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809

PREM 19/1264

SECRET

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PART 13

C

CONFIDENTIAL FILING

Future of Hong Kong

HONG KONG

New Territorial Leases,

PART 1: JUNE 1979

PART 13: APRIL 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>4.4.84</del>							
5.4.84							
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16.4.84							
22.4.84							
26.4.84							
30.4.84							
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PREM 19/1264

PART 13 ends:-

Peking tel 831 of 30/4  
~~FCO to Mr. Chow King-Chuen~~

PART 14 begins:-

~~FCO to Mr. Chow King-Chuen~~ 1/5



PS  
 PS/PUS  
 PS/MR LUCE  
 MR WILSON  
 HD/HKD  
 HD/FED  
 PS/Lady Yandor  
 SIR W HARDING  
 RESIDENT CLERK

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

34

✓ ASC - 5/1  
 ADL 1/5



SECRET

FM PEKING 301045Z APR 84  
 TO IMMEDIATE FCO  
 TELGRAM NUMBER 831 OF 30 APRIL  
 INFO IMMEDIATE HONG KONG

ADVANCE COPY

FUTURE OF HONG KONG: THE WAY AHEAD

1. YOU MAY FIND IT HELPFUL TO HAVE A GENERAL ASSESSMENT OF WHERE WE STAND AFTER A BUSY AND IMPORTANT MONTH.
2. THE ACHIEVEMENT DURING YOUR VISIT OF AGREEMENT ON A TIMETABLE HAS GIVEN US A BIT OF BREATHING SPACE. YOU ALSO EXTRACTED FROM THE CHINESE A CLEAR COMMITMENT TO THE IDEA THAT THE OBLIGATIONS UNDERTAKEN BY THE CHINESE SIDE IN THE AGREEMENT SHOULD BE BINDING IN NATURE, EVEN THOUGH THEY OBJECT TO THE CONCEPT OF EQUIVALENCE. THERE IS A DEGREE OF COMMITMENT ON CONTENT ALTHOUGH I DO NOT THINK IT YET EXTENDS TO AGREEMENT THAT ALL POINTS AGREED BETWEEN US IN THE NEGOTIATIONS SHOULD BE INCLUDED.
3. THE SUBSTANTIVE ISSUES OUTSTANDING UNDER ITEM 1 REMAIN BLOCKED. ITEM 2, PARTICULARLY THE CHINESE PROPOSAL FOR A JOINT GROUP, LOOKS MORE DIFFICULT THAN ANYTHING ELSE. INDEED, ZHOU NAN SAID EXPLICITLY TO ME AT DINNER ON 28 APRIL THAT HE REGARDED THIS ISSUE AS THE MOST DIFFICULT OF THOSE OUTSTANDING. THE CHINESE ARE LIKELY STILL TO RETAIN SOME NEGOTIATING FLEXIBILITY. BUT I JUDGE THAT THEY ARE LIKELY TO KEEP THIS UP THEIR SLEEVES UNTIL A FAIRLY LATE STAGE IN THE NEGOTIATION.
4. I NOTE YOUR WISH (TOKYO TELNO 321) TO MAINTAIN THE MOMENTUM OF THE DISCUSSIONS FOLLOWING YOUR VISIT. I STRONGLY SHARE THIS WISH. HOWEVER, AT PRESENT WE HAVE NO LATITUDE TO MOVE FROM OUR POSITIONS ON ANY OF THE OUTSTANDING ISSUES. REVIEW OF ALL THE OUTSTANDING ISSUES WILL BE NEEDED IF MOMENTUM IS NOT TO BE LOST AND THE TALKS TO DEGENERATE INTO STERILE EXCHANGES OF EACH SIDE'S POSITIONS. NEVERTHELESS, I DO NOT THINK THAT WE SHOULD OFFER TOO MUCH MOVEMENT TOO QUICKLY. IF WE DO, THE CHINESE WILL POCKET IT WITHOUT SHOWING CORRESPONDING FLEXIBILITY (THEY HAVE ALREADY IMPLIED THAT WE OWE THEM SOMETHING IN

OF EACH SIDE'S POSITIONS. NEVERTHELESS, I DO NOT THINK THAT WE SHOULD OFFER TOO MUCH MOVEMENT TOO QUICKLY. IF WE DO, THE CHINESE WILL POCKET IT WITHOUT SHOWING CORRESPONDING FLEXIBILITY (THEY HAVE ALREADY IMPLIED THAT WE OWE THEM SOMETHING IN RETURN FOR THEIR AGREEMENT TO OUR TIMETABLE.

5. I OFFER THE FOLLOWING PRELIMINARY IDEAS.

(A) OUTSTANDING ITEM 1 ISSUES

WE NEED TO DRAW UP A BALANCE SHEET OF THE IMPORTANT ISSUES OUTSTANDING FROM ITEM 1 DISCUSSIONS AND TO ESTABLISH IN OUR OWN MINDS THOSE WHICH ARE ESSENTIAL AND THOSE ON WHICH FALL-BACK POSITIONS COULD BE PREPARED. WE NEED NOT BE IN ANY RUSH TO DEPLOY ANY SUCH POSITIONS. IF WE WANT MOVEMENT, HOWEVER, WE SHALL BEFORE LONG HAVE TO START HINTING THAT THERE MIGHT BE AREAS WHERE AGREEMENT COULD BE REACHED IF BOTH (REPEAT BOTH) SIDES SHOWED SOME FLEXIBILITY.

THERE IS ONE AREA WHICH CAUSES ME PARTICULAR CONCERN; THAT OF CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURE. ON THIS OUR POSITION IS THAT HONG KONG'S GOVERNMENT STRUCTURE AFTER 1997 SHOULD BE VIRTUALLY UNCHANGED, IE THAT THERE SHOULD BE A CHIEF EXECUTIVE, AN EXECUTIVE COUNCIL, A LEGISLATIVE COUNCIL, REGIONAL COUNCILS AND DISTRICT BOARDS. THE ONLY SUBSTANTIVE CHANGE OF WHICH WE HAVE TOLD THE CHINESE IS OUR INTENTION TO MOVE TO A SYSTEM OF INDIRECT ELECTIONS. THEY COULD SAY WITH SOME JUSTIFICATION THAT IT IS NOT APPROPRIATE TO KEEP RIGIDLY TO THE FORMS OF AN ESSENTIALLY COLONIAL ARRANGEMENT, AND THAT IT MAKES NO ALLOWANCE FOR CHANGES IN ORGANISATION WHICH MIGHT BE NECESSARY TO PROVIDE DIFFERENT FUNCTIONS FOR ELECTED MEMBERS. IN FACT, SO FAR AS I KNOW, WE ARE OURSELVES UNDECIDED ON THIS. AT PRESENT WE ARE ASKING THE CHINESE TO SIGN A BLANK CHEQUE IN THE TALKS. FOR THESE REASONS, I BELIEVE THAT WE SHOULD ATTEMPT TO WORK OUT A FORMULATION WHICH WOULD DESCRIBE PRINCIPLES FOR THE COMPOSITION AND FUNCTIONS OF THE PRINCIPAL ORGANS OF HONG KONG'S GOVERNMENT, AND WHICH WOULD INCLUDE IN MORE DETAIL THAN HITHERTO THE PRINCIPLES TO GOVERN CONSTITUTIONAL DEVELOPMENT BEFORE 1997, BUT WHICH WOULD NOT ATTEMPT TO SPECIFY HOW THESE ORGANS SHOULD BE STYLED.

(B) ITEM 2: WE SHALL NEED TO REPLY FORMALLY AT THE NEXT ROUND TO ZHOU NAN'S STATEMENTS IN ROUNDS 12 AND 13 ON THIS SUBJECT. THE CHINESE ATTACH IMPORTANCE TO ITEM 2 ( AND THEIR PROPOSAL FOR A JOINT GROUP IN PARTICULAR), AND THAT YOU HAVE TOLD THEM THAT YOU WILL LOOK CONSTRUCTIVELY AT DENG'S PROPOSAL. I LOOK FORWARD TO SEEING THE GOVERNOR'S PAPER. WHILE I FULLY UNDERSTAND THE DIFFICULTIES IN HONG KONG, I THINK THAT THERE ARE REASONS FOR AGREEING TO THE ESTABLISHMENT OF A JOINT GROUP:

(I) I REMAIN OF THE VIEW THAT A JOINT GROUP COULD BE EXPLOITED TO OUR ADVANTAGE. THROUGH DISCUSSION OF WAYS TO IMPLEMENT THE AGREEMENT, PARTICULARLY ON GOVERNMENT STRUCTURE AFTER 1997, IT WILL GIVE US OUR ONLY WAY TO INFLUENCE CHINESE THINKING ON THE DETAILED DRAFTING OF THE BASIC LAW SEMICOLON

(II) GETTING CHINESE OFFICIALS TO HONG KONG WITHIN THE SUB-GROUPS ON SPECIFIC ISSUES, WHERE THEY WILL BE FORCED TO LOOK SENSIBLY AT THE REALITIES, WILL MAKE IN THE END FOR A MORE HELPFUL AND REALISTIC DISCUSSION ON ISSUES SUCH AS LAND AND INTERNAL SECURITY WHERE WE HAVE OUR OWN OBJECTIVES SEMICOLON

(III) IT IS IN OUR OWN INTEREST TO ADOPT A LIBERAL ATTITUDE TOWARDS THE PROVISION OF A GOOD DEAL OF INFORMATION ABOUT HONG KONG TO SUCH A JOINT GROUP TO BE SO HELD AND MANAGED BY

(III) IT IS IN OUR OWN INTEREST TO ADOPT A LIBERAL ATTITUDE TOWARDS THE PROVISION OF A GOOD DEAL OF INFORMATION ABOUT HONG KONG TO SUCH A JOINT GROUP. TO DO SO WOULD INCREASE OUR CHANCES OF ACHIEVING THE HIGH DEGREE OF CONTINUITY OF HONG KONG SYSTEMS FOR WHICH WE ARE STRIVING.

(IV) I REMAIN OF THE VIEW THAT, AS 1997 APPROACHES, PERHAPS AFTER PROMULGATION OF THE BASIC LAW IN 1993, WE SHALL IN PRACTICE NEED TO ENSURE THAT THOSE SENIOR OFFICIALS WHO WILL SERVE BEYOND 1997 ARE NOT OBJECTIONABLE TO CHINA. IT WOULD CLEARLY BE POINTLESS TO APPOINT PEOPLE TO SENIOR OFFICE IN THE LAST STAGES BEFORE 1997 UNLESS WE WERE SURE THAT THE CHINESE WOULD PERMIT THEM TO CONTINUE IN OFFICE AFTER 1997. THIS IS A DELICATE QUESTION, BUT ONE CRUCIAL TO CONTINUITY.

I HAVE IN MIND A JOINT GROUP WHOSE BASE OF OPERATIONS WOULD NOT BE NAMED AND WHICH WOULD MEET IN PEKING, HONG KONG AND LONDON. WE SHOULD PROBABLY NEED TO AGREE THAT SOME OF ITS SUB-GROUPS SHOULD WORK REGULARLY IN HONG KONG ON SPECIFIC ISSUES. INDEED, THERE IS SOMETHING IN THE CHINESE VIEW THAT DISCUSSION SOLELY IN PEKING WOULD NOT BE PRACTICABLE. WE SHOULD NEED TO FIGHT VERY HARD TO ENSURE THE JOINT GROUP'S FUNCTIONS WERE LIMITED TO THE COLLECTION OF INFORMATION AND DISCUSSION AFFECTING POST -1997 ARRANGEMENTS AND DID NOT IMPINGE ON THE ADMINISTRATION OF HONG KONG BEFORE 1997. FURTHERMORE, IT WOULD BE NECESSARY TO ENSURE THAT THE PERSONS WITH THE NECESSARY EXPERTISE (IE OFFICIALS OF THE HONG KONG GOVERNMENT, WHETHER BRITISH OR CHINESE) WERE ABLE TO PARTICIPATE FULLY IN DISCUSSIONS.

(C) FORM OF AN AGREEMENT

AS ARGUED IN MY TELNO 807, WE NEED TO LOOK URGENTLY AT THE FORM OF AGREEMENT TO SEE HOW, WHILE MEETING OUR OWN ESSENTIAL REQUIREMENTS ON SUBSTANCE, WE CAN MEET THE CHINESE REQUIREMENT THAT WE SHOULD NOT BE SEEN TO BE ENDORSING OR PRESCRIBING POST-1997 ARRANGEMENTS FOR HONG KONG. I DO NOT THINK WE SHOULD VOLUNTEER ANY FURTHER SUGGESTIONS ON THIS POINT BEFORE WE HAVE SEEN THE FULL DRAFT CHINESE NOTES AND PROTOCOL. HOWEVER, I BELIEVE THAT WE COULD INITIATE DISCUSSION ON THE ARTICLE RELATING TO THE TRANSFER OF SOVEREIGNTY AT ONCE. WE ALREADY KNOW WHAT THE CHINESE DRAFT SAYS ON THIS SUBJECT.

5. MY JUDGEMENT IS THAT AS A RESULT OF YOUR VISIT THE CHINESE PROPENSITY TO WORK FOR A BILATERAL AGREEMENT RATHER THAN TO MAKE A UNILATERAL ANNOUNCEMENT OF THEIR OWN HAS BEEN INCREASED, PRIMARILY BECAUSE YOU SUCCEEDED IN CONVINCING THE CHINESE LEADERS THAT WE REALLY WERE PREPARED TO WORK FOR AN AGREEMENT TRANSFERRING SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION IN 1997. I BELIEVE THERE WERE LINGERING CHINESE SUSPICIONS ABOUT THIS. THE CHINESE WILL ALSO HAVE SEEN A ADVANTAGE FOR THEMSELVES IN OBTAINING UNDERTAKINGS FROM US AFFECTING OUR CONDUCT IN THE PERIOD BEFORE 1997.

6. IN THE END, I WOULD EXPECT THE CHINESE TO MAKE SOME CONCESSIONS IN ORDER TO FINALISE AN AGREEMENT. BUT I STILL COUNSEL AGAINST OVER-ESTIMATING WHAT CAN BE OBTAINED FROM THEM. THEIR REQUIREMENTS, WHICH IN MANY RESPECTS CONCERN FACE (IE FORM) MORE THAN CONTENT, ARE EXTREMELY IMPORTANT TO THE LEADERS IN TERMS OF SELF-REGARD AND INTERNAL POLITICAL DEBATE (THEY HAVE THEIR HAWKS AND CHAUVINISTS TO CONTEND WITH).

FROM PEKING 300840Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 828 OF 30/4/84

INFO IMMEDIATE HONG KONG

GALSWORTHY'S TELELETTER OF 5 MARCH TO CLIFT:

FUTURE OF HONG KONG: MACAU

H/1 300840/1	
RECEIVED IN REGISTRY	
- 1 MAY 1984	
DESK OFFICER	FILE NO
PA	
r	KEB/K

*Mr Powell*  
Agreed SED no actn.  
W.

1. AT THE DINNER ON 28 APRIL, LU PING AGAIN CONFIRMED THAT THE CHINESE INTENDED 'TO SETTLE' THE MACAU PROBLEM AT THE SAME TIME AND IN THE SAME WAY AS THE HONG KONG QUESTION. HE SAID THAT THE CHINESE WOULD PROBABLY RAISE THE MATTER WITH THE PORTUGUESE FOREIGN MINISTER WHEN HE COMES HERE NEXT MONTH. HE ALSO SAID THAT PRESIDENT EANES WOULD PROBABLY VISIT CHINA LATER THIS YEAR.

Prime Minister.  
This is the telegram mentioned.

2. YOU MAY WISH TO CONSIDER WHETHER WE SHOULD WARN THE PORTUGUESE ABOUT THIS. WE DO NOT THINK THAT THE CHINESE NECESSARILY TOLD US THIS IN THE EXPECTATION THAT WE WOULD PASS IT TO THE PORTUGUESE. IF WE DO SO IT WILL BE VERY IMPORTANT THAT THEY SHOULD NOT REVEAL TO THE CHINESE THAT WE HAD TIPPED THEM OFF.

*MR 4/3*

3. I AM NOT COPYING TO LISBON.

EVANS

FUTURE OF HONG KONG

- LEATED
- ED/END
- ED/FED
- ED/PLANNING STAFF
- ED/PUSD
- D/ED/PUSD
- RES.B. (MR WALKER)
- LEGAL ADVISER (MR FREELAND)
- PS
- PS/LADY YOUNG
- PS/MR LUCE
- PS/PUS
- SIR J BULLARD
- SIR W HARDING
- MR WILSON
- MR FRIGET
- SIR C TICKELL
- BUCKINGHAM PALACE

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 H EWS D
- MR BURROWS LEGAL ADVS
- MR COLES NO 10 DOWNING ST

- MR MARTIN ASSESSMENT STAFF CABINET OFFICE
- MR GOODALL CABINET OFFICE
- MR BRENNAN CABINET OFFICE
- PS/S OF S FOR DEFENCE D
- PS/ATTORNEY GENERAL
- SIR P CRADOCK RM K195
- SIR P CRADOCK NO 10 DOWNING STREET



PS  
PS/PUS / ~~SIR J. COLLIER~~  
PS/MR LUCE  
~~MR WILSON~~  
HD/HKD  
HD/FED  
PS / ~~LADY YOUNG~~  
SIR W HARDING  
~~RESIDENT CLERK~~

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

SECRET

ADVANCE COPY

DESBKY 271100Z  
FCO AND TOKYO

IMMEDIATE

FROM PEKING 270950Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 810 OF 27/4/84  
INFO IMMEDIATE HONG KONG  
AND TOKYO 0 (FOR PS/SOSFA)

*Mr Coles*  
*gr*

FUTURE OF HONG KONGC 13TH ROUND OF TALKS: FIRST DAY

SUMMARY

1. BOTH SIDES REVIEWED THE UNDERSTANDINGS REACHED DURING YOUR VISIT. AGREEMENT ON THE TIMETABLE WAS CONFIRMED. ZHOU NAN SAID THE CHINESE SIDE WOULD SOON LET US HAVE THE ANNEXES TO THEIR DRAFT AGREEMENT. HE PRESSED THE CHINESE CASE FOR A JOINT GROUP IN THE TRANSITION PERIOD. I ARGUED THE MERITS OF OUR DRAFT AGREEMENT AND EXPLAINED AGAIN OUR CONCERNS OVER THE JOINT GROUP.

DETAIL

2. ZHOU SPOKE FIRST. HE SAID THAT CHINESE LEADERS HAD ATTACHED GREAT IMPORTANCE TO YOUR VISIT. BOTH SIDES HAD AGREED THAT FURTHER PROGRESS TOWARDS REACHING AN AGREEMENT HAD BEEN MADE DURING THE VISIT. IN PARTICULAR, YOUR MEETING WITH DENG HAD HELPED THE TWO SIDES COME TO AGREEMENT ON IMPORTANT MATTERS, AND ON THOSE QUESTIONS WHERE THERE WERE STILL DIFFERING VIEWS, MUTUAL UNDERSTANDING HAD BEEN ENHANCED THROUGH FRANK EXCHANGES. THE TWO SIDES SHOULD BUILD ON WHAT HAD BEEN ACHIEVED DURING THE

THE TWO SIDES SHOULD BUILD ON WHAT HAD BEEN ACHIEVED DURING THE VISIT. THE CHINESE DELEGATION WOULD CONTINUE TO WORK UNREMITTINGLY FOR AN EARLY SATISFACTORY CONCLUSION TO THE TALKS. HE NOTED THAT YOU HAD INDICATED TO DENG THAT THE TWO SIDES WERE NOT FAR FROM REACHING AGREEMENT.

3. ZHOU CONTINUED THAT DURING YOUR VISIT DISCUSSION HAD COVERED THE MAJOR MATTERS OF THE TIMETABLE, THE FORM AND CONTENT OF THE FINAL AGREEMENT, AND ARRANGEMENTS FOR THE TRANSITION PERIOD. THE TWO SIDES HAD AGREED OR APPROACHED EACH OTHER ON SOME POINTS AND HAD GAINED A CLEAR UNDERSTANDING OF EACH OTHER'S POSITION ON OTHERS, THUS CREATING THE CONDITIONS FOR AGREEMENT. HE SPOKE ABOUT EACH OF THE THREE IN TURN.

#### TIME-TABLE

4. HE NOTED YOUR EXPLANATIONS OF THE DIFFICULTIES FOR THE BRITISH SIDE IN FORMALLY SIGNING AN AGREEMENT BEFORE SEPTEMBER. HE RECALLED THAT YOU HAD SUGGESTED THAT THE TWO SIDES SHOULD INITIAL AND PUBLISH AN AGREEMENT BEFORE SEPTEMBER 1984 WHICH WOULD THEN BE DISCUSSED BY PARLIAMENT IN OCTOBER AND SIGNED WELL BEFORE THE END OF THE YEAR. DENG HAD EXPRESSED UNDERSTANDING OF THE NEED TO RESPECT PARLIAMNETARY PROCEDURES AND HAD ACCEPTED OUR TIMETABLE. ONE OF OUR MAJOR CONCERNS HAD THUS BEEN REMOVED. THE CHINESE ATTITUDE WAS UNDERSTANDING AND COOPERATIVE. THE AGREED TIMETABLE SHOULD NOW BE STRICTLY FOLLOWED AND WORK SHOULD BE COMPLETED AS SCHEDULED.

#### FORM AND CONTENT OF AGREEMENT

5. ZHOU NOTED THAT THE LEGAL ADVISERS OF THE TWO SIDES HAD HELD AN INFORMAL EXCHANGE OF VIEWS ON THE FORM OF THE AGREEMENT. IT SHOULD NOT BE DIFFICULT TO SOLVE THIS QUESTION. ON THE CONTENT, YOU HAD STRESSED THAT THERE SHOULD BE ADEQUATE DETAIL IN THE AGREEMENT. DENG HAD POINT OUT THAT IT SHOULD CONTAIN ONLY MATTERS OF PRINCIPLE, WHICH SHOULD NOT BE DEALT WITH IN DETAIL. EXCESSIVE DETAIL WOULD EASILY LEAD TO MISTAKES AND WOULD BE IMPRACTICAL. THE IDEA THAT THE AGREEMENT ITSELF SHOULD COVER ONLY MATTERS OF PRINCIPLE WHILE THE ANNEXES, IN AN EXCHANGE OF NOTES, COULD DEAL WITH RELEVANT MATTERS IN MORE SPECIFIC TERMS, MIGHT BE DESIRABLE. HE RECALLED THAT ZHAO ZIYANG HAD ALSO SAID THAT SOME AGREED MATTERS OF PRINCIPLE COULD BE INCLUDED IN THE ANNEXES AS A COMPONENT PART OF THE JOINT DECLARATION, WITH WHICH THEY WOULD BE EQUALLY VALID AND BINDING.

6. ZHAO ZIYANG AND OTHERS HAD POINTED OUT THAT CHINESE POLICIES IN HONG KONG AFTER 1997 WERE AN INTERNAL MATTER. THERE COULD BE NO IMPRESSION CREATED THAT THE POLICIES WERE SUBJECT TO ANOTHER COUNTRY'S APPROVAL AND THERE COULD BE NO INTERFERENCE IN THE SAR'S HIGH DEGREE OF AUTONOMY AFTER 1997. OUR DRAFT AGREEMENT INTERFERED IN A NUMBER OF

AFTER 1997. OUR DRAFT AGREEMENT INTERFERED IN A NUMBER OF PLACES WITH CHINESE INTERNAL AFFAIRS AND SOVEREIGNTY. THE CHINESE SIDE WOULD PRESENT THE SUBSTANCE OF THE DRAFT NOTES AND PROTOCOL ANNEXED TO THE CHINESE DRAFT AGREEMENT AS A BASIS FOR FURTHER TALKS AS SOON AS POSSIBLE. HE HOPED THIS WOULD BE AROUND THE TIME OF THE FOURTEENTH ROUND.

#### THE TRANSITION PERIOD

7. THIS WAS A VERY IMPORTANT QUESTION. SINCE THE CENTRAL ISSUE OF THE AGREEMENT WOULD BE TO AFFIRM EXPLICITLY CHINA'S RESUMPTION OF SOVEREIGNTY, IT WAS ONLY NATURAL THAT THE PERIOD FROM THE CONCLUSION OF THE AGREEMENT TO THE TRANSFER OF THE GOVERNMENT IN 1997, AND THIS PERIOD ALONE, SHOULD BE TREATED AS THE TRANSITION PERIOD. IT WOULD EXIST OBJECTIVELY AND COULD NOT BE WRITTEN OFF.

IT WAS UNDENIABLE THAT IN ORDER TO AVOID ABRUPT CHANGES AND POSSIBLE JOLTS IN 1997, APPROPRIATE ARRANGEMENTS ON MATTERS RELATING TO THE AGREEMENT HAD TO BE MADE DURING THE TRANSITION PERIOD. IN FACT, ARRANGEMENTS FOR BEFORE AND FOR AFTER 1997 WERE CLOSELY AND INSEPARABLY LINKED.

8. DENG HAD POINTED OUT TO YOU THAT THE 13 YEARS FOR THE TRANSITION PERIOD WOULD NOT BE VERY TRANQUIL AND THAT SOME PEOPLE IN HONG KONG WOULD BE LOOKING TO DE-STABILISE THINGS. THERE WERE INDEED SIGNS OF THIS ALREADY. RAISING THE MATTER NOW WOULD ONLY DO GOOD. BRITAIN SHOULD ALSO PAY ATTENTION TO THIS POINT AND TAKE PREVENTIVE MEASURES. DENG HAD ALSO POINTED OUT THAT IT WOULD CREATE CHAOS IF THE TRANSFER OF GOVERNMENT WAS SIMPLY EFFECTED BY A CHANGE OF FLAT AND GOVERNMENT IN 1997. IT HAD THEREFORE TO BE ACKNOWLEDGED THAT THERE WAS MUCH TO BE DONE IN THE TRANSITION PERIOD AND CO-OPERATION BETWEEN THE TWO SIDES WOULD BE NECESSARY.

9. WU XUEQIAN HAD GIVEN A DETAILED ACCOUNT OF BASIC CHINESE IDEAS FOR ARRANGEMENTS IN THE TRANSITION PERIOD, INCLUDING THE PROPOSAL TO SET UP A JOINT GROUP IN HONG KONG. YOU HAD AGREED THAT THERE WAS MUCH TO DISCUSS IN THE TRANSITION PERIOD. YOU HAD ALSO EXPRESSED CONCERN THAT THE JOINT GROUP WOULD CREATE THE IMPRESSION THAT CHINA WAS SENDING OFFICIALS FROM THE MAINLAND AND WOULD BE BAD FOR CONFIDENCE IN HONG KONG. CHINESE LEADERS HAD REPEATEDLY STATED THAT THIS CONCERN WAS ENTIRELY UNNECESSARY AND GROUNDLESS. IT WAS AGREED THAT BRITAIN WAS RESPONSIBLE FOR ADMINISTERING HONG KONG UNTIL 1997. THE CHINESE PROPOSAL LAID DOWN EXPLICITLY THAT THE JOINT GROUP WOULD BE A LIAISON BODY AND NOT AN ORGAN OF POWER. IT WOULD NOT INTERFERE WITH THE DAILY WORK OF THE HONG KONG AUTHORITIES AND IT WOULD BE DISBANDED AFTER THE TRANSFER OF GOVERNMENT. HOW THEREFORE COULD IT GIVE THE IMPRESSION OF A CONDOMINIUM? ZHAO ZIYANG HAD POINTED OUT THAT BRITISH MISGIVINGS WOULD DISAPPEAR

HAD POINTED OUT THAT BRITISH MISGIVINGS WOULD DISAPPEAR IF THE AGREEMENT AND THE ORGAN FOR ITS IMPLEMENTATION WERE LINKED AND NOT SET ONE AGAINST THE OTHER. IF THE BRITISH GOVERNMENT WAS FREE FROM MISGIVINGS, SO TOO WOULD THE PEOPLE OF HONG KONG BE. MOREOVER THE SIGHT OF CHINA AND BRITAIN COOPERATING AMICABLY IN IMPLEMENTATION OF THE AGREEMENT WOULD IN ITSELF BE A GREAT STABILISING FACTOR. IT WAS THE CHINESE VIEW THAT QUITE A FEW PEOPLE IN HONG KONG HAD EXPRESSED THE HOPE THAT SUCH A JOINT GROUP COULD BE SET UP, BELIEVING THAT IT WOULD PLAY A CONSTRUCTIVE ROLE.

10. DENG HAD SAID THAT IT WOULD BE REALISTIC TO SET UP A JOINT GROUP IN HONG KONG AS IT WAS VERY IMPORTANT, FOR A SMOOTH TRANSFER OF GOVERNMENT, TO ACQUIRE INFORMATION ON THE SPOT. YOU HAD STRESSED THE COMPLEXITY OF HONG KONG. HOW COULD CONTINUITY BE ASSURED WITHOUT DETAILED INFORMATION ABOUT HONG KONG'S COMPLEX SOCIETY? THERE WERE SOME IMPORTANT MATTERS WHICH WOULD BE COVERED BY THE AGREEMENT, FOR EXAMPLE LAND LEASES, PUBLIC ORDER AND SECURITY, THE ISSUE OF BANK NOTES AND PERSONNEL MATTERS, BUT WHICH NEEDED STUDY AND CONCRETE CONSULTATION ON THE SPOT BEFORE THEY COULD POSSIBLY BE SOLVED. THIS WORK EVIDENTLY COULD NOT BE DONE THROUGH DIPLOMATIC CONTACTS IN PEKING. WITH OBJECTIVE CONSIDERATION, IT WAS NOT DIFFICULT TO SEE THAT CHINESE IDEAS WERE REALISTIC, REASONABLE AND IN THE INTEREST OF BOTH SIDES. OF COURSE, THE NAME, TASKS AND FUNCTIONS OF THE JOINT GROUP COULD BE FURTHER DEFINED THROUGH CONSULTATION IF WE THOUGHT IT NECESSARY.

11. ZHOU THEN SAID THAT DENG HAD STATED THAT IT COULD BE WRITTEN IN THE TEXT OF THE AGREEMENT THAT THE JOINT GROUP WOULD BE ESTABLISHED IN HONG KONG, BUT THAT A VERBAL UNDERSTANDING COULD BE REACHED THAT IT SHOULD MEET IN PEKING, LONDON AND HONG KONG, AND THAT AT THE TIME YOU HAD AGREED TO PROCEED WITH DISCUSSION ON THIS BASIS. BEFORE LEAVING PEKING YOU HAD INDICATED THAT YOU WOULD GIVE POSITIVE CONSIDERATION TO THIS PROPOSAL AND MAKE AN EARLY RESPONSE. THE CHINESE SIDE EXPECTED THAT WE WOULD ADOPT A POSITIVE, AND NOT A PASSIVE, ATTITUDE TO THIS QUESTION SO THAT OBSTACLES IN THE WAY OF THE TALKS COULD SOON BE REMOVED.

12. ZHOU WENT ON TO REFER TO DENG'S REMARKS ABOUT THE IMPORTANCE OF HONG KONG PEOPLE PROGRESSIVELY PARTICIPATING IN THE ADMINISTRATION OF HONG KONG DURING THE TRANSITION PERIOD. THIS WAS A MAJOR POINT THAT WOULD ENSURE AGAINST DISTURBANCES AND DISCONTINUITY IN 1997. THE CENTRAL GOVERNMENT WOULD SEND NO PEOPLE TO HONG KONG WHEN THE TIME CAME AND CANDIDATES WOULD BE CHOSEN IN HONG KONG. 13 YEARS WOULD PASS QUICKLY AND IT TOOK TIME TO TRAIN THE COMPETENT PEOPLE, SO, BEGINNING NOW, YOUNGER PEOPLE SHOULD BE SELECTED - THIS COULD BE DONE JOINTLY - AND THE ONLY CRITERION FOR THEIR SELECTION WAS THAT THEY SHOULD SUPPORT CHINA'S RESUMPTION OF SOVEREIGNTY. HE REPEATED THAT THIS WAS A MAJOR POINT. IT WAS IMPORTANT TO HANDLE IT WELL, THROUGH SERIOUS CONSULTATIONS DURING THE TRANSITION PERIOD, IN ORDER TO ENSURE A SMOOTH TRANSFER IN 1997. CONCRETE MATTERS COULD BE DECIDED ON BY THE JOINT GROUP WHILE THE RELEVANT

COULD BE DECIDED ON BY THE JOINT GROUP WHILE THE RELEVANT PRINCIPLES COULD BE INCLUDED IN THE AGREEMENT.

13. I THEN SPOKE AS INSTRUCTED, BEGINNING WITH A GENERAL STATEMENT AND THEN COVERING THE AGREEMENT, THE TIMETABLE, AND ITEM 2. DETAILS ARE IN MY TELNO 812 (NOT TO TOKYO). IN RESPONDING TO THE POINTS IN PARAGRAPH 11 ABOVE I SAID:

QUOTE BEFORE HE LEFT PEKING, SIR G HOWE EXPRESSED HIS WILLINGNESS TO EXAMINE CONSTRUCTIVELY THE PROPOSAL OF CHAIRMAN DENG XIAOPING THAT THERE MIGHT BE A JOINT GROUP WHICH MIGHT MEET IN HONG KONG, PEKING AND LONDON. HOWEVER, IN ORDER TO GIVE THIS PROPOSAL DETAILED CONSIDERATION WE WISH TO HAVE A CLEARER IDEA OF THE MATTERS ABOUT WHICH THE CHINESE SIDE BELIEVE THAT CONSULTATION WOULD BE DESIRABLE AND THE REASONS FOR CONSULTATION ON THEM: BETWEEN WHOM DO THE CHINESE SIDE ENVISAGE SUCH CONSULTATION TAKING PLACE AND IN PARTICULAR WHAT KIND OF PEOPLE WOULD BE INVOLVED IN EACH CASE? WE SHOULD ALSO BE GRATEFUL TO KNOW AT WHAT STAGE IN TIME CONSULTATION ON SUCH MATTERS WOULD OCCUR.

UNQUOTE

I CONCLUDED THAT WE WOULD STUDY ZHOU'S OWN STATEMENT CAREFULLY AND MIGHT RESPOND TO IT TOMORROW.

14. ZHOU RESPONDED BRIEFLY. EACH SIDE HAD REVIEWED THE UNDERSTANDING REACHED DURING YOUR VISIT, BUT IT SEEMED THERE WERE DIFFERENCES OF UNDERSTANDING ON SOME SPECIFIC ISSUES. IT WAS POSSIBLE HE WOULD COMMENT ON SOME IMPORTANT POINTS IN MY STATEMENT TOMORROW. HE NOTED THAT I HAD SPOKE FURTHER ABOUT BOTH THE BRITISH AND CHINESE DRAFT AGREEMENTS. IT WAS ALSO POSSIBLE THAT TOMORROW HE WOULD RESPOND TO THIS AND ELABORATE FURTHER ON THE CHINESE DRAFT. HE REPEATED THAT THE CHINESE SIDE ATTACHED IMPORTANCE TO ARRANGEMENTS IN THE TRANSITION PERIOD. HIS INITIAL IMPRESSION FROM MY STATEMENT WAS THAT OUR REACTION TO CHINESE IDEAS WAS STILL FAR FROM POSITIVE. HE WOULD ELABORATE FURTHER ON THE CHINESE POSITION TOMORROW AND WOULD EXPECT US TO TAKE A MORE POSITIVE AND COOPERATIVE ATTITUDE.

15. COMMENT FOLLOWS IN MIFT.

EVANS

CCN: PARA 11 LINE 6 WA AGREED TO PROCEED

PS  
PS/PUS/SIR J. BULLOCK  
PS/MR LUCE  
MR WILSON  
HD/HKD  
HD/FED  
LADY YOUNG  
SIR W HARDING  
~~RESIDENT CLERK~~

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

SECRET

DESKBY 271100Z FOR FCO AND TOKYO

ADVANCE COPY  
IMMEDIATE

FROM PEKING 271035Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 811 OF 27/4/84

INFO HONG KONG AND TOKYO (FOR PS/SOSEFA)

*Mr G...  
f-a*

MIPT:

FUTURE OF HONG KONG: 13 TH ROUND: FIRST DAY:

COMMENT  
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1. THE STATEMENT FROM BOTH SIDES THIS MORNING WERE GENERAL ONES, INTENDED TO GET ON RECORD EACH SIDE'S INTERPRETATION OF WHAT HAD BEEN AGREED DURING YOUR VISIT. NEITHER SIDE ATTEMPTED TO BROACH ANY ITEM 1 SUBJECTS. ZHOU NAN WAS AT PAINS TO STRESS THE MOMENTUM WHICH YOUR VISIT HAD GIVEN TO THE TALKS (HE TALKED OF A NEW PHASE), WITH THE IMPLICATION THAT AN EARLY AGREEMENT SHOULD BE POSSIBLE.

2. ZHOU CONFIRMED CHINESE AGREEMENT TO THE TIMETABLE WHICH WE HAVE PROPOSED, REPRESENTING IT AS A CONCESSION TO OUR VIEWS. HE SOUGHT TO ESTABLISH THE MOST FAVOURABLE INTERPRETATION OF WHAT HAD BEEN AGREED, MENTIONING THE CONCLUSION OF AN AGREEMENT "BEFORE" SEPTEMBER, A PARLIAM-ENTARY DEBATE "IMMEDIATELY" AFTER PARLIAMENT RECONVENED IN OCTOBER, AND SIGNATURE "WELL" BEFORE THE END OF THE YEAR. HE ALSO SAID IT HAD BEEN AGREED THAT THE DRAFT AGREEMENT SHOULD BE INITIALLED BEFORE PUBLICAION.

3. ZOHOU SUGGESTED THAT IT SHOULD BE RELATIVELY EASY FOR THE TWO SIDES TO AGREE ABOUT THE FORM OF THE AGREEMENT. HE CONFIRMED THAT THE AGREEMENT AND ANNEXES WOULD BE EQUALLY VALID AND BINDING. HE EMPHASISED DENG'S

LAST FOR THE TWO SIDES TO AGREE ABOUT THE FORM OF THE AGREEMENT. HE CONFIRMED THAT THE AGREEMENT AND ANNEXES WOULD BE EQUALLY VALID AND BINDING. HE EMPHASISED DENG'S STATEMENTS THAT THE AGREEMENT SHOULD DEAL ONLY WITH MATTERS OF PRINCIPLE. HE CONFIRMED THAT THE ANNEX COULD DEAL WITH SOME MATTERS IN MORE SPECIFIC TERMS, BUT DID NOT CONFIRM THAT ALL MATTERS AGREED IN THE TALKS SHOULD BE COVERED IN THE ANNEXES.

4. ZHOU SAID THAT THE CHINESE HOPED TO PROVIDE THEIR OWN FULL DRAFTS OF THE EXCHANGE OF NOTES AND THE PROTOCOL AROUND THE TIME OF THE 14TH ROUND, AS A BASIS FOR FURTHER TALKS. HE DID NOT CHALLENGE OUR STATEMENT THAT BOTH DRAFTS SHOULD BE DISCUSSED, BUT MAY WELL SAY MORE ON THIS TOMORROW.

5. ON ITEM 2, ZHOU ARGUED STRONGLY AND AT LENGTH IN FAVOUR OF THE CHINESE PROPOSAL FOR A JOINT GROUP IN HONG KONG. MOREOVER, AS REPORTED IN MY TEL NO 4 TO TOKYO, HE CALIMED THAT DENG XIAOPING HAD SAID SOMETHING DIFFERENT ON THIS SUBJECT FROM OUR UNDERSTANDING OF WHAT HE SAID AND EXAGGERATED THE DEGREE OF COMMITMENT YOU HAD GIVEN IN SPEAKING TO DENG. ZHOU ALSO PICKED OUT DENG'S POINTS THAT ONE OF THE TASKS DURING THE TRANSITION PERIOD WOULD BE TRAINING PERSONS IN HONG KONG TO ASSUME THE CONDUCT OF GOVERNMENT AFTER 1997, AND THAT SUCH PERSONS SHOULD BE SELECTED JOINTLY.

6. I SHALL TOMORROW USE THE PREPARED MATERIAL ABOUT GOVERNMENT STRUCTURE ( INCLUDING THE PUBLIC SERVICE ) , NATIONALITY, CIVIL AVIATION AND INTERNAL SECURITY. I SHALL ALSO PUT DOWN A MARKER ON LAND.

EVANS

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ECL

26 April 1984

Foreign and Commonwealth Secretary's  
Visit to Hong Kong

Thank you for your letter of 24 April to John Coles reporting on the Foreign and Commonwealth Secretary's visit to Hong Kong, which the Prime Minister has seen and noted.

David Barclay

Roger Bone, Esq.,  
Foreign and Commonwealth Office.



SECRET



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de

10 DOWNING STREET

*From the Private Secretary*

25 April 1984

Future of Hong Kong : Foreign and Commonwealth  
Secretary's Visit to Peking

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Thank you for your letter of 19 April  
to John Coles on the above subject. The Prime  
Minister has seen and noted its contents.

David Barclay

R.B. Bone, Esq.,  
Foreign and Commonwealth Office,

SECRET

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Foreign and Commonwealth Office  
LONDON SW1A 2AH

Prime Minister (4)

PRIME MINISTER

THE FUTURE OF HONG KONG

I have pleasure in enclosing a copy of the statement  
on the future of Hong Kong made by the Foreign and  
Commonwealth Secretary in the territory on Friday 20 April.

2. I am copying this minute to all members of the  
Cabinet and Law Officers, and to the Lord Advocate and  
Solicitor-General.

Richard Luce  
24 April 1984



24 APR 1984

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25 APR 1984

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Statement by  
the Secretary of State  
for  
Foreign and Commonwealth Affairs  
in Hong Kong

20th. April 1984

STATEMENT BY THE SECRETARY OF STATE  
FOR FOREIGN AND COMMONWEALTH AFFAIRS  
IN HONG KONG, 20 APRIL 1984

As you know, I have just come from three days of meetings with Chinese leaders in Peking. I spent most of my time there in discussions about the future of Hong Kong. Before answering your questions, I should like to say something about the way in which the British Government is approaching these important negotiations.

Let me say, right at the start, that I am very much aware of the problems and anxieties for the people of Hong Kong which arise from the confidentiality of the negotiations. I greatly appreciate the patience which they have shown. The negotiations are still in progress. And confidentiality is important for their success. So I do not propose today to go into detail about what is being discussed. A number of important points still have to be settled. But I should like to tell you how I see the situation and the likely way ahead.

Formal discussions about the future of Hong Kong were started in September 1982, when the Prime Minister visited Peking. We then agreed with the Chinese Government to enter into talks through diplomatic channels, with the common aim of maintaining the prosperity and stability of Hong Kong. When we started

/those

those talks, it was our intention to remove the uncertainty over the future of the territory. That remains our intention. The uncertainty arises from the fact that the lease on 92 percent of the territory is due to expire in 1997. It was and still is our intention to work out arrangements for the future that will be in the best interests of the people of Hong Kong. The expiry of the lease is a fact we could not and cannot ignore.

I want to emphasise that throughout the talks we have kept in close contact with the Governor and with members of the Executive Council. Through them, through the Legislative Council, and through visits to Hong Kong by British Ministers (most recently by Mr Luce), we have kept in touch with a wide range of opinion here. The hopes and aspirations of the people of Hong Kong have been very much in our minds. Our chief concern has been to preserve the way of life of Hong Kong, a way of life which lies at the heart of the territory's success. We know that the preservation of that way of life depends upon continuity: continuity in the essentials of the legal, economic, social and administrative systems: and maintenance of the freedoms that people in Hong Kong now enjoy.

I spoke about this in a debate in the House of Commons only a few weeks ago. I pointed out then that continuity in Hong Kong is at present assured by

/British



British administration. The terms of an agreement between the British and Chinese Governments still have to be worked out. But it is right for me to tell you now that it would not be realistic to think of an agreement that provides for continued British administration in Hong Kong after 1997. For that reason, we have been concentrating on other ways of securing the assurances necessary for the continuity of Hong Kong's stability, prosperity and way of life.

I believe there is a basis on which this can be achieved. The Chinese Government have made it clear publicly that they recognise the special circumstances of Hong Kong, and that they want its social and economic systems and lifestyle - in many ways so different from those of mainland China - to remain unchanged. We share with the Chinese Government the strongest possible common interest in that objective. Our approach to the talks has, therefore, been to examine with the Government of China how it might be possible to arrive at arrangements that would secure for Hong Kong, after 1997, a high degree of autonomy under Chinese sovereignty, and that would preserve the way of life in Hong Kong, together with the essentials of the present systems.

With this in mind, the British Government's objectives are clear: a framework of arrangements that will provide for the maintenance of Hong Kong as

a flourishing and dynamic society: and an agreement in which these arrangements will be formally recorded.

I believe that the British and Chinese Governments share a desire to see the continuation in Hong Kong of a society which enjoys its own economic and social systems and distinct way of life, and which offers a service to the world as an industrial, commercial and financial centre. Against that background, it is possible to foresee a situation in which Hong Kong would, as part of China, enjoy a high degree of autonomy. In such a situation, that autonomy would extend to administration, the making of laws, the maintenance of Hong Kong's own familiar system of justice, and responsibility for public order in the territory. Under such arrangements, the laws of Hong Kong, including the written and common law, would be based upon the present system: existing freedoms would be maintained - freedom from arbitrary arrest, freedom of religion, assembly and speech, freedom of travel, and freedom of the Press. Hong Kong would manage its own public finances, within which taxes levied in Hong Kong would, as now, be employed in Hong Kong for the benefit of Hong Kong people. And, under such arrangements, Hong Kong's extensive and direct economic relationships with the world would continue. Hong Kong would remain an important participant in regional and world economic organisations. And there would be a

place for outside people, from Britain and elsewhere, to go on making a contribution to life in Hong Kong. Hong Kong would maintain its cultural life and links with the outside world.

The Chinese Government have made it clear publicly that they see the administration of Hong Kong, after 1997, as being in the hands of Hong Kong people themselves. This would follow a process of development which I am glad to say is already under way, and which I expect to evolve further. During the years immediately ahead, the Government of Hong Kong will be developed on increasingly representative lines.

I recognise and understand that the prospect of change causes real concern. My contacts here in the last two days have borne this in upon me very clearly. It is natural that people are anxious to know what the future will hold. We listen carefully to the views of Hong Kong people and take full account of those views in the negotiations. My discussions with the Chinese leaders have convinced me that they want the Hong Kong systems to remain fundamentally as they are. We have stressed all along the need for firm assurance that arrangements for Hong Kong's continuing prosperity and stability based on effective autonomy, will continue. The Chinese Government have made it clear publicly that they intend such arrangements to last for at least fifty years from 1997. We are working for an agreement

/which

which will enshrine that principle of continuity for this unique society.

As I said, we are still negotiating. Several points of substance remain to be resolved. I cannot anticipate the details of an eventual agreement. We are working to a programme which takes account both of Chinese wishes and of all our own requirements. The agreement which is reached must be such that we can commend it to Parliament. I know very well that people in Hong Kong will need to know the terms of the agreement and have time to express their views. And Parliament itself will need time to reflect and take account of those views.

Let me then sum up. These are complex and difficult negotiations. We are still some way from an agreement. But a good deal of progress has been made. And there is a will on both sides to bring our work to fruition in an agreement, which will ensure the stability and prosperity of Hong Kong. I can assure you that, for the British Government, this remains a prime objective.





Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister<sup>(2)</sup>

24 April 1984

Jew John

JMB  
24/4

mt

Foreign and Commonwealth Secretary's Visit to Hong Kong

/ I enclose a copy of the Foreign Secretary's statement  
/ of 20 April in Hong Kong, with copies of Hong Kong telnos  
/ 1090, 1099 and 1102 giving reactions there, and 1078, 1079  
/ 1088 and 1089 giving accounts of his meetings with EXCO and  
/ UMELCO, and 1091 giving an assessment of the visit. You may  
find the following brief summary of the main points helpful.

Sir Geoffrey Howe's statement on 20 April outlining Britain's aims in the talks and making it clear that continued British administration after 1997 was unlikely to be attainable, was received relatively calmly in Hong Kong. The message was unpalatable but the lifting of the veil has been welcomed. Comment in the Hong Kong press has been sober and generally favourable. The Hang Seng Index went down 45 points on Tuesday 24 April; this is little more than the gain it showed in the previous week. The Governor has nevertheless commented that underlying concern remains. He believes that attention will now focus particularly on such sensitive issues as nationality, the right of settlement in the UK and assurances to the public service and the police.

The reaction in the mainland Chinese press has been limited to reprinting sections of Sir Geoffrey Howe's speech without comment. The Hong Kong Communist press has taken a broadly favourable line.

Sir Geoffrey briefed EXCO on his talks with Chinese leaders and outlined his thinking on the way ahead. He also briefed the Unofficial Members of EXCO and LEGCO (UMELCO) in more general terms. The Unofficials expressed appreciation for Sir Geoffrey's firmness in pressing the British case in Peking. They argued that the British draft agreement should be our bottom line, and that we should resist Chinese interference in Hong Kong before 1997. Sir S Y Chung said that he believed that HMG attached too much importance to the Chinese deadline of September 1984. On nationality, both EXCO and UMELCO took a very strong line. Some of them

/agreed



agreed that, while HMG has the right to dispose of British territory, we cannot abandon British nationals who live there to Communist rule, against their will. There will clearly be continued pressure on this issue.

On the way ahead, Sir Geoffrey said that we should be ready to change the form of the agreement without changing the content. The crucial thing would be to secure the inclusion of our points of substance and ensure that obligations undertaken by HMG are matched by obligations on the Chinese side. He said that HMG would need freedom to operate tactically within the agreed strategy and could not consult with EXCO on every tactical point. The Unofficials appeared to accept this, on the understanding that at the end of the day they would have to consider whether the final package was acceptable. If they found it unacceptable and HMG nevertheless went ahead, they would wish to make their position public.

We are providing separately a line to take for the Prime Minister for questions in the House on 25 April.

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

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GRS 550

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DESKBY 231330Z

FM HONG KONG 231130Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1102 OF 23 APRIL

INFO IMMEDIATE SEOUL (FOR PS/SOFS) DESKBY 231300Z

AND PEKING DESKBY 240100Z

FUTURE OF HONG KONG: SECRETARY OF STATE'S STATEMENT AND PRESS CONFERENCE:

THE SECRETARY OF STATE'S STATEMENT ON THE FUTURE HAS TAKEN HONG KONG THROUGH A DIFFICULT AND SENSITIVE STAGE. THE MESSAGE WHICH IT HAD TO CONVEY - THAT BRITISH ADMINISTRATION MUST END IN 1997 - WAS A HIGHLY UNPALATABLE ONE. WHATEVER THE ASSURANCES THE UK MIGHT BE SEEKING THE FUTURE STATUS HE HAD TO OUTLINE FOR HONG KONG IS ONE WHICH CAUSES DEEP CONCERN AND ANXIETY HERE. OUR SOUNDINGS OVER THE WEEKEND INDICATE GENERAL RECOGNITION THAT BY WELL-JUDGED CONTENT AND CAREFUL AND SERIOUS PRESENTATION THE MESSAGE WAS VERY EFFECTIVELY CONVEYED. IT IS WITH SOME RELIEF THAT I CAN RECORD THAT IT HAS BEEN RECEIVED MORE CALMLY THAN MIGHT HAVE BEEN EXPECTED.

2. SOME HAVE REGARDED THE CONTENT AS LITTLE MORE THAN CONFIRMATION OF WHAT WAS ALREADY KNOWN. OTHERS HAVE SEEN IN IT IMPORTANT DISCLOSURES AND HAVE RECOGNISED THE IMPORTANCE OF THE FACT THAT WHAT WAS SURMISE BEFORE HAS NOW BEEN STATED AUTHORITATIVELY AT SENIOR MINISTERIAL LEVEL. EVEN THOUGH THE MESSAGE IS SO UNPALATABLE THE LIFTING OF THE VEIL HAS BEEN WELCOMED.

3. IT WILL NOT BE POSSIBLE TO JUDGE THE EFFECTS IN THE FINANCIAL MARKETS AND ON THE SHARE INDEX UNTIL THE END OF THE WEEK. THERE COULD WELL BE A DROP WHEN THE MARKETS OPEN TOMORROW. WHETHER, AS SOME ARE PREDICTING, ANY FALLS WILL SOON BE REVERSED REMAINS TO BE SEEN.

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4. BUT EVEN THOUGH, ON FIRST INDICATIONS, THE PURPOSE OF THE UNVEILING HAS BEEN WELL ACHIEVED, THERE IS NO DOUBT ABOUT THE CONTINUING UNPALATABILITY OF THE MESSAGE. THE DEEP DISTRUST OF THE COMMUNISTS, AND LACK OF FAITH IN THEIR PROMISES, REMAINS. SOME, WHO HAVE TO STAY ANYWAY ARE SHOWING READINESS TO ACCEPT THAT THEY WILL HAVE TO DO THEIR BEST TO MAKE ANY NEW ARRANGEMENTS WORK. OTHERS WHO CAN LEAVE ARE NOW RESIGNED TO HAVING TO LOOK MORE ACTIVELY FOR WAYS OF DOING SO. THEY ARE PROFESSIONALS AND BUSINESSMEN WHOM HONG KONG CAN ILL-AFFORD TO LOSE.

5. THE AUTHORITATIVE STATEMENT THAT THERE IS NOW A TERM TO BRITISH ADMINISTRATION IS ALREADY FOCUSING ATTENTION MORE SHARPLY ON THE MEANING OF HMG'S COMMITMENT TO HONG KONG IN CONNEXION WITH A NUMBER OF HIGHLY SENSITIVE AND EMOTIVE ISSUES, SUCH AS NATIONALITY AND THE RIGHT OF SETTLEMENT IN THE U.K., ASSURANCES TO THE PUBLIC SERVICE AND THE POLICE ETC. IT HAS ALREADY BEEN NOTED THAT THE SECRETARY OF STATE HAD NOTHING TO SAY ON THESE ISSUES.

6. THIS ASSESSMENT IS BASED ON FIRST REACTIONS OVER THE WEEKEND. I WILL SEND A FURTHER ASSESSMENT DURING THE WEEK.

YOUDE

## FUTURE OF HONG KONG

LIMITED

ED/HKD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

PES.B. (MR WALKER)

LEGAL ADVISER (MR FREBLAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/FUS

SIR J BULLARD

SIR W HARDING

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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 K196

SIR P CRADOCK NO 10 DOWNING STREET

SECRET -2-

GR 1200

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DESKBY 210900Z

FM HONG KONG 210425Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1099 OF 21 APRIL

INFO IMMEDIATE PEKING ROUTINE HONG KONG GOVERNMENT OFFICE LONDON  
FOR HONG KONG GOVT REPS BRUSSELS WASHINGTON NEW YORK GENEVA

RESIDENT CLERK PLEASE PASS TO PS/MR LUCE

FUTURE OF HONG KONG: PRESS COVERAGE

SUMMARY

1. THE SECRETARY OF STATE'S PRESS CONFERENCE AND COMMENT ON IT COMPLETELY DOMINATED ALL SECTORS OF THE PRESS AS WELL AS TV AND RADIO NEWS. A NUMBER OF SPECIAL TV AND RADIO DISCUSSION PROGRAMMES WERE ORGANISED. THE SECRETARY OF STATE'S REMARK IN HIS OPENING STATEMENT TO THE EFFECT THAT BRITISH ADMINISTRATION AFTER 1997 WAS NOT A REALISTIC PROSPECT RECEIVED THE MOST ATTENTION. COMMENT BOTH IN EDITORIALS AND FROM THE LARGE NUMBER OF PUBLIC FIGURES WHO WERE INTERVIEWED, WAS GENERALLY FAVOURABLE, ALTHOUGH THERE WERE SOME GLOOMY EXCEPTIONS, NOTABLY THE RIGHT-WING AND PRO-TAIWAN PRESS.

DETAIL

(A) COVERAGE

2. MANY PAPERS INCLUDING BOTH MAJOR COMMUNIST PAPERS, CARRIED THE FULL TEXTS OF SECRETARY OF STATE'S STATEMENT AND THE TRANSCRIPT OF THE QUESTION AND ANSWER SESSION. HEADLINES FOCUSED ON THE PASSAGE INDICATING THAT IT WAS NOT REALISTIC TO THINK IN TERMS OF BRITISH ADMINISTRATION AFTER 1997. MING PAO AND SING TAO DAILY (ALL INDEPENDENT) HIGHLIGHTED THE REMARKS ABOUT SEEKING ASSURANCES OF CONTINUITY: ORIENTAL DAILY (INDEPENDENT) SAID IN ITS HEADLINE THAT THE TALKS WERE AIMING FOR AN AGREEMENT ENSHRINING THE PRINCIPLE OF HONG KONG PEOPLE TO RUN HONG KONG. THE MAJOR COMMUNIST NEWSPAPER HEADLINES READ QUOTE SIR GEOFFREY INDICATES THAT BRITAIN DOES NOT INSIST ON SOVEREIGNTY: AN AGREEMENT WILL PRESERVE EXISTING SYSTEMS IN HONG KONG UNQUOTE. (WEN WEI PO) AND QUOTE BRITISH FOREIGN SECRETARY FORMALLY ANNOUNCES THAT BRITAIN WILL NO LONGER CONTROL HONG KONG AFTER 1997 UNQUOTE. MORE PESSIMISTIC NOTES WERE STRUCK BY THE SING PAO (INDEPENDENT) QUOTE BRITAIN ABANDONS HONG KONG UNQUOTE AND BY THE RIGHT WING AND PRO-TAIWAN PRESS. THE KUNG SHEUNG DAILY SAID THAT BRITAIN WAS ABANDONING SOVEREIGNTY WITH NO GUARANTEE THAT THINGS WOULD REMAIN THE SAME FOR 50 YEARS. THE NEW CHINA NEWS AGENCY PUT OUT A DESPATCH IN THE ENGLISH LANGUAGE SERVICE QUOTING WITHOUT COMMENT EXTENSIVE EXTRACTS FROM THE SECRETARY OF STATE'S STATEMENT. THE ENGLISH LANGUAGE AND A NUMBER OF INDEPENDENT PAPERS NOTED THE APPEARANCE OF THE NCNA DESPATCH.

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### COMMENT

3. 14 PAPERS COMMENTED ON THE PRESS CONFERENCE. THERE WAS NO(NO) EDITORIAL COMMENT IN EITHER OF THE MAJOR COMMUNIST PAPERS. THE MING PAO (INDEPENDENT) SAID THAT THE SECRETARY OF STATE HAD MADE THE GREATEST POSSIBLE DISCLOSURE WITHOUT VIOLATING THE PRINCIPLE OF CONFIDENTIALITY. THE BRITISH GOVERNMENT DID UNDERSTAND THE WISH OF LOCAL PEOPLE TO MAINTAIN HONG KONG'S EXISTING SYSTEMS. BRITAIN HAD STRIVED TO MAINTAIN BRITISH ADMINISTRATION AFTER 1997 BUT THIS HAD BEEN OPPOSED BY CHINA. THE SING PAO (INDEPENDENT) SAID THAT THE DIE WAS CAST IN THE FORM OF A HIGH DEGREE OF AUTONOMY UNDER CHINESE SOVEREIGNTY, BUT THE DETAILS WERE STILL SHROUDED IN FOG. AUTONOMY WAS SUBJECT TO DIFFERENT INTERPRETATIONS BY BRITAIN AND BY CHINA. THE HONG KONG DAILY NEWS (INDEPENDENT) WELCOMED THE FACT THAT, AS A RESULT OF THE PRESS CONFERENCE, HONG KONG'S FUTURE WAS NOW CLEARER. THIS WOULD HELP REDUCE SPECULATION ON THE STOCK MARKETS. PEOPLE SHOULD NOT WORRY THAT AN AGREEMENT SIGNED BY BRITAIN AND CHINA WOULD BE CHANGED. THE FINANCIAL DAILY (INDEPENDENT) DOUBTED WHETHER BRITAIN COULD SECURE A TRULY BINDING INTERNATIONAL AGREEMENT BECAUSE THIS WOULD CONFLICT WITH CHINA'S PLAN TO DRAW UP A BASIC LAW FOR HONG KONG AS A SPECIAL ADMINISTRATIVE REGION OF CHINA. THE REMAINING WORK WAS AN ENORMOUS CHALLENGE TO BOTH SIDES AND WOULD REQUIRE WISDOM AND MUCH DIPLOMATIC MANOEUVRING.

4. THE EXPRESS (RIGHT WING) SAID THAT NO MATTER HOW OPTIMISTIC THE SECRETARY OF STATE HAD BEEN, THE DIE WAS NOW CAST ON SOVEREIGNTY AND ADMINISTRATION. HONG KONG PEOPLE WOULD NO LONGER REGARD THE BRITISH AS BEING ON THEIR SIDE, AND THE MUTUAL TRUST BETWEEN LOCAL PEOPLE AND THE HONG KONG GOVERNMENT WOULD DISAPPEAR. THE REACTIONS OF THE CIVIL SERVICE AND THE DISCIPLINED SERVICES IN PARTICULAR WOULD BE VERY IMPORTANT: THERE WAS A DANGER THAT HONG KONG WOULD BECOME DIFFICULT TO GOVERN. THE PRO-TAIWAN HONG KONG TIMES SAID THE HONG KONG PEOPLE WERE DISAPPOINTED BY BRITAIN'S WEAK POSITION. THE PEKING GOVERNMENT, THROUGH THEIR PRESSURE TACTICS, HAD GAINED A GREAT DEAL AND GIVEN ONLY EMPTY PROMISES.

5. THREE MINOR LEFT-WING PAPERS COMMENTED EDITORIALY. THE CHING PO SAID THAT THE SECRETARY OF STATE HAD IN EFFECT CONFIRMED THE SERIES OF POLICIES ADOPTED BY CHINA IN RESOLVING THE HONG KONG QUESTION. MOST PEOPLE WANTED TO SEE CHINA RECOVER SOVEREIGNTY AND ADMINISTRATIVE RIGHTS OVER HONG KONG IN 1997. BRITAIN SHOULD TAKE PRACTICAL STEPS TO MAINTAIN HONG KONG'S STABILITY AND PROSPERITY AND MUST NOT ALLOW ANY UNREST TO DEVELOP. THE CENTRE DAILY SAID THAT BROAD PRINCIPLES HAD NOW BEEN SETTLED SINCE BRITAIN HAD CLEARLY INDICATED ITS DECISION TO GIVE UP SOVEREIGNTY AND ADMINISTRATION. IT SHOULD THEREFORE BE POSSIBLE TO CONCLUDE ON AN AGREEMENT BEFORE LONG. ANY DELAY WOULD BE HARMFUL. THE 'POINTS OF SUBSTANCE' WHICH SIR G. HOWE HAD SAID REMAINED TO BE CLEARED UP WERE NOT MATTERS OF BROAD PRINCIPLE. THE TALKS SHOULD THEREFORE BE SPEEDED UP. THE TIN TIN

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DAILY SAID THAT BRITAIN'S DECISION TO GIVE UP SOVEREIGNTY AND ADMINISTRATION WAS WISE AND COOL HEADED. WITH THIS MAJOR QUESTION SETTLED, HONG KONG COMPATRIOTS SHOULD JOIN HANDS WITH CHINA TO WORK FOR HONG KONG'S GREATER PROSPERITY. THE TA KUNG PAO (COMMUNIST) CARRIED A NEWS ANALYSIS COLUMN, WHICH OBSERVED THAT THE SECRETARY OF STATE'S REMARKS ON SOVEREIGNTY AND ADMINISTRATION HAD ATTRACTED MUCH ATTENTION. IT ALSO NOTED THAT THE SECRETARY OF STATE WAS QUOTE BASICALLY OPPOSED TO UNQUOTE A REFERENDUM.

6. THE WEN WEI PO CARRIED A DETAILED ACCOUNT OF A MEETING BETWEEN LOCAL UNIVERSITY STUDENTS AND XU JIATUN, DIRECTOR OF NCNA, HONG KONG. XU WAS QUOTED AS HAVING SAID THAT THERE WERE TWO ASPECTS OF THE HONG KONG FUTURE ISSUE: THE REUNIFICATION OF CHINA AND THE MANNER IN WHICH HONG KONG WAS TO BE ADMINISTERED AFTER 1997. THE FIRST WAS A SUBJECT FOR THE NEGOTIATIONS WITH BRITAIN. THE SECOND WAS A CHINESE INTERNAL AFFAIR. CHINA HAD ALREADY NOTIFIED BRITAIN OF ITS POLICIES IN THIS RESPECT.

7. A WIDE RANGE OF PUBLIC FIGURES WERE INTERVIEWED BY THE PRESS, RADIO AND TELEVISION. UNOFFICIAL LEGCO MEMBERS ALLAN LEE, STEPHEN CHEONG, SELINA CHOW, PAULINE NG AND DR HU KAM-FAI, SIR PETER BLAKER (CHAIRMAN OF THE ANGLO/HONG KONG PARLIAMENTARY GROUP), MR JIMMY MACGREGOR/HONG KONG GENERAL CHAMBER OF COMMERCE), SPOKESMEN FOR MEETING POINT, THE OBSERVERS AND THE HONG KONG BELONGERS PRESSURE GROUPS AS WELL AS A NUMBER OF ACADEMICS ALL WELCOMED THE REMOVAL OF UNCERTAINTY AND SUGGESTED THAT THE STATEMENT GAVE HONG KONG PEOPLE A BASIS ON WHICH THEY COULD WORK TO HELP SAFEGUARD THEIR OWN FUTURE. MR MACGREGOR DID NOT (NOT) THINK THAT THE STOCK MARKETS WOULD REACT STRONGLY WHEN THEY REOPENED AFTER THE HOLIDAY. THE OBSERVERS SPOKESMAN ADDED THAT A CLEARER INDICATION OF HOW THE BRITISH GOVERNMENT INTENDED TO PROMOTE REPRESENTATIVE GOVERNMENT IN HONG KONG WOULD HAVE BEEN WELCOME.

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8. TWO DISTRICT BOARD MEMBERS WERE QUOTED AS SAYING THAT THE STATEMENT HAD NOT REVEALED ENOUGH TO SATISFY HONG KONG PEOPLE. THE REMAINDER WORRIED BECAUSE THE TWO SIDES WERE SOME WAY FROM AN AGREEMENT. LAU CHIN SHEK (LABOUR MOVEMENT ACTIVIST) SAID THAT THE STATEMENT WAS DISAPPOINTING BECAUSE IT HAD FAILED TO INDICATE CLEARLY HOW HONG KONG PEOPLE WERE TO BE PROPERLY CONSULTED. A NUMBER OF COMMENTATORS SAID THAT THE SECRETARY OF STATE'S STATEMENT CONTAINED NOTHING NEW. BUT THIS WAS THE FIRST TIME THAT THESE THINGS HAD BEEN SAID BY THE BRITISH.

YOUDE

FUTURE OF HONG KONG

LIMITED

ED/HKD

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ED/PLANNING STAFF

ED/FUSD

D/ED/FUSD

RES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/ME LUCE

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SIR J BULLARD

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PS/LORD PRESIDENT OF THE COUNCIL

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COPIES TO: (VIA ADR)

MR ROBERTS NEWS D

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MR MARTIN ASSESSMENT STAFF CABINET OFFICE

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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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RESTRICTED

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(6)  
PS/PUS  
PS/MR LUCE  
MR WILSON  
HD/HKD *passed*  
HD/FED  
PS/LADY YOUNG  
SIR W HARDING  
RESIDENT CLERK

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

pa  
ms  
24/4

SECRET

DESKBY 201300Z  
FM HONG KONG 201108Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1091 OF 20 APRIL  
INFO IMMEDIATE PEKING

FOLLOWING FROM PRIVATE SECRETARY: SECRETARY OF STATE'S VISIT TO CHINA AND FUTURE OF HONG KONG

1. YOU WILL HAVE SEEN FROM HONG KONG TELEGRAMS NOS 1078 AND 1079 THE SECRETARY OF STATE'S ASSESSMENT OF HIS VISIT TO PEKING AND HIS VIEWS ON THE IMPLICATIONS FOR OUR STRATEGY AS EXPLAINED TO EXCO.

2. IN THE LIGHT OF HIS VISIT TO PEKING, THE SECRETARY OF STATE BELIEVES WE ARE NOW ENTERING A NEW PHASE IN THE NEGOTIATIONS. THE CHINESE SHIFT OF POSITION ON THEIR DEADLINE, AND OUR AGREEMENT TO WORK FOR A DRAFT TO BE PUBLISHED BY SEPTEMBER, IMPOSES CONSTRAINTS ON BOTH SIDES. IN ORDER TO SEIZE WHATEVER OPPORTUNITY THIS PROVIDES FOR US, WE SHOULD NOW ADOPT A STRATEGY OF GREATER TACTICAL MOBILITY. IT IS CLEAR THAT THE DRAFT AGREEMENT WE TABLED CANNOT SURVIVE IN ITS PRESENT FORM (AS WE KNEW ALL ALONG). BUT THE CHINESE HAVE ACCEPTED BOTH THE CONCEPT OF AN AGREEMENT BINDING ON BOTH SIDES AND THAT AN ANNEX (OR, LESS LIKELY, ANNEXES), WHICH WOULD CONTAIN AT LEAST THE BULK OF POINTS AGREED ON THE BASIS OF OUR WORKING PAPERS, WOULD BE EQUALLY BINDING. OUR DRAFT REMAINS ON THE TABLE TO BE CONSIDERED WITH THAT OF THE CHINESE. INITIALLY WE SHALL NEED TO ARGUE FOR OUR DRAFT, BUILDING UP IN THE PROCESS THE CASE FOR AN AGREEMENT WHICH IS BINDING, HAS MATCHING OBLIGATIONS AND SUFFICIENT DETAIL. BUT WE SHOULD START WORK NOW ON ALTERNATIVE FORMS AND WORDING WHICH, WHILE MEETING OUR ESSENTIAL REQUIREMENTS, WOULD BE MORE LIKELY TO BE ACCEPTABLE TO THE CHINESE. IT MAY BE USEFUL TO START PREPARING THIS WORK IN

TO THE CHINESE. IT MAY BE USEFUL TO START PREPARING THIS WORK IN THE FORM OF MODULES WHICH COULD BE INCORPORATED INTO VARIOUS FORMS OF AGREEMENT.

3. IN THE NEW PHASE OF NEGOTIATIONS, WE SHALL CONTINUE TO WORK WITHIN THE STRATEGIC FRAMEWORK AGREED WITH MINISTERS AND EXCO. WHILE, HOWEVER, KEEPING EXCO FULLY INFORMED OF ALL OUR EXCHANGES WITH THE CHINESE, TACTICAL MANOEUVRABILITY AND THE NEED FOR SPEED MEAN THAT IT WILL NOT BE POSSIBLE TO AGREE IN ADVANCE WITH EXCO ALL THE DETAILED MOVES WE SHALL WANT TO MAKE. THE SECRETARY OF STATE PUT THESE CONSIDERATIONS TO EXCO THIS MORNING. ALTHOUGH, AS THE SEPARATE REPORTING TELEGRAMS SHOW, CONCERN WAS EXPRESSED BY SOME MEMBERS ABOUT ANY MOVE AWAY FROM THE PRESENT DRAFT, HE BELIEVES THAT EXCO, WHILE PRESERVING THEIR POSITION ON THE FINAL OUTCOME, WILL NOT OBJECT TO THE APPROACH HE OUTLINED.

4. ITEM 2 (ARRANGEMENTS IN THE PERIOD BEFORE 1997) WILL CLEARLY NEED TO BE HANDLED WITH GREAT CARE. THE CHINESE IDEA OF A JOINT GROUP HAS OBVIOUS DANGERS, PARTICULARLY IF, AS IN THE ORIGINAL CHINESE SUGGESTION, IT IS ESTABLISHED IN HONG KONG. BUT THERE MAY ALSO BE ADVANTAGES IN SETTING UP SOME FORM OF LIAISON ARRANGEMENT. THIS COULD PROVIDE OPPORTUNITIES FOR EDUCATING THE CHINESE ABOUT THE WAY IN WHICH HONG KONG FUNCTIONS AND, IN PARTICULAR, THE WAY IN WHICH NEARLY ALL DECISIONS ARE TAKEN LOCALLY RATHER THAN IN LONDON. FURTHERMORE, BY ENSURING THAT THE CHINESE ARE KEPT INFORMED ABOUT THE DEVELOPMENT OF INSTITUTIONS IN HONG KONG PRIOR TO 1997, WE MIGHT BE ABLE TO SOME EXTENT TO CONDITION CHINESE THINKING ABOUT THE BASIC LAW. THERE WILL IN ANY CASE BE A NEED FOR CLOSE CONSULTATIONS WITH THE CHINESE IN THE YEARS IMMEDIATELY BEFORE 1997, AND THERE IS A CASE FOR STARTING NOW TO THINK OF WAYS IN WHICH WE CAN START A PROCESS WHICH WILL LATER HAVE TO BECOME A MUCH MORE SIGNIFICANT PART OF OUR EXCHANGES. A PERIPATETIC, GROUP AS SUGGESTED BY DENG, WOULD BE BETTER THAN A STATIC ONE IN HONG KONG. BUT THE IMPLICATIONS OF THAT ALSO NEED TO BE EXAMINED WITH THE GREATEST CARE BEFORE WE MAKE ANY RESPONSE TO THE CHINESE. HONG KONG WILL WORK ON A PAPER COVERING ALL ASPECTS OF THE SUBJECT. MEANWHILE, OUR IMMEDIATE REACTION TO THE CHINESE SHOULD BE TO PROBE FOR A MORE PRECISE DEFINITION OF THE EXACT FUNCTIONS THE CHINESE HAVE IN MIND FOR A JOINT GROUP AND HOW THEY WOULD SEE IT OPERATING.

5. THE SECRETARY OF STATE WILL WISH TO CONSULT MINISTERIAL COLLEAGUES ON HIS CHINA VISIT AND ITS IMPLICATIONS FOR OUR STRATEGY SOON AFTER HE RETURNS FROM KOREA AND JAPAN.

6. A SEPARATE TELEGRAM OF INSTRUCTIONS WILL FOLLOW ON THE HANDLING OF THE NEXT ROUND OF TALKS.

~~SECRET~~

DESKBY 201300Z

FM HONG KONG 201108Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1091 OF 20 APRIL  
INFO IMMEDIATE PEKING

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PS/ATTORNEY GENERAL

SIR P CRADOCK RM K195

SIR P CRADOCK NO 10 DOWNING STREET

SECRET

GR 6000A

UNCLASSIFIED  
DESKBY FCO AND COI 201200Z  
FM HONG KONG 201100Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1090 OF 20 APRIL  
AND TO IMMEDIATE COI  
INFO IMMEDIATE PEKING, WASHINGTON

FOLLOWING IS TRANSCRIPT OF QUESTION AND ANSWER SESSION AT SECRETARY  
OF STATE'S PRESS CONFERENCE.

BEGINS.

TRANSCRIPT OF THE QUESTIONS AND ANSWERS  
AT THE PRESS CONFERENCE HELD BY THE FOREIGN SECRETARY,  
SIR GEOFFREY HOWE, IN THE LEGISLATIVE COUNCIL CHAMBER,  
HONG KONG, APRIL 20, 1984

- Q1. RADIO TELEVISION HONG KONG - STEVE JOHNSON  
CAN THE FOREIGN SECRETARY GIVE ANY KIND OF GUARANTEE  
THAT WHATEVER IS EVENTUALLY WORKED OUT, AT PEKING,  
WILL ACTUALLY STICK, THAT IT WILL NOT BE  
RE-NEGOTIATED, AMENDED OR OVERTURNED, IF THERE IS A  
CHANGE OF GOVERNMENT, EITHER IN PEKING OR IN  
WESTMINSTER?
- A. THE OBJECT OF THE NEGOTIATIONS AS I HAVE SAID, IS TO  
SECURE AGREEMENT OF A FRAMEWORK OF ARRANGEMENTS THAT  
WILL PROVIDE FOR WHAT WE WANT, THE MAINTENANCE OF  
HONG KONG AS FLOURISHING AND DYNAMIC SOCIETY, AND  
FOR THOSE ARRANGEMENTS TO BE INCORPORATED IN AN  
AGREEMENT THAT IS FORMALLY RECORDED, AN INTERNATIONAL  
AGREEMENT BETWEEN THE TWO GOVERNMENTS OF CHINA AND  
THE UNITED KINGDOM, WHICH WOULD THEREAFTER BE BINDING  
MUTUALLY UPON BOTH SIDES.
- Q2. FAR EAST ECONOMIC REVIEW - PHILIP BOWRING  
DURING YOUR DISCUSSINGS IN PEKING, DID CHINA GIVE  
ANY INDICATION AT ALL THAT IT IS WILLING TO AGREE  
TO FORMAL DETAILED RECORDING OF THE ITEMS YOU  
MENTIONED IN PARAGRAPH 8, OF YOUR TEXT HERE, OR TO  
AGREE TO ANY COMMITMENT TO LINK THESE, OR THE  
ACHIEVEMENT OF THESE, TO THE CONTINUATION OF THESE  
TO HONG KONG'S CONTINUED PARTICIPATION IN INTERNATIONAL  
ECONOMIC INSTITUTIONS?

/A. 1 AM

A. I AM NOT READY TO DISCLOSE THE CONTENT OF OUR DISCUSSIONS IN THE COURSE OF NEGOTIATIONS IN PEKING, BUT I HAVE, IN MY STATEMENT, SET OUT THE OBJECTIVES WHICH WE BELIEVE COULD, AND WE WANT TO, ACHIEVE UNDER THE ARRANGEMENTS THAT WE HAVE IN MIND, AND THOSE DO, OF COURSE, INCLUDE CONTINUED PARTICIPATION OF HONG KONG IN INTERNATIONAL RELATIONSHIPS OF THE KIND YOU HAVE IN MIND.

Q3. DIANA LIN, ATV

IN RECENT YEARS THE HONG KONG GOVERNMENT HAS TAKEN IN MANY THOUSANDS OF VIETNAMESE REFUGEES. BRITAIN AND OTHER COUNTRIES FELT A MORAL OBLIGATION TO PROVIDE PERMANENT HOMES FOR THESE PEOPLE WHO WERE FLEEING FROM COMMUNISM. WILL YOUR GOVERNMENT FEEL A SIMILAR OBLIGATION TO PROVIDE RE-SETTLEMENT FOR PEOPLE FROM HONG KONG, IF THEY DECIDE THAT THEY CANNOT STAY ON HERE UNDER A COMMUNIST GOVERNMENT?

A. OUR OBJECTIVES ARE TO SECURE AGREEMENT FOR ALL THE PEOPLE OF HONG KONG, WHICH TAKES ACCOUNT OF ALL THE OBJECTIVES THAT WE HAVE IN MIND- CONTINUED STABILITY AND PROSPERITY FOR THE WHOLE OF HONG KONG, AT LEAST FOR THE PERIOD THAT I HAVE IN MIND, AND, IN SEEKING THOSE OBJECTIVES, OUR PURPOSE IS TO GET AGREEMENT ON THE WAY OF ACHIEVING THAT. I THINK THAT IS THE RIGHT THING TO HAVE IN MIND THROUGHOUT THESE NEGOTIATIONS BECAUSE IF WE ACHIEVE THAT THEN WE ACHIEVE THE CONCLUSIONS THAT WE WANT, A CONTINUATION OF HONG KONG'S WAY OF LIFE, A CONTINUATION OF THE LEGAL, ECONOMIC, SOCIAL AND OTHER CIRCUMSTANCES THAT HELP MAKE UP THAT WAY OF LIFE, IN THAT WAY WE BELIEVE WE SHOULD DO THE BEST WE POSSIBLY CAN TO ACHIEVE THE RESULTS THAT EVERYONE WOULD LIKE IN THOSE CIRCUMSTANCES.

Q4. DIANA LEE - INTERNATIONAL HERALD TRIBUNE, WASHINGTON POST AND ECONOMIST  
SHOULD THE HONG-KONG PEOPLE EXPRESS THE VIEW THAT THE AGREEMENT WAS PARTIALLY OR TOTALLY UNACCEPTABLE, WHAT WILL THE FOREIGN OFFICE DO THEN?

A. ONE OF THE REASONS WHY WE ARE SO ANXIOUS TO CONTINUE AND EXTEND THE PROCESS OF CONSULTATION WHICH HAS ALREADY BEEN TAKING PLACE THROUGH THE METHODS I HAVE DESCRIBED, ONE OF THE REASONS WHY WE WANT TO ENSURE THAT THAT IS FULL AND EFFECTIVE, IS TO ENSURE THAT, AS WE APPROACH THE FINAL STAGES OF THESE NEGOTIATIONS, WE DO SO HAVING FULLY IN MIND THE VIEWS OF PEOPLE IN HONG KONG, THE LIKELY VIEWS OF PARLIAMENT,

SO THAT WE SHALL REACH AN AGREEMENT, IF WE ARE ABLE TO DO SO, THAT WE CAN CONFIDENTLY COMMEND TO THE PEOPLE OF HONG KONG, AND TO PARLIAMENT. THAT MUST BE OUR OBJECTIVE. WE WANT TO REACH A CONCLUSION THAT WE CAN COMMEND AND THAT THE PEOPLE OF HONG KONG, AND PARLIAMENT, WILL REGARD AS ACCEPTABLE.

Q5. TA KUNG PAO, LEE WAI HING

DURING YOUR VISIT IN BEIJING YOU HAD A CHANCE TO TALK WITH CHINESE LEADERS INCLUDING THE CHAIRMAN DENG, PREMIER ZHAO, WOULD YOU GIVE YOUR IMPRESSIONS OF THOSE CHINESE LEADERS YOU HAVE MET, AND IN WHAT WAY YOU FEEL THE CHINESE LEADERS ARE SINCERE TO SOLVE THE 1997 ISSUE, WITH THE AIM OF MAINTAIN THE STABILITY AND PROSPERITY FOR HONG KONG?

A. AGAIN, IT WOULD NOT BE RIGHT FOR ME TO GIVE IMPRESSIONS OF PERSONALITIES, ANY MORE THAN IT WOULD BE RIGHT FOR ME TO GIVE IMPRESSIONS OR DESCRIPTIONS OF THE SUBSTANCE OF THE NEGOTIATIONS, BUT ALL MY MEETINGS IN PEKING WERE VERY BUSINESS-LIKE, CONDUCTED IN A FRIENDLY ATMOSPHERE DIRECTED TO TRYING TO SECURE AGREEMENT OF THE KIND WE BOTH WANT AND THE THING THAT IMPRESSED ME MOST WAS THE JOINT DETERMINATION TO TRY TO REACH THE RIGHT ANSWER TO THIS VERY IMPORTANT QUESTION.

Q6. RADIO HONG KONG, NICK BEACROFT

IT IS A TWO SIDED QUESTION. ONE IS: HOW EXACTLY ARE YOU GOING TO TEST THE OPINION OF HONG KONG PEOPLE? AND, IF THE HONG KONG PEOPLE REJECT YOUR AGREEMENT, WHAT WILL YOU DO THEN?

A. WELL, WE ARE STILL CONSIDERING WHAT ARE THE BEST WAYS IN THE FINAL STAGE AFTER THE AGREEMENT IS PRESENTED TO THE REST OF THE WORLD, INCLUDING OF COURSE HONG KONG, WHAT WILL BE THE MOST EFFECTIVE WAY OF TAKING THE OPINION OF THE PEOPLE OF HONG KONG, AT THAT STAGE. I EMPHASISE, OF COURSE, AS I HAVE SAID ALREADY, THE IMPORTANCE IN THIS CONTEXT OF THE CONTINUING CONSULTATIONS THAT ARE TAKING PLACE, WELL AHEAD OF THE AGREEMENT, BECAUSE THE OBJECTIVE THAT WE MUST HAVE IN MIND IS TO KNOW THE ASPIRATIONS AND THE ANXIETIES AND THE DESIRES OF THE PEOPLE OF HONG KONG NOL. THAT IS ONE OF THE REASONS I AM HERE NOW, THAT IS ONE OF THE REASONS WHY MY MEETING WITH EXCO YESTERDAY, WHICH WAS NOT THE FIRST BUT THE FIFTH, IN ORDER THAT WE CAN TAKE FULL ACCOUNT OF WHAT THE PEOPLE OF HONG KONG WANT IN THE NEGOTIATIONS AND BEFORE WE COME TO THE AGREEMENT. THAT IS THE BASIS ON WHICH WE WILL THEN PRESENT THE AGREEMENT, BELIEVING BY THEN WE HAVE GOT OUT OF THE NEGOTIATIONS THAT WHICH THE PEOPLE OF HONG KONG HAVE INDICATED THAT THEY WANT.

Q7. LUK HON TAK, WEN WEI PO,  
BRITAIN ALWAYS STRESSED THERE IS NO TIME TABLE FOR  
THE TALKS, BUT YOU AGREE THAT IT IS HELPFUL FOR KEEPING  
HONG KONG'S PEOPLE'S CONFIDENCE IF AN AGREEMENT CAN  
BE MADE AS SOON AS POSSIBLE AND DO YOU THINK THERE IS  
A POSSIBILITY TO HAVE A PRELIMINARY AGREEMENT BEFORE  
SEPTEMBER OF THIS YEAR?

A. AS I HAVE SAID, WE ARE WORKING TO A PROGRAMME WHICH  
TAKES ACCOUNT BOTH OF CHINESE WISHES AND OF ALL OF OUR  
OWN REQUIREMENTS, AND I BELIEVE THAT ONE OF THOSE  
REQUIREMENTS, IS ONE OF THE THINGS YOU HAVE MENTIONED,  
NAMELY THE NEED TO REACH AN AGREEMENT AS SOON AS WE  
POSSIBLY CAN. THAT DOESN'T MEAN THAT WE HAVE TO RUSH  
THE NEGOTIATIONS, THAT WOULD BE WRONG. IT MEANS WE  
HAVE TO MAKE SURE WE ARE GETTING THE RIGHT AGREEMENT,  
IT HAS GOT TO HAVE SUFFICIENT CONTENT, AND THE RIGHT  
CONTENT AND THAT ON THAT BASIS, I AM QUITE CERTAIN THAT  
IN ORDER TO REMOVE UNCERTAINTY TO ESTABLISH CONFIDENCE  
ON THE BEST BASIS, WE SHOULD STRIVE TO REACH AN  
AGREEMENT AS SOON AS WE SENSIBLY CAN.

Q8. JILL HARTLEY - SOUTH CHINA MORNING POST  
A POINT OF CLARIFICATION, AT THE BOTTOM OF PAGE  
FOUR OF YOUR STATEMENT YOU SAY THE CHINESE  
GOVERNMENT HAVE MADE IT CLEAR THEY INTEND  
ARRANGEMENTS TO LAST FOR AT LEAST 50 YEARS FROM  
1997, THEN YOU SAY WE ARE WORKING FOR AN AGREEMENT  
WHICH WILL ENSHRINE THAT PRINCIPLE. DOES THAT MEAN  
THAT YOU ARE LOOKING FOR A 50 YEAR AGREEMENT?

A. INDEED THE PRINCIPLE OF CONTINUITY IS THE MOST  
IMPORTANT THING THE PEOPLE OF HONG KONG WANT.  
CONTINUITY IS THE NECESSARY FOUNDATION OF  
CONFIDENCE AND I REFER THERE TO THE CHINESE PUBLIC  
INDICATION OF THE PROSPECT OF 50 YEARS CONTINUATION  
OF PRESENT SYSTEMS AND SO ON, FROM 1997. CLEARLY,  
THAT IS ONE OF THE THINGS THAT WE SHOULD WANT TO SEE EMBODIED  
IN ANY INTERNATIONAL AGREEMENT.

Q9. NICK GOWING - ITN LONDON  
IS THERE ANY DOUBT IN YOUR MIND, FOREIGN SECRETARY,  
THAT WHAT YOU NEGOTIATE IN THE COMING MONTHS WILL  
SIMPLY BE IRRELEVANT TO WHATEVER THE POLITICAL  
SITUATION MIGHT BE, BOTH IN BRITAIN AND CHINA 13  
YEARS FROM NOW.

A. WHAT WE NEGOTIATE DURING THE COMING MONTHS, WHAT WE HAVE NEGOTIATED IN THE MONTHS PASSED, IS ABOUT THE POINTS THAT NEED TO BE INCLUDED IN THE ARRANGEMENTS OF WHICH I SPOKE, WHICH NEEDS TO BE SPELT OUT IN THE AGREEMENT, OF WHICH I SPOKE. THAT IS WHY IT IS SO IMPORTANT TO SECURE AN AGREEMENT BETWEEN THE TWO NATIONS, ENTERED INTO AS AN INTERNATIONAL AGREEMENT THAT IS INTENDED TO BE BINDING. THAT IS THE BEST ASSURANCE OF THE CONTINUITY AND RELIABILITY OF THE MATTERS WE ARE DISCUSSING AND SEEKING TO AGREE.

Q10. JAMES STERNGOLD, AP DOW-JONES  
IN THE FORM OF THE AGREEMENT WHICH YOU HAVE DESCRIBED HERE, WHICH WOULD BE AN AUTONOMOUSLY ADMINISTERED HONG KONG, UNDER CHINESE SOVEREIGNTY, CAN YOU FORESEE - MY QUESTION REFERS TO THE MAINTENANCE OF EXISTING LINKS INTERNATIONALLY WITH HONG KONG - DO YOU THINK THAT INTERNATIONAL ORGANISATIONS WOULD RECOGNISE A SOMEWHAT AUTONOMOUS HONG KONG, INDEPENDENT OF CHINA, IN TERMS OF MONETARY FACTORS, SUCH AS TEXTILE QUOTAS AND THAT SORT OF THING?

A. THAT IS ONE OF THE VERY IMPORTANT FEATURES THAT WE DO NEED TO ACHIEVE. I BELIEVE THAT UNDER THE ARRANGEMENTS WE HAVE IN MIND IT WOULD BE POSSIBLE, AND CERTAINLY DESIRABLE, TO SECURE AGREEMENT ON THE CONTINUATION OF HONG KONG'S CONTINUED PARTICIPATION IN THE WIDE NETWORK OF INTERNATIONAL AGREEMENTS IN WHICH IT ALREADY PLAYS A PART, AND ITS MEMBERSHIP OF INTERNATIONAL ORGANISATIONS OF THE KIND YOU HAVE IN MIND IS IMPORTANT IN THE SAME CONTEXT TO ENSURE THAT THE HONG KONG DOLLAR WILL CONTINUE TO CIRCULATE FREELY AND AS AN INDEPENDENT CONVERTIBLE CURRENCY. I BELIEVE THAT ALL THOSE THINGS WHICH ARE PART OF THE ESSENTIAL ECONOMIC FRAMEWORK OF HONG KONG WOULD BE ACHIEVABLE IN THE FRAMEWORK THAT WE HAVE IN MIND.

Q11. REPORTER, NEW EVENING POST  
WOULD YOU TELL US WHAT THE BRITISH GOVERNMENT WILL DO IN THE 13 YEARS BEFORE 1997 TO MAINTAIN THE PROSPERITY AND STABILITY OF HONG KONG?

A. IN THE 13 YEARS UP TO 1997, IT WOULD CERTAINLY BE THE INTENTION OF THE BRITISH GOVERNMENT TO MAINTAIN RESPONSIBILITY FOR ADMINISTRATION OF HONG KONG IN EXACTLY THE PRESENT WAY. WE ARE CONCERNED, AS I AM SURE THE PEOPLE OF HONG KONG ARE CONCERNED, TO MAINTAIN CONTINUING PROSPERITY AND STABILITY ON EXACTLY THE PRESENT LINES. WHAT WE WANT TO ACHIEVE IS A CHANGE IN 1997 WITH THE LEAST POSSIBLE DISTURBANCE. FROM NOW ON UP TO 1997, THE MAINTENANCE OF ALL THOSE

THINGS WHICH ARE THE FOUNDATION OF HONG KONG'S PRESENT PROSPERITY, AND AFTER 1997, THE LEAST POSSIBLE CHANGE SO PEOPLE CAN HAVE CONFIDENCE THAT THE WAY OF LIFE WHICH THEY KNOW TO BE THE FOUNDATION OF THEIR SUCCESS WILL CONTINUE.

Q12. HARVEY STOCKWIN, TIMES OF INDIA

SIR, REGARDING YOUR STATEMENT THAT: +IT IS RIGHT FOR ME TO TELL YOU NOW THAT IT WOULD NOT BE REALISTIC TO THINK OF AN AGREEMENT THAT PROVIDES FOR CONTINUED BRITISH ADMINISTRATION IN HONG KONG AFTER 1997.+ THE STATEMENT DOES NOT RECORD ON WHAT GROUNDS IT WOULD BE CONSIDERED REALISTIC. WAS IT REALISTIC BECAUSE BRITAIN DID NOT SEEK SUCH AN ARRANGEMENT, OR BECAUSE CHINA REJECTED IT? HOW FAR DID THE BRITISH SIDE PUSH FOR AN ARRANGEMENT UNDER WHICH CHINA WOULD HAVE HAD SOVEREIGNTY RESTORED, MIXED WITH SOME CONTINUING DEGREE OF BRITISH ADMINISTRATION? A SOLUTION WHICH MANY PEOPLE IN HONG KONG FEEL IS THE BEST GUARANTEE OF CONTINUITY OF WHICH YOU SPEAK.

A. WHAT WE ARE DOING IS CONDUCTING NEGOTIATIONS ON A REALISTIC BASIS WITH THE INTENTION OF SECURING THE BEST POSSIBLE OUTCOME ON THE MOST ASSURED BASIS FOR THE FUTURE, IN THE INTERESTS OF THE PEOPLE OF HONG KONG. AND IN DOING THAT, OF COURSE, AT EACH STAGE AND IN EACH WAY, WE PRESS ALL THE POINTS WHICH ARE REGARDED AS IMPORTANT, BUT WE ALSO HAVE TO CONSIDER HOW THE AGREEMENT COMES TOGETHER AS A WHOLE. WE HAVE TO CONSIDER, THE PEOPLE OF HONG KONG WILL HAVE TO CONSIDER, PARLIAMENT WILL HAVE TO CONSIDER, AT THE END OF THE NEGOTIATIONS HOW ALL THE ELEMENTS OF THE NEGOTIATIONS COME TOGETHER, AND WE BELIEVE THAT IT HAS BEEN RIGHT TO EXPLORE HOW IT MIGHT BE POSSIBLE TO ARRIVE AT ARRANGEMENTS THAT WOULD SECURE FOR HONG KONG AFTER 1997 A HIGH DEGREE OF AUTONOMY UNDER CHINESE SOVEREIGNTY THAT WILL PRESERVE THE WAY OF LIFE IN HONG KONG, TOGETHER WITH THE ESSENTIALS OF THE PRESENT SYSTEM. WHAT WE ARE DOING IS TO EXPLORE ALL THE WAYS IN WHICH THAT IS BEST LIKELY TO BE ASSURED AND IT IS IN THAT CONTEXT WE HAVE COME TO THE CONCLUSION TO WHICH YOU REFER.

Q13. MICHAEL EVANS, DAILY EXPRESS

TWO YEARS AGO THE PRIME MINISTER, IN PEKING, SEEMED UNWILLING TO TOTALLY RELINQUISH ALL BRITISH RIGHT TO SOVEREIGNTY OVER HONG KONG. ARE YOU NOW TODAY SAYING THAT THE BRITISH GOVERNMENT DOES JUST THAT?

- A. AT THE END OF THE DAY, ONLY PARLIAMENT CAN CONCEDE SOVEREIGNTY, AND WHEN PARLIAMENT CONSIDERS THIS MATTER IT WILL HAVE TO SEE THE AGREEMENT AS A WHOLE AND SEE HOW FAR ALL THE ELEMENTS I HAVE BEEN TALKING ABOUT, HOW FAR ALL THE COMPONENTS WE DESIRE CAN BE JUDGED TOGETHER AT THE END OF THE NEGOTIATION, IT IS IN THAT CONTEXT WE SHALL REACH THAT CONCLUSION.

Q14. KAYSER SUNG, TEXTILE ASIA

SIR GEOFFREY, HONG KONG HAS BEEN ENJOYING A CERTAIN AMOUNT OF AUTONOMY IN INTERNATIONAL TRADE THROUGH GATT ORGANISATIONS AND THROUGH MEMBERSHIP OF THE U.K., HOW THIS WILL CONTINUE AFTER 1997 BECAUSE CHINA IS NOT A GATT MEMBER YET?

- A. NO, AND OF COURSE HONG KONG HAS BEEN ENJOYING A SUBSTANTIAL DEGREE OF AUTONOMY IN THAT RESPECT, NOT ALWAYS THROUGH BRITISH PARTICIPATION BUT FROM HONG KONG'S DIRECT PARTICIPATION IN A NUMBER OF SUCH ORGANISATIONS. NOW IT IS CLEARLY RECOGNISED IN THESE NEGOTIATIONS ALL THOSE INTERNATIONAL LINKS, INCLUDING PARTICIPATION IN GATT AND ARRANGEMENTS ASSOCIATED WITH IT, WILL CONTINUE, AND THAT IS ONE OF THE MATTERS WHICH WE SHALL BE WANTING TO SOLVE AND CARRY THROUGH INTO EFFECTIVE CONTINUITY BEYOND 1997. IT IS A POINT WELL UNDERSTOOD. IT IS VERY IMPORTANT THAT HONG KONG SHOULD BE ABLE TO MAINTAIN ITS PARTICIPATION IN THE WHOLE RANGE OF INTERNATIONAL ARRANGEMENTS, INCLUDING THE ONE YOU HAVE IN MIND.

Q. WILL HONG KONG BECOME A MEMBER OF GATT?

- A. WE CAN'T YET WORK OUT THE PRECISE MECHANICS. THE OBJECTIVE FOR THE PARTICIPATION OF HONG KONG WITH A HIGH DEGREE OF AUTONOMY IN GATT ARRANGEMENTS AND OTHER ARRANGEMENTS OF THAT KIND IS CLEAR. WE BELIEVE IT WILL BE POSSIBLE TO ACHIEVE THAT OBJECTIVE UNDER THE ARRANGEMENTS WE HAVE IN MIND.

Q15. JOHN DICKIE, DAILY MAIL

MANY PEOPLE HAVE EXPRESSED TO US FEARS THAT DESPITE YOUR SINCERITY AND DESPITE THE GOOD INTENTIONS TO ACHIEVE YOUR OBJECTIVES SUCH AS YOU HAVE SET OUT TODAY, IN SPITE ALL OF THAT, THEY MIGHT IN THE END BE FACED WITH A SELL OUT. WHAT CAN YOU SAY TO THEM, TO ASSURE THEM THAT THAT WON'T HAPPEN, AND THAT YOU WILL NOT IN THE END BE OBLIGED TO ACCEPT SOMETHING WHICH IS JUST THE BEST THAT CAN BE NEGOTIATED?

*/A. THE FACT*



A. THE FACT IS THAT THE CONCEPT OF A SELL OUT, THE IDEA OF A SELL OUT, IS QUITE UNTRUE, IT IS NOT AN OBJECTIVE WE HAVE IN MIND, OR COULD POSSIBLY HAVE IN MIND. OUR COMMITMENT TO HONG KONG IS TO DO OUR UTMOST TO SECURE THROUGH THESE NEGOTIATIONS THE FOUNDATIONS THAT I HAVE DESCRIBED AND THERE IS NO QUESTION OF HER MAJESTY'S GOVERNMENT COMMENDING TO OUR PARIAMENT OR TO HONG KONG, AN AGREEMENT THAT WOULD NOT OFFER PROSPECTS, ASSURED PROSPECTS, OF PRESERVING THAT WAY OF LIFE.

Q16. THERESA MA, FAR EASTERN ECONOMIC REVIEW  
WOULD YOU PLEASE TELL WHY THE TERMS OF REPRESENTATIVE GOVERNMENT, AS OPPOSED TO DEMOCRATIC GOVERNMENT WHICH HAS BEEN CALLED FOR BY VARIOUS GROUPS IN HONG KONG?

A. THE DEVELOPMENT OF INCREASINGLY REPRESENTATIVE GOVERNMENT IN HONG KONG, IS OF COURSE, CURRENTLY DIRECTLY THE RESPONSIBILITY OF THE HONG KONG GOVERNMENT. STEPS HAVE RECENTLY BEEN TAKEN IN THAT DIRECTION. FURTHER PROGRESS IN THAT DIRECTION IS, AS I SAID IN MY STATEMENT, CLEARLY IN MIND, AND PROGRESS OF THAT KIND WHICH MAY TAKE DIFFERENT FORMS IS NOT FOR THE U.K. GOVERNMENT TO DECIDE, IS SOMETHING WHICH THE U.K. GOVERNMENT WOULD CERTAINLY COMMEND BUT IT WILL BE FOR THE HONG KONG GOVERNMENT TO DECIDE PRECISELY THE TIME SCALE AND WAY IN WHICH PROGRESS TOWARDS INCREASINGLY REPRESENTATIVE GOVERNMENT WILL BE MADE.

Q17. MARK BAKER, THE MELBOURNE AGE  
SIR GEOFFREY, DO YOU ACCEPT CHINA'S STATED DEADLINE OF SEPTEMBER, AND DO YOU REGARD THAT AS BEING A REALISTIC TIME FRAME FOR AN AGREEMENT.

A. WELL, AS I SAID IN THE STATEMENT, WE ARE WORKING TO A PROGRAMME WHICH TAKES ACCOUNT OF CHINESE WISHES ON THE ONE HAND AND ALL OF OUR OWN REQUIREMENTS ON THE OTHER HAND. BEYOND THAT, AS I SAID IN ANSWER TO AN EARLIER QUESTION, WE BELIEVE THAT IT IS CLEARLY IN THE INTERESTS OF HONG KONG FOR US TO REACH A GOOD AGREEMENT AS SOON AS WE POSSIBLY CAN. THERE IS A MANIFEST INTEREST IN CONCLUDING THE NEGOTIATIONS SOONER RATHER THAN LATER, IN ORDER TO LAY A FOUNDATION FOR CONFIDENCE AT THE EARLIEST POSSIBLE STAGE BUT THE PROGRAMME TO WHICH WE ARE WORKING TAKES ACCOUNT OF THE CHINESE WISHES AND OF ALL OUR OWN REQUIREMENTS.

Q18. ROBERT COTTRELL, FINANCIAL TIMES

SIR GEOFFREY, YOU DWELL IN YOUR STATEMENT ON THE IMPORTANCE OF CERTAIN SPECIFIC FREEDOMS FOR HONG KONG. NOW THE TYPES OF FREEDOMS THAT YOU DESCRIBED ARE ALREADY PROMISED TO THE CHINESE PEOPLE, IN THE CHINESE CONSTITUTION. ARE YOU GOING TO ENSURE THAT FREEDOMS PROMISED TO HONG KONG IN THE FUTURE WILL MEAN MORE IN PRACTICE THAN THOSE WHICH HAVE BEEN PROMISED IN CHINA IN THE PAST.

- A. ONE OF THE MOST IMPORTANT FEATURES, WHICH IS ALSO REFERRED TO IN MY STATEMENT, IS THE NEED TO SECURE CONTINUATION OF THE PRESENT LEGAL SYSTEM, THE PRESENT FAMILIAR PATTERN OF JUSTICE, THE FAMILIAR SYSTEM FOR THE ADMINISTRATION OF JUSTICE AND THE PRESENT FRAMEWORK OF LAW OF HONG KONG BASED UPON PRESENT SYSTEMS. AND IT IS ALL THOSE THINGS, THE LAWS THAT ARE ENFORCED, THE WAY IN WHICH THEY ARE ADMINISTERED, AND THE COURTS BY WHICH THEY ARE ADMINISTERED, WHICH OF COURSE IN HONG KONG, PROVIDE THE ASSURANCE OF THOSE FREEDOMS, AND IT IS IN ORDER TO SECURE THE CONTINUATION OF THE FRAMEWORK WHICH WILL UPHOLD THOSE FREEDOMS IN THE WAY THAT IS FAMILIAR TO PEOPLE IN HONG KONG. BUT WE DO WANT TO SECURE ASSURANCE ON THOSE OTHER THINGS AS WELL.

Q19. C.B. LAU, RADIO HONG KONG

SIR, WILL THE PEOPLE WHO LIVE IN HONG KONG WAIT UNTIL A FINAL AGREEMENT BEFORE WE CAN KNOW MORE ABOUT THE DETAILS OF THE NEGOTIATIONS.

- A. WHAT I HAVE BEEN TRYING TO DO, WHAT WE HAVE BEEN TRYING TO DO THROUGHOUT THE NEGOTIATIONS, IS TO CONSULT AS FULLY AS WE CAN CONSISTENT WITH CONFIDENTIALITY SURROUNDING THE NEGOTIATIONS THEMSELVES. I AM QUITE CERTAIN CONFIDENTIALITY ABOUT THE NEGOTIATIONS IS IMPORTANT FOR THE SUCCESS OF THOSE NEGOTIATIONS. IT IS MY EXPERIENCE WITH OTHER INTERNATIONAL NEGOTIATIONS THAT THE ACTUAL NEGOTIATING PROCESS HAS TO BE CONDUCTED IN CONFIDENCE. BUT ALONGSIDE THAT, WE SHALL CONTINUE TO CONSULT, IN THE WAY THAT I HAVE DESCRIBED. THIS PRESS CONFERENCE TODAY IS A FURTHER STEP IN THAT PROCESS IN WHICH I HAVE TOLD QUITE A CONSIDERABLE AMOUNT ABOUT WHAT OUR OBJECTIVES ARE IN THESE NEGOTIATIONS. WE SHALL CONTINUE TO PERFORM IN THIS FASHION. AND OF COURSE, AT THE END OF THE NEGOTIATING PROCESS THEN THE AGREEMENT WILL BE PUBLISHED. IT WILL BE PUBLISHED FOR THE PEOPLE OF HONG KONG TO CONSIDER, FOR PARLIAMENT TO CONSIDER, FOR OTHER PEOPLE TO CONSIDER. AS I SAID, TIME WILL BE ALLOWED FOR THAT CONSIDERATION, FOR PARLIAMENT TO TAKE ACCOUNT OF THE VIEWS OF THE PEOPLE OF HONG KONG.

Q20. BETTY LIU - TVB

WHAT WOULD HAPPEN IF AGREEMENT IS REACHED AND ONE SIDE DOES NOT LIVE UP TO ITS PROMISES.

- A. THAT IS THE QUESTION THAT COULD BE ASKED ABOUT EVERY AGREEMENT. THIS AGREEMENT IS GOING TO HAVE PARTICULAR IMPORTANCE - NAMELY IT IS A FORMULATION AND EMBODIMENT IN AN INTERNATIONAL AGREEMENT BETWEEN TWO COUNTRIES THAT HAVE GOT GOOD BILATERAL RELATIONSHIPS WITH EACH OTHER, BETWEEN TWO COUNTRIES EACH OF WHICH WILL HAVE AN INTEREST IN UPHOLDING ITS OWN SIDE OF THE AGREEMENT - INTEREST ARISING FROM WHAT IT ACTUALLY WANTS TO SECURE, ARISING FROM ITS CONCERN FOR ITS OWN REPUTATION BEFORE THE WORLD, AND INTERNATIONAL OPINION. THOSE ARE THE CIRCUMSTANCES WHICH ARE THE FOUNDATIONS OF THE ASSURANCE THAT INTERNATIONALLY BINDING AGREEMENTS IS THE RIGHT WAY OF CONCLUDING THIS MATTER.

Q21. BETTY LIU, TVB

IF ONE SIDE FAILS TO KEEP ITS PROMISES, OR TO LIVE UP TO THE EXPECTATIONS, IS IT POSSIBLE FOR ANOTHER SIDE TO TAKE ACTION?

- A. IN ANY AGREEMENT, IF EITHER SIDE IS FAILING TO FULFIL ITS OBLIGATIONS, OBVIOUSLY THE OTHER PARTY WOULD WANT TO RAISE COMPLAINTS ABOUT THAT. THAT IS THE PURPOSE OF THE RELATIONSHIP BETWEEN THE TWO PARTIES TO AN INTERNATIONAL AGREEMENT, AND THAT IS WHY, AS I SAID IN MY STATEMENT, IT IS IMPORTANT NOT JUST TO SECURE AGREEMENT ON THE FRAMEWORK OF ARRANGEMENTS THAT IS NECESSARY, BUT ALSO TO HAVE THE COMPONENTS OF THAT FRAMEWORK SPELT OUT CLEARLY IN AN AGREEMENT THAT WOULD BE INTERNATIONALLY BINDING BETWEEN TWO STATES.

Q22. ANDY IP, KUNG SHEUNG DAILY NEWS

SIR, DO YOU THINK THERE SHOULD BE SOME FORM OF GUARANTEE SO THAT THE AGREEMENT WOULD NOT BE CHANGED IN THE FUTURE?

- A. THE GUARANTEES THAT WE ARE SEEKING, THE BEST ASSURANCE FOR ALL THOSE MATTERS IN THE FUTURE, IS THAT THE AGREEMENT, BEFORE WE CONSIDER IT IS SATISFACTORY, SHOULD DESCRIBE AS CLEARLY AND AS FULLY AS POSSIBLE ALL THE COMPONENTS THAT ARE NECESSARY TO IDENTIFY THE FOUNDATIONS OF HONG KONG'S FUTURE. THAT IS ONE OF THE MOST IMPORTANT PURPOSES OF THE NEGOTIATIONS - TO SECURE AS FULL AS POSSIBLE, AND AS CLEAR AS POSSIBLE, A SPECIFICATION OF THE COMPONENTS THAT WILL ASSURE THAT FUTURE.

Q23. NIGEL HAWKS, OBSERVER

SIR GEOFFREY, IN YOUR STATEMENT YOU SEEMED TO BE SUGGESTING THAT UNDER CHINESE SOVEREIGNTY, HONG KONG WILL ENJOY GREATER AUTONOMY, MORE DEMOCRACY, MORE RESPONSIBILITY FOR ITS OWN FUTURE, THAN IT HAS DONE FOR 100 YEARS UNDER BRITISH SOVEREIGNTY. IS THIS A REALISTIC POSITION, AND WHY SHOULD THE CHINESE ACCEPT IT?

- A. I THINK ONE OF THE IMPORTANT FEATURES FOR PEOPLE TO UNDERSTAND, ALL THOSE CONSIDERING THIS MATTER, IS THE EXTENT TO WHICH HONG KONG AT PRESENT DOES ENJOY A VERY HIGH DEGREE OF AUTONOMY IN THE MANAGEMENT AND CONDUCT OF ITS OWN AFFAIRS. IT IS A VERY CRUCIAL COMPONENT FOR IN THE SUCCESS OF HONG KONG. THE BRITISH GOVERNMENT IS NOT MANAGING HONG KONG, THE BRITISH GOVERNMENT IS NOT GOVERNING HONG KONG, THE BRITISH GOVERNMENT IS NOT INTERFERING IN HONG KONG. ALL THE MATTERS PEOPLE HAVE BEEN TALKING ABOUT INCLUDING THE MANAGEMENT OF HONG KONG CURRENCY AND ECONOMY ARE GOVERNED BY DECISIONS TAKEN WITHIN HONG KONG ITSELF. AND IF THERE IS THE PROSPECT OF FURTHER ADVANCES TOWARDS MORE REPRESENTATIVE GOVERNMENT NOW, THAT IS A PROSPECT WHICH BECOMES INCREASINGLY LIKELY AND DESIRABLE IN PRESENT CIRCUMSTANCES. AND THAT IS WHY I HAVE SAID IN MY STATEMENT, I DO LOOK FORWARD TO AN INCREASINGLY REPRESENTATIVE FRAMEWORK OF GOVERNMENT.

Q24. ROSALIND MAK, SING TAO EVENING POST

IS THERE ANY POSSIBLE WAY FOR THE PEOPLE OF HONG KONG TO PARTICIPATE IN THE ACTUAL NEGOTIATION?

- A. I THINK THAT WOULD BE RATHER A CROWDED NEGOTIATION. THE NEGOTIATION DOES HAVE TO BE UNDERTAKEN BY THOSE WHO HAVE RESPONSIBILITY FOR IT, AND I AM VERY DEEPLY CONSCIOUS OF THE BREADTH AND DEPTH OF MY RESPONSIBILITY IN THESE NEGOTIATIONS. THE WAY IN WHICH THE PEOPLE OF HONG KONG CAN PARTICIPATE IS BY EXPRESSING THEIR VIEWS. I HAVE NOT FOUND THEM UNWILLING TO EXPRESS THEIR VIEWS, I HAVE MET VERY MANY HONG KONG PEOPLE IN THE LAST COUPLE OF DAYS, THEY CAN EXPRESS THEM DIRECTLY, THEY CAN EXPRESS THEM THROUGH THE REPRESENTATIVE ORGANISATIONS, THROUGH EXCO, THROUGH LEGCO, THROUGH THE DISTRICT BOARDS, THE REGIONAL COUNCILS, THEY CAN EXPRESS THEM THROUGH BRITISH MEMBERS OF PARLIAMENT. I AM VERY ANXIOUS THAT THIS PROCESS OF CONSULTATION, WHEREBY I KNOW WHAT THE PEOPLE OF HONG KONG WANT, SHOULD CONTINUE AND OF COURSE WHEN WE COME TO THE CONCLUSION OF THE AGREEMENT, IF WE DO, THEN THERE WILL BE PUBLICATION OF THAT, AND THEY WILL HAVE A FRESH OPPORTUNITY OF MAKING THEIR VIEWS KNOWN.

Q25. KEVIN TOOLIS, IRISH NEWS

HOW MUCH CONTROL WILL CHINA HAVE OF HONG KONG'S FOREIGN AFFAIRS IN THE FUTURE, HOW WILL IT AFFECT HONG KONG'S ECONOMIC RELATIONSHIP WITH OTHER COUNTRIES?

A. WELL, THE TWO PARTS IN YOUR QUESTION ARE OF COURSE, DISTINCT AND IMPORTANTLY DISTINCT. BECAUSE PLAINLY, THE SOVEREIGN COUNTRY DOES HAVE RESPONSIBILITY FOR FOREIGN AND EXTERNAL AFFAIRS IN THE BROADEST SENSE. ONE OF THE IMPORTANT COMPONENTS OF THE HIGH DEGREE OF AUTONOMY THAT WE ARE SEEKING, IS AUTONOMY IN RELATION TO THE MANAGEMENT OF ECONOMIC AFFAIRS, SUCH AS THE ONES WE HAVE BEEN TALKING ABOUT, MEMBERSHIP AND PARTICIPATION IN INTERNATIONAL ECONOMIC ORGANISATIONS, LIKE GATT, LIKE THE ASIAN DEVELOPMENT BANK AND SO ON, AND MANAGEMENT OF AN INDEPENDENT, CONVERTIBLE CURRENCY CONTINUING TO CIRCULATE FREELY THE HONG KONG DOLLAR.

Q26. STEVEN JESSEL, BBC

IN ASSESSING THE OPINION OF THE PEOPLE OF HONG KONG, WOULD YOU EXCLUDE THE POSSIBILITY OF A REFERENDUM?

A. WE HAVE NOT COME TO A CONCLUSION ABOUT THE BEST OF SEVERAL ALTERNATIVE WAYS OF ASSESSING THE OPINION OF THE PEOPLE OF HONG KONG. AND IT MUST BE STATED THERE ARE SOME VERY REAL DRAWBACKS TO THE IDEA OF A REFERENDUM.

Q27. IRENE SUNG, SING TAO JIH PAO

YOU HAVE MENTIONED IN YOUR SPEECH ABOUT THE ADMINISTRATION OF HONG KONG AFTER 1997 AS BEING IN THE HANDS OF HONG KONG PEOPLE THEMSELVES AND THERE WILL FOLLOW A PROCESS OF DEVELOPMENT WHICH IS ALREADY UNDER WAY. UNDER THE DEVELOPMENT, WILL THERE BE A HONG KONG PERSON APPOINTED AS A VICE-GOVERNOR LEARNING HOW TO ADMINISTER THE FUTURE OF HONG KONG DURING THE NEXT FEW YEARS?

A. IT IS NOT FOR ME TO ANSWER SPECIFIC QUESTIONS OF THAT KIND, AT THIS STAGE. I SEE SOME OF THE PAPERS TODAY SAY THAT I WAS EXPRESSING AN OPINION ABOUT THAT, IN FACT I WASN'T DOING THAT, ALTHOUGH ONE LADY I THINK EXPRESSED AN OPINION TO ME ABOUT THAT. OF COURSE I

TAKE MOST OPINIONS OFFERED BY MOST LADIES. BUT IN ANSWER TO YOUR SPECIFIC QUESTION, IT WILL BE FOR THE HONG KONG GOVERNMENT TO DETERMINE IN WHAT WAY THERE WILL BE FURTHER MOVEMENT TOWARDS MORE REPRESENTATIVE GOVERNMENT, AND ON WHAT TIME SCALE.

+++ END +++

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FUTURE OF HONG KONG

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FOLLOWING FROM PRIVATE SECRETARY

FUTURE OF HONG KONG: SECRETARY OF STATE'S DISCUSSION WITH UMELCO

1. THE SECRETARY OF STATE HAD 75 MINUTES DISCUSSION LAST NIGHT WITH THE UNOFFICIAL MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS (UMELCO). HE GAVE THEM A BRIEF ASSESSMENT OF HIS TALKS IN PEKING AND SUMMARISED HIS UNVEILING STATEMENT.
2. THERE FOLLOWED AN HOUR OF PERSISTENT QUESTIONING BY UMELCO MEMBERS WHICH REVEALED A DEEP MISTRUST OF CHINESE INTENTIONS, AND A GREAT DEAL OF ANXIETY ON THE NATIONALITY QUESTION.

THE MAIN POINTS WERE AS FOLLOWS:

- (I) SEVERAL MEMBERS ASKED HOW A LINK WOULD BE ESTABLISHED BETWEEN THE AGREEMENT AND THE BASIC LAW. ONE SUGGESTED THAT WE SHOULD AIM FOR A TWO-STAGE AGREEMENT: THE SECOND STAGE PROVIDING FOR THE TRANSFER OF SOVEREIGNTY WOULD THEN BE DELAYED UNTIL THE BASIC LAW HAD BEEN PUBLISHED. THE SECRETARY OF STATE SAID THAT WE WERE AIMING IN THE NEGOTIATIONS TO ACHIEVE A SPECIFIC LINK. IT WOULD NOT BE POSSIBLE TO KNOW THE CONTENTS OF THE BASIC LAW WHEN REACHING A CONCLUSION ON THE DRAFT AGREEMENT. WE WERE THEREFORE SEEKING AN UNDERTAKING THAT THE POINTS INCLUDED IN THE AGREEMENT AND ANNEXES SHOULD BE INCORPORATED IN THE BASIC LAW. THE IDEA OF A TWO-STAGE AGREEMENT POSED REAL DIFFICULTIES. IT WAS MOST UNLIKELY THAT THE CHINESE WOULD ACCEPT THAT COMPLETION OF THE AGREEMENT SHOULD BE DELAYED UNTIL THE BASIC LAW WAS PUBLISHED. THE BEST ASSURANCE WAS AS MUCH DETAIL AS POSSIBLE IN THE AGREEMENT AND ANNEXES: WE WERE WORKING FOR THIS. THERE WAS JUST A POSSIBILITY THAT AT A LATER STAGE WE SHOULD BE ABLE TO ACHIEVE SOME INFLUENCE ON THE DRAFTING OF THE BASIC LAW, BUT THIS WAS NOT(NOT) SOMETHING ABOUT WHICH HE COULD GIVE ANY ASSURANCE.
- (II) GUARANTEES. SEVERAL MEMBERS ASKED WHAT GUARANTEES HONG KONG COULD HAVE THAT CHINA WOULD, AFTER 1997, STICK TO THE AGREEMENT. ONE SUGGESTED A ROLE FOR THE UNITED NATIONS. THE SECRETARY OF STATE REPEATED HIS POINT ABOUT DETAIL IN THE AGREEMENT AND POINTED OUT THAT THE CHINESE ATTACHED IMPORTANCE TO THEIR INTERNATIONAL REPUTATION. WE COULD BUILD ON THAT. THEIR LONGER TERM AMBITIONS TOWARDS TAIWAN MIGHT ALSO INFLUENCE THEM. HE ALSO STRESSED THE IMPORTANCE, AS ONE ELEMENT IN THE OVERALL PACKAGE, OF MUTUALLY BINDING OBLIGATIONS FORMING PART OF AN INTERNATIONAL AGREEMENT. BUT IN THE LAST RESORT THERE WAS NO ABSOLUTE GUARANTEE.

(III) WHAT WOULD HMG DO IF HONG KONG DID NOT ACCEPT THE DRAFT AGREEMENT? THE SECRETARY OF STATE REPLIED THAT WE WERE WORKING TO PRODUCE AN AGREEMENT WHICH WE COULD HONOURABLY COMMEND TO PARLIAMENT. BUT HE PUT DOWN A CLEAR MARKER THAT ONCE A DRAFT AGREEMENT HAD BEEN PUBLISHED, IT WOULD NOT, IN PRACTICE, BE POSSIBLE TO GO BACK TO THE CHINESE TO SEEK FURTHER IMPROVEMENTS. IN RESPONSE TO FURTHER QUESTIONS, HE ADDED THAT IF HONG KONG FOUND THE AGREEMENT UNACCEPTABLE, THAT THIS WOULD CREATE A VERY SERIOUS SITUATION. THIS UNDERLINED THE NEED TO HAVE THE WIDEST POSSIBLE CONSULTATIONS WITH THE PEOPLE OF HONG KONG BEFORE THE AGREEMENT WAS PUBLISHED.

(IV) NATIONALITY. THE SECRETARY OF STATE WAS PRESSED HARD ON HOW HMG INTENDED TO DISCHARGE ITS RESPONSIBILITY TO BDTCS IN HONG KONG AFTER 1997: WHETHER THEY WOULD CONTINUE TO HOLD BRITISH PASSPORTS: AND WHETHER THOSE WHO DID NOT WISH TO LIVE UNDER COMMUNISM WOULD HAVE A RIGHT OF SETTLEMENT IN UK. SOME MEMBERS SAID THAT THE RIGHT OF SETTLEMENT (WHICH MIGHT IN PRACTICE NOT BE TAKEN UP BY VERY MANY) WOULD MAKE IT MUCH EASIER TO SECURE ACCEPTANCE IN HONG KONG OF A DRAFT AGREEMENT. IT WAS SUGGESTED THAT HMG HAD A PARTICULAR RESPONSIBILITY TO THOSE WHO LIVED OR HAD BOUGHT PROPERTY IN THE 8 PERCENT OF HONG KONG WHICH WE WOULD BE CEDING VOLUNTARILY IN 1997. THE SECRETARY OF STATE EXPLAINED THAT WE WERE NEGOTIATING FOR AN AGREEMENT WHICH WOULD MEET ALL OUR OBJECTIVES AND WHICH WOULD BE ACCEPTABLE TO ALL THE PEOPLE OF HONG KONG. AS ONE ELEMENT OF THAT WE WERE SEEKING SEPARATE STATUS FOR HONG KONG PEOPLE WITH A RIGHT OF ABODE IN HONG KONG: FREEDOM OF ENTRY TO AND EXIT FROM HONG KONG: AND THE CONTINUATION OF THE RIGHTS OF BDTCS TO CONSULAR PROTECTION IN THIRD COUNTRIES. IT WOULD NOT BE REALISTIC TO SEEK CONSULAR PROTECTION FOR FORMER BDTCS IN HONG KONG AFTER 1997: FUNDAMENTAL FREEDOMS IN HONG KONG WOULD NEED TO BE ESTABLISHED BY THE BASIC LAW. CHINA'S REFUSAL TO ACCEPT DUAL NATIONALITY MADE MATTERS EVEN MORE DIFFICULT. NEGOTIATIONS WERE CONTINUING: THE ISSUE REQUIRED VERY CAREFUL CONSIDERATION. THE EXTENSION TO SOME OR ALL BDTCS OF A RIGHT TO SETTLEMENT IN THE UK WOULD REPRESENT A FUNDAMENTAL CHANGE FROM THE PRESENT SITUATION. THE SECRETARY OF STATE MADE CLEAR THAT HE COULD NOT GO ANY FURTHER. THIS WAS ACCEPTED WITH SOME RELUCTANCE.

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FOLLOWING FROM PRIVATE SECRETARY  
MIPT: FUTURE OF HONG KONG: NATIONALITY

1. THE IMPORTANCE OF THE NATIONALITY ISSUE CAME OVER VERY CLEARLY DURING THE SECRETARY OF STATE'S VARIOUS MEETINGS IN HONG KONG. IT WAS RAISED BY SIR S.Y. CHUNG AND T.S. LO AT THE MEETING WITH EXCO (HONG KONG TELNO 1078) AND AT THE PRESS CONFERENCE. BUT THE STRENGTH OF FEELING ON THE ISSUE CAME OVER MOST CLEARLY AT THE UMELCO MEETING.
2. AS THE SUMMARY IN MIPT SHOWS, THERE IS A VERY STRONG FEELING AMONG THE UMELCO MEMBERS THAT BRITAIN HAS A MORAL OBLIGATION TO BDTCS WHICH CANNOT BE COMPLETELY DISCHARGED BY GETTING THE BEST POSSIBLE SETTLEMENT WITH CHINA. THEY TAKE THE VIEW THAT WHILE WE HAVE THE RIGHT TO DISPOSE OF BRITISH (NEXT WORD UNDERLINED) TERRITORY WE CANNOT ABANDON THE BRITISH NATIONALS WHO LIVE THERE TO CHINESE COMMUNIST RULE AGAINST THEIR WILL. THEY ARGUE THAT IF BRITISH ADMINISTRATION CANNOT CONTINUE WE HAVE AN OBLIGATION TO FIND THEM A SAFE HAVEN IN BRITISH TERRITORY ELSEWHERE. THERE WAS SOME DISPOSITION TO ACCEPT THE CONSTRAINTS ON IMMIGRATION TO THE UK, AND A CONSEQUENT TENDENCY TO SUGGEST IN PRIVATE DISCUSSION THAT HMG SHOULD EXPLORE THE POSSIBILITIES FOR ARRANGING SETTLEMENT ELSEWHERE E.G. CANADA, AUSTRALIA AND THE U.S.
3. IN ALL THESE MEETINGS THE SECRETARY OF STATE MADE CLEAR THAT THIS WAS A VERY IMPORTANT ISSUE AND THAT HE AND OTHER MINISTERS CONCERNED FULLY RECOGNISED THE ANXIETIES FELT BY PEOPLE IN HONG KONG. BUT HE WAS VERY CAREFUL TO AVOID SAYING ANYTHING WHICH COULD HAVE BEEN TAKEN AS OFFERING ANY PROSPECT OF A CHANGE IN THE PRESENT POSITION REGARDING SETTLEMENT IN THE UK OR ELSEWHERE FOR BDTCS.

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4. WE SHALL CLEARLY FACE CONTINUING AND INDEED INCREASING PRESSURE FROM HONG KONG ON THIS ISSUE. IN PRIVATE CONVERSATION MR T.S.LO MADE CLEAR THAT HE WAS DETERMINED TO PURSUE THIS ISSUE AND THAT HE WOULD WELCOME THE CHANCE TO PUT HIS VIEWS DIRECT TO THE HOME SECRETARY WHEN NEXT IN LONDON. THE HOME SECRETARY WILL WISH TO CONSIDER WHETHER TO RECEIVE HIM. MR LO WILL BE DIFFICULT TO DEFLECT, AND THERE MIGHT IN ANY CASE BE ADVANTAGE IN HEARING HIS VIEWS ON THIS ISSUE DIRECT.

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FUTURE OF HONG KONG  
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SECRET  
DESKBY 191500Z  
FM HONG KONG 191300Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1078 OF 19 APRIL  
INFO IMMEDIATE PEKING

FUTURE OF HONG KONG: CONSULTATION WITH EXCO  
SUMMARY

1. THE SECRETARY OF STATE HAD A TWO AND A HALF HOUR MEETING WITH THE EXECUTIVE COUNCIL THIS MORNING. HE GAVE THEM A SUMMARY ACCOUNT AND ASSESSMENT OF HIS DISCUSSIONS WITH CHINESE LEADERS. HE ALSO OUTLINED HIS THINKING ON THE WAY AHEAD. THE UNOFFICIALS EXPRESSED APPRECIATION FOR THE SECRETARY OF STATE'S FIRMNESS IN ARGUING THE BRITISH CASE IN PEKING AND AGREED GENERALLY WITH THE STRATEGY HE HAD OUTLINED. THEY ARGUED HOWEVER THAT WE WERE ATTACHING UNDUE SERIOUSNESS TO THE CONSEQUENCES OF A CHINESE UNILATERAL ANNOUNCEMENT IN SEPTEMBER - IF WE HAD FAILED TO REACH AGREEMENT BY THEN. THEY EMPHASISED THE VERY GREAT IMPORTANCE OF THE NATIONALITY ISSUE. THE TEXT OF THE DRAFT UNVEILING STATEMENT WAS AGREED.

DETAIL

2. THE COUNCIL HAD HAD AN OPPORTUNITY TO READ THE RECORDS OF THE SECRETARY OF STATE'S DISCUSSIONS WITH WU XUEQIAN, JI PENGFEI AND ZHAO ZIYAND BEFORE THE MEETING. I HAD ALSO GIVEN THEM A PRELIMINARY ACCOUNT OF THE DISCUSSION WITH DENG. THE SECRETARY OF STATE DESCRIBED THE ATMOSPHERE IN THE NINE HOURS OF MEETINGS DEVOTED TO THE HONG KONG QUESTION ON IT HAD BEEN BUSINESSLIKE. THERE HAD BEEN NO CONFRONTATION, AND THE LEVEL OF TENSION WAS LOW EVEN WHEN DEALING WITH QUESTIONS WHICH WERE DIFFICULT FOR THE CHINESE SUCH AS ITEM 2 AND THE NATURE AND FORM OF OUR DRAFT AGREEMENT. HE HAD ARGUED THE BRITISH CASE STRONGLY ON THE TIMETABLE AND THE UNREASONABLENESS OF THE CHINESE SUGGESTION THAT THERE SHOULD BE AN AGREED TEXT OF AN AGREEMENT BY JUNE IN ORDER TO MEET THEIR SEPTEMBER DEADLINE FOR A SIGNED AND FINAL AGREEMENT. HE HAS STRESSED THE NEED FOR DETAIL IN THE AGREEMENT; AND THE REQUIREMENT THAT IT SHOULD BE BALANCED AS REGARDS OBLIGATIONS AND BINDING. HE HAD ALSO STATED THE BRITISH CASE FIRMLY ON THE IMPORTANT OUTSTANDING ISSUES OF NATIONALITY, THE PUBLIC SERVICE, CONSTITUTIONAL ARRANGEMENTS AFTER 1997 AND THE STATIONING OF CHINESE TROOPS IN HONG KONG.

3. THE SECRETARY OF STATE SAID THAT ITEM 2 (ARRANGEMENTS FOR THE PERIOD BEFORE 1997) HAD ASSUMED GROWING IMPORTANCE IN THE CHINESE POSITION. IN WARNING THEM OF THE DANGERS OF THEIR IDEAS ON A JOINT GROUP HE HAD CONCENTRATED ON THEIR WISH TO SEE SUCH A GROUP ESTABLISHED IN HONG KONG. **SECRET**

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4. THE SECRETARY OF STATE SAID THAT THE CHINESE HAD MADE SOME MOVES IN OUR DIRECTION:

(A) ON THE TIMETABLE DENG HAD ABANDONED THE SEPTEMBER DEADLINE FOR A FINAL SIGNED AGREEMENT AND HAD ACCEPTED OUR CASE FOR AIMING AT A DRAFT AGREEMENT TO BE PUBLISHED IN SEPTEMBER WITH DEBATE BY PARLIAMENT IN NOVEMBER AND SIGNATURE BY THE END OF THE YEAR.

(B) DESPITE THEIR INITIAL REJECTION OF OUR DRAFT THEY HAD IN EFFECT AGREED THAT BOTH DRAFT AGREEMENTS SHOULD REMAIN ON THE TABLE FOR FURTHER NEGOTIATION.

(C) THEY HAD STATED THAT AN AGREEMENT BETWEEN THE TWO GOVERNMENTS WOULD BE BINDING: THAT IT WOULD HAVE AN EQUALLY BINDING ANNEX OR ANNEXES: AND THAT THE ANNEXES COULD CONTAIN THE POINTS AGREED BETWEEN THE TWO SIDES IN DISCUSSION OF THE WORKING PAPERS. IT WOULD HOWEVER BE NECESSARY TO PRESS THE CHINESE FOR FURTHER CLARIFICATION ON ALL THESE POINTS.

(D) ON ITEM 2 THERE HAD BEEN SOME SHIFT IN THE CHINESE POSITION WHEN DENG HAD SUGGESTED THAT THE JOINT GROUP MIGHT BE PERIPATETIC, MEETING IN HONG KONG, PEKING AND LONDON. IT WOULD BE NECESSARY TO CONSIDER ALL THE IMPLICATIONS VERY CAREFULLY BEFORE DECIDING ON OUR POSITION. TO ENSURE THAT THERE WAS NO MISUNDERSTANDING THE SECRETARY OF STATE HAD EXPLAINED THIS TO ZHOU NAN ON THE WAY TO AIRPORT.

(E) DENG HAD ALSO MADE A DELPHIC REMARK ABOUT THE PUBLIC SERVICE, SUGGESTING THAT THERE MIGHT BE WIDER SCOPE FOR EMPLOYMENT OF EXPATRIATES AT ALL LEVELS. THE SIGNIFICANCE OF THIS WOULD NEED TO BE EXPLORED FURTHER.

5. THE SECRETARY OF STATE SAID THAT THE CHINESE HAD BEEN PARTICULARLY TOUGH ON:

(A) ITEM 2.

(B) THE STATIONING OF CHINESE TROOPS IN HON KONG (THE SECRETARY OF STATE HAD EMPHASISED BRITISH CONCERN AND DENG HAD ACCEPTED THAT THE MATTER COULD BE FURTHER DISCUSSED.

(C) THEIR REACTION TO OUR POSITION ON NATIONALITY. THEY HAD HOWEVER AGREED THAT THIS TOO COULD BE FURTHER DISCUSSED.

(D) THEIR UNWILLINGNESS TO BE FORTHCOMING ON CONSTITUTIONAL ARRANGEMENTS.

6. THE SECRETARY OF STATE 'S GENERAL ASSESSMENT WAS THAT THE CHINESE WANTED AN AGREEMENT. WHILE THEIR APPROACH WAS DIFFERENT FROM THAT OF THE BRITISH SIDE THERE HAD BEEN SOME SHIFT IN OUR DIRECTION. THE VISIT HAD INDICATED WAYS IN WHICH WE MIGHT BE ABLE TO ACHIEVE AN ACCEPTABLE AGREEMENT. THERE WOULD BE A NEED FOR CONSIDERABLE RECASTING OF THE BRITISH (OR THE CHINESE) DRAFT. THERE WERE STILL DIFFICULT ISSUES OBTRUDING, IN PARTICULAR ITEM 2, NATIONALITY AND CONSTITUTIONAL ARRANGEMENTS. THERE WAS ALSO A NEED TO FIND A WAY ROUND CHINESE INSISTENCE THAT POST - 1997 ARRANGEMENTS WERE A MATTER FOR DECLARATION BY THEM AND NOT FOR AGREEMENT WITH HMG. BUT WITH ARGUMENT AND SKILL IT SHOULD BE POSSIBLE TO FIND A SATISFACTORY WAY OF DEALING WITH THESE QUESTIONS.

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7. IN CONCLUSION THE SECRETARY OF STATE SAID THAT HE HAD ARRIVED IN PEKING SOMEWHAT PESSIMISTIC. THERE HAD BEEN DANGER THAT THE CHINESE WOULD REJECT MAJOR ELEMENTS OF THE BRITISH POSITION OUT OF HAND AND THERE WAS DOUBT WHETHER HE WOULD SEE DENG. AS IT WAS THE VISIT HAD OPENED UP GROUND THAT IT MIGHT BE POSSIBLE TO EXPLOIT. IT WOULD NOW BE NECESSARY TO EXPLORE CAREFULLY THE WAY AHEAD WITH THE CONTINUING AIM OF ACHIEVING AN AGREEMENT WHICH MET THE BRITISH OBJECTIVES. THE MAIN OBJECTIVE REMAINED UNCHANGED: TO SEE WHETHER IT WOULD BE POSSIBLE TO REACH AN AGREEMENT WHICH HMG COULD HONOURABLY COMMEND TO HONG KONG AND TO PARLIAMENT.

8. AFTER EXPRESSING A WARM APPRECIATION FOR THE SECRETARY OF STATE'S EFFORTS IN PEKING, SIR S Y CHUNG SAID THAT HE HAD ATTEMPTED TO DRAW UP A BALANCE SHEET FOR THE VISIT. AS FAR AS HE COULD SEE HMG HAD GIVEN AWAY NOTHING. BUT NEITHER HAD THE CHINESE, THOUGH THEY HAD SHOWN INDICATIONS OF FLEXIBILITY. HE REMAINED CONCERNED ABOUT CHINESE MOTIVES. WHILE THEY WERE STILL INSISTING THAT THE PERIOD BEFORE 1997 SHOULD BE REGARDED AS A TRANSITION PERIOD IN WHICH THEY WOULD BE ABLE TO INFLUENCE POLICY. ON THE AGREEMENT, SIR S Y RECALLED THE VIEW OF THE UNOFFICIALS THAT THE BRITISH DRAFT SHOULD BE REGARDED AS THE BOTTOM LINE. THE FACT THAT IT HAD BEEN AGREED THAT BOTH DRAFTS SHOULD REMAIN ON THE TABLE STRONGLY SUGGESTED THAT THE OUTCOME WOULD BE A COMPROMISE BETWEEN THE TWO. SIR S Y REMAINED CONCERNED ABOUT THE ABSENCE OF ANY PROTECTION FOR GHK PEOPLE OF HONG KONG IN THE AGREEMENT. ON CONSULTATIVE MACHINERY, HIS OBJECTION WAS NEITHER TO THE NAME OF THE PROPOSED BODY NOR TO ITS LOCATION IN HONG KONG BUT TO THE FACT THAT ANY MACHINERY OF THE KIND PROPOSED WOULD PROVIDE OPPORTUNITIES FOR CHINESE INTERFERENCE.

9. OTHER MEMBERS AGREED GENERALLY WITH SIR S Y'S COMMENTS, PARTICULARLY AS REGARDS THE IMPORTANCE OF SECURING AN AGREEMENT ON THE LINES OF THE BRITISH DRAFT, AND THE RISKS INVOLVED IN ACCEPTING JOINT CONSULTATION ON THE LINES PROPOSED BY THE CHINESE.

10. APART FROM CLARIFICATIONS, OTHER POINTS RAISED INCLUDED:  
(A) THE SECRETARY OF STATE WAS ASKED ABOUT THE REACTION TO THE IDEA OF AN UNVEILING STATEMENT. HE SAID THAT HE HAD EXPLAINED THE NEED FOR SUCH A STATEMENT TO JI PENGFEI WHO HAD APPEARED TO ACCEPT IT. HE HAD THEREFORE NOT RAISED THE MATTER WITH OTHER CHINESE LEADERS. ZHOU NAN HAD HOWEVER RAISED IT WITH HIM AND HAD BEEN LESS THAN ENTHUSIASTIC. THE CHINESE REACTION TO THE ACTUAL STATEMENT REMAINED TO BE SEEN.  
(B) MEMBERS ASKED WHETHER THE CHINESE REALISED THAT THE PRESENT DRAFT AGREEMENT REPRESENTED THE BRITISH BOTTOM LINE. THE SECRETARY OF STATE SAID THAT THEY CERTAINLY KNEW THAT HMG ATTACHED IMPORTANCE TO ALL THE POINTS INCLUDED IN THE DRAFT. THOSE POINTS WOULD CONTINUE TO BE PRESSED THOUGH THE PRECISE FORM AND LANGUAGE MIGHT HAVE TO BE CHANGED. AT THE END OF THE DAY A JUDGMENT WOULD REMAIN WHETHER THE OUTCOME OF THE NEGOTIATIONS MET HMG'S REQUIREMENTS. SECRET-3-

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(C) IT WAS SUGGESTED THAT THE CHINESE WISH TO MAINTIAN HONG KONG'S PROSPERITY IN THE PERIOD UP TO 1997 COULD BE USED AS POWERFUL LEVERAGE TO SECURE CHINESE AGREEMENT TO THE KIND OF ARRANGEMENTS WE WERE SEEKING POST - 1997. THE SECRETARY OF STATE AGREED THAT THIS MIGHT GIVE US SOME BARGAINING POWER. BUT IT SHOULD NOT BE OVERESTIMATED. OUR MAIN CONCERN UNDER ITEM 2. WAS TO PREVENT CHINESE INTERFERENCE.

11. FOR THE DISCUSSION ON STRATEGY SEE MIFT.

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FUTURE OF HONG KONG

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DESKBY 191500Z

FM HONG KONG 191125Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1079 OF 19 APRIL

INFO IMMEDIATE PEKING

MIPT: FUTURE OF HONG KONG: CONSULTATION WITH EXCO: THE WAY AHEAD

1. IN INTRODUCING THE DISCUSSION THE SECRETARY OF STATE SPOKE ON THE FOLLOWING LINES:-

(A) THE EXTENT OF PROGRESS MADE ON THE TIMETABLE SHOULD NOT BE MISUNDERSTOOD. WE HAD PUSHED THE CHINESE BACK ON THEIR SEPTEMBER DEADLINE, BUT WE WOULD STILL NEED TO AIM TO COMPLETE A DRAFT AGREEMENT IN SEPTEMBER. THE DEADLINE THEREFORE REMAINED THOUGH WE BELIEVED IT WAS BEGINNING TO EXERT PRESSURE ON THE CHINESE AS WELL AS ON THE BRITISH SIDE. IT WAS IMPORTANT TO REALISE THAT IT WOULD NOT BE POSSIBLE TO AMEND A DRAFT AGREEMENT PUBLISHED IN SEPTEMBER: IT WOULD HAVE TO BE ACCEPTED OR REJECTED.

(B) IN ORDER TO GET THE RIGHT AGREEMENT, INCLUDING ALL POINTS OF SUBSTANCE IMPORTANT TO US WE WOULD NEED TO ENGAGE THE CHINESE IN A BATTLE OF MOVEMENT. WE SHOULD BE READY TO CHANGE THE FORM RAPIDLY IF THIS COULD BE DONE WITHOUT CHANGING THE CONTENTS. THE CRUCIAL THING WOULD BE TO SECURE THE INCLUSION OF OUR POINTS OF SUBSTANCE AND TO ENSURE THAT OBLIGATIONS UNDERTAKEN BY HMG WERE MATCHED BY OBLIGATIONS ON THE CHINESE SIDE.

(C) HMG WOULD NEED FREEDOM TO OPERATE TACTICALLY WITHIN THE AGREED STRATEGY. IT WOULD NOT BE PRACTICABLE FOR THERE TO BE CONSULTATION WITH EXCO ON EVERY TACTICAL POINT. BUT EXCO WOULD OF COURSE BE KEPT VERY CLOSELY INFORMED.

(D) THE SECRETARY OF STATE HIMSELF WOULD CONTINUE TO BE PERSONALLY AND CLOSELY INVOLVED. THERE MIGHT WELL BE A NEED FOR HIM TO VISIT PEKING AGAIN BEFORE SEPTEMBER. THERE MIGHT ALSO BE A NEED FOR A FURTHER UNVEILING STATEMENT DURING THE SUMMER. THE SECRETARY OF STATE DID NOT, HOWEVER, WISH TO BE HELD TO THIS.

(E) BEFORE THE TEXT OF A DRAFT AGREEMENT WAS PUBLISHED WE WOULD NEED TO HAVE CONVINCED OURSELVES THAT EVERYTHING POSSIBLE HAD BEEN ACHIEVED: WE WOULD HAVE TO BE SURE THAT WE HAD SQUEEZED THE CHINESE LEMON DRY. SIR S Y CHUNG HAD RAISED THE POSSIBILITY OF GETTING AN AGREEMENT WHICH WAS BINDING IN MORE THAN WORDS. THE TRUTH WAS THAT NO AGREEMENT BETWEEN SOVEREIGN STATES COULD CONTAIN EFFECTIVE GUARANTEES OF PERFORMANCE. THIS WAS ONE REASON WHY THE AGREEMENT WOULD HAVE TO BE CLEAR AND SUFFICIENT.

(F) THE BRITISH OBJECTIVE WAS CLEAR AND HAD NOT CHANGED. WE WOULD HAVE TO GO ON PRESSING TO GET THE BEST AGREEMENT POSSIBLE. THE FORM AND SHAPE OF THAT AGREEMENT WERE LESS IMPORTANT THAN THE CONTENT.

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(G) AS REGARDS ITEM 2 WE SHOULD PERSUADE THE CHINESE THAT THERE WAS A CERTAIN BALANCE BETWEEN OUR DEPENDENCE ON CHINESE GOOD FAITH AFTER 1997 AND CHINESE DEPENDENCE ON OUR GOOD FAITH BEFORE THAT DATE. IT WAS CLEAR THAT THERE WOULD BE A NEED FOR CONSULTATION WITH THE CHINESE. IT WAS NOW NECESSARY TO MAKE A CAREFUL STUDY OF WHAT THAT CONSULTATION SHOULD BE ABOUT, IN ORDER TO SEE WHETHER IT COULD BE MADE TO SERVE OUR INTERESTS AND FEND OFF CHINESE INTERFERENCE. THE CHINESE HAD SAID THAT THEY WERE NOT SEEKING ANY KIND OF CONDOMINIUM IN HONG KONG BEFORE 1997 BUT THAT THEY NEEDED TO LEARN HOW HONG KONG WORKED BEFORE RESUMING SOVEREIGNTY. WE WOULD NEED TO SEE WHETHER IT WOULD BE POSSIBLE TO FIND WAYS OF EDUCATING THEM AS TO WHAT WAS MEANT BY THE HIGH DEGREE OF AUTONOMY NOW ENJOYED BY HONG KONG WITHOUT PROVIDING OPPORTUNITIES FOR CHINESE INTERFERENCE.

2. SIR S Y CHUNG SAID IT WAS DIFFICULT TO COMMENT ON THE STRATEGY OUTLINED BY THE SECRETARY OF STATE WITHOUT KNOWING THE REACTION IN HONG KONG TO THE UNVEILING STATEMENT HE WOULD MAKE THE FOLLOWING DAY. HE ACCEPTED THAT HMG WOULD HAVE THEIR OWN VIEWS ABOUT TACTICS. AT THE END OF THE DAY THE UNOFFICIALS WOULD HAVE TO CONSIDER WHATEVER DRAFT AGREEMENT HAD BEEN ACHIEVED AND DECIDE WHETHER THEY COULD ACCEPT IT. IF THEY FOUND IT UNACCEPTABLE, AND HMG NEVERTHELESS WENT AHEAD, THEY WOULD WISH THEIR POSITION TO BE MADE KNOWN PUBLICLY. IN THE MEANTIME HE WAS CONCERNED ABOUT THE SECRETARY OF STATE'S STATEMENT THAT IT WOULD NOT BE POSSIBLE TO AMEND A DRAFT AGREEMENT AFTER IT HAD BEEN PUBLISHED.

3. FURTHER DISCUSSION CONCENTRATED ON THE TIMETABLE AND THE IMPORTANCE OF THE CHINESE DEADLINE. A NUMBER OF MEMBERS ARGUED THAT THE SECRETARY OF STATE HAD EXAGGERATED THE DANGERS INVOLVED IN FAILURE TO MEET THE SEPTEMBER DEADLINE. THEY SUGGESTED THAT IF THE CHINESE DID MAKE A UNILATERAL ANNOUNCEMENT IT WOULD NOT CONTAIN MUCH MORE THAN THE 12 POINTS. HMG MIGHT THEN MAKE THEIR OWN ANNOUNCEMENT AND THE WORLD WOULD SEE THAT THE TWO SIDES WERE NOT REALLY SO FAR APART. IN SOME MEMBERS' VIEW, A UNILATERAL CHINESE ANNOUNCEMENT WOULD NOT NECESSARILY BE THE END OF THE ROAD. THE CHINESE WANTED AN AGREEMENT AND WOULD RETURN TO THE NEGOTIATING TABLE. THEY MIGHT EVEN BE READY TO ACCEPT OUR DRAFT AGREEMENT. THE SECRETARY OF STATE MADE IT CLEAR THAT, IN MINISTERS' CONSIDERED VIEW, THE SEPTEMBER DEADLINE WAS SERIOUS. THE CHINESE MEANT WHAT THEY SAID AND WOULD MAKE A UNILATERAL ANNOUNCEMENT IF A DRAFT AGREEMENT HAD NOT BEEN COMPLETED BY SEPTEMBER. IT WOULD THEN BE VIRTUALLY IMPOSSIBLE TO GET THEM BACK TO THE NEGOTIATING TABLE. THE RESULTING SITUATION WOULD BE VERY SERIOUS INDEED. HE STRESSED THAT IF IT CAME TO A CHOICE THE CHINESE WOULD GIVE THE RECOVERY OF SOVEREIGNTY PRIORITY OVER THE CONCLUSION OF AN AGREEMENT WHICH WOULD MAINTAIN HONG KONG'S PROSPERITY.

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4. MR T S LO MADE A PREPARED STATEMENT ON NATIONALITY, ARGUING THE NEED TO MAKE CONTINGENCY PLANS IN CASE OF FAILURE TO ACHIEVE AN ACCEPTABLE AGREEMENT BY SEPTEMBER. IN THAT EVENT HMG WOULD HAVE CONSIDER THEIR OBLIGATIONS TO THOSE OF BRITISH NATIONALITY. THE CONSEQUENCES WOULD BE VERY SERIOUS IF 3 MILLION BDTC'S LOST THEIR EXISTING RIGHTS THROUGH THE RENUNCIATION OF SOVEREIGNTY. SIR S Y CHUNG ADDED THAT HE DID NOT CHALLENGE HMG'S RIGHT TO RETURN THE TERRITORY OF HONG KONG TO CHINA. THE QUESTION WAS WHETHER HMG COULD FORCE PEOPLE WHO DID NOT WISH TO DO SO TO LIVE UNDER COMMUNISM. THE SECRETARY OF STATE SAID THAT CONTINGENCY PLANNING WOULD CERTAINLY INCLUDE THE QUESTION OF NATIONALITY. THE ISSUE REQUIRED VERY CAREFUL CONSIDERATION. THIS ASSURANCE WAS ACCEPTED.

5. IN CONCLUSION THE SECRETARY OF STATE SAID HE HOPED THAT THE BROAD STRATEGY HE HAD OUTLINED, WHICH INCLUDED CONTINUING CONSULTATION WITH EXCO THOUGH NOT ON EVERY TACTICAL POINT, WAS ACCEPTABLE TO THE COUNCIL. TWO MEMBERS RAISED OBJECTIONS ALTHOUGH IT WAS CLEAR FROM THE EARLIER DISCUSSION THAT THEY CONTINUED TO HAVE MISGIVINGS ON SOME ASPECTS.

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

19 April 1984

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Jaw Shu

Future of Hong Kong: Foreign and Commonwealth Secretary's  
Visit to Peking

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You may find it helpful to have the enclosed set of telegrams reporting the Foreign Secretary's meetings with Chinese leaders from 16 - 18 April (Peking telnos 759, 764, 765 and 767 and Hong Kong telnos 1057 and 1058). I also enclose a summary of the points made by both sides.

While the atmosphere of the talks was good the Chinese took a tough line on the major items of substance. They did however make an important shift on the question of the timetable for the negotiation of an agreement. At the end of the series of talks, Deng Ziaoping agreed that we should aim for an initial agreement in September with Parliamentary consideration in November and signature before the end of the year. The question of the timing of ratification of the agreement however remains for further discussion.

The Chinese said that our draft agreement was unacceptable and pressed the claims of their own. They did however accept that our draft, as well as theirs, should remain on the table for consideration by the negotiators. There was little significant shift of substance on other questions affecting the agreement, although the Chinese did say that there should be some (though not too much) detail which could be included in an annex. They maintained that such an annex would be as binding as the rest of the agreement although they did not specify how this should be done in legal terms.

The Secretary of State explained his intention to make an "unveiling" statement in Hong Kong. This passed without comment by the Chinese leaders, although the Chinese negotiator, Zhou Nan, expressed some concern to the Secretary of State about the content of the statement.

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We shall report further after the Foreign Secretary's visit to Hong Kong and his discussions with EXCO.

*[Handwritten signature]*  
*[Handwritten signature]*

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing Street

SECRET

VISIT OF THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS  
TO PEKING, 16-18 APRIL 1984

Summary of discussions with Chinese leaders

1. Meetings: Sir Geoffrey Howe met:

- (a) Wu Xueqian, Chinese Foreign Minister for two sessions on 16 April;
- (b) Ji Pengfei, Head of the Chinese Office for Hong Kong and Macau for two hours on 17 April;
- (c) Zhao Ziyang, Chinese Prime Minister for one hour on 17 April;
- (d) Deng Xiaoping, Chairman of the Chinese Communist Party for one hour on 18 April;
- (e) Zhou Nan Chinese Assistant Foreign Minister and negotiator on Hong Kong, on 18 April

(Sir Percy Cradock held a separate working lunch with Zhou Nan, on 17 April).

2. The Talks

(a) Chinese Points

- (i) Wu said that after 12 rounds there were many common points, although some further discussion was needed, particularly on nationality.
- (ii) Wu emphasised the importance of mutual trust. The Chinese had stated publicly that their policies for Hong Kong would remain unchanged for fifty years. The Chinese Government would match words with action.
- (iii) Zhao said that agreement had been reached on a number of points and the remaining questions would not be hard to solve.

(b) British Points

- (i) Sir Geoffrey Howe said that we were negotiating on the basis of the Prime Minister's message of 10 March and 14 October 1983. He said that an agreement was within the grasp of the two sides. We sincerely intended to reach agreement.

3. The Draft Agreements

(i) Chinese points:

- (i) Wu said that an eventual agreement would reflect all points

agreed in the talks. The British annexes were too many, although the Chinese side did not reject discussion of them.

(ii) Wu said that the British draft agreement was unacceptable because it was ambiguous on the question of the transfer of sovereignty, and because the Chinese 12 points were an internal affair and not for approval by another country. Wu repeated detailed criticisms of our draft previously made by Zhou Nan.

(iii) Ji said that the agreement should contain the twelve points and the annex could contain further elaboration of them. The agreement should also contain a clear declaration on the transfer of sovereignty and provisions for the transitional period. The agreement should only contain matters of principle, but the annex would be equally binding and would be reflected in the Basic Law.

(iv) Zhao said that the Chinese side had shown the greatest possible flexibility in negotiations to the extent permitted by the principle of Chinese sovereignty. Chinese policies for Hong Kong after 1997 should not be subject to approval by the British side.

(v) Zhao said both the agreement and the annex would have binding force and be equally valid. The annex should contain the points agreed in the talks.

(vi) Deng said that the agreement should deal with matters of principle. Too many details would limit the competence of the future SAR government. He accepted that an annex in the form of an exchange of notes should deal with detail (but not excessive detail).

(vii) Zhou Nan said the Chinese side would formally table their draft agreement at the next round.

(viii) Zhou Nan said to Sir P Cradock that the degree of detail to be included in the annex could be discussed at the next round. Zhou said that the annex would have validity like the agreement and that both would be reflected in the Basic Law.

(b) British points:

(i) Sir Geoffrey Howe said to Wu that the British draft met Chinese requirements of principle. He expressed surprise and disappointment at the initial Chinese reaction.

(ii) Sir Geoffrey Howe said to Wu that the Chinese draft was unacceptable because it imposed legal obligations only on the

British side. Provision for post 1997 arrangements in Hong Kong should be made in the agreement to sustain confidence. The Basic Law was an internal Chinese affair, but the Chinese should exercise their sovereignty constructively by describing the post 1997 arrangements in the agreement. The drafting of the Basic Law would take some time, so the agreement should set out the details of its provisions. Sir Geoffrey Howe answered the criticisms of the British draft.

(iii) Sir Geoffrey Howe said to Wu that both agreements should remain on the table for further discussion. This was subsequently agreed with Ji Pengfei and Zhou Ziyang.

(iv) Sir Geoffrey Howe said to Ji that we needed to have an agreement that was binding on both sides. The Chinese should give a binding commitment to the arrangements which would be made after 1997, in return for our understanding about sovereignty. The precise wording could be left to the negotiators.

(v) Sir Geoffrey Howe said to Ji that we welcomed his assurance that the annex would be as valid as the agreement. Much would depend on how much detail it contained.

#### 4. Timetable

(a) Chinese points:

(i) Wu said that it would be possible to conclude discussion of an agreement by June, to allow Parliament time to debate it and to sign in September. Signature and ratification should not be prolonged.

(ii) Ji asked about Parliamentary procedures. He asked what would happen if the agreement was not approved. He said that a change in the timetable would be hard to justify to the Chinese people.

(iii) Zhao referred to the time limit for the signature of an agreement, and hoped HMG would demonstrate its reputation for efficiency and timing.

(iv) Deng agreed to the timetable proposed by the Secretary of State for publication of an agreement in September followed by debate in November and signature before the end of the year. Ratification was not mentioned.

(v) Zhou Nan asked Sir P Cradock for clarification on

ratification. He indicated no change in the Chinese position.

(b) British Points

(i) Sir Geoffrey Howe said to Wu that an agreement by July would not be possible for Parliamentary reasons. It was vital that Parliament should not be given the impression that it was being misled.

(ii) Sir Geoffrey Howe said to Ji that there was not enough time for a debate before July. Parliament would want more than a few weeks to consider an agreement and would want to observe reactions in Hong Kong.

(iii) Sir Geoffrey Howe said to Ji that he intended to publish the agreement in September for debate in November. Rejection was theoretically possible but would create a very serious situation. Parliament would not be able to amend the agreement only to accept or reject it.

(iv) Sir P Cradock said to Zhou Nan on a personal basis that if there were sufficient detail in the agreement, ratification could be much expedited.

5. Outstanding issues from the talks

(a) Chinese points

(i) Wu said that China did not recognise dual nationality. British consular protection for 3 million out of Hong Kong's population of 5 million would be absurd.

(ii) Wu said that the structure of Government of the future SAR would be defined in the Basic law. It was impossible to define it now. The two sides would need to discuss further changes in government structure prior to 1997 to ensure the smooth transfer of Government. He agreed that the matter should be left to further discussions between representatives of the two sides.

(iii) Wu said that foreign nationals could be employed up to deputy secretary level in the public service, but the chiefs of principle departments and the commissioner of police should be Chinese nationals with permanent Hong Kong ID cards. He agreed that this question should be discussed further.

(iv) Deng said that China would send a small armed force to Hong Kong in 1997, similar to the existing British garrison, to be paid for by the Central People's Government. It would be a

symbol of sovereignty and a factor for stability. Sir Geoffrey Howe registered our concern. Deng said this matter should be left to the negotiators.

(b) British points

(i) Sir Geoffrey Howe raised nationality, Constitutional arrangements and the public service with Wu.

(ii) Sir Geoffrey Howe said that it would be politically impossible for HMG to deprive BDTC's of their existing rights as British nationals. We proposed to create a new category of British nationality. It would be helpful if the Chinese could create a separate citizenship for Hong Kong under Chinese nationality.

(iii) Sir Geoffrey Howe said that a clear expression of the autonomy which the legislature and executive of Hong Kong would enjoy was essential.

(iv) Sir Geoffrey Howe said that continuity of employment in the public service was crucial to maintaining an effective administration. There should be no exclusion from any rank on grounds of race.

(v) Sir Geoffrey Howe raised the question of an internal security force with Ji.

6. Pre 1997 Arrangements

(a) Chinese points

(i) Wu said that a Joint Group in Hong Kong before 1997 would not give the impression of condominium in Hong Kong, its task was simply coordination. Britain would retain full responsibility for administration. Without the joint group questions such as land leases could not be resolved.

(ii) Ji said that after the agreement had been signed there would be specific issues affecting Hong Kong which would need to be discussed locally. In 1983, the Basic law would be promulgated and the people in Hong Kong could consider the territories future institutions and the composition of the first government of the SAR.

(iii) Zhao said that the Chinese had no intention of creating a condominium before 1997. He thought that British concerns could be met through further discussion of the Joint Commission's name and function. If the body was located in Peking, it would be difficult for it to be well informed about the Hong Kong



question. its work could not be seen by Hong Kong people which would lead to speculation about its function.

(iv) Zhao said that if the joint group was part of the agreement there should be no effect on confidence. The agreement would make it clear that Hong Kong would be administered by Hong Kong people, officials would not be sent from the mainland, and unnecessary changes would not be made. The NCNA and other Chinese organisations already operated in Hong Kong.

(v) Deng said that the Chinese were concerned that the SAR Government would inherit a mess in 1997. He did not accuse HMG or the Hong Kong Government, but referred to 'some people' eg businessmen. A joint commission would be needed to prepare for 1997. The two sides should consult together in choosing future officials. Deng suggested a joint group rotating between Hong Kong, London and Peking. Sir Geoffrey Howe agreed to explore the idea.

(vi) Zhou Nan said to Sir P Cradock that the joint commission must be in Hong Kong to deal with matters of detail. He suggested that the name or composition of the commission could be changed. He suggested that if we did not agree on item two then the Chinese might not agree on the timetable.

(b) British points

(i) Sir Geoffrey Howe said that this question could be approached on an agreed basis:

- (a) Hong Kong Government authority before 1997, should remain clear;
- (b) The handover should be smooth;
- (c) There should be the greatest possible continuity of existing systems.

He agreed with Wu that there were many questions requiring consultation before 1997, but the creation of a Joint Group would give the impression that China was preparing to send people to administer Hong Kong. The British side thought it best to avoid establishing formal machinery at this stage. Close contact should be maintained through the representatives of the two sides to deal with issues as they arose.

(ii) Sir Geoffrey Howe agreed with Zhao that there should be continuing consultation between the signing of the agreement and 1997, but said this would have the best effect if it took place

in Peking and not in Hong Kong.

(iii) Sir Geoffrey Howe said to Zhao that the existing Chinese agencies in Hong Kong were familiar ones with separate functions, and different from a new commission.

(iv) Sir P Cradock suggested to Zhou Nan on a personal basis that the negotiating teams could continue to meet in Peking to deal with outstanding matters after concluding an agreement. People could be brought from Hong Kong if necessary.

7. Unveiling Statement

(i) Ji said that Sir Geoffrey's statement in Hong Kong would be a very important one.

(ii) Zhou Nan said that he hoped the Secretary of State's statement in Hong Kong would not trespass on Chinese policy in Hong Kong. Sir Geoffrey Howe refused to disclose the contents of the statement to Zhou.

British Points

(i) Sir Geoffrey Howe said to Ji that it was important to prepare public opinion and that he would be making a short statement in Hong Kong outlining the British approach to the negotiations. It would not breach confidentiality. ?

Hong Kong Department  
19 April 1984

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FUTURE OF HONG KONG: SECRETARY OF STATE'S DISCUSSIONS WITH WU XUEQIAN ON 16 APRIL.

SUMMARY

1. IN THE MORNING SESSION, THE SECRETARY OF STATE MADE A GENERAL STATEMENT. HE SAID THAT THE BRITISH DRAFT AGREEMENT MET ESSENTIAL CHINESE REQUIREMENTS. HE EXPLAINED PARLIAMENTARY CONSTRAINTS, ESPECIALLY WITH RELATION TO THE TIMETABLE. HE EXPRESSED CONCERN AT CHINESE IDEAS ON ARRANGEMENTS BEFORE 1997.

2. WU SAID THAT AFTER 12 ROUNDS THE VIEWS OF THE TWO SIDES ON A NUMBER OF ISSUES WERE BASICALLY IDENTICAL. HE WELCOMED OUR DESIRE TO PRESS FORWARD TO AN AGREEMENT. BUT MUTUAL TRUST NEEDED TO BE FURTHER ENHANCED.

3. IN THE AFTERNOON WU SAID THAT OUR DRAFT, AS A WHOLE, WAS UNACCEPTABLE. HE LISTED CHINESE OBJECTIONS WHICH WERE SIMILAR TO THOSE PUT FORWARD ON 13 APRIL BY ZHOU NAN (MY TELNO 739). ON THE TIMETABLE, WU HOPED FOR AGREEMENT BY MAY OR JUNE, FOLLOWED BY DEBATE IN PARLIAMENT AND SIGNATURE IN SEPTMBER. ON ARRANGMENTS BEFORE 1997, HE STRESSED THAT THE HONG KONG GOVERNMENT WOULD REMAIN FULLY RESPONSIBLE FOR HONG KONG'S ADMINISTRATION UNTIL 1997. A SINO-BRITISH JOINT GROUP WAS NONETHELESS NECESSARY TO IMPLEMENT THE AGREEMENT. IT WOULD BE A LIAISON BODY, NOT AN ORGAN OF POWER. WITHOUT IT, QUESTIONS LIKE LAND LEASES WOULD BE HARD TO SOLVE.

4. THE SECRETARY OF STATE SAID THAT THE CHINESE DRAFT WAS AS UNACCEPTABLE TO US AS OUR WAS TO THEM. IT ENVISAGED LEGAL OBLIGATIONS ON OUR SIDE BUT NONE ON THEIRS. IT WAS UNCLEAR WHICH PRINCIPLES DISCUSSED IN THE TALKS WOULD BE INCLUDED IN IT. A CLEAR AND PRECISE DEFINITION OF POST-1997 ARRANGEMENTS IN THE AGREEMENT WAS ESSENTIAL FOR CONFIDENCE. ON THE TIMETABLE, WE WISHED TO MOVE AS QUICKLY AS POSSIBLE. BUT SUFFICIENT DETAIL WOULD BE ESSENTIAL FOR PARLIAMENT. BOTH SIDES BELIEVED THEIR DRAFT TO TBE THE BEST. BOTH SHOULD REMAIN ON THE TABLE. ON ARRANGEMENTS BEFORE 1997, CONTACT BETWEEN REPRESENTATIVES OF THE TWO SIDES COULD BE MAINTANED IN THE PERIOD AFTER CONCLUSION OF AN AGREEMENT TO DEAL WITH VARIOUS ISSUES AS THEY AROSE.

5. WU SAID A GAP EXISTED BETWEEN THE TWO SIDES BUT THAT MATTERS COULD NOW BE LEFT TO THE REPRESENTATIVES OF THE TWO SIDES AT THEIR FUTURE DISCUSSIONS. THE EXCHANGE OF VIEWS HAD INCREASED MUTUAL UNDERSTANDING.

6. THE SECRETARY OF STATE PRESSED OUR CASE ON THREE OUTSTANDING ISSUES: NATIONALITY, CONSTITUTIONAL DEVELOPMENT, AND THE PUBLIC SERVICE. WU DID NOT MOVE. ALL THREE ISSUES WERE RETURNED TO REPRESENTATIVES OF THE TWO SIDES.

7. THE SECRETARY OF STATE OPENED DISCUSSION WITH A GENERAL STATEMENT. HE RECALLED THAT THE PRIME MINISTER'S MESSAGES OF 10 MARCH AND 14 OCTOBER 1983 WERE THE BASIS ON WHICH WE WERE NEGOTIATING. HE NOTED THE DETAILED GROUND THAT HAD BEEN COVERED IN THE NEGOTIATIONS AND EMPHASISED OUR SINCERITY IN SEEKING TO REACH AGREEMENT. IF THE NECESSARY ADVANCES COULD BE MADE ON THE IMPORTANT POINTS STILL OUTSTANDING THEN AGREEMENT WAS WITHIN THE GRASP OF THE TWO SIDES.

8. HE MOVED ON TO THE NATURE OF THE EVENTUAL AGREEMENT. IN OUR VIEW, THE BRITISH DRAFT AGREEMENT UNEQUIVOCALLY MET CHINESE REQUIREMENTS OF PRINCIPLE. IT TOOK AS ITS BASIS THE CHINESE PLAN FOR HONG KONG AND COVERED THE AREAS DISCUSSED BETWEEN THE TWO DELEGATIONS AT THE TALKS. IT MADE CLEAR THAT HONG KONG WOULD BE ADMINISTERED UNDER THE CHINESE CONSTITUTION AND STATED THE PRINCIPLES WHICH WOULD GUIDE THAT ADMINISTRATION. WE HAD BEEN SURPRISED AND DISAPPOINTED AT THE INITIAL CHINESE REACTION TO IT, BUT WE WERE CONVINCED THAT, TOGETHER WITH ITS ANNEXES, IT PROVIDED THE RIGHT BASIS FOR MAKING CLEAR HONG KONG'S FUTURE IN SUCH A WAY AS TO COMMAND CONFIDENCE IN HONG KONG AND ASSURE PROSPERITY AND STABILITY.

9. HE CONTINUED BY EXPLAINING THE PARLIAMENTARY CONSTRAINTS. HE EMPHASISED THAT HE WAS OFFERING ADVICE AS A PARLIAMENTARIAN HIMSELF ON A PRACTICAL QUESTION. THE COMMON INTEREST OF THE TWO SIDES LAY IN REACHING AN AGREEMENT WHICH WOULD COMMAND CONFIDENCE. THE CHINESE SIDE SHOULD LET HMG JUDGE HOW THEY COULD BEST PLAY THEIR PART ACCORDING TO BRITISH POLITICAL REQUIREMENTS. THE BRITISH SIDE ENTIRELY UNDERSTOOD THE CHINESE WISH TO AVOID DELAY BUT BELIEVED THAT THE BRITISH TIMETABLE COULD MEET CHINESE WISHES TO MAKE AN ANNOUNCEMENT BY SEPTEMBER AND WOULD ALSO ALLOW FOR SIGNATURE OF AN AGREEMENT WELL BEFORE THE END OF THE YEAR.

10. THE SECRETARY OF STATE CONCLUDED BY IDENTIFYING THREE KEY ISSUES FROM AGENDA ITEM 1 WHICH HE HOPED TO DISCUSS FURTHER: NATIONALITY, CONSTITUTIONAL ARRANGEMENTS, AND THE PUBLIC SERVICE. HE ADDED THAT WE WERE CONCERNED AT THE IDEAS BEING PUT FORWARD BY THE CHINESE SIDE UNDER AGENDA ITEM 2 AND SUGGESTED THAT THAT SUBJECT MIGHT ALSO BE DISCUSSED AT THE AFTERNOON SESSION.

11. WU CONFINED HIMSELF IN HIS RESPONSE AT THE MORNING SESSION TO SOME GENERAL REMARKS. HE WELCOMED THE DETERMINATION OF THE BRITISH GOVERNMENT TO SOLVE THE QUESTION OF TRANSFER OF SOVEREIGNTY TO CHINA THROUGH CONSULTATIONS. AFTER 12 ROUNDS OF TALKS THE VIEWS OF THE TWO SIDES ON A NUMBER OF ISSUES WERE BASICALLY IDENTICAL, WHILE ON OTHER ISSUES DIFFERENCES WERE MERELY OF TERMINOLOGY. HE SAID THAT THERE WERE MANY COMMON POINTS ON THE LEGAL SYSTEM, THE MONETARY AND ECONOMIC SYSTEMS, EXTERNAL ECONOMIC RELATIONS, SHIPPING, CIVIL AVIATION, GOVERNMENT STRUCTURES, THE PUBLIC SERVICE, CULTURE AND EDUCATION, AND RIGHTS OF INDIVIDUALS, ALTHOUGH SOME FURTHER DISCUSSION WAS STILL NEEDED. FURTHER DISCUSSION AND STUDY WAS NEEDED ON NATIONALITY AND CHINESE IDEAS FOR THE TRANSITION PERIOD.

12. WU WENT ON TO TALK ABOUT MUTUAL CO-OPERATION AND TRUST. THESE EXISTED ALREADY IN THE TALKS AND IT WAS BECAUSE OF THEM THAT PROGRESS HAD BEEN MADE. BUT IT WAS IMPORTANT TO ENHANCE THEM, ESPECIALLY TRUST. WU EMPHASISED THE CORRECT LINE CHINA HAD TAKEN SINCE THE THIRD PLENUM OF THE 11TH CENTRAL COMMITTEE IN DECEMBER 1978. GUIDED BY THIS LINE AND TAKING ACCOUNT OF THE HISTORY AND REALITIES OF HONG KONG, THE CHINESE GOVERNMENT HAD WORKED OUT A POLICY FOR HONG KONG: THE TWELVE GUIDELINES. IT HAD BEEN FORMULATED AFTER MUCH CAREFUL CONSIDERATION. THE POLICY WAS MAGNANIMOUS AND REASONABLE. IT WAS BECAUSE SOME PEOPLE IN HONG KONG AND ELSEWHERE HAD BEEN APPREHENSIVE ABOUT CHINESE POLICIES THAT CHINESE LEADERS HAD DECIDED TO STATE PUBLICLY THAT POLICIES TOWARDS HONG KONG WOULD REMAIN UNCHANGED FOR 50 YEARS. HE HOPED THESE FACTS WOULD ENABLE THE PRIME MINISTER AND OTHER BRITISH MINISTERS TO ENHANCE THEIR SENSE OF TRUST IN CHINESE POLICIES. THE CHINESE GOVERNMENT MEANT WHAT IT SAID AND WOULD MATCH WORDS WITH ACTION. CHINA WOULD BE VERY FRANK IN TELLING BRITAIN WHICH POINTS WERE UNACCEPTABLE, BUT OTHER POINTS ON WHICH AGREEMENT WAS REACHED WOULD BE STRICTLY HONOURED. HENCE THE IMPORTANCE OF MUTUAL TRUST BEFORE AGREEMENT WAS REACHED. IF TRUST WAS NOT ABSOLUTE THEN AN AGREEMENT, NO MATTER HOW DETAILED, MIGHT ONE DAY BECOME A 'SCRAP OF PAPER'. THE CHINESE SIDE WOULD SEE TO IT THAT THE EVENTUAL AGREEMENT WOULD REFLECT ALL POINTS OF AGREEMENT REACHED IN THE TALKS. WU CONCLUDED THAT THERE SHOULD NEVERTHELESS BE FLEXIBILITY IN SOME AREAS. HE THOUGHT THAT THE ANNEXES WHICH WE HAD PASSED TO THE CHINESE SIDE WERE TOO MANY. THE CHINESE SIDE DID NOT REJECT DISCUSSION OF ANNEXES, BUT THE POINT WAS TO ESTABLISH MUTUAL TRUST ON MAJOR MATTERS AND MATTERS OF PRINCIPLE. ONCE THAT HAD BEEN DONE IT WOULD NOT BE DIFFICULT TO DISCUSS OTHER MATTERS.



13. IN THE AFTERNOON SESSION WU SPOKE FIRST. HE SAID HE HAD LISTENED WITH CARE TO THE SECRETARY OF STATE'S EXPLANATION OF THE BRITISH DRAFT AGREEMENT. HE AGREED THAT NOW WAS THE TIME FOR THE TWO SIDES TO STUDY THE QUESTION OF AN AGREEMENT. REACHING AN EARLY AGREEMENT WAS A SHARED DESIRE AND WAS ALSO NECESSARY TO MAINTAIN HONG KONG'S STABILITY AND PROSPERITY. THE CHINESE SIDE WERE READY TO WORK TOGETHER TOWARDS THIS GOAL.

14. WU SAID THAT THE BRITISH DRAFT AGREEMENT TOUCHED ON THE QUESTION OF TRANSFER OF SOVEREIGNTY TO CHINA IN 1997. SOME OF ITS ARTICLES INCLUDED SOME OF THE CHINESE VIEWS. BUT THE DRAFT AS A WHOLE WAS UNACCEPTABLE. IT COULD NOT SERVE AS A BASIS FOR DISCUSSION BECAUSE IT WAS AMBIGUOUS ON THE QUESTION OF TRANSFER OF SOVEREIGNTY. THIS MUST BE DEALT WITH SQUARELY AND EXPLICITLY.

(B) THE 12 GUIDELINES, CHINA'S BASIC POLICIES FOR THE SETTLEMENT OF THE HONG KONG QUESTION, WERE AN INTERNAL AFFAIR AND NOT TO BE TREATED AS SOMETHING FOR APPROVAL BY ANOTHER COUNTRY OR TAKEN AS THE RESULT OF NEGOTIATION.

(C) THE CONTENT AND FORM OF THE DRAFT GAVE THE IMPRESSION THAT THE BRITISH SIDE WAS SEEKING TO REPLACE THE BASIC LAW WITH THE AGREEMENT OR THAT ENACTMENT OF THE BASIC LAW WAS WORK TO BE DONE BY THE TWO SIDES. THE CHINESE SIDE HAD REPEATEDLY SAID THAT THE BASIC LAW WOULD TAKE THE 12 GUIDELINES AS ITS BASIS AND THAT THE AGREEMENT WOULD BE REFLECTED IN IT. BUT IT WAS AN INTERNAL AFFAIR. OUR DRAFT ATTEMPTED TO DEFINE ITS DETAILS. THIS WAS IMPERMISSIBLE.

(D) THERE WERE ALSO REFERENCES IN THE DRAFT TO DISCUSSIONS ON THE IMPLEMENTATION OF THE AGREEMENT, BUT NO TERM WAS SET TO THESE. IF WE MEANT THEM TO CONTINUE BEYOND 1997, WOULD THIS NOT GIVE THE IMPRESSION OF A CONDOMINIUM ?

(E) WU ADDED THAT THE DRAFT ALSO REFERRED TO ACCEPTANCE BY THE INTERNATIONAL COMMUNITY OF HONG KONG'S AUTONOMOUS STATUS. IF THE BRITISH SIDE WERE SEEKING TO INTERNATIONALISE THE ISSUE THIS WAS A DANGEROUS INTENTION.

15. WU SAID THAT A NUMBER OF POINTS IN THE ANNEXES HAD BEEN CRITICISED BY THE CHINESE SIDE IN THE TALKS. THEY WERE NOW PRESENTED IN A DIFFERENT FORM. HE WONDERED IF WE WERE SEEKING TO RE-RAISE THESE ISSUES. IF SO OUR SINCERITY IN SEEKING AN EARLY AGREEMENT MIGHT BE CALLED INTO QUESTION.

16. WU SAID THE CHINESE VIEWS ON THE FORM AND CONTENT OF A DRAFT AGREEMENT WERE CLEAR CUT AND REASONABLE:

(A) THE RESTORATION OF HONG KONG TO CHINA MUST BE DEALT WITH SQUARELY SEMICOLON

(B) IT WAS FOR THE CHINESE GOVERNMENT TO DECLARE ITS 12 GUIDELINES WHICH SHOULD NOT BE SUBJECT TO BILATERAL AGREEMENT SEMICLN

(C) THE AGREEMENT SHOULD MAINLY COVER MAJOR ISSUES OF PRINCIPLE. SPECIFIC ISSUES WHICH WERE ISSUES OF PRINCIPLE TO A CERTAIN EXTENT COULD BE DEALT WITH IN ANNEXES. THE SUGGESTED EXCHANGE OF NOTES SHOULD DEAL WITH THESE SPECIFIC ISSUES OF PRINCIPLE AND THE SUGGESTED PROTOCOL WITH ARRANGEMENTS FOR THE TRANSITIONAL PERIOD.

WU SAID IT WAS HARD TO EXPLAIN WHY THE SECRETARY OF STATE HAD NOT MENTIONED THE CHINESE DRAFT THIS MORNING IF HE HAD SEEN IT. THIS DRAFT WAS REASONABLE AND FEASIBLE. IT SHOULD BE THE BASIS FOR DISCUSSION OF AN AGREEMENT.

17. ON THE TIMETABLE, WU SAID THAT THE FOUNDATIONS FOR CONCLUSION OF AN AGREEMENT HAD BEEN LAID. THERE WAS NO NEED TO DELAY. IT WAS ENTIRELY POSSIBLE TO CONCLUDE DISCUSSION OF AN AGREEMENT IN MAY OR JUNE. THERE WOULD THEN BE AMPLE TIME FOR PARLIAMENT TO COMPLETE THE NECESSARY CONSTITUTIONAL PROCEDURES FOR SIGNATURE TO TAKE PLACE IN SEPTEMBER. SIGNATURE AND RATIFICATION SHOULD NOT BE PROLONGED. THIS WOULD BE UNHELPFUL TO STABILITY AND PROSPERITY IN HONG KONG AND TO BRITISH INTERESTS.

18. ON ITEM 2, WU DISAGREED THAT THE PROPOSED SINO-BRITISH JOINT GROUP COULD GIVE THE IMPRESSION OF CONDOMINIUM IN HONG KONG. IT HAD BEEN MADE CLEAR THAT THE JOINT GROUP'S TASK WOULD BE TO COORDINATE THE IMPLEMENTATION OF THE AGREEMENT. IT WOULD BE A LIAISON BODY. IT HAD ALSO BEEN MADE CLEAR THAT BRITAIN RETAINED FULL RESPONSIBILITY FOR THE ADMINISTRATION OF HONG KONG IN THE TRANSITIONAL PERIOD. THE JOINT GROUP WOULD NOT INTERFERE IN HONG KONG'S INTERNAL AFFAIRS. THERE WAS THUS NO QUESTION OF CONDOMINIUM IN THIS PERIOD.

19. THE CHINESE PLAN FOR THE TRANSITIONAL PERIOD WAS INSEPARABLE FROM THEIR POST-1997 POLICIES. IT WAS DIFFICULT TO THINK THAT CHINA COULD LEAVE EVERYTHING INTACT IN 1997 WITHOUT UNDERSTANDING OF THE CHANGES TO BE MADE IN THE TRANSITIONAL PERIOD. CERTAIN MATTERS, EG LEASES, MUST BE SOLVED DURING THIS PERIOD. PROVIDED THE BRITISH SIDE CONFIRMED THE PREMISE OF CHINESE SOVEREIGNTY, WITH CHINESE APPROVAL HONG KONG COULD GRANT LEASES BEYOND 1997. THE AMOUNT OF LAND FOR SUCH LEASES WAS A QUESTION WHICH COULD BE STUDIED BY THE SPECIAL LAND SUB-GROUP OF THE JOINT GROUP. THE USE OF THE CONSTRUCTION AND DEVELOPMENT FUND SHOULD ALSO HAVE THE APPROVAL OF THE CHINESE SIDE. THUS WITHOUT THIS JOINT GROUP QUESTIONS SUCH AS LEASES WOULD BE DIFFICULT TO SOLVE. THE ESTABLISHMENT OF A JOINT GROUP WOULD NOT ADVERSELY AFFECT CONFIDENCE: IT HAD BEEN PROPOSED FOR THE OPPOSITE REASON. HE SAID THAT SOME PEOPLE WERE ANXIOUS THAT THE BRITISH WOULD ADMINISTER HONG KONG ON A SHORT-SIGHTED BASIS BEFORE 1997 AND THE CHINESE SIDE WAS AFRAID THAT BRITAIN WOULD LEAVE HONG KONG IN A MESS IN 1997. THE CHINESE REQUESTS WERE NOT UNDULY EXCESSIVE. HE HOPED FOR A POSITIVE RESPONSE. HE AGREED THAT THE HONG KONG QUESTION WAS COMPLEX. IT WAS FOR THIS REASON THAT A JOINT GROUP MUST BE ESTABLISHED. IF NOT CHINA WOULD HAVE LITTLE KNOWLEDGE OF HONG KONG IN 1997.

20. THE SECRETARY OF STATE WELCOMED THE FACT THAT BOTH SIDES AGREED TO PRESS FORWARD TO DISCUSSION OF THE DRAFT AGREEMENT. ALTHOUGH HE HAD NOT MENTIONED THE CHINESE DRAFT HE HAD SEEN THE DOCUMENT. JUST AS THE CHINESE SIDE REGARDED THE BRITISH DRAFT AS UNACCEPTABLE SO THE BRITISH SIDE REGARDED THE CHINESE DRAFT AS UNACCEPTABLE.

THE REASONS FOR THIS VIEW WERE:

(A) THE CHINESE DRAFT APPEARED TO VISUALISE LEGAL OBLIGATIONS ONLY ON THE BRITISH SIDE. HONG KONG BELIEVED THAT POST-1997 ARRANGEMENTS SHOULD BE THE SUBJECT NOT JUST OF A DECLARATION BUT OF A BILATERAL AGREEMENT SEMICL

(B) IT WAS UNCLEAR WHICH PRINCIPLES DISCUSSED IN THE TALKS WOULD BE INCLUDED IN THE CHINESE DRAFT. THE BRITISH SIDE BELIEVED THAT ITS DRAFT MET THE MAIN CHINESE REQUIREMENT. IT INDICATED OUR SINCERITY. THE CHINESE SIDE'S DISSATISFACTION WAS PERHAPS BASED ON MISUNDERSTANDINGS. CERTAINLY ARTICLE 1 MADE EXPLICITLY CLEAR THAT CHINA WOULD REGAIN SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION OVER HONG KONG IN 1997. THERE WAS NO INTENTION TO LITIGATE CHINESE SOVEREIGNTY. ALTHOUGH THE ARTICLE DID SEEK TO DEFINE THE DEGREE OF AUTONOMY WHICH THE SAR WOULD ENJOY, THIS WOULD BE WITHIN THE FRAMEWORK OF CHINESE SOVEREIGNTY.

21. PROVISION FOR POST-1997 ARRANGMENTS FOR THE SAR SHOULD BE MADE IN THE AGREEMENT BECAUSE

(A) IT WOULD BE EQUITABLE TO HAVE SOME MATCHING PROVISION TO HONG KONG'S OBLIGATION TO TRANSFER SOVEREIGNTY SEMICENTRALLY

(B) IT WOULD HELP FULFIL THE PRACTICAL PURPOSE OF SUSTAINING THE CONFIDENCE OF THE HONG KONG PEOPLE AND OVERSEAS INVESTMENTS.

FOR THIS THE ARRANGEMENTS MUST BE SET OUT WITH SUFFICIENT CONVICTON AND CLARITY. IT WAS UNDERSTOOD THAT THE BASIC LAW WOULD BE AN INTERNAL CHINESE AFFAIR, BUT ALL INTERNATIONAL AGREEMENTS REPRESENTED A CONSTRUCTIVE EXERCISE OF A COUNTRY'S SOVEREIGNTY. IN THAT SENSE, THE BRITISH SIDE ASKED THE CHINESE SIDE TO EXERCISE THEIR SOVEREIGNTY BY AGREEING TO MAKE PROVISION FOR POST -1997 ARRANGMENTS IN THE AGREEMENT.

22. THE SECRETARY OF STATE SAID THAT HE ACCEPTED WHAT WU HAD EARLIER SAID ABOUT TRUST. THE BRITISH SIDE WAS NEGOTIATING SINCERELY. WE RECOGNISED THAT THE 12 GUIDELINES WERE A CLEAR ILLUSTRATION OF CHINA'S GOOD FAITH. HOWEVER IT WAS CUSTOMARY AT THE CONCLUSION OF NEGOTIATIONS ON ANY IMPORTANT SUBJECT, FOR AN AGREEMENT TO BE SIGNED. HONG KONG WAS UNIQUE. ALL THE MORE NECESSITY FOR A DETAILED AGREEMENT. DETAILS WERE NECESSARY AS MANY THIRD PARTIES WOULD BE AFFECTED BY THE AGREEMENTS' TERMS AND WOULD BE ANXIOUS TO KNOW THEM EXACTLY. THE DETAILS IN OUR ANNEXES REPRESENTED THE DISTILLATION OF HONG KONG'S COMPLEX SYSTEMS.

23. ON THE LINK BETWEEN THE AGREEMENT AND THE BASIC LAW, THE SECRETARY OF STATE SAID THAT THE CHINESE SIDE HAD REPEATEDLY MADE CLEAR THAT THE AGREEMENT WOULD BE REFLECTED IN THE BASIC LAW. THIS MUST BE CLEARLY SPELT OUT IN THE AGREEMENT. THE INDIVIDUAL POINTS OF AGREEMENT BETWEEN THE TWO SIDES SHOULD ALSO BE REFLECTED IN THE AGREEMENT. THE CHINESE SHDE HAD SAID THAT DRAFTING OF THE BASIC LAW WOULD TAKE SOME TIME. THE BRITHS SIDE BELIEVED THAT BEFORE THIS PROCESS WAS COMPLETED, IT WAS NECESSARY FOR PEOPLE TO HAVE CLEAR AND PRECISE ASSURANCES ABOUT THEIR FUTURE. AGREEMENT SHOULD THEREFORE SET OUT THOSE ISSUES ON WHICH THE TWO SIDES HAD AGREED . IF THE BASIC LAW WAS TO REFLECT THE AGREEMENT, THE AGREEMENT ITSELF MUST CONTAIN SUBSTANTIAL DESCRIPTION OF THE SYSTEMS ON WHICH THE TWO SIDES HAD AGREED.

24. ON OTHER POINTS, THE SECRETARY OF STATE SAID THAT

(A) ARTICLE 3 HAD NOT BEEN PROPOSED TO CREATE A CONDOMINIUM BUT TO OFFER OUR COOPERATION OVER THE IMPLEMENTATION OF THE AGREEMENT.

(B) ARTICLE 4 WAS NOT INTENDED TO INTERNARUQNALISE THE ISSUE OR TO ESTABLISH INTERNATIONAL GUARANTEES. IT WAS COMMON GROUND THAT HONG KONG'S PROSPERITY SHOULH BEIMAINED. THAT DEPENDED ON HONG KONG'S ABILITY TO CONTINUE TO BENEFIT FROM EXISTING INTERNATINAL AGREEMENTS.

(C) WE HAD TRIED TO CONFINE THE DRAFT TO POINTS AGREED IN THE TALKS. THE DRAFT AND ANNEXES WERE BASED UPON THE WORKING PAPERS AND DISCUSSION OF THEM.

25. ON THE TIMETABLE, THE SECRETARY OF STATE SAID THAT BOTH SIDES WISHED TO MOVE QUICKLY. BUT IF THE AGREEMENT WAS TO BE COMMENDED TO PARLIAMENT, IT WOULD NNEED TO BE SUFFICIENTLY DETAILED. HE WAS NOT PERUSADED THAT IT WOULD BE POSSIBLE TO COMPLETE WORK BY MAY OR JUNE ALTHOUGH THE BRITISH INTENDED TO MOVE AS QUICKLY AS POSSIBLE. IT WAS NECESSARY TO GET MATTERS RIGHT, BOTH BETWEEN THE TWO SIDES AND FOR PARLAIMENT. IT WAS VITAL THAT PARLIAMENT SHOULD NOT BE GIVEN THE IMPRESSION THAT IT WAS BEING RUSHED. THIS COULD UNDO ALL OUR EFFORTS.

26. ON THE DRAFT AGREEMENTS, THE SECRETARY OF STATE SAID THAT BOTH SIDES BELIVED THEIR DRAFT TO BE THE BEST APPROACH. HE SUGGESTED THAT THE REPRESENTATIVES OF BOTH SIDES SHOULD HAVE MORE TIME TO STUDY THEM AND THAT BOTH SHOULD REMAIN ON THE TABLE FOR FURTHER DISCUSSION.

27 ON ITEM 2, THE SECRETARY OF STATE SAID THAT BOTH SIDES AGREED ON THE IMPORTANCE OF GETTING PRE-1997 ARRANGEMENTS RIGHT. BOTH APPROACHED THIS ISSUED ON AN AGREED BASIS:

- (A) HKG AUTHORITY BEFORE 1997 SHOULD REMAIN CLEAR SEMICLN
- (B) THE HANDOVER SHOULD BE SMOOTH SEMICLN
- (C) THERE SHOULD BE THE GREATEST POSSIBLE CONTINUITY OF EXISTING SYSTEMS.

HE NOTED THE CHINESE POINTS ON THE NEED FOR A HIGH DEGREE OF AUTONOMY FOR THE SAR AND THAT OFFICIALS FROM THE MAINLAND WOULD NOT BE SENT TO ADMINISTER HONG KONG.

28. HE ACCEPTED THAT THERE WERE MANY QUESTIONS REQUIRING CONSULTATION BEFORE 1997. LAND WAS ONE EXAMPLE ANOTHER WAS THE NEED TO DISCUSS THE PRESERVATION OF HONG KONG'S EXISTING RIGHTS UNDER INTERNATIONAL AGREEMENTS. HE COULD ASSURE THE CHINESE SIDE THAT THERE WAS NO QUESTION OF HMG OR HKG HAVING A NEGATIVE ATTITUDE : IT HAD A JOINT INTEREST IN HONG KONG'S CONTINUING SUCCESS. THIS WOULD BE A GREAT EXAMPLE TO THE REST OF THE WORLD. HOWEVER THE CHINESE PROPOSAL FOR A JOINT GROUP CAUSED DIFFICULTIES. ALTHOUGH THE JOINT GROUP WOULD NOT BE AN ORGAN O F POWER, HE WAS CONCERNED THAT IT WOULD GIVE THE IMPRESSION THAT CHINA WAS PROPOSING, OR PREPARING, TO SEND PEOPLE TO ADMINISTER HONG KONG OR THAT A CONDOMINIUM WAS BEING ESTABLISHED. THIS WOULD DAMAGE CONFIDENCE. HE WAS ALSO CONCERNED AT THE CHINESE SUGGESTION FOR STEP BY STEP REFORM OF THE LEGISLATIVE, JUDICIAL AND ADMINISTRATIVE ARRANGEMENTS TO BRING THEM INTO LINE WITH THE BASIC LAW. WE ACCEPTED THAT THERE WOULD BE A NEED FOR SOME CHANGES, BUT BOTH SIDES ATTACHED GREAT IMPORTANCE TO THE CONTINUITY OF SYSTEMS. THIS CHINESE SUGGESTION COULD IMPLY MAJOR CHANGES. THE BRITISH SIDE THUS CONSIDERED IT BEST TO AVOID ESTABLISHING FORMAL MACHINERY AT THIS STAGE. CLOSE CONTACT THROUGH REPRESENTATIVES OF THE TWO SIDES COULD BE MAINTAINED IN THE PERIOD AFTER THE AGREEMENT TO DEAL WITH VARIOUS ISSUES AS THEY AROSE.

29. AFTER A RECESS, WU SAID THAT HE AND THE SECRETARY OF STATE HAD NOW EXCHANGED VIEWS ON THE AGREEMENT IN A FRANK, FRIENDLY AND COMPREHENSIVE WAY. IN THE MORNING THE SECRETARY OF STATE HAD EXPLAINED THE BRITISH DRAFT. IN THE AFTERNOON WU HAD COMMENTED ON IT AND THE SECRETARY OF STATE HAD FURTHER EXPLAINED IT. THE BRITISH AND THE CHINESE SIDES HAD BOTH PUT FORWARD DRAFTS OF AN AGREEMENT. IT SEEMED THAT THERE EXISTED A GAP BETWEEN THE TWO SIDES IN THEIR UNDERSTANDING OF EACH OTHER'S DRAFTS. THERE HAD NEVERTHELESS BEEN A FULL AND DETAILED EXCHANGE OF VIEWS BETWEEN THE TWO FOREIGN MINISTERS AND MATTERS COULD NOW BE LEFT TO THE REPRESENTATIVES OF THE TWO SIDES AT THEIR FUTURE DISCUSSIONS. DESPITE THE DISTANCE BETWEEN THE TWO SIDES THE DAY'S EXCHANGE OF VIEWS HAD HELPED INCREASE MUTUAL UNDERSTANDING.

30. THE SECRETARY OF STATE SAID THAT HE WISHED TO RAISE THREE OUTSTANDING ISSUES: NATIONALITY, CONSTITUTIONAL DEVELOPMENT, AND THE PUBLIC SERVICE. ON NATIONALITY HE SAID THAT IT MIGHT BE HELPFUL TO EXPLAIN THE PROPOSALS IN THE BRITISH WORKING PAPER. THE POSITION WAS THAT A LARGE NUMBER OF PERSONS IN HONG KONG POSSESSED BRITISH NATIONALITY. AT PRESENT THEY WERE DESCRIBED AS BDTCS. IT WOULD OBVIOUSLY BE INAPPROPRIATE TO CONTINUE USE OF THAT TITLE AFTER 1997. BUT IT WAS POLITICALLY IMPOSSIBLE FOR HMG TO DEPRIVE BDTCS OF THE RIGHTS THEY NOW ENJOYED AS BRITISH NATIONALS UNDER BRITISH LAW. WE THEREFORE PROPOSED TO CREATE A NEW CATEGORY OF BRITISH NATIONALITY TO ALLOW INDIVIDUALS TO RETAIN THEIR EXISTING RIGHTS UNDER ANOTHER NAME WHICH WOULD HAVE NO COLONIAL CONNOTATIONS. IT WAS IMPORTANT TO EMPHASISE THAT THIS WOULD ONLY BE A TRANSITIONAL ARRANGMENT. IN GENERAL BRITISH NATIONALITY WAS TRANSMISSIBLE FOR ONE GENERATION ONLY. THE SECRETARY OF STATE SAID THAT HE UNDERSTOOD THAT THE CHINESE HAD IN MIND THE IDEA OF SEPARATE TRAVEL DOCUMENTS FOR RESIDENTS OF HONG KONG. IT WOULD BE HELPFUL IF THIS COULD REFLECT A SEPARATE CITIZENSHIP FOR THE SAR UNDER CHINESE NATIONALITY, TO WHICH ALL HONG KONG PEOPLE WOULD IN PRINCIPLE BELONG. THIS WOULD PROVIDE A POWERFUL SYMBOL OF AUTONOMY AND CONTINUITY BUT WOULD BE CONSISTENT WITH CHINESE SOVEREIGNTY. HE UNDERSTOOD THAT CHINA WOULD REGARD FORMER BDTCS AS HAVING CHINESE NATIONALITY. SUCH PEOPLE WOULD THUS HOLD DUAL NATIONALITY. THEIR RIGHT OF ABODE IN THE SAR SHOULD BE SPECIFIED IN THE AGREEMENT. THESE PEOPLE COULD THEN, AS THEY CHOSE, ENTER OR LEAVE THE SAR EITHER ON BRITISH OR ON SAR TRAVEL DOCUMENTS. WE REALISED THAT CHINESE NATIONALITY LAW DID NOT RECOGNISE DUAL NATIONALITY, BUT WOULD IT NOT BE POSSIBLE TO FIND A PRACTICAL WAY TO PROVIDE FOR THE SPECIAL CASE OF HONG KONG ALONG THE LINES WHICH WE HAD SUGGESTED ?

31. WU SAID THAT HE BELIEVED THERE TO BE SOME 3 MILLION BDTCS OUT OF A TOTAL POPULATION IN HONG KONG OF OVER 5 MILLION. IF THIS 3 MILLION WERE TO ENJOY CONSULAR PROTECTION, THE FUTURE BRITISH CONSULATE-GENERAL IN HONG KONG WOULD HAVE TO BE AS LARGE AS THE FUTURE SAR GOVERNMENT. HE HOPED THE BRITISH SIDE COULD RECONSIDER THIS QUESTION. CHINA DID NOT RECOGNISE DUAL NATIONALITY. THERE WERE SEVERAL MILLION PEOPLE OF CHINESE RACE IN SOUTH EAST ASIA AND ELSEWHERE BUT CHINA ONLY RECOGNISED THEM AS OVERSEAS CHINESE OR NATIONALS OF THEIR COUNTRY OF ABODE, NOT AS POSSESSING DUAL NATIONALITY. EVEN SO SOME SE ASIAN GOVERNMENTS CONTINUED TO HARBOUR ANXIETIES. THE REASONS FOR ACQUISITION OF BDTC STATUS VARIED FROM PERSON TO PERSON. IT SHOULD BE POSSIBLE TO DEVISE A WAY TO SOLVE THIS QUESTION. CONSULAR PROTECTION FOR 3 MILLION OUT OF HONG KONG'S POPULATION OF 5 MILLION WOULD BE ABSURD. THE SECRETARY OF STATE SAID THIS WAS A DIFFICULT QUESTION. WE MUST BOTH SEEK ANSWERS TO IT.

32. TURNING TO CONSTITUTIONAL ARRANGEMENTS THE SECRETARY OF STATE SAID THAT IF CONFIDENCE WERE TO BE MAINTAINED IT WOULD BE ESSENTIAL THAT THE BASIC PRINCIPLES OF GOVERNMENT STRUCTURE AFTER 1997 SHOULD BE DESCRIBED WITH CLARITY AND PRECISION IN THE AGREEMENT. THOSE WHO WOULD SCRUTINISE THE DOCUMENT AFTER IT WAS PUBLISHED, AND NOTABLY PARLIAMENT, WOULD BE SATISFIED WITH NO LESS. OUR DRAFT EMBODIED THE CONCEPT OF CONTINUITY OF GOVERNMENT STRUCTURE, A PRINCIPLE OF THE HIGHEST IMPORTANCE FOR THE BRITISH SIDE BUT ONE WHICH NATURALLY DID NOT PRECLUDE NECESSARY CHANGES CONSEQUENT UPON THE RETURN OF SOVEREIGNTY TO CHINA. WE HOPED

THAT THE CHINESE SIDE COULD PROVIDE A CLEAR EXPRESSION OF THE AUTONOMY WHICH THE LEGISLATURE AND EXECUTIVE OF THE FUTURE SAR WOULD ENJOY. THERE WAS NO QUESTION OF TREATING THE SAR AS AN INDEPENDENT POLITICAL ENTITY. WE HAD IN MIND A HIGH DEGREE OF DEVOLVED AUTONOMY UNDER THE CENTRAL PEOPLE'S GOVERNMENT AND A SPECIFIC INDICATION OF WHAT THIS WOULD MEAN IN PRACTICE. WE ACCEPTED THAT THERE WOULD BE LIMITS TO THIS AUTONOMY AND HAD SOUGHT TO DEFINE THEM IN OUR DRAFT IN A WAY WHOLLY CONSISTENT WITH CHINESE SOVEREIGNTY.



33. WU SAID THAT THERE WERE CLEAR PROVISIONS IN THE CHINESE 12 GUIDELINES ON THE RELATIONSHIP BETWEEN THE CENTRAL PEOPLE'S GOVERNMENT AND THE GOVERNMENT OF THE SAR AND ON THE FUNCTIONS OF THE EXECUTIVE, LEGISLATURE AND JUDICIARY. THE COMPOSITION, FUNCTIONS, PROCEDURES AND DUTIES OF THE GOVERNMENT STRUCTURE OF THE FUTURE SAR WOULD BE DEFINED IN THE BASIC LAW. AT PRESENT IT WAS IMPOSSIBLE TO DEFINE THEM. ALL THAT COULD BE SAID FOR CERTAIN WAS THAT THERE WOULD BE AN ADMINISTRATIVE SYSTEM WITH A CHIEF EXECUTIVE AND OTHER GOVERNMENT DEPARTMENTS, AS WELL AS AN INDEPENDENT JUDICIARY AND A LEGISLATURE. THE TWELVE GUIDELINES DID NOT SUGGEST THAT THERE WOULD BE NO CHANGE TO THE STRUCTURES, FUNCTIONS AND PROCEDURES OF GOVERNMENT AFTER 1997. IT WAS UNDERSTANDABLE THAT THERE SHOULD BE SOME, HOWEVER ALL CHANGE IN THE TRANSITIONAL PERIOD SHOULD SERVE THE INTERESTS OF THE STABILITY AND PROSPERITY OF HONG KONG AND FACILITATE THE SMOOTH TRANSFER OF GOVERNMENT IN 1997. THAT WAS WHY THE CHINESE SIDE HAD SUGGESTED THAT THE TWO SIDES SHOULD COOPERATE ON HOW TO MAKE CHANGES COMPATIBLE WITH THE PRINCIPLES LISTED ABOVE. THE SECRETARY OF STATE SAID THAT HE ACCEPTED THAT SOME CHANGES WOULD BE NECESSARY WHEN SOVEREIGNTY PASSED TO CHINA AND THAT THE FINAL POSITION WOULD HAVE TO BE DEFINED IN THE BASIC LAW. THE PROBLEM WAS HOW TO FIND A BRIDGE TO ASSURE CONFIDENCE IN THE INTERIM BEFORE THE PUBLICATION OF THE BASIC LAW, AND HOW TO ENSURE A HIGH DEGREE OF CONTINUITY. AS WE SAW IT, THE AGREEMENT COULD PROVIDE THE BASIS OF THE BRIDGE. WU SAID THAT HE THOUGHT THE QUESTION COULD BE SOLVED IN THE LIGHT OF THE 12 GUIDELINES WHICH WOULD BE REFLECTED IN THE BASIC LAW. THE SECRETARY OF STATE SAID THAT THERE NEEDED TO BE SUFFICIENT DETAIL ON THIS QUESTION IN THE AGREEMENT. THE MATTER NEEDED TO BE STUDIED FURTHER. IT WAS AN IMPORTANT POINT. WU SAID THAT IT SHOULD BE LEFT TO THE REPRESENTATIVES OF THE TWO SIDES FOR FURTHER DISCUSSIONS.

34. THE SECRETARY OF STATE SAID THAT IN ORDER TO MAINTAIN AN EFFECTIVE PUBLIC SERVICE AND CONFIDENCE IN IT UP TO AND BEYOND 1997, CONTINUITY OF EMPLOYMENT OF INDIVIDUALS WAS IMPORTANT. THE HONG KONG CIVIL SERVICE WAS COSMOPOLITAN. BRITISH AND OTHER FOREIGN NATIONALS SHOULD BE ABLE TO COMPLETE FULL CAREERS AFTER 1997 AND TO SERVE AT EVERY LEVEL OF THE SAR GOVERNMENT. THEY WOULD OF COURSE OWE LOYALTY ONLY TO THAT GOVERNMENT. THERE WAS NO QUESTION OF RESERVING SPECIFIC POSTS FOR CERTAIN INDIVIDUALS. BUT IT WAS IMPORTANT THAT THEY SHOULD NOT BE EXCLUDED FROM ANY POST SIMPLY BECAUSE OF THEIR RACE. IF NO SATISFACTORY PROVISION FOR CONTINUITY WERE MADE IN THE AGREEMENT MANY PEOPLE WOULD LEAVE. WE ATTACHED IMPORTANCE TO THE POINT THAT ALL PUBLIC SERVANTS, WHATEVER THEIR RACE, SHOULD BE ABLE TO COMPLETE A FULL CAREER.

35. WU SAID THAT CHINA DID NOT PRACTICE RACIAL DISCRIMINATION. BRITISH AND OTHER FOREIGN NATIONALS MIGHT BE EMPLOYED IN THE CAPACITY OF INDIVIDUALS UP TO DEPUTY SECRETARY LEVEL, BUT THE CHIEFS OF PRINCIPLE DEPARTMENTS AND THE COMMISSIONER OF POLICE SHOULD BE CHINESE NATIONALS WITH PERMANENT HONG KONG ID CARDS, NOMINATED BY THE SAR GOVERNMENT AND APPROVED BY THE CENTRAL PEOPLE'S GOVERNMENT. THE CHIEF EXECUTIVE WOULD BE NOMINATED ON THE BASIS OF CONSULTATIONS OR ELECTIONS HELD LOCALLY AND APPROVED BY THE CENTRAL PEOPLE'S GOVERNMENT. OTHER OFFICIALS BELOW THE RANK OF SECRETARY COULD REMAIN IN SERVICE. BRITISH AND OTHER FOREIGN NATIONALS WITH PERMANENT ID CARDS COULD BE EMPLOYED TO SERVE AS ADVISERS OR AS OFFICERS UP TO THE RANK OF DEPUTY SECRETARY IN CERTAIN DEPARTMENTS. THESE QUESTIONS HAD ALREADY BEEN DISCUSSED AT THE TALKS. AS FOR THE TERMS OF SERVICE AND RETIREMENT, INCLUDING PENSIONS, THE OLD PRACTICES WOULD CONTINUE. THE SECRETARY OF STATE SAID THAT THIS QUESTION SHOULD BE LEFT TO REPRESENTATIVES OF THE TWO SIDES TO DISCUSS FURTHER. WU SAID THAT SO LONG AS THERE WAS COOPERATION AND TRUST BETWEEN THE TWO SIDES, THE QUESTION SHOULD NOT BE HARD TO SOLVE.

36. WU SAID THAT THROUGH THE FRIENDLY AND FRANK DISCUSSIONS HELD IN THE COURSE OF THE DAY MUTUAL UNDERSTANDING HAD BEEN ENHANCED.

37. FOR JOINT PRESS COMMUNIQUE ON THE MORNING AND AFTERNOON SESSIONS SEE MIFT.

38. FOR COMMENT SEE MY SECOND IFT.

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TO IMMEDIATE FCO TELNO 764 OF 17 APRIL 84  
AND TO IMMEDIATE HONG KONG  
AND TO IMMEDIATE LISBON (FOR PRIVATE SECRETARY TO PRIME MINISTER)

FOLLOWING FROM PRIVATE SECRETARY.

FUTURE OF HONG KONG: SECRETARY OF STATE'S DISCUSSIONS

JIKK C40/4	
WITHHOLD INFORMATION	
18 APR 1984	
DATE	TIME

PENGFEL ON 17 APRIL

SUMMARY

see (379), (381)

1. THE SECRETARY OF STATE HAD TWO HOURS WITH JI PENGFEI THIS MORNING. HE SET OUT OUR ARGUMENTS FOR A DETAILED AGREEMENT BINDING ON BOTH SIDES AND EXPLAINED FULLY OUR VIEWS ON THE TIMETABLE, UNDERLINING THE NEED TO GIVE PARLIAMENT SUFFICIENT TIME TO CONSIDER THE DRAFT AGREEMENT. HE SAID THAT PARLIAMENT COULD ONLY ACCEPT OR REJECT THE AGREEMENT NOT (NOT) TINKER WITH IT. THE SECRETARY OF STATE ALSO REFERRED TO OUR INTENTION TO MAKE AN UNVEILING STATEMENT IN HONG KONG. JI COMMENTED ONLY THAT THIS WOULD BE A VERY IMPORTANT STATEMENT. JI DESCRIBED CHINESE VIEWS ON THE AGREEMENT AND CONFIRMED THAT MATTERS OF DETAIL COULD BE DEALT WITH IN AN ANNEX. HE SAID THAT BOTH THE AGREEMENT AND THE ANNEX WOULD BE BINDING. HE EXPLAINED THE CHINESE IDEAS FOR A JOINT ADVISORY GROUP IN HONG KONG DURING THE TRANSITIONAL PERIOD: THE SECRETARY OF STATE SAID THAT WE THOUGHT CONTACTS IN PEKING WOULD BE SUFFICIENT.

2. JI ASKED THE SECRETARY OF STATE ABOUT HIS TALKS WITH WU XUEQIAN. THE SECRETARY OF STATE SAID THAT HE WAS PLEASED TO HAVE BEEN ABLE TO HAVE TWO SUCH LONG SESSIONS. HE BELIEVED THAT BOTH HE AND WU NOW HAD CLEARER IDEAS ABOUT EACH OTHER'S POINTS OF VIEW. JI SAID THAT CHINA ATTACHED IMPORTANCE TO THE SECRETARY OF STATE'S VISIT. THAT WAS WHY PREMIER ZHAO AND CHAIRMAN DENG BOTH WISHED TO MEET HIM. THE CHINESE SIDE HOPED THAT THE VISIT WOULD ENHANCE RESPECT AND UNDERSTANDING. THE APPROACH OF BOTH SIDES TO THE QUESTION OF HONG KONG SHOULD PROCEED FROM THEIR WIDER INTERESTS. AN AGREEMENT SHOULD BE CONCLUDED AT AN EARLY DATE. THIS WOULD REASSURE THE PEOPLE OF HONG KONG, THE PEOPLE ON THE CHINESE MAINLAND AND THE BRITISH PEOPLE. A SATISFACTORY SETTLEMENT THROUGH FRIENDLY CONSULTATIONS WOULD HAVE A CONSIDERABLE EFFECT INTERNATIONALLY. CHAIRMAN DENG HAD ORIGINALLY INTENDED TO BE OUTSIDE PEKING ON AN

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INSPECTION TOUR BUT HE HAD REMAINED IN PEKING TO MEET THE SECRETARY OF STATE. THE SECRETARY OF STATE SAID THAT HE WELCOMED THE OPPORTUNITY TO DISCUSS THE QUESTION OF HONG KONG WITH CHINESE LEADERS. HE ATTACHED IMPORTANCE TO THE QUESTION OF HONG KONG AS DID THE PRIME MINISTER.

3. THE SECRETARY OF STATE SAID THAT THE TWO NEGOTIATING TEAMS HAD HELD VALUABLE DISCUSSIONS ABOUT HONG KONG OVER THE LAST FEW MONTHS AND HAD COVERED MUCH DETAIL. THIS WAS IMPORTANT BECAUSE, AS BOTH SIDES AGREED, HONG KONG WAS A COMPLEX PLACE. A DETAILED UNDERSTANDING OF THE SITUATION THERE WAS NEEDED IF CHINA AND BRITAIN WERE TO ACHIEVE THEIR COMMON AIM OF AGREEING ARRANGEMENTS WHICH WOULD ENSURE THE CONTINUING PROSPERITY AND STABILITY OF THE TERRITORY.

4. THE SECRETARY OF STATE UNDERLINED OUR COMMITMENT TO SINCERE AND THOROUGH NEGOTIATION IN ORDER TO ACHIEVE THIS JOINT OBJECTIVE. WE WERE NEGOTIATING ON THE BASIS EXPLAINED IN THE PRIME MINISTER'S TWO MESSAGES TO PREMIER ZHAO. WE WERE EXAMINING TOGETHER WHETHER, ON THE BASIS OF THE CHINESE PROPOSALS FOR HONG KONG, ARRANGEMENTS SATISFACTORY TO THE GOVERNMENT OF CHINA, THE BRITISH PARLIAMENT AND THE PEOPLE OF HONG KONG COULD BE AGREED. IF THEY COULD, WE SHOULD BE READY TO RECOMMEND TO PARLIAMENT THAT SOVEREIGNTY OVER THE WHOLE OF HONG KONG AND THE RIGHT OF ADMINISTRATION THERE SHOULD BE TRANSFERRED TO CHINA FROM 1 JULY 1997. WE SAW OUR COMMON TASK AS BEING TO WORK OUT ARRANGEMENTS WHICH WOULD TAKE ACCOUNT OF HONG KONG'S HISTORICAL POSITION AS PART OF CHINA AND WHICH WOULD, AT THE SAME TIME, COMMAND CONFIDENCE AMONG THE PEOPLE WHO LIVED AND WORKED THERE. WE WERE DISCUSSING A NEW STATUS FOR HONG KONG AND WISHED TO ENSURE THAT THE TRANSITION WOULD BE AS SMOOTH AS POSSIBLE. THE PROBLEMS WERE UNIQUE. THEY REQUIRED UNIQUE SOLUTIONS. WE WERE CONFIDENT THAT TOGETHER WE COULD ACCOMPLISH THIS TASK.

5. THE NEGOTIATING TEAMS HAD ALMOST COMPLETED DISCUSSIONS OF AGENDA ITEM 1 ALTHOUGH THERE WERE STILL SOME QUITE IMPORTANT POINTS OUTSTANDING. WE WERE NOW BEGINNING TO DISCUSS ITEM 2 AND THE FORM AND CONTENT OF A BINDING AGREEMENT. ON THE QUESTION OF AN AGREEMENT THERE WAS FIRST THE QUESTION OF TRUST. HMG HAD CONFIDENCE IN WHAT THE CHINESE SIDE SAID ABOUT ITS INTENTIONS FOR THE FUTURE OF HONG KONG. CHINESE PROPOSALS WERE CLEARLY THE RESULT OF MUCH STUDY. THEY WERE IMAGINATIVE AND FAR REACHING. WE FIRMLY BELIEVED THAT WHAT WAS DISCUSSED AND AGREED BETWEEN US WOULD BE PUT INTO EFFECT. BUT IT WOULD ONLY BE BUSINESS-LIKE AND SENSIBLE TO SET OUT IN AN AGREEMENT THE POINTS ON WHICH WE AGREED. THIS WAS A STANDARD PROCEDURE EVEN BETWEEN THE CLOSEST OF ALLIES ON THE SIMPLEST OF MATTERS. IN THE CASE OF HONG KONG THERE WAS A PARTICULAR NEED TO CONVINCING OTHERS ABOUT THE NATURE OF THE AGREEMENT BETWEEN US. THESE WERE THE PEOPLE ON WHOM THE FUTURE PROSPERITY AND STABILITY OF HONG KONG DEPENDED: INVESTORS, BUSINESSMEN FROM ALL PARTS OF THE

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WORLD, THE GOVERNMENTS OF MEMBER STATES OF INTERNATIONAL ORGANISATIONS SUCH AS GATT AND THE PEOPLE OF HONG KONG THEMSELVES. THEY WOULD ALL WANT AND EXPECT TO SEE CLEARLY RECORDED IN AN AGREEMENT THE POINTS WHICH HAD BEEN DISCUSSED AND AGREED BETWEEN US.

6. FOR THE SAME REASON WE NEEDED TO HAVE AN AGREEMENT WHICH WAS BINDING OF BOTH SIDES. HMG WERE WILLING TO SIGN A SUITABLE AGREEMENT WHICH WOULD BIND US TO RELINQUISH SOVEREIGNTY AND ADMINISTRATIVE POWER OVER THE WHOLE OF HONG KONG ON 1 JULY 1997. THE AGREEMENT SHOULD BE A BALANCED ONE. THERE NEEDED TO BE AN EQUIVALENCE IN UNDERTAKINGS. HMG WOULD BE ENTERING INTO A SOLEMN OBLIGATION TO RELINQUISH SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION. PARLIAMENT WOULD ASK WHAT MATCHING OBLIGATION THERE WAS ON THE OTHER SIDE. WE BELIEVED THAT THE CHINESE SIDE SHOULD GIVE A BINDING COMMITMENT TO THE ARRANGEMENTS WHICH WOULD BE MADE FOR THE SAR AFTER 1 JULY 1997. THE PRECISE WORDS IN WHICH THIS WOULD BE EXPRESSED WOULD OF COURSE BE A MATTER FOR DISCUSSION BY THE NEGOTIATING TEAMS.

7. EACH SIDE HAD PUT FORWARD A DRAFT OF AN AGREEMENT. NOT SURPRISINGLY, AT THIS STAGE, THERE WERE DIFFERENCES OF VIEW. WE WERE NEVERTHELESS GLAD THAT WE HAD AGREED THAT OUR NEGOTIATORS SHOULD CONTINUE A STUDY OF BOTH DOCUMENTS.

8. HMG WAS ANXIOUS TO REACH A SUITABLE AGREEMENT AS SOON AS POSSIBLE. BUT ALL THE FACTORS INVOLVED HAD TO BE TAKEN INTO ACCOUNT. THERE WAS A GREAT DEAL OF WORK STILL TO BE DONE. ON OUR SIDE AN AGREEMENT OF THIS IMPORTANCE HAD TO BE DEBATED AND APPROVED BY PARLIAMENT BEFORE IT COULD BE SIGNED. IF WE COULD REACH A SATISFACTORY AGREEMENT IT WOULD BE OUR INTENTION TO RECOMMEND THAT AGREEMENT STRONGLY TO PARLIAMANT. HOWEVER SPEAKING AS A MINISTER AND MP THE SECRETARY OF STATE STRESSED THAT PARLIAMENT COULD NOT BE TAKEN FOR GRANTED. HE HAD A PARTICULAR REASON FOR SAYING THAT. IN 1972 MR HEATH HAD ASKED HIM TO PILOT THROUGH THE HOUSE THE BILL WHICH LED TO BRITAIN JOINING THE EC. IT WOULD BE A GRAVE MISTAKE TO TRY TO RUSH PARLIAMENT OR TO TAKE IT FOR GRANTED. PARLIAMENT WOULD NEED MORE THAN JUST A FEW WEEKS TO CONSIDER AN AGREEMENT BEFORE DEBATING IT. THEY WOULD ALSO WISH TO HAVE AN OPPORTUNITY TO OBSERVE REACTIONS IN HONG KONG.

9. THIS WAS NOT FOOT-DRAGGING. WE WANTED TO STEER OUR JOINT ENTERPRISE TO A SUCCESSFUL CONCLUSION. PARLIAMENT RECESSED IN JULY AND DID NOT REASSEMBEL UNTIL OCTOBER. REALISTICALLY THERE WAS NOT ENOUGH TIME TO HAVE A DEBATE BEFORE JULY. THE SECRETARY OF STATE SAID THAT IN HIS JUDGEMENT IT WAS BEST TO AIM FOR A DRAFT AGREEMENT IN SEPTEMBER WHICH WOULD BE DEBATED BY PARLIAMENT IN NOVEMBER. THIS WOULD MEET THE CHINESE WISH FOR AN ANNOUNCEMENT BY SEPTEMBER AND WOULD ALLOW FOR SIGNATURE WELL BEFORE THE END OF THE YEAR. THE CHINESE SIDE MUST TRUST US TO KNOW HOW BEST TO DEAL WITH THE PRACTICAL QUESTION OF SECURING PARLIAMENT APPROVAL FOR AN AGREEMENT.

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10. IF HMG WERE TO COMMEND THE AGREEMENT TO PARLIAMENT, IT SHOULD EXPLAIN CLEARLY AND IN DETAIL WHAT THE ARRANGEMENTS WOULD BE FOR HONG KONG AFTER 1997. THIS WAS VITAL FOR ENSURING THAT INVESTORS AND PEOPLE IN HONG KONG WOULD HAVE CONFIDENCE IN THE FUTURE. THE CHINESE SIDE HAD SAID THAT THE BASIC LAW WOULD REFLECT WHAT WAS IN THE AGREEMENT. THEY HAD ALSO SAID THAT THE BASIC LAW WOULD TAKE SEVERAL YEARS TO DRAFT. IT WAS THUS ALL THE MORE IMPORTANT THAT PEOPLE SHOULD KNOW WHAT THE MAIN CONTENTS OF THE BASIC LAW WOULD BE. UNLESS THERE WERE THIS ASSURANCE AND THIS KNOWLEDGE ALL OUR WORK WOULD HAVE BEEN TO NO PURPOSE AND PEOPLE COULD NOT BE EXPECTED TO HAVE CONFIDENCE IN THE FUTURE. CLARITY IN THE AGREEMENT WAS THE ESSENTIAL BRIDGE FOR CONFIDENCE IN THE FUTURE. IF THE AGREEMENT WAS SATISFACTORY, HMG WOULD COMMEND IT STRONGLY TO PARLIAMENT.

11. TO SECURE ACCEPTANCE IT WOULD BE IMPORTANT TO PREPARE PUBLIC OPINION, PARTICULARLY IN HONG KONG BUT ALSO PARLIAMENTARY AND PUBLIC OPINION IN BRITAIN. WE SHARED A COMMON INTEREST IN ENSURING THAT THE PUBLIC REACTION TO AN ANNOUNCEMENT OF AN AGREEMENT BETWEEN US WAS ONE OF UNDERSTANDING AND ACCEPTANCE. TO HELP ENSURE THIS THE SECRETARY OF STATE THEREFORE INTENDED TO MAKE A SHORT PUBLIC STATEMENT IN HONG KONG OUTLINING THE BRITISH APPROACH TO THE NEGOTIATIONS. THIS WOULD NOT BREACH THE PRINCIPLE OF CONFIDENTIALITY WHICH WOULD EXPLICITLY BE ACKNOWLEDGED. NOR WOULD IT DIVULGE THE DETAIL OF AN EVENTUAL AGREEMENT. BUT IT WOULD HELP TO PREPARE PUBLIC OPINION FOR THE LIKELY OUTCOME OF OUR NEGOTIATIONS AND THUS HELP ASSURE ITS ACCEPTANCE.

12. JI REPLIED THAT THE STATEMENT WHICH THE SECRETARY OF STATE WOULD MAKE IN HONG KONG WOULD BE A VERY IMPORTANT ONE. SO WAS THE STATEMENT WHICH HE HAD JUST MADE. WHICH POINTS DID THE BRITISH SIDE DISAGREE WITH IN THE CHINESE DRAFT ?

13. JI CONTINUED THAT IN THE AGREEMENT, THE TRANSFER OF SOVEREIGNTY MUST BE CLEARLY AFFIRMED AS A COMMON POINT. CHINA HAD TAKEN INTO ACCOUNT THE REALITIES, HISTORICAL BACKGROUND AND INTERNATIONAL SIGNIFICANCE OF HONG KONG. AFTER 1997 THE PRESENT SYSTEM WOULD REMAIN BASICALLY UNCHANGED. HONG KONG WOULD REMAIN A CAPITALIST TERRITORY, WOULD RETAIN ITS PRESENT LIFE STYLE, WOULD REMAIN A TRADE CENTRE AND A FREE PORT. OUR TALKS HAD BEEN UNDERTAKEN FOR SOME MONTHS ON THE BASIS OF THE 12 CHINESE GUIDELINES. AMPLIFICATIONS TO THEM HAD BEEN GIVEN. THE 12 GUIDELINES SHOULD BE IN THE AGREEMENT. SOME OTHER ISSUES MIGHT BE SET OUT IN AN ANNEX ATTACHED TO THE AGREEMENT WHICH COULD TAKE THE FORM OF AN EXCHANGE OF NOTES. SINCE THE 12 GUIDELINES WERE AN INTERNAL CHINESE AFFAIR BRITAIN SHOULD SIMPLY EXPRESS APPRECIATION FOR THEM IN THE AGREEMENT. THEY COULD NOT BE ENCAPSULATED IN THE AGREEMENT AS THE RESULT OF OUR NEGOTIATIONS BECAUSE, WITH THE QUESTION OF SOVEREIGNTY SOLVED, BRITAIN SHOULD NOT INTERFERE IN THE INTERNAL AFFAIRS OF HONG KONG AFTER 1997. THIRDLY, THE

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AGREEMENT SHOULD COVER THE PERIOD BETWEEN NOW AND 1997. DURING THIS PERIOD THERE NEEDED TO BE A CONTINUITY OF EXCHANGE OF VIEWS BETWEEN THE TWO SIDES. A JOINT GROUP TO IMPLEMENT THE AGREEMENT AND CARRY ON SUCH CONSULTATIONS WAS NECESSARY.

14. ONCE THE AGREEMENT WAS SIGNED THERE WOULD BE MANY SPECIFIC ISSUES WHICH WOULD NEED TO BE DISCUSSED. CONSULTATIONS WOULD CERTAINLY CONTINUE BETWEEN THE EMBASSY AND COMPETENT CHINESE DEPARTMENTS BUT THERE WOULD BE SOME SPECIFIC ISSUES AFFECTING HONG KONG WHICH SHOULD BE DEALT WITH LOCALLY. CHINA THEREFORE SUGGESTED THE ESTABLISHMENT OF THE JOINT GROUP IN HONG KONG FOR THE TIMELY DISCUSSION OF THESE ISSUES. THE JOINT GROUP WOULD NOT BE AN ORGAN OF POWER BUT AN ADVISORY BODY FOR THE IMPLEMENTATION OF THE AGREEMENT. FROM NOW UNTIL 1997 BRITAIN WOULD HAVE FULL AUTHORITY FOR THE ADMINISTRATION OF HONG KONG AND FULL RESPONSIBILITY FOR THE STABILITY AND PROSPERITY OF THE TERRITORY. IN 1993 IT WAS PROBABLY THAT THE BASIC LAW WOULD HAVE BEEN PROMALGATED. THEN PEOPLE IN HONG KONG COULD CONSIDER THE TERRITORY'S FUTURE INSTITUTIONS, THE QUESTION OF TRANSFER OF GOVERNEMENT AND THE COMPOSITION OF THE FIRST GOVERNMENT OF THE SAR.

15. IN SHORT, CHINA SUGGESTED THAT THE THREE ASPECTS OF SOVEREIGNTY, CHINESE BASIC POLICIES AND THE TRANSITIONAL PERIOD SHOULD BE COVERED IN THE AGREEMENT. THIS WOULD SET PEOPLE'S HEARTS AT EASE AND WAS REASONABLE. OF COURSE THERE WAS SOME ROOM TO DISCUSS THE WORDING. BUT THE AGREEMENT SHOULD ONLY COVER MATTERS OF PRINCIPLE AND NOT TOO MUCH DETAIL. THERE SHOULD BE AN ANNEX WHICH WOULD BE EQUALLY VALID AND BINDING. THE AGREEMENT AND THE ANNEX WOULD BOTH BE REFLECTED IN THE BASIC LAW. ASPECTS TO BE COVERED IN THE ANNEX COULD BE FURTHER DISCUSSED.

16. JI SAID THAT THE TALKS HAD PRODUCED EFFECTIVE RESULTS. NOW ALMOST ALL THE POINTS FOR ARRANGEMENTS AFTER 1997 HAD BEEN AFFIRMED. THIS WAS A GOOD BASIS FOR THE WAY AHEAD TO AN AGREEMENT. IT SHOULD BE POSSIBLE TO CONCLUDE ONE IN MAY OR EARLY JUNE. THERE WOULD THEN BE TIME TO SUBMIT THE AGREEMENT TO PARLIAMENT WHICH WOULD HAVE ONE MONTH TO CONSIDER AND DEBATE IT BEFORE ITS RECESS IN JULY. THIS TIMETABLE WAS NOT AMBITIOUS SINCE THE AGREEMENT SHOULD ONLY COVER QUESTIONS OF PRINCIPLE. WHAT WERE THE SECRETARY OF STATE'S COMMENTS ON THE CHINESE DRAFT? THE MAIN CHINESE COMMENT ON THE BRITISH DRAFT WAS THAT IT INTERFERED TOO MUCH WITH THE PRINCIPLE OF CHINESE SOVEREIGNTY.

17. THE SECRETARY OF STATE SAID THAT THE AGREEMENT DID INDEED NEED TO DEAL CLEARLY WITH SOVEREIGNTY ALONG THE LINES WHICH JI HAD DESCRIBED. WE THOUGHT THAT OUR DRAFT DID THIS. IT WAS THE INTENTION OF BOTH OUR DRAFTS TO EXPRESS THE AGREEMENT THAT CHINA WOULD RESUME SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION FROM 1 JULY 1997. THERE WAS NO DOUBT ABOUT THAT. WE ALSO RECOGNISED THE IMPORTANCE OF THE STUDY OF HONG KONG WHICH THE CHINESE SIDE HAD UNDERTAKEN AND OF THE CONCLUSIONS WHICH THEY HAD REACHED,

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NAMELY TO CONTINUE THE TYPE OF SYSTEMS AND SOCIETY WHICH HONG KONG ENJOYED AT PRESENT. THESE ASSURANCES OF CONTINUITY WERE VERY VALUABLE. OUR ANXIETY ABOUT THE CHINESE DRAFT WAS THAT IT CONTAINED INSUFFICIENT DETAIL. IT SHOULD CONTAIN ALL THE POINTS FROM OUR WORKING PAPERS AGREED IN DISCUSSIONS. JI HAD SAID THAT THE IMPLICATIONS OF CHINESE POLICIES CONTAINED IN THE ANNEX WOULD BE AS VALID AS THE AGREEMENT ITSELF. THIS WAS A VERY IMPORTANT STATEMENT. IT WENT A LONG WAY TOWARDS REMOVING THE ANXIETIES WHICH WE HAD ABOUT THE ORIGINAL CHINESE DRAFT. BUT MUCH WOULD ALSO DEPEND ON WHAT THE ANNEX CONTAINED. IF IT WERE TO CARRY CONVICTION, THE SAME AMOUNT OF DETAIL AS WAS CONTAINED IN THE WORKING PAPERS WAS NECESSARY. THE PEOPLE OF HONG KONG AND INVESTORS NEEDED THE ASSURANCES OF THESE DETAILS.

18. IF THE BASIC LAW WOULD NOT BE PUBLISHED UNTIL 1993 A BRIDGE OF CONFIDENCE FROM NOW UNTIL THEN WAS PARTICULARLY IMPORTANT. IF THE FINAL AGREEMENT INCLUDING THE ANNEX WERE TO CONTAIN ALL MATTERS WHICH WE CONSIDERED IT SHOULD CONTAIN, IT WAS IMPORTANT THAT BOTH DRAFTS SHOULD REMAIN ON THE TABLE ALONGSIDE EACH OTHER. AS FOREIGN MINISTER WU HAD SAID YESTERDAY, WE SHOULD WORK ON BOTH. JI HAD SAID THAT THE PRINCIPLES WHICH CHINA HAD ENUNCIATED FOR ARRANGMENTS FOR HONG KONG AFTER 1997 WERE AN EXPRESSION OF CHINESE SOVEREIGNTY AND IN THAT SENSE AN INTERNAL AFFAIR. BUT IT WAS IMPORTANT FOR CONFIDENCE THAT CHINESE UNDERTAKINGS SHOULD FORM PART OF AN OVERALL AGREEMENT. WE WERE TAKING ON AN OBLIGATION TO RELINQUISH SOVEREIGNTY IN 1997. THIS SHOULD BE BALANCED BY OBLIGATIONS ON THE CHINESE SIDE.

19. ON ARRANGEMENTS BEFORE 1997, THE SECRETARY OF STATE SAID THAT HE WAS GLAD THAT THE CHINESE SIDE ACCEPTED THAT BRITAIN WOULD HAVE FULL RESPONSIBILITY FOR THE ADMINISTRATION OF HONG KONG UP TO 1997 AND THAT THERE WAS A NEED FOR CONTINUITY OF SYSTEMS AFTER 1997. WE ACCEPTED THAT THERE WOULD BE A NEED FOR CONSULTATION BETWEEN US BETWEEN NOW AND 1997 ON A NUMBER OF IMPORTANT QUESTIONS WHICH HAD BEEN IDENTIFIED YESTERDAY. WE AGREED WITH THE CHINESE SIDE ON THE NEED TO SET THE HEARTS OF HONG KONG PEOPLE AT EASE BETWEEN NOW AND 1997, AS WELL AS THE CHINESE VIEW THAT AFTER 1997 HONG KONG SHOULD ENJOY A HIGH DEGREE OF AUTONOMY. IT WAS IMPORTANT NOT TO GIVE AN IMPRESSION THAT CHINA WAS SETTING UP AN ORGAN OF POWER IN HONG KONG. THEREFORE CONTACTS IN PEKING OF THE PRESENT TYPE SHOULD CONTINUE. A BODY IN HONG KONG, EVEN A CONSULTATIVE ONE, WOULD WORRY PEOPLE THERE. THEY WOULD THINK THAT THERE WERE ABOUT TO BE BIG CHANGES. THE LOCATION OF CONSULTATIONS WAS THEREFORE IMPORTANT PSYCHOLOGICALLY AND SHOULD BE IN PEKING.

20. ON THE TIMETABLE THE SECRETARY OF STATE MAINTAINED HIS VIEW THAT THE CONCLUSION OF AN AGREEMENT BY MAY OR JUNE WOULD NOT BE POSSIBLE. EVEN IF IT WERE IT WOULD GIVE AN UNFORTUNATE IMPRESSION OF HASTE. HIS TIMETABLE WAS REALISTIC, NOT DILATORY. IT WAS THE MOST LIKELY TO SECURE CONFIDENCE AND THE ACCEPTANCE OF THE

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AGREEMENT. WE SHOULD AIM FOR AGREEMENT IN SEPTEMBER AND DEBATE IN PARLIAMENT IN NOVEMBER. THERE WOULD THUS BE AN ANNOUNCEMENT IN SEPTEMBER AND AGREEMENT WELL BEFORE THE END OF THE YEAR.

21. THE SECRETARY OF STATE SAID THAT HE HAD DISCUSSED THREE OUTSTANDING POINTS WITH WU YESTERDAY. HE WOULD NOT REPEAT THEM. BUT HE WOULD LIKE TO RAISE ONE OTHER POINT. THIS WAS THE NEED FOR HONG KONG TO HAVE ITS OWN INTERNAL SECURITY FORCE, SET UP BEFORE 1997. IT WAS AN IMPORTANT POINT. HE HOPED THAT JI COULD CONFIRM THAT IT WAS ACCEPTABLE.

22. JI ENQUIRED ABOUT PARLIAMENTARY PROCEDURES. WOULD THE AGREEMENT BE PUBLISHED AND SUBMITTED TO PARLIAMENT FOR DEBATE? WHAT IF IT WAS NOT APPROVED? WAS THE BRITISH IDEA THAT THE AGREEMENT SHOULD BE DEBATED IN NOVEMBER? THE SECRETARY OF STATE CONFIRMED THAT WE DID INDEED AIM TO PUBLISH THE AGREEMENT IN SEPTEMBER FOR DEBATE IN NOVEMBER. PARLIAMENT REASSEMBLED IN OCTOBER AND AFTER A FEW WEEKS STUDY COULD CONDUCT ITS DEBATE. BY SEPTEMBER WE SHOULD HAVE TO ARRIVE AT AN AGREEMENT WHICH WE COULD CONVINCINGLY AND HONORABLY RECOMMEND TO PARLIAMENT. THAT WAS WHY ARRANGEMENTS FOR HONG KONG AFTER 1997 MUST BE SET OUT IN A DETAILED, CLEAR AND PRECISE MANNER. WE COULD THEN RECOMMEND THE AGREEMENT TO PARLIAMENT FOR APPROVAL. REJECTION WAS THEORETICALLY POSSIBLE BUT WOULD CREATE A VERY SERIOUS SITUATION, AND WAS MOST UNLIKELY. PARLIAMENT WOULD NOT BE ABLE TO AMEND THE AGREEMENT, ONLY TO ACCEPT OR REJECT IT. OUR INTENTION WAS TO PUBLISH A SUITABLE AGREEMENT, RECOMMEND IT TO PARLIAMENT, HOLD A DEBATE ON IT AND HOPE THAT PARLIAMENT WOULD APPROVE IT. JI ASKED IF HE WAS RIGHT IN THINKING THAT THE AGREEMENT WOULD COME INTO EFFECT AFTER SIGNATURE? THE SECRETARY OF STATE EXPLAINED THAT LEGISLATION TO GIVE EFFECT TO THE AGREEMENT WOULD HAVE TO FOLLOW SIGNATURE.

23. JI SAID THAT IT SHOULD NOT BE DIFFICULT TO SOLVE THIS QUESTION PROVIDED BOTH SIDES COOPERATED. EFFECTIVE RESULTS IN THE TALKS HAD ALREADY BEEN ACHIEVED. THERE WERE STILL SOME DIFFICULTIES ON THE AGREEMENT. THESE COULD BE STUDIED FURTHER. THE SECRETARY OF STATE WOULD HAVE OPPORTUNITIES TO DISCUSS THE TIMETABLE AGAIN WITH PREMIER ZHAO AND CHAIRMAN DENG. CHINA HAD STATED

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THAT SHE WOULD ANNOUNCE HER POLICIES TOWARDS HONG KONG IN SEPTEMBER AND MEANT WHAT SHE SAID. A CHANGE TO THIS TIMETABLE WOULD BE HARD FOR THE CHINESE SIDE TO JUSTIFY TO THE CHINESE PEOPLE. THE SEPTEMBER DEADLINE HAD BEEN MENTIONED BY CHAIRMAN DENG TO MRS THATCHER. IT WAS THEREFORE HARD FOR JI TO COMMENT ON IT. JI ADDED THAT THE QUESTION OF AN INTERNAL SECURITY FORCE COULD BE DISCUSSED FURTHER BETWEEN THE TWO NEGOTIATING TEAMS.

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 AND TO IMMEDIATE HONG KONG

FOLLOWING FROM PRIVATE SECRETARY.

FUTURE OF HONG KONG: SECRETARY OF STATE'S MEETING WITH ZHAO  
 ZIYANG: 17 APRIL

see (379)

## SUMMARY

1. THE SECRETARY OF STATE HAD 70 MINUTES WITH ZHAO THIS AFTERNOON

ZHAO SAID THAT PROGRESS ACHIEVED MADE AN EARLY AGREEMENT POSSIBLE. CHINESE PROPOSALS ON ITEM 2 WERE REASONABLE. CHINA HAD NO INTENTION OF ESTABLISHING CONDOMINIUM IN HONG KONG BEFORE 1997. BRITISH ANXIETIES ABOUT THE JOINT GROUP TO BE LOCATED IN HONG KONG WERE GROUNDLESS. THE SECRETARY OF STATE EXPLAINED BRITISH CONCERNS ON THE JOINT GROUP AND ARGUED THAT CONSULTATIONS, WHICH WOULD BE NECESSARY, SHOULD BE IN PEKING. HE IDENTIFIED THE DEFICIENCIES OF THE CHINESE DRAFT AGREEMENT AND ARGUED THE NEED FOR A DETAILED AGREEMENT WHICH SET OUT POST-1997 ARRANGEMENTS. ZHAO CONFIRMED THAT THE AGREEMENT AND ANNEXES WOULD BE BINDING AND EQUALLY VALID AND THAT THE POINTS AGREED IN THE TALKS WOULD BE INCLUDED. HE UNDERLINED THE SEPTEMBER DEADLINE.

## DETAIL

2. ZHAO REFERRED TO THE SECRETARY OF STATE'S THOROUGH EXCHANGE OF VIEWS WITH WU XUEQIAN. HE REFERRED TO THE SIGNING OF THE CONSULAR AGREEMENT AND NOTED THAT BILATERAL RELATIONS WERE CURRENTLY VERY GOOD. HE HOPED AND BELIEVED THAT THE SECRETARY OF STATE'S VISIT WOULD PROMOTE AN EARLY SETTLEMENT OF THE HONG KONG QUESTION.

3. THE SECRETARY OF STATE AGREED THAT BILATERAL RELATIONS WERE EXTREMELY GOOD. HE CONVEYED THE PRIME MINISTER'S GOOD WISHES TO ZHAO. BOTH HE AND THE PRIME MINISTER ATTACHED GREAT IMPORTANCE TO REACHING A SATISFACTORY AGREEMENT.

4. ZHAO SAID THAT THE HONG KONG QUESTION WAS ONE LEFT OVER FROM HISTORY. IT SHOULD BE SOLVED BY THEIR GENERATION. HE RECALLED THE PRIME MINISTER'S EXCHANGE OF VIEWS WITH DENG AND HIMSELF.

SINCE THEN, JOINT EFFORTS HAVE PRODUCED GREAT PROGRESS. AGREEMENT HAD BEEN REACHED ON A NUMBER OF IMPORTANT ISSUES AND DISCUSSION OF ITEMS 2 AND 3, (IE ARRANGEMENTS FOR THE TRANSITIONAL PERIOD AND THE FORM AND CONTENT OF AN AGREEMENT) HAVE BEGUN AT ROUND 12. ALTHOUGH A NUMBER OF QUESTIONS REMAINED UNRESOLVED HE DID NOT BELIEVE THESE WOULD BE DIFFICULT TO SOLVE, GIVEN SINCERITY AND MUTUAL TRUST. HE WOULD NOT REPEAT WU'S DETAILED EXPOSITION OF CHINESE VIEWS ON THE TRANSITIONAL PERIOD. BUT HE BELIEVED THE CHINESE PROPOSITION TO BE REASONABLE. IT SHOULD NOT CAUSE THE BRITISH SIDE DIFFICULTIES. HE HOPED THEY WOULD CONSIDER IT SERIOUSLY.

5. ON ITEM 2, THE SECRETARY OF STATE SAID THAT HE HAD EXPLAINED TO WUS THAT THE BRITISH STILL HAD ANXIETIES ABOUT THE CHINESE PLAN FOR THE PRE 1997 PERIOD. HOWEVER, THERE WERE SEVERAL THINGS ON WHICH THE TWO SIDES AGREED:

- (A) CONSULTATION WOULD BE NECESSARY ON A NUMBER OF MATTERS :
- (B) A SMOOTH HANDOVER WAS IN BOTH SIDES' INTEREST SEMICLN
- (C) BRITAIN WOULD HAVE FULL RESPONSIBILITY FOR THE ADMINISTRATION OF HONG KONG.

THE SECRETARY OF STATE RECALLED THAT UNDER THE CHINESE PLAN THE SAR WOULD HAVE A HIGH DEGREE OF AUTONOMY. HE WAS CONCERNED THAT THE ESTABLISHMENT IN HONG KONG OF A JOINT GROUP, EVEN IF IT WERE NOT AN ORGAN OF ADMINISTRATIVE POWER, WOULD CAUSE ANXIETY AMONGST HONG KONG PEOPLE. THE BRITISH SIDE AGREED THAT AFTER 1997 HONG KONG'S HIGH DEGREE OF AUTONOMY SHOULD CONTINUE. THE CHINESE SIDE HAD GIVEN IMPORTANT ASSURANCES THAT AFTER 1997 OFFICIALS WOULD NOT BE SENT TO HONG KONG FROM THE MAINLAND. BUT A JOINT GROUP IN HONG KONG COULD LEAD PEOPLE TO FEAR THAT MAINLAND OFFICIALS WERE GOING TO ADMINISTER HONG KONG. THE JOINT GROUP COULD ALSO IMPLY THAT BIG CHANGES WERE IMMINENT. THIS WOULD NOT ACCORD WITH THE JOINT WISH TO EMPHASISE THE HIGH DEGREE OF CONTINUITY AND AUTONOMY FOR HONG KONG AFTER 1997. THE BRITISH SIDE DID NOT INTEND TO OBSTRUCT THE PROCESS OF CHANGE TO TAKE PLACE WHEN HANDOVER OCCURED IN 1997, BUT THEY WISHED THE HAND OVER TO TAKE PLACE WITH MAXIMUM CONTINUITY AND LEAST DISTURBANCE. HE KNEW THAT THE CHINESE SIDE ATTACHED IMPORTANCE TO THIS POINT AND HE AGREED THAT THERE SHOULD BE CONTINUING CONSULTATION BTWEEN NOW AND 1997. BUT HE CONSIDERED THIS WOULD BE BEST CONDUCTED AND WOULD HAVE THE BEST EFFECT IF IT TOOK PLACE IN PEKING NOT HONG KONG.

6. ZHAO SAID THAT THE BRITISH SIDE COULD REST ASSURED THAT THE CHINESE SIDE HAD NO INTENTION OF CONCOCTING ANY SORT OF CONDOMINIUM. THEY PROCEEDED FROM CONSIDERATIONS OF MAINTAINING HONG KONG'S PROSPERITY AND STABILITY AND ENSURING A SMOOTH TRANSFER OF GOVERNMENT IN 1997 WITHOUT UNNECESSARY DISTURBANCES OR BIG CHANGES.

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9. THE SECRETARY OF STATE SAID THAT HE AND ZHAO HAD NOT SUCCEEDED IN PERSUADING EACH OTHER. HE UNDERSTOOD ZHAO'S POINT ABOUT OTHER CHINESE AGENCIES IN HONG KONG. HOWEVER, THESE WERE FAMILIAR AGENCIES WITH FAMILIAR SEPARATE FUNCTIONS. BUT A JOINT GROUP DEALING MORE WIDELY WITH FUTURE ARRANGMENTS WOULD LEAD TO CONCERN. HOWEVER, EACH HAD STATED HIS POINT OF VIEW.

10. TURNING TO THE AGREEMENT, THE SECRETARY OF STATE SAID THAT ONE THING WHICH HAD BEEN AGREED WAS THAT ON THE PRESENT BASIS FOR THE NEGOTIATIONS, THE SUBSTANCE OF THE CHINESE CASE ON SOVEREIGNTY MUST BE MET. THE BRITISH DRAFT AGREEMENT PROVIDED SQUARELY FOR THE CHINESE REQUIREMENT THAT SOVEREIGNTY AND ADMINISTRATION OVER THE WHOLE OF HONG KONG BE TRANSFERRED TO CHINA IN 1997. THIS PROVISION WAS CERTAINLY THE BRITISH SIDE'S INTENTION. HOWEVER, IF PARLIAMENTARY APPROVAL FOR THAT AGREEMENT WERE TO BE SECURED, IT WOULD BE NECESSARY FOR CHINA TO UNDERTAKE MATCHING OBLIGATIONS WITH RESPECT TO POST-1997 ARRANGMENTS IN HONG KONG. A CLEAR AND PRECISE INDICATION IN THE AGREEMENT OF THESE POLICIES WOULD BE ESSENTIAL TO ACHIEVING THE JOINT OBJECTIVE OF MAINTAINING STABILITY AND PROSPERITY AND MAINTAINING THE CONFIDENCE OF INVESTORS, THE INTERNATIONAL TRADING COMMUNITY AND HONG KONG PEOPLE. IT WAS PARTICULARLY IMPORTANT THAT THESE POLICIES BE INCLUDED AS THE BASIC LAW MIGHT NOT BE PROMULGATED BEFORE 1993: A DETAILED AGREEMENT WAS NECESSARY TO SPAN THE PERIOD BETWEEN 1984 AND THE BASIC LAW'S PUBLICATION.

11. HE WELCOMED JI'S ASSURANCE THAT THE CONTENT OF BOTH THE AGREEMENT AND OF THE ANNEXES WOULD BE BINDING AND REFLECTED IN THE BASIC LAW. HE SAID THAT ALL INTERNATIONAL AGREEMENTS INVOLVED A POSITIVE EXERCISE OF SOVEREIGNTY. IN THE AGREEMENT THE BRITISH SIDE HAD IN MIND, THEY WERE PREPARED TO TRANSFER SOVEREIGNTY OVER HONG KONG TO CHINA IN 1997 AND ASKED THAT CHINA SHOULD MAKE A MATCHING OBLIGATION BY AGREEING TO PRECISE AND DETAILED ARRANGEMENTS FOR THE POST 1997 PERIOD.

12. ON THE CHINESE DRAFT AGREEMENT THE SECRETARY OF STATE IDENTIFIED TWO SHORTCOMINGS:

- (A) IT DID NOT APPEAR TO VISUALISE BINDING OBLIGATIONS ON BOTH SIDES SIMILAR
- (B) IT WAS NOT CLEAR THAT IT WOULD CONTAIN THE IMPORTANT ISSUES AGREED IN THE TALKS ON THE BASIS OF THE WORKING PAPERS.

HE RECALLED ZHAO'S REFERENCE TO THE SEVERAL POINTS OF SUBSTANCE REMAINING TO BE AGREED. HE SAID THAT ALL POINTS AGREED BETWEEN THE TWO SIDES SHOULD BE INCLUDED IN THE AGREEMENT TO ACHIEVE THE JOINT AIM OF SUSTAINING CONFIDENCE. THEY WERE THE MINIMUM NECESSARY TO DESCRIBE HONG KONG'S COMPLEX SYSTEMS IN A WAY TO GIVE ASSURANCE OF THE CONTINUITY OF THOSE SYSTEMS. HE REPEATED

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HE CONSIDERED THAT THE BRITISH CONCERNS COULD BE SOLVED THROUGH DISCUSSION. THE NAME OF THE BODY TO BE ESTABLISHED COULD BE FURTHER DISCUSSED AND ITS FUNCTION EXPLICITLY DEFINED. IF THE BRITISH SIDE HAD NO ANXIETIES, HONG KONG PEOPLE WOULD HAVE NO FEARS. IT WOULD HAVE A STABILISING EFFECT IF HONG KONG PEOPLE SAW THAT AFTER CONCLUSION OF THE AGREEMENT THE TWO SIDES CONTINUED THEIR WORK IN A SPIRIT OF FRIENDSHIP AND MUTUAL COOPERATION. A JOINT GROUP WOULD BE BEST LOCATED IN HONG KONG BECAUSE IT WOULD BE DEALING WITH HONG KONG QUESTIONS. IF LOCATED IN PEKING, IT WOULD BE DIFFICULT FOR IT TO BE WELL INFORMED ABOUT THE HONG KONG QUESTION. FURTHERMORE, ITS WORK COULD NOT BE SEEN BY HONG KONG PEOPLE. THIS COULD LEAD TO SPECULATION ABOUT ITS FUNCTION. HOWEVER, FURTHER DISCUSSION WOULD ALLEVIATE BRITISH CONCERNS.

7. THE SECRETARY OF STATE SAID THAT HIS ANXIETY CENTRED ON THE LOCATION FOR SUCH MEETINGS. THEY COULD STILL TAKE PLACE IN PEKING AND BE WELL INFORMED, AS WAS THE CASE WITH THE TALKS. MEETINGS IN HONG KONG COULD LEAD TO ANXIETIES THERE. THEY COULD SUGGEST THAT CONTINUITY WOULD NOT BE MAINTAINED AND HONG KONG'S HIGH DEGREE OF AUTONOMY NOT ACHIEVED.

8. ON THE PSYCHOLOGICAL EFFECT OF A JOINT GROUP AND CONFIDENCE IN THE MAINTENANCE OF STABILITY AND PROSPERITY, ZHAO CONSIDERED THE KEY TO LIE IN THE FINAL AGREEMENT. THE LOCATION OF THE JOINT GROUP SHOULD NOT BE SEPARATED FROM THE AGREEMENT TO BE CONCLUDED: THE AGREEMENT WOULD HELP STABILISE THE HONG KONG SITUATION AND THE JOINT GROUP'S PURPOSE WAS TO HELP CO-ORDINATE IMPLEMENTATION OF THE AGREEMENT. IF THE JOINT GROUP'S FUNCTIONS WERE AS DESCRIBED, IT SHOULD NOT ADVERSELY AFFECT CONFIDENCE. THERE SHOULD BE EXPLICIT PROVISION IN THE AGREEMENT THAT:

- (A) HONG KONG WOULD BE ADMINISTERED BY HONG KONG PEOPLE SEMICLON
- (B) OFFICIALS WOULD NOT BE SENT FROM THE MAINLAND SEMICLON
- (C) UNNECESSARY CHANGES, EXCEPT THOSE INVOLVING CHINA'S SOVEREIGNTY, WOULD NOT BE MADE. THE JOINT GROUP'S FUNCTION WOULD BE TO HELP CO-ORDINATE IMPLEMENTATION OF THE AGREEMENT. ITS ESTABLISHMENT WOULD NOT MEAN THAT MAINLAND OFFICIALS WOULD BE SENT TO HONG KONG TO ADMINISTER HONG KONG OR TAKE OVER HONG KONG FROM THE UK. IT WOULD ALSO NOT GIVE THE IMPRESSION OF MAJOR CHANGES IN THE TRANSITIONAL PERIOD. BRITISH ANXIETIES WERE UNNECESSARY. THE NPCA AND OTHER CHINESE ORGANISATIONS IN HONG KONG DID NOT GENERATE SUSPICION THAT PEOPLE WERE BEING SENT FROM THE MAINLAND TO ADMINISTER HONG KONG. THESE ORGANISATIONS TASKS WERE KNOWN. HE HOPED THAT THE BRITISH SIDE WOULD INFORM THE CHINESE SIDE OF ALL ITS CONCERNS. HE QUESTIONED THE BRITISH SIDE'S BELIEF THAT ESTABLISHMENT OF A JOINT GROUP WOULD GIVE THE IMPRESSION OF CONDOMINIUM. HE BELIEVED WAYS COULD BE FOUND OF SETTLING THIS QUESTION.

THAT THE COMMON OBJECTIVE WAS TO REACH AN AGREEMENT WHICH WOULD FULFIL THEIR JOINT PURPOSE. IT WAS IMPORTANT TO GET THIS RIGHT.

13. ZHAO SAID THAT GREAT PROGRESS HAD BEEN MADE. THE MAIN REASONS WERE:

- (A) THE BRITISH SIDE HAD RECOGNISED IN EXPLICIT TERMS THE FACT THAT CHINA WOULD RESUME THE EXERCISE OF SOVEREIGNTY OVER HONG KONG IN 1997 AND THAT CHINESE SOVEREIGNTY WAS NOT SEPARABLE FROM ITS RIGHT OF ADMINISTRATION OF HONG KONG.
- (B) TO THE EXTENT PERMITTED BY THE PRINCIPLE OF CHINESE SOVEREIGNTY, THE CHINESE SIDE HAD SHOWN THE GREATEST POSSIBLE FLEXIBILITY. THEY HAD GIVEN FULL CONSIDERATION TO THE QUESTIONS OF CONCERN TO THE BRITISH SIDE AND HAD FULLY ACCOMMODATED BRITISH WISHES.

THEIR PROPOSED AGREEMENT AND EXCHANGE OF NOTES SHOULD GIVE EXPRESSION TO THIS SPIRIT. CHINA MEANT WHAT IT SAID. IT KEPT PROMISES AND NEVER ACTED IN A PETTY WAY OR SET TRAPS. HOWEVER, IT MUST BE MADE CLEAR THAT BOTH THE AGREEMENT AND ANNEXES SHOULD SHOW FULL RESPECT FOR CHINESE SOVEREIGNTY. CHINESE POLICIES FOR POST-1997 HONG KONG SHOULD IN NO WAY BE TAKEN AS SUBJECT TO APPROVAL OR ENDORSEMENT BY THE BRITISH SIDE OR SEEN AS THE RESULT OF THE AGREEMENT. CHINESE POLICIES WERE FORMULATED BY THE CHINESE SIDE AND CHINA'S AFFAIR. THE AGREEMENT AND ANNEXES WOULD FORM A WHOLE SET. BOTH THE MAIN BODY OF THE AGREEMENT AND THE ANNEXES WOULD HAVE BINDING FORCE AND BE EQUALLY VALID. THE BRITISH SIDE HAD SO FAR RECEIVED INFORMALLY THE CHINESE IDEAS FOR AN ANNEX BUT WITHOUT CONTENT. THE ANNEXES SHOULD CERTAINLY CONTAIN THE POINTS AGREED IN THE TALKS. THESE MAJOR ISSUES SHOULD BE REFLECTED IN THE EXCHANGE OF NOTES.

14. THE SECRETARY OF STATE SAID THAT THE TWO SIDES WERE CLOSE TO UNDERSTANDING EACH OTHER. HE AGREED THAT GREAT PROGRESS HAD BEEN MADE ON BOTH SIDES. THE BRITISH SIDE HAD EXPRESSED RECOGNITION OF THE TRANSFER OF SOVEREIGNTY AND RIGHT OF ADMINISTRATION. THE CHINESE SIDE HAD EXPLAINED THEIR POLICIES. FOR POST 1997 HONG KONG THEY HAD THUS EXERCISED IN ADVANCE THEIR SOVEREIGNTY OVER HONG KONG. THE BRITISH SIDE ATTACHED IMPORTANCE TO THE SPIRIT OF THIS WORK BEING FULLY REFLECTED IN THE AGREEMENT: THIS SHOULD TAKE THE FORM OF MUTUALLY BINDING OBLIGATIONS. THE BRITISH SIDE FULLY ACCEPTED THAT THERE WAS GOOD FAITH BETWEEN THE TWO SIDES. HOWEVER, IT WAS IMPORTANT THAT THE RESULTS OF THAT JOINT GOOD FAITH SHOULD BE CONTAINED IN THE AGREEMENT AND PRESENTED TO THE WORLD AS AN EXAMPLE OF THE WAY TO SOLVE A PROBLEM LEFT OVER FROM HISTORY.

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15. ZHAO REPEATED HIS HOPE FOR AN EARLY AGREEMENT; THIS WOULD BENEFIT HONG KONG AND BE VERY IMPORTANT FOR STABILITY. THE BRITISH SIDE WERE WELL AWARE OF THE TIME LIMIT FOR SIGNATURE OF AN AGREEMENT. HE HOPED HMG WOULD DEMONSTRATE ITS REPUTATION FOR EFFICIENCY AND TIMING.

16. ZHAO CONCLUDED BY ASKING THE SECRETARY OF STATE TO CONVEY HIS REGARDS TO THE PRIME MINISTER.

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TELEGRAM NUMBER 767 OF 17/4/84

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: SECRETARY OF STATE'S VISIT:

LUNCH WITH ZHOU NAN

HK 040/4		
10 APR 1984		
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1. ZHOU NAN GAVE A WORKING LUNCH ON 17 APRIL FOR SIR PERCY CRADOCK ACCOMPANIED BY WILSON AND GALSWORTHY. HE BEGAN BY RE-ARGUING THE CHINESE CASE ON ITEM 2, SAYING THAT A JOINT ORGANISATION IN HONG KONG WAS ESSENTIAL. IT COULD BE MADE CLEAR THAT IT WAS NOT AN ORGANISATION OF AUTHORITY. IT WOULD CEASE WORK IN 1997, AND THEREFORE COULD NOT BE SEEN AS 'SENDING PEOPLE FROM PEKING TO GOVERN THE SAR'. IT HAD TO BE IN HONG KONG SINCE IT WOULD BE DEALING WITH MATTERS OF DETAIL, SUCH AS LAND AND THE INTERNAL SECURITY FORCE. IF SUCH MATTERS WERE TO BE DEALT WITH SATISFACTORILY PEOPLE WOULD HAVE TO GO TO HONG KONG IN ORDER TO UNDERSTAND THE POSITION ON THE GROUND. WE HAD REJECTED THE CHINESE PROPOSALS AND SEEMED UNWILLING EVEN TO CONSIDER THEM.

2. SIR P CRADOCK DENIED THAT WE WERE UNWILLING TO CONSIDER THIS OR ANY OTHER CHINESE IDEA. ON THE OTHER HAND ACCOUNT HAD TO BE TAKEN OF THE IMPACT OF SETTING UP SUCH AN ORGANISATION IN HONG KONG. WHATEVER NAME THE CHINESE GAVE IT, IT WOULD BE SEEN AS AN ALTERNATIVE SOURCE OF AUTHORITY. THERE WAS NO DOUBT ABOUT THE BRITISH WISH TO CO-OPERATE CLOSELY WITH CHINA IN THE PERIOD UP TO 1997 AND TO ENSURE A SMOOTH TRANSITION. BUT THERE WERE OTHER AND MUCH SAFER METHODS OF ENSURING THIS. HE PUT FORWARD AS A PERSONAL SUGGESTION THE IDEA THAT THE NEGOTIATING TEAMS IN PEKING COULD CONTINUE TO MEET, THOUGH LESS FREQUENTLY, TO DEAL WITH MATTERS OUTSTANDING FROM THE NEGOTIATION. IF LOCAL EXPERTISE WERE REQUIRED, THERE SHOULD BE NO DIFFICULTY IN BRINGING IN PEOPLE FROM HONG KONG, DEPENDING ON THE SUBJECT. HE ASKED IN PARTICULAR WHAT MATTERS ZHOU WAS PROPOSING SHOULD BE DEALT WITH BY THE JOINT ORGANISATION.

3. ZHOU GAVE NO CLEAR REPLY TO THIS LAST QUESTION, BUT HE EMPHASISED THE IMPORTANCE OF THE JOINT ORGANISATION.

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IT WAS A MATTER OF PRINCIPLE FOR THE CHINESE. HE SUGGESTED IF WE WERE HAVING DIFFICULTIES OVER THE NAME OR THE COMPOSITION OF THE ORGANISATION THIS MIGHT BE CHANGED, BUT THERE MUST BE A JOINT ORGANISATION. HE HINTED THAT IF WE COULD NOT AGREE ON ITEM 2, THEN IT MIGHT BE DIFFICULT FOR THE CHINESE TO AGREE TO OUR PROPOSALS ON THE TIMETABLE.

4. CRADOCK EXPRESSED CONCERN OVER THE UNCERTAINTY CREATED BY THE CHINESE INTENTION TO PASS A BASIC LAW AFTER THE AGREEMENT WAS SIGNED. THERE COULD BE NO ASSURANCE THAT THE LAW WOULD BE THE SAME AS THE AGREEMENT, WITH THE RESULT THAT MANY MONTHS' PATIENT WORK COULD BE WASTED. ZHOU CLAIMED THAT JI PENGFEI HAD DEALT WITH THIS ISSUE THAT MORNING WHEN HE HAD STATED THAT THE ANNEX WOULD HAVE VALIDITY LIKE THE AGREEMENT, AND THAT BOTH WOULD BE REFLECTED IN THE BASIC LAW. CRADOCK ASKED HOW MUCH DETAIL WOULD BE INCLUDED IN THE ANNEX. THIS WAS A CRITICAL ISSUE ON THE BRITISH SIDE. HE ASSUMED THE ANNEX WOULD CONTAIN ALL THE POINTS AGREED IN THE WORKING PAPERS. ZHOU WAS UNCLEAR IN HIS REPLY AND SAID THAT THIS COULD BE DISCUSSED IN ROUNDS 13 AND 14.

5. ZHOU CONTINUED THAT OUR DRAFT AGREEMENT WAS OBJECTIONABLE BECAUSE IT SOUGHT TO TELL THE CHINESE WHAT THEIR BASIC LAW SHOULD BE AND TO GIVE THE IMPRESSION THAT IT WOULD EMERGE WITH THE APPROVAL OF THE BRITISH GOVERNMENT. THIS WAS TOTALLY UNACCEPTABLE. CRADOCK SAID THAT THE PRECISE WORDING OF THE AGREEMENT COULD BE LOOKED AT, BUT WHAT WAS

IMPORTANT WAS THAT IT SHOULD BE BALANCED AND BINDING. ZHOU SAID THAT THE WHOLE TEXT OF THE AGREEMENT, INCLUDING THE ANNEX WOULD BE BINDING. CRADOCK SUGGESTED THAT THE LAWYERS SHOULD EXAMINE THIS.

6. ZHOU THEN RAISED THE ISSUE OF RATIFICATION, SAYING THAT IT HAD NOT BEEN CLEARLY ANSWERED THAT MORNING DURING THE MEETING WITH JI PENGFEI. CRADOCK EXPLAINED THAT FOLLOWING DEBATE IN PARLIAMENT AND SIGNATURE THERE WOULD HAVE TO BE LEGISLATION AFTER WHICH THE AGREEMENT WOULD BE RATIFIED AND WOULD COME INTO EFFECT. ZHOU ASKED WHAT THE LEGISLATION WOULD BE ABOUT. CRADOCK EXPLAINED THAT IT WOULD DEAL WITH THE TRANSFER OR TERMINATION OF SOVEREIGNTY AT WHICH ZHOU LOOKED MUCH RELIEVED. THERE WOULD ALSO BE A NEED FOR OTHER LEGISLATION CONSEQUENTIAL ON THE DECISION TO TERMINATE ADMINISTRATION. ZHOU ASKED WHY PARLIAMENT HAD TO HAVE TWO BITES AT THE ISSUE, FIRST HOLDING A DEBATE AND THEN PASSING LEGISLATION. CRADOCK EXPLAINED THE DIFFERENCE BETWEEN THESE TWO PROCESSES. ZHOU THEN ASKED HOW LONG THE NECESSARY LEGISLATION WOULD TAKE. CRADOCK SAID IT WOULD DEPEND ON PARLIAMENTARY TIME, BUT IF THE AGREEMENT WE ACHIEVED WAS SUFFICIENTLY DETAILED,

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THEN THE PROCESS OF RATIFICATION COULD BE EXPEDITED. ZHOU THEN SAID HIS IMPRESSION WAS THAT WE INTENDED TO LINK RATIFICATION TO THE PASSAGE OF THE BASIC LAW. CRADOCK EXPLAINED THAT THIS WOULD BE THE PROCEDURE IN NORMAL CIRCUMSTANCES, BUT HONG KONG WAS A UNIQUE CASE REQUIRING UNIQUE EXPEDIENTS. HE REPEATED THE IMPORTANCE OF DETAIL AND SAID THAT IF THERE WERE SUFFICIENT DETAIL IN THE AGREEMENT, RATIFICATION COULD BE MUCH EXPEDITED.

7. CRADOCK SAID THAT HE HAD BEEN WORRIED ABOUT THE REFERENCE IN THE CHINESE STATEMENT IN ROUND 12 TO A "REFORM" TAKING PLACE IN HONG KONG AFTER 1993. WE HAD BEEN ARGUING FOR CONTINUITY: THIS SOUNDED AS THOUGH THE CHINESE INTENDED THERE TO BE MAJOR CHANGES. ZHOU SAID THAT PERHAPS THERE HAD BEEN A MISUNDERSTANDING. ALTHOUGH THE BASIC LAW WOULD REFLECT THE AGREEMENT, THERE NEEDED TO BE A TRANSITION PERIOD. THE GROUP WHICH WOULD WORK ON THE BASIC LAW AND ADVISE ON ITS CONTENTS MUST HAVE SOME FLEXIBILITY: IF ALL THE DETAIL WAS SPECIFIED NOW IN THE AGREEMENT CONSULTATION WITH THE PEOPLE OF HONG KONG WOULD BE MEANINGLESS. SOME THINGS COULD NOT BE SETTLED AT THIS STAGE, SUCH AS THE STRUCTURE OF THE LEGISLATIVE AUTHORITY, THE STRUCTURE OF THE EXECUTIVE AUTHORITY, AND HOW ITS MEMBERS SHOULD BE PRODUCED (ZHOU NAN SAID HE FAVOURED A PROCESS OF CONSULTATION RATHER THAN ELECTION) AND WHAT THE CHINESE EXECUTIVE AND OTHER SENIOR OFFICIALS SHOULD BE CALLED. AFTER 1993, PEOPLE WOULD HAVE TO BE BROUGHT FORWARD GRADUALLY TO FORM A SORT OF SHADOW CABINET SO THAT THEY COULD TAKE OFFICE IN 1997. THE SAR GOVERNMENT COULD NOT JUST SUDDENLY APPEAR IN 1997. THE CHINESE HAD BEEN REFERRING IN THEIR STATEMENT TO THE ESTABLISHMENT AFTER 1993 OR THEREABOUTS OF THE GOVERNMENTAL ORGANS WHICH WOULD BE PROVIDED FOR IN THE BASIC LAW.

EVANS

FUTURE OF HONG KONG

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ED/EDD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

PES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/FUS

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 H EWS D

MR BURROWS LEGAL ADVS

MR COLES NO 10 DOWNING ST

MR MARTIN ASSESSMENT STAFF CABINET OFFICE

MR GOODALL CABINET OFFICE

MR BRENNAN CABINET OFFICE

PS/S OF S FOR DEFENCE D

PS/ATTORNEY GENERAL

SIR P CRADOCK RM 4195

SIR P CRADOCK NO 10 DOWNING STREET

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DESKBY 181400Z

FM HONG KONG 181245Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1057 OF 18 APRIL

INFO IMMEDIATE PEKING(DESKBY 181400Z) LISBON(DESKBY 181400Z) For PS/PM

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Register

18 APR 1984

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FOLLOWING FROM PRIVATE SECRETARY

SECRETARY OF STATE'S DISCUSSION WITH DENG XIAOPING  
SUMMARY

1. THE SECRETARY OF STATE HAD 90 MINUTES WITH DENG THIS MORNING. DENG WAS FRIENDLY AND EBULLIENT. ON THE TIMETABLE, HE ACCEPTED THE NEED FOR PARLIAMENT TO HAVE TIME TO CONSIDER THE DRAFT AGREEMENT AND RAISED NO (NO) OBJECTION TO OUR PROPOSALS FOR A PUBLISHED DRAFT AGREEMENT BY SEPTEMBER AND SIGNATURE BY THE END OF THE YEAR. ON THE FORM OF AGREEMENT, HE REPEATED THAT THE AGREEMENT ITSELF SHOULD DEAL WITH MATTERS OF PRINCIPLE, BUT ACCEPTED THAT DETAIL (BUT NOT EXCESSIVE DETAIL) SHOULD BE DEALT WITH IN AN ANNEXE. HE SHOWED CONSIDERABLE ANXIETY ABOUT THE PERIOD UP TO 1997, ARGUING THAT SOME PEOPLE (NOT HMG OR THE HONG KONG GOVERNMENT) MIGHT TRY TO LEAVE THINGS IN A MESS FOR THE INCOMING ADMINISTRATION. A JOINT GROUP SHOULD BE SET UP IN HONG KONG (OR POSSIBLY ROTATE BETWEEN HONG KONG, PEKING AND LONDON) TO DEAL WITH PROBLEMS OF THE TRANSITIONAL PERIOD. SECRETARY OF STATE EMPHASISED THAT WE WOULD DO EVERYTHING POSSIBLE TO HAND OVER A GOING CONCERN. HE ARGUED AGAINST ESTABLISHING A JOINT GROUP IN HONG KONG. AT THE END, DENG RAISED DEFENCE, AND SAID THAT CHINA WOULD SEND A SMALL ARMED FORCE TO HONG KONG IN 1997, SIMILAR IN NATURE TO THE BRITISH GARRISON. THE SECRETARY OF STATE EXPRESSED DISMAY AT THIS INTENTION.

DETAIL

2. DENG'S INTRODUCTORY REMARKS STRESSED THE FUTURE CONTINUITY OF CHINESE POLICIES. HE WAS LAYING DOWN ECONOMIC POLICIES FOR 20 OR EVEN 30 TO 50 YEARS AHEAD. THE CHINESE ASSURANCE THAT HONG KONG'S SYSTEMS WOULD REMAIN UNCHANGED FOR 50 YEARS SHOULD BE SEEN IN THIS CONTEXT. THE POLICY WAS NOT PERSONAL TO DENG. IF THE PATH WAS CORRECT, IT WOULD LONG OUTLAST HIM.

3. THE SECRETARY OF STATE UNDERLINED OUR DETERMINATION TO REACH AN EARLY AND SATISFACTORY AGREEMENT. VERY GOOD PROGRESS HAD BEEN MADE, BUT IMPORTANT POINTS STILL REMAINED TO BE RESOLVED. WE WERE, HOWEVER, NOW WITHIN REACH OF AN AGREEMENT UNDER WHICH THE CHINESE REQUIREMENT ON SOVEREIGNTY COULD BE MET.

4. DENG AGREED THAT THE NEGOTIATORS HAD WORKED WELL. HE RECALLED TELLING THE PRIME MINISTER IN 1982 THAT HE HOPED THE PROBLEM OF HONG KONG WOULD BE SOLVED IN HER TERM OF OFFICE. HE ASKED THAT HIS BEST WISHES BE PASSED TO THE PRIME MINISTER.

TIMETABLE

5. THE SECRETARY OF STATE SAID THAT HE HAD DISCUSSED WITH OTHER CHINESE LEADERS A TIMETABLE WHICH WOULD PROVIDE WHAT CHINA WANTED: THE TEXT OF AN AGREEMENT TO BE PUBLISHED IN SEPTEMBER. THE AGREEMENT COULD BE SIGNED BY THE END OF THE YEAR.

6. DENG WELCOMED THIS. THE CHINESE UNDERSTOOD THAT HMG HAD TO RESPECT PARLIAMENT AND GIVE THEM TIME TO CONSIDER THE MATTER. HE COMMENTED THAT THE BRITISH PARLIAMENT WAS VERY DIFFERENT FROM THE US CONGRESS. THE SECRETARY OF STATE AGREED, ADDING THAT PARLIAMENT WAS MOST UNLIKELY TO REJECT AN AGREEMENT COMMENDED TO IT BY THE PRIME MINISTER AND HIMSELF. IF THE UK AND CHINA REACHED AN AGREEMENT COVERING ALL THE CENTRAL POINTS, THEN THE PRIME MINISTER AND HE WOULD SO COMMEND IT. DENG COMMENTED 'D'ACCORD'. RATIFICATION WAS NOT RAISED.

#### FORM OF AGREEMENT

7. THE SECRETARY OF STATE UNDERLINED THE NEED FOR AN AGREEMENT WHICH WOULD CARRY CONVICTION WITH INTERNATIONAL BUSINESSMEN AND INVESTORS, AS WELL AS WITH PARLIAMENT. IT WOULD HAVE TO EXPLAIN CLEARLY THE ARRANGEMENTS FOR HONG KONG AFTER 1997. A GREAT DEAL OF EFFORT HAD BEEN MADE BY THE NEGOTIATORS ON BOTH SIDES TO WORK TOWARDS AN AGREEMENT. THIS EFFORT SHOULD BE REFLECTED AS PART OF THE AGREEMENT ITSELF. EACH SIDE WOULD BE COMMITTING ITSELF TO WHAT IT WOULD DO. THE AGREEMENT SHOULD BE A BALANCED ONE. EACH SIDE COULD THEN COMMEND THE AGREEMENT TO ITS OWN PEOPLE AND JOINTLY TO THE WORLD. DENG MADE TWO POINTS IN REPLY:

(I) THE HONG KONG PROBLEM WAS FOR CHINA AND BRITAIN TO SOLVE. IT WAS NOTHING TO DO WITH OTHERS, ALTHOUGH BRITISH AND FOREIGN BUSINESSMEN WOULD HAVE THEIR OWN IDEAS AND VIEWS (HE REFERRED TO JARDINES). THE THREE-LEGGED STOOL WOULD NOT (NOT) DO.

(II) THE AGREEMENT SHOULD DEAL WITH MATTERS OF PRINCIPLE. IF IT CONTAINED TOO MANY DETAILS, ERRORS MIGHT BE MADE AND IT WOULD NOT BE VERY PRACTICAL. THE COMPETENCE OF THE FUTURE SAR GOVERNMENT WOULD ALSO BE LIMITED. THE CHINESE DRAFT ALREADY INCLUDED MANY DETAILS AS IT WAS. THE IMPORTANT POINT WAS THAT CHINA HAD DECIDED ON THE PRINCIPLE THAT THERE WOULD BE ONE NATION WITH TWO SYSTEMS. WHEN THEY WORKED OUT THE DETAILS, THEY WOULD CERTAINLY ABIDE BY THIS PRINCIPLE. HE THEN WENT INTO A DIGRESSION TO THE EFFECT THAT MANY OF THE WORLD'S PROBLEMS COULD BE SOLVED BY ADOPTING THE PRINCIPLE OF ONE NATION TWO SYSTEMS (KOREAS, GERMANIES, EVEN ARGENTINA/FALKLANDS). CHINA'S DISPUTE WITH JAPAN OVER THE SENKAKU ISLANDS COULD BE SOLVED IN A SIMILARLY PRAGMATIC WAY: EXPLOITING THE RESOURCES TOGETHER AND LEAVING SOVEREIGNTY ASIDE FOR THE NEXT GENERATION TO SOLVE.

8. THE SECRETARY OF STATE AGREED THAT THE PROBLEM WAS ONE TO BE SETTLED BETWEEN THE UK AND CHINA AND THEN PRESENTED TO THE WORLD SO THAT ALL COULD HAVE CONFIDENCE IN HONG KONG'S FUTURE. IT WAS THEREFORE IMPORTANT, AS PREMIER ZHAO HAD SAID THE PREVIOUS DAY, THAT THE AGREEMENT AND ANNEXES SHOULD REFLECT THE MANY POINTS AGREED IN THE NEGOTIATIONS. DENG REPEATED HIS POINT THAT NOT TOO MUCH DETAIL SHOULD BE INCLUDED. THE SECRETARY OF STATE STRESSED AGAIN THAT THE DETAILS AGREED IN THE NEGOTIATIONS SHOULD BE REFLECTED IN THE AGREEMENT; OTHERWISE THE WORK DONE WOULD HAVE BEEN IN VAIN. DENG ACCEPTED THAT THERE SHOULD BE AN AGREEMENT DEALING WITH MATTERS OF PRINCIPLE AND AN ANNEX IN THE FORM OF AN EXCHANGE OF NOTES WITH THE DETAIL. BUT EXCESSIVE DETAIL WAS NOT GOOD.

#### PRE-1997 ARRANGEMENTS

9. THE SECRETARY OF STATE UNDERLINED THAT WE AND THE HONG KONG GOVERNMENT WERE DETERMINED TO DO ALL WE COULD TO MAINTAIN STABILITY AND PROSPERITY BEFORE 1997. WE WOULD NOT PURSUE SHORT-SIGHTED POLICIES AND WERE DETERMINED TO HAND OVER A GOING CONCERN. DENG SAID THAT HE HOPED THERE WOULD BE NO TROUBLE. BUT THE CHINESE HAD NOTED SOME SIGNALS: JARDINE'S MOVE, AND INCIDENTS STIRRED UP BY THE KMT. WE COULD NOT TAKE IT FOR GRANTED THAT THE NEXT 13 YEARS WOULD BE PEACEFUL. HE KNEW THAT SOME PEOPLE FROM TAIWAN HAD PLANS TO USE TRIADS (SECRET SOCIETIES) IN HONG KONG TO MAKE TROUBLE. HE ACCEPTED THAT JARDINE'S MOVE HAD NOT BEEN ENCOURAGED BY HMG, BUT IT SHOWED THAT SOME BUSINESSMEN WERE PLAYING A DAMAGING ROLE. DISTURBANCES ON THE MONEY MARKETS SHOWED THE SAME THING. HE HAD BEEN TOLD THAT THERE WERE SOME PEOPLE WHO WERE TRYING TO LEAVE HONG KONG IN A MESS FOR THE FUTURE SAR GOVERNMENT.

10M DENG CONTINUED THAT THE CHINESE HAD NO INFORMATION ABOUT MONETARY POLICIES IN HK, AND VERY LITTLE ABOUT LAND LEASES. IT MIGHT BE THAT WHEN THE SAR TOOK OVER THERE WOULD BE NO LAND LEFT TO LEASE. HK GOVERNMENT EXPENDITURE MIGHT INCREASE GREATLY AND LEAVE A HEAVY BURDEN FOR THE PEOPLE OF HONG KONG AFTER 1997. THESE THINGS COULD BE CONTROLLED, BUT IT WAS POSSIBLE THAT BIG CHANGES MIGHT OCCUR: E.G. THE WHOLESALE FLIGHT OF CAPITAL FROM HK. HE HAD SAID TO THE PRIME MINISTER THAT IN THE CASE OF DISTURBANCES IN HONG KONG HE WOULD BE FORCED TO RECONSIDER THE TIMING OF CHINA'S TAKEOVER OF THE TERRITORY. THE SECRETARY OF STATE HAD EXPLAINED THE BRITISH POSITION. HE BELIEVED THAT NEITHER THE BRITISH NOR CHINESE GOVERNMENTS WOULD DO ANYTHING TO DISTURB THE SITUATION, BUT IT WAS IMPOSSIBLE TO PREDICT WHAT MIGHT HAPPEN IN THE TRANSITIONAL PERIOD. HMG AND THE HKG SHOULD TAKE PREVENTIVE MEASURES.

11. DENG THEN MOVED ON TO PRACTICAL ARRANGEMENTS FOR THE TRANSITION. AN ENTIRELY NEW GOVERNMENT IN 1997 WOULD PRODUCE CONFUSION. FUTURE LEADERS WOULD NOT BE SENT FROM PEKING. THEY WOULD BE CHOSEN FROM AMONG HONG KONG PEOPLE. THEY SHOULD KNOW ABOUT MANAGEMENT AND ADMINISTRATION AND SHOULD THEREFORE BE TRAINED BEFOREHAND. THEY SHOULD BE YOUNG, BUT NOT TOO YOUNG. THIS WAS A PRACTICAL QUESTION. IT WAS THEREFORE VITALLY IMPORTANT TO SET UP A JOINT GROUP TO INCREASE CHINA'S KNOWLEDGE AND CREATE CONDITIONS FOR THE HANDOVER. THE AGREEMENT SHOULD CONTAIN A REFERENCE TO SETTING UP THE JOINT GROUP. IN THE REMAINING 13 YEARS (A SHORT TIME), HONG KONG PEOPLE SHOULD PARTICIPATE IN THE ADMINISTRATION. THE BRITISH AND CHINESE SIDES SHOULD CONSULT TOGETHER ON CHOOSING CANDIDATES TO BE FUTURE OFFICIALS. THE ONLY CRITERION WOULD BE THAT THEY SHOULD BE PATRIOTS, I.E. STAND FOR CHINA'S RESUMPTION OF SOVEREIGNTY. IT WOULD NOT MATTER WHETHER THEY BELIEVED IN CAPITALISM, SOCIALISM OR COMMUNISM. NOR WOULD IT MATTER WHAT PASSPORT THEY CARRIED OR WHETHER THEY WERE BRITISH, AUSTRALIAN OR AMERICAN.

12. THE SECRETARY OF STATE RESPONDED THAT THERE WERE CLEARLY A NUMBER OF THINGS TO BE DISCUSSED BEFORE 1997. HE AGREED THAT WE SHOULD EXPLORE HOW TO DO SO ALONG THE LINES DENG HAD SUGGESTED (I.E. A ROTATING GROUP). DENG APPEARED TO TAKE THIS AS ACCEPTING HIS SUGGESTION FOR A JOINT GROUP AND AGREED. THE SECRETARY OF STATE WENT ON TO STRESS THAT A HIGH DEGREE OF AUTONOMY AND CONTINUITY WOULD CREATE CONFIDENCE IN HONG KONG. HE PICKED UP DENG'S POINT ABOUT PREVENTIVE MEASURES WHICH WOULD COMMAND CONFIDENCE. WE WOULD DO ALL IN OUR POWER TO HAND OVER A PROSPEROUS HONG KONG IN WORKING ORDER. THE CHINESE SHOULD GIVE ASSURANCES THAT THE SYSTEM WOULD CONTINUE.

#### STATIONING OF FORCES

13. IN THE CLOSING MINUTES DENG SAID THAT IN 1997 CHINA WOULD SEND A SMALL ARMED FORCE TO HONG KONG. ITS NATURE WOULD BE THE SAME AS THAT OF THE PRESENT BRITISH GARRISON. EXPENSES WOULD BE BORNE BY THE CENTRAL GOVERNMENT. ITS PRESENCE WOULD BE A SYMBOL OF SOVEREIGNTY AND A FACTOR FOR STABILITY. HE TRIED TO CHOK OFF ANY DISCUSSION. BUT THE SECRETARY OF STATE SAID THAT HE WISHED TO MAKE OUR POSITION CLEAR. WE ACCEPTED THAT WHEN CHINA RESUMED SOVEREIGNTY SHE WOULD HAVE THE RIGHT AND OBLIGATION TO DEFEND HONG KONG. BUT DENG'S REMARKS WERE DISTURBING. CHINESE TROOPS STATIONED IN HONG KONG COULD WELL HAVE AN ADVERSE EFFECT ON CONFIDENCE. INTERNAL SECURITY COULD BE SECURED BY AN INTERNAL SECURITY FORCE. IT WOULD HELP IF CHINA COULD BE PRUDENT AND CIRCUMSPECT AND VOLUNTARILY REFRAIN FROM STATIONING FORCES. DENG SAID THAT THERE WAS NOT TIME TO DISCUSS THIS. IT SHOULD BE LEFT TO THE NEGOTIATORS.

14. THE SECRETARY OF STATE HAD A FEW WORDS WITH ZHOU NAN ON THE WAY TO THE AIRPORT IN WHICH, INTER ALIA, HE CLARIFIED OUR POSITION ON DENG'S PROPOSAL ABOUT A JOINT GROUP. SEE MIFT.

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DESKBY FCO PEKING LISBON 181400Z  
FM HONG KONG 181250Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1053 OF 18 APRIL  
INFO IMMEDIATE PEKING LISBON (FOR PS/PM)

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18 APR 1984	
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FOLLOWING FROM PRIVATE SECRETARY

MIPT: FUTURE OF HONG KONG: DISCUSSION WITH ZHOU NAN

1. THE SECRETARY OF STATE HAD A FURTHER DISCUSSION WITH ZHOU NAN ON THE WAY TO THE AIRPORT AFTER HIS MEETING WITH DENG XIAOPING.
2. ZHOU NAN BEGAN BY EMPAHSISING THE IMPORTANCE WHICH THE CHINESE LEADERS ATTACHED TO THE SETTING UP OF A JOINT LIAISON BODY. HE HOPED THAT WE WOULD FIND THIS IDEA ACCEPTABLE ON THE BASIS DISCUSSED WITH DENG XIAOPING. THE SECRETARY OF STATE SAID THAT HE HOPED IN TURN THAT THE CHINESE LEADERS UNDERSTOOD THE REASONS FOR OUR CONCERN. WE REALISE OF COURSE THAT THERE NEED TO BE DISCUSSIONS OF VARIOUS ADMINISTRATIVE QUESTIONS. BUT WE WERE CONCERNED ABOUT THE IDEA OF SETTING UP SUCH A BODY IN HONG KONG. HE POINTED OUT THAT HE HAD NOT ACCEPTED DENG'S PROPOSAL BUT HAD AGREED TO EXAMINE IT CONSTRUCTIVELY. ZHOU NAN WENT ON TO REFER TO RECENT EVENTS (EG DISTURBANCES IN THE CURRENCY MARKETS) IN HONG KONG AS A CAUSE OF CONCERN FOR THE CHINESE. THE SECRETARY OF STATE EXPLAINED THAT THESE MATTERS HAD BEEN HANDLED INDEPENDENTLY BY THE HONG KONG GOVERNMENT. THIS WAS AN EXAMPLE OF THE PRESENT INDEPENDENCE OF THE GOVERNMENT OF HONG KONG. IT WAS THIS WHICH HAD TO BE LEFT UNDISTURBED.
3. ZHOU SAID THAT THERE WERE MANY ASPECTS OF HONG KONG'S ECONOMIC AND SOCIAL SYSTEM WHICH THE CHINESE GOVERNMENT DID NOT FULLY UNDERSTAND. HE GAVE THE EXAMPLE OF THE HONG KONG DOLLAR EXCHANGE RATE SYSTEM. THE SECRETARY OF STATE EXPLAINED ONCE AGAIN THAT THE HONG KONG EXCHANGE RATE SYSTEM WAS OPERATED BY THE HONG KONG GOVERNMENT AND NOT BY LONDON. THIS WAS HOW IT SHOULD REMAIN.
4. ZHOU SAID THAT THE CHINESE SIDE WOULD FORMALLY TABLE THE CHINESE DRAFT AND ANNEX EITHER AT THE NEXT OR AT THE SUCCEEDING ROUND. THE SECRETARY OF STATE SAID THAT WE WOULD EXAMINE THIS CLOSELY. THE BEST WAY MIGHT BE FOR PEOPLE NOW TO WORK TOGETHER ON BOTH DRAFTS.
5. ZHOU NAN WENT ON TO EXPRESS ANXIETY ABOUT THE SECRETARY OF STATE'S IMPENDING UNVEILING STATEMENT. HE HOPED THAT THIS WOULD NOT TRESSPASS ON CHINESE POLICY IN HONG KONG. THE SECRETARY OF STATE ASSURED HIM THAT IT WOULD RESPECT THE PRINCIPLE OF CONFIDENTIALITY. ZHOU COMMENTED THAT IF THE SECRETARY OF STATE QUOTED DIRECTLY WHAT HAD BEEN SAID PUBLICLY BY CHINESE LEADERS THIS WOULD CAUSE NO DIFFICULTY. THE SECRETARY OF STATE SAID THAT WE WERE WELL AWARE OF THIS. HE VERY MUCH HOPED THAT THE CHINESE GOVERNMENT WOULD REFRAIN FROM ANY PUBLIC ADVERSE COMMENT ON THIS STATEMENT. ZHOU PRESSED TO KNOW THE CONTENTS OF THE STATEMENT BUT THE SECRETARY OF STATE REFUSED TO DISCLOSE THEM.

6. ZHOU WENT ON TO SAY THAT HE HOPED WE RECOGNISED THE POSITIVE MOVES WHICH THE CHINESE HAD MADE OVER THE TIMETABLE. HE UNDERSTOOD THAT THE AGREEMENT WOULD BE PUBLISHED AND INITIALLED IN SEPTEMBER, APPROVED BY PARLIAMENT IN NOVEMBER AND SIGNED WELL BEFORE THE END OF THE YEAR. THE SECRETARY OF STATE CORRECTED HIM, SAYING THAT ON THIS BASIS THE AGREEMENT COULD BE SIGNED BY THE END OF THE YEAR. HE WENT ON TO SAY THAT THE LEGISLATION WOULD BE ENACTED IN THE NORMAL WAY. THE CHINESE BASIC LAW WOULD ONLY BE PUBLISHED AFTER A PERIOD OF TIME. ZHOU ATTEMPTED TO ARGUE THAT UNDER BRITISH PRACTICE, IF THE AGREEMENT WAS ON THE TABLE OF THE HOUSE AND THERE WERE NO OBJECTIONS WITHIN 30 DAYS, THE AGREEMENT WAS AUTOMATICALLY RATIFIED. THE SECRETARY OF STATE TOLD HIM THAT THE RATIFICATION WOULD REQUIRE LEGISLATION, AS HAD HAPPENED IN THE CASE OF COMMUNITY LEGISLATION. ZHOU SAID THEY WANTED THE AGREEMENT TO COME INTO EFFECT ONLY A MONTH OR TWO AFTER SIGNATURE. THE SECRETARY OF STATE GAVE HIM NO ASSURANCE ON THIS POINT AND SAID THAT ALL THIS NEEDED TO BE DISCUSSED FORTHER. THE SECRETARY OF STATE CONCLUDED BY SAYING THAT THE MORE COMPREHENSIVE AND DETAILED THE AGREEMENT THE EASIER IT WOULD BE TO SECURE PARLIAMENTARY APPROVAL.

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18 APR 1984	
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FM HONG KONG 181555Z APR 84  
TO IMMEDIATE F C O  
TELEGRAM NUMBER 1060 OF 18 APRIL  
AND TO IMMEDIATE LISBON (FOR PS/PM)  
INFO IMMEDIATE PEKING

FOLLOWING FROM PRIVATE SECRETARY  
FUTURE OF HONG KONG

1. THE SECRETARY OF STATE HAS LOOKED VERY CAREFULLY AT THE DRAFT UNVEILING STATEMENT ENCLOSED WITH THE BRIEFING AND HAS MADE A NUMBER OF CHANGES (REVISED TEXT IN MIFT). THIS IS STILL SUBJECT TO AMENDMENT. THIS WILL BE A VERY IMPORTANT STATEMENT. IF YOU (OR THE PRIME MINISTER'S PARTY) HAVE ANY ESSENTIAL AMENDMENTS, GRATEFUL FOR TELEGRAM DESKBY 191200Z.

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DESKBY 180700Z FOR LISBON

FROM PEKING 180520Z APR 84

TO F L A S H HONG KONG

TELEGRAM NUMBER [REDACTED] OF 18/4/84

INFO IMMEDIATE FCO AND IMMEDIATE LISBON (FOR PS/PRIME MINISTER)

FUTURE OF HONG KONG: VISIT BY THE  
SECRETARY OF STATE: PRESS STATEMENT

1. FOLLOWING IS THE SHORT PRESS STATEMENT ISSUED  
AT 0540Z TODAY (18 APRIL):

BEGINS

AT THE INVITATION OF STATE COUNCILLOR AND FOREIGN MINISTER WU XUEQIAN, THE BRITISH FOREIGN AND COMMONWEALTH SECRETARY, SIR GEOFFREY HOWE, VISITED CHINA FROM 15 TO 18 APRIL. THE TWO FOREIGN MINISTERS HAD FRIENDLY AND WIDE-RANGING DISCUSSIONS ON INTERNATIONAL ISSUES. THEY ALSO DISCUSSED BILATERAL ISSUES. THEY AGREED THAT THE RELATIONS BETWEEN THE TWO COUNTRIES WERE VERY GOOD AND LOOKED FORWARD TO THEIR FUTURE DEVELOPMENT.

DURING HIS VISIT SIR GEOFFREY HOWE ALSO HAD FRIENDLY DISCUSSION WITH CHAIRMAN DENG XIAOPING PREMIER ZHAO ZIYANG AND STATE COUNCILLOR JI PENGFEI.

DURING THESE MEETINGS THE TWO SIDES REVIEWED THE COURSE OF THE TALKS BETWEEN THE TWO GOVERNMENTS ON THE FUTURE OF HONG KONG. THEY AGREED THAT THESE TALKS HAD MADE VALUABLE PROGRESS AND THAT THEY WOULD CONTINUE FOLLOWING THE VISIT. BOTH SIDES AGREED THAT THIS VISIT OF THE FOREIGN SECRETARY AND HIS TALKS WITH CHINESE LEADERS HAVE MADE FURTHER PROGRESS TOWARDS ACHIEVING THE AGREEMENT WHICH BOTH SIDES SEEK.

SIR GEOFFREY HOWE EXPRESSED HIS APPRECIATION FOR THE WELCOME EXTENDED TO HIM BY THE CHINESE GOVERNMENT AND INVITED STATE COUNCILLOR WU XUEQIAN TO VISIT THE UNITED KINGDOM. MINISTER WU ACCEPTED THIS INVITATION WITH PLEASURE. IT WAS AGREED THAT THE DATES FOR HIS VISIT SHOULD BE DECIDED THROUGH DIPLOMATIC CHANNELS.

Hong Kong Futura

19

PS  
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PS/MR LUCE  
MR WILSON  
HD/HKD  
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SECRET

DESKBY 181400Z

FM HONG KONG 181245Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 1057 OF 18 APRIL  
INFO IMMEDIATE PEKING(DESKBY 181400Z) LISBON(DESKBY 181400Z)

*(for P/L)*

FOLLOWING FROM PRIVATE SECRETARY

SECRETARY OF STATE'S DISCUSSION WITH DENG XIAOPING  
SUMMARY

1. THE SECRETARY OF STATE HAD 90 MINUTES WITH DENG THIS MORNING. DENG WAS FRIENDLY AND EBULLIENT. ON THE TIMETABLE, HE ACCEPTED THE NEED FOR PARLIAMENT TO HAVE TIME TO CONSIDER THE DRAFT AGREEMENT AND RAISED NO (NO) OBJECTION TO OUR PROPOSALS FOR A PUBLISHED DRAFT AGREEMENT BY SEPTEMBER AND SIGNATURE BY THE END OF THE YEAR. ON THE FORM OF AGREEMENT, HE REPEATED THAT THE AGREEMENT ITSELF SHOULD DEAL WITH MATTERS OF PRINCIPLE, BUT ACCEPTED THAT DETAIL (BUT NOT EXCESSIVE DETAIL) SHOULD BE DEALT WITH IN AN ANNEXE. HE SHOWED CONSIDERABLE ANXIETY ABOUT THE PERIOD UP TO 1997, ARGUING THAT SOME PEOPLE (NOT HMG OR THE HONG KONG GOVERNMENT) MIGHT TRY TO LEAVE THINGS IN A MESS FOR THE INCOMING ADMINISTRATION. A JOINT GROUP SHOULD BE SET UP IN HONG KONG (OR POSSIBLY ROTATE BETWEEN HONG KONG, PEKING AND LONDON) TO DEAL WITH PROBLEMS OF THE TRANSITIONAL PERIOD. SECRETARY OF STATE EMPHASISED THAT WE WOULD DO EVERYTHING POSSIBLE TO HAND OVER A GOING CONCERN. HE ARGUED AGAINST ESTABLISHING A JOINT GROUP IN HONG KONG. AT THE END, DENG RAISED DEFENCE, AND SAID THAT CHINA WOULD SEND A SMALL ARMED FORCE TO HONG KONG IN 1997, SIMILAR IN NATURE TO THE BRITISH GARRISON. THE SECRETARY OF STATE EXPRESSED DISMAY AT THIS INTENTION.

DETAIL

#### DETAIL

2. DENG'S INTRODUCTORY REMARKS STRESSED THE FUTURE CONTINUITY OF CHINESE POLICIES. HE WAS LAYING DOWN ECONOMIC POLICIES FOR 20 OR EVEN 30 TO 50 YEARS AHEAD. THE CHINESE ASSURANCE THAT HONG KONG'S SYSTEMS WOULD REMAIN UNCHANGED FOR 50 YEARS SHOULD BE SEEN IN THIS CONTEXT. THE POLICY WAS NOT PERSONAL TO DENG. IF THE PATH WAS CORRECT, IT WOULD LONG OUTLAST HIM.

3. THE SECRETARY OF STATE UNDERLINED OUR DETERMINATION TO REACH AN EARLY AND SATISFACTORY AGREEMENT. VERY GOOD PROGRESS HAD BEEN MADE, BUT IMPORTANT POINTS STILL REMAINED TO BE RESOLVED. WE WERE, HOWEVER, NOW WITHIN REACH OF AN AGREEMENT UNDER WHICH THE CHINESE REQUIREMENT ON SOVEREIGNTY COULD BE MET.

4. DENG AGREED THAT THE NEGOTIATORS HAD WORKED WELL. HE RECALLED TELLING THE PRIME MINISTER IN 1982 THAT HE HOPED THE PROBLEM OF HONG KONG WOULD BE SOLVED IN HER TERM OF OFFICE. HE ASKED THAT HIS BEST WISHES BE PASSED TO THE PRIME MINISTER.

#### TIMETABLE

5. THE SECRETARY OF STATE SAID THAT HE HAD DISCUSSED WITH OTHER CHINESE LEADERS A TIMETABLE WHICH WOULD PROVIDE WHAT CHINA WANTED: THE TEXT OF AN AGREEMENT TO BE PUBLISHED IN SEPTEMBER. THE AGREEMENT COULD BE SIGNED BY THE END OF THE YEAR.

6. DENG WELCOMED THIS. THE CHINESE UNDERSTOOD THAT HMG HAD TO RESPECT PARLIAMENT AND GIVE THEM TIME TO CONSIDER THE MATTER. HE COMMENTED THAT THE BRITISH PARLIAMENT WAS VERY DIFFERENT FROM THE US CONGRESS. THE SECRETARY OF STATE AGREED, ADDING THAT PARLIAMENT WAS MOST UNLIKELY TO REJECT AN AGREEMENT COMMENDED TO IT BY THE PRIME MINISTER AND HIMSELF. IF THE UK AND CHINA REACHED AN AGREEMENT COVERING ALL THE CENTRAL POINTS, THEN THE PRIME MINISTER AND HE WOULD SO COMMEND IT. DENG COMMENTED 'D'ACCORD'. RATIFICATION WAS NOT RAISED.

#### FORM OF AGREEMENT

7. THE SECRETARY OF STATE UNDERLINED THE NEED FOR AN AGREEMENT WHICH WOULD CARRY CONVICTION WITH INTERNATIONAL BUSINESSMEN AND INVESTORS, AS WELL AS WITH PARLIAMENT. IT WOULD HAVE TO EXPLAIN CLEARLY THE ARRANGEMENTS FOR HONG KONG AFTER 1997. A GREAT DEAL OF EFFORT HAD BEEN MADE BY THE NEGOTIATORS ON BOTH SIDES TO WORK TOWARDS AN AGREEMENT. THIS EFFORT SHOULD BE REFLECTED AS PART OF THE AGREEMENT ITSELF. EACH SIDE WOULD BE COMMITTING ITSELF TO WHAT IT WOULD DO. THE AGREEMENT SHOULD BE A BALANCED ONE. EACH SIDE COULD THEN COMMEND THE AGREEMENT TO ITS OWN PEOPLE AND JOINTLY TO THE WORLD. DENG MADE TWO POINTS IN REPLY:

(I) THE HONG KONG PROBLEM WAS FOR CHINA AND BRITAIN TO SOLVE. IT WAS NOTHING TO DO WITH OTHERS, ALTHOUGH BRITISH AND FOREIGN BUSINESSMEN WOULD HAVE THEIR OWN IDEAS AND VIEWS (HE REFERRED TO JARDINES). THE THREE-LEGGED STOOL WOULD NOT (NOT) DO.

(II) THE AGREEMENT SHOULD DEAL WITH MATTERS OF PRINCIPLE. IF IT CONTAINED TOO MANY DETAILS, ERRORS MIGHT BE MADE AND IT WOULD NOT BE VERY PRACTICAL. THE COMPETENCE OF THE FUTURE SAR GOVERNMENT WOULD ALSO BE LIMITED. THE CHINESE DRAFT ALREADY INCLUDED MANY

DETAILS AS IT WAS. THE IMPORTANT POINT WAS THAT CHINA HAD DECIDED ON THE PRINCIPLE THAT THERE WOULD BE ONE NATION WITH TWO SYSTEMS. WHEN THEY WORKED OUT THE DETAILS, THEY WOULD CERTAINLY ABIDE BY THIS PRINCIPLE. HE THEN WENT INTO A DIGRESSION TO THE EFFECT THAT MANY OF THE WORLD'S PROBLEMS COULD BE SOLVED BY ADOPTING THE PRINCIPLE OF ONE NATION TWO SYSTEMS (KOREAS, GERMANIES, EVEN ARGENTINA/FALKLANDS). CHINA'S DISPUTE WITH JAPAN OVER THE SENKAKU ISLANDS COULD BE SOLVED IN A SIMILARLY PRAGMATIC WAY: EXPLOITING THE RESOURCES TOGETHER AND LEAVING SOVEREIGNTY ASIDE FOR THE NEXT GENERATION TO SOLVE.

8. THE SECRETARY OF STATE AGREED THAT THE PROBLEM WAS ONE TO BE SETTLED BETWEEN THE UK AND CHINA AND THEN PRESENTED TO THE WORLD SO THAT ALL COULD HAVE CONFIDENCE IN HONG KONG'S FUTURE. IT WAS THEREFORE IMPORTANT, AS PREMIER ZHAO HAD SAID THE PREVIOUS DAY, THAT THE AGREEMENT AND ANNEXES SHOULD REFLECT THE MANY POINTS AGREED IN THE NEGOTIATIONS. DENG REPEATED HIS POINT THAT NOT TOO MUCH DETAIL SHOULD BE INCLUDED. THE SECRETARY OF STATE STRESSED AGAIN THAT THE DETAILS AGREED IN THE NEGOTIATIONS SHOULD BE REFLECTED IN THE AGREEMENT; OTHERWISE THE WORK DONE WOULD HAVE BEEN IN VAIN. DENG ACCEPTED THAT THERE SHOULD BE AN AGREEMENT DEALING WITH MATTERS OF PRINCIPLE AND AN ANNEX IN THE FORM OF AN EXCHANGE OF NOTES WITH THE DETAIL. BUT EXCESSIVE DETAIL WAS NOT GOOD.

#### PRE-1997 ARRANGEMENTS

9. THE SECRETARY OF STATE UNDERLINED THAT WE AND THE HONG KONG GOVERNMENT WERE DETERMINED TO DO ALL WE COULD TO MAINTAIN STABILITY AND PROSPERITY BEFORE 1997. WE WOULD NOT PURSUE SHORT-SIGHTED POLICIES AND WERE DETERMINED TO HAND OVER A GOING CONCERN. DENG SAID THAT HE HOPED THERE WOULD BE NO TROUBLE. BUT THE CHINESE HAD NOTED SOME SIGNALS: JARDINE'S MOVE, AND INCIDENTS STIRRED UP BY THE KMT. WE COULD NOT TAKE IT FOR GRANTED THAT THE NEXT 13 YEARS WOULD BE PEACEFUL. HE KNEW THAT SOME PEOPLE FROM TAIWAN HAD PLANS TO USE TRIADS (SECRET SOCIETIES) IN HONG KONG TO MAKE TROUBLE. HE ACCEPTED THAT JARDINE'S MOVE HAD NOT BEEN ENCOURAGED BY HMG, BUT IT SHOWED THAT SOME BUSINESSMEN WERE PLAYING A DAMAGING ROLE. DISTURBANCES ON THE MONEY MARKETS SHOWED THE SAME THING. HE HAD BEEN TOLD THAT THERE WERE SOME PEOPLE WHO WERE TRYING TO LEAVE HONG KONG IN A MESS FOR THE FUTURE SAR GOVERNMENT.

10. DENG CONTINUED THAT THE CHINESE HAD NO INFORMATION ABOUT MONETARY POLICIES IN HK, AND VERY LITTLE ABOUT LAND LEASES. IT MIGHT BE THAT WHEN THE SAR TOOK OVER THERE WOULD BE NO LAND LEFT TO LEASE. HK GOVERNMENT EXPENDITURE MIGHT INCREASE GREATLY AND LEAVE A HEAVY BURDEN FOR THE PEOPLE OF HONG KONG AFTER 1997. THESE THINGS COULD BE CONTROLLED, BUT IT WAS POSSIBLE THAT BIG CHANGES MIGHT OCCUR: E.G. THE WHOLESALE FLIGHT OF CAPITAL FROM HK. HE HAD SAID TO THE PRIME MINISTER THAT IN THE CASE OF DISTURBANCES IN HONG KONG HE WOULD BE FORCED TO RECONSIDER THE TIMING OF CHINA'S TAKEOVER OF THE TERRITORY. THE SECRETARY OF STATE HAD EXPLAINED THE BRITISH POSITION. HE BELIEVED THAT NEITHER THE BRITISH NOR CHINESE GOVERNMENTS WOULD DO ANYTHING TO DISTURB THE SITUATION, BUT IT WAS IMPOSSIBLE TO PREDICT WHAT MIGHT HAPPEN IN THE TRANSITIONAL PERIOD. HMG AND THE HKG SHOULD TAKE PREVENTIVE MEASURES.

11. DENG THEN MOVED ON TO PRACTICAL ARRANGEMENTS FOR THE TRANSITION.

MEASURES.

11. DENG THEN MOVED ON TO PRACTICAL ARRANGEMENTS FOR THE TRANSITION. AN ENTIRELY NEW GOVERNMENT IN 1997 WOULD PRODUCE CONFUSION. FUTURE LEADERS WOULD NOT BE SENT FROM PEKING. THEY WOULD BE CHOSEN FROM AMONG HONG KONG PEOPLE. THEY SHOULD KNOW ABOUT MANAGEMENT AND ADMINISTRATION AND SHOULD THEREFORE BE TRAINED BEFOREHAND. THEY SHOULD BE YOUNG, BUT NOT TOO YOUNG. THIS WAS A PRACTICAL QUESTION. IT WAS THEREFORE VITALLY IMPORTANT TO SET UP A JOINT GROUP TO INCREASE CHINA'S KNOWLEDGE AND CREATE CONDITIONS FOR THE HANDOVER. THE AGREEMENT SHOULD CONTAIN A REFERENCE TO SETTING UP THE JOINT GROUP. IN THE REMAINING 13 YEARS (A SHORT TIME), HONG KONG PEOPLE SHOULD PARTICIPATE IN THE ADMINISTRATION. THE BRITISH AND CHINESE SIDES SHOULD CONSULT TOGETHER ON CHOOSING CANDIDATES TO BE FUTURE OFFICIALS. THE ONLY CRITERION WOULD BE THAT THEY SHOULD BE PATRIOTS, I.E. STAND FOR CHINA'S RESUMPTION OF SOVEREIGNTY. IT WOULD NOT MATTER WHETHER THEY BELIEVED IN CAPITALISM, SOCIALISM OR COMMUNISM. NOR WOULD IT MATTER WHAT PASSPORT THEY CARRIED OR WHETHER THEY WERE BRITISH, AUSTRALIAN OR AMERICAN.

12. THE SECRETARY OF STATE RESPONDED THAT THERE WERE CLEARLY A NUMBER OF THINGS TO BE DISCUSSED BEFORE 1997. HE AGREED THAT WE SHOULD EXPLORE HOW TO DO SO ALONG THE LINES DENG HAD SUGGESTED (I.E. A ROTATING GROUP). DENG APPEARED TO TAKE THIS AS ACCEPTING HIS SUGGESTION FOR A JOINT GROUP AND AGREED. THE SECRETARY OF STATE WENT ON TO STRESS THAT A HIGH DEGREE OF AUTONOMY AND CONTINUITY WOULD CREATE CONFIDENCE IN HONG KONG. HE PICKED UP DENG'S POINT ABOUT PREVENTIVE MEASURES WHICH WOULD COMMAND CONFIDENCE. WE WOULD DO ALL IN OUR POWER TO HAND OVER A PROSPEROUS HONG KONG IN WORKING ORDER. THE CHINESE SHOULD GIVE ASSURANCES THAT THE SYSTEM WOULD CONTINUE.

STATIONING OF FORCES

13. IN THE CLOSING MINUTES DENG SAID THAT IN 1997 CHINA WOULD SEND A SMALL ARMED FORCE TO HONG KONG. ITS NATURE WOULD BE THE SAME AS THAT OF THE PRESENT BRITISH GARRISON. EXPENSES WOULD BE BORNE BY THE CENTRAL GOVERNMENT. ITS PRESENCE WOULD BE A SYMBOL OF SOVEREIGNTY AND A FACTOR FOR STABILITY. HE TRIED TO CHOK OFF ANY DISCUSSION. BUT THE SECRETARY OF STATE SAID THAT HE WISHED TO MAKE OUR POSITION CLEAR. WE ACCEPTED THAT WHEN CHINA RESUMED SOVEREIGNTY SHE WOULD HAVE THE RIGHT AND OBLIGATION TO DEFEND HONG KONG. BUT DENG'S REMARKS WERE DISTURBING. CHINESE TROOPS STATIONED IN HONG KONG COULD WELL HAVE AN ADVERSE EFFECT ON CONFIDENCE. INTERNAL SECURITY COULD BE SECURED BY AN INTERNAL SECURITY FORCE. IT WOULD HELP IF CHINA COULD BE PRUDENT AND CIRCUMSPECT AND VOLUNTARILY REFRAIN FROM STATIONING FORCES. DENG SAID THAT THERE WAS NOT TIME TO DISCUSS THIS. IT SHOULD BE LEFT TO THE NEGOTIATORS.

14. THE SECRETARY OF STATE HAD A FEW WORDS WITH ZHOU NAN ON THE WAY TO THE AIRPORT IN WHICH, INTER ALIA, HE CLARIFIED OUR POSITION ON DENG'S PROPOSAL ABOUT A JOINT GROUP. SEE MIFT.

YOUDE

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PP CANBERRA

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SECRET

DEDIP

FM FCO 161652Z APR 84

TO PRIORITY CANBERRA (PERSONAL FOR HIGH COMMISSIONER)

TELEGRAM NUMBER 266 OF 18 APRIL

AND TO PRIORITY OTTAWA, WELLINGTON (PERSONAL FOR HIGH COMMISSIONERS

INFO PRIORITY HONG KONG, PEKING (PERSONAL FOR AMBASSADOR)

FUTURE OF HONG KONG: BRIEFING OUR ALLIES

1. YOU MAY USE THE FOLLOWING TO BRING YOUR SENIOR OFFICIAL CONTACTS UP TO DATE.

2. THE TWELTH ROUND (11/12 APRIL) WAS AGAIN DESCRIBED BY BOTH SIDES AS USEFUL AND CONSTRUCTIVE. THE ATMOSPHERE WAS GENERALLY GOOD THOUGH THERE IS NO DOUBT THAT THIS ROUND WAS MORE DIFFICULT THAN THE LAST. THE CHINESE TOOK A VERY FIRM LINE ON CERTAIN ASPECTS OF THEIR POSITION. THE NEXT ROUND WILL BE ON 27/28 APRIL.

3. WE STARTED DISCUSSION OF AGENDA ITEM 2, (ARRANGEMENTS BETWEEN NOW AND 1997), THOUGH THE CHINESE HAVE CONFIRMED THAT CERTAIN QUESTIONS LEFT OVER FROM AGENDA ITEM 1 CAN BE DISCUSSED PARALLEL. IN ADDITION, THE CHINESE COMMENTED ON OUR PROPOSALS FOR FOREIGN REPRESENTATION IN THE FUTURE SAR AND CLARIFIED THEIR VIEWS ON CIVIL AVIATION AND ON SHIPPING.

4. THE CHINESE DESCRIBED THE PERIOD BETWEEN THE SIGNING OF A SINO-BRITISH AGREEMENT ON HONG KONG AND 30 JUNE 1997 AS THE 'TRANSITION PERIOD'. ALTHOUGH THEY ACKNOWLEDGED THAT WE WOULD REMAIN RESPONSIBLE FOR MAINTAINING ECONOMIC AND SOCIAL STABILITY THROUGHOUT THIS PERIOD, THEY SAID THAT BRITAIN AND CHINA SHOULD CO-OPERATE DURING THE 'TRANSITION' TO MAINTAIN HONG KONG'S STABILITY AND PROSPERITY AND TO ENSURE SPECIFICALLY THAT:

(A) HONG KONG REMAINED A SEPARATE TARIFF AREA, AND A BENEFICIARY UNDER GATT AND OTHER PREFERENTIAL ECONOMIC ARRANGEMENTS:

(B) THE CHINESE WERE KEPT FULLY INFORMED OF, AND THE HONG KONG BRANCH OF THE BANK OF CHINA INVOLVED IN, KEY MONETARY MATTERS

RELATING TO HONG KONG.

(C) OTHER MEASURES CONDUCIVE TO HONG KONG'S LONG TERM ECONOMIC PROSPERITY WERE PRUDENTLY HANDLED.

THEY SUGGESTED THAT ALL THESE OBJECTIVES COULD BEST BE MET BY THE ESTABLISHMENT IN HONG KONG OF A PERMANENT SINO-BRITISH JOINT GROUP, WITH APPROPRIATE SUB-GROUPS DESIGNATED TO STUDY SPECIFIC AREAS. THE JOINT GROUP WOULD BE A LIAISON BODY. ITS ESSENTIAL TASK WOULD BE TO ENSURE BOTH THE IMPLEMENTATION OF THE SINO-BRITISH AGREEMENT AND A SMOOTH TRANSFER OF GOVERNMENT.

5. ON LAND (WHICH THE CHINESE HAVE ALWAYS REGARDED AS AN APPROPRIATE MATTER FOR DISCUSSION UNDER AGENDA ITEM 2) THE CHINESE ACCEPTED THAT IN THE INTEREST OF ECONOMIC DEVELOPMENT, THE HONG KONG GOVERNMENT COULD GRANT LAND LEASES IN THE WHOLE OF HONG KONG RUNNING BEYOND JUNE 1997. BUT THIS SHOULD BE ON THE PREMISE THAT BRITAIN ACCEPTED CHINA'S RESUMPTION OF SOVEREIGNTY FROM 1 JULY 1997. ACCORDINGLY, THERE WOULD BE A NEED FOR SINO-BRITISH CONSULTATIONS, BOTH ON THE NUMBER OF LAND LEASES TO BE GRANTED ANNUALLY AND ON THE APPORTIONMENT OF THE REVENUE TO BE DERIVED FROM SUCH LEASES.

6. THE CHINESE CONFIRMED THAT FOREIGN REPRESENTATION IN THE SAR AFTER 1997 COULD CONTINUE ESSENTIALLY AS NOW. THEY HOPED THAT BRITAIN WOULD PLAY AN ACTIVE ROLE IN THE DEVELOPMENT OF THE SAR. NEVERTHELESS THERE WAS SOME DIVERGENCE OF VIEW AS TO HOW THIS MIGHT BEST BE ACHIEVED.

7. ON CIVIL AVIATION, THE CHINESE REITERATED THAT THE SAR WOULD HAVE CONSIDERABLE AUTONOMY. BUT THEY SAW CIVIL AVIATION MATTERS AS INEXTRICABLY BOUND UP WITH THE QUESTION OF SOVEREIGNTY. THUS, ALTHOUGH IN PRINCIPLE THE SAR COULD NEGOTIATE, SIGN AND RENEW RELEVANT CIVIL AVIATION AGREEMENTS/CONVENTIONS, IT COULD DO SO ONLY ON THE BASIS OF A CASE-BY-CASE APPRAISAL, AND NOT THROUGH STANDING AUTHORITY DEVOLVED BY THE CENTRAL PEOPLE'S GOVERNMENT.

8. SHIPPING WAS MORE STRAIGHT FORWARD. THE ONLY REAL DIFFICULTY REMAINING FOR US HAD BEEN THE CONTINUING APPLICATION TO HONG KONG AFTER 1 JULY 1997 OF INTERNATIONAL AGREEMENTS/CONVENTIONS



LIMITED TO STATES, AND CURRENTLY EXTENDED TO HONG KONG BY VIRTUE OF BRITAIN'S PARTICIPATION IN THEM. THE CHINESE AGREED THAT WE AND THEY COULD TOGETHER DEVISE METHODS TO SOLVE ANY PROBLEMS STEMMING FROM A TRANSFER OF SOVEREIGNTY IN CONSULTATION WITH THE OTHER PARTIES CONCERNED.

9. SOME OF THE LATEST CHINESE PROPOSALS, (EG ON SHIPPING AND LAND), CONTAIN WELCOME FEATURES. BUT DIFFICULTIES REMAIN. THE CHINESE HAVE SO FAR REJECTED OUR CONTENTION THAT CIVIL AVIATION COMES WITHIN THE SCOPE OF ECONOMIC AUTONOMY FOR THE SAR. THERE IS ALSO A DIFFERENCE OF VIEW AS TO HOW BRITAIN CAN BEST ASSIST WITH THE FUTURE DEVELOPMENT OF THE SAR. MOST DIFFICULT OF ALL ARE THE CHINESE IDEAS ON CONSULTATIVE MACHINERY DURING THE 'TRANSITION PERIOD', WHICH COULD WELL DEVELOP INTO A DEMAND FOR AN EFFECTIVE SAY IN HONG KONG'S ADMINISTRATION UP TO 1997.

11. WE SHALL BE IN TOUCH LATER ABO THE SECRETARY OF STATE'S VISIT TO CHINA AND HONG KONG.

HOWE

**FUTURE OF HONG KONG**

PLANNED

ED/EDD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

RES. B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

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SECRET

File

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cc: Sir P. Craddock

16 April 1984

FUTURE OF HONG KONG

The Prime Minister saw over the weekend Peking telegram number 739 describing our Ambassador's call on Zhou Nan on 13 April.

Mrs. Thatcher has minuted:

"It seems that the Unofficials were right in their judgement of the Chinese".

A. J. COLES

Roger Bone, Esq.,  
Foreign and Commonwealth Office.

MR

SECRET

17A

FROM: R D CLIFT, HKD

DATE: 13 April 1984

Private Secretary

A. J. C. 16/4  
h.a.cc: PS/Mr Luce  
PS/PUS  
Sir P Cradock  
Sir W Harding  
Dr Wilson  
Mr Elliott, FED  
Mr Burrows, Legal  
Advisers  
Mr Goulden, News  
Department

## FUTURE OF HONG KONG: SECRETARY OF STATE'S VISIT TO CHINA: AGREEMENT

1. I attach:

- (a) Peking telno 7~~8~~<sup>3</sup>9 giving Zhou Nan's reaction to our draft agreement;
- (b) Peking telno 7~~8~~<sup>4</sup>0 giving the text of the Chinese agreement;
- (c) Peking telno 7~~8~~<sup>1</sup>1 giving the text of an exchange of notes proposed by the Chinese;
- (d) Peking telno 7~~8~~<sup>2</sup>2 giving the text of a protocol or annex to the agreement proposed by the Chinese;
- (e) Peking telno 7~~8~~<sup>3</sup>3 giving the Ambassador's comments on the above.
- (f) Supplementary points to make.

You will wish to take these with you to Peking to supplement the briefs already supplied by the Department.

2. In discussion with the Ambassador, the Chinese negotiator has rejected our draft agreement as a basis for discussion. He has put in a counter-draft. Although a number of points on which the Chinese criticise our draft are surprisingly ill presented and illogical, the fundamental point is that they refuse to enter an agreement which binds them on the systems to be adopted after 1997.

3. Sir R Evans rebutted Zhou Nan's points strongly and the latter did not contradict the Ambassador's assertion that the Secretary of State will wish to argue the merits of our draft with the Chinese leaders.

4. The Chinese counter-proposal is in the form of a draft joint declaration together with an exchange of notes which elaborate the policies which China would pursue after 1997. There is in addition a protocol on actions during the transition up to 1997. The Chinese drafts are objectionable on a number of points:

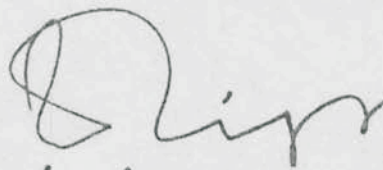
- (a) The draft declaration binds the UK to restore Hong Kong to China but does not bind China to implement either its 12 points or the elaboration contained in the exchange of notes.
- (b) The terms of the elaboration are left blank. Zhou Nan made clear that they would not be as detailed as our annexes.
- (c) The language used in para 1 of the joint declaration on the question of sovereignty refers to China resuming the exercise of sovereignty from 1 July 1997. As it stands this would imply recognition by us that China had a right to sovereignty over the ceded territories all along.
- (d) The United Kingdom would express its appreciation of the 12 points. However we could not do this in the joint declaration because the 12 points include a reference to the unequal treaties. Moreover an expression of appreciation is quite insufficient as a substitute for a binding undertaking by the Chinese to implement its declared policies.
- (e) Article 3 of the joint declaration contains a UK declaration of responsibility for maintaining and preserving the economic prosperity and essential stability of the Hong Kong area up to 1997. This is inadequate from our point of view. It could be taken to put financial and other obligations on us without giving us proper authority. The correct wording for us would be that we should be responsible for the administration of Hong Kong up to 1997.
- (f) The provisions for the establishment of a joint group or committee for the implementation of the declaration would probably be seen in Hong Kong as establishing a Chinese foothold in the territory before 1997.

5. Despite these objections, the Chinese draft, as a first bid, could, with extensive adaptation, form the basis of an acceptable agreement. It does contain a provision for detail additional to the 12 points. Moreover a declaratory form of agreement need not in principle be objectionable to us, provided that provision is made for a binding commitment on both sides, either in the body of the

agreement or in a subsequent exchange of notes.

6. Nevertheless, it would not be possible to indicate to the Chinese during the Secretary of State's visit a readiness to negotiate on the basis of their draft. This would be totally unacceptable to EXCO and would in any case put us in too weak a negotiating position. There are even considerable risks in hinting to the Chinese that we should be prepared to discuss their draft, because of the EXCO factor. However in arguing strongly that our draft should remain on the table, it will almost certainly be necessary to use the device of proposing that both drafts should be so regarded. The attached talking points therefore envisage a scenario in which the Secretary of State begins by arguing for our draft; the Chinese reject this and argue for theirs; we make preliminary criticisms of their draft but point out that there has been insufficient time on either side and that both documents should be referred to the negotiators.

7. This technique might just work. The Secretary of State will wish to judge step by step how to play the hand with each Chinese leader, possibly aiming at a resolution of a stalemate in the final meeting with Deng Xiaoping. It is however quite possible that the Chinese will persist, because of their fundamental objection to binding themselves on post-1997 arrangements. In that case there may be no option but to propose a pause while both governments reconsider their positions. This would have implications for the unveiling statement in Hong Kong. There will probably still be a requirement for such a statement as a description of HMG's approach to the talks, but it would need to be couched in much less optimistic terms.



R D Clift  
Hong Kong Department

13 April 1984

SECRETARY OF STATE'S VISIT TO PEKING, 16-18 APRIL 1984

ADDITIONAL BRIEF: AGREEMENT

Points to Make

Reply to Chinese Arguments against our Agreement

1. Understand that Chinese are not happy with our draft agreement. Believe this is based on misunderstandings. We believe that draft agreement meets Chinese requirements satisfactorily. A clear indication of our sincerity.
2. Very surprised that Chinese interpret agreement as attempt to turn SAR into independent political entity. Article 1 of agreement, clearly states that China will regain sovereignty and right of administration over Hong Kong. No intention to limit Chinese sovereignty, but necessary to define degree of autonomy SAR to enjoy. Used term "Hong Kong (China)" because 12 Points described by Yao Guang on 14 November 1983 used precisely this form. However we are ready to discuss wording of this article.
3. Do not accept we are suggesting unnecessary detail. We too think that the agreement must deal with principles. But logic demands that if the Basic Law is to reflect the agreement there must be substantial descriptions of the systems in the agreement. Moreover confidence requires that this be part of our agreement.
4. Agree that condominiums must be avoided. Article Three in no way a proposal to create Sino-British condominium. Need to cooperate to implement agreement.
5. Article Four necessary if prosperity of Hong Kong to be maintained. Contains nothing about international guarantees. Extremely positive proposal. Common ground in talks. Depends on participation in GATT, MFA etc. Not intended to internationalise Hong Kong question.

6. Only a few points disagreed in talks appear in agreement. These are matters for negotiation. Annexes are based on working papers and discussion of them with Chinese. But we have not put in annexes on main areas still under discussion.

#### Defensive

7. Mentions of agreements with Foreign countries in the legal field intended cover agreements on the reciprocal recognition and enforcement of judgments, serving of judicial process etc. These are matters of technical co-operation between similar legal systems.

#### Chinese Agreement

8. Have not yet had time to study Chinese Agreement fully. However at first sight appears unacceptable. Legally binding only on British side. Arrangements post-1997 should be subject of bilateral agreement, not just declaration. Nor is it clear from Chinese side which of those principles we have discussed with Chinese in last six months will be included.

9. [if Chinese continue to reject our drafts] Our Agreement takes concerns of both sides into account. Chinese agreement does not. However more time should be allowed for study. Suggest both drafts remain on the table for the negotiators to discuss in regular talks. This is only equitable. You asked for our ideas and we have given them.

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DESKBY 131030Z

FROM PEKING 130915Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 739 OF 13/4/84

INFO IMMEDIATE HONG KONG

UKK040/A		
RECEIVED IN		
16 APR 1984		
		STRY
		Don Taken

VFUTURE OF HONG KONG: CALL ON ZHOU NAN ON 13 APRIL.

1. I CALLED ON ZHOU NAN AT THE MFA ON 13 APRIL, BOTH TO HAND OVER THE FURTHER ANNEXES AND TO HEAR THE CHINESE REACTION TO OUR DRAFT AGREEMENT. HE HAD TOLD ME THE NIGHT BEFORE THAT THE CHINESE HAD A COUNTER-DRAFT.
  
2. ZHOU SAID THAT, ALTHOUGH TIME HAD BEEN SHORT, THE CHINESE SIDE HAD MADE A SERIOUS AND EARNEST STUDY OF OUR DRAFT. TAKEN AS A WHOLE, IT WAS FUNDAMENTALLY UNACCEPTABLE. IT COULD NOT BE TAKEN AS A BASIS FOR NEGOTIATION. THE REASON FOR THIS WAS OBVIOUS. IT WAS A CLEAR ATTEMPT TO NEGATE AND LIMIT CHINESE SOVEREIGNTY OVER HONG KONG. THE CHINESE SIDE COULD NOT BUT FEEL THAT, THROUGH, BOTH THE FORM AND CONTENT OF THE DRAFT, THE UNITED KINGDOM WAS TRYING TO TURN THE FUTURE SAR INTO SOME SORT OF INDEPENDENT POLITICAL ENTITY.
  
3. THERE WERE FOUR SUBSTANTIVE ARTICLES TO THE DRAFT. THE FIRST TOUCHED ON THE QUESTION OF CHINA'S SOVEREIGNTY AND RIGHT OF ADMINISTRATION, BUT FAILED TO DEAL WITH IT SQUARELY. THE ARTICLE CONTAINED NOTHING ON THE RESTORATION OF HONG KONG BY THE UNITED KINGDOM TO CHINA, NOR ON THE RESUMPTION BY CHINA OF SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION IN 1997. AN EXAMPLE OF THE ATTEMPT TO TURN HONG KONG INTO AN INDEPENDENT POLICAL ENTITY WAS CONTAINED IN THE FIRST CLAUSE

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/ OF



OF ARTICLE 1 WHERE THE UNITED KINGDOM TRIED TO NAME THE FUTURE SAR "HONG KONG (CHINA)". IN SO DOING, WE WERE ATTEMPTING TO CHANGE THE TERRITORY'S FORMAL FUTURE NAME, WHICH WOULD BE THE "HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA". OTHER EXAMPLES WERE EXPRESSIONS IN OTHER PARTS OF THE DRAFT SUCH AS "ALL RIGHTS AND POWERS IN SUCH AND SUCH A FIELD WILL BE EXCLUSVIELY VESTED IN HONG KONG (CHINA)" AND "THERE SHALL BE NO POWER OF DISALLOWANCE OUTSIDE HONG KONG(CHINA)". THE CHINESE SIDE HAD PREVIOUSLY REPUDIATED SUCH EXPRESSIONS IN THE TALKS, BUT THEY WERE STILL PRESENT IN THE DRAFT. THIS INDICATED A DELIBERATE ATTEMPT TO CONFUSE THE DISTINCTION BETWEEN INDEPENDENCE AND AUTONOMY.

4. ARTICLE 2 OF THE DRAFT WAS AN ATTEMPT TO TREAT THE CHINESE 12 GUIDELINES AS SOMETHING TO BE APPROVED BY THE UNITED KINGDOM. THIS WAS INADMISSIBLE. FROM THE OUTSET THE SERIES OF SPECIAL POLICIES WHICH CHINA WOULD ADOPT TOWARDS HONG KONG HAD BEEN PURELY CHINA'S INTERNAL AFFAIR AND THEY WERE NOT SUBJECT TO APPROVAL BY ANOTHER COUNTRY. IN THE COURSE OF THE TALKS, THE CHINESE SIDE HAD MERELY ACQUANINTED US WITH THEM. WHAT WAS EVEN MORE ABSURD WAS THAT ARTICLE 2 ALSO ATTEMPTED TO DRAW UP THE BASIC LAW ON BEHALF OF THE CHINESE GOVERNMENT. THE DRAWING UP OF THE BASIC LAW WAS AN INTERNAL CHINESE AFFAIR, NOT A BRITISH AFFAIR. THE DRAFT NEVERTHELESS TRIED TO DEFINE THE FRAMEWORK OF THE BASIC LAW IN THIS AND THAT WAY, SPREAD OVER A TOTAL OF NINE CLAUSES. WE HAD EVEN SAID THAT THE ANNEXES WHICH SHOULD FORM PART OF THE AGREEMENT, SHOULD ALL BE INCLUDED IN THE BASIC LAW. THE UNITED KINGDOM WAS NOT ONLY TRYING TO DEFINE THE FRAMEWORK OF THE BASIC LAW, BUT ALSO THE DETAILS. NATURALLY CHINA COULD NOT ACCEPT THIS.

5. NO PERIOD WAS SET ON THE PROPOSAL IN ARTICLE 3 (SEMI-COLN,) NOR DID IT CONTAIN ANY SPECIFIC CONTENT. IT WOULD LEAD TO THE IMPRESSION OF A SINO-BRITISH CONDOMINIUM IN HONG KONG AFTER 1997. WAS IT INDEED NOT AN ATTEMPT BY THE UNITED KINGDOM TO CREAT A LEGAL BASIS BY WHICH SHE COULD INTEREFERE IN THE SAR FOR A LONG TIME AFTER 1997?

6. THE FIRST SENTENCE OF ARTICLE 4 WAS AN ATTEMPT BY THE UNITED KINGDOM TO INTERNATIONALISE THE HONG KONG QUESTION, IN OTHER WORDS TO SEEK SO-CALLED INTERNATIONAL GUARANTEES FOR HONG KONG.

7. FINALLY, NOT ONLY DID MANY POINTS WHICH CHINA HAD ALREADY REPUDIATED IN THE COURSE OF THE TALKS REAPPEAR IN DIFFERENT FORMS IN THE BRITISH DRAFT, BUT WE HAD ALSO NOW MADE SOME

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/ NEW REQUESTS

NEW REQUESTS, FOR EXAMPLE WE HAD PROPOSED THAT THE HONG KONG SAR SHOULD HAVE THE RIGHT TO CONCLUDE AGREEMENTS WITH FOREIGN COUNTRIES IN THE (NEXT WORD UNDERLINED) LEGAL FIELD. IF THE FURTHER BRITISH ANNEXES WERE MORE OR LESS LIKE THE ONE ALREADY HANDED OVER, WOULD THIS NOT BE TANTAMOUNT TO THE INITIATION OF ANOTHER ROUND OF TALKS WITH THE BRITISH WORKING PAPERS PRESENTED IN A NEW FORM? THE ONLY EFFECT OF THAT WOULD BE TO PROLONG THE COURSE OF THE TALKS.

8. IN HANDING OVER THE BRITISH DRAFT, BI HAD STRESSED HOW MUCH WORK HAD GONE INTO IT. I HAD SAID THAT IT WAS A FIRST SHOT AT AN AGREEMENT AND THAT I HOPED IT WOULD BE TAKEN AS A TOKEN OF OUR SINCERITY AND DESIRE TO MOVE THE TALKS FORWARD. HOWEVER, AFTER STUDYING IT, THE CHINESE SIDE COULD NOT SEE HOW IT EMBODIED AN EXPRESSION OF BRITISH SINCERITY. IF THE DRAFT WERE TO BE TAKEN AS A BASIS FOR THE TALKS IT WOULD IN NO WAY EXPEDITE THEM. QUITE THE CONTRARY. IT CHALLENGED CHINESE PRINCIPLES ON SOVEREIGNTY IN MANY PLACES. IT WAS FUNDAMENTALLY UNACCEPTABLE AS A BASIS FOR NEGOTIATION OF AN AGREEMENT. THIS WAS A SERIOUS REACTION BY THE CHINESE SIDE TO OUR DRAFT.

9. ZHOU WENT ON TO INTRODUCE THE CHINESE DRAFT.

HE RECALLED HAVING INFORMALLY LET ME KNOW OF CHINA'S IDEAS ABOUT THE FORM AND CONTENT OF AN AGREEMENT. ON FORM, THE CHINESE SIDE THOUGHT IT APPROPRIATE THAT WE SHOULD WORK FOR A JOINT COMMUNIQUE OR JOINT DECLARATION. HE HAD EARLIER MENTIONED THAT THE SHANGHAI COMMUNIQUE COULD SERVE AS A POINT OF REFERENCE. ON CONTENT, AN AGREEMENT MUST FIRST AND FOREMOST SOLVE THE CENTRAL QUESTION OF SOVEREIGNTY IN EXPLICIT AND UNEQUIVOCAL TERMS. SECONDLY, CHINA WAS PREPARED FORMALLY TO DECLARE IN THE AGREEMENT HER BASIC POLICIES TOWARDS HONG KONG AFTER 1997, IE THE 12 GUIDELINES. BUT IT WAS FOR THE CHINESE GOVERNMENT TO FORMULATE AND DECLARE THESE POLICIES. THEY COULD NOT BE EXPRESSED AS AGREED BETWEEN THE TWO COUNTRIES. THESE 12 GUIDELINES WOULD BE REFLECTED IN THE BASIC LAW. BUT AN AGREEMENT SHOULD IN NO WAY ATTEMPT TO DEFINE THE BASIC LAW. THIRDLY, AN AGREEMENT SHOULD MAKE A BRIEF REFERENCE TO BASIC PRINCIPLES FOR ARRANGEMENTS IN THE TRANSITIONAL PERIOD. THE CHINESE SIDE HAD OFTEN SAID THAT THIS JOINT COMMUNIQUE OR JOINT DECLARATION MUST FOCUS ON MAJOR PRINCIPLES AND NOT BE A DOCUMENT CONTAINING DETAILS. DETAILS SHOULD NOT BE DEALT WITH IN THE AGREEMENT. IN THE VIEW OF THE CHINESE SIDE, THE 12 GUIDELINES WERE QUITE SUFFICIENT.

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/ 10. OF COURSE,

10. OF COURSE, THE BRITISH SIDE HAD SAID THAT IT WAS NECESSARY TO INCLUDE DETAILS DISCUSSED IN THE TALKS. TO SOLVE THIS QUESTION, THE CHINESE SIDE CONTEMPLATED AN ANNEX, WHICH COULD TAKE THE FORM OF AN EXCHANGE OF NOTES. IT WOULD AMPLIFY THE IMPLICATIONS OF THE 12 GUIDELINES IN THE LIGHT OF THE TALKS. BUT IT WOULD BE FOR THE CHINESE GOVERNMENT TO SET OUT THESE IMPLICATIONS AND ONLY MAJOR QUESTIONS OF PRINCIPLE, NOT DETAILS COVERED IN THE TALKS, COULD BE INCLUDED. MANY DETAILED POINTS SHOULD BE LEFT TO THE SINO-BRITISH JOINT GROUP WHICH WOULD BE SET UP IN THE TRANSITIONAL PERIOD.

11. AT THE TIME THE AGREEMENT WAS SIGNED, IT WOULD BE NECESSARY TO SIGN A PROTOCOL ON ARRANGEMENTS FOR THE TRANSITIONAL PERIOD. THIS NEED NOT BE LONG. IT WOULD DESCRIBE THE WORK OF THE SINO-BRITISH JOINT GROUP AND THE PRINCIPLES WHICH WOULD ENSURE AN ORDERLY TRANSFER OF GOVERNMENT DURING THIS PERIOD.

A14. ZHOU THEN HANDED ME COPIES OF A DRAFT JOINT DECLARATION, DRAFT NOTES, AND A DRAFT PROTOCOL (SEE TEXTS IN MY THREE IFTS)

13. I THANKED ZHOU FOR THE SPEED OF HIS REACTION. I HAD TO SAY THAT I WAS VERY DISAPPOINTED BY IT AND WAS SURE THAT HMG WOULD BE SO TOO. IT WAS PARTICULARLY DISAPPOINTING THAT THE CHINESE SIDE CONSIDERED OUR DRAFT UNACCEPTABLE AS A BASIS FOR NEGOTIATION. YOU WOULD CERTAINLY WISH TO DISCUSS IT FURTHER WITH CHINESE LEADERS AND TO ARGUE ITS MERITS. MEANWHILE, I WANTED TO REPLY IMMEDIATELY TO A NUMBER OF ZHOU'S COMMENTS:

(A) ZHOU HAD SAID THAT AFTER 1997 WE WERE ATTEMPTING TO TURN HONG KONG INTO AN INDEPENDENT POLITICAL ENTITY, OR THAT WE WERE TRYING TO MAKE IT A CONDOMINIUM. THIS WAS COMPLETELY GROUNDLESS.

(B) WE BELIEVED THAT WE HAD DEALT SQUARELY WITH THE QUESTION OF SOVEREIGNTY IN ARTICLE 1 AND THAT OUR FORMULATION MET THE ESSENTIAL CHINESE POINT THAT HONG KONG SHOULD BECOME AN SAR OF THE PEOPLE'S REPUBLIC OF CHINA.

(C) IT WAS NOT WE WHO HAD INVENTED THE NAME "'HONG KONG (CHINA)'. THIS LOCUTION WAS FAVOURED BY THE CHINESE GOVERNMENT: WE HAD HEARD IT OFTEN IN THE TALKS.

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/ (D) ON THE

- (D) ON THE QUESTION OF DEVOLUTION OF POWERS TO THE FUTURE SAR, WE HAD TRIED IN OUR DRAFT TO GIVE AS PRE- A DEFINITION AS POSSIBLE OF THE HIGH DEGREE OF AUTONOMY WHICH THE SAR WOULD ENJOY. THIS WAS VITAL IF CONFIDENCE WAS TO BE RETAINED.
- (E) IN DRAFTING ARTICLE 2, WE HAD DRAWN ON THE 12 POINTS OUTLINED BY THE CHINESE SIDE, ON OUR WORKING PAPERS AND ON THE DIALOGUE IN THE TALKS. AGAIN WE BELIEVED THAT THE ARRANGEMENTS AFTER 1997 IN THE SAR HAD TO BE SPELLED OUT CLEARLY AND WITH PRECISION IF CONFIDENCE IN THE TERRITORY WAS TO BE MAINTAINED.
- (F) ON ZHOU'S POINT THAT IT WAS INADMISSIBLE FOR ANY COUNTRY SAVE CHINA TO PREPARE THE BASIC LAW, I SAID THAT WE WERE NOT DRAFTING THE BASIC LAWS BUT A CLEAR AND PRECISE AGREEMENT ON FUTURE ARRANGEMENTS WHICH WOULD BE REFLECTED IN THE BASIC LAW.
- (G) I WAS ASTONISHED AT THE CHINESE REACTION TO ARTICLE 3. IT ENCAPSULATED AN EXPRESSION OF OUR WILLINGNESS TO COOPERATE WITH CHINA IN ADDITION TO OUR MEETING CHINA'S REQUIREMENT ON SOVEREIGNTY. I SHOULD HAVE EXPECTED IT TO BE WELCOMED.
- (H) THE PURPOSE OF ARTICLE 4 WAS TO SEEK TO ENSURE THAT THE SAR WOULD CONTINUE ENJOY THOSE RIGHTS AND PRIVILEGES WHICH IT NOW ENJOYED, AND WHICH IT MIGHT COME TO ENJOY BY 1997, FLOWING FROM HONG KONG'S PARTICIPATION IN MANY INTERNATIONAL AGREEMENTS AND INTERNATIONAL ORGANISATIONS.

14. I CONCLUDED WITH TWO GENERAL POINTS. FIRST, WE BELIEVED THAT OUR DRAFT GAVE THE CHINESE SIDE THEIR ESSENTIAL REQUIREMENT IN RELATION TO SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION. SECONDLY, WE BELIEVED THAT AN AGREEMENT BETWEEN US MUST BE PRECISE ABOUT THE ARRANGEMENTS WHICH WOULD OBTAIN AFTER 1997 IN THE SAR.

15. TURNING TO THE THREE CHINESE DRAFTS, I SAID THAT WE WOULD GIVE THEM THE STUDY WHICH THEY DESERVED. CHINESE IDEAS APPEARED TO BE FAR FROM OURS. I RESERVED YOUR RIGHT TO COMMENT ON THE DRAFTS DURING YOUR VISIT.

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16. I HANDED THE FURTHER ANNEXES TO ZHOU NAN, SPEAKING ON THE LINES OF YOUR TEL NO 373 AND PARAGRAPH 2 OF YOUR TEL NO 664 TO HONG KONG.

17. ZHOU SAID THAT HE HAD LISTENED CAREFULLY TO MY REMARKS. HE THANKED ME FOR THE ANNEXES WHICH THE CHINESE SIDE WOULD STUDY AND REACT TO IN DUE COURSE. HE REPEATED THAT STUDY OF THE BRITISH DRAFT HAD NOT CONVINCED THE CHINESE THAT IT WAS AN EXPRESSION OF OUR GOOD INTENTIONS. NOR DID MY EXPLANATIONS CONVINCED HI. HIS COMMENTS STOOD. THE BRITISH DRAFT WAS INCONSISTENT WITH CHINA'S PRINCIPLE OF SOVEREIGNTY. IT WAS FUNDAMENTALLY UNACCEPTABLE AND COULD NOT BE USED AS A BASIS FOR NEGOTIATION. I HAD SAID THAT IN THE DRAFT ONE OF OUR OBJECTIVES HAD BEEN PRECISION. CHINA ALSO THOUGH THAT THERE SHOULD BE PRECISION. BUT THE CONTENTS OF THE BRITISH DRAFT WERE INCONSISTENT WITH CHINA'S VIEWS. THERE WAS THEREFORE NO QUESTION OF PRECISION IN THE BRITISH DRAFT. PRECISION ON THE QUESTION OF SOVEREIGNTY COULD BE FOUND IN THE CHINESE DRAFT. IT WAS IMPERMISSIBLE UNDER THE PRETEXT OF CLARITY FOR THE BRITISH TO SEEK TO APPROVE CHINESE POLICIES OR TO FORMULATE THE BASIC LAW FOR THE CHINESE GOVERNMENT.

18. I REPEATED THAT WE WERE NOT SEEKING TO DRAFT THE BASIC LAW, BUT AN AGREEMENT BETWEEN US. WE SOUGHT IN SUCH AN AGREEMENT A CLEAR AND PRECISE EXPRESSION OF THE MAIN PRINCIPLES AND ARRANGEMENTS WHICH WOULD OBTAIN AFTER 1997 IN HONG KONG. YOU WOULD CERTAINLY BE URGING THE MERITS OF OUR DRAFT ON CHINESE LEADERS DURING YOUR VISIT.

19 FOR COMMENT SEE MY FOURTH IFT.

EVANS

FUTURE OF HONG KONG

L/ED

ED/ED

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

RES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

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DESBKY 131130Z

FROM PEKING 131000Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 740 OF 13/4/84

INFO IMMEDIATE HONG KONG

HKIC 040/4	
RECEIVED	
13 APR 1984	
BY	
TIME	

359 MIPT: CALL ON ZHOU NAN ON 13 APRIL:

JOINT DECLARATION.

1. FOLLOWING IS THE TEXT OF THE DRAFT JOINT DECLARATION PROPOSED BY CHINA:

JOINT DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG

(DRAFT)

1. THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

HAVE REVIEWED WITH SATISFACTION THE FRIENDLY RELATIONS EXISTING BETWEEN THE TWO GOVERNMENTS AND PEOPLES IN RECENT YEARS AND AGREED THAT A PROPER NEGOTIATED SETTLEMENT OF THE QUESTION OF HONG KONG, WHICH IS LEFT OVER FROM THE PAST, IS CONDUCIV TO THE FURTHER STRENGTHENING AND DEVELOPMENT OF THE RELATIONS BETWEEN THE TWO COUNTRIES ON A NEW BASIS. AFTER TALKS BETWEEN THE DELEGATIONS OF THE TWO GOVERNMENTS, IT IS AGREED THAT THE UNITED KINGDOM GOVERNMENT WILL RESTORE THE HONG KONG ARE (INCLUDING HONGKONG ISLAND, KOWLOON AND THE NEW TERRITORIES, THE SAME BELOW) TO THE PEOPLE'S REPUBLIC OF CHINA ON 1 JULY 1997 AND WITHDRAW ALL ITS ARMED FORCES FROM THE HONG KONG AREA. THE PEOPLE'S REPUBLIC OF CHINA WILL RESUME THE EXERCISE OF ITS SOVEREIGNTY OVER THE HONG KONG AREAS AS FROM 1 JULY 1997. THE TIME BETWEEN NOW AND 30 JUNE 1997 IS THE TRANSITION PERIOD FOR THE SETTLEMENT OF THE HONG KONG QUESTION.

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2. THE CHINESE GOVERNMENT DECLARES THAT THE GUIDLINES OF THE PEOPLE'S REPUBLIC OF CHINA FOR THE SETTLEMENT OF THE HONG KONG QUESTION ARE AS FOLLOWS:

(1) THE HONG KONG AREA HAS BEEN PART OF CHINA'S SACRED TERRITORY SINCE ANCIENT TIMES. THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA DOES NOT RECOGNIZE THE THREE UNEQUAL TREATIES CONCERNING THE HONG KONG AREA WHICH BRITAIN IMPOSED ON CHINA IN THE 19TH CENTURY. TO RECOVER THE HONG KONG AREA AND RESUME THE EXERCISE OF SOVEREIGNTY IS THE COMMON ASPIRATION OF THE ENTIRE CHINESE PEOPLE, INCLUDING THE COMPATRIOTS IN HONG KONG. IN ORDER TO UPHOLD THE UNITY AND TERRITORIAL INTEGRITY OF THE COUNTRY AND OUT OF CONSIDERATION FOR THE HISTORICAL AND PRESENT CONDITIONS IN THE HONG KONG AREA, THE PEOPLE'S REPUBLIC OF CHINA HAS DECIDED TO ESTABLISH, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 31 OF THE CONSTITUTION OF THE PEOPLES REPUBLIC OF CHINA, A HONG KONG SPECIAL ADMINISTRATIVE REGION UPON RESUMING EXERCISE OF ITS SOVEREIGNTY OVER THE HONG KONG AREA.

(2) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE DIRECTLY UNDER THE AUTHORITY OF THE CENTRAL PEOPLE'S GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA. THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL ENJOY A HIGH DEGREE OF AUTONOMY, EXCEPT IN FOREIGN AND DEFENCE AFFAIRS WHICH ARE THE RESPONSIBILITIES OF THE CENTRAL PEOPLE'S GOVERNMENT.

(3) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE VESTED WITH THE POWER OF LEGISLATION AND INDEPENDENT JUDICIAL POWER, INCLUDING THAT OF FINAL ADJUDICATION. THE LAWS, DECREES AND ORDINANCES CURRENTLY IN FORCE WILL REMAIN BASICALLY UNCHANGED.

(4) THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE CONSTITUTED BY LOCAL INHABITANTS. THE CHIEF EXECUTIVE WILL BE APPOINTED BY THE CENTRAL PEOPLE'S GOVERNMENT ON THE BASIS OF THE RESULTS OF ELECTIONS OR CONSULTATIONS TO BE HELD LOCALLY. THE PRINCIPAL OFFICIALS WILL BE NOMINATED BY THE GOVERNMENT OF THE SPECIAL ADMINISTRATIVE REGION FOR APPOINTMENT BY THE CENTRAL PEOPLE'S GOVERNMENT. THE CHINESE AND FOREIGN NATIONALS WORKING IN THE PUBLIC AND POLICE SERVICES IN THE DEPARTMENTS OF THE BRITISH AUTHORITIES IN HONG KONG MAY REMAIN IN EMPLOYMENT. BRITISH AND OTHER FOREIGN NATIONALS MAY ALSO BE EMPLOYED TO SERVE AS ADVISERS IN ORGANS AT VARIOUS LEVELS IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION.

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(5) THE CURRENT SOCIAL AND ECONOMIC SYSTEMS IN THE HONG KONG AREA WILL REMAIN UNCHANGED, SO WILL THE LIFE-STYLE. FREEDOMS OF SPEECH, OF THE PRESS, OF ASSEMBLY, OF ASSOCIATION, OF TRAVEL, OF MOVEMENT, OF CORRESPONDENCE, OF STRIKE, OF CHOICE OF OCCUPATION, OF ACADEMIC RESEARCH AND OF RELIGIOUS BELIEF WILL BE ENSURED BY LAW IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION. PRIVATE PROPERTY, OWNERSHIP OF ENTERPRISES, LEGITIMATE RIGHT OF INHERITANCE AND FOREIGN INVESTMENT WILL BE PROTECTED BY LAW.

(6) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL RETAIN THE STATUS OF A FREE PORT AND A SEPARATE TARIFF AREA.

(7) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL RETAIN 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 CONVERTIBLE AS USUAL.

(8) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL HAVE INDEPENDENT FINANCES.

(9) THE HONG KONG SPECIAL ADMINISTRATIVE REGION MAY ESTABLISH MUTUALLY PREFERENTIAL ECONOMIC RELATIONS WITH THE UNITED KINGDOM. BRITISH ECONOMIC INTERESTS IN THE HONG KONG AREA WILL BE TAKEN CARE OF.

(10) USING THE NAME OF 'HONG KONG, CHINA', THE HONG KONG SPECIAL ADMINISTRATIVE REGION MAY ON ITS OWN MAINTAIN AND DEVELOP ECONOMIC AND CULTURAL RELATIONS AND SIGN AGREEMENTS ON THESE MATTERS WITH FOREIGN COUNTRIES AND REGIONS AND RELEVANT INTERNATIONAL ORGANIZATIONS.

THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION MAY ISSUE ON ITS OWN TRAVEL DOCUMENTS FOR ENTRY INTO AND EXIT FROM HONG KONG.

(11) THE MAINTENANCE OF PUBLIC ORDER IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE THE RESPONSIBILITY OF THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION.

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(12) THE ABOVE-STATED GUIDELINES ON THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE STIPULATED IN A BASIC LAW OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA TO BE PROBULGATED BY THE NATIONAL PEOPLE'S CONGRESS OF THE PEOPLE'S REPUBLIC OF CHINA, AND THEY WILL REMAIN UNCHANGED FOR FIFTY YEARS.

THE GOVERNMENT OF THE UNITED KINGDOM EXPRESSES ITS APPRECIATION OF THE ABOVE POLICIES DECLARED BY THE CHINESE GOVERNMENT.

3. THE UNITED KINGDOM GOVERNMENT DECLARES THAT DURING THE TRANSITION PERIOD BETWEEN NOW AND 30 JUNE 1997, THE UNITED KINGDOM GOVERNMENT WILL BE RESPONSIBLE FOR MAINTAINING AND PRESERVING THE ECONOMIC PROSPERITY AND SOCIAL STABILITY OF THE HONG KONG AREA.

4. THE TWO SIDES HAVE AGREED THAT WITH ( ) MONTHS AFTER THE SIGNING OF THIS JOINT DECLARATION, A SINO-BRITISH JOINT GROUP (JOINT COMMITTEE) COMPOSED OF AN EQUAL NUMBER OF PERSONS FROM EACH SIDE HEADED BY OFFICIALS OF AMBASSADORIAL RANK WILL BE SET UP TO CONDUCT CONSULTATIONS WHENEVER NECESSARY DURING THE TRANSITION PERIOD ON THE IMPLEMENTATION OF THIS JOINT DECLARATION, THE SMOOTH TRANSFER OF GOVERNMENT AND OTHER RELATED MATTERS.

5. THIS JOINT DECLARATION SHALL ENTER INTO FORCE ON THE DATE OF SIGNING.

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ONE IN DUPLICATE AT ON DAY OF  
1984, IN THE CHINESE AND ENGLISH LANGUAGES, BOTH TEXTS  
BEING EQUALLY AUTHENTIC.

(SIGNED)

PLENIPOTENTIARY OF THE  
GOVERNMENT OF THE  
PEOPLE'S REPUBLIC OF CHINA

(SIGNED)

PLENIPOTENTIARY OF THE  
GOVERNMENT OF THE UNITED  
KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND.

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FUTURE OF HONG KONG

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ED/PUSD

D/ED/PUSD

RES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/MR LUCE

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SIR J BULLARD

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PS/ATTORNEY GENERAL

SIR P CRADOCK RM K195

SIR P CRADOCK NO 10 DOWNING STREET

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DESKBY 131130Z

FROM PEKING 131030Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 741 OF 13/4/84

INFO IMMEDIATE ONG KONG

859 (360)

MY 2 IPTS: CALL ON ZHOU NAN ON 13 APRIL:

EXCHANGE OF NOTE'

HKK040A		
RECEIVED IN REGISTRY		
6 APR 1984		
INDEX	FILE NO	REGISTRY
		Action Taken

1. FOLLOWING ARE THE TEXTS OF THE DRAFT NOTES PROPOSED BY CHINA:

EXCHANGE OF NOTES

(1) CHINA'S NOTE

DATE 1984

HIS EXCELLENCY.....,

.....OF THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

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EXCELLENCY,

**SECRET**

EXCELLENCY,

I HAVE THE HONOUR TO ELABORATE FURTHER ON THE POLICIES THE PEOPLE'S REPUBLIC OF CHINA WILL PURSUE AFTER IT RESUMES THE EXERCISE OF ITS SOVEREIGNTY OVER THE HONG KONG AREA, AS SET FORTH IN ARTICLE OF THE JOINT DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG WHICH HAS BEEN SIGNED BY OUR TWO SIDES TODAY:

1. ....

2. ....

.....

IF OUR EXCELLENCY WOULD KINDLY CONFIRM THE RECEIPT OF HIS NOTE IN A NOTE OF REPLY, THIS NOTE AND YOUR EXCELLENCY'S NOTE OF REPLY WILL CONSTITUTE ANNEXES TO THE JOINT DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORHTERN IRELAND ON THE QUESTION OF HONG KONG.

I AVAIL MYSELF OF THIS OPPORTUNITY TO RENEW TO YOU EXCELLENCY THE ASSURANCES OF MY HIGHEST CONSIDERATION.

(SIGNED).....

.....OF THE PEOPLE'S REPUBLIC OF CHINA

(2) BRITAIN'S NOTE OF REPLY

DATE 1984

HIS EXCELLENCY.....

.....OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

**SECRET**

/ EXCELLENCY:

SECRET

EXCELLENCY,

I HAVE THE HONOUR TO ACKNOWLEDGE THE RECEIPT OF YOUR EXCELLENCY'S NOTE OF TODAY, WHOSE CONTENTS ARE AS FOLLOWS:

".....  
1.....  
2....."

YOUR EXCELLENCY'S NOTE AND THIS NOTE OF REPLY WILL CONSTITUTE ANNEXES TO THE JOINT DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG.

I AVAIL MYSELF OF THIS OPPORTUNITY TO RENEW TO YOUR EXCELLENCY THE ASSURANCES OF MY HIGHEST CONSIDERATION.

(SIGNED).....

..... OF THE UNITED KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND

EVANS

FUTURE OF HONG KONG

LIMITED

ED/EDD

ED/FED

ED/PLANNING STAFF

ED/FUSD

D/ED/FUSD

PES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND).

PS

PS/LADY YOUNG

PS/ME LUCE

PS/FUS

SIR J BULLARD

SIR W HARDING

MR WILSON

MR WRIGHT

SIR C TUCKELL

COPIES TO:

BUCKINGHAM PALACE

PS/LORD PRESIDENT OF THE COUNCIL

PS/HOME SECRETARY

PS/CHANCELLOR OF THE EXCHEQUER

PS/LORD PRIVY SEAL

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MR COLES NO 10 DOWNING ST.

MR MARTIN ASSESSMENT STAFF CABINET OFFICE

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MR BRENNAN CABINET OFFICE

PS/S OF S FOR DEFENCE D

PS/ATTORNEY GENERAL

SIR P CRADOCK RM K195

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3  
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DESKBY 131130Z

FROM PEKING 131040Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 742 OF 13/4/84

INFO IMMEDIATE HONG KONG

HKK040/4		
RECEIVED IN		
16 APR 1984		
CLASSIFIED BY		
INDEX	PA	EXEMPT FROM

359 360 361

MY 3 IPTS: CALL ON ZHOU NAN ON 13 APRIL: PROTOCOL ON ARRANGEMENTS FOR THE TRANSITIONAL PERIOD.

1. FOLLOWING IS THE TEXT OF THE DRAFT PROTOCOL PROPOSED BY CHINA:

DRAFT PROTOCOL ON THE ARRANGEMENTS FOR THE TRANSITION PERIOD BETWEEN THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

IN ACCORDANCE WITH THE JOINT DECLARATION THE QUESTION OF HONG KONG SIGNED BY THE TWO GOVERNMENTS ON 1984, THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND HAVE SIGNED THIS PROTOCOL.

ARTICLE 1

...

ARTICLE 2

...

ARTICLE...

.....

THIS PROTOCOL IS AN ANNEX TO THE JOINT DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG.

SECRET

/DONG

SECRET

DONE IN DUPLICATE IN .....ON .....1984, IN  
THE CHINESE AND ENGLISH LANGUAGES, BOTH TEXTS  
BEING EQUALLY AUTHENTIC

(SIGNED).....

(SIGNED).....

PLENIPOTENTIARY OF THE  
GOVERNMENT OF THE PEOPLE'S  
REPUBLIC OF CHINA

PLENIPOTENTIARY OF THE  
GOVERNMENT OF THE UNITED  
KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND

EVANS

FUTURE OF HONG KONG  
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D/ED/PUSD  
RES.B. (MR WALKER)  
LEGAL ADVISER (MR FREBLAND)  
PS  
PS/LADY YOUNG  
PS/MR LUCE  
PS/PUS  
SIR J BULLARD  
SIR W HARDING  
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-2-  
SECRET

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SECRET

DESBKY 131130Z

FROMPEKING 131048Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 743 OF 13/4/84

INFO IMMEDIATE HONG KONG

RECEIVED	
16 APR 1984	

359 360 361 362

MY 4 IPTS: CALL ON ZHOU NAN ON 13 APRIL:

COMMENT

1. I AM NOT SURPRISED THAT ZHOU REJECTED OUR DRAFT AGREEMENT AS A BASIS FOR NEGOTIATION. HE SAID THAT THE REACTION WHICH HE WAS CONVEYING TO ME HAD BEEN CAREFULLY CONSIDERED. BUT HE DID NOT MAKE ANY ATTEMPT TO ARGUE WHEN I SAID, BOTH AT THE BEGINNING AND THE END OF MY RESPONSE, THAT I WAS SURE YOU WOULD WISH TO ARGUE THE MERITS OF OUR DRAFT WITH WU XUEQIAN AND OTHER CHINESE LEADERS WHEN YOU MET THEM NEXT WEEK. NOR DID HE REFUSE TO STUDY OUR DRAFT ANNEXES.

2. QUITE A LOT OF ZHOU'S CRITICISMS OF OUR DRAFT ARE FAR FETCHED. SOME OF THEM WILL BE EASY TO DEMOLISH. MANY MORE OF HIS CRITICISMS CONCERN FORM THAN SUBSTANCE.

3. GIVEN ALL THAT I HAVE SAID TO ZHOU NAN IN CNFORMAL DISCUSSIONS WITH HIM DURING THE PAST SIX WEEKS, HE AT LEAST CANNOT SERIOUSLY EXPECT US TO ACCEPT THE CHINESE DRAFT.

SECRET

14.



SECRET

4. THE WAY IS OPEN FOR YOU TO ARGUE THE MERITS OF OUR DRAFT WITH WU AND OTHERS YOU MEET. YOU WILL, I IMAGINE, WISH TO DO THIS VIGOROUSLY, EVENIN IF YOU DECIDE TO CONCEDE A FEW POINTS WHICH ARE UNIMPORTANT TO US (E.G. TO AGREE TO AMEND THE REFERENCE TO 'HONG KONG(CHINA)'' IN ARTICLE 1)

EVANS

FUTURE OF HONG KONG

LIMITED

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ED/PLANNING STAFF

ED/FUSD

D/ED/FUSD

PES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

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SIR P CRADOCK NO 10 DOWNING STREET

SECRET

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

COPIES TO:  
MR COLES, NO. 40 DOWNING ST  
MR ROBERTS, NEWS DEPT  
SIR PERCY CRADOCK

SECRET

DESKBY 131030Z

FROM PEKING 130915Z APR 84

IMMEDIATE



TO IMMEDIATE FCO

TELEGRAM NUMBER 739 OF 13/4/84

INFO IMMEDIATE HONG KONG

ADVANCE COPY

*It seems as if  
the UK thinks we need  
their judgment of the  
MFA*

VFUTURE OF HONG KONG: CALL ON ZHOU NAN ON 13 APRIL.

*Chow*

1. I CALLED ON ZHOU NAN AT THE MFA ON 13 APRIL, BOTH TO HAND OVER THE FURTHER ANNEXES AND TO HEAR THE CHINESE REACTION TO OUR DRAFT AGREEMENT. HE HAD TOLD ME THE NIGHT BEFORE THAT THE CHINESE HAD A COUNTER-DRAFT.

2. ZHOU SAID THAT, ALTHOUGH TIME HAD BEEN SHORT, THE CHINESE SIDE HAD MADE A SERIOUS AND EARNEST STUDY OF OUR DRAFT. TAKEN AS A WHOLE, IT WAS FUNDAMENTALLY UNACCEPTABLE. IT COULD NOT BE TAKEN AS A BASIS FOR NEGOTIATION.

THE REASON FOR THIS WAS OBVIOUS. IT WAS A CLEAR ATTEMPT TO NEGATE AND LIMIT CHINESE SOVEREIGNTY OVER HONG KONG. THE CHINESE SIDE COULD NOT BUT FEEL THAT, THROUGH, BOTH THE FORM AND CONTENT OF THE DRAFT, THE UNITED KINGDOM WAS TRYING TO TURN THE FUTURE SAR INTO SOME SORT OF INDEPENDENT POLITICAL ENTITY.

3. THERE WERE FOUR SUBSTANTIVE ARTICLES TO THE DRAFT. THE FIRST TOUCHED ON THE QUESTION OF CHINA'S SOVEREIGNTY AND RIGHT OF ADMINISTRATION, BUT FAILED TO DEAL WITH IT SQUARELY. THE ARTICLE CONTAINED NOTHING ON THE RESTORATION OF HONG KONG BY THE UNITED KINGDOM TO CHINA, NOR ON THE RESUMPTION BY CHINA OF SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION IN 1997. AN EXAMPLE OF THE ATTEMPT TO TURN HONG KONG INTO AN INDEPENDENT POLITICAL ENTITY WAS CONTAINED IN THE FIRST CLAUSE OF ARTICLE 1 WHERE THE UNITED KINGDOM TRIED TO NAME THE FUTURE SAR "HONG KONG (CHINA)". IN SO DOING, WE WERE ATTEMPTING TO CHANGE THE TERRITORY'S FORMAL FUTURE NAME, WHICH WOULD BE THE "HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA". OTHER EXAMPLES WERE EXPRESSIONS

~~WHICH WOULD BE THE "HONG KONG SPECIAL ADMINISTRATIVE REGION~~  
OF THE PEOPLE'S REPUBLIC OF CHINA". OTHER EXAMPLES WERE EXPRESSIONS  
IN OTHER PARTS OF THE DRAFT SUCH AS "ALL RIGHTS AND POWERS  
IN SUCH AND SUCH A FIELD WILL BE EXCLUSIUELY VESTED IN HONG KONG  
(CHINA)" AND "THERE SHALL BE NO POWER OF DISALLOWANCE OUT-  
SIDE HONG KONG(CHINA)". THE CHINESE SIDE HAD PREVIOUSLY  
REPUDIATED SUCH EXPRESSIONS IN THE TALKS, BUT THEY WERE  
STILL PRESENT IN THE DRAFT. THIS INDICATED A DELIBERATE  
ATTEMPT TO CONFUSE THE DISTINCTION BETWEEN INDEPENDENCE AND  
AUTONOMY.

4. ARTICLE 2 OF THE DRAFT WAS AN ATTEMPT TO TREAT THE CHINESE  
12 GUIDELINES AS SOMETHING TO BE APPROVED BY THE UNITED KINGDOM .  
THIS WAS INADMISSIBLE. FROM THE OUTSET THE SERIES  
OF SPECIAL POLICIES WHICH CHINA WOULD ADOPT TOWARDS  
HONG KONG HAD BEEN PURELY CHINA'S INTERNAL AFFAIR AND THEY  
WERE NOT SUBJECT TO APPROVAL BY ANOTHER COUNTRY. IN THE  
COURSE OF THE TALKS, THE CHINESE SIDE HAD MERELY ACQUANINTED  
US WITH THEM. WHAT WAS EVEN MORE ABSURD WAS THAT ARTICLE 2  
ALSO ATTEMPTED TO DRAW UP THE BASIC LAW ON BEHALF OF THE  
CHINESE GOVERNMENT. THE DRAWING UP OF THE BASIC LAW WAS AN  
INTERNAL CHINESE AFFAIR, NOT A BRITISH AFFAIR. THE DRAFT NEVER-  
THELESS TRIED TO DEFINE THE FRAMEWORK OF THE BASIC LAW IN  
THIS AND THAT WAY, SPREAD OVER A TOTAL OF NINE CLAUSES. WE HAD  
EVEN SAID THAT THE ANNEXES WHICH SHOULD FORM PART OF THE  
AGREEMENT SHOULD ALL BE INCLUDED IN THE BASIC LAW. THE UNITED  
KINGDOM WAS NOT ONLY TRYING TO DEFINE THE FRAMEWORK OF THE  
BASIC LAW, BUT ALSO THE DETAILS. NATURALLY CHINA COULD NOT  
ACCEPT THIS.

5. NO PERIOD WAS SET ON THE PROPOSAL IN ARTICLE 3 (SEMI-COLN,) NOR DID IT CONTAIN ANY SPECIFIC CONTENT. IT WOULD LEAD TO THE IMPRESSION OF A SINO-BRITISH CONDOMINIUM IN HONG KONG AFTER 1997. WAS IT INDEED NOT AN ATTEMPT BY THE UNITED KINGDOM TO CREAT A LEGAL BASIS BY WHICH SHE COULD INTEREFERE IN THE SAR FOR A LONG TIME AFTER 1997?

6. THE FIRST SENTENCE OF ARTICLE 4 WAS AN ATTEMPT BY THE UNITED KINGDOM TO INTERNATIONALISE THE HONG KONG QUESTION, IN OTHER WORDS TO SEEK SO-CALLED INTERNATIONAL GUARANTEES FOR HONG KONG.

7. FINALLY , NOT ONLY DID MANY POINTS WHICH CHINA HAD ALREADY REPUDIATED IN THE COURSE OF THE TALKS REAPPEAR IN DIFFERENT FORMS IN THE BRITISH DRAFT, BUT WE HAD ALSO NOW MADE SOME NEW REQUESTS, FOR EXAMPLE WE HAD PROPOSED THAT THE HONG KONG SAR SHOULD HAVE THE RIGHT TO CONCLUDE AGREEMENTS WITH FOREIGN COUNTRIES IN THE (NEXT WORD UNDERLINED) LEGAL FIELD. IF THE FURTHER BRITISH ANNEXES WERE MORE OR LESS LIKE THE ONE ALREADY HANDED OVER, WOULD THIS NOT BE TANTAMOUNT TO THE INITIATION OF ANOTHER ROUND OF TALKS WITH THE BRITISH WORKING PAPERS PRESENTED IN A NEW FORM? THE ONLY EFFECT OF THAT WOULD BE TO PROLONG THE COURSE OF THE TALKS.

8. IN HANDING OVER THE BRITISH DRAFT, I HAD STRESSED HOW MUCH WORK HAD GONE INTO IT. I HAD SAID THAT IT WAS A FIRST SHOT AT AN AGREEMENT AND THAT I HOPED IT WOULD BE TAKEN AS A TOKEN

~~SHOT AT AN AGREEMENT AND THAT I HOPED IT WOULD BE TAKEN AS A TOKEN~~  
OF OUR SINCERITY AND DESIRE TO MOVE THE TALKS FORWARD. HOWEVER,  
AFTER STUDYING IT, THE CHINESE SIDE COULD NOT SEE  
HOW IT EMBODIED AN EXPRESSION OF BRITISH SINCERITY,. IF THE DRAFT  
WERE TO BE TAKEN AS A BASIS FOR THE TALKS IT WOULD  
IN NO WAY EXPEDITE THEM. QUITE THE CONTRARY. IT CHALLENGED  
CHINESE PRINCIPLES ON SOVEREIGNTY IN MANY PLACES.  
IT WAS FUNDAMENTALLY UNACCEPTABLE AS A BASIS FOR NEGOTIATION  
OF AN AGREEMENT. THIS WAS A SERIOUS REACTION BY THE CHINESE  
SIDE TO OUR DRAFT.

9. ZHOU WENT ON TO INTRODUCE THE CHINESE DRAFT.

HE RECALLED HAVING INFORMALLY LET ME KNOW OF CHINA'S IDEAS  
ABOUT THE FORM AND CONTENT OF AN AGREEMENT. ON FORM,  
THE CHINESE SIDE THOUGHT IT APPROPRIATE THAT WE SHOULD  
WORK FOR A JOINT COMMUNIQUE OR JOINT DECLARATION. HE HAD  
EARLIER MENTIONED THAT THE SHANGHAI COMMUNIQUE COULD SERVE AS  
A POINT OF REFERENCE. ON CONTENT, AN AGREEMENT MUST FIRST  
AND FOREMOST SOLVE THE CENTRAL QUESTION OF SOVEREIGNTY IN EXPLICIT  
AND UNEQUIVOCAL TERMS. SECONDLY, CHINA WAS PREPARED FORMALLY  
TO DECLARE IN THE AGREEMENT HER BASIC POLICIES TOWARDS HONG KONG  
AFTER 1997, IE THE 12 GUIDELINES. BUT IT WAS FOR THE CHINESE  
GOVERNMENT TO FORMULATE AND DECLARE THESE POLICIES.  
THEY COULD NOT BE EXPRESSED AS AGREED BETWEEN THE TWO  
COUNTRIES. THESE 12 GUIDELINES WOULD BE REFLECTED IN THE  
BASIC LAW. BUT AN AGREEMENT SHOULD IN NO WAY ATTEMPT TO  
DEFINE THE BASIC LAW. THIRDLY, AN AGREEMENT SHOULD MAKE A  
BRIEF REFERENCE TO BASIC PRINCIPLES FOR ARRANGEMENTS IN THE  
TRANSITIONAL PERIOD. THE CHINESE SIDE HAD OFTEN  
SAID THAT THIS JOINT COMMUNIQUE OR JOINT DECLARATION MUST  
FOCUS ON MAJOR PRINCIPLES AND NOT BE A DOCUMENT CONTAINING DETAILS.  
DETAILS SHOULD NOT BE DEALT WITH IN THE AGREEMENT. IN THE VIEW  
OF THE CHINESE SIDE, THE 12 GUIDELINES WERE QUITE SUFFICIENT.

10. OF COURSE, THE BRITISH SIDE HAD SAID THAT IT WAS  
NECESSARY TO INCLUDE DETAILS DISCUSSED IN THE TALKS.  
TO SOLVE THIS QUESTION, THE CHINESE SIDE CONTEMPLATED AN  
ANNEX, WHICH COULD TAKE THE FORM OF AN EXCHANGE OF NOTES.  
IT WOULD AMPLIFY THE IMPLICATIONS OF THE 12 GUIDELINES IN THE LIGHT  
OF THE TALKS. BUT IT WOULD BE FOR THE CHINESE GOVERNMENT TO SET  
OUT THESE IMPLICATIONS AND ONLY MAJOR QUESTIONS OF PRINCIPLE,  
NOT DETAILS COVERED IN THE TALKS, COULD BE INCLUDED. MANY  
DETAILED POINTS SHOULD BE LEFT TO THE SINO-BRITISH JOINT  
GROUP WHICH WOULD BE SET UP IN THE TRANSITIONAL PERIOD.

11. AT THE TIME THE AGREEMENT WAS SIGNED, IT WOULD BE  
NECESSARY TO SIGN A PROTOCOL ON ARRANGEMENTS FOR THE TRANSITION-  
AL PERIOD. THIS NEED NOT BE LONG. IT WOULD DESCRIBE THE WORK OF THE  
SINO-BRITISH JOINT GROUP AND THE PRINCIPLES WHICH WOULD ENSURE  
AN ORDERLY TRANSFER OF GOVERNMENT DURING THIS PERIOD.

A14. ZHOU THEN HANDED ME SOPIES OF A DRAFT JOINT DECLARATION,  
DRAFT NOTES, AND A DRAFT PROTOCOL (SEE TEXTS IN MY  
THREE IFTS)

13. I THANKED ZHOU FOR THE SPEED OF HIS REACTION. I HAD TO  
SAY THAT I WAS VERY DISAPPOINTED BY IT AND WAS SURE THAT HMG WOULD  
BE SO TOO. IT WAS PARTICULARLY DISAPPOINTING THAT THE CHINESE

~~SAY THAT I WAS VERY DISAPPOINTED BY IT AND WAS SURE THAT HMG WOULD~~  
BE SO TOO. IT WAS PARTICULARLY DISAPPOINTING THAT THE CHINESE  
SIDE CONSIDERED OUR DRAFT UNACCEPTABLE AS A BASIS FOR  
NEGOTIATION. YOU WOULD CERTAINLY WISH TO DISCUSS IT  
FURTHER WITH CHINESE LEADERS AND TO ARGUE ITS MERITS.  
MEANWHILE, I WANTED TO REPLY IMMEDIATELY TO A NUMBER OF ZHOU'S  
COMMENTS:

- (A) ZHOU HAD SAID THAT AFTER 1997 WE WERE ATTEMPTING TO  
TURN HONG KONG INTO AN INDEPENDENT POLITICAL ENTITY,  
OR THAT WE WERE TRYING TO MAKE IT A CONDOMINIUM.  
THIS WAS COMPLETELY GROUNDLESS.
- (B) WE BELIEVED THAT WE HAD DEALT SQUARELY WITH THE  
QUESTION OF SOVEREIGNTY IN ARTICLE 1 AND THAT OUR  
FORMULATION MET THE ESSENTIAL CHINESE POINT THAT  
HONG KONG SHOULD BECOME AN SAR OF THE PEOPLE'S  
REPUBLIC OF CHINA.
- (C) IT WAS NOT WE WHO HAD INVENTED THE NAME "HONG KONG  
(CHINA)". THIS LOCUTION WAS FAVOURED BY THE CHINESE  
GOVERNMENT: WE HAD HEARD IT OFTEN IN THE TALKS.
- (D) ON THE QUESTION OF DEVOLUTION OF POWERS TO THE  
FUTURE SAR, WE HAD TRIED IN OUR DRAFT TO GIVE AS PRE-  
A DEFINITION AS POSSIBLE OF THE HIGH DEGREE OF  
AUTONOMY WHICH THE SAR WOULD ENJOY. THIS WAS VITAL  
IF CONFIDENCE WAS TO BE RETAINED.
- (E) IN DRAFTING ARTICLE 2, WE HAD DRAWN ON THE 12  
POINTS OUTLINED BY THE CHINESE SIDE, ON OUR WORKING  
PAPERS AND ON THE DIALOGUE IN THE TALKS. AGAIN WE  
BELIEVED THAT THE ARRANGEMENTS AFTER 1997 IN THE  
SAR HAD TO BE SPELLED OUT CLEARLY AND WITH PRECISION  
IF CONFIDENCE IN THE TERRITORY WAS TO BE  
MAINTAINED.
- (F) ON ZHOU'S POINT THAT IT WAS INADMISSIBLE FOR ANY  
COUNTRY SAVE CHINA TO PREPARE THE BASIC LAW, I SAID  
THAT WE WERE NOT DRAFTING THE BASIC LAWS BUT A CLEAR  
AND PRECISE AGREEMENT ON FUTURE ARRANGEMENTS WHICH  
WOULD BE REFLECTED IN THE BASIC LAW.
- (G) I WAS ASTONISHED AT THE CHINESE REACTION TO ARTICLE 3.  
IT ENCAPSULATED AN EXPRESSION OF OUR WILLINGNESS TO  
COOPERATE WITH CHINA IN ADDITION TO OUR MEETING  
CHINA'S REQUIREMENT ON SOVEREIGNTY. I SHOULD HAVE  
EXPECTED IT TO BE WELCOMED.
- (H) THE PURPOSE OF ARTICLE 4 WAS TO SEEK TO ENSURE  
THAT THE SAR WOULD CONTINUE TO ENJOY THOSE RIGHTS  
AND PRIVILEGES WHICH IT NOW ENJOYED, AND WHICH IT  
MIGHT COME TO ENJOY BY 1997, FLOWING FROM HONG KONG'S  
PARTICIPATION IN MANY INTERNATIONAL AGREEMENTS AND  
INTERNATIONAL ORGANISATIONS.

INTERNATIONAL ORGANISATIONS.

14. I CONCLUDED WITH TWO GENERAL POINTS. FIRST, WE BELIEVED THAT OUR DRAFT GAVE THE CHINESE SIDE THEIR ESSENTIAL REQUIREMENT IN RELATION TO SOVEREIGNTY AND THE RIGHT OF ADMINISTRATION. SECONDLY, WE BELIEVED THAT AN AGREEMENT BETWEEN US MUST BE PRECISE ABOUT THE ARRANGEMENTS WHICH WOULD OBTAIN AFTER 1997 IN THE SAR.

15. TURNING TO THE THREE CHINESE DRAFTS, I SAID THAT WE WOULD GIVE THEM THE STUDY WHICH THEY DESERVED. CHINESE IDEAS APPEARED TO BE FAR FROM OURS. I RESERVED YOUR RIGHT TO COMMENT ON THE DRAFTS DURING YOUR VISIT.

16. I HANDED THE FURTHER ANNEXES TO ZHOU NAN, SPEAKING ON THE LINES OF YOUR TEL NO 373 AND PARAGRAPH 2 OF YOUR TEL NO 664 TO HONG KONG.

17. ZHOU SAID THAT HE HAD LISTENED CAREFULLY TO MY REMARKS. HE THANKED ME FOR THE ANNEXES WHICH THE CHINESE SIDE WOULD STUDY AND REACT TO IN DUE COURSE. HE REPEATED THAT STUDY OF THE BRITISH DRAFT HAD NOT CONVINCED THE CHINESE THAT IT WAS AN EXPRESSION OF OUR GOOD INTENTIONS. NOR DID MY EXPLANATIONS CONVINCED HIM. HIS COMMENTS STOOD. THE BRITISH DRAFT WAS INCONSISTENT WITH CHINA'S PRINCIPLE OF SOVEREIGNTY. IT WAS FUNDAMENTALLY UNACCEPTABLE AND COULD NOT BE USED AS A BASIS FOR NEGOTIATION. I HAD SAID THAT IN THE DRAFT ONE OF OUR OBJECTIVES HAD BEEN PRECISION. CHINA ALSO THOUGHT THAT THERE SHOULD BE PRECISION. BUT THE CONTENTS OF THE BRITISH DRAFT WERE INCONSISTENT WITH CHINA'S VIEWS. THERE WAS THEREFORE NO QUESTION OF PRECISION IN THE BRITISH DRAFT. PRECISION ON THE QUESTION OF SOVEREIGNTY COULD BE FOUND IN THE CHINESE DRAFT. IT WAS IMPERMISSIBLE UNDER THE PRETEXT OF CLARITY FOR THE BRITISH TO SEEK TO APPROVE CHINESE POLICIES OR TO FORMULATE THE BASIC LAW FOR THE CHINESE GOVERNMENT.

18. I REPEATED THAT WE WERE NOT SEEKING TO DRAFT THE BASIC LAW, BUT AN AGREEMENT BETWEEN US. WE SOUGHT IN SUCH AN AGREEMENT A CLEAR AND PRECISE EXPRESSION OF THE MAIN PRINCIPLES AND ARRANGEMENTS WHICH WOULD OBTAIN AFTER 1997 IN HONG KONG. YOU WOULD CERTAINLY BE URGING THE MERITS OF OUR DRAFT ON CHINESE LEADERS DURING YOUR VISIT.

19 FOR COMMENT SEE MY FOURTH IFT.

EVANS

NNNN

16

PS  
PS/HUS  
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~~

GRS 610

SECRET

IMMEDIATE

DESKBY 131130Z

ADVANCE COPY

FROM PEKING 131050Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 745 OF 13/4/84  
INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: ROUND 12: DINNER

1. THERE WAS NO MUCH SUBSTANTIVE DISCUSSION OVER DINNER. DISCUSSION OF THE AGREEMENT HAS NOW BEEN OVERTAKEN (MY TEL NO 739).

ITEM 2

2. ZHOU SAID THAT HE HAD BEEN VERY DISAPPOINTED AT MY REACTION TO HIS PROPOSALS FOR THE TRANSITIONAL PERIOD. HE HAD DARED TO HOPE THAT WE WOULD SEE NO DIFFICULTIES IN THEM. HE WAS SURPRISED THAT WE SHOULD OBJECT TO DESCRIBING THE PERIOD BETWEEN NOW AND 1997 AS THE TRANSITIONAL PERIOD, AS THE CHINESE HAD USED THIS DESCRIPTION REPEATEDLY IN THE PAST. I ASKED ZHOU TO IMAGINE THE NEGATIVE EFFECT THAT SUCH A DESCRIPTION WOULD HAVE UPON OPION IN HONG KONG. ZHOU COUNTER-CLAIMED THAT IT WOULD HAVE A POSITIVE EFFECT.

BRITISH REPRESENTATION

3. I SAID THAT WE HAD BEEN DISAPPOINTED AT THE CHINESE REACTION. IT SEEMED THAT THE CHINESE WANT TO EQUATE US WITH ALL OTHER COUNTRIES POST-1997. ZHOU ARGUED THAT WE SHOULD HAVE A GREATER ROLE TO PLAY BECAUSE OF THE EXTENT OF OUR ECONOMIC

~~A GREATER ROLE TO PLAY BECAUSE OF THE EXTENT OF OUR ECONOMIC~~  
AND OTHER INTERESTS. I REMINDED ZHOU OF WU XUEQIAN'S COMMENT TO YOU  
IN NEW YORK IN SEPTEMBER THAT BRITISH EXPERIENCE IN  
RUNNING A CAPITALIST ECONOMY WOULD BE VERY HELPFUL  
AND BRITAIN COULD PLAY A GREAT ROLE (UKMIS NEW YORK 1983  
TEL NO 6 TO HONG KONG.) I SAID THAT THIS DID NOT SEEM TO  
US TO EQUATE WITH THE CHINESE POSITION ON BRITISH REPRESENTATION.  
I POINTED OUT THAT OTHER COUNTRIES (EG JAPAN AND THE US)  
COULD WELL HAVE MORE INVESTMENT IN HONG KONG. ZHOU  
COUNTERED THAT WE WOULD HAVE NOTE-ISSUING BANKS AND  
ADDED THAT WU'S REMARK TO YOU HAD BEEN RATHER A "JOKING ONE".

#### TIMETABLE

---

4. ZHOU AGAIN ENQUIRED WHETHER I HAD BEEN INSTRUCTED TO OFFER  
CLARIFICATION ON THE THREE POINTS HE HAD EARLIER RAISED WITH ME  
(PARAGRAPH 5 OF MY TELNO 688). I SAID I HAD NOT.

#### FUTURE ROUNDS

---

5. ZHOU ASKED IF WE COULD AGREE TO TWO FURTHER ROUNDS IN  
MAY. I SAID THAT DECISION ON THIS WOULD HAVE TO WAIT  
UNTIL AFTER YOUR VISIT. (THE GOVERNOR TELLS ME THAT  
HIS TIMETABLE WOULD PERMIT ROUNDS ON 9/10 AND 30/31 MAY)

#### GENERAL

---

6. ZHOU ASKED IF YOU WOULD HAVE A MESSAGE TO CONVEY FROM  
THE PRIME MINISTER. I SAID THAT I HAD NOT HEARD OF ONE.  
IN RESPONSE TO ZHOU'S QUESTION, I SAID THAT THE SUBJECTS WHICH  
YOU WOULD WISH TO DISCUSS WOULD BE THE FORM  
AND CONTENT OF AN AGREEMENT, THE TIMETABLE AND SUBJECTS ON WHICH  
WE WERE STILL NOT AGREED, SUCH AS NATIONALITY AND  
THE PUBLIC SERVICE.

EVANS

NNNN



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

COPIES TO:  
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GRS 200

SECRET

DESBKY 131130Z

FROM PEKING 131048Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 743 OF 13/4/84

INFO IMMEDIATE HONG KONG

MY 4 IPTS: CALL ON ZHOU NAN ON 13 APRIL:

COMMENT

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

COPIES TO:  
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DESBKY 131130Z

FROM PEKING 131000Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 740 OF 13/4/84

INFO IMMEDIATE HONG KONG

MIPT: CALL ON ZHOU NAN ON 13 APRIL:

JOINT DECLARATION.

1. FOLLOWING IS THE TEXT OF THE DRAFT JOINT DECLARATION  
PROPOSED BY CHINA:

JOINT DECLARATION OF THE GOVERNMENT OF THE  
PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF  
THE UNITED KINGDOM  
OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG

(DRAFT)

1. THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE  
GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IREAL  
DN  
HAVE REVEIUED WITH SATISFACTION THE FRIENDLY RELATIONS EXISTING  
BETWEEN THE TWO GOVERNMENTS AND PEOPLES IN RECENT YEARS AND  
AGREED THAT A PROPER NEGOTIATED SETTLEMENT OF THE QUESTION OF  
HONG KONG, WHICH IS LEFT OVER FROM THE PAST, IS CONDUCIV2 TO THE  
FURTHER STRENGTHENING AND DEVELOPMENT OF THE RELATIONS BETWEEN  
THE TWO COUNTRIES ON A NEW BASIS. AFTER TALKS BETWEEN THE DE-  
LEGATIONS OF THE TWO GOVERNMENTS, IT IS AGREED THAT THE UNITED KING-  
DOM GOVERNMENT WILL RESTORE THE HONG KONG AREA (INCLUDING HONGKONG  
ISLAND, KOWLOON AND THE NEW TERRITORIES, THE SAME BELOW)  
TO THE PEOPLE'S REPUBLIC OF CHINA ON 1 JULY 1997 AND

~~TO THE PEOPLE'S REPUBLIC OF CHINA ON 1 JULY 1997 AND~~  
WITHDRAW ALL ITS ARMED FORCES FROM THE HONG KONG AREA.  
THE PEOPLE'S REPUBLIC OF CHINA WILL RESUME THE EXERCISE OF  
ITS SOVEREIGNTY OVER THE HONG KONG AREAS AS FROM 1 JULY  
1997. THE TIME BETWEEN NOW AND 30 JUNE 1997 IS THE TRANSITION PERIOD  
FOR THE SETTLEMENT OF THE HONG KONG QUESTION.

2. THE CHINESE GOVERNMENT DECLARES THAT THE  
GUIDELINES OF THE PEOPLE'S REPUBLIC OF CHINA FOR THE SETTLEMENT  
OF THE HONG KONG QUESTION ARE AS FOLLOWS:

(1) THE HONG KONG AREA HAS BEEN PART OF CHINA'S SACRED  
TERRITORY SINCE ANCIENT TIMES. THE GOVERNMENT OF  
THE PEOPLE'S REPUBLIC OF CHINA DOES NOT RECOGNIZE THE THREE  
UNEQUAL TREATIES CONCERNING THE HONG KONG AREA WHICH  
BRITAIN IMPOSED ON CHINA IN THE 19TH CENTURY. TO RECOVER  
THE HONG KONG AREA AND RESUME THE EXERCISE OF SOVEREIGNTY  
IS THE COMMON ASPIRATION OF THE ENTIRE CHINESE  
PEOPLE, INCLUDING THE COMPATRIOTS IN HONG KONG. IN ORDER  
TO UPHOLD THE UNITY AND TERRITORIAL INTEGRITY OF THE  
COUNTRY AND OUT OF CONSIDERATION FOR THE HISTORICAL  
AND PRESENT CONDITIONS IN THE HONG KONG AREA, THE PEOPLE'S  
REPUBLIC OF CHINA HAS DECIDED TO ESTABLISH, IN ACCORDANCE  
WITH THE PROVISIONS OF ARTICLE 31 OF THE CONSTITUTION OF THE PEOPLES  
REPUBLIC OF CHINA, A HONG KONG SPECIAL ADMINISTRATIVE REGION  
UPON RESUMING EXERCISE OF ITS SOVEREIGNTY OVER THE HONG KONG AREA.

(2) THE HONG KONG SPECIAL ADMINISTRATIVE REGION  
WILL BE DIRECTLY UNDER THE AUTHORITY OF THE CENTRAL PEOPLE'S  
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA. THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION WILL ENJOY A HIGH  
DEGREE OF AUTONOMY,  
EXCEPT IN FOREIGN AND DEFENCE AFFAIRS WHICH  
ARE THE RESPONSIBILITIES OF THE CENTRAL PEOPLE'S GOVERNMENT.

(3) THE HONG KONG SPECIAL ADMINISTRATIVE REGION  
WILL BE VESTED WITH THE POWER OF LEGISLATION AND INDEPENDENT  
JUDICIAL POWER, INCLUDING THAT OF FINAL ADJUDICATION.  
THE LAWS, DECREES AND ORDINANCES CURRENTLY IN  
FORCE WILL REMAIN BASICALLY UNCHANGED.

(4) THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE  
REGION WILL BE CONSTITUTED BY LOCAL INHABITANTS. THE CHIEF  
EXECUTIVE WILL BE APPOINTED BY THE CENTRAL PEOPLE'S GOVERNMENT  
ON THE BASIS OF THE RESULTS OF ELECTIONS OR CONSULTATIONS TO  
BE HELD LOCALLY. THE PRINCIPAL OFFICIALS WILL BE NOMINATED  
BY THE GOVERNMENT OF THE SPECIAL ADMINISTRATIVE REGION FOR APP-  
OINTMENT BY THE CENTRAL PEOPLE'S GOVERNMENT. THE CHINESE  
AND FOREIGN NATIONALS WORKING IN THE PUBLIC AND POLICE  
SERVICES IN THE DEPARTMENTS OF THE BRITISH AUTHORITIES  
IN HONG KONG MAY REMAIN IN EMPLOYMENT. BRITISH  
AND OTHER FOREIGN NATIONALS MAY ALSO BE EMPLOYED  
TO SERVE AS ADVISERS IN ORGANS AT VARIOUS LEVELS IN THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION.

(5) THE CURRENT SOCIAL AND ECONOMIC SYSTEMS IN  
THE HONG KONG AREA WILL REMAIN UNCHANGED, SO WILL THE

~~THE HONG KONG AREA WILL REMAIN UNCHANGED, SO WILL THE~~  
LIFE-STYLE. FREEDOMS OF SPEECH, OF THE PRESS,  
OF ASSEMBLY, OF ASSOCIATION, OF TRAVEL, OF MOVEMENT, OF CORRES-  
PONDENCE, OF STRIKE, OF CHOICE OF OCCUPATION, OF ACADEMIC  
RESEARCH AND OF RELIGIOUS BELIEF WILL BE ENSURED BY  
LAW IN THE HONG KONG SPECIAL ADMINISTRATIVE REGION. PRIVATE  
PROPERTY, OWNERSHIP OF ENTERPRISES, LEGITIMATE RIGHT  
OF INHERITANCE AND FOREIGN INVESTMENT WILL BE  
PROTECTED BY LAW.

(6) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL  
RETAIN THE STATUS OF A FREE PORT AND A SEPARATE TARIFF AREA.

(7) THE HONG KONG SPECIAL ADMINISTRATIVE REGION WILL RETAIN  
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 CONVERTIBLE AS USUAL.

(8) THE HONG KONG SPECIAL ADMINISTRATIVE REGION  
WILL HAVE INDEPENDENT FINANCES.

(9) THE HONG KONG SPECIAL ADMINISTRATIVE REGION  
MAY ESTABLISH MUTUALLY PREFERENTIAL ECONOMIC RELATIONS WITH THE  
UNITED KINGDOM. BRITISH ECONOMIC INTERESTS IN THE  
HONG KONG AREA WILL BE TAKEN CARE OF.

(10) USING THE NAME OF "HONG KONG, CHINA", THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION MAY ON ITS OWN MAINTAIN  
AND DEVELOP ECONOMIC AND CULTURAL RELATIONS AND  
SIGN AGREEMENTS ON THESE MATTERS WITH FOREIGN  
COUNTRIES AND REGIONS AND RELEVANT INTERNATIONAL ORGANIZATIONS.

THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION  
MAY ISSUE ON ITS OWN TRAVEL DOCUMENTS FOR ENTRY  
INTO AND EXIT FROM HONG KONG.

(11) THE MAINTENANCE OF PUBLIC ORDER IN THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION WILL BE THE  
RESPONSIBILITY OF THE GOVERNMENT OF THE HONG KONG SPECIAL  
ADMINISTRATIVE REGION.

(12) THE ABOVE-STATED GUIDELINES ON THE HONG KONG SPECIAL  
ADMINISTRATIVE REGION WILL BE STIPULATED IN A BASIC LAW  
OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE  
PEOPLE'S REPUBLIC OF CHINA TO BE PROBULGATED BY  
THE NATIONAL PEOPLE'S CONGRESS OF THE PEOPLE'S  
REPUBLIC OF CHINA, AND THEY WILL REMAIN UNCHANGED FOR FIFTY YEARS.

THE GOVERNMENT OF THE UNITED KINGDOM EXPRESSES ITS  
APPRECIATION OF THE ABOVE POLICIES DECLARED BY THE CHINESE GOVERN-  
MENT.

~~THE UNITED KINGDOM GOVERNMENT DECLARES THAT DURING~~  
THE TRANSITION PERIOD BETWEEN NOW AND 30 JUNE 1997,  
THE UNITED KINGDOM GOVERNMENT WILL BE RESPONSIBLE FOR  
MAINTAINING AND PRESERVING THE ECONOMIC  
PROSPERITY AND SOCIAL STABILITY OF THE HONG KONG  
AREA.

4. THE TWO SIDES HAVE AGREED THAT WITH ( ) MONTHS AFTER  
THE SIGNING OF THIS JOINT DECLARATION, A SINO-BRITISH JOINT  
GROUP (JOINT COMMITTEE) COMPOSED OF AN EQUAL NUMBER  
OF PERSONS FROM EACH SIDE HEADED BY  
OFFICIALS OF AMBASSADORIAL RANK WILL BE SET UP TO  
CONDUCT CONSULTATIONS WHENEVER NECESSARY DURING  
THE TRANSITION PERIOD ON THE IMPLEMENTATION OF THIS  
JOINT DECLARATION, THE SMOOTH TRANSFER OF GOVERNMENT AND  
OTHER RELATED MATTERS.

5. THIS JOINT DECLARATION SHALL ENTER INTO FORCE ON THE  
DATE OF SIGNING.

ONE IN DUPLICATE AT ON DAY OF  
1984, IN THE CHINESE AND ENGLISH LANGUAGES, BOTH TEXTS  
BEING EQUALLY AUTHENTIC.

(SIGNED)

(SIGNED)

PLENIPOTENTIARY OF THE  
GOVERNMENT OF THE  
PEOPLE'S REPUBLIC OF CHINA

PLENIPOTENTIARY OF THE  
GOVERNMENT OF THE UNITED  
KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND.

EVANS

REF PARA ONE LINE TWO END OF LINE  
SHOULD READ

GR

GREAT BRITAIN AND NRO NORTHERN IRELAND HAVE RECEIVED WITH ETC K

DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1264</i> ..... (one piece/item number)	Date and sign
Extract/Item details:  <i>Codes to Appleyard dated 12 April 1984</i>	
CLOSED FOR ..... <i>45</i> ..... YEARS UNDER FOI EXEMPTION	<i>23/8/13</i> <i>J. Gray</i>
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15

S E C R E T

12444 - 1

DD 112330Z PEKING

DD 112330Z HONG KONG

GRS 332

SECRET

DESKBY 112330Z

FM FCO 111815Z APR 84

TO IMMEDIATE PEKING

TELEGRAM NUMBER 374 OF 11 APRIL

INFO IMMEDIATE HONG KONG DESKBY 112330Z

YOUR TELNOS 702, 703 AND 704: FUTURE OF HONG KONG: TRANSITION PERIOD

1. I AGREE THAT ZHOU NAN'S STATEMENT DIVERGES VERY SHARPLY FROM OUR OWN IDEAS AND SHOULD BE COUNTERED FULLY. I SHOULD MYSELF PREFER TO TAKE THE MATTER UP DURING MY VISIT. THE SUBJECT IS AS IMPORTANT AS THOSE OF THE CONTENT OF THE AGREEMENT AND THE TIMETABLE. IF THE MATTER IS NOT RAISED DURING THE VISIT, WE COULD GIVE THE CHINESE THE IMPRESSION THAT THEIR PROPOSALS DID NOT GIVE US TOO MUCH DIFFICULTY. THERE MIGHT ALSO BE CRITICISM BY EXCO THAT I WAS NOT MYSELF PREPARED TO ARGUE HONG KONG'S CASE ON A KEY ISSUE.

2. MEANWHILE I AGREE THAT YOU SHOULD TAKE AN OPPORTUNITY ON 12 APRIL, IN THE TALKS OR INFORMALLY, TO SPEAK ON THE GENERAL LINES SUGGESTED IN PARS 2 AND 3 OF THIRD TUR.

3. I SHOULD HOWEVER LIKE TO STRENGTHEN YOUR POINTS (B) AND (C) ON THE FOLLOWING LINES:

(B) WHILE CLOSE CONTACT BETWEEN HMG AND THE CHINESE GOVERNMENT WILL CLEARLY BE NECESSARY AS 1997 APPROACHES, THIS WILL HAVE TO BE VERY CAREFULLY PRESENTED IN ORDER TO AVOID DAMAGE TO CONFIDENCE IN HONG KONG. MOREOVER TO ANNOUNCE THAT THE 'TRANSITION PERIOD' WOULD START AS SOON AS AGREEMENT WAS REACHED WOULD HIT CONFIDENCE BADLY. OPINION WILL NEED TIME TO GET USED TO THE CONCEPT OF CHANGE. IT WOULD PROBABLY BE BEST TO AVOID FORMALLY DESIGNATING THE PERIOD PRE-1997 AS A TRANSITIONAL PERIOD.

(C) OUR DISCUSSIONS HAVE SO FAR FOCUSSED ON TWO CONCEPTS:



S E C R E T

12444 - 1

THAT OF CONTINUITY AND THAT OF AUTONOMOUS ADMINISTRATION BY THE  
PEOPLE OF HONG KONG. WE SHOULD NOT ESTABLISH ANY MACHINERY  
BEFORE 1997 WHICH COULD GIVE THE IMPRESSION THAT THE CENTRAL  
PEOPLE'S GOVERNMENT WERE PREPARING TO ADMINISTER HONG KONG  
RATHER THAN TO LEAVE ADMINISTRATION TO THE PEOPLE OF THE  
TERRITORY. NOR WOULD IT BE NECESSARY TO UNDERTAKE SUBSTANTIAL  
CHANGES IN THE LAWS, ADMINISTRATIVE ARRANGEMENTS OR OTHER  
FIELDS, SINCE THIS WOULD NEGATE THE CONCEPT OF CONTINUITY.

HOWE

FUTURE OF HONG KONG

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ED/PUSD

D/ED/PUSD

PES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/FUS

SIR J BULLARD

SIR W HARDING

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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

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DESKBY 111100Z

FROM PEKING 110945Z APR  
TO IMMEDIATE FCO

TELEGRAM NUMBER 703 OF 11/4/84

INFOR IMMEDIATE HONG KONG

MIPT: TWELFTH ROUND: FIRST DAY: COMMENT

1. THE CHINESE PROPOSALS FOR THE PERIOD BETWEEN CONCLUSION OF AN AGREEMENT AND 1997 GO FAR BEYOND THE LIMITED MACHINERY AND SCOPE OF CONSULTATION WHICH OFFICIALS AND MINISTERS WERE CONTEMPLATING IN LATE MARCH (YOUR TEL NO 587 TO HONG KONG).

2. THE PROPOSALS HAVE A NUMBER OF UNACCEPTABLE FEATURES. ONE EXAMPLE IS THAT THE CHINESE SHOULD BE CONSULTED ON ALL IMPORTANT MATTERS BETWEEN CONCLUSION OF AN AGREEMENT AND 1997. IN THE FINANCIAL FIELD THEY ARE INDEED SEEKING MORE THAN THIS, PROPOSING AMONG OTHER THINGS THAT THE BANK OF CHINA SHOULD HAVE A SPECIAL POSITION IN RELATION TO THE EXCHANGE FUND. ANOTHER EXAMPLE IS THAT, WITHOUT KNOWING WHETHER THE CHINESE WILL BE PREPARED TO ACCEPT ANY OBLIGATIONS ON THE CENTRAL QUESTION OF GOVERNMENT STRUCTURE IN THE AGREEMENT, WE SHOULD COMMIT OURSELVES TO BRING TO PASS IN THE YEARS IMMEDIATELY PRECEDING 1997, WHATEVER THEY MAY STIPULATE ON THIS QUESTION IN THE BASIC LAW. THEY HAVE ALSO STATED THAT THE CHIEF EXECUTIVE AND CHIEF OFFICIALS OF AT LEAST THE FIRST SAR GOVERNMENT WILL BE CHOSEN THROUGH CONSULTATIONS RATHER THAN BY ELECTION.

*Very worrying - shows their true colours*  
*MF*

SECRET

/ 3. ZHOU

# SECRET

3. ZHOU DID STATE THAT THE UNITED KINGDOM WOULD BE FULLY RESPONSIBLE FOR THE MAINTENANCE OF SOCIAL AND ECONOMIC STABILITY IN HONG KONG UP TO 1997, THAT THE CHINESE WOULD ACTIVELY COOPERATE WITH US TO SECURE THIS END AND THAT THE MACHINERY WHICH THEY PROPOSED WOULD BE FOR LIAISON PURPOSES AND NOT AN ORGAN OF POWER. BUT HE ALSO ASSERTED THAT WHAT COULD NOT BE AGREED IN THE LIAISON GROUP SHOULD BE REFERRED UPWARDS FOR NEGOTIATION. THIS CONFLICTS WITH THE STATEMENT THAT WE SHALL BE FULLY RESPONSIBLE FOR HONG KONG UNTIL 1997.

4. CAREFUL THOUGHT NEEDS TO BE GIVEN ON HOW TO REPLY TO THESE PROPOSALS. SEE MIFT

EVANS

## FUTURE OF HONG KONG

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RES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

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<sup>2</sup>  
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SECRET

13

SECRET

DESKBY 111100Z

MF

FROM PEKING 110915Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 702 OF 11/4/84 OF 11/4/84

INFOR IMMEDIATE HONG KONG

FUTURE OF HONG KONG: 12TH ROUND OF TALKS: FIRST DAY

SUMMARY

1. ZHOU OPENED DISCUSSION ON ITEMS TWO AND THREE. HE PROPOSED THE ESTABLISHMENT IN HONG KONG OF CONSULTATIVE MACHINERY. HE SET FORWARD CHINESE IDEAS ON MEASURES TO BE TAKEN IN ADVANCE OF THE TRANSFER OF GOVERNMENT. I SOUGHT CLARIFICATION OF EARLIER CHINESE STATEMENTS ON CIVIL AVIATION AND SHIPPING AND SPOKE BRIEFLY ON NATIONALITY.

DETAIL

2. ZHOU RECALLED THAT DURING THE ELEVEN ROUNDS SPENT DISCUSSING AGENDA ITEM 1 THE TWO SIDES HAD REACHED A COMMON UNDERSTANDING ON THE CHINESE PRINCIPLE OF SOVEREIGNTY AND THE CHINESE SIDE HAD SET FORTH THEIR TWELVE GUIDELINES AND HAD ANSWERED VARIOUS QUESTIONS RAISED IN OUR WORKING PAPERS. THE CHINESE SIDE BELIEVED THAT PROGRESS HAD BEEN MADE ON MAJOR ISSUES, PROVIDING A GOOD FOUNDATION FOR FUTURE DISCUSSIONS. HE RECALLED THE UNDERSTANDING BETWEEN THE TWO SIDES THAT WE WOULD BEGIN TODAY DISCUSSION OF AGENDA ITEM 2, AND THAT THE CHINESE SIDE HAD SUGGESTED THAT ITEMS 2 AND 3 SHOULD BE TAKEN IN CONJUNCTION. THE BRITISH HAD RAISED NO OBJECTION TO THIS. OF COURSE, THIS DID NOT PRECLUDE THE POSSIBILITY THAT CERTAIN QUESTIONS REMAINING FROM ITEM 1 COULD STILL BE DISCUSSED AT SUITABLE LENGTH. THE CHINESE SIDE WOULD CONTINUE TO CO-OPERATE WITH THE BRITISH IN THE COURSE OF DISCUSSING ITEMS 2 AND 3 IN AN EFFORT TO OBTAIN POSITIVE RESULTS. IF THE TWO SIDES PURSUED THEIR TALKS IN THE SAME SPIRIT IT WAS ENTIRELY POSSIBLE TO REACH A SATISFACTORY AGREEMENT AT AN EARLY DATE.

SECRET

/ 3. ZHOU

3. ZHOU THEN OFFERED SOME BASIC CHINESE IDEAS ABOUT ARRANGEMENTS FOR THE TRANSITION PERIOD AND FOR THE TRANSFER OF GOVERNMENT. THE FIRST OF THE 12 CHINESE GUIDELINES STATED THAT CHINA WOULD RESUME THE EXERCISE OF SOVEREIGNTY OVER HONG KONG FROM 1 JULY 1997 AND THAT THE TIME UP UNTIL 1997 WAS THE TRANSITION PERIOD FOR THE SETTLEMENT OF THE HONG KONG QUESTION. THE TRANSITION PERIOD WOULD BEGIN AT THE DATE AN AGREEMENT IN PRINCIPLE WAS REACHED BETWEEN CHINA AND BRITAIN AND WOULD END OF 30 JUNE 1997. THE GENERAL PRINCIPLE THAT SHOULD BE FOLLOWED IN MAKING ARRANGEMENTS FOR THE TRANSITION PERIOD WAS THAT BRITAIN WOULD THROUGHOUT HAVE FULL RESPONSIBILITY FOR MAINTAINING ECONOMIC AND SOCIAL STABILITY IN HONG KONG, THAT CHINA WOULD ACTIVELY COOPERATE TO SECURE THIS END, AND THAT CHINA AND BRITAIN SHOULD CO-OPERATE TO ENSURE A SMOOTH TRANSFER OF GOVERNMENT SO AS TO MAINTAIN STABILITY AND PROSPERITY IN HONG KONG. DURING THE TRANSITION PERIOD BOTH CHINA AND BRITAIN SHOULD REFRAIN FROM DOING ANYTHING HARMFUL TO STABILITY AND PROSPERITY AND SHOULD WORK ENTHUSIASTICALLY FOR FURTHER ECONOMIC GROWTH IN HONG KONG.

4. IN THE ECONOMIC FIELD THE CHINESE SIDE CONSIDERED IT NECESSARY TO SECURE A GOOD SETTLEMENT OF THE FOLLOWING QUESTIONS DURING THE TRANSITION PERIOD:

(I) CHINA AND BRITAIN SHOULD COOPERATE TO ENSURE THAT HONG KONG REMAINED A SEPARATE TARIFF AREA AND MAINTAINED ITS EXISTING ECONOMIC RELATIONS. CONSULTATIONS SHOULD BE CONDUCTED WITH THE COUNTRIES AND INTERNATIONAL ORGANISATIONS CONCERNED TO ENABLE HONG KONG AFTER 1997 TO CONTINUE TO ENJOY PREFERENTIAL TREATMENT, SEPARATE QUOTAS AND TO REMAIN A MEMBER OF ASSOCIATE MEMBER OF RELEVANT INTERNATIONAL ORGANISATIONS.

(II) AS THE HONG KONG DOLLAR WOULD CONTINUE TO CIRCULATE AFTER 1997, BRITAIN SHOULD KEEP CHINA INFORMED OF THE ISSUE OF CURRENCY, OF THE MANAGEMENT AND USE OF THE EXCHANGE FUND, AND OF THE CIRCUMSTANCES OF NOTE ISSUING BANKS. THE HONG KONG BRANCH OF THE BANK OF CHINA SHOULD BECOME A MEMBER OF THE ADVISORY COMMISSION ON THE EXCHANGE FUND AND ONE OF THE PRESIDENTS OF THE HONG KONG ASSOCIATION OF BANKS.

(III) TO MAINTAIN ECONOMIC STABILITY THE HONG KONG AUTHORITIES HAD AN OBLIGATION TO SOLVE PROPERLY THE DEFICIT ACCUMULATED IN RECENT YEARS. BRITAIN SHOULD KEEP CHINA INFORMED IN GOOD TIME OF THE STATE OF AFFAIRS AND RELEVANT MEASURES TAKEN.

(IV) CHINA AND BRITAIN SHOULD COOPERATE SO THAT OTHER MATTERS CONDUCTIVE TO THE ECONOMIC PROSPERITY OF HONG KONG COULD BE WELL HANDLED.

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5. THE CHINESE SIDE SUGGESTED THAT IT WOULD BE NECESSARY TO SET UP A PERMANENT SINO-BRITISH JOINT GROUP OR COMMITTEE IN HONG KONG DURING THE TRANSITION PERIOD. THIS SHOULD BE A LIAISON BODY AND NOT AN ORGAN OF POWER. ITS TASKS WOULD BE TO COORDINATE IMPLEMENTATION OF THE SINO-BRITISH AGREEMENT AND TO DISCUSS CONCRETE MEASURES FOR THE SMOOTH TRANSFER OF GOVERNMENT. ISSUES THAT THE JOINT GROUP WAS UNABLE TO SETTLE SHOULD BE SUBMITTED TO A HIGHER LEVEL FOR A NEGOTIATED SETTLEMENT. THE JOINT GROUP SHOULD CONSIST OF REPRESENTATIVES APPOINTED BY THE GOVERNMENT OF EACH SIDE, HEADED BY AN OFFICIAL OF AMBASSADORIAL RANK. IN VIEW OF THE EXTRAORDINARY COMPLEXITY AND IMPORTANCE OF FINANCIAL, ECONOMIC AND MONETARY MATTERS IN HONG KONG, THE JOINT GROUP COULD SET UP A FINANCIAL AND ECONOMIC SUB-GROUP, PLUS POSSIBLY A FOREIGN ECONOMIC RELATIONS SUB-GROUP, TO STUDY THESE MATTERS AND OFFER ADVICE TO THE JOINT GROUP. IN ADDITION, SUB-GROUPS FOR SECURITY, PERSONNEL, LAND AND ENTRY AND EXIT COULD BE FORMED IF NECESSARY. TO ENSURE THE SMOOTH OPERATION OF THE JOINT GROUP, THE HONG KONG AUTHORITIES SHOULD PROVIDE FACILITIES TO THE GROUP AND ITS SUB-GROUPS, INCLUDING UP TO DATED INFORMATION, RELATED DATA, POLICY PAPERS AND SO ON . THESE REPRESENTED GENERAL CHINESE IDEAS FOR SETTING UP JOINT GROUPS.

6. AS FOR THE TRANSFER OF GOVERNMENT, THE CHINESE SIDE BELIEVED THAT CHINA AND BRITAIN SHOULD TAKE APPROPRIATE MEASURES DURING THE TRANSITION PERIOD TO ENSURE A SMOOTH TRANSFER AND AVOID DISLOCATION WHICH WOULD ADVERSELY AFFECT STABILITY AND PROSPERITY IN HONG KONG. THE TRANSITION PERIOD WOULD BE ROUGHLY DIVIDED INTO TWO STAGES:

(I) FROM NOW UNTIL ABOUT 1993, IN OTHER WORDS BEFORE THE PROMULGATION OF THE BASIC LAW. DURING THIS PERIOD BRITAIN SHOULD CREATE THE CONDITIONS FOR AN ORDERLY TRANSFER OF GOVERNMENT AND PROVIDE CHINA WITH DETAILED INFORMATION ABOUT THE WORK OF VARIOUS HONG KONG GOVERNMENT DEPARTMENTS. CHINA WOULD FORMULATE THE BASIC LAW DURING THIS PERIOD.

(II) FROM ABOUT 1994 UNTIL THE END OF JUNE 1997. IN THIS PERIOD THE BASIC LAW WOULD PROBABLY HAVE BEEN PROMULGATED AND 1997 WOULD BE DRAWING CLOSE, SO THE TASKS THAT SHOULD BE ACCOMPLISHED WERE AS FOLLOWS:

(A) AFTER THE PROMULGATION OF THE BASIC LAW CHINA AND BRITAIN SHOULD, THROUGH CONSULTATION, REFORM STEP BY STEP THE LEGISLATIVE, ADMINISTRATIVE AND JUDICIAL ARRANGEMENTS IN HONG KONG TO BRING THEM INTO LINE WITH THE REQUIREMENTS OF THE BASIC LAW. THIS WORK SHOULD BE COMPLETED BEFORE 1 JULY 1997.

(B) THE CHIEF EXECUTIVE AND OTHER PRINCIPAL OFFICIALS OF THE FIRST GOVERNMENT OF THE SAR WOULD BE CHOSEN BY VARIOUS



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CIRCLES IN HONG KONG THROUGH CONSULTATIONS AND REPORTED TO THE CENTRAL PEOPLES GOVERNMENT FOR APPROVAL. FOLLOWING ANNOUNCEMENT OF THEIR APPOINTMENT THEY WOULD ASSUME OFFICE ON 1 JULY 1997.

(C) THE PATTERN AND DESIGN OF THE SAR'S FLAG, EMBLEM, BANK NOTES AND STAMPS WOULD BE DRAWN UP AND FINALISED.

(D) THE REVISION OF HONG KONG LAWS IN CONSEQUENCE OF THE PROMULGATION OF THE BASIC LAW SHOULD BEGIN, THOUGH IT WOULD NOT BE NECESSARY TO COMPLETE THIS WORK BEFORE 1 JULY 1997.

(E) OTHER NECESSARY REFORMS

7. ZHOU CONCLUDED BY SAYING THAT THESE CHINESE IDEAS HAD BEEN CAREFULLY CONSIDERED. IN THE CHINESE VIEW, THEY ACCORDED WITH THE REALITIES OF HONG KONG, WERE CONDUCTIVE TO THE MAINTENANCE OF STABILITY AND PROSPERITY, AND SHOULD NOT BE INCONVENIENT FOR THE BRITISH SIDE. HE HOPED FOR A POSITIVE RESPONSE.

8. I SAID ZHOU HAD MADE A VERY IMPORTANT STATEMENT. WE WOULD STUDY IT WITH THE GREAT CARE AND ATTENTION IT DESERVED. I THEN SPOKE ON CIVIL AVIATION AND SHIPPING, USING RESPECTIVELY THE TEXTS IN YOUR TEL NO 652 TO HONG KONG AND HONG KONG TEL NO 952 TO YOU, AMENDED BY YOUR TEL NO 347. FINALLY I SPOKE ON NATIONALITY, ALONG THE LINES OF YOUR TEL NO 340, ADDING THAT, FOLLOWING YOUR VISIT, THE TWO SIDES COULD NO DOUBT RESUME DISCUSSION OF THIS SUBJECT AT THE NEXT ROUND.

9. ZHOU THANKED ME FOR MY STATEMENTS. HE NOTED MY REMARK THAT WE WOULD STUDY CAREFULLY CHINESE IDEAS ON THE TRANSITION PERIOD AND THE TRANSFER OF GOVERNMENT. HE EXPRESSED THE HOPE THAT WE MIGHT RESPOND TOMORROW. AS FOR CIVIL AVIATION AND SHIPPING, THE CHINESE SIDE WOULD LOOK CAREFULLY AT WHAT I HAD SAID. IT WAS POSSIBLE THEY WOULD RESPOND ON THESE MATTERS TOMORROW. HE INTENDED TOMORROW TO FOCUS ON TWO MATTERS:

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/ (1) A FURTHER

# SECRET

(I) A FURTHER EXPLANATION AND ELABORATION OF CHINESE POLICIES  
RELATING TO MATTERS COVERED IN THE WORKING PAPER ON LAND.

(II) THE QUESTION OF DIPLOMATIC REPRESENTATION IN HONG KONG  
AFTER 1997.

ZHOU PRESSED ME AS TO WHAT I WOULD BE SAYING TOMORROW. I SAID  
I WAS NOT IN A POSITION TO GIVE ANY UNDERTAKINGS. I NOTED HIS  
HOPE THAT WE WOULD RESPOND TOMORROW ON THE TRANSITION PERIOD  
BUT SAID THAT ALL I COULD GUARANTEE WAS THAT WE WOULD STUDY  
EXTREMELY CAREFULLY WHAT ZHOU HAD SAID

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PS/ATTORNEY GENERAL

SIR P CRADOCK RM K195

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DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1264</i> ..... (one piece/item number)	Date and sign
Extract/Item details:  <i>Applying to Coles dated 10 April 1984</i>	
CLOSED FOR ..... <i>45</i> ..... YEARS UNDER FOI EXEMPTION	<i>23/8/13</i> <i>J. Gray</i>
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File

R07

10 DOWNING STREET

*From the Private Secretary*

10 April, 1984

MR. CHOW

Thank you for your letter of 9 April.

I agree that a departmental reply should be sent to Mr. Chow's letter of 1 April to the Prime Minister.

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

DEPARTMENT/SERIES ..... <i>PREM 19</i> .....	Date and sign
PIECE/ITEM ..... <i>1264</i> ..... (one piece/item number)	
Extract/Item details:  <i>Letter to Lord Cromer dated 9 April 1984</i>	
CLOSED FOR ..... <i>45</i> ..... YEARS UNDER FOI EXEMPTION	<i>23/8/13</i> <i>S. Gray</i>
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PIECE/ITEM	..... <i>GRA 168</i> .....
(ONE PIECE/ITEM NUMBER ONLY)	..... <i>49</i> .....

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Foreign and Commonwealth Office

London SW1A 2AH

9 April 1984

*Dear John,*

The attached letter was handed to Mr Luce by Sir S Y Chung at their meeting on 5 April.

Mr Chow is well known to us. He has organised three rallies in Hong Kong over the last six months to oppose the Chinese proposals for the future of the territory and will hold another on 15 April. Each of the rallies to date has been sparsely attended, but Chow's activities have provoked protests from the Chinese and demands that the Hong Kong Government should take immediate action to halt them. Chow clearly has links with Taiwan, but is very much his own man and not a KMT agent.

In the circumstances, I am sure that a reply from the Prime Minister or from No 10 would be inappropriate, even though Sir S Y Chung has personally conveyed the letter. We recommend that a departmental reply from the FCO would be right and will proceed accordingly if you agree.

*Yours ever,*

(P F Ricketts)  
Private Secretary

*Peter Ricketts*

A J Coles Esq  
10 Downing Street



Working Committee,  
Hong Kong Self Salvation  
Movement,  
Rm 14,  
4/F, 760 Nathan Rd,  
Kowloon,  
Hong Kong.  
1 April 1984.

Mrs Margaret Thatcher,  
Prime Minister,  
10 Downing St,  
London.

Dear Madam,

It is known to all that Communist rule is characterised by suppression that leads only to bloodshed, deprivation and dire poverty. Examples of this are many; mainland China certainly is an indisputable one.

The majority - over 80% - of Hong Kong people are once themselves refugees who risked their lives to escape to this colony from the Communist rule on the mainland. They are therefore staunch anti-communists fearful of the Chinese regime.

Should the nightmare of Hong Kong being ruled by the Chinese government become a reality, Hong Kong, we believe, would be deprived of its life and vigour and reduced to a slaughterhouse of the Chinese Communists.

We are a group of Chinese that once fell prey to the tricks of the Chinese Communists. The so-called "self-administration for Hong Kong" is at its best nothing but another big lie of the Communists. So are the empty promises to keep Hong Kong prosperous as it is.

In fact, we as Chinese ourselves should have no reason for rejecting the return of Hong Kong to Chinese rule. The point, however, is that the ruling authority on the mainland is only Chinese in appearance; it harbours a deep-rooted hostility against the Chinese people.

In this connection, we feel it our obligation to point out the Chinese ruling party is in no position to represent Chinese people in much the same way as the local Communist mouthpieces are no true representatives of the voice of the local populace.

If any modicum of conscience is left in them, the Chinese Communists should be shameful of the fact that the mainland Chinese reject their rule and Hong Kong people resist their take-over bid of Hong Kong.

What the Chinese Communists have done in the past three decades or so provides a chilling experience for the Chinese people that arouses only the fear and desperation of the local people.

As regards the 1997 question, the only wish of the Hong Kong people is to keep the status quo of Hong Kong through continued British administration. This paradoxically reflects the sense of desperation and hopelessness most of us suffer from in making a choice that runs counter to our pride and self-esteem.

We fully understand we have no right to tamper with the decision-making process of the British Government on the Hong Kong question. But we believe we do have a say in matters that concern our own safety and the future of our next generations.

At this critical juncture, we strongly urge you or your concerned party to uphold the principle of humanitarianism and justice in your negotiations with the Chinese Government over the future of Hong Kong and ensure that the following conditions are fulfilled:

\* any negotiations over the Hong Kong question must involve participation of representatives from Hong Kong residents,

\* any decision on the Hong Kong question should not become effective without the consent of Hong Kong people,

\* Hong Kong should remain the way it is before a unified China is realised,

\* should the British be left with no other choice but to quit Hong Kong, the administrative rights must be transferred to Hong Kong people.

Thank you very much for your attention in this matter. We would deem it our honour if this letter is taken into account to form part of your consideration in the talks over the 1997 question.

Yours faithfully,

周慶鑽

Chow Hing-chuen  
(for the afore-mentioned  
committee)

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TO IMMEDIATE HONG KONG

TELEGRAM NUMBER 650 OF 6 APRIL

AND TO PEKING

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FUTURE OF HONG KONG: VISIT TO LONDON BY EXCO UNOFFICIALS

1. AS FORECAST IN HONG KONG TELNOS 864 AND 885, THIS WAS NOT AN EASY VISIT. UNOFFICIALS SHOWED CLEARLY THEIR CONCERN, OFTEN EXPRESSED IN EMOTIONAL TERMS, THAT ON THE ONE HAND THE CHINESE WERE NOT TO BE TRUSTED AND ON THE OTHER THAT OUR STRATEGY MIGHT LEAD TO THE EROSION OF OUR BOTTOM LINE. MINISTERS EXPLAINED FIRMLY THAT THEY DID HAVE A BOTTOM LINE BASED ON THE NEED AN ARRANGEMENT WHICH COULD HONOURABLY BE RECOMMENDED TO PARLIAMENT, . THEY AVOIDED GOING INTO SPECIFICS ON THIS. AT SOME STAGE WE MIGHT HAVE TO ENVISAGE A DECISION THAT THAT CRITERION COULD NOT BE MET THROUGH NEGOTIATION AND TO ACCEPT A BREAK IN THE TALKS, EVEN THOUGH THE CONSEQUENCES OF CONFRONTATION WOULD BE VERY SEVERE.

2. MINISTERS STRESSED HOWEVER THAT WE HAD NOT REACHED THE END OF THE PROCESS OF EXPLORING WHETHER A SATISFACTORY AGREEMENT COULD BE BUILT ON THE CHINESE PROPOSALS. NEGOTIATION OF AN AGREEMENT ITSELF WOULD BE A VITAL PART OF THIS. FOR THAT PURPOSE IT WAS ESSENTIAL TO PUT IN OUR OWN DRAFT OF AN AGREEMENT, AS COMPLETE AS POSSIBLE, BEFORE MY VISIT TO PEKING. ONE PURPOSE OF THAT VISIT WOULD BE TO ARGUE STRONGLY FOR OUR DRAFT AGREEMENT AND TO KEEP IT ON THE NEGOTIATING TABLE. WE SHALL HAVE TO DECIDE OUR STRATEGY IN PEKING IN THE LIGHT OF THE CHINESE REACTION.

AGREEMENT AND ANNEXES

3. UNOFFICIALS AGREED THAT THE QUOTE MAXIMALIST UNQUOTE DRAFT AGREEMENT SHOULD BE PRESENTED TO THE CHINESE AS QUICKLY AS

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POSSIBLE WITH A SPECIMEN ANNEX. THE REMAINING ANNEXES COULD ALSO BE PRESENTED, BEFORE MY VISIT, AS SOON AS THEY WERE REVISED. THE ONLY ONES WHICH WOULD BE HELD UP WOULD BE THOSE ON WHICH SUBSTANTIVE DISCUSSION WITH THE CHINESE WAS STILL IN PROGRESS: NATIONALITY, CIVIL AVIATION AND SHIPPING. SEPARATE INSTRUCTIONS ARE BEING SENT TO PEKING ON THIS.

AGENDA ITEM 2.

4. UNOFFICIALS EXPRESSED CONCERN ABOUT THE RISK OF THE CHINESE BEING GIVEN A SAY IN ARRANGEMENTS BEFORE 1997 AND FOR THIS REASON WERE AGAINST OUR PROPOSING INSTITUTIONALISED MACHINERY TO COVER ITEM 2 POINTS. IT WAS AGREED THAT WE SHOULD APPROACH THIS ITEM VERY CAUTIOUSLY AND FOR THE MOMENT SHOULD MERELY ENCOURAGE THE CHINESE TO PUT FORWARD THEIR IDEAS SO THAT WE COULD ASSESS BETTER HOW WE MIGHT TURN DISCUSSION OF ITEM 2 TO OUR ADVANTAGE.

TIMETABLE

5. ON THE TIMETABLE FOR TALKS AND THE PROCESSING OF AN AGREEMENT, UNOFFICIALS STATED THAT THEY COULD NOT AGREE TO ANY CHANGE IN THE STRATEGY PROPOSED BY MINISTERS IN MARCH INVOLVING:

- (A) PRELIMINARY MINISTERIAL STATEMENT:
- (B) PUBLICATION OF A DRAFT AGREEMENT ALLOWING FOR DISCUSSION IN HONG KONG:
- (C) DEBATE IN PARLIAMENT:
- (D) SIGNATURE OF AN AGREEMENT:
- (E) RATIFICATION ONLY AFTER THE APPEARANCE OF A SATISFACTORY BASIC LAW.

THE UNOFFICIALS SAID THAT THEY WOULD LIKE TO ADD TO THIS STRATEGY A SECOND STATEMENT ON QUOTE UNVEILING UNQUOTE BETWEEN STAGES (A) AND (B).

6. DURING MR LUCE'S DISCUSSION WITH THE UNOFFICIALS HE ASKED THEM TO CONSIDER AN ALTERNATIVE STRATEGY ON RATIFICATION WHICH MIGHT GET ROUND THE CHINESE OBJECTION TO DELAY AND GAIN ADVANTAGE FOR US. THIS WOULD INVOLVE, AFTER SIGNATURE, AN ACT OF PARLIAMENT ENABLING THE EXECUTIVE AT A LATER DATE TO PASS AN ORDER IN COUNCIL WHICH WOULD TRANSFER SOVEREIGNTY TO CHINA, WITHOUT ANY FURTHER REFERENCE TO PARLIAMENT. THIS ARRANGEMENT

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SHOULD ENABLE US TO ARGUE MORE STRONGLY WITH THE CHINESE FOR A DETAILED AGREEMENT TYING PEKING DOWN ON THE BASIC LAW. DESPITE MUCH ARGUMENT, THE UNOFFICIALS CONSISTENTLY OPPOSED THIS PROPOSAL, ON THE GROUNDS THAT CONTROL OVER THE FINAL ACTION WOULD BE REMOVED FROM PARLIAMENT TO THE EXECUTIVE. AT THE MEETING WITH THE PRIME MINISTER THEY RESTATED THEIR OBJECTION. OUR DISAGREEMENT WITH EXCO ON THIS POINT, IF UNRESOLVED, WILL PUT SERIOUS CONSTRAINTS ON OUR HANDLING OF OUR DISCUSSIONS DURING MY VISIT TO PEKING. IT IS IMPORTANT THAT HE HAS SOME LATITUDE IN ORDER TO PRESS THE CHINESE ON OTHER FEATURES OF THE TIMETABLE AND TO ARGUE FOR A DETAILED AGREEMENT. WE HAVE AGREED WITH THE GOVERNOR THAT IT WILL BE IMPORTANT TO TRY TO CONVINCE EXCO ON THIS POINT.

BEGIN UNDERLINING NATIONALITY CEASE UNDERLINING

7. AS EXPECTED, THE UNOFFICIALS WERE PARTICULARLY FORCEFUL ON THE QUESTION OF NATIONALITY. THEY HAVE TWO MAIN CONCERNS. ON THE ONE HAND THEY WANTED US TO MAINTAIN OUR POSITION IN NEGOTIATION WITH THE CHINESE. ON THE OTHER THEY WANTED REASSURANCE BY THE BRITISH GOVERNMENT THAT, NO MATTER WHAT THE OUTCOME OF THE NEGOTIATIONS, THE EXISTING RIGHTS OF BDTCS WOULD NOT BE ERODED. MINISTERS EXPLAINED THAT I WOULD PRESS OUR ORIGINAL PROPOSALS ON THE CHINESE BUT THAT WE WOULD NEED TO RECONSIDER THE POSITION IN THE LIGHT OF PEKING'S RESPONSE.

BEGIN UNDERLINING UNVEILING CEASE UNDERLINING

8. UNOFFICIALS STRESSED THAT THEY WISHED TO SEE IN ADVANCE THE TEXT OF THE APRIL UNVEILING STATEMENT (AND OF ANY OTHER LATER STATEMENT). IT WAS EXPLAINED THAT THE STATEMENT WOULD HAVE TO TAKE INTO ACCOUNT THE RESULT OF THE PEKING VISIT. EXCO WOULD HAVE A CHANCE TO DISCUSS IT WITH ME DURING MY MEETING WITH THEM ON 19 APRIL.

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FUTURE OF HONG KONG

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RES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

SIR W HARDING

MR WILSON

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TO IMMEDIATE PEKING  
TELEGRAM NUMBER 335 OF 6 APRIL  
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MIPT: FUTURE OF HONG KONG: AGREEMENT

FOLLOWING IS THE FINAL TEXT OF THE DRAFT AGREEMENT WHICH SHOULD BE HANDED TO THE CHINESE:

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 BASED UPON THE COMMON LAW AND THE RIGHTS AND FREEDOMS OF INDIVIDUALS PROTECTED BY LAW: 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

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(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 PARAGRAPH 4(IV) 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 HONG KONG (CHINA) 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 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) OR FROM OUTSIDE 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 (CHINA) 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, REGIONS AND INTERNATIONAL ORGANISATIONS.
- (VII) IN CONSEQUENCE OF THE SEVERANCE OF CONSTITUTIONAL LINKS



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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 THEIR 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 PROVIDE CONTINUITY OF EMPLOYMENT TO ALL MEMBERS OF THE PUBLIC SERVICE IN EMPLOYMENT ON 30 JUNE 1997 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).

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 COOPERATE 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

OPEN SQUARE BRACKETS AN ARTICLE ON NATIONALITY. CLOSE SQUARE BRACKET

## ARTICLE 6

THE ANNEXES TO THIS AGREEMENT SHALL BE TREATED AS AN INTEGRAL PART THEREOF.

## ARTICLE 7

OPEN SQUARE BRACKETS AN ARTICLE ON REPRESENTATION OF THE UNITED KINGDOM AND OTHER COUNTRIES IN HONG KONG (CHINA), AFTER 1997. CLOSE SQUARE BRACKETS.

## 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 AUTHORIZED HERETO 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  
GREAT BRITAIN AND NORTHERN IRELAND

FOR THE GOVERNMENT OF  
THE PEOPLE'S REPUBLIC

HOWE

-- FUTURE OF HONG KONG

LIMITED

ED/ED

ED/FED

ED/PLANNING STAFF

ED/FUSD

D/ED/FUSD

RES B. (MR WALKER)

LEGAL ADVISER (MR FREELAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/FUS

SIR J BULLARD

SIR W HARDING

MR WILSON

MR WRIGHT

SIR C TUCKELL

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

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

~~RESIDENT CLERK~~

SECRET  
FM PEKING 060915Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 670 OF 6 APRIL  
INFO IMMEDIATE HONG KONG

A.J.C. 6/4.  
f.a.

MIPT: FUTURE OF HONG KONG: DINNER WITH ZHOU NAN: COMMENT

1. THIS WAS NOT AN ENCOURAGING CONVERSATION. ZHOU TOOK A HARD LINE AND SHOWED NO SIGNS OF FLEXIBILITY ON MOST OF THE ISSUES DISCUSSED. HE LECTURED RATHER THAN ARGUED FOR MUCH OF THE TIME. HE WAS CATEGORICAL THAT THERE COULD BE NO QUESTION OF LINKAGE BETWEEN RATIFICATION AND THE BASIC LAW AND ON THE CHINESE REQUIREMENT THAT AN AGREEMENT SHOULD BE SIGNED BY SEPTEMBER.
2. I AM WORRIED BY WHAT ZHOU SAID ABOUT BRITISH DOMESTIC LEGISLATION. AT ONE POINT IN THE EVENING, HE SEEMED TO BE ARGUING THAT CHINA COULD NOT ACCEPT THE PASSAGE OF LEGISLATION TO TRANSFER SOVEREIGNTY AFTER THE SIGNATURE OF AN AGREEMENT. AT ANOTHER POINT, WHEN ARGUING THAT A LONG INTERVAL BETWEEN SIGNATURE AND RATIFICATION WAS NOT NECESSARY, HE GAVE US A GARBLED ACCOUNT OF THE PONSONBY RULE. GALSWORTHY AND I EXPLAINED WHY LEGISLATION WOULD BE NEEDED. I ALSO EXPLAINED THAT AN INTERNATIONAL AGREEMENT WHICH REQUIRES LEGISLATION MUST BE LAID BEFORE PARLIAMENT FOR MORE THAN 25 WORKING DAYS. WE SHALL HAVE TO EDUCATE THE CHINESE ON AT LEAST THREE POINTS:  
(A) THE NEED FOR LEGISLATION TO GIVE EFFECT TO ANY COMMITMENT IN AN AGREEMENT TO TRANSFER SOVEIGHTY SEMICOLON  
(B) THE NEED FOR LEGISLATION ON OTHER MATTERS (EG NATIONALITY) SEMICOLON AND  
(C) THE REASONS WHY NO LEGISLATION CAN PRECEDE THE SIGNATURE OF AN AGREEMENT.

(C) THE REASONS WHY NO LEGISLATION CAN PRECEDE THE SIGNATURE OF AN AGREEMENT.

IT WOULD BE MOST HELPFUL IF BURROWS COULD COME TO PEKING EQUIPPED TO TALK TO CHINESE LEGAL EXPERTS ON THIS COMPLEX OF ISSUES.

3. ON THE AGREEMENT ITSELF, THIS CONVERSATION HAS STRONGLY REINFORCED ME IN MY VIEW THAT WE WOULD DO BETTER TO PRESENT AN INITIAL DRAFT WHICH TAKES INTO ACCOUNT THE CHINESE UNWILLINGNESS TO HAVE FORMAL AGREEMENT BETWEEN THE TWO PARTIES ON MATTERS WHICH THEY REGARD AS CHINA'S INTERNAL AFFAIRS (MY TELNO 606). THERE WAS PERHAPS ONE SLIGHT CHINK OF LIGHT IN ZHOU'S SUGGESTION THAT SOME OF THE MORE IMPORTANT MATTERS OF DETAIL MIGHT APPEAR IN ANNEXES. WE COULD CERTAINLY REFER BACK TO THIS REMARK WHEN WE FINALLY GIVE OUR DRAFT TO THE CHINESE.

EVANS

NNNN

# ADVANCE COPY

10

FUTURE OF HONG KONG

ADVANCE COPIES

11

PS  
PS/PUS  
PS/MR LUCE  
MR WILSON  
ED/EKD  
ED/PED

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

RESIDENT CLERK

SECRET  
DESKBY FCO 061130Z  
FM PEKING 060910Z  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 669 OF 6 APRIL  
INFO IMMEDIATE HONG KONG

## FUTURE OF HONG KONG: DINNER WITH ZHOU NAN: 5 APRIL

1. I GAVE ZHOU NAN DINNER ON 5 APRIL. GALSORTHY AND ZHANG YOUYUN, ZHOU'S INTERPRETER, WERE ALSO PRESENT. THE CONVERSATION ABOUT HONG KONG LASTED FOR OVER THREE HOURS. WHAT FOLLOWS IS A COLLATED ACCOUNT OF A DISCUSSION WHICH FREQUENTLY DOUBLED BACK ON ITSELF.

### YOUR VISIT

2. ZHOU SAID THE CHINESE SIDE HAD NOTED THAT YOU WISHED THE FOCUS TO BE ON HONG KONG. THEY DID NOT THINK THAT THERE WOULD BE MANY PROBLEMS OVER BILATERAL MATTERS OR GENERAL INTERNATIONAL ISSUES. ON HONG KONG, THEY WOULD LIKE TO KNOW SPECIFICALLY WHAT YOU WISHED TO RAISE. YOUR VISIT WOULD BOTH BE AN OPPORTUNITY AND A CRUCIAL MOMENT IN THE TALKS. THE QUESTION WAS, WHAT WOULD THE NEXT PHASE BE?

3. I SAID ON A PERSONAL BASIS THAT I THOUGHT YOU WOULD WISH TO DISCUSS THE TIMETABLE, THE FORM AND CONTENT OF AN AGREEMENT, AND SOME ISSUES ALREADY DISCUSSED IN THE TALKS ON WHICH WE WERE NOT AGREED, SUCH AS NATIONALITY AND CONSTITUTIONAL STRUCTURES. YOU MIGHT ALSO HAVE SOMETHING TO SAY ON YOUR WISH TO MAKE A STATEMENT ON THE PROGRESS OF THE TALKS IN THE SPRING.

4. I ASKED ZHOU WHAT HIS OWN LEADERS' PREOCCUPATIONS WOULD BE. HE REPLIED THAT HE COULD NOT SAY AS HE HAD NOT SEEN THEM LATELY. HOWEVER, HE KNEW THAT THEY WERE ANXIOUS THAT THE VISIT SHOULD BE SUCCESSFUL. THIS WOULD REQUIRE IN TURN THAT IT PRODUCED RESULTS. IT WOULD NOT BE A SUCCESSFUL VISIT IF IT RESULTED IN NOTHING MORE THAN THE SIGNATURE OF A CONSULAR

~~RESULTED IN NOTHING MORE THAN THE SIGNATURE OF A CONSULAR AGREEMENT (SEE MY TELNO 653).~~ TO FACILITATE DISCUSSIONS DURING THE VISIT IT WOULD BE NECESSARY FOR EACH SIDE TO HAVE A CLEAR UNDERSTANDING OF THE OTHER'S POSITION. THERE SHOULD BE FURTHER DISCUSSIONS BETWEEN HIM AND ME BEFORE THE VISIT ON THE TIMETABLE, ON HOW TO PUBLISH THE RESULTS OF THE NEGOTIATIONS, ON RATIFICATION, AND ON THE FORM AND CONTENT OF THE AGREEMENT—UNLESS THE BRITISH SIDE WISHED TO WAIT UNTIL YOU CAME IN ORDER TO CLARIFY THEIR POSITION ON THESE MATTERS. THE CHINESE SIDE, HOWEVER, THOUGHT THAT IT WOULD BE BETTER TO HAVE FURTHER TALKS BEFORE THE VISIT, SINCE THERE WOULD NOT BE TIME FOR CHINESE LEADERS TO DISCUSS DETAILS WITH YOU. IF HE AND I COULD REACH AN UNDERSTANDING ON MATTERS OF DETAIL BEFOREHAND, THE VISIT WOULD BE FACILITATED. THE LEADERS COULD THEN CONCENTRATE ON IMPORTANT ISSUES WHICH WERE OUTSTANDING. I SAID THAT THE PURPOSE OF OUR LEADERS MEETING WAS PRECISELY TO DISCUSS OUTSTANDING ISSUES.

5. ZHOU SAID THAT HE HAD READ YOUR STATEMENT IN PARLIAMENT ON 22 MARCH. WHAT DID YOU INTEND TO SAY IN YOUR STATEMENT IN THE SPRING? AS HE HAD SAID BEFORE, IN THE CHINESE VIEW THE ONLY THING WHICH COULD BE SAID IN SUCH A STATEMENT WAS THAT THE UNITED KINGDOM WOULD TRANSFER SOVEREIGNTY OVER HONG KONG TO CHINA. CHINA COULD NOT ALLOW THE BRITISH SIDE TO PUBLISH DETAILS OF THE TALKS WHERE THE TWO SIDES WERE NOT YET AGREED. IT WAS CHINA'S BUSINESS TO PUBLISH THE DETAILS OF THE CHINESE PROPOSALS FOR HONG KONG. CHINA DID NOT WANT A SITUATION IN WHICH THE CHINESE SIDE WAS FORCED TO SAY PUBLICLY THAT THEY DID NOT AGREE WITH YOUR STATEMENT AFTER THE CONCLUSION OF YOUR VISIT TO CHINA.

I SAID THAT I COULD NOT YET SAY WHAT YOU WOULD WISH TO SAY IN YOUR STATEMENT. I DID NOT THINK THAT YOU WOULD SEEK TO INTERPRET THE POLICIES OF ANOTHER GOVERNMENT SEMICOLON I CERTAINLY SHARED ZHOU'S HOPE THAT THERE WOULD BE NO NEED FOR THE CHINESE SIDE TO CONTRADICT WHAT YOU SAID.

TIMETABLE.

6. ZHOU REPEATED THAT THE CHINESE POSITION REMAINED THAT A FORMAL AGREEMENT MUST BE SIGNED BY SEPTEMBER. PARLIAMENTARY PROBLEMS WERE AN INTERNAL BRITISH AFFAIR, THOUGH THE CHINESE SIDE UNDERSTOOD THEM. HE SAID THAT HE HAD IN THE PAST SPOKEN OF TWO POSSIBILITIES. ONE WAS SIGNATURE OF AN AGREEMENT IN SEPTEMBER, FOLLOWED BY A DEBATE ON THAT AGREEMENT WHEN PARLIAMENT RE-ASSEMBLED AFTER THE RECESS. THE OTHER WAS THE CONCLUSION OF A DRAFT AGREEMENT AT THE END OF MAY OR IN EARLY JUNE, WHICH WOULD LEAVE PARLIAMENT ADEQUATE TIME TO DEBATE IT BEFORE THE RECESS.

7. IN THE VIEW OF THE CHINESE SIDE NO CHANGES COULD BE MADE TO

7. ~~IN THE VIEW OF THE CHINESE SIDE NO CHANGES COULD BE MADE TO~~  
AN AGREEMENT WHICH HAD BEEN SIGNED. THEY HAD BEEN TAKING ADVICE  
FROM "EMINENT STATESMEN" IN LONDON THROUGH THEIR EMBASSY.  
THEIR ADVICE WAS THAT THERE WAS NO CONSTITUTIONAL REASON WHY  
THE BRITISH GOVERNMENT SHOULD NEED TO HAVE AN INTERNATIONAL  
AGREEMENT DEBATED IN PARLIAMENT BEFORE SIGNATURE. HOWEVER  
IF THE BRITISH GOVERNMENT STILL SAW DIFFICULTIES, THE SECOND  
SCENARIO WAS ALSO POSSIBLE. THE CHINESE THOUGHT THAT " WITH  
SINCERITY AND THE WILL ON BOTH SIDES" AN AGREEMENT COULD BE  
CONCLUDED BY THE END OF MAY OR IN EARLY JUNE. PARLIAMENT COULD  
COMPLETE WHATEVER CONSTITUTIONAL PROCEDURES WERE NECESSARY  
BEFORE IT WENT INTO RECESS.

8. TURNING TO THE LONGER TERM, THE CHINESE SIDE COULD NOT  
UNDERSTAND THE BRITISH SIDE'S CONTENTION THAT FURTHER LEGISLATION  
WOULD BE NECESSARY ON BOTH SIDES AFTER THE SIGNATURE OF THE  
AGREEMENT. THE AGREEMENT ITSELF MUST TACKLE THE CENTRAL PROBLEM  
OF SOVEREIGNTY, WHICH WAS THE CORE OF THE AGREEMENT. I HAD  
TOLD HIM THAT THE AGREEMENT WOULD DEAL SQUARELY WITH THE ISSUE OF  
SOVEREIGNTY. IN THE VIEW OF THE CHINESE SIDE ONCE THE AGREEMENT  
HAD BEEN SIGNED THERE SHOULD BE NO QUESTION OF A BRITISH LEGISLATIVE  
BODY MAKING LEGISLATION ON THE TRANSFER OF SOVEREIGNTY. THE  
BRITISH SIDE HAD ALSO SPOKEN OF THE NEED FOR THE CHINESE SIDE  
TO COMPLETE ITS LEGISLATION ON THE BASIC LAW BEFORE RATIFICATION.  
THE CHINESE REACTION TO THIS HAD BEEN STRONG. THE BASIC LAW  
WAS AN INTERNAL CHINESE AFFAIR WHICH DID NOT NEED THE APPROVAL  
OF OTHER COUNTRIES. IT WAS TOTALLY UNACCEPTABLE TO CHINA THAT  
THERE SHOULD BE ANY LINK BETWEEN RATIFICATION AND THE BASIC LAW.  
THESE WERE IMPORTANT QUESTIONS WHICH HAD A BEARING ON THE SUCCESS  
OR FAILURE OF YOUR VISIT.

9. I SAID THAT WE RECOGNISED THAT THE AGREEMENT ONCE SIGNED  
COULD NOT BE VARIED. IT WAS FOR THIS REASON THAT PARLIAMENTARY  
DEBATE WAS NECESSARY BEFORE SIGNATURE SEMICOLON OTHERWISE  
SUCH DEBATE WOULD BE MERELY PROFORMA. IT WAS THE JUDGEMENT  
OF BRITISH MINISTERS THAT ON AN AGREEMENT OF THIS IMPORTANCE  
IT WAS POLITICALLY ESSENTIAL THAT THERE SHOULD BE A DEBATE  
BEFORE SIGNATURE. IN ANSWER TO ZHOU, I SAID THAT THIS WAS A  
POLITICAL, AND NOT A LEGAL REQUIREMENT. I CITED THE EC ACCESSION  
TREATY PRECEDENT. THE FIRST CHINESE SCENARIO WAS THEREFORE IMPOSSIBLE  
FOR US. PARLIAMENT COULD NOT BE TAKEN FOR GRANTED ON SUCH A MAJOR  
ISSUE.

10. ON THE SECOND SCENARIO, WE WERE SCEPTICAL ABOUT THE  
POSSIBILITY OF COMPLETING A DRAFT AGREEMENT BY THE END OF MAY  
OR IN EARLY JUNE. THERE WAS TOO MUCH STILL TO BE DONE. WE HAD  
NOT AGREED ON MANY ISSUES UNDER ITEM ONE AND WE DID  
NOT YET KNOW WHAT WOULD COME UP UNDER ITEMS TWO AND THREE

~~NOT YET KNOW WHAT WOULD COME UP UNDER ITEMS TWO AND THREE~~  
OF THE AGENDA. EVEN IF WORK ON AN AGREEMENT COULD BE COMPLETED  
BY THE END OF JUNE, THERE WOULD BE ONLY A FEW WEEKS FOR PARLIAMENT  
TO CONSIDER IT BEFORE THE RECESS. THIS WAS NOT ENOUGH.

11. I PRESSED ZHOU ON WHETHER THE CHINESE SAW THE PROBLEMS  
OF TIMING THIS YEAR OR THE LONGER TERM PROBLEM ON RATIFICATION  
AS MORE DIFFICULT. HE SAID THAT THERE WERE THREE QUESTIONS  
WHICH THE CHINESE REGARDED AS EQUALLY IMPORTANT. THE FIRST  
WAS THE NEED FOR A FORMAL AGREEMENT TO BE COMPLETED BY SEPTEMBER.  
THE SECOND WAS THE NEED FOR THAT AGREEMENT TO DEAL SQUARELY WITH  
THE QUESTION OF SOVEREIGNTY. THE THIRD WAS THE QUESTION OF  
RATIFICATION PROCEDURES.

12. I SAID THAT, ALTHOUGH THE AGREEMENT WOULD DEAL SQUARELY  
WITH THE ISSUE OF SOVEREIGNTY, DOMESTIC LEGISLATION WOULD  
STILL BE NECESSARY. ZHOU REPLIED THAT, IF A DEBATE WAS TO  
TAKE PLACE BEFORE SIGNATURE OF THE AGREEMENT, THE CHINESE  
SIDE DID NOT SEE WHY THAT DEBATE COULD NOT TAKE CARE OF ANY  
DOMESTIC LEGISLATION WHICH MIGHT BE NECESSARY ON SOVEREIGNTY.  
IF PARLIAMENT APPROVED AN AGREEMENT WHOSE CENTRAL ISSUE WAS  
SOVEREIGNTY, HOW COULD FURTHER LEGISLATION BE NECESSARY? I  
EXPLAINED THE DIFFERENCE BETWEEN A PARLIAMENTARY DEBATE AND  
LEGISLATION. INTERNATIONAL AGREEMENTS FREQUENTLY GAVE RISE  
TO THE NEED FOR LEGISLATION. IN THIS CASE IT WOULD BE  
NECESSARY TO LEGISLATE ON SOVEREIGNTY IN ORDER TO BRING BRITISH  
DOMESTIC LAW INTO LINE WITH ANY OBLIGATIONS WHICH MIGHT BE  
ASSUMED UNDER AN AGREEMENT WITH CHINA. THIS WAS A LEGAL FACT,  
NOT A POLITICAL DECISION. IT MIGHT ALSO BE NECESSARY TO  
LEGISLATE ON OTHER ASPECTS, SUCH AS NATIONALITY, AIR SERVICES  
AND PENSIONS. SUCH LEGISLATION WAS CONSEQUENTIAL ON THE AGREEMENT  
AND COULD NOT PRECEDE IT, IN PRECISELY THE SAME WAY THAT THE  
DRAFTING OF THE BASIC LAW WAS CONSEQUENTIAL ON THE AGREEMENT  
AND COULD NOT PRECEDE IT. I QUOTED THE CASE OF MR HEATH'S  
GOVERNMENT INTRODUCING LEGISLATION AFTER THE SIGNATURE OF OUR  
TREATY OF ACCESSION TO THE EC. ZHOU NAN SAID THAT MY  
ARGUMENTS WERE NOT CONVINCING. BESIDES, THE BASIC LAW WAS A  
PURELY INTERNAL AFFAIR. IT MIGHT TAKE 5 TO 6 YEARS TO DRAFT IT.  
THE AGREEMENT COULD NOT REMAIN UNRATIFIED FOR SUCH A PERIOD OF  
TIME OR IT WOULD BECOME A LAUGHING STOCK. THIS WOULD ALSO BE BAD  
FOR STABILITY AND PROSPERITY IN HONG KONG.

13. ZHOU ASKED IF WE WERE AFRAID THAT THE BASIC LAW WOULD  
CONTRADICT THE AGREEMENT. IF SO, THERE WAS NO MINIMUM TRUST.  
WHAT WOULD BE THE POINT OF THE TALKS? ASKED HOW HE COULD BE  
SURE THAT THE NATIONAL PEOPLE'S CONGRESS, A SOVEREIGN BODY,  
WOULD ENACT A BASIC LAW IN ACCORDANCE WITH THE AGREEMENT, HE  
REPLIED THAT IT WAS UNTHINKABLE THAT THE NPC WOULD FAIL TO DO



CONTRADICT THE AGREEMENT. IF SO, THERE WAS NO MINIMUM TRUST. WHAT WOULD BE THE POINT OF THE TALKS? ASKED HOW HE COULD BE SURE THAT THE NATIONAL PEOPLE'S CONGRESS, A SOVEREIGN BODY, WOULD ENACT A BASIC LAW IN ACCORDANCE WITH THE AGREEMENT, HE REPLIED THAT IT WAS UNTHINKABLE THAT THE NPC WOULD FAIL TO DO THIS. THE AGREEMENT WOULD BE PUT TO THE NPC IMMEDIATELY AFTER SIGNATURE FOR RATIFICATION. THIS WOULD NOT TAKE LONG. AT THIS POINT, THE NPC WOULD AGREE TO THE TERMS OF THE AGREEMENT AND THERE WAS NO POSSIBILITY OF THEIR THEREAFTER PASSING A BASIC LAW WHICH WAS NOT IN CONFORMITY WITH IT. A PERIOD COULD BE SET ASIDE FOR RATIFICATION AFTER SIGNATURE, BUT IT MUST BE SHORT. THE AGREEMENT MUST BE FULLY IN FORCE BY THE END OF THE YEAR. HE MENTIONED THE POSITIVE AND NEGATIVE RESOLUTION PROCEDURES IN THE BRITISH PARLIAMENT.

14. ZHOU AGAIN STRESSED THAT RATIFICATION COULD NOT BE LINKED IN ANY WAY TO THE BASIC LAW. HE PRESSED ME TO SAY WHETHER THE BRITISH SIDE WERE INSISTING ON SUCH A LINK OR NOT. HE HAD HEARD "FROM OTHER SOURCES" THAT WE WERE NOT. I SAID THAT I COULD ADD NOTHING TO WHAT I HAD SAID TO HIM ON THE SUBJECT ON 9 MARCH. ZHOU SAID THAT IF WE WERE TRYING TO PUT OFF RATIFICATION, THE ONLY CONCLUSION HE COULD DRAW WAS THAT WE WERE TRYING TO DRAG THINGS OUT, AND THAT WE MUST WISH TO SEE THE STABILITY AND PROSPERITY OF HONG KONG DESTROYED. I SAID THAT HE MUST KNOW PERFECTLY WELL THAT THAT WAS NOT OUR MOTIVE. APART FROM ANYTHING ELSE, THE COLLAPSE OF STABILITY AND PROSPERITY IN HONG KONG WOULD CAUSE US SEVERE DIFFICULTIES SO LONG AS WE WERE STILL ADMINISTERING HONG KONG. ZHOU REPLIED THAT, IN THAT CASE, WE SHOULD NOT ADOPT POLICIES WHICH WOULD DAMAGE STABILITY AND PROSPERITY.

15. ZHOU ASKED HOW WE THOUGHT IT WOULD BE POSSIBLE TO PUBLISH A DRAFT AGREEMENT AT THE END OF MAY OR EARLY JUNE. WOULD IT BE INITIALLED? I SAID THAT I HAD NO FIRM INSTRUCTIONS ON THIS POINT. ZHOU SAID THAT THE DOCUMENT WOULD HAVE NO STATUS IF IT WERE NOT INITIALLED SEMICOLON IT COULD NOT EVEN BE CALLED AN AGREEMENT. HOW COULD WE PUBLISH SUCH A "PECULIAR" DOCUMENT, AND HOW COULD PARLIAMENT DISCUSS IT? HE CONFIRMED THAT THE CHINESE SIDE COULD NOT AGREE TO ANY CHANGES TO SUCH A DOCUMENT ONCE IT HAD BEEN PUBLISHED.

16. I ASKED ZHOU WHAT LINK THE CHINESE SAW BETWEEN THE AGREEMENT AND THE BASIC LAW. ZHOU SAID THAT DRAFTING WORK ON THE BASIC LAW WOULD START AS SOON AS THE AGREEMENT HAD BEEN CONCLUDED. THE LAW WOULD BE DRAFTED ON THE BASIS OF THE AGREEMENT AND WOULD REFLECT IT.

FORM AND CONTENT OF AGREEMENT

17. ZHOU ASKED WHEN WE WOULD BE ABLE TO TABLE A DRAFT

~~AND WOULD REFLECT IT.~~

~~FORM AND CONTENT OF AGREEMENT~~

17. ZHOU ASKED WHEN WE WOULD BE ABLE TO TABLE A DRAFT AGREEMENT, OR TO PUT ONE FORWARD INFORMALLY. FOR US TO COME FORWARD WITH A DRAFT WOULD BE BENEFICIAL TO THE TALKS AND TO THE SUCCESS OF YOUR VISIT. I SAID THAT IT WAS POSSIBLE I WOULD HAVE SOME IDEAS TO PUT TO HIM BEFORE YOU CAME. HE SAID THAT THE CHINESE SIDE WAS ALSO WORKING ON ITS IDEAS, BUT THAT THEY HAD NOT YET FULLY MATURED.

18. ZHOU SAID THAT HE HAD NEVERTHELESS ALREADY GIVEN ME SOME INITIAL CHINESE VIEWS ON THE FORM AND CONTENT OF AN AGREEMENT. I ASKED HIM WHAT THE CHINESE HAD MEANT BY SUGGESTING THAT THE AGREEMENT SHOULD USE THE FORMULA THAT THE BRITISH SIDE "APPRECIATED" THE CHINESE POSITION. HE SAID THIS MEANT THAT THE BRITISH SIDE HAD A POSITIVE APPRAISAL OF, OR "LIKED", CHINESE POLICIES. THE PROBLEM WAS THAT THE 12 POINTS WERE ABOUT CHINESE INTERNAL POLICIES AND DID NOT NEED APPROVAL BY ANY OTHER COUNTRY. THE CHINESE THEREFORE PREFERRED THE FORM OF A JOINT DECLARATION OR STATEMENT RATHER THAN A FORMAL AGREEMENT. IN A FORMAL AGREEMENT EVERY POINT WOULD HAVE TO BE APPROVED BY BOTH SIDES. THE 12 POINTS WOULD HAVE TO BE IN UNILATERAL FORM. THE LINK WOULD BE MADE BY A STATEMENT THEREAFTER THAT THE BRITISH GOVERNMENT "APPRECIATED" THEM. BUT THIS WAS JUST ONE IDEA FOR DEALING WITH THE PROBLEM. THE MOST IMPORTANT PROBLEM, HOWEVER, WAS HOW TO ADDRESS THE QUESTION OF SOVEREIGNTY, WHICH WAS THE CENTRAL ISSUE OF THE AGREEMENT. NATURALLY, THERE WOULD HAVE TO BE DISCUSSIONS ON THE WORKING OF PROVISIONS ON THIS.

19. I ASKED ZHOU HOW HE THOUGHT THAT THE IMPORTANT MATTERS DISCUSSED IN THE TALKS COULD BE REFLECTED IN THE AGREEMENT. THE MAINTENANCE OF PROSPERITY AND STABILITY IN HONG KONG WOULD REQUIRE FAR MORE THAN THE 12 POINTS. HE REPLIED THAT THE AGREEMENT ITSELF, LIKE OTHER AGREEMENTS, SHOULD DEAL WITH THE MATTER IN TERMS OF BROAD PRINCIPLES. HOWEVER, IT WAS POSSIBLE THAT SOME OF THE MORE IMPORTANT DETAILS COULD BE INCLUDED IN ANNEXES (FUJIAN). I POINTED OUT THAT MANY INTERNATIONAL AGREEMENTS WENT INTO A GREAT DEAL OF DETAIL.

20. ZHOU WENT ON TO SAY THAT IN ADDITION TO POINTS ALREADY MENTIONED THE AGREEMENT SHOULD INCLUDE SOME BASIC POLICIES TO BE ADOPTED IN THE TRANSITION PERIOD.

ROUND 12

21. ZHOU SAID THAT THE CHINESE SIDE WOULD GIVE THEIR IDEAS ON THE TRANSITION PERIOD DURING ROUND 12. HE WOULD MAKE A STATEMENT WHICH WOULD COVER THE SUBSTANCE OF ITEM TWO, AND PERHAPS OF ITEM THREE AS WELL. I SAID THAT WE WOULD RESPOND

~~PENALTY OF ITEM THREE AS WELL. I SAID THAT WE WOULD RESPOND~~  
TO THIS STATEMENT, WHICH WE AWAITED WITH INTEREST. WE MIGHT  
ALSO WISH TO REVERT TO SOME ITEMS WHICH HAD ALREADY BEEN  
DISCUSSED, BUT ON WHICH AGREEMENT HAD NOT YET BEEN REACHED,  
FOR INSTANCE NATIONALITY AND AIR SERVICES.  
22. SEE MIFT FOR COMMENT.

EVANS

GRS 2800

WIKIWI



OD(K): LPO DTI RM  
 FCO AG  
 HO  
 HMT Mr. Luce,  
 MOD FCO  
 LPS

CC MASTER

10 DOWNING STREET

108

From the Private Secretary

6 April, 1984

Dear Sirs,

Hong Kong

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

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

Yours ever  
 J. L. Cole.

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

CONFIDENTIAL

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CONFIDENTIAL

RECORD OF A DISCUSSION AT A MEETING WITH THE UNOFFICIAL MEMBERS  
OF EXCO AT 0900 ON FRIDAY, 6 APRIL, 1984 AT NO. 10 DOWNING STREET

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Present:

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

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The Prime Minister welcomed the delegation and asked them to express their feelings about the present situation with regard to the negotiations with China about the future of Hong Kong.

Sir S. Y. Chung recalled that at the outset of the negotiations we had tried to persuade China to agree to continued British administration after 1997 in exchange for sovereignty. The Chinese had not been receptive. By September, 1983 the negotiations were at the point of breakdown. HMG could then have stood firm and exposed the Chinese bottom line. But HMG persuaded the Unofficials to adopt a different approach, i.e. to give up British administration but build as many links with Britain as possible into the Chinese 12-point plan. This approach was strictly conditional on satisfactory agreement being reached. After three months of further talks, the Chinese

/had

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had pressed HMG to quicken the pace and had threatened to make a unilateral announcement in September, 1984.

When the Unofficials had met the Prime Minister in January, they had been persuaded to agree to a new negotiating brief. The first and immediate aim would be to reach an interim agreement which would be announced in September. But conditionality would be preserved. There would be no agreement without a draft Basic Law. Conditionality would not be lifted without the agreement of Parliament. The final agreement would give Hong Kong a high degree of autonomy and would change the existing system to the minimum extent possible. There would be no change for fifty years after 1997 in the agreement reached. And the agreement would contain as much detail as possible.

The Unofficials were very surprised and disappointed to learn at the end of February that HMG had changed its position again in that they were thinking of meeting the Chinese request for a final, not an interim, agreement by September. Mr. Luce would have reported the strong feelings of EXCO which had been expressed to him on 27 February.

HMG then presented to the Unofficials a draft timetable and strategy. They found the strategy acceptable but had seen great difficulty in the timetable. They firmly believed that the strategy should be pursued step by step and that arbitrary deadlines should not be accepted.

The strategy had envisaged:

- (i) A Ministerial statement after EXCO had been consulted about its contents.

/ (ii)

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- (ii) A second statement, again after consulting EXCO, revealing the progress of negotiations and describing the outline of a possible agreement.
- (iii) The publication of a draft agreement for comment by the people of Hong Kong.
- (iv) Presentation of the agreement to Parliament.
- (v) Signature.
- (vi) Adoption of legislation to return sovereignty to China and Parliamentary ratification of the agreement after the passing of the Basic Law.

Of the above items (iii) and (vi) were the most important.

In agreeing to this strategy the Unofficials had stressed two points. First, HMG must be ready to go back to the negotiating table if there were major objections from Hong Kong to any article of the agreement. And the Chinese should be made aware of this possibility from the outset. Second, if HMG found EXCO's advice on any point unacceptable, the disagreement should be made public.

At a later stage, the Unofficials were given a draft agreement for comment. If this text was published in Hong Kong, there would be great disappointment if there was no provision for monitoring the agreement and for redress of violations. Unlike other international agreements, this one involved a third party which was the only party likely to suffer from violations.

Given the difference in culture between the Chinese and the West, he believed that the terms of the agreement as

/presently

presently drafted did not confer sufficient advantage on our side to allow scope for bargaining. When they received an account from the Governor of the eleventh round of talks, the Unofficials had been very alarmed. It had appeared that the Chinese were unwilling to commit themselves to a detailed agreement. They had shown bad faith in going back on many of their previous statements.

The Unofficials were increasingly worried by HMG's tendency to retreat swiftly in negotiation and by the wrong assessments which had been made of the Chinese position. Peking had dropped a bombshell at the last round in refusing to recognise after 1997 the rights of three million British subjects in Hong Kong. This was a most crucial development. If HMG allowed such injustice, Hong Kong would become ungovernable long before 1997. It was because of these adverse developments that the present meeting had been requested.

At their meeting yesterday with Mr. Luce, the Unofficials had been very concerned at yet another possible shift in strategy. Instead of envisaging ratification after the Basic Law had been published, HMG were now suggesting that ratification should take place without waiting for the Basic Law. The Unofficials did not favour this approach.

The agreed strategy should be our bottom line. HMG should not yield further to Peking. If HMG retreated from the bottom line, he hoped it would be understood that the Unofficials would wish to dissociate themselves from such a retreat.

When the Unofficials had met the Foreign and Commonwealth Secretary yesterday they had discussed the chances of persuading China to accept our draft agreement. They had advised him to be prepared for Chinese refusal. Nevertheless, the Unofficials fully supported Sir Geoffrey Howe's imminent visit to China and wished him every success.

/ Mr. Sandberg



Mr. Sandberg said that there had been some basic differences between the advice offered by EXCO and that offered by the Prime Minister's own advisers. At the outset we had worked for an exchange of British administration for sovereignty. This had been a united aim but it had not proved possible to accomplish. Thereafter there had been widening divergences. The basic difference was that the Unofficials wanted to agree a bottom line and stick to it. Instead there had been the continual acceptance of Chinese demands. These had been justified by reference to possible Chinese concessions which had not in the event materialised. The idea of retaining a real link with Britain had practically disappeared.

The Unofficials were told that if the Chinese announced their 12-point plan this would set everything in concrete. But the truth was that that plan had been well advertised for many months past.

It was difficult to understand the unwillingness of British advisers to advocate a line recommended by EXCO. This gap was best illustrated by the understanding reached last January that a bad agreement was worse than no agreement. This concept had been rapidly abandoned by the British advisers. A bad agreement would mean not only that the situation after 1997 would be unsatisfactory but also that Hong Kong would lose its vital lifeline before 1997.

It was important to continue the negotiations but it was desirable now to set a bottom line from which there would be no retreat. We should not fear a unilateral declaration by China of its 12-point plan.

The Foreign and Commonwealth Secretary said that we were all united in trying to get the best possible agreement for Hong Kong. But similarly we had to face the realities together.

/We

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We had done our best to persuade the Chinese to accept certain propositions. For example, throughout last summer we had tried to persuade them to accept continuing British administration after 1997 but had then had to conclude jointly that this was not obtainable. We were still trying to get an agreement and still believed that a bad agreement was worse than none. Not only would a bad agreement not work but we could not recommend it to Parliament. It was not clear what alternative approach the Unofficials were advocating. Did they wish to abandon the negotiations? Mr. Sandberg replied that this was not their wish.

The Foreign and Commonwealth Secretary said that it was unrealistic to assume that we could secure major advances on the draft agreement. But for tactical purposes, he might include further proposals in his discussions with the Chinese. To introduce now an article providing for monitoring of the agreement would be regarded by the Chinese as seeking to introduce British administration by the back door.

The Prime Minister asked what Mr. Sandberg had meant when he had said that the Unofficials did not fear a unilateral Chinese announcement. Such a declaration would mean that no agreement had been reached and significant consequences would follow. Of course, it might not be possible to reach an agreement. But we should remember that we had obtained an important Chinese concession with regard to the continuation of any agreement for 50 years. We had to try to convince the Chinese of the necessity of a detailed agreement and also that if they violated it they would suffer in world opinion.

recalled that at the first meeting with the Prime Minister in 1982 Mrs. Thatcher had said that the Chinese were Marxist/Leninist and could not be trusted. This was right and had become apparent in the talks.

For example, the Chinese had earlier indicated that British nationals in the Hong Kong Civil Service who held Hong Kong identity

cards would be entitled to rise normally in the Civil Service of the SAR. Later, the Chinese had gone back on this.

Secondly, the Chinese had earlier taken the line that it was the title of British Dependent Territories Citizens to which they objected but not the rights of those citizens. They had also indicated that dual nationality was a possibility. While this appeared to remain the informal position of the Chinese, their formal position suggested that they would not in the end agree on this matter.

The Hong Kong people were not prepared to trust Chinese intentions. We should not compromise on the concept of a detailed agreement. If the present draft were to be tabled there must be a clear understanding as to the points on which we could not yield. HMG must be committed to a bottom line. Without this, the Unofficials would have serious reservations as to the present course. They feared an inadequate agreement more than a unilateral Chinese announcement. They had agreed to give up the demand for British administration only on the understanding that there would be adequate safeguards. It was the Chinese who threatened the stability and prosperity of Hong Kong and it was the British/<sup>who</sup> created these. It would be a tragic irony if the outcome of the negotiations was the dishonouring of Britain.

The Prime Minister said that the alternatives to the present approach had still not been spelt out by the Unofficials. If there were no agreement, the present situation would not last until 1997 and in that year the leased territories would become part of China. For her, one of the most important features was the continuation of British law. Hong Kong would be unlikely to obtain that from a unilateral Chinese statement. The Foreign and Commonwealth Secretary said that if China could not be trusted to implement any agreement, the logical step would be to abandon negotiations now. Miss Dunn said that her argument was that because the Chinese were untrustworthy the agreement must be detailed. A unilateral announcement would certainly have an adverse effect on confidence but the impact

on confidence of a bad agreement would be final. The Prime Minister said that we would not put a bad agreement before the British Parliament. Miss Dunn agreed that we should continue to work for a good agreement but there should be an understanding on the bottom line.

The Prime Minister said that if we could not obtain an agreement which could be recommended to Parliament - or if Hong Kong could not accept the text - then we might have to resign ourselves to a unilateral Chinese statement. But we had not reached that point yet. We should go on trying and not throw away the concession of 50 years. She suspected that China would not wish to lose face in the world by violating any agreement.

Mr. Lo said that the people of Hong Kong realised how hard we had tried. The Prime Minister said that we were still trying. We were approaching a crucial point. The negotiations with the Chinese were one of the most difficult problems which confronted her. Mr. Lo said that the juxtaposition of certain events had damaged the credibility of HMG in Hong Kong. When the Nationality Bill had been published no-one had thought that in the end it would lead to a severing of the British connection with Hong Kong. If China now declined to recognise BDTC's the latter were bound to look to Britain to protect them and begin demanding that protection straightaway. So the erosion of their status in any agreement could not be allowed. This would make Hong Kong ungovernable. If we claimed that we had done our best for BDTC's in any agreement, the latter would say that this was not true since it was within the power of HMG to give these people the right of abode in the United Kingdom. And if at the same time Britain was seen to be doing good trade with China accusations of a sell-out were bound to follow. We should now be considering what steps to take if China refused to sign an unacceptable agreement. The unanimous advice of the

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Unofficials was that this was the most likely outcome. At the very least we should consider how to protect British nationals from the Communists.

The Prime Minister said that the aim was still to secure the maximum continuation of present Hong Kong systems for 50 years. Miss Dunn said that experience of the Chinese in commercial negotiations suggested that they always took one to the brink to test resolve. The Prime Minister pointed out that the Chinese could, if they chose, simply do nothing and wait until the end of the lease. But they continued to negotiate because they wanted stability and prosperity in Hong Kong, were concerned about their standing in world opinion and wished to set the right precedent for Taiwan. Sir Percy Cradock stressed that the importance to the Chinese of the commercial factor should not be over-estimated. In the end it was sovereignty that was most wanted. The Prime Minister said that her worry was that, if we failed to obtain an agreement, China would seek to cause trouble in Hong Kong before 1997. When we had obtained as much as possible from the Chinese we should have to consider whether or not the agreement was acceptable. It was clear that we should soon have to make a statement on the progress in the negotiations and the Chinese would be firmly told that we intended to do so.

Mr. Lo said that his main concern was that we should commission an analysis of "Downside Strategies".

The Prime Minister said that she was concerned about the Chinese desire for speed. But we should try to turn that to our advantage and obtain the provisions which we wanted. There could be contingency planning against failure but it would clearly have to be confidential.

Sir Percy Cradock said that the Foreign and Commonwealth Secretary would have many issues to raise in Peking - the draft

/ agreement,

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agreement, the timetable, the "unveiling" statement, the question of troops, the public service, constitutional arrangements and nationality.

The Foreign and Commonwealth Secretary said that it would be made clear to the Chinese that there must be an "unveiling" statement.

In response to a question from the Prime Minister, the Unofficials confirmed that they still wished us to press hard for a successful conclusion.

Sir S.Y. Chung questioned the value of an agreement unless there was some provision for monitoring and redress against violations. The Foreign and Commonwealth Secretary recalled the British dispute with Iceland over fishing. Even though we had an international court ruling in our favour it was of no help to us. An outside agency would make no difference to the agreement. And the idea of external monitoring would be offensive to the Chinese. The key was to commit them to an agreement. It would be implicit in any agreement that we, as a party to it, would be entitled to raise with the Chinese any violation. The Attorney General said that that point might need to be spelt out to help confidence in Hong Kong. The Foreign and Commonwealth Secretary observed that any agreement would have to be defended by the Unofficials to the people of Hong Kong and by the British Government to the British people. But the attitude of the people of Hong Kong would have enormous impact on our own attitude. If Hong Kong repudiated an agreement it was of no use to us. That was why we were working together. We could not expect to obtain everything we wanted. In Peking he would concentrate on the most important issues. Miss Dunn underlined that there were some points which could not be conceded. The Foreign and Commonwealth Secretary said that we should look at the totality of any agreement.

In response to a question from the Prime Minister, Sir Percy Cradock said that the significance of the September deadline was that Deng Xiaoping had told the Prime Minister in September 1982 that he needed an agreement within two years. This was now set in concrete. Sir Edward Youde said that 1 October was the 35th anniversary of the foundation of the Chinese Peoples' Republic.

The Foreign and Commonwealth Secretary said that there might well have to be a debate in Parliament in May related to his statement in Hong Kong. The Prime Minister observed that it would be useful if the debate stressed the need to create confidence in the people of Hong Kong that any agreement would endure. Mr. Sandberg said that he believed that we should not be put off by the threat of a Chinese statement in September. The Foreign and Commonwealth Secretary and Sir Percy Cradock emphasised the significance which this deadline had acquired in Chinese eyes. It would be a major error to assume that, if they made a unilateral statement, this would not be final. We should then find ourselves shut out from large areas of the negotiations.

The Unofficials expressed some disagreement with this view.

The Prime Minister pointed out that the tactical situation could change. Once our "unveiling" statement had been made it might be more difficult for the Chinese to proceed with a unilateral statement. Miss Dunn said that it was important that conditionality should be retained in any statement. Sir Percy Cradock predicted that the Chinese reaction to the "unveiling" statement would not be a welcoming one but they would probably accept that it must be made.

Sir S.Y. Chung said that, with regard to Agenda item 2 of the talks with the Chinese, it might be premature to put in a working paper now when so much work remained to be done on the post-1997 situation. We should try to defer this part of the discussion. But if we had to embark on this item we should talk only of such things as were advantageous to us, such as land leases.

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And we should resist any standing joint machinery for the pre-1997 period. The Foreign and Commonwealth Secretary said that at all events it must be clear that Britain retained sovereignty and administration until 1997. But it was worth keeping in mind the fact that contacts with the Chinese in the pre-1997 period might provide us with a means of influencing the basic law. Mr. Lo pointed out that there was existing machinery for discussions with the Chinese. The important point was that any arrangements should be ad hoc. Sir Edward Youde said that the Unofficials felt that if the special machinery now used for the negotiations was perpetuated, this might tend to give China some locus in Hong Kong before 1997. The Prime Minister pointed out that there were some steps relating to the pre-1997 period which we must discuss with the Chinese. If we told them that they had no right to discuss the pre-1997 period they would say that we had no right to discuss the basic law. The Foreign and Commonwealth Secretary said that it was best to start by considering what we wanted to achieve in relation to the pre-1997 period and avoid giving the Chinese any kind of institutional surveillance.

Sir S.Y. Chung again raised the nationality question which was crucial for Hong Kong. The Prime Minister said we would continue to press our concerns hard in the negotiations.

In reply to a further question from Sir S.Y. Chung, the Foreign and Commonwealth Secretary said that, in order to get the most out of his visit to Peking, he proposed to send to the Chinese next week the draft agreement and the annexes covering points agreed so far in the negotiations. Sir Edward Youde said that the Unofficials had not yet seen the annexes in their latest form and they would not have time to consider these before the Peking visit. So he hoped they would be free to raise further points with HMG if necessary. The Prime Minister

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/said



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said that the Unofficials were never debarred from raising points.

Sir S.Y. Chung said that the Unofficials were not advocating confrontation for the sake of confrontation. Their view was that we should never be able to see the bottom line of the Chinese position unless we stood firm at some point. They wanted an agreement but not at any price.

In conclusion the press statement annexed to this record was agreed.

The discussion ended at 1050 hrs.

A.J.C.

6 April, 1984

CONFIDENTIAL

FUTURE OF HONG KONG: VISIT BY GOVERNOR AND UNOFFICIALS TO LONDON  
PRESS STATEMENT

1. The Prime Minister met the Governor of Hong Kong and the Unofficial members of the Executive Council on 6 April. The Foreign and Commonwealth Secretary and Mr Luce were also present. On 5 April, the Governor and the Unofficials had held separate meetings with Sir Geoffrey Howe and Mr Luce, and Sir Geoffrey Howe gave a luncheon in their honour.
2. This was the fourth visit by the Governor and the Unofficials since July 1983. There was a comprehensive review of developments in the talks on the future of Hong Kong. Ministers reaffirmed HMG's continuing commitment to Hong Kong and to the search for a settlement acceptable to Parliament, to China and to the people of Hong Kong. The Governor and the Unofficials briefed Ministers on <sup>feeling and</sup> opinion in Hong Kong prior to the visits which the Foreign and Commonwealth Secretary will pay to Peking and Hong Kong on 15-20 April. As on previous similar occasions there was a close identity of views on all matters involved.
3. The Prime Minister and the Foreign and Commonwealth Secretary reiterated the importance which they continue to attach to keeping the Executive Council fully informed and to receiving their advice. The Governor and the Unofficials expressed their appreciation for this further opportunity to meet the Prime Minister and her colleagues. They looked forward to Sir Geoffrey Howe's visit to Hong Kong.

Hong Kong Department  
6 April 1984



Foreign and Commonwealth Office

London SW1A 2AH

5 April 1984

Dear John,

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Future of Hong Kong: Visit by Governor and Unofficials to London

It has become customary for a press release to be issued after the meetings which the Governor of Hong Kong and the Unofficial Members of the Executive Council have held with the Prime Minister. We believe it would be helpful to Hong Kong if there could be one on this occasion too.

/ I enclose a suggested text. It is very similar in its  
/ language to the press release issued after the previous  
meeting on 16 January. (I enclose this text too for ease of  
reference.) We do not think this matters. Any non-essential  
changes in language would be subject to close analysis in  
Hong Kong and unwarranted conclusions could easily be drawn.  
We have discussed the text with the Governor's Private  
Secretary. In the time available, I have not been able to  
show it to Sir Geoffrey Howe.

I should be grateful if you would let us know as soon  
as the text and its time of release has been agreed so that  
we can warn Hong Kong in advance.

Yours ever,

Len Appleyard

(L V Appleyard)  
Private Secretary

A J Coles Esq  
10 Downing Street

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## FUTURE OF HONG KONG:

FOLLOWING STATEMENT ISSUED FROM NO 10 ON 16 JANUARY.

'THE PRIME MINISTER MET THE GOVERNOR OF HONG KONG AND THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL ON 16 JANUARY. SIR GEOFFREY HOWE AND MR LUCE WERE ALSO PRESENT, AS WERE SIR RICHARD EVANS, WHO WILL SHORTLY BE TAKING UP HIS APPOINTMENT AS HM AMBASSADOR IN PEKING, AND SIR PERCY CRADOCK. THE PROGRAMME FOR THE GOVERNOR AND THE UNOFFICIALS ALSO INCLUDES SEPARATE CALLS ON SIR GEOFFREY HOWE AND MR LUCE. THIS WAS THE THIRD VISIT BY THE GOVERNOR AND THE UNOFFICIALS SINCE JULY 1983. MINISTERS REAFFIRMED HMG'S CONTINUING COMMITMENT TO HONG KONG AND TO THE SEARCH FOR A SETTLEMENT ACCEPTABLE TO PARLIAMENT, TO CHINA AND TO THE PEOPLE OF HONG KONG.

AS ON PREVIOUS OCCASIONS THERE WAS A COMPREHENSIVE REVIEW OF DEVELOPMENTS IN THE TALKS. IT PRODUCED A CLOSE IDENTITY OF VIEWS ON THE MATTERS INVOLVED.

THE PRIME MINISTER AND THE FOREIGN SECRETARY REITERATED THE IMPORTANCE WHICH THEY CONTINUE TO ATTACH TO KEEPING THE EXECUTIVE COUNCIL FULLY INFORMED AND TO RECEIVING THEIR ADVICE. THE GOVERNOR AND THE UNOFFICIALS EXPRESSED THEIR APPRECIATION FOR THIS FURTHER OPPORTUNITY TO MEET THE PRIME MINISTER AND HER COLLEAGUES, AND FOR THEIR CONTINUING SUPPORT AND ENCOURAGEMENT.

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FUTURE OF HONG KONG  
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Foreign and Commonwealth Office

London SW1A 2AH

5 April 1984

Dear John,

Hong Kong: Prime Minister's Meeting with EXCO Unofficials:6 April 1984

With my letter of 4 April I sent you a brief for this meeting. Since then, EXCO have had meetings today with Mr Luce and with the Secretary of State. With Sir Geoffrey Howe they concentrated on questions of general strategy and for the most part avoided specific matters. They expressed general concern about the course of the negotiations during the last two rounds and in particular the fear that the Chinese line had hardened.

The Unofficials also expressed their concern that during his visit to Peking the Secretary of State would be confronted by unacceptable Chinese demands on the form and content of an agreement and that HMG might prove less than resolute in arguing for our draft. They asked specifically what HMG's bottom line would be.

① Sir Geoffrey Howe assured the Unofficials that we remain as determined as ever to secure the best possible agreement and that he was going to Peking to argue as strongly as he could for an agreement on the lines of our "maximalist" draft. He acknowledged the Unofficials' point that there had been some signs of a less co-operative attitude by the Chinese during the last two rounds, ② but added that these provided far from sufficient evidence from which to draw the conclusion that they were no longer interested in an agreement. One purpose of his visit would be to form a judgement on how ready the Chinese were to reach an agreement acceptable to Hong Kong and to HMG. ③ As regards a "bottom line", this was in practice that any agreement would have to be one we could honourably commend to Parliament. He also referred to the need for a binding agreement, adequate detail and a 50 year guarantee of Hong Kong's autonomous systems. ④ But he did not go into detail.

/The Foreign



(5)  
The Foreign Secretary also emphasised to the Unofficials the importance, in order to press our case on the Chinese, of putting in our own draft agreement with as many annexes as possible in advance of his arrival in Peking. The Unofficials appeared not to dissent from this.

Neither with the Foreign Secretary nor with Mr Luce did the Unofficials go far in dealing with specific problems and our feeling is that in their meeting tomorrow with the Prime Minister EXCO will wish to rehearse their general worries rather than to go into much detail. It is likely, however, that they will reiterate concern on the problem of nationality. They will urge that all the existing rights of BDTCs should be retained after 1997 and may go on to argue that HMG will have an obligation to provide in some way for Hong Kong people who are dissatisfied with an agreement or with its implementation.

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In the discussions on 6 April the Prime Minister may wish to draw on the brief enclosed with my letter of 4 April. She might assure the Unofficials that she remains determined to seek an acceptable agreement and underline the fact that we do have a bottom line along the lines indicated by Sir Geoffrey. It would be helpful if the Prime Minister could emphasise the need for the draft agreement and annexes to be presented to the Chinese in advance of the Foreign Secretary's visit. She could add that he would of course argue cogently for that draft but that if we are to attain our common objective, we shall have to be prepared to consider adjusting our position in the light of the Chinese response. She will no doubt wish to remind the Unofficials of the likely consequence of confrontation with the Chinese and say that we have not yet completed the process we embarked on last October, namely of exploring what can be built on the basis of the Chinese proposals. Only at the end of that, would we, in consultation with EXCO, be deciding finally whether the package was tolerable.

/  
The Unofficials in their meeting with the Prime Minister may revert to complaints they made in the course of today: that the Chinese have shown bad faith in the negotiations; that we have never fought in the negotiations and have pursued only one strategy - that of concessions; and that we have achieved nothing. I attach a note dealing with the first two points; the third was covered in the material sent to you on 4 April.

/I have not,

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I have not, in the time available, been able to show this letter in draft to Sir Geoffrey: I shall be showing him a copy.

*Yours ever,*

*Len Appleyard*

(L V Appleyard)  
Private Secretary

A J Coles Esq  
10 Downing Street

SECRET



## FUTURE OF HONG KONG

## SUPPLEMENTARY POINTS

HMG have only employed one strategy throughout the talks with the Chinese - that of continuous concession

1. In agreement with EXCO, we spent several months up to September 1983 arguing for the retention of British administration after 1997. We pressed this vigorously on the Chinese to the point where the talks were on the verge of collapse. We only shifted from this position after careful analysis of the situation and discussion with EXCO.

The Chinese side have shown bad faith and have reneged on a number of points which they appeared to have agreed earlier on.

2. The Chinese have of course adopted a tough line from the beginning. Their perception of the requirements for confidence in Hong Kong has always been shaky. It is true that a number of their statements have varied but it is too early to assess that they have gone back on essential points.

3. On an agreement, they have told us on several occasions that they do seek a binding bilateral agreement. We have of course always known that their view of an agreement differs from ours. They would prefer a general document dealing with principles.

Zhou Nan's





Zhou Nan's remarks at the 11th round, in which he maintained that the agreement should not cover post-1997 arrangements which the Chinese regard as falling within their sovereign right, were tough. But they are bound to put in a hard initial bid.

4. On nationality, the Chinese line has also been hard. But the difference between this and earlier informal indications is that they are now saying that they would not be able to recognise the British nationality of former BDTs because it would be inconsistent with their Nationality Law. They have also said that British passports should not be issued to BDTs in Hong Kong for some years before 1997. This is something we shall have to look at very carefully, but their earlier position was not specific on this.

5. [If the Unofficials say that the Chinese have gone back on their undertaking to preserve systems in Hong Kong for 50 years after 1997]. We believe that the Chinese are not going back on the essential undertaking that the main systems should remain unaltered. They are merely saying that the SAR Government must have some scope to evolve and must not be preserved in amber for the full 50 years in precisely the form inherited on 1 July 1997.

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Foreign and Commonwealth Office

London SW1A 2AH

4 April, 1984

Dear John,

Hong Kong: Prime Minister's Meeting with EXCO Unofficials,

6 April 1984

I enclose a brief for the Prime Minister's use during her meeting with the Unofficials. This takes account of the decisions at the OD(K) meeting on 3 April and also of the descriptions of the Hong Kong mood which we have received from the Governor, both in telegrams and orally since his arrival.

The brief also mentions the letter from Sir S Y Chung and Mr R H Lobo to all Members of Parliament to which you referred in your letter of 2 April.

We propose to let the Prime Minister have an account tomorrow evening of the Foreign Secretary's discussions with the Unofficials during that day, together with any further briefing that may be necessary.

I am copying this to Henry Steel (Attorney General's Office).

Yours ever,

Peter Ricketts

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

PRIME MINISTER'S MEETING WITH HONG KONG EXCO UNOFFICIALS,  
6 APRIL 1984

POINTS TO MAKE

Introduction

1. Understand concerns. Crucial point in negotiations. HMG will continue to work for best possible agreement for Hong Kong.

Negotiating Strategy

2. About to start discussion of agreement with Chinese. Aim must be to tie them down on points agreed during discussion and to reach binding agreement assuring autonomy for 50 years from 1997.

3. Understand importance of confidence in Hong Kong and effect announcement of agreement will make. We shall of course continue to keep in close touch with EXCO, enabling us to monitor together progress of negotiations and to decide whether a package which may be negotiable with the Chinese will also meet Hong Kong's interests.

Text of Agreement and Foreign and Commonwealth Secretary's Visit to Peking

4. Very important to put in our draft agreement in full, with annexes, before Sir G Howe's visit. Must not allow Chinese to pre-empt us. He will argue case for our draft strongly. Ministers will need to decide strategy in light of Chinese reaction.

Unveiling

5. Understand Hong Kong's wish for more information about talks. Sir G Howe intends to make a statement in Hong Kong this month, making clear that British administration will not be negotiable but that subject to conditionality we are working for a genuinely autonomous status for Hong Kong.

Key Points

6. Realise certain points particularly important to you. Sir G Howe will press our position on nationality, stationing of Chinese forces, Public Service and other points. Know Unofficials attach particular importance to nationality. Main aim must be to preserve essential rights for BDTCs.

Agenda Item 2 and Constitutional Development

7. We need to handle this carefully. Must prevent Chinese gaining a say in Hong Kong's administration before 1997. Applies particularly to question of constitutional development on which a step by step approach seems best. But we must also try to gain advantage for ourselves from the fact that contact with the Chinese will be necessary. This could give us an opportunity to influence the Basic Law.

Acceptability, Including Letter from Unofficials to Prime Minister

8. Have seen your letter of 26 March about the debate on 14 March in the Legislative Council. Entirely natural for LEGCO to debate this issue. Members seem to have spoken very responsibly. Agree that adequate time will be needed for people of Hong Kong as a whole to express views on an agreement.



BACKGROUND

The following papers are attached as background for the meeting:

- (i) the Foreign Secretary's minute of 2 April summarising the issues to be covered during the visit;
- (ii) the draft agreement, which has been discussed with EXCO;
- (iii) the draft paper on Agenda Item Two, also discussed with EXCO (Hong Kong telegram number 917, also attached);
- (iv) a note of points agreed so far with the Chinese in the talks;
- (v) the Governor's telegram number 885, giving his appraisal of the situation;
- (vi) the letter from Sir S Y Chung and Mr Lobo enclosed with your letter of 2 April.



PM/84/57

PRIME MINISTER

HKK 0261	
RECEIVED IN DEPT. OF INDUSTRY	
- 3 APR 1984	
DATE	TIME
INDUSTRY	


HKS  
 CFB  
 P/M LUCE  
 P/S/PUS  
 S/P CRADOCK  
 Dr Wilson  
 Mr Thompson FED  
 Mr Burgess Legat/As  
 Miss Neville-Jones  
 Planning Staff

(87)

Hong Kong: Visit of EXCO Unofficials

1. The Hong Kong EXCO Unofficials, accompanied by the Governor, will again be visiting London from 4-6 April. The purpose is to hold discussions in advance of my visit to China and Hong Kong in mid-April. I shall see them on 5 April and they will call on you on the morning of Friday the 6th.
2. The Unofficials have made clear that they regard their talks with HMG on this occasion as crucial. The Governor has reported that they are deeply dissatisfied with the recent course of the talks in Peking. They were particularly depressed by the response which the Chinese gave us at the eleventh round on our proposals on nationality and by the indications we have received about the sort of agreement which the Chinese would be prepared to consider.
3. In a sense, every visit by EXCO to London has focussed on the same problem: how to reconcile the perceived requirements for confidence in Hong Kong with a realistic negotiating position in Peking. This time, however, the Governor believes that there is a point beyond which EXCO might withhold their support. They will certainly demand that Ministers make clear to them that we are prepared to face a break in the talks if that requirement cannot be obtained. They will argue that we have in practice agreed virtually nothing with the Chinese during our discussions of our working papers and, inconsistently, that HMG have made successive concessions throughout for no real return.
4. The Unofficials' attitude is understandable and has to be taken very seriously. They clearly fear heavy criticism if they are seen to be associated with an agreement which might be seen by the public as little more than a reformulation of the Chinese twelve points. Although opinion in EXCO is by no means unanimous, there is bound to be a reluctance to stand our against a call by






colleagues for a tough line in defence of Hong Kong's 'interests'. Although at some stage we might have to decide to overrule EXCO, we must make every effort to keep them with us, because their support will be a key factor in obtaining acceptance of any agreement in Hong Kong.

5. On the other hand, I believe that EXCO's views are in many ways based on misconceptions. In the first place they are likely to argue that, when we have exercised flexibility in negotiation with the Chinese, this has produced no real benefit and that we have only made gains where we have stood firm. In fact the main breaks in the talks and the main progress on detail have been achieved not by refusing to move at all on our side but by a readiness to examine on a conditional basis whether satisfactory arrangements could be devised for Hong Kong on the basis of the Chinese proposals. This was the theme of your message to the Chinese Premier last October, to which EXCO agreed. I believe also that EXCO are wrong in asserting that we have not made progress on important points with the Chinese. The discussion of our working papers has in fact produced very extensive agreement on substance, though not yet to the same extent in form. The main outstanding points are those on which we always expected that the Chinese would be difficult: nationality, constitutional arrangements, and stationing of Chinese troops. We shall have to consider carefully how we press our case on the Chinese on these very important points, but this should no disguise the fact that on other questions, notably the law and the financial and economic systems, as well as freedoms and human rights, the Chinese have responded to our working papers and our arguments with a considerable expansion of their proposals.

6. It is clear that in our continuing negotiations with the Chinese there will be some points on which we must place more weight and for which we must argue harder and longer than others. There will also be points that we regard as essential to a tolerable agreement. These will include a binding commitment by the Chinese to respect certain essential elements of the autonomy of Hong Kong for at least fifty years and a considerable measure

of detail about the systems and freedoms that will be continued. We must make clear to EXCO that we do have such sticking points. But we can only express such concepts to the Unofficials in very general terms. It would not be wise to spell out in detail and in advance what our individual requirements are.

7. This is necessary because I believe that EXCO's application of the principle of a sticking point differs from ours. Because they want to be seen, even more strongly than we need to be, as the defenders of Hong Kong's interests, they are likely to demand that we put in strong initial bids to the Chinese from which we would be committed not to retreat. This would apply both to specific issues and to the general content of an agreement. Experience has shown that we could not sensibly conduct the negotiation on those lines and hope to get a result which would be in Hong Kong's best interests. As you know, I believe that the 'maximalist' draft agreement which we discussed on 26 March stands no chance of eventual acceptance by the Chinese. We shall be discussing tactics further with EXCO this week and at the Governor's request are delaying handing over the draft Agreeing in Peking until after that. We shall need to present the maximalist draft to the Chinese and argue for it. But it is not the case that every part of that draft is essential to Hong Kong's future autonomy or for confidence. I believe that there should be ways of framing an agreement so as to meet those requirements and also gain Chinese acceptance. But we cannot discover whether that is so unless we have flexibility in our negotiation position. We shall hog-tie ourselves if we lay down immutable and specific requirements now. It is far better to negotiate flexibly and to rely on the fact that everything in an eventual package will be ad referendum. We are still operating on the terms we laid down last October. That means that there will come a time when we shall have to recognise that we have completed our explorations of what can be built on the Chinese proposals and to decide in consultation with EXCO whether the total package is acceptable. That point has not come yet and EXCO's proposals for putting in very high bids and sticking to these at all costs have the effect of preventing us completing this exploration. When we




do eventually reach the point of judging whether the total package is acceptable, we shall need to take the consequences of break-down very much into account. I do not believe that we can regard EXCO's concept of a relatively harmless stand-off as a realistic option. A breakdown in the talks would mean confrontation, in which a unilateral Chinese statement in a few months would inevitably be the most striking feature.

8. We need to adopt a similar approach to the question of the timetable for talks and the procedures for signature and ratification of an agreement. On 26 March we agreed that we would need some flexibility on this and in particular might have to indicate to the Chinese that, if they were prepared to agree to a detailed package which clearly set out the lines of the eventual basic law, we might be able to consider expediting reatification on our side. I hope that during EXCO's visit we can convince them of the sense of such a tactic. It is likely to be one of our strongest cards in getting an agreement that will meet their interests.

9. I am sure that we must talk frankly to EXCO on these lines. We must again reassure them that we are seeking the best interests of Hong Kong. We need to remind them of the real risk of confrontation with the Chinese, while acknowledging that there may come a point at which those risks will have to be run. But we must also make clear that there is still much to play for. The Chinese are bound to take a tough line at this key phase in the negotiations, as we approach discussion of an agreement. But they are also indicating in informal contacts and in secret material that they realise that Hong Kong will require assurance. Their understanding of what will be necessary for that is probably inadequate. We need to use the negotiation in order to explain the requirements. But we cannot do that on the basis of a rigid position.

10. At the same time, if I am to go to Peking with EXCO's confidence, and particularly if I am to make a statement in Hong Kong which will set out the public positions more openly, I shall



have to be, and am, ready to argue strongly on points which matter to Hong Kong. The Governor has made clear that nationality is such a point. In the last round of talks the Chinese rejected our proposal for a separate category of citizenship for Hong Kong under Chinese nationality and continuation of rights for Hong Kong BDTs under another title. Their point was that they could not agree with us on arrangements which contravened the Chinese principle that Hong Kong Chinese were, and would remain, simply Chinese nationals. At the same time they appeared to accept that we could, on our own, make provision for some of the BDTs' present rights to continue; and that outside Hong Kong such people could use a British passport as a travel document. They added to this, however, the important rider that such a British national status could not be transmitted to a succeeding generation.

11. EXCO have argued strongly, with the Governor's support, that we should not adjust our position to meet that of the Chinese and that we should continue to press our proposals on nationality, despite the Chinese reaction. I am under no illusion that the Chinese would accept these. However, I have told the Governor I am prepared to argue for them again when I go to Peking and to explain to the Chinese the great significance of this issue for Hong Kong in judging the acceptability of any agreement. I would thus demonstrate to EXCO that we are prepared to press on important issues. But I should also make clear to the Unofficials that it would not be in their interests to treat every aspect of this question as one for which we should necessarily die in a ditch.

12. Finally, the Governor advises that the Unofficials may press us on what measures HMG would take to help Hong Kong people, particularly BDTs if an acceptable agreement is unobtainable. They probably have in mind financial assistance to those who wish to leave Hong Kong and may well couple this with the question of entry into the UK. My own view is that we could not give a blanket assurance of any sort; we should



tell EXCO that we could only consider any cases in the light of circumstances as they arose. We should emphasise that public statements on this would not help confidence but would cast doubt on the effectiveness of the negotiations while they were in progress.

13. I am sending copies of this minute to OD(K) colleagues, and believe that it would be helpful if we could discuss these questions with them at the meeting arranged for 3 April, before the EXCO Unofficials arrive in London. I am also sending a copy to Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

2 April, 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 based upon the common law and the rights and freedoms of individuals protected by law;

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 paragraph 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 Hong Kong (China) 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) or from outside 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 provide continuity of employment to all members of the public service in employment on 30 June 1997 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  
Great Britain and Northern Ireland

For the Government of  
The People's Republic  
of China

Hong Kong Department  
April 1984

## FUTURE OF HONG KONG: AGENDA ITEM TWO

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 to 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, 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

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) Machinery such as a joint commission, for the discussion of co-operation between September 1984 and July 1997. The terms

of reference of this body 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. The commission would probably not need to be in permanent session and might be served by sub-committees dealing with particular subjects.

7. We would have to be careful to ensure that a commission 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 a commission working in Hong Kong 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. 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 <sup>them</sup> 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) On the internal security force we should seek Chinese agreement to the creation of such a 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 if possible include the

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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.

Hong Kong Department

20 March 1984

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FM HONG KONG 031020Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 917 OF 3 APRIL  
INFO IMMEDIATE PEKING

YOUR TELNOS 586, 587 AND 597: FUTURE OF HONG KONG: ITEM 2.

1. I HAD A PRELIMINARY DISCUSSION OF THE DRAFT PAPER ON AGENDA ITEM 2 IN YOUR 2ND TEL UNDER REF WITH EXCO THIS MORNING. IN DOING SO I MADE IT CLEAR THAT THE DRAFT WAS A WORKING PAPER AND THAT THE PRIME MINISTER WISHED TO CONSIDER IT FURTHER.

2. SIR S.Y. CHUNG'S INITIAL REACTION WAS THAT IT WOULD BE PREMATURE TO GET ON TO ITEM 2 BEFORE WE HAD COMPLETED DISCUSSION OF ITEM 1. I EXPLAINED THAT WE HAD ALREADY INDICATED WILLINGNESS TO BEGIN DISCUSSION OF ITEM 2 ON THE BASIS THAT WE WOULD WISH TO RETURN TO POINTS OUTSTANDING FROM ITEM 1: THAT THE CHINESE HAD ACCEPTED THAT WE WOULD WISH TO DO THIS: AND THAT THEY HAD TOLD US THAT THEY INTENDED TO OUTLINE THEIR IDEAS ON ITEM 2 AT THE NEXT ROUND. WE WOULD BE OBLIGED TO LISTEN. I THEN TOOK THE COUNCIL CAREFULLY THROUGH THE DRAFT PAPER, EMPHASISING THAT WHATEVER THE FORM OF THE EVENTUAL AGREEMENT, THERE WERE MATTERS AFFECTING THE PRE-1997 PERIOD WHICH WOULD NEED TO BE DISCUSSED WITH THE CHINESE AND SOME WHICH WE OURSELVES WOULD WISH TO RAISE. THE DRAFT PAPER SOUGHT TO IDENTIFY THESE QUESTIONS AND WENT ON TO CONSIDER HOW FUTURE CONSULTATION ON THEM MIGHT BE HANDLED, AS WELL AS THE LINE WHICH WE MIGHT TAKE WITH THE CHINESE AT THE TALKS.

3. IN FURTHER DISCUSSION MEMBERS CONCENTRATED ON THE LINE TO TAKE WITH THE CHINESE (PARA 8 OF THE DRAFT). THE MAIN POINTS WERE:

(A) SOME MEMBERS ARGUED THAT IT WOULD NOT BE POSSIBLE TO DECIDE WHAT COURSE WE WISHED TO TAKE REGARDING CONSTITUTIONAL DEVELOPMENT BEFORE 1997 UNTIL THE CHINESE HAD GIVEN A MUCH CLEARER INDICATION OF THEIR POSITION REGARDING ARRANGEMENTS POST-1997. CONCERN WAS ALSO EXPRESSED THAT IF WE WERE TO OFFER TO CONSULT THE CHINESE BEFORE MOVING TO DIRECT ELECTIONS THEY WOULD SEEK A RIGHT OF CONSULTATION ON (NEXT WORD UNDERLINED) ANY CONSTITUTIONAL CHANGES. I EXPLAINED THAT THE FORMULA IN PARA 8(B) HAD BEEN VERY CAREFULLY CONSTRUCTED. SINCE THE CHINESE WOULD BE IN A POSITION TO FRUSTRATE ANY MOVE TO DIRECT ELECTIONS IN THE 1990'S IT WOULD CLEARLY MAKE SENSE TO CONSULT THEM BEFORE EMBARKING ON SUCH A MOVE. BUT THERE WAS NO INTENTION TO CONSULT THEM ABOUT ANY PLANS FOR INDIRECT ELECTIONS: THEY WOULD SIMPLY BE INFORMED. THE POINT MADE BY MEMBERS COULD HOWEVER BE MET BY ADDING AT THE BEGINNING OF PARA 8(B) A REFERENCE TO CHINESE RECOGNITION THAT HMG WOULD BE RESPONSIBLE FOR THE ADMINISTRATION OF HONG KONG UNTIL 1997.

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(B) MEMBERS HAD STRONG RESERVATIONS ABOUT THE ESTABLISHMENT OF ANY FORM OF INSTITUTIONALISED MACHINERY FOR CONSULTATION. THEY BELIEVED THAT THIS WOULD PROVIDE FAR TOO MUCH SCOPE FOR CHINESE INTERFERENCE. THEY ACCEPTED THAT THERE WOULD BE A NEED FOR CONSULTATION ON INDIVIDUAL SUBJECTS, BUT THEY BELIEVED THAT THIS COULD BE MET BY DEALING WITH SUCH QUESTIONS ON A CASE BY CASE BASIS IN THE COURSE OF NORMAL INTER-GOVERNMENTAL BUSINESS, WITH THE TIMING, LEVEL AND PLACE OF DISCUSSION DETERMINED BY THE SUBJECT AND THE CIRCUMSTANCES.

(C) SOME MEMBERS BELIEVED THAT NOT ALL THE MATTERS LISTED IN PARA 4 WOULD REQUIRE DISCUSSION WITH THE CHINESE IN THE PERIOD BEFORE 1997. MR SANDBERG IN PARTICULAR SAW NO NEED FOR ANY DISCUSSION OF NOTES, COINS AND POSTAGE STAMPS WHILE BRITAIN REMAINED RESPONSIBLE FOR THE ADMINISTRATION OF HONG KONG. OTHERS SAW THE ADVANTAGES OF MAKING ADJUSTMENTS IN SUCH AREAS BEFORE 1997 SO AS TO MINIMISE THE IMPACT OF CHANGE IN 1997.

4. MEMBERS ALSO HAD A NUMBER OF DETAILED POINTS ON THE DRAFT, LISTED BELOW:-

(I) THEY QUESTIONED THE INCLUSION OF THE REFERENCE TO LOCALISATION AT THE END OF PARA 8(B) AND SUGGESTED ITS OMISSION. THEY REGARD LOCALISATION AS A QUESTION FOR HMG AND THE HKG AND NOT SOMETHING ON WHICH THERE WOULD BE A NEED TO CONSULT THE CHINESE.

(II) THEY THOUGHT THE FORMULATION IN PARA 8(C) WAS WRONG. THE FIRST REQUIREMENT WAS TO GET THE CHINESE AGREEMENT TO THE CREATION OF AN INTERNAL SECURITY FORCE. ITS RECRUITMENT AND FORMATION WOULD THEREAFTER BE MATTERS FOR HMG AND HKG.

(III) MEMBERS DID NOT UNDERSTAND PARA 8(D) AS DRAFTED AND SUGGESTED THAT IT SHOULD BE OMITTED.

5. I SAID THAT I WOULD REFLECT THESE VIEWS TO LONDON. THERE WOULD BE AN OPPORTUNITY TO TAKE THE DISCUSSION FURTHER IN THE MEETING WHICH HAD BEEN ARRANGED WITH MR LUCE. THERE WILL THEN BE A NEED TO PRODUCE A REVISED VERSION OF THE LINE TO BE TAKEN WITH THE CHINESE (PARA 8 OF THE PAPER).

YOUDE

FUTURE OF HONG KONG

LIMITED

ED/HKD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

RES.B. (MR WALKER)

LEGAL ADVISER (MR FREELAND).

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

SIR W HARDING

MR WILSON

MR WRIGET

SIR C RECKELL

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PS/LORD PRIVY SEAL

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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

SECRET-2-

PS  
PS/PDS  
PS/MR LUCE  
MR WILSON  
HD/PCD  
HD/YED

COPIES TO:  
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MR ROBERTS, NEWS DEPT  
SIR PERCY CRADOCK

GRS 700  
~~SECRET~~  
DESKBY 020900Z FCO  
DESKBY 020900Z PEKING  
FM HONG KONG 020740Z APR 84  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 885 OF 2 APRIL  
INFO IMMEDIATE PEKING

ADVANCE COPY  
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MY TELND 864: FUTURE OF HONG KONG

1. AS A CONTRIBUTION TO THE PREPARATIONS FOR THE VISIT BY EXCO UNOFFICIALS AND THE SECRETARY OF STATE'S VISIT TO PEKING, MINISTERS MAY WISH TO HAVE MY APPRAISAL OF THE SITUATION AS FAR AS HONG KONG IS CONCERNED. IN MY VIEW THE HONG KONG DIMENSION IS NOT BEING GIVEN SUFFICIENT WEIGHT IN THE CONSIDERATION OF OUR STRATEGY.

2. OUR EXCHANGES WITH THE CHINESE HAVE BEEN USEFUL IN ROUNDING OUT THE CHINESE PLAN. THERE ARE NEVERTHELESS SOME LARGE ISSUES STILL TO BE RESOLVED, IN PARTICULAR CONSTITUTIONAL ARRANGEMENTS AFTER 1997, NATIONALITY AND INTERNAL SECURITY; AND SOME LESSER POINTS WHICH WILL BE IMPORTANT TO MAINTAINING MORALE AND RETAINING THE SERVICE OF OFFICERS IN; THE PUBLIC SERVICE, THE POLICE, AND THE JUDICIARY - SUCH AS SECURITY OF TENURE, THE POSITION OF OVERSEAS (AND OTHER NON-CHINESE) OFFICERS, PROCEDURES FOR THE APPOINTMENT AND DISMISSAL OF JUDGES, AND THE ARRANGEMENTS FOR ADMINISTERING THE PUBLIC SERVICE GENERALLY. WE SHOULD NOT LET THE CHINESE BELIEVE THAT WHAT THEY HAVE SO FAR SAID ON THESE POINTS WILL BE A SATISFACTORY BASIS FOR FUTURE ARRANGEMENTS. WE SHALL NEED TO CONTINUE TO PRESS THEM (AND AT THE SAME TIME TO MAKE OUR OWN DISPOSITIONS EG ON SUCH MATTERS AS PENSIONS). WE MUST ALSO KEEP OUR HANDS AS FREE AS WE CAN AS REGARDS THE ADMINISTRATION OF THIS TERRITORY UP TO 1997, WHILE TAKING DUE ACCOUNT OF THE NEED TO MATCH PRE-1997 ARRANGEMENTS WITH THOSE POST-1997.

3. ASSUMING THAT THE OUTSTANDING ISSUES CAN BE RESOLVED SATISFACTORILY, THE CRUCIAL QUESTION WILL BE THE WILLINGNESS OF THE CHINESE TO COMMIT THEMSELVES TO DETAILED POST-1997 ARRANGEMENTS IN A FORM WHICH WILL CARRY CONVICTION IN HONG KONG. TO CARRY SUCH CONVICTION THERE WILL NEED TO BE CLEAR AND EXPLICIT UNDERTAKINGS. A CLEVERLY FUDGED DIPLOMATIC DOCUMENT INCLUDING, FOR THE CHINESE PART, NO MORE THAN A GENERALLY WORDED STATEMENT OF INTERNAL POLICY, WILL NOT BE ENOUGH. IF PEOPLE HERE ARE TO OVERCOME THEIR SCEPTICISM BASED ON EVENTS IN CHINA SINCE 1949 AND TO BE BROUGHT TO BELIEVE THAT THE FUTURE SAR WILL BE GENUINELY AUTONOMOUS; THAT THE LEGAL SYSTEM WILL SURVIVE; AND THAT THE CAPITALIST ECONOMY WILL BE PRESERVED THE CHINESE WILL NEED TO GIVE UNDERTAKINGS IN A FORM RECOGNISABLE TO THE INTERNATIONAL COMMUNITY AND TO THOSE WHO MATTER IN HONG KONG (THE INVESTORS AND PROFESSIONALS) AS BINDING COMMITMENTS. WE SHOULD NOT LET THE CHINESE (OR OURSELVES) HARBOUR THE ILLUSION THAT LESS WILL DO.

4. AS I SEE IT, THEREFORE, THE DRAFT AGREEMENT SHOULD NOT BE PRESENTED TO THE CHINESE IN A WAY WHICH GIVES THEM THE IMPRESSION THAT IT IS NO MORE THAN A STARTING POINT FOR NEGOTIATION. IT SHOULD BE PRESENTED, BOTH AS REGARDS FORM AND CONTENT, AS THE KIND OF AGREEMENT WHICH IN OUR CONSIDERED JUDGEMENT WILL BE ESSENTIAL IF THE RESULTS OF OUR DISCUSSIONS ARE TO HAVE ANY HOPE OF CREDIBILITY IN HONG KONG AND INTERNATIONALLY.

5. WE CAN USE WITH THEM THE FOLLOWING ARGUMENTS:

(A) THE DRAFT MEETS THEIR ESSENTIAL REQUIREMENTS. IT ACCEPTS THAT SOVEREIGNTY WILL BE TRANSFERRED, AND BRITISH ADMINISTRATION WILL END IN 1997, AND IT INCORPORATES THE MAIN POINTS OF THE CHINESE PLAN. SUBJECT TO THE RESOLUTION OF THE QUESTIONS STILL UNDER DISCUSSION, THE POINTS INCLUDED IN THE DRAFT HAVE BEEN COVERED IN THE TALKS. THERE IS THEREFORE NOTHING IN THE SUBSTANCE OF THE ARRANGEMENTS WHICH THE DRAFT DESCRIBES TO WHICH THEY SHOULD OBJECT.

(B) THE DRAFT POSTULATES A PROFOUND CHANGE IN HONG KONG, WHATEVER THE CHINESE VIEW OF THE WISHES OF HONG KONG'S CHINESE INHABITANTS. IT WILL REQUIRE WILLING COOPERATION BETWEEN THE UK AND CHINA IF HONG KONG IS TO SURVIVE THAT CHANGE. WE ARE WILLING TO EXTEND THAT COOPERATION. BUT SUCCESS WILL DEPEND ON THE CREDIBILITY OF THE ARRANGEMENTS IN HONG KONG AND INTERNATIONALLY. NEITHER GOVERNMENT CAN DECREE THAT CREDIBILITY. IT IS NOT IN OUR GIFT: IT WILL HAVE TO BE WON.

(C) THE FORM AND CONTENT OF THE AGREEMENT MUST THEREFORE:

(1) SATISFY THOSE WHOSE CONTINUED PRESENCE IS ESSENTIAL TO HONG KONG'S PROSPERITY (THE INVESTORS AND PROFESSIONALS) THAT THERE IS A BINDING COMMITMENT TO MAINTAIN THE HONG KONG SYSTEMS UNCHANGED. THEY WILL NOT RISK THEIR ASSETS OR THEIR OWN FUTURES WITHOUT SUCH COMMITMENTS.

(II) SATISFY PARLIAMENT THAT THE AGREED ARRANGEMENTS WILL BE SUFFICIENT TO MAINTAIN THE STABILITY AND PROSPERITY OF HONG KONG, AND THAT IT WOULD BE RIGHT FOR THEM TO AUTHORIZE THE TRANSFER OF SOVEREIGNTY IN 1997.

(III) PROVIDE A CLEARLY ESTABLISHED BASIS FOR THE COOPERATION WHICH THE PRIME MINISTER SAID IN HER MESSAGE WE WOULD OFFER, PROVIDING SHE WAS SATISFIED IN THE ARRANGEMENTS TO BE OFFERED.

TRANSFER OF SOVEREIGNTY IN 1997.

(iii) PROVIDE A CLEARLY ESTABLISHED BASIS FOR THE COOPERATION WHICH THE PRIME MINISTER SAID IN HER MESSAGE WE WOULD OFFER, PROVIDING SHE WAS SATISFIED ON THE ARRANGEMENTS TO REPLACE BRITISH ADMINISTRATION.

6. IF WE PRESENT THE DRAFT AGREEMENT IN THIS WAY THE CHINESE WILL NO DOUBT PROTEST STRONGLY AND THREATEN THE UNILATERAL ANNOUNCEMENT OF THEIR PLAN. IN CONSEQUENCE WE MAY WELL FACE A FEW ROUGH MONTHS AND SOME DIFFICULT MEETINGS IN PEKING. BUT IT IS ESSENTIAL THAT WE SHOULD NOT PRETEND TO THEM (OR TO OURSELVES) THAT WE CAN GET ACCEPTANCE OF THE NEW ARRANGEMENTS ON THE BASIS OF SWEET WORDS FROM THE CHINESE ALONE OR THAT HONG KONG WILL QUIETLY ACCEPT WHATEVER PEKING AND LONDON DECIDE. MOREOVER A UNILATERAL ANNOUNCEMENT CARRIES HEAVY RISKS FOR THE CHINESE AS WELL AS FOR US SINCE THEY MUST KNOW THAT IT WOULD CARRY NO CONVICTION IN HONG KONG ON ITS OWN. THERE IS NO GUARANTEE THAT ANY AGREEMENT WILL DO THE TRICK. BUT WITH THE KIND OF AGREEMENT SUCH AS WE ARE NOW PLANNING TO PRESENT WE HAVE A CHANCE AND WE SHOULD URGE THE CHINESE STRONGLY TO TAKE IT. I TRUST THAT THE SECRETARY OF STATE WILL BE READY TO BRING THIS HOME TO THEM IN CLEAR TERMS.

7. I DO NOT UNDERESTIMATE THE RISKS EVIDENCE OF DIFFICULT MEETINGS IN PEKING WILL WORRY THE MARKETS HERE. IF BY THE LATE SUMMER THERE IS THE PROSPECT OF NO AGREEMENT WITH THE CHINESE WE SHALL BE FACED WITH THE GRAVE DECISIONS. BUT THERE WILL BE EQUALLY SERIOUS RISKS IN COMMITTING OURSELVES TO THE CHINESE ON AN AGREEMENT WHICH IN FORM AND CONTENT WILL NOT CARRY CONVICTION IN HONG KONG. WE SHOULD STILL BE RESPONSIBLE FOR THE ADMINISTRATION OF THE TERRITORY BUT IN CONDITIONS OF RAPIDLY DECLINING CONFIDENCE, AND POSSIBLY OF COLLAPSE. THE CHINESE WOULD LAY THE BLAME ON HMG. IN SHORT WE SHOULD HAVE THE WORST OF BOTH WORLDS.

8. WITH A POSITION SUCH AS I HAVE OUTLINED IN PARAS 4 AND 5 ABOVE THERE IS A PROSPECT OF HOLDING EXCO. ANY SUGGESTION THAT THE SECRETARY OF STATE WILL GO TO PEKING IN THE EXPECTATION OF BEING BARGAINED DOWN WILL RUN A STRONG RISK OF LOSING THEIR SUPPORT. THAT LOSS WILL BE A POOR START WHEN WE COME TO TEST THE ACCEPTIBILITY OF ANY ARRANGEMENT IN HONG KONG.

YOUDE

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FUTURE OF HONG KONG: POINTS ACHIEVED DURING TALKS

1. Legal System

- (a) Common law and rule of equity to remain in force.
- (b) Judges from other common law jurisdictions to sit on Final Appeal Court.
- (c) Judges to be appointed and dismissed on recommendation of an independent Commission and approval of legislature.
- (d) Both Chinese and English to be used in courts.

2. Monetary System

- (a) SAR could belong to international monetary organisations if membership not limited to states. If so limited, SAR could participate as part of Chinese delegation and make statements in own name.
- (b) SAR to control Exchange Fund.
- (c) Personnel of financial agencies appointed by SAR could include foreign experts.

3. Rights of Individuals in Hong Kong

- (a) SAR could apply principles and spirit of the International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights in Hong Kong legislation.

4. Public Service

- (a) SAR would assume responsibility for paying all Public Service pensions.

5. External Economic Relations

- (a) Hong Kong's separate commercial representation abroad to continue.
- (b) SAR to retain separate status in GATT and RFA.
- (c) Hong Kong's status under various general preference schemes to remain.

6. Civil Aviation

- (a) Current system of management, laws and regulations to remain.
- (b) Airlines currently operating in Hong Kong to continue.
- (c) SAR to deal with routings, issue of licences, etc.

7. Shipping

- (a) Existing laws and systems of management to remain.
- (b) Shipping firms to continue to operate.
- (c) SAR could participate in agreement not limited to sovereign states.

Hong Kong Department

4 April 1984

Executive Council  
Swire House, 1  
9-25 Chater Road  
Hong Kong  
5-243967  
Tel:

Your Ref:

Date: 26th March 1984

Our Ref:

UT 5542

Rt Hon Margaret Thatcher MP  
House of Commons,  
LONDON SW1A 0AA

R31

*Dear Prime Minister,*

The Future of Hong Kong

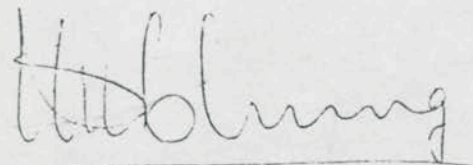
As you are aware HMG and the Chinese Government have been engaged in negotiations over Hong Kong's future since the Prime Minister's visit to China in September 1982. Hong Kong may be small in size, but it is a major economic force in the world, and the outcome of the negotiations will not only affect the lives of the 5.3 million people who live here, but may also have a significant impact on the world economy.

So far, there have been 11 rounds of negotiations, spread over the past 18 months, and they have been conducted in the strictest confidence. On 14th March the Hong Kong Legislative Council held a debate on a Motion that any proposals for the future of Hong Kong should be debated in that Council before any final agreement is reached.

-----  
The attached Hansard, from page 22 to 78, reports the debate in full. Twenty-two Unofficial Members participated and the Chief Secretary spoke on behalf of the Official Members. The Motion was carried unanimously. For your convenience, some of the key points expressed in the course of the debate are summarised in the paper appended to this letter.  
-----

If you would like further information or clarification of any point please do not hesitate to get in touch.

Yours sincerely,



S.Y. CHUNG  
Senior Unofficial Member  
of the Executive Council,  
Hong Kong



R.H. Lobo  
Senior Unofficial Member  
of the Legislative Council,  
Hong Kong

Some key points expressed in the course of the debate are summarised below:-

1. Hong Kong people must be told without further delay the direction in which the talks are heading, and should debate and discuss their views on the future freely. How can proposals which affect the destiny of Hong Kong people be made without their participation and contribution? Public opinion must be informed in order to be effective. Some Hong Kong people fear they may be presented with a fait accompli.
2. Given that HMG has undertaken to reach an agreement which will be acceptable to the people of Hong Kong, as well as to the Governments of China and Britain; how is acceptability to Hong Kong people to be tested? The views of Hong Kong people must be obtained before any agreement is set in concrete. Adequate time is needed for debate. Any appearance of rushing an agreement through would psychologically damage the credibility of the British Government even if the agreement itself was quite reasonable.
3. Hong Kong people are being asked to believe that under a Chinese administration their way of life and institutions would not change. But the systems of Hong Kong and China are fundamentally different. China's recent history has not been stable and is not reassuring. Furthermore, there is no known precedent for one country to operate successfully two totally opposite systems at the same time and no one knows whether it will work. This is one of the many major fears of Hong Kong people.
4. The great majority of Hong Kong people wish to maintain their existing life-style, social, legal and economic systems. Personal freedom is the right Hong Kong people value most highly. The acceptability of any proposed settlement lies in whether people believe that its terms will be respected and will endure. Faith cannot be created by orders; trust cannot be induced by the exercise of power; and no settlement which fails to engender trust can possibly preserve Hong Kong's stability and prosperity.
5. Of Hong Kong's present population of 5.3 million people, some 60% are British by birth or naturalisation. Since the passing of the British



Nationality Act in 1981, they have the status of British Dependent Territories Citizens. They do not have a right of abode in England, but they are British nationals and are entitled to British protection. Whatever happens after 1997 the British Government must retain responsibility for these people. Should they find life in Hong Kong after 1997 intolerable they should be able to leave Hong Kong and settle abroad with assistance from the British Government.

6. The Legislative Council of Hong Kong is an important forum for public debate and must play a part in reflecting opinion in Hong Kong, in advance of any proposed agreement being put to the U.K. Parliament. No representative status is claimed for the Council, but the Unofficial Members are drawn from a wide spectrum of local society. Outside the Council they work on over 300 committees and boards in many fields of public service activity, and their business and social contacts touch on all sectors of the community. Moreover, since the talks commenced, they have received individually and through the UMELCO Office many representations on the future.
7. The Chief Secretary acknowledged the important role of the Legislative Council in reflecting the views of Hong Kong people and could not see any objection to the Council having the opportunity to debate any settlement proposed for Hong Kong's future before any final agreement is reached. It would be inconceivable in his view that Parliament would not wish to know, when the time comes for endorsing the agreement, what views had been expressed in the Legislative Council.

FILE OD(K)



LPC LPS  
 (FCO) DTI  
 HO AG  
 HMT Minister of State,  
 MOD Mr. Luce, FCO

10 DOWNING STREET

cc: PC ✓

From the Private Secretary

4 April, 1984

HONG KONG: PUBLIC STATEMENT ON THE FUTURE

The Prime Minister has seen your letter of 2 April and the draft statement which the Foreign and Commonwealth Secretary proposes to make in Hong Kong on 20 April.

Mrs. Thatcher has made no comments on these documents.

We see some risk that the device of a written answer after the Easter Recess will attract some criticism on the grounds that a matter of this importance should be dealt with in an oral statement. The Foreign and Commonwealth Secretary has doubtless discussed this point with the Leader of the House and the Chief Whip. It seems to us that during the briefings which Sir Geoffrey is proposing to offer to MPs before his visit to Hong Kong and China it may be worth pre-empting possible criticism by informing them of his intention to make a written statement and the reasons why he would prefer not to make an oral statement.

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

A. L. COLES

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

SECRET

X

DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1264</i> ..... (one piece/item number)	Date and sign
Extract/Item details:  <i>Coles to Appleyard dated 4 April 1984</i>	
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PIECE/ITEM	..... <i>GRA 168</i> .....
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With the Compliments of  
Hilton Cheong-Leen, OBE, JP  
Chairman  
Urban Council  
Hong Kong

Copy to F.I.C.O. (Mr.  
Richard)

and f-a.

A-J-C. 16/4.



市政局主席  
張有興  
致意

Statement by Hilton Cheong-Leen,  
Chairman, Urban Council,  
at the Urban Council Meeting  
on Tuesday, April 3, 1984

Most members of this Council, I am sure, will support the views of Legislative Council members that before any agreement on the future of Hong Kong is ratified by the British and Chinese Governments, the proposals in such an agreement should be found to be acceptable to Hong Kong people. This process should include heeding the views expressed not only in the Legislative Council but also in the Urban Council as well. I am sure that through such a consultative process, the end result would be the building of an even greater measure of confidence among our 5.5 million people in our long term future. Meantime an early joint statement of agreement on broad principles by China and Britain will be most welcome by Hong Kong people.

Another subject of considerable interest to the Council is of course the Government's proposal to set up a second council, similar to the Urban Council, in the New Territories.

But rather than say too much more on both of these subjects, I would like to look to another very important date -- a date of enormous significance not only to Hong Kong but to the people of the whole world -- and that is the advent of the year 2001 on the Western calendar.

/Such .....

Such a date must mean much to all of mankind, signalling as it does the ringing out not of the old year, or even the old century, but of the second thousandth year of civilisation since the birth of Christ.

It will be a time of momentous celebration, I am sure -- and let us hope that will also be a time of peace on earth and goodwill to all men, signalling a watershed in man's history when there truly will be peace and concord on earth with all races and creeds linked together by the bonds of freedom, fellowship and friendship.

And, getting closer to home, let us hope that this momentous year will see Hong Kong as prosperous as ever, as dynamic, as progressive, and as bustling -- for that is the kind of Hong Kong that we know, and the kind of Hong Kong that is known to the world.

By the year 2001 we can predict that our population will be approaching 7 million. I would hope also that these Hong Kong families will all properly be housed in modern flats, and that the New Towns will by then have become fully integrated satellite cities where most of our population will be living in comfort and security.

Further, in the urban areas, I can say without hesitation that the wide range of facilities and services already provided by the Urban Council will be widened and extended, so that the quality of life in Hong Kong will be

/even .....



even better for our oncoming generations.

The Council already has its planning sights set on the year 2001 and beyond ... we have a "rolling" five-year development plan that will still be in operation when civilisation reaches this momentous turn of history, and as that development plan rolls forward we will be bringing in even more improvements and still better services for the people of Hong Kong.

If the Government has not yet done so, I would urge the Government to also set its planning sights on the year 2001 and beyond ...

Shortly after World War II there was a bogeyman book produced whose title was the ominous date of "1984" -- an imaginative work that portrayed a frightening scenario and saw civilisation under the thumb of an all-powerful "Big Brother" who ensured that life was a misery and a terror for all.

But 1984 is with us now -- yet looking around me I see no Big Brothers, no bogeymen, no misery and no terror.

May I therefore say to the people of Hong Kong -- let us all look beyond this bogeyman date of 1997 and think positively of our future in the 21st century -- a century when those with faith in our future can see a richer life of continued achievement and satisfaction for all Hong Kong citizens.

DEPARTMENT/SERIES ..... <i>PREM 19</i> ..... PIECE/ITEM ..... <i>1264</i> ..... (one piece/item number)	Date and sign
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*Lee Ke*

10 DOWNING STREET

*To the Private Secretary*

2 April 1984

The Prime Minister has asked me to thank you for your letter of 26 March about the Debate on 14 March in the Hong Kong Legislative Council. The Prime Minister is looking forward to further discussion with you at the end of this week.

*AJC*

Sir S. Y. Chung and Mr. R. H. Lobo.

Hong Kong: Future Pt 12.



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10 DOWNING STREET

*From the Private Secretary*

2 April 1984

HONG KONG

I enclose a copy of a letter which the Prime Minister has received from Sir S. Y. Chung and Mr. R. H. Lobo about the Debate on 14 March in the Hong Kong Legislative Council, together with a copy of the summary of the key points which the writers enclosed with their letter.

I should be grateful if your briefing for the Prime Minister's meeting with the Unofficials on 6 April could draw attention to this letter since I imagine that the delegation may well refer to it.

I have sent a simple acknowledgement to Sir S. Y. Chung and Mr. Lobo.

A JC

Peter Ricketts Esq.,  
Foreign and Commonwealth Office.

行政立法兩局  
非官守議員辦事處

香港遮打道九至二十五號  
太古大廈十三樓



Office of Unofficial Members of  
Executive and Legislative Councils

Swire House, 12th floor,  
9-25 Chater Road,  
Hong Kong  
5-243067

電話:

Tel:

來函檔號 Your Ref:

Date: 26th March 1984

本函檔號 Our Ref:

UT 5542

Rt Hon Margaret Thatcher MP  
House of Commons,  
LONDON SW1A 0AA

R31

*Dear Prime Minister,*

The Future of Hong Kong

As you are aware HMG and the Chinese Government have been engaged in negotiations over Hong Kong's future since the Prime Minister's visit to China in September 1982. Hong Kong may be small in size, but it is a major economic force in the world, and the outcome of the negotiations will not only affect the lives of the 5.3 million people who live here, but may also have a significant impact on the world economy.

So far, there have been 11 rounds of negotiations, spread over the past 18 months, and they have been conducted in the strictest confidence. On 14th March the Hong Kong Legislative Council held a debate on a Motion that any proposals for the future of Hong Kong should be debated in that Council before any final agreement is reached.

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If you would like further information or clarification of any point please do not hesitate to get in touch.

Yours sincerely,

S.Y. CHUNG  
Senior Unofficial Member  
of the Executive Council,  
Hong Kong

R.H. Lobo  
Senior Unofficial Member  
of the Legislative Council,  
Hong Kong

Debate on Hong Kong's Future in the  
Hong Kong Legislative Council on 14th March 1984

Some key points expressed in the course of the debate are summarised below:-

1. Hong Kong people must be told without further delay the direction in which the talks are heading, and should debate and discuss their views on the future freely. How can proposals which affect the destiny of Hong Kong people be made without their participation and contribution? Public opinion must be informed in order to be effective. Some Hong Kong people fear they may be presented with a fait accompli.
2. Given that HMG has undertaken to reach an agreement which will be acceptable to the people of Hong Kong, as well as to the Governments of China and Britain; how is acceptability to Hong Kong people to be tested? The views of Hong Kong people must be obtained before any agreement is set in concrete. Adequate time is needed for debate. Any appearance of rushing an agreement through would psychologically damage the credibility of the British Government even if the agreement itself was quite reasonable.
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Nationality Act in 1981, they have the status of British Dependent Territories Citizens. They do not have a right of abode in England, but they are British nationals and are entitled to British protection. Whatever happens after 1997 the British Government must retain responsibility for these people. Should they find life in Hong Kong after 1997 intolerable they should be able to leave Hong Kong and settle abroad with assistance from the British Government.

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7. The Chief Secretary acknowledged the important role of the Legislative Council in reflecting the views of Hong Kong people and could not see any objection to the Council having the opportunity to debate any settlement proposed for Hong Kong's future before any final agreement is reached. It would be inconceivable in his view that Parliament would not wish to know, when the time comes for endorsing the agreement, what views had been expressed in the Legislative Council.





SECRET

B.06712

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Meetings with  
Unofficial Members of the Hong Kong Executive Council

BACKGROUND

1. In his minute of 2 April the Foreign and Commonwealth Secretary sets out proposals for handling discussions with the Unofficial Members of the Hong Kong Council (EXCO) during their visit to London, accompanied by the Governor, from 4-6 April.

2. The Foreign and Commonwealth Secretary's minute gives a full description of the Unofficial Members' concerns, as reported by the Governor, arising from the present state of talks with the Chinese. The Unofficials are reported to be deeply dissatisfied and to regard their talks on this occasion to be crucial. Their chief causes of concern are -

a. their dissatisfaction with what has been achieved in the Peking talks and in particular the Chinese reaction on nationality and the form and content of the proposed Agreement;

b. their fear of criticism in Hong Kong if they are seen to be associated with an Agreement which in their terms achieves little more than a statement of the Chinese 12 points;

c. their concern about the timetable for reaching an agreement, based on the Chinese deadline of September 1984, and their desire that in negotiations with the Chinese the United Kingdom should put in a strong initial bid from which we would make it clear that we could not retreat.



SECRET

3. The Foreign and Commonwealth Secretary considers that, despite the considerable difference of view with the EXCO Unofficials, we should make every effort to keep them with us because of their important role in securing acceptance of an Agreement in Hong Kong. He considers that EXCO's concerns are in many ways based on misconceptions and should be countered with some or all of the following arguments:

- a. discussion of the working papers has in fact produced an extensive measure of agreement with the Chinese, and the difficulties which have arisen are those which we expected on nationality, constitutional arrangements and the stationing of Chinese troops;
- b. the United Kingdom is seeking to promote the best interests of the people of Hong Kong and our tactics are geared to maximising the chances of achieving the points which we regard as essential to any tolerable Agreement;
- c. assistance on the sort of high initial bid or bids proposed by the EXCO Unofficials would be likely to lead to a rupture in the negotiations without putting effective pressure on the Chinese. The result would simply be to frustrate our present strategy of testing how far the Chinese can be persuaded to accept our requirements and to agree the fullest possible statement about continuity of systems and freedom within Hong Kong;
- d. although the "maximalist" draft Agreement we are tabling will almost certainly be unacceptable to the Chinese, it is hoped that our proposals for expediting ratification will give them an incentive for accepting a more detailed Agreement than they would otherwise favour, and one which will incorporate the main lines of the eventual Chinese Basic Law.



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4. In short, the Foreign and Commonwealth Secretary believes that there is no realistic alternative to maintaining our present strategy and that the course favoured by the Unofficials of inviting a "stand-off" from the Chinese would be counter-productive.

5. The Secretary of State for Defence and the Minister of State, Foreign and Commonwealth Office (Mr Luce) cannot be present at the meeting because of their absence overseas. The Minister of State for the Armed Forces (Mr Stanley) and Sir Antony Acland (Foreign and Commonwealth Office) have been invited to attend.

#### HANDLING

6. You should invite the Foreign and Commonwealth Secretary to introduce the paper. Points to establish in subsequent discussion on the strategy to be followed in the discussions with the Unofficial Members of EXCO are -

a. Is it agreed that every effort should be made to retain the co-operation of the EXCO Unofficials at this stage, given their important role in obtaining acceptance of any Agreement in Hong Kong?

b. Is the Sub-Committee satisfied that the balance of advantage continues to lie against risking any rupture in the negotiations with the Chinese until the process of testing the Chinese position is complete?

c. How far should Ministers go in reassuring the Unofficials about the elements in an Agreement which we would regard as essential to safeguard Hong Kong's autonomy and continuity of systems after 1997, bearing in mind that the Unofficials will regard such reassurances as implying a commitment not to accept less?



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d. Are there any other arguments which would be influential in persuading the Unofficials to accept our present strategy in negotiations? (Presumably the Foreign and Commonwealth Secretary will dwell on the probable impact of the Unofficials' preferred tactics on the Chinese view of the seriousness of the United Kingdom search for an accommodation, and the impact which any breakdown of the talks would have on business confidence within Hong Kong.)

e. Does the Sub-Committee agree the tactics proposed on the key issue of nationality in paragraphs 10-12 of his paper? (The Home Secretary will wish to comment on this aspect.)

CONCLUSION

7. Subject to the points made in discussion you could guide the Sub-Committee to endorse the approach recommended by the Foreign and Commonwealth Secretary.

*David Goodall*

A D S Goodall

2 April 1984

  
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PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Agenda Item Two

BACKGROUND

FLAG A

1. In his minute to you of 29 March the Foreign and Commonwealth Secretary reports that the Chinese have said that they wish to discuss the arrangements in Hong Kong prior to 1997 (Agenda Item Two) in April. The British negotiators have replied that we will try to meet this deadline. Agreement is therefore needed on the line our negotiators should take in discussion with the Chinese.

2. Sir Geoffrey Howe points out that the Chinese are the demandeurs on this item. They wish to establish institutional machinery in Hong Kong before 1997 to give the impression they have acquired the right of consultation over the territory's internal affairs, most probably with particular regard to constitutional development, internal security and increasing participation by Hong Kong residents ("localisation") in the civil service, police and judiciary.

3. Clearly, we must not allow the Chinese a veto over developments up to 1997. But the Foreign and Commonwealth Secretary believes that there is a number of topics which it will be in our interests to discuss with the Chinese in connection with the provisions of the draft Agreement which the Sub-Committee approved at its last meeting. These are itemised in paragraph 5 of Sir Geoffrey Howe's minute. Sir Geoffrey also believes that, since the Chinese have said that our proposals for constitutional development until 1997 need to be discussed in order to ensure that they do not conflict with the Basic Law, such discussions might provide a useful means of enabling us to influence the drafting of the Basic Law itself. The Foreign and

  
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Commonwealth Secretary recommends that the Chinese should be told of the plans to move to indirect elections, and also that we should not be ready to decide on direct elections until the 1990s. We would not be seeking their views on indirect elections, but would undertake to consult them before moving to direct elections. A similar approach would be adopted on plans for localisation.

4. Sir Geoffrey Howe goes on to consider the arrangements under which the discussions might take place. These could be through normal diplomatic channels or in some new institutional framework. While the former would avoid creating a piece of machinery by which the Chinese could attempt to interfere in Hong Kong, it would limit the scope for attempting to influence the drafting of the Basic Law. The Foreign and Commonwealth Secretary therefore prefers the latter course and recommends that we should propose that the new consultative machinery should be based in Peking to avoid detracting from the authority of the Hong Kong Government. We should also propose that this machinery should include representation of Hong Kong. The most appropriate form of consultative machinery might be a series of working groups on various topics, established by agreement between the two sides.

5. The text of the Foreign and Commonwealth Secretary's minute has been telegraphed to the Governor of Hong Kong, who has been told he may show it to EXCO on the understanding that Ministers collectively had not considered its proposals, and were therefore not committed to them.

6. The Secretary of State for Defence, who will be in Turkey for NATO Nuclear Planning Group discussions, and the Minister of State, Foreign and Commonwealth Office (Mr Luce), who will be overseas, will be unable to attend the meeting. The Minister of State for Defence (Mr Stanley), and Sir Antony Acland, Foreign and Commonwealth Office, have been invited to attend.

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HANDLING

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

a. Is the Sub-Committee content for discussion on Agenda item two to begin this month, provided that we maintain the right to refer back to unresolved questions from Agenda item one?

b. If it is agreed that we must accept the need for discussions about pre-1997 arrangements to start this month, how can these be handled so as to reduce to a minimum the risk of the Chinese acquiring a de facto right of veto over developments in Hong Kong between now and 1997? Would the use of the diplomatic channel (as opposed to the establishment of "institutionalised consultation") necessarily limit such opportunities as may be open to us to influence the drafting of the Basic Law? Would the Chinese accept terms of reference for institutionalised consultation which would give us a droit de regard over the Basic Law?

c. If it is agreed that, on balance, it would be advantageous to go for institutionalised consultation, is it right that this should always take place in Peking? Should the location alternate, say between Peking and London?

d. Is the Sub-Committee content with the proposed line to take with the Chinese on constitutional arrangements, the internal security force and other questions mentioned in paragraph 4 of the Foreign and Commonwealth Secretary's minute?

CONCLUSION

8. Subject to the points made in discussion, you could guide the Committee to approve the recommendations in paragraph 5 of the Foreign and Commonwealth Secretary's minute. ~~\_\_\_\_\_~~

*David Goodall*

2 April 1984

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A D S Goodall



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COMMUNICATIONS





Foreign and Commonwealth Office

London SW1A 2AH

2 April 1984

Prime Minister.

A.S.C. 3/4.

Dear John,

Hong Kong: Public Statement on the Future

The meeting of OD(K) on 26 March considered whether the Foreign Secretary should make a statement during his visit to Hong Kong in April, lifting the veil on the likely package which would emerge from the discussions with the Chinese.

I now enclose a draft of such a statement which may of course need adjustment in the light of discussions with EXCO and in Peking. As you know, EXCO Unofficials have strongly expressed the view that it would be right to state frankly that there is no chance of negotiating the continuation of British administration with the Chinese. The draft is designed to make this clear, while underlining that any possibility of transferring sovereignty is still subject to conditionality. It also outlines the main elements which we would expect an agreement to contain in order to assure the continuation of Hong Kong's systems, laws, freedoms, etc. This is not an easy balance to strike, particularly since the Chinese have made it clear in informal contacts in Peking that they would object to our including in a statement points which they regarded as being their business - ie the future framework for Hong Kong to be covered under the Basic Law. But, if a statement is to be made, it must obviously explain that we are working for a binding agreement which will assure continuation of the main features of Hong Kong's way of life.

At OD(K) the Prime Minister asked us to consider whether we should give the Chinese formal warning of our intention to make such a statement, before the Foreign and Commonwealth Secretary visits Peking. Having consulted the Ambassador and Governor, the Foreign Secretary's view is that he should tell the Chinese leaders of our intention during his visit, adding of course an explanation of why we think this is in both Chinese and British interests. If we were to broach the matter before, there would be a risk that they would take it as a request for permission and would reject it out of hand. That is the more likely because the Chinese negotiator, Zhou Nan, has already expressed opposition to the concept and is in any case likely to view with suspicion any proposals which we make at official level.

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It is Sir Geoffrey Howe's intention to make the statement at the press conference which will conclude his visit to Hong Kong on the morning of 20 April. This timing will enable him to discuss the content of the statement with the Executive Council on the previous day, and also to inform the Unofficial members of the Legislative Council of his intentions.

There has already been some preliminary discussion with the Leader of the House and the Chief Whip about Parliamentary handling. Sir Geoffrey Howe proposes the following procedure:

- (a) the text of his statement would be deposited in the library of both Houses as soon as possible after it had been made. Since this will actually happen on Good Friday, special steps will be taken to ensure that it is available to Members immediately after the holiday weekend;
- (b) immediately after the Easter recess an FCO Minister would reply to an inspired written parliamentary question drawing attention to the Hong Kong statement and (if the Leader of the House agrees) looking forward to the possibility of an early debate.

The above procedure may not be ideal, but Sir Geoffrey feels that it should nonetheless be enough to satisfy MPs that their interests are being taken into account. Parliamentary interest in Hong Kong has so far been limited, and the proposed statement contains no striking revelations. Moreover, Sir Geoffrey is offering an informal briefing on Hong Kong to selected MPs of all parties, including members of the entire Select Committee on Foreign Affairs, before his departure, besides giving a further briefing to Opposition leaders on Privy Councillor terms.

I am copying this letter to Private Secretaries of members of OD(K) and to Richard Hatfield (Cabinet Office), and to Murdo Maclean (Chief Whip's Office).

Prime Minister

We might perhaps say to the Foreign Secretary that in the briefing he should describe his intention to make a written statement after the recess — to prevent criticism that it should have been oral.

Yours ever,

Peter Ricketts

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

A.S.C.  $\frac{3}{4}$ .

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR FOREIGN AND  
COMMONWEALTH AFFAIRS IN HONG KONG ON 20 APRIL 1984

1. I have, as you know, just come from three days of meetings with leaders of the Chinese Government in Peking. The greater part of these meetings was spent in discussion about the future of HONG KONG. I would now like to make a short statement about those negotiations and about the way HMG see the future of this territory.

CONFIDENTIALITY

2. Firstly, I should say that I realise the problems which the confidentiality of the negotiations has caused for the people of Hong Kong. I appreciate the forbearance which they have shown. The negotiations are still in progress and there can be no question of breaking confidentiality and going into details about what is being discussed. Indeed, many important points remain to be settled. Nevertheless I should like to take this opportunity to make some comments on how I see the problems which we are facing together and on the likely way ahead.

HISTORY AND BACKGROUND TO THE NEGOTIATIONS

3. Negotiations over the future of Hong Kong were started in September 1982 when the Prime Minister visited Peking. We then agreed with the Chinese Government that the negotiations should take place with the common aim of maintaining the prosperity and stability of Hong Kong. Our intention was and remains to remedy the uncertainty over the territory's future, caused by the fact that the lease on 92% of the territory was due to expire in 1997, and to work out arrangements for the future which would be in the best interests of Hong Kong's people.

4. I should emphasise that throughout the talks we have kept in close contact not only with the Governor but with members of his Executive Council. Our chief concern has been to find a way in which the Hong Kong enterprise, which has been so uniquely successful, could continue. What is important for Hong Kong is

the continuity of the essentials of the legal, social and administrative systems - indeed of the whole pattern of Hong Kong's way of life.

5. I touched on this question in a debate in the House of Commons last month. I pointed out then that at present continuity in Hong Kong is assured by British administration. It is right that I should tell you that I do not think it is realistic to think of an agreement providing for continued British administration in Hong Kong after 1997. We have therefore been concentrating on other ways of securing the assurances necessary for Hong Kong's continued stability and prosperity.

6. I believe that there is a basis on which this can be achieved. The Chinese Government have made clear that they recognise the special circumstances of Hong Kong and the need for its systems - in many ways so different from those of <sup>mainland</sup> China to remain. There is indeed the strongest possible common interest between ourselves and the Chinese Government that this should be so. Our approach to the talks has therefore been to examine with the Government of China how it might be possible to reach agreement that there should be established in Hong Kong after 1997 a system with a high degree of autonomy which would maintain the essentials of its present way of life under Chinese sovereignty within the terms of the Constitution of the People's Republic of China.

7. With this in mind we have covered an immense amount of detail in our approach to the discussions. We have explained the existing situation - whether in the legal, administrative, commercial or financial fields - and have given our views on how maximum continuity could be provided. Much still remains to be discussed. Our aim is to agree on a framework of arrangements which will provide for the maintenance of Hong Kong as a flourishing and dynamic society for many years to come.

8. I believe that both we and the Chinese Government share a common desire to see the continuation of Hong Kong's unique contribution to the economy of the region as a society enjoying its own legal, economic and social systems and distinct way of

life and offering a service to the world as an international commercial centre and a free port. It is possible to visualise a situation in which Hong Kong would, as part of China, have a high degree of autonomy which would extend to executive, legislative and judicial powers. Clearly there must be room for evolution, both between now and 1997 and after. An important point is that the laws of Hong Kong should be based upon the present system. That should include both written and common law. Existing freedoms should be maintained - freedoms against arbitrary arrest, freedoms of religion, assembly, speech and the press. The Chinese Government have made it clear that they see the Government of Hong Kong as being in the hands of local Hong Kong people. This would follow up a trend which I am glad to say is already taking place. Of course there should be a place, before and after 1997, for outside people, from Britain and elsewhere, to continue to work here in the service of Hong Kong. But essentially government by the people of Hong Kong should be developed on increasingly representative lines.

9. I have in mind a framework which would enable Hong Kong to operate its own independent financial system; and within which taxes would continue to be levied in Hong Kong for the benefit of Hong Kong people. It would allow Hong Kong's extensive and direct economic relationships with the world to continue; Hong Kong could remain an important contributor to regional and world economic organisations. Under such a system the Hong Kong Government could be responsible for public order in the territory, Government education systems and the opportunity for cultural exchange with the world could remain.

10. Of course there is bound to be change. I realise that the prospect causes some concern here. It is natural that people should be anxious to know what the future will hold. I would like to say that my discussions with the leaders of the Chinese Government have convinced me that they believe that it is essential for Hong Kong systems to remain fundamentally as they are. We have of course been careful to listen to the views of Hong Kong people and to explain their concerns to the Chinese leaders. We have pointed out the need for assurance that arrangements for Hong Kong's

continuing prosperity and stability based on effective autonomy will continue for many years. The Chinese Government have made clear in numerous public statements that they intend that this should be so for at least 50 years. We are working for an agreement which will enshrine that principle and ensure that, in this unique society, the pride of being Chinese will go hand in hand with confidence in the future of Hong Kong.

11. As I said, we are still negotiating. It would be wrong to anticipate the details of an eventual agreement. When the time comes, whatever agreement is reached must be put before Parliament. And before that can be done people in Hong Kong itself will need to know the terms of the agreement and to express their views. I can assure you that that will be done.

March 1984



PM/84/57

PRIME MINISTER

Hong Kong: Visit of EXCO Unofficials

1. The Hong Kong EXCO Unofficials, accompanied by the Governor, will again be visiting London from 4-6 April. The purpose is to hold discussions in advance of my visit to China and Hong Kong in mid-April. I shall see them on 5 April and they will call on you on the morning of Friday the 6th.
2. The Unofficials have made clear that they regard their talks with HMG on this occasion as crucial. The Governor has reported that they are deeply dissatisfied with the recent course of the talks in Peking. They were particularly depressed by the response which the Chinese gave us at the eleventh round on our proposals on nationality and by the indications we have received about the sort of agreement which the Chinese would be prepared to consider.
3. In a sense, every visit by EXCO to London has focussed on the same problem: how to reconcile the perceived requirements for confidence in Hong Kong with a realistic negotiating position in Peking. This time, however, the Governor believes that there is a point beyond which EXCO might withhold their support. They will certainly demand that Ministers make clear to them that we are prepared to face a break in the talks if that requirement cannot be obtained. They will argue that we have in practice agreed virtually nothing with the Chinese during our discussions of our working papers and, inconsistently, that HMG have made successive concessions throughout for no real return.
4. The Unofficials' attitude is understandable and has to be taken very seriously. They clearly fear heavy criticism if they are seen to be associated with an agreement which might be seen by the public as little more than a reformulation of the Chinese twelve points. Although opinion in EXCO is by no means unanimous, there is bound to be a reluctance to stand our against a call by



colleagues for a tough line in defence of Hong Kong's 'interests'. Although at some stage we might have to decide to overrule EXCO, we must make every effort to keep them with us, because their support will be a key factor in obtaining acceptance of any agreement in Hong Kong.

5. On the other hand, I believe that EXCO's views are in many ways based on misconceptions. In the first place they are likely to argue that, when we have exercised flexibility in negotiation with the Chinese, this has produced no real benefit and that we have only made gains where we have stood firm. In fact the main breaks in the talks and the main progress on detail have been achieved not by refusing to move at all on our side but by a readiness to examine on a conditional basis whether satisfactory arrangements could be devised for Hong Kong on the basis of the Chinese proposals. This was the theme of your message to the Chinese Premier last October, to which EXCO agreed. I believe also that EXCO are wrong in asserting that we have not made progress on important points with the Chinese. The discussion of our working papers has in fact produced very extensive agreement on substance, though not yet to the same extent in form. The main outstanding points are those on which we always expected that the Chinese would be difficult: nationality, constitutional arrangements, and stationing of Chinese troops. We shall have to consider carefully how we press our case on the Chinese on these very important points, but this should not disguise the fact that on other questions, notably the law and the financial and economic systems, as well as freedoms and human rights, the Chinese have responded to our working papers and our arguments with a considerable expansion of their proposals.

6. It is clear that in our continuing negotiations with the Chinese there will be some points on which we must place more weight and for which we must argue harder and longer than others. There will also be points that we regard as essential to a tolerable agreement. These will include a binding commitment by the Chinese to respect certain essential elements of the autonomy of Hong Kong for at least fifty years and a considerable measure





of detail about the systems and freedoms that will be continued. We must make clear to EXCO that we do have such sticking points. But we can only express such concepts to the Unofficials in very general terms. It would not be wise to spell out in detail and in advance what our individual requirements are.

7. This is necessary because I believe that EXCO's application of the principle of a sticking point differs from ours. Because they want to be seen, even more strongly than we need to be, as the defenders of Hong Kong's interests, they are likely to demand that we put in strong initial bids to the Chinese from which we would be committed not to retreat. This would apply both to specific issues and to the general content of an agreement. Experience has shown that we could not sensibly conduct the negotiation on those lines and hope to get a result which would be in Hong Kong's best interests. As you know, I believe that the 'maximalist' draft agreement which we discussed on 26 March stands no chance of eventual acceptance by the Chinese. We shall be discussing tactics further with EXCO this week and at the Governor's request are delaying handing over the draft Agreeing in Peking until after that. We shall need to present the maximalist draft to the Chinese and argue for it. But it is not the case that every part of that draft is essential to Hong Kong's future autonomy or for confidence. I believe that there should be ways of framing an agreement so as to meet those requirements and also gain Chinese acceptance. But we cannot discover whether that is so unless we have flexibility in our negotiation position. We shall hog-tie ourselves if we lay down immutable and specific requirements now. It is far better to negotiate flexibly and to rely on the fact that everything in an eventual package will be ad referendum. We are still operating on the terms we laid down last October. That means that there will come a time when we shall have to recognise that we have completed our explorations of what can be built on the Chinese proposals and to decide in consultation with EXCO whether the total package is acceptable. That point has not come yet and EXCO's proposals for putting in very high bids and sticking to these at all costs have the effect of preventing us completing this exploration. When we



do eventually reach the point of judging whether the total package is acceptable, we shall need to take the consequences of break-down very much into account. I do not believe that we can regard EXCO's concept of a relatively harmless stand-off as a realistic option. A breakdown in the talks would mean confrontation, in which a unilateral Chinese statement in a few months would inevitably be the most striking feature.

8. We need to adopt a similar approach to the question of the timetable for talks and the procedures for signature and ratification of an agreement. On 26 March we agreed that we would need some flexibility on this and in particular might have to indicate to the Chinese that, if they were prepared to agree to a detailed package which clearly set out the lines of the eventual basic law, we might be able to consider expediting reatification on our side. I hope that during EXCO's visit we can convince them of the sense of such a tactic. It is likely to be one of our strongest cards in getting an agreement that will meet their interests.

9. I am sure that we must talk frankly to EXCO on these lines. We must again reassure them that we are seeking the best interests of Hong Kong. We need to remind them of the real risk of confrontation with the Chinese, while acknowledging that there may come a point at which those risks will have to be run. But we must also make clear that there is still much to play for. The Chinese are bound to take a tough line at this key phase in the negotiations, as we approach discussion of an agreement. But they are also indicating in informal contacts and in secret material that they realise that Hong Kong will require assurance. Their understanding of what will be necessary for that is probably inadequate. We need to use the negotiation in order to explain the requirements. But we cannot do that on the basis of a rigid position.

10. At the same time, if I am to go to Peking with EXCO's confidence, and particularly if I am to make a statement in Hong Kong which will set out the public positions more openly, I shall



have to be, and am, ready to argue strongly on points which matter to Hong Kong. The Governor has made clear that nationality is such a point. In the last round of talks the Chinese rejected our proposal for a separate category of citizenship for Hong Kong under Chinese nationality and continuation of rights for Hong Kong BDTCs under another title. Their point was that they could not agree with us on arrangements which contravened the Chinese principle that Hong Kong Chinese were, and would remain, simply Chinese nationals. At the same time they appeared to accept that we could, on our own, make provision for some of the BDTCs' present rights to continue; and that outside Hong Kong such people could use a British passport as a travel document. They added to this, however, the important rider that such a British national status could not be transmitted to a succeeding generation.

11. EXCO have argued strongly, with the Governor's support, that we should not adjust our position to meet that of the Chinese and that we should continue to press our proposals on nationality, despite the Chinese reaction. I am under no illusion that the Chinese would accept these. However, I have told the Governor I am prepared to argue for them again when I go to Peking and to explain to the Chinese the great significance of this issue for Hong Kong in judging the acceptability of any agreement. I would thus demonstrate to EXCO that we are prepared to press on important issues. But I should also make clear to the Unofficials that it would not be in their interests to treat every aspect of this question as one for which we should necessarily die in a ditch.

12. Finally, the Governor advises that the Unofficials may press us on what measures HMG would take to help Hong Kong people, particularly BDTCs, if an acceptable agreement is unobtainable. They probably have in mind financial assistance to those who wish to leave Hong Kong and may well couple this with the question of entry into the UK. My own view is that we could not give a blanket assurance of any sort; we should



tell EXCO that we could only consider any cases in the light of circumstances as they arose. We should emphasise that public statements on this would not help confidence but would cast doubt on the effectiveness of the negotiations while they were in progress.

S.4(s)

13. I am sending copies of this minute to OD(K) colleagues, and believe that it would be helpful if we could discuss these questions with them at the meeting arranged for 3 April. before the EXCO Unofficials arrive in London. I am also sending a copy to Sir Robert Armstrong.

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

GEOFFREY HOWE

Foreign and Commonwealth Office

2 April, 1984

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Foreign and Commonwealth Office

London SW1A 2AH

2 April 1984

Dear John,

Future of Hong Kong: Agenda Item 2

Thank you for your letter of 30 March about Agenda Item 2 which outlines the Prime Minister's concern that under the arrangements proposed in the Foreign Secretary's minute of 29 March the Chinese will be able to gain substantial influence in Hong Kong in the period up to 1997. This subject is on the agenda for OD(K) on 3 April.

Sir Geoffrey Howe agrees entirely that it will be important to resist Chinese efforts in this direction if the authority of the Hong Kong Government is not to be undermined and our job of administering the Territory made impossible.

We cannot, however, avoid discussing arrangements prior to 1997 with the Chinese. These form the agreed second item on the agenda. Ministers have already agreed that we shall need to tell the Chinese about constitutional changes, in order to induce them to continue the existing government structure after 1 July 1997. Other matters within this item include the question of renegotiating the nearly three hundred treaties and International Agreements to which Hong Kong is a party, and the extension of land leases in the New Territories beyond 1997.

We can handle this continuing discussion with the Chinese either through (a) ad hoc diplomatic contacts or (b) some more institutionalised form of consultation, possibly including Working Parties. The first might on the face of it provide less of a chance for the Chinese to interfere in the running of Hong Kong up to 1997. On the other hand, since contact up to 1997 will be necessary in any case, we believe that it will be worth using the opportunity to give ourselves a chance of influencing the drafting of the Basic Law. It is crucial to our agreement that the Basic Law corresponds to the detailed arrangements agreed with the Chinese; this would be particularly true if we were to consider ratifying the Agreement before seeing the Basic Law. An Anglo/Chinese Working Party to discuss transitional arrangements could help towards this. Indeed the Chinese may have given us an opportunity to pursue this line at the 11th round of talks when they said that time was needed for the parties concerned to study and consult with each other over the question of government structures before any provisions were made in the Basic Law.



The Chinese have indicated that they will propose machinery to discuss co-operation up to 1997. Sir Geoffrey Howe believes that we need to explore this idea to see what there may be in it for us. It is possible that some consultative machinery in Peking (rather than in Hong Kong) with sufficiently restricted terms of reference could on balance be helpful.

EXCO have already seen the paper on Item 2 on the understanding that Ministers are not committed to it. They may wish to discuss it during their visit from 4 - 6 April.

I am copying this letter to the Private Secretaries of other 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

Hans Kowalski - Future  
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MY TELNO 864: FUTURE OF HONG KONG

1. AS A CONTRIBUTION TO THE PREPARATIONS FOR THE VISIT BY EXCO UNOFFICIALS AND THE SECRETARY OF STATE'S VISIT TO PEKING, MINISTERS MAY WISH TO HAVE MY APPRAISAL OF THE SITUATION AS FAR AS HONG KONG IS CONCERNED. IN MY VIEW THE HONG KONG DIMENSION IS NOT BEING GIVEN SUFFICIENT WEIGHT IN THE CONSIDERATION OF OUR STRATEGY.

2. OUR EXCHANGES WITH THE CHINESE HAVE BEEN USEFUL IN ROUNDING OUT THE CHINESE PLAN. THERE ARE NEVERTHELESS SOME LARGE ISSUES STILL TO BE RESOLVED, IN PARTICULAR CONSTITUTIONAL ARRANGEMENTS AFTER 1997, NATIONALITY AND INTERNAL SECURITY; AND SOME LESSER POINTS WHICH WILL BE IMPORTANT TO MAINTAINING MORALE AND RETAINING THE SERVICE OF OFFICERS IN; THE PUBLIC SERVICE, THE POLICE, AND THE JUDICIARY - SUCH AS SECURITY OF TENURE, THE POSITION OF OVERSEAS (AND OTHER NON-CHINESE) OFFICERS, PROCEDURES FOR THE APPOINTMENT AND DISMISSAL OF JUDGES, AND THE ARRANGEMENTS FOR ADMINISTERING THE PUBLIC SERVICE GENERALLY. WE SHOULD NOT LET THE CHINESE BELIEVE THAT WHAT THEY HAVE SO FAR SAID ON THESE POINTS WILL BE A SATISFACTORY BASIS FOR FUTURE ARRANGEMENTS. WE SHALL NEED TO CONTINUE TO PRESS THEM (AND AT THE SAME TIME TO MAKE OUR OWN DISPOSITIONS EG ON SUCH MATTERS AS PENSIONS). WE MUST ALSO KEEP OUR HANDS AS FREE AS WE CAN AS REGARDS THE ADMINISTRATION OF THIS TERRITORY UP TO 1997, WHILE TAKING DUE ACCOUNT OF THE NEED TO MATCH PRE-1997 ARRANGEMENTS WITH THOSE POST-1997.

3. ASSUMING THAT THE OUTSTANDING ISSUES CAN BE RESOLVED SATISFACTORILY, THE CRUCIAL QUESTION WILL BE THE WILLINGNESS OF THE CHINESE TO COMMIT THEMSELVES TO DETAILED POST-1997 ARRANGEMENTS IN A FORM WHICH WILL CARRY CONVICTION IN HONG KONG. TO CARRY SUCH CONVICTION THERE WILL NEED TO BE CLEAR AND EXPLICIT UNDERTAKINGS. A CLEVERLY FUDGED DIPLOMATIC DOCUMENT INCLUDING, FOR THE CHINESE PART, NO MORE THAN A GENERALLY WORDED STATEMENT OF INTERNAL POLICY, WILL NOT BE ENOUGH. IF PEOPLE HERE ARE TO OVERCOME THEIR SCEPTICISM BASED ON EVENTS IN CHINA SINCE 1949 AND TO BROUGHT TO BELIEVE THAT THE FUTURE SAR WILL BE GENUINELY AUTONOMOUS; THAT THE LEGAL SYSTEM WILL SURVIVE; AND THAT THE CAPITALIST ECONOMY WILL BE PRESERVED THE CHINESE WILL NEED TO GIVE UNDERTAKINGS IN A FORM RECOGNISABLE TO THE INTERNATIONAL COMMUNITY AND TO THOSE WHO MATTER IN HONG KONG (THE INVESTORS AND PROFESSIONALS) AS BINDING COMMITMENTS. WE SHOULD NOT LET THE CHINESE (OR OURSELVES) HARBOUR THE ILLUSION THAT LESS WILL DO.

4. AS I SEE IT, THEREFORE, THE DRAFT AGREEMENT SHOULD NOT BE PRESENTED TO THE CHINESE IN A WAY WHICH GIVES THEM THE IMPRESSION THAT IT IS NO MORE THAN A STARTING POINT FOR NEGOTIATION. IT SHOULD BE PRESENTED, BOTH AS REGARDS FORM AND CONTENT, AS THE KIND OF AGREEMENT WHICH IN OUR CONSIDERED JUDGEMENT WILL BE ESSENTIAL IF THE RESULTS OF OUR DISCUSSIONS ARE TO HAVE ANY HOPE OF CREDIBILITY IN HONG KONG AND INTERNATIONALLY.

5. WE CAN USE WITH THEM THE FOLLOWING ARGUMENTS:

- (A) THE DRAFT MEETS THEIR ESSENTIAL REQUIREMENTS. IT ACCEPTS THAT SOVEREIGNTY WILL BE TRANSFERRED, AND BRITISH ADMINISTRATION WILL WILL END IN 1997, AND IT INCORPORATES THE MAIN POINTS OF THE CHINESE PLAN. SUBJECT TO THE RESOLUTION OF THE QUESTIONS STILL UNDER DISCUSSION, THE POINTS INCLUDED IN THE DRAFT HAVE BEEN COVERED IN THE TALKS. THERE IS THEREFORE NOTHING IN THE SUBSTANCE OF THE ARRANGEMENTS WHICH THE DRAFT DESCRIBES TO WHICH THEY SHOULD OBJECT.
- (B) THE DRAFT POSTULATES A PROFOUND CHANGE IN HONG KONG. WHATEVER THE CHINESE VIEW OF THE WISHES OF HONG KONG'S CHINESE INHABITANTS. IT WILL REQUIRE WILLING COOPERATION BETWEEN THE UK AND CHINA IF HONG KONG IS TO SURVIVE THAT CHANGE. WE ARE WILLING TO EXTEND THAT COOPERATION. BUT SUCCESS WILL DEPEND ON THE CREDIBILITY OF THE ARRANGEMENTS IN HONG KONG AND INTERNATIONALLY. NEITHER GOVERNMENT CAN DECREE THAT CREDIBILITY. IT IS NOT IN OUR GIFT; IT WILL HAVE TO BE WON.
- (C) THE FORM AND CONTENT OF THE AGREEMENT MUST THEREFORE:
- (1) SATISFY THOSE WHOSE CONTINUED PRESENCE IS ESSENTIAL TO HONG KONG'S PROSPERITY (THE INVESTORS AND PROFESSIONALS) THAT THERE IS A BINDING COMMITMENT TO MAINTAIN THE HONG KONG SYSTEMS UNCHANGED. THEY WILL NOT RISK THEIR ASSETS OR THEIR OWN FUTURES WITHOUT SUCH COMMITMENTS.
- (II) SATISFY PARLIAMENT THAT THE AGREED ARRANGEMENTS WILL BE SUFFICIENT TO MAINTAIN THE STABILITY AND PROSPERITY OF HONG KONG, AND THAT IT WOULD BE RIGHT FOR THEM TO AUTHORIZE THE TRANSFER OF SOVEREIGNTY IN 1997.
- (III) PROVIDE A CLEARLY ESTABLISHED BASIS FOR THE COOPERATION WHICH THE PRIME MINISTER SAID IN HER MESSAGE WE WOULD OFFER, PROVIDING SHE WAS SATISFIED ON THE ARRANGEMENTS TO BE OFFERED

~~TRANSFER OF SOVEREIGNTY IN 1997.~~

~~NNN PROVIDE A CLEARLY ESTABLISHED BASIS FOR THE COOPERATION WHICH THE PRIME MINISTER SAID IN HER MESSAGE WE WOULD OFFER, PROVIDING SHE WAS SATISFIED ON THE ARRANGEMENTS TO REPLACE BRITISH ADMINISTRATION.~~

6. IF WE PRESENT ~~THE~~ DRAFT AGREEMENT IN THIS WAY THE CHINESE WILL NO DOUBT PROTEST STRONGLY AND THREATEN THE UNILATERAL ANNOUNCEMENT OF THEIR PLAN. IN CONSEQUENCE WE MAY WELL FACE A FEW ROUGH MONTHS AND SOME DIFFICULT MEETINGS IN PEKING. BUT IT IS ESSENTIAL THAT WE SHOULD NOT PRETEND TO THEM (OR TO OURSELVES) THAT WE CAN GET ACCEPTANCE OF THE NEW ARRANGEMENTS ON THE BASIS OF SWEET WORDS FROM THE CHINESE ALONE OR THAT HONG KONG WILL QUIETLY ACCEPT WHATEVER PEKING AND LONDON DECEIDE. MOREOVER A UNILATERAL ANNOUNCEMENT CARRIES HEAVY RISKS FOR THE CHINESE AS WELL AS FOR US SINCE THEY MUST KNOW THAT IT WOULD CARRY NO CONVICTION IN HONG KONG ON ITS OWN. THERE IS NO GUARANTEE THAT ANY AGREEMENT WILL DO THE TRICK. BUT WITH THE KIND OF AGREEMENT SUCH AS WE ARE NOW PLANNING TO PRESENT WE HAVE A CHANCE AND WE SHOULD URGE THE CHINESE STRONGLY TO TAKE IT. I TRUST THAT THE SECRETARY OF STATE WILL BE READY TO BRING THIS HOME TO THEM IN CLEAR TERMS.

7. I DO NOT UNDERESTIMATE THE RISKS. EVIDENCE OF DIFFICULT MEETINGS IN PEKING WILL WORRY THE MARKETS HERE. IF BY THE LATE SUMMER THERE IS THE PROSPECT OF NO AGREEMENT WITH THE CHINESE WE SHALL BE FACED WITH THE GRAVE DECISIONS. BUT THERE WILL BE EQUALLY SERIOUS RISKS IN COMMITTING OURSELVES TO THE CHINESE ON AN AGREEMENT WHICH IN FORM AND CONTENT WILL NOT CARRY CONVICTION IN HONG KONG. WE SHOULD STILL BE RESPONSIBLE FOR THE ADMINISTRATION OF THE TERRITORY BUT IN CONDITIONS OF RAPIDLY DECLINING CONFIDENCE, AND POSSIBLY OF COLLAPSE. THE CHINESE WOULD LAY THE BLAME ON HMG. IN SHORT WE SHOULD HAVE THE WORST OF BOTH WORLDS.

8. WITH A POSITION SUCH AS I HAVE OUTLINED IN PARAS 4 AND 5 ABOVE THERE IS A PROSPECT OF HOLDING EXCO. ANY SUGGESTION THAT THE SECRETARY OF STATE WILL GO TO PEKING IN THE EXPECTATION OF BEING BARGAINED DOWN WILL RUN A STRONG RISK OF LOSING THEIR SUPPORT. THAT LOSS WILL BE A POOR START WHEN WE COME TO TEST THE ACCEPTIBILITY OF ANY ARRANGEMENT IN HONG KONG.

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PART 12 ends:-

AJC to PM 30.3.84.

PART 13 begins:-

Hong Kong tel 885 2.4.84.

