILATERAL AVIATION AGREEMENTS OR CONVENTIONS WOULD BE HANDLED BY THE SAR GOVERNMENT, ON THE AUTHORISATION OF THE CENTRAL GOVERNMENT, ON A CASE BY CASE BASIS IN THE LIGHT OF THE ACTUAL CIRCUMSTANCES. IN PRINCIPLE, THESE AGREEMENTS AND CONVENTIONS COULD BE RENEWED BY APPROPRIATE PROCEDURES.

6. CHINESE APPROVAL WOULD BE NECESSARY BEFORE THE UK COULD SIGN, PRIOR TO 1997, ANY AVIATION AGREEMENTS OR CONVENTIONS APPLYING TO HONG KONG WHOSE VALIDITY WOULD EXTEND BEYOND 1997. SUBJECT TO THE AUTHORISATION OF THE CENTRAL GOVERNMENT, THE SAR GOVERNMENT COULD NEGOTIATE AND SIGN BILATERAL CIVIL AVIATION AGREEMENTS AND CONVENTIONS WITH FOREIGN COUNTRIES, INCLUDING THE UK.

7. THE CONTINUED APPLICATION OF RELEVANT INTERNATIONAL AVIATION CONVENTIONS AND AGREEMENTS TO THE SAR COULD BE HANDLED AS FOLLOWS:

(A) FOR THOSE TO WHICH CHINA WAS A PARTY, EG THE CHICAGO AND WARSAW CONVENTIONS, THE SCOPE OF APPLICATION COULD BE EXTENDED TO INCLUDE THE SAR.

(B) FOR THOSE TO WHICH CHINA WAS NOT YET A PARTY, EG THE INTERNATIONAL AIR SERVICES TRASIT AGREEMENT, THE CENTRAL GOVERNMENT COULD AUTHORISE THE SAR GOVERNMENT TO MAKE APPROPRIATE ARRANGEMENTS SO THAT AIRLINES HAVING THEIR PRINCIPAL PLACE OF BUSINESS IN HONG KONG COULD CONTINUE TO ENJOY THEIR EXISTING RIGHTS.

THE SAR COULD PARTICIPATE IN INTERNATIONAL ORGANISATIONS AND CONFERENCES RELATING TO CIVIL AVIATION ALONG THE GENERAL LINES ALREADY SET FORTH BY THE CHINESE. IN OTHER WORDS THE SAR COULD BE PART OF THE CHINESE DELEGATION WHEN PARTICIPANTS WERE LIMITED TO STATES, BUT COULD EXPRESS ITS VIEWS AS "HONG KONG (CHINA)" (SEMI-COLON), AND COULD PARTICIPATE AS "HONG KONG (CHINA)" WHEN PARTICIPANTS WERE NOT LIMITED TO STATES. IN NEGOTIATIONS WITH FOREIGN COUNTRIES ON CIVIL AVIATION MATTERS RELATING TO THE SAR WHICH HAD TO BE CONDUCTED BY THE

IN NEGOTIATIONS WITH FOREIGN COUNTRIES ON CIVIL AVIATION MATTERS RELATING TO THE SAR WHICH HAD TO BE CONDUCTED BY THE CENTRAL GOVERNMENT, THE SAR GOVERNMENT COULD BE REPRESENTED IN THE CHINESE DELEGATION.

8. AIR LINKS BETWEEN THE SAR AND THE MAINLAND WERE PURELY A MATTER OF DOMESTIC AIR TRAFFIC WITHIN CHINA, AND COULD BE SETTLED THROUGH ARRANGEMENTS MADE BETWEEN THE COMPETENT DEPARTMENT OF THE CENTRAL GOVERNMENT AND THE SAR GOVERNMENT WHEN THE TIME CAME. AFTER CHINA HAD RESUMED THE EXERCISE OF SOVEREIGNTY, THE AIR ROUTE BETWEEN HONG KONG AND THE UK WOULD CEASE TO BE A DOMESTIC BRITISH ROUTE, AND WOULD BE TREATED AS A ROUTE BETWEEN THE SPECIAL ADMINISTRATIVE REGION OF CHINA AND THE UNITED KINGDOM. THIS WAS SELF EVIDENT

9. ON THE AUTHORITY OF THE CENTRAL GOVERNMENT, THE SAR GOVERNMENT, IN ACCORDANCE WITH THE RELEVANT LEGISLATION, WOULD BE RESPONSIBLE FOR DEALING WITH THE MATTER OF ROUTINGS AND FOR TECHNICAL MATTERS SUCH AS THE MAINTENANCE OF AN AIRCRAFT REGISTER, THE ISSUING OF LICENCES, AND THE RUNNING OF AIRPORTS. THE SAR GOVERNMENT COULD ALSO BE AUTHORISED BY THE CENTRAL GOVERNMENT TO PROVIDE AIR TRAFFIC SERVICES FOR THE HONG KONG (CHINA) FLIGHT INFORMATION REGION AND TO UNDERTAKE ANY OTHER RESPONSIBILITIES ALLOCATED UNDER THE REGIONAL AVIATION PLANNING PROCEDURES OF THE INTERNATIONAL CIVIL AVIATION ORGANISATION.

ZHOU CONCLUDED THAT HE BELIEVED THAT THE TWO SIDES SHARED MANY COMMON VIEWS ON THIS WORKING PAPER.

10. I THANKED ZHOU FOR HIS STATEMENT, WHICH I SAID WE WOULD STUDY WITH GREAT CARE. I THEN SPOKE, IN TWO SEPARATE STATEMENTS, ON CONSTITUTIONAL ARRANGEMENTS AND ON BRITISH AND OTHER FOREIGN REPRESENTATION IN HONG KONG AFTER 1997. DETAIL ARE IN MY TEL NO 570.

11. IMMEDIATELY AFTER A BREAK I TOOK ZHOU UP ON HIS STATEMENT ABOUT CIVIL AVIATION. I NOTED THAT ALL HE HAD SAID HAD BEEN UNDER THE RUBRIC OF POINT 6 OF THE 12 POINT PLAN AND PICKED OUT IN PARTICULAR HIS STATEMENT THAT EXISTING BILATERAL AGREEMENTS AND CONVENTIONS APPLICABLE TO HONG KONG WOULD BE HANDLED BY THE SAR GOVERNMENT ON THE AUTHORITY OF THE CENTRAL GOVERNMENT ON A CASE BY CASE BASIS IN THE LIGHT OF ACTUAL CIRCUMSTANCES. I SAID THAT WE CONSIDERED THAT POINT 10 OF THE 12 POINT PLAN WAS RELEVANT IN THE CONTEXT OF CIVIL AVIATION (THAT THE SAR AS "HONG KONG (CHINA)" COULD ON ITS OWN SIGN AGREEMENTS IN THE ECONOMIC AND CULTURAL FIELDS WITH ALL COUNTRIES, REGIONS AND RELEVANT INTERNATIONAL ORGANISATIONS).

I EMPHASISED THAT IT WAS BECAUSE WE SAW THE QUESTION OF TRAFFIC

I EMPHASISED THAT IT WAS BECAUSE WE SAW THE QUESTION OF TRAFFIC RIGHTS IN THEIR CONTEXT THAT I HAD SPOKEN IN THE TERMS I DID WHEN INTRODUCING THE CIVIL AVIATION WORKING PAPER AT THE LAST ROUND. I REPEATED THE PART OF MY STATEMENT ON THAT OCCASION WHICH EXPLAINED THAT ARRANGEMENTS CONCERNING AIR TRAFFIC RIGHTS WERE AN INTEGRAL ASPECT OF ECONOMIC RELATIONS WITH FOREIGN COUNTRIES, AND THAT THE STARTING POINT FOR THE WORKING PAPER WAS THEREFORE POINT 10 OF THE 12 POINT PLAN. I SAID THAT THIS WAS MERELY A PRELIMINARY REACTION TO ZHOU'S STATEMENT AND THAT WE MIGHT HAVE FURTHER COMMENTS AND QUESTIONS LATER.

12. ZHOU SAID THEY WOULD GIVE CAREFUL STUDY TO ALL THAT I HAD SAID. HE HOPED TO COMMENT TOMORROW ON MY STATEMENT ABOUT CONSTITUTIONAL ARRANGEMENTS AND ALSO PROMISED A RESPONSE TO MY STATEMENT ON BRITISH AND OTHER FOREIGN REPRESENTATION, WHICH HE SAID HAD TOUCHED UPON A NUMBER OF IMPORTANT ISSUES. HE SAID IT WOULD HELP THEM IN MAKING THEIR STUDY IF I COULD ANSWER A NUMBER OF QUESTIONS RELATING TO BOTH STATEMENTS:

(A) I HAD SPOKE OF A QUALITATIVE DIFFERENCE BETWEEN THE BRITISH DIPLOMATIC REPRESENTATIVE IN HONG KONG AFTER 1997 AND OTHER CONSULAR REPRESENTATIVES. WAS THIS QUALITATIVE DIFFERENCE DEFINED BY THE THREE RESPONSIBILITIES OF THE BRITISH REPRESENTATIVE THAT I HAD OUTLINED? AND WHAT WAS THE DIFFERENT TITLE FOR THE BRITISH REPRESENTATIVE THAT WE HAD IN MIND?

(B) AS TO THIRD COUNTRIES, WHAT KIND OF REPRESENTATION WOULD BE MAINTAINED AFTER 1997? DID WE ENVISAGE BOTH CONSULATES AND HIGH COMMISSIONS? WHAT DID WE MEAN WHEN REFERRING TO THE UPGRADING OF REPRESENTATION IN HONG KONG?

(C) GOING BACK TO MY STATEMENT ON CONSTITUTIONAL ARRANGEMENTS, ZHOU PICKED OUT THE PART WHICH REFERRED TO THE CHIEF EXECUTIVE OF THE SAR BEING BOUND BY THE ADVICE OF THE EXECUTIVE AUTHORITIES IN THE SAR. THIS STRUCK HIM AS A NEW CONCEPT AND HE ASKED FOR CLARIFICATION OF ITS MEANING.

13 I OFFERED ZHOU THE FOLLOWING AS PRELIMINARY ANSWERS TO HIS QUESTIONS, BUT EMPHASISED IN EACH CASE THAT I SHOULD LIKE TO RESERVE THE OPTION OF RETURNING WITH A MORE CONSIDERED REPLY TOMORROW.

(A) I POINTED OUT THAT THE FIRST TWO OF THE THREE RESPONSIBILITIES I HAD OUTLINED FOR THE BRITISH REPRESENTATIVE WERE NORMAL RESPONSIBILITIES OF CONSULAR OFFICES. THE THREE TOGETHER DID NOT THEREFORE STRICTLY DEFINE THE QUALITATIVE DIFFERENCE WE HAD IN MIND BETWEEN THE BRITISH AND OTHER FOREIGN REPRESENTATIVES. WE HAD NO PROPOSAL AS YET FOR THE DISTINCTIVE TITLE FOR THE BRITISH REPRESENTATIVE.

(B) I POINTED OUT THAT I HAD REFERRED TO CONSULAR REPRESENTATION. IN REFERRING TO UPGRADING WE HAD HAD IN MIND THAT FROM

(B) I POINTED OUT THAT I HAD REFERRED TO CONSULAR REPRESENTATION. IN REFERRING TO UPGRADING WE HAD HAD IN MIND THAT FROM TIME TO TIME COUNTRIES WISHED TO CHANGE THE STATUS OF HER REPRESENTATIVES TO A CONSUL RATHER THAN AN HONORARY CONSUL OR TO A CONSUL-GENERAL RATHER THAN A CONSUL.

(C) I EXPLAINED THAT IN MY STATEMENT I HAD TOUCHED ON THREE TYPES OF POWER OR AUTHORITY IN RELATION TO THE AUTONOMY TO BE ENJOYED BY THE SAR. THESE WERE LEGISLATIVE AUTHORITY, JUDICIAL AUTHORITY AND EXECUTIVE AUTHORITY. OUR UNDERSTANDING OF THE EXECUTIVE AUTHORITY TO BE ENJOYED BY THE SAR AND THE MANNER IN WHICH THIS WOULD BE EXERCISED WAS SET OUT IN PARAGRAPHS 5, 6 AND 12 OF THE WORKING PAPER ON CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURE AND PARAGRAPH 6 OF THE WORKING PAPER ON THE LEGAL SYSTEM. I REFERRED ZHOU TO THESE PASSAGES.

14. ZHOU OBSERVED THAT ON QUESTION (A) IT WAS STILL NOT CLEAR HOW THE BRITISH REPRESENTATIVE WOULD BE QUALITATIVELY DIFFERENT FROM OTHERS. HE WOULD WELCOME FURTHER CLARIFICATION. ON QUESTION (B), HE POINTED OUT THAT COMMONWEALTH COUNTRIES HAD COMMISSIONS IN HONG KONG. WERE WE SUGGESTING THAT THESE SHOULD CHANGE THEIR STATUS?

15. FINALLY, ZHOU TURNED TO THE QUESTION OF THE LANGUAGE TO BE USED IN HONG KONG COURTS. AFTER 1997 THE CHINESE LANGUAGE SHOULD IN PRINCIPLE BE USED IN HONG KONG COURTS. BUT, TAKING ACCOUNT OF HISTORICAL AND PRESENT CIRCUMSTANCES, THE CHINESE SIDE BELIEVED THAT CHINESE AND ENGLISH WOULD BOTH BE USED AT THE SAME TIME IN COURTS AND THAT BOTH WOULD BE AUTHENTIC. THE SPECIFIC ARRANGEMENTS FOR THIS WERE MATTERS WITHIN THE COMPETENCE OF THE FUTURE SAR GOVERNMENT.

16 THERE FOLLOWED SOME DISCUSSION ON YOUR VISIT AND OF THE DATES OF THE NEXT ROUND ABOUT WHICH I AM TELEGRAPHING SEPARATELY.

17 COMMENT FOLLOWS IN MIFT

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Mr Clift, HKD

FUTURE OF HONG KONG: BRITISH CONSTITUTIONAL REQUIREMENTS

1. This morning we discussed the note attached to your submission of 21 March about Chinese obstacles.
2. Paragraph 2(a) moots the idea that we could bring our agreement with the Chinese into force on signature, and only after that legislate for a transfer of sovereignty. The second obstacle to that course which is mentioned is in my view insuperable, ie that there is a constitutional requirement for legislation, divesting the United Kingdom of sovereignty over the ceded territories, to precede the entry into force of any agreement which acknowledges that China will have sovereignty over those areas.
3. It will be essential, before committing ourselves to recognise Chinese sovereignty over the ceded areas, to obtain the necessary authority by Act of Parliament. We have planned to seek that authority between the establishment of the text of the agreement and its ratification.
4. I have hitherto envisaged an Act which in substance would say in Section 1 that with effect from 1 July 1997 Her Majesty shall cease to have sovereignty or jurisdiction over any part of Hong Kong. The Act would also probably need to confer some power to appoint, eg/Order in Council, a date for the coming into operation of that Section, so that such date could be made to coincide with the date on which ratifications of the agreement were subsequently exchanged.
5. A variation, which I mentioned this morning, might be to seek an Act which would enable Her Majesty by Order in Council to declare that with effect from 1 July 1997 She would cease to have sovereignty or jurisdiction over Hong Kong.
6. Parliament will no doubt expect to be given, before passing an Act as described in paragraph 4 or 5 above, the fullest possible account of the terms and conditions upon which Hong Kong will become part of China. The best course would be to show it the text of the agreement and all related documents, including the Basic Law, when presenting the Bill. Whether, and if so to what extent, Parliament might accept less are questions for political assessment and judgment.

/by

/7. ...

7. It seems to me likely that, as a condition for accepting the variation in paragraph 5, Parliament would insist that any such Order in Council should be subject to approval or annulment by Parliament. In that event we could not safely allow any undertaking to recognise Chinese sovereignty to come into operation until after Parliament had decided to approve the Order, or not to annul it. This variation would in that case achieve nothing. Even if Parliament were prepared to pass an Act which allowed such an Order to be made without being subject to any kind of Parliamentary control, we could still not with complete safety allow our international undertaking to come into force immediately thereafter, because there would still always be the risk that the Privy Council would not subsequently adopt the necessary Order in Council. I can, however, imagine circumstances in which you might feel able to recommend that Ministers should take that risk.

8. In short, I do not myself see the procedure in paragraph 5 as offering any scope for quick legislation, followed by speedy ratification of a sketchy agreement. Its only likely value would be in a situation where we could show Parliament the text of a full and a detailed agreement with the Chinese, and could persuade them that such few details as remained to be worked out could safely be left to the judgment of the Privy Council, without any further form of Parliamentary control.

F. Burrows

F Burrows
Legal Counsellor

23 March 1984

Copies to:

✓ Sir P Cradock
Dr Wilson
Mr Thomson, FED
Mr Hum, HKD
Mr Powell, HKD

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PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Draft Agreement
with the Chinese

BACKGROUND

1. The Sub-Committee last met on 27 February, and endorsed the Foreign and Commonwealth Secretary's recommendation that the United Kingdom's primary objective in the next rounds of negotiation should be to ensure that the statement on Hong Kong's future which the Chinese had announced they would make in September 1984 should be accompanied by as full an agreement as possible between the two sides. The statement and agreement should, to the greatest extent achievable in negotiation, be binding on the Chinese.
2. Following the completion of the tenth round of talks, the Chinese have indicated their agreement to the proposal that the Foreign and Commonwealth Secretary should visit Peking in mid-April. It is therefore important to establish quickly the United Kingdom view of the form of the draft agreement and of the way in which it should be presented to the Chinese. Outstanding points on the timetable which need to be taken into account are the period of time required between signature and ratification of an Agreement and the timing of the "lifting of the veil" needed to inform the people of Hong Kong about the sort of agreement we are aiming for. On the first of these points the Chief Chinese negotiator has expressed the personal view that the Chinese side could accept ratification of an Agreement after, but not long after, signature by the end of September.

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3. The Foreign and Commonwealth Secretary's minute to you of 21 March covers a draft Agreement with its supporting Annexes, and the draft of a statement to be made by the Chinese. These drafts have been framed with a view to making up a package which ties the Chinese down to guaranteeing the greatest degree of continuity of system for Hong Kong after 1997 in return for British acceptance that sovereignty and the right of administration will be vested in China after that date. The essence of the Agreement and its supporting Annexes (which are based upon the working papers agreed or still being negotiated with the Chinese) is to commit the Chinese to develop a basic law for the Hong Kong Special Administrative Region (SAR) which gives the SAR full autonomy in everything but external relations and defence. It is envisaged that the statement to be made by the Chinese would form part of the Agreement and that the Chinese would be bound by Article 2(2) to observe the statement's terms.

4. The Foreign and Commonwealth Secretary acknowledges that this package may be much fuller than anything the Chinese have in mind; there must therefore be a risk that they will reject it. On the other hand, there are signs that they might be prepared to accept an Agreement with supporting Annexes. The Foreign and Commonwealth Secretary's judgement is that an Agreement along the lines proposed stands a chance of being accepted by the Chinese as a basis for negotiation. At the same time, it is virtually certain that the Chinese will wish to cut the proposed draft radically, and the Foreign and Commonwealth Secretary therefore proposes that the meeting should consider the British fall-back position. He recommends that if the Chinese insist on the removal of some of the detail from the Agreement itself, the British side could agree to a


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new set of Annexes attached to the Chinese statement. If this approach does not work, and the Chinese insist on further cuts, it will be important to retain in the package as a whole Article 2(2) (stating that the Basic Law will be paramount and will be in accordance with the Chinese statement); the provisions of Article 2(4) which provide assurances against Chinese interference; and the main points of the Annexes relating to continuity of system. As a bottom line, the Foreign and Commonwealth Secretary recommends that the United Kingdom should not sign an Agreement which did not include the stipulation that these points would be included in the Basic Law.

5. EXCO have already had a first discussion of the text of the Agreement on the basis that Ministers are not committed to it. The next step is therefore to present the texts to them formally, and the Foreign and Commonwealth Secretary seeks the Sub-Committee's agreement to this.

6. HM Ambassador at Peking and the Governor's advice is that, after discussion in EXCO, the texts should be presented to the Chinese by 3 April in order that they should have time to digest them before the Foreign and Commonwealth Secretary's visit. Sir Geoffrey Howe favours this course. His minute concludes by mentioning some of the points which the British side might make when handing over the texts to the Chinese.

7. The Secretary of State for Defence, who is due to make a statement in the House of Commons on the Territorial Army at the time of the meeting, and the Minister of State, Foreign and Commonwealth Office, Mr Luce, who will be overseas, will be unable to be present. The Secretary of State for Defence will not be represented. Sir Antony Acland has been invited to attend.

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8. You should invite the Foreign and Commonwealth Secretary to introduce the discussion. The main points to establish are -

a. Does the Sub-Committee agree that it is right to attempt to negotiate as full an Agreement as possible?

b. If the Chinese will not accept a full Agreement as proposed, does the Sub-Committee agree that the right approach is to attempt to negotiate some of the detail of the draft Agreement into further Annexes which might be attached to the Chinese statement?

c. Does the Sub-Committee agree that the United Kingdom should refuse to sign an Agreement which did not contain the stipulation that the specific assurances against Chinese interference and the main points relating to continuity of systems would be included in the Basic Law?

d. Is the Sub-Committee content that the draft Agreement should be put formally to EXCO and, subject to their views, be handed to the Chinese by 3 April in preparation for the Foreign and Commonwealth Secretary's visit to Peking?

e. Are there any major points of difficulty in the draft Agreement, its Annexes, or the draft statement by the Chinese?

f. What should the Foreign and Commonwealth Secretary's objectives be during his mid-April visit in relation to the timetable of signature and ratification of an Agreement? What should be said to the Chinese in these discussions about the related issue of the timing and nature of the proposed "lifting of the veil"?



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CONCLUSION

9. Subject to what is said in discussion, you could guide the Sub-Committee to agree that the draft Agreement and Annexes and the draft Chinese statement, amended in the light of any points made, should be discussed formally with EXCO and then be handed to the Chinese by 3 April; and that the Foreign and Commonwealth Secretary should take account of the other points made in the discussion in preparing for his visit to Peking.

David Goodall

A D S Goodall

23 March 1984

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MR COLES ✓

A.J.C. 23/3 .

HONG KONG

1. The Prime Minister may find it helpful to have a note on Hong Kong in advance of OD(K) on Monday.

Timetable

2. As she knows, we have run into difficulties with the Chinese over the timetable. Three main problems have emerged:

(a) we have offered a draft agreed text by September and, following debate in Parliament, a signed agreement by the end of the year. The Chinese insist on a signed agreement by September.

(b) they object to our delaying ratification until we have seen the Basic Law.

(c) they do not like our plan to "lift the veil" by a statement in Hong Kong in April.

3. On the other hand at the last round of talks the Chinese were less violent in their reaction to the recent Hong Kong Legco debate than we feared and they have avoided taking up absolutely final positions on the timetable before talking to the Foreign Secretary in Peking in April. He will therefore have an opportunity to put our case on timing to the Chinese leaders; to assure them of our wish to conclude an agreement as rapidly as possible; to explain that certain processes have to be gone through on our side if the agreement is to be accepted; and to point out that it is in both our interests to understand each others constraints and to cooperate closely in the final phase of negotiations. But he is likely to meet considerable resistance. We may be able to win

Chinese agreement to 2(a) (signature after September); on 2(c) we may get by without undue Chinese hostility if we make a judicious unveiling statement in April; but the indications are that 2(b), ie ratification, is likely to be the key to all this. We shall therefore have to consider possible methods whereby ratification on our side might be expedited and the Foreign Secretary will need to have fall-back positions prepared before he leaves.

Draft Agreement

4. The second main issue is the draft agreement. The plan is to give the Chinese a text by 3 April so that they can see it in advance of the Foreign Secretary's visit. A draft has already been circulated to OD(K). It is a maximalist agreement, a very fat text, from which a great deal would probably have to be pruned in the best of circumstances. But there remain sections that are essential to us, eg Article 2(2) on the link between the agreement and the Basic Law, and the Annexes, reflecting the points of agreement reached with the Chinese over the last four months. The agreement in any form we think tolerable is going to be extremely difficult to sell to the Chinese. They almost certainly envisage a generalised agreement and will need much persuasion to allow inclusion of the detail we regard as essential. Again the Foreign Secretary will need to have considerable discretion.

Exco Unofficials' Visit

5. The Governor and the Unofficials will be visiting London from 4 to 6 April and calling on the Prime Minister and Foreign Secretary in advance of the latter's visit to Peking. Their concern will naturally be to press for firmness on both timetable and draft agreement. There are clearly points we all regard as crucial, but, for the reasons given above, if the Foreign Secretary's visit is to

have any chance of success we cannot afford to be too rigid in other areas and we shall need to indicate to the Unofficials the sort of fall-back positions that we have in mind.

Conclusion

6. We are now in a very delicate phase and I am only moderately hopeful. I am sure that the Chinese still want an agreement; but they will not make it easy for us and may miscalculate how far we can be pressed. In any event they will need careful and flexible handling if the negotiations are not to founder over the timetable and the nature of the agreement. Exco on the other hand may well need further persuasion that we are seeking their best interests; that we shall stand on essentials but we must have flexibility to negotiate; and that confrontation will be the worst of all possible worlds. But there is a narrow passage between these two rocks and if the Foreign Secretary's visit to Peking goes well we might, repeat might, be into the final stretch.

h.

PERCY CRADOCK

23 March 1984



cc LPO
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HMT
MOD
LPS
DTI
ATT GEN

MS, FCO
CO

bc Sir P. Craddock

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10 DOWNING STREET

From the Private Secretary

22 March 1984

Future of Hong Kong: Constitutional Development up to 1997

The Prime Minister has seen the minute of 19 March by the Foreign and Commonwealth Secretary on the above subject. Mrs. Thatcher agrees that we should approve in principle the recommendations of the Governor for future constitutional development.

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

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

SECRET



PM/84/52

PRIME MINISTERFuture of Hong Kong: Draft Agreement with the Chinese

/ 1. I attach a draft Agreement, annexes and draft Chinese statement. These texts make up a package through which we might seek to tie the Chinese down to guaranteeing the greatest degree of continuity of systems for Hong Kong in return for accepting that after 1 July 1997 sovereignty and the right of administration will be vested in China. I propose that we should discuss these papers at OD(K) on 26 March.

2. The Agreement, and particularly Article 2(4), set out what we expect from the Chinese Basic Law establishing the Special Administrative Region of Hong Kong (China). The Chinese would be committed by the Agreement to giving Hong Kong full autonomy in everything but external relations and defence. The annexes, which form an integral part of the Agreement, are based on our working papers discussed with the Chinese over the last four months. They seek to commit the Chinese to detailed provisions in each of the various fields. The Chinese draft statement also forms part of the Agreement, and the Chinese are committed to observing it by Article 2(2) of the Agreement. The three together therefore form one possible device which would tie the Chinese to including in the Basic Law the points agreed in discussion with us.

3. The Agreement is a maximalist one, and the Chinese are sure to seek to cut much of the detail out of it. Indeed, there is a danger that they will reject the whole package

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out of hand if it is too full. It is very possible that the Chinese have a completely different kind of agreement in mind; one which simply commits us to the main principles as they see them, combined with an agreement by both sides to continue discussions on detail. There are, however, some indications that the Chinese may be prepared to accept an agreement linked to detailed annexes. We believe that the present form of Agreement stands a chance of being accepted by the Chinese as a basis for negotiation.

4. We will need to fight hard for a detailed agreement that would help presentationally in Hong Kong. But we must be prepared for Chinese attempts to cut the existing draft radically. We need to be clear of our own fall-back position. Some, but by no means all, of the provisions in the Agreement are essential points for us. If forced to retreat we should have to consider transferring much of the detail from the Agreement (including Article 2(4)) to a new set of annexes attached to the Chinese statement. They would still form an integral part of the whole Agreement, because of the provisions of Article 2(2), but might be more palatable to the Chinese in this form. If there were a danger of not getting an agreement at all we should have to consider what points might safely be cut altogether, but we must maintain our essential points somewhere in the package. These include those provisions in Article 2(4) which provide specific assurance against Chinese interference, and the main points in the annexes relating to continuity of systems. The most crucial point of all would be the stipulation that these points would be included in the Basic Law. There would be no point in signing an agreement which did not include that provision.

5. The Ambassador and Governor advise that we should give the Chinese a text by 3 April in time for them to absorb it before I visit Peking in mid-April. This could risk the Chinese simply rejecting the draft when I reached Peking.

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But the alternative, of presenting them with an outline of our ideas, either before or during my visit, risks their misunderstanding our proposals. On balance I would favour the Ambassador's proposal but we shall have to decide finally when arrangements for my visit are agreed.

6. EXCO have already had a first discussion of the text of the Agreement on the basis that Ministers are not committed to it, and have made some comments on it. We shall need to discuss the tactics for handling the Agreement and the timing of handing it to the Chinese with EXCO subsequently.

7. In handing over the text to the Chinese we should make the following points:

- (a) we have not had any detailed indication of Chinese thinking on the form and content of an Agreement. We are therefore working in the dark, but have done our best to deal with all the points which we believe to be important to the Chinese side.
- (b) In the substance of the Agreement and its Annexes we have based ourselves on our discussions with the Chinese over the last four months, on the Chinese Twelve Point Plan and on the points in our working papers agreed with the Chinese.
- (c) The text represents our own first shot at a draft. We hope that it will not be too far from Chinese ideas. It is a basis for negotiation.
- (d) The work we have put into the draft demonstrates our sincerity in wishing to reach agreement quickly.

/(e)



(e) The draft Chinese statement is based on Yao Guang's statement of the Twelve Point Plan. We assume that this is the form of statement they had in mind.

(f) We look forward to full and frank discussion of the texts.

8. I accordingly propose that at OD(K) on 26 March we should agree that the draft Agreement and Annexes, with any necessary amendments, should be discussed formally with EXCO and should then be handed to the Chinese by 3 April.

9. I am copying this minute and attachments to our colleagues on 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
21 March 1984

16 March 1984

DRAFT AGREEMENT

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China;

Recognising Hong Kong's historical position as part of China and its unique status as an international commercial and financial centre and free port, with its own characteristic society and way of life;

Mindful of the friendly relations existing between the United Kingdom and China;

Mindful also of their common aim of maintaining the future stability and prosperity of Hong Kong;

Have agreed as follows:

Article 1

(1) Hong Kong shall, with effect from 1 July 1997 become a Special Administrative Region of the People's Republic of China, to be known as "Hong Kong (China)", under the sovereignty of the People's Republic of China.

(2) The United Kingdom Government shall continue to administer Hong Kong until 30 June 1997 and shall, with effect from 1 July 1997, terminate all powers of administration which they exercise with respect to Hong Kong. All United Kingdom constitutional instruments relating to Hong Kong shall be repealed with effect from that date.

Article 2

(1) The constitution of Hong Kong (China) shall, with effect from 1 July 1997, be prescribed by a Basic Law to be enacted in accordance with Article 31 of the constitution of the People's Republic of

China adopted on 4 December 1982 to which it shall be appended.

(2) The Basic Law shall be the paramount law for Hong Kong (China). It shall be in accordance with the statement of the Government of the People's Republic of China issued in agreement with the United Kingdom Government and dated, and with the provisions of this agreement, and shall be so maintained until at least 1 July 2047.

(3) The Basic Law shall prescribe the systems to be instituted for Hong Kong (China) as a Special Administrative Region of the People's Republic of China. All rights and powers in relation to external defence and, subject to the provisions of para 4(vi) of this Article, the conduct of external affairs shall remain with the Central People's Government, but otherwise Hong Kong (China) shall enjoy autonomy within the People's Republic of China.

(4) Accordingly, the Basic Law shall, subject to the provisions of paragraph 3 of this Article include provision for the following principles:

- (i) The right and power of administration within the territory of Hong Kong (China) including responsibility for internal security and public order shall be vested through the Basic Law exclusively in the Chief Executive and executive authorities of Hong Kong (China). The exercise of administrative power by the executive authorities and by officials of the public service shall be liable to challenge or review by the courts in accordance with established legal procedures;
- (ii) The right and power of legislation for Hong Kong (China) shall be vested through the Basic Law exclusively in the legislative authorities of Hong Kong (China). Laws enacted by the legislature shall be reported to the Standing Committee of the National People's Congress for the record but, except as envisaged in sub-paragraph (X) of this paragraph, there shall be no right or power of disallowance or annulment outside or within Hong Kong (China).
- (iii) The right and power of final adjudication over all criminal and

- civil disputes in Hong Kong (China) including the right to interpret its laws and the powers of punishment shall be vested through the Basic Law exclusively in the established courts of Hong Kong (China) whose judges shall function independently and without interference from the executive or legislature of Hong Kong (China). Hong Kong (China) shall have the right to recruit and employ judges from other common law jurisdictions.
- (iv) The laws of Hong Kong (China) on and after 1 July 1997 shall be the common law, rules of equity and ordinances, subordinate legislation and customary law and practices in force in Hong Kong immediately before 1 July 1997 save only for changes in nomenclature or references consequent upon the severance of constitutional links with the United Kingdom. Hong Kong (China) shall be subject to no other laws save for the Basic Law and for those enacted after 1 July 1997 by the legislative authorities of Hong Kong (China).
- (v) In pursuance of the common aim, the object and the intent of the Basic Law shall be to ensure that persons within Hong Kong (China) shall continue to enjoy, at least until 1 July 2047, their existing rights and freedoms under the law, their way of life and their social economic monetary fiscal and commercial systems all as described and amplified in the annexes to this agreement.
- (vi) The Chief Executive of Hong Kong (China) shall be authorised by the Basic Law in the name of Hong Kong (China) to conclude agreements governing trade, economic, shipping, air services, legal and cultural matters with foreign states and regional and international organisations.
- (vii) In consequence of the severance of constitutional links with the United Kingdom, the Basic Law shall make provision for the continuation of the essential structure and organs of government within Hong Kong (China) including the rights, duties, powers and functions of the Chief Executive of Hong Kong (China) its executive and legislative authorities and the election and appointment of its members, the establishment of the courts of Hong Kong (China), the Judicial Services Commission and the Public Services Commission all as described and amplified in the annexes to this agreement.
- (viii) Hong Kong (China) shall offer to all members of the public

service in employment on 1 July 1997 continued employment on terms and conditions of service no less favourable than those previously enjoyed. Hong Kong (China) shall take over responsibility for the payment of all pensions and similar allowances and associated benefits earned and due to members of the public service who have retired before 1 July 1997 and to their dependants. Hong Kong (China) shall also become responsible for payment to members of the public service who continue to serve beyond 30 June 1997 and their dependants of all earned emoluments, gratuities and all pensions and similar allowances and associated benefits which by that date, or may thereafter become, due to them.

- (ix) No taxes shall be levied in Hong Kong (China) save by the legislature of Hong Kong (China).
- (x) Any question or dispute arising between Hong Kong (China) and the National People's Congress or the Central People's Government as to the interpretation of the Basic Law or the limits of legislative competence or executive autonomy within Hong Kong (China) shall be decided by the Standing Committee of the National People's Congress after referring the matter for advice to a commission presided over by the Chairman of the Legal Affairs Commission of the National People's Congress sitting with two members of the Supreme People's Court of the People's Republic of China and two members of the Hong Kong Supreme Court.

Article 3

In order to secure their common aim the two Governments, shall, in a spirit of friendship, continue their discussions and shall cooperate upon the effective implementation of this agreement.

Article 4

The two Governments shall co-operate in promoting the acceptance by the international community of the autonomous status of Hong Kong (China), as defined in Articles 1 and 2 of this Agreement. In particular they shall endeavour to secure the retention by Hong Kong (China) of the benefits existing immediately prior to 1 July 1997 in

relation to the General Agreement on Tariffs and Trade, and other international agreements and arrangements.

Article 5

[All persons who, immediately prior to 1 July 1997 and as a result of their connection with Hong Kong, are British Dependent Territories citizens shall retain their existing rights under an appropriate form of British nationality, in addition to acquiring Hong Kong (China) citizenship.] [An additional sentence will be added on the acquisition of Hong Kong (China) citizenship by non BDTs and possibly reference to an annex].

Article 6

The annexes to this agreement shall be treated as an integral part thereof.

Article 7

[A clause may need to be inserted here about representation of the UK and other countries in Hong Kong (China), subject to negotiation]

Article 8

(1) This Agreement shall be subject to ratification. Instruments of ratification shall be exchanged in Peking.

(2) This Agreement shall enter into force upon exchange of Instruments of ratification.

In witness whereof the undersigned, being duly authorised thereto by their respective governments, have signed this Agreement.

Done in duplicate at Peking this.....day of.....1984, in the English and Chinese languages, both texts being equally authoritative.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

For the Government of the People's Republic of China:

ANNEX 1

CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURES
(NOT YET AGREED WITH THE CHINESE).

1. The Hong Kong Special Administrative Region shall be established in accordance with Article 31 of the Constitution of the People's Republic of China. The region shall be known as Hong Kong (China). The basic systems of Hong Kong (China) shall be prescribed by the Basic Law and will remain unchanged for a period of at least 50 years after 1 July 1997.
2. Hong Kong (China) shall enjoy a high degree of autonomy. It shall have responsibility for its internal administration and external economic and cultural affairs. The Central People's Government shall be responsible for foreign policy and defence, but shall consult the government of Hong Kong (China) on such matters. The government of Hong Kong (China) may make its own laws which it shall report to the Standing Committee of the National People's Congress for the record. The Central People's Government shall not intervene so long as the laws of Hong Kong (China) remain within the limits of its authority as prescribed by the Basic Law and in accordance with the legal procedures.
3. The existing constitutional instruments, including the Letters Patent and the Royal Instructions, shall be replaced by suitable provisions in the Basic Law to be enacted by the National People's Congress or in Hong Kong (China) legislation. Continuing provisions shall be made for the separation of the executive, legislative and judicial powers.
4. The general structure of government existing in Hong Kong on 1 July 1997 shall remain essentially unchanged. The Government of Hong Kong (China) shall be composed of local inhabitants.
5. The Chief Executive and his Deputy shall be elected in accordance with procedures approved by the legislature. They shall be formally appointed by the Central People's Government. They may be removed from office prematurely only on grounds of misbehaviour or infirmity and by resolution of the Legislative Council.

6. The Executive and the Legislature shall be selected by an elective process, apart from any ex-officio members. The Executive Council shall decide on all important matters of policy within the competence of Hong Kong (China). The Chief Executive shall preside at its meeting. The Legislature as the supreme organ of Hong Kong (China) shall make laws within the competence of Hong Kong (China). Proposals entailing the expenditure of public funds shall require its approval.

7. Regional Councils shall be concerned with the provision of local services. District Boards shall provide a forum for public consultation at a district level, and shall have certain local executive functions.

8. There shall be a central secretariat together with departments and agencies with executive responsibilities. They should be staffed by the public service who shall be appointed by the government of Hong Kong (China) according to the same procedures in force before 1 July 1997.

9. The Chief Officials of the government shall be appointed in accordance with the procedures in force immediately prior to 1 July 1997. These appointments shall be reported to the Central People's Government.

ANNEX 2

PUBLIC SERVICE

1. The government of Hong Kong (China) shall be composed of local inhabitants. [Chief officials shall be nominated by the government of Hong Kong (China) and appointed by the Central People's Government in accordance with the procedures in force immediately prior to 1 July 1997.]

2. The loyalty of all officers, regardless of origin shall be to the government of Hong Kong (China). Existing contractual responsibilities shall be transferred to the Government of Hong Kong (China).

- [3. The concept of a single unified service performing the whole range of local government functions shall be maintained.]
4. All members of the public service shall continue to be subject to the laws of Hong Kong (China) and their actions shall continue to be subject to challenge in the courts.
- [5. Officers currently serving, both local and overseas, and those recruited in the future, subject to continuing good conduct and performance shall 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].
- [6. All vacancies in the public service which cannot be satisfactorily filled by a serving officer shall continue to be advertised publicly and to be filled on the basis of merit. the Government of Hong Kong (China) shall 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 is unable to fill vacancies locally with suitably qualified candidates. All vacancies in ranks above the basic recruitment rank shall normally continue to be filled by the promotion of serving officers on the basis of qualifications, experience and merit.]
7. All members of the public service shall continue to be subject to codes of discipline laid down by the government of Hong Kong (China). Incorporating provisions comparable with those now provided for in existing regulations.
8. The government of Hong Kong (China) shall 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 retire prior to 1 July 1997, regardless of the recipient's place of residence.
9. On 1 July 1997 the words 'Royal' and 'Crown' shall be removed from the titles of those bodies and institutions in public service

that now carry them. Colonial regulations affecting the public service shall be replaced by laws enacted by the government of Hong Kong (China). The present requirement to refer certain questions to the Secretary of State for Foreign and Commonwealth Affairs in London shall cease.

[10. The post of Chief Secretary shall be retained within the public service and shall be responsible for its central administration and direction and for carrying out the recommendations of:

- (a) the Public Service Commission,
- (b) the standing commission on civil service salaries and conditions of service and,
- (c) the Standing Committee on Directorate Salaries and conditions of service.

The composition and functions of these bodies shall continue as immediately prior 1 July 1997, and any change in their status or duties shall only be effected by the legislature of Hong Kong (China)].

11. The members of the Public Service shall continue to be able to participate in training courses outside Hong Kong, and the existing arrangements whereby certain public service training courses allow public officers to become eligible to obtain qualifications recognised overseas shall be retained.

ANNEX 3: LEGAL SYSTEM

1. The legislature of Hong Kong (China) shall be autonomous. It shall make laws within the limit of authority prescribed in the Basic Law. The Central People's Government shall not annul Hong Kong (China) laws unless they are in conflict with the Basic Law, and shall not extend laws operating elsewhere in the People's Republic of China to the Region without the consent of the Government of Hong Kong (China).

2. All existing written and unwritten laws in force in Hong Kong, including common law and the rules of equity shall remain in force, subject to necessary amendments in terminology to reflect Hong Kong's change in status, and subject to the power of the legislature to add to, to amend, or repeal any laws on its own

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authority.

3. Hong Kong (China) shall continue to be able to delegate the power to make subordinate legislation.

[4. Hong Kong (China) may establish an independent Law Commission to consider changes in laws and other legal matters and to make recommendations].

[5. Any question or dispute arising between Hong Kong (China) and the National People's Congress or Central People's Government as to the interpretation of the Basic Law or the limits of legislative competence or executive autonomy within Hong Kong (China) shall be decided by the Standing Committee of the National People's Congress after referring the matter for advice to a commission presided over by the Chairman of the Legal Affairs Commission of the National People's Congress sitting with two members of the Supreme People's Court of the People's Republic of China and two members of the Hong Kong Supreme Court].

6. Appeals to the Privy Council shall cease. Final judgment shall rest with the final court of appeal sitting in Hong Kong (China). The judiciary shall continue to be independent. The present system of Hong Kong courts will continue, with the exception of institutional changes consequent on the acquisition of power of final judgement.

7. The principal judges shall be appointed by the Chief Executive of Hong Kong (China) on the recommendation of a Commission set up by the Government of Hong Kong (China) and comprising legal personnel and others. Appointment shall be with the concurrence of the legislature. A similar procedure shall be used for other members of the judiciary. Similar procedures shall be used for dismissal. Judicial personnel from other common law jurisdictions may be employed by Hong Kong (China) in appropriate cases and may be invited by Hong Kong (China) to sit on the final appeal court in a judicial capacity. The judiciary shall remain independent of the Executive and free from interference by administrative organs, public bodies and individuals.

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8. Courts in Hong Kong (China) shall continue to rely on Hong Kong judicial precedents and may refer to judgements in other common law jurisdictions.
9. The right of representation in court by lawyers of one's own choice shall be preserved.
10. The actions of the Executive shall continue to be subject to legal challenge in the courts. Administrative organs shall be required to abide by the laws of Hong Kong (China).
11. A prosecuting authority, composed of government lawyers, shall continue to control criminal prosecutions with no interference from the Executive.
12. Hong Kong (China) shall be able, in accordance with the Basic Law, to make laws which give effect to multilateral agreements.

ANNEX 4: RIGHTS OF INDIVIDUAL

1. There shall be no change in the lifestyle of the people of Hong Kong (China). Basic rights and freedoms enjoyed in Hong Kong shall continue to be respected in accordance with the ~~SAR~~ legislation of Hong Kong (China) within the provisions of the Basic Law, and the requirements of public interest and the rights of other individuals.
- [2. Hong Kong (China) shall be free to continue to apply the provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights].
3. The following freedoms and rights shall be ensured:
- (a) The Right to Life: Every person has the right to life, a right that is protected by the criminal law, which prevents any person being deprived of his life.
- (b) Freedom from Torture: No person can be subjected to torture, or to inhumane or degrading treatment.
- (c) Freedom from Slavery: No person can be held in slavery or servitude.

(d) Right to Liberty: Every person has the right to personal liberty and to freedom from arbitrary detention. This right is protected by the law of Habeas Corpus and the Common Law relating to false imprisonment.

(e) Right to Property: Every individual, company or other legal person, including an alien, has the right to own property or whatever description and whether the property is in Hong Kong or overseas. This right includes the right to buy, to sell, to use, to bequeath and to inherit property without interference. The right to use property carries with it the right to employ property for personal gain, for example by cultivating land and selling the produce, or by operating an enterprise or business and employing people in that enterprise or business. Every person has the right not to be deprived of property unless the expropriation is in accordance with the law of Hong Kong and is accordingly in the public interest, and accompanied by prompt, adequate and effective compensation.

(f) Right to Work: Every person has the right to use, for his own benefit and advantage his skills and abilities, whether in competition with others or not and the right to choose whether or not to work, or where to work. This right includes the right to strike or to withhold labour.

(g) Freedom of Expression: There is freedom for any person both to express and receive ideas and information (whether by speech, publication, film or other means) and a corresponding right to the secrecy of private communications. This right includes the freedom to hold opinions, the freedom of correspondence and the freedom of the press. The right is balanced by the right of reputation, which is protected by the law of Defamation.

(h) Rights of Assembly and Association: Every person has the right peacefully to assemble, to demonstrate and to form processions, and to associate with other persons and in particular, to form or belong to professional associations, trade unions and community associations. The right of association carries with it the freedom of those within an association to regulate their affairs and lawfully to pursue their common objectives.

(i) Freedom of Conscience and Religion: Every person has freedom of conscience including freedom of religion the right not to practise any religion and the right to practise and propagate a chosen

religion, including a religion practised or organised overseas.

(j) Freedom of Movement: Every person lawfully in Hong Kong has the right to move freely throughout Hong Kong in public areas, to reside in any part of Hong Kong and to leave Hong Kong. Persons lawfully in Hong Kong are not arbitrarily deprived of the right to leave or return to or enter Hong Kong.

(k) Right to Privacy. Every person has the right to the peaceful enjoyment of his own home free from all unlawful intrusion. This right extends to a person's other property, which may not be unlawfully seized or searched.

(l) Right to Education. Every person has the right to be educated and the right of access to knowledge, information and material from whatever source that will enable that person fully to develop his or her cultural life.

(m) Right to Protection of the Law: Every person has the right to the protection of the law, which involves the following general principles:

- (i) a person is not punished for an act or omission which was not a crime at the time it was committed;
- (ii) a person is presumed innocent of any crime with which he is charged until it is proved otherwise;
- (iii) in criminal law, the burden of proof is on the prosecution;
- (iv) the right of a fair trial includes the right to have an unbiased and independent judiciary, to know, in a language which he understands, the nature of the case against him, the opportunity of putting forward his own case, the opportunity of calling his own witnesses and of having an interpreter if he so wishes;
- (v) in the case of serious criminal charges, the accused has the right to trial by jury;
- (vi) a person even while in prison retains the right to human treatment and those of his rights and freedoms not inconsistent with imprisonment;
- (vii) for the enforcement of his civil rights, a person is entitled to unimpeded access to the courts;
- (viii) the right to legal representation, including confidential legal advice ;
- (n) Social Rights: Social rights include the right of every person to favourable conditions of work (including safe and healthy working

conditions, paid holidays, sick leave and maternity leave for women), the right to marry and the right to raise a family and decide on its size.

ANNEX 5: ECONOMIC SYSTEM

1. Hong Kong's existing economic system shall continue.
2. The Government of Hong Kong (China) shall have authority to decide economic policy and to make economic policy decisions within the framework of the Basic Law.
3. Economic policies applied in other parts of China shall be extended to Hong Kong (China) only if Hong Kong (China) itself so wishes.
4. Hong Kong (China) shall be free to retain and develop its existing stable consistent and predictable legal, administrative and regulatory environment.
5. Individuals and institutions shall retain their existing freedom to control their labour and property and use both within the constraints of the law.
6. Every individual, company and other legal person irrespective of nationality shall have the right not be deprived of his or its property unless in accordance with the law of Hong Kong (China) in the public interest, and accompanied by prompt, adequate and effective compensation.

ANNEX 6: MONETARY SYSTEM

1. Hong Kong (China) shall have autonomy in monetary matters, exercising authority to control currency and finance in Hong Kong in accordance with the Basic Law. The Government of Hong Kong (China)

may when necessary revise and formulate regulations in accordance with legislative procedures. Monetary and financial systems and relevant laws and ordinances shall remain basically unchanged, as shall financial institutions.

2. The free flow of capital shall be maintained. The Hong Kong dollar shall remain freely convertible and there shall be no exchange controls.

3. Notes and coins bearing reference to the British Crown shall be progressively withdrawn and replaced with notes and coins of appropriate design.

4. The Government of Hong Kong (China) shall be vested with authority to issue Hong Kong dollars and may authorise designated banks to issue currency. Current note-issuing banks shall participate in issuing, provided the Government of Hong Kong (China) agree proportions of currency to be issued by each issuing bank to be specified through Hong Kong (China) legislation, and their issue proceeded in a 'sound fashion', and a stable value be firmly established.

5. The Exchange fund shall be retained under the authority of the Government of Hong Kong (China) who shall manage and control it solely for Hong Kong's purposes in accordance with the Basic law.

6. Hong Kong (China) may maintain and establish relations with international monetary organisations whose membership is not limited to states.

7. Hong Kong (China) may participate as a member of the Chinese delegation in organisations and conferences limited to states but may take statements in the name of Hong Kong (China).

8. Hong Kong (China) shall continue to appoint administrative

personnel of financial agencies in Hong Kong, including foreign experts. Commercial institutions shall continue to enjoy freedom to recruit and employ staff as they wish.

9. Policy in regard to banks, deposit taking institutions, markets and exchanges shall be enshrined in legislation and administrative practices based on existing systems shall continue. The Government of Hong Kong (China) shall remain free to establish new markets and exchanges or to modify existing arrangements.

[10. The Government of Hong Kong (China) may establish an Independent Monetary Commission to advise on monetary matters including the control of the Exchange Fund. The Commission may draw on experts from within and outside Hong Kong (China) and shall be appointed by the Government of Hong Kong (China).]

ANNEX 7: FINANCIAL SYSTEM

1. Hong Kong (China) shall have the right to make laws in the financial field.
2. Hong Kong (China) resources shall be at the disposal of the Government of Hong Kong (China) exclusively for local purposes.
3. HongKong (China) shall be financially independent and be responsible for drawing up its own budget and financial accounts report. It shall submit these to Central People's Government only for the record.
4. The existing arrangements of accounting, audit and supervision shall remain.
5. The Government of Hong Kong (China) may establish an independent financial commission to provide advice.

ANNEX 8: EXTERNAL ECONOMIC RELATIONS

1. Hong Kong (China) shall remain fully integrated into the international trading community and free market system by practice and through international arrangements. Existing systems and methods of management will be unchanged. Hong Kong (China) shall be able to maintain and develop economic relations with Britain and traditional trade partners. Hong Kong (China) shall remain a free port.
2. Hong Kong (China) shall continue to negotiate and enter into trade and other related agreements and provide for the applicability of such multilateral agreements to Hong Kong. Hong Kong (China) shall be a member of Chinese delegations at organisations and conferences limited to states, expressing views as Hong Kong (China). It shall be able to join on its own those organisations, and participate in those conferences, which are not limited to states.
3. Hong Kong (China) shall continue as a member of the Asian Development Bank, Asian Productivity Organisation and as an Associate member of the economic and social commission for Asia and the Pacific.
4. Hong Kong (China) shall have separate economic and commercial representation overseas as at present.
5. Hong Kong (China) shall remain in the General Arrangement on Tariffs and Trade as a separate tariff area with no diminution of its rights.
6. The SAR shall remain in the Multi Fibre Agreement as a separate tariff area with no diminution of its rights.
7. Arrangements shall be made for the maintenance of Hong Kong (China)'s status as a separate tariff area under diverse General Preference Schemes.

ANNEX 9: SHIPPING [Not yet agreed with the Chinese]

1. Hong Kong (China) shall remain a free port, and its existing economic and trading systems and methods of management shall remain unchanged.
2. Hong Kong shipowners and charterers, their managers and agents shall remain free under the Hong Kong law to operate ships world wide including parts of China, for the carriage of goods and passengers to and from all other ports, and to participate in the management of freight conferences. Private businesses shall continue to provide maritime services and legal services. Internationally recognised classification societies shall continue to be recognised and operate under Hong Kong law for the purpose of ships' surveys.
3. The Government of Hong Kong (China) shall continue to provide port facilities for landing or loading passengers, cargo, livestock, landing and marketing of fish, pleasure craft, shelter from typhoons and for the supply by private businesses of stores and bunkers and salvage, pilotage, towage and repair services.
4. Ships shall continue to enjoy access to the ports of Hong Kong in the course of trade or navigation in accordance with the law.
5. Container terminals shall continue to operate under private ownership on land leased through the Government of the Hong Kong (China). They shall continue to provide for the loading and discharge of containers to and from ships permitted by the operators to have access to these terminals.
6. The laws of Hong Kong regulating shipping and the use of the ports and waters of Hong Kong shall remain in force after 1997, including those laws that give effect to international maritime conventions binding upon Hong Kong. Any changes in these laws shall be with the approval of the Legislature of Hong Kong (China). The Governments of the United Kingdom and the People's Republic of China

shall co-operate over steps to ensure the continued application to Hong Kong (China) of those international conventions binding upon Hong Kong prior to 1997 including the International Convention on Civil Liability for Oil Pollution Damage (1969) and the protocol to that convention (1976), the convention on Facilitation of International Maritime Traffic (1965), and the Convention relating to Intervention on the High Seas in cases of Oil Pollution Casualties (1969). Hong Kong (China) shall maintain its associate membership of the International Maritime Organisation as 'Hong Kong, China', and participate in future international maritime developments by attending overseas conferences and by negotiating and entering agreements in its own right.

7. Hong Kong (China) shall continue to maintain a shipping registrar under its own legislation.

8. The administration of Hong Kong (China) shall continue to have responsibility under the Law for the following:-

- (a) administration of the ports and waters of Hong Kong, including pollution control and the safety of navigation by lighting, dredging, buoyage, and control of traffic.
- (b) registration of ships and survey and certification of these ships.
- (c) survey and certification of ships registered in other countries that are parties to international conventions binding upon Hong Kong (China).
- (d) certification of the competence of ships' officers and crews.
- (e) inspection of ships visiting Hong Kong to ensure compliance with the requirements of international conventions binding upon Hong Kong (China)
- (f) enforcement of Hong Kong (China)'s shipping laws and regulations by prosecution of offenders before Hong Kong Courts and investigation of shipping casualties and
- (g) ensuring the provision of adequate search and rescue services in and near the waters of Hong Kong.

ANNEX 10: CULTURE AND EDUCATION

1. The Government of Hong Kong (China) shall have responsibility

for culture, education and science. It will be able to carry on and develop existing external ties in these fields.

2. Education and scientific institutions shall retain the present degree of autonomy in administration, curriculum, language of instruction, religious observance, ethos and the recruitment and employment of staff. Institutions shall continue to be free to recruit staff from outside Hong Kong (China) and to use teaching materials provided abroad.

3. The allocation of finance for tertiary institutions shall continue to be administered through an independent body within Hong Kong (China). The members of this body shall continue to be drawn from experts within and outside the region, appointed by the Hong Kong Government and responsible solely to it.

4. The independent validation and accreditation of academic work and standards and public examinations shall continue. Arrangements relating to the recognition of educational, scientific, professional and technical qualifications gained abroad shall remain in force. Students in Hong Kong educational institutions shall be able to continue to obtain academic qualifications determined by external bodies. They shall continue to be free to pursue their education abroad.

5. Parents and students shall continue to have freedom of choice in the type of education pursued, and in the language of their education. Arrangements shall continue to be made, within and outside full-time educational institutions for tuition in foreign languages.

6. The current arrangements governing the activities of cultural institutes, and schools, established in Hong Kong by foreign governments and other organisations shall remain in force. Academic, technological and scientific contacts and exchanges with foreign countries at every level shall continue.

7. Cultural exchanges and contacts with all countries and territories shall continue unhindered. The people of Hong Kong shall continue to have access to television, radio, books, newspapers,

periodicals, films, plays and other cultural manifestations from abroad. The legal framework relating to the media shall remain in force and shall continue to be the responsibility of the Hong Kong Government on its own authority.

8. Sporting and youth contacts and exchanges, with all countries and territories shall continue at the discretion of the government of Hong Kong (China). Hong Kong (China) shall continue to send its own teams and representatives to international and regional sporting competitions.

ANNEX 11: DEFENCE, SECURITY AND PUBLIC ORDER

1. National defence shall be the responsibility of the Central People's Government. The Government of Hong Kong (China) shall remain responsible for the keeping of public order in the region.

2. The Police of Hong Kong (China) shall be responsible for the maintenance of law and order. The local internal security force shall be available at all times to assist the police in these and other respects.

3. British forces shall be withdrawn.

[4. The Central People's Government shall not station People's Liberation Army forces in Hong Kong (China) in normal circumstances.]

ANNEX 12: LAND

1. The Land Authority which is to be established in Hong Kong before 1997, and in which the ownership of land will be vested, shall become the land authority of the government of Hong Kong (China) after 1 July 1997. That authority may at any time before or after that date grant leases of land for the duration of such terms of years as acting in accordance with the law at any time in force, it may decide.

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ANNEX 13: CIVIL AVIATION [NOT YET AGREED WITH THE CHINESE]

1. China's adherence to the Chicago, Warsaw and other international conventions relating to civil aviation matters shall extend to Hong Kong (China). This will be represented as part of the Chinese Delegation to the International Civil Aviation Organisation (ICAO) in such manner that enables it to express separately the particular views of Hong Kong, (China). Arrangements shall be made for the maintenance of existing rights enjoyed by airlines having their principal place of business in Hong Kong under the International Air Services Transit Agreement (IASTA).

2. Hong Kong (China) shall have the exclusive authority to negotiate and sign all bilateral air service agreements and associated arrangements in respect of routes and services between Hong Kong and foreign countries including the United Kingdom. The provisions of air service agreements and associated arrangements applying to Hong Kong immediately before 1 July 1997 shall remain in force (subject to the agreement of other parties) unless and until renegotiated. Designation under such agreements shall be the exclusive right of Hong Kong (China).

3. Existing Hong Kong legislation covering civil aviation shall remain in force. Hong Kong (China) shall continue to maintain an aircraft register under its own legislation. The government of Hong Kong (China) shall have the exclusive authority to approve and to refuse registrations and to enforce safety requirements concerning aircraft registered.

4. In accordance with its laws and procedures, Hong Kong (China) shall have the exclusive authority to license operations to, from and within Hong Kong by airlines having their principal place of business in Hong Kong.

5. Hong Kong (China) shall have the exclusive authority to issue the permissions governing the conditions under which airlines not having their principal place of business in Hong Kong may operate services to and from there. Such permissions, granted under the laws of Hong Kong (China), shall be available only where reciprocal traffic rights or other arrangements acceptable to Hong Kong (China)

have been secured in negotiation with the other authorities concerned.

6. The appropriate authorities of Hong Kong (China) shall determine through negotiation with those of the Central People's Government, the conditions under which airlines having their principal place of business in Hong Kong (China) and airlines bases elsewhere in China may operate between Hong Kong (China) and other points in China.

7. Hong Kong (China) shall have the exclusive responsibility for the operation of all airports within its territory. Its duties shall include the provision of air traffic services within the Hong Kong China flight information regions and any other responsibilities allocated under the regional air navigation planning procedures of ICAO.

ANNEX 14: NATIONALITY, CITIZENSHIP, RIGHT OF ABODE, FREEDOM OF TRAVEL, IMMIGRATION AND EMIGRATION [Not yet agreed with Chinese]

1. All persons who immediately prior to 1 July 1997 and as a result of their connection with Hong Kong are British Dependent Territory Citizens shall retain their existing rights under an appropriate form of British nationality, in addition to acquiring Hong Kong (China) citizenship.

2. Existing rights of abode in Hong Kong including the existing freedom of protection from removal or deportation from Hong Kong shall remain unchanged.

3. Citizenship of Hong Kong (China) will be set up as a separate category of Chinese nationality prior to 1 July 1997. The following categories of resident would have the right to become citizens of Hong Kong (China);

- (i) all persons who immediately prior to 1 July 1997 were British Dependent Territory Citizens by virtue of their connection with Hong Kong;
- (ii) All Chinese residents and all persons in Hong Kong on 1 July 1997 who, by continuing to reside there for the qualifying period, will become Chinese residents;

(iii) all persons born in Hong Kong before 1 July 1997 who are not British Dependent Citizens;

(iv) all person born in Hong Kong or after 1 July 1997.

4. Acquisition of citizenship of Hong Kong (China) after 1 July 1997 by naturalisation or by other means shall be defined under the laws of Hong Kong (China).

5. The government of Hong Kong (China) shall on its own authority issue Hong Kong (China) travel documents in accordance with the policy followed immediately prior 1 July 1997. Consular Officers of the UK government shall issue British travel documents.

6. Hong Kong (China) travel documents shall be valid for all countries or territories and shall guarantee the holder's right of return to Hong Kong (China) within the period of validity of the document. The Government of Hong Kong (China) shall only withhold or withdraw travel documents in specific circumstances defined by the law of Hong Kong (China).

7. The Government of Hong Kong (China) shall be empowered to negotiate new visa abolition agreements for Holders of Hong Kong (China) travel documents. The government of the UK shall use its officers to assist in these negotiations. The Government of Hong Kong (China) shall determine the right of access to Hong Kong (China) where nationals from states not party to such of these abolition agreements. The government of the UK shall assist in persuading certain states, which immediately prior to 1 July 1997 allowed visa free entry to persons who are British Dependent Territory Citizens by virtue of their connection with Hong Kong, to continue to allow them visa free entry after that date.

8. Citizens of Hong Kong (China) travelling abroad shall be entitled to the range of consular services and the degree of consular protection consistent with their nationality status.

9. Subject to exemptions, which are both allowed by law and consistent with the international covenant on civil and political rights, all persons shall be free to leave the SAR in order to immigrate or for any other purpose. Holders of valid Hong Kong

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China documents or of British passports issued to persons who possess British nationality by virtue of their connection with Hong Kong shall have the right to enter and reenter Hong Kong (China) by virtue of their absolute right of abode in Hong Kong (China), and these travel documents shall state this right. The present arrangements for allowing travel between Hong Kong and Macau and the present arrangements for allowing travel between Hong Kong and other parts of China shall continue.

10. The existing arrangements for persons with no right of abode in Hong Kong to visit, reside in, leave Hong Kong (China) shall remain. Any changes to these arrangements shall be the sole responsibility of the Government of Hong Kong (China).

11. Persons who have no right of entry into Hong Kong (China) shall not be permitted to enter Hong Kong (China) without the permission of the immigration authorities in Hong Kong (China).

12. All illegal immigrants or overstayers shall be removed in accordance with the laws of Hong Kong (China).

13. Entry into Hong Kong (China) from other parts of the People's Republic of China shall continue on the same basis as at present. Any changes in these arrangements shall require agreement between the government of Hong Kong (China) and the People's Republic of China.

Hong Kong Department

March 1984


(Passages in square brackets indicate items not yet agreed by the Chinese.)

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DRAFT CHINESE ASSOCIATED STATEMENT

1. In association with the agreement signed today between the Government of the People's Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland, the Government of the People's Republic of China declares its intention to implement arrangements in Hong Kong after 1 July 1997 on the following basis.
2. China will resume the exercise of its sovereignty over Hong Kong from 1 July 1997.
3. After China resumes the exercise of its sovereignty the Hong Kong Special Administrative Region (SAR) directly under the authority of the Central People's Government will be established in accordance with Article 31 of the constitution of the People's Republic of China. The Hong Kong SAR will enjoy a high degree of autonomy.
4. The Hong Kong SAR will be vested with the power of legislation and independent judicial power including that of final judgement. The laws, decrees and regulations currently in force will remain basically unchanged.
5. The Government of the Hong Kong SAR will be composed of local inhabitants. The principal officials will be appointed by the Central People's Government on the basis of the results of elections or consultations held locally. Local British and other foreign nationals may be employed to serve as advisers in organs at various levels in the Hong Kong SAR.
6. The current social and economic systems in Hong Kong will remain unchanged. So will the lifestyle. Freedom of speech, of the press, of assembly, of association, of travel and change of domicile, of correspondence and of religious belief will be ensured. Private property, ownership of enterprises, the legitimate right of inheritance and foreign investments will be protected by law.
7. The Hong Kong SAR will remain a free port and a separate tariff area.

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8. It will maintain the status of an international financial centre and its markets for foreign exchange, gold, securities and futures will remain open. There will be free flow of capital. The Hong Kong dollar will circulate and be freely convertible as usual.

9. The Hong Kong SAR will have independent finances.

10. The Hong Kong SAR may establish reciprocal economic relations with Britain. British economic interests in the Hong Kong area will be taken care of.

11. Using the name 'Hong Kong (China)' the Hong Kong SAR may, on its own, maintain and develop economic and cultural relations and sign agreements with foreign countries and regions and the relevant international organisations. The government of the SAR may issue its own travel documents for entry into and exit from Hong Kong.

12. Public order in the Hong Kong SAR will be kept by the Government of the SAR.

13. The above stated policies for the Hong Kong SAR will be stipulated by the National People's Congress as the basic law of the Hong Kong SAR and will remain unchanged for 50 years.

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10 DOWNING STREET

From the Private Secretary

21 March 1984

Future of Hong Kong: The Tenth Round

Thank you for your letter of 21 March.

I note that the Foreign and Commonwealth Secretary does not believe that a message from the Prime Minister to the Chinese Premier is now necessary.

The proposed agenda for OD(K) on 26 March seems appropriate. I take it that you will be suggesting these items to the Cabinet Office.

I have not shown your letter to the Prime Minister. I imagine that most of the points in it will be covered at the OD(K) meeting.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

21 March 1984

Dear John,

Future of Hong Kong: The Tenth Round

In my letter to you of 16 March I commented on our recent contacts with the Chinese on the timetable for conclusion of an agreement on Hong Kong. I also enclosed a possible draft of a message from the Prime Minister to Premier Zhao Ziyang, and suggested that the need for this would need to be considered further in the light of discussion at the 10th round of talks on 16 - 17 March.

In the event, the Chinese did not refer to our proposed timetable at the formal sessions of talks. These were in the main devoted to discussion of the working paper tabled by the British side on government structure and constitutional arrangements, and on shipping. On the first paper the Chinese argued that the governmental structure of post-1997 Hong Kong would be defined under the Basic Law to be drafted by the Chinese Government and that, as this was not yet enacted, no decisions on governmental structure could be taken. They suggested that the Hong Kong Special Administrative Region (SAR) should be able to make changes to the governmental structure after 1997. Changes before 1997 should not conflict with the Basic Law, and should be discussed in advance with the Chinese Government. In the light of this unforthcoming reaction, it is not clear how much further discussion on the issue can be taken at this stage. The Chinese however themselves indicated that they will wish to revert to the question under Agenda Item 2 (arrangements in the period before 1997). The relationship between the evolution of governmental structures in Hong Kong before 1997 and the future provisions of the Basic Law may possibly give some scope for involving ourselves in the drafting of the Basic Law. This will not be easy and how we might achieve it will need careful examination.

Discussion of the working paper on Shipping was straightforward and the Chinese did not take issue with any of its proposals. There were also exchanges on a number of points outstanding from earlier working papers, including a helpful clarification from the Chinese side that, under the Chinese plan, former Hong Kong public servants entitled to pensions and gratuities would receive them according to the original regulations regardless of

/their



their nationality and place of residence. The Chinese side referred again to the need, in the "transitional period" to 1997, for discussion between China and Britain not only of administrative structures in Hong Kong but also of other matters.

The future timetable came up only at the usual dinner for delegations held after the talks. The chief Chinese negotiator described, on a personal basis, alternative scenarios which would lead to signature of an agreement before the end of September. Still on a personal basis, he floated the idea of an agreement on the lines of the "Shanghai communique" (the 1972 declaration which eventually led to the establishment of diplomatic relations between China and the United States. This document was drafted in political rather than legal language and did not require signature or ratification: the bulk of it consisted of unilateral statements by the two sides.) He agreed however that the whole subject of the timetable should be left open for discussion in Peking between the Foreign and Commonwealth Secretary and Chinese leaders. He also said that the Chinese side could accept ratification of an agreement after, but not too long after, signature by the end of September. We have subsequently been told that the Chinese have agreed to our proposal that Sir Geoffrey Howe should visit Peking in mid-April. We are still discussing exact dates with them.

In short, there has been no meeting of minds on the timetable, but we have secured our immediate objective of leaving matters open until they can be discussed by Sir Geoffrey Howe in his talks with Chinese leaders. In these circumstances Sir Geoffrey does not believe that a message from the Prime Minister to Premier Zhao Ziyang is necessary.

We therefore suggest that the meeting of OD(K) on 26 March should consider (a) the objectives for Sir Geoffrey's visit to Peking and Hong Kong in relation to the outstanding points of the timetable, the timing of ratification and "lifting the veil"; (b) the future constitutional arrangements up to 1997 (on which Sir Geoffrey has sent a minute to the Prime Minister); and (c) the form of the draft agreement that might be put to the Chinese in advance of Sir Geoffrey's Peking visit (I have written to you separately about this).

Yours ever,
P F Ricketts

(P F Ricketts)
 Private Secretary

A J Coles Esq
 10 Downing Street

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10 DOWNING STREET

From the Private Secretary

21 March 1984

Future of Hong Kong: Draft Agreement with the Chinese

Thank you for your letter of 20 March. The Prime Minister had a brief word about it with the Foreign and Commonwealth Secretary this morning.

Although Mrs. Thatcher has not yet been able to read the proposed paper for OD(K) and the accompanying documents, she agreed that the Foreign and Commonwealth Secretary should circulate them to OD(K).

If Sir Geoffrey Howe cannot be present for the meeting arranged for 26 March, the Prime Minister would be content for Mr. Luce to represent him.

I am copying this letter to Richard Hatfield (Cabinet Office).

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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FM HONG KONG 200825Z MAR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 740 OF 20 MARCH
INFO IMMEDIATE PEKING

MW Gales
2013
Mr 2/3

YOUR TELNO 499: FUTURE OF HONG KONG: WORKING PAPER ON NATIONALITY.

1 CONVEYED MINISTER' VIEWS TO EXCO THIS MORNING.

2. MEMBERS WERE NOT, REPEAT NOT, CONVINCED BY THE ARGUMENTS SET OUT IN YOUR TEL UNDER REF. THEY REMAINED OF THE VIEW, REPORTED IN MY TELNOS 676 AND 687, THAT THE CHINESE WERE NOT IN PRACTICE AS SENSITIVE AS YOUR TEL UNDER REF SUGGESTED. THE CHINESE WOULD DECIDE ON THE MERITS OF THE CASE WHETHER OR NOT THERE SHOULD BE A SEPARATE CITIZENSHIP FOR HONG KONG; AND THEY WOULD NOT FIND THE TITLE ''BRITISH NATIONAL: HONG KONG CITIZEN'' NECESSARILY AS OFFENSIVE AS YOUR TEL UNDER REF SUGGESTED. NOR DID MEMBERS ACCEPT THAT THE TITLE ''BRITISH NATIONAL: HONG KONG (CHINA) CITIZEN'' WOULD NOT CAUSE PROBLEMS WITH IMMIGRATIONS OFFICERS IN THIRD COUNTRIES. THEY POINTED OUT, FOR INSTANCE, THAT DIFFICULTIES WOULD BE BOUND TO ARISE IN THE UNITED STATES WHERE TRAVELLERS ARE REQUIRED TO STATE THEIR CITIZENSHIP: THE MOMENT THEY SAW THE WORD ''CHINA'' IN A PASSPORT, U.S. IMMIGRATION OFFICIALS WOULD IMMEDIATELY IDENTIFY THE BEARER WITH CHINA, PARTICULARLY IF HE WERE OF CHINESE RACE. GIVEN THE OVERWHELMING IMPORTANCE OF THE U.S. AS A MARKET FOR HONG KONG, AND THE FREQUENCY WITH WHICH HONG KONG BUSINESSMEN VISIT THE COUNTRY, SUCH DIFFICULTIES WOULD HAVE SERIOUS CONSEQUENCES FOR HONG KONG'S PROSPERITY.

3. IN CONCLUSION, MEMBERS REITERATED THEIR STRONG VIEW THAT IT SHOULD NOT BE ASSUMED THAT CHINA WOULD OBJECT TO THE TITLE ''BRITISH NATIONAL: HONG KONG CITIZEN'' EVEN BEFORE IT HAD BEEN TESTED ON THEM; AND, IF THE CHINESE DID OBJECT TO IT, THERE WOULD BE NOTHING INCONGRUOUS IN HAVING A FALLBACK.

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/COMMENT.

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COMMENT

4. EXCO'S VIEWS WERE EXPRESSED IN STRONG AND UNEQUIVOCAL TERMS AND THERE SHOULD BE NO DOUBT ABOUT THE STRENGTH OF THEIR FEELINGS ON THIS ISSUE. IN MY VIEW, HMG HAS LITTLE TO LOSE BY FOLLOWING EXCO'S ADVICE. IT WAS EVIDENT FROM THIS MORNING'S DISCUSSION THAT THEY ARE TO SOME EXTENT TAKING THIS QUESTION AS A TEST OF HOW FAR HMG IS PREPARED TO PRESS THE CHINESE ON ISSUES WHICH THEY SEE AS OF GREAT IMPORTANCE TO THE PEOPLE OF HONG KONG. I THEREFORE STRONGLY URGE THAT THE MOST SERIOUS RECONSIDERATION SHOULD BE GIVEN TO EXCO'S ADVICE.

YOUDE

(REPEATED AS REQUESTED)

FUTURE OF HONG KONG

LHMED

ED/HKD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

RES.B. (MR WALKER)

LEGAL ADVISER (SIR IAN SINCLAIR)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

SIR W HARDING

MR WILSON

MR WRIGHT

SIR C TICKELL

COPIES TO:

BUCKINGHAM PALACE

PS/LORD PRESIDENT OF THE COUNCIL

PS/HOME SECRETARY

PS/CHANCELLOR OF THE EXCHEQUER

PS/LORD PRIVY SEAL

PS/SECRETARY FOR TRADE & INDUSTRY

COPIES TO: (VIA ADR)

MR ROBERTS NEWS 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

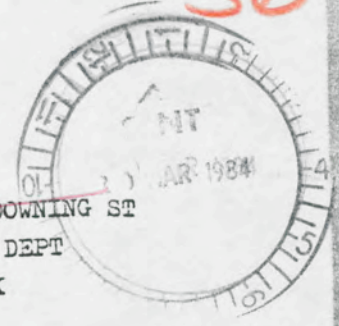
SIR P CRADOCK NO 10 DOWNING STREET

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FUTURE OF HONG KONG - ADVANCE COPIES 11



PS
PS/PUS
PS/MR LUCE
MR WILSON

COPIES TO:
~~MR COLES, NO. 10 DOWNING ST~~
MR ROBERTS, NEWS DEPT
SIR PERCY CRADOCK

~~SD/HEP~~
HD/FED
RESIDENT CLERK

MS

Prime Minute.

GR 700

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DESKBY 201200Z

FM HONG KONG 201100Z MAR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 747 OF 20 MARCH
INFO IMMEDIATE PEKING

*You have agreed that
EXCO should visit
London again - but I
think you should read
the telegram.*

FUTURE OF HONG KONG

A.S.C 24/3

1. I REPORTED TO THE EXECUTIVE COUNCIL THIS MORNING ON THE LAST ROUND OF TALKS AND ON WHAT ZHOU NAN HAD SAID TO THE AMBASSADOR AT THE DINNER (PEKING TELNO 514). WE ALSO DISCUSSED THE DRAFT AGREEMENT (YOUR TELNOS 490 AND 498). MEMBERS ASKED SPONTANEOUSLY WHAT DECISION YOU HAD REACHED ON COMING THROUGH HONG KONG ON YOUR WAY TO PEKING. I TOLD THEM OF YOUR DECISION TO FLY DIRECT TO PEKING BUT SAID THAT I WOULD BE TALKING TO THEM TOMORROW ON POSSIBLE ALTERNATIVE WAYS OF MAKING THEIR VIEWS KNOWN TO YOU BEFORE YOU LEFT (I HAD PROPOSED TO DO THIS IN THE LIGHT OF COMMENTS FROM THE AMBASSADOR IN PEKING (YOUR TELNO 494 PARA 4)). A NUMBER OF MEMBERS EXPRESSED THE STRONG HOPE, AT THAT STAGE THAT, GIVEN THE IMPORTANCE OF THE ISSUES, YOU WOULD STILL FIND IT POSSIBLE TO COME HERE FIRST.

2. THIS AFTERNOON, HOWEVER, SIR S.Y. CHUNG ASKED TO SEE ME URGENTLY. HE TOLD ME THAT THE UNOFFICIAL MEMBERS HAD MET THEMSELVES AND NOW WISHED TO EXPRESS THEIR VERY SERIOUS CONCERN AT THE TURN WHICH EVENTS WERE TAKING. IN THE LIGHT OF ZHOU NAN'S STATEMENTS AND A NUMBER OF OTHER CIRCUMSTANCES IT WAS OBVIOUS THAT THE S OF S'S VISIT WOULD BE CRUCIAL AND ANY COMMITMENTS MADE DURING THAT VISIT WOULD DETERMINE THE WHOLE FUTURE OF HONG KONG.

3. IN THESE CIRCUMSTANCES, THE EXECUTIVE COUNCIL UNOFFICIALS WERE UNANIMOUS IN THEIR WISH TO VISIT LONDON AGAIN BEFORE THE S OF S LEAVES FOR PEKING TO MAKE THEIR POSITION KNOWN TO MINISTERS, INCLUDING THE PRIME MINISTER. I TOLD HIM THAT I HAD INTENDED TO PUT TO THEM TOMORROW THE IDEA OF A SMALLER JOINT EXCO/LEGCO DELEGATION. HE SAID THAT THAT WOULD NOT DO.

DELEGATION. HE SAID THAT THAT WOULD NOT DO.

4. I ASKED HIM WHAT COURSE OF ACTION MEMBERS WERE PROPOSING TO URGE ON MINISTERS WHICH WAS DIFFERENT FROM THE STRATEGY ON WHICH WE WERE ALREADY ENGAGED. HE WAS NOT SPECIFIC BUT EXPRESSED THE INCREASING CONCERN OF UNOFFICIAL MEMBERS THAT HMG WOULD BOW IN THE FACE OF INTENSIFIED CHINESE PRESSURE. THEY WOULD BE MEETING AGAIN BEFORE THE LONDON VISIT TO SET OUT THEIR POSITION MORE PRECISELY.

5. MY READING OF THE COMMENTS WHICH UNOFFICIAL MEMBERS HAVE MADE IN A VARIETY OF CONTEXTS OVER THE LAST FEW DAYS LEADS ME TO BELIEVE THAT THERE ARE A NUMBER OF STRANDS WHICH HAVE LED TO THIS DEVELOPMENT. ONE IS ZHOU NAN'S COMMENT ON THE FORM OF AN AGREEMENT AND CHINA'S UNWILLINGNESS TO ACCEPT THAT THE GOVERNMENTAL STRUCTURE IN HONG KONG, AS AT 1 JULY 1997, SHOULD BE PRESERVED IN THE AGREEMENT. ANOTHER IS THE CONCERN OF SOME MEMBERS, WHO BELIEVE THAT TO TIE THE CHINESE DOWN ON DETAIL IS ESSENTIAL, THAT HMG MAY WELL DECIDE NOT EVEN TO TRY TO DO THIS (PARA 3 OF YOUR TELNO 498). THE THIRD, REFLECTED IN THE DISCUSSION ON THE CITIZENSHIP TITLE (MY TELNO 740) THAT HMG ARE OVER-SENSITIVE TO THE RISKS OF OFFENDING THE CHINESE: IN THE VIEWS OF EXCO MEMBERS THIS SIMPLY PREJUDICES THE HONG KONG INTEREST WITHOUT RUNNING ANY REAL RISK OF PREJUDICE TO THE FINAL OUTCOME. ANOTHER IS THE DECISION NOT TO ACCEDE TO THEIR REQUEST THAT THE S OF STATE SHOULD PASS THROUGH HONG KONG ON HIS WAY TO PEKING, A REQUEST THEY REGARDED AS ENTIRELY REASONABLE GIVEN THE LIFE AND DEATH NATURE OF THE ISSUES INVOLVED FOR PEOPLE HERE.

6. IT IS EVIDENT THEREFORE THAT THE PROPOSAL FOR A SMALL JOINT EXCO/LEGCO DELEGATION WILL NOT RUN AND, UNJUSTIFIABLE THOUGH IT MAY BE, I THINK THAT A REFUSAL OF THE REQUEST OF THE EXCO UNOFFICIALS TO COME TO LONDON WOULD BE TAKEN AS INDICATIVE OF AN INTENTION NO LONGER TO GIVE FULL WEIGHT TO THEIR CONCERNS.

7. I HOPE THEREFORE THAT YOU CAN AUTHORISE ME TO TELL THEM AT TOMORROW'S MEETING THAT THE INVITATION WHICH IT WAS PROPOSED TO EXTEND FOR THE SMALLER DELEGATION FOR APRIL 4 TO 6 CAN BE TRANSLATED INTO AN INVITATION FOR ALL EXCO UNOFFICIALS TO VISIT LONDON AGAIN ON THESE DATES FOR A FURTHER DISCUSSION WITH MINISTERS BEFORE THE VISIT TO PEKING. I SEE NO REASON WHY THE CHINESE SHOULD CONSIDER ANOTHER VISIT BY EXCO UNOFFICIALS AS MORE INDICATIVE OF 'THE THREE LEGGED STOOL' THAN THE COMBINED EXCO/LEGCO DELEGATION. INDEED, THEY WOULD PROBABLY BE MORE INCLINED TO SWALLOW IT AS SIMPLY FOLLOWING A WELL ESTABLISHED PATTERN.

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister ⁽¹⁾

20 March 1984

FCS proposes an early meeting of OD(K) to consider the attached draft agreement on the future of Hong Kong.

See letter to F/CO.

Dear John, You may like to discuss with Sir Geoffrey tomorrow.

MR 4/3

p.a.

Future of Hong Kong: Draft Agreement with the Chinese

The next major step in the negotiations with the Chinese will be to put forward a draft of an Agreement. We wish to do this in time for Sir Geoffrey Howe to discuss it during his planned visit to Peking in mid-April. The Ambassador and Governor recommend that we should hand over our draft to the Chinese by 3 April to give them time to absorb it before Sir Geoffrey's visit.

I enclose the text of a draft Agreement and Annexes, together with a covering note which Sir Geoffrey Howe proposes to circulate to OD(K). In view of the importance of this subject he wished to give the Prime Minister the opportunity to look at the papers before circulating them more widely. But time is already short if we are to meet the 3 April deadline referred to above. Once Ministers have approved a text for handing to the Chinese, it will have to be considered formally by EXCO (the Governor is circulating the enclosed drafts informally to EXCO now, on the clear understanding that Ministers have not yet considered them). Sir Geoffrey therefore believes that the matter should be discussed in OD(K) as soon as possible. We are in touch with the Cabinet Secretariat and I understand that a meeting has been arranged for 26 March. On present plans, Sir Geoffrey will be in Jordan with The Queen at that time, but considers that the subject cannot wait until his return and therefore hopes that the Prime Minister would agree to hold a meeting on that date at which Sir Geoffrey would, if necessary, be represented by Mr Luce.

As the covering note makes clear, there is a difficult balance to strike in these drafts between providing enough detail to cover all the points of interest to us, and pitching our opening bid so high that the Chinese recoil entirely from our proposal. Sir Geoffrey considers that the present drafts probably contain too much detail, even for an opening bid, but would be interested to have colleagues' views on this point. He also believes that it will be vital for the Governor to emphasise strongly to EXCO that this is a maximalist draft Agreement, and that the Chinese will certainly seek to cut out much of the detail. We should therefore need to prepare fall-back positions and agree them with EXCO.



I should be grateful to know whether the Prime Minister would be content for Sir Geoffrey to circulate these papers and to propose an early meeting of OD(K) to consider them. He would be happy to have a word about this at the meeting on 21 March if the Prime Minister wished.

Yours ever,

P F Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street



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DRAFT NOTE FOR OD(K)

FUTURE OF HONG KONG: DRAFT AGREEMENT WITH THE CHINESE

1. The attached draft Agreement, annexes and draft Chinese statement together make up a package through which we might seek to tie the Chinese down to guaranteeing the greatest degree of continuity of systems for Hong Kong in return for accepting that after 1 July 1997 sovereignty and the right of administration will be vested in China.

2. The Agreement, and particularly Article 2(4), set out what we expect from the Chinese Basic Law establishing the Special Administrative Region of Hong Kong (China). The Chinese would be committed by the Agreement to giving Hong Kong full autonomy in everything but external relations and defence. The annexes, which form an integral part of the Agreement, are based on our working papers discussed with the Chinese over the last four months. They seek to commit the Chinese to detailed provisions in each of the various fields. The Chinese draft statement also forms part of the Agreement, and the Chinese are committed to observing it by Article 2(2) of the Agreement. The three together therefore form one possible device which would tie the Chinese to including in the Basic Law the points agreed in discussion with us.

3. The Agreement is a maximalist one, and the Chinese are sure to seek to cut much of the detail out of it. Indeed, there is a danger that they will reject the whole package out of hand if it is too full. It is very possible that the Chinese have a completely different kind of agreement in mind; one which simply commits us to the main principles as they see them, combined with an agreement by both sides to continue discussions on detail. There are, however, some indications that the Chinese may be prepared to accept an agreement linked to detailed annexes. We believe that the present form of Agreement stands a chance of being accepted by the Chinese as a basis for negotiation.

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4. We will need to fight hard for a detailed agreement that would help presentationally in Hong Kong. But we must be prepared for Chinese attempts to cut the existing draft radically. We need to be clear of our own fall-back position. Some, but by no means all, of the provisions in the Agreement are essential points for us. If forced to retreat we should have to consider transferring much of the detail from the Agreement (including Article 2(4)) to a new set of annexes attached to the Chinese statement. They would still form an integral part of the whole Agreement, because of the provisions of Article 2(2), but might be more palatable to the Chinese in this form. If there were a danger of not getting an agreement at all we should have to consider what points might safely be cut altogether, but we must maintain our essential points somewhere in the package. These include those provisions in Article 2(4) which provide specific assurance against Chinese interference, and the main points in the annexes relating to continuity of systems. The most crucial point of all would be the stipulation that these points would be included in the Basic Law. There would be no point in signing an agreement which did not include that provision.

5. The Ambassador and Governor advise that we should give the Chinese a text by 3 April in time for them to absorb it before I visit Peking in mid-April. This could risk the the Chinese simply rejecting the draft when I reached Peking. But the alternative, of presenting them with an outline of our ideas, either before or during my visit, risks their misunderstanding our proposals. On balance I would favour the Ambassador's proposal but we shall have to decide finally when arrangements for my visit are agreed.

6. EXCO are considering the text of the Agreement simultaneously with Ministers, on the basis that Ministers are not committed to it. We shall need to discuss the tactics for handling the Agreement and the timing of handing it to the Chinese with EXCO subsequently.

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7. In handing over the text to the Chinese we should make the following points:

- (a) We have not had any detailed indication of Chinese thinking on the form and content of an Agreement. We are therefore working in the dark, but have done our best to deal with all the points which we believe to be important to the Chinese side.
- (b) In the substance of the Agreement and its Annexes we have based ourselves on our discussions with the Chinese over the last four months, on the Chinese Twelve Point Plan and on the points in our working papers agreed with the Chinese.
- (c) The text represents our own first shot at a draft. We hope that it will not be too far from Chinese ideas. It is a basis for negotiation.
- (d) The work we have put into the draft demonstrates our sincerity in wishing to reach agreement quickly.
- (e) The draft Chinese statement is based on Yao Guang's statement of the Twelve Point Plan. We assume that this is the form of statement they had in mind.
- (f) We look forward to full and frank discussion of the texts.

8. I accordingly propose that at OD(K) on 26 March we should agree that the draft Agreement and Annexes, with any necessary amendments, should be discussed formally with EXCO and should then be handed to the Chinese by 3 April.

9. I am copying this minute and attachments to our colleagues on OD(K).

SECRET

Hong Kong



future Pt 12.

16 March 1984

DRAFT AGREEMENT

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China;

Recognising Hong Kong's historical position as part of China and its unique status as an international commercial and financial centre and free port, with its own characteristic society and way of life;

Mindful of the friendly relations existing between the United Kingdom and China;

Mindful also of their common aim of maintaining the future stability and prosperity of Hong Kong;

Have agreed as follows:

Article 1

(1) Hong Kong shall, with effect from 1 July 1997 become a Special Administrative Region of the People's Republic of China, to be known as "Hong Kong (China)", under the sovereignty of the People's Republic of China.

(2) The United Kingdom Government shall continue to administer Hong Kong until 30 June 1997 and shall, with effect from 1 July 1997, terminate all powers of administration which they exercise with respect to Hong Kong. All United Kingdom constitutional instruments relating to Hong Kong shall be repealed with effect from that date.

Article 2

(1) The constitution of Hong Kong (China) shall, with effect from 1 July 1997, be prescribed by a Basic Law to be enacted in accordance with Article 31 of the constitution of the People's Republic of

China adopted on 4 December 1982 to which it shall be appended.

(2) The Basic Law shall be the paramount law for Hong Kong (China). It shall be in accordance with the statement of the Government of the People's Republic of China issued in agreement with the United Kingdom Government and dated, and with the provisions of this agreement, and shall be so maintained until at least 1 July 2047.

(3) The Basic Law shall prescribe the systems to be instituted for Hong Kong (China) as a Special Administrative Region of the People's Republic of China. All rights and powers in relation to external defence and, subject to the provisions of para 4(vi) of this Article, the conduct of external affairs shall remain with the Central People's Government, but otherwise Hong Kong (China) shall enjoy autonomy within the People's Republic of China.

(4) Accordingly, the Basic Law shall, subject to the provisions of paragraph 3 of this Article include provision for the following principles:

- (i) The right and power of administration within the territory of Hong Kong (China) including responsibility for internal security and public order shall be vested through the Basic Law exclusively in the Chief Executive and executive authorities of Hong Kong (China). The exercise of administrative power by the executive authorities and by officials of the public service shall be liable to challenge or review by the courts in accordance with established legal procedures;
- (ii) The right and power of legislation for Hong Kong (China) shall be vested through the Basic Law exclusively in the legislative authorities of Hong Kong (China). Laws enacted by the legislature shall be reported to the Standing Committee of the National People's Congress for the record but, except as envisaged in sub-paragraph (X) of this paragraph, there shall be no right or power of disallowance or annulment outside or within Hong Kong (China).
- (iii) The right and power of final adjudication over all criminal and

civil disputes in Hong Kong (China) including the right to interpret its laws and the powers of punishment shall be vested through the Basic Law exclusively in the established courts of Hong Kong (China) whose judges shall function independently and without interference from the executive or legislature of Hong Kong (China). Hong Kong (China) shall have the right to recruit and employ judges from other common law jurisdictions.

- (iv) The laws of Hong Kong (China) on and after 1 July 1997 shall be the common law, rules of equity and ordinances, subordinate legislation and customary law and practices in force in Hong Kong immediately before 1 July 1997 save only for changes in nomenclature or references consequent upon the severance of constitutional links with the United Kingdom. Hong Kong (China) shall be subject to no other laws save for the Basic Law and for those enacted after 1 July 1997 by the legislative authorities of Hong Kong (China).
- (v) In pursuance of the common aim, the object and the intent of the Basic Law shall be to ensure that persons within Hong Kong (China) shall continue to enjoy, at least until 1 July 2047, their existing rights and freedoms under the law, their way of life and their social economic monetary fiscal and commercial systems all as described and amplified in the annexes to this agreement.
- (vi) The Chief Executive of Hong Kong (China) shall be authorised by the Basic Law in the name of Hong Kong (China) to conclude agreements governing trade, economic, shipping, air services, legal and cultural matters with foreign states and regional and international organisations.
- (vii) In consequence of the severance of constitutional links with the United Kingdom, the Basic Law shall make provision for the continuation of the essential structure and organs of government within Hong Kong (China) including the rights, duties, powers and functions of the Chief Executive of Hong Kong (China) its executive and legislative authorities and the election and appointment of its members, the establishment of the courts of Hong Kong (China), the Judicial Services Commission and the Public Services Commission all as described and amplified in the annexes to this agreement.
- (viii) Hong Kong (China) shall offer to all members of the public

service in employment on 1 July 1997 continued employment on terms and conditions of service no less favourable than those previously enjoyed. Hong Kong (China) shall take over responsibility for the payment of all pensions and similar allowances and associated benefits earned and due to members of the public service who have retired before 1 July 1997 and to their dependants. Hong Kong (China) shall also become responsible for payment to members of the public service who continue to serve beyond 30 June 1997 and their dependants of all earned emoluments, gratuities and all pensions and similar allowances and associated benefits which by that date, or may thereafter become, due to them.

- (ix) No taxes shall be levied in Hong Kong (China) save by the legislature of Hong Kong (China).
- (x) Any question or dispute arising between Hong Kong (China) and the National People's Congress or the Central People's Government as to the interpretation of the Basic Law or the limits of legislative competence or executive autonomy within Hong Kong (China) shall be decided by the Standing Committee of the National People's Congress after referring the matter for advice to a commission presided over by the Chairman of the Legal Affairs Commission of the National People's Congress sitting with two members of the Supreme People's Court of the People's Republic of China and two members of the Hong Kong Supreme Court.

Article 3

In order to secure their common aim the two Governments, shall, in a spirit of friendship, continue their discussions and shall cooperate upon the effective implementation of this agreement.

Article 4

The two Governments shall co-operate in promoting the acceptance by the international community of the autonomous status of Hong Kong (China), as defined in Articles 1 and 2 of this Agreement. In particular they shall endeavour to secure the retention by Hong Kong (China) of the benefits existing immediately prior to 1 July 1997 in

relation to the General Agreement on Tariffs and Trade, and other international agreements and arrangements.

Article 5

[All persons who, immediately prior to 1 July 1997 and as a result of their connection with Hong Kong, are British Dependent Territories citizens shall retain their existing rights under an appropriate form of British nationality, in addition to acquiring Hong Kong (China) citizenship.] [An additional sentence will be added on the acquisition of Hong Kong (China) citizenship by non BDTCs and possibly reference to an annex].

Article 6

The annexes to this agreement shall be treated as an integral part thereof.

Article 7

[A clause may need to be inserted here about representation of the UK and other countries in Hong Kong (China), subject to negotiation]

Article 8

(1) This Agreement shall be subject to ratification. Instruments of ratification shall be exchanged in Peking.

(2) This Agreement shall enter into force upon exchange of Instruments of ratification.

In witness whereof the undersigned, being duly authorised thereto by their respective governments, have signed this Agreement.

Done in duplicate at Peking this.....day of.....1984, in the English and Chinese languages, both texts being equally authoritative.

For the Government of the United
Kingdom of Great Britain and
Northern Ireland:

For the Government of the
People's Republic of China:

ANNEX 1

CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURES
(NOT YET AGREED WITH THE CHINESE).

1. The Hong Kong Special Administrative Region shall be established in accordance with Article 31 of the Constitution of the People's Republic of China. The region shall be known as Hong Kong (China). The basic systems of Hong Kong (China) shall be prescribed by the Basic Law and will remain unchanged for a period of at least 50 years after 1 July 1997.
2. Hong Kong (China) shall enjoy a high degree of autonomy. It shall have responsibility for its internal administration and external economic and cultural affairs. The Central People's Government shall be responsible for foreign policy and defence, but shall consult the government of Hong Kong (China) on such matters. The government of Hong Kong (China) may make its own laws which it shall report to the Standing Committee of the National People's Congress for the record. The Central People's Government shall not intervene so long as the laws of Hong Kong (China) remain within the limits of its authority as prescribed by the Basic Law and in accordance with the legal procedures.
3. The existing constitutional instruments, including the Letters Patent and the Royal Instructions, shall be replaced by suitable provisions in the Basic Law to be enacted by the National People's Congress or in Hong Kong (China) legislation. Continuing provisions shall be made for the separation of the executive, legislative and judicial powers.
4. The general structure of government existing in Hong Kong on 1 July 1997 shall remain essentially unchanged. The Government of Hong Kong (China) shall be composed of local inhabitants.
5. The Chief Executive and his Deputy shall be elected in accordance with procedures approved by the legislature. They shall be formally appointed by the Central People's Government. They may be removed from office prematurely only on grounds of misbehaviour or infirmity and by resolution of the Legislative Council.

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6. The Executive and the Legislature shall be selected by an elective process, apart from any ex-officio members. The Executive Council shall decide on all important matters of policy within the competence of Hong Kong (China). The Chief Executive shall preside at its meeting. The Legislature as the supreme organ of Hong Kong (China) shall make laws within the competence of Hong Kong (China). Proposals entailing the expenditure of public funds shall require its approval.

7. Regional Councils shall be concerned with the provision of local services. District Boards shall provide a forum for public consultation at a district level, and shall have certain local executive functions.

8. There shall be a central secretariat together with departments and agencies with executive responsibilities. They should be staffed by the public service who shall be appointed by the government of Hong Kong (China) according to the same procedures in force before 1 July 1997.

9. The Chief Officials of the government shall be appointed in accordance with the procedures in force immediately prior to 1 July 1997. These appointments shall be reported to the Central People's Government.

ANNEX 2

PUBLIC SERVICE

1. The government of Hong Kong (China) shall be composed of local inhabitants. [Chief officials shall be nominated by the government of Hong Kong (China) and appointed by the Central People's Government in accordance with the procedures in force immediately prior to 1 July 1997.]

2. The loyalty of all officers, regardless of origin shall be to the government of Hong Kong (China). Existing contractual responsibilities shall be transferred to the Government of Hong Kong (China).

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[3. The concept of a single unified service performing the whole range of local government functions shall be maintained.]

4. All members of the public service shall continue to be subject to the laws of Hong Kong (China) and their actions shall continue to be subject to challenge in the courts.

[5. Officers currently serving, both local and overseas, and those recruited in the future, subject to continuing good conduct and performance shall 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].

[6. All vacancies in the public service which cannot be satisfactorily filled by a serving officer shall continue to be advertised publicly and to be filled on the basis of merit. the Government of Hong Kong (China) shall 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 is unable to fill vacancies locally with suitably qualified candidates. All vacancies in ranks above the basic recruitment rank shall normally continue to be filled by the promotion of serving officers on the basis of qualifications, experience and merit.]

7. All members of the public service shall continue to be subject to codes of discipline laid down by the government of Hong Kong (China). Incorporating provisions comparable with those now provided for in existing regulations.

8. The government of Hong Kong (China) shall 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 retire prior to 1 July 1997, regardless of the recipient's place of residence.

9. On 1 July 1997 the words 'Royal' and 'Crown' shall be removed from the titles of those bodies and institutions in public service

that now carry them. Colonial regulations affecting the public service shall be replaced by laws enacted by the government of Hong Kong (China). The present requirement to refer certain questions to the Secretary of State for Foreign and Commonwealth Affairs in London shall cease.

[10. The post of Chief Secretary shall be retained within the public service and shall be responsible for its central administration and direction and for carrying out the recommendations of:

- (a) the Public Service Commission,
- (b) the standing commission on civil service salaries and conditions of service and,
- (c) the Standing Committee on Directorate Salaries and conditions of service.

The composition and functions of these bodies shall continue as immediately prior 1 July 1997, and any change in their status or duties shall only be effected by the legislature of Hong Kong (China)].

11. The members of the Public Service shall continue to be able to participate in training courses outside Hong Kong, and the existing arrangements whereby certain public service training courses allow public officers to become eligible to obtain qualifications recognised overseas shall be retained.

ANNEX 3: LEGAL SYSTEM

1. The legislature of Hong Kong (China) shall be autonomous. It shall make laws within the limit of authority prescribed in the Basic Law. The Central People's Government shall not annul Hong Kong (China) laws unless they are in conflict with the Basic Law, and shall not extend laws operating elsewhere in the People's Republic of China to the Region without the consent of the Government of Hong Kong (China).

2. All existing written and unwritten laws in force in Hong Kong, including common law and the rules of equity shall remain in force, subject to necessary amendments in terminology to reflect Hong Kong's change in status, and subject to the power of the legislature to add to, to amend, or repeal any laws on its own

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authority.

3. Hong Kong (China) shall continue to be able to delegate the power to make subordinate legislation.

[4. Hong Kong (China) may establish an independent Law Commission to consider changes in laws and other legal matters and to make recommendations].

[5. Any question or dispute arising between Hong Kong (China) and the National People's Congress or Central People's Government as to the interpretation of the Basic Law or the limits of legislative competence or executive autonomy within Hong Kong (China) shall be decided by the Standing Committee of the National People's Congress after referring the matter for advice to a commission presided over by the Chairman of the Legal Affairs Commission of the National People's Congress sitting with two members of the Supreme People's Court of the People's Republic of China and two members of the Hong Kong Supreme Court].

6. Appeals to the Privy Council shall cease. Final judgment shall rest with the final court of appeal sitting in Hong Kong (China). The judiciary shall continue to be independent. The present system of Hong Kong courts will continue, with the exception of institutional changes consequent on the acquisition of power of final judgement.

7. The principal judges shall be appointed by the Chief Executive of Hong Kong (China) on the recommendation of a Commission set up by the Government of Hong Kong (China) and comprising legal personnel and others. Appointment shall be with the concurrence of the legislature. A similar procedure shall be used for other members of the judiciary. Similar procedures shall be used for dismissal. Judicial personnel from other common law jurisdictions may be employed by Hong Kong (China) in appropriate cases and may be invited by Hong Kong (China) to sit on the final appeal court in a judicial capacity. The judiciary shall remain independent of the Executive and free from interference by administrative organs, public bodies and individuals.

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8. Courts in Hong Kong (China) shall continue to rely on Hong Kong judicial precedents and may refer to judgements in other common law jurisdictions.
9. The right of representation in court by lawyers of one's own choice shall be preserved.
10. The actions of the Executive shall continue to be subject to legal challenge in the courts. Administrative organs shall be required to abide by the laws of Hong Kong (China).
11. A prosecuting authority, composed of government lawyers, shall continue to control criminal prosecutions with no interference from the Executive.
12. Hong Kong (China) shall be able, in accordance with the Basic Law, to make laws which give effect to multilateral agreements.

ANNEX 4: RIGHTS OF INDIVIDUAL

1. There shall be no change in the lifestyle of the people of Hong Kong (China). Basic rights and freedoms enjoyed in Hong Kong shall continue to be respected in accordance with the ~~SAR~~ legislation of Hong Kong (China) within the provisions of the Basic Law, and the requirements of public interest and the rights of other individuals.
- [2. Hong Kong (China) shall be free to continue to apply the provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights].
3. The following freedoms and rights shall be ensured:
 - (a) The Right to Life: Every person has the right to life, a right that is protected by the criminal law, which prevents any person being deprived of his life.
 - (b) Freedom from Torture: No person can be subjected to torture, or to inhumane or degrading treatment.
 - (c) Freedom from Slavery: No person can be held in slavery or servitude.

(d) Right to Liberty: Every person has the right to personal liberty and to freedom from arbitrary detention. This right is protected by the law of Habeas Corpus and the Common Law relating to false imprisonment.

(e) Right to Property: Every individual, company or other legal person, including an alien, has the right to own property or whatever description and whether the property is in Hong Kong or overseas. This right includes the right to buy, to sell, to use, to bequeath and to inherit property without interference. The right to use property carries with it the right to employ property for personal gain, for example by cultivating land and selling the produce, or by operating an enterprise or business and employing people in that enterprise or business. Every person has the right not to be deprived of property unless the expropriation is in accordance with the law of Hong Kong and is accordingly in the public interest, and accompanied by prompt, adequate and effective compensation.

(f) Right to Work: Every person has the right to use, for his own benefit and advantage his skills and abilities, whether in competition with others or not and the right to choose whether or not to work, or where to work. This right includes the right to strike or to withhold labour.

(g) Freedom of Expression: There is freedom for any person both to express and receive ideas and information (whether by speech, publication, film or other means) and a corresponding right to the secrecy of private communications. This right includes the freedom to hold opinions, the freedom of correspondence and the freedom of the press. The right is balanced by the right of reputation, which is protected by the law of Defamation.

(h) Rights of Assembly and Association: Every person has the right peacefully to assemble, to demonstrate and to form processions, and to associate with other persons and in particular, to form or belong to professional associations, trade unions and community associations. The right of association carries with it the freedom of those within an association to regulate their affairs and lawfully to pursue their common objectives.

(i) Freedom of Conscience and Religion: Every person has freedom of conscience including freedom of religion the right not to practise any religion and the right to practise and propagate a chosen

religion, including a religion practised or organised overseas.

(j) Freedom of Movement: Every person lawfully in Hong Kong has the right to move freely throughout Hong Kong in public areas, to reside in any part of Hong Kong and to leave Hong Kong. Persons lawfully in Hong Kong are not arbitrarily deprived of the right to leave or return to or enter Hong Kong.

(k) Right to Privacy. Every person has the right to the peaceful enjoyment of his own home free from all unlawful intrusion. This right extends to a person's other property, which may not be unlawfully seized or searched.

(l) Right to Education. Every person has the right to be educated and the right of access to knowledge, information and material from whatever source that will enable that person fully to develop his or her cultural life.

(m) Right to Protection of the Law: Every person has the right to the protection of the law, which involves the following general principles:

(i) a person is not punished for an act or omission which was not a crime at the time it was committed;

(ii) a person is presumed innocent of any crime with which he is charged until it is proved otherwise;

(iii) in criminal law, the burden of proof is on the prosecution;

(iv) the right of a fair trial includes the right to have an unbiased and independent judiciary, to know, in a language which he understands, the nature of the case against him, the opportunity of putting forward his own case, the opportunity of calling his own witnesses and of having an interpreter if he so wishes;

(v) in the case of serious criminal charges, the accused has the right to trial by jury;

(vi) a person even while in prison retains the right to human treatment and those of his rights and freedoms not inconsistent with imprisonment;

(vii) for the enforcement of his civil rights, a person is entitled to unimpeded access to the courts;

(viii) the right to legal representation, including confidential legal advice ;

(n) Social Rights: Social rights include the right of every person to favourable conditions of work (including safe and healthy working

conditions, paid holidays, sick leave and maternity leave for women), the right to marry and the right to raise a family and decide on its size.

ANNEX 5: ECONOMIC SYSTEM

1. Hong Kong's existing economic system shall continue.
2. The Government of Hong Kong (China) shall have authority to decide economic policy and to make economic policy decisions within the framework of the Basic Law.
3. Economic policies applied in other parts of China shall be extended to Hong Kong (China) only if Hong Kong (China) itself so wishes.
4. Hong Kong (China) shall be free to retain and develop its existing stable consistent and predictable legal, administrative and regulatory environment.
5. Individuals and institutions shall retain their existing freedom to control their labour and property and use both within the constraints of the law.
6. Every individual, company and other legal person irrespective of nationality shall have the right not be deprived of his or its property unless in accordance with the law of Hong Kong (China) in the public interest, and accompanied by prompt, adequate and effective compensation.

ANNEX 6: MONETARY SYSTEM

1. Hong Kong (China) shall have autonomy in monetary matters, exercising authority to control currency and finance in Hong Kong in accordance with the Basic Law. The Government of Hong Kong (China)

may when necessary revise and formulate regulations in accordance with legislative procedures. Monetary and financial systems and relevant laws and ordinances shall remain basically unchanged, as shall financial institutions.

2. The free flow of capital shall be maintained. The Hong Kong dollar shall remain freely convertible and there shall be no exchange controls.

3. Notes and coins bearing reference to the British Crown shall be progressively withdrawn and replaced with notes and coins of appropriate design.

4. The Government of Hong Kong (China) shall be vested with authority to issue Hong Kong dollars and may authorise designated banks to issue currency. Current note-issuing banks shall participate in issuing, provided the Government of Hong Kong (China) agree proportions of currency to be issued by each issuing bank to be specified through Hong Kong (China) legislation, and their issue proceeded in a 'sound fashion', and a stable value be firmly established.

5. The Exchange fund shall be retained under the authority of the Government of Hong Kong (China) who shall manage and control it solely for Hong Kong's purposes in accordance with the Basic law.

6. Hong Kong (China) may maintain and establish relations with international monetary organisations whose membership is not limited to states.

7. Hong Kong (China) may participate as a member of the Chinese delegation in organisations and conferences limited to states but may take statements in the name of Hong Kong (China).

8. Hong Kong (China) shall continue to appoint administrative

personnel of financial agencies in Hong Kong, including foreign experts. Commercial institutions shall continue to enjoy freedom to recruit and employ staff as they wish.

9. Policy in regard to banks, deposit taking institutions, markets and exchanges shall be enshrined in legislation and administrative practices based on existing systems shall continue. The Government of Hong Kong (China) shall remain free to establish new markets and exchanges or to modify existing arrangements.

[10. The Government of Hong Kong (China) may establish an Independent Monetary Commission to advise on monetary matters including the control of the Exchange Fund. The Commission may draw on experts from within and outside Hong Kong (China) and shall be appointed by the Government of Hong Kong (China).]

ANNEX 7: FINANCIAL SYSTEM

1. Hong Kong (China) shall have the right to make laws in the financial field.

2. Hong Kong (China) resources shall be at the disposal of the Government of Hong Kong (China) exclusively for local purposes.

3. HongKong (China) shall be financially independent and be responsible for drawing up its own budget and financial accounts report. It shall submit these to Central People's Government only for the record.

4. The existing arrangements of accounting, audit and supervision shall remain.

5. The Government of Hong Kong (China) may establish an independent financial commission to provide advice.

ANNEX 8: EXTERNAL ECONOMIC RELATIONS

1. Hong Kong (China) shall remain fully integrated into the international trading community and free market system by practice and through international arrangements. Existing systems and methods of management will be unchanged. Hong Kong (China) shall be able to maintain and develop economic relations with Britain and traditional trade partners. Hong Kong (China) shall remain a free port.
2. Hong Kong (China) shall continue to negotiate and enter into trade and other related agreements and provide for the applicability of such multilateral agreements to Hong Kong. Hong Kong (China) shall be a member of Chinese delegations at organisations and conferences limited to states, expressing views as Hong Kong (China). It shall be able to join on its own those organisations, and participate in those conferences, which are not limited to states.
3. Hong Kong (China) shall continue as a member of the Asian Development Bank, Asian Productivity Organisation and as an Associate member of the economic and social commission for Asia and the Pacific.
4. Hong Kong (China) shall have separate economic and commercial representation overseas as at present.
5. Hong Kong (China) shall remain in the General Arrangement on Tariffs and Trade as a separate tariff area with no diminution of its rights.
6. The SAR shall remain in the Multi Fibre Agreement as a separate tariff area with no diminution of its rights.
7. Arrangements shall be made for the maintenance of Hong Kong (China)'s status as a separate tariff area under diverse General Preference Schemes.

ANNEX 7: SHIPPING [Not yet agreed with the Chinese]

1. Hong Kong (China) shall remain a free port, and its existing economic and trading systems and methods of management shall remain unchanged.
2. Hong Kong shipowners and charterers, their managers and agents shall remain free under the Hong Kong law to operate ships world wide including parts of China, for the carriage of goods and passengers to and from all other ports, and to participate in the management of freight conferences. Private businesses shall continue to provide maritime services and legal services. Internationally recognised classification societies shall continue to be recognised and operate under Hong Kong law for the purpose of ships' surveys.
3. The Government of Hong Kong (China) shall continue to provide port facilities for landing or loading passengers, cargo, livestock, landing and marketing of fish, pleasure craft, shelter from typhoons and for the supply by private businesses of stores and bunkers and salvage, pilotage, towage and repair services.
4. Ships shall continue to enjoy access to the ports of Hong Kong in the course of trade or navigation in accordance with the law.
5. Container terminals shall continue to operate under private ownership on land leased through the Government of the Hong Kong (China). They shall continue to provide for the loading and discharge of containers to and from ships permitted by the operators to have access to these terminals.
6. The laws of Hong Kong regulating shipping and the use of the ports and waters of Hong Kong shall remain in force after 1997, including those laws that give effect to international maritime conventions binding upon Hong Kong. Any changes in these laws shall be with the approval of the Legislature of Hong Kong (China). The Governments of the United Kingdom and the People's Republic of China

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shall co-operate over steps to ensure the continued application to Hong Kong (China) of those international conventions binding upon Hong Kong prior to 1997 including the International Convention on Civil Liability for Oil Pollution Damage (1969) and the protocol to that convention (1976), the convention on Facilitation of International Maritime Traffic (1965), and the Convention relating to Intervention on the High Seas in cases of Oil Pollution Casualties (1969). Hong Kong (China) shall maintain its associate membership of the International Maritime Organisation as 'Hong Kong, China', and participate in future international maritime developments by attending overseas conferences and by negotiating and entering agreements in its own right.

7. Hong Kong (China) shall continue to maintain a shipping registrar under its own legislation.

8. The administration of Hong Kong (China) shall continue to have responsibility under the Law for the following:-

(a) administration of the ports and waters of Hong Kong, including pollution control and the safety of navigation by lighting, dredging, buoyage, and control of traffic.

(b) registration of ships and survey and certification of these ships.

(c) survey and certification of ships registered in other countries that are parties to international conventions binding upon Hong Kong (China).

(d) certification of the competence of ships' officers and crews.

(e) inspection of ships visiting Hong Kong to ensure compliance with the requirements of international conventions binding upon Hong Kong (China)

(f) enforcement of Hong Kong (China)'s shipping laws and regulations by prosecution of offenders before Hong Kong Courts and investigation of shipping casualties and

(g) ensuring the provision of adequate search and rescue services in and near the waters of Hong Kong.

ANNEX 10: CULTURE AND EDUCATION

1. The Government of Hong Kong (China) shall have responsibility

for culture, education and science. It will be able to carry on and develop existing external ties in these fields.

2. Education and scientific institutions shall retain the present degree of autonomy in administration, curriculum, language of instruction, religious observance, ethos and the recruitment and employment of staff. Institutions shall continue to be free to recruit staff from outside Hong Kong (China) and to use teaching materials provided abroad.

3. The allocation of finance for tertiary institutions shall continue to be administered through an independent body within Hong Kong (China). The members of this body shall continue to be drawn from experts within and outside the region, appointed by the Hong Kong Government and responsible solely to it.

4. The independent validation and accreditation of academic work and standards and public examinations shall continue. Arrangements relating to the recognition of educational, scientific, professional and technical qualifications gained abroad shall remain in force. Students in Hong Kong educational institutions shall be able to continue to obtain academic qualifications determined by external bodies. They shall continue to be free to pursue their education abroad.

5. Parents and students shall continue to have freedom of choice in the type of education pursued, and in the language of their education. Arrangements shall continue to be made, within and outside full-time educational institutions for tuition in foreign languages.

6. The current arrangements governing the activities of cultural institutes, and schools, established in Hong Kong by foreign governments and other organisations shall remain in force. Academic, technological and scientific contacts and exchanges with foreign countries at every level shall continue.

7. Cultural exchanges and contacts with all countries and territories shall continue unhindered. The people of Hong Kong shall continue to have access to television, radio, books, newspapers,

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periodicals, films, plays and other cultural manifestations from abroad. The legal framework relating to the media shall remain in force and shall continue to be the responsibility of the Hong Kong Government on its own authority.

8. Sporting and youth contacts and exchanges, with all countries and territories shall continue at the discretion of the government of Hong Kong (China). Hong Kong (China) shall continue to send its own teams and representatives to international and regional sporting competitions.

ANNEX 11: DEFENCE, SECURITY AND PUBLIC ORDER

1. National defence shall be the responsibility of the Central People's Government. The Government of Hong Kong (China) shall remain responsible for the keeping of public order in the region.

2. The Police of Hong Kong (China) shall be responsible for the maintenance of law and order. The local internal security force shall be available at all times to assist the police in these and other respects.

3. British forces shall be withdrawn.

[4. The Central People's Government shall not station People's Liberation Army forces in Hong Kong (China) in normal circumstances.]

ANNEX 12: LAND

1. The Land Authority which is to be established in Hong Kong before 1997, and in which the ownership of land will be vested, shall become the land authority of the government of Hong Kong (China) after 1 July 1997. That authority may at any time before or after that date grant leases of land for the duration of such terms of years as acting in accordance with the law at any time in force, it may decide.

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ANNEX 13: CIVIL AVIATION [NOT YET AGREED WITH THE CHINESE]

1. China's adherence to the Chicago, Warsaw and other international conventions relating to civil aviation matters shall extend to Hong Kong (China). This will be represented as part of the Chinese Delegation to the International Civil Aviation Organisation (ICAO) in such manner that enables it to express separately the particular views of Hong Kong, (China). Arrangements shall be made for the maintenance of existing rights enjoyed by airlines having their principal place of business in Hong Kong under the International Air Services Transit Agreement (IASTA).
2. Hong Kong (China) shall have the exclusive authority to negotiate and sign all bilateral air service agreements and associated arrangements in respect of routes and services between Hong Kong and foreign countries including the United Kingdom. The provisions of air service agreements and associated arrangements applying to Hong Kong immediately before 1 July 1997 shall remain in force (subject to the agreement of other parties) unless and until renegotiated. Designation under such agreements shall be the exclusive right of Hong Kong (China).
3. Existing Hong Kong legislation covering civil aviation shall remain in force. Hong Kong (China) shall continue to maintain an aircraft register under its own legislation. The government of Hong Kong (China) shall have the exclusive authority to approve and to refuse registrations and to enforce safety requirements concerning aircraft registered.
4. In accordance with its laws and procedures, Hong Kong (China) shall have the exclusive authority to license operations to, from and within Hong Kong by airlines having their principal place of business in Hong Kong.
5. Hong Kong (China) shall have the exclusive authority to issue the permissions governing the conditions under which airlines not having their principal place of business in Hong Kong may operate services to and from there. Such permissions, granted under the laws of Hong Kong (China), shall be available only where reciprocal traffic rights or other arrangements acceptable to Hong Kong (China)

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have been secured in negotiation with the other authorities concerned.

6. The appropriate authorities of Hong Kong (China) shall determine through negotiation with those of the Central People's Government, the conditions under which airlines having their principal place of business in Hong Kong (China) and airlines bases elsewhere in China may operate between Hong Kong (China) and other points in China.

7. Hong Kong (China) shall have the exclusive responsibility for the operation of all airports within its territory. Its duties shall include the provision of air traffic services within the Hong Kong China flight information regions and any other responsibilities allocated under the regional air navigation planning procedures of ICAO.

ANNEX 14: NATIONALITY, CITIZENSHIP, RIGHT OF ABODE, FREEDOM OF TRAVEL, IMMIGRATION AND EMIGRATION [Not yet agreed with Chinese]

1. All persons who immediately prior to 1 July 1997 and as a result of their connection with Hong Kong are British Dependent Territory Citizens shall retain their existing rights under an appropriate form of British nationality, in addition to acquiring Hong Kong (China) citizenship.

2. Existing rights of abode in Hong Kong including the existing freedom of protection from removal or deportation from Hong Kong shall remain unchanged.

3. Citizenship of Hong Kong (China) will be set up as a separate category of Chinese nationality prior to 1 July 1997. The following categories of resident would have the right to become citizens of Hong Kong (China);

- (i) all persons who immediately prior to 1 July 1997 were British Dependent Territory Citizens by virtue of their connection with Hong Kong;
- (ii) All Chinese residents and all persons in Hong Kong on 1 July 1997 who, by continuing to reside there for the qualifying period, will become Chinese residents;

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- (iii) all persons born in Hong Kong before 1 July 1997 who are not British Dependent Citizens;
 - (iv) all person born in Hong Kong or after 1 July 1997.
4. Acquisition of citizenship of Hong Kong (China) after 1 July 1997 by naturalisation or by other means shall be defined under the laws of Hong Kong (China).
5. The government of Hong Kong (China) shall on its own authority issue Hong Kong (China) travel documents in accordance with the policy followed immediately prior 1 July 1997. Consular Officers of the UK government shall issue British travel documents.
6. Hong Kong (China) travel documents shall be valid for all countries or territories and shall guarantee the holder's right of return to Hong Kong (China) within the period of validity of the document. The Government of Hong Kong (China) shall only withhold or withdraw travel documents in specific circumstances defined by the law of Hong Kong (China).
7. The Government of Hong Kong (China) shall be empowered to negotiate new visa abolition agreements for Holders of Hong Kong (China) travel documents. The government of the UK shall use its officers to assist in these negotiations. The Government of Hong Kong (China) shall determine the right of access to Hong Kong (China) where nationals from states not party to such of these abolition agreements. The government of the UK shall assist in persuading certain states, which immediately prior to 1 July 1997 allowed visa free entry to persons who are British Dependent Territory Citizens by virtue of their connection with Hong Kong, to continue to allow them visa free entry after that date.
8. Citizens of Hong Kong (China) travelling abroad shall be entitled to the range of consular services and the degree of consular protection consistent with their nationality status.
9. Subject to exemptions, which are both allowed by law and consistent with the international covenant on civil and political rights, all persons shall be free to leave the SAR in order to immigrate or for any other purpose. Holders of valid Hong Kong

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China documents or of British passports issued to persons who possess British nationality by virtue of their connection with Hong Kong shall have the right to enter and reenter Hong Kong (China) by virtue of their absolute right of abode in Hong Kong (China), and these travel documents shall state this right. The present arrangements for allowing travel between Hong Kong and Macau and the present arrangements for allowing travel between Hong Kong and other parts of China shall continue.

10. The existing arrangements for persons with no right of abode in Hong Kong to visit, reside in, leave Hong Kong (China) shall remain. Any changes to these arrangements shall be the sole responsibility of the Government of Hong Kong (China).

11. Persons who have no right of entry into Hong Kong (China) shall not be permitted to enter Hong Kong (China) without the permission of the immigration authorities in Hong Kong (China).

12. All illegal immigrants or overstayers shall be removed in accordance with the laws of Hong Kong (China).

13. Entry into Hong Kong (China) from other parts of the People's Republic of China shall continue on the same basis as at present. Any changes in these arrangements shall require agreement between the government of Hong Kong (China) and the People's Republic of China.

Hong Kong Department

March 1984

(Passages in square brackets indicate items not yet agreed by the Chinese.)

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DRAFT CHINESE ASSOCIATED STATEMENT

1. In association with the agreement signed today between the Government of the People's Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland, the Government of the People's Republic of China declares its intention to implement arrangements in Hong Kong after 1 July 1997 on the following basis.
2. China will resume the exercise of its sovereignty over Hong Kong from 1 July 1997.
3. After China resumes the exercise of its sovereignty the Hong Kong Special Administrative Region (SAR) directly under the authority of the Central People's Government will be established in accordance with Article 31 of the constitution of the People's Republic of China. The Hong Kong SAR will enjoy a high degree of autonomy.
4. The Hong Kong SAR will be vested with the power of legislation and independent judicial power including that of final judgement. The laws, decrees and regulations currently in force will remain basically unchanged.
5. The Government of the Hong Kong SAR will be composed of local inhabitants. The principal officials will be appointed by the Central People's Government on the basis of the results of elections or consultations held locally. Local British and other foreign nationals may be employed to serve as advisers in organs at various levels in the Hong Kong SAR.
6. The current social and economic systems in Hong Kong will remain unchanged. So will the lifestyle. Freedom of speech, of the press, of assembly, of association, of travel and change of domicile, of correspondence and of religious belief will be ensured. Private property, ownership of enterprises, the legitimate right of inheritance and foreign investments will be protected by law.
7. The Hong Kong SAR will remain a free port and a separate tariff area.

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8. It will maintain the status of an international financial centre and its markets for foreign exchange, gold, securities and futures will remain open. There will be free flow of capital. The Hong Kong dollar will circulate and be freely convertible as usual.

9. The Hong Kong SAR will have independent finances.

10. The Hong Kong SAR may establish reciprocal economic relations with Britain. British economic interests in the Hong Kong area will be taken care of.

11. Using the name 'Hong Kong (China)' the Hong Kong SAR may, on its own, maintain and develop economic and cultural relations and sign agreements with foreign countries and regions and the relevant international organisations. The government of the SAR may issue its own travel documents for entry into and exit from Hong Kong.

12. Public order in the Hong Kong SAR will be kept by the Government of the SAR.

13. The above stated policies for the Hong Kong SAR will be stipulated by the National People's Congress as the basic law of the Hong Kong SAR and will remain unchanged for 50 years.



methods of appointment of LEGCO and EXCO should remain basically unchanged from 1997 onwards. They can legitimately argue that they cannot be expected to give such confirmation in a binding agreement without knowing what we expect to leave behind on that date. Another reason for an urgent decision is that as we get nearer to an agreement and to a ministerial statement revealing the general form of that agreement, we must expect strong pressure in Hong Kong and in Parliament to reveal our constitutional plans.

4. The Governor's recommendations are set out in the attached draft memorandum for the Executive Council. Essentially his proposals are as follows:

- Do "good" + effective people stand for election?*
- (a) gradual replacement of appointed Unofficial members on the Legislative Council by members elected indirectly both by an electoral college of Regional Council and District Board members and by functional groups. At the same time the number of Official members on the Legislative Council will be reduced;
 - (b) the replacement of the Governor as President of the Legislative Council by a speaker elected by the Unofficial members of the Legislative Council from among their number;
 - (c) the progressive replacement of the majority of the appointed Unofficial members of the Legislative Council from among their own number;
 - (d) at a later stage appointment to the post of Governor to follow the process of consultation in Hong Kong, confirmed by some form of election from an electoral college.

/Only



Only after this process does the Governor recommend that we might move to direct popular elections and only if it was decided that this was appropriate at that time. The Governor proposes to issue a Green Paper in the Autumn containing the Government's proposals. This would be at about the same time as the proposed draft agreement is published. Before that date the proposals would need to be agreed with the Executive Council and discussed in confidence with members of the Legislative Council.

5. The alternative is to move more quickly to direct elections to LEGCO, EXCO and the post of Governor. There are demands in some quarters in Hong Kong for early moves towards some members of the Legislative Council being selected on a more visibly representative base than the present system of appointment. The approach of 1997 and the negotiations on the future have also stimulated public debate on the constitutional issues. If the link with Britain is broken a new source of authority would be needed to provide the political institutions of government and to avoid a political vacuum that could be exploited by the Chinese. There will also be political pressure in Parliament to move to a system of direct elections in Hong Kong.

6. The Governor has pointed out the problems in moving more quickly to direct elections. These include:

- (a) The relatively retarded state of Hong Kong's political development. There are still strong Chinese traditions in the community in Hong Kong. Policy formation at the moment is based on consultation and consensus and not on an adversarial party system as in the United Kingdom. It will be easier to maintain stability if a new structure is built progressively on what already exists.

/(b)



- (b) The elective system in Hong Kong is in its infancy. Under one million of the 2.7 million qualified to register to vote have done so. Of those registered, less than 40% participated in the 1982/83 District Board and Urban Council elections.
- (c) Moving too quickly could lead to rapid polarisation of the community and might create a danger of political rivalries, for instance between pro-Taiwan and pro-China elements, with the obvious risks for stability that this would bring.
- (d) Power must be diffused to prevent domination and manipulation by any political interest group.

For these reasons the Governor and EXCO, unanimously, consider it best to build on existing structures and to proceed slowly towards indirect elections giving the possibility of moving to direct elections in the 1990's.

7. We need to take the Chinese attitude into account. Chinese views on democracy in Hong Kong are far from clear. At all events they are highly suspicious that we may try to exploit calls for "democracy" in order to negate in practice their resumption of the right of administration under an agreement. The Chinese would probably thus object to a proposal for direct elections in the immediate future, though they might be prepared to accept some form of indirect elections and greater democratisation along the lines proposed by the Governor. We must not discard our aim for this reason, but we must move carefully.

8. Subject to your views, I propose that we approve the Governor's recommendations in principle. He should circulate his memorandum on constitutional development and the structure of government to EXCO for further discussion on detail. We
/should



should however follow the line of gradually moving to indirect elections; this will still allow us the possibility of moving to direct elections in the 1990's.

9. In discussing Agenda Item 2 with the Chinese I propose that we should take the following line:

- (a) we propose to move progressively to a system under which the membership of the Legislative Council would be indirectly elected under a collegiate system;
- (b) that each stage of the process would be open to public consultation in Hong Kong before it was adopted;
- (c) that we would not be likely to make a decision on whether to move to more direct elections before the beginning of the 1990's.
- (d) in response to any claim by the Chinese that they should be consulted, we should reply that we are simply informing them of our intentions to ensure that there are no surprises for them without their having an opportunity to comment on them if they so wished;
- (e) we should say that we are ready to consult with them before moving to direct elections, reserving of course our final decision on the issue to HMG. We should lose nothing by such consultation because by then there would be no point in installing a system which the Chinese might attempt to overthrow a few years later.

/10.

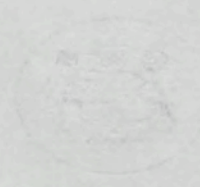


10. I am copying this minute to our colleagues on OD(K) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
19 March 1984



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TO IMMEDIATE FCO SIC

TELEGRAM NUMBER 514 OF 19 MARCH

INFO IMMEDIATE HONG KONG

W. C. o. r.

A. J. C. 2/3

f. a.

FUTURE OF HONG : DINNER ON 17 MARCH

1. I SPENT AN HOUR TALKING TO ZHOU NAM (ALONE) ABOUT SEVERAL ASPECTS OF THE WAY AHEAD BEFORE AND AFTER HIS DINNER FOR THE TWO DELEGATIONS ON 17 MARCH.
2. ZHOU BEGAN BY SAYING A CERTAIN AMOUNT ABOUT YOUR PROPOSED VISIT TO CHINA AND ABOUT THE DATES OF FUTURE ROUNDS. ALL THIS HAS NOW BEEN OVERTAKEN (SEE MY TELS NO 516 AND 517).
3. ZHOU BROUGHT UP THE TIMETABLE. HE SAID THAT HE HAD ALREADY GIVEN ME THE CHINESE REACTION TO OUR THINKING. IN ANSWER TO MY QUESTION, HE SAID THAT THIS REACTION HAD NOT BEEN A PERSONAL OR A PRELIMINARY ONE. BUT HE AGREED WHEN I SAID THAT THE WHOLE SUBJECT OUGHT TO BE LEFT OPEN FOR DISCUSSION BETWEEN YOU AND THE CHINESE LEADERS. HE COMMENTED 'THAT IS UNDERSTOOD' WHEN I SAID THAT IT WOULD BE BETTER FOR BOTH SIDES TO AVOID SAYING ANYTHING ABOUT THE TIMETABLE IN THE TALKS THEMSELVES BEFORE YOU HAD VISITED CHINA.
4. AGAIN IN ANSWER TO MY QUESTION, ZHOU SAID THAT THE CHINESE ATTACHED EQUAL WEIGHT TO THE VARIOUS DIFFICULTIES WHICH HE HAD PROPOUNDED TO ME ON 13 MARCH (MY TEL NO 427). WHEN I SAID THAT I HAD BEEN INCLINED TO THINK THAT THE CHINESE WOULD REGARD THE SUGGESTED INTERVAL BETWEEN SIGNATURE AND RATIFICATION AS THE MOST DIFFICULT OF OUR IDEAS, HE SAID THAT OUR DESIRE TO OVERRUN THE SEPTEMBER DEADLINE SEMICOLON WE HAD SUGGESTED THE COMPLETION OF WORK ON A DRAFT AGREEMENT, AND THE PUBLICATION OF THAT DRAFT, BEFORE THE END OF SEPTEMBER. ZHOU DID NOT REACT. BUT HE DID ASK FOR EARLY ANSWERS TO THE QUESTIONS HE HAD PUT TO ME. WE ARE UNCLEAR WHAT QUESTIONS HE MEANT BY THIS, AND ARE ASKING THE MFA. HE ALSO SAID THAT THE CHINESE COULD ACCEPT RATIFICATION AFTER, BUT NOT TOO LONG AFTER, SIGNATURE BY THE END OF SEPTEMBER.
5. SAYING THAT HE WAS SPEAKING PURELY PERSONALLY, ZHOU SAID THAT HE WANTED TO TRY TWO SCENARIOS ON ME. THE FIRST SCENARIO WAS THAT SIGNATURE SHOULD TAKE PLACE BEFORE THE END OF SEPTEMBER, THOUGH A PRO-FORMA DEBATE IN PARLIAMENT COULD FOLLOW LATER. THE SECOND WAS THAT SIGNATURE AND A DEBATE IN PARLIAMENT SHOULD BOTH TAKE PLACE BEFORE THE END OF SEPTEMBER. HAVING GOT HIS CONFIRMATION THAT WHAT HE MEANT BY A PRO-FORMA DEBATE WAS A DEBATE WHICH COULD NOT LEAD TO A DEMAND BY THE BRITISH GOVERNMENT THAT THE TERMS OF THE DRAFT AGREEMENT SHOULD BE VARIED, I SAID THAT NEITHER SCENARIO WAS ACCEPTABLE. IN GIVING THE REASONS, I QUOTED THE CASE OF A DOUBLE DEBATE IN PARLIAMENT BEFORE THE SIGNATURE OF OUR TREATY OF ACCESSION TO THE EC SEMICOLON SAID THAT I HOPED THE CHINESE WOULD NOT SPEAK ABOUT BRITISH GOVERNMENT PLAYING 'THE PARLIAMENTARY CARD' SEMICOLON AND EMPHASISED THAT THE HOUSE OF COMMONS WAS TO BE THOUGHT OF AS AN ENTITY WITH A COLLECTIVE WILL.

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/6.

6. ZHOU WOUND UP THIS PART OF OUR CONVERSATION BY SAYING THAT HE AND I WOULD NEED TO KEEP IN CLOSE TOUCH BEFORE YOUR VISIT. THE VISIT WOULD NEED VERY CAREFUL PREPARATION SEMICOLON AND IT WAS MOST IMPORTANT FOR BOTH SIDES THAT IT SHOULD NOT BE A FAILURE.

7. SAYING THAT HE WAS STILL SPEAKING STRICTLY PERSONALLY, ZHOU ASKED ME WHETHER WE WOULD SOON BE IN A POSITION TO GIVE THE CHINESE OUR IDEAS ABOUT THE FORM AND CONTENT OF AN AGREEMENT. I SAID THAT WE WOULD. HE THEN ASKED WHETHER WE HAD THOUGHT ABOUT AN AGREEMENT IN THE FORM OF THE SHANGHAI COMMUNIQUE OF 1972 BETWEEN CHINA AND THE UNITED STATES. I ASKED HIM PRECISELY WHAT HE MEANT. HE SAID THAT THE SHANGHAI COMMUNIQUE, IN WHICH EACH SIDE HAD STATED ITS POSITION ABOUT TAIWAN WITHOUT SEEKING TO COMMENT THE OTHER, COULD PROVIDE A USEFUL MODEL FOR AN AGREEMENT ABOUT HONG KONG. THE CHINESE WOULD REQUIRE A COMMITMENT FROM US ABOUT THE RELINQUISHMENT OF SOVEREIGNTY. BUT THERE WAS NO REASON WHY THE TWO SIDES SHOULD NOT OTHERWISE STATE THEIR POSITIONS SEPARATELY. INDEED, SUCH A PROCEDURE COULD BE POSITIVELY HELPFUL. THE CHINESE SIDE WOULD WANT ANY AGREEMENT TO INCORPORATE THE 12-POINT PLAN SEMICOLON AND THEY WOULD NOT WANT THE AGREEMENT TO STATE THAT THE BRITISH SIDE ACCEPTED OR ENDORSED THE PLAN. HE PRESSED ME HARD TO GIVE MY PERSONAL REACTION. I DECLINED.

8. ZHOU WENT ON TO SAY THAT THE AGREEMENT MUST NOT GO INTO TOO MUCH DETAIL. IT MUST NOT, FOR EXAMPLE, DEAL WITH DETAILED ISSUES LIKE THE DISMISSAL OF JUDGES. IN ANSWER TO MY QUESTION, HE SAID THAT THE CHINESE WERE THINKING IN TERMS OF A DECLARATION OR COMMUNIQUE SEMICOLON THEY WERE CERTAINLY NOT THINKING IN TERMS OF A TREATY.

9. ZHOU DID NOT REFER IN SUBSTANCE TO THE LOBO MOTION. WHEN EXPATIATING ABOUT THE PARTICULAR NEED TO PRESERVE CONFIDENTIALITY DURING THE NEXT FEW WEEKS, HE SAID THAT THE CHINESE HAD DISLIKED THE MOTION BECAUSE IT COULD LEAD TO LEAKS.

EVANS

FUTURE OF HONG KONG

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D/ED/FUSD

RES.B. (MR WALKER)

LEGAL ADVISER (SIR IAN SINCLAIR

PS

PS/LADY YOUNG

PS/MR LUCE

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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 K195

SIR P CRADOCK NO 10 DOWNING STREET

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TO IMMEDIATE HONG KONG

TELEGRAM NUMBER 499 OF 19 MARCH

INFO IMMEDIATE PEKING

YOUR TELNO 730: FUTURE OF HONG KONG:

WORKING PAPER ON NATIONALITY

1. THE HOME SECRETARY AND THE PRIME MINISTER HAVE NOW BEEN CONSULTED ON THE TITLE FOR THE PROPOSED NEW CATEGORY OF BRITISH NATIONALITY. AFTER CAREFUL CONSIDERATION MINISTERS HAVE CONCLUDED THAT THE ONLY ACCEPTABLE TITLE OF THE THREE SUGGESTED BY EXCO WOULD BE QUOTE BRITISH NATIONAL: HONG KONG (CHINA) CITIZEN UNQUOTE.
2. THERE ARE TWO MAIN REASONS FOR RULING OUT QUOTE BRITISH NATIONAL: HONG KONG CITIZEN, UNQUOTE. AS WE HAVE SO FAR CONSISTENTLY USED THE TERM QUOTE HONG KONG (CHINA) UNQUOTE TO DESCRIBE THE SAR, THE CHINESE WOULD CERTAINLY NOTICE THE OMISSION OF THE WORD CHINA AND BE DEEPLY SUSPICIOUS OF OUR MOTIVES. THE HOME SECRETARY CONSIDERS OPEN QUOTES BRITISH NATIONAL: HONG KONG (CHINA) CITIZEN CLOSE QUOTES TO BE THE ONLY ACCEPTABLE FORMULA. HE ATTACHES GREAT IMPORTANCE TO HAVING A TITLE THAT MAKES IT CLEAR THAT HOLDERS ARE ALSO CITIZENS OF, AND HAVE THE RIGHT OF ABODE IN, THE SAR. IF THE WORD QUOTE CHINA UNQUOTE WAS OMITTED THOSE UNFAMILIAR WITH THE 1997 NEGOTIATIONS MIGHT SUPPOSE THAT THE CITIZENSHIP AROSE FROM THE CREATION OF SOME KIND OF INDEPENDENT HONG KONG WITHIN THE COMMONWEALTH. THIS COULD CAUSE PROBLEMS WITH FOREIGN IMMIGRATION OFFICERS WHO MIGHT DOUBT THE RETURNABILITY OF SUCH PEOPLE TO THE SAR.
3. OUR OBJECTIONS TO QUOTE BRITISH NATIONAL: COMMONWEALTH CITIZEN UNQUOTE ARE OF THE SAME TYPE, BUT EVEN STRONGER. WE HAVE NO DOUBT THAT THIS WOULD DEEPLY OFFEND THE CHINESE. IT

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WOULD ALSO BE UNACCEPTABLE TO THE HOME SECRETARY AS IT IS A GENERAL TERM AND CARRIES NO SUGGESTION OF A RIGHT OF ABODE IN ANY SPECIFIC PLACE.

4. WE DO NOT THINK THAT THERE WOULD BE PROBLEMS ARISING FROM THE CHINESE TRANSLATION OF QUOTE BRITISH NATIONAL: HONG KONG (CHINA) CITIZEN UNQUOTE. ZHONGGUO XIANGGANG IS NOT IMPRECISE ITS USE IS EITHER ADJECTIVAL OR FOLLOWS THE STANDARD CHINESE PRACTICE, IN REFERRING TO PLACE NAMES, OF PLACING THE LARGER AREA BEFORE THE SMALLER. MOREOVER THE ENGLISH TRANSLATION OF THIS TERM USED BY THE CHINESE THEMSELVES IN THE TALKS IS HONG KONG, CHINA. WE HAVE OURSELVES ADDED THE PARENTHESES FOR CONVENIENCE.

5. GRATEFUL IF YOU WOULD CONVEY THESE VIEWS TO EXCO, MAKING THE POINT THAT THE PROPOSED FORMULA MEETS THEIR CONCERN THAT A SPECIFIC DISTINCTION SHOULD BE DRAWN BETWEEN NATIONALITY AND CITIZENSHIP. GIVEN THAT THESE PASSPORTS WILL BE BRITISH PASSPORTS, WE DO NOT THINK THAT IMMIGRATION OFFICERS WILL IDENTIFY THEIR HOLDERS WITH CHINA RATHER THAN BRITAIN. MINISTERS DO NOT, HOWEVER, FEEL ABLE TO ACCEPT THEIR PROPOSAL TO DROP THE WORD QUOTE CHINA UNQUOTE FOR THE REASONS GIVEN IN PARAGRAPH 2 ABOVE.

HOWE

FUTURE OF HONG KONG
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ED/PLANNING STAFF
ED/PUSD
D/ED/PUSD
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LEGAL ADVISER (SIR IAN SINCLAIR)
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SIR P CRADOCK RM K195
SIR P CRADOCK NO 10 DOWNING STREET

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cc OD(V)
CO

JL

10 DOWNING STREET

From the Private Secretary

19 March 1984

THE FUTURE OF HONG KONG: WORKING PAPER ON NATIONALITY

We had a word on the telephone earlier today about your letter of 16 March to John Coles on the Nationality Working Paper, and John's reply dated 18 March.

You explained that the new category of nationality proposed in the penultimate paragraph of your letter was, of course, a category of British nationality, not Chinese nationality, as incorrectly stated both in your letter and in our reply. Having looked at the papers, I confirm that the correspondence should be read as referring to a new category of British nationality.

I am sending copies of this letter to the recipients of the earlier correspondence.

(DAVID BARCLAY)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

19 March 1984

Future of Hong Kong:
Visit by the Foreign and Commonwealth
Secretary to Hong Kong and China

Thank you for your letter of 16 March.

The Prime Minister has noted Sir Geoffrey Howe's plans for his visit to Hong Kong and China. She agrees that the telegram enclosed with your letter should be despatched.

Mrs. Thatcher has also said that if Sir S Y Chung leads a small group of Unofficial members of EXCO and LEGCO to London in advance of Sir Geoffrey Howe's visit, she will be prepared to receive Sir S Y Chung.

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

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10 DOWNING STREET

From the Private Secretary

18 March 1984

Dear Peter,

FUTURE OF HONG KONG: WORKING PAPER ON NATIONALITY, CITIZENSHIP,
RIGHT OF ABODE, FREEDOM OF TRAVEL, EMIGRATION AND IMMIGRATION

Thank you for your letter of 16 March.

The Prime Minister agrees with the Foreign and Commonwealth Secretary and the Home Secretary that we should propose to the Chinese the title "British National: Hong Kong (China) Citizen" as a new category of Chinese nationality.

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

*For ever**for love.*

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CST.

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10 DOWNING STREET

From the Private Secretary

18 March 1984

Dear Peter,

FUTURE OF HONG KONG: TIMETABLE

The Prime Minister has noted the contents of your letter of 16 March in which you set out your advice on the present disagreement with the Chinese with regard to the timetable for the negotiations and propose the preliminary draft of a message from Mrs. Thatcher to the Chinese Premier. The Prime Minister has made no comment at this stage. You will doubtless let me have further advice in due course.

Yours ever

John Major

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

Prime Minister

Do you agree to
the proposed change
of title?

Duty Clerk

17.3.84

Yes - "British national;
Hong Kong (China)
citizen"

mb

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1263</i> (one piece/item number)	Date and sign
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Walter M. Sulke O.B.E. J.P.

1st Floor, Bonaventure House, Leighton Road, Hong Kong.
G.P.O. Box 1317, Telegrams: 'WALSULKE'. Telex: 71871
Telephone: 5-7957288

16th March, 1984

Mr. A.J. Coles,
Private Secretary to the Prime Minister,
10 Downing Street,
London WC1,
ENGLAND. U.K.

Dear Mr Coles

It was kind of the Prime Minister to ask you to reply to my speech and comment on it, an action I appreciate.

My recommendation to stop talking in Beijing now and let the Chinese make their unilateral announcement is obviously based partly on fear that by force of circumstance the British Government will give away too much in the negotiations, and since these have been secret so far, it is of course very difficult to judge whether the timing of such a decision is right or wrong. However, in my view the British negotiating position would be strengthened considerably if, after a Chinese unilateral announcement, a referendum took place in Hong Kong, which as long as this were guaranteed to be secret would say a resounding "no" to living under communism however sugared that particular bitter pill may be. Inter alia, such a referendum would also mobilise world opinion. I have just returned to Hong Kong after a rapid swing through several Central European Countries and the United Kingdom, and I must say I am appalled at just how much ignorance there is about Hong Kong and its problems.

One small point: You refer to views about the 1997 problem being expressed in the Urban Council. You may not be aware that in the Urban Council we are not allowed to speak publicly about anything other than Urban Council business, which unfortunately makes a proper debate of the 1997 problem in that forum impossible. Which was also the reason why I made my speech to a Rotary Club instead of in the Urban Council.

Yours sincerely

(W.M. SULKE)

HONG KONG: Future Pt 12



Walter M. Sulke
14th March, 1984

14th March, 1984

Mr. J. J. Callaghan
Private Secretary to the Prime Minister
10 Downing Street
London, W1
ENGLAND, U.K.

Handwritten signature or scribble

It was kind of the Prime Minister to ask you to reply to
my speech and comment on it, an action I appreciate.
The recommendation to stop talking in Beijing now and let
the Chinese make their unilateral announcements as previously
based solely on fear of the Chinese government, and the
government will give way to which in the negotiations, and
since these have been secret so far, it is of course very
difficult to judge whether the timing of such a decision is
right or wrong. However, in my view the British negoti-
ation would be strengthened considerably if, after a Chinese
unilateral announcement, a referendum took place in Hong Kong
which as long as this was guaranteed to be secret would save a
referendum, not to giving under communism, however, secured that
particular offer will be taken into such a referendum
would also mobilise world opinion. I have just returned to
Hong Kong after a rapid swing through several Central European
Countries and the United Kingdom, and I must say I am appalled
at just how much ignorance there is about Hong Kong and its
problems.

One small point: you refer to views about the 1987
referendum, passed in the Urban Council. I must say I
was aware that in the Urban Council we are not allowed to speak
publicly about anything other than Urban Council business,
which unfortunately makes a very bad case of the 1987 problem
in the Urban Council. While I also know the reason why I made
my speech to a rotary club instead of in the Urban Council.

Handwritten signature
(W.M. SULKE)

Handwritten text

010

SECRET

50

cc/PC



Prime Minister

Foreign and Commonwealth Office

Contact with the approval

London SW1A 2AH

and to receive Sir S. Y. Chung?

16 March, 1984

A.J.C. 16/11

Dear John,

Yes

Future of Hong Kong: Visit by the Secretary of State to Hong Kong and China

As you know we have put to the Chinese Government the proposal that the Foreign Secretary might visit Peking in the week of 15 April, travelling on to Hong Kong. We await the Chinese response. In the meantime EXCO have suggested that Sir Geoffrey Howe should visit Hong Kong before he goes to Peking in order to get a direct picture of views in the territory.

Sir Geoffrey Howe considers that it would be wrong for him to visit Hong Kong before and after a visit to Peking. Overt consultation with Hong Kong before going to Peking would certainly be strongly criticised by the Chinese and could well jeopardise the Foreign Secretary's important and delicate negotiations in Peking. Sir Geoffrey is however ready to agree to the alternative proposal that a small group of Unofficial members of EXCO and LEGO might visit London in advance of his departure for Peking, in order to brief him on opinion in Hong Kong.

I enclose a text of a draft telegram which, provided that the Prime Minister sees no objection, we propose to send to Hong Kong. We assume that any delegation from Hong Kong will be led by Sir S Y Chung. The telegram suggests a private talk between Sir Geoffrey Howe and Sir S Y and also raises the possibility of a private call by Sir S Y Chung on the Prime Minister. We believe that such calls would help to reassure Sir S Y Chung that the views of Hong Kong were being adequately taken into account at this crucial stage in the negotiations.

Sir Geoffrey Howe therefore hopes that the Prime Minister could agree in principle (subject to diary considerations) to receive Sir S Y Chung.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

OUT TELEGRAM

	Classification and Caveats SECRET	Precedence/Deskby IMMEDIATE
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ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	SECRET
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO 141350Z MARCH 84
PRE/ADD	7	TO IMMEDIATE HONG KONG
TEL NO	8	TELEGRAM NUMBER
	9	INFO IMMEDIATE PEKING
	10	YOUR TELNO 675 AND PEKING TELNO 438: VISITS TO HONG KONG AND CHINA
	11	1. I have now been able to consider the views expressed by the
	12	Unofficials. I see no alternative to maintaining my planned
	13	itinerary and visiting Peking before Hong Kong. I believe it
	14	would be unwise, given Chinese sensitivities and suspicions, for
x	15	me to visit or even call at Hong Kong both before and after going
	16	to Peking. Even the brief stopover suggested in para 2 of Peking
	17	TUR would in my view carry risks which we should not take. If I
	18	am to make a that my statement in Hong Kong, which is intended to
	19	lift the veil on the future, this should be clearly preceded by
	20	discussions in Peking.
	21	2. In these circumstances I think the best alternative would be
///	22	for selected UMELCO members to <u>come to London</u> before my departure
//	23	for Peking. My own view is that the group should not be too
/	24	large, say six persons, but should include Unofficials from both
	25	EXCO and LEGCO, including perhaps a member of LEGCO who is an

NNNN ends telegram	BLANK	Catchword elected
File number	Dept HKD	Distribution Future of Hong Kong
Drafted by (Block capitals) R D CLIFT		
Telephone number 233 3184		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

Classification and Caveats
SECRET

Page
2

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1 <<<<

2 elected member of URBCO or a district board. We clearly need to
3 handle even that compromise carefully, in order to avoid
4 accusations in Peking that we are promoting the quote
5 three-legged stool unquote. But we must meet Hong Kong's wish to
6 present their view to me before the visit. I should be grateful
7 for your views and those of the Ambassador on this point. ^{Clare sure} ~~It~~
8 would be useful if you could accompany the group. ~~[and play your~~
9 ~~usual skilful role in their own internal deliberations.]~~

omit

x 10 3. The principal object of the visit, which would follow the
11 precedent of the visit by a similar mixed group to London in
12 September 1982, would be for Ministers to receive from them a
13 first hand account of Hong Kong opinion before my departure for
14 the Far East. It would thus be different in kind from the
15 continuing series of more detailed consultations with EXCO as a
16 whole. In these circumstances I think that the meeting with
17 myself (and probably also a separate meeting with Mr Luce) could
18 best involve all members of the delegation. Any more sensitive
19 points might be dealt with by Sir Y Chung (whom I assume would
20 lead the delegation) when I saw him for a private talk. (Subject
21 to the Prime Minister's availability he might also call at Number
22 10 Downing Street.)

23 4. Provided you and the Ambassador see no objection, I should be
24 grateful if you would put this proposal to EXCO. You should
25 explain that I would welcome this opportunity to clear an account
26 of Hong Kong opinion before I set off for Peking but in my view a
27 visit to Hong Kong before I went to Peking could seriously
28 compromise the success of the Peking discussions and hence of our
29 negotiating strategy as a whole.

///
//
/

30 5. On the timing of a visit, a final decision should presumably
31 await the fixing of the twelfth round. But at the moment it
32 looks from here that a pair of days between 4 and 6 April would
33 be best. I hope that this would suit Unofficials, given that S Y
34 Chung and S L Chen have called off their plans to come to London

NNNN ends
telegram

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Catchword
in

OUT TELEGRAM (CONT)

Classification and Caveats
SECRET

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3

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2 in the next week.
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NNNN ends
telegram

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Catchword

17.3.84



Foreign and Commonwealth Office

London SW1A 2AH

49

16 March 1984

Dear John,

MS

In your letter of 14 March you asked for advice on our recent contacts with the Chinese on our timetable. We have not yet seen any reports of the Round of talks in progress at present in Peking. But you might find a preliminary comment useful. This letter and its enclosure have been drafted following a discussion with the Foreign Secretary, who may wish to mention this subject when he sees the Prime Minister on Sunday. He has not, however, seen the final version of these papers; I shall be showing him a copy in parallel.

The Chinese have reacted badly to the proposals which the Ambassador put to them last week and repeated and expounded more fully on 13 March. We still do not know their final position. It is clear that they are in an intransigent and highly suspicious mood. This has been heightened by their view of the LEGCO debate on 14 March. They are far too prone to believe that we are conspiring to use Hong Kong opinion as an excuse to frustrate their own design to reassert sovereignty over Hong Kong and they have now linked this with their accusations of "foot-dragging" with regard to our attitude over the progress of the negotiations. They appear so far unable to appreciate that it is as much in our interests as in theirs to get an agreement as quickly as possible and as much in their interests as ours to secure acceptance of that agreement. We therefore all need to take seriously the preparation of opinion in Hong Kong, and for our part we have no intention of manipulating it. Three specific difficulties have emerged:

- (a) The Chinese are insisting on a signed agreement by September, and continue to believe that a Parliamentary debate could take place before the summer recess;
- (b) They refuse to accept a connection between the emergence of the Basic Law and ratification of the agreement. They argue that the drafting of the Basic Law is an internal Chinese matter. Zhou Nan did offer an undertaking that the agreement would be reflected in the Basic Law and that the Basic Law would not contravene the agreement, but ended by threatening that if the British side continued to stick to its line on ratification there was no reason to be optimistic about the prospects for the talks;

/(c)



(c) On the idea of a Ministerial statement in April which would lift the veil on the likely form of an agreement, they have objected to our publicising "Chinese policies" towards Hong Kong. Zhou Nan was discouraging on the whole concept of an unveiling.

It does not necessarily follow from this that the Chinese do not want an agreement with us or that they are not prepared to make such an agreement reassuring to Hong Kong. The Ambassador's view is that they still do want such an agreement. Indeed, among the relatively few comforting remarks which Zhou Nan has made has been an assurance that the Basic Law would not contravene any points agreed with us. But we do have to take their reaction seriously. Although there is no doubt an element of tactical pressure in their line, it probably goes further than this. The Chinese reaction underlines what we always knew, that we should have to take the September deadline seriously and that we should face rough water when we came to the point of explaining to the Chinese that, to attract confidence in Hong Kong, an agreement would have to be seen and commented on by the people in Hong Kong before it was sewn up. This problem has now been exacerbated to the point where it could threaten the talks themselves. By their rigidity and inability to understand our motives, the Chinese are threatening to undo the progress we have both achieved and to engineer a situation in which they may find no alternative but to issue a unilateral statement. It is clearly not going to be easy to move them from their present position.

It is not possible to reach final conclusions as to the Chinese attitude on the basis of the present incomplete evidence. But it seems clear that we shall need to give priority in the coming weeks to preventing the Chinese ideas on the timetable becoming set in concrete before there has been a chance to discuss the issues directly with the Chinese leaders. The Foreign Secretary's visit to Peking in April will provide an opportunity for such a discussion. In anticipation of that, he has in mind the possibility that the Prime Minister might consider sending a message to the Chinese Premier. I enclose a preliminary draft which gives an idea of the ground which such a message might cover.

If the Prime Minister is to send a message, we believe that the right time for it could be in the course of next week. We shall, however, offer further advice on whether to send it and on its exact terms when we see how the present round of talks turns out.

/The Foreign

SECRET



The Foreign Secretary agrees that it would be helpful for OD(K) to meet soon to discuss the general situation and to consider a number of documents including the text of a draft agreement, which he will be submitting separately.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

PRIME MINISTER

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

PREMIER ZHAO ZIYANG

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

I was very grateful for the warm greetings you conveyed to me through Sir Richard Evans at your recent meeting, and send you my own best wishes.

CAVEAT.....

I have been following the course of the talks on Hong Kong very closely and have noted with pleasure the progress we have been able to make since my last message to you of October 1983. On the basis of that message our delegations have covered much detailed ground on important issues affecting the arrangements for Hong Kong after 1997. As a result I believe that an agreement assuring the future prosperity and stability of Hong Kong and acceptable to both sides is within our grasp. I am sure that you would agree with me on the outstanding significance of such an achievement, in terms not only of Sino-British relations but also in the wider international context.

Enclosures—flag(s).....

I am, however, concerned to see from the latest reports that differences of view have arisen between our two sides on the timing of an agreement. In order to meet the Chinese timetable we have planned for joint publication of the text of an agreement by September of this year, with the aim of signing the agreement before the

/end

end of the year. On the other hand, I understand that your negotiators are pressing for a signed agreement by September.

I fully appreciate your anxiety to reach an agreement as soon as possible. We share this anxiety. We appreciate the constraints on your side. I hope you will allow me to explain the equivalent constraints on our own. We are dealing here with an important international agreement. Because of our agreement that the content of the talks should be confidential, Parliament is inevitably uninformed at present of the detail of our discussions. For Parliament to approve an agreement they will need time to reflect after publication of a text; they will also need to be assured that there has been proper time for public opinion in Hong Kong to form on this issue. It would in my judgement be unwise to try to rush Parliament into approval of an agreement without allowing due time for consideration and debate.

~~I hope you will find helpful~~

~~I think it is important to explain to you the procedural constraints on our side and my judgement on how best to work within them. I should like to assure~~

to give you

~~you that the British Government remain sincerely devoted to the achievement of such an agreement. But we have to find the timetable that will lead most smoothly and expeditiously to the objective.~~

such an agreement acceptable to both sides

it

When I discussed the question with Chairman Deng in September 1982 he explained to me the Chinese wish to make clear by September 1984 ~~at the latest~~ what the future arrangements for Hong Kong would be. The timetable which we have suggested would allow for our two governments to make a joint announcement by that date.

/It

such an agreement.

I have tried above to describe to you

But this work is towards our common objective

The British Government

remain sincerely devoted to the achievement

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Enclosures—flag(s).....

end of the year. On the other hand, I understand that your negotiators are pressing for a signed agreement by September.

I fully appreciate your anxiety to reach an agreement as soon as possible. We share this anxiety. We ~~appreciate~~^{understand} the constraints on your side. I hope you will allow me to explain the equivalent constraints on our own. We are dealing here with an important international agreement. Because of our agreement that the content of the talks should be confidential, Parliament is inevitably uninformed at present of the detail of our discussions. For Parliament to approve an agreement they will need time to reflect after publication of a text; they will also need to be assured that there has been proper time for public opinion in Hong Kong to form on this issue. It would in my judgement be unwise to try to rush Parliament into approval of an agreement without allowing due time for consideration and debate.

I have tried above to describe to you the procedural constraints on our side and to give you my judgement on how best to work within them. But this work is towards our common objective of an agreement satisfactory to both sides. The British Government remain sincerely devoted to the achievement of such an agreement. But we have to find the timetable that will lead most smoothly and expeditiously to it.

When I discussed the question with Chairman Deng in September 1982 he explained to me the Chinese wish to make clear by September 1984 what the future arrangements for Hong Kong would be. The timetable which we have suggested would allow for our two governments to make a joint announcement by that date. It would provide for a signed agreement / by

by the end of the year. It would be tragic if we allowed the short period of 2/3 months which would elapse between the announcement of a text and its signature to jeopardise the whole undertaking.

I have asked my Foreign and Commonwealth Secretary, Sir Geoffrey Howe, to visit Peking in April for talks with you and your colleagues. I understand that the precise timing is under discussion. I am sure that his visit will give new momentum to our joint enterprise, and will provide an excellent opportunity for him to explain further the British side's view on the timetable.

I am confident that in the spirit of goodwill which has marked our discussion, we can agree on a course of action which will lead to a satisfactory outcome in both our interests.

With all my personal good wishes,

Yours sincerely,



Foreign and Commonwealth Office

London SW1A 2AH

16 March 1984

Dear John,

Future of Hong Kong: Working Paper on Nationality, Citizenship, Right of Abode, Freedom of Travel, Emigration and Immigration

Sir Geoffrey Howe's minute of 9 March sought the Prime Minister's authority to put to the Chinese the draft working paper on these subjects. Sir Geoffrey suggested the title "British: Hong Kong (China) citizen" for the new category of British nationality proposed after 1997 for those who will until then be British Dependent Territories Citizens by virtue of their connection with Hong Kong. Your letter of 12 March conveyed the Prime Minister's agreement to the working paper being put to the Chinese. This is being done in the current round of talks: minor amendments were made to take into account concerns voiced by the Executive Council.

The Governor of Hong Kong has now consulted the Executive Council on the proposed title. Members of the Council considered that the title "British: Hong Kong (China) citizen" did not distinguish clearly enough between the concept of nationality and citizenship. Moreover, they expressed dislike of the term Hong Kong (China). The Council put forward three alternative titles for the new category of British nationality. Their preferred option was "British National: Hong Kong Citizen" and their other suggestions were "British national: Commonwealth citizen" and "British national: Hong Kong (China) citizen".

We consider that not to include the name "China" in the title would be so offensive to the Chinese as to jeopardise our proposals on the whole subject of nationality, including the concept of a separate category of Chinese nationality for the people of Hong Kong. It would be most unwise to press this point to the point where much wider objectives were at risk. We have in other working papers, and more generally in the talks, accepted the use of the name "Hong Kong (China)" for the proposed new Special Autonomous Region after 1997. Any omission of the name "China" at this stage and this context would be immediately noticed by the Chinese who would be deeply suspicious of our motives.

/Nor do



Nor do we believe that the Chinese would accept the title "British national: Commonwealth citizen". This would also cause considerable problems for ourselves, in particular because it is a general term that carries no suggestion of a right of abode in any specific place. The only one of the Executive Council's three proposals that seems to us acceptable to all sides is "British national: Hong Kong (China) citizen".

I understand that the views of the Home Secretary have been sought on all three titles, and that he too has expressed a strong preference for "British national: Hong Kong (China) citizen".

We therefore propose that we should now agree that the title "British national: Hong Kong (China) citizen" should be proposed to the Chinese as a new category of Chinese nationality. I would be grateful to know, if possible by 19 March, if the Prime Minister is content with this. If the Prime Minister agrees, we would need to convey our decision to Hong Kong on 19 March so that the Governor can inform the Executive Council of it at their meeting on 20 March. In the time available, I have not yet been able to show these papers to Sir Geoffrey Howe, but I shall be consulting him in parallel, and will let you have any comments he has.

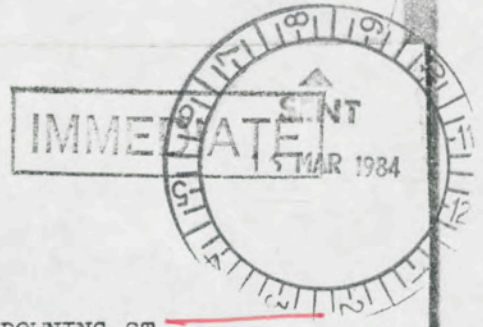
I am copying this letter to the Private Secretaries of other members of OD(K) and to Richard Hatfield (Cabinet Office).

Yours,
 (P F Ricketts)
 Private Secretary

Peter Ricketts

A J Coles Esq
 10 Downing Street

47



FUTURE OF HONG KONG - ADVANCE COPIES

17
4T

PS (6)
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PS/MR LUCE
MR WILSON
HD/HKD
HD/FED

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MR ROBERTS, NEWS DEPT
SIR PERCY CRADOCK

RESIDENT CLERK

SECRET

FROM PEKING 161130Z MAR 8416

TO IMMEDIATE FCO

TELEGRAM NUMBER 501 OF 16/3/84

INFO IMMEDIATE HONG KONG

MIPT: FUTURE OF HONG KONG; TENTH ROUND; FIRST DAY; COMMENT:

1. THE CHINESE COMMENTS ON THE PAPER ON GOVERNEMTN STRUCTURE AND CONSTITUTIONAL ARRANGEMENTS WERE IN NO WAY HOSTILE, BUT NEITHER WERE THEY VERY FORTHCOMING. ON THE ONE HAND, ZHOU NAN SAID THAT DETAILS OF THE SAR GOVERNEMT ORGANS AND THEIR FUNCTIONS WOULD BE LAID DOWN IN THE BASIC LAW, AND THAT AS THE BASIC LAW HAD NOT YET BEEN ENACTED THERE COULD, AS YET, BE NO DECISION ON THESE AND RELATED DETAILS. ON THE OTHER, HE SAID THAT DETAILS OF THE INSTITUTUONS IN HONG KONG COULD NOT BE FIXED IMMOVABLY IN 1997 BECAUSE IT WOULD BE NATURAL FOR THE FUTURE SAR GOVERNMENT TO WISH TO MAKE CHANGES TO MEET "OBJECTIVE CHANGING NEEDS". WHEN ASKED WHETHER THIS MEANT THAT ANY CHANGES IN THE FUTURE STRUCTURE OF THE SAR GOVERNMENT WOULD BE FOR THAT GOVERNMENT ITSELF TO DECIDE HE APPEARED TO BE SAYING THAT THIS WOULD BE SO PROVIDED THAT THE PROVISIONS OF THE BASIC LAW WERE NOT INFRINGED.

2. IT REMAINS UNCLEAR IN HOW MUCH DETAIL THE CHINESE ENVISAGE THE BASIC LAW WILL LAY DOWN THE STRUCTURE AND FUNCTIONS OF THE SAR GOVERNMENT'S ORGANS, AND HOW MUCH THEY INTEND TO LEAVE WITHIN ^{THE DISCRETION OF THE SAR GOVERNMENT} ~~13 81:43589, 9% 583 1-4 09-34, 3, 5~~. IT IS PROBABLE THAT THE CHINESE HAVE THEMSELVES REACHED NO CONCLUSIONS ON THIS. THE EXTENT TO WHICH THEY WILL BE WILLING TO DISCUSS THIS WITH US AND INCORPORATE DETAILS IN THE AGREEMENT WILL PROBABLY NOT BE CLEAR UNTIL WE DISCUSS CONSTITUATIONAL DEVELOPMENTS UNDER ITEM 2 OF THE AGENDA (SEE PARAGRAPH 4 BELOW).

OF THE AGENDA (SEE PARAGRAPH 4 BELOW).

3. ZHOU AGAIN REJECTED THE IDEA THAT THERE SHOULD BE A COMMITMENT TO CONSULTATION BETWEEN THE CENTRAL GOVERNMENT AND THE SAR GOVERNMENT ON FOREIGN AFFAIRS AND DEFENCE. HOWEVER HE ALSO SAID THAT CONSULTATIONS BETWEEN CENTRAL AND REGIONAL GOVERNMENTS WOULD BE NORMAL ON MANY QUESTIONS.

4. AS EXPECTED, THE CHINESE ALSO DECLINED TO SIGN A BLANK CHEQUE ON ACCEPTING AND INCORPORATING INTO POST-1997 ARRANGEMENTS CONSTITUTIONAL DEVELOPMENTS BEFORE 1997. THEY STATED THAT WHILE IT WAS NATURAL THAT THERE SHOULD BE SUCH DEVELOPMENTS, THEY SHOULD SERVE THE AIM OF MAINTAINING PROSPERITY AND STABILITY, FACILITATE THE TRANSFER OF ADMINISTRATIVE POWER AND SHOULD NOT GO AGAINST THE RELEVANT PROVISIONS OF THE BASIC LAW. DISCUSSION BETWEEN THE CHINESE AND BRITISH SIDES WOULD BE NECESSARY TO PREVENT THIS HAPPENING. THE SUBJECT COULD BE DISCUSSED UNDER ITEM 2 OF THE AGENDA. IT BEGINS TO LOOK AS THOUGH THIS MAY PROVIDE SOME OPENING FOR US TO GET AT THE DRAFTING OF THE BASIC LAW.

5. ON THE LEGCO DEBATE, THE CHINESE STATEMENT WAS CONSIDERABLY LESS STRONG THAN IT COULD HAVE BEEN. IN FACT, ZHOU SPECIFICALLY SAID THAT THE CHINESE SIDE HAD ADOPTED A RESTRAINED AND RESPONSIBLE STANCE. HE ESSENTIALLY CONFINED HIMSELF TO RESTATING CHINESE OBJECTIONS IN FAMILIAR TERMS, AND TO RESERVING THE RIGHT TO REACT OR TAKE ACTION IF THERE WERE FURTHER DEVELOPMENTS. IN HIS SECOND INTERVENTION, ZHOU STATED RATHER MORE SHARPLY THAT HE WAS WARNING THE BRITISH GOVERNMENT NOT TO GO ANY FURTHER IN THIS DIRECTION.

6. THERE HAS SO FAR BEEN NO COMMENT WHATEVER IN THE CENTRAL CHINESE MEDIA ON THE LOBO MOTION.

EVANS

NWNN

SECRET

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u/c



QUEEN ANNE'S GATE LONDON SW1H 9AT

16 March 1984

N.S.P.A.

A.S.C. 16/3

Dear Geoffrey,

FUTURE OF HONG KONG: WORKING PAPER ON NATIONALITY ETC

You sent me a copy of your minute of 9 March to the Prime Minister enclosing a final draft of the working paper on these subjects. It is especially important that our proposals raise no new expectations of immigration commitments so far as the United Kingdom is concerned and I was grateful to you for emphasising in paragraph 4 of your minute two of the aspects of the proposals that are vital from this point of view. As my Private Secretary has already confirmed to yours I have no further comments on the text of the working paper.

I was, however, concerned to see the reference in the last sentence of paragraph 7 of your minute ~~about~~ the possibility of making provision later for those who might be in actual danger in 1997. I could not accept any new separate, legislative provision, or any assumption of actual provision for settlement here, beyond that for discretionary registration for crown servants and some others as British citizens contained in section 4(5) of the British Nationality Act 1981. Home Office and Foreign Office Ministers are on public record in explaining that the criteria for the exercise of discretion under section 4(5) would be tight, and that it would be exercised sparingly. Any hint of an approach that might be more generous could raise false expectations.

/We shall

The Rt Hon Sir Geoffrey Howe, QC, MP

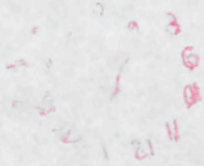
SECRET

We shall need to ensure that our two Departments keep in very close touch on all these matters.

I am sending a copy of this letter to the Prime Minister, to other members of OD(K) and to Sir Robert Armstrong.

Yours,
L
C

HONG KONG - Future
pp 12



1986
1987

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1263</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Fall to Coles dated 15 March 1984 with encls.</i>	
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PIECE/ITEM <i>49</i>
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46a

GR 3000

SECRET

SECRET

FM HONG KONG 140531Z MAR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 682 OF 14 MARCH

INFO IMMEDIATE PEKING

MIPT FUTURE OF HONG KONG: CONSTITUTIONAL DEVELOPMENT

FOLLOWING IS DRAFT OF EXECUTIVE COUNCIL MEMORANDUM.

BEGINS: CONSTITUTIONAL DEVELOPMENT AND THE STRUCTURE OF GOVERNMENT

INTRODUCTION

1. ON 5 JANUARY 1984, MEMBERS CONSIDERED (IN THE PART II MEETING) MEMORANDUM XCX(84)2 ON THE FUTURE: CONSTITUTIONAL DEVELOPMENT AND THE STRUCTURE OF GOVERNMENT, IN WHICH SOME OPTIONS FOR POSSIBLE REFORMS TO THE CONSTITUTIONAL AND GOVERNMENTAL STRUCTURE OF HONG KONG WERE SET OUT AS A BASIS FOR A DISCUSSION ON THE DEVELOPMENT OF A MORE REPRESENTATIVE SYSTEM OF GOVERNMENT IN HONG KONG BETWEEN NOW AND 1997. TWO POSSIBLE APPROACHES WERE DISCUSSED IN THAT MEMORANDUM, NAMELY:

(A) TO DEVELOP A SYSTEM BASED ON INDIRECT ELECTIONS: OR

(B) TO MOVE MORE QUICKLY TO DIRECT ELECTIONS:

FOR CENTRAL GOVERNMENT INSTITUTIONS. MEMBERS ADVISED THAT THE BEST COURSE WOULD BE TO PURSUE A STRATEGY OF PROGRESSIVE DEVELOPMENT, BUILDING ON EXISTING INSTITUTIONS.

2. ALSO ON 5 JANUARY 1984, MEMBERS CONSIDERED (IN THE PART I MEETING) MEMORANDUM XCS(84)4 ON THE REVIEW OF LOCAL ADMINISTRATION, IN WHICH IT WAS PROPOSED, (NEXT TWO WORDS UNDERLINED) INTER ALIA, THAT A SEPARATE REGIONAL COUNCIL SHOULD BE ESTABLISHED FOR THOSE AREAS NOT PRESENTLY UNDER THE AEGIS OF THE URBAN COUNCIL, AND THE ELECTED ELEMENT IN THE DISTRICT BOARDS SHOULD BE STRENGTHENED, SO THAT THE PROPORTION OF ELECTED TO APPOINTED MEMBERS ON DISTRICT BOARDS WOULD IN FUTURE BE 2:1, (THAT IS, TWO-THIRDS OF DISTRICT BOARD MEMBERS AND HALF OF THE MEMBERS OF THE URBAN COUNCIL AND THE SECOND REGIONAL COUNCIL WOULD IN FUTURE BE ELECTED BY UNIVERSAL ADULT SUFFRAGE. THE COUNCIL ADVISED AND THE GOVERNOR ORDERED THAT THE PROPOSALS AND SUGGESTIONS SUMMARISED IN PARAGRAPH 21 OF THE MEMORANDUM SHOULD FORM THE BASIS OF SPECIFIC RECOMMENDATIONS (INCLUDING THE NECESSARY DRAFT LEGISLATION) IN DUE COURSE.

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3. ON 14 FEBRUARY 1984, MEMBERS CONSIDERED MEMORANDUM XCS(84)7, ALSO ON THE REVIEW OF LOCAL ADMINISTRATION, IN WHICH THEY WERE INFORMED OF THE STEPS IT WAS PROPOSED TO TAKE IN PURSUANCE OF THE PROPOSALS REFERRED TO IN PARAGRAPH 2 ABOVE: AND THEY CONSIDERED A DRAFT STATEMENT ON THE SUBJECT TO BE MADE BY THE CHIEF SECRETARY IN THE LEGISLATIVE COUNCIL ON 15 FEBRUARY 1984. THE COUNCIL ADVISED AND THE GOVERNOR ORDERED THAT THE STATEMENT BE MADE SUBJECT TO CERTAIN ADDITIONS AND AMENDMENTS. A COPY OF THE FINAL VERSION OF THE STATEMENT IS ANNEXED.

PURPOSE

4. THE PURPOSE OF THIS MEMORANDUM IS TO PUT FORWARD PROPOSALS, FOR MEMBERS' CONSIDERATION, ON THE NEXT STEPS WHICH SHOULD BE TAKEN TO DEVELOP THE CONSTITUTIONAL AND GOVERNMENTAL STRUCTURE OF HONG KONG, FOLLOWING THE IMPLEMENTATION OF THE PROPOSALS FOR THE FURTHER DEVELOPMENT OF LOCAL ADMINISTRATION DURING THE PERIOD BEFORE 1997.

5. THE AIM IS TO HAVE FIRMLY ESTABLISHED BY 1997 A STRUCTURE OF GOVERNMENT WHICH HAS THE SOURCE OF POLITICAL POWER ROOTED FIRMLY IN THE HONG KONG COMMUNITY: TO THIS END THE STRUCTURE SHOULD BE IN PLACE BY THE EARLY 1990S. IT WILL THEREFORE BE NECESSARY FOR AN EARLY START TO BE MADE ON THE DEVELOPMENT OF A MORE REPRESENTATIVE SYSTEM OF GOVERNMENT, AND FOR THE PROCESS OF DEVELOPMENT TO BE COMPLETED BY STAGES WITHIN THE NEXT 10 YEARS.

6. (SQUARE BRACKETS BEGIN) THIS PARAGRAPH WILL ASSESS THE POLITICAL CONSEQUENCES, AND THE IMPLICATIONS FOR THE FUTURE GOVERNMENT OF HONG KONG, WHICH THE CONSTITUTIONAL AND STRUCTURAL CHANGES PROPOSED IN THE MEMORANDUM WOULD HAVE (SQUARE BRACKETS END).

7. THE PROPOSALS IN THIS MEMORANDUM ARE FOR -

(A) THE PROGRESSIVE REPLACEMENT OF THE APPOINTED UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL BY MEMBERS ELECTED INDIRECTLY

(I) BY AN ELECTORAL COLLEGE OF REGIONAL COUNCIL AND DISTRICT BOARD MEMBERS: AND

(II) BY FUNCTIONAL GROUPS, TOGETHER WITH A GRADUAL REDUCTION IN THE NUMBER OF OFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL:

(B) THE REPLACEMENT OF THE GOVERNOR AS PRESIDENT OF THE LEGISLATIVE COUNCIL BY A SPEAKER ELECTED BY THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL FROM AMONG THEIR NUMBER:

(C) THE PROGRESSIVE REPLACEMENT OF THE MAJORITY OF THE APPOINTED UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL BY MEMBERS ELECTED BY THE UNOFFICIALS MEMBERS OF THE LEGISLATIVE COUNCIL FROM AMONG THEIR NUMBER: AND

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(D) AT A LATER STAGE, APPOINTMENT TO THE POST OF GOVERNOR TO FOLLOW A PROCESS OF CONSULTATION IN HONG KONG, CONFIRMED BY SOME FORM OF ELECTION FROM AN ELECTORAL COLLEGE.

DISTRICT BOARDS AND REGIONAL COUNCILS

8. AS POINTED OUT IN PARAGRAPHS 2 AND 3 ABOVE, PROPOSALS HAVE RECENTLY BEEN MADE FOR THE FURTHER DEVELOPMENT OF THE PRESENT SYSTEM OF LOCAL ADMINISTRATION IN HONG KONG, INCLUDING -

(A) A CHANGE IN THE COMPOSITION OF DISTRICT BOARDS INVOLVING AN INCREASE IN THE NUMBER OF ELECTED MEMBERS WITH EFFECT FROM 1 APRIL 1985; AND

(B) THE ESTABLISHMENT OF A SECOND REGIONAL COUNCIL, INITIALLY WITH AN ENTIRELY APPOINTED MEMBERSHIP, BUT WITH A MEMBERSHIP HALF APPOINTED AND HALF ELECTED WITH EFFECT FROM 1 APRIL 1986.

THIS MEMORANDUM DOES NOT MAKE ANY PROPOSALS FOR SUBSEQUENT CHANGES IN THE PATTERN OF LOCAL ADMINISTRATION BETWEEN 1986 AND 1997. THERE WILL, HOWEVER, UNDOUBTEDLY BE CHANGES, POSSIBLY INVOLVING A MOVE TOWARDS FULLY ELECTED DISTRICT BOARDS AND REGIONAL COUNCILS. ANY SUCH CHANGES WILL AFFECT THE COMPOSITION OF THE ELECTORAL COLLEGE WHICH WILL ELECT MANY OF THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL (PARAGRAPHS 9 TO 15 BELOW).

LEGISLATIVE COUNCIL

(A) COMPOSITION

9. IT IS (NEXT WORD UNDERLINED) PROPOSED THAT PROGRESSIVELY OVER THE NEXT DECADE THE UNOFFICIALS MEMBERSHIP OF THE LEGISLATIVE COUNCIL SHOULD BE ELECTED -

(A) THROUGH ELECTIONS FROM AN ELECTORAL COLLEGE MADE UP OF THE UNOFFICIAL MEMBERS OF DISTRICT BOARDS AND REGIONAL COUNCILS. THE ELECTORAL COLLEGE WOULD BE ABLE TO ELECT ANYONE WITH CERTAIN PRESCRIBED QUALIFICATIONS (E.G. AGE, MINIMUM LENGTH OF RESIDENCE IN HONG KONG), AND NOT NECESSARILY FROM AMONG THEIR NUMBER. IN THE INITIAL STAGES ALL MEMBERS BOTH ELECTED AND APPOINTED WOULD CONSTITUTE THE COLLEGE. AT A LATER STAGE IT MIGHT BE DESIRABLE TO CONFINE MEMBERSHIP OF THE ELECTORAL COLLEGE TO ELECTED MEMBERS ONLY;

(B) THROUGH ELECTIONS FROM IDENTIFIED FUNCTIONAL GROUPS SUCH AS COMMERCIAL AND INDUSTRIAL ASSOCIATIONS, EDUCATIONAL INSTITUTIONS, THE LEGAL AND MEDICAL PROFESSIONS, LABOUR ORGANISATIONS, TRADITIONAL ORGANISATIONS, ETC.

A WORKING LINK AND A RELATIONSHIP WITH THE ADMINISTRATION WOULD BE RETAINED BY CONTINUING TO APPOINT A NUMBER OF OFFICIALS AS MEMBERS OF THE LEGISLATIVE COUNCIL.

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10. AS REGARDS THE COMPOSITION OF MEMBERSHIP OF THE LEGISLATIVE COUNCIL, IT IS CONSIDERED THAT--

(A) THE EVENTUAL NUMBER ELECTED BY AN ELECTORAL COLLEGE OF DISTRICT BOARD AND REGIONAL COUNCIL MEMBERS SHOULD BE BETWEEN 25 AND 30. THE ELECTORAL COLLEGE ITSELF IS LIKELY TO CONSIST OF BETWEEN 400 AND 500 MEMBERS, REPRESENTING 18 DISTRICTS AND TWO REGIONS. A TRUE REFLECTION OF THE GEOGRAPHICAL AND SECTIONAL INTERESTS OF THE HONG KONG COMMUNITY WHICH THEY REPRESENT WILL REQUIRE AT LEAST 25 MEMBERS:

(B) THE EVENTUAL NUMBER ELECTED BY FUNCTIONAL GROUPS SHOULD BE AT LEAST 10, AND PROBABLY 15, IN ORDER TO ENSURE ADEQUATE REPRESENTATION OF THE MANY IMPORTANT BUSINESS AND PROFESSIONAL INTERESTS WHICH MIGHT NOT CHOOSE TO OBTAIN REPRESENTATION THROUGH THE ELECTORAL COLLEGE: AND

(C) AT LEAST OVER THE NEXT DECADE, 10 OFFICIAL MEMBERS WILL BE NECESSARY TO PROVIDE PROPER COVERAGE IN THE LEGISLATIVE COUNCIL OF THE WHOLE RANGE OF GOVERNMENT RESPONSIBILITIES.

(B) TIMING

11. EVEN THOUGH THE SECOND REGIONAL COUNCIL WILL NOT HAVE AN ELECTED ELEMENT UNTIL 1986, IT WILL BE ESTABLISHED IN 1985, AND A START COULD BE MADE IN THAT YEAR WHEN THE NEXT ROUND OF DISTRICT BOARD ELECTIONS IS DUE. IT WOULD THEN BE POSSIBLE, IF FURTHER ELECTIONS TO THE LEGISLATIVE COUNCIL WERE SUBSEQUENTLY HELD IN 1988 AND 1991 WHEN THERE WILL ALSO BE DISTRICT BOARD ELECTIONS, TO WORK PROGRESSIVELY TOWARDS A LEGISLATIVE COUNCIL BY 1991 CONSISTING OF A TOTAL OF 50 OR 55 MEMBERS, MADE UP OF -

(A) 25 OR 30 MEMBERS ELECTED BY AN ELECTORAL COLLEGE OF DISTRICT BOARD AND REGIONAL COUNCIL MEMBERS:

(B) 10 OR 15 MEMBERS ELECTED BY FUNCTIONAL ASSOCIATIONS:
AND

(C) 10 OFFICIALS.

12. TWO POSSIBLE SEQUENCES (BASED ON A COUNCIL OF 50 MEMBERS) ARE AS FOLLOWS -

	1983	1984	1985	1988	1991
I. LEGISLATIVE COUNCIL MEMBERS					
(A) ELECTED BY					
(I) ELECTORAL COLLEGE	NIL	NIL	6	15	30
(II) FUNCTIONAL ASSOCIATIONS	NIL	NIL	5	7	10
(B) APPOINTED MEMBERS	29(1)	32(2)	23	15	NIL
(C) OFFICIAL MEMBERS	18	16	13	12	10
TOTAL	47	48	47	49	50

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11. LEGISLATIVE COUNCIL MEMBERS

(A) ELECTED BY

(1) ELECTORAL COLLEGE NIL NIL 6 12 25

(II) FUNCTIONAL

ASSOCIATIONS NIL NIL 5 10 15

(B) APPOINTED MEMBERS 29(1) 32(2) 23 15 NIL

(C) OFFICIAL MEMBERS 18 16 13 12 10

TOTAL 47 48 47 49 50

NOTE: (1) THESE ARE MEMBERS ELECTED TO THE URBAN COUNCIL OR DISTRICT BOARDS.

(2) SIX WILL BE MEMBERS ELECTED TO THE URBAN COUNCIL OR DISTRICT BOARDS.

13. BOTH SEQUENCES REQUIRE A RAPID REDUCTION IN THE NUMBER OF APPOINTED MEMBERS WHO COULD NOT RELY ON ELECTION EITHER THROUGH THE ELECTORAL COLLEGE OR BY THE FUNCTIONAL ASSOCIATIONS BUT THE SECOND SEQUENCE IN PARAGRAPH 12 ABOVE WOULD GIVE A MORE GRADUAL BUILD-UP OF MEMBERS ELECTED BY THE ELECTORAL COLLEGE.

14. THE PROCESS OF RUNNING DOWN THE NUMBER OF APPOINTED MEMBERS BY 1991 WILL BE SEEN BY SOME PEOPLE AS A RETROGRADE STEP. BUT THERE IS NO EASY ALTERNATIVE WAY OF TRANSFERRING THE SOURCE OF POLITICAL POWER TO THE COMMUNITY IN PREPARATION FOR THE CHANGE IN 1997. IF THE PROPOSALS IN THIS MEMORANDUM FOR ELECTIONS TO THE LEGISLATIVE COUNCIL ARE TO BE PURSUED, IN 1985 NINE APPOINTED MEMBERS WILL HAVE TO MAKE WAY: IN 1988, A FURTHER EIGHT; AND, IN 1991, THE REMAINING FIFTEEN. IN OTHER WORDS, ALL APPOINTED MEMBERS WILL HAVE TO GO IN SEVEN YEARS FROM NOW UNLESS THEY SEEK TO CONTINUE IN SERVICE THROUGH ONE OR OTHER OF THE FORMS OF ELECTION PROPOSED. ANY NEW MEMBERS APPOINTED IN 1984 AND 1985 WILL HAVE THE OPPORTUNITY OF SERVING FOR SEVEN AND SIX YEARS RESPECTIVELY.

15. IF A LONGER TIME SCALE WAS NEEDED, THE FINAL STAGE COULD AWAIT THE 1994 ELECTION. THE FINAL SECTION OF THE SECOND SEQUENCE IN PARAGRAPH 12 ABOVE WOULD THEN BE -

LEGISLATIVE COUNCIL MEMBERS:	1988	1991	1994
(A) ELECTED BY			
(1) ELECTORAL COLLEGE	12	18	25
(II) FUNCTIONAL ASSOCIATIONS	10	12	15
(B) APPOINTED MEMBERS	15	10	NIL
(C) OFFICIAL MEMBERS	12	10	10

TOTAL 49 50 50

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(C) CHOICE OF ELECTION YEARS **SECRET**

16. IT IS (NEXT WORD UNDERLINED) PROPOSED THAT DISTRICT BOARD ELECTION YEARS SHOULD BE CHOSEN FOR ELECTORAL COLLEGE ELECTIONS BECAUSE MOST MEMBERS OF THE ELECTORAL COLLEGE WOULD BE ELECTED DISTRICT BOARD MEMBERS. IF THE TARGET DATE FOR FULL DEVELOPMENT OF THE SYSTEM WAS DEFERRED UNTIL 1992, MAJOR CHANGES IN THE MEMBERSHIP OF THE LEGISLATIVE COUNCIL COULD TAKE PLACE IN REGIONAL COUNCIL ELECTION YEARS, I.E. 1986, 1989, 1992 (WITH A POSSIBLE FINAL STAGE IN 1995). IN BOTH CASES, ELECTIONS COULD TAKE PLACE IN AUGUST OR SEPTEMBER DEPENDING ON WHETHER APPOINTMENTS TO LEGISLATIVE COUNCIL ARE TO RUN FROM 1 SEPTEMBER (AS NOW) OR 1 OCTOBER.

17. ELECTORAL COLLEGE ELECTIONS IN REGIONAL COUNCIL ELECTION YEARS WOULD BE EXACTLY MID-TERM IN THE DISTRICT BOARD CYCLE AND WOULD START IN 1986 RATHER THAN 1985. THIS WOULD GIVE DISTRICT BOARD MEMBERS MORE TIME TO SETTLE DOWN, BUT WOULD MEAN 18 MONTHS OF POLITICAL UNCERTAINTY EVERY THREE YEARS FOR THOSE MEMBERS OF LEGISLATIVE COUNCIL SEEKING RE-ELECTION, INSTEAD OF SIX MONTHS IF ELECTIONS TAKE PLACE IN DISTRICT BOARD ELECTION YEARS. IT IS CONSIDERED THAT IT WOULD BE BETTER, THEREFORE, TO COMPLETE THE DISTRICT BOARD AND LEGISLATIVE COUNCIL ELECTIONS IN ONE YEAR AND THEN HAVE A PERIOD OF TWO AND A HALF YEARS OF POLITICAL CERTAINTY BEFORE THE NEXT DISTRICT BOARD ELECTIONS.

(D) FUNCTIONAL ASSOCIATION

18. AS REGARDS THE 10 OR 15 MEMBERS ELECTED BY FUNCTIONAL ASSOCIATIONS, FURTHER DETAILED CONSIDERATION WILL NEED TO BE GIVEN TO WHICH INTERESTS SHOULD BE REPRESENTED, TO THE BALANCE OF REPRESENTATION BETWEEN THEM, AND TO THE METHOD OF ELECTION. IT WILL BE DESIRABLE TO HAVE RELATIVELY LARGE FUNCTIONAL GROUPS IN ORDER TO AVOID THE SORT OF ELECTIONEERING MALPRACTICES WHICH ARE MORE PREVALENT IN THE CASE OF CLOSELY CONTESTED ELECTIONS AMONG SMALL GROUPS. A POSSIBLE SPREAD OF REPRESENTATION (FOR ILLUSTRATIVE PURPOSES) WOULD BE -

INDUSTRIALIST ORGANISATIONS	2	3
LABOUR ORGANISATIONS	1	2
FINANCIAL SECTOR	1	2
LEGAL PROFESSION	1	2
ACADEMICS (INCLUDING EDUCATION)	2	2
MEDICAL PROFESSION	1	2
PROFESSIONALS NOT ELSEWHERE INCLUDED	2	2

TOTAL 10 15

THE ELECTORATE OF EACH OF THE ABOVE CONSTITUENCIES WOULD BE RELATIVELY LARGE, CONSISTING OF SEVERAL HUNDRED MEMBERS.

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(E) PRESIDENT OF THE LEGISLATIVE COUNCIL

19. THE PRESIDENT OF LEGISLATIVE COUNCIL IS NOW THE GOVERNOR BUT IT IS (NEXT WORD UNDERLINED) PROPOSED THAT HE SHOULD BE REPLACED BY A SPEAKER ELECTED BY LEGISLATIVE COUNCIL MEMBERS FROM AMONG THEMSELVES. THIS NOT ONLY FOLLOWS THE PATTERN OF CONSTITUTIONAL DEVELOPMENT IN OTHER FORMER BRITISH DEPENDENT TERRITORIES BUT ALSO EMPHASISES THE INDEPENDENCE OF THE LEGISLATIVE COUNCIL FROM THE EXECUTIVE. IN ORDER TO PROMOTE CONTINUITY, IT IS SUGGESTED THAT A SPEAKER BE INTRODUCED SOONER RATHER THAN LATER. EVENTUALLY THE SPEAKER SHOULD BE ELECTED IN A LEGISLATIVE COUNCIL ELECTION YEAR IMMEDIATELY AFTER ELECTIONS, BUT SINCE 1985 WILL SEE OTHER MAJOR CHANGES IN THE LEGISLATIVE COUNCIL IT IS SUGGESTED THAT THE FIRST SPEAKER BE ELECTED IN 1986 FOR TWO YEARS.

(F) POSSIBLE FUTURE DEVELOPMENTS

20. THE POSSIBLE SEQUENCES SUGGESTED IN PARAGRAPHS 12 AND 15 ABOVE ARE BASED UPON AN ELECTORAL CYCLE OF THREE YEARS, AND A CONSEQUENT TERM OF OFFICE OF THREE YEARS FOR UNOFFICIAL MEMBERS. SUCH A TERM OF OFFICE IS RELATIVELY SHORT, GIVEN THE IMPORTANCE OF AN ELEMENT OF CONTINUITY AND EXPERIENCE AMONG THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL. IN ORDER TO PERMIT THE PROGRESSIVE DEVELOPMENT OF THE SYSTEM WITHIN THE TIMESCALE ENVISAGED, IT IS CONSIDERED THAT A TERM OF OFFICE OF THREE YEARS FOR ELECTED MEMBERS WILL BE NECESSARY, AT LEAST UNTIL 1991. UNTIL THAT TIME, AN ELEMENT OF EXPERIENCE AND CONTINUITY AMONG THE UNOFFICIAL MEMBERS WILL BE PROVIDED BY THE RETENTION OF A NUMBER OF APPOINTED UNOFFICIALS: AND IN PRACTICE IT IS EXPECTED THAT MANY ELECTED MEMBERS WILL STAND FOR RE-ELECTION FOR MORE THAN ONE TERM. WHEN THE SYSTEM IS FULLY IN PLACE, SAY FROM 1994 ONWARDS, A CHANGE TO A TERM OF OFFICE OF 6 YEARS FOR ELECTED MEMBERS, WITH HALF THE UNOFFICIAL MEMBERS BEING ELECTED EVERY 3 YEARS, MIGHT BE CONSIDERED.

21. IF IT WERE DECIDED, LATER IN THE DECADE, TO MOVE FROM INDIRECT TO DIRECT ELECTIONS, A START WOULD HAVE TO BE MADE IN 1991 WITH DIRECT ELECTIONS REPLACING COLLEGIATE ELECTIONS IN THAT YEAR AND, IF THAT WAS SUCCESSFUL, REPLACING FUNCTIONAL ASSOCIATION ELECTIONS IN 1994. CONSTITUENCIES WOULD BE THE SAME AS THOSE FOR REGIONAL COUNCILS.

EXECUTIVE COUNCIL

22. IT IS (NEXT WORD UNDERLINED) PROPOSED THAT, BY 1991, THE MAJORITY OF UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL (SAY EIGHT OR NINE) SHOULD BE ELECTED BY THE LEGISLATIVE COUNCIL FROM AMONG THEIR NUMBER. IN ADDITION, IT IS (NEXT WORD UNDERLINED) PROPOSED THAT THERE SHOULD BE TWO RESERVED SEATS FOR APPOINTMENT BY THE GOVERNOR IN ORDER TO ENSURE A BALANCED REPRESENTATION OF INTERESTS ON THE COUNCIL. THERE SHOULD ALSO BE MEMBERS APPOINTED (NEXT WORD UNDERLINED) EX-OFFICIO FROM THE CIVIL SERVICE, I.E.

CS, FS, AG.

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23. ASSUMING THAT THE PERIOD OF OFFICE OF ELECTED MEMBERS OF THE LEGISLATIVE AND EXECUTIVE COUNCILS WILL BOTH BE FOR THREE YEARS, SO AS TO FIT IN WITH THE ELECTORAL CYCLE FOR THE DISTRICT BOARDS AND THE REGIONAL COUNCILS, IT IS (NEXT WORD UNDERLINED) PROPOSED THAT THE ARRANGEMENTS FOR THE ELECTION OF THE MAJORITY OF THE UNOFFICIALS MEMBERS OF THE EXECUTIVE COUNCIL BY THE LEGISLATIVE COUNCIL SHOULD BE INTRODUCED PROGRESSIVELY, I.E. FOUR IN 1988 AND OTHER FOUR (OR FIVE) IN 1991 FOLLOWING THE SECOND AND THIRD ELECTIONS RESPECTIVELY TO THE LEGISLATIVE COUNCIL. SOME UNOFFICIAL MEMBERS MIGHT BE APPOINTED FROM ELECTED LEGISLATIVE COUNCIL MEMBERS BEFORE THAT DATE.

THE GOVERNOR

24. AS FROM 1992, IT IS (NEXT WORD UNDERLINED) PROPOSED THAT THE POST OF GOVERNOR, OR CHIEF EXECUTIVE, SHOULD BE FILLED THROUGH A CONSULTATIVE PROCESS, CONFIRMED BY SOME FORM OF ELECTION: ~~BUT~~ AGAIN ON AN ELECTORAL COLLEGE BASIS. UNTIL 1997 THE GOVERNOR WOULD STILL BE ACTUALLY APPOINTED BY THE QUEEN. HE WOULD STILL CHAIR THE EXECUTIVE 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. HE WOULD BY THEN HAVE CEASED TO BE PRESIDENT OF THE LEGISLATIVE COUNCIL.

TIMING OF ANNOUNCEMENT

25. THERE WILL BE INCREASING PRESSURE ON THE GOVERNMENT TO REVEAL ITS PLANS FOR EXTENDING THE ELECTIVE PROCESS TO THE LEGISLATIVE COUNCIL, AND IT WOULD NOT BE PRACTICABLE TO REMAIN SILENT ON THE POINT WHEN THE PROPOSED DRAFT AGREEMENT ON THE FUTURE OF HONG KONG IS PUBLISHED, PROBABLY IN THE AUTUMN. THIS SUGGESTS THAT A GREEN PAPER CONTAINING THE PROPOSALS SHOULD BE PUBLISHED DURING THE COURSE OF THE SUMMER.

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ADVICE SOUGHT

26. MEMBERS WILL BE ASKED TO (NEXT WORD UNDERLINED>) ADVISE WHETHER THE PROPOSALS DESCRIBED IN PARAGRAPHS 9 TO 24 ABOVE ARE ACCEPTABLE IN PRINCIPLE, SUBJECT TO THEIR BEING FURTHER CONSULTED, IN DUE COURSE, ON THE TERMS OF A GREEN PAPER AND ON THE DETAILS OF IMPLEMENTATION. IT IS ALSO PROPOSED, SUBJECT TO MEMBERS CONCURRENCE IN THE PROPOSALS, TO CONSULT MEMBERS OF THE LEGISLATIVE COUNCIL IN CONFIDENCE BEFORE ANY GREEN PAPER IS PUBLISHED.

YOUDE

FUTURE OF HONG KONG
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ED/PUSD
D/ED/PUSD
RES.B. (MR WALKER)
LEGAL ADVISER (SIR IAN SINCLAIR)
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From the Private Secretary

14 March 1984

Future of Hong Kong : Timetable

The Prime Minister saw overnight Peking telegram number 427 of 13 March and had some discussion of it with the Foreign and Commonwealth Secretary when they met earlier today.

The Prime Minister expressed considerable concern about the Chinese attitude to the proposals we had put to them with regard to the timetable and has minuted to the effect that this attitude goes some way to justify the suspicions of EXCO as to Chinese intentions.

The Prime Minister may wish to hold a meeting of OD(K) next week to consider the situation but would, I think, first appreciate further advice from the Foreign and Commonwealth Secretary.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CSF

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IMMEDIATE

Prime Minister

FUTURE OF HONG KONG - ADVANCE COPIES

ADVANCE COPY

This is rather worrying. The Foreign Secretary will let us have advice.

PS
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TO IMMEDIATE FCO

TELEGRAM NUMBER 4270F 13 MARCH

INFO IMMEDIATE HONG KONG



I am not surprised. I never thought they would give to a proposal document. Their true nature is now being revealed. Li's are right in their suspicion. We must have another meeting when the P.C.S returns.

MY SECOND IPT: FUTURE OF HONG KONG: TIMETABLE

1. I SPOKE ON THE LINES OF PARAGRAPH 3 TO 6 OF YOUR TELNO 209, STRESSING 4 POINTS AND PLACING THEM IN THE CONTEXT OF THE OPPORTUNITY A VISIT BY YOU WOULD PROVIDE TO GIVE IMPETUS TO THE NEXT PHASE:-

- A) OUR PROPOSALS ON THE FUTURE TIMETABLE REPRESENTED A MAJOR EFFORT BY BRITISH MINISTERS TO MEET THE CHINESE TIMETABLE AS THEY UNDERSTOOD IT AND TO LEAD TO CONCLUSION OF A BILATERAL AGREEMENT IN THE SHORTEST POSSIBLE POSSIBLE TIME.
- B) OUR THINKING ON THE TIMETABLE WOULD PERMIT A SEPTEMBER ANNOUNCEMENT, THE PUBLICATION OF A DRAFT AGREEMENT AND SIGNATURE OF THE AGREEMENT BY THE END OF THE YEAR.
- C) OUR PROPOSALS REPRESENTED THE SPEEDIEST POSSIBLE PROGRAMME WE COULD DEVISE TO MEET CHINESE REQUIREMENTS AND YET ENSURE THAT THE AGREEMENT WAS ACCEPTABLE TO THE BRITISH SIDE. WE WERE MAKING EVERY EFFORT TO MEET CHINESE POLITICAL IMPERATIVES, WHICH WE UNDERSTOOD. EQUALLY, WE WANTED THE CHINESE SIDE TO UNDERSTAND THE CONSTRAINTS UNDER WHICH BRITISH MINISTERS WERE WORKING.
- D) THE DIFFERENCE BETWEEN US SEEMED TO BE A MATTER OF TWO TO THREE MONTHS. WE COULD NOT BELIEVE THAT THE CHINESE GOVERNMENT WOULD WISH TO ENDANGER OUR JOINT EFFORTS FOR THE SMALL ACCELERATION WHICH CUTTING OUT THIS EXTRA PERIOD WOULD ENTAIL.

2. I SAID THAT WE AGREED WITH ZHOU NAN'S VIEW THAT THE TWO SIDES SHOULD EXCHANGE IDEAS ON THE DRAFT AGREEMENT SOON. WE BELIEVED THAT YOUR VISIT WOULD BE A GOOD OPPORTUNITY TO PRESS ON WITH THIS PROCESS. WE INTENDED TO ENTER SUBSTANTIVE DISCUSSION OF THIS SUBJECT IN THE NEXT FEW WEEKS.

3. ZHOU SAID THAT HE HAD NOTED THE 4 POINTS. ON 9 MARCH, HE HAD GIVEN US HIS IMMEDIATE IMPRESSION THAT OUR THINKING ON THE TIMETABLE CONFLICTED IN A NUMBER OF RESPECTS WITH CHINESE IDEAS. SOME OF THE POINTS OF DISAGREEMENT INVOLVED QUESTIONS OF PRINCIPLE AND IN THESE AREAS BRITISH IDEAS WERE UNACCEPTABLE. THERE WERE THREE SUCH AREAS:

(A) FROM THE BEGINNING, THE CHINESE SIDE HAD MADE CLEAR THAT AN AGREEMENT SHOULD BE REACHED BY SEPTEMBER. THE CHINESE SIDE DID NOT WISH FOR A SITUATION IN WHICH THE

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(A) FROM THE BEGINNING, THE CHINESE SIDE HAD MADE CLEAR THAT AN AGREEMENT SHOULD BE REACHED BY SEPTEMBER. THE CHINESE SIDE DID NOT HOPE FOR A SITUATION IN WHICH IT WAS FORCED TO MAKE A UNILATERAL ANNOUNCEMENT ABOUT ITS DETERMINATION TO RESUME THE EXERCISE OF SOVEREIGNTY AND THE POLICIES TO BE PURSUED IN HONG KONG AFTER 1997. THE CHINESE POSITION WAS EXPLICIT AND HAD NEVER WAVED. IT WAS EMBODIED IN STATEMENTS BY SENIOR LEADERS, WHO MEANT WHAT THEY SAID.

(B) (1) THE TALKS HAD BEEN PROGRESSING SMOOTHLY. HOWEVER, MY REMARKS ON 9 MARCH ABOUT THE TIMETABLE HAD GIVEN THE IMPRESSION THAT THE BRITISH SIDE WAS DELIBERATELY SEEKING TO DRAG OUT THE TALKS AND PROLONG THE PROCESS OF REACHING AGREEMENT. AS AN EXCUSE, WE HAD REFERRED TO THE NECESSITY FOR AN INTERVAL OF TWO TO THREE MONTHS BETWEEN AGREEMENT AT DELEGATION LEVEL AND A DEBATE IN PARLIAMENT. FROM THE BEGINNING, THE CHINESE SIDE HAD MADE CLEAR THAT THE TALKS WERE TAKING PLACE BETWEEN THE TWO GOVERNMENTS. PARLIAMENTARY DEBATE WAS AN INTERNAL BRITISH AFFAIR. THIS DID NOT MEAN THAT THE CHINESE SIDE DID NOT UNDERSTAND THE PARLIAMENTARY FACTOR. BUT THE BRITISH SIDE HAD NO RIGHT TO USE THIS AS AN EXCUSE TO PROLONG THE PROCESS.

(II) HE HAD BEEN EVEN MORE SURPRISED BY OUR REMARKS ON 9 MARCH TO THE EFFECT THAT THE DRAFT AGREEMENT MIGHT NOT INCLUDE A PHRASE EXPLICITLY REFERRING TO THE TRANSFER OF SOVEREIGNTY. THE TALKS HAD BEEN TAKING PLACE ON THE PREMISE THAT SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION WOULD REVERT TO CHINA. HE REFERRED TO SIR PERCY CRADOCK'S COMMENT THAT THE CHINESE PREMISE WAS FULLY UNDERSTOOD. THE AGREEMENT SHOULD REFER IN EXPLICIT TERMS TO THE TRANSFER OF SOVEREIGNTY. OTHERWISE, WE SHOULD HAVE BEEN TALKING FOR MORE THAN TWO YEARS BY SEPTEMBER AND STILL BE EVADING THIS ESSENTIAL QUESTION. WHAT POINT WOULD THERE BE IN CONTINUING THE TALKS? (ON THIS POINT SEE MY TELEGRAM NO 429).

(III) ON 9 MARCH, I HAD REFERRED TO YOUR WISH TO GIVE A BRIEF INDICATION OF THE CONTENT OF A DRAFT AGREEMENT DURING THE SPRING. THE CHINESE SIDE DID NOT KNOW WHAT SORT OF INDICATION YOU HAD IN MIND. IT CONSIDERED THAT NOTHING SHOULD BE MADE PUBLIC BEFORE AGREEMENT HAD BEEN REACHED, UNLESS THE BRITISH SIDE WISHED TO EXPRESS ITS DETERMINATION TO RETURN SOVEREIGNTY TO CHINA. IT WAS NOT THE BRITISH SIDE'S RESPONSIBILITY TO MAKE PUBLIC CHINESE POLICIES TOWARDS HONG KONG. ON THIS, THE CHINESE ATTITUDE WAS VERY CLEAR.

(C) ON 9 MARCH, I HAD ALSO SAID THAT INSTRUMENTS OF RATIFICATION WOULD NOT BE EXCHANGED IMMEDIATELY AFTER SIGNATURE OF AN AGREEMENT. UNDER THE BRITISH PLAN, PARLIAMENT WOULD STILL HAVE TO DISCUSS AND APPROVE LEGISLATION RELATED TO THE TRANSFER OF SOVEREIGNTY. THIS WAS ABSURD. AGREEMENT WOULD HAVE BEEN REACHED. BUT THE QUESTION OF THE TRANSFER OF SOVEREIGNTY WOULD REMAIN UNRESOLVED. WHEN WOULD THE TIME COME FOR THIS LATER DEBATE AND APPROVAL OF RELEVANT LEGISLATION? WE WERE TRYING HARD TO LINK RATIFICATION TO THE DRAWING UP OF THE BASIC LAW. CHINA'S POSITION WAS VERY CLEAR. THE BASIC LAW WAS CHINA'S INTERNAL AFFAIR. RATIFICATION WOULD CONCERN THE BILATERAL AGREEMENT, NOT THE BASIC LAW. CHINA COULD NOT ACCEPT BRITISH ATTEMPTS TO LINK THE TWO. THE CHINESE SIDE HAD SAID THAT THE AGREEMENT WOULD BE REFLECTED IN THE BASIC LAW AND THAT THE BASIC LAW WOULD NOT CONTRAVENE THE AGREEMENT. ATTEMPTS TO LINK THE AGREEMENT TO THE BASIC LAW WERE

~~HE SAID THAT THE AGREEMENT WOULD BE REFLECTED IN THE BASIC LAW~~
~~AND THAT THE BASIC LAW WOULD NOT CONTRAVENE THE AGREEMENT.~~
ATTEMPTS TO "PEC" THE AGREEMENT TO THE BASIC LAW WERE
IMPERMISSIBLE. THE CHINESE SIDE HAD ALREADY SAID THAT THE PROCESS
OF WORKING OUT THE BASIC LAW WOULD BE LENGTHY. UNDER THE BRITISH
PROPOSALS, THE BILATERAL AGREEMENT WOULD BE LEFT IN SUSPENSE
FOR A LONG TIME. THIS WOULD MAKE THE AGREEMENT THE LAUGHING
STOCK OF THE INTERNATIONAL COMMUNITY. THE BRITISH SIDE WAS
DELIBERATELY PLACING OBSTACLES IN THE WAY OF THE SMOOTH COURSE
OF THE TALKS AND OF SIGNING A BILATERAL AGREEMENT IN SEPTEMBER.
IF IT STUCK TO THIS LINE, THERE WAS NO REASON TO BE OPTIMISTIC
ABOUT THE PROSPECTS FOR THE TALKS.

4. I SAID THAT I HAD LISTENED WITH CARE AND SOME SORROW TO WHAT
HE HAD SAID. WE WERE NOT DRAGGING OUR FEET. WE COULD HAVE NO
MOTIVE FOR DOING THIS. INDEED WE WERE DOING OUR VERY BEST TO MEET
CHINA'S POLITICAL IMPERATIVES. IT WAS A FACT THAT THE PARLIAMENTARY
RECESS TOOK PLACE BETWEEN LATE JULY AND LATE OCTOBER. PARLIAMENT
MUST HAVE AN OPPORTUNITY TO CONSIDER THE AGREEMENT REACHED AT
DELEGATION LEVEL. OUR SUGGESTED TIMETABLE WAS THE BEST SUITED TO
MEET BOTH SIDE'S REQUIREMENTS.

5. I SAID THAT WE WERE NOW WORKING HARD ON THE TEXT FOR A
POSSIBLE AGREEMENT. I HAD CAREFULLY NOTED ZHOU'S COMMENTS ON
THIS. BUT IT WAS NOT OUR INTENTION TO EVADE THE ISSUE OF
SOVEREIGNTY. OUR POSITION REMAINED AS DESCRIBED IN THE PRIME
MINISTER'S MARCH LETTER TO ZHAO ZIYANG.

6. ON RATIFICATION, I REPEATED MY REMARKS FROM 9 MARCH. I UNDER-
STOOD IT TO BE INTERNATIONAL PRACTICE THAT AGREEMENTS WERE NOT
RATIFIED UNTIL THE NECESSARY LEGISLATIVE PROCESSES HAD BEEN
COMPLETED IN ALL SIGNATORY STATES. AGAIN, THERE WAS NO QUESTION
OF FOOT DRAGGING.

7. ZHOU SAID THAT HE HAD NOTED WHAT I HAD SAID ABOUT OUR
APPROACH NOT BEING ONE OF FOOT-DRAGGING. HOWEVER, THE CHINESE
SIDE ATTACHED IMPORTANCE TO FACTS NOT WORDS. UNDER OUR PLAN,
THE "OBJECTIVE PROCESS" WOULD BE ONE OF DRAGGING OUT THE PERIOD
OF OUR TALKS. THE CHINESE SIDE WAS NOT AFRAID OF FOOT-DRAGGING.
ONCE IT WAS CLEAR ABOUT BRITISH INTENTIONS, IT COULD CONSIDER
MATTERS ALONG ANOTHER LINE.

8. ZHOU NOTED THAT OUR COMMENTS ON AN AGREEMENT HAD BEEN MADE ON
A PERSONAL BASIS. HE HOPED THAT THEY WOULD NOT BE REFLECTED
IN IN THE FINAL BRITISH POSITION. IF SO, THIS WOULD BE A VERY
SERIOUS OBSTACLE. IT WOULD MEAN UPSETTING THE FOUNDATION OF THE
TALKS.

9. ZHOU ASKED ME WHETHER WE WERE SEEKING TO LINK RATIFICATION
TO THE DRAWING UP OF THE BASIC LAW. I REPEATED WHAT I HAD SAID
ON 9 MARCH. ZHOU RETORTED THAT THE PROCESS OF DRAWING UP THE
BASIC LAW HAD NOTHING TO DO WITH RATIFICATION. THE FORMER WAS
PURELY CHINA'S INTERNAL AFFAIR. THE AGREEMENT WOULD BE SUBMITTED
TO THE NPC FOR APPROVAL. THEY WOULD CONSIDER THE TERMS.
THIS WOULD NOT TAKE LONG. THE CHINESE SIDE COULD NOT UNDERSTAND
WHY WE WERE SEEKING TO DIVIDE OUR PARLIAMENTARY PROCESS INTO
TWO PHASES: FIRST, DISCUSSION OF THE AGREEMENT SEMICOLON
SECONDLY, PASSING THE RELEVANT LEGISLATION. THE CHINESE SIDE
ENVISAGED THE RATIFICATION PROCESS TAKING A MATTER OF WEEKS
OR DAYS, NOT YEARS. IT WOULD BE UNIMAGINABLE FOR THE QUESTION
OF SOVEREIGNTY TO REMAIN UNSOLVED WITH AN AGREEMENT IN SUSPENSE

OR DAYS, NOT YEARS. IT WOULD BE UNIMAGINABLE FOR THE QUESTION
OF SOVEREIGNTY TO REMAIN UNSOLVED WITH AN AGREEMENT IN SUSPENSE
FBE XHQBSEBCTDFOME#GSG WHAT WOUH
KONG? CHINA WOULD NEVER AGREE TO DRAWING OUT THE PROCESS OF
RATIFICATION FOR YEARS OR TO LINKING RATIFICATION TO THE DRAWING
UP OF THE BASIC LAW. ZHOU HOPED WE WOULD CONSIDER HIS REMARKS
SERIOUSLY.

EVANS

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10 DOWNING STREET

From the Private Secretary

13 March, 1984

FUTURE OF HONG KONG: COMPOSITION OF BRITISH
DELEGATION

The Prime Minister has noted the contents
of your letter of 9 March.

A. J. COLES

P. Ricketts, Esq.,
Foreign and Commonwealth Office

S E C R E T

SECRET



*File 10
advis P Craddock
43*

10 DOWNING STREET

From the Private Secretary

12 March 1984

Dear Peter,

HONG KONG: WORKING PAPER ON
NATIONALITY, CITIZENSHIP,
RIGHT OF ABODE, FREEDOM OF
TRAVEL, EMIGRATION AND IMMI-
GRATION

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 9 March and the Working Paper enclosed with it.

Mrs. Thatcher is content that the Working Paper should be given to the Chinese.

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

*you ever
file Wla.*

Peter Ricketts Esq
Foreign and Commonwealth Office

SECRET

NR

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 PS/PUS
 PS/MR LUCE
 MR WILSON
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RESIDENT CLERK

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 TO IMMEDIATE FCO
 TELEGRAM NUMBER 406 OF 10 MARCH
 INFO IMMEDIATE HONG KONG

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MY FOURTH IPT: FUTURE OF HONG KONG; DINNER WITH ZHOU NAN;
 STRATEGY AND TIMETABLE

1. I SPOKE TO ZHOU NAN AS INSTRUCTED IN YOUR TELNOS 191 AND 198. ON RATIFICATION, I SAID THAT IT WOULD BE NECESSARY TO COMPLETE THE NECESSARY LEGISLATION IN BOTH COUNTRIES BEFORE INSTRUMENTS OF RATIFICATION COULD BE EXCHANGED, AND THAT THE DURATION OF THIS STAGE WOULD DEPEND ON THE LENGTH OF TIME REQUIRED FOR THESE PROCEDURES. I SAID SPECIFICALLY THAT THE NECESSARY PROCEDURES ON THE CHINESE SIDE WOULD PRESUMABLY INCLUDE THE PASSING OF THE BASIC LAW.
2. ZHOU ARGUED BOTH ABOUT THE TIMING OF SIGNATURE AND THE TIMING OF RATIFICATION.
3. ON SIGNATURE, HE SAID THAT IT SHOULD BE POSSIBLE TO PRODUCE A DRAFT OF A FINAL AGREEMENT BY JUNE, SO THAT IT COULD BE PUBLISHED AND DEBATED BY THE BRITISH PARLIAMENT BEFORE THE RECESS. THIS WOULD ALLOW SIGNATURE TO TAKE PLACE IN SEPTEMBER, AS THE CHINESE SIDE HAD ENVISAGED. THE CHINESE SIDE HAD SAID IN PUBLIC THAT THEY WANTED SIGNATURE OF AN AGREEMENT BEFORE SEPTEMBER. THERE WAS THEREFORE A QUESTION OF CREDIBILITY. THE CHINESE SIDE HAD ALSO SAID THAT IT DID NOT WISH TO SEE A UNILATERAL STATEMENT OR ANNOUNCEMENT. HE DID NOT THINK THAT DISCUSSION OF ITEMS TWO AND THREE OF THE AGENDA WOULD TAKE TOO LONG. AT SOME STAGE DURING THE PROCESS OF THIS DISCUSSION, WE WOULD LET THE CHINESE HAVE OUR IDEAS ON A DRAFT AGREEMENT AND THEY WOULD LET US HAVE THEIRS.
4. I SAID THAT I THOUGHT IT RATHER UNLIKELY THAT WE WOULD BE ABLE TO COMPLETE WORK ON A DRAFT TEXT BY JUNE. BUT EVEN IF WE COULD, IT WOULD BE ESSENTIAL TO AVOID GIVING THE APPEARANCE OF RUSHING PARLIAMENT. THIS MEANT THAT THERE MUST BE A REASONABLE INTERVAL BETWEEN PUBLICATION OF A DRAFT TEXT AND DEBATE. WE DID NOT THINK THIS WOULD BE POSSIBLE BEFORE THE PARLIAMENTARY RECESS. IN PARTICULAR, THE FIRST QUESTION WHICH ANYONE IN PARLIAMENT WOULD ASK WOULD BE ABOUT THE REACTION IN HONG KONG. THERE MUST THEREFORE BE TIME FOR THE PEOPLE IN HONG KONG TO STUDY A DRAFT AGREEMENT AND REACT TO IT. WE KNEW CHINESE VIEWS ON WHAT THEY CALLED THE THREE LEGGED STOOL, BUT IT WAS A POLITICAL REALITY THAT THE REACTION OF PEOPLE IN HONG KONG WOULD MATTER, PARTICULARLY TO PARLIAMENT. I PERSONALLY THOUGHT THAT IF AN AGREEMENT APPEARED ACCEPTABLE IN HONG KONG, IT WAS UNLIKELY THAT THE BRITISH PARLIAMENT WOULD OBJECT TO IT. HOWEVER, UNFAVOURABLE REACTION IN HONG KONG COULD PRODUCE QUITE A DIFFERENT OUTCOME.
5. PREDICTABLY, ZHOU SAID THAT HE COULD NOT AGREE THAT PEOPLE IN HONG KONG SHOULD HAVE A SAY IN THE CONCLUSION OF AN AGREEMENT BETWEEN THE TWO COUNTRIES. HE NOTED THAT MR LUCE HAD MENTIONED THE IDEA OF A REFERENDUM. HE WISHED TO SAY THAT SUCH AN IDEA WAS TOTALLY OUT OF THE QUESTION. I SAID THAT I DID NOT THINK THE

~~TOTALLY OUT OF THE QUESTION. I SAID THAT I DID NOT THINK THE~~
BRITISH GOVERNMENT WAS COMMITTED TO HAVING A REFERENDUM. HOWEVER,
IT WAS A FACT THAT PARLIAMENT WOULD NEED TO KNOW THE REACTION
IN HONG KONG BEFORE COMMITTING ITSELF.

6. ZHOU KEPT REPEATING THAT A PARLIAMENTARY DEBATE BEFORE THE
RECESS SHOULD BE POSSIBLE. IF WE WERE SAYING THAT IT WAS NOT
POSSIBLE, IT LOOKED AS THOUGH WE WERE DETERMINED TO DRAG OUR FEET.
WE STRONGLY DENIED THAT THIS WAS THE CASE AND ASKED HIM WHAT
ADVANTAGE HE THOUGHT WE COULD POSSIBLY GAIN FROM PROLONGING
MATTERS BY SOME TWO TO THREE MONTHS, WHICH WAS ALL THAT WAS
PROPOSED. THIS POINT SEEMED TO MAKE SOME IMPRESSION.

7. ZHOU ALSO SHOWED SOME PERPLEXITY AT THE IDEA OF PUBLISHING
AN UNSIGNED DRAFT TEXT. HE SAID THAT THE LEGAL STATUS OF SUCH A
DOCUMENT WOULD BE QUITE UNCLEAR. I SAID THAT ON THE CONTRARY
IT WOULD BE CLEAR: IT WOULD BE A DRAFT AGREEMENT. IT WAS NOT
POSSIBLE TO HAVE A DEBATE IN PARLIAMENT UNLESS A DOCUMENT WAS
FIRST PUBLISHED, AND IT WAS IMPOSSIBLE TO SIGN SUCH A DOCUMENT
WITHOUT A DEBATE IN PARLIAMENT.

8. ON RATIFICATION, ZHOU REACTED STRONGLY TO THE IDEA THAT
RATIFICATION SHOULD NOT TAKE PLACE UNTIL THE BASIC LAW HAD BEEN
FORMULATED. THIS MIGHT TAKE YEARS. SURELY THE PARLIAMENTARY
DEBATE WHICH WE WERE PROPOSING TO HOLD WOULD GIVE AUTHORITY
TO THE GOVERNMENT TO COMPLETE THE AGREEMENT. WE EXPLAINED AT
LENGTH THAT NORMAL PRACTICE IN INTERNATIONAL AGREEMENTS WAS NOT
TO EXCHANGE INSTRUMENTS OF RATIFICATION UNTIL ALL THE NECESSARY
LEGISLATIVE PROCEDURES HAD BEEN COMPLETED IN BOTH COUNTRIES.

9. ZHOU SAID THAT HE COULD NOT UNDERSTAND WHY WE WISHED
TO WAIT SO LONG. WAS IT BY ANY CHANCE THAT WE DID NOT
TRUST CHINA TO PRODUCE A BASIC LAW IN ACCORDANCE WITH THE
AGREEMENT. WERE OUR REASONS LEGAL OR POLITICAL? I SAID THAT THEY
WERE BOTH. HOWEVER, WHAT WE WERE PROPOSING WAS ABSOLUTELY
NORMAL IN INTERNATIONAL AGREEMENTS. ZHOU SAID THAT IT WAS
NECESSARY TO HAVE AN AGREEMENT IN PLACE BEFORE THE BASIC LAW
COULD BE DRAFTED. THE AGREEMENT WOULD ALSO HAVE TO DEAL WITH THE
TRANSFER OF SOVEREIGNTY. AN AGREEMENT WHICH DID NOT INCLUDE
THIS WAS INCONCEIVABLE. WE SAID THE AGREEMENT WOULD BE IN PLACE.
IT WOULD MERELY NOT HAVE BEEN RATIFIED.

10. ZHOU SAID THAT WE SHOULD NOT THINK THAT THERE WOULD BE A
PROBLEM INCLUDING IN THE BASIC LAW MATTERS THAT HAD BEEN AGREED
IN THE BILATERAL AGREEMENT. IN FACT, THE CHINESE WERE THINKING
OF INCLUDING IN THE BILATERAL AGREEMENT A PHRASE TO THE EFFECT
THAT THE BASIC LAW WOULD NOT AND SHOULD NOT CONFLICT WITH THE
BILATERAL AGREEMENT.

11. THIS ARGUMENT WAS PURSUED FOR ABOUT AN HOUR, BUT THE
ABOVE WERE THE ESSENTIAL POINTS THAT WERE MADE. AT THE CONCLUSION,
ZHOU SAID THAT HE WAS VERY GRATEFUL THAT WE HAD PUT OUR IDEAS
ON THE TIMETABLE FRANKLY TO THE CHINESE SIDE. HE WOULD THINK
ABOUT THEM VERY CAREFULLY. HOWEVER, WE SHOULD BE IN NO DOUBT
THAT WHAT WE WERE PROPOSING CONFLICTED WITH THE CHINESE VIEW
THAT AN AGREEMENT SHOULD BE COMPLETED BY SEPTEMBER. I POINTED
OUT THAT THEY WERE BEING OFFERED A JOINT ANNOUNCEMENT IN
SEPTEMBER WITH THE PUBLICATION OF A DRAFT AGREEMENT. HE SAID THAT
THIS WAS NOT WHAT THEY HAD HAD IN MIND.

EVANS

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PS (6)
PS/PUS
PS/MR LUCE
MR WILSON
~~ED/HKD~~
HD/FED

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TELEGRAM NUMBER 405 OF 10 MARCH
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MY THIRD IPT: FUTURE OF HONG KONG: DINNER WITH ZHOU NAN:
COMPOSITION OF DELEGATION

1. ZHOU HIMSELF RAISED THE SUBJECT. HE SAID THAT IT WAS VERY NATURAL THAT CHINA SHOULD LINK OUR PROPOSAL TO BRING THE ATTORNEY GENERAL OR SECRETARY (GENERAL DUTIES) TO PEKING IN THE DELEGATION WITH THE LOBO MOTION. HE THOUGHT THAT ANY IMPARTIAL BYSTANDER WOULD HAVE DONE THE SAME. ALTHOUGH THE BRITISH GOVERNMENT MIGHT NOT HAVE SEEN IT IN THAT LIGHT IT WAS BOUND TO HAVE BEEN SO SEEN.
2. I ASSURED ZHOU THAT THERE WAS NO SUCH LINK. WE HAD MERELY CONSIDERED THAT IT WOULD BE USEFUL FOR THESE PEOPLE TO BE PRESENT IN THE NEGOTIATIONS. I SAID HOWEVER THAT I UNDERSTOOD THAT THE CHINESE GOVERNMENT MIGHT BE ANXIOUS THAT THE DELEGATION SHOULD NOT SEEM TO BE TOO WEIGHTED IN FAVOUR OF OFFICIALS FROM HONG KONG. IN THE CIRCUMSTANCES, WOULD IT BE HELPFUL IF WE WERE TO LEAVE OUT MCLAREN FOR THE 11TH ROUND AND PUT IN EITHER THE ATTORNEY GENERAL OR THE SECRETARY (GENERAL DUTIES) IN HIS PLACE.
3. ZHOU INDICATED THAT THIS WOULD NOT MEET CHINESE CONCERNS. HE SUGGESTED THAT THERE WAS A QUALITATIVE DIFFERENCE BETWEEN THE GOVERNOR AND THE POLITICAL ADVISER AND THE OTHER OFFICIALS MENTIONED, USING THE SAME ARGUMENTS AS THOSE USED EARLIER BY LUO JIAHUAN (MY TELNO 397). WITH ALL THE EXCITEMENT OVER THE LOBO MOTION, THERE WAS NO QUESTION THAT MR LOBO AND HIS SUPPORTERS WOULD SEE THE INCLUSION OF SENIOR OFFICIALS FROM THE HONG KONG GOVERNMENT IN THE DELEGATION TEAM AS GIVING LEGITIMACY TO THEIR THESIS OF A THREE LEGGED STOOL.
4. ON THE OTHER HAND, THE CHINESE SIDE UNDERSTOOD THAT THE BRITISH SIDE MIGHT NEED A LEGAL EXPERT, THOUGH THEY WERE PUZZLED WHY WE APPARENTLY THOUGHT THAT NOT ONLY THE ATTORNEY GENERAL, BUT THE SECRETARY (GENERAL DUTIES) COULD FULFIL THIS ROLE. THE LATTER WAS NOT A LAWYER. HOWEVER THE CHINESE SIDE THOUGHT THAT IT WOULD BE BEST FOR THE BRITISH SIDE TO SEND AN EXPERT

~~THAT IT WOULD BE BEST FOR THE BRITISH SIDE TO SEND AN EXPERT FROM LONDON.~~

5. I SAID THAT IT WAS CERTAINLY NOT OUR INTENTION TO PROVOKE A ROW WITH THE CHINESE. THE FACT WAS THAT WE NEEDED ADDITIONAL EXPERTISE IN THE DELEGATION SEMICOLON ALTHOUGH ONE ASPECT ON WHICH EXPERTISE WAS LIKELY TO BE NEEDED WAS LEGAL IT WAS NOT THE ONLY ASPECT. MORE IMPORTANT, THERE WAS A POINT OF PRINCIPLE AT STAKE: IN DELEGATIONS FROM SOVERIGN STATES EACH SIDE SHOULD ~~HAVE FREEDOM~~

~~STAKE. IN DELEGATIONS FROM SOVERIGN STATES EACH SIDE SHOULD~~ HAVE FREEDOM TO CHOOSE THE MEMBERSHIP OF ITS DELEGATION. THIS PROBLEM COULD NOT POSSIBLY HAVE ARISEN IF THE TALKS HAD BEEN IN A NEUTRAL PLACE, OR INDEED IN LONDON, SINCE WE CERTAINLY WOULD NOT HAVE IMPEDED THE CHINESE FROM BRINGING WHO THEY WISHED.

6. ZHOU SAID THAT THE CHINESE WOULD NOT HAVE RAISED ANY OBJECTIONS TO OFFICIALS FROM THE EMBASSY OR FROM THE UNITED KINGDOM. HOWEVER AT THE OUTSET SIR PERCY CRADOCK HAD ASKED THE CHINESE SIDE IF THEY WOULD AGREE TO THE GOVERNOR AND POLITICAL ADVISER ATTENDING AND THEY HAD AGREED. THE CONSIDERATION HAD BEEN THAT THE GOVERNOR WAS THE QUEEN'S REPRESENTATIVE AND THE POLITICAL ADVISER WAS FROM THE FOREIGN AND COMMONWEALTH OFFICE. THE SAME FACTORS DID NOT APPLY TO THE OTHER OFFICIALS NAMED. THE CHINESE SIDE ALSO DID NOT WANT A ROW OVER THIS: BOTH SIDES HAD A COMMON LONG TERM INTEREST IN THE SUCCESSFUL CONCLUSION OF THE TALKS.

7. I REINTERATED THAT IT WOULD BE VERY DIFFICULT FOR BRITISH MINISTERS TO ACCEPT THAT THERE SHOULD BE THIS KIND OF LIMITATION ON THEIR FREEDOM TO CHOOSE THEIR DELEGATION. THIS WAS A POINT OF PRINCIPLE: AND IT MIGHT BE SAID TO BE A COROLLARY OF A CHINESE POINT OF PRINCIPLE SEMICOLON THAT THE NEGOTIATION WAS BETWEEN TWO SOVEREIGN STATES.

8. ZHOU REITERATED THAT THIS WAS A SPECIAL SITUATION. CHINA HAD TO TAKE ACCOUNT OF THE BRITISH ADVOCACY OF THE THREE LEGGED STOOL AND THE SUPPORT THAT OUR PROPOSAL WOULD GIVE TO THE IDEA OF THE THREE LEGGED STOOL. HE ARGUED AT LENGTH THAT THE INCLUSION OF THE GOVERNOR AND POLITICAL ADVISER GAVE SUFFICIENT PURELY HONG KONG EXPERTISE: LEGAL EXPERTISE COULD SURELY COME FROM ELSEWHERE.

9. FINALLY ZHOU AGREED THAT HE WOULD REFLECT FURTHER. HE ALSO ASKED US TO REFLECT FURTHER ON WHAT HE HAD SAID.

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MY SECOND IPT: FUTURE OF HONG KONG: DINNER WITH ZHOU NAN:
LEGCO MOTION

1. ZHOU NAN RAISED THE SUBJECT OF THE LOBO MOTION IN LEGCO AT THE OUTSET AND KEPT RETURNING TO IT THROUGHOUT DINNER. HE SPOKE WITH SOME HEAT.
2. ZHOU SAID THAT HE HAD ALREADY SPOKEN TO ME FORMALLY ABOUT THE LOBO MOTION. WHAT WERE THE PROSPECTS AND HOW DID THE BRITISH SIDE PROPOSE TO HANDLE THIS PROBLEM? I CONFIRMED THAT I HAD REPORTED WHAT HE HAD SAID TO ME ON 1 MARCH AND SAID THAT I HAD RECEIVED NO FURTHER INSTRUCTIONS ON THE MATTER. I COULD, HOWEVER, REASSURE HIM THAT THERE WOULD BE NO BREACH OF THE PRINCIPLE OF CONFIDENTIALITY.
2. ZHOU SAID THAT THE TWO SIDES SHOULD BE PARTNERS NOT OPPONENTS. THE CHINESE SIDE COULD NOT UNDERSTAND WHY THIS MOTION SHOULD SUDDENLY APPEAR OUT OF THE BLUE. HE DID NOT THINK IT COULD BE AN ACCIDENT. IF MR LOBO HAD NOT HAD THE SUPPORT OF POWERFUL PEOPLE HE WOULD NOT HAVE RAISED THE MATTER. HE WONDERED WHAT HIS REAL PURPOSE WAS IN SO DOING. IF THE MOTION WERE APPROVED IN ITS PRESENT FORM, IT WOULD INEVITABLY INTERFERE WITH THE SMOOTH PROGRESS OF THE TALKS AND ADVERSELY AFFECT THE STABILITY AND PROSPERITY OF HONG KONG. FURTHERMORE IT WOULD INEVITABLY BREACH CONFIDENTIALITY AND DE FACTO LEAD TO THE CREATION OF THE THREE LEGGED STOOL. THIS WAS UNACCEPTABLE TO CHINA.
3. ZHOU WENT ON TO SAY THAT HE WAS PARTICULARLY CONCERNED ABOUT THE OFFICIAL ATTITUDE OF THE BRITISH SIDE. MR LOBO APPEARED TO HAVE HAD THE SUPPORT OF THE BRITISH HONG KONG AUTHORITIES. MR LUCE ALSO APPEARED TO HAVE WELCOMED THE MOTION. THERE WERE A NUMBER OF REMARKS MADE BY MR LUCE IN HONG KONG WHICH THE CHINESE GOVERNMENT COULD NOT AGREE, FURTHERMORE, MR MCLAREN WAS REPORTED AS HAVING SAID ON 6 MARCH THAT THE LOBO MOTION WOULD CERTAINLY BE SUPPORTED BY LEGCO. THERE WERE ALSO CERTAIN PEOPLE WHO WERE URGING VARIOUS ORGANISATIONS TO CONTACT LEGCO MEMBERS AND TO PERSUADE THEM TO CALL FOR THE PUBLICATION OF THE CONTENTS OF THE TALKS.

4

THE CHINESE SIDE WAS COMPLETELY IN THE DARK AS TO THE PURPORT OF ALL THIS. BUT IT WAS CLEARLY NOT GOING TO BE CONDUCTIVE TO

~~OF ALL THIS. BUT IT WAS CLEARLY NOT GOING TO BE CONDUCTIVE TO~~
THE TALKS. WAS IT THE BRITISH HONG KONG AUTHORITIES OR THE
AUTHORITIES IN LONDON OR BOTH WHO HAD SET THIS IN MOTION?

5. I SAID THAT THE MOTION HAD BEEN GENERATED AMONG THE UNOFFICIAL
MEMBERS OF LEGCO. THEY HAD THEIR OWN VIEWS TO WHICH I WAS NOT
PRIVY AND I COULD NOT INTERPRET THEIR ACTIONS. THE BRITISH
AUTHORITIES IN HONG KONG OPERATED UNDER THE CONSTITUTIONAL
ARRANGEMENTS OF HONG KONG. ANY UNOFFICIAL MEMBER OF LEGCO COULD
PUT DOWN A MOTION ON ANY SUBJECT. I ASSUMED THAT THE GOVERNOR'S
VIEW HAD BEEN THAT TO TRY TO BLOCK THE TABLING OF SUCH A MOTION
WOULD HAVE BEEN TOTALLY COUNTER-PRODUCTIVE IN TERMS OF THE
STABILITY AND PROSPERITY OF HONG KONG. THERE MUST BE SOME
WAY FOR PEOPLE TO EXPRESS THEIR VIEWS, AND TO ATTEMPT TO SUPPRESS
THE MOTION WOULD HAVE CREATED GREAT EMOTION. THE PRESENT MOTION
WAS PROCEDURAL, NOT SUBSTANTIVE. I ASKED ZHOU TO CONSIDER WHAT
THE CONSEQUENCES FOR THE TALKS MIGHT HAVE BEEN IF THE GOVERNOR
HAD ATTEMPTED TO LEAN ON UNOFFICIAL MEMBERS OF LEGCO IN ORDER
TO PREVENT THEM PUTTING FORWARD THEIR MOTION. I ADDED THAT THE
MOTION LOOKED FORWARD TO A TIME WHEN THE TALKS BETWEEN DELEGATIONS
IN PEKING ON A DRAFT AGREEMENT WOULD BE COMPLETE AND THE RESULTS
OF THOSE TALKS PUBLISHED.

6. ZHOU SAID THAT HE FOUND IT DIFFICULT TO BELIEVE THAT THE BRITISH
GOVERNMENT WAS A NON-ACTOR IN ALL OF THIS. THE GOVERNOR OF HONG
KONG PRESIDED OVER BOTH LEGCO AND EXCO AND HAD THE POWER TO
PREVENT ANY MOTION FROM BEING ADOPTED, OR TO AMEND IT. HOW
COULD THE BRITISH AUTHORITIES FACILITATE DISCUSSION IN LEGCO
WITHOUT REVEALING THE CONTENTS OF THE TALKS?

7. I REPLIED THAT THERE WAS A DISTINCTION BETWEEN THE CONTENTS
OF THE TALKS AND THE RESULTS.

8. ZHOU SAID THAT CHINA WAS TOTALLY OPPOSED TO THE CONCEPT
OF THE THREE LEGGED STOOL, OR TO ALLOWING ANY IMPRESSION OF
A THREE LEGGED STOOL TO BE CREATED. THE TALKS WERE BETWEEN THE
CHINESE AND BRITISH GOVERNMENTS AND NO THIRD PARTY COULD INTERVENE.
THIS PRINCIPLE WAS AS IMPORTANT AS THE PRINCIPLES OF SOVEREIGNTY
AND ADMINISTRATION. WE SHOULD UNDERSTAND THE LIMITS AND SHOULD
NOT GO BEYOND THEM. HE HOPED THE BRITISH GOVERNMENT WOULD TAKE
WHAT HE HAD SAID SERIOUSLY AND HANDLE THE MATTER PRUDENTLY.
OTHERWISE THERE WOULD BE INTERFERENCE WITH THE SMOOTH PROGRESS
OF THE TALKS. THE CHINESE SIDE WOULD BE FORCED TO REACT.
IT WOULD NOT BE THE CHINESE SIDE WHICH HAD CREATED OR PROVOKED
THIS. ZHOU REPEATED AT A LATER STAGE IN THE EVENING WITH SOME
FORCE THE THREAT THAT THE CHINESE SIDE WOULD BE OBLIGED TO REACT.
HE ALSO SAID THAT CERTAIN PEOPLE MIGHT TRY TO TAKE ADVANTAGE OF
THE LOBO MOTION TO TRY TO DRAG OUT THE TALKS.

9. I REPEATED THAT IT WOULD NOT HAVE BEEN POSSIBLE FOR THE
BRITISH AUTHORITIES TO SUPPRESS DEBATE ON THIS MATTER IN HONG KONG
AND THAT THERE WAS NO DANGER THAT THE DEBATE ON 14 MARCH WOULD
LEAD TO A REVELATION OF THE CONTENTS OF THE TALKS.

EVANS

FUTURE OF HONG KONG - ADVANCE COPIES

16

42A

PS (6)
PS/PUS
PS/MR LUCE
MR WILSON
HD/HKD
HD/FED

COPIES TO:
MR COLES, NO. 10 DOWNING ST
MR ROBERTS, NEWS DEPT
SIR PERCY CRADOCK

RESIDENT CLERK

IMMEDIATE

SECRET

DESKBY FCO 100930Z
DESKBY HONG KONG 100430Z
FM PEKING 100330Z MAR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 402 OF 10 MARCH
INFO IMMEDIATE HONG KONG

ADVANCE COPY

MT

FUTURE OF HONG KONG: DINNER WITH ZHOU NAN.

1. GALSORTHY AND I SPENT FOUR AND A HALF HOURS WITH ZHOU, WHO WAS ONLY ACCOMPANIED BY AN INTERPRETER AND A NOTETAKER. WE TALKED SHOP ALMOST THROUGHOUT.
2. ZHOU REACTED ENCOURAGINGLY TO YOUR PROPOSAL TO VISIT CHINA. HE LISTENED VERY CAREFULLY TO WHAT I HAD TO SAY ABOUT THE TIMETABLE. HIS QUESTIONING THEN FOCUSED, AS I HAD EXPECTED, ON WHY IT WOULD NOT BE POSSIBLE TO COMPLETE WORK ON A DRAFT AGREEMENT, AND TO GIVE PARLIAMENT ENOUGH TIME TO CONSIDER THE DRAFT, BEFORE JULY AND WHY THE INTERVAL BETWEEN SIGNATURE AND RATIFICATION WOULD NEED TO BE SO LONG. AS WE LEFT, HE SAID THAT OUR TIMETABLE WAS NOT CONSISTENT WITH WHAT THE CHINESE HAD SAID ABOUT THEIR SEPTEMBER DEADLINE. WE SHALL NEED TO WORK HARD TO GET THE CHINESE TO UNDERSTAND, AND ACCEPT, THE CONSTRAINTS WHICH GOVERN OUR TIMETABLE.
3. ZHOU'S OWN PRINCIPAL PURPOSE WAS TO DEMONSTRATE THAT THE CHINESE ARE STILL ON THE WARPATH ABOUT MR LOBO'S MOTION. HE RETURNED TO THE SUBJECT AGAIN AND AGAIN DURING THE EVENING. HE CLEARLY THREATENED A STRONG CHINESE REACTION IF THE MOTION WERE DEBATED AND CARRIED. WHAT THE CHINESE SEEM TO SEE BEHIND THE MOTION IS SOME KIND OF CONSPIRACY TO ESTABLISH A VETO IN HONG KONG OVER THE OUTCOME OF THE TALKS, ITSELF INSPIRED BY A DESIRE TO SLOW DOWN THE NEGOTIATION AND PERHAPS EVEN TO PREVENT A SUCCESSFUL OUTCOME.
4. AFTER MUCH DISCUSSION, WE ENDED WITH A STAND-OFF ABOUT THE COMPOSITION OF OUR DELEGATION. WE ARE NOT OUT OF THE WOOD OVER THIS EITHER.
5. SEE MY FIVE IFTS.

EVANS

ecpc

S E C R E T

42

①



Prime Minister.

Y
us

Agree that the working paper should be given to the Chinese?

or would you prefer to have a

No - discussion first?

most other
thinkers have
expressed
this

A.S.C. 2/3.

PM/84/46

PRIME MINISTER

Future of Hong Kong: Working Paper on Nationality, Citizenship, Right of Abode, Freedom of Travel, Emigration and Immigration

1. I enclose a draft working paper on Nationality, Citizenship, Right of Abode, Freedom of Travel, Emigration and Immigration. It is probably the last of the working papers that we intend to present to the Chinese in this phase of talks in Peking, and deals with issues of great complexity and sensitivity - for us, for the Chinese and for the Executive Council and people of Hong Kong.

2. The working paper has been agreed with the Governor and the Ambassador. It has also been seen and agreed (in an earlier, but substantially unchanged form) by the Home Secretary and by the Executive Council. EXCO had previously had the opportunity to discuss the issues in general terms with Richard Luce in London on 17 January and in Hong Kong on 27 February.

3. The main aims of the working paper are to define a citizenship of Hong Kong (China) that would be a special category of Chinese nationality, to retain the existing freedoms of travel and right of abode for the people of Hong Kong, to retain the SAR Government's powers to control immigration, and to provide for the retention of the rights of

/those

S E C R E T



those who hold British Dependent Territories Citizenship (BDTCs) immediately prior to 1 July 1997. The most important of these rights are:

- (a) the right of abode in Hong Kong under local legislation;
- (b) transmissibility of BDTC status by descent, in general for one generation but in certain circumstances for more;
- (c) eligibility for consular protection by HMG in third countries.

It is the retention of rights of BDTCs that raises the most difficulties. The Unofficial members of the Executive Council attach great importance to it and have stated their view that people in Hong Kong may judge the acceptability of the overall agreement with China in the light of what we agree on the question of national status.

4. At present, BDTCs from Hong Kong, although having the right of abode in Hong Kong, are subject to immigration control into the UK. To maintain that control, the Home Secretary is very strongly of the view that if we are to retain the rights of BDTCs after 1997, we must provide for them automatically to acquire Hong Kong (China) citizenship as well and to enjoy an unrestricted right of entry to and abode in Hong Kong. The proposals in the working paper meet these two points.

5. We do not believe that the Chinese will accept the retention of the title British Dependent Territories Citizen after 1997. Zhou Nan, the chief Chinese negotiator, said as much on 22 February when discussing appointments to senior posts in the Hong Kong civil service. The Executive Council, who have previously expressed the view that we should at least attempt to retain the term, have now also concluded

/that it



that it is not worth the risk of seriously upsetting the Chinese. They consider it essential however that the existing rights of BDTCs in Hong Kong should be retained under another name.

6. From what we know of Chinese thinking in this area, it seems likely that they would accept this. But it would mean that we would in due course have to pass legislation to create a new category of British nationality. The creation of a new category is not desirable but seems preferable to the alternative of reclassifying Hong Kong BDTCs into the existing category of British Overseas Citizens (BOCs). BOCs cannot pass on that status to their children and do not have an automatic right of abode anywhere. It seems best to create a new category which is related specifically to the problems of Hong Kong and to grant those in that category as nearly as possible the rights that they presently enjoy as BDTCs. I understand that the Home Secretary accepts this approach.

7. In devising a name for this new category, we have to bear in mind that the Executive Council, and Hong Kong BDTCs in general, will not accept anything that throws any doubt on the British nationality of Hong Kong BDTCs, but that the Chinese are unlikely to accept any title which implies that Hong Kong remains British territory or is independent of China. With these points in mind, the name that I would suggest for the new category is 'British: Hong Kong (China) citizen'. This has the advantage of consistency with our proposals in the rest of the working paper and should therefore be acceptable to the Chinese. The Governor has not yet formally consulted the Executive Council but believes that they will agree to it. From our point of view, it has the further advantage of referring specifically to this limited group and avoiding the possible danger, which a more general term might carry, that other groups might claim eligibility for it. I understand

/that



that the Home Secretary would prefer to omit the colon between 'British' and 'Hong Kong'. I believe that the Chinese would find offensive the implication that this would give of 'British Hong Kong'. I also see merit from our point of view in separating in the title the concepts of British nationality and Hong Kong (China) citizenship. This is a subject in which there is likely to be a great deal of interest in the House. We are likely to come under attack both for letting the people of Hong Kong down and for opening the way for large-scale immigration from Hong Kong. I believe that we will be best able to defend ourselves if we are able to state that we have done the best we can for Hong Kong within the practical limitations of the situation, and that our proposals do not change in any way the rights of those concerned or give them new immigration rights into the UK. The approach outlined above would enable us to do this. The question of what provision we might at a later stage have to make for those who might be in actual danger in 1997 is a separate one which we shall have to consider in due course.

8. I should be grateful to know if you are content that we should put this working paper to the Chinese.

9. I am copying this minute to other members of OD(K) and to Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
9 March 1984

FUTURE OF HONG KONG: WORKING PAPER ON NATIONALITY, CITIZENSHIP,
RIGHT OF ABODE, FREEDOM OF TRAVEL, EMIGRATION AND IMMIGRATION

CHINESE PLAN

1. The SAR would enjoy a high degree of autonomy. The current social and economic systems would remain unchanged. So too would the lifestyle. Freedom of travel, of migration and change of residence would be ensured. The Hong Kong SAR would be able to issue its own travel documents for entry into and exit from Hong Kong. The SAR could on its own enter negotiations with foreign countries in the fields of the economy, culture and tourism and could sign agreements in these fields as Hong Kong, China.

BACKGROUND

2. Apart from small numbers of citizens of commonwealth countries, aliens and visitors, persons lawfully resident in Hong Kong comprise the following main categories under the Hong Kong Immigration Ordinance (Cap 115):-

(a) "Hong Kong Belongers" (ie persons born or naturalised in Hong Kong or otherwise closely connected with Hong Kong). They number approximately 3 million. They have an absolute right of abode in Hong Kong and cannot be removed or deported in any circumstances.

(b) "Immigrants":

(1) "Chinese resident" (ie persons wholly or partly of Chinese race who have at any time been ordinarily resident in Hong Kong for a continuous period of not less than 7 years). They number approximately 1.8 million. They have the right to "land" (ie enter and stay) in Hong Kong but may be deported in limited circumstances.

(2) "Resident British citizens" and "British citizens" (ie persons with the right of abode in the United Kingdom: those who have at any time been ordinarily resident in

Hong Kong for a continuous period of not less than 7 years are classified as "resident British citizens"). Together they number approximately 20,000. "Resident British citizens" have the right to land in Hong Kong while "British citizens" may enter Hong Kong for any purpose without visas. Both categories may be deported in limited circumstances.

- (3) New arrivals from China (ie persons of Chinese race who have remained in Hong Kong for less than 7 years). They number approximately 336,000. They remain in Hong Kong at the discretion of the Hong Kong immigration authorities and may be required to leave.

3. Unless specifically exempted from doing so, all persons remaining in Hong Kong for more than 6 months are required to hold Hong Kong identity cards. All "Hong Kong Belongers", "Chinese residents" and "resident British citizens" are entitled to identity cards which indicate that they have the right to land in Hong Kong or to remain in Hong Kong unconditionally. Identity cards issued to other categories of persons indicate that they are on conditional stay in Hong Kong.

4. Under British nationality law, most of the "Hong Kong Belongers" are British Dependent Territories citizens (BDTCs) by virtue of their connection with Hong Kong, and thus have this form of British nationality under the British Nationality Act 1981, irrespective of their racial origins. In accordance with that law, their BDTC status is as a general rule transmissible by descent for one generation.

5. It is the UK Government's understanding that, under Chinese nationality law, most "Hong Kong Belongers" of Chinese race are Chinese nationals, but that any persons who have acquired foreign nationality through birth or naturalization are not Chinese nationals.

(A) IMPLICATIONS: NATIONALITY, CITIZENSHIP AND RIGHT OF ABODE

6. In accordance with UK law, all persons who immediately before

1 July 1997 were BDTCs by virtue of their connection with Hong Kong would on and after that date continue to retain the status and rights of BDTCs. The British proposal is that they should retain these rights but under some other appropriate form of British nationality.

7. Existing rights of abode in Hong Kong, including the existing freedom or protection from removal or deportation from Hong Kong, would remain unchanged. In the interests of reassuring the people of Hong Kong that there would be continuity in this important area, and in recognition of the high degree of autonomy envisaged for the Hong Kong SAR in the Chinese plan, the British side suggest that:-

- (a) a distinctive citizenship of Hong Kong (China), as a special category of Chinese nationality, should be created in 1997 for persons whose status would depend upon connection with the Hong Kong SAR;
- (b) subject to further examination of the position of certain specific categories, such as British nationals with right of abode in the UK, the following would, unless they were nationals of third countries with the right of abode in those countries, acquire citizenship of Hong Kong (China), in addition to any other national status they might hold, and would have an absolute right of abode in Hong Kong:
 - (1) all persons who immediately before 1 July 1997 were BDTCs as a result of their connection with Hong Kong;
 - (2) all 'Chinese residents' and all persons in Hong Kong on 1 July 1997 who, by continuing to reside there for the qualifying period, would become 'Chinese residents';
 - (3) all persons born in Hong Kong before 1 July 1997 who were not BDTCs; and
 - (4) all persons born in Hong Kong on or after 1 July 1997.
- (c) acquisition of Hong Kong (China) citizenship by these means, and

acquisition after 1 July 1997 by naturalization or other means, would be defined under the laws of the Hong Kong SAR.

(B) IMPLICATIONS: FREEDOM OF TRAVEL

8. The SAR Government would, on its own authority, issue Hong Kong (China) travel documents in accordance with the policy followed immediately prior to 1 July 1997 for Hong Kong travel documents. Consular officers of the UK Government would issue British travel documents.

9. Hong Kong (China) travel documents would be valid for all countries or territories (subject only to immigration requirements of the country or territory of destination) and would guarantee the holder's right of return to the SAR within the period of validity of the document. The SAR Government would only withhold or withdraw travel documents in specific circumstances defined by the law of the SAR.

10. The Government of the SAR would be empowered to negotiate new visa abolition agreements for holders of Hong Kong (China) travel documents. The UK Government would use its good offices to assist this. It would also be for the SAR to determine what the rights of access to the SAR should be for nationals not from states party to such visa abolition agreement. The UK Government would ~~to~~ try to persuade third states, which immediately prior to 1 July 1997 allowed visa-free entry to persons who were BDTCs by virtue of their connection with Hong Kong, to continue to allow them visa-free entry after that date.

11. Persons travelling abroad would be entitled to the range of consular services and the degree of consular protection consistent with their nationality status.

(C) IMPLICATIONS: EMIGRATION AND IMMIGRATION

12. Subject to exceptions which are both allowed by law and consistent with the International Covenant on Civil and Political

Rights, all persons would be free to leave the SAR in order to emigrate or for any other purpose. Holders of valid Hong Kong (China) travel documents or of British passports issued to persons who possessed British nationality by virtue of their connection with Hong Kong would have the right to enter and re-enter the SAR by virtue of their absolute right of abode in the SAR, and arrangements would be required to ensure that each of these documents stated that right. The present arrangements for allowing travel between Hong Kong and Macau and the present arrangements for allowing travel between Hong Kong and other parts of China would continue.

13. The existing arrangements for persons with no right of abode in Hong Kong to visit, reside in and leave the SAR would remain. Any changes to these arrangements would be the sole responsibility of the SAR Government.

14. Persons who have no right of entry to the Hong Kong SAR would not be permitted to enter the SAR without the permission of the immigration authorities of the SAR.

15. All illegal immigrants or overstayers would be removed in accordance with the laws of the Hong Kong SAR.

16. Entry into the Hong Kong SAR from other parts of China would continue on the same basis as at present. Any changes in these arrangements would have to be agreed between the SAR Government and the Central government of the PRC.

Hong Kong Department
March 1984 (A)

CEPC

41 A

Prime Minister.

Foreign and Commonwealth Office

You should be aware of this. London SW1A 2AH
 if it leaked it would cause
 trouble.

9 March 1984

A.S.C. 2/3

ms

Dear John,

Future of Hong Kong: Composition of British Delegation

You asked for a note on the difference which has arisen with the Chinese over the proposal to include Hong Kong's Attorney-General in the British team during one of the next rounds.

Shortly before the last round of negotiations, the Governor suggested to us that during March and April he might take to the talks in Peking either his Attorney General or his Secretary (General Duties) to provide specialist back-up to the delegation (both are British). The Ambassador was authorised to tell the Chinese informally of our intentions. This was done on 23 February.

Although the Chinese initial reaction appeared helpful, their formal response, conveyed at working level to our Embassy in Peking on 2 March, was that the Attorney General's presence at the talks would be superfluous because there was no need for discussion of legal matters. The Embassy pointed out that the composition of the British delegation was a matter for us. They made a subsequent, more formal demarche explaining that:

- (a) our intention was to facilitate detailed discussion;
- (b) the Chinese had themselves made at least one change in the composition of their delegation;
- (c) it was inappropriate for the Chinese to seek to control the composition of ours.

On this occasion the Chinese official concerned, although claiming to speak personally, was uncompromising. He maintained, as a "final position" that the Chinese attitude towards the participation by the Attorney General remained unchanged and he implied that members of both delegations should be acceptable to either side. He did however undertake to consult about the possible participation of the Secretary (General Duties).

/The Chinese



The Chinese attempt to exercise a veto over membership of our delegation raises a serious matter of principle. We clearly need to leave the Chinese in no doubt that this would be unacceptable. On the other hand, the Foreign Secretary's view, with which both the Governor and the Ambassador concur, is that when we are about to put to the Chinese a particularly important issue affecting the negotiations (ie the timetable for an eventual agreement) it would be wrong to jeopardise the atmosphere of the talks by bringing the question of membership of our delegation to a head.

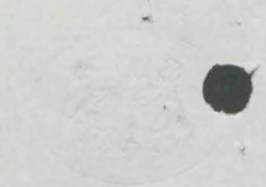
The Ambassador has accordingly been instructed, for his meeting with Assistant Foreign Minister Zhou Nan for dinner today, in the following terms. He is to repeat formally the principle that neither side should seek to influence the composition of the other's delegation. He has discretion to reiterate if necessary the reasoning behind our proposal and in particular to emphasise that, while the Chinese have their own experts immediately at hand in Peking, in the British case the expertise is largely in Hong Kong. He would thus leave the Chinese in no doubt about our views and would give nothing away. But he has also been instructed not to attempt to push the point to confrontation.

Yes evr,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street



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- 9 FEB 1954

Mr Clift

PK/Sir P
ls/ps

Subject to the news of
how expert in Parliamentary procedure & knowledgeable about
what is likely to go down best with Mrs. The sequence of
events in 4 looks good to
me.

FROM: R D CLIFT, HKD
DATE: 8 March 1984

PS/PUS PUS

AMM $\frac{8}{5}$

cc: PS
PS/Mr Luce
Sir P Cradock
Mr Donald
Mr Butler, Parliamentary Unit

HONG KONG: STRATEGY AND TIMETABLE

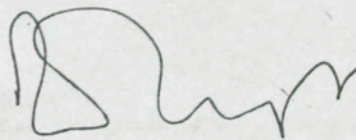
- A 1. In your minute of 1 March to Mr Hum you noted the concern of Mr Renton, the PUS and Sir P Cradock that any speech made by the Secretary of State in Hong Kong should be brought to the attention of Parliament at the same time.
- B 2. I attach a factual minute by Mr Butler of the Parliamentary Unit, which sets out the procedural options available. The precedent of the memorandum on the diplomatic moves to end the Falklands War is covered in paragraph 3(e).
- 3. You will know from separate minuting that the exact timing of the Secretary of State's visit to Peking and Hong Kong is still under consideration: revised planning is now in hand for a visit in the week of 15 April, which falls during the Parliamentary Recess. Ministers have already given some thought to the Parliamentary problems that this will pose (see PS/Mr Luce's minute of 5 March). We are submitting separately on the Secretary of State's wish to use opportunities in March to lift the veil at least partially.
- C 4. As regards the mechanics of a possible statement in April, the idea of a statement to be made by an FCO Minister as soon as Parliament reconvenes could be combined with the device of depositing papers in the Library of each House (Mr Butler's option (e)) to give the following sequence of actions:
 - (i) The Secretary of State would make his statement in Hong Kong.
 - (ii) The text of his statement would simultaneously be deposited in the Library of each House. (Mr Butler confirms that this can be done even if Parliament is in Recess). To ensure exact simultaneity and to avoid being "scooped" by the British morning press, the Secretary of State's statement should be made in the late afternoon Hong Kong time (the beginning of the working day in Britain).
 - (iii) An FCO Minister would make a statement on the first day after the Recess, probably Wednesday 25 April, in which he would refer to the Secretary of State's statement and the fact that it had been deposited in the Library of the House. (On current plans the

/Secretary

-2-

Secretary of State would himself still be in the Far East).

5. I believe, from manuscript minuting between yourself and the PUS, that this proposal accords with the PUS's own view. I do not think we can be any more precise about mechanics until there is more certainty about the Secretary of State's plans. It seems clear however that procedures exist which would allow Parliament to be effectively informed of a statement made by the Secretary of State in Hong Kong.



8 March 1984

R D Clift
Hong Kong Department

41

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GRS 788

SECRET

DESKBY 080100Z

FM FCO 071330Z MARCH 84

TO IMMEDIATE PEKING

TELEGRAM NUMBER 191 OF 7 MARCH

INFO IMMEDIATE HONG KONG

MIPT: FUTURE OF HONG KONG: TIMETABLE

1. YOU SHOULD BEGIN BY SAYING THAT IN OUR VIEW IT IS TIME TO LOOK AHEAD AT THE WHOLE PICTURE OF THE NEGOTIATIONS OVER THE COMING MONTHS AND AT THE TIMETABLE TOWARDS WHICH IT IS FEASIBLE TO AIM. FOR OUR PART WE ARE NEGOTIATING IN EARNEST AND IN GOOD FAITH. WE HOPE THAT THE WAY FORWARD CAN BE DISCUSSED IN THE FRIENDLY AND CO-OPERATIVE SPIRIT THAT HAS CHARACTERISED THE TALKS SO FAR.
2. WE ARE AWARE OF THE CHINESE HOPE THAT A JOINT PUBLIC STATEMENT CAN BE MADE BY SEPTEMBER IN THIS YEAR. WE SHARE THIS HOPE. OUR AIM IS TO REACH A FORMAL BILATERAL AGREEMENT. WE BELIEVE THIS IS THE CHINESE WISH TOO. WE WISH TO SIGN SUCH AN AGREEMENT THIS YEAR AND THINK THE TWO SIDES SHOULD AIM AT ANNOUNCING THE TEXT OF A DRAFT BY SEPTEMBER. THE END OF DISCUSSION ON AGENDA ITEM 1 IS IN SIGHT AND IT SHOULD BE POSSIBLE TO BEGIN AGENDA ITEM 2 IN APRIL. WE ARE ALSO GIVING INTENSIVE CONSIDERATION TO THE FORM AND CONTENT OF AN AGREEMENT AND HOPE TO LET THE CHINESE HAVE OUR IDEAS BEFORE TOO LONG.
3. WE HOPE THE CHINESE WILL UNDERSTAND THE NATURE OF THE CONSTRAINTS WITHIN WHICH WE ARE WORKING. THE CONSTITUTIONAL REQUIREMENT UPON THE GOVERNMENT TO SEEK PARLIAMENT'S APPROVAL OF ANY AGREEMENT REACHED WITH THE CHINESE GOVERNMENT OVER HONG KONG IS A REAL AND SERIOUS ONE. IT IS NO FORMALITY. MEMBERS OF PARLIAMENT WILL WISH TO HOLD A SERIOUS AND WELL-PREPARED DEBATE ON THE BASIS OF THE PUBLISHED AGREEMENT. THEY MUST BE CONVINCED THAT THE AGREEMENT IS IN THE INTERESTS OF ALL THOSE WHOM IT

A.S.C. 8/3
f.c.

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AFFECTS. IT MUST BE UNDERSTOOD IN THIS CONNECTION THAT PARLIAMENT WILL WISH TO SATISFY ITSELF, BEFORE TAKING ANY DECISION THAT IT IS IN A POSITION TO ASSESS THE SENTIMENT OF THE PEOPLE OF HONG KONG.

4. IF PARLIAMENT IS TO BE SATISFIED IN THIS WAY, THERE MUST BE AN INTERVAL BETWEEN PUBLICATION OF A DRAFT AGREEMENT AND THE PARLIAMENTARY DEBATE. THE PROCESS OF PARLIAMENTARY CONSIDERATION WOULD HOWEVER BE FACILITATED IF IN ADVANCE OF THAT STAGE IN THE NEGOTIATIONS A MEANS HAD BEEN FOUND, CONSISTENT WITH THE CONFIDENTIAL BASIS OF THE NEGOTIATIONS, TO PROVIDE AN INDICATION TO HONG KONG OPINION OF THE POSSIBLE OUTCOME: I HAVE IT IN MIND THAT I SHOULD MAKE A STATEMENT IN THE SPRING WHICH WOULD GIVE A BROAD INDICATION OF THE LIKELY CONTEXT OF THE DRAFT AGREEMENT. BUT EVEN SO IT WOULD NOT BE PRACTICABLE TO CONCLUDE AN AGREEMENT BY JULY. THAT WOULD INVOLVE A DEBATE BEFORE THE SUMMER RECESS. IT WOULD NOT BE FEASIBLE TO PUBLISH AN AGREEMENT WITH SUFFICIENT ADVANCE NOTICE TO ACHIEVE THAT.

5. WE THEREFORE PROPOSE TO WORK FOR THE PREPARATION OF A DRAFT AGREEMENT BY SEPTEMBER AT THE LATEST. THIS WOULD ENABLE A JOINT ANNOUNCEMENT TO BE MADE IN THAT MONTH. AFTER PARLIAMENT HAD RECONVENED IN THE AUTUMN THERE WOULD BE A FORMAL DEBATE. MEMBERS OF PARLIAMENT WOULD BY THEN BE ABLE TO ASSESS OPINION IN HONG KONG AND SHOULD BE MORE CONFIDENT OF THE BASIS FOR THEIR DECISION. ON THE ASSUMPTION OF A FAVOURABLE DECISION BY PARLIAMENT SIGNATURE COULD TAKE PLACE BY THE END OF THE YEAR.

6. (DEPENDING ON CHINESE INITIAL REACTION.) THE FINAL STAGE WILL BE RATIFICATION OF THE AGREEMENT. INSTRUMENTS OF RATIFICATION CANNOT BE EXCHANGED UNTIL THERE HAS BEEN SECURED IN BOTH COUNTRIES THE PASSAGE OF THE LEGISLATION NECESSARY TO PUT THE AGREEMENT INTO EFFECT IN 1997. PARLIAMENT CANNOT BE EXPECTED TO ENACT THE NECESSARY LEGISLATION IN THE UNITED KINGDOM UNTIL IT HAS BEEN ABLE TO SATISFY ITSELF THAT THE TERMS OF THE BASIC LAW TO BE ENACTED IN CHINA ARE CONSISTENT WITH THE AGREEMENT CONCLUDED BETWEEN THE TWO GOVERNMENTS. THE TIMING OF THIS STAGE WILL THEREFORE DEPEND ON THE LENGTH OF TIME TAKEN OVER THE

SECRET

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DRAFTING AND ENACTMENT OF THE BASIC LAW. AS WE SEE IT, BOTH SIDES HAVE AN INTEREST IN HAVING THE WHOLE PROCESS CONCLUDED AS RAPIDLY AS POSSIBLE.

7. WE RECOGNISE THAT THERE MAY BE A DISPOSITION ON THE PART OF ZHOU NAN TO CAVIL AT THIS TIMETABLE AND ACCUSE US OF FOOT-DRAGGING. HE MAY IN PARTICULAR ARGUE THAT WE SHOULD BE ABLE TO CONCLUDE ALL THE PARLIAMENTARY PROCESSES BY THE SUMMER RECESS. YOU WILL HAVE TO CORRECT HIM IN THIS BY GIVING HIM OUR JUDGEMENT THAT NOTHING CAN BE ACHIEVED MORE QUICKLY, THOUGH OBVIOUSLY YOU WILL WISH TO PUT MORE STRESS ON THE REQUIREMENT OF ACCEPTABILITY IN LONDON THAN IN HONG KONG. IN GENERAL, THE ANSWER TO ZHOU NAN SHOULD BE THAT, AS YOU HAVE MADE PLAIN AT THE OUTSET, WE ARE APPROACHING THIS MATTER IN A SINCERE SPIRIT OF ENDEAVOURING TO MEET THE CHINESE TIMETABLE AND ARE SIMPLY EXPLAINING TO HIM THE VARIOUS SHOALS THAT HAVE TO BE NAVIGATED ON OUR SIDE IN PURSUIT OF OUR COMMON OBJECTIVE. HE WILL SIMPLY HAVE TO ACCEPT THAT WE ARE THE BEST JUDGE OF HOW TO GET AN AGREEMENT THROUGH IN THE UK AND HONG KONG.

HOWE

FUTURE OF HONG KONG
LIMITED
HD/HKD
HD/FED
ED/PLANNING STAFF
ED/PUSD
D/ED/PUSD
RES.B. (MR WALKER)
LEGAL ADVISER (SIR IAN SINCLAIR)
PS
PS/LADY YOUNG
PS/MR LUCE
PS/FUS
SIR J BULLARD
SIR W HARDING
MR WILSON
MR WRIGHT
SIR C TICKELL

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 TO IMMEDIATE PEKING
 TELEGRAM NUMBER 190 OF 7 MARCH
 INFO IMMEDIATE HONG KONG
 HONG KONG TELNO 571 AND YOUR TELNO 383:
 FUTURE OF HONG KONG: TIMETABLE

A. J. C. 8/3
 f.a.

1. I AM MOST GRATEFUL TO THE GOVERNOR FOR HIS SKILL IN GUIDING DISCUSSION IN EXCO ON OUR FUTURE STRATEGY AND TIMETABLE. I AM CONVINCED THAT WE HAVE ALL MADE THE RIGHT DECISION, AND I AM GLAD THAT WE NOW HAVE EXCO WITH US.
2. WE SHOULD SOON BEGIN EXPLAINING OUR THINKING ON THE TIMETABLE TO THE CHINESE. MRS SHIRLEY WILLIAMS WILL HAVE DONE SOMETHING TO EDUCATE ZHOU NAN ON THE PARLIAMENTARY REQUIREMENTS AND THEIR EFFECT ON THE TIMING AND SUBSTANCE OF THE SCENARIO. (YOUR TELNOS 346 AND 350 REFER). BUT IT IS IMPORTANT FOR HMG TO MAKE TWO ESSENTIAL POINTS QUICKLY: THAT WE ARE READY TO WORK FOR A SIGNED AGREEMENT THIS YEAR: BUT THAT CHINESE IDEAS OF SIGNING AN AGREEMENT BY SEPTEMBER OR EVEN BY JULY ARE UNREALISTIC.
3. THIS MIGHT BEST BE DONE IN AN INFORMAL DISCUSSION WITH ZHOU NAN, PREFERABLY AT YOUR DINNER ON 9 MARCH. UNLESS YOU OR THE GOVERNOR SEE OBJECTION, YOU SHOULD SPEAK ON THE LINES OF MIFT.
4. THE LINE TO TAKE HAS BEEN CONSTRUCTED SO AS TO PRESENT OUR POINTS IN THE BEST POSSIBLE LIGHT, WHILE LEAVING THE CHINESE IN NO DOUBT ABOUT THE REQUIREMENTS OF PARLIAMENT AND THE NEED TO PREPARE OPINION IN HONG KONG.
5. OBVIOUSLY THE POINT ABOUT RATIFICATION WILL BE VERY UNWELCOME TO THE CHINESE. WE MUST NOT LEAVE IT TOO LATE TO GET THE WHOLE TRUTH OVER TO THE CHINESE, OTHERWISE THEY MIGHT ACCUSE US LATER OF BAD FAITH. NEVERTHELESS, IT MIGHT BE BETTER NOT TO MAKE THE POINT IN THIS INITIAL APPROACH AND TO LEAVE IT FOR A FURTHER CONTACT. YOU HAVE DISCRETION TO

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HANDLE THE QUESTION IN THIS WAY IF YOU JUDGE IT NECESSARY.

6. FOR YOUR INFORMATION AT THIS STAGE, I HAVE THOUGHT FURTHER ABOUT THE POSSIBILITY OF MY VISITING PEKING, AS WELL AS HONG KONG, IN APRIL AS PART OF MY FAR EASTERN TOUR. I BELIEVE THAT THE TALKS HAVE NOW REACHED THE STAGE WHEN THIS WOULD BE HELPFUL TO HONG KONG'S AND OUR INTERESTS. IT WOULD DEMONSTRATE THE SERIOUSNESS WHICH HMG ATTACH TO THE NEGOTIATIONS. IT WOULD ENABLE ME TO TAKE UP POINTS OUTSTANDING SO FAR IN THE DISCUSSION AT DIPLOMATIC LEVEL. IT WOULD ALSO PROVIDE AN OPPORTUNITY TO IMPRESS UPON THE CHINESE AT A HIGH LEVEL BOTH THE SINCERITY OF OUR INTENTION TO NEGOTIATE FOR A SIGNED AGREEMENT THIS YEAR AND ALSO THE NEED FOR ANY SUCH AGREEMENT TO BE DEMONSTRABLY ACCEPTABLE IN HONG KONG IF PARLIAMENT IS TO ENDORSE IT. I KNOW THE IMPORTANCE WHICH EXCO ATTACH TO AN EARLY MINISTERIAL STATEMENT IN ORDER TO PROVIDE HONG KONG PEOPLE WITH A CLEAR IDEA OF THE LIKELY NATURE OF A PACKAGE, WHILE NEGOTIATIONS ARE CONTINUING, AND I WOULD PROPOSE TO MAKE SUCH A STATEMENT IN HONG KONG. IT WILL CLEARLY BE NECESSARY TO TELL THE CHINESE WHEN I AM IN PEKING OF WHAT I PROPOSE TO SAY IN HONG KONG, AND TO BEGIN TO ACCUSTOM THEM VERY SOON TO THE IDEA OF UNVEILING THE LIKELY SHAPE OF THE AGREEMENT IN THE SPRING. THE SPEAKING NOTE INCLUDES A SENTENCE INTRODUCING THIS POINT.

7. THE TIMING OF MY VISIT IS NOT EASY. OUR EARLIER PLANNING HAD PROVIDED FOR A VISIT TO HONG KONG FROM 27-29 APRIL WITH A POSSIBLE VISIT TO PEKING OVER THE EASTER WEEKEND. YOU HAVE RIGHTLY POINTED OUT THE PROBLEMS POSED BY MR REAGAN'S INTENDED VISIT TO PEKING ON 25 APRIL. THERE IS ALSO THE DIFFICULTY THAT THE ABOVE TIMETABLE WOULD LEAVE A FOUR-DAY GAP BETWEEN THE VISITS TO PEKING AND HONG KONG WHICH WOULD ALMOST CERTAINLY BE CRITICISED IN THE TERRITORY WHERE CURIOSITY WOULD BE HEIGHTENED.

8. WE SHOULD STICK TO VISITS IN THE ORDER PEKING AND THEN HONG KONG. I WOULD THEREFORE PROPOSE TO VISIT PEKING FROM 15 TO 18 APRIL AND HONG KONG FROM 18-19 OR 20 APRIL. I WOULD THEN SPEND EASTER WEEKEND PRIVATELY IN THE FAR EAST BEFORE GOING

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ON TO SEOUL ON 23 APRIL AND COMPLETING THE VISITS TO KOREA AND JAPAN AS ALREADY AGREED.

9. I SHOULD BE GRATEFUL FOR YOUR AND THE GOVERNOR'S VIEWS ON THESE PROPOSALS. WE SHALL OF COURSE NEED TO CONSIDER CAREFULLY HOW THE IDEA IS TO BE PUT TO THE CHINESE TO AVOID THEIR READING MORE INTO MY VISIT TO PEKING THAN WOULD BE JUSTIFIED. I HAVE IN MIND THAT YOU SHOULD SAY THAT WE BELIEVE THAT THE TALKS HAD NOW REACHED A STAGE AT WHICH MY INVOLVEMENT, IN THE COURSE OF MY TOUR OF THE FAR EAST, WOULD BE HELPFUL, BOTH IN ORDER TO SUM UP PROGRESS SO FAR AND TO GIVE IMPETUS TO THE NEXT PHASE. WE SHOULD OF COURSE AVOID THE CHINESE CONCLUDING THAT, CONTRARY TO WHAT YOU HAD ALREADY SAID ABOUT THE TIMETABLE, MY VISIT SUGGESTED THAT WE WERE ABLE TO WIND THINGS UP BY JULY. YOU COULD NEVERTHELESS REITERATE OUR INTEREST IN SIGNING AN AGREEMENT THIS YEAR AND SAY THAT WE BELIEVE THAT FROM THE PARLIAMENTARY AND OTHER ANGLES A VISIT BY ME NOW WOULD HELP TOWARDS THIS. DEPENDING OUR OUR PROGRESS IN PREPARING DRAFTS, YOU MIGHT ALSO BE ABLE TO ADD THAT I WOULD FIND IT HELPFUL TO HAVE A FIRST DISCUSSION ABOUT THE FORM OF AN EVENTUAL AGREEMENT.

10. SUBJECT TO YOUR VIEWS, I DO NOT THINK THAT YOU SHOULD MAKE AN APPROACH TO THE CHINESE ON MY VISIT AT THE SAME TIME AS YOU TALK TO ZHOU NAN INFORMALLY ABOUT THE TIMETABLE. WHEN WE HAVE YOUR AND THE GOVERNOR'S COMMENTS, WE CAN DECIDE WHETHER YOU SHOULD MAKE A SEPARATE DEMARCHE TO THE MFA OR RAISE THE MATTER AT THE NEXT ROUND OF TALKS ON 16/17 MARCH.

11. THE ABOVE WAS DRAFTED BEFORE RECEIPT OF YOUR TELNO 383, AND TO A LARGE EXTENT SUPERSEDES IT. OUR THINKING IS CLEARLY ON THE SAME GENERAL LINES. WE LOOK FORWARD TO YOUR FURTHER COMMENTS, IN PARTICULAR (IN THE LIGHT OF THE FIRST SENTENCE OF YOUR PARA 2) ON THE TIMING OF AN APPROACH TO THE CHINESE.

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FUTURE OF HONG KONG
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PS/ATTORNEY GENERAL

SIR P CRADOCK RM 2195
SIR P CRADOCK NO 10 DOWNING STREET

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Foreign and Commonwealth Office

London SW1A 2AH

5 March, 1984

Prime Minister.

A.J.C. 73.

Dear John,

Hong Kong: Mr Luce's Discussion with Mr Lee Kuan Yew

Sir Geoffrey Howe thought the Prime Minister might be interested to see the enclosed record of Mr Luce's discussion with Mr Lee Kuan Yew in Brunei on 24 February about Hong Kong.

MF

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

05 MAR 1984

ANNEX TO RECORD OF CONVERSATION BETWEEN MR RICHARD LUCE AND MR LEE KUAN YEW AT BANDAR SERI BEGAWAN ON 24 FEBRUARY 1984 AT 11.00

HONG KONG

1. Mr Lee Kuan Yew said that when he had spoken to Mrs Thatcher during the CHOGM he had advised her not to bring the house down if the Chinese insisted on an answer to Hong Kong's future being worked out by September. We should give in gracefully. Mr Luce said that the Chinese seemed to trust us more. The crucial period for the negotiations lay immediately ahead. But the main difficulty now lay in persuading EXCO of the need to take the September deadline seriously. Hong Kong leaders, particularly Sir S Y Chung, were taking a hard line and still appeared to believe that a bargain could be struck to enable discussions to continue as before beyond September. Mr Lee interjected that this was quite unrealistic. The whole thing rested on confidence. If Hong Kong opposed a solution by September the dollar would drop through the floor.
2. Mr Lee asked how the talks were progressing. Mr Luce said that we had accepted the main principles of the Chinese position. They in turn were now being receptive about our ideas for judges, the governorship and future administration. But ultimately there was of course no guarantee that any agreement reached could be made to stick. Mr Lee agreed that a guarantee did not exist; the Chinese could move in tomorrow.
3. Mr Lee continued that the crucial question was who would run Hong Kong and make the laws after 1997. All the British officials would presumably go. Who would replace them? Mr Luce said that the answer lay in the evolution over the next few years of democratic institutions in Hong Kong. Mr Lee warned against the conflicts of interest that this could give rise to if the process were carried too far. Any autonomous Hong Kong Chinese administration would seek to govern in the interests of the population. These interests would inevitably conflict with those of China. If the process was too democratic it would be brought down. A careful balance would have to be struck. Mr Luce said that finding the right mixture was bound to be difficult; however we had 13 years to make the adjustment. Mr Lee replied that we should nevertheless be very careful. The Governor would have to be carefully chosen and be someone who was aware of the limits of autonomy. He would have to understand that, after 1997, that was that. He knew the difficulties from his own experience. In 1955 British Ministers had thought that Singapore could be given some semi-independent status in order to preserve our interests for the sea-route to Australia. He had warned that this arrangement would not last; the result had been Singapore's incorporation into Malaysia and her subsequent painful separation.
4. Mr Lee summed up by observing that our difficulty would be to balance between the interests of the people of Hong Kong, the investors and the Chinese. We should tell the Chinese our plans. They would understand. Once the idea of representative government had been got across, it would have to be implemented in such a way as not to be offensive to Peking but remain credible to investors.

South East Asian Department
February 1984

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TO IMMEDIATE FCO
TELEGRAM NUMBER 571 OF 3 MARCH
INFO IMMEDIATE PEKING

Prime Minister.
In the light of this
discussion it will not be
necessary for EXCO to visit
London. A.P.C. 4/3.

YOUR TELNO 397: FUTURE OF HONG KONG: STRATEGY AND TIMETABLE.

1. THE EXECUTIVE COUNCIL HAD A LENGTHY AND INTENSE DISCUSSION OF THE PAPER IN YOUR TELNO 384 AT A SPECIAL PART II MEETING THIS MORNING. AT THE END OF THE MEETING THE COUNCIL CONCURRED IN MY SUMMARY OF THE VIEWS EXPRESSED BY MEMBERS ALONG THE FOLLOWING LINES:-

(A) THERE WAS SOME SUBSTANTIAL DISAPPOINTMENT THAT HMG WERE NOT PREPARED, EVEN INFORMALLY, TO TRY OUT THE IDEA OF A JOINT INTERIM STATEMENT ON THE CHINESE.

(B) MEMBERS HAD NO QUARREL WITH THE ORDER OF EVENTS IN THE STRATEGY PROPOSED. THEY ACCEPTED THAT THE AIM SHOULD BE A BILATERAL AGREEMENT WITH THE CHINESE THIS YEAR AND AGREED THAT THE STAGES WHICH IT WOULD BE NECESSARY TO GO THROUGH UP TO AND BEYOND THAT POINT WERE THOSE SET OUT IN THE PAPER.

(C) A NUMBER OF MEMBERS WERE STRONGLY OF THE VIEW THAT THE TIMETABLE ENVISAGED WAS UNREALISTICALLY TIGHT. NEVERTHELESS THE COUNCIL WERE WILLING TO ACCEPT THIS TIMETABLE AS THE OBJECTIVE, ON THE CLEAR UNDERSTANDING THAT IT WAS NOT REGARDED AS ABSOLUTE, AND THAT HMG WOULD REVIEW THE POSITION AT EACH STAGE BEFORE DECIDING WHETHER AND WHEN TO GO ON TO THE NEXT.

(D) MEMBERS ATTACHED GREAT IMPORTANCE TO THE MINISTERIAL STATEMENTS ENVISAGED FOR THE SPRING AND SUMMER. THEY CONSIDERED THAT THE FIRST SHOULD BE A 'FAIR PROSPECTUS' AND IN PARTICULAR SHOULD INDICATE CLEARLY THAT CONTINUING BRITISH ADMINISTRATION COULD NOT BE ACHIEVED AND SHOULD GIVE A FAIR PRESENTATION OF WHAT MIGHT BE OBTAINED FROM THE CHINESE IN THE NEGOTIATIONS TO PRESERVE HONG KONG'S SYSTEMS AND FREEDOMS. HONG KONG WOULD ALSO NEED TO BE TOLD BEFORE SEPTEMBER WHAT ASSURANCES WERE LIKELY TO BE AVAILABLE.

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(E) IT WAS THE COUNCIL'S UNDERSTANDING THAT HMG'S AIM WAS TO REACH A (NEXT WORD UNDERLINED) DRAFT AGREEMENT BY SEPTEMBER, AND THAT IF MAJOR POINTS AROSE DURING THE PROCESS OF ESTABLISHING THE ACCEPTABILITY OF THAT AGREEMENT TO THE PEOPLE OF HONG KONG HMG WOULD BE PREPARED TO GO BACK TO THE CHINESE AND ARGUE THESE POINTS WITH THEM. MEMBERS TOOK THE VIEW THAT HMG SHOULD AT THE APPROPRIATE TIME MAKE THIS CLEAR TO THE CHINESE.

(F) THEY WELCOMED THE LINK BETWEEN RATIFICATION AND THE BASIC LAW: BUT THE TIMING OF RATIFICATION AND THE LINKAGE WITH THE PUBLICATION OF THE BASIC LAW WOULD NEED FURTHER CONSIDERATION AND DISCUSSION. IF THE BASIC LAW WAS PUBLISHED QUICKLY IT WOULD BE ONE THING: BUT IT MIGHT NOT BE AVAILABLE IN ITS FINAL FORM UNTIL MUCH LATER.

2. I WILL TELEGRAPH A FULL ACCOUNT OF THE DISCUSSION NEXT WEEK.

YOUDE

(REPEATED AS REQUESTED)

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ME DONALD
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D/PS

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Mr Roberts, News D.
Sir P. Craddock

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IMMEDIATE

FROM PEKING 020910Z MAR 84

TO IMMEDIATE FCO

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TELEGRAM NUMBER 363 OF 2/3/84

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: CHINESE PRESS COMMENT

1. PEOPLE'S DAILY OF 2 MARCH CARRIES A XINHUA REPORT, DATED HONG KONG 1 MARCH, WHICH IS ENTITLED "HONG KONG OPINION POINTS OUT: THIS IS A REPLAY OF THE OLD TUNE OF THE "THREE-LEGGED STOOL".

2. THE REPORT RECORDS THE TABLING OF MR LOBO'S MOTION ON 24 FEBRUARY AND THE WELCOME WHICH IT WAS GIVEN BY A SPOKESMAN OF THE HONG KONG GOVERNMENT ON THE AFTERNOON OF THE SAME DAY. IT STATES THAT, AT A RECEPTION ON 27 FEBRUARY, MR LUCE SAID THAT AN AGREEMENT ON HONG KONG'S FUTURE WOULD BE PRESENTED FOR DEBATE BY THE BRITISH PARLIAMENT AND BY THE LEGISLATIVE COUNCIL BEFORE A FINAL DECISION WAS REACHED. ON 28 FEBRUARY, HE SAID AT HIS PRESS CONFERENCE THAT THE BRITISH GOVERNMENT HAD TAKEN NO DECISION ON HOW TO TEST LOCAL VIEWS ON THE HONG KONG QUESTION, BUT THAT A REFERENDUM COULD PERHAPS BE HELD.

~~THAT A REFERENDUM COULD PERHAPS BE HELD.~~

3. BY SUDDENLY PROPOSING THE MOTION WHILE THE TALKS WERE IN PROGRESS, MR LOBO HAD RAISED SIDE ISSUES AND AROUSED CONCERN AMONG PEOPLE IN HONG KONG. SOME NEWSPAPERS HAD POINTED

OUT THAT THE DAY BEFORE THE MOTION WAS TABLE, MICHAEL BROWN, A CONSERVATIVE MP, HAD TABLED HIS EARLY-DAY MOTION IN PARLIAMENT. THIS "COINCIDENCE OF VIEWS WITHOUT PRIOR CONSULTATION" MADE PEOPLE SUSPECT A REPLAY OF THE PUBLIC OPINION CARD AND THE OLD TUNE OF THE THREE-LEGGED STOOL.

4. THE ARTICLE THEN QUOTES HUANG MENGHUA, AN URBAN COUNCILLOR, AS SAYING THAT LEGCO COULD NOT CLAIM TO REPRESENT THE WILL OF HONG KONG PEOPLE SINCE ITS MEMBERS WERE APPOINTED BY THE GOVERNOR RATHER THAN ELECTED. MUN KIN-CHOK OF THE CHINESE UNIVERSITY IS QUOTED AS SAYING THAT THE TALKS ARE BETWEEN THE TWO GOVERNMENTS AND SHOULD NOT BE RESTRICTED BY LEGCO, A BODY WHICH SHOULD HAVE NO INFLUENCE OVER THE AGREEMENT. IF LEGCO WERE TO PLAY A ROLE IN THE TALKS, THIS COULD TURN THEM INTO A THREE-LEGGED STOOL, SOMETHING PEKING HAD OPPOSED FROM THE OUTSET. OTHERS ARE REPORTED TO HAVE POINTED OUT THAT THE TWO SIDES HAD AGREED TO KEEP THE CONTENTS OF THE TALKS SECRET. IF THE LEGCO MOTION WERE NOW TO BE APPROVED, IT WOULD VIOLATE THIS AGREEMENT AND HARM THE GOOD ATMOSPHERE OF THE TALKS. ITS OUTCOME COULD ONLY BE CHAOS AND RENEWED SOCIAL UNREST AFFECTING HONG KONG'S STABILITY AND PROSPERITY. THEY HOPED THAT THE HONG KONG GOVERNMENT AND THE BRITISH AUTHORITIES WOULD HANDLE THIS MATTER WISELY.

COMMENT

5. THE ARTICLE IS REASONABLY LOW-KEY. IT DOES NOT EXPLICITLY CALL FOR THE WITHDRAWAL OF THE MOTION OR THE CANCELLATION OF THE DEBATE AND IS THUS CONSISTENT WITH WHAT ZHOU NAN SAID TO ME YESTERDAY (MY TEL NO 358). BUT THERE COULD BE MORE PUBLIC COMMENT TO COME.

EVANS

PS
PS/FCS
PS/MR LUCE
MR DONALD
D/AD
D/AD



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

GR 503

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DESKBY FCO 021200Z
DESKBY PEKING 030100Z
FM HONG KONG 021110Z MAR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 567 OF 2 MARCH
INFO IMMEDIATE PEKING

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YOUR TELNOS 393 AND 384: FUTURE OF HONG KONG: STRATEGY AND TIMETABLE.

1. I HAD A LONG TALK WITH SIR S.Y. CHUNG THIS EVENING.
2. HE COULD STILL NOT UNDERSTAND WHY HMG WOULD NOT, AT LEAST INFORMALLY, TRY OUT ON THE CHINESE THE IDEA OF A JOINT INTERIM STATEMENT: BUT AFTER SOME DISCUSSION HE PROVED READY TO CONSIDER YOUR PLAN AGAINST THE ESSENTIAL REQUIREMENTS AS EXCO SAW THEM. THESE WERE STILL THAT THE HONG KONG PEOPLE SHOULD BE TOLD WHAT WAS PROPOSED BEFORE COMMITMENTS WERE MADE ABOUT THEIR FUTURE: THAT ANY AGREEMENT SHOULD BE PROPERLY PREPARED; THAT THE ACCEPTABILITY OF ANY AGREEMENT TO HONG KONG WAS TESTED BEFORE SIGNATURE: AND THAT IF IT WERE NOT ACCEPTABLE HMG WOULD BE READY TO GO BACK TO THE CHINESE BEFORE DECIDING TO GO TO PARLIAMENT.
3. ON THIS BASIS AND SUBJECT TO THE VIEWS OF OTHER EXCO MEMBERS, HE WAS READY TO CONSIDER NOT RAISING OBJECTION TO THE ORDER OF THE STEPS PROPOSED: OR TO THE TIME FRAME, ASSUMING THAT ALL WENT WELL. BUT HE HAD A NUMBER OF RESERVATIONS:
 - (A) THE TIMETABLE SHOULD NOT BE ABSOLUTE E.G. IF THE INFORMAL CONSULTATION IN THE SUMMER SHOWED HOSTILITY ON THE PART OF THE HONG KONG PEOPLE TO THE PROPOSED COURSE OF ACTION, THEN HMG WOULD RECONSIDER THE POSITION BEFORE DECIDING TO MOVE ON TO THE PUBLICATION OF A DRAFT AGREEMENT: WITH SIMILAR RECONSIDERATION IF THE 'AUTUMN' TEST OF ACCEPTABILITY SHOWED THAT HONG KONG WANTED CHANGES BEFORE A DRAFT AGREEMENT WAS SUBMITTED TO PARLIAMENT.
 - (B) (i) HE WOULD LIKE TO SEE THE FIRST MINISTERIAL STATEMENT IN MARCH: AND (ii) HE ASSUMED THAT IT WOULD INDICATE THAT

(B)(1) HE WOULD LIKE TO SEE THE FIRST MINISTERIAL STATEMENT IN MARCH: AND (II) HE ASSUMED THAT IT WOULD INDICATE THAT CONTINUING BRITISH ADMINISTRATION WAS NOT ACHIEVABLE.

(C) HE ASSUMED THAT THE WORDS "WHEN WE WERE CLEAR ON THE BASIC LAW" MEANT "WHEN HMG WERE SATISFIED ON THE BASIC LAW".

4. ON (A) IT SEEMS TO ME SELF-EVIDENT THAT IF DURING ANY PHASE THERE WERE SNAGS, HMG WOULD HAVE TO CONSIDER WHETHER AND WHEN TO MOVE ON TO THE NEXT PHASE.

I ASSUME THAT I MAY REASSURE THE COUNCIL ON THIS POINT, AND ON THE INTERPRETATION IN PARA 2 (C) ABOVE: AND CONFIRM THE ASSUMPTION IN (B) (II).

5. ON THE TIMING OF THE STATEMENT (PARA 3(B) 8(1)) AS I UNDERSTAND IT THE IDEA OF AN APRIL STATEMENT IS TIED TO THE POSSIBILITY OF YOU VISITING PEKING THAT MONTH. I AM SURE THAT IT WOULD HELP THINGS HERE IF I COULD MENTION THE POSSIBILITY OF THAT VISIT TO THE COUNCIL.

6. JUDGING BY THE INITIAL REACTION OF OTHER UNOFFICIAL MEMBERS WHEN THEY READ THE PAPER TODAY IT WILL STILL BE A DIFFICULT MEETING TOMORROW. BUT CONFIRMATION THAT I MAY SPEAK AS PROPOSED ABOVE MAY HELP TO ALLAY THEIR CONCERNS.

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cc PC

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

A J Coles Esq
10 Downing Street
LONDON SW1

2 March 1984

nbpm
DWB
5/3

Dear Mr Coles,

FUTURE OF HONG KONG: WORKING PAPER ON CIVIL AVIATION

The Secretary of State has seen the Foreign and Commonwealth Secretary's minute of 1 March to the Prime Minister and is content that the paper enclosed with it should go forward to EXCO and be given to the Chinese.

I am copying this letter to Peter Ricketts.

Yours sincerely,

Dinah Nichols

MISS D A NICHOLS
Private Secretary

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Hong Kong future 12



5 FEB 1984



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10 DOWNING STREET

From the Private Secretary

2 March 1984

The Prime Minister has asked me to thank you for your letter of 13 February enclosing a copy of your speech to the Rotary Club Hong Kong South about the future of Hong Kong. She always welcomes the views of Hong Kong people about the territory's future, and the contents of your speech have been carefully noted. I should like to comment on two major issues.

You proposed that the British Government should now withdraw from negotiations and await a unilateral Chinese statement before conducting a referendum. The British Government favour an alternative approach, namely the pursuit of discussion with the Chinese Government on the attainment of the common objective which is the continuing stability and prosperity of Hong Kong. In our view it is this active participation in the negotiation process which will best assist the interests of Hong Kong.

You suggested in your letter that the Hong Kong Government should be encouraged to hold a referendum. We have repeatedly made it clear that we are committed to the search for a settlement acceptable to the people of Hong Kong as well as to the British and Chinese governments. I can assure you that the views of Hong Kong people - expressed in such fora as the Urban Council - will continue to be fully taken into account throughout the talks. This process of consultation is a continuous one, and we attach the highest importance to it.

JOHN COLES

Mr. Walter M. Sulke, O.B.E., J.P.

1/1



Foreign and Commonwealth Office

London SW1A 2AH

Type letter pl.

2 March 1984

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Dear John,

Hong Kong: Letter from Mr Walter M Sulke

Thank you for your letter of 21 February, enclosing a copy of a letter and speech which the Prime Minister had received from Mr Walter M Sulke. I attach a draft reply for you to send to Mr Sulke.

In his speech Mr Sulke advocated the following course of action in negotiations with the Chinese on the future of Hong Kong:

- (a) stop negotiations now and wait for a Chinese unilateral announcement;
- (b) hold a referendum with three choices: the Chinese solution, the status quo or an independent Hong Kong.

Mr Sulke expressed the conviction that the third option would be the most popular and that an independent Hong Kong should be created. He ended his speech with a call for the creation of political parties in Hong Kong.

In the covering letter Mr Sulke asked the Prime Minister to consider calling a referendum in Hong Kong to assess the acceptability of any Chinese solution for the future of Hong Kong.

Mr Sulke is an appointed member of the Urban Council and serves on a wide variety of public boards and committees. We understand that his outspoken views have earned him some enemies on the Urban Council, who opposed the renewal of his appointment last year. According to the Hong Kong Government Mr Sulke's speech was prominently reported by the English-language Hong Kong press and routinely in the independent Chinese press. The only reaction in the communist press was criticism by a commentator that "an ignorant and arrogant foreigner" should propose a referendum and promote an independent Hong Kong.

/The proposed

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The proposed draft reply picks out only two ideas from Mr Sulke's speech, namely the proposals for withdrawal from the negotiations and the holding of a referendum. In both areas there would be some advantage in going beyond a mere acknowledgement and placing the Government's views on record. It is worth bearing in mind that any reply sent may well become public in Hong Kong.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

RESTRICTED



DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

A J Coles Esq

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

W M Sulke Esq OBE JP
First Floor
Bonaventure House
Leighton Road
HONG KONG

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SUBJECT:

.....In Confidence

The Prime Minister has asked me to thank you for your letter of 13 February enclosing a copy of your speech to the Rotary Club Hong Kong South about the future of Hong Kong. She always welcomes the views of Hong Kong people about the territory's future, and the contents of your speech have been carefully noted. I should like to comment on two major issues.

CAVEAT.....

You proposed that the British Government should now withdraw from negotiations and await a unilateral Chinese statement before conducting a referendum. The British Government favour an alternative approach, namely the pursuit of discussion with the Chinese Government on the attainment of the common objective which is the continuing stability and prosperity of Hong Kong. In our view it is this active participation in the negotiation process which will best assist the interests of Hong Kong.

Enclosures—flag(s).....

You suggested in your letter that the Hong Kong Government should be encouraged to hold a referendum. We have repeatedly made it clear that we are committed to the search for a settlement acceptable to the people of Hong Kong as well as to the British and Chinese

/governments



file

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10 DOWNING STREET

From the Private Secretary

2 March 1984

Future of Hong Kong:
Working Paper on Civil Aviation

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 1 March and agrees, subject to the views of the Secretary of State for Transport, that the Working Paper on Civil Aviation annexed to the minute may be discussed with EXCO and given to the Chinese.

I am copying this letter to Dinah Nichols (Department of Transport).

SECRET

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

NK

SECRET

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1263</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Letter from Coles dated 1 March 1984</i>	
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PM/84/39

PRIME MINISTER

Future of Hong Kong: Working Paper on Civil Aviation

1. One of the remaining working papers to be tabled in the talks on the future of Hong Kong concerns civil aviation. I now attach a draft, prepared jointly by FCO and Department of Transport officials.
2. The paper aims to ensure the continued prosperity of the Hong Kong based civil aviation industry (in particular the Hong Kong based airline Cathay Pacific Airways) and the provision of adequate air services to and from Hong Kong after 1997. This presupposes the maximum autonomy for the Hong Kong SAR in all matters concerning civil aviation. Such an objective is entirely consistent with our general political aim of ensuring that Hong Kong will enjoy the highest possible degree of autonomy, and that existing economic and commercial structures will as far as possible be preserved.
3. The paper seeks to establish an autonomous regime for Hong Kong civil aviation after 1997 so that the issuing of airline licences and permits is the sole responsibility of the local Hong Kong SAR authorities and traffic rights between Hong Kong and foreign countries (including the UK) are negotiated quite separately from traffic rights between the rest of China and foreign countries. This is not the mirror image of current arrangements since Hong Kong traffic rights are at present negotiated together with UK traffic rights by the Department of Transport. And to give the scheme a reasonable chance of success we would have to be prepared to devolve responsibility for Hong Kong traffic rights to the Hong Kong Government well in advance of 1997 so as to pave the way for a smooth transition.

/4. The UK



4. The UK interest in an autonomous Hong Kong civil aviation regime after 1997 is very considerable. Cathay Pacific Airways is substantially owned and controlled in the UK by John Swire and Son and it is entirely dependent for its revenue (currently about £500 million per annum) on the enjoyment of traffic rights on routes to and from Hong Kong. If we do not succeed in establishing effective autonomy for Hong Kong in this area in the post-1997 period, it must be expected that sooner or later the central Chinese authorities will have CPA replaced on the routes it currently operates by the Chinese state airline CAAC. And quite apart from the losses to CPA and the damage to confidence which the prospect of this would imply, an airline service would result which would not adequately meet Hong Kong's needs.

5. So far as UK based airlines serving Hong Kong (currently BA and BCal) are concerned, there is also considerable advantage in the UK having to negotiate traffic rights after 1997 with an autonomous Hong Kong civil aviation regime which is likely to be more interested in the services offered by our airlines than the central Chinese authorities. But UK-based airlines' interests will of course have to be safeguarded in any arrangements which we make for greater autonomy for Hong Kong in civil aviation matters in the interim period.

6. With your agreement (Mr Coles's letter of 15 February to my Private Secretary), the paper has been shown by officials to Sir Adrian Swire, Deputy Chairman of John Swire and Son, who own Cathay Pacific Airways. He is content with the general approach, and the wording of the paper takes into account his views on the future evolution of his company.

/7. I am

SECRET



7. I am copying this minute and enclosure to the Secretary of State for Transport. Provided that you and he are content, we hope to give this paper to the Chinese in advance of the 10th round of negotiations on 16/17 March, having first discussed its contents with EXCO.

A handwritten signature in blue ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
1 March 1984

SECRET

FUTURE OF HONG KONG: WORKING PAPER ON CIVIL AVIATION

THE CHINESE PLAN

1. The SAR would retain Hong Kong's status as a free port and continue a free trade policy. Existing economic and trading systems and methods of management would remain unchanged. There would be financial independence.

2. Using the name Hong Kong, (China) the Hong Kong SAR would on its own maintain and develop economic relations with foreign countries and regions and the relevant international organisations. It would have the power to enter into its own negotiations with foreign parties on matters relating to economy, culture and tourism and to sign relevant bilateral agreements under the name of Hong Kong (China). The SAR could be a member of the Chinese Delegation at international organisations and conferences whose participants were limited to states, but could express its views under the name Hong Kong, (China). It could on its own joint international organisations and conferences not limited to states.

IMPLICATIONS

3. China's adherence to the Chicago, Warsaw and other international conventions relating to civil aviation matters would extend to the Hong Kong SAR which would be represented as part of the Chinese Delegation to the ICAO in such a way that it could express separately the particular views of Hong Kong, (China). Arrangements would have to be made for the maintenance of existing rights enjoyed by airlines having their principal place of business in Hong Kong under the International Air Services Transit Agreement (IASTA).

4. The Hong Kong SAR would have the exclusive authority to negotiate and sign all bilateral air service agreements and associated arrangements in respect of routes and services between Hong Kong and foreign countries including the United Kingdom. When

the Hong Kong SAR was established, the provisions of existing air service agreements and associated arrangements then applying to Hong Kong would remain in force (subject to the agreement of other parties) unless and until renegotiated. Designation under such agreements would be the exclusive right of the Hong Kong SAR.

5. Existing Hong Kong legislation covering civil aviation would remain in force. The Hong Kong SAR would continue to maintain an aircraft register under its own legislation. The government of the SAR would have the exclusive authority to approve and to refuse registrations and to enforce safety requirements concerning aircraft registered.

6. The Hong Kong SAR would have the exclusive authority to license operations to, from and within Hong Kong by airlines having their principal place of business in Hong Kong. All such licenses would be granted under the laws and procedures of the SAR.

7. The Hong Kong SAR would have the exclusive authority to issue the permissions governing the conditions under which airlines not having their principal place of business in Hong Kong might operate services to and from Hong Kong. All such permissions would be granted under the law of the SAR. They would only be available where reciprocal traffic rights or other arrangements acceptable to the Hong Kong SAR had been secured in negotiation with the other authorities concerned.

8. The conditions under which airlines having their principal place of business in the SAR and airlines based elsewhere in China might operate between the SAR and other points in China would be determined through negotiation between the appropriate authorities of the Central People's Government and those of the Hong Kong SAR.

9. The Hong Kong SAR would have the exclusive responsibility for the operation of Hong Kong international airport and any other airport within the territory of the SAR. Its duties would include the provision of air traffic services within the Hong Kong (China) flight information region and any other responsibilities allocated under the regional air navigation planning procedures of ICAO.



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FM FCO 011835Z MARCH 84

TO IMMEDIATE HONG KONG

TELEGRAM NUMBER 384 OF 1 MARCH

INFO IMMEDIATE PEKING DESKBY 020030Z

MIPT: FUTURE OF HONG KONG: STRATEGY AND TIMETABLE:

FOLLOWING IS REDRAFTED PAPER FOR EXCO:

1. MINISTERS HAVE GIVEN THE MOST CAREFUL CONSIDERATION TO THE VIEWS EXPRESSED BY THE EXECUTIVE COUNCIL AT THEIR MEETING WITH MR LUCE ON 27 FEBRUARY. IT IS NEVERTHELESS THEIR VIEW THAT OUR OBJECTIVE IN NEGOTIATING WITH THE CHINESE ON THE FUTURE OF HONG KONG, AND ALSO THE INTERESTS OF THE HONG KONG PEOPLE, WOULD BEST BE SERVED BY AIMING FOR A BILATERAL AGREEMENT WITH THE CHINESE THIS YEAR. THIS PAPER EXPLAINS THE BASIS FOR THAT VIEW.
2. THE SUMMARY OF CONCLUSIONS REACHED AT THE MEETING BETWEEN THE PRIME MINISTER AND THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL ON 13 JANUARY RECORDED AGREEMENT 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. THAT MEETING WAS PRIMARILY CONCERNED WITH A REDEFINITION OF HMG'S NEGOTIATING OBJECTIVE RATHER THAN WITH A DETAILED EXAMINATION OF STRATEGY OR THE NEGOTIATING TIMETABLE. IT IS NOW TIMELY TO CONSIDER THESE LATTER QUESTIONS MORE CLOSELY.
3. THE CRUCIAL FACTOR IS STILL THE INTENTION OF THE CHINESE TO ISSUE A STATEMENT IN SEPTEMBER ON THE FUTURE OF HONG KONG, EITHER IN THE FORM OF AN AGREEMENT WITH US OR, IF NEED BE, UNILATERALLY. WE BELIEVE THAT THE CHINESE COMMITMENT TO THAT DEADLINE IS UNSHAKABLE. IT DERIVES FROM DENG XIAOPING'S TALKS WITH THE PRIME MINISTER IN SEPTEMBER 1982 AND HAS SINCE BEEN REASSERTED AT EVERY LEVEL. OVER THE PAST MONTHS THE CHINESE DEFINITION OF THE FORM THAT THIS STATEMENT MIGHT TAKE HAS BECOME INCREASINGLY TIGHT.

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REFERENCES TO A PROPOSED STATEMENT OF 'POLICY AND GUIDELINES' HAVE GIVEN WAY TO EXPRESSIONS OF CONFIDENCE THAT A FORMAL AGREEMENT CAN BE CONCLUDED WITH BRITAIN BY SEPTEMBER OR EVEN EARLIER. THIS EVOLUTION MUST BE TAKEN INTO ACCOUNT. IT MUST BE OUR PRIMARY OBJECTIVE TO SEE THAT WHATEVER DOCUMENT ISSUES IN SEPTEMBER IS JOINT AND AS PALATABLE AS POSSIBLE, AND THAT IT IS IN A FORM WHICH WILL ULTIMATELY BE AS BINDING AS POSSIBLE. IF WE CONTINUE TO WORK WITH THE CHINESE FOR AN AGREEMENT BY THE DATE ON WHICH THEY ARE FIXED, WE SHALL MAINTAIN A DEGREE OF LEVERAGE AND STAND THE BEST CHANCE OF INFLUENCING THE CONTENT OF THE AGREEMENT.

4. IF WE WERE TO TELL THE CHINESE THAT WE SHALL NOT EVEN TRY FOR AN AGREEMENT THIS YEAR, WE SHOULD GREATLY DAMAGE OUR OWN AND HONG KONG'S INTERESTS. THERE WOULD BE A STRONG ADVERSE CHINESE REACTION. EITHER WE SHOULD HAVE CONFRONTATION AND THE ISSUE OF A UNILATERAL STATEMENT IN SEPTEMBER BY THE CHINESE, WHICH WOULD BE DISASTROUS FOR CONFIDENCE, OR, AFTER AN UNPLEASANT ARGUMENT, WE SHOULD CLIMB DOWN. BUT IN THAT CASE THE ATMOSPHERE WOULD BE WORSENERED, VALUABLE TIME WOULD BE LOST AND OUR CHANCES WOULD BE REDUCED OF GETTING THE ASSURANCES WE NEED.

5. IT HAS BEEN ARGUED THAT THE ASSESSMENT OF THE CHINESE REACTION ABOVE IS AN ASSUMPTION THAT HAS NOT BEEN SUBJECTED TO EVERY POSSIBLE TEST. IT DOES, HOWEVER, REPRESENT A SERIOUS AND IN MINISTERS' VIEW, ACCURATE JUDGEMENT, BASED ON A WIDE RANGE OF EVIDENCE, INCLUDING CHINESE STATEMENTS AT THE HIGHEST LEVEL AND THE CHINESE PERFORMANCE TO DATE. IN NEGOTIATIONS SO FAR WE HAVE REGULARLY HAD TO FORM AND ACT ON SUCH JUDGEMENTS. IF WE WERE TO INSIST ON SUBJECTING THIS JUDGEMENT TO THE ONLY REMAINING TEST, IT WOULD MEAN GIVING THE CHINESE THE IMPRESSION THAT WE WERE NOT PREPARED TO AIM FOR AN AGREEMENT THIS YEAR, AND PRESSING OVER A PERIOD THE IDEA OF AN INTERIM ANNOUNCEMENT. FOR THE REASONS GIVEN ABOVE, WE CONSIDER THAT THE COST OF SUCH A FINAL TEST WOULD BE EXCESSIVE SINCE IT WOULD INVOLVE UNACCEPTABLE DAMAGE TO HONG KONG'S INTERESTS.

6. WHAT HMG AND HONG KONG NEED FROM THE CHINESE IS AS DETAILED AND BINDING COMMITMENTS ON POST 1997 HONG KONG AS WE CAN EXTRACT.

IN ORDER TO MAXIMISE THE CHINESE COMMITMENT, WE WANT THEM IN A FORMAL INTERNATIONAL AGREEMENT. WE ALSO NEED TO MAKE SURE THAT THE DETAILS WE HAVE NEGOTIATED WITH THE CHINESE AND WHICH WE WANT TO SEE IN THE BILATERAL AGREEMENT WILL ALSO BE IN THE BASIC LAW. THESE ARE GOING TO BE DIFFICULT THINGS TO ACHIEVE IN THE BEST OF CIRCUMSTANCES. THEY WILL BE MUCH HARDER TO OBTAIN IF WE ARE NOT CO-OPERATING WITH THE CHINESE ON TIMING: AND THEY WILL BE MUCH HARDER TO OBTAIN AND WILL BY DEFINITION BE MUCH LESS BINDING IN AN INTERIM ANNOUNCEMENT THAN IN A BILATERAL AGREEMENT.

7. IT MIGHT BE ARGUED THAT AN INTERIM ANNOUNCEMENT WOULD BE FOLLOWED BY FURTHER SUBSTANTIVE NEGOTIATIONS ON POST-1997 ARRANGEMENTS LEADING TO A MORE DETAILED AND BINDING AGREEMENT. THIS EXPECTATION IS PROBABLY FALSE. IT IS CONCEIVABLE THAT THE CHINESE MAY WISH TO GO ON TALKING AFTER SEPTEMBER ABOUT THE PERIOD UP TO 1997, THOUGH THIS IS BY NO MEANS CERTAIN: BUT THEY WILL HAVE SAID THEIR SAY IN SEPTEMBER ON POST-1997 HONG KONG: THEY WILL NOT BE BUDGED FROM THAT: AND WE SHALL PROBABLY FIND THAT THERE IS LITTLE OR NO SCOPE FOR FURTHER SUBSTANTIVE NEGOTIATIONS ON THAT ISSUE.

8. AT THE PRESENT PACE OF WORK WE SHOULD HAVE COMPLETED THE BULK OF THE TASK BY THE SUMMER. IF, HOWEVER, WE ARE UNABLE TO MANAGE THIS, IT WOULD BE OPEN FOR US TO FALL BACK ON SOMETHING RATHER LESS FORMAL THAN A BILATERAL AGREEMENT, IE A HEADS OF AGREEMENT. WE SHOULD HAVE A BETTER CHANCE OF OBTAINING CHINESE CONCURRENCE IN THIS COURSE IF WE HAD BEEN CO-OPERATING WITH THEM ON THE GENERAL TIMETABLE RATHER THAN CHALLENGING THEM.

9. HAVING ACCEPTED THIS TIME FRAMEWORK, AS WE MUST, THE NEXT QUESTION IS HOW TO MEET HONG KONG'S LEGITIMATE CONCERN TO BE INFORMED AND CONSULTED. AS HAD BEEN MADE PLAIN THROUGHOUT THE NEGOTIATIONS, THERE COULD BE NO QUESTION OF RECOMMENDING AN AGREEMENT TO PARLIAMENT WITHOUT FIRST ESTABLISHING ITS ACCEPTABILITY IN HONG KONG. AFTER A DRAFT AGREEMENT WAS ATTAINED AND PUBLISHED, ADEQUATE TIME WOULD BE PROVIDED TO ASSESS ITS ACCEPTABILITY IN HONG KONG. WORKING ON THE BASIS OF THE CHINESE DEADLINE OF SEPTEMBER, THE DRAFT AGREEMENT WOULD BE PUBLISHED BY THAT STAGE. THE PROCESS OF ESTABLISHING THAT THIS AGREEMENT WAS

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ACCEPTABLE TO THE PEOPLE OF HONG KONG WOULD START WELL BEFORE THIS, AND CONTINUE THEREAFTER, AND THE DRAFT AGREEMENT WOULD THEN BE PUT TO PARLIAMENT FOR DEBATE BY THE END OF THE YEAR. IF THE DRAFT AGREEMENT PROVED ACCEPTABLE TO PARLIAMENT IT COULD BE SIGNED. IT WOULD STILL, HOWEVER, BE SUBJECT TO RATIFICATION. LEGISLATION ON THE PASSAGE OF SOVEREIGNTY AND RATIFICATION WOULD HAVE TO AWAIT PUBLICATION OF THE CHINESE BASIC LAW FOR HONG KONG. THIS WOULD HELP ENSURE THAT THE BASIC LAW WAS CONSISTENT WITH THE TERMS OF THE BILATERAL AGREEMENT.

10. WELL BEFORE THE CLOSING STAGES OF THE PROCESS OF ESTABLISHING ACCEPTABILITY OF THE AGREEMENT IT WOULD BE DESIRABLE TO PROVIDE SOME INDICATIONS TO HONG KONG ON THE FUTURE COURSE AND LIKELY OUTCOME OF THE NEGOTIATIONS. IT IS RECOGNISED THAT AS A RESULT OF OUR SCRUPULOUS OBSERVANCE OF THE CONFIDENTIALITY RULE IN THESE NEGOTIATIONS, HONG KONG OPINION IS AS YET LARGELY IN THE DARK ABOUT HMG'S ASSESSMENT OF THEIR LIKELY OUTCOME. THIS NEED COULD BE MET BY THE ISSUING OF A MINISTERIAL STATEMENT IN LATE SPRING OR EARLY SUMMER. THIS WOULD GIVE SOME OF THE BACKGROUND TO THE ISSUE AND WOULD INDICATE THE SORT OF AGREEMENT THAT MIGHT BE REACHED IF THE NEGOTIATIONS CONTINUED ON THE PRESENT LINES. IT WOULD IN FACT BEGIN THE PROCESS OF CONSULTATION. THE STATEMENT WOULD NEED TO BE CAREFULLY WORDED TO AVOID ANY BREACH OF CONDITIONALITY BUT COULD BE QUITE INFORMATIVE, DESCRIBING WHAT MIGHT BE OBTAINED FROM THE CHINESE IN THE NEGOTIATIONS TO PRESERVE HONG KONG'S SYSTEMS AND FREEDOMS. SUCH A STATEMENT WOULD DO MUCH TO REDUCE CURRENT PRESSURE ON THE GOVERNOR AND EXCO AND TO PREPARE PUBLIC OPINION FOR THE SHAPE OF THE AGREEMENT ON WHICH VIEWS WOULD EVENTUALLY BE SOUGHT. THE WORDING OF SUCH A STATEMENT WOULD BE DISCUSSED IN ADVANCE WITH EXCO. TO ANTICIPATE ANY ADVERSE CHINESE REACTION IT WOULD ALSO BE NECESSARY TO INFORM THE CHINESE IN ADVANCE OF OUR INTENTION TO ISSUE A STATEMENT AND OUR REASONS FOR DOING SO: IF NEGOTIATIONS WERE PROCEEDING IN A GOOD ATMOSPHERE, WE JUDGE THIS COULD BE FEASIBLE.

11. ONE SUBSIDIARY PURPOSE SERVED BY SUCH A STATEMENT WOULD BE TO EXPLAIN TO HONG KONG PUBLIC OPINION THE DIFFERENT STAGES IN THE CONCLUSION OF AN AGREEMENT, EG PUBLICATION OF DRAFT, SIGNATURE

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AND RATIFICATION. THIS COULD HELP TO CLEAR AWAY SOME MISCONCEPTIONS.

12. THE STAGES IN CONSULTATION ENVISAGED IN THE ABOVE COURSE MIGHT THEREFORE BE FIRST, THE MINISTERIAL STATEMENT IN THE EARLY SPRING OR SUMMER, INDICATING THE COURSE OF NEGOTIATIONS AND THEIR POSSIBLE OUTCOME: FIRST STAGE OF CONSULTATION ON THAT BASIS AS NEGOTIATIONS CONTINUED THEREAFTER: NEGOTIATION LEADING TO A DRAFT AGREEMENT PUBLISHED BY THE END OF SEPTEMBER: THE CLOSING STAGES IN THE PROCESS OF ESTABLISHING ACCEPTABILITY IN HONG KONG IN OCTOBER AND NOVEMBER: DEBATE IN PARLIAMENT IN NOVEMBER/DECEMBER FOLLOWED BY SIGNATURE BY THE END OF THE YEAR IF THE NECESSARY PRE-CONDITIONS HAD BEEN MET: PASSAGE OF LEGISLATION ON SOVEREIGNTY AND RATIFICATION WHEN WE WERE CLEAR ON THE TEXT OF THE BASIC LAW. THE ABOVE COURSE IN MINISTERS' VIEW IS THE BEST CALCULATED TO MEET OUR TWIN OBJECTIVES OF NEGOTIATING THE BEST POSSIBLE AGREEMENT WITH THE CHINESE AND ENSURING THAT IT IS ACCEPTABLE TO THE PEOPLE OF HONG KONG.

13. IT WOULD BE MISLEADING TO ARGUE THAT FOR HONG KONG OPEN QUOTES NO AGREEMENT IS BETTER THAN A BAD AGREEMENT CLOSE QUOTES. NO AGREEMENT WOULD MEAN CONFRONTATION AND THE WORST POSSIBLE OUTCOME FOR HONG KONG. THE TASK OF THE NEGOTIATORS IS TO SEEK AN AGREEMENT WHICH, IF NOT IDEA, IS NONETHELESS THE BEST POSSIBLE ONE FOR HONG KONG AND ACCEPTABLE IN ALL THE CIRCUMSTANCES TO THE HONG KONG PEOPLE. THE COURSE OUTLINED ABOVE IS IN MINISTERS' VIEW THE MOST LIKELY TO ACHIEVE THIS OBJECTIVE.

HOWE

FUTURE OF HONG KONG
LIMITED

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ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD (MR FLOWER)

RES.B. (MR WALKER)

LEGAL ADVISER (SIR IAN SINCLAIR

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

SIR W HARDING

MR DONALD

MR WRIGHT

SIR C TICKELL

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MR ROBERTS NEWS 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

SIR P CRADOCK NO 10 DOWNING STREET

- 5 -
SECRET

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

1 March, 1984

Dear John,

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f.a.

Hong Kong: Letter from Mr Robert Adley MP

Thank you for your letter of 20 February, enclosing a copy of a letter to the Prime Minister for Mr Robert Adley MP.

Occasionally the activities of backbench MPs are misinterpreted by the Chinese as indications of Government policy or the result of Government prompting. It may have been for that reason that Mr Michael Brown's Early Day Motion on the future of Hong Kong was greeted by hostile comment in the Communist press in Hong Kong.

We are, however, satisfied that the Chinese are aware that Mr Adley is not privy to our negotiating position. We doubt that his direct contacts with the New China News Agency will convey false signals to the Chinese. On balance we therefore advise that there is no need to raise the matter with Mr Adley.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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HONG KONG : Futune

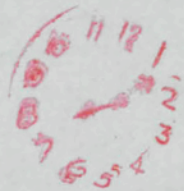
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HONG KONG



1 - MAR 1984



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ME COPIES, No. 10 DOWNING ST
Mr Roberts, News ID.
Sir P. Craddock



OO HONG KONG

GR 173
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FM PEKING 011030Z MAR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 359 OF 1 MARCH
INFO IMMEDIATE HONG KONG

mf

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MIPT: FUTURE OF HONG KONG: LEGCO DEBATE

1. I HAD EXPECTED ZHOU TO BE ROUGHER THAN HE WAS.
2. ZHOU OPENED WITH TWO BALLS OF EASY PACE AND HE ENDED PRETTY MILDLY. HE DID NOT AT ANY STAGE USE WORDS LIKE PROTEST OR CONDEMN SEMICOLON AND HE DID NOT EXPLICITLY ASK THAT THE BRITISH GOVERNMENT OR THE HONG HONG GOVERNMENT SHOULD WORK FOR THE WITHDRAWAL OF THE MOTION.
3. AN IMPORTANT POINT MADE BY ZHOU WAS THAT IT WOULD NOT BE POSSIBLE FOR CHINA TO PUT HER SIGNATURE TO ANY AGREEMENT WHICH WOULD BE OVERTURNED BY THE BRITISH PARLIAMENT. I DELIBERATELY ADSTAINED FROM RESPONDING TO HIM ON THIS. BUT THERE ARE OF COURSE IMPLICATIONS WHICH WE SHALL NEED TO EXPLORE.
4. ANOTHER IMPORTANT POINT WAS THAT ZHOU SPECIFICALLY RULED OUT A REFERENDUM IN HONG KONG.

EVANS



NNNN

PS
PS/FUS
PS/ME LUCE
ME DONALD
E/ED
E/ED

COPIE TO:
MR COLLES, No. 10 DOWNING ST
Mr Roberts, News D.
Sir P. Gradock

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TO IMMEDIATE FCO
TELEGRAM NUMBER 358 OF 1 MARCH
INFO IMMEDIATE HONG KONG

CORRECTION REVISED

FUTURE OF HONG KONG: LEGCO DEBATE

1. ZHOU NAN SUMMONED ME TO THE MFA THIS AFTERNOON (1 MARCH).
 2. ZHOU SAID THAT HE WISHED TO DISCUSS THE WAY AHEAD. HE CONFIRMED 26 AND 27 MARCH AS DATES ACCEPTABLE TO THE CHINESE FOR THE 11TH ROUND. HE PRESSED FOR THE PAPERS ON NATIONALITY AND CIVIL AVIATION TO BE HANDED TO THE CHINESE SIDE AS SOON AS POSSIBLE. I SAID THAT WE HOPED TO TABLE THEM BEFORE THE 10TH ROUND, BUT COULD NOT GIVE ANY FIRMER COMMITMENT. THERE WAS NO DISPOSITION ON OUR PART TO SLACKEN THE TEMPO OF WORK. ZHOU WELCOMED THIS.
 3. ZHOU THEN SAID THAT HE WISHED TO RAISE ANOTHER QUESTION. SINCE THE 6TH AND THE 7TH ROUNDS, THE TALKS HAD GONE SMOOTHLY AND MADE PROGRESS. THIS WAS RECOGNISED BY BOTH SIDES. BUT NOW A NEW PROBLEM HAD SUDDENLY CROPPED UP. THIS WAS THE MOTION TABLED BY MR LOBO IN THE LEGISLATIVE COUNCIL. IT HAD SURPRISED THE CHINESE GOVERNMENT THAT MR LUCE AND THE HONG KONG GOVERNMENT SPOKESMAN HAD WELCOMED AND SUPPORTED THE MOTION SOON AFTER IT HAD BEEN TABLED. THE MOTION HAD CAUSED NERVOUS TREMORS IN VARIOUS CIRCLES IN HONG KONG. ACCORDING TO SOME PRESS COMMENTARIES, THE MOTION WAS BY NO MEANS A MATTER OF ACCIDENT AND WAS POSSIBLY AN ATTEMPT BY THE BRITISH SIDE TO REPLAY THE PUBLIC OPINION CARD FOR THE PURPOSE OF STALLING THE TALKS AND EXERTING PRESSURE ON THE CHINESE SIDE. THE SITUATION HAD STARTED TO GIVE RISE TO ANXIETY IN ECONOMIC CIRCLES IN HONG KONG. HE WISHED TO MAKE THREE EXPLICIT POINTS:

(1) FROM THE OUTSET THE CHINESE GOVERNMENT HAD MADE CLEAR THAT THE SETTLEMENT OF THE HONG KONG QUESTION WAS A BILATERAL MATTER BETWEEN THE BRITISH AND CHINESE GOVERNMENTS. THE CHINESE GOVERNMENT HAD NEVER ACCEPTED AND COULD NEVER ACCEPT ANY ATTEMPT TO CREATE A THREE-LEGGED STOOL. THE PEOPLE OF HONG KONG WERE CHINESE COMPATRIOTS. THE CHINESE GOVERNMENT KNEW THEIR DESIRES AND ASPIRATIONS VERY WELL. CHINA'S 12 POINT PLAN HAD BEEN DRAWN UP ON THE BASIS OF VIEWS SOLICITED FROM HONG KONG PEOPLE. CHINA WOULD NEVER ACCEPT ATTEMPTS TO HAND-PICK A FEW PEOPLE TO REPRESENT THE POPULATION OF THE TERRITORY. THE QUESTION OF SOVEREIGNTY WAS NON-NEGOTIABLE AND THE REFERENDUM MENTIONED BY MR LUCE IN HONG KONG WAS SIMPLY OUT OF THE QUESTION.

BY MR LUCE IN HONG KONG WAS SIMPLY OUT OF THE QUESTION.

(II) THE BRITISH AND CHINESE SIDES HAD AGREED TO KEEP THE CONTENTS OF THE TALKS CONFIDENTIAL. BY THE TERMS OF MR LOBO'S PROPOSAL, HOWEVER, THE CONTENTS OF THE TALKS WOULD BE DISCUSSED IN LEGCO. WAS THIS NOT A BREACH OF CONFIDENTIALITY?

(III) DURING THE 13 YEARS BETWEEN NOW AND 1997 THE UNITED KINGDOM WOULD BE RESPONSIBLE FOR THE ADMINISTRATION OF HONG KONG AND SO FOR THE MAINTENANCE OF THE TERRITORY'S PROSPERITY AND STABILITY. CHINESE LEADERS HAD SAID ON A NUMBER OF OCCASIONS THAT THEY DID NOT WISH TO SEE ANY DISTURBANCES IN THIS PERIOD. CHINA HAD NOT TAKEN, AND WOULD NOT TAKE, ANY ACTIONS TO UNDERMINE PROSPERITY AND STABILITY. DURING THE RECENT RIOTS IN HONG KONG THE CHINESE GOVERNMENT HAD ADOPTED A SERIOUS AND RESPONSIBLE APPROACH. INDEED, ON ALL MATTERS UP TO NOW CHINA'S ATTITUDE HAD BEEN ONE OF RESTRAINT. IF MR LOBO'S MOTION WERE NOW TO 'MATERIALISE', HOWEVER, THIS WOULD BE UNFOVOURABLE TO THE SMOOTH PROGRESS OF THE TALKS AND TO THE MAINTENANCE OF THE PROSPERITY AND STABILITY OF HONG KONG. RESPONSIBILITY FOR THIS WOULD CERTAINLY NOT REST WITH THE CHINESE SIDE.

ZHOU CONCLUDED BY STATING THAT HE HOPED THE BRITISH SIDE WOULD BE PRUDENT AND CIRCUMSPECT IN HANDLING THIS QUESTION.

4. I SAID THAT I HAD LISTENED CAREFULLY TO ZHOU'S STATEMENT AND WOULD REPORT IT FULLY AT ONCE. THE BRITISH GOVERNMENT SHARED THE VIEW OF THE CHINESE GOVERNMENT THAT PROGRESS HAD BEEN MADE IN RECENT ROUNDS. ALTHOUGH WITHOUT INSTRUCTIONS I WOULD MAKE FOUR PERSONAL COMMENTS IN RESPONSE TO ZHOU'S STATEMENT:

(I) CONSTITUTIONALLY, ANY MEMBER OF LEGCO WAS FREE TO TABLE A MOTION ON ANY SUBJECT.

(II) IT WAS NOT A QUESTION OF THE BRITISH GOVERNMENT PLAYING THE PUBLIC OPINION CARD OR ANY OTHER CARD.

(III) THE BRITISH SIDE HAD SCRUPULOUSLY OBSERVED CONFIDENTIALITY. ZHOU WOULD HAVE NOTICED THAT MR LUCE HAD SEVERAL TIMES DECLINED TO ANSWER QUESTIONS AT HIS RECENT PRESS CONFERENCE ON THE GROUNDS THAT HE COULD NOT BREACH CONFIDENTIALITY. MR LOBO'S MOTION WAS A PROCEDURAL ONE. THE CONTENTS OF THE TALKS WERE NOT WITHIN THE AMBIT OF THE MOTION AND WOULD NOT BE MADE AVAILABLE TO LEGCO ON 14 MARCH. YET THERE WOULD BE A MOMENT IN THE FUTURE WHEN THE OUTCOME OF THE NEGOTIATIONS WOULD BE MADE PUBLIC. THERE WOULD ALSO AT SOME POINT HAVE TO BE A DEBATE IN PARLIAMENT, TO TAKE PLACE ON THE BASIS OF THE FRUITS OF NEGOTIATION.

(IV) IN HONG KONG ITSELF, WE HAD NOTED THE WAY IN WHICH THE CHINESE GOVERNMENT HAD REACTED TO THE DISTURBANCES OF MID-JANUARY. THE BRITISH GOVERNMENT WERE ENTIRELY MINDFUL OF THEIR RESPONSIBILITIES AND IT WAS INCONCEIVABLE THAT THEY WOULD EVER DO ANYTHING TO DAMAGE THE STABILITY OR PROSPERITY OF HONG KONG. WE HAD MADE A VERY CAREFUL ASSESSMENT OF THE JANUARY DISTURBANCES AND WERE CERTAIN THAT THERE HAD BEEN NO POLITICAL MOTIVE BEHIND THE TAXI STRIKE OR THE SUBSEQUENT EXPLOITATION OF IT BEXYXIWPSM6 ^{MR LUCE'S} STATEMENT THAT 'IT IS PARLIAMENT THAT FINALLY HAS THE SAY YES OR NO'.

~~WHAT IT IS PARLIAMENT THAT FINALLY HAS THE SAY YES OR NO.~~

6. ZHOU REPEATED THAT THE CHINESE GOVERNMENT WERE VERY CONCERNED THAT THIS ISSUE COULD AFFECT THE FUTURE OF THE TALKS AND THE PROSPERITY AND STABILITY OF HONG KONG. TO SAY THAT ANY MEMBER OF LEGCO WAS FREE TO TABLE A MOTION ON ANY SUBJECT WAS NOT THE POINT. THE POINT WAS THE ATTITUDE OF THE BRITISH AUTHORITIES. DESPITE LOCAL REGULATIONS, CERTAIN THINGS HAD TO BE APPROVED BY THE GOVERNOR. ON THE QUESTION OF CONFIDENTIALITY, THE CHINESE GOVERNMENT HAD NOTICED THAT MR LUCE HAD BEEN PRUDENT AND HAD NOT LEAKED THE CONTENTS OF THE TALKS IN HIS PRESS CONFERENCE. BUT IF MR LOBO'S MOTION WERE "CARRIED OUT", THIS WOULD LEAD TO SERIOUS LEAKAGE IN HONG KONG. AS FOR MR LUCE'S STATEMENT THAT IT WAS THE BRITISH PARLIAMENT THAT WOULD FINALLY HAVE TO SAY YES OR NO, ANY AGREEMENT WOULD BE BILATERAL. MR LUCE'S STATEMENT IGNORED CHINESE CONSENT. IT WOULD NOT BE POSSIBLE FOR CHINA TO PUT HER SIGNATURE ON ANY AGREEMENT WHICH COULD BE OVERTURNED BY THE BRITISH PARLIAMENT LATER ON. ALL THE SAME, THE QUESTION OF DEBATE IN PARLIAMENT WAS A LEGITIMATE ONE. WHAT HE REALLY WANTED TO EMPHASISE WAS THAT CHINA COULD IN NO WAY ACCEPT THE CONCEPT OF THE THREE LEGGED STOOL. HE ENDED BY STATING THAT THIS EXCHANGE OF VIEWS HAD BEEN USEFUL.

7. I SAID THAT I HAD NOTED ZHOU'S FURTHER REMARKS. I WOULD RECOMMEND THAT HE READ AGAIN CAREFULLY WHAT MR LUCE HAD SAID. THE CENTRAL IMPORTANCE OF PARLIAMENT, IN GENERAL AND IN RELATION TO THE NEGOTIATING PROCESS, HAD BEEN MADE CLEAR BY THE PRIME MINISTER TO THE CHINESE LEADERS WHEN SHE VISITED CHINA IN 1982 AND IN HER SUBSEQUENT LETTER AND MESSAGE TO PREMIER ZHAO.

8. FOR COMMENT SEE MIFT.

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GRS 1433
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FM FCO 291205Z FEB 84
TO IMMEDIATE HONG KONG
TELEGRAM NUMBER 373 OF 29 FEBRUARY
INFO IMMEDIATE PEKING
MIPT: FUTURE OF HONG KONG: STRATEGY AND TIMETABLE
PAPER FOR EXCO

A.S.C. 1/3
h.a.

1. MINISTERS HAVE CONCLUDED AFTER THE MOST CAREFUL CONSIDERATION THAT OUR OBJECTIVES IN NEGOTIATING WITH THE CHINESE ON THE FUTURE OF HONG KONG, AND ALSO THE INTERESTS OF THE HONG KONG PEOPLE, WOULD BEST BE SERVED BY AIMING FOR A BILATERAL AGREEMENT WITH THE CHINESE THIS YEAR. THIS PAPER EXPLAINS THE BASIS FOR THAT VIEW.
2. THE CRUCIAL FACTOR IS THE INTENTION OF THE CHINESE TO ISSUE A STATEMENT IN SEPTEMBER ON THE FUTURE OF HONG KONG, EITHER IN THE FORM OF AN AGREEMENT WITH US, OR IF NEED BE, UNILATERALLY. WE BELIEVE THAT THE CHINESE COMMITMENT TO THAT DEADLINE IS UNSHAKABLE. IT DERIVES FROM DENG XIAOPING'S TALKS WITH THE PRIME MINISTER INPTEMBER 1982 AND HAS SINCE BEEN REASSERTED AT EVERY LEVEL. IT MUST BE OUR PRIMARY OBJECTIVE TO SEE THAT WHATEVER DOCUMENT ISSUES IN SEPTEMBER IS AS JOINT, PALATABLE AND BINDING AS POSSIBLE. IF WE CONTINUE TO WORK WITH THE CHINESE FOR AN AGREEMENT BY THE DATE ON WHICH THEY ARE FIXED, WE SHALL MAINTAIN A DEGREE OF LEVERAGE AND STAND THE BEST CHANCE OF INFLUENCING THE CONTENT OF AN AGREEMENT.
3. IF WE WERE TO TELL THE CHINESE THAT WE SHALL NOT EVEN TRY FOR AN AGREEMENT THIS YEAR, WE SHOULD GREATLY DAMAGE OUR OWN AND HONG KONG'S INTERESTS. THERE WOULD BE A STRONG ADVERSE CHINESE REACTION. EITHER WE SHOULD HAVE CONFRONTATION AND THE ISSUE OF A UNILATERAL STATEMENT IN SEPTEMBER BY THE CHINESE, WHICH WOULD BE DISASTROUS FOR CONFIDENCE, OR, AFTER AN UNPLEASANT ARGUMENT, WE SHOULD CLIMB DOWN. BUT IN THAT CASE THE ATMOSPHERE WOULD BE WORSENERED, VALUABLE TIME WOULD BE LOST AND OUR CHANCES WOULD BE REDUCED OF GETTING THE ASSURANCES WE NEED.

4. IT HAS BEEN ARGUED THAT THE ASSESSMENT OF THE CHINESE REACTION ABOVE IS AN ASSUMPTION THAT HAS NOT BEEN SUBJECTED TO EVERY POSSIBLE TEST. IT DOES, HOWEVER, REPRESENT A SERIOUS AND IN MINISTERS' VIEW, ACCURATE JUDGEMENT, BASED ON A WIDE RANGE OF EVIDENCE, INCLUDING CHINESE STATEMENTS AT THE HIGHEST LEVEL AND THE CHINESE PERFORMANCE TO DATE. IN NEGOTIATIONS SO FAR WE HAVE REGULARLY HAD TO FORM AND ACT ON SUCH JUDGEMENTS. IF WE WERE TO INSIST ON SUBJECTING THIS JUDGEMENT TO THE ONLY REMAINING TEST, IT WOULD MEAN TELLING THE CHINESE THAT WE WERE NOT PREPARED TO AIM FOR AN AGREEMENT THIS YEAR, AND PRESSING OVER A PERIOD THE IDEA OF AN INTERIM ANNOUNCEMENT. FOR THE REASONS GIVEN ABOVE, WE CONSIDER THAT THE COST OF SUCH A FINAL TEST WOULD BE EXCESSIVE SINCE IT WOULD INVOLVE UNACCEPTABLE DAMAGE TO HONG KONG'S INTERESTS.

5. WHAT HMG AND HONG KONG NEED FROM THE CHINESE IS AS DETAILED AND BINDING COMMITMENTS ON POST 1997 HONG KONG AS WE CAN EXTRACT. IN ORDER TO MAXIMISE THE CHINESE COMMITMENT, WE WANT THEM IN A FORMAL INTERNATIONAL AGREEMENT. WE ALSO NEED TO MAKE SURE THAT THE DETAILS WE HAVE NEGOTIATED WITH THE CHINESE AND WHICH WE WANT TO SEE IN THE BILATERAL AGREEMENT WILL ALSO BE IN THE BASIC LAW. THESE ARE GOING TO BE DIFFICULT THINGS TO ACHIEVE IN THE BEST OF CIRCUMSTANCES. THEY WILL BE MUCH HARDER TO OBTAIN IF WE ARE NOT CO-OPERATING WITH THE CHINESE ON TIMING: AND THEY WILL BE MUCH HARDER TO OBTAIN AND WILL BY DEFINITION BE MUCH LESS BINDING IN AN INTERIM ANNOUNCEMENT THAN IN A BILATERAL AGREEMENT.

6. IT MIGHT BE ARGUED THAT AN INTERIM ANNOUNCEMENT WOULD BE FOLLOWED BY FURTHER SUBSTANTIVE NEGOTIATIONS ON POST-1997 ARRANGEMENTS LEADING TO A MORE DETAILED AND BINDING AGREEMENT. THIS EXPECTATION IS PROBABLY FALSE. IT IS CONCEIVABLE THAT THE CHINESE MAY WISH TO GO ON TALKING AFTER SEPTEMBER ABOUT THE PERIOD UP TO 1997, THOUGH THIS IS BY NO MEANS CERTAIN: BUT THEY WILL HAVE SAID THEIR SAY IN SEPTEMBER ON POST-1997 HONG KONG: THEY WILL NOT BE BUDGED FROM THAT: AND WE SHALL PROBABLY FIND THAT THERE IS LITTLE OR NO SCOPE FOR FURTHER NEGOTIATIONS ON THAT ISSUE.

7. AT THE PRESENT PACE OF WORK WE SHOULD HAVE COMPLETED THE

BULK OF THE TASK BY THE SUMMER. IF, HOWEVER, WE ARE UNABLE TO MANAGE THIS, IT WOULD BE OPEN FOR US TO FALL BACK ON SOMETHING RATHER LESS FORMAL THAN A BILATERAL AGREEMENT, IE A HEADS OF AGREEMENT. WE SHOULD HAVE A BETTER CHANCE OF OBTAINING CHINESE CONCURRENCE IN THIS COURSE IF WE HAD BEEN CO-OPERATING WITH THEM ON THE GENERAL TIMETABLE RATHER THAN CHALLENGING THEM.

8. HAVING ACCEPTED THIS TIME FRAMEWORK, AS WE MUST, THE NEXT QUESTION IS HOW TO MEET HONG KONG'S LEGITIMATE CONCERN TO BE INFORMED AND CONSULTED. AS HAD BEEN MADE PLAIN THROUGHOUT THE NEGOTIATIONS, THERE COULD BE NO QUESTION OF RECOMMENDING AN AGREEMENT TO PARLIAMENT WITHOUT FIRST ESTABLISHING ITS ACCEPTABILITY IN HONG KONG. AFTER A DRAFT AGREEMENT WAS ATTAINED AND PUBLISHED, ADEQUATE TIME WOULD BE PROVIDED TO ASSESS ITS ACCEPTABILITY IN HONG KONG. WORKING ON THE BASIS OF THE CHINESE DEADLINE OF SEPTEMBER, THE AGREEMENT WOULD BE INITIALLED AND PUBLISHED BY THAT STAGE. THE PROCESS OF ESTABLISHING THAT THIS AGREEMENT WAS ACCEPTABLE TO THE PEOPLE OF HONG KONG WOULD TAKE PLACE THEREAFTER, AND THE DRAFT AGREEMENT WOULD THEN BE PUT TO PARLIAMENT FOR DEBATE BY THE END OF THE YEAR. IF THE DRAFT AGREEMENT PROVED ACCEPTABLE TO PARLIAMENT IT COULD BE SIGNED. IT WOULD STILL, HOWEVER, BE SUBJECT TO RATIFICATION. LEGISLATION ON THE PASSAGE OF SOVEREIGNTY AND RATIFICATION WOULD HAVE TO AWAIT PUBLICATION OF THE CHINESE BASIC LAW FOR HONG KONG. THIS WOULD HELP ENSURE THAT THE BASIC LAW WAS CONSISTENT WITH THE TERMS OF THE BILATERAL AGREEMENT.

9. BUT BEFORE THE PROCESS OF ESTABLISHING ACCEPTABILITY OF THE AGREEMENT IT WOULD BE DESIRABLE TO PROVIDE SOME INDICATIONS TO HONG KONG THE FUTURE COURSE AND LIKELY OUTCOME OF THE NEGOTIATIONS. IT IS RECOGNISED THAT AS A RESULT OF OUR SCRUPULOUS OBSERVANCE OF THE CONFIDENTIALITY RULE IN THESE NEGOTIATIONS, HONG KONG OPINION IS AS YET LARGELY IN THE DARK ABOUT HMG'S ASSESSMENT OF THEIR LIKELY OUTCOME. THIS NEED COULD BE MET BY THE ISSUING OF A MINISTERIAL STATEMENT IN LATE SPRING OR EARLY SUMMER. THIS WOULD GIVE SOME OF THE BACKGROUND TO THE ISSUE AND WOULD INDICATE THE SORT OF AGREEMENT THAT MIGHT BE REACHED IF THE NEGOTIATIONS CONTINUED ON THE PRESENT LINES. IT WOULD IN FACT BEGIN A PROCESS OF INFORMAL

CONSULTATION. THE STATEMENT WOULD NEED TO BE CAREFULLY WORDED TO AVOID ANY BREACH OF CONDITIONALITY BUT COULD BE QUITE INFORMATIVE, DESCRIBING WHAT MIGHT BE OBTAINED FROM THE CHINESE IN THE NEGOTIATIONS TO PRESERVE HONG KONG'S SYSTEMS AND FREEDOMS. SUCH A STATEMENT WOULD DO MUCH TO REDUCE CURRENT PRESSURE ON THE GOVERNOR AND EXCO AND TO PREPARE PUBLIC OPINION FOR THE SHAPE OF THE AGREEMENT ON WHICH VIEWS WOULD EVENTUALLY BE SOUGHT. THE WORDING OF SUCH A STATEMENT WOULD BE DISCUSSED IN ADVANCE WITH EXCO. TO ANTICIPATE ANY ADVERSE CHINESE REACTION IT WOULD ALSO BE NECESSARY TO INFORM THE CHINESE IN ADVANCE OF OUR INTENTION TO ISSUE A STATEMENT AND OUR REASONS FOR DOING SO: IF NEGOTIATIONS WERE PROCEEDING IN A GOOD ATMOSPHERE, WE JUDGE THIS COULD BE FEASIBLE.

10. ONE SUBSIDIARY PURPOSE SERVED BY SUCH A STATEMENT WOULD BE TO EXPLAIN TO HONG KONG PUBLIC OPINION THE DIFFERENT STAGES IN THE CONCLUSION OF AN AGREEMENT, EG INITIALLING, SIGNATURE AND RATIFICATION. THIS COULD HELP TO CLEAR AWAY SOME MISCONCEPTIONS, FOR EXAMPLE, INITIALLING WOULD IN OUR VIEW SERVE MERELY TO AUTHENTICATE THE TEXTS REACHED BY THE NEGOTIATORS.

11. THE STAGES IN CONSULTATION ENVISAGED IN THE ABOVE COURSE MIGHT THEREFORE BE FIRST, THE MINISTERIAL STATEMENT IN THE EARLY SPRING OR SUMMER, INDICATING THE COURSE OF NEGOTIATIONS AND THEIR POSSIBLE OUTCOME: INFORMAL CONSULTATION ON THAT BASIS AS NEGOTIATIONS CONTINUED THEREAFTER: NEGOTIATION LEADING TO AN AGREEMENT INITIALLED AND PUBLISHED BY THE END OF SEPTEMBER: THE FORMAL PROCESS OF ESTABLISHING ACCEPTABILITY IN HONG KONG IN OCTOBER AND NOVEMBER: DEBATE IN PARLIAMENT IN NOVEMBER/DECEMBER FOLLOWED BY SIGNATURE BY THE END OF THE YEAR IF THE NECESSARY PRE-CONDITIONS HAD BEEN MET: PASSAGE OF LEGISLATION ON SOVEREIGNTY AND RATIFICATION WHEN WE WERE CLEAR ON THE TEXT OF THE BASIC LAW. THE ABOVE COURSE IN MINISTERS' VIEW IS THE BEST CALCULATED TO MEET OUR TWIN OBJECTIVES OF NEGOTIATING THE BEST POSSIBLE AGREEMENT WITH THE CHINESE AND ENSURING THAT IT IS ACCEPTABLE TO THE PEOPLE OF HONG KONG.

12. IT WOULD BE MISLEADING TO ARGUE THAT FOR HONG KONG OPEN QUOTES NO AGREEMENT IS BETTER THAN A BAD AGREEMENT CLOSE QUOTES.

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NO AGREEMENT WOULD MEAN CONFRONTATION AND THE WORST POSSIBLE OUTCOME FOR HONG KONG. THE TASK OF THE NEGOTIATORS IS TO SEEK AN AGREEMENT WHICH, IF NOT IDEAL, IS NONETHELESS THE BEST POSSIBLE ONE FOR HONG KONG AND ACCEPTABLE IN ALL THE CIRCUMSTANCES TO THE HONG KONG PEOPLE. THE COURSE OUTLINED ABOVE IS IN MINISTERS' VIEW THE MOST LIKELY TO ACHIEVE THIS OBJECTIVE.

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FROM PEKING 290615Z FEB 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 350 OF 29/2/84
INFO IMMEDIATE HONG KONG

MY TEL NO 346: MRS WILLIAMS AND ZHOU NAN

1. MRS WILLIAMS SPENT 1 3/4 HOURS WITH ZHOU NAN ON THE MORNING OF 28 FEBRUARY. NO-ONE FROM THE EMBASSY WAS PRESENT. ZHOU WAS SUPPORTED BY TWO MEMBERS OF THE CHINESE NEGOTIATING TEAM (NOT IDENTIFIED BY MRS WILLIAMS). MRS WILLIAMS WAS ACCOMPANIED ONLY BY HER INTERPRETER FROM THE PEOPLE'S INSTITUTE OF FOREIGN AFFAIRS. DURING THE SECOND HALF OF THE CONVERSATION, THERE WAS NO INTERPRETATION OF WHAT SHE SAID.

2. MRS WILLIAMS GAVE ME A FAIRLY FULL ACCOUNT OF THE CONVERSATION OVER A LUNCH SHE GAVE FOR HER (WITH NO CHINESE PRESENT) ON 28 FEBRUARY. WHAT SHE SAID TO ME WAS GENERALLY CONSISTENT WITH WHAT SHE SUBSEQUENTLY SAID TO REPORTERS. BUT IT WAS FULLER AND THE EMPHASIS WAS DIFFERENT HERE AND THERE. I THEREFORE THINK IT WORTH GIVING YOU THE SUBSTANCE OF THE NOTES WHICH I MADE IMMEDIATELY AFTER THE LUNCH.

3. MRS WILLIAMS HAD RUBBED IN TO ZHOU THE IMPORTANCE TO CHINA OF THE MAINTENANCE OF CONFIDENCE IN AND OVER HONG KONG. SHE HAD SAID THAT DEVELOPMENTS IN CHINA ITSELF OVER THE NEXT 13 YEARS WOULD BE VERY IMPORTANT (SEMI-COLON) IF THE CHINESE ECONOMY BECAME MORE OF A MIXED ECONOMY, MORE MEMBERS OF THE ALL IMPORTANT "SANDWICH CLASS" OF BUSINESS MANAGERS AND PROFESSIONAL PEOPLE WOULD DECIDE TO REMAIN IN HONG KONG, BUT IF NOT, NOT. IN ANSWER TO ZHOU'S CHARGE, SHE HAD STRONGLY DENIED THAT THE BRITISH GOVERNMENT OR THE HONG KONG GOVERNMENT HAD PROVOKED THE CRISIS OF CONFIDENCE IN THE AUTUMN OF 1983. THIS CRISIS HAD BEEN CREATED BY UNCERTAINTY, BOTH IN HONG KONG AND ELSEWHERE, ABOUT WHAT CHINA INTENDED FOR HONG KONG.

4. ZHOU HAD MADE IT CLEAR THAT CHINA WAS AIMING FOR THE SIGNATURE OF A FORMAL BILATERAL AGREEMENT WITH THE UNITED KINGDOM BY THE END OF JULY. IN ANSWER TO HIS QUESTION WHETHER SHE THOUGHT THIS POSSIBLE, MRS WILLIAMS HAD SAID THAT SHE WAS CERTAIN THAT IT

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WOULD NOT BE AUTHORISED TO SIGN ANY AGREEMENT UNTIL THERE HAD BEEN A FULL DEBATE IN PARLIAMENT. IT WAS, HOWEVER, POSSIBLE THAT IT MIGHT BE AUTHORISED TO INITIAL AN AGREEMENT. ZHOU HAD COUNTERED THAT THE CHINESE GOVERNMENT WOULD EXPECT THE BRITISH GOVERNMENT TO BE BOUND BY INITIALLING. SHE HAD REPLIED THAT THE BRITISH GOVERNMENT COULD NOT COMMIT ITSELF TO AN INVARIABLE TEXT UNTIL THERE HAD BEEN A FULL DEBATE IN PARLIAMENT. NO BRITISH GOVERNMENT COULD TAKE PARLIAMENT FOR GRANTED (SEMI-COLON) AND THE CHINESE GOVERNMENT COULD NOT EXPECT THE BRITISH GOVERNMENT TO ACT IN A WAY INCONSISTENT WITH TRADITIONS WHICH REACHED BACK TO MAGNA CARTA. NOR WAS PARLIAMENTARY OPINION STATIC. THIS HAD BEEN AMPLY DEMONSTRATED BY WHAT HAD HAPPENED OVER THE PATRIATION OF THE CANADIAN CONSTITUTION. ZHOU HAD THEN ASKED HER A LARGE NUMBER OF QUESTIONS ABOUT THE SENTIMENT AMONG DIFFERENT PARTIES AND GROUPS IN PARLIAMENT. SHE HAD ANSWERED AS BEST SHE COULD (SHE DID NOT GIVE ME DETAILS OF WHAT SHE HAD SAID).

5. ZHOU HAD SAID THAT THE CHINESE GOVERNMENT DID NOT LIKE THE MOTION DOWN FOR DEBATE BY THE LEGISLATIVE COUNCIL ON 15 MARCH. THE BRITISH GOVERNMENT MUST HAVE BEEN BEHIND THE TABLING OF THIS MOTION, WHICH HAD IMMEDIATELY FOLLOWED THE TABLING OF MR BROWN'S EARLY MOTION IN THE HOUSE OF COMMONS. MRS WILLIAMS HAD STRENUOUSLY DENIED THAT THIS WAS THE CASE. THE LEGISLATIVE COUNCIL WAS CONSTITUTIONALLY ENTITLED TO PUT DOWN THE MOTION (SEMI-COLON) IN ANY CASE, IT WAS QUITE RIGHT THAT THE MOTION SHOULD BE DEBATED.

6. AT THIS ZHOU HAD BECOME QUITE STERN. I MUST WARN YOU MRS WILLIAMS, HE HAD SAID, THAT THE BRITISH GOVERNMENT MUST NOT PLAY THE PUBLIC OPINION CARD IN HONG KONG. THIS WOULD BE INCONSEQUENT OF THE AGREEMENT BETWEEN CHINA AND THE UNITED KINGDOM THAT THE TALKS SHOULD REMAIN CONFIDENTIAL AND WOULD IN ANY CASE DAMAGE THE ATMOSPHERE.

7. JUST BEFORE LEAVING MY HOUSE, MRS WILLIAMS TOLD ME THAT SHE PLANNED TO SPEAK OR WRITE TO YOU ABOUT HER CONVERSATION WITH ZHOU ON HER RETURN TO LONDON, IN ABOUT A WEEK'S TIME.

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FM FCO 291400Z FEB 84

TO IMMEDIATE HONG KONG

TELEGRAM NUMBER 372 OF 29 FEBRUARY

INFO IMMEDIATE PEKING

YOUR TELNO 523: FUTURE OF HONG KONG: STRATEGY AND TIMETABLE

1. MINISTERS MET ON 27 FEBRUARY TO DISCUSS STRATEGY AND TIMETABLE.

2. THEY CONSIDERED MOST SERIOUSLY THE CONCERNS EXPRESSED TO MR LUCE BY EXCO (YOUR TUR). THEY DECIDED HOWEVER THAT BOTH OUR GENERAL NEGOTIATING OBJECTIVE AND IN PARTICULAR HONG KONG'S OWN INTERESTS WOULD BEST BE SERVED BY TAKING SERIOUS ACCOUNT OF THE CHINESE DEADLINE AND THEREFORE AIMING FOR AN AGREEMENT WHICH COULD BE SIGNED THIS YEAR. THEY ACKNOWLEDGED THE NEED TO EXPLAIN THE EMERGING OUTLINE OF AN AGREEMENT TO THE PEOPLE OF HONG KONG AND ALLOW TIME FOR HONG KONG OPINION TO FORM SO AS TO ASSIST IN ESTABLISHING THE ACCEPTABILITY OF WHAT WAS PROPOSED. THEY CONSIDERED THAT THIS PROCESS COULD SATISFACTORILY BE INITIATED BY A MINISTERIAL STATEMENT IN THE LATE SPRING, PERHAPS DURING MY VISIT TO THE FAR EAST IN APRIL.

3. MINISTERS RECOGNISED THE CRUCIAL IMPORTANCE OF EXPLAINING THE REASONING BEHIND THEIR DECISION TO EXCO AND SEEKING EXCO'S COOPERATION IN THE COURSE OF ACTION WHICH THEY INTENDED TO PURSUE. MIFT CONTAINS THE TEXT OF A PAPER WHICH I SHOULD LIKE YOU TO USE IN SEEKING THEIR AGREEMENT. I HOPE YOU WILL BE ABLE TO CONVINCED BOTH OFFICIALS AND UNOFFICIALS THAT HMG ARE ACTING IN THE BEST INTERESTS OF HONG KONG.

4. IF FOLLOWING YOUR DISCUSSION WITH EXCO YOU CONCLUDE THAT YOU CANNOT OBTAIN THEIR SUPPORT WITHOUT BRINGING THE UNOFFICIALS BACK TO LONDON, YOU MAY EXTEND SUCH AN INVITATION. BUT THEY WOULD NEED TO RETURN SOON. IT WOULD BE POSSIBLE FOR ME TO OFFER THEM LUNCH ON 8 MARCH, AND FOR THE PRIME MINISTER TO SEE HIM ON THE MORNING OF 9 MARCH.

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A. J. C. 1/3
h.a.

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FM PEKING 281215Z FEB 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 346 OF 28 FEBRUARY
INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: STATEMENT BY MRS SHIRLEY WILLIAMS

1. ON 28 FEBRUARY MRS SHIRLEY WILLIAMS SPOKE TO REPRESENTATIVES OF THE FOREIGN PRESS ABOUT HER DISCUSSION WITH ZHOU NAN ON THE FUTURE OF HONG KONG. THIS HAD CENTRED ON THE FOLLOWING POINTS WHICH SHE HAD PROMISED IN HONG KONG TO TAKE UP WITH THE CHINESE LEADERSHIP:-

- A) THE FRAGILITY OF CONFIDENCE IN HONG KONG
- B) THE QUESTION OF A TIMETABLE FOR THE TALKS AND THE BRITISH PARLIAMENTARY PROCESS

2. ON CONFIDENCE, MRS WILLIAMS STRESSED THE NEED FOR CAREFUL HANDLING OF THE TRANSITIONAL PERIOD IF THE BUSINESS AND PROFESSIONAL CLASSES, CRUCIAL TO HONG KONG'S PROSPERITY, WERE NOT TO LEAVE. THE QUESTION OF CONFIDENCE WAS UNDERRATED BY THE CHINESE LEADERSHIP AND MRS WILLIAMS ADMITTED THAT SHE AND ZHOU NAN HAD HAD DIFFERENT PERCEPTION ON THIS QUESTION. ZHOU NAN HAD FOR EXAMPLE SAID THAT IN THE USA, BUSINESS AND POLITICAL OPINION SEEMED IMPRESSED BY CHINA'S PROPOSALS FOR HONG KONG.

3. MRS WILLIAMS SAID THAT ZHOU NAN HAD TAKEN A GREAT INTEREST IN THE QUESTION OF THE BRITISH PARLIAMENTARY PROCESS AND HAD ASKED NUMEROUS QUESTIONS. HE HAD GIVEN THE IMPRESSION THAT CHINA SAW THE ISSUING OF A WHITE PAPER ON HONG KONG'S FUTURE AS BEING TANTAMOUNT TO A FORMAL AGREEMENT BY THE BRITISH GOVERNMENT, PARLIAMENTARY APPROVAL BEING A FOREGONE CONCLUSION. MRS WILLIAMS HAD ATTEMPTED TO DISABUSE HIM OF THIS. PARLIAMENT, AND IN PARTICULAR THE HONG KONG LOBBY, WHICH SHE DESCRIBED AS INFLUENTIAL, WOULD WANT TO ASK NUMEROUS QUESTIONS ON THE DETAILED IMPLICATIONS OF ANY AGREEMENT. THERE WOULD HAVE TO BE A FIRST STAGE DEBATE ON EITHER A WHITE PAPER OR A HEADS OF AGREEMENT, FOLLOWED BY LEGISLATION ON THE TRANSFER OF SOVEREIGNTY, CITIZENSHIP AND RELATED TECHNICAL ISSUES SUCH AS PENSIONS. SUCH LEGISLATION COULD NOT BE RUSHED THROUGH. MRS WILLIAMS QUOTED THE REPATRIATION OF THE CANADIAN CONSTITUTION AS AN EXAMPLE OF HOW THE RAPID AGREEMENT OF PARLIAMENT COULD NOT BE TAKEN FOR GRANTED BY ANY GOVERNMENT. IN THE HONG KONG CONTEXT, A FULL AGREEMENT BY SEPTEMBER WOULD THUS BE AN IMPOSSIBILITY, BUT THE CHINESE SHOULD NOT SEE FAILURE TO REACH AN AGREEMENT AS A BETRAYAL BY BRITAIN OF ANY AGREEMENT WHICH MIGHT BY THEN HAVE BEEN REACHED.

4. IN ANSWER TO A QUESTION, MRS WILLIAMS SAID THAT ZHOU NAN HAD INITIALLY EXPRESSED DISBELIEF IN HER STATEMENT. AS THE DISCUSSION HAD PROGRESSED, ZHOU HAD HOWEVER APPEARED TO START BELIEVING WHAT SHE HAD TOLD HIM. ZHOU HAD HOWEVER GIVEN NO INDICATION THAT ANYTHING SAID WOULD INFLUENCE CHINESE THINKING ON THE TIMETABLE.
5. ASKED TO DESCRIBE THE PRESENT STATE OF THE HONG KONG TALKS, MRS WILLIAMS SAID THEY WERE REASONABLY PROMISING IN THE LONG TERM. THE PROBLEM WAS QUOTE GETTING FROM HERE TO THERE UNQUOTE WHILE STILL RETAINING CONFIDENCE. IT WAS NOT ENOUGH FOR CHINA TO SAY FLAT THIS WAS SOLELY A BRITISH RESPONSIBILITY UP TO 1997.
6. ON THE QUESTION OF DEMOCRACY IN HONG KONG, MRS WILLIAMS SAID THAT ZHOU NAN HAD APPEARED TO THINK THAT DEMONCRATISATION WOULD NOT BE WELCOME IF IT MADE THE TRANSITION MORE DIFFICULT. ZHOU APPEARED TO BELIEVE THAT HMG HAD INSPIRED THE LEGCO UNOFFICIALS TO REQUEST A DEBATE ON HONG KONG FUTURE. MRS WILLIAMS HAD TRIED TO DISABUSE HIM OF THIS VIEW.
7. MRS WILLIAMS EMPHASISED THROUGHOUT THAT SHE HAD NO OFFICIAL STANDING VIS A VIS THE HONG KONG TALKS AND THAT SHE WAS MERELY GIVING HER VIEWS AS AN EXPERIENCED PARLIAMENTARIAN.

EVANS

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BF

MR. COLES

I have blocked out 1130-1300 hours on Friday 9 March for a possible visit by EXCO. But I think the Cabinet Office should be warned, so that they can warn Ministers, as Friday is always a difficult day.

CR.

CR.

Mr. Taylor.

Only FCO Ministers will be involved - and they know.

28 February 1984

A. J. C. 25/2.



10 DOWNING STREET

MRS. RYDER

Could you provisionally
block off the period
1130-1300 on Friday, 9 March
for a possible visit by
EXCO (Hong Kong).

A.S.C.

27 February 1984

GR 1250

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DESKBY 270900Z

FM HONG KONG 270755Z FEB 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 523 OF 27 FEBRUARY

INFO IMMEDIATE PEKING

YOUR TELNO 344: FUTURE OF HONG KONG: STRATEGY AND TIMETABLE.

1. MR LUCE HAD A TWO AND A HALF HOUR MEETING WITH EXCO THIS MORNING THE BULK OF WHICH WAS DEVOTED TO THE QUESTION OF STRATEGY AND TIMETABLE.

2. MR LUCE PREFACED HIS OPENING REMARKS BY STRESSING THAT NO MINISTERIAL DECISIONS HAD YET BEEN TAKEN: HIS PURPOSE WAS TO OUTLINE CURRENT THINKING IN LONDON AND OBTAIN EXCO'S REACTIONS. IN THE TALKS HMG HAD ~~two~~ OBJECTIVES: TO NEGOTIATE THE BEST POSSIBLE AGREEMENT WITH THE CHINESE, AND TO ENSURE THAT IT WAS ACCEPTABLE TO THE PEOPLE OF HONG KONG. IN CONSIDERING HOW BEST TO MEET THESE OBJECTIVES VARIOUS FACTORS HAD TO BE TAKEN INTO ACCOUNT, IN PARTICULAR THE CHINESE DEADLINE, WHICH HMG BELIEVED TO BE REAL: THE FACT THAT CONFRONTATION WOULD DO A GREAT DISSERVICE TO THE PEOPLE OF HONG KONG: AND THE NEED FOR A DETAILED AGREEMENT INCORPORATING AS MANY ASSURANCES AS COULD BE NEGOTIATED, AND TO TIE THE CHINESE DOWN AS MUCH AS POSSIBLE ON THE CONTENT OF THE BASIC LAW. IT WAS HMG'S JUDGEMENT THAT THIS COULD NOT BE DONE WITHOUT CHINESE COOPERATION. THE TIME AVAILABLE BEFORE THE SEPTEMBER DEADLINE SHOULD BE USED TO THE FULLEST POSSIBLE ADVANTAGE, SINCE IT WAS CLEAR THAT THIS WAS WHEN THE CHINESE WOULD BE MOST RECEPTIVE TO OUR IDEAS.

3. MR LUCE EMPHASISED THAT THE CONCERNS OF HONG KONG WERE UPPERMOST IN MINISTERS' MINDS. IN PARTICULAR, THEY WERE CLEAR THAT TIME WOULD BE NEEDED TO ESTABLISH THE ACCEPTABILITY OF WHAT WAS PROPOSED TO THE PEOPLE OF HONG KONG. IT WAS AGAINST THIS BACKGROUND THAT THE WAY FORWARD HAD TO BE CONSIDERED. ONE POSSIBLE OPTION WOULD BE TO AIM FOR AN AGREEMENT WHICH WOULD BE SIGNED THIS YEAR. ON THIS BASIS IT MIGHT BE POSSIBLE TO HAVE A DRAFT AGREEMENT WHICH MIGHT BE PUBLISHED IN JUNE OR JULY. THERE COULD THEN BE AN ASSESSMENT OF ITS ACCEPTABILITY IN HONG KONG DURING AUGUST, SEPTEMBER AND EARLY OCTOBER BEFORE THE DRAFT AGREEMENT WAS PUT TO PARLIAMENT FOR DEBATE AFTER THE SUMMER. IF THE DRAFT AGREEMENT WAS ACCEPTABLE TO PARLIAMENT IT MIGHT BE SIGNED IN NOVEMBER. THE AGREEMENT WOULD STILL BE SUBJECT TO RATIFICATION WHICH WOULD HAVE TO AWAIT PUBLICATION OF THE BASIC LAW. THIS MIGHT TAKE SOME YEARS.

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4. MR LUCE SAID THAT MINISTERS WERE ACUTELY AWARE OF THE CONCERN ABOUT PUBLIC PRESENTATION OF HMG'S POSITION IN HONG KONG AND THE NEED TO GIVE THE MAXIMUM TIME FOR HONG KONG PEOPLE TO CONSIDER THE LIKELY CONTENT OF A PACKAGE. IT MIGHT BE POSSIBLE TO THINK IN TERMS OF SOME KIND OF STATEMENT BY HMG, POSSIBLY BY THE SECRETARY OF STATE, WHICH COULD BE BACKED UP BY A WHITE PAPER AND WOULD BE PUBLISHED SIMULTANEOUSLY IN HONG KONG. SUCH A STATEMENT WOULD GIVE AN INDICATION OF THE KIND OF AGREEMENT WHICH HMG WERE SEEKING TO NEGOTIATE.

5. I THEN INVITED THE AMBASSADOR TO GIVE HIS ASSESSMENT. HE REINFORCED WHAT MR LUCE HAD SAID ABOUT THE CHINESE DEADLINE, DRAWING ATTENTION TO THE TERMS OF THE CHINESE FOREIGN MINISTRY SPOKESMAN'S STATEMENT IN NOVEMBER 1982. IT WAS TRUE THAT THE CHINESE HAD BEEN KNOWN IN THE PAST TO SHIFT THEIR DEADLINES BUT IT WOULD BE DIFFICULT TO PERSUADE THEM TO POSTPONE SIGNATURE OF AN AGREEMENT BEYOND SEPTEMBER. EVEN IF THE DEADLINE DID NOT PROVE IMMUTABLE, HE BELIEVED THAT CHINESE RECEPTIVENESS TO OUR IDEAS WOULD DIMINISH AS TIME WENT ON.

6. I THEN INVITED COMMENTS FROM THE COUNCIL. THE UNOFFICIAL MEMBERS WERE UNANIMOUS IN THE VIEW THAT IT WOULD NOT BE POSSIBLE TO GET TO THE POINT WHERE HMG COULD WITH CONFIDENCE REACH A FINAL AGREEMENT BEFORE SEPTEMBER. THEY MADE THE FOLLOWING POINTS:

(A) HONG KONG PEOPLE WERE STILL IN THE DARK. ALTHOUGH THE CHINESE HAD PUBLICISED THEIR POSITION HMG HAD SO FAR BEEN SILENT.

(B) IT WAS CLEAR THAT HONG KONG PEOPLE WOULD PREFER THE STATUS QUO OR AT LEAST BRITISH ADMINISTRATION UNDER CHINESE SOVEREIGNTY. THERE HAD BEEN NO CONSULTATION WITH THEM ABOUT AN ALTERNATIVE OBJECTIVE. THE UNOFFICIALS HAD POINTED OUT TO THE PRIME MINISTER IN JANUARY THAT THEY COULD NOT BE SURE THAT THE HONG KONG PEOPLE WOULD ACCEPT THE CHINESE PLAN EVEN WITH THE SAFEGUARDS WE WERE SEEKING.

(C) HMG WERE NOW NEGOTIATING ABOUT THE FUTURE OF HONG KONG AFTER 1997 WHEN THEY WOULD HAVE NO FURTHER RESPONSIBILITY. THEY SHOULD NOT REACH AN AGREEMENT WITH THE CHINESE WITHOUT HAVING FIRST ASCERTAINED THE VIEWS OF THE PEOPLE OF HONG KONG.

(D) IT WOULD BE A MISTAKE TO MISINTERPRET THE PRESENT APPARENT OPTIMISM IN HONG KONG. THE CHINESE HAD BEEN ACTIVE IN PROMOTING ECONOMIC CONFIDENCE IN RECENT MONTHS BUT THERE WAS STILL DEEP CONCERN.

(E) THE UNOFFICIALS BELIEVED THAT IT HAD BEEN AGREED WITH THE PRIME MINISTER IN JANUARY THAT THE OBJECTIVE SHOULD BE AN INTERIM STATEMENT OF SOME KIND THIS SUMMER. IF HMG DECIDED TO GO FOR A FINAL AGREEMENT THEY WOULD BE TAKING A VERY GRAVE RISK. NO AGREEMENT WOULD BE BETTER THAN A BAD AGREEMENT.

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(F) THE DIFFERENCES BETWEEN INITIALLING, SIGNATURE AND RATIFICATION WOULD NOT BE UNDERSTOOD IN HONG KONG. IN ANY CASE IT WOULD NOT BE POSSIBLE TO CHANGE A FINAL AGREEMENT ONCE IT HAD BEEN INITIALED AND ANNOUNCED.

(G) THERE WAS GREAT CONCERN THAT THE CHINESE WOULD PAY LITTLE ATTENTION TO THE CONTENT OF AN AGREEMENT IN SUBSEQUENT DRAFTING OF THE BASIC LAW. MOST MEMBERS THEREFORE CONCLUDED THAT THERE SHOULD BE NO FINAL AGREEMENT UNLESS IT INCLUDED THE PROVISIONS OF THE BASIC LAW.

(H) SOME MEMBERS EXPRESSED DOUBTS ABOUT THE IDEA OF AN EARLY UNVEILING OF THE LIKELY CONTENT OF A PACKAGE. WHILE THEY SAW A NEED TO GIVE HONG KONG PEOPLE SOME INDICATION OF THE PROSPECTS SOON, THEY ENVISAGED A LONGER TIMESCALE FOR EDUCATION AND PREPARATION OF HONG KONG OPINION: IN ANY CASE THEY THOUGHT IT UNLIKELY THAT WE SHOULD HAVE NEGOTIATED SUFFICIENT DETAIL BY THE SPRING.

(I) THE CHINESE HAD ONLY SAID PUBLICLY THAT THEY WOULD ANNOUNCE THEIR POLICY AND GUIDELINES BY SEPTEMBER. WE SHOULD NOT ASSUME THAT THEY WANTED A FINAL AGREEMENT BY THEN WITHOUT TESTING THAT ASSUMPTION.

7. THE OFFICIAL MEMBERS GENERALLY SUPPORTED THE STATEMENTS MADE BY UNOFFICIALS. THE POINTS WERE MADE THAT WE SHOULD BE CONSCIOUS BOTH OF THE RISKS INHERENT IN CONFRONTATION, AND OF THE POTENTIAL PROBLEMS FOR PUBLIC ORDER IN HONG KONG IF PEOPLE FELT THAT HMG WAS NOT FULFILLING ITS RESPONSIBILITIES TO HONG KONG. THEY ALSO DREW ATTENTION TO THE VITAL NEED TO MAINTAIN THE CONFIDENCE OF THE CIVIL SERVICE, THE POLICE AND THE JUDICIARY.

8. IN A FURTHER INTERVENTION MR. LUCE REITERATED THAT HMG HAD SO FAR TAKEN NO DECISIONS ON STRATEGY OR TIMING. HE WOULD REPORT THE VIEWS WHICH HAD BEEN EXPRESSED IN THE COUNCIL TO YOU AND TO THE PRIME MINISTER AND THE COUNCIL WOULD BE CONSULTED AGAIN ON THE BASIS OF A PAPER BEFORE ANY DECISIONS WERE TAKEN. HE NOTED THE VIEW THAT NO AGREEMENT WAS BETTER THAN A BAD AGREEMENT BUT

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(STRESSED)

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STRESSED THAT THE QUESTION WAS HOW REALISTICALLY TO GET THE BEST POSSIBLE AGREEMENT FOR HONG KONG. HE THOUGHT THERE WAS GENERAL ACCEPTANCE THAT THE NEXT 6 MONTHS WOULD BE VERY IMPORTANT IN TERMS OF INFLUENCING CHINESE VIEWS OVER THE NEGOTIATION OF DETAIL.

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Extract/Item details: <i>Letter to Fall dated 27 February 1984 with enc</i>	
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Extract/Item details: <i>Ricketts to Coles dated 24 February 1984</i>	
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MR COLES

HONG KONG

OD(K) on Monday will have to take an important decision on strategy in the Hong Kong negotiations. Broadly the choice is between going only for a joint interim announcement this year or going for a bilateral agreement.

2. The Governor is strongly in favour of an interim announcement only. He doubts whether we can complete the work in time. In any event he considers that Hong Kong needs an extended period of reflection if an agreement is to be acceptable there. He wishes us therefore to seek Chinese concurrence in slowing down the process of negotiation and aiming only for a joint interim announcement in September. Thereafter he would like continued negotiation leading to a definitive agreement, presumably in 1985. His views are almost certain to be supported by EXCO.

S.A.R
4/12/77

3. On the other hand, the Foreign Secretary, supported strongly by the Ambassador in Peking, argues that we should not try to get the Chinese to change their timetable and that we should aim for a bilateral agreement in September. They believe we can complete the work in time, but if not we could fall back on something rather less formal than an agreement, ie a Heads of Agreement. They argue that the need to prepare Hong Kong opinion can be met by a Ministerial statement or White Paper in the late Spring or early Summer, which, while not pre-empting final decisions, would indicate the likely outcome if negotiations continued on the present course and would give some idea of the continuity and assurances we think might be obtained. Thereafter, when both sides had agreed the text of an agreement, there would be a period in which Hong Kong acceptance would be sought before Parliamentary approval (probably in November) and actual signature. Legislation to pass sovereignty and ratification would, of course, be delayed until we saw the text of the Basic Law.

4. I have thought a good deal about this and am convinced that our and Hong Kong interests would be best served by trying for an agreement in September, recognising we might have to fall back on a Heads of Agreement if we could not complete the task in time. My reasons are:

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- 2 -
OF THE PUBLIC RECORDS ACT

a. There is no doubt at all of the Chinese intention to announce their decisions for Hong Kong in September, either in the form of an agreement with us or, if need be, unilaterally. All the evidence, from Deng's statements to _____, confirms this. Our job is to make whatever document issues in September as joint, as palatable and as binding as possible. At the present pace we shall probably have done the bulk of the work by the Summer. If we tell the Chinese we shall not even try for an agreement this year, we shall do ourselves and Hong Kong a great deal of harm. Either we shall have confrontation and the issue of a unilateral statement in September by the Chinese, which would be disastrous for confidence, or, after a nasty argument, we shall climb down. But in that case the atmosphere will be worsened, valuable time will be lost, and our chances reduced of getting the assurances we need.

b. What we need from the Chinese is detailed and binding commitments on post-1997 Hong Kong. We also need to make sure that the details we have negotiated with them and which we want in the bilateral agreement will be the Basic Law. These are going to be difficult things to achieve in the best of circumstances. But they will be much harder to get if we are not cooperating with the Chinese on timing; and they will be much harder to obtain in an interim announcement than in a bilateral agreement.

c. The idea of continuing negotiations on post-1997 Hong Kong after September, as the Governor would like, is probably illusory. The Chinese may well want to go on talking after September about the period up to 1997 and there could be advantages for us in this; but they will have said their say in September on post-1997 Hong Kong and we shall probably find there is no more scope for negotiation on that issue.

5. If we take this decision on timing, as I believe we must, we are then faced with the need to meet the Governor's justified concern

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about giving Hong Kong a reasonable period in which to reflect on the shape of things to come. I think a statement/White Paper would meet the need. It would need to be carefully drafted so as to point the way ahead but at the same time make clear that no final decisions had been taken. But it could be quite informative about the sort of assurances we are hoping to get. It would also do a great deal to meet the problem the Governor and EXCO face in any case, arising from the fact that we have had to remain silent over the negotiations so far and Hong Kong opinion lacks any steer. There would have to be some prior notice and agreement for this step with the Chinese, but, given a cooperative atmosphere, this should be obtainable. A visit by the Foreign Secretary to Peking in April might be the best occasion for this.

6. If this course of action is taken we shall not be taking issue with the Governor on substance, ie we should be assuring Hong Kong a good period for reflection before acceptance. All we should be doing would be bringing the timing forward and avoiding a clash with the Chinese.

7. A decision is needed urgently because of the consequential work. We need to start talking very soon to the Chinese about the timetable for the year as we see it and clearing up their misunderstandings about, for example, the Parliamentary timetable. We need to start talking to them about the possible shape of a bilateral agreement. We need also to tackle the difficult question of the Basic Law, trying to ensure that it will not diverge from the details we have negotiated and explaining to the Chinese that until we see it we cannot possibly ratify any agreement.

u
PERCY CRADOCK
24 February 1984

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PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Strategy and
Timetable

BACKGROUND

The Sub-Committee last reviewed the way ahead in negotiations with the Chinese Government at their meeting on 11 January. It was agreed then that, as regards tactics with the Chinese, it would be desirable for the moment to continue the step-by-step process of building on working papers within the framework of conditionality, leading to the tabling of a paper on post-1997 constitutional arrangements later in the year. The Foreign and Commonwealth Secretary suggested that the United Kingdom might in March or April present the Chinese with the 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 terms as proved negotiable.

FLAGA

2. In his minute PM/84/32 of 24 February, the Foreign and Commonwealth Secretary indicates that he has been giving further consideration with the Governor of Hong Kong and the Ambassador in Peking as to how best to proceed in negotiations, given the Chinese intention to issue a statement in September together with us or unilaterally. He also proposes to circulate as background to the Sub-Committee's discussion an assessment of the ninth round of talks which have recently been completed. His general view of the position is that negotiations are going fairly well although there have been difficulties over particular issues including the stationing of Chinese troops in Hong Kong and the employment of overseas nationals in the public service after 1997, but that there is a prospect that


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discussions on Agenda Item 1 (arrangements after 1997) will be completed by early April.

3. While there is agreement between the Foreign and Commonwealth Secretary, the Governor and the Ambassador that the two main objectives are to negotiate with the Chinese the best available agreement, and to get that agreement accepted by the people of Hong Kong, there is a difference of view on the type of understanding at which the United Kingdom should aim this year -

(a) The Governor believes that in order to gain the acquiescence of the people of Hong Kong to what is proposed, more time is needed to present the details of the arrangements to them. He therefore proposes that the United Kingdom should seek to persuade the Chinese that the statement to be made in September should be of an interim character allowing time for further negotiations of substance thereafter.

(b) The Foreign and Commonwealth Secretary, with the support of the Ambassador in Peking, believes that the Chinese deadline must be taken very seriously. The United Kingdom should therefore continue to work for an agreement by September, so maintaining a degree of leverage with the Chinese, rather than pursue the course advocated by the Governor with the risk that the Chinese would lose confidence in our good faith and the chances of securing the assurances which are needed would be prejudiced. The Foreign and Commonwealth Secretary does not rule out the possibility that it may be necessary to fall back on something less than a final agreement if it becomes clear that the negotiations cannot be completed nearer the time.


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4. The Foreign and Commonwealth Secretary fully recognises the need to carry Hong Kong opinion in favour of the proposed arrangements before the September statement. He proposes that this might be done by issuing a statement in the late Spring or early Summer. This would seek to avoid any breach of conditionality but would have to describe the assurances that might be attainable from the Chinese. He indicates that the timing of the statement might be linked with his proposed visit to Hong Kong in April. A draft telegram to the Governor describing the Foreign and Commonwealth Secretary's proposals is attached to his minute for agreement.

5. The Minister of State, Foreign and Commonwealth Office (Mr Luce) will be unable to attend because of his visit to Hong Kong this weekend. Sir Antony Acland has been invited to be present.

HANDLING

6. You should invite the Foreign and Commonwealth Secretary to introduce the paper. Points to establish in subsequent discussion of the negotiating strategy and its timetable are -

(a) Has the step-by-step process of building on working papers over recent rounds of discussion confirmed the view that this is the best way of proceeding towards an agreement?

(b) Given the Governor's fears about the impact of too generalised a White Paper or statement in the Spring upon the people of Hong Kong and the Hong Kong public service in particular, is there a reasonable prospect of being able to make a sufficiently substantial statement at that time about the assurances we hope to obtain from the Chinese?



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(c) How would we seek Chinese acquiescence in the statement without damage to conditionality and risk of a major upset in negotiations?

(d) Given the continuing publicity being given to the talks by the Chinese, can the Government's public position be allowed to continue to develop gradually until the proposed late Spring/early Summer statement?

CONCLUSION

7. Subject to the points made in discussion you could guide the Sub-Committee to endorse the approach advocated by the Foreign and Commonwealth Secretary.

David Goodall

A D S Goodall

24 February 1984



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PM/84/32

PRIME MINISTER

MEETING OF OD(K), 27 FEBRUARY 1984

FUTURE OF HONG KONG: STRATEGY AND TIMETABLE

1. At the meeting of OD(K) on Monday I suggest we look ahead at the future course of negotiations with the Chinese and consider the important question of our strategy over the next few months. I shall be sending you and colleagues separately a short commentary on the latest round of talks which has just finished in Peking.
2. In general the negotiations are going quite well, although there are some outstanding difficult issues, including the question of the stationing of Chinese troops in Hong Kong. With the prospect that we may complete discussion of Agenda Item 1 (arrangements after 1997) by early April, we need to consider how we can best achieve a satisfactory package which will be acceptable in Hong Kong. In this a decisive factor is the Chinese intention to issue a statement in September either together with us or unilaterally.
3. I have been discussing the question with the Governor of Hong Kong and the Ambassador in Peking. We agree on the essential objectives but the Governor differs from the Ambassador and myself on the type of understanding at which we should aim this year. The Governor would like us to seek no more than an interim statement in September, with the possibility of continuing negotiations and arriving at an agreement some

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time in 1985. He argues that this would give the best opportunity for Hong Kong opinion to accept the agreement and that there should be a long period of reflection in Hong Kong. He feels that without this, acceptability in Hong Kong will not be attained and the agreement will founder.

4. My own view, shared by the Ambassador, is that we must take the Chinese deadline very seriously. They are determined to issue a statement either jointly or unilaterally in September. It must be our primary objective to see that this statement is as joint, palatable and binding as possible. If we were to tell the Chinese that we were not even going to try for an agreement this year, we would do ourselves much harm and reduce our chances of gaining the assurance we need. If we continue to work with the Chinese for an agreement by the date on which they are set, we will maintain a degree of leverage with them and stand a better chance of gaining the necessary assurances. Per contra a unilateral Chinese announcement of the decisions in respect of the future of Hong Kong in September would be disastrous for confidence there.

5. I therefore believe that we should try for a bilateral agreement with the Chinese by September with the knowledge that if we cannot complete our work in the time we might have to fall back on something less, such as a Heads of Agreement. I am, however, alive to the Governor's problem and the need to allow Hong Kong opinion to form when some indication of the likely agreement is revealed. This could be achieved by a

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Ministerial statement or a White Paper, issued in the late spring or early summer, which would give some of the background to the issue and would indicate the sort of conclusions we might reach in the negotiations if we continue on the present lines. Obviously this would need to be carefully worded to avoid any breach of conditionality but it should describe the assurances that might be attainable from the Chinese. It should also do something to reduce the pressure under which the Governor and EXCO find themselves as a result of our total silence on the course of the negotiations.

6. One possibility would be for me to issue a statement on these lines if, as I have in mind, I visit Hong Kong during my Far East tour this April. I suggest that I should also keep open the possibility of a visit to Peking at that time which I could use to press on the Chinese any important points outstanding in the negotiation, to tell them that we were aiming at a definitive agreement this year and to explain the need for an early statement in Hong Kong which would show how we expected the shape of an eventual package to look.

7. I think it important that you and colleagues should see all the arguments that have been put forward in this debate. I therefore attach the telegrams which I have exchanged with the Governor and the Ambassador. I also attach a draft of a telegram which I propose, subject to the views of colleagues, to send to the Governor. As you know, Richard Luce will be visiting Hong Kong this weekend and will be taking stock of the negotiations with the Executive Council. I have asked him to take a

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reading of their views and I hope that we shall have a report from him in time for our meeting on Monday.

8. I am copying this minute to OD(K) colleagues and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'G. Howe', is written above the printed name.

GEOFFREY HOWE

Foreign and Commonwealth Office

24 February, 1984

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Department
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(Block Capitals)
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Security Classification
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Precedence
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USE

Despatched (Date)
(Time) Z

POST BY

PREAMBLE

(Time of Origin) Z(G.M.T.) (Restrictive Prefix)
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TO IMMEDIATE HONG KONG (precedence) (post) Tel. No. of

AND TO (precedence/post) IMMEDIATE PEKING AND BRUNEI (PS/MR LUCE

AND TO SAVING

INFO

INFO SAVING

Distribution:—

[TEXT]

)Your Tel No 458 and Peking Tel No 297:
 FUTURE OF HONG KONG: STRATEGY AND TIMETABLE.
 1. I have looked at this again very carefully, taking account of your views and those of the Ambassador in Peking TUR. I feel there may have been some misunderstanding about the proposition in my tel No 310. I do not believe, however, that there is much difference between us on essentials. Indeed, I attach the greatest importance to meeting your concerns and avoiding the problems which could arise if we present Hong Kong with a fait accompli. But I start from the basis that the September deadline is a real one and that the /Chinese

Copies to:—

Chinese will not shift on it. I realise that this view has not been subjected to every possible test. It does, however, represent a serious and in my view accurate judgment of the Chinese attitude based on Chinese statements at the highest level. I believe that if we were to try to embark on the only final test possible, ie telling the Chinese that we did not want an agreement this year but sought an interim announcement only, we should risk doing unacceptable damage to Hong Kong's interests.

2. The other key points are that while agreement with the Chinese and acceptability in Hong Kong are both essential, we cannot tackle the second objective without confidence that we can obtain the first; and that we need an approach in our dealings with the Chinese which will stand the best chance of getting a comprehensive and convincing agreement for Hong Kong. This has got to be an approach of cooperation rather than confrontation.

3. Having said that I accept that we must provide a proper opportunity to sound opinion in Hng Kong before publication of the text of an agreement. It is in order to ensure this that I envisage a statement or White Paper in the spring or early summer, while negotiations are still in progress. In para 4 of your TUR you question whether this would meet our purposes. But while it is true that Hong Kong people already have a broad picture of what may be in store, they have not so far had an official statement of the British Government's objectives or a picture of how the eventual final package might emerge if we pursue our present course. To provide that would in itself **be a significant first step.**

The content of an early statement need not be uninformative. While it would probably not be possible, as the Ambassador has pointed out, to issue anything as full as the draft interim statement in your Tel No 434, we should be able to include a considerable amount of detail indicating at least the way in which we aimed to preserve Hong Kong's systems and freedoms through a binding agreement.

/4.

4. In your para 5 you rightly draw attention to the concept of the public service. I agree that we must take these seriously. However, I see major problems in our issuing undertakings to the public service in advance of, or simultaneously with, the announcement of an agreement which carried the implication that we were preparing for failure of the agreement. I think we should stick firmly to the line that we are negotiating seriously for an agreement which will work for all Hong Kong people. Otherwise we should prejudice our negotiations with the Chinese and hit confidence among the bulk of the Hong Kong population. I agree that we shall probably have to take the civil service more in to our confidence and if necessary undertake to examine individual problems on a case by case basis, but we cannot give open ended undertakings.

5. As I have said above, to help Hong Kong we need the co-operation of the Chinese. We have to explain to them the need to prepare Hong Kong opinion in advance before binding commitments are made. I could well use a visit to Peking in April to put over Hong Kong's case strongly and to get Chinese acquiescence in a fairly full statement of the position reached by then. It might help if I made such a statement when I arrived in Hong Kong at the end of April. Whether we adopt this tactic or a White Paper, I am sure that we should be more likely to get what we want out of the Chinese if we were willing to work within their timetable.

6. My conclusion therefore is that our interests and those of Hong Kong make it essential to aim for a final agreement with the Chinese this year, if we cannot achieve that we might have to fall back on a Heads of Agreement. But we shall also

/need

need to test Hong Kong opinion before a final commitment
made by a statement or White Paper in the spring or early
Summer.

CONCERN IS WITH WHAT HMG HAS BEEN SEEKING TO NEGOTIATE WITH THE CHINESE WHICH WILL GIVE THEM SOMETHING MORE THAN JUST A DECLARATION OF CHINESE INTENTIONS. WITHOUT A REASONABLE INDICATION OF HOW FAR HMG HAS GOT ON ASSURANCES WITH THE CHINESE A WHITE PAPER WOULD BE DAMAGING RATHER THAN REASSURING.

5. WITH THE QUESTION OF ACCEPTABILITY TO THE POPULATION IN GENERAL IS BOUND UP THE PROBLEM OF MAINTAINING THE CONFIDENCE OF THE PUBLIC SERVICE, THE POLICE AND THE JUDICIARY WITHOUT WHOSE SUPPORT THIS TERRITORY WILL BECOME UNGOVERNABLE EVEN BEFORE 1997. THE COURSE WHICH WE SHALL BE URGING ON THEM - TO CONTINUE IN THE SERVICE OF A GOVERNMENT UNDER THE SOVEREIGNTY OF A COMMUNIST STATE IS UNPRECEDENTED IN THE HISTORY OF OUR DISMANTLING OF THE EMPIRE. BEFORE WE FINALLY COMMIT OURSELVES ON THE TERMS OF AN AGREEMENT WITH THE CHINESE HMG WILL NEED TO HAVE DECIDED, IN CONSULTATION WITH THEM, WHAT UNDERTAKINGS IT IS PREPARED TO GIVE THEM AS REGARDS IMMIGRATION, PENSIONS, AND CONTINUITY OF SERVICE. WE CANNOT JUST SIGN AND TELL THEM THAT THEIR FUTURES ARE DETAILS TO BE WORKED OUT LATER. IF THEIR SUPPORT CANNOT BE OBTAINED THERE IS LITTLE PROSPECT OF MORE GENERAL ENDORSEMENT.

5. I RECOGNISE THAT THESE ISSUES AND ISSUES SUCH AS CONSTITUTIONAL DEVELOPMENT BETWEEN NOW AND 1997 WILL FACE HMG WITH DIFFICULT DECISIONS. IN CONSEQUENCE I HAVE GREAT DOUBTS ABOUT OUR ABILITY TO COMPLETE THE BULK OF THE WORK BY SEPTEMBER.

6. I DO NOT UNDERESTIMATE THE IMPORTANCE OF THE CHINESE STATEMENT OF THEIR DEADLINE. BUT THAT THEY CANNOT BE PERSUADED TO NEGOTIATE ON ITS TIMING AND CONTENT IS AN UNTESTED ASSUMPTION. IT HAS NOT YET BEEN ARGUED WITH THEM IN THE TALKS, STILL LESS AT MINISTERIAL LEVEL. MOREOVER THE COURSE OF ACTION SET OUT IN THE TELEGRAM IS BASED ON AN ASSUMPTION OF WHAT THEY WILL WANT. THERE HAS BEEN NO DISCUSSION WITH THEM YET ON EITHER THE FORM OR CONTENT OF AN AGREEMENT.

7. I HAVE TRIED TO RECONCILE ALL THESE FACTORS IN MY PROPOSAL FOR MINISTERIAL DISCUSSIONS IN PEKING AND IN THE INTERIM STATEMENT OF INTENT OF WHICH I SENT A FIRST DRAFT (PREPARED AT SHORT NOTICE) IN MY TELNO 434. THIS STATEMENT PERMITS THE CHINESE TO ANNOUNCE THEIR PLAN. IT SETS OUT OUR INTERPRETATION OF IT. IT MAINTAINS CONDITIONALITY. IT MAKES CLEAR THAT DISCUSSIONS ARE TO CONTINUE. HMG ARE NOT COMMITTED TO PUTTING ANYTHING FORMALLY TO PARLIAMENT UNTIL THEY ARE SATISFIED WITH THE ARRANGEMENTS. BUT SUBJECT TO THAT IT DECLARES THEIR WILLINGNESS TO RELINQUISH ALL CLAIMS TO SOVEREIGNTY OVER THE WHOLE OF HONG KONG.

9. A STATEMENT OF THIS KIND IF PRECEDED BY A PROGRAMME OF EDUCATING THE POPULATION ON WHAT WE ARE SEEKING TO DO COULD SERVE THE PURPOSE OF PROVIDING THE INITIAL TEST OF ACCEPTABILITY. IT COULD BE MADE IN THE LATE SUMMER.

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10. I WOULD URGE THAT WE SHOULD NOT ASSUME THAT SUCH A STATEMENT COULD NOT BE NEGOTIATED WITH THE CHINESE BEFORE A SERIOUS ATTEMPT TO DO SO HAS BEEN MADE AT MINISTERIAL LEVEL IN PEKING. THE CHINESE NOW KNOW THAT THE ESSENTIALS OF THEIR POSITION ON SOVEREIGNTY AND ADMINISTRATION WILL BE MET. WE HAVE REACHED THE POINT AT WHICH THEY NEED OUR COOPERATION TO ACHIEVE THEIR NEXT OBJECTIVE - THE CONTINUING STABILITY OF HONG KONG. IN THE LAST RESORT THEIR INTERESTS WILL SUFFER AS MUCH AS HMG'S IF THEY AND WE DO NOT FIND A BASIS ON WHICH WE CAN COOPERATE, I STRONGLY RECOMMEND THAT WE SHOULD NOT CONCLUDE THAT THEY CANNOT BE BROUGHT TO RECOGNISE THIS UNTIL WE HAVE TRIED.

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IN THE NATURE OF THINGS, ONE CANNOT TEST THOSE PREMISES. ONE CAN ONLY JUDGE THEM. ON THE FIRST, I DO NOT THINK, GIVEN SUFFICIENT COMMITMENT, THAT IT NEED BE IMPOSSIBLE TO COMPLETE THE NECESSARY WORK IN TIME. I CERTAINLY THINK THAT WE SHOULD NOT ASSUME AT THIS STAGE THAT IT WILL BE IMPOSSIBLE. ON THE SECOND, IT IS SURELY GOING TO BE NO EASIER TO ACHIEVE A POSITIVE RESULT FROM ANY CONSULTATION IN HONG KONG BY DELAYING IT UNTIL LATER. THERE IS ALREADY WIDESPREAD KNOWLEDGE IN HONG KONG OF WHAT THE CHINESE PROPOSE SEMICOLON AND, IF PRESS COMMENT IS ANY GUIDE, A CONSIDERABLE DEGREE OF REALISM ABOUT THE EXTENT TO WHICH HMG IS LIKELY TO BE ABLE TO MODIFY THE CHINESE PLAN. THE MORE EXPOSED PUBLICITY PROFILE NOW BEING SUGGESTED SHOULD HELP TO EDUCATE PUBLIC OPINION. A WHITE PAPER WHICH WOULD BROADLY CONFIRM WHAT PEOPLE ALREADY KNEW OR SURMISED OUGHT TO LEAVE LITTLE DOUBT ABOUT THE SORT OF AGREEMENT WHICH WAS LIKELY TO BE NEGOTIATED.

4. IF, HOWEVER, WE WERE NOW TO TELL THE CHINESE THAT WE HAVE CONCLUDED THAT IT WILL NOT BE POSSIBLE TO NEGOTIATE AN AGREEMENT IN THE SEVEN MONTHS REMAINING UNTIL THE END OF SEPTEMBER, I THINK THEY MIGHT WELL CONCLUDE THAT THERE WAS NOT MUCH ADVANTAGE TO THEM IN CONTINUING TO DISCUSS DETAILS OF THEIR PLANS WITH US. I DO NOT SEE THAT A JOINT INTERIM STATEMENT OF THE KIND PROPOSED BY THE GOVERNOR (HONG KONG TEL NO 434) (60) HAS ANYTHING TO RECOMMEND IT TO THE CHINESE. IT WOULD COMMIT THEM WITHOUT COMMITTING US.

5. IF WE WERE TO PUT A PROPOSAL OF THE KIND FAVOURED BY THE GOVERNOR TO THE CHINESE, I WOULD EXPECT THEM TO REJECT IT AND TO TELL US THAT THE CHOICE FOR US LAY BETWEEN AN AGREEMENT BY SEPTEMBER AND A UNILATERAL STATEMENT. WE WOULD THEN FACE THE CHOICE BETWEEN CONFRONTATION AND REVERTING TO AN ATTEMPT TO REACH AN AGREEMENT BY SEPTEMBER. EVEN IF WE CHOSE THE SECOND COURSE (AS I ASSUME WE WOULD), OUR CHANCES OF GETTING THE BEST AVAILABLE AGREEMENT WOULD HAVE BEEN PREJUDICED. THE CHINESE ALREADY HAVE A TENDENCY TO BELIEVE THAT WE ARE TRYING TO SPIN THINGS OUT FOR SOME ULTERIOR PURPOSE. THEY WOULD HAVE BEEN REINFORCED IN THIS BELIEF. THEY WOULD TEND TO SEE POSITIONS ADOPTED BY US IN THE TALKS AS DELAYING TACTICS, AND NOT AS POSITIONS ADOPTED ON THEIR MERITS. IT WAS WITH THE GREATEST DIFFICULTY THAT WE GOT INTO THESE DISCUSSIONS AT ALL. IF WE

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WERE TO ACT AS PROPOSED, I FEAR THAT EVEN IN THE BEST CASE (IE A RETURN TO THE RAILS ON WHICH THE CHINESE ASSUME US TO BE) CHINESE RECEPTIVENESS TO OUR IDEAS WOULD HAVE BEEN GREATLY DIMINISHED.

6. I AM THEREFORE STRONGLY OF THE VIEW THAT WE SHOULD ADOPT THE STRATEGY OUTLINED IN YOUR TEL NO 310. (6) IF WE FIND THAT BY THE EARLY SUMMER WE HAVE MADE SUBSTANTIAL PROGRESS, BUT THAT THE AMOUNT OF WORK REMAINING CLEARLY MAKES AN AGREEMENT BY SEPTEMBER IMPOSSIBLE, I WOULD NOT RULE OUT THE IDEA OF TRYING A JOINT INTERIM STATEMENT ON THE CHINESE AT THAT STAGE. THEY WOULD BY THEN BE MORE CERTAIN THAN THEY ARE NOW THAT WE WANT TO CONCLUDE AN AGREEMENT WITH THEM, AND WE COULD MAKE MUCH MORE OF THE ARGUMENT ABOUT SHORTAGE OF TIME THAN WE COULD HOPE TO DO NOW. BUT EVEN THEN IT WOULD BE A RISKY BUSINESS.

EVANS

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TO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR)

TELEGRAM NUMBER 310 OF 17 FEBRUARY

INFO IMMEDIATE PEKING (FOR AMBASSADOR)

FUTURE OF HONG KONG: STRATEGY AND TIMETABLE

1. I DISCUSSED THIS ISSUE WITH OFFICIALS THIS AFTERNOON, GIVING FULL WEIGHT TO THE CONCERNS EXPRESSED BY YOU AND BY THE AMBASSADOR IN CORRESPONDENCE OVER THE LAST WEEK.
2. MY STARTING POINT IS THAT WE MUST EXPECT A CHINESE STATEMENT IN SEPTEMBER AND OUR OBJECTIVE MUST BE TO MAKE THIS AS JOINT, PALATABLE AND BINDING AS POSSIBLE AND TO ATTACH TO IT AS MUCH AS WE CAN OF THE DETAIL WE HAVE BEEN ABLE TO WORK OUT WITH THE CHINESE. IT IS CLEAR THAT WE SHALL DO OURSELVES CONSIDERABLE DAMAGE IF WE TELL THE CHINESE WE ARE NOT EVEN GOING TO SEEK AN AGREEMENT THIS YEAR. I THINK WE MUST ALSO RECOGNISE THAT WE SHALL HAVE DONE THE BULK OF THE WORK BY SEPTEMBER AND SHALL HAVE LITTLE CHANCE OF EXTRACTING SIGNIFICANT FURTHER CONCESSIONS FROM THE CHINESE AFTER THAT DATE. ALL THIS POINTS TO OUR GOING FOR A FORMAL BILATERAL AGREEMENT, THOUGH IN THE UNDERSTANDING THAT IF WE COULD NOT MANAGE IT WE MIGHT HAVE TO FALL BACK ON A HEADS OF AGREEMENT.
3. THE CHINESE PRESSURE TO REACH AGREEMENT BY JULY REPRESENTS A MISUNDERSTANDING OF THE REQUIREMENTS OF THE PARLIAMENTARY TIMETABLE. I BELIEVE THAT WE SHOULD AIM FOR SOME DISCUSSION IN PARLIAMENT IN SPRING OR EARLY SUMMER (SEE BELOW) AND THEN USE THE TIME AVAILABLE IF NECESSARY UNTIL SEPTEMBER TO GET AS FAR AS WE CAN IN THE NEGOTIATIONS.
4. I AM ALSO VERY MUCH ALIVE TO YOUR CONCERN THAT WE MAY SEEM TO BE TRYING TO RUSH HONG KONG IF WE PRESENT THEM WITH AN INITIALLED AGREEMENT WITHOUT PREVIOUS WARNING OF THE GENERAL SHAPE OF THINGS TO COME. WITH BOTH THESE POINTS IN MIND, I AM CONSIDERING THE POSSIBILITY OF SOME ACTION ON OUR PART,

See (71)
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PARTIALLY TO LIFT THE VEIL IN THE LATE SPRING OR EARLY SUMMER (THOUGH THE PRECISE TIMETABLE WOULD OF COURSE DEPEND ON THE COURSE OF NEGOTIATIONS). WHAT I HAVE IN MIND IS A WHITE PAPER WHICH WOULD GIVE SOME OF THE BACKGROUND AND DESCRIBE IN GENERAL TERMS THE LIKELY OUTCOME OF NEGOTIATIONS ON HONG KONG POST 1997, IE A SAR WITH A HIGH DEGREE OF AUTONOMY IN A FRAMEWORK GUARANTEED FOR AT LEAST FIFTY YEARS. IT WOULD BE POSSIBLE TO ISSUE SUCH A WHITE PAPER SIMULTANEOUSLY IN HONG KONG. THIS WOULD GIVE THE HONG KONG PUBLIC SOME MATERIAL ON WHICH THEY MIGHT FORM A VIEW AND WOULD PERMIT THE PERIOD OF EXTENDED REFLECTION WHICH YOU HAVE BEEN ADVOCATING. IT SHOULD ALSO HELP EXCO UNOFFICIALS WHO FEEL THAT THEY ARE BEING EXPECTED TO TAKE DECISIONS IN CAMERA WITHOUT BEING ABLE TO GAUGE THE VIEWS OF THE PEOPLE OF HONG KONG IN GENERAL.

5. THE WHITE PAPER WOULD BE VERY GENERALISED. ALTHOUGH WE MAY HAVE ALMOST EXHAUSTED ITEM 1 BY THEN, WE WOULD STILL BE IN THE COURSE OF NEGOTIATION ON THE REMAINING AGENDA ITEMS AND OF THE AGREEMENT ITSELF. IT SHOULD THEREFORE, BE POSSIBLE TO SHOW, WHEN THE EVENTUAL FORMAL AGREEMENT IS PRODUCED, THAT WE HAD ACHIEVED CONSIDERABLY MORE SINCE THE WHITE PAPER.

6. THERE WOULD PROBABLY NEED TO BE A PARLIAMENTARY DEBATE TAKING ACCOUNT OF REACTIONS IN HONG KONG. THE WHITE PAPER WOULD ALSO HAVE TO BE CAREFULLY DRAFTED IN ORDER TO PRESERVE CONDITIONALITY AND TO AVOID CHINESE CHARGES THAT WE WERE BREACHING THE SECRECY RULE GOVERNING THE CONTENT OF THE NEGOTIATIONS. AS I SEE IT, WE SHOULD PROBABLY HAVE TO APPROACH THE CHINESE IN ADVANCE AND INDICATE WHAT WE WERE PLANNING, EXPLAINING THAT THIS WAS A NECESSARY STEP IN ORDER TO ENCOURAGE PARLIAMENTARY APPROVAL AND TO MEET PARLIAMENTARY CONCERNS ABOUT ACCEPTABILITY IN HONG KONG.

7. AS YOU KNOW, I AM THINKING OF VISITING PEKING IN THE SPRING, AND I SEE ADVANTAGE IN KEEPING OPEN THE POSSIBILITY OF AN ADDITIONAL LATER VISIT. DURING THE FIRST VISIT TO PEKING, I WOULD AMPLIFY AT MY LEVEL THE REQUIREMENTS OF OUR PARLIAMENTARY

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TIMETABLE, INCLUDING THE NEED FOR DISCUSSION IN THE SPRING/
SUMMER, AND THE POINT THAT WE COULD NOT RATIFY ANY AGREEMENT
UNTIL WE KNEW THE CONTENT OF THE BASIC LAW.

8. DEPENDING UPON THE STATE OF NEGOTIATIONS, I COULD TAKE
THE OPPORTUNITY TO RAISE WITH THE CHINESE ANY OUTSTANDING
POINTS OF PARTICULAR IMPORTANCE TO HONG KONG AND TO IMPRESS
ON THEM THE NEED TO INCLUDE DETAIL IN AN EVENTUAL AGREEMENT.
BUT ALL THIS OF COURSE WOULD HAVE TO BE WITHIN THE FRAMEWORK
OF AGREEMENT TO TRY TO MEET THE CHINESE TIMETABLE.

9. I HOPE VERY MUCH THAT THIS WILL SERVE OUR GENERAL
OBJECTIVES WHILE MEETING YOUR AND THE AMBASSADOR'S CONCERNS.
IF YOU COULD CONFIRM THIS I SHALL PUT IT TO MY COLLEAGUES,
AND RICHARD LUCE WILL BE BRIEFED TO EXPLAIN OUR THINKING TO
EXCO DURING HIS COMING VISIT TO HONG KONG.

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Foreign and Commonwealth Office

London SW1A 2AH

24 February 1984

Dear John,

Meeting of OD(K), 27 February 1984: Future of Hong Kong:
Assessment of Ninth Round of Talks

to

The Foreign Secretary has minuted /the Prime Minister today about the strategy and timetable for our talks with the Chinese, in preparation for discussion in OD(K) on 27 February. Ministers might also find it helpful to have a short commentary on the ninth round of talks, which took place in Peking on 22 and 23 February.

The talks made limited progress. The two days were almost entirely spent in detailed discussion of our working papers on the public service and on defence. The British side also tabled papers on constitutional arrangements and government structure and on shipping, on which the Chinese will comment during the next round.

On the public service there was some common ground. The Chinese appeared to be saying that the terms of service and pension rights of serving and retired public officers would be maintained after 1997. This is satisfactory. However they are adopting a more restrictive position on the employment of overseas nationals than we had thought might be the case. They are saying that the most senior officials in the government of the Hong Kong Special Administrative Region (SAR) must be "Chinese citizens": overseas nationals would be unable to serve at that level except as advisers.

On defence the Chinese sharply rejected our suggestion that "in normal circumstances" no Chinese troops should be stationed in Hong Kong after 1997. They stated that they could accept no restriction on their sovereign right in this regard. The only softening of this position, which they described as non-negotiable, was a qualification that this right would be exercised prudently. They declined to comment substantively on our proposal that a local internal security force should be established in advance of 1997.

/The Chinese



The Chinese proposed that discussion of agenda item 1 (arrangements after 1997) should be completed by the end of March and that agenda item 2 (arrangements before 1997) should be tackled in April. They said that at an appropriate time thereafter discussions could be held on the form and content of a bilateral agreement.

The communique again described the talks as constructive and useful. The tenth round will take place on 16 and 17 March.

In coming rounds it will be necessary to revert to a number of points of divergence left over from discussion of working papers already tabled, including those described above. Papers on constitutional arrangements and government structure and shipping will be discussed. There are two working papers still to be submitted: one on nationality, which will of course be a key subject; and one on civil aviation. Both are in an advanced stage of preparation by officials. Work is also in hand on the issues that will need to be addressed under agenda item 2 including practical matters on which consultation and co-operation between the British and Chinese Governments may be desirable and the form which such consultation might take.

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

*Yours ever,
Peter Ricketts*

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street



24 JAN 1984



PS

PS/PUS

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MR DONALD

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RESIDENT CLERK

IMMEDIATE

COPY TO:

MR COLES, No. 10 DOWNING ST

Mr Roberts, News D.

Li P. Gradock

ADVANCE COPY



SECRET

DESKBY HONG KONG 240830Z

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TO IMMEDIATE FCO

TELEGRAM NUMBER 321 OF 24 FEBRUARY

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: ROUND NINE: DINNER

1. THE FOLLOWING POINTS EMERGED FROM THE DINNER WHICH I GAVE FOR THE TWO DELEGATIONS ON 23 FEBRUARY:

DEFENCE

2. ZHOU NAN SAID THE DEFENCE WORKING PAPER WAS THE WORST WE HAD YET TABLED BECAUSE IT INFRINGED THE CHINESE PREMISE. I DENIED THIS TO BE THE CASE AND SAID THAT WE WERE BOUND TO OFFER OUR HONEST VIEWS ABOUT THE DAMAGE TO CONFIDENCE WHICH WOULD ARISE FROM THE BELIEF THAT PLA FORCES WERE TO BE STATIONED IN HONG KONG. ZHOU SAID THAT I SHOULD READ HIS STATEMENT CAREFULLY, PARTICULARLY THE SECTION WHERE HE SAID THAT THE CHINESE SIDE WOULD BE PRUDENT AND CIRCUMSPECT ABOUT EXERCISING THEIR RIGHT TO STATION FORCES IN HONG KONG. HE SAID THAT THIS ISSUE WAS ONE OF CONSIDERABLE SENSITIVITY. IT WAS CLOSELY BOUND UP WITH THE EXERCISE OF SOVEREIGNTY AND DENG XIAOPING HAD SAID ON MANY OCCASIONS THAT HE WOULD NOT BE ANOTHER LI HONGZHANG.

3. LU PING SAID THAT HE WAS PERSONALLY CONVINCED OF THE NEED FOR AN INTERNAL SECURITY FORCE OF THE SORT WE HAD PROPOSED. THE PLA WOULD NOT KNOW HONG KONG AND WOULD BE UNABLE SATISFACTORILY TO PERFORM THE NECESSARY FUNCTIONS. THE CHINESE SIDE WERE STILL EXAMINING THIS QUESTION. LUO JIAHUAN SEPARATELY SAID THAT THERE WERE MANY RELATED QUESTIONS TO CLARIFY SUCH AS THE STRENGTH OF SUCH A FORCE AND WHAT SORT OF PEOPLE WOULD COMPOSE IT. WE SUGGESTED THAT THE CHINESE SHOULD PUT THESE QUESTIONS TO US INSTEAD OF SAYING NOTHING.

NATIONALITY

4. LU PING SAID THAT THE NAME BDTC WOULD BE UNACCEPTABLE; IT WAS INCOMPATIBLE WITH CHINESE SOVEREIGNTY. HOWEVER IT WAS THE TITLE OF THIS CATEGORY OF CITIZENSHIP AND NOT THE RIGHTS IT CONFERRED TO WHICH THE CHINESE OBJECTED. BRITISH OVERSEAS CITIZENSHIP OR ANOTHER NAME FOR BDTC WOULD NOT BE A PROBLEM. LUO **THOUGHT** THAT DUAL NATIONALITY WOULD BE POSSIBLE (BUT SEE BELOW). HE AND LU PING BOTH COMMENTED THAT THE CHINESE WOULD CONSIDER ALL HONG KONG CHINESE WHILST IN HONG KONG TO BE CHINESE CITIZENS. HOWEVER THEY WOULD NOT OBJECT TO SUCH PEOPLE HOLDING A SEPARATE PASSPORT OR USING IT FOR TRAVEL PURPOSES IN THIRD COUNTRIES. KE ZAISHUO SAID THAT THE CHINESE SIDE'S REFERENCES TO NATIONALITY AND CITIZENSHIP WERE TO THE SAME THING. THOSE HOLDING BDTC PASSPORTS AS A RESULT OF THEIR CONNECTION WITH HONG KONG WOULD BE CONSIDERED CHINESE CITIZENS BUT THOSE PEOPLE HOLDING A FULL BRITISH PASSPORT (OR A FULL PASSPORT OF ANY OTHER COUNTRY) WOULD BE CONSIDERED ALIENS. HE NEVERTHELESS CONFIRMED THAT ALIENS WOULD BE ELIGIBLE FOR CHINESE CITIZENSHIP AFTER 7 YEARS RESIDENCE IN HONG KONG. THEY COULD ALSO KEEP THEIR FORMER PASSPORTS IF THE COUNTRIES WHICH HAD ISSUED THEM DID NOT OBJECT. NEVERTHELESS CHINA, NOT RECOGNISING DUAL NATIONALITY, WOULD REGARD THEM WHILE IN HONG KONG AS CHINESE CITIZENS ALONE.

BORDER CONTROL

5. LU PING SAID THAT IMMIGRATION CHECKS ON THE BORDER WOULD CONTINUE AS AT PRESENT, AND THAT CONTROL OF IMMIGRATION FROM CHINA WOULD BE EVEN TIGHTER THAN NOW.

AGENDA ITEM TWO

6. ZHOU ASKED IF WE COULD COMPLETE DISCUSSION OF AGENDA ITEM TWO BY THE SECOND QUARTER (IE 1 JUNE). I GAVE NO PROMISES. LUO SAID THAT THE CHINESE WOULD BE WANTING TO TALK ABOUT LAND, THE GOVERNMENTAL STRUCTURE, AND THE MECHANICS OF CONSULTATION IN THE TRANSITIONAL PERIOD. ON THE LAST LU PING COMMENTED THAT THE TWO SIDES WOULD HAVE ALL SORTS OF THINGS TO DISCUSS.

PUBLIC SERVICE

7. LUO SAID THAT THERE WOULD BE CERTAIN KEY DEPARTMENTS IN WHICH OVERSEAS OFFICIALS COULD NOT SERVE AS DEPUTY SECRETARIES. HE APPEARED CONFUSED AS TO WHICH ONES THEY MIGHT BE.

CONSTITUTIONAL DEVELOPMENT

8. LU PING ASKED WHAT WAS MEANT IN OUR CONSTITUTIONAL ARRANGEMENTS PAPER BY AN **ELECTIVE PROCESS**. HE SAID THAT IN HIS OPINION ONLY INDIRECT ELECTIONS WOULD BE LIKELY TO BE POSSIBLE. WE SAID THAT WE HAD NOT OURSELVES REACHED FIRM CONCLUSIONS.

BASIC LAW

9. ZHOU SAID THAT IT WOULD TAKE AT LEAST TWO TO THREE YEARS TO DRAFT. THE CHINESE WOULD CONSULT WITH THE PEOPLE OF HONG KONG AND CHINA BUT WOULD TAKE VERY MUCH INTO ACCOUNT WHATEVER MIGHT HAVE BEEN AGREED BETWEEN THE TWO SIDES. MME ZHANG SUGGESTED THAT THERE WOULD BE SOME WAY FOR US TO OFFER ADVICE ON THE DRAFTING OF THE BASIC LAW AND THAT THIS NIGHT PERHAPS BE DISCUSSED

~~THERE WOULD BE SOME WAY FOR US TO OFFER ADVICE ON THE DRAFTING OF THE BASIC LAW AND THAT THIS MIGHT PERHAPS BE DISCUSSED UNDER AGENDA ITEM TWO.~~

SHIPPING AND CIVIL AVIATION

10. SEVERAL OF THE CHINESE COMMENTED THAT THE SHIPPING PAPER WAS TECHNICAL SEMICOLON THEY EXPECTED THE CIVIL AVIATION PAPER WOULD BE SIMILARLY SO. THEY ENQUIRED ABOUT RELEVANT CONVENTIONS (SEE MY TEL NO 322).

DELEGATION COMPOSITION

11. WE TOLD LUO THAT THE AG OR S(GD) MIGHT JOIN THE DELEGATION FOR FUTURE ROUNDS. HE SAID THAT HE THOUGHT PERSONALLY IT WOULD NOT CAUSE PROBLEMS, BUT HE WOULD OF COURSE REPORT. WE SHALL FOLLOW THIS UP NEXT WEEK.

WORKING PAPERS

12. ZHOU ASKED IF I COULD PROMISE TO SUBMIT OUTSTANDING WORKING PAPERS BEFORE THE NEXT ROUND. I REPLIED THAT I COULD NOT, BUT THAT WE WERE WORKING AS FAST AS WE COULD.

13. TIMING OF ROUND 11

I TOLD ZHOU THAT 26 AND 27 MARCH WERE THE ONLY POSSIBLE DATES IN THAT WEEK FOR ROUND 11. WE COULD OF COURSE MANAGE DATES IN EARLY APRIL. ZHOU SAID THAT IN THAT CASE HE SUPPOSED THE CHINESE SIDE WOULD HAVE TO ACCEPT 26 AND 27 MARCH.

14. ROUND 12

LUO SAID THAT THE CHINESE SIDE WERE THINKING IN TERMS OF ABOUT 11 APRIL FOR ROUND 12.

PARLIAMENTARY TIMETABLE

15. ZHOU QUESTIONED ME ABOUT THIS. I EXPLAINED THE SITUATION FACTUALLY. HE ASKED IF THERE WOULD HAVE TO BE A PARLIAMENTARY DEBATE BEFORE I WOULD BE AUTHORISED TO SIGN AN AGREEMENT AND WHAT SORT OF LENGTH SUCH A DEBATE MIGHT BE. I REPLIED THAT I THOUGHT THAT THERE WOULD HAVE TO BE SUCH A DEBATE BEFORE AUTHORITY FOR SIGNATURE COULD BE GIVEN. ZHOU ALSO ASKED WHETHER WE ACCEPTED THAT THE THREE TREATIES WERE UNEQUAL. I SAID THAT WE DID NOT ACCEPT THE DOCTRINE OF UNEQUAL TREATIES.

16. ZHOU SAID THAT WU XUEQIAN WOULD BE GOING TO PARIS (FOR TWO OR THREE DAYS) AND VIENNA IN APRIL, BUT NOT ELSEWHERE IN EUROPE. ZHOU HIMSELF WOULD NOT ACCOMPANY HIM.

EVANS

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24 February 1984

Thank you for your letter of 23 February containing the original of the letter from Mr. Hawke to Mrs. Thatcher which the High Commissioner conveyed in his letter of 10 February.

ATJ

Ms. Patricia Paton,

hw

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1263</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Coles to PM dated 23 February 1984</i>	
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Extract/Item details: <i>Fall to Coles dated 23 February 1984 with ones</i>	
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AUSTRALIAN HIGH COMMISSION

AUSTRALIA HOUSE
STRAND
LONDON WC2B 4LA
01-438 8000

23 February 1984

Dear Mr Coles,

The attached envelope contains the original letter from Mr Hawke to Mrs Thatcher on the subject of Hong Kong, the text of which was conveyed in a letter from the High Commissioner dated 10 February 1984.

Yours sincerely,

(Patricia Paton)
Secretary to the High Commissioner

Mr A.J. Coles
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

AUSTRIAN HIGH COMMISSION

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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T31184
PRIME MINISTER

CANBERRA

10 FEB 1984

Dear Margaret,

Recalling our discussion in New Delhi last November when we touched on the progress of your negotiations with the Chinese on Hong Kong's future, I thought I would send you a message on that subject following my talks here in Peking with Premier Zhao.

You will by now have heard about my brief discussions with Sir Edward Youde and other senior officials in Hong Kong, which took place on my way to Japan, South Korea and China at the beginning of my current overseas visit. I appreciated the opportunity to talk to Sir Edward in Hong Kong. In discussing matters of regional concern with Premier Zhao the subject of Hong Kong also came up and I mentioned the discussion I had had with the Governor ten days ago.

I made it clear to Premier Zhao, as I had to Sir Edward, that I considered the matter of Hong Kong's future after 1997 to be a matter between China and the United Kingdom, and that Australia would not presume to intrude in the negotiations. I said I trusted that the negotiations would proceed in such a way that their outcome would be acceptable to the parties principal, and also provide an amicable environment for Hong Kong. From my observations it seems to me that this is occurring, and this is a cause of satisfaction to us and other countries in our region, which have an interest in a peaceful and stable outcome.

You will be interested, I think, in Premier Zhao's remarks. He expressed satisfaction at the way the talks were proceeding. He emphasised that the Chinese objective was to preserve Hong Kong's stability and prosperity while at the same time resuming Chinese sovereignty after 1997 over the whole of the territory. Premier Zhao indicated that with China's present policies, the co-operative attitude on your Government's part and the recent more stable conditions within Hong Kong itself, he was now more confident that the two Chinese objectives could be achieved.

Premier Zhao said China would be very reasonable and take into account the interests of the United Kingdom, other countries and the people of Hong Kong, especially its business people. He said that once the major questions of principle were resolved, China would adopt all measures necessary to ensure stability and prosperity in Hong Kong. In this regard he laid great stress on measures that would reassure the people of the territory.

Premier Zhao described to me in general terms China's policies in relation to the future of Hong Kong. He said the capitalist system would be kept intact for at least fifty years after 1997. China would not send people to Hong Kong to manage the capitalist system. The system would instead be managed by a government composed of local inhabitants. They would run a Special Administrative Region. The existing legal system would remain mainly unchanged. The Hong Kong dollar would be retained in circulation and remain freely convertible, with no foreign exchange control; Hong Kong would remain a free port and an independent tariff zone. China would not intervene in the internal affairs of Hong Kong; but it would reserve for itself the management of Hong Kong's foreign relations and defence.

My talks with the Chinese leadership here in the last few days have very much confirmed my earlier impressions of the considerable sophistication and pragmatism underlying their attitudes on this and other matters. I was therefore reassured by the approach they appear to be taking and I believe they have a clear perception of what will be required of their policies if the full measure of confidence in Hong Kong, especially among its business and managerial circles, is to be sustained.

I have devoted this letter to Hong Kong because I knew you would be directly and personally interested in that topic. My discussions here have been mainly on other matters of concern to Australia and China in the regional, international and bilateral spheres. They have been tremendously interesting discussions for me and they have revealed the very great potential for China's role in the world if the constructive pragmatism to which China's leadership seems committed can be continued.

With kind regards,

Yours Sincerely
Bob Hill

The Right Honourable Margaret Thatcher, MP,
Prime Minister of Great Britain,
LONDON. SW1.
United Kingdom.

DD 240100Z HONG KONG
 GRS 269
 SECRET
 DESKBY 240100Z
 FM FCO 232342Z FEB 84
 TO IMMEDIATE HONG KONG
 TELEGRAM NUMBER 344 OF 23 FEBRUARY
 INFO IMMEDIATE PEKING, BRUNEI (PERSONAL FOR PS/MR LUCE)
 YOUR TELNO 458 AND PEKING TELNOS 297 AND 305: FUTURE OF HONG
 KONG: STRATEGY AND TIMETABLE

A. & C. 24/2.
 h-a.

1. I HAVE LOOKED AT THIS QUESTION VERY CAREFULLY, TAKING ACCOUNT OF YOUR VIEWS AND THOSE OF THE AMBASSADOR. I DO NOT BELIEVE THAT THERE IS MUCH DIFFERENCE BETWEEN US ON ESSENTIALS. WE AGREE THAT WE MUST MEET THE TWIN OBJECTIVES OF NEGOTIATING A SATISFACTORY AGREEMENT WITH THE CHINESE AND ENSURING THAT IT IS ACCEPTABLE IN HONG KONG. THE QUESTION IS HOW WE ORGANISE THE VARIOUS STEPS IN ORDER TO ATTAIN THESE OBJECTIVES MOST EFFECTIVELY.
2. THE QUESTIONS RAISED ARE HOWEVER IMPORTANT ONES, AND I SHALL BE DISCUSSING THEM WITH COLLEAGUES IN OD(K) BEFORE REACHING A FINAL DECISION. OD(K) WILL BE MEETING EARLY NEXT WEEK. IN THE MEANTIME, IN ORDER TO GIVE YOU AN INDICATION OF MY VIEWS, I AM SENDING AS MIFT THE TEXT OF A DRAFT TELEGRAM WHICH I AM CIRCULATING TO COLLEAGUES AS A BASIS FOR OD(K) DISCUSSION, TOGETHER WITH EARLIER TELEGRAMS. I WOULD LIKE YOU TO DISCUSS ALL THIS THOROUGHLY WITH MR LUCE ON HIS ARRIVAL IN PREPARATION FOR HIS MEETING WITH EXCO ON 27 FEBRUARY. WITH EXCO MR LUCE WILL OF COURSE HAVE TO MAKE CLEAR THAT NO MINISTERIAL DECISION HAS BEEN REACHED BUT I HOPE THAT IT WILL BE POSSIBLE TO STREE OUR OBJECTIVES AND EXPLAIN THE CONSTRAINTS (INCLUDING THE PARLIAMENTARY CONSIDERATIONS). I SHOULD BE GRATEFUL IF A REPORT OF THAT DISCUSSION COULD REACH LONDON DESKBY 280900Z.
3. YOUR TELNO 305. I AGREE THAT YOU SHOULD RESERVE COMMENTS ON PEKING TELNO 297 UNTIL YOU SEE MR LUCE.

HOWE

FUTURE OF HONG KONG
 LIMITED
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 ED/PLANNING STAFF
 ED/PUSD
 D/ED/PUSD (MR FLOWER)
 RES.B. (MR WALKER)
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D8G

cc70



10 DOWNING STREET

From the Private Secretary

23 February 1984

Dear High Commissioner,

The Prime Minister has asked me to thank you for your letter of 10 February conveying to her Mr. Hawke's account of his recent discussion about Hong Kong with the Chinese Premier, Zhao Ziyang.

The Prime Minister would be grateful if you could forward the enclosed reply to Mr. Hawke.

Yours sincerely

A. J. Cole.

His Excellency Mr. A. R. Parsons.

SECRET

cc F20
HM Amb.
D8G

SUBJECT
u. Master
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10 DOWNING STREET

THE PRIME MINISTER

23 February 1984

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T34/84

Dear Bob.

I was most grateful for your account of your recent discussions with the Chinese Premier, Zhao Ziyang, about the future of Hong Kong and for the helpful line that you took with him.

As you know from the briefings which we have given you and your officials, the talks are continuing in a friendly atmosphere and, particularly during the last two rounds, have covered much detailed ground. Without prejudice to our own position, or to the nature of any final agreement, we are continuing the process of exploring China's ideas for Hong Kong as a Special Administrative Region of China. We wish to see whether they can be made to provide the basis for an acceptable and lasting settlement which would fulfil our mutual aim of maintaining Hong Kong's stability and prosperity.

We do not doubt the sincerity of China's Hong Kong policies as outlined to you by Premier Zhao. But the crucial point, which I know you recognise, is that any arrangements proposed must be acceptable to the people of Hong Kong and seen to be credible by all those affected. I am therefore encouraged by your belief

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that the Chinese have grasped this. We need not merely a common aim, but the determination to provide genuine assurances that there will be continuity, in the legal and economic spheres and, above all, in freedoms after 1997.

Yours sincerely
Raymond Shaker

The Hon. Robert Hawke, AC, MP.

SECRET

S E C R E T



10 DOWNING STREET

From the Private Secretary

23 February 1984

Dear Peter,

FUTURE OF HONG KONG: STRATEGY AND TIMETABLE

The Prime Minister has seen your letter of 21 February on this subject.

Mrs. Thatcher considers that the question of whether we should work for an interim statement or a bilateral agreement in September is, particularly given the views expressed by the Governor of Hong Kong, so important that it should be considered by OD(K). We have therefore arranged a meeting early next week.

I think it would be helpful if you could arrange to circulate a paper describing the problem - and perhaps a separate paper bringing members of OD(K) up to date on the negotiations.

Meanwhile, the Prime Minister would like Mr. Luce, when he meets EXCO in the near future, to avoid committing the Government on the questions of strategy and timetable.

I am copying this letter to Richard Hatfield (Cabinet Office).

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CT.

S E C R E T

TYPISTS

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FUTURE OF HONG KONG ADVANCE COPIES 10

ASC

PS
PS/FUS
PS/MR LUCE
MR DONALD
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~~MR COLES~~, No. 10 DOWNING ST
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Li P. Gadock

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1439/22

ms

FM PEKING 221030Z FEB 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 303 OF 22 FEBRUARY
INFO IMMEDIATE HONG KONG AND BRUNEI (FOR PS/MR LUCE)

FUTURE OF HONG KONG: ROUND 9: FIRST DAY

1. I SPOKE FIRST. I REFERRED TO MY FIRST STATEMENT OF 25 JANUARY IN WHICH I HAD SAID THAT WE WERE WORKING HARD ON OUTSTANDING WORKING PAPERS. WE HAD NOT BEEN INACTIVE SINCE. OUR WORKING PAPERS ON CONSTITUTIONAL ARRANGEMENTS AND DEFENCE HAD BEEN TABLED ON 10 AND 13 FEBRUARY.
2. I THEN SPOKE ON AGENDA ITEM 2 ON THE LINES OF PARAGRAPH 4 OF YOUR TELNO 122 AS AMENDED IN PARAGRAPH 1(D) OF YOUR TELNO 135. I SAID THAT AN ILLUSTRATIVE EXAMPLE OF OUR PRAGMATIC APPROACH TO ITEM 2 WAS LAND LEASES. I COMMENTED THAT THE CHINESE SIDE SEEMED TO SHARE OUR VIEW IN PRINCIPLE AND REFERRED TO ZHOU NAN'S INTERVENTION OF 26 JANUARY IN WHICH HE HAD SAID THAT THE CHINESE SIDE ALSO BELIEVED THAT LAND LEASES WERE AN IMPORTANT AND COMPLEX ISSUE WHICH NEEDED TO BE SETTLED DURING THE TALKS, BUT THAT THIS ISSUE FELL UNDER ITEM 2.
3. I THEN FORMALLY INTRODUCED THE PUBLIC SERVICE AND DEFENCE WORKING PAPERS. ON THE FORMER, I SPOKE ALONG THE LINES OF YOUR TELNO 125 AS AMENDED BY HONG KONG TELNO 444. I INCLUDED A REFERENCE (ALONG THE LINES OF HONG KONG TELNO 109) TO THE NEED FOR THE INDEPENDENCE OF BODIES SUCH AS THE AUDIT DEPARTMENT TO CONTINUE TO BE SAFEGUARDED. I CONTINUED BY INTRODUCING PARAGRAPH 16 OF THE WORKING PAPER AS SUGGESTED IN PARAGRAPH 3 OF MY TELNO 104. I SAID THAT THE PROPOSAL CONTAINED IN PARAGRAPH 16 HAD BEEN PLACED UNDER A SEPARATE HEADING TO INDICATE THAT IT WAS A LITTLE DIFFERENT FROM THE IMPLICATIONS OF THE CHINESE PLAN IN THE REST OF THE PAPER. I SAID THAT WE HAD CONSIDERED THE CHINESE PLAN FOR THE APPOINTMENT OF CHIEF OFFICIALS VERY CAREFULLY SINCE WE HAD CONCLUDED THAT IN ORDER TO MAINTAIN CONFIDENCE SUCH APPOINTMENTS SHOULD BE MADE WITHIN HONG KONG BUT THAT THE DETAILS OF THOSE APPOINTED SHOULD BE REPORTED TO THE CDS FOR ITS INFORMATION. I REMARKED THAT OUR PROPOSAL DID NOT CONFLICT WITH THE PRINCIPLE THAT SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION WOULD REVERT TO CHINA.

WOULD REVERT TO CHINA.

4. IN INTRODUCING THE DEFENCE WORKING PAPER, I SPOKE ALONG THE LINES AGREED BY EXCO ON 15 FEBRUARY (PARAGRAPH 2 OF HONG KONG TELNO 419). I ADDED THAT SINCE UNDER THE CHINESE PROPOSALS BOTH HONG KONG AND TAIWAN WERE TO BE SARs THEY SHOULD BE TREATED ALIKE. I EXPRESSED THE HOPE THAT THE CHINESE SIDE WOULD FEEL ABLE TO ACCEPT AND SUPPORT OUR PROPOSAL.

5. ZHOU THEN SPOKE. HE SAID HE APPRECIATED MY REMARK THAT WE SHARED THE CHINESE WISH TO REACH AGREEMENT AS SOON AS POSSIBLE AND WOULD COMMENT ON THIS LATER DURING THE ROUND. HE THANKED US FOR THE WORKING PAPERS PASSED TO THEM ON 10 AND 13 FEBRUARY. HE WOULD COMMENT TODAY ON THE PUBLIC SERVICE AND WOULD ELABORATE FURTHER THE RELEVANT CHINESE POLICIES. HE WOULD LEAVE DEFENCE, SECURITY AND PUBLIC ORDER UNTIL TOMORROW.

6. THE FOURTH OF THE TWELVE CHINESE GUIDELINES STATED THAT THE GOVERNMENT OF THE SAR WOULD BE COMPOSED OF LOCAL INHABITANTS SEMICOLON THE CHIEF EXECUTIVE WOULD BE APPOINTED BY THE CENTRAL PEOPLES GOVERNMENT ON THE BASIS OF CONSULTATIONS OR ELECTIONS HELD LOCALLY. BRITISH AND OTHER FOREIGN NATIONALS COULD BE EMPLOYED TO SERVE AS ADVISERS IN ORGANS AT ALL LEVELS WITHIN THE SAR. THIS HAD FIRST BEEN STATED AT THE 6TH ROUND AND ELABORATED FURTHER AT THE 7TH ROUND. CHINA'S BASIC POSITION WAS:

A) THE GOVERNMENT WOULD BE COMPOSED OF LOCAL INHABITANTS. THE CHIEF EXECUTIVE OF THE GOVERNMENT WOULD BE APPOINTED BY THE CENTRAL PEOPLES GOVERNMENT ON THE BASIS OF LOCAL CONSULTATIONS OR ELECTIONS. THE HEADS OF PRINCIPAL DEPARTMENTS OF THE GOVERNMENT WOULD BE NOMINATED BY THE SAR GOVERNMENT AND APPOINTED BY THE CENTRAL PEOPLES GOVERNMENT. OTHER OFFICIALS WOULD BE APPOINTED BY THE SAR GOVERNMENT. IT WAS NOT NECESSARY FOR OTHER PRINCIPAL OFFICIALS, BY WHICH WAS MEANT SECRETARIES, TO BE CHOSEN THROUGH SLECTION OR CONSULTATION. BUT THESE POSTS SHOULD BE HELD BY CHINESE CITIZENS HOLDING PERMANENT HONG KONG IDENTITY CARDS. ZHOU POINTED OUT THAT THIS DIFFERED FROM PARAGRAPH 15 OF THE WORKING PAPER.

B) PUBLIC SERVANTS BELOW SECRETARY LEVEL AND POLICE OFFICERS APART FROM SENIOR OFFICERS SUCH AS THE COMMISSIONER OF POLICE WHO WERE BRITISH NATIONALS OR NATIONALS OF ANOTHER FOREIGN COUNTRY COULD REMAIN IN EMPLOYMENT ALONGSIDE THEIR CHINESE COLLEAGUES AT THE SAME RATES OF PAY AS BEFORE AND WOULD ON RETIREMENT RECEIVE THEIR PENSIONS AND GRATUITIES ACCORDING TO THE ORIGINAL REGULATIONS.

C) THE SAR COULD EMPLOY BRITISH AND OTHER FOREIGN NATIONALS WHO HELD PERMANENT/HONG KONG IDENTITY CARDS IN CERTAIN PUBLIC POSTS. THEY COULD SERVE EITHER AS ADVISERS TO GOVERNMENT DEPARTMENTS OR AS OFFICIALS UP TO THE LEVEL OF DEPUTY SECRETARY IN CERTAIN DEPARTMENTS. BUT THEY COULD BE EMPLOYED ONLY IN AN INDIVIDUAL CAPACITY, AND NOT AS NOMINEES OF THE GOVERNMENTS OF THEIR OWN COUNTRIES. THEY WOULD HAVE TO BE RESPONSIBLE EXCLUSIVELY TO THE SAR GOVERNMENT AND NOT TO THE GOVERNMENTS OF THEIR OWN COUNTRIES.

THESE WERE THE IMPLICATIONS AND CONTENT IN FULL OF CHINESE POLICIES ON THE PUBLIC SERVICE. THEY SHOWED THAT THE POLICIES GAVE EXPRESSION TO THE HIGH DEGREE OF AUTONOMY TO BE ENJOYED BY THE SAR. THEY TOOK ACCOUNT OF THE MATTER OF CONTINUITY IN THE PUBLIC

IN THE PUBLIC SERVICE. THEY SHOWED THAT THE POLICIES GAVE EXPRESSION TO THE HIGH DEGREE OF AUTONOMY TO BE ENJOYED BY THE SAR, TOOK ACCOUNT OF THE MATTER OF CONTINUITY IN THE PUBLIC SERVICE AND, TO THE GREATEST EXTENT, MET BRITISH WISHES.

7. THERE WERE SIMILARITIES BETWEEN THE BRITISH WORKING PAPER AND CHINESE POLICIES BUT THERE WERE ALSO DISCREPANCIES ON SOME IMPORTANT POINTS. FIRST, THE PAPER STATED THE CHINESE PLAN AS SAYING THAT THOSE OVERSEAS OFFICERS HOLDING A HONG KONG IDENTITY CARD COULD SERVE AS OFFICERS UP TO THE HIGHEST LEVELS OF THE PUBLIC SERVICE. THIS WAS INCORRECT AND OBVIOUSLY INAPPROPRIATE. THE CHINESE SIDE HAD NOT PUT FORWARD SUCH A PLAN AT PREVIOUS ROUNDS. SECONDLY, IN INFORMAL EXCHANGES THE BRITISH SIDE HAD REPEATEDLY TAKEN THE LINE THAT OVERSEAS OFFICERS CURRENTLY SERVING COULD CONTINUE TO BE EMPLOYED AND HAVE OPPORTUNITIES FOR PROMOTION ON THE BASIS OF MERIT AFTER 1997. IT WAS EVIDENT FROM THE WORKING PAPER THAT WE HAD THE IMPRESSION THAT AFTER 1997 THOSE WHO HELD BOTH A FOREIGN PASSPORT AND A HONG KONG IDENTITY CARD COULD BE PROMOTED BY NORMAL PROCEDURES UP TO THE HIGHEST LEVELS OF THE PUBLIC SERVICE PROVIDED THEY MET THE REQUIREMENTS OF MERIT AND SO FORTH. ZHOU SAID THAT HIS UNDERSTANDING WAS THAT THERE HAD BEEN REFERENCE IN INFORMAL EXCHANGES TO THE PROMOTION OF OVERSEAS OFFICERS UP TO THE LEVEL OF SECRETARY, BUT EXPLAINED THAT THIS HAD MEANT TERMINATION AT THE LEVEL OF DEPUTY SECRETARY AND NOT (NOT) SECRETARY. NOR IN INFORMAL EXCHANGES HAD THERE BEEN ANY REFERENCE TO OVERSEAS OFFICERS CURRENTLY SERVING AT SECRETARY LEVEL IN ADMINISTRATIVE DEPARTMENTS REMAINING AT THEIR POSTS. THE LINE WE WERE TAKING WAS THEREFORE AT BEST A MISUNDERSTANDING.

8. ZHOU SAID HE WOULD LIKE TO ELABORATE THE POINT THAT THE SAR GOVERNMENT WOULD BE COMPOSED OF LOCAL INHABITANTS. ANOTHER WAY OF PUTTING THIS WAS HONG KONG PEOPLE TO ADMINISTER HONG KONG (GANG REN ZHI GANG). WHEN THE TIME CAME NO OFFICIAL WOULD BE SENT FROM THE MAINLAND TO ADMINISTER HONG KONG. INSTEAD, HONG KONG CITIZENS OF CHINESE NATIONALITY HOLDING PERMANENT HONG KONG IDENTITY CARDS WOULD SERVE AS THE HEADS OF ADMINISTRATIVE DEPARTMENTS. THE SAR COULD ALSO EMPLOY BRITISH AND OTHER FOREIGN NATIONALS TO HOLD CERTAIN PUBLIC POSTS, FOR EXAMPLE THE DEPUTY HEAD OR ADVISER TO SOME DEPARTMENTS. THESE PEOPLE MIGHT VERY WELL HAVE A ROLE OF ASSISTANCE. IF BRITISH AND OTHER FOREIGNERS CONTINUED TO SERVE AS HEADS OF DEPARTMENT WHILE NO OFFICIAL WAS SENT FROM THE MAINLAND AND NO CITIZENS OF CHINESE NATIONALITY WERE ALLOWED TO HOLD THESE POSTS HOW COULD THE SPIRIT OF HONG KONG PEOPLE ADMINISTERING HONG KONG BE REFLECTED? WHAT KIND OF POLITICAL IMPACT WOULD THIS HAVE ON HONG KONG AND THE OUTSIDE WORLD? PEOPLE WOULD BE CRITICAL AND SAY THAT CHINA HAD RESUMED THE EXERCISE OF SOVEREIGNTY IN NAME ONLY, WHILE THE BRITISH STILL GAVE DIRECT COMMANDS AND ORDERS IN HONG KONG AND BRITISH ADMINISTRATION STILL PREVAILED. IN SUCH CIRCUMSTANCES THE BRITISH WOULD ACTUALLY BE PLAYING AN ADMINISTRATIVE ROLE AND NOT A ROLE OF ASSISTANCE AS WE HAD STATED WOULD BE THE CASE. IT WOULD NOT BE IN ACCORDANCE WITH THE PRINCIPLE OF CHINESE SOVEREIGNTY, NOR, FROM THE LONG TERM POINT OF VIEW, WOULD IT BE CONTRIBUTIVE TO THE MAINTENANCE OF STABILITY AND PROSPERITY IN HONG KONG WHICH BOTH SIDES DESIRED, NOR WOULD IT BE GOOD FOR BRITAIN ITSELF. IF WE THOUGHT THIS OVER CAREFULLY WE WOULD UNDERSTAND THE POINT.

IF WE THOUGHT THIS OVER CAREFULLY WE WOULD UNDERSTAND THE POINT.

9. ZHOU REPEATED THAT CHINESE POLICY WAS TO ALLOW ORDINARY CIVIL SERVANTS WHO WERE BRITISH OR OTHER FOREIGN NATIONALS TO REMAIN IN THE EMPLOYMENT OF THE SAR AND SOME OF THESE COULD BE DEPUTY DEPARTMENT HEADS OR ADVISERS. THIS WAS THE MAXIMUM THE CHINESE SIDE COULD ALLOW AND THEY COULD NOT AND MUST NOT GO BEYOND THIS. THIS WOULD TAKE CARE OF THE QUESTION OF CONTINUITY AND THOSE OFFICERS WHO REMAINED OUGHT TO BE ABLE TO PLAY A VALUABLE ROLE OF ASSISTANCE AND BRING THEIR TALENTS INTO FULL PLAY IN BUILDING THE SAR AND FURTHER PROMOTING ITS STABILITY AND PROSPERITY. ZHOU RECALLED THAT IN INFORMAL CONTACTS DURING DECEMBER 1983 WE HAD REPEATEDLY SAID THAT WE WERE CONCERNED ABOUT OVERSEAS CIVIL SERVANTS REMAINING AFTER 1997 AND NOT ABOUT SPECIFIC POSTS REMAINING BEYOND THAT TIME, AND THAT WE WERE NOT THEREFORE SEEKING TO RESERVE CERTAIN POSTS FOR CERTAIN INDIVIDUALS. IF THAT WAS THE CASE THEN THE TWO SIDES WERE THINKING ALONG THE SAME LINES AND NO MORE DIFFICULTIES SHOULD ARISE ON THIS ISSUE.

10. ZHOU THEN TURNED TO SPECIFIC PARAGRAPHS OF OUR WORKING PAPER. HE HAD ALREADY MADE CLEAR THAT PARAGRAPH 16 WAS NOT CONSISTENT WITH CHINESE POLICIES. ON PARAGRAPH 4, HE WAS UNCLEAR ABOUT THE IMPLICATIONS OF THE PHRASE "THE CONCEPT OF A SINGLE UNIFIED SERVICE PERFORMING BOTH CENTRAL AND LOCAL GOVERNMENT FUNCTIONS". HE HOPED WE WOULD EXPLAIN THIS POINT FURTHER. PARAGRAPHS 3, 5, 10, 14 AND 15 WERE BASICALLY IN ACCORD WITH CHINESE POLICIES. HE HAD ALREADY EXPLAINED CHINESE POLICY WITH REGARD TO PARAGRAPH 11 (PENSIONS). THESE WOULD BE GIVEN ACCORDING TO THE ORIGINAL REGULATIONS TO THOSE PUBLIC SERVANTS WHO HAD RETIRED OR COME TO THE END OF THEIR CONTRACTS. THIS OF COURSE INCLUDED THOSE WHO HAD RETIRED BEFORE 1997.

11. THE DETAILS IN THE PAPER COVERING EMPLOYMENT, THE FILLING OF VACANCIES AND SO ON FELL WITHIN THE COMPETENCE OF THE FUTURE SAR GOVERNMENT, WHICH COULD MAKE ITS OWN DECISIONS ON THESE MATTERS IN ACCORDANCE WITH THE PRINCIPALS OF THE BASIC LAW. SIMILARLY, IT WAS FOR THE FUTURE SAR GOVERNMENT TO DECIDE WHETHER THE THREE PUBLIC BODIES MENTIONED IN PARAGRAPH 12 OF THE WORKING PAPER WOULD BE RETAINED AND WHAT THEIR COMPOSITION AND FUNCTIONS WOULD BE.

12. PARAGRAPH 13 OF THE WORKING PAPER SAID THAT THE POST OF CHIEF SECRETARY WOULD BE RETAINED. IN THE CHINESE VIEW, CERTAIN ADJUSTMENTS AND CHANGES COULD BE EXPECTED TO OCCUR IN THE STRUCTURE OF THE SAR GOVERNMENT, INCLUDING SPECIFIC DEPARTMENTS AND THEIR NAMES. FOR EXAMPLE THE CHIEF EXECUTIVE OF THE GOVERNMENT WAS PRESENTLY CALLED THE GOVERNOR. THIS TITLE CLEARLY COULD NOT BE RETAINED AFTER 1997, BUT MIGHT BE CHANGED TO CHAIRMAN OF THE SAR GOVERNMENT OR SOME OTHER TITLE. IT WAS NEITHER NECESSARY NOR POSSIBLE TO DECIDE NOW WHETHER TO CHANGE THE TITLES OF THE CHIEF SECRETARY OR OTHERS.

13. ZHOU SAID THAT HE FINALLY WISHED TO STRESS THAT CHINESE POLICIES ON THE PUBLIC SERVICE WERE CLOSELY CONNECTED TO THE RELEVANT ARRANGEMENTS DURING THE TRANSITION PERIOD. IN ORDER TO FACILITATE THE SMOOTH IMPLEMENTATION OF THESE POLICIES IT SEEMED NECESSARY FOR THERE TO BE SOME SPECIFIC CHANGES IN SOME AREAS IN THE PERIOD UP TO 1997. HE CITED AS AN EXAMPLE THE CASE OF OFFICERS CURRENTLY SERVING AND THOSE RECRUITED IN THE FUTURE WHO CONTINUED TO WORK FOR THE SAR. THE BRITISH HAD A SECONDARY

OFFICERS CURRENTLY SERVING AND THOSE RECRUITED IN THE FUTURE WHO CONTINUED TO WORK FOR THE SAR. THE BRITISH HAD A RESPONSIBILITY TO PROVIDE THE RECORDS OF THE CONDUCT AND PERFORMANCE OF SUCH OFFICERS. IT STATED IN PARAGRAPH 9.4 OF THE WORKING PAPER THAT THESE OFFICERS WOULD "BE ABLE TO COMPLETE A FULL CAREER IN HONG KONG". THIS SHOULD NOT CONTRAVENE THE SPIRIT OF HONG KONG PEOPLE ADMINISTERING HONG KONG. ANOTHER EXAMPLE OF OUR RESPONSIBILITIES IN THE PERIOD UP TO 1997 CONCERNED PENSIONS. WE WOULD HAVE TO PROVIDE INFORMATION ABOUT THE NUMBERS OF PUBLIC SERVANTS AND THE SIZE OF APPROPRIATIONS INVOLVED. FURTHER MATTERS COULD BE DISCUSSED UNDER ITEM TWO OF THE AGENDA. THESE WERE ALL THE CHINESE VIEWS ON THE PUBLIC SERVICE WORKING PAPER. ZHOU HOPED WE WOULD BE ABLE TO MAKE A POSITIVE RESPONSE TO THEM.

14. I THANKED ZHOU FOR HIS STATEMENT AND SAID WE WOULD STUDY IT CAREFULLY. I HOPED THE CHINESE SIDE WOULD ALSO STUDY CAREFULLY MY OPENING STATEMENT. WE PLANNED TOMORROW TO TABLE AND INTRODUCE OUR WORKING PAPER ON CONSTITUTIONAL ARRANGEMENTS AND CENTRAL GOVERNMENT STRUCTURES. IT WAS ALSO POSSIBLE THAT WE WOULD TABLE AND INTRODUCE THE WORKING PAPER ON SHIPPING.

15. AS REGARDS THE PUBLIC SERVICE, I FELT THERE WERE SOME SERIOUS DISCREPANCIES BETWEEN THE TWO SIDES. I ANSWERED ZHOU'S QUERY ABOUT PARAGRAPH 4 OF THE WORKING PAPER, EXPLAINING THAT THERE WAS A DISTINCTION BETWEEN THE FUNCTIONS OF THE CENTRAL GOVERNMENT IN HONG KONG, SUCH AS POLICY FORMULATION, TAXATION, EDUCATION ETC, AND THE FUNCTIONS PERFORMED AT A LOCAL GOVERNMENT LEVEL, BUT THAT THERE WAS NO DISTINCTION BETWEEN THE MEMBERS OF THE PUBLIC SERVICE WHO PERFORMED THESE FUNCTIONS. THEY ALL BELONGED TO A SINGLE UNIFIED SERVICE. I SAID WE WOULD BE HAPPY TO ELUCIDATE FURTHER.

16. I IMMEDIATELY TOOK UP ZHOU ON A NUMBER OF POINTS IN HIS STATEMENT.

(A) DID THE CHINESE SIDE IN EFFECT WISH TO RESERVE ALL SECRETARY LEVEL POSTS FOR CHINESE CITIZENS?

(B) DID ZHOU'S STATEMENT MEAN THAT THE ULTIMATE CHOICE OF SENIOR PERSONNEL IN THE SAR GOVERNMENT LAY WITH THE CENTRAL PEOPLE'S GOVERNMENT AND NOT THE SAR ITSELF? IF SO, HOW DID THIS SQUARE WITH A HIGH DEGREE OF AUTONOMY FOR THE SAR?

(C) WHAT WAS THE SIGNIFICANCE OF THE HONG KONG IDENTITY CARD? THE CHINESE DID NOT APPEAR TO BE THINKING OF THE SAME DOCUMENT AS THE CURRENT IDENTITY CARD IN HONG KONG, WHICH WAS SOMETHING THAT EVERYONE HAD TO APPLY FOR IF HE INTENDED TO STAY IN HONG KONG MORE THAN SIX MONTHS.

(D) ZHOU HAD SAID THAT IT WAS FOR THE FUTURE SAR GOVERNMENT TO DECIDE ON THE RETENTION, COMPOSITION AND FUNCTIONS OF THE THREE PUBLIC BODIES IN PARAGRAPH 12 OF THE WORKING PAPER. WHAT WAS THE DIFFERENCE BETWEEN THIS AND OUR PROPOSAL THAT CHANGES IN THEM WOULD ONLY BE EFFECTED BY THE LEGISLATURE OF THE SAR? WERE THE CHINESE SIDE MAKING A DISTINCTION BETWEEN THE SAR GOVERNMENT AND THE SAR LEGISLATURE?

I SAID THAT WE MIGHT HAVE FURTHER QUESTIONS AFTER WE HAD STUDIED ZHOU'S STATEMENT MORE CLOSELY.

17. I THEN ASKED ABOUT THE DISMISSAL OF JUDGES, EXPLAINING THE

ZHOU'S STATEMENT MORE CLOSELY.

17. I THEN SPOKE ABOUT THE DISMISSAL OF JUDGES, EXPLAINING THE CURRENT PRACTICE AS OUTLINE IN HONG KONG TELNO 400. I REMINDED ZHOU THAT IN PARAGRAPH 4 OF OUR WORKING PAPER ON THE LEGAL SYSTEM OUR PROPOSAL WAS THAT THIS PRACTICE SHOULD CONTINUE APART FROM THE STAGES INVOLVING THE PRIVY COUNCIL AND THE QUEEN. ON THE DISMISSAL OF JUDGES THE CHINESE SIDE HAD SO FAR ONLY SAID THAT PROCEDURES FOR THE APPOINTMENT OF JUDGES WOULD BE USED 'FOR REFERENCE'. I HOPED THAT THE CHINESE SIDE WOULD BE ABLE TO AGREE TO OUR PROPOSAL.

18. I SPOKE FINALLY ON THE INTERNATIONAL COVENANT ON CIVIL AND POLITICAL RIGHTS AND THE INTERNATIONAL COVENANT ON ECONOMIC, CULTURAL AND SOCIAL RIGHTS. IT WAS OUR VIEW THAT LIMITED ACCESSION BY CHINA WITH APPLICABILITY RESTRICTED TO THE HONG KONG SAR WAS POSSIBLE. ALTERNATIVELY, THE CHINESE GOVERNMENT COULD FORMALLY COMMUNICATE TO THE UN SECRETARY GENERAL THAT THE TWO COVENANTS WOULD BE REGARDED BY THE CHINESE GOVERNMENT AS CONTINUING TO APPLY TO THE HONG KONG SAR. EITHER OF THESE TWO COURSES WOULD REINFORCE CONFIDENCE IN HONG KONG THAT CURRENT RIGHTS AND FREEDOMS WOULD REMAIN UNCHANGED, THOUGH IN OUR VIEW THE FIRST WOULD BE MORE EFFECTIVE IN THIS RESPECT THAN THE SECOND.

19. ZHOU SAID THAT HE NOW UNDERSTOOD THAT THE TERM 'CENTRAL GOVERNMENT' IN PARAGRAPH 4 OF THE WORKING PAPER REFERRED TO THE CURRENT HONG KONG GOVERNMENT. THIS HAD NOT BEEN CLEAR. HE WOULD WELCOME THE FURTHER CLARIFICATION WE HAD OFFERED. HE ALSO WELCOMED THE PROSPECT OF THE WORKING PAPER ON THE CONSTITUTIONAL ARRANGEMENTS AND CENTRAL GOVERNMENT STRUCTURES BEING TABLED TOMORROW AND HOPED THAT THE ONE ON SHIPPING MIGHT ALSO BE TABLED. AS REGARDS MY REMARKS ON THE DISMISSAL OF JUDGES AND INTERNATIONAL COVENANTS HE THOUGHT THAT THE CHINESE POSITION HAD ALREADY BEEN MADE CLEAR. BUT AS WE HAD SOUGHT FURTHER CLARIFICATION THEY WOULD STUDY THESE POINTS AGAIN AND REPLY AT AN APPROPRIATE TIME.

20. ZHOU THEN GAVE THE FOLLOWING PRELIMINARY RESPONSES TO MY FOUR QUESTIONS ABOUT HIS OPENING STATEMENT, BUT CONCLUDED BY SAYING THAT HE HAD THE GENERAL IMPRESSION THAT IF WE STUDIED THAT STATEMENT NURTHER ALL OUR QUESTIONS WOULD BE ANSWERED.

A) THE POSTS OF SECRETARIES WOULD BE FILLED BY CITIZENS OF CHINESE NATIONALITY WHO HELD PERMANENT HONG KONG IDENTITY CARDS. HE ADDED THAT THE INHABITANTS OF HONG KONG, INCLUDING THOSE WHO HAD BEEN THERE OVER SEVEN YEARS AND HELD BDTG PASSPORTS, WERE CONSIDERED TO BE CHINESE CITIZENS. IT WOULD NOT BE APPROPRIATE FOR THESE PEOPLE TO CONTINUE TO HOLD BDTG PASSPORTS AFTER 1997 BECAUSE THE CONCEPT OF A DEPENDENT TERRITORY WAS NOT CONSISTENT WITH CHINESE SOVEREIGNTY. IT WOULD BE EASIER TO SOLVE THIS MATTER WHEN WE DISCUSSED NATIONALITY. THAT AS WHY THE CHINESE HAD REPEATEDLY URGED US TO TABLE OUR WORKING PAPER ON NATIONALITY AND CITIZENSHIP AS SOON AS POSSIBLE.

B) ONLY THE CHIEF EXECUTIVE WOULD BE APPOINTED BY THE CENTRAL PEOPLES GOVERNMENT ON THE BASIS OF ELECTIONS OR CONSULTATIONS HELD LOCALLY. THE PROCEDURE FOR OTHER PRINCIPAL OFFICIALS WOULD BE MUCH SIMPLER. THERE WOULD BE NO NEED FOR ELECTIONS OR CONSULTATIONS. THEY WOULD BE NOMINATED BY THE SAR GOVERNMENT AND APPOINTED BY THE CENTRAL PEOPLES GOVERNMENT. THIS MEANT THAT THE SAR GOVERNMENT MADE THE CHOICE AND NOT THE CENTRAL

AND APPOINTED BY THE CENTRAL PEOPLES GOVERNMENT. THIS MEANT THAT THE SAR GOVERNMENT MADE THE CHOICE AND NOT THE CENTRAL GOVERNMENT. THERE WAS THEREFORE NO CONTRADICTION BETWEEN CHINESE POLICY AND A HIGH DEGREE OF AUTONOMY FOR THE SAR.

C) ACCORDING TO THE CHINESE SIDE'S UNDERSTANDING A PERMANENT HONG KONG IDENTITY CARD WAS ISSUED TO PEOPLE WHO HAD BEEN IN HONG KONG MORE THAN 7 YEARS. OTHERS RECEIVED A TEMPORARY IDENTITY CARD.

D) THE IDEA CONTAINED IN PARAGRAPH 12 OF THE WORKING PAPER WAS THAT THE THREE PUBLIC BODIES LISTED SHOULD CONTINUE TO EXIST AFTER 1997. THIS WAS FOR THE FUTURE SAR GOVERNMENT TO DECIDE. BUT THIS DID NOT EXCLUDE THE POSSIBILITY THAT THE TWO SIDES WOULD DISCUSS THE THREE BODIES DURING THE TRANSITION PERIOD. THERE WAS NO CONTRADICTION BETWEEN CHINESE POLICY TOWARDS THESE THREE BODIES AND CHINESE POLICY THAT THE EXECUTIVE, THE LEGISLATIVE AND THE JUDICIARY OF THE SAR WOULD BE INDEPENDENT OF EACH OTHER.

EVANS

CCN PARA 14 LINE 1 ... HIS STATEMENT ETC

PARA 20 (B) LINE 2 ON THE BASIS ETC

GRS 3560

NNNN



SECRET

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

22 February 1984

*This will come to
OD (K) in due course.*

N.B.P.R.

*A.S.C. 2 1/2
p.a.*

Dear Peter,

FUTURE OF HONG KONG: WORKING PAPER ON NATIONALITY ETC

file with ATC

Thank you for your letter of 20 February enclosing a draft working paper. The Home Secretary notes that you think it tactically desirable to put to the Chinese the proposal that BDTs who hold that status by virtue of their connection with Hong Kong should continue to enjoy it after July 1997, even though Hong Kong would cease to be a dependent territory. The Home Secretary is content with that proposal on the basis

- (a) that Hong Kong would nevertheless be removed from the list of Dependent Territories in Schedule 3 to the British Nationality Act 1981, and
- (b) that the acquisition of Hong Kong (China) citizenship would be automatic, and not on application, so that all concerned became dual nationals in 1997. He attaches the greatest importance to this requirement.

He thinks that unless there is this automatic dual nationality there must be an assumption that those who do not apply for a new citizenship remain more British than Hong Kong (Chinese), and that, whatever agreement was reached at the time, there would be a risk that Hong Kong would expel some of those who had only British nationality, and that Britain would have to accord them entry to this country.

The Home Secretary has no comments on the draft working paper which incorporates the concept of automatic dual nationality, but considers that the present draft of point 4 in the points to make to EXCO is not consistent with it and should be amended to remove the element of choice.

The Home Secretary notes that if, as you expect, the Chinese will not accept the continued use of the term "British Dependent Territories Citizen" the Foreign Secretary would want to seek an equivalent arrangement involving the creation of a new category such as British Associated Citizens. To do so would add yet another category of British national to the complicated structure of the British Nationality Act and invite awkward questions as to the difference between a British Associated Citizen and a British Overseas Citizen. Since it is not essential to settle the details of the fall-back position this week, the Home Secretary suggests that this point should be discussed further between officials, but he is not so far persuaded that it would be desirable to create such a new category.

/The Home Secretary

P F Ricketts, Esq

SECRET

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The Home Secretary has seen the Governor's recent telegram but hopes Mr Luce will be able to persuade members of the Executive Council that there is no realistic alternative to the concept of automatic dual nationality if they are to retain the British link as they wish to do. It is of course important for the Council not to be given any indication that by holding out for the concept of a choice of nationality those who are now subject to UK immigration control might stand a greater chance of securing a right of entry to this country.

I am copying this letter to John Coles.

I am sure,
Nigel

N A PANTLING

SECRET

22 JAN 1984

12 1 2 3 4
5 6 7 8 9

S E C R E T

15



Foreign and Commonwealth Office

London SW1A 2AH

22 February 1984

Type letter please.

Dear John,

AR 4/2.

Hong Kong: Message to the Prime Minister from the
Prime Minister of Australia

Your letter of 13 February asked for a draft reply from the Prime Minister to the message she had received from Mr Hawke about his recent discussion on Hong Kong with the Chinese Premier Zhao Ziyang. This is enclosed, with a covering draft letter from you to the Australian High Commissioner here.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

S E C R E T

H-K future Pt 12

UNITED STATES DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

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27 JAN 1984

DRAFT: ~~minute~~/letter/~~telex~~/~~dispatch~~/~~note~~

TYPE: Draft/Final 1+

FROM:

Reference

A J Coles Esq, 10 Downing Street.

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Excellency
 Mr A R Parsons
 Australian High Commissioner
 Australia House
 Strand
 London WC2B 4LA

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

The Prime Minister has asked me to thank you for your letter of 10 February conveying to her Mr Hawke's account of his recent discussion about Hong Kong with the Chinese Premier, Zhao Ziyang.

The Prime Minister would be grateful if you could forward the enclosed reply to Mr Hawke.

AR 2/2.

Enclosures—flag(s).....

DRAFT: ~~minutes~~/letter/~~teletype~~/~~dispatch~~/~~note~~

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

HKK 040/6

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

The Hon Robert ~~James Lee~~ Hawke AC MP
Prime Minister of Australia

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

I was most grateful for your account of your recent discussions with the Chinese Premier, Zhao Ziyang, about the future of Hong Kong. ^{and} ~~I was particularly grateful for the helpful line that you took with Premier Zhao on this subject.~~

~~We share Premier Zhao's satisfaction at the way the talks are proceeding.~~ As you know from the briefings which we have given you and your officials, ^{the talks} ~~they~~ are continuing in a friendly atmosphere and, particularly during the last two rounds, have covered much detailed ground. Without prejudice to our own position, or to the nature of any final agreement, we are continuing the process of exploring China's ideas for Hong Kong as a Special Administrative Region of China, ^{We} ~~and sincerely~~ wish to see whether they can be made to provide the basis for an acceptable and lasting settlement which would fulfil our mutual aim of maintaining Hong Kong's stability and prosperity.

We do not doubt the sincerity of China's Hong Kong policies as outlined to you by Premier Zhao. But the

Enclosures—flag(s).....

S E C R E T

crucial point, which I know you recognise, is that any arrangements proposed must be acceptable to the people of Hong Kong and seen by all those affected, to be credible. I am therefore encouraged by your belief that the Chinese have grasped this. We need not merely a common aim, but the determination to provide genuine assurances that there will be continuity, in the legal and economic spheres and, above all, in freedoms after 1997.

AD 21.
2

S E C R E T

MJ

Walter M. SULKE

1/3

21 February 1984

Hong Kong

I enclose a copy of a letter which the Prime Minister has received from Mr. Walter M. Sulke, together with the text of the speech to which he refers.

I should be grateful if you could let me have a draft reply to Mr. Sulke's letter for my signature by 1 March.

AJC

Peter Ricketts Esq
Foreign and Commonwealth Office.

Jan



Prime Minister.

This is a major decision Foreign and Commonwealth Office
 which, in my view, ought to be properly considered in OD (K)
 before it is discussed with EXCO.

London SW1A 2AH

Hope that OD (K) should meet on Sunday and that Mr.

Dear John, Lucy should be instructed to stall:

A-7C. $\frac{23}{2}$. Yes

Future of Hong Kong: Strategy and Timetable

Sir Geoffrey Howe has been discussing with officials here and in Hong Kong and Peking the broad timetable we should adopt for negotiations during the rest of this year.

The negotiations are going well and we are making progress to date on key issues, but as regards timing a decisive factor is the Chinese intention to issue a statement either together with us or unilaterally in September.

In this discussion a difference of view has emerged between the Governor on the one hand and the Ambassador and ourselves on the other. The Governor would like us to seek no more than an interim statement in September, with the possibility of continuing negotiations and arriving at an agreement some time in 1985. He argues that this would give the best opportunity for Hong Kong opinion to accept the agreement and that there should be a long period of reflection in Hong Kong. He feels that without this, acceptability in Hong Kong will not be attained and the agreement will founder.

Sir Geoffrey's view, shared by the Ambassador in Peking, is that we must take the Chinese deadline seriously. They are determined to issue a statement either jointly or unilaterally in September. It must be our primary objective to see that this statement is as joint, palatable and binding as possible. If we were to tell the Chinese that we were not even going to try for an agreement this year, we would do ourselves much harm and reduce our chances of gaining the assurance we need. If we continue to work with the Chinese for an agreement by the date on which they are set, we will maintain a degree of leverage with them and stand a better chance of gaining the necessary assurances. Per contra a unilateral Chinese announcement of the decisions in respect of the future of Hong Kong in September would be disastrous for confidence there. I enclose the exchange of telegrams we have had with the Governor.

/Sir Geoffrey



Sir Geoffrey Howe's conclusion, therefore, is that we must try for a bilateral agreement with the Chinese by September with the knowledge that we might have to fall back on something less, such as a Heads of Agreement. He is, however, alive to the Governor's problem and the need to allow Hong Kong opinion to form when some indication of the likely agreement is revealed. We think that this can be achieved by a statement by Sir Geoffrey Howe or a White Paper, issued in the late spring or early summer, which would give some of the background to the issue and would indicate the sort of conclusions we might reach in the negotiations. Obviously this would need to be carefully worded to avoid any breach of conditionality but it should be able to describe the assurances that might be attainable from the Chinese.

There is therefore on more careful reading not such a great difference between ourselves and the Governor as would appear on the face of the telegram. However, we need to explain our reasoning more carefully than we did in the first telegram to the Governor on Friday. Sir Geoffrey would like, with the Prime Minister's agreement, to send a full explanation to the Governor along the lines of the attached draft telegram which should arrive by Saturday in order to give Mr Luce a clear steer on this issue when he goes to speak to EXCO during his visit to Hong Kong. Mr Luce has already considered the matter with Sir Geoffrey and Sir Percy Cradock and they are all of the same mind about this difficult and important question.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

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OO HONGKONG

GRS 755

SECRET

FM FCO 172100Z FEB 84

TO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR)

TELEGRAM NUMBER 310 OF 17 FEBRUARY

INFO IMMEDIATE PEKING (FOR AMBASSADOR)

FUTURE OF HONG KONG: STRATEGY AND TIMETABLE

1. I DISCUSSED THIS ISSUE WITH OFFICIALS THIS AFTERNOON, GIVING FULL WEIGHT TO THE CONCERNS EXPRESSED BY YOU AND BY THE AMBASSADOR IN CORRESPONDENCE OVER THE LAST WEEK.
2. MY STARTING POINT IS THAT WE MUST EXPECT A CHINESE STATEMENT IN SEPTEMBER AND OUR OBJECTIVE MUST BE TO MAKE THIS AS JOINT, PALATABLE AND BINDING AS POSSIBLE AND TO ATTACH TO IT AS MUCH AS WE CAN OF THE DETAIL WE HAVE BEEN ABLE TO WORK OUT WITH THE CHINESE. IT IS CLEAR THAT WE SHALL DO OURSELVES CONSIDERABLE DAMAGE IF WE TELL THE CHINESE WE ARE NOT EVEN GOING TO SEEK AN AGREEMENT THIS YEAR. I THINK WE MUST ALSO RECOGNISE THAT WE SHALL HAVE DONE THE BULK OF THE WORK BY SEPTEMBER AND SHALL HAVE LITTLE CHANCE OF EXTRACTING SIGNIFICANT FURTHER CONCESSIONS FROM THE CHINESE AFTER THAT DATE. ALL THIS POINTS TO OUR GOING FOR A FORMAL BILATERAL AGREEMENT, THOUGH IN THE UNDERSTANDING THAT IF WE COULD NOT MANAGE IT WE MIGHT HAVE TO FALL BACK ON A HEADS OF AGREEMENT.
3. THE CHINESE PRESSURE TO REACH AGREEMENT BY JULY REPRESENTS A MISUNDERSTANDING OF THE REQUIREMENTS OF THE PARLIAMENTARY TIMETABLE. I BELIEVE THAT WE SHOULD AIM FOR SOME DISCUSSION IN PARLIAMENT IN SPRING OR EARLY SUMMER (SEE BELOW) AND THEN USE THE TIME AVAILABLE IF NECESSARY UNTIL SEPTEMBER TO GET AS FAR AS WE CAN IN THE NEGOTIATIONS.
4. I AM ALSO VERY MUCH ALIVE TO YOUR CONCERN THAT WE MAY SEEM TO BE TRYING TO RUSH HONG KONG IF WE PRESENT THEM WITH AN INITIALLED AGREEMENT WITHOUT PREVIOUS WARNING OF THE GENERAL SHAPE OF THINGS TO COME. WITH BOTH THESE POINTS IN MIND, I AM CONSIDERING THE POSSIBILITY OF SOME ACTION ON OUR PART,

1.

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PARTIALLY TO LIFT THE VEIL IN THE LATE SPRING OR EARLY SUMMER (THOUGH THE PRECISE TIMETABLE WOULD OF COURSE DEPEND ON THE COURSE OF NEGOTIATIONS). WHAT I HAVE IN MIND IS A WHITE PAPER WHICH WOULD GIVE SOME OF THE BACKGROUND AND DESCRIBE IN GENERAL TERMS THE LIKELY OUTCOME OF NEGOTIATIONS ON HONG KONG POST 1997, IE A SAR WITH A HIGH DEGREE OF AUTONOMY IN A FRAMEWORK GUARANTEED FOR AT LEAST FIFTY YEARS. IT WOULD BE POSSIBLE TO ISSUE SUCH A WHITE PAPER SIMULTANEOUSLY IN HONG KONG. THIS WOULD GIVE THE HONG KONG PUBLIC SOME MATERIAL ON WHICH THEY MIGHT FORM A VIEW AND WOULD PERMIT THE PERIOD OF EXTENDED REFLECTION WHICH YOU HAVE BEEN ADVOCATING. IT SHOULD ALSO HELP EXCO UNOFFICIALS WHO FEEL THAT THEY ARE BEING EXPECTED TO TAKE DECISIONS IN CAMERA WITHOUT BEING ABLE TO GAUGE THE VIEWS OF THE PEOPLE OF HONG KONG IN GENERAL.

5. THE WHITE PAPER WOULD BE VERY GENERALISED. ALTHOUGH WE MAY HAVE ALMOST EXHAUSTED ITEM 1 BY THEN, WE WOULD STILL BE IN THE COURSE OF NEGOTIATION ON THE REMAINING AGENDA ITEMS AND OF THE AGREEMENT ITSELF. IT SHOULD THEREFORE, BE POSSIBLE TO SHOW, WHEN THE EVENTUAL FORMAT AGREEMENT IS PRODUCED, THAT WE HAD ACHIEVED CONSIDERABLY MORE SINCE THE WHITE PAPER.

6. THERE WOULD PROBABLY NEED TO BE A PARLIAMENTARY DEBATE TAKING ACCOUNT OF REACTIONS IN HONG KONG. THE WHITE PAPER WOULD ALSO HAVE TO BE CAREFULLY DRAFTED IN ORDER TO PRESERVE CONDITIONALITY AND TO AVOID CHINESE CHARGES THAT WE WERE BREACHING THE SECRECY RULE GOVERNING THE CONTENT OF THE NEGOTIATIONS. AS I SEE IT, WE SHOULD PROBABLY HAVE TO APPROACH THE CHINESE IN ADVANCE AND INDICATE WHAT WE WERE PLANNING, EXPLAINING THAT THIS WAS A NECESSARY STEP IN ORDER TO ENCOURAGE PARLIAMENTARY APPROVAL AND TO MEET PARLIAMENTARY CONCERNS ABOUT ACCEPTABILITY IN HONG KONG.

7. AS YOU KNOW, I AM THINKING OF VISITING PEKING IN THE SPRING, AND I SEE ADVANTAGE IN KEEPING OPEN THE POSSIBILITY OF AN ADDITIONAL LATER VISIT. DURING THE FIRST VISIT TO PEKING, I WOULD AMPLIFY AT MY LEVEL THE REQUIREMENTS OF OUR PARLIAMENTARY

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TIMETABLE, INCLUDING THE NEED FOR DISCUSSION IN THE SPRING/
SUMMER, AND THE POINT THAT WE COULD NOT RATIFY ANY AGREEMENT
UNTIL WE KNEW THE CONTENT OF THE BASIC LAW.

8. DEPENDING UPON THE STATE OF NEGOTIATIONS, I COULD TAKE
THE OPPORTUNITY TO RAISE WITH THE CHINESE ANY OUTSTANDING
POINTS OF PARTICULAR IMPORTANCE TO HONG KONG AND TO IMPRESS
ON THEM THE NEED TO INCLUDE DETAIL IN AN EVENTUAL AGREEMENT.
BUT ALL THIS OF COURSE WOULD HAVE TO BE WITHIN THE FRAMEWORK
OF AGREEMENT TO TRY TO MEET THE CHINESE TIMETABLE.

9. I HOPE VERY MUCH THAT THIS WILL SERVE OUR GENERAL
OBJECTIVES WHILE MEETING YOUR AND THE AMBASSADOR'S CONCERNS.
IF YOU COULD CONFIRM THIS I SHALL PUT IT TO MY COLLEAGUES,
AND RICHARD LUCE WILL BE BRIEFED TO EXPLAIN OUR THINKING TO
EXCO DURING HIS COMING VISIT TO HONG KONG.

HOWE

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DESKBY 201000Z
FM HONG KONG 200840Z FEB 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 458 OF 20 FEBRUARY 1984
INFO IMMEDIATE PEKING

YOUR TELEGRAM NO 310: STRATEGY AND TIMETABLE

1. I VERY MUCH REGRET THAT IN MY JUDGEMENT, THE COURSE OF ACTION SET OUT IN YOUR TELEGRAM UNDER REFERENCE WOULD NOT MEET THE DIFFICULT PROBLEMS WHICH HMG AND THE HONG KONG GOVERNMENT WILL FACE HERE OVER THE PROPOSED AGREEMENT WITH THE CHINESE AND WHICH I HAVE SET OUT IN A NUMBER OF TELEGRAMS OVER THE LAST MONTH. THIS JUDGEMENT IS SUPPORTED BY MY SENIOR OFFICIAL ADVISERS. THE LIKELIHOOD THAT THE PROPOSED COURSE OF ACTION WOULD BE ACCEPTABLE TO EXCO IS ALSO REMOTE (MY TELNO 428).
2. I HAVE FROM THE BEGINNING EMPHASISED MY VIEW THAT OUR STRATEGY MUST SEEK TO RECONCILE THE OBJECTIVES OF AGREEING AN ARRANGEMENT FOR THE FUTURE OF HONG KONG WITH THE CHINESE, AND MAKING THAT ARRANGEMENT ACCEPTABLE IN HONG KONG. I ACCEPT THAT THE CONSEQUENCES OF FAILING IN THE FIRST OBJECTIVE ARE SERIOUS. BUT THE CONSEQUENCES OF FAILING IN THE SECOND ARE ALSO SERIOUS. THESE INCLUDE A PUBLIC REBUFF FOR HMG. THE DESTRUCTION OF THE CREDIBILITY OF THE HMG; AND THE PROBLEMS WE WOULD FACE IN GOVERNING A PROGRESSIVELY DISINTEGRATING TERRITORY FOR MORE THAN A DECADE. I ASSUME THAT IT WOULD BE POLITICALLY IMPOSSIBLE FOR HMG TO COOPERATE WITH THE CHINESE ON AN ARRANGEMENT NOT ACCEPTABLE TO THE LOCAL POPULATION. IT WOULD IN CONSEQUENCE LEAD US AT THE SAME TIME INTO A CRISIS IN OUR RELATIONS WITH THE CHINESE OF EQUAL MAGNITUDE WITH THAT INVOLVED IN NOT REACHING AN AGREEMENT.
3. IT IS BECAUSE THE CONSEQUENCES OF NON-ACCEPTABILITY IN HONG KONG ARE SO SERIOUS FOR ALL THREE PARTIES, HMG, THE CHINESE GOVERNMENT AND HONG KONG THAT MY ADVICE TO MINISTERS MUST REMAIN AS BEFORE: THIS IS THAT WHILE A FORMAL AND BILATERAL AGREEMENT MUST BE OUR FINAL OBJECTIVE MINISTERS SHOULD NOT BECOME COMMITTED TO THE TERMS OF SUCH AN AGREEMENT WITHOUT HAVING FIRST EXHAUSTED EVERY MEANS TO ENSURE THAT THE PEOPLE OF HONG KONG WILL ACCEPT THEM. THAT, IN TURN, INVOLVES CONVINCING THEM THAT NO EFFORT HAS BEEN SPARED TO ACHIEVE THE BEST TERMS AVAILABLE: AND HAVING EXPLAINED TO THEM CLEARLY THE MAIN ELEMENTS OF ANY ARRANGEMENT BEFORE WE COMMIT OURSELVES TO THE CHINESE ON WHAT IS AFTER ALL THEIR FUTURE.
4. A GENERALISED WHITE PAPER SUBJECT TO THE CONSTRAINTS OF CONFIDENTIALITY AS DESCRIBED IN YOUR TELEGRAM WILL TELL THEM NO MORE THAN THEY ALREADY KNOW. THE CHINESE HAVE BEEN TELLING THEM FOR A LONG TIME THAT THE OUTCOME OF THE NEGOTIATIONS WILL BE AN SAR WITH A HIGH DEGREE OF AUTONOMY LASTING FOR FIFTY YEARS. THEIR

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CONCERN IS WITH WHAT HMG HAS BEEN SEEKING TO NEGOTIATE WITH THE CHINESE WHICH WILL GIVE THEM SOMETHING MORE THAN JUST A DECLARATION OF CHINESE INTENTIONS. WITHOUT A REASONABLE INDICATION OF HOW FAR HMG HAS GOT ON ASSURANCES WITH THE CHINESE A WHITE PAPER WOULD BE DAMAGING RATHER THAN REASSURING.

5. WITH THE QUESTION OF ACCEPTABILITY TO THE POPULATION IN GENERAL IS BOUND UP THE PROBLEM OF MAINTAINING THE CONFIDENCE OF THE PUBLIC SERVICE, THE POLICE AND THE JUDICIARY WITHOUT WHOSE SUPPORT THIS TERRITORY WILL BECOME UNGOVERNABLE EVEN BEFORE 1997. THE COURSE WHICH WE SHALL BE URGING ON THEM - TO CONTINUE IN THE SERVICE OF A GOVERNMENT UNDER THE SOVEREIGNTY OF A COMMUNIST STATE IS UNPRECEDENTED IN THE HISTORY OF OUR DISMANTLING OF THE EMPIRE. BEFORE WE FINALLY COMMIT OURSELVES ON THE TERMS OF AN AGREEMENT WITH THE CHINESE HMG WILL NEED TO HAVE DECIDED, IN CONSULTATION WITH THEM, WHAT UNDERTAKINGS IT IS PREPARED TO GIVE THEM AS REGARDS IMMIGRATION, PENSIONS, AND CONTINUITY OF SERVICE. WE CANNOT JUST SIGN AND TELL THEM THAT THEIR FUTURES ARE DETAILS TO BE WORKED OUT LATER. IF THEIR SUPPORT CANNOT BE OBTAINED THERE IS LITTLE PROSPECT OF MORE GENERAL ENDORSEMENT.

5. I RECOGNISE THAT THESE ISSUES AND ISSUES SUCH AS CONSTITUTIONAL DEVELOPMENT BETWEEN NOW AND 1997 WILL FACE HMG WITH DIFFICULT DECISIONS. IN CONSEQUENCE I HAVE GREAT DOUBTS ABOUT OUR ABILITY TO COMPLETE THE BULK OF THE WORK BY SEPTEMBER.

6. I DO NOT UNDERESTIMATE THE IMPORTANCE OF THE CHINESE STATEMENT OF THEIR DEADLINE. BUT THAT THEY CANNOT BE PERSUADED TO NEGOTIATE ON ITS TIMING AND CONTENT IS AN UNTESTED ASSUMPTION. IT HAS NOT YET BEEN ARGUED WITH THEM IN THE TALKS, STILL LESS AT MINISTERIAL LEVEL. MOREOVER THE COURSE OF ACTION SET OUT IN THE TELEGRAM IS BASED ON AN ASSUMPTION OF WHAT THEY WILL WANT. THERE HAS BEEN NO DISCUSSION WITH THEM YET ON EITHER THE FORM OR CONTENT OF AN AGREEMENT.

7. I HAVE TRIED TO RECONCILE ALL THESE FACTORS IN MY PROPOSAL FOR MINISTERIAL DISCUSSIONS IN PEKING AND IN THE INTERIM STATEMENT OF INTENT OF WHICH I SENT A FIRST DRAFT (PREPARED AT SHORT NOTICE) IN MY TELNO 434. THIS STATEMENT PERMITS THE CHINESE TO ANNOUNCE THEIR PLAN. IT SETS OUT OUR INTERPRETATION OF IT. IT MAINTAINS CONDITIONALITY. IT MAKES CLEAR THAT DISCUSSIONS ARE TO CONTINUE. HMG ARE NOT COMMITTED TO PUTTING ANYTHING FORMALLY TO PARLIAMENT UNTIL THEY ARE SATISFIED WITH THE ARRANGEMENTS. BUT SUBJECT TO THAT IT DECLARES THEIR WILLINGNESS TO RELINQUISH ALL CLAIMS TO SOVEREIGNTY OVER THE WHOLE OF HONG KONG.

9. A STATEMENT OF THIS KIND IF PRECEDED BY A PROGRAMME OF EDUCATING THE POPULATION ON WHAT WE ARE SEEKING TO DO COULD SERVE THE PURPOSE OF PROVIDING THE INITIAL TEST OF ACCEPTABILITY. IT COULD BE MADE IN THE LATE SUMMER.

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10. I WOULD URGE THAT WE SHOULD NOT ASSUME THAT SUCH A STATEMENT COULD NOT BE NEGOTIATED WITH THE CHINESE BEFORE A SERIOUS ATTEMPT TO DO SO HAS BEEN MADE AT MINISTERIAL LEVEL IN PEKING. THE CHINESE NOW KNOW THAT THE ESSENTIALS OF THEIR POSITION ON SOVEREIGNTY AND ADMINISTRATION WILL BE MET. WE HAVE REACHED THE POINT AT WHICH THEY NEED OUR COOPERATION TO ACHIEVE THEIR NEXT OBJECTIVE - THE CONTINUING STABILITY OF HONG KONG. IN THE LAST RESORT THEIR INTERESTS WILL SUFFER AS MUCH AS HMG'S IF THEY AND WE DO NOT FIND A BASIS ON WHICH WE CAN COOPERATE, I STRONGLY RECOMMEND THAT WE SHOULD NOT CONCLUDE THAT THEY CANNOT BE BROUGHT TO RECOGNISE THIS UNTIL WE HAVE TRIED.

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DESKBY FCO 211100Z

FM PEKING 210800Z FEB 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 297 OF 21 FEBRUARY

INFO IMMEDIATE HONG KONG, BRUNEI (FOR PS/MR LUCE)

HONG KONG TEL NO 458: FUTURE OF HONG KONG: STRATEGY AND
TIMETABLE

1. I AGREE WITH THE GOVERNOR THAT THERE ARE TWO OBJECTIVES:
TO NEGOTIATE WITH THE CHINESE THE BEST AVAILABLE AGREEMENT
SEMICOLON AND TO GET THAT AGREEMENT ACCEPTED BY THE PEOPLE OF
HONG KONG. FAILURE TO ACHIEVE THE FIRST WOULD LEAD SWIFTLY TO
CONFRONTATION WITH THE CHINESE OVER THE FUTURE OF HONG KONG,
WHICH WOULD, I BELIEVE, IN TURN QUICKLY BRING ABOUT THE
CONSEQUENCES FORESEEN BY THE GOVERNOR (PARAGRAPH 2 OF TUR).
FAILURE TO ACHIEVE THE SECOND WOULD, ASSUMING THAT THIS MADE IT
IMPOSSIBLE FOR HMG TO PROCEED FURTHER WITH THE CHINESE , ALSO
BRING ABOUT CONFRONTATION, WITH THE SAME CONSEQUENCES. HOWEVER,
THE ACHIEVEMENT OF THE FIRST OBJECTIVE IS A NECESSARY CONDITION
FOR AIMING AT THE SECOND.
2. THE CHINESE ARE FIRMLY AND PUBLICLY COMMITTED AT THE HIGHEST
LEVEL TO THE SEPTEMBER DEADLINE. THEIR AIM IS TO ANNOUNCE THEIR
PLAN AT THAT TIME, PREFERABLY IN OR WITH AN AGREEMENT. THEY HAVE,
HOWEVER, MADE IT CLEAR THAT, IF NECESSARY, THEY WILL ANNOUNCE
THE PLAN UNILATERALLY. I DO NOT THINK THAT WE CAN HOPE TO MOVE
THEM FROM THE SEPTEMBER DEADLINE SEMICOLON THE PRESTIGE OF THE
LEADERS, UP TO AND INCLUDING DENG XIAOPING, IS NOW TOO CLOSELY
ENGAGED. IN ORDER TO GET OUR COMMITMENT TO WHATEVER IS ANNOUNCED
IN SEPTEMBER, THE CHINESE ARE PREPARED TO DISCUSS WITH US THE
DETAILS (UP TO A POINT) OF THEIR PLAN AND TO ACCEPT SOME OF THE
IDEAS WHICH WE ARE PUTTING FORWARD IN THE WORKING PAPERS. WE
HAVE MADE CONSIDERABLE PROGRESS IN THIS RESPECT IN THE LAST
TWO MONTHS.
3. THE GOVERNOR'S ARGUMENT THAT WE SHOULD PRESS THE CHINESE TO
GO FOR A JOINT INTERIM STATEMENT RATHER THAN A SIGNED AGREEMENT
IS BASED ON TWO PREMISES:
(I) THAT IT WLL PROBABLY NOT BE POSSIBLE TO COMPLETE THE
WORK IN TIME SEMICOLON AND
(II) THAT, EVEN IF IT IS POSSIBLE, THERE WILL BE INSUFFICIENT
TIME TO SELL IT IN HONG KONG BEFORE MINISTERS BECOME IRREVOCABLY
COMMITTED.

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IN THE NATURE OF THINGS, ONE CANNOT TEST THOSE PREMISES. ONE CAN ONLY JUDGE THEM. ON THE FIRST, I DO NOT THINK, GIVEN SUFFICIENT COMMITMENT, THAT IT NEED BE IMPOSSIBLE TO COMPLETE THE NECESSARY WORK IN TIME. I CERTAINLY THINK THAT WE SHOULD NOT ASSUME AT THIS STAGE THAT IT WILL BE IMPOSSIBLE. ON THE SECOND, IT IS SURELY GOING TO BE NO EASIER TO ACHIEVE A POSITIVE RESULT FROM ANY CONSULTATION IN HONG KONG BY DELAYING IT UNTIL LATER. THERE IS ALREADY WIDESPREAD KNOWLEDGE IN HONG KONG OF WHAT THE CHINESE PROPOSE SEMICOLON AND, IF PRESS COMMENT IS ANY GUIDE, A CONSIDERABLE DEGREE OF REALISM ABOUT THE EXTENT TO WHICH HMG IS LIKELY TO BE ABLE TO MODIFY THE CHINESE PLAN. THE MORE EXPOSED PUBLICITY PROFILE NOW BEING SUGGESTED SHOULD HELP TO EDUCATE PUBLIC OPINION. A WHITE PAPER WHICH WOULD BROADLY CONFIRM WHAT PEOPLE ALREADY KNEW OR SURMISED OUGHT TO LEAVE LITTLE DOUBT ABOUT THE SORT OF AGREEMENT WHICH WAS LIKELY TO BE NEGOTIATED.

4. IF, HOWEVER, WE WERE NOW TO TELL THE CHINESE THAT WE HAVE CONCLUDED THAT IT WILL NOT BE POSSIBLE TO NEGOTIATE AN AGREEMENT IN THE SEVEN MONTHS REMAINING UNTIL THE END OF SEPTEMBER, I THINK THEY MIGHT WELL CONCLUDE THAT THERE WAS NOT MUCH ADVANTAGE TO THEM IN CONTINUING TO DISCUSS DETAILS OF THEIR PLANS WITH US. I DO NOT SEE THAT A JOINT INTERIM STATEMENT OF THE KIND PROPOSED BY THE GOVERNOR (HONG KONG TEL NO 434) HAS ANYTHING TO RECOMMEND IT TO THE CHINESE. IT WOULD COMMIT THEM WITHOUT COMMITTING US.

5. IF WE WERE TO PUT A PROPOSAL OF THE KIND FAVOURED BY THE GOVERNOR TO THE CHINESE, I WOULD EXPECT THEM TO REJECT IT AND TO TELL US THAT THE CHOICE FOR US LAY BETWEEN AN AGREEMENT BY SEPTEMBER AND A UNILATERAL STATEMENT. WE WOULD THEN FACE THE CHOICE BETWEEN CONFRONTATION AND REVERTING TO AN ATTEMPT TO REACH AN AGREEMENT BY SEPTEMBER. EVEN IF WE CHOSE THE SECOND COURSE (AS I ASSUME WE WOULD), OUR CHANCES OF GETTING THE BEST AVAILABLE AGREEMENT WOULD HAVE BEEN PREJUDICED. THE CHINESE ALREADY HAVE A TENDENCY TO BELIEVE THAT WE ARE TRYING TO SPIN THINGS OUT FOR SOME ULTERIOR PURPOSE. THEY WOULD HAVE BEEN REINFORCED IN THIS BELIEF. THEY WOULD TEND TO SEE POSITIONS ADOPTED BY US IN THE TALKS AS DELAYING TACTICS, AND NOT AS POSITIONS ADOPTED ON THEIR MERITS. IT WAS WITH THE GREATEST DIFFICULTY THAT WE GOT INTO THESE DISCUSSIONS AT ALL. IF WE

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WERE TO ACT AS PROPOSED, I FEAR THAT EVEN IN THE BEST CASE (IE A RETURN TO THE RAILS ON WHICH THE CHINESE ASSUME US TO BE) CHINESE RECEPTIVENESS TO OUR IDEAS WOULD HAVE BEEN GREATLY DIMINISHED.

6. I AM THEREFORE STRONGLY OF THE VIEW THAT WE SHOULD ADOPT THE STRATEGY OUTLINED IN YOUR TEL NO 310. IF WE FIND THAT BY THE EARLY SUMMER WE HAVE MADE SUBSTANTIAL PROGRESS, BUT THAT THE AMOUNT OF WORK REMAINING CLEARLY MAKES AN AGREEMENT BY SEPTEMBER IMPOSSIBLE, I WOULD NOT RULE OUT THE IDEA OF TRYING A JOINT INTERIM STATEMENT ON THE CHINESE AT THAT STAGE. THEY WOULD BY THEN BE MORE CERTAIN THAN THEY ARE NOW THAT WE WANT TO CONCLUDE AN AGREEMENT WITH THEM, AND WE COULD MAKE MUCH MORE OF THE ARGUMENT ABOUT SHORTAGE OF TIME THAN WE COULD HOPE TO DO NOW. BUT EVEN THEN IT WOULD BE A RISKY BUSINESS.

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Drafted by
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OUTWARD
TELEGRAM

Security Classification SECRET
Precedence IMMEDIATE
DESK BY Z

FOR
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USE

Despatched (Date)
(Time) Z

POST BY Z

PREAMBLE

(Time of Origin) Z(G.M.T.) (Restrictive Prefix)
(Security Class.) (Caveat)
(Codeword) (Privacy marking)
(Desk by) Z

TO IMMEDIATE PEKING (precedence) (post) Tel. No. of
AND TO IMMEDIATE HONG KONG AND BRUNEI (PS/MR LUCE
(precedence/post) LUCE

AND TO SAVING
INFO
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Distribution:—

[TEXT]

FOR GOVERNOR OF HONG KONG
>Your Tel No 458 and Peking Tel No 297:
FUTURE OF HONG KONG: STRATEGY AND TIMETABLE.
1. I have looked at this again very carefully, taking account of your views and those of the Ambassador in Peking TUR. I feel there may have been some misunderstanding about the proposition in my tel No 310. I do not believe, however, that there is much difference between us on essentials. Indeed, I attach the greatest importance to meeting your concerns and avoiding the problems which could arise if we present Hong Kong with a fait accompli. But I start from the basis that the September deadline is a real one and that the /Chinese

Copies to:—

Chinese will not shift on it. I realise that this view has not been subjected to every possible test. It does, however, represent a serious and in my view accurate judgement of the Chinese attitude based on Chinese statements at the highest level. I believe that if were to try to embark on the only final test possible, ie telling the Chinese that we did not want an agreement this year but sought an interim announcement only, we should risk doing unacceptable damage to Hong Kong's interests.

2. The other key points are that while agreement with the Chinese and acceptability in Hong Kong are both essential, we cannot tackle the second objective without confidence that we can obtain the first; and that we need an approach in our dealings with the Chinese which will stand the best chance of getting a comprehensive and convincing agreement for Hong Kong. This has got to be an approach of cooperation rather than confrontation.

3. Having said that I accept that we must provide a proper opportunity to sound opinion in Hng Kong before publication of the text of an agreement. It is in order to ensure this that I envisage a statement or White Paper in the spring or early summer, while negotiations are still in progress. In para 4 of your TUR you question whether this would meet our purposes. But while it is true that Hong Kong people already have a broad picture of what may be in store, they have not so far had an official statement of the British Government's objectives or a picture of how the eventual final package might emerge if we pursue our present course. To provide that would in itself be a significant first step.

5400 (25592) Dd.8303542 200m 7/83 G.W.B.Liz. Gp/TTP The

S E C R E T

The content of an early statement need not be uninformative. While it would probably not be possible, as the Ambassador has pointed out, to issue anything as full as the draft interim statement in your Tel No 434, we should be able to include a considerable amount of detail indicating at least the way in which we aimed to preserve Hong Kong's systems and freedoms through a binding agreement.

4. In your para 5 you rightly draw attention to the concerns of the public service. I agree that we must take these seriously. However, I see major problems in our issuing undertakings to the public service in advance of, or simultaneously with, the announcement of an agreement which carried the implication that we were preparing for failure of the agreement. I think we should stick firmly to the line that we are negotiating seriously for an agreement which will work for all Hong Kong people. Otherwise we should prejudice our negotiations with the Chinese and hit confidence among the bulk of the Hong Kong population. I agree that we shall probably have to take the civil service more in to our confidence and if necessary undertake to examine particular problems more closely, but we cannot offer general conclusions at this stage.

5. As I have said above, to help Hong Kong we need the co-operation of the Chinese. We have to explain to them the need to prepare Hong Kong opinion in advance before binding commitments are made. I could well use a visit to Peking in April to put over Hong Kong's case strongly and to get Chinese acquiescence in a fairly full statement of the position reached by then. It might help if I made such a statement when I arrived in Hong Kong at the end of April. Whether we adopt this tactic or a White Paper, I am sure that we should be more likely to get what we want out of the Chinese if we were willing to work within their timetable.

6. My conclusion therefore is that our interests and those of Hong Kong make it essential to aim for a final agreement with the Chinese this year, if we cannot achieve that we might have to fall back on a Heads of Agreement. But we shall also

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need to test Hong Kong opinion before a final commitment is made by a statement or White Paper in the spring or early summer.

7. I know that I can rely on you to expound this strategy and the reasons behind it persuasively to your senior officials and to EXCO. Mr Luce will wish to discuss the question with you when he arrives on Saturday. It would be helpful if at his meeting with EXCO on Monday Unofficials could signify their general acceptance of this approach. We need to get our own lines clear quickly in order to make the best use of our negotiating time in Hong Kong's interest.

CONFIDENTIAL

JP



10 DOWNING STREET

From the Private Secretary

20 February 1984

HONG KONG

I enclose a copy of a letter to the Prime Minister from Mr. Robert Adley, MP, together with a copy of the documents to which he refers.

Mr. Adley specified in his letter that no reply was necessary and we do not intend to send one. But I should be grateful to know whether you think there is any danger of direct contacts between Mr. Adley and, for example, the New China News Agency conveying false signals to the Chinese. Are they clear that he has no connection with Her Majesty's Government? If you think there is any danger of his activities being misinterpreted, do you advise that we or you should raise the matter with him?

BE

me

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

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London SW1A 2AH

N. D. P. R.

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20 February 1984

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Dear Hugh,

Future of Hong Kong: Working Paper on Nationality,
Citizenship, Freedom of Travel, Residence, Emigration
and Immigration

Sir Geoffrey Howe spoke to Mr Brittan recently about this working paper. He said that the most difficult part in it was the position after 1 July 1997 of those British Dependent Territories citizens who derive their status by virtue of a connection with Hong Kong (BDTC(HK)s).

Since then FCO and Home Office officials have been in contact. The enclosed copy of the draft working paper reflects helpful suggestions by your officials. The paper also incorporates the views of the Governor of Hong Kong and our Ambassador in Peking and has been agreed by FCO Ministers. We aim to telegraph an agreed text to Hong Kong this week so that Mr Luce can discuss the paper with the Executive Council during his visit to Hong Kong on 25-28 February. Thereafter the paper will be circulated to members of OD(K) with the aim of passing it to the Chinese in the middle of March.

As you will be aware, the question of nationality and citizenship is a very sensitive one in Hong Kong. The enactment of the British Nationality Act 1981 caused much resentment in the territory and the introduction of separate citizenship categories to replace the unitary citizenship of the United Kingdom the colonies was seen as "downgrading" the status of holders of Hong Kong British passports, even though their immigration status with regard to the UK was not changed. You will be familiar with the subsequent discussions on nomenclature in passports, in particular the endorsement on page 5, and on discretionary registration under section 4(5) of the Act.

When Mr Luce met the Unofficial Members of the Executive Council during their recent visit, the sensitivity of the issue was confirmed. The Unofficials emphasised that there would be very strong resistance in Hong Kong to any further erosion of BDTC status. They urged not only that we should seek to retain all the existing rights of BDTC (HK)s after 1997 but that we should also argue strongly for the retention of the term itself, even though Hong Kong would no longer be a dependent territory. They showed no inclination to consider

/a change



a change to another form of British nationality. Indeed, they suggested that this point would be the main issue on which Hong Kong people would judge the acceptability of an overall settlement on the future of the territory.

The Chinese have made no formal statements yet of their position on nationality. But they have indicated in the margins of the talks that they would be opposed to the retention of BDTC status. We believe, however, that we must make this our opening bid in order to show EXCO that we will do our best for Hong Kong. But we will need a fall-back position. We propose that this should be to retain the rights of BDTC (HK)s under another new name (such as British Associated Citizens).

An important feature of the working paper is that all BDTC(HK)s (as well as other Hong Kong people) would have the right of abode in Hong Kong (China). We have included in the working paper the point, made by your officials, that this entitlement would need to be indicated in their British passports. This would obviously be essential whether they were BDTCs or British nationals under another name.

Whatever the eventual arrangement, the objective must be to bolster confidence in Hong Kong and to lessen the incentive for people to seek to leave. The presentation of our proposals to EXCO will therefore be important. I enclose a copy of the points which we propose to use for this purpose.

I should be grateful to know the Home Secretary's views on this working paper, and in particular on the retention of BDTC status after 1997. As I have indicated in paragraph 2 above, we are working to a very tight schedule. It would therefore be helpful to have your comments as soon as possible.

I am copying this letter to John Coles (No 10).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

H H Taylor Esq
PS/Secretary of State for the
Home Department

UTURE OF HONG KONG: WORKING PAPER ON NATIONALITY, CITIZENSHIP,
FREEDOM OF TRAVEL, RESIDENCE, EMIGRATION AND IMMIGRATION

CHINESE PLAN

1. The SAR would enjoy a high degree of autonomy. The current social and economic systems would remain unchanged. So too would the lifestyle. Freedom of travel, of migration and change of residence would be ensured. The Hong Kong SAR would be able to issue its own travel documents for entry into and exit from Hong Kong. The SAR could on its own enter negotiations with foreign countries in the fields of the economy, culture and tourism and could sign agreements in these fields as Hong Kong, China.

2. No formal proposals have been made by the Chinese side on nationality and citizenship. The British side understand however that the Chinese side intends to create a distinctive Hong Kong (China) citizenship in 1997 for persons whose national status would depend upon connection with the Hong Kong SAR.

(A) IMPLICATIONS: NATIONALITY AND CITIZENSHIP

3. At present about 3 million people hold the status of British dependent territories citizen (BDTC) as a result of their connection with Hong Kong. According to the law in force in the United Kingdom and Hong Kong, such persons would continue to hold this status after 1 July 1997. Amending legislation in the United Kingdom would be required if the rights pertaining to this status were to be retained under a new name. In order to avoid abrupt change, and in the interests of reassuring the people of Hong Kong that there would be continuity in this important area, all persons who immediately before 1 July 1997 were BDTCs by virtue of their connection with Hong Kong would on and after that date hold Hong Kong (China) citizenship as well as continuing to retain such BDTC status. In accordance with the present law, this would as a general rule be transmissible by descent for one generation.

4. Eligibility for Hong Kong (China) citizenship would be defined under the laws of the Hong Kong SAR. The following would become

/Hong Kong

Hong Kong (China) citizens, in addition to any other national status they might hold:-

(a) all persons who immediately before 1 July 1997 were BDTCs as a result of their connection with Hong Kong;

(b) all persons born in Hong Kong before 1 July 1997 who were not BDTCs, unless they were nationals of a third state;

(c) all persons defined under the Hong Kong Immigration Ordinance (cap 115) as "Chinese residents" and all persons in Hong Kong on 1 July 1997 who, by continuing to reside there for the qualifying period, will become such "Chinese residents";

(d) all persons born in Hong Kong on or after 1 July 1997;

(e) All persons who fulfil the naturalization requirements of the SAR Government.

(B) IMPLICATIONS: FREEDOM OF TRAVEL

5. The issue of Hong Kong (China) travel documents would continue in accordance with the policy followed immediately prior to 1 July 1997 for Hong Kong travel documents and would be a matter for the SAR Government acting on its own authority. A consular officer of the UK Government would issue British travel documents.

6. Hong Kong (China) travel documents would be valid for all countries or territories (subject only to immigration requirements of the country or territory of destination) and would guarantee the holder's right of return to the SAR within the period of validity of the document. The SAR Government would only withhold or withdraw travel documents in specific circumstances defined by the law of the SAR.

7. The Government of the SAR would be empowered to negotiate new visa abolition agreements for holders of Hong Kong (China) travel documents. HMG would use its good offices to assist this. It would also be for the SAR to determine what the rights of access to the

/SAR

SAR should be for nationals not from states party to such a visa abolition agreement. HMG would try to persuade third states, which immediately prior to 1 July 1997 allowed visa-free entry to persons holding a form of British nationality who acquired their status by virtue of a connection with Hong Kong, to continue to allow them visa-free entry after that date.

8. Persons travelling abroad would be entitled to the range of consular services and the degree of consular protection consistent with their nationality status.

(C) IMPLICATIONS: RESIDENCE, EMIGRATION AND IMMIGRATION

9. Existing rights of abode in Hong Kong including the existing freedom from removal or deportation would be enjoyed by citizens of Hong Kong (China).

10. Subject to exceptions which are both allowed by law and consistent with the International Covenant on Civil and Political Rights, all persons would be free to leave the SAR in order to emigrate or for any other purpose. Holders of valid Hong Kong (China) travel documents, and of valid BDTIC (Hong Kong) travel documents would have a right to enter and re-enter the SAR, and arrangements would be required to ensure that each of these documents stated that right. The present arrangements for allowing travel between Hong Kong and Macau and the present arrangements for allowing travel between Hong Kong and other parts of China would continue.

11. The existing arrangements for persons with no right of abode in Hong Kong to visit, reside in and leave the SAR would remain. Any changes to these arrangements would be the sole responsibility of the SAR Government.

12. Persons who have no right of entry to the Hong Kong SAR would not be permitted to enter the SAR without the permission of the immigration authorities of the SAR.

13. All illegal immigrants or overstayers would be removed in

accordance with the laws of the Hong Kong SAR.

14. Entry into the Hong Kong SAR from other parts of China would continue on the same basis as at present. Any changes in these arrangements would have to be agreed between the SAR Government and the Central government of the PRC.

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WORKING PAPER ON NATIONALITY, CITIZENSHIP, FREEDOM OF TRAVEL, RESIDENCE, EMIGRATION AND IMMIGRATION

POINTS TO MAKE WHEN OPENING DISCUSSION WITH EXCO

1. Important and sensitive subject.
2. Realise significance members give to this paper. Points made by Unofficials on 17 January have been carefully considered and taken into account.
3. Prepared to try to persuade Chinese to accept retention of BDTc status (rights and name) for those holding it in 1997. Will emphasise importance of continuity and minimum change. But must warn members that we do not think Chinese will agree to this. If not, may be necessary to fall back to alternative proposal eg retention of rights under another name (ie new category of citizenship).
4. Eligibility for citizenship of Hong Kong SAR important. Must be available to all born in or qualified as residents of Hong Kong to avoid statelessness. Will have to persuade Chinese to accept dual nationality for those who wish to be BDTcs and Hong Kong (China) citizens.
5. China have already agreed that SAR may issue own travel documents. Hope third countries will agree to negotiate visa abolition agreements with SAR. HMG will do what it can to help. Important for documents to state clearly that holder has right of abode in SAR. BDTc passports too will need SAR stamp stating this.
6. Aim to maintain maximum continuity in rights of residence and Immigration controls.

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Hong Kong Future Pt 12



20 JAN 1982

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1263</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Telegram N° 410 dated 16 February 1984</i>	
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NUMBER NOT USED	



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bc Sir P. Cradock

10 DOWNING STREET

From the Private Secretary

16 February 1984

Hong Kong

Dr. David Owen told me in Moscow on 14 February that he felt he should pass on one or two points about his recent visit to China where he discussed the future of Hong Kong.

He believed that it would be tactically wrong to try to arrive at a detailed agreement with the Chinese by September. It would be better to let the Chinese have their sense of triumph by arriving at 'Heads of Agreement' by that time. Once that hurdle was passed, we would find it much easier to secure the agreement on detailed points which we wanted.

He did not believe that there would be any difficulty in securing the approval of the House of Commons for any agreement that was reached. Twenty or thirty people who did not understand the problem might make a fuss but nearly everyone in the House was well aware of the realities.

The Chinese had made a big point with him of what they termed 'insinuating Sovereignty'. They apparently meant by this that, although we were prepared to concede the principle of Sovereignty, we were seeking to retain it by various back-door methods. In particular, our insistence that British officials currently serving in Hong Kong should continue to do so after 1997 was unacceptable.

I have brought these points to the attention of the Prime Minister.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

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10 DOWNING STREET

From the Private Secretary

16 February 1984

Hong Kong:
Public Presentation of HMG's Position

Thank you for your letter of 15 February enclosing a revised copy of the paper on the above subject.

The Prime Minister has noted the new wording of paragraph 9 and is content with the revised paper.

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

SECRET

From Robert Adley MP



HOUSE OF COMMONS
LONDON SW1A 0AA

15th February 1984

Margaret

E16

Prime Minister

A.S.C. 17/2

Following our recent discussion about Hong Kong I did, as you know, raise with the Chinese Ambassador the question of the "personality" of future Governors of Hong Kong. You have kindly acknowledged my letter to you wherein I mentioned that the Chinese Ambassador in London certainly was not aware of any suggestion or requirement made by his Government that the person should have to be an active member of the Communist Party.

I also took the liberty of raising this question, off my own bat, with Ji Shaoxiang of the New China News Agency in Hong Kong, and I thought you might be interested to see his reply. It seems to me inconceivable that an official spokesman for the Chinese Government could possibly be so precise in what he says if it was not intended to honour such a statement.

[Large handwritten flourish]

*P.S. No reply
necessary.*

The Right Honourable Mrs. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10 Downing Street,
London,
S.W.1.

S E C R E T

cc S.A.P.C.

12



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

You were worried about the idea of the Governor making a speech which could be regarded as a sell-out. This idea has now been dropped (see para 9 of enclosure)

15 February 1984

Dear John,

Agree with the attached paper?

A.S.C. 15/2

Yes NT

Hong Kong: Public Presentation of HMG's Position

In your letter of 9 February you asked us to look again at the draft official statement in paragraph 9 of the paper enclosed with my letter of 8 February, in the light of the Prime Minister's views.

I enclose a revised copy of the paper, taking into account the Prime Minister's comments. (There are new paragraphs 9 and 10.) Amendments have also been made to paragraph 12 to update it and to reflect the fact that the question of the future is likely to be raised in the Legislative Council within a few weeks.

The key point in the passage in paragraph 9 of the original draft was the sentence referring to the possibility of an end to an authoritative British link. The rest covered material which we have already used in one form or another. In the light of the Prime Minister's comments we do not believe that it would be worth trying to make this point in another way. Instead we should aim to educate opinion in Hong Kong through the Governor's briefing of EXCO and LEGCO, indirectly through public remarks by Unofficials and through unattributable press briefing. This would help to discourage unrealistic expectations while at the same time maintaining HMG's position on the confidentiality of the talks. Our briefing would of course put emphasis on the conditionality of the negotiations.

This procedure should relieve some of the pressure in Hong Kong for more information on the negotiations but demands may still grow for the Governor to give a more authoritative view. If that happens it may be necessary to weigh again the problem of preserving the credibility of the Governor against the risks of adopting a franker line in public. We might wish to make further recommendations to the Prime Minister at that stage.

A J Coles Esq
10 Downing Street

S E C R E T

/I should

S E C R E T



I should be grateful to know whether the Prime Minister agrees with the revised paper.

Yours,

Peter Ricketts

(P F Ricketts)
Private Secretary

S E C R E T

FUTURE OF HONG KONG: PUBLIC PRESENTATION OF HMG'S POSITION

The Problems

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 preserve conditionality as our negotiating position evolved.
2. However this stance is likely to become increasingly untenable, for two main reasons. In the first place we shall need to anticipate an announcement, whether in September 1984 or before, showing that British Administration after 1997 cannot be negotiated. Opinion in Hong Kong and in the UK needs to be carefully prepared for an arrangement which would be based on assurances of a different type.
3. The other problem relates to HMG's credibility. As more information and speculation appears in the media, opinion in Hong Kong is likely to get a distorted view of the handling of the negotiations, and to believe that HMG have effectively already conceded sovereignty and administration to the Chinese. It becomes increasingly unrealistic to decline to comment. Recently the problem has become more pressing, partly because of Chinese statements suggesting an imminent agreement on the basis of their proposals, and partly because of a number of articles in the press which have been interpreted in Hong Kong as indicating a British 'sell out'. Some Hong Kong newspapers have picked up this line. One at least has cast doubts on HMG's good faith, suggesting that while EXCO have been told about the formal talks, they have not been fully informed of our informal contacts with the Chinese, and that that Britain's pledges to EXCO have been broken. Misunderstanding has been increased by statements by some British MPs. For instance Dr David Owen, after a meeting with the Chinese Foreign Minister in Peking on 1 February told the press that the question of sovereignty and administration was no longer at issue, that HMG was right not to pursue an attempt to separate the two, and that Britain would come under increasing pressure to reach an agreement in some detail by September.

4. There is also the problem of the line which members of LEGCO should take on the future. It is hard for Hong Kong people to understand why LEGCO members, appointed to represent them, should remain silent on the future when speculation is increasing in the press and elsewhere. There is a strong view that LEGCO members should be free to express their views about the future.

5. Pressure is also likely to grow for a more open line by the Governor and other senior officials in Hong Kong, and by UK Ministers. Parliamentary interest will grow as press and other coverage increases.

EVOLUTION OF HMG'S LINE

6. We are thus unlikely to be able to continue to avoid taking a more forthcoming line. Indeed it will be to our advantage to adopt a selective but more informative position. How this is done will vary according to whether Ministers, officials or Unofficials are involved, and whether the information is provided on the record, unattributably, or as background only. The themes which we should aim to put over are:

- (a) The close cooperation and consultation between HMG and EXCO throughout the negotiation;
- (b) Our determination to assure the maximum continuity of systems in Hong Kong;
- (c) Our careful examination from the beginning of the talks of a variety of ways of assuring this, including British administration;
- (d) The likelihood that an authoritative link with London will not be attainable but that other effective assurances should be negotiated;
- (e) Our conditional approach to the negotiations, ie the package must be judged as a whole and no 'concessions' could have been made beforehand;
- (f) HMG have thus neither 'sold out' Hong Kong or been eased out of a significant role in deciding Hong Kong's future.
- (g) HMG cannot on their own take a final decision, which must be for Parliament.

7. The most difficult problem is to preserve conditionality and to make this explicit without provoking the Chinese or damaging our negotiating position. In general that problem will be exacerbated

if statements are made at a high level and for the record.

OFFICIAL STATEMENTS

8. These include:

- (a) Ministerial statements;
- (b) Statements by the Governor;
- (c) On the record statements or briefing by the FCO.

9. There is strong pressure for greater information in Hong Kong. If the Governor does not make a statement there may be a decline in confidence and in his and HMG's credibility in the face of well-informed, if distorted, press reports. However any official statement covering new ground would breach our line that the talks are confidential. Such a statement would either be seen as a sell out, or would need to emphasise conditionality, which in turn could well provoke the Chinese to react. Furthermore any official statement would almost certainly lead to further questions in Parliament and to pressure on Ministers to go further. For the present at least we should therefore avoid making official statements which go beyond our present line.

UNOFFICIAL STATEMENTS

10. It is necessary to accustom opinion in Hong Kong to the likely outcome of the talks before the September 1984 deadline. The best way to do this is to break the news gradually that there is little chance of negotiating a settlement with the Chinese based on a continuation of British administration beyond 1997 through responsible discussion in Hong Kong generated by EXCO and LEGCO.

EXCO Unofficials

11. EXCO Unofficials will have a vital role in correcting impressions of a sell-out and in making it clear that they have been closely consulted about the negotiations at every stage. They could also, in consultation with the Governor, draw publicly on the themes in para 6 above. To carry conviction, they could also expand on the sort of assurances which Hong Kong people would like to see included in a final package, while making clear that none would necessarily be an absolute requirement.

LEGCO Unofficials

12. LEGCO members were brought up to date by the Governor on 10 February on our revised objective in the talks. Like EXCO, they should be encouraged to conduct commonsense discussion among Hong Kong people, including consideration of the most realistic outcome, the unlikelihood of achieving continued British administration and Chinese interest in achieving a lasting negotiated settlement. They too might discuss the sort of assurances which should be sought. A sudden flurry of statements by LEGCO members would probably be counter-productive, so members should be asked where practicable to consult with the Governor. LEGCO members should be encouraged to adopt individual lines of discussion, but to assist in countering impressions of a disagreement between HMG and Hong Kong, they should be asked to keep these points in mind particularly in any discussion in the Legislative Council itself.

BRIEFING OF DISTRICT BOARD MEMBERS AND OF THE HONG KONG CIVIL SERVICE

13. Selective briefing of District Board Members could be useful in tackling some of the main opinion formers in Hong Kong. The same applies to the Civil Service, where more information could help to keep up morale.

BRIEFING OF RESPONSIBLE UK AND HONG KONG MEDIA:

14. This would involve unattributable briefing explaining how HMG's objective of the talks has evolved on the lines of the passage proposed in paragraph 6, keeping in mind conditionality and confidentiality, while encouraging the press to speculate along these lines. There should be particular stress in Hong Kong on the cooperation between HMG and EXCO and in both cases some expansion on the various ways in which assurances could be provided.

HONG KONG DEPARTMENT
FEBRUARY 1984



15 FEB 1984

UNITED STATES DEPARTMENT OF JUSTICE

DEPARTMENT OF JUSTICE

UNITED STATES DEPARTMENT OF JUSTICE

PRIME MINISTER

HONG KONG

MW

Dr. David Owen told me yesterday in Moscow that he felt he should pass on one or two points about his recent visit to China where he discussed the future of Hong Kong.

He believed that it would be tactically wrong to try to arrive at a detailed agreement with the Chinese by September. It would be better to let the Chinese have their sense of triumph by arriving at 'Heads of Agreement' by that time. Once that hurdle was passed, we would find it much easier to secure the agreement on detailed points which we wanted.

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The Chinese had made a big point with him of what they termed 'insinuating Sovereignty'. They apparently meant by this that, although we were prepared to concede the principle of Sovereignty, we were seeking to retain it by various back-door methods. In particular, our insistence that British officials currently serving in Hong Kong should continue to do so after 1997 was unacceptable. This matter is likely to surface in the negotiations soon.

A.S.C.

15 February 1984

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10 DOWNING STREET

From the Private Secretary

15 February 1984

Future of Hong Kong:
Working Paper on Civil Aviation

Thank you for your letter of 13 February.

The Prime Minister agrees that the Working Paper which has been prepared on Civil Aviation may be shown to Sir Adrian Swire on a strictly personal basis.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

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10 DOWNING STREET

From the Private Secretary

15 February 1984

FUTURE OF HONG KONG

Thank you for your letter of 13 February about the amended version of paragraph 4 of the Working Paper on Constitutional Arrangements and Central Government Structures.

We have noted the final wording.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

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With the Compliments of
Hilton Cheong-Leen, OBE, JP
Chairman
Urban Council
Hong Kong

10/22
h.a.

Speech by Mr. Hilton Cheong-Leen
Chairman, Urban Council,
at the Urban Council Meeting
on Tuesday, 14th February, 1984

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Introduction

This year's Annual Conventional Debate has been very lively, covering a wide range of subjects. It has been even more interesting than ever because it was the first time that several new members who joined the enlarged Urban Council last year have had the opportunity to speak on matters outside the statutory scope of the Urban Council.

All the various points raised by members which are outside Council's scope of responsibilities have already been referred to Government for detailed consideration.

A number of Select Committees and Sub-Committees Chairmen reported on the work of their committees during the past 12 months.

Other Councillors gave their views on various aspects of Council's responsibilities which are being studied by the Urban Services Department for consideration by the Select Committees concerned.

In my Right of Reply at this Year's Annual Conventional Debate, I am taking the opportunity to amplify on some of the valuable points raised by Councillors.

Squatter Areas

Mr. Tong Kam-biu spoke eloquently about the need to improve environmental hygiene, cleansing services and the collection of refuse in squatter areas. I fully share his concern on the importance of the Urban Council doing everything possible to improve the living environment of urban squatters who number about 170,000. Co-operating with the Housing Authority, the Council will continue to provide in urban squatter areas more refuse collection points and improve refuse collection services, and also provide more toilets and bathhouses and sitting out areas. This year the Council is spending \$8.3 million in squatter areas for cleansing services, plus another \$2 million paid annually to the Housing Authority for related services under the Squatter Improvement Pilot Scheme.

Action is being taken to replace all wooden toilets in squatter areas with fibre glass ones which will not only look better but be easier to clean. It is planned to provide a total of 706 fibre glass toilet compartments in the urban squatter areas at a current cost of nearly \$2 million.

Both Dr. Kim Cham and Mr. Howard Young made reference to the proposal of the Keep Hong Kong Clean Committee to implement a trial scheme to privatise the cleansing services in one squatter area in the Eastern District. This should ensure that the best possible cleansing service for the residents in that area can be provided for the amount of money spent. Should this pilot scheme of privatisation in cleansing services be successful, the Council will study to what extent the system can be introduced selectively in other squatter areas.

Keep Hong Kong Clean

Mr. Kenneth Lo raised the subject of the trial scheme which was recently initiated in the Wan Chai District to use plastic bags for holding refuse collection. The results of this pilot scheme have still to be assessed but should the scheme be regarded as having been a success, it should then be possible to see how the scheme can be developed further on a larger scale in the Wan Chai District. Also, other urban districts will be encouraged to find out how much further the use of plastic bags can be promoted for purposes of refuse disposal.

Mr. Stephen Lau spoke about the problem of eliminating the odour from open nullahs and the problem of collection of flotsam in the harbour. A special working group in Government has been formed to clean up a number of the more popular beaches in time for the on-coming swimming season. I recall about a year ago when I paid a visit to the Repulse Bay Beach with several Urban Councillors, the flotsam was so heavy that it was surprising that there were so many bathers swimming there.

A consultancy report on the extent to which land pollution is a cause of marine flotsam is expected to be ready shortly and it is hoped that certain recommendations will be made to reduce the flotsam not only at the more popular beaches but in the harbour itself. No doubt, the Environmental Hygiene Select Committee and the "Clean Hong Kong" Committee under the chairmanship of Dr. Denny Huang and Mr. Howard Young respectively will be examining this problem in greater depth very shortly.

I would like to remind both Councillors and members of the public that there is an Urban Council Clean Hong Kong Campaign telephone hotline -

5-95555 - not only for recording litter complaints but to receive complaints and suggestions on all Council and Urban Services Department activities.

Furthermore, should any member of the public wish to bring a suggestion or complaint to my personal attention, he or she should so advise the officer answering the hotline.

Recreation and Sports

The Chairman of the Recreation Select Committee, Mr. Kenneth Lo, gave a good overview on the extent of the role of the Urban Council in providing sporting facilities and recreational open spaces. He quite rightly pointed out that the Council is under considerable pressure from all the District Boards to provide more recreational and sporting facilities in the respective districts, and I am happy to say that already the Council has been able to advance several such projects in its works programme, and that in the new financial year work will begin on a large project at Kowloon Bay for the use of Kwun Tong residents, plus other important improvements in Wanchai, Kowloon City and Kowloon Park.

The pressure from all the ten urban districts to expedite the provision of such facilities is an immense challenge to the Urban Council and within the resources and capabilities of the Council, we shall do everything we can to meet their aspirations.

International Youth Year

Mr. Howard Young's suggestion to commemorate the International Youth Year in 1985 on a territory-wide basis has been passed on to Government. I am sure the Urban Council in co-operation with the Government will be prepared to perform a substantial role to commemorate this auspicious year through its many facilities and services, and already an Ad Hoc Committee under the chairmanship of Mr. Stephen Lau was appointed for the purpose.

Let us not forget, however, that two other areas in which the Urban Council has played an increasing role relate to providing more recreational and cultural facilities for the elderly and the handicapped. The Council's policy is to take full cognizance of and to cater for the needs of both the young as well as the senior citizens, and for the handicapped sections of our community.

Culture and Entertainment

Mr. F.K. Hu spoke at length on the wide range of cultural services provided at the various Urban Council entertainment venues. Members are aware that the larger venues, such as the City Hall, Queen Elizabeth Stadium, Coliseum and Ko Shan Theatre are available to residents and groups on a territory-wide basis. There are also district-based cultural venues which are being planned. The feedback from the District Boards has led to the Urban Services Department undertaking a review as to whether future Urban Council district complexes should have a cultural hall with a seating capacity of about 450 to 600 persons. It seems evident that for larger districts, a hall with a seating capacity of 1,000 persons or more will be more useful. If the Urban District Complex cannot provide for a hall with such increased seating capacity, then other alternatives must be found.

The library development programme which was touched upon by Mrs. Grace Ho continues apace, and the Libraries Select Committee which is chaired by Mrs. Elsie Elliott, is pushing ahead with plans to provide branch and mini libraries wherever they are required. It is interesting to note that the Urban Council library system has issued library membership cards to one-third of the urban population in Hong Kong, i.e. 1.3 million membership cards.

The Council adopts a balanced approach in supporting both the performing arts as well as fine arts. The Council Vice-Chairman, Mr. Forsgate, mentioned on behalf of Dr. Philip Kwok, Chairman of the Hong Kong Philharmonic Society, about the pleasing progress made by the Orchestra. As the Urban Council is the major financial supporter of the Hong Kong Philharmonic, we could take pride in the high standard of performance and the growing international recognition achieved by the Orchestra.

The other performing companies which include the Chinese Orchestra, the Repertory Theatre, the Hong Kong Dance Company and the Hong Kong Chorus are supported wholly by the Urban Council and the development of these companies is being carefully monitored. These four companies which come under the Performing Companies Sub-Committee, ably chaired by Mrs. Selina Chow, are performing not only in the urban areas but also in the New Territories as well through the Cultural Services Department of the USD.

The Council's programme to expand museum services has shown good progress as well. Last month, we opened the New Flagstaff House Museum of Tea Ware. The Chairman of the Science Museum Sub-Committee, Mr. Lawrence Fung, also mentioned the construction of a "temporary Museum of Science & Technology". This museum, when completed in about two years' time, will occupy a total floor area of 50,000 sq. ft. and will prove a valuable substitute until funds are obtained to build a permanent Museum of Science & Technology and a permanent Museum of History on a site adjacent to the Hong Kong Polytechnic.

During the 'Science in Action' Exhibition held recently at the City Hall, there was a total attendance of 93,000 persons with a daily attendance rate of 5,800. In the light of the success of this Exhibition, the Urban Services Department is considering having it shown at other venues such as Queen Elizabeth Stadium and also in the New Territories.

Relationship with District Boards

On Council's relationship with District Boards, I am confident that there will be closer interaction between members of the ten urban District Boards and the Urban Council in enabling the Council to fulfil its statutory responsibilities to our nearly four million urban residents.

This year, the Urban Council has been consulting the District Boards on their views regarding the various capital works items which are in active progress or are being planned for each district. We have already drawn upon this valuable feedback from the District Boards to revise our works programme and with continued goodwill on both sides will in future be able to better plan our priorities in the completion of the various capital works items, as well as to ensure that the services provided will meet the needs and wishes of the district residents.

The City Services Department has its representatives sitting on District Board Committees and Area Committees. Furthermore, the Cultural Services Department has regional offices which keep in close touch with the cultural and sports associations which work together with District Boards in the planning of district sports and cultural festivals. I am happy to note that practically all the District Boards have been organising sports and cultural festivals on their own initiative. The Urban Council will continue to give its full support to these community-building initiatives on the part of district cultural and sports associations.

The Entertainment Sub-Committee of the Culture and Entertainment Select Committee, under the chairmanship of Mr. Shum Choi-sang, has been giving much encouragement to district initiative in the setting up of district entertainment activities, and traditional festivals, such as Lantern Festivals, and in so doing, to enhance a sense of district involvement and community building.

The work of the Urban Council has a close relationship with the district strategy plan of all the District Boards, in the environmental field, that is sanitation and hygiene, hawker matters, street management and other types of environmental improvements.

In the community-building field, the Urban Council's input covers recreational and sports activities and facilities, providing cultural facilities and the promotion of cultural activities, and making a contribution towards the development of a district identity.

The Urban Services Department has been organising visits by District Board members jointly with the Urban Councillors who sit on each District Board to inspect the various Urban Council facilities and also to take a look at the Urban Council projects in the planning.

We are in an evolving situation in our relationship with the District Board system and we should identify and expand the range of those activities which District Board leaders would like to do themselves and to give them every support possible. This means we should encourage the district cultural and sports associations to take the initiative in organising district entertainment, cultural activities, sports and recreational activities. The Council stands ready to assist all District Boards whether by way of material or financial resources for which they will have to be accountable to the Council, since such resources are paid for out of public funds.

Expansion of the Urban Council in the New Territories

During the Debate, many Councillors spoke in favour of having the statutory responsibilities of the Urban Council being extended to the New Territories.

With hardly any exception, members of the Urban Council are in favour of the Council's responsibilities, which basically cover environmental hygiene, culture and entertainment, sports and recreational matters, being extended to serve the New Territories residents as well.

An extension of the Council's jurisdiction into the New Territories would definitely boost cultural and recreational activities there in terms of quality and quantity.

Again, with hardly any exception, Urban Councillors believe that expanding the Council's role to cover the New Territories has greater merit in the long run, especially in view of the 1997 situation, rather than the setting up of a separate New Territories Council.

Naturally, if the Urban Council were able to elect a number of its members to the Legislative Council, in addition to those Urban Councillors appointed by the Governor, such an expanded territory-wide Council would be able to make its voice even more effectively heard in the Central Government Administration.

And of course, in the light of its experience with the urban District Boards, the Urban Council could co-operate closely with the eight New Territories District Boards. Also, it would seem desirable that there should be some form of relationship between the Heung Yee Kuk and the Urban Council which could take place when consideration is given by Government to the list of nominated Urban Councillors from the New Territories.

Urban Council's Image

Mr. Walter Sulke called for stronger leadership on the part of senior members of the Urban Council. Because of the narrow range of matters for which this Council is responsible as compared to the responsibilities of other cities, such as Osaka, Shanghai, Brisbane, Birmingham, Manchester, Hamburg or San Francisco, it is all too easy for the Urban Council Chairman to play too dominant a role both within and outside the Council. When such a situation takes place it does not leave much room for other members of the Council to have their potentiality developed and to be given the opportunity to be seen to participate in the work of the Council for which they have specific responsibilities.

The Council should be seen by the public as a corporate team leadership where its various functions and activities are implemented by the committee chairmen and the members of such committees. In the circumstances, the public would come to realize and quite rightly that what has been accomplished to improve the living standards of the community is in terms of the Council as a whole rather than as the accomplishment of just one or only a few individual Councillors.

For the immediate future, the Urban Council will:

- (a) Firstly, as a statutory authority, remain firmly independent of the Central Government;
- (b) Secondly, play its complementary role as part of the Hong Kong Government to serve the people in the larger context of Hong Kong as a free port and international financial centre; and
- (c) Thirdly, seek and press ahead with what has to be done in the future self-administration of Hong Kong.

Hong Kong 1997

The Prime Minister, Mrs. Margaret Thatcher, has given an assurance that Britain's aim "is to agree with China, through negotiations, and to reach an agreement that will maintain the stability and prosperity of Hong Kong in a way acceptable to the people of Hong Kong, to this parliament (British) and to the people of China".

Hong Kong community leaders would do well to study whatever information is available on the progress of the negotiations and to come forward with suggestions on preserving the Hong Kong life-style, and to ensure that the Hong Kong economic, political and social systems evolve between now and 1997, and for 50 years after 1997, in a manner:

Firstly, that is acceptable to Hong Kong people;

Secondly, that will promote China's modernization under her unique form of socialism with Chinese characteristics; and

Thirdly, that will preserve Hong Kong's international status as a free enterprise city and free port.

As mentioned by Mrs. Selina Chow during the Debate, the time is ripe for Britain to progressively lift the cloak of confidentiality on proposals for the Sino-British solution for Hong Kong's future after 1997. Hong Kong's 5½ million people should not be presented with a fait accompli where they will have no other choice but to accept virtually everything that is disclosed to them at the final stage of the negotiations when it will be too late for any meaningful changes to be considered or accepted. After all, what is at stake is the future of Hong Kong people in the wider context of China's modernization and China's future.

From various "official" and "unofficial" leaks emanating from London and Beijing, it appears that Britain will be prepared to return sovereignty of the whole

territory to China by 1997 and that China would allow the Hong Kong way of life and the Hong Kong system to continue for another 50 years after 1997. If this is the scenario of the future, Hong Kong people will from now on have to think and plan more in terms of responsible democratic self-administration.

Hong Kong people are well-known for their pragmatism and hard-headed realism. Most of them do not want to leave Hong Kong and are adopting a wait-and-see attitude as to the details of the agreement which will be worked out between Britain and China. It is essential that both China and Britain should co-operate closely in preserving the confidence of Hong Kong people. The level of the Hang Seng Index on the stock exchange or the current prices on the real estate market may be some indication of investment confidence in Hong Kong but these do not represent the entire picture. What is equally vital is the building of a sense of long-term commitment by Hong Kong people themselves. We cannot lose faith in ourselves or in our resilience to change, or our ability to surmount any unforeseen shoals and turbulences of the transition from British colonial rule to Special Administrative Region status under China's socialist rule.

As it appears likely that a Sino-British agreement accepting the principle of "Hong Kong people governing Hong Kong" will result from the negotiations, the Hong Kong Government should be planning for progressive changes in administrative structure between now and 1997. I am sure that members will not disagree with the view that people can only learn to govern themselves if they are given the opportunity to actually do so in sufficiently good time.

In the final analysis, the future stability and prosperity of Hong Kong will rest in large measure on Hong Kong people themselves. The earlier they can be involved in the process of self-administration before 1997, the greater confidence they will have in the future beyond that

date. They will have to set their sights high if they are to have genuine self-administration after 1997, and aim for higher standards of living, for a Hong Kong style democracy, preservation of the rule of law, personal freedom, and fundamental human rights.

There have been suggestions about having what has been described as adequate "international guarantees", which may take a variety of forms, such as a formal declaration by the parties concerned at various United Nations and other international forums. Apart from the agreement between China and Britain being recognised as another form of international guarantee, there could be provision for some form of mutual consultation between China and Britain, and perhaps with several of Hong Kong's major economic partners, for an indefinite period after 1997. This type of consultation process could sustain the confidence of Hong Kong people in the future and make sure that Hong Kong will endure as a free port, and a centre for international trade and finance under the free enterprise system.

Confidence in Hong Kong will be further sustained if China continues to invest substantially in Hong Kong's infrastructure such as the development of the New Towns, further MTR expansion into the New Territories, the cross harbour tunnel expansion or a cross harbour bridge, etc. By so doing, our own people would be further encouraged in turn to invest in Hong Kong's future of the 90's and the 21st century as a dynamic citadel of the free enterprise system with the second highest standard of living in Asia.

Today, Hong Kong seeks to diversify its economy and upgrade its existing industries to produce more technological intensified products so as to strengthen its international competitiveness. Hong Kong cannot afford to stand still as should we ever begin to falter there are other cities in Asia which aspire to replace Hong Kong's free port status by the beginning of the 21st century.

Hong Kong has another unique status as a centre where there is expertise in organising capital ventures, and where there is a pool of entrepreneurial skills which could be made available to launch joint commercial and capital ventures in the modernization of China.

With this year of the Rat, which is the commencement of the new zodiac cycle of 60 years, Hong Kong should for a long time to come be able to make a substantial contribution to the economic development of Guangdong Province and other Provinces in China. It will undoubtedly also give positive support to socialist China's "open door" policy so that living standards in China can be raised to what has today already been achieved in Hong Kong through the free enterprise system.



Walter M. Sulke O.B.E. J.P.

1st Floor, Bonaventure House, Leighton Road, Hong Kong.
G.P.O. Box 1317, Telegrams: 'WALSULKE'. Telex: 71871
Telephone: 5-7957288

13th February, 1984

The Rt. Hon. Margaret Thatcher, M.P.,
10 Downing Street,
London WC1,
ENGLAND.

Dear Mrs Thatcher

Although my home is in Hong Kong, when I stay in London I actually use a flat in North Finchley, in your constituency, so sending you the attached is not as much of a liberty as it may appear to be!

Since you are personally concerned with the Hong Kong 1997 negotiations I would be grateful if you read the attached speech which was based on a lot of grass roots input, and I believe reflects accurately the feeling of the majority of Hong Kong's population.

I realise that the Hong Kong Government feels it cannot run a Referendum without considerable pressure to give them at least some semblance of justification vis a vis Beijing. However, it is doubtful whether in the short time available a leader and a party could be found here to give voice to the aspirations of the population.

I am sure it would be useful for the negotiations in Beijing to actually be able to point to the result of a Referendum and I hope that the Hong Kong Government could be persuaded to run such a Referendum even without the justification of public pressure since surely it is only fair that Hong Kong's population should be asked what solution to the problem they prefer.

yours respectfully

(W.M. SULKE)

Speech by W M SULKE OBE JP
to be given on Thursday, 9th February 1984
to Rotary Club Hong Kong South at the
Hong Kong Country Club

1997

Before I start I better give you my qualifications for holding forth about 1997 and all that. Although the colour of my skin and the shape of my nose mark me as a member of the 2% minority population, I have now lived in this part of the world for 36 years. And during 30 of those years, I worked in Chinese companies under Chinese bosses or with Chinese partners and therefore a lot of Chinese manners, customs and even superstitions have rubbed off on me. I represent part of the genius of Hong Kong (I am not claiming to be a genius myself) which mixed a cocktail of East and West and came up with a brand new type of entrepreneur. I have also paid my dues to Hong Kong by a great deal of hard community work. Moreover, although I am fairly ancient, I was not around when the British took Hong Kong, and I was also not around when the New Territories lease was signed and can therefore really not be blamed for either.

Although this is not part of my argument in parenthesis here I would like to make a plea to all concerned, but especially to Peking, not to ignore the minority I represent in it's future planning. I believe we have proved over the years that we have something to contribute to the ingredients of this pressure cooker we call Hong Kong.

After this somewhat long winded, but necessary introduction, let me get to the point: As far as China is concerned the 1997 problem is deceptively simple. Hong Kong is geographically a part of China, it's population is 98% Chinese (but mark this well: consisting of many different Chinese nationalities), it was obtained by Britain under duress and therefore it must return to China.

However, something very funny happened to Hong Kong on the way to 1997; It developed into a city state with considerable economic power and its own life style which is diametrically opposed to the political concepts obtaining either in the Peoples Republic of China or Taiwan.

And let's be honest, under any other circumstances, Hong Kong would have become independent in the 1960's and would by now have supplemented it's economic power with real political clout, presumably being a member of both the United Nations and ASEAN. The reason that this did not happen was the opposition from the Peoples Republic of China to any thought of independence and paradoxically this has, over the years, prevented even such a rudimentary exercise of democracy as a partly elected legislative council. This all pervading political influence from Peking even goes so far as to prevent the Urban Council from taking over the new towns in the New Territories which creates the administrative anomaly of two separate government departments, namely the USD and the NTSD doing the same thing. Britain's policy in regard to granting independence to all its former colonies was clearly stated and defined, and in many cases it pushed out states much smaller than Hong Kong onto international waters which in spite of dire forebodings have so far proved reasonably able to withstand the storms engendered by the Super Powers.

So let us take stock as to where we are now. The problems are as follows:

1. No one has asked Hong Kong belongers what they really want. All the governments concerned in the negotiations, and that includes the Hong Kong Government, are guessing. And the Chinese Government is certainly not interested, and are quite prepared to impose a solution which they think compatible with their own ideology.

2. No one seems to be paying too much attention to the necessity of having a credible Government in control of Hong Kong between now and 1997. The worst thing that could happen would be an agreement which could solve the 1997 problem but, at the same time, make the present Hong Kong Government into a lame duck.
3. There is a lack of trust in the present Chinese Government's ability to speak for the Chinese Government in power in 1997.
4. We must preserve, by all means, Hong Kong's economic credibility in the outside world which means inter alia that we must have our own strong freely convertible currency.
5. No one has so far made the rest of the world aware of the feelings and aspirations of the Hong Kong population.
6. The world, but especially Britain, must make contingency plans for the handling of at least three and a half million refugees should an unacceptable Chinese unilateral solution be imposed.

Because of the secrecy surrounding the talks and the lack of communication between government and governed, it is difficult to judge whether our present negotiators are really fully aware of the above six points and how they are dealing with them. I think probably the Hong Kong negotiators are very much aware of points numbers two and four. The London Government is probably aware of points one and three, and the Chinese Government may be aware of all these points, but doesn't really care as its interest is to impose a political solution already worked out by the Polit bureaux.

From what I hear, our negotiators are split into the diplomats and the others. The diplomats being pigeons (you don't eat doves but you do eat pigeons!) and the others being hawks. The diplomats main argument is that we must willy nilly trust the Chinese and we must get in our ideas before the September deadline and it is better, therefore, to negotiate quickly rather than stall so that the seminal ideas are planted in the Chinese minds before they announce their unilateral decision. And under no circumstances can we risk confrontation.

The hawks say that even if one believes in the good faith of the Chinese Government, one must act as if one cannot trust the Chinese Government. Many of us living here remember being in Shanghai, when, in 1949 various promises were made which had all been broken one year later. Many of us living here travelled in China for years through all the many campaigns and experienced the incredible political and ideological reversals engendered by these campaigns (it is in the nature of dictatorships to change suddenly and violently). The hawk's advice is to negotiate slowly, risk confrontation, and do not conclude any kind of agreement unless there are outside guarantees.

I think now is the time to stop negotiations and wait for the Chinese unilateral announcement. When this is available a referendum must be held in Hong Kong under Commonwealth or United Nations supervision with all identity card holders being eligible to vote, which should give three choices:

1. The Chinese unilateral solution
2. The status quo
3. An independent Hong Kong on the model of Singapore.

I have no doubt in my own mind that such a referendum would show a two thirds majority for an independent Hong Kong. As soon as we had the result of such a referendum we should go back to the negotiating table. Because then neither the Chinese nor the British or the Hong Kong Government or the rest of the world can have any doubt as to what Hong Kong's population really wants, which is considerably more than being just a special economic zone under a Communist Government.

Such negotiations will be extremely difficult but there are lots of historical precedents available on which to base an independent Hong Kong as still part of China. The most obvious ones are the independent cities of Central Europe, who although independent, were part of the Holy Roman Empire.

There is also of course, the Macau solution which in fact dates back 400 years.

What is necessary now is that we must show the rest of the world that there is an independent political will in Hong Kong and that the present sterile negotiations in Peking are ignoring this will.

What we need now is a political party or parties quickly before an agreement is reached in Peking which ignores the majority aspirations of Hong Kong's population.

We must lead the Hong Kong Government and not be lead by it. We must lead London in these negotiations, we must make sure that China understands the political will of Hong Kong and even more important, have the rest of the world understand it. We must mobilise world opinion and we must do it now.

Hong Kong's biggest problem is that because of the British lack of courage in the last 20 years, no political leadership has been trained in Hong Kong and we must now crystalise such leadership in a great hurry. Luckily Hong Kong has a huge pool of talent and such leadership is certainly available but it has to be motivated, hence the need for a couple of political parties now.

I have no illusions about an independent Hong Kong. There is an inherent risk in Hong Kong being run by Hong Kong people, there is a risk of very much higher taxes which could kill the free enterprise spirit of present day Hong Kong. There is a risk of demagoguery, there is also a risk of left wing subversion. But such risks must be taken if even a semblance of freedom, justice and prosperity is to remain in Hong Kong. The alternative is the loss of freedom of expression and a drastic lowering of the standard of living and a rapid deterioration of the quality of life.

As responsible citizens we must safeguard the freedom and standard of life of our descendants. If we cannot find an acceptable formula for an independent Hong Kong under the Chinese flag, then at the very least we must make sure that the guarantees to be given by the present Chinese Government are guaranteed also by an outside party, preferably the United Nations, so that if these guarantees are broken at least the world will know about it.

Freedom and democracy has never been achieved by waiting for it to percolate through from above. The pressure for democracy must come from the bottom up. It cannot be imposed from above, and anyhow no Government is willing to give away its power to the people without being exposed to considerable pressure whatever lipservice is paid to the concept of democracy. It is

up to the people to make crystal clear to our Government where we stand, what we need, and what we want.

We must now find a strong personality who can weld together all the various pressure groups and the independent spirits, give them coherence and organisation and above all, give them a strong voice.

Will the new leader of Hong Kong please stand up!!

Dearer trips to China

CHINA tours will cost more in future.

The deputy manager of China Travel Service (HK) Ltd, Mr Ma Chi-man, said yesterday the present charges would be reviewed at a meeting soon.

He said the adjustments were necessary because of recent increases in transportation and accommodation charges in China.

Mr Ma, however, refused to speculate on the size of the planned increases, saying this would be discussed at the meeting.

He said, "many new hotels have been completed in major cities and the standard of accommodation has been raised as a result. This calls for higher charges and we will be taking this into account."

China has long been a popular destination for local travellers in view of its proximity to the colony, especially during the Lunar New Year holidays.

A top official of the Chinese National Tourism Administration, Mr Wang Yue-yi, revealed recently that two million visitors entered the country last year.

These included a great proportion from Hongkong, Macau and Taiwan.

He also said the response to package tours of Hongkong by Chinese travellers had been enthusiastic.

"So far, there have been 5,000 applicants waiting to join these tours."

There is also a strong possibility that China will offer the Hongkong tours, now restricted only to Guangdong residents, to people in other provinces.

This is due to the popularity of the tours, which were launched late last year.

At present, each person pays \$2,888 for an eight-day tour including food and accommodation while a person who chooses to stay with relatives here pays \$1,788.

UN-run referendum is proper way — Sulke

Zhao confident

LOCAL people should decide their future and let the world know about it, Urban Council member Mr Walter Sulke, said yesterday.

"What is necessary now is that we must show the rest of the world that there is an independent political will in Hongkong and that the present sterile negotiations in Beijing are ignoring this will," Mr Sulke said.

His speech at the Rotary Club Hongkong South was believed to be the first time that a non-Chinese Hongkonger had spoken about the 1997 future: Mr Sulke, chairman of the Zung Fu Company, has been living in Hongkong for the past 36 years.

Mr Sulke believed that given a choice of a referendum, two-thirds of the voters will back a Singapore style administration.

He later told The Standard that local people should have a say on their own future.

"I believe that people have to have a say in their future. But nobody has asked us," he said.

By ignoring the people's will, he said that China and Britain are guilty of being "dictatorial."

He said that the negotiations should be stopped and people here should wait for a unilateral Chinese announcement.

Once the Chinese plans are publicly known, Mr Sulke said, a referendum under Commonwealth or United Nations supervision should be held to allow the people to decide what they want: The unilateral solution, status quo or independence.

Mr Sulke said that political parties be formed, before an agreement is reached in

CHINESE Premier Zhao Ziyang is confident there will be a satisfactory outcome to the Sino-British talks on the future of Hongkong, Australian Prime Minister Bob Hawke said yesterday.

Mr Hawke told reporters after meeting Mr Zhao that he felt the negotiations were purely a matter between China and Britain.

"We believe that there would be a satisfactory outcome of those discussions."

"This is a view that I put in Hongkong and that I have consistently held, and I must say that the exposition that was given by Premier Zhao totally confirmed the analysis that I have made," he added.

Mr Zhao said in Canada last month that the secret talks had made progress and he had grounds for optimism. He did not elaborate. — Reuter

Beijing "which ignores the aspirations of the majority of Hongkong's population."

"We must lead the Hongkong government and not be led by it. We must lead London in these negotiations. We must make sure that China understands the political will of Hongkong and have the rest of the world understand it," he said.

Mr Sulke added that he was under no illusions that an independent Hongkong would have risks of demagogery, subversion or higher taxes.

"But such risks must be taken if any semblance of freedom, justice and prosperity is to remain in Hongkong."

He listed the problems in the current situation:

- No one has asked Hongkong belongs what they really want. All the governments concerned in the nego-

tiations are guessing.

- No one seems to be paying too much attention to the necessity of having a credible government in control of Hongkong between now and 1997.

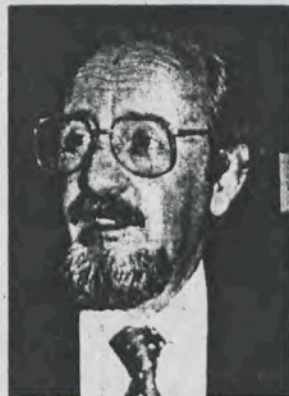
- There is a lack of trust in the present Chinese government's ability to speak for the Chinese government in power in 1997.

- We must preserve, by all means, Hongkong's credibility in the outside world which means that we must have our own strong freely convertible currency.

- No one has so far made the rest of the world aware of the feelings and aspirations of the Hongkong population.

- The world, especially Britain, must make contingency plans for the handling of at least three and a half million refugees should an unacceptable Chinese unilateral solution be imposed.

HONGKONG
1997
FORUM



MR Sulke... political will exists.

Addicts hurt in road accident

EIGHT people, who were on drug rehabilitation, were injured in a traffic accident on Shekku Island yesterday.

Marine police were called in to ferry the eight to Queen Mary Hospital, where one of them was admitted in a fair condition and six others in satisfactory condition. The eighth victim was discharged after treatment.

Yuenlong to get its own town square

RESIDENTS of Yuenlong will soon be able to save themselves the trouble of travelling to Statue Square in Central to join in recreational activities there.

Their district board

The town itself, he said, had no area of sufficient size where people could get together for charity and fund-raising events; displays by voluntary organisations, commercial displays and for

Just as the peace on Ne

Colleges seek joint sports ground

By AGNES CHEN

A Government decision on whether to allocate a site in Cheung Shue Tan, New Territories, to three tertiary institutions for a joint sports ground is expected this spring.

The Dean of Student Affairs of the Hongkong Baptist College, the Rev Robert Phillips, said that representatives of the Hongkong Polytechnic, City Polytechnic and the Baptist College had made a joint request to the Government for 7½ hectares of land to build a combined sports ground.

"We have made a joint proposal through the University and Polytechnic Grants Committee to the Government to give us 7½ hectares — 5½ for the actual playing fields and two hectares for circulation areas such as a car park," Mr Phillips said after a Lions Club of Queensway lunch meeting yesterday.

The proposed sports ground in Cheung Shue Tan, which is between the Chinese University and the St Christopher's Home, will include a playing field with a grass football pitch, a 1,000-seat stadium, three practice fields with artificial turf, a full-size

running track, some catering facilities such as kiosks, and changing rooms, he said.

"We would like to have access to the waterfront so that we could use it for water sports such as canoeing, windsurfing and water-skiing."

But he added that the area would not be suitable for swimming because the Marine Department had said the tides were too strong.

The cost of development, Mr Phillips said, was expected to be about \$55 million, and they proposed to phase it over several years.

And if the ground was allocated to them, they hoped to begin construction in 1986, with the first part of the facilities ready in 1987 and completion in 1988.

Mr Phillips said the Cheung Shue Tan project was merely a proposal at this stage. Neither the Government nor the UPGC had accepted it.

"They have only asked us to look into the possibilities, and we have made all the necessary investigations.

"Now it's up to the Government to decide

whether they will allocate this space or some other space to us.

"We have given a blueprint of what we propose but based on a perfect site," he said, adding that they might need to re-design their plan depending on the site granted.

Actually there were 18 hectares available on that site, but the Government had not yet decided how to allocate it, Mr Phillips said.

"There is a strong possibility that some 11 to 12 hectares will be given over to a new town development.

"If that happens, the Kowloon-Canton Railway will be willing to build a station there so that we would have access to the KCR right by the sports ground," he said.

Mr Phillips said he understood that a number of people had applied for that piece of land, including some commercial firms interested in developing it for recreational purposes.

But he added that he hoped the site would be allocated to them as the UPGC had recommended it.

Regarding Baptist College's plans for degree programmes, Mr Phillips said the college

expected to offer degree courses in some if not all departments by the mid 80s.

He said their primary concern now was to develop facilities and academic programmes, and then the degrees would come at the appropriate time.

In his speech to the Lions Club of Queensway, Mr Phillips outlined some of the problems the college faced, including finding and keeping qualified staff.

"We have crucial areas such as communications, civil engineering, social work, and business where it is difficult to get full-time staff because of the high salaries available in the commercial or public sectors.

"We face problems in finding funds for in-service training of our staff ... and we also have a shortage of funds for research and publications, so vital to a dynamic academic community," he said.

Mr Phillips also said the college had 9,267 alumni up till November.

And of the 373 graduates last year, 96 per cent were employed or engaged in graduate studies by the following October.

Optimism accord will be reached

Local analysts were yesterday optimistic that China and Britain can reach an agreement on Hongkong's future before September.

A second director of the local branch of the New China News Agency, Mr Li Jusheng, said on Wednesday that the talks had made progress and that he hoped an agreement could be reached by July.

Mr Li's statement was seen as once again reflecting China's intention to forge an early agreement with Britain on Hongkong's future.

But they believe such an agreement would only be a "broad framework" for the kind of administration to expect in the future.

China has said it will unilaterally announce its plans on Hongkong in September if there is no agreement by then.

The chairman of Meeting Point, Mr Lau Nai-keung, believes a solution is possible before the British parliament starts its summer break in July.

He is hopeful because of the continuation of the "healthy and constructive" approach adopted by the two governments around the negotiating table.

His view was shared by a pressure group leader, Mr Fung Kin-kee, who is also an elected Urban Councillor.

But Mr Fung predicted that an early solution would produce only a broad framework, which would later lead to more detailed agreements.

A research officer at the University of Hongkong's centre of Asian studies, Mr Steve Chin, said an early agreement has been made possible by the British Government softening its stand on the sovereignty and future administration issues.

What the two sides are working on now is a package to keep Hongkong prosperous, he said.

The SCM Post reported last month that Hongkong people could expect a formal announcement on the territory's future by the summer.

Sulke: Halt 1997 talks until referendum is held

By MATTHEW LEUNG

Sino-British negotiations on Hongkong's future should cease at once and all parties concerned should wait for the Chinese unilateral announcement, an Urban Councillor, Mr Walter Sulke, said yesterday.

And a referendum should be held to seek local people's views on their future mode of government after 1997.

Addressing a lunch meeting of the Rotary Club of Hongkong South, Mr Sulke said: "I think now is the time to stop negotiations and wait for the Chinese unilateral announcement."

Describing the negotiations as "sterile," Mr Sulke said no one has asked Hongkong belongs to what they really want. All the parties concerned in the negotiations, including the Hongkong Government, are only guessing.

When the unilateral announcement is issued, he suggested, a referendum should be held in Hongkong under Commonwealth or United Nations supervision with all identity card-holders being eligible to vote.

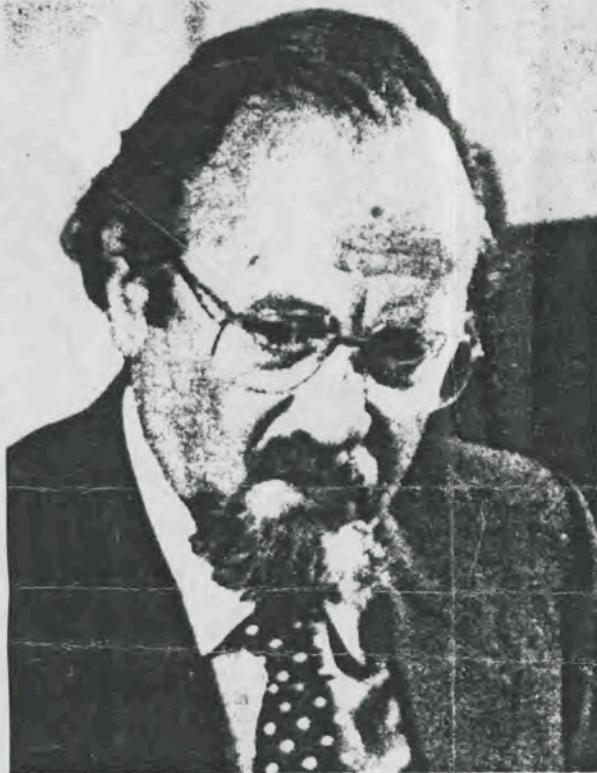
They should be asked their opinions on three forms of future administration — the Chinese unilateral solution, the status quo or an independent Hongkong modelled on the lines of Singapore, he said.

Mr Sulke said negotiations should resume as soon as the results of the referendum are available, in the knowledge that the concerned parties would know the exact views of the people of Hongkong.

Mr Sulke believes that such a referendum would show a two-thirds majority in favour of an independent Hongkong.

He said an independent Hongkong could still be a part of China.

"There are lots of historical precedents available on which to base an independent Hongkong as still part of China. The most obvious ones are the independent



Mr Sulke ... Hongkong's biggest problem is the lack of political leadership.

cities of central Europe, which, although independent, were part of the Holy Roman Empire," he said.

Mr Sulke said that an independent political will in Hongkong is being ignored in the present negotiations in Peking.

If a formula for an independent Hongkong under the Chinese flag is unlikely, then, at the very least, pledges given by the present Chinese Government should be guaranteed by an outside party, preferably the United Nations, so that if these guarantees are broken, the world will know about it.

Mr Sulke also called for the setting up of a political party or parties.

Hongkong's biggest problem, according to Mr Sulke, is the lack of political leadership.

And he blamed the British of lacking the courage in the past 20 years to establish political leadership in Hong-

pleaded with all the concerned parties, especially the Peking authorities, not to ignore the will of the people in their future planning.

"I believe we have proved over the years that we have something to contribute to the ingredients of this pressure cooker we call Hongkong," he said.

He said no one seems to be paying much attention to the necessity of having a credible government in control of Hongkong between now and 1997.

"The worst thing that could happen would be an agreement which could solve the 1997 problem but, at the same time, make the present Hongkong Government into a lame duck," he said.

He said Hongkong's economic credibility in the outside world, which means having a strong, freely convertible currency, must be preserved.

Mr Sulke said the world, especially Britain, must make contingency plans for the handling of at least 3½ million refugees should an unacceptable Chinese unilateral solution be imposed.

Speaking to the press after the lunch, Mr Sulke urged all pressure groups to get together to form a political party.

Asked why he was not in favour of a quick solution to the 1997 issue, he said the problem of Hongkong is extremely complex and it would take at least a couple of years more to map out a solution.

He was worried that British negotiators are under such pressure from China that whatever solution is finally reached will not be to the advantage of Hongkong.

Hawke says Zhao is confident

The Chinese Prime Minister, Mr Zhao Ziyang, is confident there will be a satisfactory outcome to the Sino-British talks on the future of Hongkong, his Australian counterpart, Mr Bob Hawke, said in Peking yesterday.

Mr Hawke told reporters after meeting Mr Zhao that he felt the negotiations were purely a matter between China and Britain.

"We believe that there would be a satisfactory outcome of those discussions.

"This is a view that I put in Hongkong and that I have consistently held, and I must say that the exposition that was given by Premier Zhao totally confirmed the analysis that I have made," he added.

Mr Zhao said in Canada last month that the secret talks had made progress and he had grounds for optimism. He did not elaborate.

—Reuter.



Cabbie counts his blessings

By ALBERT CHAN

The taxi driver who calmly talked a gunman out of a possible street gunbattle on Wednesday, took time off yesterday to visit Wong Tai Sin Temple and thank the gods for their help and protection.

"It was really bad luck, that was the first day of my business in the new lunar year," said Mr Yip Kwong, a veteran driver.

Mr Yip has been driving a

MEN

1951,

MUST APPL

LD



Foreign and Commonwealth Office

London SW1A 2AH

13 February 1984

Y
W
MS
Dear John,

Prime Minister⁽¹⁾

Agree that the draft working paper on civil aviation should be shown to Sir Adrian Swire, on the basis set out at X?

Future of Hong Kong: Working Paper on Civil Aviation

JMB
13/2

In accordance with the Prime Minister's wishes, consultation on the future of Hong Kong has, as you know, been confined to Ministers, officials and the Hong Kong Unofficials. The Governor of Hong Kong has, however, recommended strongly that we should make an exception to this rule in the case of the proposals that we plan to put to the Chinese relating to civil aviation. Because these proposals carry major implications for the future of the Hong Kong based airline, Cathay Pacific Airways, he suggests that we should show them to Sir Adrian Swire, Deputy Chairman of John Swire and Son (who own CPA). The Governor believes that when the Executive Council considers the working paper, Unofficial Members are likely to enquire whether this has been done. Any such consultation would of course require us to reveal, to a certain extent, the basis on which we are conducting our negotiations with the Chinese.

X | The Foreign Secretary agrees with the Governor's view. CPA have a special position in Hong Kong and their interests are seen as bound up with those of the territory as a whole. We consider Sir Adrian Swire to be entirely trustworthy; we would of course make clear to him that we were consulting him on a strictly personal basis and that he should not discuss the proposals with anyone else.

I should be grateful if you could seek the Prime Minister's approval for Sir Adrian Swire to be consulted. To hold an effective discussion with him we should need to show him the draft working paper.

Y
W
MS
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

H K Putnam PHZ

UNITED STATES POSTAL SERVICE



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1st FEB 1984



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister (11)

13 February 1984

Content with the
wording at X?

Dear John,

DMS
14/2

Yes no

Future of Hong Kong

Your letter of 10 February contained an amendment that the Prime Minister wished to make to paragraph 4 of the Working Paper on Constitutional Arrangements and Central Government Structures.

After Sir Geoffrey Howe had sent his minute to the Prime Minister on 7 February we received a suggestion from Peking that paragraph 4 should be expanded to include Yao Guang's statements on the appointment of the Chief Executive and other principal officials of the SAR Government. You should know for the record that, taking account of the Prime Minister's amendment, the paragraph would now read:

X | "The Government of the Hong Kong SAR would be composed of local inhabitants. The Chief Executive official of the SAR and other chief officials (ie the Chief Secretary, the Financial Secretary and the Attorney General) would be nominated on the basis of elections or consultations held locally. The persons nominated would be appointed by the Central People's Government. Other officials would be appointed by the SAR Government."

This represents a slight expansion of the paragraph to bring it more closely into line with what we now know of the Chinese position. It does not involve any change with policy implications. The Governor is intending to put the paper in this form to EXCO on 15 February.

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

Y
Yes ever,

Peter Ricketts

(P F Ricketts)
Private SecretaryA J Coles Esq
10 Downing Street

HONG KONG: Future

Pt 12

THE UNIVERSITY OF CHINA PRESS

HONG KONG

14 FEB 1984





FILE

207

10 DOWNING STREET

From the Private Secretary

13 February, 1984

HONG KONG

I enclose a copy of a message which the Prime Minister has received from the Australian Prime Minister about his recent discussions with the Chinese Premier on Hong Kong.

BT/

I should be grateful if you could let me have a draft reply to Mr. Hawke's letter, for signature by the Prime Minister.

A. I. COLES

P. Ricketts, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

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FILE

(w)

10 DOWNING STREET

From the Private Secretary

13 February, 1984

The Prime Minister has asked me to thank you for your letter of 10 February containing a message to her from the Prime Minister of Australia about Hong Kong.

A. J. COLES

His Excellency Mr. A.R. Parsons

la



RW

10 DOWNING STREET

From the Private Secretary

13 February, 1984

FUTURE OF HONG KONG: BRIEFING OUR EUROPEAN
COMMUNITY PARTNERS

Thank you for your letter of 10 February.

The Prime Minister agrees that our European Community partners may be briefed about the future of Hong Kong along the lines suggested in your letter.

A. J. COLES

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

CONFIDENTIAL

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cc 720 SH

10 DOWNING STREET

THE PRIME MINISTER

10 February 1984

Dear Robert,

Thank you very much for your letter of 8 February about your conversation with the Chinese Ambassador. I have noted what he said.

Yours sincerely

Margaret

Robert Adley, Esq., M.P.

JP



Prime Minister.

Foreign and Commonwealth Office

Agree that our EC partners London SW1A 2AH
 should be briefed as proposed on page 2?

10 February 1984

A.S.C. 10/2

Dear John

Yes MG

P+8

Future of Hong Kong: Briefing our European Community Partners

In your letter of 13 September 1983 you summed up the Prime Minister's views on the briefing of our allies on the Hong Kong negotiations. In short these were that the Australians, New Zealanders and Canadians should be kept generally up-to-date on progress in the negotiations, while we should provide the Americans with material in a little more detail.

Sir Geoffrey Howe has been considering whether there would now be advantage in beginning to brief our Community's partners more fully than hitherto on Hong Kong's future (briefings so far have been bland and defensive). He has in mind the following considerations:

- (i) if an agreement is eventually concluded with China over Hong Kong's future we shall be seeking the help of our Community partners. We shall be looking to them and other allies, in their diplomatic contacts with the Chinese Government, to urge conscientious implementation of an agreement over Hong Kong and respect of Hong Kong's autonomy after 1997;
- (ii) more specifically we shall be seeking the agreement of our Community partners that the Hong Kong SAR should receive favourable treatment within the GATT, and should continue to benefit from the Community's GSP Scheme after 1997. We hope too that they will join us in putting the Chinese on notice that continuation of that treatment is linked to the degree of effective autonomy which Hong Kong would continue to enjoy. This is an important way in which we can seek to secure Chinese respect of the agreement.
- (iii) in both the above contexts we shall be better able to seek the co-operation of our allies if they feel that we have taken them into our confidence earlier in the exercise, and not just when help is needed;
- (iv) we are committed to discuss with our European partners important foreign policy questions of concern to the Ten.

/Sir Geoffrey



Sir Geoffrey Howe has concluded that these considerations make it desirable for us to begin briefing our Community partners, informally and in conditions of strict confidentiality. In the first instance, it would not be our intention to brief them in detail or to seek practical or specific measures of co-operation. It would rather be a matter of introducing them to the background of the Hong Kong negotiations so they could take a generally helpful line in their contacts with the Chinese. Nearer the conclusion of an agreement there might be more specific points which we wanted our partners to put across.

Where the format of a briefing is concerned, Sir Geoffrey feels that the requirements of confidentiality and informality would best be met if the Political Director were to speak to his colleagues in the margins of one of the monthly meetings of the Political Committee of the Ten. The next such meeting is on 21/22 February. Sir J Bullard would of course emphasise the extreme sensitivity of the information that he was passing on to them, although in practice he would not go much beyond what has appeared in scattered form in the press.

Briefing at Ministerial level would best be left to a later stage, together with any request for action by our partners in support of our position.

I should be grateful if you could let me know the Prime Minister's reaction to these proposals.

Y ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

H-K picture



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CONFIDENTIAL



AUSTRALIAN HIGH COMMISSION · LONDON

10 February 1984

THE HIGH COMMISSIONER

PERSONAL MESSAGE

SERIAL No.T31184

Prime Minister.

I will let you have a draft

regd.

A.F.C. 19/2

My dear Prime Minister,

Mr Hawke who is at present visiting Peking has asked me to pass to you the following message conveying his discussions with Chinese Premier Zhao Ziyang on the Hong Kong question.

Text begins:

Dear Margaret,

Recalling our discussion in New Delhi last November when we touched on the progress of your negotiations with the Chinese on Hong Kong's future, I thought I would send you a message on that subject following my talks here on Hong Kong. In discussing matters of regional concern with Premier Zhao the subject of Hong Kong also came up and I mentioned the discussion I had had with the Governor ten days ago.

I made it clear to Premier Zhao, as I had to Sir Edward, that I considered the matter of Hong Kong's future to be a matter between China and the United Kingdom, and that Australia would not presume to intrude in the negotiations. I said I trusted that the negotiations would proceed in such a way that their outcome would be acceptable to the parties principal, and also provide an amicable environment for Hong Kong. From my observations it seems to me that this is occurring, and this is a cause of satisfaction to us and other countries in our region, which have an interest in a peaceful and stable outcome.

You will be interested, I think, in Premier Zhao's remarks. He expressed satisfaction at the way the talks were proceeding. He emphasised that the Chinese objective was to preserve Hong Kong's stability and prosperity while at the same time resuming Chinese sovereignty after 1997 over the whole of the territory. Premier Zhao indicated that with China's present policies, the cooperative attitude on your Government's part and the recent more stable conditions within Hong Kong itself, he was now more confident that the two Chinese objectives would be achieved.

The Rt Hon. Margaret Thatcher, MP
Prime Minister
10 Downing Street
LONDON SW1

Premier Zhao said China would be very reasonable and take into account the interests of the United Kingdom, other countries and the people of Hong Kong, especially its business people. He said that once the major questions of principle were resolved, China would adopt all measures necessary to ensure stability and prosperity in Hong Kong. In this regard he laid great stress on measures that would reassure the people of the territory.

Premier Zhao described to me in general terms China's policies in relation to the future of Hong Kong. He said the capitalist system would be kept intact for at least fifty years after 1997. China would not send people to Hong Kong to manage the capitalist system. The system would instead be managed by a government composed of local inhabitants. They would run a special administrative region. The existing legal system would remain mainly unchanged. The Hong Kong Dollar would be retained in circulation and remain freely convertible, with no foreign exchange control; Hong Kong would remain a free port and an independent tariff zone. China would not intervene in the internal affairs of Hong Kong; but it would reserve for itself the management of Hong Kong's foreign relations and defence.

My talks with the Chinese leadership here in the last few days have very much confirmed my earlier impressions of the considerable sophistication and pragmatism underlying their attitudes on this and other matters and I believe they have a clear perception of what will be required of their policies if the full measure of confidence in Hong Kong, especially among its business and managerial circles, is to be sustained.

I have devoted this letter to Hong Kong because I knew you would be directly and personally interested in that topic. My discussions here have been mainly on other matters of concern to Australia and China in the regional, international and bilateral spheres. They have been tremendously interesting discussions for me and they have revealed the very great potential for China's role in the world if the constructive pragmatism to which China's leadership seems committed can be continued.

Yours sincerely,

Bob Hawke

Text ends

Yours sincerely
A.R. Parsons

A.R. PARSONS



10 DOWNING STREET

From the Private Secretary

10 February 1984

*See below,*Future of Hong Kong

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 7 February and the accompanying Working Paper on constitutional arrangements and central government structures.

As I told you on the telephone this morning, the Prime Minister would like paragraph 4 of the Working Paper to be amended to read as follows: "The Government of the Hong Kong SAR would be composed of local inhabitants. Chief officials would be nominated by the SAR Government. The people nominated would then be appointed by the Central Government. Other officials would be appointed by the SAR Government."

With that amendment, the Prime Minister is content with the Working Paper.

The Prime Minister also considered whether we should insert in this paper wording to the effect that agreements reached between Britain and China would be incorporated in the SAR Basic Law. On reflection, Mrs Thatcher believes that this is a point of general application and that it would therefore be inappropriate to insert in a paper on a limited aspect of the future arrangements in Hong Kong. But she has asked me to state that she believes it essential that the eventual bilateral agreement between Britain and China contains a clear assurance that the agreements reached between the two countries on particular points in the course of the negotiations will be reflected in the Basic Law.

I am copying this letter to the other members of OD(K) and to Sir Robert Armstrong.

*from me
for below.*

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

MR COLINS ✓

See now my letter to F/C.O. A.J.C. 19/2 .

5

FUTURE OF HONG KONG

Prime Minister's comment attached.

1. I stand by my advice that one working paper (which has no binding force) is not the place to try for a general assurance of this kind and that the attempt could be counter-productive.
2. If, however, the Prime Minister insists, it might be possible to rephrase the third sentence of paragraph 6 to read:

"The new provisions, reflecting the points agreed in negotiation between the British and Chinese Governments, would enshrine...."

This would by itself not achieve our objective, but would probably do no harm.

u
PERCY CRADOCK
9 February 1984

PRIME MINISTER

Ray h.

A decision is needed tonight on the attached Working Paper about the constitutional arrangements and central government structures for Hong Kong.

You minuted that we must have an assurance that agreements reached between Britain and China will be incorporated in the SAR Basic Law.

Sir P. Cradock argued (his minute attached) that we certainly need assurances of this kind but that the right place to insert it was in the bilateral agreement between Britain and China. He feels that it would not be appropriate to insert it in a single Working Paper about only one subject.

Would you be content for me to write to the FCO stating that you agreed with the Working Paper (with paragraph 4 as amended by you) but that it is essential that the bilateral agreement contains a clear assurance that the agreements reached by Britain and China on particular points in the course of the negotiations will be reflected in the Basic Law?

Failing that, the third sentence of paragraph 5 of the paper could be amended to say: "The new provisions, reflecting the points agreed in negotiation between the British and Chinese Governments, would enshrine the maximum degree of autonomy for Hong Kong, etc."

Agreed

ms

A. J. C.

9 February 1984

SECRET

FILE SH

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bcc: Sir P. Coakley



10 DOWNING STREET

9 February, 1984

From the Private Secretary

Hong Kong: Public Presentation of HMG's Position

The Prime Minister has considered your letter of 8 February and the enclosed revised paper on the public presentation of HMG's position on the question of Hong Kong.

The Prime Minister considers that a statement on the lines set out in paragraph 9 of the paper would be regarded as a sell out and would destroy confidence. She is concerned that the Government would be made to appear very weak if such a statement were issued. Mrs. Thatcher has further observed that the proposed statement makes no reference to Hong Kong being run by the people of Hong Kong.

I should be grateful if you could look again at paragraph 9 of the paper in the light of the Prime Minister's comments and let me have your further observations.

A. J. COLES

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

SECRET

From Robert Adley MP

cc 720



HOUSE OF COMMONS
LONDON SW1A 0AA

R9

8th February 1984

Margaret

When last we spoke about Hong Kong in your office, you expressed to me your concern about the likelihood of the Chinese Government insisting that the first Chinese Governor would have to be an active member of the Communist Party. This was not a point that had been made to me in my contacts with the Chinese Government.

I thought, therefore, I would probe the position with the Chinese Ambassador, whom I met privately last week. He said that as far as he was aware, his Government had laid down no such stipulation, nor, as he put it, did he think it would make much sense for them so to do in the light of their avowed intent to maintain confidence and stability in Hong Kong. His Excellency appeared to recognize that such a stipulation would hardly be likely to encourage confidence.

I thought I would pass this information on to you. Please do not feel obliged to reply.

The Right Honourable Mrs. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10 Downing Street,
London,
S.W.1.



SECRET

Prime Minister.

39

Agree Sir Percy Cradock's
comments?

Mr Coles ✓

*But we must
have these assurances. A.J.C. 8.
Could not some
reference be made to it
in this paper
no*

FUTURE OF HONG KONG: WORKING PAPER ON CONSTITUTIONAL
ARRANGEMENTS AND CENTRAL GOVERNMENT STRUCTURES

1. The Prime Minister asked for my comments. In general I am content with the working paper as drafted.

X
2. As regards the first amendment, this is obviously a most important point and one to which we are directing our attention. The Prime Minister will recall that in December when I saw the Chinese Prime Minister he agreed that the matters on which we had come to agreement in our working papers and the like would be reflected in the Basic Law. We shall obviously need further assurances in this sense. But this is a general matter affecting all the points so far agreed and is probably best tackled in the draft bilateral agreement which we are now preparing. It would not be appropriate to tackle it in the preamble to one working paper. Moreover, the first four paragraphs of the working paper simply set out the Chinese plan and we are always very careful in these opening paragraphs to confine ourselves to what the Chinese have actually told us their proposals are. It would therefore be tactically unwise to feed in this important general point in this place and could provoke hostile Chinese reactions to the whole idea.

3. The second amendment, ie in paragraph 4 of the working paper, is a clarification and I agree should be adopted.

SIR PERCY CRADOCK

8 February 1984

SECRET



Prime Minister

Foreign and Commonwealth Office

There has been so much well-informed press comment on London SW1A 2AH our position recently that I no longer see objection to unattributable briefing.

Agree with the revised paper attached?

8 February 1984

Dear John,

A.S.C. 8/2

Para 9 is very weak. It does look like a sell-out. No reference to Hong Kong being made by Hong Kong officials. It really will destroy confidence out

Hong Kong: Public Presentation of HMG's Position

See Pt II

In your letter of 25 January about the draft paper on this question you said that the Prime Minister would wish to look further at the problem once EXCO had considered it.

The Governor discussed the paper with EXCO on 31 January. The Unofficials felt that it showed inadequate understanding of the state of public opinion in Hong Kong, particularly in the wake of recent articles in the UK press. Unofficial members urged that a "more robust and explicit presentation" of the British position should be made in order to counter the impression of a sell-out by HMG. They were particularly concerned at the position of LegCo members who were not nearly as fully briefed as EXCO, and as a result felt unable to speak out on the question and needed guidance.

This reaction reflects a shift in mood in Hong Kong since the paper was prepared. It results partly from UK press articles, in particular that by Murray Sayle in the Sunday Times of 22 January. There is a widespread belief in Hong Kong that that article reflected official briefing. In fact the Murray Sayle article was written by a Tokyo-based correspondent after visits to China and Hong Kong; he had no briefing in London. It clearly represents intelligent but speculative piecing together of information acquired in the Far East. It must also reflect Chinese briefing, particularly in underplaying the effectiveness of "conditionality".

The mood in Hong Kong has also clearly been influenced by those EXCO Unofficials who remain unconvinced that satisfactory assurances can be negotiated with the Chinese and who retain suspicions of HMG. An article in the Economic Journal on 1 February, which suggested that EXCO had not been fully informed on our informal contacts with the Chinese during the talks, and which said that all Britain's pledges to EXCO had been broken, provides collateral for this view. Whatever the reasons, and despite the continuing buoyancy of the Hong Kong stock market, there is a clear warning here

/that



that we may face before long another sharp downturn in confidence in the territory. Many people in Hong Kong have got the impression that an agreement between the UK and China is imminent. They will become more fractious when they see that it is at least some months away.

The Governor has pointed out separately that we need to consider urgently and with more precision a line to counter these tendencies. He has highlighted the problem with LegCo but also believes that we must consider providing more information in statements not merely by EXCO members but also to a lesser extent by Ministers. This needs to be looked at very carefully, particularly because of the need to preserve conditionality. You will have seen the reports from Peking on Dr Owen's press conference there, in which he said that sovereignty and administration were no longer an issue and that HMG were right not to pursue them. However, we also need to consider the position of the Governor, who is himself under increasing pressure to say more in Hong Kong. That in turn raises the question of what Ministers might have to say to back the Governor.

/ We have taken these new points into account in the enclosed revision of the paper for reconsideration in EXCO. This considers separately the guidance which should be given to Unofficials, both of EXCO and LegCo; what the Governor and Ministers might say; and unattributable briefing of the press. The main conclusion is that, in Sir Geoffrey Howe's view, we should be preparing a more forthcoming line, at least in unattributable briefing, but, very probably, for use in due course by the Governor and by Ministers.

This would mean going considerably further than we have done in the past in airing the possibility of an end to British Administration. But it would restate in clear terms the conditional basis of our present approach. There is, of course, a serious risk that if the Governor used the formula in paragraph 9, Ministers should be pressed in Parliament to reveal more of their hand. That in turn might hit confidence in Hong Kong or provoke the Chinese, depending on the line we took. To avoid this risk it would be essential to stick very closely to the language in paragraph 9 of the paper. Sir Geoffrey also proposes to ask the Governor to seek specific authority if he decides that he must use this more forthcoming line.

/The Governor

S E C R E T



The Governor will be discussing the problem with EXCO and LegCo this week. It would be helpful to get guidance to him as soon as possible. I should be grateful to know whether the Prime Minister agrees with the revised paper.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

S E C R E T

FUTURE OF HONG KONG: PUBLIC PRESENTATION OF HMG'S POSITION

The Problems

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 preserve conditionality as our negotiating position evolved.
2. However this stance is likely to become increasingly untenable, for two main reasons. In the first place we shall need to anticipate an announcement, whether in September 1984 or before, showing that British Administration after 1997 cannot be negotiated. Opinion in Hong Kong and in the UK needs to be carefully prepared for an arrangement which would be based on assurances of a different type.
3. The other problem relates to HMG's credibility. As more information and speculation appears in the media, opinion in Hong Kong is likely to get a distorted view of the handling of the negotiations, and to believe that HMG have effectively already conceded sovereignty and administration to the Chinese. It becomes increasingly unrealistic to decline to comment. Recently the problem has become more pressing, partly because of Chinese statements suggesting an imminent agreement on the basis of their proposals, and partly because of a number of articles in the press which have been interpreted in Hong Kong as indicating a British 'sell out'. Some Hong Kong newspapers have picked up this line. One at least has cast doubts on HMG's good faith, suggesting that while EXCO have been told about the formal talks, they have not been fully informed of our informal contacts with the Chinese, and that Britain's pledges to EXCO have been broken. Misunderstanding has been increased by statements by some British MPs. For instance Dr David Owen, after a meeting with the Chinese Foreign Minister in Peking on 1 February told the press that the question of sovereignty and administration was no longer at issue, that HMG was right not to

pursue an attempt to separate the two, and that Britain would come under increasing pressure to reach an agreement in some detail by September.

4. There is also the problem of the line which members of LEGCO should take on the future. It is hard for Hong Kong people to understand why LEGCO members, appointed to represent them, should remain silent on the future when speculation is increasing in the press and elsewhere. There is a strong view that LEGCO members should be free to express their views about the future.

5. Pressure is also likely to grow for a more open line by the Governor and other senior officials in Hong Kong, and by UK Ministers. Parliamentary interest will grow as press and other coverage increases.

EVOLUTION OF HMG'S LINE

6. We are thus unlikely to be able to continue to avoid taking a more forthcoming line. Indeed it will be to our advantage to adopt a selective but more informative position. How this is done will vary according to whether Ministers, officials or Unofficials are involved, and whether the information is provided on the record, unattributably, or as background only. The themes which we should aim to put over are:

- (a) The close cooperation and consultation between HMG and EXCO throughout the negotiation;
- (b) Our determination to assure the maximum continuity of systems in Hong Kong;
- (c) Our careful examination from the beginning of the talks of a variety of ways of assuring this, including British administration;
- (d) The likelihood that an authoritative link with London will not be attainable but that other effective assurances should be negotiated;
- (e) Our conditional approach to the negotiations, ie the package must be judged as a whole and no 'concessions' could have been made beforehand;
- (f) HMG have thus neither 'sold out' Hong Kong or been eased out of

a significant role in deciding Hong Kong's future.

- (g) HMG cannot on their own take a final decision, which must be for Parliament.

7. The most difficult problem is to preserve conditionality and to make this explicit without provoking the Chinese or damaging our negotiating position. In general that problem will be exacerbated if statements are made at a high level and for the record.

OFFICIAL STATEMENTS

8. These include:

- (a) Ministerial statements;
- (b) Statements by the Governor;
- (c) On the record statements or briefing by the FCO.

9. There is still a strong case against initiating Ministerial or FCO Statements going much beyond our present line, because they would have to emphasise conditionality and that in turn could well provoke the Chinese, who are sensitive to pronouncements from London. However there is strong pressure for greater information in Hong Kong. It may be necessary for the Governor to speak out in order to check a decline in confidence and to preserve his and HMG's credibility in the face of well-informed, if distorted, press reports. His remarks would still need to be very carefully selected, but depending on circumstances, they could be on the following lines:

HMG, in close consultation with EXCO, are looking in the talks at all possible ways of maintaining the continuity of Hong Kong's systems in every aspect of life. We are examining Chinese ideas; they are looking carefully at ours. There is a genuine common interest in Hong Kong's future prosperity. There is bound to be change in Hong Kong, which has always been an evolving and forward-looking society. There is no intention of preserving a colonial situation for the UK's benefit. It is right to consider every possible way to assure confidence in the future in Hong Kong. We are examining among other things, whether this would be possible if, after 1997, there were no authoritative British link. We are however, still in the

middle of negotiation and nothing final has been agreed. We have to see the full content of any final package before assessing its acceptability to the people of Hong Kong and deciding whether to recommend it to Parliament.

10. Such a line would go much further than previous statements in indicating the possibility of an end to British Administration. It does however preserve our position on the final package. It should be for the Governor to advise whether pressures in Hong Kong will make it necessary to use it. An alternative might be for Ministers to speak on these lines if they visited Hong Kong. But however such a statement were made it would almost certainly lead to further questions in Parliament and to pressure on Ministers to go further. It would be essential to maintain the line on conditionality but the Chinese would be quick to pick up and to misinterpret any suggestion that we still preferred the continuation of British Administration. This could only be avoided by sticking strictly to the theme in para 9.

UNOFFICIAL STATEMENTS

EXCO Unofficials

11. EXCO Unofficials will have a vital role in correcting impressions of a sell-out and in making it clear that they have been closely consulted about the negotiations at every stage. They could also, in consultation with the Governor, draw publicly on the themes in para 10 above. To carry conviction, they could also expand on the sort of assurances which Hong Kong people would like to see included in a final package, while making clear that none would necessarily be an absolute requirement.

LEGO Unofficials

12. LEGCO members will be brought up to date by the Governor on 10 February on our revised objective in the talks. Like EXCO, they should be encouraged to conduct commonsense discussion among Hong Kong people, including consideration of the most realistic outcome, the unlikelihood of achieving continued British

administration and Chinese interest in achieving a lasting negotiated settlement. They too might discuss the sort of assurances which should be sought. A sudden flurry of statements by LEGCO members would probably be counter-productive, so there would be a need for careful orchestration and consultation with the Governor. LEGCO members should be encouraged to adopt individual lines of discussion, but to assist in countering impressions of a disagreement between HMG and Hong Kong. It would not be helpful at this stage for questions on the future to be asked in the LEGCO chamber.

BRIEFING OF DISTRICT BOARD MEMBERS AND OF THE HONG KONG CIVIL SERVICE

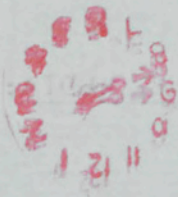
13. Selective briefing of District Board Members could be useful in tackling some of the main opinion formers in Hong Kong. The same applies to the Civil Service, where more information could help to keep up morale.

BRIEFING OF RESPONSIBLE UK AND HONG KONG MEDIA:

14. This would involve unattributable briefing explaining how HMG's objective of the talks has evolved on the lines of the passage proposed in paragraph 9, keeping in mind conditionality and confidentiality, while encouraging the press to speculate along these lines. There should be particular stress in Hong Kong on the cooperation between HMG and EXCO and in both cases some expansion on the various ways in which assurances could be provided.

HONG KONG DEPARTMENT
FEBRUARY 1984

HONG KONG: Future #12



FEB 1984

新華通訊社香港分社

香港皇后大道東387號

電話: 5-756633

XINHUA NEWS AGENCY

HONGKONG BRANCH
387, QUEEN'S ROAD, EAST,
HONG KONG
TEL.: 5-756633

7th February, 1984

Mr. Robert Adley MP
House of Commons
London SW1A 0AA

Dear Mr. Adley,

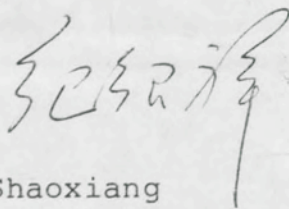
Thank you very much for your letter dated 12th January 1984 and a copy of your letter to Mr. Hilton Cheoing-Leen. I am also grateful to you for introducing me to your colleague Mr. Hugh Dykes, with whom my wife and I had a very interesting discussion on matters of our mutual concern.

As to the question you raised in your letter that the Chinese Government would in the future insist that the "Governor" of Hong Kong after 1997 would have to be an active member of the Communist Party, to the best of my knowledge, this sort of fear is totally groundless and does not tally with China's intentions. Though detailed arrangements are yet to be made as how the future "Governor" of Hong Kong is elected or appointed after 1997, it is absolutely untrue that China has ever imposed any party affiliation on the "Governorship" of Hong Kong, to say nothing of the insistence that the Governor must be an active member of the Communist Party. Enclosed herewith is a copy of the speech made by Mr. Xu Jiatusun, Director of Xinhua News Agency (Hong Kong) at an ordinary meeting of the University of Hongkong Convocation held on January 10, 1984, which you may find helpful in understanding China's position on the Hong Kong question.

I have read your letter to Mr. Hilton Cheong-Leen with avid interest and endorsed your reasoned criticism of his speech. The proposal he made was simply distracting people's attention from what ought to be done, as most people here--both local Chinese and expatriates--have all realised that China will resume in 1997 the exercise of its sovereignty over the entire region of Hong Kong and at the same time maintain its stability and prosperity. So his suggestion strikes me as wholly inopportune and very ill advised, and such efforts could only be counterproductive.

My best regards to you and Jane.

Yours sincerely,

A handwritten signature in black ink, appearing to be the Chinese characters '纪绍祥' (Ji Shaoxiang), written in a cursive style.

Ji Shaoxiang

THE FUTURE AND OUR HOPES

-A speech made by Mr Xu Jiatun, Director of Xinhua News Agency (Hong Kong) at an ordinary meeting of the University of Hongkong Convocation held on January 10, 1984.

The University of Hongkong is a celebrated institute of learning with a long history. During the more than 70 years since its founding, it has trained a large number of talented people. In the spheres of learning and research, its brilliant achievements have contributed immensely to the progress and prosperity of the Hongkong community. This evening I feel very glad to have the opportunity to attend your ordinary meeting.

Present at this gathering one finds renowned scholars, professors, specialists and professionals working on various posts in this society. All of you, I am sure, have studied and are well versed in the social conditions here. And in this respect I have a great deal to learn from you. Today I shall limit myself to my personal views on questions concerning the future of Hongkong and the role the local intellectuals can play.

At present, Hongkong faces a historic turning point marked mainly by the fact that China will resume in 1997 the exercise of its sovereignty over the entire region of Hongkong, and at the same time maintain its stability and prosperity. This is our government's well-founded principle and firm position. In the past year and more, our government and leaders have again and again expounded our principles and policies concerning the resumption of sovereignty over Hongkong which are being recognized and accepted by an ever increasing number of people. In general these principles and policies include the following aspects: in accordance with the stipulation in Article 31 of the Constitution, a Special Administrative Region shall be set up. A basic law shall stipulate that the Special Administrative Region be governed by a government composed by local people; the Chinese and expatriate administrative and police personnel in the various departments of the original Hongkong Government may be asked to continue their service; the Special Administrative Region shall be invested with a high degree of autonomous power, independent judicial power and the

power of passing final judgement; the social and economic systems shall remain unchanged; the present law shall remain basically unchanged; Hongkong's status as a free port and an international financial centre shall be maintained, and the Hongkong dollar shall remain in circulation and keep its free convertibility; its residents shall enjoy the freedoms of speech and expression, of publication, of assembly, of association, of correspondence, of entry and exit, and of religion; the Region shall give due consideration to the economic interests of Britain and other countries in Hongkong; the Region shall maintain and continue to develop its economic and cultural relations with other countries and international organizations concerned, and shall be empowered to issue travelling documents and entry and exit visas; the order and security of the Hongkong community shall be the responsibility of the government of the Special Administrative Region; etc.

This set of principles and policies is not conceived out of thin air. It is based on Hongkong's historical development and present reality, on the aim of achieving the unification of our motherland, on the needs of our socialist modernization, on the need to win broad international and domestic support for maintaining Hongkong's stability and prosperity, and also proceeds from the desire to respect the wishes of the vast majority of the people in Hongkong. In other words, it is based on a respect for history and reality, and the consideration given to the interests of all the sections in the Hongkong community.

This set of principles and policies is not an expediency, but a long-term strategic policy decision made only after taking into consideration all the factors involved. Precisely on account of such perceptions, we have laid down the rule that the present capitalist system in Hongkong shall remain unchanged for 50 years after the recovery of sovereignty over Hongkong in 1997. We all know that, from now to 1997, there will be a transitional period of a little over 13 years. Adding this to the 50 years already mentioned there will be over sixty years, or more than a half century. In the matter of humanity, this will be equivalent of two to three generations. That means, for a long, long period we shall be able to carry

out in full the economic and cultural exchanges between Hongkong and the mainland, China and the rest of the world, and the east and the west. They can exchange what they have for what they need and thus develop alongside each other. This not only corresponds with the conditions in our country, but also take into consideration to the greatest extent the wish of our Hongkong compatriots.

This set of principles and policies was not put together by a few of our leaders. It is laid down after a long period of careful investigation and study made by the Party Central Committee and the State Council. Incorporated in these principles and policies are also the rational and constructive opinions put forward by various sections of people in Hongkong. Therefore, it is representative of the views of a broad section of the people and is practicable and feasible.

This set of principles and policies will be codified into law form and published. This is what has been known to all as the basic law of the Hongkong Special Administrative Region to be drawn up. We shall, after wide-ranging canvassing of the opinions of our Hongkong compatriots, set up a group to write its first draft. It will then be put before our Hongkong compatriots for discussion so that they can suggest revisions through fully democratic channels. The revised draft will then be submitted for adoption and promulgation by the National People's Congress. Since the basic law of the Special Administrative Region has to go through this democratic process, its completion will take a fairly long time. This basic law will give Hongkong very great autonomous power. Within the scope of this basic law the Government of the future Special Administrative Region will be in a position to deal with its own affairs.

It is known to all that, since the Third Plenum of the 11th Central Committee of the Communist Party of China, we have re-established the ideological line of seeking truth from facts and firmly set the political line of concentrating on the Four Modernizations to build socialism with Chinese Characteristics. We have put through a series of important policies for

opening up to the outside world and vitalizing our domestic economy. Our principles and policies concerning the Hongkong question is precisely the dynamic implementation of the line laid down by the Third Plenum.

Thanks to our correct policies, remarkable changes have taken place on the domestic scene. The various nationalities of the Chinese nation have scored important achievements in bringing about a new situation of socialist modernization. In 1983, the third year of the current sixth five year plan, we reached and surpassed industrial and agricultural targets set for 1985 in terms of output value. This impressive growth rate shows that the path we have chosen is one which reinvigorates the economy. As Deng Xiaoping, Chairman of Central Advisory Committee of CPC, said recently when he received the famous American physicist, Professor C. N. Yang of the New York State University, 'The results of the economic policies pursued by China in the past five years show that we are on the right track.' He also said that 'we are highly hopeful that we shall attain the goal of quadrupling the annual gross industrial and agricultural output by the year 2000, as set forth by the 12th National Congress of the Chinese Communist Party held last year.'

The country's future is very bright, so is Hongkong's future. Given the continued progress in the Sino-UK talks, the rapid development of the motherland's economy, and its active support for Hongkong, there should be no question about Hongkong's future stability and prosperity. To be sure, the decisive factor remains to be the concerted effort of Hongkong compatriots and leading members of all circles. We trust in the creative ability and management skill of the Hongkong compatriots, as amply demonstrated by the remarkable achievements of Hongkong. Surely, they will be able to work greater wonders under the new historical conditions which give them the status of being their own masters. We are fully confident of Hongkong's future.

Ladies and gentlemen, I witness with great pleasure and appreciation of the precursory role played by Hongkong's intellectuals at this historic juncture.

With the exception of a certain period which as marred by mistakes of our own, the Chinese Communist

Party has always respected and relied on the country's intellectuals. After setting the wrongs right and clearing up the confusion since the 3rd Plenum of the 11th Central Committee of the CPC held towards the end of 1978, we have firmly adopted a correct attitude towards intellectuals. We have come to understand in a profound manner the indispensability of intellectuals not only to the modernization effort but also to the socialist material and spiritual civilization which we have embarked to build. The hope for the development of science, culture and economy lies mainly in the efforts of the intellectuals.

Hongkong is a highly developed capitalist society. It is a place where an advocacy about maintaining prosperity while disregarding modern technology, scientific management and the devotion of skilled personnel trained in all the different fields would be nothing but empty talk. The same applies to cultural, educational and other social undertakings. Needless to say, the need for intellectuals would only be greater after 1997 when Hongkong will be ruled by Hongkong people themselves, and particularly relying on the intellectuals. As they have made important contributions to Hongkong's prosperity in the past, Hongkong's intellectuals certainly can make even greater contributions in the future. As I have said, the future development of Hongkong depends mainly on the people of Hongkong themselves of whom intellectuals form the backbone. Boundless opportunities will emerge to them so as to bring their talents and aspirations into full play. The Chinese people, Hongkong compatriots included, have placed great trust and expectations in Hongkong's intellectuals, and I am sure they will prove to be trustworthy.

Down the ages, the Chinese nation has also had its share of men of lofty ideals, who were imbued with an intense love of the country, who never gave up in their search for truth, and who never flinched from giving their utmost. They have left us with a most precious legacy.

The great poet Qu Yuan of Ancient China once sang: Born in the South, I have never wavered in the trust I have been honoured with; my roots strike deep and I have always kept my aspirations aligned. These lines reveal

the poet's unerring love for his country. Qu Yuan was a great poet but he was primarily a patriot. Down the ages, he has won the respect and fond memory of not only the Chinese people but throughout the literary world.

The intellectuals of Hongkong also have a glorious tradition. After his graduation from the medical school of Hongkong University, the great democratic revolutionary, Dr Sun Yat-sen, for a number of years used Hongkong as a base where he carried out important activities and he was supported by other Hongkong intellectuals. More Hongkong intellectuals came to the fore to serve the revolutionary cause in succeeding years of this century. In pursuance of this tradition, many of the younger generation of Hongkong's intellectuals have joined patriotic ranks and have begun to take an interest in the motherland's destiny and social progress, also in Hongkong's future and social progress. Many useful activities have been launched in this regard which constitute the most encouraging and valuable developments here.

A spirit that pervades all the patriotic traditions is the linking of one's personal future to that of the nation's, as indeed only when this is done can it be truly said that a person has a future ahead of him. It was Dr Sun Yat-sen who, in an address given on February 20, 1923, to the 11th Class of Hongkong University, advised them to take an interest in developments in the motherland. He believed that, only after we have built up our country can we say that we have discharged our duties and attained our goal. The warmth of his feelings for the country is overflowing from his utterances. Let me also quote from some recent remarks made by your vice-chancellor, Dr Rayson Huang. He said that Hongkong is China's territory, and thus in serving Hongkong, students of Hongkong University are also rendering services to China. He went on to say that we should call on the students to be concerned with the future of Hongkong and see their social responsibilities.

An intergration of the future of the motherland, of Hongkong and that of one's own serves to articulate the hopes of elder patriotic-minded intellectuals towards the youth. Allow me to say that I have the greatest respect for such sentiments.

It is my hope that Hongkong intellectuals will carry forward the patriotic traditions, with the utmost exer-

tion of their capabilities, and contribute to the cause of the motherland's unification, to the smooth execution of the historic change of Hongkong, to Hongkong's stability and prosperity, and to the motherland's modernization goal. It is also my hope that all of you, especially those holding responsible and prestigious posts in educational and cultural circle, will actively participate and play a leading role in the current discussions on the basic law for the Special Administrative Region of Hongkong.

Allow me, finally, to wish this meeting success and the staff and students of Hongkong University fresh achievements in the current academic year. Thank you.



PM/84/24

PRIME MINISTERPrime Minister.

Content with working paper?

See list
amendments
Ask P.C.'s
advise
A.F.C. 2/2

Future of Hong Kong: Working Paper on Constitutional Arrangements
and Central Government Structures

1. In my minute of 9 January I 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. My officials have prepared these papers in close co-operation with Hong Kong and Peking. Mr Luce also discussed them in general terms at his meeting with the Governor and the Unofficial Members of EXCO on 17 January.
2. I now attach a draft working paper on Constitutional Arrangements and Central Government Structures, which takes into account the points made at this meeting and subsequent comments from the Governor and the Ambassador. This paper is one of the most sensitive that we have had to produce. It places great emphasis on the continuity of Hong Kong institutions and of their functions, powers and composition after July 1997, whilst recognising that some changes will be necessary as a result of the removal of colonial links. It stresses that the new SAR should itself be responsible for choosing its Chief Executive subject to formal agreement by Peking, and that the appointment of other principal officials and members of the Executive and Legislative Councils would be generated internally, in accordance so far as possible with procedures in force immediately prior to July 1997. We cannot at this stage spell out these procedures in detail because it would restrict the nature and extent of democratic change before 1997 and, as you know from separate correspondence on this issue we need to adopt a flexible and forward-looking approach.
3. I should be grateful to know if you are content with the working paper. I shall then ask the Governor to discuss it with the Executive Council. It should be possible for them to do this

SECRET



at their meeting on 15 February. We might be able to present it to the Chinese before the next round of talks on 22 February. I should not expect the Chinese, who will study this paper with particular care, to be ready with very substantive comments at that round. But I judge that we should do well to get our views in quickly on this key question.

4. I am copying this minute and draft working paper to the other members of OD(K) and to Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

7 February, 1984

WORKING PAPER ON CONSTITUTIONAL ARRANGEMENTS
AND CENTRAL GOVERNMENT STRUCTURES:

THE CHINESE PLAN

1. The Hong Kong SAR, directly under the authority of the Central Government, would be established in accordance with Article 31 of the constitution of the People's Republic of China.

2. The basic system of the Hong Kong SAR would be prescribed in the Basic Law and would continue for a period of at least 50 years. The Basic Law would be drafted and enacted by the National People's Congress. It would deal with such matters as the social and economic systems in the SAR, the relationship between the central authorities and the SAR, the powers of and relationships between the executive, legislature and judiciary of the SAR and the rights and obligations of its citizens. *Agreements reached on these matters between Britain China would be incorporated in the SAR Basic Law.*

3. The Hong Kong SAR would enjoy a high degree of autonomy. The laws, decrees and regulations currently in force would remain basically unchanged. The SAR Government could make its own laws which it would report to the Standing Committee of the National People's Congress for the record. The Central Government would not intervene so long as the SAR made laws within the sphere and limits of its authority as prescribed by the Basic Law and in accordance with the legal procedures.

4. The Government of the Hong Kong SAR would be composed of local inhabitants. Chief officials would be nominated by the SAR Government, *the people nominated would then be* appointed by the Central Government. Other officials would be appointed by the SAR Government.

IMPLICATIONS

CONSTITUTIONAL ARRANGEMENTS

5. Existing constitutional instruments relating to Hong Kong (eg the Letters Patent and the Royal Instructions) would be revoked. The provisions of those instruments which are relevant to the Government of the Hong Kong SAR would be replaced by similar

provisions in the Basic Law to be enacted by the National People's Council for the SAR or in subsidiary SAR legislation, with such amendment as might be necessary. The new provisions would enshrine the maximum degree of autonomy for Hong Kong (China) in respect of the exercise of executive, legislative and judicial functions. Continuing provision would be made for the separation of executive, legislative and judicial powers.

6. By virtue of the provisions of the Basic Law, the Government of the SAR would have powers to conduct autonomously all matters relating to the internal affairs of the SAR and to conduct autonomously economic and cultural external relations. The Central Government would be responsible for foreign policy and defence questions affecting Hong Kong, but would consult with the SAR Government on such matters.

7. In order to preserve stability and prosperity in Hong Kong, it will be necessary to preserve confidence. The preservation of confidence will require the maximum possible continuity of institutions and these institutions will need to be seen to exercise freely the autonomy provided for in the Basic Law. This implies that, while provision for Government structures will be made by the National People's Congress of the PRC as part of the Basic Law of the SAR of Hong Kong (China), they should involve a high degree of continuity.

8. The general structure of the Government that existed in Hong Kong immediately prior to 1 July 1997 would therefore remain essentially unchanged. This implies that there would be a Chief Executive, an Executive Council, a Legislative Council, Regional Councils and District Boards.

9. The functions of the Chief Executive as they existed immediately prior to 1 July 1997, would also remain largely unchanged, although some changes would be necessary as a result of the removal of constitutional links with the UK.

10. The Chief Executive and his Deputy would be elected in accordance with procedures approved by the Legislative Council. The

persons so elected would be formally appointed by the Central Government. They could be removed from office prematurely only on grounds of misbehaviour or infirmity and by a resolution of the Legislative Council.

11. Membership of the Executive Council and the Legislative Council would be selected by an elective process.

12. The Executive Council would decide all important matters of policy within the competence of the SAR as laid down by the Basic Law. The Chief Executive would preside at its meetings.

13. The Legislative Council, as the supreme organ of the SAR, would make laws within the competence of the SAR as laid down by the Basic Law. All proposals entailing the expenditure of public funds would require its approval.

14. Regional Councils would be concerned with the provision of local services. District Boards would provide a forum for public consultation and discussion at the district level, and would also have certain local executive functions.

15. The exact composition, functions, procedures, powers and duties and methods of appointment of all the above institutions would depend upon the evolution of Hong Kong Government structures in the period prior to 1 July 1997. They would remain unchanged on this date, except where changes were necessary as a result of the removal of constitutional links with the UK.

16. There would be a central secretariat together with departments and agencies with executive responsibilities. The secretariat, departments and agencies would continue to be staffed by members of the public service, who would, apart from any changes necessary as a result of the removal of any constitutional links with the UK, be appointed by the Government of the SAR according to the procedures in force immediately prior to 1 July 1997. All heads of departments and agencies would be responsible to the Chief Secretary for the efficient implementation of policy laid down by the Executive Council.

17. The independence of the Audit Department and the Independent Commission Against Corruption would continue to be safeguarded by their Director and Commissioner respectively reporting direct to the Chief Executive of the SAR Government.

APPOINTMENT OF CHIEF OFFICIALS

18. The chief officials of the Government, eg the Chief Secretary, the Financial Secretary and Attorney-General, would be appointed in accordance with the procedures in force immediately prior to 1 July 1997 apart from any changes necessary as a result of the removal of any constitutional links with the UK . These appointments would be reported to the Central Government. [The appointments would be considered to have been confirmed unless written objections were received from the latter within [] days].

Hong Kong Department
3 February 1984

H-K: Future: Pt 12



17 FEB 1984



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2 file DA
BF

10 DOWNING STREET

From the Private Secretary

2 February 1984

Dear Peter,

FUTURE OF HONG KONG: 8TH ROUND OF TALKS

The Prime Minister has noted the contents of your letter of 31 January.

BF | She looks forward to further advice from the Foreign and Commonwealth Secretary on the timetable for our handling of the talks but has meanwhile commented that she considers Chinese pressure with regard to the pace of the talks rather worrying - she does not wish to be rushed on decisions of this moment.

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

Your ever

BF Wls.

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

cc LPO M/S, FCO
LPS CO
HO
HMT
MOD
DTI
Attorney Gen.

From the Private Secretary

2 February 1984

Future of Hong Kong: Working Papers

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 30 January and the enclosed papers on defence, security and public order.

Mrs. Thatcher agrees that the Working Paper designed to be presented to the Chinese may be handed to them as a basis for discussion with them - and, as the Foreign and Commonwealth Secretary says, on the usual conditional basis. Mrs. Thatcher has noted that the Working Paper will need to be put formally to the Hong Kong Executive Council for their comments.

The Prime Minister has also seen your letter of 31 January enclosing a Working Paper on the public service and is content that it should be put formally to the Hong Kong Executive Council.

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

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

FUTURE OF HONG KONG ADVANCE COPIES 10

PS
PS/PUS
PS/MR LUCE
MR DONALD
HD/HKD
HD/FED
HD/news J.
~~RESIDENT CLERK~~

COPY TO:
~~MR COLES, No. 10 DOWNING ST~~
Mr Roberts, News D.
Li P. Craddock

GR 550

UNCLASSIFIED
DESKBY 011230Z

IMMEDIATE

FM PEKING 011100Z FEB 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 182 OF 1 FEBRUARY
INFO IMMEDIATE HONG KONG

ADVANCE COPY

Prime Minister
interesting, and on the
whole helpful, especially
x overleaf.
A.S.C. 1/2.

FUTURE OF HONG KONG: DR OWEN'S PRESS CONFERENCE

1. FOLLOWING HIS MEETING WITH WU XUEQIAN ON 1 FEBRUARY, DR DAVID OWEN SPOKE TO THE RESIDENT BRITISH PRESS CORPS. HE SPOKE EXTENSIVELY AND FAIRLY FRANKLY ON THE FUTURE OF HONG KONG, THOUGH EMPHASISING THAT HE WAS NOT PRIVY TO THE BRITISH NEGOTIATING POSITION.
2. DR OWEN SAID THAT THE QUESTION OF SOVEREIGNTY AND ADMINISTRATION WERE NO LONGER AT ISSUE: THIS WAS APPARENT FROM PRESS LEAKS. AN ATTEMPT TO SEPARATE SOVEREIGNTY AND ADMINISTRATION EARLIER IN THE TALKS HAD NEVER BEEN REALISTIC AND HMG WAS RIGHT NOT TO PURSUE IT. THE CHINESE WERE SERIOUS ABOUT THE SEPTEMBER DEADLINE AND THE BRITISH SIDE WOULD COME UNDER INCREASING PRESSURE TO REACH AN AGREEMENT BY THEN, POSSIBLY IN MORE DETAIL THAN THE BRITISH SIDE WOULD WISH (SNC).
3. DR OWEN SAID THAT HE HAD EMPHASISED TO WU THE OVERRIDING IMPORTANCE OF CONFIDENCE AND OF THE NEED FOR A DETAILED AGREEMENT TO SECURE THIS. HONG KONG WAS SUI GENERIS AND NEEDED TO BE DEALT WITH FLEXIBLY.
4. THE CHINESE HAD ASKED ABOUT THE PROSPECT OF PARLIAMENTARY APPROVAL FOR AN AGREEMENT. DR OWEN HAD REFERRED FIRST TO THE PARLIAMENTARY MOTION TABLED BY MICHAEL BROWN, SAYING THAT HIS WAS NO CAUSE FOR CONCERN. PARLIAMENT COULD REASONABLY BE RELIED UPON TO ENDORSE AN AGREEMENT WHICH RETAINED CONFIDENCE IN HONG KONG.
5. DR OWEN SAID IN ANSWER TO A QUESTION THAT IT WAS ENTIRELY UNDERSTANDABLE FOR THE CHINESE TO INSIST THAT THE HONG KONG ISSUE SHOULD BE DISCUSSED SOLELY BETWEEN THE CHINESE AND BRITISH GOVERNMENTS. IT WAS, HOWEVER, EQUALLY UNDERSTANDABLE THAT BRITAIN, AS THE DE FACTO GOVERNING POWER, SHOULD REPRESENT THE VIEWS OF HONG KONG.
6. IN ANSWER TO A FURTHER QUESTION, DR OWEN SAID THAT IT WAS ENTIRELY RIGHT FOR HMG TO BE DISCUSSING HONG KONG'S FUTURE WELL IN ADVANCE OF 1997. HE HAD BEEN PREPARED TO RAISE IT AS

~~IN ANSWER TO A FURTHER QUESTION, DR OWEN SAID THAT IT WAS ENTIRELY RIGHT FOR HMG TO BE DISCUSSING HONG KONG'S FUTURE~~

X. WELL IN ADVANCE OF 1997. HE HAD BEEN PREPARED TO RAISE IT AS FOREIGN SECRETARY IN 1979. HE FORESAW THAT DETAILS CONNECTED WITH HONG KONG'S FUTURE WOULD HAVE TO BE DISCUSSED RIGHT UP TO 1997.

7. DR OWEN DID NOT DISTINGUISH CLEARLY BETWEEN WHAT HAD PASSED BETWEEN HIM AND THE CHINESE (SEE MY TELNO 181) AND HIS OWN VIEWS ON THE ISSUE. IT IS, HOWEVER, LIKELY THAT THE PRESS WILL REPORT THE WHOLE OF WHAT HE SAID AS THE FORMER.
8. PLEASE ADVANCE TO NEWS DEPARTMENT.

EVANS

NNNN

ADVANCE COPY

URGENT

Prime Minister (k)

CONFIDENTIAL

GR 600

CONFIDENTIAL

DESKBY 011230Z

FM PEKING 011100Z FEB 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 181 OF 1 FEBRUARY

INFO IMMEDIATE HONG KONG

[DISTRIBUTION AMENDED
1.2.]

VISIT OF DR OWEN TO CHINA

1. WU XUEQIAN SAW DR OWEN THIS AFTERNOON. THE MEETING LASTED FOR NEARLY ONE AND A HALF HOURS. HE WAS PRESENT.
2. ABOUT TWO-THIRDS OF THE CONVERSATION WAS ABOUT RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION, CHIEFLY IN RELATION TO DISARMAMENT AND ARMS CONTROL. HE WILL TELEGRAPH IF HE RECEIVES ANYTHING NEW IN WHAT WAS SAID AFTER STUDYING MY NOTES. OTHERWISE HE SHALL REPORT BY BAG.
3. THE OTHER ONE-THIRD CONCERNED HONG KONG. THE MAIN POINTS MADE BY DR OWEN WERE THAT THE TRANSFER OF SOVEREIGNTY WAS NOT AN ISSUE IN THE UNITED KINGDOM SINCE COLON THAT CHINA HAD AN INTEREST IN PRESERVING CONFIDENCE IN HONG KONG SINCE COLON AND THAT HONG KONG WOULD NEED HELP FROM BRITISH ADMINISTRATORS DURING THE TRANSITIONAL PERIOD (BY WHICH HE SEEMED TO MEAN THE FIRST FEW YEARS AFTER 1997).
4. WU SAID THAT TWO POINTS WERE FUNDAMENTAL FOR CHINA: CHINA INTENDED TO RESUME SOVEREIGNTY (HE DID NOT SAY THE EXERCISE OF SOVEREIGNTY) IN 1997 AND INTENDED ALSO TO ESTABLISH A SPECIAL ADMINISTRATIVE REGION IN HONG KONG IN THAT YEAR. COMMENTING ON THE FIRST POINT, HE SAID THE CHINESE GOVERNMENT WAS GLAD THAT THE BRITISH GOVERNMENT HAD NO OBJECTION. ON THE SECOND, HE SAID THAT A SERIES OF POLICIES WOULD BE PUT INTO EFFECT UNDER A LAW ADOPTED BY THE NATIONAL PEOPLE'S CONGRESS. THESE POLICIES WOULD BE BASED ON "SERIOUS AND CAREFUL CONSIDERATION". HE HOPED AND BELIEVED THAT THE BRITISH GOVERNMENT WOULD ADOPT AN ATTITUDE OF COOPERATION ON THIS. THE CHINESE GOVERNMENT WANTED TO HEAR USEFUL SUGGESTIONS, BUT NOT EXCESSIVE DEMANDS, FROM THE BRITISH GOVERNMENT.
5. IN ANSWER TO COMMENTS BY DR OWEN, WU EXPLAINED THE AGENDA FOR THE TALKS AND SAID THAT CHINA WOULD WANT TO COOPERATE WITH THE UNITED KINGDOM DURING THE TRANSITIONAL PERIOD (WHICH HE WAS CAREFUL TO DEFINE AS THE PERIOD UP TO 1997). HE SAID THAT THOSE WHO HELD BOTH FOREIGN PASSPORTS AND HONG KONG CERTIFICATES OF IDENTITY COULD BE REGARDED AS INHABITANTS OF HONG KONG AFTER 1997, BUT THAT HOLDERS OF UNITED KINGDOM PASSPORTS WOULD BE "DIFFERENT".
6. DESCRIBING THE COURSE OF THE TALKS, WU SAID THAT THESE HAD NOT GONE SMOOTHLY TO BEGIN WITH, HAD THEN GONE MORE SMOOTHLY, BUT HAD CEASED TO GO AS SMOOTHLY AT THE MOST RECENT ROUND. HE EVADED DR OWEN'S QUESTION AS TO WHY THE MOST RECENT ROUND HAD NOT BEEN SO SMOOTH, SAYING SIMPLY THAT HE HAD

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HEARD THIS FROM COLLEAGUES. HE SAID AT A LATER STAGE THAT THE RECENT PUBLIC STATEMENTS OF CHINESE LEADERS ABOUT THE TALKS HAD BEEN BASED ON THEIR ASSESSMENT OF HOW THEY WERE GOING UP TO, BUT NOT INCLUDING, THE MOST RECENT ROUND.

7. DR OWEN SUBSEQUENTLY TOLD ME THAT HE HAD HEARD THE SAME ASSESSMENT OF THE MOST RECENT ROUND FROM FOREIGN MINISTRY OFFICIALS THIS MORNING. THEY HAD SAID THAT THE CHINESE WERE WORRIED ABOUT THE SLOW TEMPO WITH WHICH THE BRITISH SIDE HAD COME FORWARD WITH WORKING PAPERS AND ABOUT THE FACT THAT SOME PROPOSITIONS IN THESE PAPERS WERE NOT CONSISTENT WITH THE CHINESE PREMISE ON SOVEREIGNTY AND ADMINISTRATION.

8. WE HAVE NOT SO FAR HAD A CHANCE TO DEBRIEF DR OWEN FULLY. BUT WE WILL SEE HIM TETE-A-TETE TOMORROW AND WILL TELEGRAPH AGAIN IF ANYTHING NEW EMERGES.

EVANS

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PART 11 ends:-

FCO to AJC 31-1-84

PART 12 begins:-

Peking Tel 182 1-2-84

