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PREM 19/1265

SECRET UK EYES A.
PART 14

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CONFIDENTIAL FILING

Future of HONG KONG
Territorial Leases.

HONG KONG

Part 1: June 79

Part 14: May 84

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
3.5.84		19.6.84					
4.5.84		21.6.84					
8.5.84		27.6.84					
10.5.84		28.6.84					
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15.5.84		30.6.84					
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PART 14 ends:-

Peking tel 1243 30.6.84

PART 15 begins:-

CR to CP 2.7.84

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons HANSARD, 25 May 1984, columns 1371 to 1380: Hong Kong

House of Commons HANSARD, 16 May 1984, columns 416 to 464: Hong Kong

Signed

J. Gray

Date

27/8/2013

PREM Records Team

GR 800

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43

DESKBY FCO 300900Z

FM PEKING 300630Z JUN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1243 OF 30 JUNE

INFO IMMEDIATE HONG KONG

YOUR TELNO 671/ FUTURE OF HONG KONG: STRATEGY

1. YOU MAY FIND IT HELPFUL TO HAVE MY VIEWS ABOUT STRATEGY DURING THE PERIOD WHICH NOW LIES AHEAD AT THIS POINT. I SHALL BE CONTINUING TO CONSULT AND REFLECT SEMICOLON AND IT MAY WELL BE THAT I SHALL WANT TO OFFER MODIFICATIONS DURING THE MEETINGS WHICH ARE TO BE HELD NEXT WEEK.

2. THE ESSENTIAL ELEMENTS IN MY PRESENT VIEW ARE THE FOLLOWING:

(A) IT IS VERY CLEAR THAT THE CHINESE, UP TO AND INCLUDING DENG XIAOPING, ATTACH VERY GREAT IMPORTANCE TO THE CHINESE PROPOSALS ABOUT THE LOCATION AND MACHINERY OF A JOINT GROUP.

MY JUDGMENT IS THAT THEY ATTACH ALMOST AS MUCH IMPORTANCE TO THIS AS TO THE SATISFACTORY REFLECTION OF CHINESE REQUIREMENTS ABOUT SOVEREIGNTY IN THE AGREEMENT. IT IS ALSO MY JUDGMENT THAT

AGREEMENT WITH THE CHINESE ABOUT LOCATION AND MACHINERY OF A JOINT GROUP IS A NECESSARY, IF NOT A SUFFICIENT, CONDITION FOR OUR MAKING SUBSTANTIAL PROGRESS WITH THEM ON THE OUTSTANDING ITEM 1 ISSUES, ON THE FORM AND CONTENT OF AN AGREEMENT (INCLUDING THE ANNEXES) AND ON OTHER ITEM 2 ISSUES.

(B) IN THIS SITUATION, I FAVOUR OUR OFFERING THE CHINESE A DEAL WHICH WOULD EMBRACE, BUT NOT BE CONFINED TO, ITEM 2. THE DEAL WHICH MOST APPEALS TO ME IS BRITISH AGREEMENT TO THE ESTABLISHMENT OF A JOINT GROUP IN HONG KONG (WITH A STRICTLY DEFINED COMPOSITION AND STRICTLY DEFINED METHODS OF OPERATION) IN RETURN FOR CHINESE AGREEMENT TO OUR TERMS OF REFERENCE ABOUT THE TASKS OF THE GROUP AND REPEAT AND THE INCLUSION IN THE ANNEXES OF PRECISE LANGUAGE ON ALL POINTS AGREED BETWEEN US IN THE TALKS.

(C) I AM ALSO INCLINED TO FAVOUR OUR AT THE SAME TIME OFFERING A SECOND DEAL ON CONSTITUTIONAL STRUCTURE. HERE THE DEAL I HAVE IN MIND IS BRITISH AGREEMENT TO THE JOINT ENDORSEMENT REPEAT ENDORSEMENT IN THE LATER 1990S OF ALL OFFICIALS OF DEPUTY SECRETARY RANK AND ABOVE IN THE FIRST GOVERNMENT OF THE SAR IN RETURN FOR CHINESE AGREEMENT TO THE ELECTION OF A GOVERNOR WITH RESERVED POWERS IN THE EARLY 1990S.

(D) I BELIEVE THAT IT WOULD BE A GOOD DEAL EASIER FOR THE SECRETARY OF STATE TO GET THE CHINESE TO ACCEPT A DEAL OR DEALS ON THESE LINES BY VISITING PEKING PERSONALLY THAN BY SENDING A MESSAGE TO WU XUEQIAN OR INSTRUCTING ME TO OFFER SUCH DEALS TO ZHOU NAN (AT THE TABLE OR OTHERWISE). ONE OF THE MOST INTERESTING FEATURES OF THE SECRETARY OF STATE'S VISIT TO PEKING IN APRIL WAS THAT THE POINTS HE MADE TO WU XUEQIAN, JI PENGFEI AND ZHAO ZIYANG WERE CAREFULLY CONSIDERED BY, AND HAD THEIR CUMULATIVE IMPACT ON, DENG XIAOPING, THE PERSON WHO CALLS THE SHOTS.

(E) IF THE SECRETARY OF STATE WERE TO OFFER A DEAL OR DEALS ON THESE LINES, I BELIEVE THAT HE SHOULD DO THIS NO SOONER THAN THE END OF JULY, BUT NO LATER THAN THE MIDDLE OF AUGUST.

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/LEAD

LEAD TIMES FOR PLANNING AND PREPARATION APART, IT WOULD IN MY VIEW BE A MISTAKE TO OFFER THE CHINESE ANYTHING UNTIL WILSON HAS HAD AT LEAST THREE WEEKS TO GO OVER THE ANNEXES WITH HIS CHINESE OPPOSITE NUMBER IN THE WORKING GROUP. AFTER THREE WEEKS, WE OUGHT TO HAVE A FAIRLY CLEAR IDEA OF AMOUNT OF DETAILS WHICH, IN PRESENT CIRCUMSTANCES, THEY ARE WILLING TO SEE INCLUDED IN THE ANNEXES. I BELIEVE THAT TO LEAVE ANY OFFER UNTIL LATER THAN THE MIDDLE OF AUGUST COULD PREJUDICE ITS CHANCE OF ACCEPTANCE AND WOULD IN ANY CASE NOT ALLOW TIME FOR EVERYTHING TO BE PUT TOGETHER IN A DELIBERATE WAY BY THE END OF SEPTEMBER.

3. TWO FUNDAMENTAL QUESTIONS LURK IN THE BACKGROUND. THEY ARE:
(A) WOULD THE CHINESE PREFER THE BREAKDOWN OF THE NEGOTIATIONS TO THE CONCLUSION OF AN AGREEMENT IF WE STAYED PUT ABOUT THE ESTABLISHMENT OF A JOINT GROUP IN HONG KONG?
(B) WOULD AN AGREEMENT WHICH GAVE THE CHINESE WHAT THEY SEEM TO WANT MOST OVER ITEM 2 (IE THE ESTABLISHMENT OF A JOINT GROUP IN HONG KONG) BE WORSE THAN NO AGREEMENT AT ALL?

4. THE ANSWERS TO BOTH QUESTIONS ARE OF COURSE MATTERS OF JUDGMENT. AS TO (A), MY JUDGMENT IS THAT, IN SPITE OF THE VERY SERIOUS ECONOMIC AND POLITICAL CONSEQUENCE FOR CHINA OF NO AGREEMENT, THE CHINESE (IN PARTICULAR DENG XIAOPING) MIGHT BE IRRATIONAL ENOUGH TO PREFER NO AGREEMENT TO AN AGREEMENT WHICH DID NOT GIVE THEM THE ESTABLISHMENT OF A GROUP IN HONG KONG.

5. AS TO (B), I THINK THAT WE SHOULD TAKE SERIOUSLY DENG XIAOPING'S THREAT TO PUT IN HAND THE RECOVERY OF HONG KONG BEFORE 1997 IF THERE WAS SERIOUS TROUBLE THERE. I ALSO THINK THAT WE NEED TO THINK HARD ABOUT THE POSSIBILITY OF THE ABSENCE OF AN AGREEMENT LEADING, SOONER OR LATER, TO THE CREATION OF A SITUATION IN HONG KONG WHICH WOULD TEMPT DENG TO PUT HIS THREAT INTO EFFECT.

EVANS

FUTURE OF HONG KONG

LIMITED

ED/EDD

ED/FED

ED/PLANNING STAFF

ED/PUSD

D/ED/PUSD

PRES.B. (MR WALKER)

LEGAL ADVISER (SIR J FREELAND)

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR W HARDING

MR GOODALL

SIR C TICKELL

COPIES TO:

BUCKINGHAM PALACE

PS/LORD PRESIDENT OF THE COUNCIL

PS/HOME SECRETARY

PS/CHANCELLOR OF THE EXCHEQUER

PS/LORD PRIVY SEAL

PS/SECRETARY FOR TRADE & INDUSTRY

COPIES TO: (VIA ADR)

MR ROBERTS NEWS D

MR BURROWS LEGAL ADVS

MR POWELL NO 10 DOWNING ST.

MR INGHAM NO 10 DOWNING ST.

MR MARTIN ASSESSMENT STAFF CABINET OFFICE

MR CARTLEDGE 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

2
SECRET



Foreign and Commonwealth Office

42

London SW1A 2AH

28 June 1984

Prime Minister
 Agree to see the
 Governor & the Ambassador to
 Peking next week?

Dear Charles,

Future of Hong Kong: Discussions on General Strategy

CJP 20/6.

As the Prime Minister knows, the Governor of Hong Kong and our Ambassador to Peking will be in London next week to discuss the various issues which were considered by OD(K) today.

Yes
 no

The Foreign Secretary is planning to see them for discussions on the afternoon of Thursday, 5 July. We consider that it would be useful if the Prime Minister could see them thereafter, perhaps on Friday, 6 July. I should be grateful if you could let me know whether that would be possible.

Yours ever,

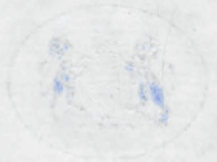
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
 10 Downing Street

Foreign and Commonwealth Office

London SW1A 2AH



28 JUN 1984

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10 DOWNING STREET

Prime Minister

OD (k): 28 June

Some very bulky
papers within, skillfully
summarised by Percy

Crook's minute just
inside the folder.

2. Further OD(k) in
week 9 July, if the
agenda cannot be
completed tomorrow.

C.D.P.

27/6.

u.s. PC

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Foreign and Commonwealth Office

London SW1A 2AH

*Prime Minister
useful background
for meeting of OD(K)*

27 June 1984

*C.D.P. 27/6.**Dear Charles,*Future of Hong Kong: Visit of UMELCO Delegation to Peking

You may find it useful before the OD(K) meeting on Thursday 28 June to have a brief account of the visit of three members of UMELCO to Peking.

Sir S Y Chung, Lydia Dunn and Q W Lee, Unofficial members of EXCO, visited Peking from 21-25 June at the invitation of the Hong Kong branch of the NCNA. They had meetings with Deng Xiaoping, Ji Pengfei (State Councillor and Head of the Hong Kong and Macau Office) and Lu Ping (number two on the Chinese negotiating team). Sir S Y Chung had ascertained that we had no objections to the visit before making arrangements through the NCNA after the visit of the UMELCO delegation to London.

The delegation's meeting with Deng Xiaoping was the key point of the visit. Deng's cold and abrupt tone in greeting the delegation was shown by Hong Kong television and led newspapers in Hong Kong to report that the delegation had been snubbed and humiliated. Deng made it clear in front of the cameras that the Chinese did not recognise the delegation as representative, and emphasised that Chinese policy towards Hong Kong was unchangeable. Deng's tone has done nothing to increase confidence in Hong Kong. Following his earlier outburst about the stationing of PLA troops in the territory also carried on Hong Kong television, Deng is seen as a cantankerous old man impatient of other people's opinion. The Governor has responded to Deng's treatment of the Unofficials by restating our confidence in the group.

Sir S Y Chung has told us that the Unofficials found Deng reasonably friendly but stern and inflexible. Deng lectured the Unofficials about China's policies for Hong Kong on standard lines and spent a good deal of time extolling the virtues of the one country/two systems formula. He denied that there was a crisis of confidence in Hong Kong and suggested that there were those in the territory determined to make trouble for China. He said that there would be no change in Hong Kong whether or not he was in charge in China. He

/said



said that if there were any disturbances before 1997 which Britain could not handle the Chinese would be obliged to move in. China had proposed the joint group in order to help Britain avoid such disturbances. Deng did not raise the question of the Green Paper on constitutional development in Hong Kong, although he had suggested to a delegation of Hong Kong businessmen also in Peking that he did not approve of greater democratisation for the territory.

The meeting came to an end before the Unofficials were able to put the details of their proposals to Deng but they discussed them further with Ji Pengfei and Lu Ping, and have made them public at a press conference. The Unofficials stated in their speaking note that they supported China's recovery of sovereignty over Hong Kong in 1997 but expressed concern about the crisis of confidence in the territory and explained the anxieties of the people of Hong Kong about the future. They made three main recommendations based on suggestions in the UMELCO manifesto of 9 May:

- (a) that the agreement should be detailed and binding and should contain a provision stipulating that the Basic Law would be based on the terms of the agreement;
- (b) that the Basic Law should be drafted in Hong Kong by representatives of the Hong Kong people and Chinese representatives; and
- (c) that a committee consisting of Chinese people of international standing and reputation should be appointed by China with the responsibility of monitoring or advising on the drafting and implementation of any subsequent amendments to the Basic Law.

Ji Pengfei accepted that the agreement would be as detailed as possible, although in certain areas it would not be possible to be too specific. He said that the Basic Law would reflect the terms of the agreement. Ji Pengfei said that they could be considered at the appropriate time, although Lu Ping suggested that these two further proposals infringed China's sovereignty and would not be acceptable.

In sum, the atmosphere of the opening of the meeting with Deng has created a bad impression and, as the Governor has pointed out (Hong Kong telnos 1692 and 1693), will have made harder our task of retaining the confidence and services of the public service and other key people in Hong Kong. The substance of the discussions could, however, have been worse.

/Chinese

S E C R E T



Chinese officials may be relieved that Deng was not provoked into any more outbursts which would tie China's negotiating hand. It is possible that a further delegation of LEGCO Unofficials will visit Peking in the near future.

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

Your ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

S E C R E T



SECRET

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B.06790

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Agenda Item Two

BACKGROUND

Flag A

The Sub-Committee last considered Agenda Item Two (arrangements in Hong Kong before 1997) on 23 May (OD(K)(84) 6th Meeting, Item 1) and agreed that in the light of likely Chinese insistence that a joint group with them should be formed, the United Kingdom could agree to the establishment of a group on the strict understanding that it would not be based in Hong Kong; that there should be no standing machinery in Hong Kong and that the group should have no executive or policy role. Accordingly, the British side in the talks has proposed to the Chinese that the joint group should be a peripatetic body meeting as necessary in Hong Kong, Peking or London.

D

2. The Foreign and Commonwealth Secretary's minute to you of 25 June reports that the Chinese continue to reject this proposal, and in the margins of the talks have hinted that if the British side can agree at least on the notional basing of the group in Hong Kong, the Chinese will be able to show considerable flexibility over the precise attributes of the group and its presence in the territory. The establishment of the group in Hong Kong is of considerable importance to the highest levels of the Chinese leadership, and Sir Geoffrey Howe believes it is an issue on which the talks could fail. Foreign and Commonwealth Office officials have therefore prepared the paper attached to Sir Geoffrey Howe's minute which considers the extent to which apparent Chinese flexibility might be used to circumscribe the terms of reference of a joint group based in Hong Kong to reduce its profile there to tolerable proportions; whether, on that basis, there would



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be advantage in agreeing to the Chinese proposals; if so what quid pro quo should be sought, and the timing of any move by the British side.

3. This paper reviews the current Chinese and British positions on the joint group, and (paragraphs 11 and 12) examines those areas in which the Chinese have indicated they might be prepared to be flexible in the terms of reference of the group, including agreement that the chief representatives would not be resident in Hong Kong, even though the group was based there; that the British representative might be a member of the Hong Kong Government (which could have presentational advantages); that the pattern of work of the group might be so arranged as to minimise its profile in Hong Kong; that there need be no joint secretariat or office, and that a formal decision might be made between an initial period of information gathering by the group and the later process of closer consultation. In this latter context, it might be appropriate to explore with the Chinese the possibility of deferring the establishment of the joint group for a few years. On the basis of assumed Chinese agreement to these points, illustrative terms of reference for a "minimalist" group to be based in Hong Kong have been drawn up and are at the Annex to the paper.

4. The paper goes on to consider what might be sought as a quid pro quo for acceptance of the Chinese proposal. If Ministers agree the separate proposal that the constitutional development of the territory to 1997 should follow a path leading to a locally elected Governor, it is suggested that consideration be given to linking agreement to the establishment of the group in Hong Kong with Chinese acceptance of this point. A concession should also clearly be linked with progress on the form and content of the draft agreement and associated documents.



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5. As to timing (paragraphs 15 and 16) the paper suggests that no concession should be made in the short term, but that some movement in the longer term will be necessary if deadlock is to be avoided. These considerations point to a further visit by the Foreign and Commonwealth Secretary to Peking, perhaps in late July, when it might be possible to trade the Government's agreement to a Hong Kong based joint group for the sorts of concession by the Chinese side discussed earlier. The paper does not indicate whether it would be important to follow this with a visit by the Foreign and Commonwealth Secretary to Hong Kong but this could be affected by any conclusion reached, under the first item of the meeting's agenda, about the possible need for a second unveiling statement in Hong Kong before September.

6. The Foreign and Commonwealth Secretary's minute suggests that the Sub-Committee should have a preliminary discussion of the problem. In the light of that discussion, and the Sub-Committee's views on constitutional development, it will be necessary for the Government's position to be refined in consultation with the Governor and HM Ambassador at Peking. Neither has yet been consulted in detail on what is proposed. The Ambassador is likely to be in general agreement, but the Governor might see considerable difficulties.

7. All members of the Sub-Committee will be present at the meeting.

HANDLING

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

(a) When the Sub-Committee last discussed the problem, Ministers were firmly of the view that there could be no question of agreeing to the establishment of a joint group in Hong Kong. In the light of continuing



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Chinese intransigence on this point and the danger of a breakdown in the talks, are Ministers now prepared to reconsider their earlier decision?

(b) If the British side were to make a concession on the joint group, are the sorts of quid pro quo identified the right concessions to seek to extract from the Chinese in return?

(c) Are the outline terms of reference for a "minimalist" joint group to be based in Hong Kong along the right lines?

(d) On timing, does the Sub-Committee agree that a visit by the Foreign and Commonwealth Secretary to Peking in, say, late July, would be an appropriate moment to make a change in the British position on this topic? Would this need to be coupled with a visit by the Foreign and Commonwealth Secretary to Hong Kong?

CONCLUSION

9. Subject to the points made in discussion, you could guide the Sub-Committee to -

(i) reach a preliminary view as to whether the sort of possible movement in the British position on Agenda Item Two identified in the paper by officials would be acceptable in the face of continuing Chinese obduracy;

(ii) invite the Foreign and Commonwealth Secretary to arrange for the future handling of Agenda Item Two to be discussed with the Governor of Hong Kong and HM Ambassador at Peking, and to report.

B G Cartledge

26 June 1984



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SECRET

B.06789

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Hong Kong: Constitutional Development
before 1997

BACKGROUND

Flag C

The Foreign and Commonwealth Secretary's minute to you of 25 June reports the outcome of the Executive Council's consideration of the memorandum on constitutional development in the territory. Councillors were generally content with the proposals, but showed a cautious approach to the question. A draft Green Paper has been prepared in Hong Kong (text attached to the Foreign and Commonwealth Secretary's minute), and the Foreign and Commonwealth Secretary seeks the Sub-Committee's agreement to its publication, subject to a small amendment to paragraph 63 of the draft which deals with the question of the retention of the Governor.

2. The minute also covers a separate paper on the role and method of appointment of the Governor in the 1990s, on which the Foreign and Commonwealth Secretary seeks the Sub-Committee's preliminary views. Given the very short time allowed to Sub-Committee members to read these substantial documents, it is recommended that discussion should be concentrated on the main features of the Green Paper as outlined in the Foreign and Commonwealth Secretary's minute, leaving deeper consideration of the Governor's future role to the further meeting of OD(K) which it is hoped to arrange for the week beginning 9 July; the Foreign and Commonwealth Secretary will by then have considered this issue further with both the Governor and Her Majesty's Ambassador at Peking.



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3. The proposals in the draft Green Paper are very much along the lines of those approved by Ministers in March. These follow the gradualist course, previously agreed, which seeks both to have a sufficiently developed governmental system in place by 1997 to make it more difficult for the Chinese to set aside autonomous arrangements after that date; but also to avoid initiating too quickly a process of democratisation which Chinese opposition might frustrate. The Foreign and Commonwealth Secretary believes that in Hong Kong and the United Kingdom the main interest is likely to focus on the proposed arrangements for the indirect election of members of the Legislative Council and the arguments put forward for not introducing any element of direct elections at this level. Some can be expected to accept the argument (paragraphs 27 and 28 of the draft) that direct elections would be inappropriate at this stage given the level of political development in the territory; but others are likely to be hostile. The Governor has pointed out that it is important not to over-estimate the demand for direct elections; there is concern, both in the business community and at the grass roots level that the Hong Kong Government might move too far and too fast and introduce an element of instability at this sensitive time. The Green Paper stresses that the present system of government operates on the basis of consultation and consensus and that any developments should aim to maintain this approach. For this reason, the Governor does not favour a "Ministerial" system under which members of the Executive and Legislative Councils would be allocated specific portfolios.

4. The Foreign and Commonwealth Secretary believes that the Chinese should be informed of the Green Paper immediately before its publication, but not consulted as to its content. They have already been informed in general terms of the Government's intentions. He proposes publication on 18 July, with the Executive Council being told of Ministers' views at their meeting on 3 July.

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5. The Green Paper deliberately makes no firm proposals about possible changes to the role or method of appointment of the Governor (paragraphs 57-64) since Ministers have not yet reached a view on this point. The separate paper attached to the Foreign and Commonwealth Secretary's minute on this issue identifies four main alternative approaches:

(a) retention of a British Governor appointed from London up to 1997;

(b) a locally elected Governor taking over the full administrative powers of the present office;

(c) retention of a British Governor appointed from London but with an elected local Chief Minister;

(d) a locally elected Governor, but with powers reserved to HMG for foreign affairs and defence (this alternative is linked with the possible establishment of a joint Sino-British group in Hong Kong considered under item 3 of the meeting's agenda).

Each has its own advantages and disadvantages. Option (a) would retain the British Government's existing powers, but would not develop autonomous institutions in Hong Kong prior to 1997. There would therefore be a major break in continuity at that time. Option (b) would avoid this disadvantage but would make it difficult for the British Government to exercise its authority should the need arise since it would be awkward to direct the Governor from London to act against the wishes of the Executive and Legislative Council which had themselves elected him. Option (c) would retain British authority and provide for continuity (although this could not be guaranteed) after 1997, when the post of Governor could be allowed to wither away, but would provide the Chinese with a ready excuse to instal their own Governor in 1997. The Chinese might also



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believe Option (c) went too far in providing local people with choice; and this Option could give rise to disputes between the Governor and Chief Minister. It is envisaged that Option (d) would involve the establishment of a Sino-British group in Hong Kong, which is to be discussed as item 3 of the agenda. It would maintain Britain's powers as regards foreign affairs and defence, but provide for continuity as between an elected Governor and an elected Chief Executive. The Chinese might be prepared to accept this Option. At the same time, the existence of the joint group might encourage the Chinese to interfere in Hong Kong's internal affairs prior to 1997, and be damaging to confidence.

6. The paper argues (paragraphs 10 and 11) that the choice lies between Options (c) and (d). The Governor is against (c) because of the risk of the Chinese taking over the "governorship" after 1997. Since he opposes the establishment of a joint group, he also opposes Option (d).

7. The paper argues that it will be necessary to consult with the Chinese over the future of the Governor, since the Government's position would be untenable if it published proposals which the Chinese attacked in public. But the Governor disagrees, since he sees no prospect of securing Chinese agreement to the idea of an elected Governor, and believes that by approaching them we should be offering them a power of veto. He also believes that the Chinese might find it difficult to attack in public a scheme to introduce greater democracy into the territory, since to do so would undermine the credibility of their claim that they are prepared to let Hong Kong people run Hong Kong.

8. The Foreign and Commonwealth Secretary suggests that the Governor of Hong Kong and HM Ambassador at Peking be asked to return to London for consultations on this and other matters in the week beginning 2 July.



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9. All members of the Sub-Committee will be present at the meeting.

HANDLING

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

(a) Do the Sub-Committee continue to be content with the gradualist approach to constitutional development implicit in the terms of the draft Green Paper, amended as proposed? Do they consider that it should be published on 18 July?

(b) Given the reports that the Chinese may feel some disquiet about the prospects of elections in Hong Kong (paragraph 6 of the Foreign and Commonwealth Secretary's paper), do the Sub-Committee consider that the Chinese should be informed rather than consulted about the proposals in the draft Green Paper, immediately before its publication?

(c) What are the Sub-Committee's preliminary views on the constitutional development of the position of the Governor in the light of the Options rehearsed by the Foreign and Commonwealth Secretary and the views expressed by Sir Edward Youde?

(d) Do the Sub-Committee agree that the next step should be for the role of the Governor in the 1990s to be discussed with Sir Edward Youde and Sir Richard Evans as proposed by the Foreign and Commonwealth Secretary?

CONCLUSION

11. Subject to the points made in discussion, you could guide the Sub-Committee to -

(i) agree the terms of the draft Green Paper, amended as necessary in the light of the discussion, and invite



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the Foreign and Commonwealth Secretary to arrange for its publication on 18 July, having forewarned the Chinese as to what is proposed;

(ii) invite the Foreign and Commonwealth Secretary to arrange for the constitutional development of the position of Governor of Hong Kong in the 1990s to be discussed with Sir Edward Youde and Sir Richard Evans, and to report.

B G Cartledge

26 June 1984



37

SECRET

B.06788

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Arrangements for
Testing the Acceptability in Hong Kong of an
Agreement with the Chinese

BACKGROUND

Flag A

At their Meeting on 23 May (OD(K)(84)6th Meeting, Item 2), the Sub-Committee agreed the Foreign and Commonwealth Secretary's recommendation that the testing of the acceptability in Hong Kong of an agreement with the Chinese should be accomplished by a mixture of passive and active means. The Foreign and Commonwealth Secretary was invited to bring forward detailed proposals as to how the process should be handled.

B

2. Mr Appleyard's letter of 21 June to Mr Powell covers a paper setting out these detailed proposals, based on a draft by the Governor of Hong Kong. As agreed by the Sub-Committee, the proposals envisage a period of public debate in representative and semi-representative bodies in Hong Kong and more widely by means of an invitation to the public to express their views on a draft agreement. The paper underlines the importance of close consultation with members of the Executive Council (EXCO) on the content of the agreement as it develops, since if the Unofficial members of EXCO declined to endorse a draft agreement the chances of securing a generally favourable reception would be much reduced. The ideal would be to persuade the Unofficials to work actively for the acceptance of an agreement; this process of persuasion might need to involve further meetings of the Unofficials with Ministers in London.



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3. Paragraph 3 of the paper sets out the measures proposed to prepare public opinion for the test of acceptability, including the publication of a Green Paper on plans for the extension of representative government over the next decade. Senior officers of the Hong Kong Government will speak in public about the need for a realistic approach; but there is no reference to a second "unveiling" Ministerial statement being made during the period before publication of an agreement, as a means of putting our position and its constraints more clearly on record.

4. The objectives of the test of acceptability will be two-fold: to put forward a draft agreement with an explanation of its implications and a clear commendation, seeking confirmation that it is acceptable; and to provide Ministers and Parliament with an accurate analysis of opinion in Hong Kong, on the basis of which decisions can be taken on whether the agreement should be signed. The proposed method of presentation of an agreement is set out in paragraphs 5 and 6 of the paper. This involves publication of a White Paper in London and Hong Kong, giving the background to the draft agreement, an explanation of its provisions, a commendation of the package, and an unambiguous statement that the alternative to the negotiated agreement would be reversion of Hong Kong to China with no agreed arrangements as to its future administration. Statements by Ministers and the Governor at the time of publication of the White Paper would cover the same points, and stress that the British Government will remain constitutionally responsible for Hong Kong, and that the Hong Kong Government will continue to administer the territory effectively, until 1997. Within Hong Kong, the White Paper and text of the Governor's statement would be distributed with an invitation to comment to the Urban Council and District Boards and representative and semi-representative bodies selected to ensure widespread and credible coverage of the community. The documents would be debated in the



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Legislative Council (LEGCO), given wide publicity in the mass media, and promulgated and commended by the Hong Kong Government machine.

5. The invitation to comment could be couched in general or specific terms. But the paper argues that to invite answers to a specific question would have severe disadvantages, in that it would lend itself to the statistical analysis of "yes" votes as against "no" votes, and would also probably give rise to Chinese protests that the process amounted to a referendum, to which they are explicitly opposed. An invitation to comment in general terms could give rise to false hopes that an alternative agreement might be negotiable, and it would therefore be necessary to make it absolutely clear that the package must be judged as a whole, with no alternative available. With this proviso, the paper recommends that the invitation to comment be couched in general terms.

6. The process of assessing reactions to the draft agreement will have to be undertaken by the Hong Kong Government. But in order to ensure credibility, it is recommended that a special assessment office should be established, distanced from the ordinary Hong Kong Government machine, and reporting directly to the Governor through a senior official. The final report of the assessment office (which would be published) should include factual summaries, by broad sectoral groupings, of all the views expressed, and an assessment of the acceptance of the draft agreement. In order further to strengthen the credibility of the assessment process, it is recommended that the British Government or the Governor should appoint a small team of independent monitors to oversee its operations. They would not collect or assess opinion themselves, but witness and have access to the results of the consultation process. They would report their findings which would be published and presented to Parliament. The selection of the monitors



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will require careful consideration; the Governor's recommendation is that it might be appropriate to appoint two judges, perhaps one from the United Kingdom and the other a Hong Kong Chinese. The Foreign and Commonwealth Secretary's view is that two less prominent figures, more akin to the British Government observers at the recent El Salvador elections would be a safer system, given that two judges might be inclined to make independent comments of their own on the substance of the assessment exercise. The paper notes that LEGCO might decide to debate the reports; it might be necessary to indicate that the assessment itself and not LEGCO's views on it represent the authoritative view of the Hong Kong community. A debate in LEGCO might irritate the Chinese, but it cannot be prevented.

7. As to timing, it would be desirable to present the assessment to Parliament in mid-November, following publication of the White Paper shortly after the initialling of the agreement at the end of September. The Chinese have been told that this is the sort of timetable we have in mind. But the Governor has argued strongly that a period of two months after the publication of the agreement is the absolute minimum which should be allowed for consultation and assessment, not only because of the large administrative task involved, but also because if the assessment were seen to be rushed, the credibility of the entire process could be prejudiced.

8. At the same time, to follow the Governor's proposed timescale would mean that Parliamentary consideration of the agreement could not take place before early December. This would provoke an adverse reaction from the Chinese. If Parliamentary problems arose which called into question the commitment to sign the agreement before the end of the year, the entire negotiation could be prejudiced. The paper



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therefore recommends (paragraph 19) that the Governor should be invited to accept a timetable involving seven weeks for the consultation process leading to debates in Parliament in the week beginning 26 November.

9. If the Sub-Committee is content with the proposals for handling the consultation process, it is recommended that the general approach should be announced in Parliament and Hong Kong at an early opportunity. It is also recommended that in order to minimise Chinese hostility towards the process, they should be informed of what is proposed by HM Ambassador at Peking shortly before the announcement.

10. All members of the Sub-Committee will be present at the meeting.

HANDLING

11. You should invite the Foreign and Commonwealth Secretary to introduce the discussion. Points to be established include:

(a) Does the Sub-Committee endorse the recommended presentation of the agreement by means of a White Paper explaining its provisions, commending it to the people of Hong Kong and making clear the alternative to acceptance? Are Ministers content with the proposed widespread distribution of the White Paper?

(b) Does the Sub-Committee agree that the invitation to comment should be couched in general, rather than specific terms? Is Parliament likely to be satisfied by a testing of Hong Kong opinion on these lines?

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(c) Does the Sub-Committee agree that the measures proposed in paragraph 3 to prepare public opinion in Hong Kong for the White Paper are adequate to minimise the risks of rejection? Would a second "unveiling" Ministerial statement be desirable?

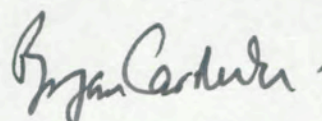
(d) Are the proposed arrangements for the establishment of an assessment team distanced from the Hong Kong Government satisfactory? Should monitors be appointed and, if so, would it be safer, as recommended by the Foreign and Commonwealth Secretary, to appoint less prominent people than the judges proposed by the Governor? Or would the appointment of less eminent figures expose the Government unnecessarily to Parliamentary criticism? Should they be appointed by the British Government or the Governor?

(e) Does the Sub-Committee agree that the potential problems with the Chinese which might arise if the Governor's proposed timetable for the assessment process were adopted are sufficiently serious to justify asking him to agree the seven weeks timetable proposed?

(f) Does the Sub-Committee agree that an early announcement should be made of the Government's plans for the process of consultation? Should the Chinese be given advance warning of the announcement?

CONCLUSION

12. Subject to the points made in discussion, you could guide the Sub-Committee to endorse the proposals for testing the acceptability in Hong Kong of an agreement with the Chinese set out in the attachment to Mr Appleyard's letter of 21 June to Mr Powell.



B G Cartledge

26 June 1984

MR POWELL

HONG KONG: OD(K) 28 JUNE

1. The papers on Hong Kong are bulky, as well as important and the Prime Minister may find it helpful to have a short commentary.

Acceptability

2. This is a more detailed sequel to the OD(K) paper approved on 23 May. It is concerned with the mechanics of testing acceptability in Hong Kong of any agreement. I think its recommendations are on the right lines. The main questions are:

- a. The need for preparation of Hong Kong public opinion both before the publication of a draft agreement and as part of the presentation of the agreement, so that they are aware where the choice lies, ie between the agreement and confrontation, which would mean reversion to China with no international agreement on future administration. This is the real choice, not one between the agreement and some unobtainable ideal.
- b. The form of question to be put to the public: whether to go for a specific question or for a more general invitation to comment (paragraph 8). On balance it seems better to go for the second, provided it is understood that the agreement must be judged as a whole and that at that stage detailed amendment will be impossible.
- c. Monitors. It is proposed that the assessment will be carried out by a special assessment office set up by the Hong Kong government. But a small team of independent monitors to oversee the work will be necessary if we are to avoid criticism that we have "fixed" the result. There will need to be very tight terms of reference for these monitors if we are to avoid another Pearce Commission. The Governor suggests two judges; the Foreign Secretary would prefer two figures of less prominence. I think the Foreign Secretary is right.

Green Paper and Future Constitutional Arrangements

3. The draft Green Paper, to be published on 18 July if Ministers agree, follows lines already sketched out in OD(K) and provides for the gradual introduction over the next few years of indirect elections of a substantial number of unofficial Legco and Exco members. The conclusions are at paragraph 65. The Chinese will be informed immediately before publication. There is nothing very controversial here.

4. The question of the role and method of appointment of the Governor in the years leading up to 1997 is a much more tricky question and here the Green Paper avoids any commitment. This is because we are still unclear in our own minds what we should like. The Foreign Secretary proposes a preliminary discussion. His paper reviews the main choices and opts, I think rightly, for a locally elected Governor, with powers reserved to HMG for foreign affairs and defence (paragraph 6, option d). The main arguments for this course are an assurance of continuity pre and post 1997; retention of a measure of control for us by means of the specially reserved powers; and the fact that this option realistically takes account of the likelihood of a Sino-British Joint Group in Hong Kong, particularly in the years just before the handover.

5. What we want on the governorship is one thing; what we can get to stick is another. We shall have to consult the Chinese on this aspect of future constitutional arrangements. The Governor opposes consultation, but there would be no point in our announcing arrangements which the Chinese publicly attacked and would immediately dismantle. We could not afford confrontation over this central aspect of constitutional arrangements and being able to point the finger at the Chinese in the event of open disagreement would be of no long-term advantage to Hong Kong people.

Item 2. Pre-1997 Arrangements

6. The Foreign Secretary suggests a preliminary discussion based on a paper by officials. He envisages the need for eventual agreement to the basing of the Joint Group in Hong Kong and examines the form and

Timing of any such move and what we might hope to gain in return.

7. This is a critical issue. The Governor, naturally enough, is against any movement. The Ambassador is for. I have thought a good deal about it and my feeling is that we shall have to be prepared to consider at least a notional base for the Joint Group in Hong Kong. My reasons are:

- a. This has now become an idée fixe for Deng and there is a real danger that the talks could founder on it. In my view failure of the talks would be too high a price to pay for this point.
- b. The issue has become a fairly narrow one. We have already accepted the idea of consultation pre-1997. We could not run Hong Kong in that period without it. We have also accepted the establishment of a Joint Group as the forum. The difficulty is simply the location of the Group: is it to be peripatetic, meeting only occasionally in Hong Kong, or is to be peripatetic with at least a notional base in Hong Kong.
- c. The Chinese have given substantial hints that if we are prepared to agree on a base in Hong Kong they will be very flexible about other aspects of the Group's work. See paragraph 11 of the paper by officials. We must take this with a pinch of salt, but there is probably some flexibility here.
- d. There just may be a trade-off in terms of an elected governorship. Even if not, we should be able to extract a price in terms of the agreement and annexes.

8. On timing, we should not take the step at once, though we should recognise that in its absence there is a risk of another unhelpful outburst by Deng. We should continue exploring informally with the Chinese what flexibility they may show and what scope there is for a "minimalist" group. But we need to take the decision in principle very soon if we are to pursue the negotiations on future constitutional arrangements. The Joint Group is linked with these (see paragraph 4 above).

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9. As pointed out above, on constitutional arrangements and item 2 the Foreign Secretary is seeking only preliminary Ministerial views. He suggests having the Governor and Ambassador back for consultations in the week beginning 2 July and reflecting further on these issues in consultation with them. In preparation for that, however, it would be helpful to have Ministers' general reactions.

h.

PERCY CRADOCK

26 June 1984

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FM FCO 261245Z JUN 84

TO IMMEDIATE FONTAINBLEAU

TELEGRAM NUMBER 21 OF 26 JUNE

FOLLOWING FOR PS TO PM AND FOREIGN SECRETARY AT FONTAINBLEAU UKDEL

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF PRIVATE OFFICE
WAS RECEIVED FROM HONG KONG AS TELEGRAM NO 1710 OF 26.6.84

INFO IMMEDIATE PEKING (DESKBY 260600Z)

YOUR TELNO 648: FUTURE OF HONG KONG: CONSTITUTIONAL DEVELOPMENT
AND GENERAL STRATEGY FOR THE TALKS

1. I SHOULD MUCH WELCOME TO OPPORTUNITY OF A DISCUSSION IN LONDON
AS YOU PROPOSE. THERE ARE INDEED IMPORTANT MATTERS TO BE DISCUSSED
SUCH AS CONSTITUTIONAL DEVELOPEMENT, ITEM 2, ASSURANCES, THE PUBLIC
RELATIONS STRATEGY FOR THE COMING MONTHS AND A NUMBER OF OTHER
PRACTICAL MATTERS. I HAVE MADE PROVISIONAL ARRANGEMENTS TO FLY
OVERNIGHT ON TUESDAY JULY 3/4. THIS WILL ENABLE ME TO ATTEND EXCO
ON JULY 3 WHEN THERE WILL BE IMPORTANT ISSUES TO DISCUSS (INCLUDING
THE GREEN PAPER). I WOULD RETURN OVERNIGHT ON FRIDAY JULY 6 WHICH
WILL GIVE ME A FEW DAYS IN HONG KONG BEFORE LEAVING FOR PEKING THE
FOLLOWING WEEK.

2. THE SOONER THE VISIT CAN BE ANNOUNCED THE BETTER: OTHERWISE
THERE WILL BE SPECULATION ABOUT THE NEED FOR A VISIT AT SHORT
NOTICE.

IF YOU ARE AGREEABLE AN ANNOUNCEMENT CAN BE MADE IN HONG KONG
TONIGHT IN THE FOLLOWING TERMS:

''THE GOVERNOR WILL BE VISITING LONDON AGAIN BETWEEN JULY 4
AND JULY 6 FOR FURTHER CONSULTATIONS WITH MINISTERS ON THE PROGRESS
OF THE TALKS IN PEKING ON THE FUTURE OF HONG KONG.''

3. IF NO DECISION CAN BE MADE UNTIL AFTER THE MINISTERIAL MEETING
IT WOULD BE HELPFUL IF YOU COULD LET ME KNOW AS SOON AFTER THAT AS
YOU CAN THAT THE VISIT IS FIRM IN A TELEGRAM ADDRESSED TO BOTH HONG
KONG AND PEKING. IT WILL BE IMPORTANT FOR THE VISIT TO HAVE BEEN
ANNOUNCED BEFORE I SEE THE PRESS ON THURSDAY AT KAI TAK ON MY RETURN
FROM THIS ROUND OF TALKS.

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FM FCO 261045Z JUN 34

TO IMMEDIATE FONTAINBLEAU

TELEGRAM NUMBER 20 OF 26 JUNE

FOLLOWING FOR IS TO FM AND FOREIGN SECRETARY AT UKDEL FONTAINBLEAU

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF DEPT WAS RECEIVED FROM PEKING AS TELEGRAM NO 1203 OF 26.6.34
INFO IMMEDIATE HONG KONG

YOUR TELNO 643 AND HONG KONG TELNO 1710: FUTURE OF HONG KONG: CONSTITUTIONAL DEVELOPMENT AND GENERAL STRATEGY FOR THE TALKS.

1. I TOO WOULD VERY MUCH WELCOME THE OPPORTUNITY OF A DISCUSSION WITH YOU IN LONDON ABOUT STRATEGY. THE CHINESE ARE TAKING A PRETTY HARD LINE AT THE MOMENT (AS YOU WILL AGAIN SEE FROM WILSON'S REPORT ABOUT TODAY'S MEETING OF THE WORKING GROUP) AND THERE ARE PLENTY OF IMPORTANT ISSUES TO DISCUSS.

2. I HAVE MADE PROVISIONAL ARRANGEMENTS TO FLY FROM PEKING TO LONDON VIA FRANKFURT, ARRIVING IN LONDON ON THE MORNING OF 3 JULY. FOR PERSONAL REASONS, I SHOULD LIKE TO RETURN ONLY OVER THE FOLLOWING WEEK-END. I SHALL BE TELEGRAPHING THE DEPARTMENT SEPARATELY ABOUT THIS.

3. IF AN ANNOUNCEMENT ABOUT THE GOVERNOR'S RETURN TO LONDON IS MADE IN HONG KONG TONIGHT, THE CHINESE AND THE PRESS HERE WILL ASK ME WHETHER I AM TO RETURN AS WELL. I RECOMMEND THAT I SHOULD BE AUTHORISED TO TELL ZHOU NAN TOMORROW THAT I HAVE BEEN ASKED TO RETURN TO LONDON FOR CONSULTATIONS AND THAT I SHOULD THEREAFTER, BUT ONLY THEREAFTER, CONFIRM THIS TO THE PRESS IN ANSWER TO QUESTIONS.

EVANS

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PM/84/106

PRIME MINISTER

Hong Kong: Constitutional Developments before 1997

1. John Coles' letter of 22 March conveyed your agreement to the proposals for constitutional development in Hong Kong up to 1997 contained in the draft memorandum attached to my minute of 19 March. This memorandum was put to the Executive Council on 10 April. The Council was broadly in agreement with the proposals, subject to a few minor amendments that demonstrated their cautious approach to this issue, and advised that the Hong Kong Government should proceed with the drafting of a Green Paper for publication during the summer. I referred to this Green Paper when winding up the debate on Hong Kong in the House on 16 May.

2. A draft Green Paper was considered by the Executive Council on 19 June. I attach a copy of Hong Kong telnos 1669 which contains the text as revised in the light of EXCO's comments. The proposals, which are summarised in paragraph 65, are very much on the lines of those we approved in March.

3. It is likely that in Hong Kong and the UK the main interest will focus on the proposed arrangements for the indirect election of members of the Legislative Council and the arguments put forward for not introducing any element of direct elections at this level. These can be expected to receive a mixed reception. Some will agree with the Hong Kong Government's arguments (paragraphs 27 and 28 of the draft Green Paper). Other will

/claim



claim that the proposals for indirect elections are intended to preserve the dominant position of the establishment in Hong Kong, and demonstrate both the continuing colonial mentality of the Hong Kong Government and HMG's unwillingness to overcome this. Some may also point out that the proposals would mean that the last real chance of introducing a western-style democracy in Hong Kong before 1997 is being wasted.

4. The Governor believes that it is important not to over-estimate the demand in Hong Kong for direct elections. This demand comes mainly from academics and members of small pressure groups. While there is general support for more representative government, there is also a strong expression of concern, both in the business community and at the grass roots level, that the Hong Kong Government might move too far and too fast and in consequence introduce a factor of instability at this highly sensitive time.

5. The Green Paper rightly stresses that the present system of Government in Hong Kong operates on the basis of consultation and consensus and that any developments should aim to maintain this. Thus the proposals in the paper aim to extend political power more deeply into the community, but they also seek to maintain the "corporate" format of the organs of government in Hong Kong in order to reduce wherever possible the opportunities for ambitious individuals on either the right or the left to dominate particular areas of government. It is for this reason that the Governor does not favour a "ministerial" system whereby members of the Executive and Legislative Councils would be allocated specific areas of responsibility (paragraph 56 of the draft Green Paper). He is strongly of the view that the Council should continue to act collectively on all issues.

6. I propose that we should inform the Chinese about the Green Paper immediately before publication but should not consult them on the proposals in it. They have already, in

/our



our working papers and statements at the talks been informed in general terms of our intention to proceed along these lines. They did not react adversely then. But there have recently been reports suggesting that they feel some disquiet about the prospect of elections in Hong Kong.

7. The Green Paper deliberately makes no firm proposals about possible changes to the role or method of appointment of the Governor (paragraphs 57-64). The reason for this is that we have not yet reached agreement among ourselves, or with the Governor, on what changes should take place. (EXCO believe that a Governor elected by some means should be in place before 1997; however, they consider that the proposals in the paper should not be too specific, lest they be interpreted as an indication that HMG were planning to relinquish responsibility for Hong Kong well before 1997.) I attach a paper giving an outline of what seem to me to be the main possible alternatives. As you will see, the Governor has strong views which conflict with the suggestion in the paper that variations on a simple switch to an elected Governor should be considered. I should find it helpful to have at OD(K) your preliminary views and those of other colleagues on this difficult and very important question.

8. I suggest that the Governor and our Ambassador in Peking should then be asked to return to London for consultations on this and other matters in the week beginning 2 July. The question of the governorship before 1997 is closely linked with that of the Chief Executive of the SAR after that date and thus with our negotiations in Peking. I believe that it may be necessary for me to visit Peking again at the end of July to give a further impetus to the talks, and a strategic discussion with our people on the spot is clearly necessary.

/9.



9. Given this uncertainty over the role of the Governor in the 1990s, I think it would be an improvement if in paragraph 63 of the Green Paper, the second sentence referred to the selection of the Governor by an elective process as being "one possible development" rather than "the natural development". Apart from this small amendment, I am content with the Green Paper and I should be grateful for your agreement to it being published. After the meeting of OD(K), the procedure would be for Ministers' comments on the Green Paper to be conveyed to EXCO at their meeting on 3 July, and for it to be introduced in the Legislative Council, and simultaneously published, on 18 July.

10. I am copying this minute and its enclosures to members of OD(K) and to Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
25 June 1984

HONG KONG: CONSTITUTIONAL DEVELOPMENT: ROLE OF THE GOVERNOR
IN THE 1990'S

MAJOR CONSIDERATIONS

1. We have proposed to the Chinese that in 1997 the Chief Executive and his Deputy should be elected from among local inhabitants in accordance with procedures approved by the legislative authorities of Hong Kong (China) and formally appointed by the Central People's Government. The Chinese in their draft exchange of notes have stated that the Chief Executive should be appointed by the President of the PRC on the basis of the results of elections or consultations held locally. When talking to delegations from Hong Kong, the Chinese have taken the line that whether elections would be possible in 1997 remains an open question. They have indicated to us that they would expect to have a general say on senior appointments in the run-up to 1997. In the last few days there have been indications of Chinese disquiet about the prospect of more representative government in Hong Kong, including a report that Deng Xiaoping takes this view. But we have no clarification of this yet.

2. It is clearly in the interests of the people of Hong Kong that appointments should be on the basis of elections rather than consultations. This would reduce, though not eliminate, the potential for Chinese interference in the system. We should therefore do what we can to create a situation whereby the Chinese would have as little excuse as possible not to hold elections, and where autonomous institutions at all levels would be in place before and would continue after 1997.

3. Another consideration is that the administration of Hong Kong will remain HMG's responsibility up to 1997. This means not only that we must preserve our symbolic constitutional role in such ways as the Governor continuing to be appointed by the Crown, but also that we must retain the power to direct events in the territory if this should be necessary. Moreover, the Chinese will expect us to hand Hong Kong over to them in 1997 as a going concern. They will strongly oppose any arrangements that seem to them to suggest any

attempt by HMG to throw off their responsibilities and establish a quasi-independent Hong Kong.

4. It is important to note that the acceptability of any proposals for changes in the role or method of appointment of the Governor will be judged in the present context, not that of the 1990's. However logical the proposals may seem for introduction only a few years before 1997, they must also command confidence in Hong Kong at this unusually sensitive time.

5. These proposals need to be considered against the background that there may well be, by that time, some form of joint Sino-British group in Hong Kong. This issue is discussed more fully in a separate paper but, in brief, the strong Chinese desire to establish such a group in Hong Kong may give us some opportunity to secure some compensatory advantages, by agreeing to it at an appropriate time and with strict terms of reference.

ALTERNATIVE APPROACHES

6. There are 4 main alternative approaches:

- (a) retention of a British governor appointed from London up to 1997;
- (b) a locally elected Governor taking over the full administrative powers of the present office;
- (c) retention of a British Governor appointed from London but with an elected local Chief Minister;
- (d) a locally elected Governor, but with powers reserved to HMG for foreign affairs and defence.

7. Option (a) would ensure the retention by HMG of the powers necessary to fulfil our responsibility for Hong Kong up to 1997. It would, however, mean that the system of locally generated autonomous institutions in Hong Kong before 1997 would not be

complete. There would be a major break in continuity at that date. Moreover, the arrangement could appear unacceptably colonialist and might not meet Hong Kong aspirations.

8. Option (b) would ensure that a complete system of local autonomy would be established before 1997, providing a means of ensuring continuity on and after that date. It would go some way to meet the demands in Hong Kong for greater democracy. If there were no top post appointed from outside Hong Kong, it would be more difficult for the Chinese to argue that they should put their own man in after 1997. But it would be difficult for HMG to exercise their authority should the need arise. Although the Governor would constitutionally be subject to direction from London it would be difficult for him to act against the wish of the Executive and Legislative Council who would by then be indirectly elected and who would themselves have elected the Governor. Moreover, the Chinese might object. They want us to retain control in Hong Kong until 1997 and might see this as an indication that we were divesting ourselves of responsibility for the territory. They might also think we were going too far in allowing the local people to choose senior officials.

9. Under option (c) there would in effect be a constitutional "Head of State" and an elected Prime Minister who would run the Government, corresponding to but expanding the role of Chief Secretary. There might or might not be a subsidiary ministerial system below that.

Advantages

- (a) Britain's ability to discharge their responsibility for Hong Kong in an emergency would be retained.
- (b) There would be an elected head of Government who could become the Chief Executive of the SAR after 1997. Provided that the Chinese agreed, the post of Governor would wither away.
- (c) It should be more acceptable to the Chinese than an elected Governor.

Disadvantages

- (i) Continuity pre and post-1997 would not be guaranteed. The Chief Minister would have to be "promoted". The Chinese might take the opportunity to install their own successor to the Governor after 1997, although they have said they will not send people from the mainland to rule Hong Kong.
- (ii) The Chinese might still object that we were going too far in allowing the local people to choose senior officials.
- (iii) There could be disputes between the Governor and the Chief Minister.

10. Option (d) could be combined with an attempt to turn the probable existence of a joint Sino-British group in Hong Kong to constructive use, as described in sub-paragraph 10 (d) below.

Advantages

- (a) There would be provision for continuity from an elected Governor to an elected Chief Executive.
- (b) HMG would retain specific reserved powers. They would aim not to employ these except in an emergency when they might have to exercise them directly. In emergencies affecting internal or external security this might involve sending instructions to the Commander British Forces. In a "political" emergency (for example in circumstances where a locally elected Governor sought to pursue policies inconsistent with the Sino-British agreement), it might be necessary to HMG to remove him from office.
- (c) The Chinese might accept the arrangement of an elected Governor in return for our acceptance of a Joint Group.

- (d) The joint group (if agreed) could be used to demonstrate HMG's continuing involvement and to provide a channel for Sino-British communication on the ground in the event of unrest. It might thus be able to help defuse any movement towards disorder.

Disadvantages

- (i) The Chinese could aim to exploit the more prominent role of the Joint Group in order to interfere in Hong Kong before 1997.
- (ii) Our explicit retention of reserve powers might be held to encourage the Central People's Government to assume the same powers after 1997 but already these would either be explicit in the agreement (defence and foreign affairs) or implicit in the provision that the Chief Executive of Hong Kong would be appointed by the President of the PRC.
- (iii) If this use of the Joint Group was not enough to discourage disorder there would be obvious difficulties in exercising our reserve powers at long range.

ARGUMENT

11. There are obvious problems in going for either of the extremes of an appointed British Governor on the present basis (Option A) or of an elected local Governor to take over from him (Option B). Neither of these seems adequately to satisfy all the considerations outlined in paragraphs 2-4 above. The incentive for us to set up a system with some kind of elected office at the top, with Chinese acquiescence, is very great. In many ways, the compromise of a British Governor and an elected Chief Minister (Option C) is an attractive solution. We should stand a good chance of getting the Chinese to agree to it and it would be at least a half-way house towards a Chief Executive of the SAR. Against this is the strong temptation for the Chinese to reproduce the same pattern after 1997. Moreover as we shall probably be involved in a joint group in any case, there are strong arguments for making use of it and of driving

as hard a bargain as we can on behalf of Hong Kong. The advantages of obtaining Chinese agreement to a complete system of autonomous representative government before 1997, with an elected Governor, make the final option outlined above (Option D) also seem attractive.

12. The choice therefore seems to lie between options C and D. The proposal for a Chief Minister has the attraction of maintaining a focus of British authority and moving appreciably towards an elected Chief Executive, on the assumption that the Chinese would accept that the Governorship should simply disappear after 1997. The Governor, however, is firmly opposed to this idea because of the risk of the Chinese taking over the "governorship" after 1997. He also opposes the establishment of a joint group based in Hong Kong, and to that important extent is against option D as well, although he accepts that the elected Governor would not be the Commander-in-Chief and that HMG would retain reserve powers covering foreign affairs and the right to dismiss the Governor if he exceeded his powers.

PROCEDURE

13. The question of consultation with the Chinese is difficult. In order to underline our continuing responsibility up to 1997, we would prefer to inform rather than to consult them on constitutional questions. This, however, is probably impracticable where the Governorship is concerned. We should be in an impossible position if we published proposals which Peking then attacked publicly. We must first decide what our aims on the governorship are and then float them with the Chinese separately from, but in the context of, the Green Paper proposals of which we shall shortly inform them.

14. This is another point on which we disagree with the Governor. He believes that there is little prospect of obtaining the specific agreement of the Chinese to the idea of an elected Governor and that by seeking their approval we would be accepting that they should have the power of veto. He also considers that there is a chance that the Chinese would not attack a publicly-floated proposition that an elected Governor should follow elections to the Executive

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and Legislative Councils, for fear of undermining the credibility of their claim that they are prepared to let Hong Kong people run Hong Kong. If their reaction was such as to make the final step of electing a Governor unworkable, at least HMG would be seen to have tried and the onus for the situation would fall on the Chinese.

15. We do not find this a persuasive argument. It would mean a confrontation with the Chinese, in which not merely the arrangements up to 1997 would be disrupted but the structure of the post-1997 agreement could be jeopardised. The placing of the blame on the Chinese would be of no long-term advantage to the people of Hong Kong.

Hong Kong Department
25 June 1984

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FM HONG KONG 210730Z JUN 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 1669 OF 21 JUNE
INFO IMMEDIATE PEKING

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21 JUN 1984	

MIPT: FUTURE EGRET: CONSTITUTIONAL DEVELOPMENT AND GOVERNMENT
STRUCTURE.

FOLLOWING IS GREEN PAPER

THE FURTHER DEVELOPMENT OF REPRESENTATIVE GOVERNMENT IN HONG KONG.

CHAPTER 1 INTRODUCTION

1. IN THE INTRODUCTION TO THE GREEN PAPER ENTITLED "A PATTERN OF DISTRICT ADMINISTRATION IN HONG KONG" WHICH WAS PUBLISHED IN JUNE 1980, IT WAS STATED THAT "THE EXECUTIVE AND LEGISLATIVE COUNCILS, THE CENTRAL ORGANS OF GOVERNMENT, HAVE EVOLVED, AND WILL CONTINUE TO EVOLVE AS CIRCUMSTANCES REQUIRE, WITHIN THE EMPERATIVES OF STABILITY AND DEPENDABILITY WHICH THE SPECIAL CIRCUMSTANCES OF HONG KONG DICTATE." THIS GREEN PAPER FOLLOWS FROM AND DEVELOPS ON THAT STATEMENT.
2. DURING THE PAST FEW YEARS, SEVERAL STEPS HAVE BEEN TAKEN TO DEVELOP A SYSTEM OF REPRESENTATIVE GOVERNMENT IN HONG KONG AT THE REGIONAL AND DISTRICT LEVELS. IN 1973, THE URBAN COUNCIL WAS RECONSTITUTED AS A FINANCIALLY AUTONOMOUS BODY: THE OFFICIAL MEMBERS WITHDREW FROM THE COUNCIL AND ITS UNOFFICIAL MEMBERSHIP WAS INCREASED TO 24, HALF OF THEM DIRECTLY ELECTED ON A LIMITED FRANCHISE. 1982 SAW THE FIRST DIRECT ELECTIONS TO DISTRICT BOARDS BASED ON A VERY BROAD FRANCHISE. IN 1983, THE MEMBERSHIP OF THE URBAN COUNCIL WAS FURTHER INCREASED TO 30, HALF OF WHOM ARE NOW ELECTED FROM DISTRICT CONSTITUENCIES ON THE SAME BROAD FRANCHISE AS FOR DISTRICT BOARD ELECTIONS.
3. FOR MANY YEARS MEMBERS OF THE URBAN COUNCIL HAVE BEEN APPOINTED BY THE GOVERNOR TO SIT ON THE LEGISLATIVE COUNCIL, AND RECENTLY SOME ELECTED DISTRICT BOARD MEMBERS HAVE ALSO BEEN APPOINTED TO THE LEGISLATIVE COUNCIL. THIS PROCESS WILL CONTINUE.
4. IN MAY THIS YEAR PLANS WERE ANNOUNCED TO DEVELOP FURTHER THE REPRESENTATIVE STATUS OF THE DISTRICT BOARDS BY DOUBLING THE NUMBER OF ELECTED MEMBERS IN 1985, AND TO ESTABLISH IN 1986 A NEW REGIONAL COUNCIL, WITH A SUBSTANTIAL ELECTED ELEMENT IN ITS MEMBERSHIP, TO COVER THOSE AREAS OF THE TERRITORY NOT ALREADY COVERED BY THE URBAN COUNCIL.
5. AT THE SAME TIME, RECOGNITION OF THE SIGNIFICANCE OF THE ROLE OF CONSULTATION IN THE ORDERING OF PUBLIC AFFAIRS IN HONG KONG, AND PUBLIC EXPECTATION OF CONSULTATION IN RESPECT BOTH OF SPECIFIC ISSUES AND THE GENERALITY OF GOVERNMENT POLICIES AND PROGRAMMES

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HAVE EMERGED. THE GOVERNMENT HAS ENCOURAGED THIS PROCESS. IN TURN HAS LED TO AN INCREASING NUMBER OF REPRESENTATIONS FROM INDIVIDUAL MEMBERS OF THE PUBLIC AND VARIOUS INTEREST GROUPS FOR THE DEVELOPMENT OF REPRESENTATIVE GOVERNMENT AT THE CENTRAL LEVEL AS WELL AS THE REGIONAL AND DISTRICT LEVELS. THE DEVELOPMENT OF REPRESENTATIVE GOVERNMENT AT THE CENTRAL LEVEL WILL BE OF GREAT SIGNIFICANCE FOR THE FUTURE.

6. THE PURPOSE OF THIS GREEN PAPER IS TO SUGGEST HOW THE CENTRAL INSTITUTIONS OF GOVERNMENT IN HONG KONG MIGHT BE MADE MORE REPRESENTATIVE IN A WAY WHICH WILL MAKE THE GOVERNMENT MORE DIRECTLY ACCOUNTABLE TO THE PEOPLE OF HONG KONG: AND TO INVITE PUBLIC DISCUSSION OF AND COMMENT ON THE PROPOSALS SET OUT IN IT.

7. THE MAIN AIMS OF THE PROPOSALS ARE -

(A) TO DEVELOP PROGRESSIVELY A SYSTEM OF GOVERNMENT THE AUTHORITY FOR WHICH IS FIRMLY ROOTED IN HONG KONG, WHICH IS ABLE TO REPRESENT AUTHORITATIVELY THE VIEWS OF THE PEOPLE OF HONG KONG, AND WHICH IS MORE DIRECTLY ACCOUNTABLE TO THE PEOPLE OF HONG KONG:

(B) TO BUILD THIS SYSTEM ON OUR EXISTING INSTITUTIONS, WHICH HAVE SERVED HONG KONG WELL, AND, AS FAR AS POSSIBLE, TO PRESERVE THEIR BEST FEATURES, INCLUDING THE MAINTENANCE OF THE WELL ESTABLISHED PRACTICE OF GOVERNMENT BY CONSENSUS: AND

(C) TO ALLOW FOR FURTHER DEVELOPMENT IF THAT SHOULD BE THE WISH OF THE COMMUNITY.

CHAPTER 2 THE PRESENT SYSTEM

8. THE PRESENT CONSTITUTIONAL INSTRUMENTS PROVIDE FOR A SYSTEM OF GOVERNMENT IN HONG KONG BASED ON THREE MAIN INSTITUTIONS: THE GOVERNOR, THE EXECUTIVE COUNCIL AND THE LEGISLATIVE COUNCIL.

9. THE GOVERNOR IS APPOINTED BY THE QUEEN AND IS HER REPRESENTATIVE IN HONG KONG. HE HAS ULTIMATE DIRECTION OF THE GOVERNMENT OF HONG KONG. HE PRESIDES AT MEETINGS OF THE EXECUTIVE COUNCIL AND HE IS PRESIDENT OF THE LEGISLATIVE COUNCIL.

10. THE EXECUTIVE COUNCIL CONSISTS OF FOUR EX-OFFICIO MEMBERS - THE CHIEF SECRETARY, THE COMMANDER BRITISH FORCES, THE FINANCIAL SECRETARY AND THE ATTORNEY GENERAL - TOGETHER WITH OTHER MEMBERS WHO ARE APPOINTED BY THE GOVERNOR ON THE INSTRUCTIONS OF THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS. AT PRESENT THERE ARE TWELVE APPOINTED MEMBERS - TEN UNOFFICIAL AND TWO OFFICIAL. THE EXECUTIVE COUNCIL ADVISES THE GOVERNOR ON ALL IMPORTANT MATTERS OF POLICY. THUS THE COUNCIL CONSIDERS ALL MAJOR POLICY MATTERS, AND ALL PRINCIPAL LEGISLATION BEFORE IT IS INTRODUCED INTO THE LEGISLATIVE COUNCIL. THE COUNCIL ITSELF MAKES SUBSIDIARY LEGISLATION UNDER A NUMBER OF ORDINANCES. IT ALSO CONSIDERS APPEALS, PETITIONS AND OBJECTIONS UNDER CERTAIN ORDINANCES.

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11. THE LEGISLATIVE COUNCIL COMPRISES THE GOVERNOR (AS THE PRESIDENT), THREE EX-OFFICIO MEMBERS - THE CHIEF SECRETARY, THE FINANCIAL SECRETARY, AND THE ATTORNEY GENERAL - AND, AT PRESENT, 29 UNOFFICIAL MEMBERS AND 15 OFFICIAL MEMBERS, WHO ARE APPOINTED BY THE GOVERNOR WITH THE APPROVAL OF THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS. THE LEGISLATIVE COUNCIL'S PRIMARY FUNCTION IS THE ENACTMENT OF LEGISLATION, INCLUDING LEGISLATION FOR THE APPROPRIATION OF PUBLIC FUNDS. IT ALSO QUESTIONS THE ADMINISTRATION ON MATTERS OF PUBLIC INTEREST AND DEBATES QUESTIONS OF POLICY. IN ADDITION, IT EXERCISES CONTROL OVER THE EXPENDITURE OF PUBLIC FUNDS THROUGH THE FINANCE COMMITTEE OF THE LEGISLATIVE COUNCIL, WHICH CONSISTS OF THE CHIEF SECRETARY, AS CHAIRMAN, THE FINANCIAL SECRETARY, ONE OTHER OFFICIAL MEMBER OF THE COUNCIL (BY CONVENTION THE SECRETARY FOR LANDS AND WORKS) AND ALL THE UNOFFICIAL MEMBERS OF THE COUNCIL.

12. BENEATH THE GOVERNOR IN HIS CAPACITY AS THE CHIEF EXECUTIVE ARE HIS THREE PRINCIPAL ADVISERS: THE CHIEF SECRETARY, WHO, (NEXT TWO WORDS UNDERLINED) INTER ALIA, IS HEAD OF THE CIVIL SERVICE AND THE GOVERNOR'S DEPUTY; THE FINANCIAL SECRETARY, WHO IS THE GOVERNOR'S ADVISER ON BUDGETARY AND FISCAL POLICY AND ECONOMIC AND MONETARY AFFAIRS; AND THE ATTORNEY GENERAL, WHO IS THE GOVERNOR'S LEGAL ADVISER. THESE THREE OFFICIALS ARE MEMBERS EX-OFFICIO OF BOTH THE EXECUTIVE AND LEGISLATIVE COUNCILS AND, AS OF RIGHT, EACH HAS DIRECT ACCESS TO THE GOVERNOR. IT IS UNDER THE DIRECTION OF THESE THREE PRINCIPAL ADVISERS THAT THE CIVIL SERVICE OPERATES, THROUGH THE MACHINERY OF THE 14 BRANCHES OF THE GOVERNMENT SECRETARIAT AND 59 EXECUTIVE DEPARTMENTS AND AGENCIES.

13. IN ADDITION TO THE THREE MAIN CONSTITUTIONAL INSTITUTIONS AND THE CIVIL SERVICE ARE THE URBAN COUNCIL, 18 DISTRICT BOARDS, AND AN EXTENSIVE NET WORK OF BOARDS AND COMMITTEES.

14. THE URBAN COUNCIL IS A STATUTORY AND FINANCIALLY AUTONOMOUS BODY RESPONSIBLE FOR PROVIDING MUNICIPAL SERVICES AS WELL AS CULTURAL AND RECREATIONAL FACILITIES THROUGHOUT THE URBAN AREAS. IT COMPRISES 30 COUNCILLORS, 15 OF WHOM ARE APPOINTED BY THE GOVERNOR AND 15 DIRECTLY ELECTED ON A CONSTITUENCY BASIS. THE CHAIRMAN IS ELECTED BY THE COUNCIL FROM AMONGST ITS MEMBERSHIP. THE ELECTED MEMBERS AUTOMATICALLY HAVE SEATS ON THE URBAN DISTRICT BOARDS IN WHOSE AREA THEIR CONSTITUENCY LIES, AND THE APPOINTED MEMBERS ARE ALSO ALLOCATED SEATS ON DISTRICT BOARDS.

15. THE 18 DISTRICT BOARDS WERE SET UP IN 1982 ON A GEOGRAPHICAL BASIS COVERING THE WHOLE OF HONG KONG. OF THE TOTAL MEMBERSHIP OF THE DISTRICT BOARDS, ABOUT ONE-THIRD ARE OFFICIALS, ONE-THIRD ARE APPOINTED UNOFFICIALS AND THE REMAINDER (132 AT PRESENT) ARE DIRECTLY ELECTED UNOFFICIALS. IT IS IN THE DISTRICT BOARDS THAT THE CONCEPT OF REPRESENTATIVE GOVERNMENT BASED ON POPULAR ELECTIONS HAS BEEN MOST WIDELY DEVELOPED. THE BOARDS PROVIDE A FORUM FOR PUBLIC CONSULTATION AND PARTICIPATION AT THE DISTRICT LEVEL.

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THEY HAVE A MAINLY ADVISORY ROLE WITH A SUBSTANTIAL INFLUENCE OVER DISTRICT AFFAIRS. THEY ARE ALSO ALLOCATED SOME PUBLIC FUNDS FOR LOCAL RECREATIONAL AND CULTURAL ACTIVITIES AND FOR MINOR ENVIRONMENTAL WORKS.

16. THE SYSTEM BY WHICH MEMBERS OF THE URBAN COUNCIL AND DISTRICT BOARDS ARE ELECTED IS BASED ON AN ELECTORAL ROLL ON WHICH ALL RESIDENTS AGED 21 OR ABOVE WHO HAVE BEEN IN HONG KONG FOR SEVEN OR MORE YEARS ARE ELIGIBLE TO BE REGISTERED. OUT OF AN ESTIMATED TOTAL POTENTIAL ELECTORATE OF 2.7 MILLION, THERE ARE AT PRESENT APPROXIMATELY 900,000 REGISTERED ELECTORS. AN INTENSIVE CAMPAIGN TO ENCOURAGE MANY MORE ELIGIBLE PERSONS TO REGISTER AS ELECTORS WILL BE CONDUCTED IN THE NEAR FUTURE.

17. PLANS TO DOUBLE THE NUMBER OF ELECTED MEMBERS ON THE DISTRICT BOARDS IN 1985 AND TO SET UP A NEW PARTLY ELECTED REGIONAL COUNCIL IN 1986, TO COVER THOSE AREAS NOT UNDER THE AEGIS OF THE URBAN COUNCIL, WERE ANNOUNCED BY THE GOVERNMENT VERY RECENTLY. THE NEW REGIONAL COUNCIL WILL BE COMPOSED OF 12 DIRECTLY ELECTED MEMBERS, NINE REPRESENTATIVES ELECTED FROM THE NEW TERRITORIES DISTRICT BOARDS, THREE EX-OFFICIO REPRESENTATIVES FROM THE HEUNG YEE KUK AND 12 APPOINTED MEMBERS. A PROVISION REGIONAL COUNCIL, WITH THE SAME MEMBERSHIP, EXCEPT FOR THE 12 DIRECTLY ELECTED MEMBERS, WILL BE SET UP IN EARLY 1985. THE URBAN COUNCIL IS NOW CONSIDERING THE IMPLICATIONS OF THE COMPOSITION OF THE NEW REGIONAL COUNCIL FOR THE FORM AND COMPOSITION OF THE URBAN COUNCIL.

18. THERE IS ALSO AN EXTENSIVE NETWORK OF 371 (NEXT THREE WORDS UNDERLINED) BOARDS AND COMMITTEES, WHICH MAKE UP AN IMPORTANT AND DISTINCTIVE FEATURE OF THE SYSTEM OF CONSULTATIVE GOVERNMENT IN HONG KONG. MANY HUNDREDS OF CITIZENS SERVE AS MEMBERS OF THESE BOARDS AND COMMITTEES. MOST OF THEM ARE APPOINTED BUT IN SOME CASES THEY ARE ELECTED. HALF OF THESE BOARDS AND COMMITTEES ARE CHAIRED BY UNOFFICIALS. SOME OF THE BOARDS ARE STATUTORY AND OTHERS NON-STATUTORY. THEIR RESPONSIBILITIES VARY WIDELY, FROM TENDERING ADVICE ON IMPORTANT POLICY MATTERS TO THE GOVERNMENT OR TO HEADS OF DEPARTMENTS TO PERFORMING FUNCTIONS OF AN EXECUTIVE OR QUASI-JUDICIAL NATURE. THEY ALSO PROVIDE AN INVALUABLE TRAINING AND RECRUITING GROUND FOR APPOINTMENT TO THE HIGHER COUNCILS.

CHAPTER 3 THE DEVELOPMENT OF THE PRESENT SYSTEM

19. THE MOST DISTINCTIVE FEATURE OF THE PRESENT SYSTEM OF GOVERNMENT IN HONG KONG IS THAT IT OPERATES ON THE BASIS OF CONSULTATION AND CONSENSUS. IT IS NOT A SYSTEM BASED ON PARTIES, FACTIONS AND ADVERSARIAL POLITICS BUT ONE OF BROAD AGREEMENTS WHICH SEEKS TO TAKE A PRAGMATIC APPROACH TO THE PROBLEMS OF THE DAY. THERE IS FULL AND FRANK DISCUSSION OF THE MANY IMPORTANT MATTERS WHICH ARISE, AND DECISIONS ARE REACHED ON THE BASIS OF GENERAL CONSENSUS. THE VERY REAL ADVANTAGES OF THIS SYSTEM, WHICH HAVE ENABLED HONG KONG TO ENJOY SUSTAINED PERIODS OF ECONOMIC GROWTH AND INTERNAL STABILITY, MUST NOT BE FORGOTTEN, OR LIGHTLY THROWN ASIDE, IN DEVELOPING PLANS FOR THE INTRODUCTION OF MORE REPRESENTATIVE INSTITUTIONS IN HONG KONG.

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20. THIS SYSTEM OF CONSULTATION AND CONSENSUS HAS GROWN UP AROUND TWO SEPARATE APPROACHES TO THE QUESTION OF HOW THE PEOPLE OF HONG KONG SHOULD BE REPRESENTED. TWO DIFFERENT TYPES OF SHARED INTERESTS AMONG THE PEOPLE HAVE BEEN RECOGNISED - FIRST, THOSE ARISING FROM THEIR PLACE OF RESIDENCE: SECOND, THOSE ARISING FROM THEIR OCCUPATIONS. THESE GROUPINGS CAN BE DESCRIBED AS "CONSTITUENCIES" - GEOGRAPHICAL CONSTITUENCIES AND FUNCTIONAL CONSTITUENCIES.

21. THE GEOGRAPHICAL CONSTITUENCIES ARE BASED ON INSTITUTIONS SUCH AS THE URBAN COUNCIL, THE HEUNG YEE KUK, THE RURAL COMMITTEES AND, MORE RECENTLY, THE DISTRICT BOARDS.

22. THE FUNCTIONAL CONSTITUENCIES ARE BASED ON PEOPLE'S COMMON INTERESTS, SUCH AS COMMERCE, INDUSTRY, LAW, MEDICINE, FINANCE, EDUCATION, TRADE UNIONS, ETC. MANY OF THESE CONSTITUENCIES HAVE A VERY LONG HISTORY IN HONG KONG.

23. THE DEVELOPMENT OF THESE RATHER UNIQUE CONSTITUENCIES HAS BEEN ENCOURAGED TO A CONSIDERABLE DEGREE BY THE COMPACT GEOGRAPHICAL NATURE OF HONG KONG.

24. IT IS FROM THESE GEOGRAPHICAL AND FUNCTIONAL CONSTITUENCIES THAT THE APPOINTED UNOFFICIAL MEMBERS OF THE VARIOUS INSTITUTIONS OF GOVERNMENT, IN PARTICULAR THE LEGISLATIVE COUNCIL AND THE EXECUTIVE COUNCIL, TRADITIONALLY HAVE BEEN DRAWN. THEY HAVE BEEN SELECTED TO REFLECT THE VIEWS OF THE HONG KONG COMMUNITY AND ITS MAIN PRE-OCCUPATIONS, AND THEY PROVIDE CONSIDERABLE EXPERTISE AND KNOWLEDGE. MOREOVER, THE SYSTEM HAS EVOLVED STEADILY TO KEEP PACE WITH THE CHANGING CIRCUMSTANCES OF HONG KONG: FOR EXAMPLE, THE NUMBER OF UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL HAS BEEN DOUBLED DURING THE PAST TEN YEARS, ELECTED MEMBERS OF THE URBAN COUNCIL HAVE BEEN APPOINTED TO THE LEGISLATIVE COUNCIL FOR MANY YEARS, AND MORE RECENTLY TWO ELECTED MEMBERS OF THE DISTRICT BOARDS HAVE BEEN APPOINTED TO THE LEGISLATIVE COUNCIL.

25. IT IS PROPOSED TO BUILD ON THESE GEOGRAPHICAL AND FUNCTIONAL CONSTITUENCIES BY DEVELOPING THE PRESENT SYSTEM WHEREBY ALL UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL ARE SELECTED AND APPOINTED BY THE GOVERNOR FROM THESE CONSTITUENCIES INTO A SYSTEM WHICH WILL PROVIDE FOR A SUBSTANTIAL NUMBER OF UNOFFICIAL MEMBERS TO BE ELECTED FROM WITHIN THESE CONSTITUENCIES TO THE LEGISLATIVE COUNCIL.

26. IN THE CASE OF THE GEOGRAPHICAL CONSTITUENCIES, IT IS PROPOSED THAT AN ELECTORAL COLLEGE SHOULD BE ESTABLISHED CONSISTING OF ALL THE ELECTED AND APPOINTED UNOFFICIAL MEMBERS OF THE URBAN COUNCIL, THE REGIONAL COUNCIL AND THE DISTRICT BOARDS, WHICH WOULD ELECT A SPECIFIED NUMBER OF MEMBERS OF THE LEGISLATIVE COUNCIL.

IN THE CASE OF THE FUNCTIONAL CONSTITUENCIES IT WILL BE NECESSARY TO DEFINE CLEARLY THOSE CONSTITUENCIES WHICH SHOULD BE INVITED TO ELECT REPRESENTATIVES TO THE LEGISLATIVE COUNCIL AND TO DEVISE APPROPRIATE MEANS OF CONDUCTING THOSE ELECTIONS.

27. SUGGESTIONS HAVE BEEN MADE THAT DIRECT ELECTIONS TO THE LEGISLATIVE COUNCIL, ON A UNIVERSAL FRANCHISE, BASED ON EITHER CONSTITUENCIES OR A SINGLE LIST, SHOULD BE INTRODUCED NOW. DIRECT ELECTIONS HAVE EMERGED OR BEEN INTRODUCED AS A STANDARD FEATURE OF THE GOVERNMENTAL SYSTEM IN MANY COUNTRIES WHERE THEY HAVE PROVED WELL SUITED TO THE SOCIETY THEY SERVE. THEY HAVE NOT, HOWEVER, BEEN UNIVERSALLY SUCCESSFUL AS A MEANS OF ENSURING STABLE REPRESENTATIVE GOVERNMENT. IN SOME CASES THE POLITICAL PREPARATION FOR DIRECT ELECTIONS HAS BEEN INADEQUATE: IN OTHERS THEIR FORM DID NOT ALLOW THEM TO TAKE ROOT IN THE CUSTOMS OF THE HOST SOCIETY: AND IN CONSEQUENCE THEY HAVE NOT ENDURED OR HAVE FAILED TO RECEIVE ADEQUATE SUPPORT FROM THE POPULATION AT LARGE. IN THE CASE OF HONG KONG IT IS CLEARLY ESSENTIAL THAT THE STABILITY AND RELATIVE HARMONY OF THE COMMUNITY, WHICH HAS BEEN BUILT UP OVER A LONG PERIOD, SHOULD BE PRESERVED, PARTICULARLY AT THIS TIME: THAT THE SPECIAL POLITICAL CIRCUMSTANCES OF HONG KONG SHOULD BE TAKEN INTO ACCOUNT: AND THAT FULL WEIGHT SHOULD BE GIVEN TO REPRESENTATION OF THE ECONOMIC AND PROFESSIONAL SECTORS OF HONG KONG SOCIETY WHICH ARE ESSENTIAL TO FUTURE CONFIDENCE AND PROSPERITY. DIRECT ELECTIONS WOULD RUN THE RISK OF A SWIFT INTRODUCTION OF ADVERSARIAL POLITICS, AND WOULD INTRODUCE AN ELEMENT OF INSTABILITY AT A CRUCIAL TIME. HONG KONG HAS HAD NO EXPERIENCE OF DIRECT OR INDIRECT ELECTIONS TO THE CENTRAL ORGANS OF GOVERNMENT, AND CONSTITUENCY BASED ELECTIONS EVEN AT REGIONAL AND DISTRICT LEVEL ARE A RELATIVELY NEW FEATURE OF POLITICAL LIFE IN THE TERRITORY.

28. IT HAS ALSO BEEN SUGGESTED THAT DIRECTLY ELECTED MEMBERS SHOULD BE INTRODUCED, A FEW AT A TIME, INTO THE COUNCIL. SINCE IT WOULD NOT BE POSSIBLE TO TREAT SOME PARTS OF HONG KONG DIFFERENTLY FROM THE OTHERS IN THE MATTER OF REPRESENTATION, MEMBERS WOULD HAVE TO BE ELECTED ON THE BASIS OF EITHER A SINGLE LIST OR CONSTITUENCIES COVERING THE WHOLE OF THE TERRITORY. IN THE LATTER CASE, IF THERE WERE ONLY A FEW MEMBERS IN THE INITIAL STAGES, THEIR CONSTITUENCIES WOULD HAVE TO BE VERY LARGE INDEED. SUCH A SYSTEM WOULD THEREFORE NOT ONLY RUN THE RISK OF INTRODUCING DIRECT ELECTIONS PREMATURELY, BUT WOULD DO SO ON THE BASIS OF CONSTITUENCIES SO LARGE THAT THE ABILITY OF ONE MEMBER TO REPRESENT THEM WOULD BE CALLED SERIOUSLY INTO QUESTION.

29. THUS IT IS CONSIDERED THAT THE INTRODUCTION OF DIRECT ELECTIONS TO THE LEGISLATIVE COUNCIL WOULD NOT BE APPROPRIATE AT THE PRESENT TIME, ALTHOUGH IN DUE COURSE, AS THE POLITICAL AND CONSTITUTIONAL CIRCUMSTANCES OF HONG KONG EVOLVE, FURTHER THOUGHT WILL BE GIVEN TO THIS POSSIBILITY, IF POPULAR SUPPORT FOR THE IDEA DEVELOPS.

30. EVEN THE INTRODUCTION OF A SYSTEM UNDER WHICH A SUBSTANTIAL NUMBER OF UNOFFICIAL MEMBERS ARE ELECTED INDIRECTLY BY AN ELECTORAL COLLEGE AND BY FUNCTIONAL CONSTITUENCIES WILL BE A MAJOR CHANGE IN THE SYSTEM OF GOVERNMENT IN HONG KONG. IT WILL TAKE TIME FOR PEOPLE TO BECOME FAMILIAR WITH THIS NEW SYSTEM AND TO DEVELOP EXPERIENCE IN ITS OPERATION. IT IS FOR THIS REASON THAT IT IS PROPOSED TO INTRODUCE THE NEW SYSTEM PROGRESSIVELY.

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31. IN THE LIGHT OF HONG KONG'S SPECIAL CIRCUMSTANCES, THE SYSTEM NOW PROPOSED SHOULD MEET THE OBJECTIVES SET OUT IN PARAGRAPH 7 ABOVE OF ROOTING THE AUTHORITY OF GOVERNMENT FIRMLY IN THE COMMUNITY, OF PROVIDING A CHANNEL FOR THE AUTHORITATIVE EXPRESSION OF THE VIEWS OF THE PEOPLE, AND OF MAKING THE GOVERNMENT MORE DIRECTLY ACCOUNTABLE TO THE PEOPLE OF HONG KONG.

CHAPTER 4 THE MAIN ISSUES FOR CONSIDERATION

32. THE MAIN ISSUES FOR CONSIDERATION FALL UNDER THE FOLLOWING THREE GENERAL HEADINGS -

(A) THE LEGISLATIVE COUNCIL
THE ISSUES TO BE CONSIDERED UNDER THIS HEADING INCLUDE WHETHER THE ROLE AND FUNCTIONS OF THE LEGISLATIVE COUNCIL NEED TO BE MODIFIED IN ANY WAY: WHETHER THE COMPOSITION OF THE COUNCIL SHOULD BE CHANGED AND, IF SO, WHAT ITS COMPOSITION SHOULD BE: HOW THE MEMBERS OF THE COUNCIL SHOULD BE SELECTED: WHAT SHOULD BE THE ROLE OF OFFICIALS ON THE COUNCIL: AND WHEN SHOULD ANY CHANGES RESULTING FROM CONSIDERATION OF THESE QUESTIONS BE INTRODUCED.

THESE ISSUES ARE DISCUSSED IN DETAIL IN CHAPTER 5.

(B) THE EXECUTIVE COUNCIL
SIMILAR ISSUES ARISE FOR CONSIDERATION UNDER THIS HEADING, INCLUDING WHETHER THE ROLE AND FUNCTIONS OF THE EXECUTIVE COUNCIL NEED TO BE CHANGED: WHETHER THE COMPOSITION OF THE COUNCIL SHOULD BE MODIFIED AND, IF SO, HOW: HOW SHOULD THE MEMBERS OF THE COUNCIL BE SELECTED: WHAT SHOULD BE THE RELATIONSHIP BETWEEN THE EXECUTIVE COUNCIL AND THE LEGISLATIVE COUNCIL, WHAT SHOULD BE THE ROLE OF THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL IN THE ADMINISTRATION: AND WHEN SHOULD ANY CHANGES STEMMING FROM CONSIDERATION OF THESE ISSUES BE INTRODUCED.

THESE QUESTIONS ARE DISCUSSED IN DETAIL IN CHAPTER 6.

(C) THE GOVERNOR
ANY CHANGES IN THE ROLE, FUNCTIONS OR COMPOSITION OF THE LEGISLATIVE AND EXECUTIVE COUNCILS NATURALLY RAISE QUESTIONS CONCERNING THE POSITION OF THE GOVERNOR, IN PARTICULAR WITH REGARD TO HIS POWERS OF APPOINTMENT TO THE TWO COUNCILS, HIS POSITION ON THE LEGISLATIVE COUNCIL, HIS RELATIONSHIP WITH THE EXECUTIVE COUNCIL, AND THE METHOD BY WHICH HE HIMSELF MIGHT BE SELECTED IN THE FUTURE. THESE QUESTIONS ARE DISCUSSED IN CHAPTER 7.

CHAPTER 5 THE LEGISLATIVE COUNCIL - 7 -
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33. CLEARLY THE LEGISLATIVE COUNCIL SHOULD CONTINUE TO BE RESPONSIBLE FOR THE ENACTMENT OF LEGISLATION AND FOR CONTROLLING AND MONITORING THE EXPENDITURE OF PUBLIC FUNDS, THROUGH THE FINANCE COMMITTEE AND THE PUBLIC ACCOUNTS COMMITTEE. IT SHOULD ALSO RETAIN ITS POWERS TO QUESTION THE ADMINISTRATION ON MATTERS OF PUBLIC INTEREST AND DEBATE QUESTIONS OF POLICY. NO SIGNIFICANT CHANGES IN THE PRESENT FUNCTIONS OF THE LEGISLATIVE COUNCIL ARE THOUGHT TO BE NECESSARY, BECAUSE THESE ALLOW AMPLE SCOPE FOR THE DEVELOPMENT OF ITS ROLE. FOR EXAMPLE, THERE MAY BE SCOPE FOR SOME DEVELOPMENT IN THE USE OF SELECT COMMITTEES, BASED ON THE PRESENT INFORMAL SYSTEM OF UMELCO WORKING GROUPS, TO EXAMINE SPECIFIC POLICY ISSUES AND MAJOR ITEMS OF LEGISLATION: AND FOR MORE COMMITTEES OF THE COUNCIL TO MEET IN PUBLIC.

34. AT PRESENT THE LEGISLATIVE COUNCIL IS COMPOSED OF THE GOVERNOR (AS PRESIDENT), THREE EX-OFFICIO MEMBERS (THE CHIEF SECRETARY, THE FINANCIAL SECRETARY AND THE ATTORNEY GENERAL), FIFTEEN OFFICIAL MEMBERS AND TWENTY-NINE UNOFFICIAL MEMBERS, MAKING A TOTAL MEMBERSHIP (INCLUDING THE GOVERNOR) OF FORTY-EIGHT. THE TWENTY-NINE UNOFFICIAL MEMBERS ARE ASSOCIATED WITH A WIDE RANGE OF FUNCTIONAL CONSTITUENCIES (INCLUDING COMMERCE, INDUSTRY, MEDICINE, LAW ENGINEERING/ARCHITECTURE, EDUCATION, SOCIAL WORK, FINANCE, ACCOUNTANCY, TRADE UNIONS/WORKERS AND RELIGIOUS BODIES) AND GEOGRAPHICAL CONSTITUENCIES (INCLUDING THE URBAN COUNCIL, THE DISTRICT BOARDS AND THE HEUNG YEE KUK). HOWEVER, THEY WERE SELECTED AND APPOINTED BY THE GOVERNOR ON THE BASIS OF THEIR MERITS AND STANDING AS INDIVIDUALS RATHER THEN SPECIFICALLY TO REPRESENT THESE VARIOUS CONSTITUENCIES, AND IN SOME CASES THE INDIVIDUALS SELECTED ARE ASSOCIATED WITH MORE THAN ONE CONSTITUENCY.

35. THE MAIN QUESTION WITH REGARD TO THE LEGISLATIVE COUNCIL CONCERNS ITS COMPOSITION AND THE METHODS TO BE ADOPTED FOR THE SELECTION AND APPOINTMENT OF ITS MEMBERS. AS HAS ALREADY BEEN INDICATED, IT IS CONSIDERED THAT THE PRESENT SYSTEM WHEREBY ALL THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL ARE SELECTED AND APPOINTED BY THE GOVERNOR SHOULD BE DEVELOPED PROGRESSIVELY TO PROVIDE FOR A SUBSTANTIAL NUMBER OF THE MEMBERS TO BE ELECTED INDIRECTLY -

(A) BY AN ELECTORAL COLLEGE OF URBAN COUNCIL, NEW REGIONAL COUNCIL AND DISTRICT BOARD MEMBERS: AND

(B) BY FUNCTIONAL GROUPS, OR 'CONSTITUENCIES'.

IT IS ALSO CONSIDERED THAT A NUMBER OF APPOINTED UNOFFICIAL MEMBERS SHOULD BE RETAINED ON THE COUNCIL FOR THE TIME BEING, IN ORDER TO ENSURE CONTINUITY AND STABILITY: AND A NUMBER OF OFFICIAL MEMBERS SHOULD ALSO BE RETAINED ON THE COUNCIL TO MAINTAIN A LINK BETWEEN THE COUNCIL AND THE ADMINISTRATION, ALTHOUGH THERE WOULD BE A GRADUAL REDUCTION IN THEIR NUMBER.

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26. IN THE CASE OF THE GEOGRAPHICAL CONSTITUENCIES (NEXT THREE WORDS UNDERLINED) IT IS PROPOSED THAT AN ELECTORAL COLLEGE SHOULD BE FORMED CONSISTING OF ALL THE ELECTED AND, TO START WITH, ALL THE APPOINTED MEMBERS OF THE DISTRICT BOARDS, THE URBAN COUNCIL AND THE NEW REGIONAL COUNCIL. IT WOULD THUS NUMBER IN THE REGION OF 430 MEMBERS. THE ELECTORAL COLLEGE WOULD ELECT A SPECIFIED NUMBER OF REPRESENTATIVES TO BE MEMBERS OF THE LEGISLATIVE COUNCIL. THE ELECTORAL COLLEGE WOULD BE ABLE TO ELECT ANYONE WITH CERTAIN PRESCRIBED QUALIFICATIONS, E.G. ANY REGISTERED ELECTOR WHO HAS BEEN ORDINARILY RESIDENT IN HONG KONG FOR A MINIMUM OF 10 YEARS²⁷, (WHICH ARE THE SAME BASIC QUALIFICATIONS FOR CANDIDATES FOR THE URBAN COUNCIL AND THE DISTRICT BOARDS) AND NOT NECESSARILY FROM AMONG THEIR NUMBER. THESE ARRANGEMENTS WOULD BE INTRODUCED PROGRESSIVELY WITH A VIEW TO A TOTAL OF 12 MEMBERS BEING ELECTED BY THE ELECTORAL COLLEGE BY 1988.

37. IN THE CASE OF THE FUNCTIONAL CONSTITUENCIES (NEXT THREE WORDS UNDERLINED) IT IS PROPOSED THAT THE PRESENT INFORMAL SYSTEM OF SELECTING MEMBERS FROM A WIDE RANGE OF SUCH CONSTITUENCIES, WHICH HAS GROWN UP OVER MANY YEARS AND HAS PROVIDED MUCH SPECIALIST KNOWLEDGE AND VALUABLE EXPERTISE, SHOULD BE DEVELOPED INTO A MORE FORMAL REPRESENTATIVE SYSTEM BY THE INTRODUCTION OF APPROPRIATE ARRANGEMENTS FOR THE ELECTION BY EACH OF THESE FUNCTIONAL CONSTITUENCIES OF ONE OR MORE REPRESENTATIVES TO SERVE ON THE LEGISLATIVE COUNCIL. FOR EXAMPLE, THE REPRESENTATIVES OF THE LEGAL PROFESSION MIGHT BE ELECTED JOINTLY BY THE MEMBERS OF THE BAR ASSOCIATION AND THE LAW SOCIETY: AND THE PRESENT SYSTEM OF ELECTING TRADES UNION REPRESENTATIVES TO THE LABOUR ADVISORY BOARD MIGHT ALSO BE USED TO ELECT THE REPRESENTATIVES OF LABOUR ORGANISATIONS. THE MAIN CHAMBERS OF COMMERCE AND INDUSTRIAL ORGANISATIONS MIGHT ELECT THE REPRESENTATIVES OF COMMERCE AND INDUSTRY. HOWEVER, IN ORDER TO QUALIFY AS AN ELECTOR IN ANY OF THE FUNCTIONAL CONSTITUENCIES IT WOULD BE NECESSARY TO BE A REGISTERED ELECTOR ON THE GENERAL ELECTORAL ROLL. THESE ARRANGEMENTS WOULD ALSO BE INTRODUCED PROGRESSIVELY WITH A VIEW TO A TOTAL OF 12 MEMBERS BEING ELECTED BY THE FUNCTIONAL CONSTITUENCIES BY 1988.

38. ALL THOSE FUNCTIONAL CONSTITUENCIES FROM WHICH MEMBERS OF THE LEGISLATIVE COUNCIL ARE DRAWN AT PRESENT, E.G., COMMERCE, INDUSTRY, THE MEDICAL PROFESSION, THE LEGAL PROFESSION, EDUCATIONAL INSTITUTIONS, THE FINANCIAL SECTOR AND LABOUR ORGANISATIONS, WOULD BE REPRESENTED ON THE LEGISLATIVE COUNCIL. THERE MAY ALSO BE SOME OTHER FUNCTIONAL CONSTITUENCIES WHICH SHOULD BE REPRESENTED ON THE COUNCIL IF THEY COVER A SUFFICIENTLY LARGE AND IMPORTANT SECTOR OF THE COMMUNITY TO JUSTIFY INCLUSION, E.G. TRADITIONAL ORGANISATIONS AND OTHER MAJOR PROFESSIONS. THE NUMBER OF REPRESENTATIVES TO BE ELECTED BY EACH FUNCTIONAL CONSTITUENCY WOULD VARY ACCORDING TO ITS SIZE AND SIGNIFICANCE.

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39. IT IS PROPOSED THAT TO START WITH, THESE NEW ARRANGEMENTS FOR THE INDIRECT ELECTION OF UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL TO REPRESENT GEOGRAPHICAL CONSTITUENCIES AND FUNCTIONAL CONSTITUENCIES SHOULD BE INTRODUCED IN TWO STAGES - IN 1985 AND 1988. THESE YEARS HAVE BEEN PROPOSED ON THE ASSUMPTION THAT ALL UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL WOULD HOLD OFFICE FOR A TERM OF THREE YEARS, BECAUSE THEY ARE THE YEARS IN WHICH DISTRICT BOARD ELECTIONS WILL TAKE PLACE AND BECAUSE THE LARGEST PROPORTION OF MEMBERS OF THE ELECTORAL COLLEGE WILL BE ELECTED DISTRICT BOARD MEMBERS. TO WAIT UNTIL AFTER THE NEXT URBAN COUNCIL AND NEW REGIONAL COUNCIL ELECTIONS IN 1986 WOULD DELAY THE INTRODUCTION OF THE PROPOSED NEW ARRANGEMENTS BY ONE YEAR: AND, ALTHOUGH IT WOULD GIVE THOSE DISTRICT BOARD MEMBERS NEWLY ELECTED IN 1985 MORE TIME TO SETTLE DOWN, IT WOULD RESULT IN 18 MONTHS OF POLITICAL UNCERTAINTY EVERY THREE YEARS FOR THOSE MEMBERS OF THE LEGISLATIVE COUNCIL SEEKING RE-ELECTION, INSTEAD OF ONLY SIX MONTHS OF UNCERTAINTY IF THE ELECTIONS TO THE LEGISLATIVE COUNCIL TAKE PLACE IN THE MONTH OF SEPTEMBER IN DISTRICT BOARD ELECTION YEARS. IT WOULD BE BETTER, THEREFORE, TO COMPLETE THE DISTRICT BOARD AND THE LEGISLATIVE COUNCIL ELECTIONS IN THE SAME YEAR AND THEN HAVE A PERIOD OF TWO AND A HALF YEARS OF POLITICAL CERTAINTY BEFORE THE NEXT DISTRICT BOARD ELECTIONS.

40. AT THE SAME TIME AS THE PROPOSED ARRANGEMENTS FOR THE ELECTIONS OF UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL BY THE ELECTORAL COLLEGE AND THE FUNCTIONAL CONSTITUENCIES ARE INTRODUCED BY STAGES, IT IS PROPOSED THAT THE NUMBER OF APPOINTED UNOFFICIAL MEMBERS SHOULD BE PROGRESSIVELY REDUCED WITH A VIEW TO THEIR TOTAL NUMBER BEING 16 BY 1988.

41. IN THE CASE OF THE OFFICIAL MEMBERS, IT IS PROPOSED THAT THE PRINCIPAL OFFICERS IN THE ADMINISTRATION, I.E. THE CHIEF SECRETARY, THE FINANCIAL SECRETARY AND THE ATTORNEY GENERAL, SHOULD REMAIN AS EX-OFFICIO MEMBERS OF THE LEGISLATIVE COUNCIL AS A LINK BETWEEN THE COUNCIL AND THE ADMINISTRATION. THERE WILL ALSO CONTINUE TO BE A NEED FOR A NUMBER OF OFFICIALS TO SIT, AS NOW, IN THE LEGISLATIVE COUNCIL, IN ORDER TO INTRODUCE FORMALLY LEGISLATION WITHIN THEIR FIELD OF COMPETENCE, ONCE THE DRAFT LEGISLATION HAS BEEN APPROVED BY THE EXECUTIVE COUNCIL, TO DISCUSS IT WITH THE SPECIALIST GROUPS OF UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL WHICH EXAMINE SUCH LEGISLATION IN DETAIL, TO ANSWER QUESTIONS FROM MEMBERS ON THE POLICIES APPROVED BY THE EXECUTIVE COUNCIL IN THEIR FIELDS AND TO ANSWER FOR THE ADMINISTRATION'S EXECUTION OF THEM. THERE NEED, HOWEVER, NOT BE AS MANY OFFICIALS AS IN THE PAST AND THE NUMBER OF OFFICIAL MEMBERS IN THE LEGISLATIVE COUNCIL WILL BE REDUCED PROGRESSIVELY TO 10 BY 1988.

42. THE TOTAL MEMBERSHIP OF THE LEGISLATIVE COUNCIL IN 1988, RESULTING FROM ALL THESE PROPOSED CHANGES, WOULD BE 50.

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43. THE FOLLOWING TABLE ILLUSTRATES THE ABOVE PROPOSALS -

LEGISLATIVE COUNCIL MEMBERS	CURRENT	1985	1988
(A) ELECTED BY ELECTORAL COLLEGE	0	6	12
(B) ELECTED BY FUNCTIONAL CONSTITUENCIES	0	6	12
(C) APPOINTED BY GOVERNOR	29	23	16
(D) OFFICIAL MEMBERS	18	13	10
TOTAL	47	48	50

44. AFTER THESE INITIAL CHANGES IN THE COMPOSITION AND METHODS OF SELECTION OF MEMBERS OF THE LEGISLATIVE COUNCIL HAVE BEEN INTRODUCED, IT IS PROPOSED THAT THERE SHOULD BE A REVIEW OF THE POSITION IN 1989, FOLLOWING THE ELECTIONS IN 1988, WITH A VIEW TO DECIDING WHAT FURTHER DEVELOPMENTS MIGHT BE PURSUED. IN PARTICULAR, THIS REVIEW WOULD CONSIDER THE FUTURE POSITION OF APPOINTED UNOFFICIAL MEMBERS AND OTHER POSSIBLE MIXES OF MEMBERS ELECTED BY THE ELECTORAL COLLEGE AND THE FUNCTIONAL CONSTITUENCIES. FOR EXAMPLE, THE NUMBERS OF UNOFFICIAL MEMBERS ELECTED BY THE ELECTORAL COLLEGE AND THE FUNCTIONAL CONSTITUENCIES RESPECTIVELY MIGHT BE INCREASED IN 1991 TO 14 EACH, WITH THE NUMBER OF APPOINTED UNOFFICIAL MEMBERS BEING REDUCED TO 12, AND THE NUMBER OF OFFICIAL MEMBERS REMAINING AT 10; OR THE NUMBERS OF UNOFFICIAL MEMBERS ELECTED BY THE ELECTORAL COLLEGE AND THE FUNCTIONAL CONSTITUENCIES MIGHT BE INCREASED IN 1991 TO 20 EACH, WITH THE APPOINTED UNOFFICIAL MEMBERS BEING REMOVED COMPLETELY AND THE NUMBER OF OFFICIAL MEMBERS REMAINING AT 10. OTHER TYPES OF ELECTORAL ARRANGEMENTS, INCLUDING THE POSSIBILITY OF DIRECT ELECTIONS ON EITHER A CONSTITUENCY BASIS OR A SINGLE, TERRITORY-WIDE LIST, MIGHT ALSO BE CONSIDERED AT THAT TIME.

45. THE GOVERNOR'S RELATIONSHIP WITH THE LEGISLATIVE COUNCIL IS DISCUSSED IN CHAPTER 7.

CHAPTER 6 THE EXECUTIVE COUNCIL

46. THE MAIN FUNCTION OF THE EXECUTIVE COUNCIL IS TO ADVISE THE GOVERNOR ON MATTERS OF POLICY. IN RECENT YEARS THE GOVERNOR HAS NEVER FAILED TO ACCEPT THE ADVICE OF THE COUNCIL ON SUCH MATTERS, AND MEMBERS TAKE THE INITIATIVE IN PROPOSING MATTERS AND IN CALLING FOR PAPERS FROM THE ADMINISTRATION FOR CONSIDERATION BY THE COUNCIL. AS A CONSEQUENCE IT HAS IN EFFECT BECOME COLLECTIVELY THE POLICY MAKING BODY FOR MATTERS WITHIN ITS COMPETENCE. ITS SECONDARY FUNCTIONS ARE TO MAKE SUBSIDIARY LEGISLATION AND TO CONSIDER APPEALS AND PETITIONS UNDER VARIOUS ORDINANCES. NO SIGNIFICANT CHANGES IN THE COUNCIL'S PRESENT ROLE AND FUNCTIONS APPEAR TO BE NECESSARY.

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47. AT PRESENT THE EXECUTIVE COUNCIL IS COMPOSED OF FOUR EX-OFFICIO MEMBERS - THE CHIEF SECRETARY, THE COMMANDER BRITISH FORCES, THE FINANCIAL SECRETARY AND THE ATTORNEY GENERAL - AND TWELVE APPOINTED MEMBERS, TWO OF WHOM ARE OFFICIALS APPOINTED AD PERSONAM AND TEN OF WHOM ARE UNOFFICIALS. THE GOVERNOR PRESIDES OVER THE COUNCIL.

48. THREE OF THE FOUR EX-OFFICIO MEMBERS OF THE EXECUTIVE COUNCIL, I.E. THE CHIEF SECRETARY, THE FINANCIAL SECRETARY, AND THE ATTORNEY GENERAL, ARE EX-OFFICIO MEMBERS OF THE LEGISLATIVE COUNCIL. FIVE OF THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL AND THE TWO OFFICIALS APPOINTED AD PERSONAM ARE ALSO CURRENTLY MEMBERS OF THE LEGISLATIVE COUNCIL. ALTHOUGH THERE IS NO FORMAL PROVISION IN THE LETTERS PATENT OR THE ROYAL INSTRUCTIONS FOR SUCH DUAL MEMBERSHIP OF BOTH COUNCILS, IT IS A LONG ESTABLISHED TRADITION THAT SEVERAL SENIOR (OR FORMER) MEMBERS OF THE LEGISLATIVE COUNCIL SHOULD ALSO BE APPOINTED AS MEMBERS OF THE EXECUTIVE COUNCIL. IN THIS WAY A CLOSE LINK IS MAINTAINED BETWEEN THE TWO COUNCILS.

49. IN ORDER TO MOVE AWAY FROM DEPENDENCE ON THE PRESENT SYSTEM OF THE APPOINTMENT OF MEMBERS OF THE EXECUTIVE COUNCIL BY THE GOVERNOR AND TO INTRODUCE A REPRESENTATIVE ELEMENT INTO THE EXECUTIVE COUNCIL IT IS PROPOSED THAT, BY 1991, AT LEAST EIGHT OF THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL SHOULD BE ELECTED BY THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL FROM AMONG THEIR OWN NUMBER. THIS WILL ACHIEVE TWO OBJECTIVES - FIRST, IT WILL EXTEND REPRESENTATIVE STATUS TO THE EXECUTIVE COUNCIL BY BUILDING UPWARDS FROM THE BASE OF EXISTING INSTITUTIONS AND SECONDLY IT WILL ESTABLISH A MORE DIRECT RELATIONSHIP BETWEEN THE EXECUTIVE COUNCIL AND THE LEGISLATIVE COUNCIL.

50. GIVEN ITS POLICY MAKING FUNCTIONS, IT IS IMPORTANT THAT THE MEMBERSHIP OF THE EXECUTIVE COUNCIL SHOULD ENCOMPASS A FULL RANGE OF EXPERIENCE AND PROFESSIONAL KNOWLEDGE FROM THE MAIN SECTORS OF SOCIETY AND THE ECONOMY AND THE DIFFERENT GEOGRAPHICAL AREAS AND AGE GROUPS. THE ELECTIONS IN THE LEGISLATIVE COUNCIL MAY OR MAY NOT PRODUCE THIS RESULT AND IT IS PROPOSED THAT THE GOVERNOR SHOULD HAVE THE POWER TO APPOINT TWO MEMBERS OF THE EXECUTIVE COUNCIL TO ENSURE THAT IT HAS THE NECESSARY RANGE OF EXPERIENCE AND PROFESSIONAL KNOWLEDGE AVAILABLE TO IT. THESE MEMBERS COULD BE UNOFFICIALS SELECTED FROM EITHER WITHIN OR WITHOUT THE LEGISLATIVE COUNCIL, OR OFFICIALS, AT THE GOVERNOR'S DISCRETION.

51. IT IS ALSO PROPOSED THAT THE THREE PRINCIPAL OFFICERS OF THE ADMINISTRATION, THE CHIEF SECRETARY, THE FINANCIAL SECRETARY AND THE ATTORNEY GENERAL, WHO ARE APPOINTED BY THE GOVERNOR ON THE INSTRUCTIONS OF THE SECRETARY OF STATE, SHOULD CONTINUE TO BE EX-OFFICIO MEMBERS AS A LINK BETWEEN THE EXECUTIVE COUNCIL AND THE ADMINISTRATION: AND THAT THE COMMANDER BRITISH FORCES SHOULD FOR THE PRESENT CONTINUE TO SIT AS AN EX-OFFICIO MEMBER OF THE COUNCIL.

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52. AS WITH THE LEGISLATIVE COUNCIL, IT IS INTENDED THAT THE ARRANGEMENTS FOR INTRODUCING A MORE REPRESENTATIVE ELEMENT INTO THE COMPOSITION OF THE EXECUTIVE COUNCIL SHOULD BE INTRODUCED PROGRESSIVELY. AGAIN, ON THE ASSUMPTION THAT THE PERIOD OF OFFICE OF ELECTED MEMBERS OF BOTH THE LEGISLATIVE AND EXECUTIVE COUNCILS WOULD BE FOR THREE YEARS, SO AS TO FIT IN WITH THE ELECTORAL CYCLE FOR THE DISTRICT BOARDS AND THE REGIONAL COUNCILS, IT IS PROPOSED THAT, TO START WITH, FOUR UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL SHOULD BE ELECTED BY THE LEGISLATIVE COUNCIL IN 1988, FOLLOWING THE ELECTIONS TO THE LEGISLATIVE COUNCIL IN THAT YEAR. ANOTHER FOUR UNOFFICIAL MEMBERS WOULD PROBABLY BE ELECTED IN 1991.

53. THE FOLLOWING TABLE ILLUSTRATES THE ABOVE PROPOSALS -

EXECUTIVE COUNCIL MEMBERS	CURRENT	1988	1991
(A) ELECTED BY LEGISLATIVE COUNCIL	0	4	8
(B) APPOINTED BY GOVERNOR	12	3	2
(C) EX-OFFICIO MEMBERS	4	4	4
TOTAL	16	16	14

54. HOWEVER, THE PROPOSALS FOR THE COMPOSITION OF THE EXECUTIVE COUNCIL IN 1991 MAY BE SUBJECT TO MODIFICATION IN THE LIGHT OF THE REVIEW OF THE POSITION OF THE LEGISLATIVE COUNCIL WHICH IT IS PROPOSED SHOULD TAKE PLACE IN 1989.

55. THE GOVERNOR'S RELATIONSHIP WITH THE EXECUTIVE COUNCIL IS DEALT WITH IN CHAPTER 7.

56. SUGGESTIONS HAVE BEEN MADE FROM TIME TO TIME THAT UNOFFICIAL MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS SHOULD PLAY A GREATER PART IN THE ADMINISTRATION BY ASSUMING SOME SORT OF EXECUTIVE ROLE, SIMILAR TO THE MINISTERIAL FUNCTIONS PERFORMED BY ELECTED REPRESENTATIVES IN OTHER COUNTRIES. LEAVING ASIDE THE QUESTION OF WHETHER SUCH A SYSTEM WOULD BE SUITED TO THE SPECIAL CIRCUMSTANCES OF HONG KONG, IT IS NOT PROPOSED TO PURSUE THIS IDEA AT PRESENT FOR A NUMBER OF REASONS. AS WAS EXPLAINED EARLIER (IN PARAGRAPH 27), IT IS ESSENTIAL TO PRESERVE THE STABILITY AND HARMONY OF THE COMMUNITY. THE PROPOSALS, WHICH ARE CONCERNED WITH THE METHOD OF SELECTION TO THE PRINCIPAL INSTITUTIONS OF GOVERNMENT, THEMSELVES REPRESENT SUBSTANTIAL CHANGE AND MUST BE ABSORBED BEFORE ANY CHANGES TO THE STRUCTURE OF GOVERNMENT ITSELF ARE INTRODUCED. SUBSEQUENT DEVELOPMENTS MAY BE CONSIDERED AT A LATER STAGE, BUT THE PROPOSED NEW SYSTEM OF SELECTION MUST BE IMPLEMENTED AND ALLOWED TO SETTLE DOWN FIRST.

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CHAPTER 7

CHAPTER 7 THE GOVERNOR ~~SECRET~~

57. AT PRESENT THE CANDIDATE FOR APPOINTMENT AS GOVERNOR IS SELECTED BY THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS AND IS APPOINTED BY HER MAJESTY THE QUEEN. THE GOVERNOR PERFORMS FOUR MAIN FUNCTIONS -

- (A) HE IS RESPONSIBLE FOR THE ULTIMATE DIRECTION OF THE GOVERNMENT IN HONG KONG:
- (B) HE APPOINTS THE MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS:
- (C) HE IS PRESIDENT OF THE LEGISLATIVE COUNCIL: AND
- (D) HE PRESIDES OVER THE EXECUTIVE COUNCIL.

58. THE GOVERNOR WILL CONTINUE TO BE APPOINTED FORMALLY BY THE QUEEN AND TO BE HER REPRESENTATIVE IN HONG KONG UNTIL 1997. HE WILL ALSO CONTINUE TO BE RESPONSIBLE FOR THE DIRECTION OF GOVERNMENT IN HONG KONG.

59. HOWEVER, IF THE PROPOSED SYSTEM OF INDIRECT ELECTIONS OF THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL IS ADOPTED THE GOVERNOR WOULD NO LONGER RETAIN HIS POWER TO APPOINT ^{*}MEMBERS OF THAT COUNCIL. ** all the unofficial* SIMILARLY, IF THE MAJORITY OF THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL ARE TO BE ELECTED BY THE MEMBERS OF THE LEGISLATIVE COUNCIL, THE GOVERNOR'S POWER TO APPOINT MEMBERS OF THE EXECUTIVE COUNCIL WOULD BE LIMITED TO TWO MEMBERS.

60. AS REGARDS HIS POSITION AS PRESIDENT OF THE LEGISLATIVE COUNCIL, IT IS FOR CONSIDERATION WHETHER HE SHOULD BE REPLACED, IN DUE COURSE, BY A PRESIDING OFFICER ELECTED BY THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL FROM AMONG THEIR OWN NUMBER. IF THIS IDEA WERE TO BE PURSUED, IT IS ALSO FOR CONSIDERATION WHETHER SUCH A CHANGE SHOULD BE INTRODUCED PROGRESSIVELY IN TWO STAGES. FOR EXAMPLE, THE FIRST PRESIDING OFFICER MIGHT BE APPOINTED BY THE GOVERNOR AFTER CONSULTATION WITH THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL, BUT THEREAFTER THE PRESIDING OFFICER MIGHT BE ELECTED BY THE MEMBERS OF THE LEGISLATIVE COUNCIL EVERY THREE YEARS.

61. EVEN IF THE GOVERNOR WERE TO CEASE TO BE PRESIDENT OF THE LEGISLATIVE COUNCIL, IT IS ENVISAGED THAT HE WOULD CONTINUE TO ATTEND UPON THE COUNCIL TO DELIVER AN ANNUAL ADDRESS TO THE COUNCIL IN HIS ROLE AS CHIEF EXECUTIVE AT THE OPENING OF EACH NEW SESSION: AND THAT PROVISION WOULD REMAIN IN THE STANDING ORDERS OF THE COUNCIL FOR THE GOVERNOR TO ADDRESS OR ATTEND THE COUNCIL ON ANY OTHER OCCASION ON WHICH HE CONSIDERED IT TO BE APPROPRIATE OR NECESSARY.

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62. IN THE CASE OF THE EXECUTIVE COUNCIL, THE GOVERNOR WILL CONTINUE TO PRESIDE OVER ITS PROCEEDINGS IN THIS CAPACITY AS CHIEF EXECUTIVE OF THE GOVERNMENT OF HONG KONG. HOWEVER, ONCE THE PROPOSED ARRANGEMENT CONCERNING THE LEGISLATIVE AND EXECUTIVE COUNCILS HAVE BEEN FULLY IMPLEMENTED, THE QUESTION WILL ARISE OF WHETHER THE GOVERNOR'S PRESENT POWERS IN RESPECT OF COUNCIL PROCEEDINGS SHOULD BE REVIEWED. FOR EXAMPLE, THERE WILL NEED TO BE DECISIONS ON WHETHER HIS POWER TO DECIDE WHAT QUESTIONS SHOULD BE SUBMITTED TO THE EXECUTIVE COUNCIL AND TO ACT IN OPPOSITION TO THE ADVICE OF THE COUNCIL, - A POWER RARELY, IF EVER, EXERCISED, - SHOULD, FOR MATTERS WITHIN THE COUNCIL'S COMPETENCE, BE REMOVED.

63/~~64~~. THE FUTURE METHOD OF SELECTING CANDIDATES FOR APPOINTMENT AS GOVERNOR WILL ALSO NEED TO BE CONSIDERED. IT WOULD BE THE NATURAL DEVELOPMENT FOR THE GOVERNOR HIMSELF, IN HIS CAPACITY AS CHIEF EXECUTIVE, TO BE SELECTED, ONCE THE PROCESS DESCRIBED IN THIS PAPER IS COMPLETE, THROUGH AN ELECTIVE PROCESS, FOR EXAMPLE THROUGH ELECTION BY A COLLEGE COMPOSED OF ALL UNOFFICIAL MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS AFTER A PERIOD OF CONSULTATION AMONG THEM ~~AND~~ THE IMPLICATIONS OF SUCH ~~CHANGES~~ ^{HIS} IN THE GOVERNOR'S POWERS (PARAGRAPH 62 ABOVE), AND IN THE METHOD OF ^(Para 63 above) SELECTION FOR THE GOVERNMENT OF HONG KONG, FOR HONG KONG'S RELATIONSHIP WITH THE UNITED KINGDOM, AND FOR THE FUTURE GENERALLY, AND ALSO THE TIMING OF ANY CHANGE WOULD NEED TO BE CAREFULLY CONSIDERED BEFORE ANY DECISIONS COULD BE REACHED. NO FIRM PROPOSALS ON THIS QUESTION HAVE THEREFORE BEEN MADE IN THIS PAPER.

CHAPTER 8 CONCLUSION

65. THE PROPOSALS DISCUSSED IN CHAPTER 5 AND 6 OF THIS GREEN PAPER MAY BE SUMMARISED AS FOLLOWS -

THE LEGISLATIVE COUNCIL (CHAPTER 5)

(A) ARRANGEMENTS SHOULD BE INTRODUCED TO PROVIDE FOR A SUBSTANTIAL NUMBER OF UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL TO BE ELECTED INDIRECTLY -

(I) BY AN ELECTORAL COLLEGE COMPOSED OF ALL MEMBERS OF THE URBAN COUNCIL, THE NEW REGIONAL COUNCIL, AND THE DISTRICT BOARDS AND

(II) BY SPECIFIED FUNCTIONAL CONSTITUENCIES.

(B) A NUMBER OF APPOINTED UNOFFICIAL MEMBERS SHOULD BE RETAINED ON THE COUNCIL, FOR THE TIME BEING.

(C) THE NUMBER OF OFFICIAL MEMBERS OF THE COUNCIL SHOULD BE GRADUALLY REDUCED.

(D) TO START WITH, THESE ARRANGEMENTS SHOULD BE INTRODUCED IN TWO STAGES - IN 1985 AND 1988 - FOLLOWING THE DISTRICT BOARD ELECTIONS IN THOSE YEARS.

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- (E) THE COMPOSITION OF THE LEGISLATIVE COUNCIL BY 1988 SHOULD BE -
- (I) 12 UNOFFICIAL MEMBERS ELECTED BY THE ELECTORAL COLLEGE,
 - (II) 12 UNOFFICIAL MEMBERS ELECTED BY THE FUNCTIONAL CONSTITUENCIES,
 - (III) 16 APPOINTED UNOFFICIAL MEMBERS, AND
 - (IV) 10 OFFICIAL MEMBERS.
- (F) IN 1989, AFTER THE 1988 ELECTIONS TO THE COUNCIL HAVE TAKEN PLACE, THERE SHOULD BE A REVIEW OF THE POSITION WITH A VIEW TO DECIDING WHAT FURTHER DEVELOPMENTS SHOULD BE PURSUED.

THE EXECUTIVE COUNCIL (CHAPTER 6)

- (G) THE MAJORITY OF THE APPOINTED UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL SHOULD BE REPLACED PROGRESSIVELY BY MEMBERS ELECTED BY THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL FROM AMONG THEIR NUMBER, BUT A SMALL NUMBER OF MEMBERS SHOULD CONTINUE TO BE APPOINTED BY THE GOVERNOR AND THE FOUR EX-OFFICIO MEMBERS SHOULD REMAIN AS MEMBERS OF THE COUNCIL.
- (H) THESE ARRANGEMENTS SHOULD BE INTRODUCED IN TWO STAGES - IN 1988 AND 1991 - FOLLOWING THE ELECTIONS TO THE LEGISLATIVE COUNCIL IN THOSE YEARS.
- (I) THE EVENTUAL COMPOSITION OF THE EXECUTIVE COUNCIL BY 1991 SHOULD BE -
- (I) AT LEAST 3 MEMBERS ELECTED BY THE UNOFFICIAL MEMBERS OF THE LEGISLATIVE COUNCIL,
 - (II) 2 MEMBERS APPOINTED BY THE GOVERNOR, AND
 - (III) 4 EX-OFFICIO MEMBERS,

ALTHOUGH THESE NUMBERS MIGHT BE MODIFIED IN THE LIGHT OF THE REVIEW OF THE POSITION OF THE LEGISLATIVE COUNCIL IN 1989.

66. IN ORDER TO IMPLEMENT THE CHANGES PROPOSED IT WILL BE NECESSARY TO MAKE AMENDMENTS TO THE APPROPRIATE CONSTITUTIONAL INSTRUMENTS, NAMELY, THE LETTERS PATENT AND THE ROYAL INSTRUCTIONS.

67. THE IDEAS, SUGGESTIONS AND PROPOSALS IN THIS GREEN PAPER ARE NOT DEFINITIVE. THEY HAVE BEEN PUBLISHED FOR THE PEOPLE OF HONG KONG TO CONSIDER AND DISCUSS, SO THAT THEY CAN COMMENT ON THEM AND, IF THEY WISH, PUT FORWARD THEIR OWN SUGGESTIONS FOR THE FURTHER DEVELOPMENT OF REPRESENTATIVE GOVERNEMENT IN HONG KONG.

68. THE GOVERNMENT WILL CONSIDER CAREFULLY ALL THE VIEWS AND COMMENTS EXPRESSED ON THESE PROPOSALS DURING THE NEXT TWO MONTHS, AND WILL THEN SEEK THE FURTHER ADVICE OF THE EXECUTIVE COUNCIL.

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69. THEREAFTER, A WHITE PAPER WILL BE PUBLISHED WHICH WILL PUT FORWARD THE GOVERNMENT'S DEFINITIVE INTENTIONS FOR THE FURTHER DEVELOPMENT OF REPRESENTATIVE GOVERNMENT IN HONG KONG.

YOUDE

LIMITED
HD/HKD
HD/FED
SIR W HARDING

COPIES TO:-
SIR P CRADOCK
MR BURROWS LEGAL ADVISER

THIS TELEGRAM
WAS NOT
ADVANCED



PM/84/107

PRIME MINISTER

Future of Hong Kong: Agenda Item 2 (Arrangements before 1997)

1. I have been giving further thought with my officials to our position on Agenda Item 2 (arrangements before 1997) and in particular on the establishment of a Sino-British Joint Group as a liaison body during that period.
2. The formal position in the negotiations, as you will recall, is that the Chinese continue to reject our proposal that the Joint Group should be a peripatetic body without any standing machinery, meeting as necessary in Hong Kong, Peking or London. In the margins of the talks, however, there have been a number of hints from the Chinese side that if we can agree at least on the notional basing of the Joint Group in Hong Kong they will be able to show considerable flexibility over the precise attributes of the group and its presence in the territory.
3. It is clearly a matter of great importance to the Chinese side, and to Deng Xiaoping himself, that the Joint Group should be based in Hong Kong. I believe it is an issue on which the talks could fail. Both sides are agreed on the need for consultation and on the creation of a joint group as the appropriate forum: it is simply on the location of such a forum that views diverge. Moreover, the indications of possible Chinese flexibility on subsidiary aspects of the issue hold out the possibility that the present difference of view could be turned to our advantage. All these considerations make it appropriate that we should consider the implications of possible movement

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on this point.

4. I have accordingly had prepared by my officials the attached paper which considers:

- (i) which of the apparent elements of Chinese flexibility might be used to our advantage to tighten the terms of reference of a Joint Group based in Hong Kong and to reduce its profile there to tolerable proportions;
- (ii) whether, on that basis, we might be able to secure advantage by agreeing that the Joint Group could be notionally based in Hong Kong;
- (iii) what quid pro quo we should seek to secure. In particular the paper addresses the possible link between the basing of the Joint Group in Hong Kong and our proposals for constitutional development in the territory up to 1997. I have set out my thinking on this subject in more detail in a separate minute;
- (iv) at what stage it might be most advantageous to make such a concession, and how in the meantime we might move forward in exploring the Chinese position.

5. I suggest that we might hold a preliminary discussion of this paper when OD(K) meets on 27 June. Thereafter, and in the light of discussion in the Sub-Committee on constitutional development and the role of the Governor it would be necessary to refine our views on this complex of issues in consultation with the Governor and the Ambassador in Peking. We have not as yet sought any detailed indication of their views: however

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I believe that while the Ambassador would be generally in agreement with our approach the Governor might see considerable difficulties.

6. I am copying this minute of OD(K) colleagues and 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

25 June 1984

S E C R E T

FUTURE OF HONG KONG: AGENDA ITEM 2: THE JOINT GROUP

1. The Chinese continue to push us hard to agree to the basing of the Joint Group in Hong Kong. In the formal talks, they have said that there cannot be any overall agreement if there is no satisfactory understanding on the Joint Group.

THE BRITISH POSITION

2. Our present position is that we are prepared to agree to the establishment of a Sino-British Joint Group with tightly defined terms of reference as a forum for consultation before 1997, on the condition that it has no standing secretariat and is peripatetic, meeting as necessary in Peking, London or Hong Kong. This represents a significant movement from our initial assertion that consultation through normal diplomatic channels would be adequate.

THE CHINESE POSITION

3. At the last round of negotiations Zhou Nan made no move from the original Chinese position. He argued that while the difference between the two sides on the nature and the tasks of the group was not great, our assertion that it needed neither a permanent base nor standing machinery divested the Chinese proposals of their core. His tone was moderate throughout, but he insisted repeatedly on the importance for the Chinese of the basing of the group in Hong Kong.

4. In the margins of the last round, Zhou Nan suggested informally to Sir Richard Evans that if we would agree to the Joint Group being based in Hong Kong we should find the Chinese very flexible on related questions. Zhou said that Chinese leaders did not regard our agreement to the setting up of a peripatetic joint group as constituting movement on the essential point of location. On more than one occasion he and his colleagues have explained more fully what the Chinese apparently have in mind. Both sides would appoint Ambassadors to be based in Hong Kong supported by small staffs. (A member of the Chinese team seemed to envisage that the Chinese Ambassador would not necessarily have to reside in Hong Kong). The British Ambassador might be a Hong Kong Government official. There would not necessarily be a joint secretariat. The group would meet when necessary, perhaps not more than once every

few months. It need not meet more often in Hong Kong than in London or Peking. According to a member of the Chinese delegation, the resident Chinese team would be small and would be made up of working level officials. They would not involve themselves in Hong Kong's internal affairs, nor need there be a brass plaque outside their office. The group would initially be concerned with gathering information, and only much later would it discuss joint selection of senior officials or the running of the Exchange Fund.

CHINESE AIMS

5. It is clear that the Chinese attach great importance to the basing of the Working Group in Hong Kong. We assume the reasons for this to be:

- (a) The wish of the leadership to have something concrete to show for the negotiations in the form of a formal Chinese presence in Hong Kong before 1997:
- (b) The desire to become fully conversant with, and increasingly involved in, the administration of the territory in advance of 1997, so as to make sure that the transition from British to Chinese rule is as smooth as possible:
- (c) The fear that Hong Kong could become ungovernable in this period, and/or that the departing British will leave the Hong Kong coffers empty.

To achieve these aims they regard it as essential that the Joint Group should be based in Hong Kong. Deng Xiaoping is personally committed to the proposition, and we see no prospect of their shifting on this point.

6. We believe that the Chinese have it in mind to create other bodies in Hong Kong during the transitional period. There have been newspaper reports of Chinese statements suggesting that the Chinese will establish a "consultative committee" in Hong Kong to sound out opinion on the Basic Law before it is drafted. We assume that the NCNA office will remain an important body representing the Chinese

Government. The Joint Group will be part of a pattern of a gradually increasing Chinese involvement in the territory in the period up to 1997.

BRITISH AIMS

7. From our point of view an important question is how the Joint Group will be seen when the agreement is published in September 1984. If the Joint Group is seen as evidence of Chinese participation in the government of Hong Kong in advance of 1997, it could cause a serious crisis of confidence. Its very existence would be thought by some to negate any assertion that the UK would nonetheless continue to be the sole administering power up to 1997. The more substantive the work of the Group, and the closer its geographical association with Hong Kong, the greater this risk. We could not agree to anything that would be seen fatally to undermine the authority of the Hong Kong Government. We have also to take into account the likelihood that EXCO would be strongly opposed to the basing of the Joint Group in Hong Kong and the risk that some of them might choose to resign over the issue.

8. On the other hand, we do not want to allow a failure to agree on Item 2 to lead to the total collapse of the talks. We think this could happen if we completely rejected any prospect of further movement. We must also anticipate that a continuing deadlock on Item 2 could adversely affect the atmosphere of work on the agreement both in plenary and in the working group, ultimately to a serious degree.

STRATEGIC CONSIDERATIONS

9. We assess that the Chinese will maintain their position on the establishment of the Joint Group in Hong Kong. It clearly reflects a commitment by the most senior Chinese leaders. We need therefore to consider whether there would be advantage to us in further movement on the issue. We judge that the risk of the talks eventually foundering over this issue is a real one. It is now common ground between the British and Chinese sides that there should be a Joint Group, and a measure of agreement over certain of

its functions. What is at issue is the location rather than the principle of a Group. It is recognised that there will be a need for Sino-British consultation as 1997 approaches, and some of that consultation might appropriately be conducted in Hong Kong.

10. The Chinese hints that a concession on our part over the location of the Group might be matched by compromise over its form and functions hold out the hope that we might be able to turn a deal on this issue to our advantage. If through Chinese concessions the profile of the Joint Group could be reduced to acceptable proportions, our agreement to its location in Hong Kong might become an important bargaining counter. It would then be necessary to consider most carefully how the bargaining counter could be used to secure the maximum in return.

(a) A "Minimalist" joint group

11. The Chinese hints of concession hold out the prospect of eventual agreement on terms of reference for a joint group which, while nominally based in Hong Kong, might not loom too large on the local scene. Possible areas of compromise include:

(i) Agreement (tacit or otherwise) that the chief representatives on the Joint Group would not be resident in Hong Kong, even though the Joint Group was based there:

(ii) The Chinese suggestion that a member of the Hong Kong Government could be the British representative. An advantage could be the down-playing of British representation on the Group, which would be usefully matched on the Chinese side by the designation of an official who occupied a concurrent position in Peking:

(iii) Patterns of travel and work for the Joint Group which would minimise its profile in Hong Kong and maximise its presence elsewhere.

(iv) The Chinese suggestion that there need be no joint secretariat or office.

(v) Chinese hints that the Chinese team on the Joint Group would play an unobtrusive role in Hong Kong.

(vi) The possibility of formalising the division between an initial period of information-gathering and a subsequent period ("much later", according to Zhou Nan) of closer consultation: in this context it might be considered whether we could be at all forthcoming over the provision of financial information (for example on note-issuing and the Exchange Fund) if it was clearly understood that such arrangements would come into effect only a few years before 1997. We might also explore the possibility of deferring the setting up of the Joint Group for a few years.

12. We have built on these hints to draw up illustrative terms of reference for a "minimalist" joint group based in Hong Kong : this is attached at annex.

b) A Quid pro quo

13. In considering what quid pro quo we might secure for the basing of a joint group in Hong Kong we have to bear in mind our separate consideration of constitutional development and the role of the Governor. There could be a relationship between these issues. The emergence between 1997 of an elected Governor, embodying the political will of the people of Hong Kong, could help to reassure them that his administration would be able to withstand interference from a Joint Group, even if it was notionally based in the territory. In practice too this more overtly autonomous form of administration might be more resistant to outside pressure. Conversely a Joint group would reassure the Chinese that an effective framework for Sino/British exchanges on Hong Kong did persist, and could arguably lead them to accept a higher degree of autonomy in Hong Kong's development up to 1997. If Ministers take the view that the constitutional development of the territory should follow a path that would lead to a locally elected Governor, we should consider linking our agreement to the establishment of a Joint Group in Hong Kong to Chinese acquiescence on that point. In this context we would need to reassure the Chinese that we were not planning to desert Hong Kong after 1997 in order to leave behind an

independent political entity on the lines of Singapore.

14. We should also look beyond the terms of reference of the joint group and a possible link with an elected Governship. If at all possible a concession on Item 2 should also be clearly linked with progress on the form and content of the draft agreement and associated documents.

c) Timing

15. In the short term, we see no reason to make further concessions on Item 2 to the Chinese. Although we are working within a limited time scale, our ability to give satisfaction on Item 2 is one of our most valuable cards and we should not give it away easily. Nor should we give EXCO the idea that we are too readily shifted. The Chinese will no doubt continue to press us hard in the talks, where Item 2 is now the focus, and to use a mixture of threats and blandishments in an attempt to move our position. We should sit firm until at least July.

16. In the longer term, however, we shall need to contemplate some movement. The risks of sourness and deadlock in other aspects of the negotiations will increase. We also need time to reap the benefits of our concession in terms of subsequent negotiation on texts well in advance of an end-September deadline. These considerations seem to point to a further visit to Peking by the Secretary of State, perhaps in late July, when it might be possible in high level discussion to trade our agreement to a Hong Kong-based joint group against the quid pro quo outlined above.

17. The objection could be raised that we should be using an important bargaining counter too far in advance of the end of negotiations. It is however hard to see how negotiation on other issues could be sustained if our concession was not made until, say, early September, or how thereafter we could exploit it in negotiation of texts without running into severe time constraints. Even if we had made our concession on item 2 in advance of the final phase of bargaining over texts we should still retain the ultimate sanction of refusing to initial an agreement which does not meet our

requirements. We should make it explicitly clear to the Chinese when discussing Item 2, that all bets would be off if the overall package was not acceptable to us.

OPTIONS

18. In the light of all the strategic considerations set out above, our main options seem to be the following:

(a) To sit firm indefinitely on our proposal of a pereipatetic joint group, meeting in Hong Kong, London and Peking. Given Deng Xiaoping's personal commitment to a Hong Kong based group, such a course might ultimately lead to the breakdown of the talks and a unilateral Chinese statement.

(b) To sit tight on our present position until a further visit by the Secretary of State, possibly in late July, when agreement to the establishment of a Joint Group in Hong Kong could be made conditional on Chinese acceptance of the quid pro quo outlined in paragraph 13-14 above.

(c) To agree soon to the basing of the Joint Group in Hong Kong. The object would be to keep the talks going smoothly and in particular to assist progress in the Working Group. This would, however, give an undesirable impression of weakness. It could reinforce any disposition on the Chinese side to believe that if they pushed hard enough on any particular issue they could modify our position. It would also mean that we had discarded an important bargaining card without gaining anything in return.

19. In all the circumstances option (b) seems the best means of drawing advantage from the present difficulties over Item 2. Unless the Chinese attitude in the Working Group makes it necessary to reconsider timing, we should sit tight probably until a visit by the Secretary of State in July. At that point we might agree to the establishment of a Joint Group in Hong Kong with a very tightly drawn terms of reference, if in return we could secure an adequate quid pro quo. The optimum would be Chinese acceptance of our proposals for the constitutional development of Hong Kong as well as

progress on the inclusion of detail in a legally binding agreement.

INFORMAL CONTACTS

20

18. While we should hold firm on any concession, this should not inhibit us from seeking clarification from the Chinese about their hints of flexibility. There would be advantage in doing this in informal contacts. It would enable us to develop our own thinking on whether an acceptable fallback would be possible; and it might take the heat out of the plenary sessions, where further sterile exchanges on Item 2 could well inhibit progress in the Working Group.

SECRET

FUTURE OF HONG KONG: PROPOSAL FOR A LIMITED JOINT GROUP
BASED IN HONG KONG

1. The agreement would state that the Joint Group would be based in Hong Kong.
2. The Joint Group would however have no permanent physical presence in the form of a joint headquarters or office in Hong Kong. Its meetings would be in premises primarily used for other purposes (eg Hong Kong Government premises or neutral ground).
3. There would be no joint secretariat and no standing machinery.
4. Heads of delegation, whatever their precise title, would not be resident full-time in Hong Kong and would hold their post concurrently with other substantive functions.
5. The Chinese delegation would be headed by a Chinese MFA official of ambassadorial but not quasi-ministerial rank. He would be based in Peking, with an official position there (Head of the Western European Department etc). He would have a supporting staff of up to four junior officials who could be based in Hong Kong. These officials would have diplomatic status. They could not hold posts in other PRC bodies in Hong Kong, eg the NCNA or any consultative committee.
6. It would be understood between the British and Chinese Governments that the office of the Chinese representative on the Joint Group would be a low-profile institution. It would have no formal diplomatic or representational function beyond participation in group meetings. Present informal arrangements for quasi-official Chinese representation in Hong Kong and for day to day contact with the Hong Kong Government would not be affected.
7. The British delegation would be headed by an FCO Assistant Under Secretary based in London. His deputy, and alternate leader of the British delegation, would be an official of the Hong Kong Government (of secretary rank). They would be supported by junior officials drawn as appropriate from the British and Hong Kong Governments.
8. The group would not be in ~~a~~ permanent session. Its work would be so structured that most of its substantive activity in specialised fields would be relegated to sub-groups. It would be understood between the British and Chinese sides:
 - (i) that during an initial period (up to 1993) the group would not meet more frequently than once every 3 months.

SECRET

- (ii) that meetings of the group would take place by rotation between Hong Kong, London and Peking; or that meetings would not take place more frequently in Hong Kong than in either of the over venues.

9. Work of the sub-groups would be arranged on a pattern which ensured that they met no more frequently in Hong Kong than either in London or Peking.

10. The agreement would state that the Joint Group was for consultative purposes and that it would not have an executive function. It would have the following terms of reference:

- (a) The Joint Group would exchange information in order to facilitate implementation of the agreement. The British side would provide appropriate information about the running of the Hong Kong Government and the Chinese side would provide appropriate information on the drafting of the Basic Law.
- (b) The two sides in the Joint Group would consult on Hong Kong's continued participation in GATT, MFA and the continued application of international treaty obligations affecting Hong Kong.
- (c) If the two sides agreed, the Joint Group could create sub-groups to discuss particular issues. If either side refused to discuss a particular issue as inappropriate the Joint Group would have no standing in the matter.

11. The two sides would undertake to review the work of the Joint Group in 1993, to consider any change in its procedures which might be appropriate for the last years before transfer of sovereignty.

12. If it is necessary to make any concessions on the discussion of sensitive subjects in the Group, this would be on a basis;

- (i) which circumscribed the scope of discussion as much as possible,
- (ii) which explicitly relegated the topics to the post-1993 phase of the Group's work.



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

For discussion in

21 June, 1984

OD(K) on 27 June. But
you will wish to see this
week-end.

Dear Charles,

C.D.P. 22/6

Future of Hong Kong: Arrangements for Testing the Acceptability
in Hong Kong of an Agreement ^{with} for the Chinese

At the meeting of OD(K) on 23 May, Ministers endorsed the general approach towards testing the acceptability of an agreement in Hong Kong outlined in a paper submitted by the Foreign Secretary. This envisaged that a period of public debate in representative and semi-representative bodies in Hong Kong, as well as at grass roots level, would be stimulated by an invitation to the public to express their views on a draft agreement, and that this would be combined with a more general, passive sounding of public opinion. Sir Geoffrey Howe was invited to put forward detailed proposals on these lines.

I now enclose a paper, which is based on a draft by the Governor of Hong Kong, for discussion at OD(K) on 27 June. I am copying this letter, and the enclosure, to the Private Secretaries of members of OD(K) and to Richard Hatfield (Cabinet Office).

Yours ever,

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

London SW1A 2AD
Foreign and Commonwealth Office

H. K. future Pt 14



For [illegible]

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FUTURE OF HONG KONG : ARRANGEMENTS FOR TESTING THE ACCEPTABILITY IN
HONG KONG OF AN AGREEMENT WITH THE CHINESE

INTRODUCTION

1. At the meeting of OD(K) on 23 May, Ministers endorsed the general approach on testing the acceptability of an agreement in Hong Kong outlined in a paper submitted by the Foreign and Commonwealth Secretary. This envisaged that a period of public debate in representative and semi-representative bodies in Hong Kong, as well as at grassroots level, would be stimulated by an invitation to the public to express their views on a draft agreement, and that this would be combined with a more general, passive sounding of public opinion. The Foreign and Commonwealth Secretary was invited to put forward detailed proposals on these lines.
2. This paper is concerned with the mechanics of such arrangements. It does not seek to discuss the circumstances which would arise if there were a difference of view between HMG and the Executive Council in Hong Kong on whether a draft agreement should be commended to Hong Kong for acceptance. Once HMG had decided to go ahead with the test, the mechanics would remain substantially the same no matter what degree of support EXCO was prepared to give. It must however be recognised that if the EXCO Unofficials declined to endorse a draft agreement the chances of securing a generally favourable reception from the population as a whole would be much reduced. It will therefore be important to maintain close consultation with EXCO throughout the next few months and in particular to hold thorough discussion with them on the contents of the agreement before the text is initialled. As part of this process there might well need to be a further visit by the Unofficials to London for discussion with Ministers. The aim would be to obtain from them a clear indication of the attitude they would adopt after publication of the agreement, and if possible to persuade them to work actively for its acceptance.

PREPARATION OF PUBLIC OPINION IN HONG KONG

3. The test will have been preceded by preparation of public opinion in Hong Kong. This will take a number of different forms. The gradual revelation of the likely terms of the agreement will continue: this has already begun with the Foreign Secretary's statements in Hong Kong on 20 April and in Parliament on 16 May. Full use will be made of these statements in Hong Kong and in the UK, and the process will be taken further as more material becomes available. Another important element will be the announcement in a Green Paper of plans for the extension of representative government in Hong Kong over the next decade. In addition senior officers of the Hong Kong government will take appropriate opportunities to speak in public about the need for a constructive and realistic approach to the territory's prospects: to describe the proposals in the Green Paper as the opportunity for local people to play a more active role in fashioning their own future: and to emphasise the continuing commitment of HMG and the Hong Kong Government to effective and forward-looking administration. It may not be possible to identify with certainty who in Hong Kong (outside the Government) might be ready to speak positively about future arrangements until these can be more clearly described. But groups and individuals whose general attitude to Hong Kong's future is constructive and likely to be helpful to HMG's objectives will be encouraged to play a positive role. In the meantime Ministers will be taking decisions on what assurances can be extended to those who might be vulnerable on or after the transfer of sovereignty and how these assurances will be communicated to those involved.

OBJECTIVES

4. The objectives of the process of consultation will be:

- (a) To put a draft agreement to the Hong Kong people with a clear explanation of its implications and a clear commendation: and to seek confirmation that it is acceptable to them;
- (b) To provide Ministers and Parliament with an accurate analysis and assessment of opinion in Hong Kong on the agreement, and on the

arrangements for the future of Hong Kong which it will set out, before they decide whether to authorise the Foreign and Commonwealth Secretary to sign the draft agreement.

PROPOSED ARRANGEMENTS

5. It is proposed that the draft agreement should be published immediately after initialling as part of a White Paper in the UK which would be published simultaneously in Hong Kong. The body of the White Paper should include:

(a) An account of the background to the negotiations leading up to the draft agreement and of the constraints within which the negotiators had worked;

(b) A careful explanation of the provisions of the draft agreement and their implications;

(c) A commendation that the package on which people were being asked to pass judgment was the best that could be negotiated in the circumstances, and should be accepted as a workable basis on which the people of Hong Kong could plan their future;

(d) A clear statement of what the alternative to the package would be (i.e. reversion of Hong Kong to China with no international agreement on arrangements as to its future administration).

6. The ministerial statement formally introducing the White Paper (and a parallel and roughly simultaneous statement by the Governor in the Legislative Council) should include:

(a) A reiteration of the commendation contained in the White Paper;

(b) An unambiguous reminder of what the alternative would be on the lines of paragraph 5(d) above;

(c) Confirmation that HMG will remain constitutionally responsible for Hong Kong, and that the Hong Kong Government will continue to administer the territory effectively, up to 1997.

7. It is proposed that, in Hong Kong, the White Paper and the text of the Governor's statement to the Legislative Council should be handled as follows:

(a) They would be distributed by the Hong Kong Government to the Urban Council and all District Boards with an invitation to these bodies to make known their views. To accommodate Chinese sensitivities these bodies would not be explicitly invited to debate the issue formally, although in practice they would almost certainly do so;

(b) Copies would be sent to selected representative and semi-representative bodies (including trade and industrial associations, professional and academic bodies and other groups and organisations of standing in the community) with an invitation to comment. The selection should be sufficiently wide to ensure that all important sectors are covered and that this part of the consultation process will be seen as credible. It is envisaged that that number of bodies might range from 100 to 500 depending on the kinds of organisation chosen for active targeting rather than the passive approach under (d);

(c) The documents would be debated in the Legislative Council;

(d) The documents would be given wide publicity through the mass media and copies would be made available in all government offices for free distribution to the general public, who would be invited to comment;

(e) The Government machine as a whole would be mobilised to convey the necessary messages and explanations to the public at large, to support the commendation in the White Paper and to receive comments.

8. Representative bodies and the general public would be free to comment on any aspect of the draft agreement. The invitation to

comment contained in the documents distributed in Hong Kong could be framed in one of two ways:

(i) There could be an invitation to comment in general terms on the acceptability of the arrangements set out in the agreement; or

(ii) The invitation could be couched in the form of a specific question, such as:

(a) Do you agree that HMG should sign the draft agreement?

(b) Do you consider the draft agreement acceptable?

(c) Do you consider the arrangements negotiated between HMG and the Chinese Government for Hong Kong to be, as a whole, acceptable against the background described in the White Paper?

9. Whatever question was posed, the second approach would have severe disadvantages. Responses would lend themselves to statistical analysis with yes votes counted against no votes. The Chinese could choose to interpret this as a form of referendum, an approach to which they are explicitly opposed. An invitation to comment in general terms (Option (i)) might encourage unrealistic hopes that if part of the agreement was judged unsuitable it might be improved through resumed negotiations with the Chinese. It would need to be made absolutely clear that the agreement must be judged as a whole, and that a resumption of negotiations to improve any particular aspect was out of the question. Nevertheless, it is considered that this option would involve fewer risks and should therefore be adopted.

10. The views expressed in response to the invitation for comments would need to be carefully assessed and presented to Parliament. It is expected that, in most cases, respondents will find the draft agreement neither completely acceptable nor completely unacceptable. There will be qualifications and reservations on some or other of the many aspects of the arrangements. It will be important to ascertain what these qualifications and reservations are so as to be able to gauge how they affect the general verdict.

There will also be indirect expressions of opinion (e.g. editorials and letters to newspapers). These should continue to be monitored and, where appropriate, taken into account.

11. The nature of the assessment process will dictate that it should be undertaken by the Hong Kong Government. However, if the process is to command credibility in Hong Kong, with Parliament and elsewhere, it should be undertaken by machinery which will be seen as being distanced from the ordinary machinery of the Hong Kong Government. To this end, a special assessment office should be set up, under the charge of a senior government official (i.e. of Secretary or Head of Department rank) and reporting direct to the Governor, to undertake the task of collating, summarising, analysing and assessing expressions of view received either directly or through other parts of the government machinery, and of producing a final report (preceded by a number of interim reports if necessary).

12. The final report drawn up by the assessment office should include factual summaries, by broad sectoral groupings, of all the views expressed, and an overall assessment of the extent of acceptance of the draft agreement. The report would need to be published in Hong Kong so that the public could be made aware of what views have been expressed and could see for themselves that the assessment had been carried out impartially.

13. It is also proposed that either HMG or the Governor should appoint a small team of independent 'monitors' to oversee the work of the assessment office. The reason for this is to avoid the criticism that either HMG or the HKG had 'fixed' the assessment. Moreover it is quite possible that in the absence of official 'monitors', some unofficial group would set itself up in this role. This would be very divisive.

14. It is not envisaged that the 'monitors' should carry out a role similar to that of the Pearce Commission in Rhodesia, and it would therefore be important that the 'monitors' should be given very carefully drawn terms of reference. These would make it clear that their job was to ensure that the assessment was carried out fairly by the assessment office, and that the office had followed the

prescribed procedures faithfully in drawing up a report on the comments made. The monitors would not collect or assess opinion themselves. They would witness at least part of the exercise of consultation, have access to the material on which the assessment report was based and publish their findings at the same time as the assessment report. The assessment report and the views of the monitors would then be presented to Parliament in a Ministerial statement and placed in the libraries of both houses.

15. The members of the monitoring team would have to be very carefully chosen. They would need to work in Hong Kong with a small staff of their own. They should preferably include at least one person with a good knowledge of the territory. They would be the focus of considerable publicity and might receive a lot of correspondence sent directly to them. They would have to work quickly and efficiently to a very tight timetable.

16. The Governor's recommendation is that it might be appropriate to appoint a team of two judges. One might be from the UK (eg a judge with experience in a new Commonwealth country) and one (a Chinese) from Hong Kong. There is a risk however that two figures of such seniority might feel it right to exceed their largely mechanical functions and to make independent comments of their own on the substance of the assessment exercise. If this ran counter to the Hong Kong Government's conclusions, the effect could be very damaging. While recognising that the monitors would need to have sufficient standing to command credibility in Hong Kong, the Foreign Secretary's own view is that it would probably be safer to appoint two less prominent figures, more akin to the British Government observers at the recent El Salvador elections (Sir J Swaffield, a former Director-General of the GLC, and Dr David Browning, an Oxford University lecturer).

17. The Legislative Council may itself decide to hold a further debate after publication of the assessment report and probably before the draft agreement is debated in Parliament. This may upset the Chinese but LEGCO's right to do so cannot be denied. HMG would have to make clear that as far as they were concerned the formal consultation procedure had already come to an end: if necessary they

would add that the assessment itself rather than the views of legislative councillors on it should be taken as the authoritative expression of the views of the Hong Kong community.

TIMING

18. For the purpose of this paper it is assumed that the agreement will be initialled at the very end of September and that the White Paper will be published immediately thereafter. To meet the requirement of signature by the end of the year it would be desirable for the assessment of the agreement's acceptability to Hong Kong to be presented in Parliament in mid-November and for the agreement to be debated in both Houses before the end of the month. This is moreover the timetable for Parliamentary debate that we have discussed with the Chinese at a very high level, and confirmed in response to their repeated and suspicious questioning.

19. On the other hand it is the Governor's firm advice that a period of two months is the absolute minimum which should be allowed for consultation and assessment in Hong Kong after the publication of the agreement (six weeks for consultation and two weeks for assessment). He believes strongly that the need not to appear to rush the agreement through in Hong Kong, and the complexity of the exercise, including the sheer volume of the material with which the assessors will have to cope, makes any lesser period impracticable, and that to insist on a shorter period would seriously prejudice the credibility of the whole exercise.

20. If this advice were accepted the assessment report would not be presented to Parliament until the end of November (unless the agreement was initialled and published sometime during September rather than at the very end of the month). It would not be possible for Parliamentary consideration of the agreement to take place before early December. There would be a strongly adverse reaction from the Chinese. If problems then arose on the Parliamentary timetable or elsewhere which called into question our commitment to proceed to signature before the end of the year, this would greatly anger the Chinese and would conceivably jeopardise the entire negotiation. It is therefore recommended that the Governor

should be asked to accept the following, slightly curtailed timetable:

1 October (at the latest) : publication of White Paper.

19 November : latest date for presentation to Parliament of the assessment report.

Week beginning 26 November : debates in Parliament.

This would permit a minimum of 7 weeks for the consultation exercise and the preparation of the assessment report, rather than the two months which the Governor favours.

21. If the proposals put forward in this paper are agreed, the general approach to be adopted should be announced in Parliament and in Hong Kong at an early opportunity.

22. It is for consideration whether the Chinese government should be informed before an announcement is made. Their formal position is that only they can represent the views of the people of Hong Kong and that it is therefore unacceptable that the principle of Chinese resumption of the exercise of sovereignty and the right of administration should be subject to public consultation in Hong Kong. They will therefore watch any activities related to the conduct of a test of acceptability with care, and with suspicion. It could be argued that they should be left to follow developments on their own and to react to them in their own way. But there are arguments against our adopting this course. One is that the Chinese government would be likely to receive biased or distorted accounts of what was taking place from their own sources. Another is that they could accuse us of being less than honest with them if we were to volunteer nothing. Our conclusion, therefore, is that it would be wise to inform them. But it would be best not to do this until very shortly before an announcement was made. It would also be better not to do this during a round of the formal talks. This suggests a call by the Ambassador in Peking on Assistant Minister Zhou Nan to tell him about the impending announcement, emphasising that he was doing this simply as a matter of courtesy.

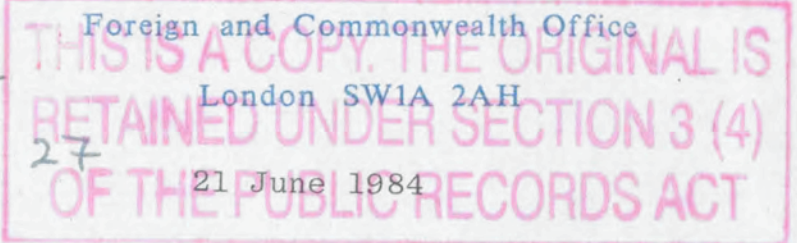
Hong Kong Department

20 June 1984



Prime Minister
For OD(k) on 27
June.

C D P
24/6



Dear Charles.

Future of Hong Kong: The Stationing of PLA
Troops in Hong Kong

Prior to the meeting of OD(K) on 27 June, Sir Geoffrey Howe thought that colleagues might find it useful to have an up-to-date assessment of the Chinese position on the stationing of PLA troops in Hong Kong and possible ways in which we might deal with Deng Xiaoping's statement on the subject.

The Chinese Position

On 25 May Deng Xiaoping, speaking in front of Hong Kong newsmen, said that statements by other Chinese leaders to the effect that China would not station PLA units in Hong Kong after 1997 were to be disregarded. During Sir Geoffrey Howe's visit to Peking, the latter had explicitly recognised China's right to station PLA troops in Hong Kong after 1997, but had asked the Chinese to exercise restraint in doing so. Deng said that only he, Zhao Ziyang, Wu Xueqian, Ji Pengfei and the MFA spokesmen could speak with authority on Hong Kong. Deng's statement followed suggestions by GengBiao, former Defence Minister, and Huang Hua, former Foreign Minister, to the effect that PLA troops would not be stationed in Hong Kong. Further press reports said that Deng told delegates later that China would station about 3,000 to 5,000 troops in Hong Kong to maintain law and order and prevent disturbances. The troops would not interfere in internal administration.

Deng's statement had a damaging effect in Hong Kong, and the Hang Seng index immediately fell by 30 points.

Our Ambassador in Peking, Sir Richard Evans, called on Zhou Nan on instructions to protest about Deng's remarks, and in particular about his reference to confidential discussions with Sir Geoffrey Howe and his suggestion that the purpose of the PLA troops would be to maintain law and order in Hong Kong. He indicated that we did not

/dispute



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OF THE PUBLIC RECORDS ACT

dispute the Chinese right to station troops in Hong Kong, but advised against it in normal circumstances, for the sake of confidence. Sir Richard Evans referred again to this issue at the fifteenth round of talks, restating the British position. Zhou Nan said that we should not refer to the question of the stationing of PLA troops again, but he confirmed that the maintenance of internal security was a matter for the future SAR.

The Change in the Chinese Position

We believe that Deng's statement was preceded by a long debate within the Chinese leadership on the stationing of PLA troops.

We do not know for certain what provoked Chairman Deng to make the statement. reports suggest that he had always been personally committed to the stationing of troops in Hong Kong, and this is supported by the attitude he took in discussing the issue with Sir Geoffrey Howe and in comments by Zhou Nan to Sir Richard Evans.

The Hong Kong and Macau Office circulated another document with a firm recommendation not to send troops. No decision was taken, and when Geng Biao and Huang Hua made statements suggesting that the PLA would not be sent to Hong Kong, Deng was furious and issued his own statement.

They believe that it is better to make the position on the PLA clear now so that the people of Hong Kong can become accustomed to it.

This account tallies with Sir Richard Evans' interpretation of events. He suggests that Deng may have been acting from:

- (a) a desire to correct the misrepresentation of Chinese positions in the foreign press;
- (b) a desire to impose order and discipline on some of his senior colleagues; and
- (c) a wish to maintain his own credibility.

/Sir



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Sir Richard Evans believes that there could well have been pressure on Deng from the PLA. Zhou Nan has several times hinted that the PLA consider Chinese policies towards Hong Kong to be altogether too generous, and at the May meeting of the NPC, several older generals were critical of the Government's liberalising policies. We do not know of any particular group within the PLA who might be to the fore on this issue, but suggests that there has been a hardening of the view in Peking that the Chinese are giving too much away to the British. But in any case, such pressures would not appear to run counter to Deng's own inclinations.

Action by HMG

We do not believe that we should engage in a public debate with the Chinese on the issue. To do so would only fix them more firmly in their own stance. Given that Deng has committed himself publicly on the question, we cannot expect him to modify his position in the near future. We must therefore consider ways of making progress without causing Deng to lose face.

Now that we have made our position clear in the talks there is little to be gained from raising the question in the immediate future.

Despite this, Sir Geoffrey Howe considers that we should revert to the proposal for an internal security force in the talks at an appropriate point. The Chinese are likely to insist that this can only be dealt with in the transitional period, but we should nonetheless press for a mention of it in the agreement, as it will strengthen the argument that there is no need for the Chinese to station troops in Hong Kong in normal circumstances. It would also curb the disposition of certain Chinese leaders, despite private reassurances in the talks on this point, to suggest publicly that the PLA garrison would have a role to play in maintaining internal order. The internal security force is a question that Sir Geoffrey Howe will probably need to raise during any further visit to Peking. We may ultimately have to leave the matter to be resolved after the signature of an agreement, but this will be a very unsatisfactory second best.

We should encourage visitors from Hong Kong to raise this matter with the Chinese leadership, emphasising the severe effects on confidence in Hong Kong of Deng's statement. This may strengthen the element in the Chinese leadership

/which



which is already aware of the difficulty inherent in stationing PLA troops in Hong Kong. We cannot be too hopeful about this, but there are some signs that the Chinese leaders may still be prepared to be more moderate on this issue. Zhang Aiping, Chinese Defence Minister, said on his recent departure for the US, that troops would be stationed in Hong Kong 'when they were needed and as many will be sent as are needed'. This suggests that China would not automatically exercise its sovereign right.

However, it will almost certainly be impossible to persuade the Chinese to make a statement indicating that they will not exercise their right of stationing troops in Hong Kong. (In the Ambassador's view, this may well not be possible until Deng is dead, if then). But at a late stage in the negotiations (probably in the course of a further Ministerial visit to Peking), we should certainly make a last attempt to argue for a unilateral Chinese statement to reassure Hong Kong that troops would be moved in only in exceptional circumstances. If this last effort fails, we should have no alternative to leaving this question to one side until the transitional period.

I am copying this minute to the Private Secretaries of OD(K) colleagues and of Sir Robert Armstrong.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

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HONG KONG FUTURE PT 14.

NOTE FOR FILE

Correspondence about Commander
Murray Jones and No. 10 security is
held by the Security Co-ordinator.

P.S. Joce
P. S. Joce

20 June 1984

FUTURE OF HONG KONG

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FM HONG KONG 191103Z JUN 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 1656 OF 19 JUNE

INFO IMMEDIATE PEKING

GREEN PAPER ON CONSTITUTIONAL DEVELOPMENT

1. THE DRAFT GREEN PAPER WAS CONSIDERED BY THE EXECUTIVE COUNCIL TODAY. THE COUNCIL'S VIEWS WERE AS FOLLOWS:-

(A) THE LEGISLATIVE COUNCIL

THEY AGREED THAT ONLY ONE PROPOSITION CONCERNING THE FUTURE COMPOSITION OF THE LEGISLATIVE COUNCIL SHOULD BE INCLUDED IN THE GREEN PAPER. THIS PROPOSITION SHOULD COVER ONLY THE CHANGES PROPOSED FOR 1985 AND 1988: AND SHOULD FOR 1988 BE

(A) ELECTED BY ELECTORAL COLLEGE	12
(B) ELECTED BY FUNCTIONAL CONSTITUENCIES	12
(C) APPOINTED BY GOVERNOR	16
(D) OFFICIAL MEMBERS	10
TOTAL	50

2. TO ALLOW FOR FLEXIBILITY NO (NO) FIRM CONCLUSION SHOULD BE REACHED NOW ON 1991. FOR THAT DATE THERE SHOULD BE A MENTION IN THE PAPER OF MORE THAN ONE POSSIBILITY, TO INCLUDE THE DISAPPEARANCE OF ALL APPOINTED MEMBERS; THE RETENTION OF SOME APPOINTED MEMBERS; AND THE POSSIBILITY OF DIRECT ELECTIONS. DECISIONS FOR 1991 SHOULD DEPEND ON A REVIEW AFTER THE 1988 ELECTIONS.

(B) THE EXECUTIVE COUNCIL

THE PROPOSALS CONCERNING EXCO WERE GENERALLY AGREED BUT THE

THE POSSIBILITY OF DIRECT ELECTIONS. DECISIONS FOR 1991 SHOULD DEPEND ON A REVIEW AFTER THE 1988 ELECTIONS.

(B) THE EXECUTIVE COUNCIL

3. THE PROPOSALS CONCERNING EXCO WERE GENERALLY AGREED, BUT THE POSSIBILITY OF MODIFYING IN THE 1988 REVIEW THE COMPOSITION PROPOSED FOR EXCO IN 1991 SHOULD BE LEFT OPEN IN THE PAPER:

(C) THE GOVERNOR

4. THERE WAS A GENERAL VIEW THAT A GOVERNOR ELECTED BY SOME MEANS OR OTHER SHOULD BE IN PLACE BEFORE 1997, HOWEVER, IT WAS CONSIDERED THAT THE PROPOSALS IN THE GREEN PAPER AND IN PARTICULAR MENTION OF 1992 WERE TOO SPECIFIC AND MIGHT BE INTERPRETED AS AN INDICATION THAT THE BRITISH GOVERNMENT WAS PLANNING TO RELINQUISH RESPONSIBILITY FOR HONG KONG WELL BEFORE 1997. THIS WOULD HAVE A DE-STABILISING EFFECT. ON THE OTHER HAND, TO SAY NOTHING ABOUT THE POSITION OF THE GOVERNOR WOULD LEAD TO AN IMMEDIATE SUSPICION THAT SOMETHING WAS BEING HELD BACK; AND THE PUBLICATION OF THE GREEN PAPER WOULD INEVITABLY PROMPT QUESTIONS ABOUT THE GOVERNOR TO WHICH SOME ANSWER WOULD HAVE TO BE GIVEN.

5. THE COUNCIL THEREFORE ASKED THAT THE PROPOSALS IN CHAPTER 7 OF THE GREEN PAPER SHOULD BE REWRITTEN WITHOUT ANY SPECIFIC DATES. THEY SHOULD ALSO BE PRESENTED MORE TENTATIVELY AS THE NATURAL DEVELOPMENT OF THE GOVERNMENTAL SYSTEM FOLLOWING THE CHANGES PROPOSED TO THE LEGISLATIVE AND EXECUTIVE COUNCILS RATHER THAN AS SPECIFIC PROPOSITIONS.

6. A REVISED DRAFT OF THE GREEN PAPER IS NOW BEING PREPARED WHICH WILL BE CONSIDERED AGAIN BY EXCO AS SOON AS MINISTERS HAVE CONSIDERED THE ISSUE. A REVISED DRAFT WILL BE SENT TO YOU BY THE END OF THIS WEEK.

YOUDE

NNNN

SECRET

FUTURE OF HONG KONG

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SIR W HARDING

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IMMEDIATE

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DESKBY FCO 131200Z

FM PEKING 131045Z JUN 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1108 OF 13 JUNE

INFO IMMEDIATE HONG KONG

MIFT: FUTURE OF HONG KONG: 16TH ROUND: SECOND DAY: COMMENT

1. APART FROM FORMALISATION OF AGREEMENT ON THE ESTABLISHMENT OF THE WORKING GROUP, BOTH SIDES MARKED TIME. ZHOU OFFERED NO PROSPECT OF MOVEMENT ON EITHER OF THE SUBJECTS DISCUSSED.
2. IN HIS RESPONSE TO MY STATEMENT YESTERDAY ON LAND ZHOU REHEARSED EARLIER ARGUMENTS AND SAID THAT IF WE COULD NOT ACCEPT THE CONDITIONS SET BY THE CHINESE, WE SHOULD NOT EXPECT THEM TO AGREE TO THE HONG KONG GOVERNMENT GRANTING LEASES WITH TERMS EXTENDING BEYOND 1997. HE COUNTERED OUR STATEMENT THAT LAND LEASES WERE GRANTED BY THE HONG KONG AUTHORITIES RATHER THAN BY HMG BY SAYING THAT THE CHINESE TREATED THE BRITISH GOVERNMENT AS AN INTEGRAL WHOLE AND THAT DEPLOYMENT BY US OF SUCH AN ARGUMENT WAS ANOTHER ATTEMPT TO CONFER ON HONG KONG THE STATUS OF AN INDEPENDENT POLITICAL ENTITY.
3. IN HIS RESPONSE TO MY STATEMENT ON ITEM 2 ZHOU SAID THAT WE HAD MADE NO MOVE TOWARDS THE CHINESE POSITION.
4. THE MORNING'S BUSINESS WAS INTERSPERSED WITH DISCUSSION BETWEEN ZHOU AND MYSELF ON THE ESTABLISHMENT OF THE WORKING GROUP. I AM TELEGRAPHING ABOUT THIS SEPARATELY.
5. THE STAND OFF WE HAVE NOW ARRIVED AT MAKES IT DIFFICULT TO KNOW WHAT WE SHALL HAVE TO DISCUSS AT THE NEXT ROUND. WE SHALL BE REFLECTING ON THIS AND TELEGRAPHING IN DUE COURSE.
6. SEE MIFT FOR THE STATEMENT AGREED ON THE WORKING GROUP.

EVANS

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FUTURE OF HONG KONG - ADVANCE COPIES

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ED/HED
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UNCLASSIFIED
DESKBY FCO 130800Z
FM PEKING 130645Z JUNE 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 1104 OF 13 JUNE
INFO FLASH HONG KONG

MIPT: FUTURE OF HONG KONG: ROUND 16: PRESS STATEMENT

1. THE TEXT OF THE AGREED JOINT PRESS STATEMENT TO BE ISSUED BY OURSELVES AT 1500 HRS LOCAL TODAY IS AS FOLLOWS: BEGINS.

THE BRITISH AND CHINESE SIDES CONTINUED THEIR USEFUL AND CONSTRUCTIVE TALKS ON THE HONG KONG QUESTION ON 12 AND 13 JUNE IN PEKING. IT WAS AGREED THAT THE 17TH ROUND OF TALKS WOULD TAKE PLACE ON 27 AND 28 JUNE IN PEKING.

IT WAS AGREED TO ESTABLISH A WORKING GROUP TO CONSIDER DOCUMENTS SUBMITTED BY THE TWO SIDES IN PURSUIT OF THEIR OBJECTIVE OF REACHING AGREEMENT AS SOON AS POSSIBLE ON THE QUESTION OF HONG KONG.

THE GROUP WILL MEET FULL-TIME BETWEEN ROUNDS OF FORMAL TALKS AND WILL START WORK IN PEKING DURING THE WEEK BEGINNING 18 JUNE.

THE BRITISH TEAM FOR THE WORKING GROUP WILL BE LED BY DR DAVID WILSON, ASSISTANT UNDER-SECRETARY OF STATE IN THE FOREIGN AND COMMONWEALTH OFFICE OF THE UNITED KINGDOM. THE CHINESE TEAM WILL BE LED BY AMBASSADOR KE ZAISHUO OF THE MINISTRY OF FOREIGN AFFAIRS OF THE PEOPLE'S REPUBLIC OF CHINA. THE TEAMS OF THE TWO SIDES WILL BE RESPONSIBLE TO THE CHAIRMEN OF THEIR RESPECTIVE GOVERNMENT DELEGATIONS, WHO WILL REMAIN RESPONSIBLE FOR THE OVERALL CONDUCT OF THE NEGOTIATIONS.

ENDS

EVANS

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FUTURE OF HONG KONG

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FROM PEKING 121100Z JUN 84

TO IMMEDIATE FCO

TELEGRAMNUMBER 1091 OF 12/6/84

INFO IMMEDIATE HNG KONG

MIPT: FUTURE OF HONG KONG: FIRST DAY: COMMENT

- i.e. Joint Group

1. THE TERMS OF ZHOU'S STATEMENT ON ITEM TWO WERE AS EXPECTED. HIS TONE WAS MODERATE THROUGHOUT BUT HE ARGUED THAT WE HAD FAILED TO MATCH CHINESE PROPOSALS. ALTHOUGH THE DIFFERENCE BETWEEN THE TWO SIDES ON THE NATURE AND TASKS OF THE GROUP WAS NOT GREAT, OUR ASSERTION THAT IT NEEDED NEITHER A PERMANENT BASE NOR STANDING MACHINERY DIVESTED THE CHINESE PROPOSALS OF THEIR CORE. THIS WOULD CONTRIBUTE NOTHING TO PROGRESS IN THE TALKS, TO FUTURE COOPERATION BETWEEN

PROPOSALS OF THEIR CORE. THIS WOULD CONTRIBUTE NOTHING TO
PROGRESS IN THE TALKS, TO FUTURE COOPERATION BETWEEN
BRITAIN AND CHINA AND TO THE STABILITY AND PROSPERITY
OF HONG KONG.

2. ZHOU AGAIN INSISTED REPEATEDLY ON THE IMPORTANCE FOR
THE CHINESE OF THE BASING OF THE GROUP IN HONG KONG. ZHOU'S
ARGUMENTS FOR THIS WERE FAMILIAR. HIS INSISTENCE ON THE NEED
FOR STANDING MACHINERY WAS STRONGER AND MORE EXPLICIT THAN
BEFORE. BUT HIS CONCERN HERE TOOK SECOND PLACE TO WHAT HE SAID
ABOUT LOCATION. ON THE WORK OF THE GROUP HE DREW ATTENTION TO
A NUMBER OF IDEAS THAT WERE COMMON TO BOTH SIDES. BUT THERE
WAS NO DISGUISED THAT WHAT THE CHINESE HAVE IN
MIND IS INCREASING INVOLVEMENT IN HONG KONG'S AFFAIRS BEFORE 1997.

3. REFERRING TO THE CHINESE REFUSAL TO ACCEPT OUR PROPOSAL
FOR 1997 AS THE TIME BASE FOR QUOTE EXISTING SYSTEMS UNQUOTE
ZHOU ADDUCED THE NEED TO AVOID A SITUATION WHERE CHANGES WE
HAD MADE UNILATERALLY RESULTED IN ARRANGEMENTS WHICH WERE IN
CONFLICT WITH THE BASIC LAW, AND WHICH WOULD THEREFORE HAVE TO
BE CHANGED AGAIN. THIS IS A NEW GLOSS ON ARGUMENTS WHICH HAVE BEEN
PUT FORWARD BEFORE.

4. ON LAND ZHOU SAID HE DETECTED NOTHING NEW IN MY STATEMENT.
HE AVOIDED ANY SUGGESTION THAT THE CHINESE
MIGHT CONCEDE ANY OF OUR POINTS.

5. I SHALL BE TELEGRAPHING SEPARATELY ABOUT THE INFORMAL
MEETING I HAD WITH ZHOU ON THE WORKING GROUP.

EVANS

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1265</i> (one piece/item number)	Date and sign
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10 DOWNING STREET

From the Private Secretary

5 June 1984

HONG KONG: FIFTEENTH ROUND OF
TALKS

Thank you for your letter of 4 June.
The Prime Minister thought that the proposed
message to the Chinese Foreign Minister was
rather lengthy but agrees that it may be
sent.

A. J. COLES

Peter Ricketts, Esq.
Foreign and Commonwealth Office.

SECRET

MR



10 DOWNING STREET

Mr. Butler.

Could you be pl.

A. J. C. 4/6.

CPC
27

Foreign and Commonwealth Office

Prime Minister.

London SW1A 2AH

Agree the Foreign Secretary
message to Chinese Foreign
Minister (attached)?

4 June 1984

Dear John,

A.S.C. 4/6.

Yes - but do I think
me as a very
long message
no.

Hong Kong: Fifteenth Round of Talks

You will have seen Peking telnos 999, 1000, 1014 and 1015, reporting on the latest round of talks with the Chinese. The Chinese took an extremely tough line on all the questions discussed, in particular on Item 2 (the transitional period); on our commentary on their draft exchange of notes and on our proposal for a working group to discuss the annexes.

We are clearly approaching a major point of decision in the negotiation. We do not know whether the Chinese position on these questions is immovable or to what extent they are testing our nerve. There is no question however that, both on Item 2 and on their attitude to the degree of detail in the agreement, their line as it stands is unacceptable to us. On Item 2 they are insisting on a joint group based in Hong Kong and on the degree of involvement by Peking in the period up to 1997 which would certainly damage confidence irreparably. On the agreement and annexes they are saying that their draft exchange of notes has gone as far as they can contemplate. We must obviously make every effort to shift them but we have to recognise that if we do not succeed we shall have to tell the Chinese that an agreement cannot be signed on that basis. The question now is what tactics we should employ to put pressure on them.

In the Foreign Secretary's view, we should hold our position on Item 2 for the moment and make no fresh approach to the Chinese until we have seen their considered response to our proposals. We can expect it to be unhelpful but we must at any rate give the Chinese negotiator a chance to report to his leaders. Meanwhile, our priority task should be to work on the Chinese to accept that an agreement should contain detail and to get work on the annexes started soon.

Sir Geoffrey Howe proposes to send a further message to the Chinese Foreign Minister on this. I enclose a draft of

/what



what he intends to say. As you see, the line is to leave the Chinese in no doubt that we insist on an agreement with adequate detail, to oppose their idea dealing with the main agreement before the annexes in the working group but to suggest instead a parallel procedure involving discussion of the main agreement in plenary and of the annexes in the working group. The alternative proposal which Sir R Evans put forward, (Peking telno 1024) is that we should move gradually towards acceptance that the working group should discuss the main agreement first, does not seem so satisfactory. It would delay progress initially and would almost certainly result in a hold up in the working group, with the Chinese refusing to move on to the annexes. We should emphasise to the Chinese that the issues affecting the main agreement could only be resolved in plenary and that, to avoid wasting time, it must be accepted that work should proceed on the annexes, subject always to eventual agreement on the total package.

Sir Geoffrey Howe believes that these points should be conveyed to the Chinese in a message at ministerial level. The Chinese negotiator, Zhou Nan, is of course acting on instructions, but we cannot expect him to react in any way favourably and must put over our line in a form which he is obliged to submit to a high level. We will need to assess the Chinese response carefully. If it does not do the trick, we may need to recommend a message from the Prime Minister herself which leave the Chinese in no doubt that they were risking a breakdown of the talks. At that stage we may well need to cover Item 2 as well.

I should be grateful to know whether the Prime Minister agrees with the action proposed.

It would be most useful to know tomorrow, 5 June, so that the message can be despatched that day.

Y *over*

(P F Ricketts)
Private Secretary

Peter Ricketts

A J Coles Esq
10 Downing Street

DRAFT MESSAGE FROM THE SECRETARY OF STATE TO THE
CHINESE FOREIGN MINISTER

1. On 28 June Sir Richard Evans delivered a message to you from me emphasising our wish to make rapid progress in the talks on the future of Hong Kong and offering ideas on practical ways in which this might be assisted. I suggested that a working group should be set up to move ahead quickly and complete discussion of your draft exchange of notes and our draft annexes in order to reach agreement on a text as soon as possible.

2. This question has now been discussed between our negotiators during the latest round of talks in Peking. From the reports which I have seen of those talks, I fear that there may be some misunderstanding on the Chinese side about the purpose of our proposal. Assistant Foreign Minister Zhou Nan put to Sir Richard Evans the suggestion that the working group should tackle the main agreement, the Chinese draft protocol and the draft exchange of notes in that order and that the working group should be subordinate to the main negotiating teams. I naturally understand the reasoning of this proposal but I am concerned that we should avoid in practice having a machinery for discussion which might be too cumbersome and which might hold up progress. We must make use of the resources at our joint disposal in order to move as expeditiously as possible.

4. I am myself keen to adopt the most flexible approach possible. In order to meet the Chinese concerns, and to move ahead quickly, I suggest that we agree to tackle the main agreement and the annexes simultaneously by making use of the plenary sessions and of the new working group. It would seem most appropriate that the main agreement should be dealt with in the plenary talks. This is after all the document likely to raise most questions of principle rather than simple textual amendment. The same should, I suggest, apply to the draft protocol. These two important major items could form the main issues for the next few sessions of the plenary talks.

5. We should at the same time not hold up on discussion of the exchange of notes and annexes. There will be much detailed ground to be covered. The most practical arrangement would, I suggest, be for the 16th round of talks on 12 and 13 June to start discussion of the main agreement, that consideration could continue, both in further plenary sessions and in the useful informal contacts between our chief negotiators. But in any case the working group should begin its examination of the exchange of notes and annexes immediately after the next round and independently of the work being done in the plenary session on the main agreement and on arrangements for the period up to 1997. I think it is important that the leaders of the working group should be able to take decisions as they proceed without necessarily referring questions to plenary. They would of course report progress to Assistant Foreign Minister Zhou Nan and to Sir Richard Evans and each plenary session would taken note of the progress made by the working group. If we do not adopt a practical arrangement on these lines, I believe believe we run a serious risk that the work will not be completed within the timescale we are trying to meet. Both of us want to avoid that.

6. But if the arrangements which I have outlined are to be of any value we shall have to reach a common understanding that in discussions of all these documents, whether the main agreement or the annexes, we should discuss both your draft texts and ours. This is relevant to the question of the amount of detail which should be included in a document appended to the agreement. Here again I think there may be some misunderstanding. Assistant Foreign Minister Zhou Nan indicated that in the Chinese view we were suggesting the inclusion of too much detail and that our proposals implied some doubt about Chinese sincerity. I must emphasise that this is not the case. There is no question of our doubting the intention of the Chinese Government to agree arrangements involving a high degree of autonomy for the future Special Administrative Region of Hong Kong. But, as I explained to you and to the other Chinese leaders during my visit in April, we believe that it is in our common interest to present these arrangements to Hong Kong and to the world in as precise a way as possible, in order to preserve the confidence in Hong Kong. People there will of course obtain

some reassurance from general statements. But it is clear that both people in Hong Kong and investors elsewhere will be seeking a clear picture of how the arrangements for the future of Hong Kong will work in practice. I do not believe that it would be practicable to expect them to wait until the Basic Law for the SAR emerged. We are concerned that, unless we make clear in whatever announcement is made this year, the precise principles on which Hong Kong will operate in the future, there will be continuing doubts and lack of confidence. This was a point to which a number of Members of Parliament drew attention during the recent debates in the British Parliament. It is therefore in our view essential that we make a common effort, in a spirit of co-operation, to agree on terms of future arrangements which when published will genuinely commend themselves both to people in Hong Kong and to foreign investors. I understand that Premier Zhao agreed with this point when he told me on 17 April that the annex to an agreement would certainly contain the points agreed between the two sides over the past few months of talks. He said that all these major issues would be reflected in the exchange of notes.

7. The proposals which we have made in our draft annexes are sincerely intended to meet this need. The supplementary points which we would propose to add to the material in the Chinese exchange of notes do not raise new issues. They are almost all matters which have already been agreed between our negotiators in discussion of the working papers earlier this year. We are of course very ready to discuss variations of language. At the last round indeed we put forward revised annexes on two subjects designed to illustrate how we thought that Chinese ideas could be combined with our own. I hope that you can agree that it would be helpful to move forward in the working group on this basis.

8. I have not gone into any detail of the question of Item 2 of the Agenda, matters arising before 1997. Discussion on this is proceeding with our negotiators. The response which we made at the last round was a serious attempt to meet Chairman Deng's proposals. We have heard the preliminary reaction of Assistant Foreign Minister Zhou Nan. I would ask you to study our ideas seriously and to let us have your considered response.

SECRET

9. I look forward to an early answer to the suggestions which I have made on the machinery for our discussions. I am sure that you will agree that it is important that we should not hold up our work in prolonged debate over procedures but should get on with our common task as quickly as possible.

SECRET

NOTE ON THE FIFTEENTH ROUND OF NEGOTIATIONS ON THE FUTURE OF
HONG KONG

1. The fifteenth round of talks on the future of Hong Kong took place on 30/31 May.

ESTABLISHMENT OF A WORKING GROUP

2. At the round Zhou Nan responded to our proposal for the establishment of a working group to begin detailed negotiations on the annexes which describe post-1997 arrangements. He said that the Chinese had been working on a similar proposal, but he insisted that:

- (a) the agreement should be discussed as a whole, starting with the main document and moving on to the annexes and the Chinese draft protocol (dealing with Item 2); and
- (b) the working group should report to the plenary sessions rather than take decisions itself.

3. Zhou Nan agreed that the group could begin work in mid-June and that its duration should be flexible. The Ambassador explained in reply that we believed that the working group should start with the annexes, following the order of the agenda for the talks themselves, which had also started with arrangements post 1997. The Chinese indicated informally that they were not arguing for discussion on the basis of the Chinese draft texts alone.

ITEM TWO

4. The Ambassador spoke as instructed on Item 2, agreeing to the creation of a peripatetic joint group but tightly defining its functions. Zhou Nan reacted sharply, insisting that the group should be based in Hong Kong, and claiming that we had rejected Deng Xiaoping's proposal. He criticised us for trying to monopolise the selection of candidates for the public service in the transitional period. He argued again that the joint group would not replace the Hong Kong Government, but would conduct consultations on the

implementation of the agreement and the smooth transfer of Government. Zhou said that the Chinese side would not be able to agree to arrangements facilitating the extension of land leases beyond 1997, nor to the authorisation of the present note-issuing banks in Hong Kong to continue their function after 1997, if we did not agree to the creation of a joint group on Chinese terms. He also insisted again that the property, archives etc of the Hong Kong Government should be made over to the Chinese Government in 1997 for transmission to the SAR Government, rather than to the SAR Government directly. A direct transfer would make the SAR an independent political entity. The joint group was an essential component of an overall agreement, and without it an agreement would be out of the question.

5. In replying to our statement on Item 2 Zhou made it clear that this was a formal Chinese response. In informal contacts members of the Chinese delegation emphasized the importance of this issue, and said that the Chinese offer had been their absolute limit. They said that many on the Chinese side had wanted to ask for much more in the transitional period.

CRITIQUE OF CHINESE DRAFT EXCHANGE OF NOTES

6. The Ambassador explained to the Chinese in detail why their draft note on post-1997 arrangements was unacceptable to us and introduced revised draft annexes on the legal system and external economic relations. He made a brief reference to our position on the stationing of PLA troops. Zhou Nan responded by saying that the Chinese drafts had accommodated our interests to the maximum extent and to the limit which any sovereign state could accept. We were pressing for the inclusion of an excessive amount of detail. Our demands contradicted the notion of a high degree of autonomy for the SAR. In response to our argument that the agreement would be preserving systems as they stood on 30 June 1997 Zhou said that the Chinese side would only agree to the preservation of the existing systems. They could not agree in advance to British arrangements made unilaterally in the next thirteen years. On the stationing of PLA troops and the continuation of expatriate public servants in ranks above deputy secretary level the Chinese position was final

and we should be advised not to press these issues further. The other detailed points in the Ambassador's statement could be dealt with by the working group. The Chinese side hinted informally that considerably greater detail could be included in the Chinese draft note once they had been satisfied on the articles relating to sovereignty in the main agreement and on its form.

LAND

7. Zhou Nan commented on the Ambassador's statement at the last round on land leases. He complained that we were asking for unconditional Chinese authorisation for the Hong Kong Government to grant land leases running after 1997 and then dispose of all revenues. He insisted that the number of leases to be issued each year should be agreed between the two sides and that the revenue relating to the period after 1997 should be deposited in a fund to be handed over to the SAR Government, or used for the economic development of the territory with the agreement of the Chinese Government. Since this was a matter for the transitional period, a reference to it should be included in the proposed protocol on pre-1997 arrangements and not in the agreement.

CONCLUSION

8. Despite our constructive response over the joint group for the transitional period and our willingness to enter detailed negotiation on the annexes Zhou Nan maintained his usual negative and argumentative line. Even on the creation of a working group to study the annexes, agreement could not be achieved.

1 June 1984

Huy King

Future

P75



f. r. v.

10 DOWNING STREET

From the Private Secretary

4 June 1984

HONG KONG

I enclose a copy of a letter which I have received from Sir S. Y. Chung, which I have acknowledged.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.



file No

10 DOWNING STREET

From the Private Secretary

4 June 1984

Thank you for your letter of 26 May, enclosing the results of a study by Survey Research Hong Kong Ltd. I shall bring this to the attention of the Prime Minister.

A. J. COLES

Sir S. Y. Chung, C.B.E., LL.D.

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1265</i> (one piece/item number)	Date and sign
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ck

Prime Minister



Given the background - Foreign and Commonwealth Office
you may like to see his
letter and my proposed resp.

London SW1A 2AH

1 June 1984

A.S.C. 1/6.

G/R.

✓ Please type.
10/6.

Dear John,

Thompson
mt

Future of Hong Kong:
Lieutenant-Commander Murray-Jones

With your letter of 23 May, you enclosed a letter from Lieutenant-Commander Murray-Jones about our policy towards Hong Kong.

As requested, I enclose a draft reply for your signature.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT: ~~minute/letter/teleletter/despatch/note~~
XXXXX XXXXXXXXXXXXXXXXXX

TYPE: Draft/Final 1+

FROM:

Reference

A J Coles Esq

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Lieutenant Commander P J Murray Jones
 603 Kam Chung Building
 54 Jaffe Road
 Wan Chai
 HONG KONG

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

The Prime Minister has asked me to thank
~~Thank~~ you for your letter of 16 May to the Prime Minister.
~~I have been asked to reply~~ and to let you have the
following reply.

CAVEAT.....

The British Government's aim is to reach agreement with the Chinese Government on arrangements which will provide a stable future for the people of Hong Kong. The future of Hong Kong has to be seen against the background of the fact that the lease over the New Territories, which amounts to 92% of Hong Kong's total land area, is due to expire in 1997. The expiry of this lease is a fact that the British Government must take into account in the negotiations.

The Foreign Secretary made clear in his statement in Hong Kong on 20 April that it would not be realistic to think of an agreement that provided for continued British administration in Hong Kong after 1997. This conclusion was reached after every possibility had been explored. It is a conclusion that emerged inescapably from the negotiations and above all from the reality of the expiry in 1997 of the New Territories lease. In the negotiations we are therefore examining other ways of securing the assurances

Enclosures—flag(s).....

necessary for the continuity of Hong Kong's stability, prosperity and way of life.

The British Government continues to work for an agreement which will be acceptable to China, to Parliament and to the people of Hong Kong. We are seeking a binding international agreement in which arrangements for Hong Kong's continuing prosperity and stability, based on a substantial degree of autonomy, would be formally recorded. Such an agreement would by itself create a legal and political obligation binding the two governments involved. The international prestige of both countries would then be at stake. The Chinese Government, like our own, attaches the highest importance to their country's international reputation. Moreover, we would share a clear common interest that Hong Kong should continue to flourish. That would be an important additional incentive to maintain the agreement.

Throughout our negotiations with the Chinese Government, there has been a continuous process of consultations with the people of Hong Kong on all matters relating to the territory's future. The people of Hong Kong have made their views known through a wide range of channels. We take full account of these views in the negotiations. The British Government are at present actively considering the best method for the people of Hong Kong to express their views on a draft agreement. Whatever method is chosen, you may be assured that the people of Hong Kong will have a full opportunity to make their views known.

Hong Kong - Future A 14



POST OFFICE
HONG KONG

SECRET

26

SECRET

FROM PEKING 010500Z JUN 84

TO IMMEDIATE FCO
DATELEGRAM NUMBER 1023 OF 1/6/84

INFO IMMEDIATE HONG KONG

ms

FUTURE OF HONG KONG: ROUND 15: DINNER

1. THE FOLLOWING POINTS CAME UP DURING MY DINNER FOR THE DELEGATIONS ON 31 MAY:

(A) ITEM 2

ZHOU NAN SAID THAT HE HAD BEEN VERY DISAPPOINTED WITH MY STATEMENT. CHINESE LEADERS WOULD BE ANGRY WHEN THEY READ IT. WE MUST UNDERSTAND THAT THEY ATTACHED THE GREATEST IMPORTANCE TO THE ESTABLISHMENT OF THE JOINT GROUP IN HONG KONG.

THEY CONSIDERED THIS WOULD BE AN IMPORTANT GUARANTEE OF STABILITY AND PROSPERITY THERE AND AN IMPORTANT VEHICLE OF COOPERATION BETWEEN THE TWO COUNTRIES. I SAID THAT OUR PROPOSAL REPRESENTED A CONSIDERABLE STRIDE TOWARDS THE CHINESE POSITION. I HOPED THAT ZHOU WOULD MAKE A CONSIDERED RESPONSE AT THE NEXT ROUND. HE COMMENTED THAT HE HAD RESPONDED FORMALLY AT THE TABLE THAT DAY. HE DOUBTED WHETHER HE WOULD HAVE MUCH MORE TO SAY. LUO JIAHUAN COMMENTED THAT THE DIFFERENCES SEPARATING THE TWO SIDES ON ITEM 2 SEEMED VERY GREAT. THIS COULD PUT THE WHOLE AGREEMENT AT RISK. THE CHINESE OFFER HAD BEEN THEIR ABSOLUTE LIMIT. MANY ON THE CHINESE SIDE HAD WANTED TO ASK FOR MUCH MORE IN THE TRANSITIONAL PERIOD.

(B) AGREEMENT

WE ALL EMPHASISED STRONGLY THE NEED FOR A CLEAR, PRECISE AND DETAILED AGREEMENT. ZHOU SAID THAT THE CHINESE SIDE CONSIDERED WE OVERSTRESSED THE NECESSITY FOR DETAIL. I ARGUED THAT ADEQUATE DETAIL WAS A FUNDAMENTAL REQUIREMENT IF CONFIDENCE WERE TO BE SUSTAINED. I ASKED WHAT OBJECTION THE CHINESE SIDE COULD HAVE TO RECORDING WHAT HAD BEEN AGREED BETWEEN US. ZHOU RESPONDED BY REFERRING TO DENG XIAOPING'S STATEMENT TO YOU THAT THE AGREEMENT SHOULD NOT BE AN ENCYCLOPAEDIA. HE ADDED THAT THE AGREEMENT COULD NOT BE UNBALANCED: FOR THE CHINESE SIDE, SOVEREIGNTY WAS THE IMPORTANT THING. ZHOU AND OTHERS DESCRIBED SOME REFERENCES IN MY STATEMENT ON 30 MAY EG ABOUT COURTS AND THE MOVEMENT OF GOODS AS 'ABSURD'. WE POINTED OUT OUR VIEW OF THE NECESSITY FOR THE INCLUSION OF SUCH REFERENCES. MME ZHANG

SECRET

/CONFIRMED-

CONFIRMED THAT ZHAO ZIYANG HAD SAID TO YOU THAT ALL POINTS AGREED BETWEEN US COULD BE INCLUDED IN THE AGREEMENT. A NUMBER OF THE CHINESE TEAM HINTED STRONGLY THAT FLEXIBILITY EXISTED FOR THE INCLUSION OF CONSIDERABLY MORE DETAIL THAN IS CONTAINED IN THEIR DRAFT NOTE ONCE THE CHINESE SIDE HAD BEEN SATISFIED ON THE ARTICLES RELATING TO SOVEREIGNTY AND ON THE FORM OF THE AGREEMENT.

(C) WORKING GROUP

(I) ZHOU SAID THAT HE COULD NOT THINK WHY WE WISHED TO DISCUSS POST-1997 ARRANGEMENTS FIRST. I POINTED OUT THAT THIS WAS THE ORDER OF THE AGENDA, THAT WE BELIEVED WE COULD MAKE THE GREATEST PROGRESS MOST QUICKLY IN THIS AREA AND THAT THIS WAS THE TOPIC ABOUT WHICH MOST WOULD HAVE TO BE SAID IN THE AGREEMENT. ZHOU SAID SUCH DISCUSSION COULD NOT TAKE PLACE UNTIL THE CHINESE SIDE WAS CERTAIN THAT THE KEY ISSUES WOULD BE DEALT WITH IN THE AGREEMENT IN THE RIGHT FORM. THIS ARGUMENT WAS ECHOED BY OTHER MEMBERS OF THE CHINESE TEAM. MME ZHANG SAID IT WOULD BE LOGICAL AND RIGHT TO BEGIN WITH THE MAIN AGREEMENT BEFORE MOVING TO DETAIL. SHE ADDED THAT THE CHINESE WERE NOT ARGUING FOR DISCUSSION ONLY ON THE BASIS OF THE CHINESE DRAFT TEXTS. WU HONGPO (INTERPRETER) PUT FORWARD AS A PERSONAL SUGGESTION THAT THE WORKING GROUP MIGHT DIVIDE ITS TIME BETWEEN DISCUSSION OF THE MAIN AGREEMENT AND THE ANNEXES/DRAFT NOTE. HE STRESSED THE VITAL IMPORTANCE TO THE CHINESE SIDE OF DEALING ADEQUATELY WITH SOVEREIGNTY. THIS WAS A KEY POINT FOR THE CHINESE LEADERSHIP. MANY OF THE ELDER GENERATION WERE UNHAPPY WITH THE AMOUNT WE HAD ALREADY BEEN GIVEN BY THE CHINESE SIDE. THEY FACED DIFFICULTIES FROM, FOR EXAMPLE, NPC DEPUTIES.

(II) ZHOU SAID IT WAS NOT YET DECIDED WHO WOULD LEAD THE CHINESE WORKING GROUP TEAM. HE HOPED TO BE ABLE TO LET ME KNOW THE LEADER'S IDENTIFY SOON. HE AND OTHERS ASKED WHETHER BURROWS WOULD BE THE LEGAL ADVISER. I SAID I WAS NOT YET IN A POSITION TO GIVE DETAILS OF OUR TEAM'S COMPOSITION.

(III) PUBLIC PRESENTATION. ZHOU ACCEPTED THAT SOMETHING WOULD HAVE TO BE SAID TO THE PRESS ABOUT THE WORKING GROUP'S ESTABLISHMENT (I HAD SAID IT WOULD BE IMPOSSIBLE TO KEEP THIS FROM THE MEDIA). WE COULD PERHAPS DEAL WITH THIS IN THE COMMUNIQUE TO BE ISSUED AT THE END OF ROUND 16. HE AGREED THAT WE SHOULD NEED TO GIVE THOUGHT TO THIS.

(D) DEFENCE

ZHOU STRONGLY ADVISED THAT WE SHOULD SAY NOTHING MORE ON THE SUBJECT OF THE STATIONING OF CHINESE FORCES IN HONG KONG. WE SHOULD NOT 'ROCK THE BOAT'. I ASKED WHAT EXACTLY HE MEANT AND REMIWDDED HIM THAT I HAD TWICE REITERATED THAT OUR VIEW REMAINED UNCHANGED. ZHOU NAN SAID THAT IN THIS HIGHLY

SENSITIVE AREA FURTHER STATEMENTS MIGHT RUIN THE WHOLE AGREEMENT.
THERE WAS A STRONG PERSONAL COMMITMENT TO THEIR POLICY
BY 'AN IMPORTANT CHINESE LEADER'.

(E) UMELCO

ZHOU SAID THAT THE CHINESE SIDE HAD DECIDED TO TREAT ALL UMELCO MEMBERS AS FRIENDS. THEY WANTED TO TALK TO THEM, DESPITE SUSPICIONS OF THEIR MOTIVES AND SINCERITY. HE SAID THAT THE CHINESE SIDE KNEW THAT UMELCO HAD SENT A LOT OF TELEGRAMS FROM LONDON TO HONG KONG SOLICITING SUPPORT FROM GROUPS THERE, INCLUDING 'KMT ELEMENTS'. UNOFFICIALS HAD THUS PLACED DIFFICULTIES IN THE WAY OF THE INVITATION TO THEM TO VISIT PEKING. I SAID THAT I SUSPECTED THIS ALLEGATION WAS NONSENSE. LU PING SAID THAT THE CHINESE SIDE WERE KEEN TO SEE THE UNOFFICIALS. THEY WOULD BE WELCOME. THE CHINESE SIDE WERE WILLING TO LISTEN TO ALL SORTS OF OPINIONS, BUT THE UNOFFICIALS' HOSTILE ATTITUDE MADE THIS VERY DIFFICULT. LU PING ALSO SPOKE OF THE CHINESE SIDE'S SUSPICION OF SOME MEMBERS OF THE HONG KONG GOVERNMENT, WHOM HE DESCRIBED AS 'LIGHTING FIRES'.

(F) PUBLIC SERVICE

I PRESSED ZHOU ON THE EMPLOYMENT OF OVERSEAS OFFICERS. HE AGAIN SAID THAT THEY COULD BE ADVISERS ABOVE THE LEVEL OF DEPUTY SECRETARY.

I SAID THAT THIS WOULD GIVE NO COMFORT TO EXPATRIATE MEMBERS OF THE PUBLIC SERVICE WHO COULD HOPE TO RISE TO THE TOP. ZHOU SAID THAT CHINA MUST BE SEEN TO BE EXERCISING SOVEREIGNTY AFTER 1997. THE PRESENCE OF EXPATRIOTES IN VERY SENIOR POSITIONS WOULD 'NEGATE' THIS.

(G) PARLIAMENTARY DEBATE

ZHOU SAID HE HAD ONLY READ EXTRACTS FROM SPEECHES. I ADVISED HIM TO READ THE FULL REPORTS OF ALL THE DEBATES. I POINTED OUT THAT A NUMBER OF SPEAKERS HAD EMPHASISED THE NEED FOR DETAIL.

(H) BASIC LAW

LU PING SAID THAT IT SHOULD BE STIPULATE THAT THE SAR WOULD BE UNDER THE DIRECT AUTHORITY OF THE CPG SO THAT OTHER ADMINISTRATIONS, EG GUANGDONG, COULD NOT INTERFERE. BUREAUCRATIC TANGLES WOULD THUS BE AVOIDED.

(I) CONSTITUTIONAL ARRANGEMENTS

MME ZHANG WAS EVASIV WHEN WE ASKED ABOUT THE CONCEPT OF A 'SHADOW GOVERNMENT' BEING GROOMED FOR HONG KONG IN THE TRANSITIONAL PERIOD.

SECRET

/(J) LAND.

SECRET

(J) LAND

WE EXPLAINED THE IMPRACTICALITIES OF THE CHINESE PROPOSAL.

LU PING SAID THAT, IN THE ABSENCE OF ANYONE TO REPRESENT THE INTERESTS OF THE FUTURE SAR, THE CHINESE SIDE MUST TAKE ON THIS RESPONSIBILITY UNTIL 1997. MACLAREN TOLD MME ZHANG THAT WE HAD BEEN VERY DISAPPOINTED IN THE CHINESE STATEMENT ON LAND. IT DEMONSTRATED THE CHINESE SIDE'S IGNORANCE OF THE REAL SITUATION

EVANS

FUTURE OF HONG KONG
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ED/FED
ED/PLANNING STAFF
ED/PUSD
D/ED/PUSD
RES.B. (MR WALKER)
LEGAL ADVISER (MR FREELAND)
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DESKBY 311600Z

FROM PEKING 311300ZM MAY 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1015 OF 31/5/84

INFO IMMEDIATE HONG KONG AND WASHINGTON

MIPT: FUTURE OF HONG KONG; 15 TH ROUND; SECOND DAY;

COMMENT

1. ZHOU NAN MADE NO CONCESSIONS TO OUR VIEW OF THE DEFICIENCIES OF THE CHINESE DRAFT NOTE. INDEED, HE CLAIMED THAT THE NOTE HAD QUOTE ACCOMMODATED UNQUOTE BRITISH INTERESTS TO THE MAXIMUM EXTENT THAT ANY SOVEREIGN STATE COULD ACCEPT. HE SAID THAT CHINESE POSITIONS ON THE STATIONING OF CHINESE TROOPS AND ON THE EMPLOYMENT OF FOREIGN NATIONALS IN THE PUBLIC SERVICE WERE FINAL. HE ARGUED THAT OUR JOINT PURPOSE WAS TO NEGOTIATE A BILATERAL AGREEMENT AND NOT TO DRAFT THE BASIC LAW, AND THAT BRITISH DEMANDS FOR DETAIL WERE IN CONFLICT WITH THE NOTION OF AUTONOMY FOR THE SAR.

2. IN REFERRING TO THE MAINTENANCE OF EXISTING SYSTEMS, ZHOU SAID THE CHINESE MEANT THE SYSTEMS IN FORCE AT THE TIME OF THE AGREEMENT, AND NOT THOSE IN FORCE IN 1997. HE EXCLUDED GOVERNMENT STRUCTURES FROM THE SYSTEMS WHICH WOULD BE MAINTAINED. HE ALSO EXCLUDED CHANGES WHICH BRITAIN MIGHT HAVE MADE IN THE PERIOD BEFORE 1997, EXCEPT FOR THOSE MADE

~~IN 1997, HE EXCLUDED GOVERNMENT STRUCTURES FROM THE SYSTEMS WHICH WOULD BE MAINTAINED. HE ALSO EXCLUDED CHANGES WHICH BRIT MIGHT HAVE MADE IN THE PERIOD BEFORE 1997, EXCEPT FOR THOSE MADE WITH CHINESE AGREEMENT. THE FORMULA WHICH HE USED ON THESE POINTS WAS, HOWEVER, INVOLVED AND WILL NEED CAREFUL STUDY WHEN WE RECEIVE THE CHINESE TEXT.~~

3. IN HIS PRELIMINARY REMARKS ON MY STATEMENT ABOUT ITEM 2, ZHOU EMPHASISED THAT FOLLOWING THE SUBSTANTIVE EXCHANGE OF VIEWS ON POST-1997 ARRANGEMENTS THE FOCUS OF THE TALKS SHOULD NOW BE THE TRANSITIONAL PERIOD. AGREEMENT ON HOW WE SHOULD PROCEED IN THIS PERIOD WOULD BE A TEST OF BILATERAL COOPERATION. IN HIS VIEW, WE HAD REJECTED DENG'S PROPOSAL FOR A JOINT GROUP. ZHOU REPEATED THAT CHINESE PROPOSALS FOR THE TRANSITIONAL PERIOD (INCLUDING THE JOINT GROUP) WERE AN INTEGRAL COMPONENT OF AN OVERALL AGREEMENT. HE INSISTED THAT THE GROUP MUST BE BASED IN HONG KONG. HE TOOK THE LINE THAT THE CHINESE WOULD ONLY BE PREPARED TO PERMIT THE PRESENT NOTE-ISSUING BANKS TO CONTINUE IN THIS ROLE AFTER 1997 IF WE AGREED TO MEET CHINESE DEMANDS ON THE EXCHANGE FUND. HE ALSO PROTESTED THAT A HANDOVER OF AUTHORITY DIRECTLY TO THE SAR GOVERNMENT SHOWED THAT WE WERE STILL SEEKING TO CREATE AN INDEPENDENT POLITICAL ENTITY IN HONG KONG. FAILURE TO AGREE ON THIS ITEM WOULD CONSTITUTE A GRAVE OBSTACLE IN THE WAY OF AN OVERALL AGREEMENT. INDEED, CONCLUSION OF AN OVERALL AGREEMENT WOULD BE OUT OF THE QUESTION.

4. HIS BRIEF COMMENTS ON MY STATEMENT ON THE WORKING GROUP PROPOSED FOR MID-JUNE SIMPLY RESTATED HIS EARLIER POSITION

5. THROUGHOUT HIS LONG STATEMENT, ZHOU REPEATEDLY QUOTED FROM OR REFERRED TO, WHAT DENG HAD SAID TO YOU LAST MONTH. IS THIS ANOTHER MANIFESTATION OF A PERSONAL ASSERTION OF AUTHORITY BY DENG? IN RESPONDING TO WHAT I HAD SAID ABOUT ITEM 2, HE DREW EXTENSIVELY ON A PRINTED TEXT, WHICH MUST HAVE BEEN PREPARED BEFORE THE MEETING.

EVANS

NNNNAE

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FUTURE OF HONG KONG - ADVANCE COPIES

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DESKBY 311600Z FCO AND WASHINGTON

FROM PEKING 1100Z MAY 84

TO IMMEDIATE FCO

TELEGRAM NKMBER 1014 OF 31/5/84

INFO IMMEDIATE HONG KONG AND WASHINGTON (FOR PS)



FUTURE OF HONG KONG: ROUND 15: SECOND DAY

SUMMARY

1. I DELIVERED OUR ITEM TWO STATEMENT. ZHOU NAN MADE PRELIMINARY COMMENTS ON THIS AND ON MY CRITIQUE YESTERDAY OF THE CHINESE NOTE. I RESPONDED TO HIS STATEMENT YESTERDAY ON THE WORKING GROUP.

DETAIL

2. I RESPONDED TO THE CHINESE PROPOSALS ON ITEM TWO ON AGREED LINES (YOUR TEL NO 933 TO HONG KONG AS AMENDED BY YOUR TELS NOS 942 TO HONG KONG AND 549).

3. ZHOU NAN THEN SPOKE ON MY STATEMENT OF 30 MAY. HE WAS GLAD THAT WE WERE SATISFIED WITH SOME ASPECTS OF THE CHINESE DRAFT NOTE AND RECOGNISED COMMON POINTS IN OUR POSITIONS. HOWEVER, OUR COMMENTS ON SO-CALLED CHINESE SHORTCOMINGS IN THE DRAFT NOTE AND THE EXAMPLES CITED WERE NOT CONVINCING. HE WOULD NOT COMMENT ON MY STATEMENT IN EXHAUSTIVE DETAIL, BUT WOULD COVER RELEVANT POINTS OF PRINCIPLE.

4. IN HIS MEETING WITH YOU, DENG HAD POINTED OUT THAT CHINESE POLICY ON HONG KONG WAS FOUNDED ON ONE BASIC CONCEPT - ONE COUNTRY, TWO SOCIAL SYSTEMS. CHINA WAS SINCERE IN THIS AND WAS NOT PLAYING TRICKS. SINCE THE PRINCIPLE THAT CAPITALISM WAS TO BE PRACTICED IN HONG KONG WAS FIRM, THERE SHOULD BE NO DIFFICULTY WITH DETAILS. THE IMPORTANT POLITICAL DECISION THAT AFTER 1997 HONG KONG SHOULD KEEP ITS CURRENT CAPITALIST SYSTEM AND LIFE STYLE UNCHANGED HAD BEEN WRITTEN INTO THE

~~SYSTEM AND LIFE STYLE UNCHANGED HAD BEEN WRITTEN INTO THE~~
CHINESE DRAFTS. ZHAO ZIYANG HAD CONFIRMED THIS IN HIS GOVERNMENT
WORK REPORT TO THE NPC, AND WE COULD REST ASSURED ON THIS POINT.
SINCE IN MAJOR ASPECTS THERE WOULD BE NO CHANGE FOR FIFTY YEARS,
THE SOCIAL AND ECONOMIC SYSTEMS WOULD NOT AND NEED NOT BE
CHANGED. EXPLICIT PROVISIONS WERE IN THE CHINESE DRAFT.
IT WAS INAPPROPRIATE FOR US TO CONTINUE TO EXPRESS DOUBTS ABOUT
CHINESE SINCERITY.

5. CHINESE DRAFTS HAD ACCOMMODATED OUR INTERESTS TO THE MAXIMUM AND
TO THE LIMIT OF WHAT ANY SOVEREIGN STATE COULD AGREE TO.
NO MORE EXCESSIVE DEMANDS SHOULD BE MADE AND PARTICULARLY NO MORE
DEMANDS IMPAIRING CHINESE SOVEREIGNTY. THESE WERE IN DIRECT
CONFLICT WITH POINTS ALREADY MADE.

6. ON THE STATIONING OF TROOPS IN HONG KONG, ZHOU SAID DENG HAD
ALREADY MADE THE POSITION CLEAR DURING HIS TALKS WITH YOU. IN
MANY ROUNDS THE CHINESE HAD PATIENTLY AND REPEATEDLY EXPLAINED
THIS. IT WAS ABSURD TO SAY THAT THE PRESENT STATIONING OF BRITISH
TROOPS IN HONG KONG WAS CONDUCIVE TO MAINTAINING STABILITY
AND PROSPERITY BUT THAT WHEN CHINA RESUMED EXERCISE OF SOVEREIGNTY
STATIONING OF TROOPS WOULD CAUSE PROBLEMS. ENOUGH HAD
BEEN SAID ON THIS SUBJECT. THERE WAS NO ROOM FOR NEGOTIATION
AND ZHOU ADVISED US NOT TO GO ANY FARTHER.

CONTINUING ARGUMENTS WOULD NOT PRODUCE ANY CONSTRUCTIVE RESULTS
BUT WOULD HURT THE NATIONAL FEELINGS OF THE CHINESE PEOPLE.

7. THE STIPULATION IN THE CHINESE DRAFT THAT FOREIGN
NATIONALS COULD BE EMPLOYED TO SERVE AS ADVISERS OR UP TO
THE RANK OF DEPUTY SECRETARY WAS VERY MAGNANIMOUS AND
WAS AS FAR AS THE CHINESE COULD GO. WE COULD NOT SAY
THAT THIS WAS UNSATISFACTORY AND UNACCEPTABLE.

8. THE CHINESE DRAFT CLEARLY AND SPECIFICALLY STIPULATED THE
HIGH DEGREE OF AUTONOMY IN ADMINISTRATIVE MATTERS TO BE
ENJOYED BY THE SAR AND DID NOT MERELY STATE AS I HAD
CLAIMED THAT IT WOULD ENJOY A HIGH DEGREE OF AUTONOMY. THE CHINESE
HAD TO AFFIRM THAT THE HONG KONG SAR WAS UNDER THE AUTHORITY OF
THE CENTRAL PEOPLES GOVERNMENT OF THE PRC AND THAT POWERS
WERE TO BE VESTED IN THE SAR BY THE CENTRAL GOVERNMENT.
ONLY THIS EMBODIED THE PRINCIPLE OF SOVEREIGNTY. WE HAD NO
REASON TO OBJECT. IF THE SAR WERE NOT ACKNOWLEDGED TO
BE UNDER THE AUTHORITY OF THE CENTRAL GOVERNMENT, IT WOULD MEAN
IT CAME UNDER THE AUTHORITY OF SOME OTHER GOVERNMENT.
IN DESCRIBING THE POWERS OF THE SAR GOVERNMENT THE
CHINESE HAD ADOPTED A POSITIVE APPROACH WHILE WE HAD CLUNG
TO NEGATIVE FORMULATIONS. THE CHINESE COULD NOT UNDERSTAND WHY
WE HAD NOT GIVEN UP THE NOTION OF TREATING THE SAR AS AN
INDEPENDENT ENTITY.

9. ZHOU SAID WE HAD INTRODUCED A NEW CONCEPT IN TAKING 30
JUNE 1997 AS THE REFERENCE POINT FOR ALL ARRANGEMENTS AFTER
1 JULY 1997. THERE WOULD BE MANY UNKNOWN FACTORS
DURING THE 13 YEARS, AND UNILATERAL ARRANGEMENTS MADE BY
THE BRITISH SIDE, AND WE WERE ASKING THE CHINESE TO ACCEPT ALL OF
THESE IN ADVANCE. WE HAD ALREADY RAISED SUCH UNREASONABLE
DEMANDS ABOUT GOVERNMENT STRUCTURE AND THE CHINESE
HAD OBJECTED. THEY NOW WERE EVEN MORE UNWILLING TO
AGREE. WHEN USING THE TERM CURRENT EXISTING SYSTEMS THE CHINESE
MEANT THE STATE OF AFFAIRS AT THE TIME OF REACHING AGREEMENT,
IT DID NOT INCLUDE CHANGES WHICH WE MIGHT MAKE IN THE COMING
13 YEARS. THIS POINT PROVED AGAIN THE NECESSITY OF SETTING
UP A SINO/BRITISH JOINT GROUP IN HONG KONG DURING THE TRANSITION
PERIOD.

10. DENG HAD SAID TO YOU DURING YOUR TALKS THAT THE AGREEMENT SHOULD DEAL WITH GENERAL PRINCIPLE. TOO MANY DETAILS WOULD LEAD TO MISTAKES AND WOULD DAMAGE THE HIGH DEGREE OF AUTONOMY TO BE ENJOYED BY THE SAR GOVERNMENT. THE CHINESE AGREEMENT WAS ALREADY RATHER DETAILED. DENG HAD POINTED OUT THAT OUR DRAFTS AND ANNEXES WERE UNPRECEDENTEDLY DETAILED. IN MY STATEMENT OF 30 MAY I HAD AGAIN ASKED FOR THE INCLUSION OF AN EXCESSIVE AMOUNT OF DETAIL AND HAD COMPLAINED, FOR EXAMPLE, THAT THE CHINESE DRAFTS DID NOT SPECIFY THAT COURTS SHOULD HAVE THE POWER OF JUDGEMENT OVER CIVIL AND CRIMINAL PROCEEDINGS. WE WERE CONDUCTING TALKS TO REACH AN AGREEMENT BETWEEN TWO GOVERNMENTS, NOT MAKING PROPOSALS ON DRAFTING THE BASIC LAW, NOR THE LAWS OF THE HONG KONG COURTS. THE DUTIES OF ANY COURT WERE COMMON KNOWLEDGE. IF WE WROTE SUCH DETAILS INTO AN AGREEMENT WE WOULD BECOME AN INTERNATIONAL LAUGHING STOCK. THERE WERE SEVERAL SIMILAR EXAMPLES IN OUR STATEMENT, E.G. ON FREE PORTS.

11. A MORE GENERAL FORMULATION DEALING WITH PRINCIPLES COULD HAVE A WIDER SCOPE THAN AN EXCESSIVELY DETAILED DOCUMENT. IN ATTENDING TO ONE DETAIL, MANY OTHERS COULD BE OVER-LOOKED. ZHOU CITED OUR COMMENTS ON EMPLOYMENT OF FOREIGN NATIONALS IN THE FINANCIAL AND MONETARY FIELDS AS AN EXAMPLE. THE CHINESE DRAFT CONCERNING RIGHTS AND FREEDOMS ALSO COVERED A LARGER AREA THAN THE LIST PROVIDED BY US. OUR DEMANDS CONTRADICTED THE NOTION OF A HIGH DEGREE OF AUTONOMY OF THE SAR, AND, IF GRANTED, WOULD NOT IN ANY WAY GUARANTEE PROSPERITY AND STABILITY IN HONG KONG.

12. IN MY STATEMENT I HAD SAID THAT THE LANGUAGE OF ANY AGREEMENT SHOULD BE READILY UNDERSTOOD AND ACCEPTABLE TO HONG KONG PEOPLE AND TO THE INTERNATIONAL COMMUNITY. IN ZHOU'S VIEW THE LANGUAGE OF THE CHINESE DRAFTS WOULD NOT CAUSE ANY DIFFICULTIES OF ACCEPTANCE OR COMPREHENSION IN HONG KONG OR INTERNATIONALLY. SINCE IT WAS A BILATERAL AGREEMENT THE LANGUAGE SHOULD ALSO BE ACCEPTABLE TO ONE BILLION CHINESE, INCLUDING HONG KONG COMPATRIOTS. THE QUESTION OF LANGUAGE IN OUR STATEMENT ALSO COVERED SUBSTANTIVE PARTS. ZHOU SAID HE WOULD THEREFORE NOT COMMENT ON THESE ONE BY ONE AND COMPREHENSIVELY. DETAILED DISCUSSIONS COULD BE CARRIED OUT IN THE WORKING GROUP. IT WAS, HOWEVER, USEFUL TO MAKE PLAIN THE POINTS OF PRINCIPLE BEFORE THE WORKING GROUP STARTED WORK. AS FOR OTHER POINTS IN MY STATEMENT OF 30 MAY THEY SEEMED TO STEM FROM A MISUNDERSTANDING OF THE CHINESE DRAFT. SUCH QUESTIONS COULD BE EASILY SOLVED IN THE WORKING GROUP.

13. TURNING TO ITEM 2 ZHOU SAID HE WANTED TO MAKE SOME PRELIMINARY COMMENTS ON THE STATEMENT I HAD JUST MADE. HE WOULD COMMENT FURTHER AT FUTURE ROUNDS. DURING THE 12TH ROUND HE HAD FULLY INTRODUCED THE ARRANGEMENTS ENVISAGED FOR THE TRANSITION PERIOD. IN HIS TALKS WITH YOU, DENG HAD EXPLAINED THE CHINESE WERE GREATLY CONCERNED ABOUT AND ATTACHED GREAT IMPORTANCE TO THIS QUESTION. THEIR PLAN WAS PRESENTED IN FULL TO US IN THE DRAFT PROTOCOL. BEFORE YOU LEFT PEKING YOU HAD PROMISED DENG TO CONSIDER CONSTRUCTIVELY HIS PROPOSAL AND RESPOND AS SOON AS POSSIBLE. A LONG PERIOD OF TIME HAD PASSED. THE CHINESE ORIGINALLY EXPECTED WE WOULD MAKE A POSITIVE RESPONSE. ZHOU SAID OUR RESPONSE WAS FAR FROM CONSTRUCTIVE AND POSITIVE. IT DISAPPOINTED THE CHINESE AND CAUSED THEM DEEP REGRET. ARRANGEMENTS FOR THE TRANSITION PERIOD WERE AN IMPORTANT AGENDA ITEM AND AN IMPORTANT PART OF OUR TALKS. THE CHINESE HAD TAKEN THE VIEW THAT AFTER OUR EXCHANGE OF VIEWS ON ARRANGEMENTS AFTER 1997 THE CURRENT ROUNDS SHOULD SHIFT THEIR FOCUS TO PROBLEMS IN THE TRANSITION PERIOD. ONCE WE HAD AGREED TO CHINESE

IN THE TRANSITION PERIOD. ONCE WE HAD AGREED TO CHINESE RESUMPTION OF SOVEREIGNTY IN 1997, TRANSITIONAL PERIOD ARRANGEMENTS NATURALLY CAME TO THE FORE. WITHOUT SUITABLE ARRANGEMENTS MANY POINTS OF THE BILATERAL AGREEMENT WOULD NOT BE IMPLEMENTED AND A SMOOTH TRANSFER OF GOVERNMENT WOULD NOT BE GUARANTEED. THE TWO SIDES WERE CONDUCTING EFFECTIVE COOPERATION TO CONCLUDE AN AGREEMENT. THE DECISION WHETHER OR NOT TO MAKE APPROPRIATE ARRANGEMENTS FOR THE TRANSITION PERIOD WAS AN IMPORTANT TEST OF BOTH SIDE'S SINCERITY IN WISHING TO CONTINUE COOPERATION.

14. DENG HAD SAID THE CENTRAL GOVERNMENT WOULD NOT SEND PERSONNEL FROM PEKING TO RUN HONG KONG IN 13 YEARS TIME. CANDIDATES WOULD BE CHOSEN IN HONG KONG. THE HONG KONG PEOPLE HAD TO FAMILIARISE THEMSELVES WITH ADMINISTRATIVE SKILLS OVER THE COMING 13 YEARS. TO CHANGE ONLY THE LEADING FIGURES OR A FLAG WOULD CAUSE CHAOS. CANDIDATES FOR THE GOVERNMENT SERVICE SHOULD BE CHOSEN JOINTLY. THIS WAS A MAJOR CONCESSION TO US AND WAS THEREFORE FAIR AND REASONABLE. ZHOU SAID THAT IN MY STATEMENT I HAD TRIED TO REJECT THE NECESSITY OF JOINT SELECTION OF CANDIDATES. WE WERE THEREFORE TRYING TO MONOPOLISE THIS. THIS WOULD NOT ENSURE STABILITY AND PROSPERITY. WE WERE BEHAVING IN AN UNACCEPTABLE WAY. METHODS OTHER THAN JOINT SELECTION MIGHT NOT PROVE BENEFICIAL. THE CHINESE HAD THEREFORE SAID DENG'S PROPOSAL WAS THE ONLY REASONABLE AND FEASIBLE ONE. WE SHOULD THEREFORE WELCOME, NOT REJECT IT.

15. DENG HAD STRESSED THE IMPORTANCE OF ESTABLISHING A JOINT GROUP IN HONG KONG AFTER AGREEMENT WAS REACHED. THIS WAS IMPORTANT FOR CREATING CONDITIONS FOR THE TRANSFER OF GOVERNMENT. WE HAD RECOGNISED THIS AND HAD AGREED IN MY STATEMENT OF 31 MAY THAT THERE WERE MANY MATTERS IN THE TRANSITION PERIOD ON WHICH CONSULTATIONS WERE NEEDED. TO ALLEVIATE OUR CONCERNS THAT SUCH A GROUP WOULD INTERFERE IN HONG KONG'S INTERNAL AFFAIRS DENG HAD SUGGESTED THE GROUP BE SET UP IN HONG KONG BUT MEET IN HONG KONG, PEKING OR LONDON. IT WAS DISAPPOINTING AND REGRETABLE THAT MY STATEMENT OF 31 MAY REJECTED THIS REASONABLE PROPOSAL. I HAD SAID SETTING UP SUCH A GROUP WOULD BE CONSIDERED BUT IT SHOULD NOT BE A PERMANENT ORGAN NOR MEET ON A PERMANENT BASIS. THE JOINT GROUP WAS TO DEAL WITH HONG KONG MATTERS. THEREFORE IT WAS BOTH APPROPRIATE AND CONVENIENT FOR IT TO BE SET UP IN HONG KONG WHERE IT COULD HAVE DIRECT ACCESS TO INFORMATION AND CARRY OUT CONSULTATIONS PROMPTLY. IN MY STATEMENT, I HAD ALSO SAID THE TWO CHAIRMAN SHOULD HAVE CLOSE CONTACTS. ZHOU SAID HE HAD NEVER REFUSED MY REQUESTS TO SEE HIM AND WE ALREADY KEPT IN CLOSE CONTACT. AGAINST THIS BACKGROUND, HE COULD SEE NO REASON TO SET UP A JOINT GROUP IN PEKING.

16. ZHOU SAID WE HAD ALSO EXPRESSED OBJECTIONS TO A JOINT GROUP ON THE GROUNDS THAT IT WOULD CREATE AN IMPRESSION OF CONDOMINIUM. THE CHINESE HAD EXPLAINED PATIENTLY AND REPEATEDLY THEY HAD NO INTENTION OF ENTERING INTO A CONDOMINIUM. THE PROBLEM DID NOT EXIST. THE CHINESE HAD ALSO MADE PLAIN THAT THE GROUP WOULD NOT REPLACE THE HONG KONG GOVERNMENT IN RUNNING HONG KONG DURING THE TRANSITION PERIOD, BUT WOULD CONDUCT CONSULTATIONS ON THE IMPLEMENTATION OF THE AGREEMENT AND SMOOTH TRANSFER OF GOVERNMENT. IF WE WANTED TO SPELL OUT THE TASKS OF THE JOINT GROUP FURTHER, WE SHOULD PUT FORWARD OUR OWN PROPOSAL. IT WAS ABSURD TO SAY THAT IF A JOINT GROUP WERE ESTABLISHED IN HONG KONG IT WOULD CREATE FEARS AMONGST THE HONG KONG PEOPLE. ZHAO HAD SAID TO YOU THAT SETTING UP THE JOINT GROUP IN HONG KONG WOULD ENABLE HONG KONG PEOPLE TO SEE THAT ONCE THE AGREEMENT WAS CONCLUDED WORK WOULD

THE JOINT GROUP WOULD PUT PEOPLE'S MINDS AT REST.

17. IMPORTANT POINTS WOULD BE CONTAINED IN THE AGREEMENT, SUCH AS PROVISION OF LAND LEASES AND PROVISION FOR THE ISSUANCE OF BANKNOTES BY THE SAR. THESE WOULD REQUIRE CONSULTATION IN THE JOINT GROUP TO ALLOW IMPLEMENTATION. ZHOU SAID THAT HE HAD FULLY ELABORATED THE CHINESE POSITION ON LAND LEASES ON 30 MAY. THE CHINESE HAD BEEN MAGNANIMOUS AND REASONABLE, AND THE MATTER HAD BEEN HANDLED ACCORDING TO CHINESE PRINCIPLES. THIS ISSUE COULD BE SETTLED THROUGH CONSULTATIONS IN THE JOINT GROUP. IF THE BRITISH SIDE REJECTED THE PROPOSAL TO SET UP SUCH A GROUP, THE CHINESE MUST INFER THAT WE HAD NO INTENTION OF SOLVING THE LAND LEASE PROBLEM. AS FOR THE ISSUANCE OF BANKNOTES IN HONG KONG, ZHOU SAID THE CHINESE POSITION HAD BEEN STATED CLEARLY IN THE 14TH ROUND. CURRENT NOTE ISSUING BANKS COULD BE AUTHORISED TO CONTINUE THIS ROLE AFTER 1997 ONLY IF THE HONG KONG DOLLAR WAS SOUND AND ITS VALUE ASSURED. IF THE CHINESE WERE NOT ALLOWED TO FAMILIARISE THEMSELVES WITH THE CURRENT STATUS OF THE EXCHANGE FUND AND WERE NOT PROVIDED WITH INFORMATION THEN THEY SHOULD NOT BE ASKED TO AUTHORISE CURRENT NOTE ISSUING BANKS TO CONTINUE AS SUCH AFTER 1997. ZHOU THEN EXPRESSED SURPRISE ABOUT MY COMMENTS ON THE CONFIDENTIALITY AND LIMITED ACCESS TO INFORMATION ON THE EXCHANGE FUND. THE CHINESE WERE ASKING FOR THIS INFORMATION ON A CONFIDENTIAL BASIS. AS FOR THE RELEVANT EXCHANGE FUND ORDINANCE THIS WAS ALREADY FREELY AVAILABLE IN HONG KONG. IF THIS REASONABLE REQUEST WERE TURNED DOWN, THEN THE CHINESE COULD NOT BE EXPECTED TO CO-OPERATE. THEIR PROPOSAL NOT ONLY CONFORMED TO CHINESE BUT ALSO TO BRITISH INTERESTS. CONTINUED REJECTION OF THE CHINESE PROPOSAL EQUATED TO BLOCKING THE POSSIBILITY OF THE CHINESE AUTHORISING CURRENT NOTE ISSUING BANKS TO CONTINUE ISSUING AFTER 1997.

18. ZHOU SAID THAT IN MY STATEMENT I HAD REJECTED ARTICLE 8 OF THE CHINESE DRAFT PROTOCOL CONCERNING MATTERS RELATING TO THE TRANSFER OF POWER FROM THE HONG KONG GOVERNMENT TO THE SAR. WHEN HE HAD INTRODUCED THIS ARTICLE IN THE 14TH ROUND, HE HAD MADE CLEAR THIS ARRANGEMENT WAS COMPATIBLE WITH INTERNATIONAL PRACTICE. IT WAS NOT AN EXCESSIVE DEMAND AND WAS IN ACCORDANCE WITH THE PRINCIPLE OF SOVEREIGNTY. HE HAD STATED CLEARLY THAT THE HONG KONG GOVERNMENT MUST HAND OVER PROPERTY, ARCHIVES ETC TO THE CENTRAL GOVERNMENT OF THE PRC FIRST. THE CENTRAL GOVERNMENT WOULD THEN PASS THESE TO THE SAR GOVERNMENT. I HAD SAID THIS WAS NOT ACCEPTABLE AND THAT THE HONG KONG GOVERNMENT WOULD HAND THEM DIRECTLY TO THE SAR GOVERNMENT. THIS HAD SERIOUS POLITICAL IMPLICATIONS. SUCH AN ARRANGEMENT WAS APPLICABLE WHERE FORMER COLONIES BECAME INDEPENDENT STATES. IF WE BYPASSED THE CENTRAL GOVERNMENT AND TRANSFERRED THESE ASSETS DIRECTLY TO THE SAR GOVERNMENT IT WOULD NOT ONLY GIVE THE IMPRESSION THAT THE SAR GOVERNMENT WAS AN INDEPENDENT AUTHORITY BUT WOULD MAKE THE SAR AN INDEPENDENT POLITICAL ENTITY. THIS WAS IN DIRECT CONFLICT WITH THE PRINCIPLE OF SOVEREIGNTY AND THE CHINESE COULD NOT BE EXPECTED TO AGREE TO IT.

19. THE ARRANGEMENTS PROPOSED BY THE CHINESE SIDE FOR THE TRANSITION PERIOD, INCLUDING A SINO/BRITISH JOINT GROUP, WERE ESSENTIAL COMPONENT PARTS OF AN OVERALL AGREEMENT. WITHOUT SUCH ARRANGEMENTS THERE WOULD BE A SERIOUS OBSTACLE TO AGREEMENT AND INDEED CONCLUSION OF AN AGREEMENT WOULD BE OUT OF THE QUESTION.

ZHOU HOPED WE WOULD CONSIDER THIS AGAIN CAREFULLY AND EARNESTLY, REALISE THE FAIRNESS OF THE CHINESE PROPOSALS AND ACCEPT THEM. ONCE THIS PROBLEM WAS SOLVED OTHER MATTERS WOULD BE SETTLED EASILY AND CONDITIONS CREATED FOR LONG-TERM COOPERATION BETWEEN CHINA AND BRITAIN. DENG HAD POINTED OUT TO YOU THAT THE SETTLEMENT OF THE HONG KONG QUESTION WAS AN EXAMPLE OF SINO/ BRITISH COOPERATION AND WOULD STRENGTHEN AND PROMOTE FRIENDLY RELATIONS. IT WOULD ALSO MAKE A MAJOR IMPACE INTERNATIONALLY. ZHOU STRESSED THAT ALTHOUGH THESE COMMENTS WERE PRELIMINARY THEY WERE A FORMAL CHINESE RESPONSE TO MY STATEMENTS.

20. I THEN SPOKE. I SAID I WOULD COMMENT OF ZHOU'S STATEMENT OF 30 MAY ON LAND LEASES LATER.

WE WOULD STUDY ZHOU'S PRELIMINARY RESPONSE TO MY STATEMENT BUT I HOPED THE CHINESE WOULD CONTINUE TO STUDY IT AND GIVE US CONSIDERED RESPONSE.

AS FOR THE FIRST PART OF THE STATEMENT ZHOU HAD JUST MADE, I SAID WE HAD NO DOUBTS ABOUT CHINESE SINCERITY. THE CHINESE IN TURN SHOULD NOT DOUBT OUR SINCERITY ABOUT WHAT WE SAID WE WOULD DO OR ABSTAIN FROM DOING. WE MEANT WHAT WE SAID ABOUT CONFIDENCE. THIS WAS AN INVISIBLE BUT PRECIOUS COMMODITY. WITH IT MUCH COULD BE DONE, WITHOUT IT LITTLE OR NOTHING. MAINTENANCE OF CONFIDENCE IN AND IN RELATION TO HONG KONG WAS A NECESSARY CONDITION FOR MAINTAINING STABILITY AND PROSPERITY IN THE TERRITORY. THE AGREEMENT WE WERE SEEKING TO CONCLUDE MUST HAVE CERTAIN FEATURES IF IT WERE TO UPHOLD CONFIDENCE IN HONG KONG AND ELSEWHERE. I INVITED THE CHINESE SIDE TO CONSIDER THE IMPORTANCE OF CONFIDENCE FOR ALL CONCERNED INCLUDING THEMSELVES. I THEN SPOKE ON THE WORKING GROUP ALONG THE LINES OF THE INSTRUCTIONS IN YOUR TELNO 563.

21. IN REPLY, ZHOU NAN SAID THE DIFFERENCE BETWEEN US ON THE WORKING GROUP RELATED NOT TO THE METHODS OF WORK BUT TO THE GROUPS TASKS. THE WORKING GROUP WAS TO DISCUSS THE TEXTS OF THE AGREEMENTS. THE CHINESE PROPOSAL THAT THE JOINT DECLARATION, ARRANGEMENTS FOR THE PERIOD AFTER 1997, AND ARRANGEMENTS BEFORE 1997 SHOULD BE CONSIDERED IN THAT ORDER WAS REASONABLE AND SHOULD BE FOLLOWED. BOTH SIDES HAD PRESENTED DRAFTS OF THE MAIN BODY OF THE AGREEMENT AND THEIR OWN TEXTS RELATING TO ARRANGEMENTS AFTER 1997. THE CHINESE HAD PUT FORWARD A DRAFT PROTOCOL CONCERNING THE TRANSITION PERIOD. BUT WE HAD NOT YET DONE SO

IF WE WERE UNABLE TO DO SO WE SHOULD DISCUSS THE CHINESE DOCUMENT. THE CHINESE PROPOSAL WAS REASONABLE AND FAIR AND ZHOU COULD NOT UNDERSTAND WHY WE REJECTED IT. HE HAD EXPERIENCE OF WORKING GROUPS OF INTERNATIONAL ORGANISATIONS. THE TASKS THE CHINESE HAD SET OUT FOR THE WORKING GROUP FOLLOWED INTERNATIONAL PRACTICE. OUR PROCEDURE WAS UNUSUAL. HE HOPED WE WOULD NOT INSIST ON IT AS THIS WOULD GIVE RISE TO THE SUSPICION THAT THE BRITISH SIDE WAS ONLY INTERESTED IN DISCUSSING ONE PART OF THE AGREEMENT. THE CHINESE HAD STATED AT THE OUTSET THAT ARRANGEMENTS AFTER 1997 WERE AN INTERNAL CHINESE AFFAIR. IF THE WORKING GROUP STARTED AT THIS POINT ZHOU WONDERED WHAT IMPRESSION THIS WOULD CREATE.

22. I NOTED WHAT ZHOU HAD SAID, AND SAID THAT WHAT I HAD JUST DESCRIBED WERE IMPORTANT MATTERS OF PRINCIPLE.

23. SEE MIFT FOR COMMENT

22. I NOTED WHAT ZHOU HAD SAID, AND SAID THAT
WHAT I HAD JUST DESCRIBED WERE IMPORTANT MATTERS OF PRINCIPLE.

23. SEE MIFT FOR COMMENT

EVANS

NNNN

CCN PARA 19 LINE 14..... PSE READ ALSO MAKE A MAJOR IMPACT

V

QSL DD

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1265</i> (one piece/item number)	Date and sign
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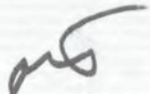
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MR COLES29 May 1984 HONG KONG

1. Your minute of 24 May. (Attached).
2. The main safeguard is the provision in the Annex, (whether the British or the Chinese draft) that the present system of law will continue to apply in Hong Kong after 1997. This means no political arrests in the territory/and attempts to remove anyone from the territory to the mainland of China would require reference as now to a Magistrate and the Governor/head functionary of the SAR.
3. In addition there is a passage in the Annex on rights and freedoms of individuals (very full in our draft, much shorter in the Chinese draft). One of our main tasks now will be to make this Annex as detailed as possible.
4. It is also relevant that people who currently leave mainland China to escape the regime, ie the illegal immigrants, are not ill-treated when they return to China.
5. If we were to seek a specific provision promising no persecution of those who had left the mainland for Hong Kong, which would mean about half the present population of the territory, it is doubtful whether the Chinese would give such an assurance. They would be likely to argue that the high degree of Hong Kong autonomy, different legal systems etc, would make any such assurance necessary. If, however, we were to succeed in persuading them, the public effect would not be reassuring or good for confidence, since it would imply that the safeguards in the agreement were worthless and that Peking had in fact been contemplating such reprisals.
6. It could be argued that the safeguards in the agreement are in fact worth little. I myself do not agree; but if they were to prove valueless assurances about no reprisals would be no more dependable.
7. This is not to say that people in Hong Kong who are "patriots" in Peking's eyes will not do better after 1997 than others. But preferment is different from persecution.


PERCY CRADOCK

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



Senior Unofficial Member
Sir S. Y. Chung, CBE, LL.D, D.Sc, PhD, JP

Office of Unofficial Members of
Executive and Legislative Councils

Swire House, 12th floor,
9-25 Chater Road,
Hong Kong

電話：

Tel:

來函檔號 Your Ref:

Date: 26 May 1984

本函檔號 Our Ref: SYC/LH

Mr. John Coles
Prime Minister's Office
10 Downing Street
London SW1
England

Prime Minister.

A.S.C. 7.

Dear Mr Coles,

When the Umelco Delegation was in London, there were criticisms from some Members of Parliament saying that the views and wishes expressed in the Umelco Statement issued on 9 May 1984 were those of a small minority of people in Hong Kong.

On 25 May a study conducted by Survey Research Hong Kong Limited (an independent research firm) was published in the South China Morning Post. The survey shows 82 percent of the random sample of 605 people approved in total or in part of the Umelco Statement and only a tiny 3 percent expressed disapproval. A photocopy of the publication is attached.

It should be appreciated if you would kindly submit this survey result to the Prime Minister for her information.

Thank you for your attention.

Yours sincerely,

S Y Chung

Enclosure

South China Morning Post

Vol. XL No. 143

HONGKONG, FRIDAY, MAY 25, 1984

Price \$2.00

A solid 'Yes' vote for Umelco 80pc of quizzed approve

By HALIMA GUTERRES

The people of Hongkong have given Umelco's document of doubt a firm thumbs up, according to a special survey commissioned by the SCM Post.

The study conducted by SRH (Survey Research Hongkong Ltd), an independent research firm, found that eight out of 10 people interviewed said they approved, at least to a certain extent, the statement issued on the eve of Umelco's London mission.

The statement has sparked a major controversy in both London and Peking, with members of parliament as well as Chinese leaders condemning it as unrepresentative of the views of Hongkong people.

The survey, however, paints a totally different picture and appears to be a clear vindication of the Umelco line.

And as a further vote of confidence in Umelco, the survey found that four out of 10 people interviewed believed the statement would have a positive effect and that it would result in a more favourable agreement for Hongkong after 1997.

The high degree of support for the Umelco statement is significant, particularly in the light of attacks from British members of parliament — notably Mr Edward Heath — who claim that Umelco does

Where views came from

The survey was conducted by telephone among a random sample of 605 people from a wide cross-section of the community.

Of the total, 336 were men and 269 women.

White collar workers accounted for 135, blue collar workers 281, and the rest were either retired, housewives, students or unemployed.

The respondents, aged 19 and above, were interviewed between last Friday and Sunday — nine days after the Umelco statement was issued — and the findings were tabulated by computer.

not represent the views of Hongkong people.

And the results are clearly at variance with the belief of some MPs that Umelco represents the views of only a minority of people here.

When asked if they approved or disapproved of the statement, 41 per cent of the respondents indicated full approval, another 41 per cent said they approved in part and only a tiny three per cent disapproved of the statement.

The remaining 15 per cent had no opinion, a figure which our researchers said was not high and which indicated wide public interest in the statement.

While the timing of Umelco's visit has come under fire from the former Governor of Hongkong, Lord MacLehose, opinions in Hongkong were split down the middle on this question.

About four out of 10 peo-

What the people think

An SCM Post special survey

The following are the questions posed to the 605 respondents in the survey:

Question 1.

Awareness of Umelco Statement	Of all respondents
Have seen or heard reports of the Umelco Statement	73%
Never heard of it	27%
	100%

In full	Of all respondents
	2%

From	Of all respondents
From TV	57%
From newspaper summary	38%
From radio	28%
From conversation	17%

● Respondents can check more than one answer each, hence total is more than 100 per cent.

Question 2.

Degree of approval or disapproval of statement	Of all respondents
Full approval	41%
Approve in part	41%
Disapprove of it	3%
No opinion	15%

ple (39 per cent) felt the statement was made at the right time but roughly the same number (42 per cent) disagreed.

Of those who disagreed with the timing, 22 per cent said the statement came too late and 20 per cent thought it was too early.

Almost half of those interviewed (45 per cent) endorsed the views expressed in the statement.

Interestingly the next largest group of respondents (23 per cent) felt the manifesto was too cautious, even though it has already sparked an uproar in both London and Peking.

Only 13 per cent felt the statement was too strong and the remaining 19 per cent held no views on the subject.

Questioned about their views on the effect of the statement on the Peking talks,

Question 3.

Views on timing of statement	Of all respondents
Right time	39%
Too late	22%
Too soon	20%
No opinion	19%

Question 4.

Views on expression of statement	Of all respondents
Just right	45%
Too cautious	23%
Too strongly expressed	13%
No opinion	19%

Question 5.

Views on effect of statement on Peking talks	Of all respondents
Result in a more favourable agreement for Hongkong	39%
No effect	24%
Result in a less favourable agreement for Hongkong	17%
No opinion	20%

which would support the view that Umelco was a great talking point among Hongkong people.

Five questions were posed to the respondents and after the first one, which dealt with awareness of the statement, the interviewers read out a 250-word summary of the Umelco statement to the respondents.

The purpose of this was to refresh the memories of respondents.

The summary outlined the Umelco statement and drew attention to the fact that it "stresses the concerns and fears felt by many organisations and individuals who have made representations to it (Umelco) in recent months on the question of Hongkong's future as a special administrative zone under Chinese sovereignty after 1997.

"Specifically it asks whether the UK Government could retain 'some residual status' in Hongkong after that date and it seeks guarantees that the rights of British nationality will be safeguarded after British withdrawal.

"It advocates that the essential elements of the Basic Law be stated in the Sino-British agreement and likewise the provisions of the Basic Law will incorporate the provisions of the agreement.

"The statement reflects concern over the way negotiations over Hongkong's future have been progressing and a distrust of Chinese authorities to honour the terms of the agreement on Hongkong's future.

"It sets out the unanimous views of the Unofficial members of the Executive and Legislative Councils."



Sir Sze-yuen ... I am very pleased.

We're happy says Sir S.Y.

The leader of the Umelco delegation to London, Sir Sze-yuen Chung, said last night the results of the SCM Post survey "proves that we have our finger on the pulse of public opinion."

When the results of the findings were revealed to him last night in a telephone interview, Sir Sze-yuen said he was "pleased" and "encouraged" by the findings.

"There has never been any question in my mind that we were accurately reflecting the views and wishes, fears and feelings of the people of Hongkong, but while I was confident that we had it right there was no way we could prove it.

"Now we have an independent survey to prove it, and I am very pleased," he said.

The survey was carried out in confidence and Umelco members were not told about it until the results were received.

He was particularly heartened by the fact that 81 per cent of the respondents indicated support for the Umelco statement, either in part or in full.

"I had counted on support from about three-quarters of the people in Hongkong, so in fact the results are a bit higher than I had expected. It's very good," Sir Sze-yuen said.

On the question of timing, he said this was a highly controversial point and the response appears to have been fairly neutral.

Replying to those people who felt that the statement came too late, Sir Sze-yuen made the point that Umelco could not say anything until the Foreign Secretary, Sir Geoffrey Howe, had made

(Cont'd on Page 10, Col 7)

I am happy—Sir S.Y.

(Cont'd from Page 1) public Britain's intention to relinquish sovereignty over Hongkong.

Sir Geoffrey's statement was not made until April 20.

"If we had said anything before then it would have been branded as being unduly speculative since people in Hongkong did not know which way we were going.

"So the timing was beyond our control," he said.

With about half the respondents indicating that the views expressed in the statement were right, and an equal number feeling it was either too cautious or too strongly

worded, Sir Sze-yuen felt it indicates that "we have struck just about the right tone."

He felt the fact that 39 per cent of the respondents believe the Umelco statement will result in a more favourable agreement on Hongkong shows that "on the whole it is balanced in our favour."

Sir Sze-yuen was disappointed and surprised that "only" 73 per cent of the respondents were aware of the statement.

After the blitz of media publicity given to the manifesto, he said he had expected even more people to know about it.



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AND TO IMMEDIATE HONG KONG, UKDEL SALON DE PROVENCE
MY TEL NO 539:
FUTURE OF HONG KONG: MESSAGE TO CHINESE FOREIGN MINISTER ON
NEGOTIATION OF ANNEXES.

1. PLEASE NOW PASS MESSAGE TO FOREIGN MINISTER AS SOON AS POSSIBLE, OMITTING PENULTIMATE SENTENCE IN ANTE-PENULTIMATE PARAGRAPH (BEGINNING QUOTE HE WOULD BE SUPPORTED UNQUOTE) FOLLOWING SENTENCE SHOULD NOW BEGIN QUOTE WE WOULD ARRANGE... UNQUOTE.
2. YOUR TELNO. 974. YOU HAVE AUTHORITY WHEN REQUESTING AN APPOINTMENT TO TELL THE MFA THAT YOU HAVE A WRITTEN MESSAGE TO DELIVER.
3. WE AGREE THAT IF POSSIBLE YOU SHOULD TRY TO COMPLETE THE APPROACH, INCLUDING DISCUSSION OF MODALITIES WITH THE MFA, BEFORE 30 MAY. BUT WE MUST LEAVE THIS TO YOUR DISCRETION. CERTAINLY THE MESSAGE TO WU SHOULD BE GOT IN AS SOON AS POSSIBLE BUT IF YOU ARE SQUEEZED FOR TIME AFTER THAT YOU MAY JUDGE IT BETTER TO LEAVE THE MODALITIES (PARTICULARLY THE QUESTION OF NAZARETH) UNTIL THE DUST OF THE LEGCO ADJOURNMENT DEBATE HAS SETTLED.

HOWE

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SECRET

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PS/MR LUCE
MR WILSON
HD/HKD
HD/FED
PS | LADY YOUNG
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FM HONG KONG 250730Z MAY 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 1429 OF 25 MAY
INFO IMMEDIATE PEKING

ms

FUTURE OF HONG KONG: REMARKS TO THE PRESS BY DENG XIAOPING.

1. TV AND RADIO NEWS BULLETINS IN HONG KONG AT LUNCH TIME TODAY (25 MAY) CARRIED AS THEIR MAIN ITEM REPORTS OF REMARKS MADE BY DENG XIAOPING TO HONG KONG AND MACAU JOURNALISTS IN PEKING COVERING THE CPPCC AND NPC, DURING WHICH DENG SAID THAT CHINA WOULD STATION TROOPS IN HONG KONG AFTER 1997. DENG'S REMARKS WERE RECORDED BY JOURNALISTS PRESENT AND BROADCAST VERBATIM. OUR TRANSLATION IS AS FOLLOWS:

'I WANT TO QUASH A RUMOUR. HUANG HUA AND GENG BIAO HAVE TALKED NONSENSE. (WHAT THEY SAID) IS NOT CENTRAL'S VIEW. THERE SHOULD BE TROOPS IN HONG KONG. HONG KONG IS CHINESE TERRITORY. WHY CANNOT CHINA STATION TROOPS THERE? THE BRITISH FOREIGN SECRETARY SAID THAT THEY (THE BRITISH) NATURALLY HOPED THAT CHINA WOULD NOT STATION TROOPS, BUT WOULD USE SOME OTHER METHOD. BUT THEY ALSO RECOGNISE THAT SINCE CHINA WILL RECOVER SOVEREIGNTY, CHINA HAS THE RIGHT TO STATION TROOPS. THIS IS EXTREMELY CLEAR. HOW CAN WE NOT HAVE THIS RIGHT? HOW (OTHERWISE) WOULD HONG KONG BE CHINESE TERRITORY?'

2. IN A NEWS REPORT CARRIED ON TVB'S CHINESE CHANNEL 'SOURCES' WERE QUOTED AS SAYING THAT DENG WAS TOLD AT HIS MEETING WITH HONG KONG AND MACAU DELEGATES TO THE NPC AND CPPCC THAT THERE WERE NOW

WERE QUOTED AS SAYING THAT DENG WAS TOLD AT HIS MEETING WITH HONG KONG AND MACAU DELEGATES TO THE NPC AND CPPCC THAT THERE WERE NOW ABOUT 7,000 BRITISH TROOPS IN HONG KONG. DENG SAID THAT IN FUTURE CHINA WOULD STATION ABOUT 3-5,000 TROOPS IN HONG KONG. THE PURPOSE WOULD BE TO MAINTAIN LAW AND ORDER AND PREVENT DISTURBANCES. THE TROOPS WOULD NOT INTERFERE IN INTERNAL ADMINISTRATION.

3. NCNA HAS ALSO CARRIED A DESPATCH (REFERENCE NO 052522) REPORTING REMARKS ON THE SAME SUBJECT MADE BY DENG AT THE MEETING WITH HONG KONG AND MACAU DELEGATES. THE RELEVANT PASSAGE FROM THE NCNA REPORT READS AS FOLLOWS:

"THE CHINESE GOVERNMENT HAS THE RIGHT TO STATION TROOPS IN HONG KONG AFTER RECOVERING CHINA'S SOVEREIGNTY THERE, DENG XIAOPING, CHAIRMAN OF THE CENTRAL ADVISORY COMMISSION OF THE CHINESE COMMUNIST PARTY, SAID HERE TODAY.

THIS IS A SYMBOL OF SAFEGUARDING THE TERRITORY OF THE PEOPLE'S REPUBLIC OF CHINA, AS WELL AS A SYMBOL OF SAFEGUARDING OUR STATE SOVEREIGNTY, HE ADDED.

SINCE HONG KONG IS PART OF CHINA'S TERRITORY, WHY CAN'T WE SEND TROOPS THERE? HOW CAN HONG KONG BE DESCRIBED AS CHINESE TERRITORY IF WE DON'T HAVE THE RIGHT TO STATION TROOPS THERE? HE DEMANDED."

DENG WAS ALSO REPORTED TO HAVE SAID THAT THE HONG KONG ISSUE WOULD BE SETTLED IN A SATISFACTORY WAY PROVIDED THE CHINESE GOVERNMENT'S POLICIES IN THIS REGARD WERE FOLLOWED.

4. THE HANG SENG INDEX FELL BY 30 POINTS IMMEDIATELY FOLLOWING THE FIRST REPORTS OF DENG'S REMARKS AT NOON.

5. COMMENT: THE TV PICTURE SHOWED DENG DELIBERATELY WALKING OVER TO THE HONG KONG JOURNALISTS TO SPEAK TO THEM.

6. RESIDENT CLERK PLEASE INFORM CLIFT, HKD. WE SHOULD BE GRATEFUL IF CLIFT WOULD INFORM THE GOVERNOR BEFORE HIS DEPARTURE FOR HONG KONG THIS EVENING.

HADDON-CAVE

NNNN

FUTURE OF HONG KONG

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~~RESIDENT CLERK~~

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TELEGRAM NUMBER 1430 OF 25 MAY
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INFO ROUTINE HK GOVT REPS WASHINGTON, CG NEW YORK, BRUSSELS,
UKMIS GENEVA

FUTURE OF HONG KONG: PRESS COVERAGE

SUMMARY:

1. AN OPINION POLL CONFIRMS STRONG PUBLIC SUPPORT (82 PERCENT) FOR UMELCO'S STANCE. CHINESE OFFICIALS IN PEKING CONTINUE TO MAKE REASSURING NOISES. WU XUEQIAN ON THE POSSIBILITY OF ANOTHER VISIT TO PEKING BY THE SECRETARY OF STATE? MORE PRESS SUPPORT FOR UMELCO VISITING PEKING. AN INDEPENDENT PAPER CALLS FOR MEASURES TO STABILIZE CIVIL SERVANTS' CONFIDENCE. ANOTHER SPECULATES ON A DIFFERENCE OF VIEWS BETWEEN THE GOVERNOR AND LONDON.

NEWS COVERAGE:

2. THE SOUTH CHINA MORNING POST (ENGLISH LANGUAGE) LET ITS FRONT PAGE WITH THE RESULTS OF A PUBLIC OPINION SURVEY CONDUCTED BY AN INDEPENDENT RESEARCH FIRM. 27 PERCENT OF RESPONDENTS SAID THEY WERE UNAWARE OF THE UMELCO STATEMENT. ON BEING REMINDED OF THE STATEMENT'S CONTENTS 41 PERCENT OF RESPONDENTS EXPRESSED FULL APPROVAL AND A FURTHER 41 PERCENT PARTIAL APPROVAL. ONLY 3 PERCENT DISAPPROVED. 45 PERCENT CONSIDERED THE STATEMENT'S WORDING WAS "JUST RIGHT" AND 23 PERCENT CONSIDERED IT OVER-CAUTIOUS. 13 PERCENT CONSIDERED IT TOO STRONGLY EXPRESSED.

3. CHINESE OFFICIALS CONTINUED TO DEVOTE ATTENTION TO HONG KONG DELEGATES TO THE NPC AND CPPCC AND TO HONG KONG JOURNALISTS COVERING

DELEGATES TO THE NPC AND CPPCC AND TO HONG KONG JOURNALISTS COVERING THESE MEETINGS. THEIR REMARKS WERE PROMINENTLY AND EXTENSIVELY REPORTED:

- (A) VICE-PREMIER YAO YILIN SAID THAT BRITAIN AND CHINA WERE DISCUSSING HOW TO PRESERVE HONG KONG'S PROSPERITY AND STABILITY DURING THE TRANSITION PERIOD; UNANIMOUS VIEWS WERE NECESSARY FOR A GOOD TRANSITION, BUT CHINA WOULD NOT INTERVENE IN HONG KONG'S DOMESTIC AFFAIRS. HE SAID HONG KONG WOULD NOT BE TURNED INTO A SPECIAL ECONOMIC ZONE LIKE SHENZHEN AND IT COULD CONTINUE TO PARTICIPATE IN INTERNATIONAL ECONOMIC BODIES.
- (B) JIANG WENGUI, HEAD OF THE BANK OF CHINA IN HONG KONG, SAID THAT THE MAIN PURPOSE OF HIS BANK WAS TO CONTRIBUTE TO HONG KONG'S PROSPERITY AND STABILITY AND TO CHINA'S MODERNIZATION. A STABLE FINANCIAL MARKET WAS ESSENTIAL AND THIS REQUIRED CAREFUL MONITORING BY THE LOCAL AUTHORITIES; HE SUGGESTED THAT THE HONG KONG GOVERNMENT SHOULD "PLUG THE LOOPHOLES FOR SPECULATION".
- (C) STATE COUNCILLOR JI PENGFEI WAS QUOTED AS SAYING THAT ZHAO ZIYANG'S STATEMENT ON HONG KONG'S FUTURE HAD BEEN FAVOURABLY RECEIVED IN HONG KONG AND ABROAD, HAD CONTRIBUTED TO HONG KONG'S PROSPERITY AND STABILITY AND HAD STRENGTHENED HONG KONG PEOPLE'S CONFIDENCE.
- (D) XU JIATUN (NCNA, HONG KONG) WAS QUOTED AS SAYING THAT THERE WAS A VERY HIGH CHANCE OF A UK/CHINA AGREEMENT IN SEPTEMBER. HE THOUGHT THE "ONE NATION TWO SYSTEMS" POLICY WOULD BE MAINTAINED FOR A LONG TIME BECAUSE IT WOULD HELP CHINA'S MODERNIZATION, BECAUSE THE PURGE OF EXTREME LEFTISTS IN THE COMMUNIST PARTY WOULD ASSURE CONTINUITY, AND BECAUSE CHINA WAS ESTABLISHING THE RULE OF LAW. HE SAID THAT CHINA WOULD NOT INTERFERE WITH HONG KONG'S AFFAIRS OR PLAY AN ADVISORY ROLE IN THE NEXT 13 YEARS. BUT PEKING WOULD CONSIDER ANY REQUESTS FOR CHINA'S INVOLVEMENT IN MAJOR DEVELOPMENT PROJECTS IN HONG KONG.

4. THE CHINESE FOREIGN MINISTER, WU XUEQIAN WAS QUOTED BY TIN TIN DAILY NEWS (PRO-CHINA) AS SAYING THAT THE SECRETARY OF STATE WOULD REVISIT PEKING AFTER THE AGREEMENT ON HONG KONG'S FUTURE WAS REACHED; HE HIMSELF MIGHT NOT REPEAT NOT BE ABLE TO VISIT LONDON THIS YEAR.

5. ALL PAPERS REPORTED THAT UMELCO WOULD MEET ON 25 MAY TO REVIEW ITS DELEGATION'S TRIP TO LONDON AND DECIDE ON FUTURE STRATEGY INCLUDING A POSSIBLE TRIP TO PEKING. AN UNNAMED LEGCO UNOFFICIAL WAS QUOTED AS SAYING THAT IF THE VISIT DID NOT TAKE PLACE IN THE NAME OF UMELCO, ITS SIGNIFICANCE WOULD BE REDUCED. UMELCO WOULD ALSO WANT TO TAKE INTO ACCOUNT WHICH CHINESE OFFICIALS THEY WOULD BE ABLE TO MEET.

6. THREE CIVIL SERVANT'S UNIONS WERE REPORTED TO BE PLANNING TO SEND A JOINT DELEGATION TO LONDON, PERHAPS IN JULY, AND ALSO TO PEKING TO EXPRESS THEIR VIEWS ON THE HONG KONG QUESTION.

7. HU YAOBANG WAS REPORTED TO HAVE FOLLOWED HIS VISIT TO SHENZHEN WITH ONE TO THE ZHUHAI SPECIAL ECONOMIC ZONE BORDERING MACAU.

WITH ONE TO THE ZHUHAI SPECIAL ECONOMIC ZONE BORDERING MACAU.

COMMENTARIES:

8. THREE INDEPENDENT PAPERS AGAIN URGED UMELCO TO VISIT PEKING AND OPEN A DIALOGUE. ONE (WAH KIU YAT PO) SUGGESTED THAT THEY SHOULD PRESENT CHINESE LEADERS WITH A MORE SUBSTANTION POSITION PAPER THAN THE STATEMENT ISSUED BEFORE THEIR DELEGATION LEFT FOR LONDON.

9. THE HONG KONG DAILY NEWS (INDEPENDENT), COMMENTING ON THE COMMONS ADJOURNMENT DEBATE DUE ON 25 MAY, ARGUED THAT THE MORALE AND EFFICIENCY OF THE CIVIL SERVICE WERE VITAL IF HONG KONG WAS TO REMAIN STABLE AND PROSPEROUS; THE AUTHORITIES MUST COME UP WITH MEASURES TO STABILIZE CIVIL SERVANTS' CONFIDENCE.

10. MING PAO (INDEPENDENT) SAID THAT THE HOSTILE BRITISH REACTION TO UMELCO WAS DUE TO THE DEMAND FOR ARRANGEMENTS TO RESETTLE BRITISH PASSPORT HOLDERS; EVEN IF BRITAIN WERE TO ACCEPT SUCH A DEMAND, IT WOULD DAMAGE UK/CHINA RELATIONS AND NOT LEAD TO A SATISFACTORY AGREEMENT ON HONG KONG'S FUTURE.

11. THE ECONOMIC JOURNAL (INDEPENDENT) SUGGESTED THAT THERE WAS A DIVERGENCE OF VIEWS BETWEEN THE GOVERNOR AND LONDON; BRITISH MINISTERS FELT THAT THE GOVERNOR HAD FAILED TO RESTRAIN THE UMELCO GROUP. LONDON WAS CONCERNED ABOUT THE RISK OF FURTHER SPLITS, AND IT WAS HIGHLY POSSIBLE THAT THE GOVERNOR WOULD RETIRE SOON AFTER THE UK/CHINA AGREEMENT WAS SIGNED. THE PAPER ALSO URGED UMELCO TO CONCENTRATE ON PERSUADING THE BRITISH PEOPLE RATHER THAN MP'S.

12. THE NEW EVENING POST (COMMUNIST) REITERATED THAT THE DRAFTING OF THE BASIC LAW COULD NOT BEGIN UNTIL THE UK/CHINA AGREEMENT WAS SIGNED; THERE COULD BE A SPECIAL NPC SESSION TO RATIFY THE AGREEMENT IF NECESSARY. A COMMENTATOR IN THE SAME NEWSPAPER SAID THAT IT WAS POSSIBLE UMELCO MEMBERS WOULD VISIT PEKING BUT THAT THIS MIGHT NOT HAPPEN IN THE NEAR FUTURE.

13. CHING PO (PRO-CHINA) SAID THAT THE BRITISH GOVERNMENT AND MP'S SHARED A UNANIMOUS VIEW ON HONG KONG AND UMELCO HAD RUN INTO A BRICK WALL. HONG KONG PEOPLE SHOULD REALIZE THAT CHINA'S PRESENT POLICIES WERE THE ONLY WAY OUT FOR THEM. TIN TIN DAILY NEWS (PRO-CHINA) AGAIN QUESTIONED UMELCO'S CLAIM TO REPRESENT PUBLIC OPINION.

HADDON-CAVE

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CONFIDENTIAL

d) Sir King, Colab
e) f.a. ✓
A.S.C. 20/5
②

SIR PERCY CRADOCK

minutes
29/5

After the OD(K) meeting yesterday the Prime Minister told me that she was concerned that Hong Kong Chinese who had earlier left mainland China to escape a communist regime might suffer some kind of reprisals when China secured control of Hong Kong in 1997.

The Prime Minister wondered whether we have provided, in any of the texts which will constitute the draft agreement, a passage which would in effect give an amnesty to these people and provide them with some protection. I shall be grateful for your comments.

mf

A.S. Colab.

Prime Minister.

Re see Sir King
Cradock's minutes
attached.

24 May 1984

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A.S.C. 29/5

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SIR PERCY CRADOCK

After the OD(K) meeting yesterday the Prime Minister told me that she was concerned that Hong Kong Chinese who had earlier left mainland China to escape a communist regime might suffer some kind of reprisals when China secured control of Hong Kong in 1997.

8F
The Prime Minister wondered whether we have provided, in any of the texts which will constitute the draft agreement, a passage which would in effect give an amnesty to these people and provide them with some protection. I shall be grateful for your comments.

A. J. COLES

24 May 1984

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

23 May 1984

HONG KONG

I enclose a copy of a letter which the Prime Minister has received from Lieutenant Commander Murray-Jones about our policy towards Hong Kong.

BF // I should be grateful if you could let me have a draft reply for my signature on behalf of the Prime Minister.

AC

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

NR.



SECRET

B.06755

PRIME MINISTER

c: Sir Robert Armstrong

OD(K): Testing Acceptability of Agreement

BACKGROUND

Flag A

Flag B

The paper circulated by the Private Secretary to the Foreign and Commonwealth Secretary with his letter of 18 May 1984 considers the means by which the acceptability of an agreement with the Chinese to the people of Hong Kong may be tested, prior to that agreement being put to Parliament. The paper describes the action which has already been taken through consultation with the Executive Council (EXCO), through Ministerial visits and through information gathering by the Hong Kong Government, leading to the unveiling statement made by the Foreign and Commonwealth Secretary on 20 April. It brings out the strong arguments for a positive soliciting of Hong Kong views, even in advance of the intended September publication of a draft agreement, against the background that the Government is committed to seeking an agreement with the Chinese which is acceptable to the people of Hong Kong. As against this, it describes the potential risks as including the creation of unrealistic expectations in Hong Kong about possible changes in the draft agreement, increasing the dangers of outright rejection of the agreement by the people of Hong Kong, and an adverse reaction by the Chinese (who appear to envisage no role for either the British or Hong Kong Governments in consulting the people of Hong Kong).

2. The paper examines six possible methods of consultation:-
- (a) a referendum;
 - (b) opinion polls which could either be overtly or covertly sponsored by the Government;
 - (c) an independent Commission of outside experts to take soundings in Hong Kong, on the lines of the Pearce Commission in Rhodesia;
 - (d) opinion sounding involving circulation of the agreement to existing institutions;

- (e) a more passive approach to opinion sounding through the circulation of a Green or White Paper;
- (f) a combination of (d) and (e).

The Sub-Committee had already concluded at its meeting on 11 January that there were strong arguments against a referendum, and the paper re-affirms this view. It also rejects courses (b) and (c) above, essentially on the grounds of unacceptability to the Chinese. It concludes in favour of a combination of (d) and (e) above, recommending that the draft agreement should be published with covering explanatory and commendatory statements. The paper also suggests that in the period before the publication of the draft agreement, consideration should be given to a further Ministerial "unveiling" statement giving further details of what to expect.

3. The Chancellor of the Exchequer and the Secretary of State for Trade and Industry cannot attend. They will be represented by the Economic Secretary, Treasury (Mr Stewart), and the Minister of State, Department of Trade and Industry (Mr Baker). Sir Antony Acland has also been invited to attend.

HANDLING

4. You should invite the Foreign and Commonwealth Secretary to introduce the discussion. Points to be established include:-

- (a) What form should continued testing of Hong Kong opinion take before the proposed publication of the draft agreement in September? Should a second "unveiling" Ministerial statement be made?
- (b) Is the Sub-Committee content with the method proposed in the paper for testing opinion after publication of the draft agreement? Exactly what mixture of active and passive sounding of public opinion does the Foreign and Commonwealth Secretary have in mind? Is Parliament likely to be satisfied by a testing of Hong Kong opinion on these lines?
- (c) What additional steps can be taken in the short term to minimise the risk of outright rejection by the people of Hong Kong of the likely form of agreement with the Chinese?

- (d) As regards future action with EXCO and the Legislative Council, should the next step be as proposed for the Governor to discuss the favoured method of opinion testing with EXCO members?
- (e) As regards timing, should the aim be to move towards a second unveiling Ministerial statement within the next four to six weeks?

CONCLUSION

5. Subject to the points made in discussion, you could guide the Sub-Committee to approve the conclusions in paragraphs 14 to 16 of the paper as a basis for the proposed discussion of methods of consultation between the Governor and the EXCO.

David Goodall

A D S GOODALL

22 May 1984



SECRET

B.06754

PRIME MINISTER

c: Sir Robert Armstrong

OD(K): Agenda Item Two

BACKGROUND

Flag A

The Foreign and Commonwealth Secretary's minute of 18 May covers a paper setting out the options for consultation with the Chinese Government during the period up to 1997. The paper summarises the Chinese proposals for handling this transition period which have at their heart the setting up of a Sino-British Joint Group formally located in Hong Kong. There is then an analysis of the Chinese and British objectives in relation to such a Joint Group which recognises that on the British side a balance has to be struck between the need to consult with the Chinese on a wide range of subjects before 1997, both to achieve necessary developments in Hong Kong and to educate the Chinese on the meaning of autonomy, and the need to avoid any encroachment by the Chinese on the United Kingdom's responsibility for the territory up to 1997, and thereby on Hong Kong's autonomy, before that date.

2. The paper identifies three options for consultation with the Chinese during the transition period:-

- (a) permanent machinery based in Hong Kong but with rotation of meetings between Hong Kong, London and Peking (the compromise proposal put forward by the Chinese during the Foreign and Commonwealth Secretary's visit to Peking in April).
- (b) a peripatetic group without a base, meeting as necessary in Hong Kong, London and Peking.
- (c) consultation through existing diplomatic channels.

It is recognised that these options could be varied on a time basis by dividing the transitional period into two parts using existing diplomatic contacts up to 1993, with more formal

machinery being established after that. Although Executive Council (EXCO) Unofficial members would probably favour this, the paper does not recommend it.

3. The Foreign and Commonwealth Secretary would prefer to see a carefully circumscribed joint group set up at the outset, not established in Hong Kong, but meeting as necessary in Peking, London and Hong Kong. He believes that, provided its terms of reference were carefully drawn, it might well provide a means of controlling Chinese interference in Hong Kong. Outline terms of reference are suggested in paragraph 19 of the paper, reflecting the baseline requirements set out in paragraph 15.

4. The Chancellor of the Exchequer and the Secretary of State for Trade and Industry are unable to attend the meeting and will be represented by the Economic Secretary, Treasury (Mr Stewart) and the Minister of State, Department of Trade and Industry (Mr Baker). Sir Antony Acland has also been invited to attend.

HANDLING

5. You should invite the Foreign and Commonwealth Secretary to introduce the discussion. Points to be established include:-
- (a) Does the Sub-Committee endorse the view that existing diplomatic contacts would not provide a satisfactory basis for negotiations with the Chinese up to 1997? Would the institutionalised consultation proposed by the Foreign and Commonwealth Secretary maximise the opportunities which may be open to us to influence the drafting of the Basic Law?
 - (b) Are the dangers of setting up the joint group (Chinese interference, fears in Hong Kong that it is the first step towards a Chinese takeover) containable/acceptable?
 - (c) Would a peripatetic joint group on the lines proposed help to educate the Chinese about Hong Kong systems and the concept of autonomy?
 - (d) Is Hong Kong Government representation within the UK membership of the joint group an essential UK requirement?
 - (e) Are the terms of reference for the proposed joint group, set out in paragraph 19 of the paper, acceptable?

SECRET

CONCLUSION

6. Subject to the points made in discussion, you could guide the Sub-Committee to approve the conclusions in paragraph 20 of the paper attached to the Foreign and Commonwealth Secretary's minute as a basis for discussion with EXCO and for responding to the Chinese proposals at the fifteenth round on 30/31 May.

David Goodall

A D S GOODALL

22 May 1984

CF meeting fixed

1830 on

23 May.



10 DOWNING STREET

From the Private Secretary

Prime Minister

OD(K)

We are having difficulty fitting in a meeting of OD(K).

The only time which both you and the Foreign Secretary can manage is Wednesday morning. If we had a meeting at 9 a.m. you would not be able to start work on the Women's Conference speech until about 10 a.m. But you would then have a clear run through until lunch, because MISC 101 is almost certainly not required.

Content for OD(K) to meet at 9 on Wednesday?

No - I shall need
the time for
the speech -
which is not
for will
not

DMS 2115

CONFIDENTIAL



FILE

cc: Ingham

207

10 DOWNING STREET

From the Private Secretary

21 May, 1984

HONG KONG

I have seen Hong Kong telegram number 1383 which attributes to a No.10 spokesman various statements about the Prime Minister's travel plans in the autumn.

I have discussed this with Bernard Ingham. No more has been said by our Press Department than that the Prime Minister is planning a trip to the Far East this autumn, the itinerary has yet to be fixed, Malaysia is one of the countries under consideration and the likely date for the trip is September.

I suggest that if you or our posts are questioned about the report in the South China Morning Post they refuse to be drawn further. It should be sufficient to say that, Malaysia apart, no plans have been made nor would we expect to announce any until much later in the year.

A. J. COLES

P. Ricketts, Esq.,
Foreign and Commonwealth Office

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FUTURE OF HONG KONG; POSSIBLE FAR EAST TOUR BY PRIME MINISTER.

1. THE SOUTH CHINA MORNING POST CARRIES ON ITS FRONT PAGE TODAY AN ARTICLE BY JILL HARTLEY DATED LONDON REPORTING THAT THE PRIME MINISTER IS PLANNING A TRIP TO THE FAR EAST THIS AUTUMN. THE ARTICLE SAYS THAT "DOWNING STREET IS ALREADY DRAWING UP THE SCHEDULE FOR A MAJOR TOUR A SPOKESMAN TOLD THE SOUTH CHINA MORNING POST THAT THE ITINERARY HAS YET TO BE FIXED AND THINGS ARE STILL IN THE EARLY PLANNING STAGES. BUT MRS THATCHER HAS EXPRESSED AN INTEREST IN VISITING PLACES IN THE EAST SHE HAS NOT BEEN TO BEFORE AS PRIME MINISTER. THOSE UNDER CONSIDERATION INCLUDE MALAYSIA, THE PHILIPPINES AND SOUTH KOREA..... NO 10 SAYS HONG KONG IS NOT, AT THIS STAGE, ON THE LIST, BUT IT IS NOT RULING IT OUT AS A POSSIBILITY". THE ARTICLE ADDS THAT THE LIKELY DATE FOR THE TRIP IS SOME TIME IN SEPTEMBER.

2. GRATEFUL FOR ANY BACKGROUND, AND TO KNOW WHAT LINE YOU WOULD WISH US TO TAKE IN RESPONSE TO PRESS QUERIES.

HADDON-CAVE

NNNN

Mr. [unclear]
Do you know who said all this, much of which would have been better not said?

A.J.C. $\frac{21}{5}$

N. Cross

Please see bits underlined. That is all we are saying at present - and we cannot avoid Malaysia since they have leaked it. I am in fact guiding away from Hong Kong.

We have never canvassed Philippines or S. Korea.

Rest is speculation or putting 2 and 2 together. Sup 2/5
Will you respond?

089

File



cc: Sir P. Craddock

10 DOWNING STREET

From the Private Secretary

21 May 1984

FUTURE OF HONG KONG: EUROPEAN TOUR BY THE CHINESE PREMIER

The Prime Minister has seen Len Appleyard's letter of 11 May which, as you know, she has since discussed with the Foreign and Commonwealth Secretary.

Having reflected on this matter over the weekend, the Prime Minister has decided that, given her extremely crowded diary in June, she will not be able to invite the Chinese Premier to include London in his European tour.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER

POSSIBLE VISIT BY THE CHINESE PRIME MINISTER

We ought to take a firm decision on this now.

You will recall the Foreign and Commonwealth Secretary's arguments in the attached letter. He was marginally against the visit but told you later that if your instinct was to go ahead with it, he would not press his objections. You wanted Sir Percy Cradock's views. These are attached.

I am a little doubtful whether, if you decide to invite Zhao, it would be right to make it an occasion for a lunch at Chequers. Given the way you were received in Peking, I think it would be better to have a large lunch or dinner at No. 10. You could do this on Monday, 18 June.

He may, of course, not be able to accept an invitation. But would you like us now to invite him for talks and lunch or dinner on Monday, 18 June?

Having been through
my diary
boxes -

A.S.C.

my
I don't think I
can take on

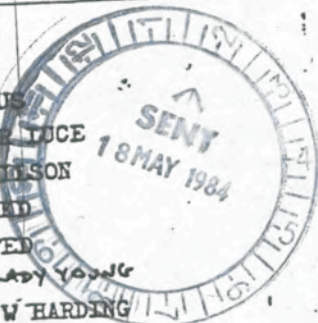
18 May 1984

any more in June without very good
reason, no invitation yet

FUTURE OF HONG KONG - ADVANCE COPIES

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71

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TELEGRAM NUMBER 1378 OF 18 MAY
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OUR TELNO 1353: FUTURE OF HONG KONG: UMEICO VISIT AND HOUSE OF COMMONS DEBATE.

THERE HAVE BEEN NUMEROUS FURTHER EXPRESSIONS OF SUPPORT DURING THE PAST TWO DAYS FOR UMEICO'S STATEMENT, AND FOR THEIR ACTIVITIES IN LONDON (OUR TELNO 1356: PARAGRAPH 4).

2. REACTIONS TO THE HOUSE OF COMMONS DEBATE ARE STILL TAKING SHAPE. MOST LOCAL PEOPLE WOULD FIND THE MANNERISMS AND LANGUAGE OF THE DEABTE ITSELF DIFFICULT TO COMPREHEND AND WILL, THEREFORE, TAKE THEIR CUE FROM WHAT THE LOCAL CHINESE LANGUAGE PRESS SAYS ABOUT IT. TODAY'S PRESS WILL THUS BE VERY IMPORTANT. A DETAILED ANALYSIS FOLLOW S BY SEPARATE TELEGRAM.

3. THE INITIAL REACTION OF MANY COMMENTATORS SEEMS TO BE THAT THE DEABTE DEMONSTRATED THAT BRITISH MP'S ARE ILL-INFORMED, WITH A TENDENCY TO PATRONISE, AND THAT THEY WOULD NOT IN THE LAST RESORT FIGHT FOR HONG KONG'S INTERESTS. A SPOKESMAN FOR THE HONG KONG OBSERVERS IS QUOTED AS SAYING, "THE FUTURE IS IN OUR HANDS AND NOBODY IS GOING TO HELP US." MANY COMMENTATORS HAVE MADE THIS POINT IN ONE FORM OR ANOTHER, SOME DESPONDENTLY, OTHERS WITH DETERMINATION. TODAY'S EDITORIAL IN THE SOUTH CHINA MORNING POST FOR INSTANCE SAYS, "TODAY OUR ADVICE IS TO PUT ASIDE THE GLOOM... WE MUST HAVE FAITH IN OUR OWN CAPABILITIES, THE GOOD SENSE AND PRAGMATISM OF CHINA, THE KNOWLEDGE THAT THEY HAVE KEPT AND DO KEEP PROMISES...".

4. PROMINENT COVERAGE HAS BEEN GIVEN TO COMMENTS APPARTLY MADE YESTERDAY BY MANY MEMBERS OF THE UMEICO DELEGATION IN LONDON TO THE EFFECT THAT IT WAS NOW UP TO THE PEOPLE OF HONG KONG TO MAKE THEIR VIEWS ABOUT THE FUTURE KNOWN PUBLICLY.

5. THE HANG SENG INDEX DROPPED 15.60 POINTS YESTERDAY, BUT THE CONSENSUS IS THAT THIS WAS ENTIRELY DUE TO TECHNICAL FACTORS AND SHOULD NOT BE INTERPRETED AS A REACTION TO THE DEBATE. IT HAS HOWEVER FALLEN FURTHER THIS MORNING.

6. WE SHALL SEND A FURTHER ASSESSMENT IN THE MIDDLE OF NEXT WEEK, WHEN REACTIONS SHOULD HAVE CRYSTALLISED.

HADDON-CAVE

Prime Minutes.

● Hong Kong.

2 important papers on:-

(a) testing acceptability

(b) a joint group in the
transition period.

Do you want there to be
discussed in OD (K)?

A.F.C. $\frac{18}{5}$.

Yes please
no

For this week's OD meeting.

A.F.C. $\frac{24}{5}$.



Foreign and Commonwealth Office

London SW1A 2AH

A

18 May 1984

Dear John,

Hong Kong: Testing the Acceptability of an Agreement

I enclose a paper dealing with the question of how we might test the acceptability to the people of Hong Kong of an agreement reached with the Chinese. Sir Geoffrey Howe has seen the paper in a slightly earlier version and is generally content with it, although he has not seen the final form. I am, however, circulating it now for weekend boxes.

The question of testing acceptability is becoming more pressing. The UMELCO delegation which has been visiting London has raised it. It was a theme of the Commons debate on 16 May. We are of course stressing that the process of consultation has already begun, following the Foreign Secretary's statement in Hong Kong on 20 April. We need to emphasise as much as possible that opinions expressed in Hong Kong are being taken into account in the negotiations. But there is also keen interest in the means by which opinion on a draft agreement would be assessed after its publication. We cannot hold much longer to the line that we are still considering this.

The paper proposes a form of consultation using existing bodies in Hong Kong. It rules out a referendum. That echoes the view very widely expressed in the House of Commons during the debate on 16 May.

If the Prime Minister and colleagues are content with the approach suggested in the paper, Sir Geoffrey Howe would propose to ask the Governor to discuss the question with EXCO. We should then have ready an agreed line which could be made public at an appropriate time.

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

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

HOW TO TEST THE ACCEPTABILITY OF ANY AGREEMENT WITH THE CHINESE IN HONG KONG

INTRODUCTION

1. HMG is committed to seeking an agreement with the Chinese Government on the future of Hong Kong which is acceptable to China, to Parliament and to the people of Hong Kong. This paper considers how we can best ascertain whether any agreement is acceptable to the people of Hong Kong prior to putting that agreement to Parliament.

2. A process of consultation with the people of Hong Kong has been under way since the beginning of the negotiations. The views and opinions of Hong Kong have been brought to bear on our conduct of the talks through consultation with EXCO, through Ministerial visits and through the information-gathering of the Hong Kong Government. Consultation has entered a new and more intensive stage since the Foreign Secretary's 'unveiling' statement in Hong Kong on 20 April. This initiated a fuller and more informed debate, which will probably pass through three phases:

- (a) The present phase, when the people of Hong Kong know the outlines of the likely agreement and have been told that a continuation of British administration after 1997 is not achievable;
- (b) (probably) in the summer, after a further Ministerial statement, when they are aware of more of the details both post and pre-1997;
- (c) September when a draft agreement with the Chinese has been published and prior to a full debate in Parliament, probably in November.

THE PERIOD UP TO SEPTEMBER

*No - 1/3
won't really work*

3. We need to develop as much as possible the concept that the process of consultation with the people of Hong Kong has been underway from the beginning of the negotiations. It is very

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important that HMG should not lay themselves open to the charge that they are trying to avoid taking account of Hong Kong ideas until too late. Our acknowledgement to the Chinese (and also, privately, to EXCO) that the agreement will not be susceptible to amendment after publication makes this all the more important. This is a point which has particular relevance in the Parliamentary context. We can expect close questioning about the efforts which were made to solicit Hong Kong opinion while the negotiations were still in progress.

4. These amount to strong arguments in favour of a positive soliciting of Hong Kong views even in advance of September. Such an approach also carries risks, however. The Governor has expressed the view that if Hong Kong people were asked to offer their views more actively on the unveiling statement of 20 April, we might find the general verdict to be that the prospect was not acceptable as it stood. Indeed the Hong Kong reaction to the unveiling statement has been steadily more critical as the message has sunk in. An associated risk is that Hong Kong people, encouraged to put forward proposals, might suggest elements for inclusion in an agreement which would be manifestly unattainable: that in turn could risk greater disappointment later on.

5. There is also the danger of adverse reaction on the Chinese side. It is the Chinese position (described in more detail in paragraph 10 below) that Hong Kong is an internal matter of national policy in which the people of Hong Kong do not have a decisive say. They do not recognise our right to consult the people of Hong Kong. They are prone to suspect that we are orchestrating anti-Chinese sentiment or colluding with public opinion to strengthen our position in the negotiation. Chinese principle and Chinese suspicion, however ill-founded both may be, must therefore be balanced against our political requirement to consult actively with the people of Hong Kong.

6. While the Chinese did not react unfavourably to the 20 April statement, and indirectly indicated their approval, their sensitivity to the idea that Hong Kong might have its own voice in negotiations on the future remains as acute as ever. The Ambassador

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in Peking has advised that while it might not cause difficulties if the Hong Kong Government sought views on the future in a more systematic and intensive manner, an invitation to Hong Kong's Councils and Boards to hold formal debates on the future could produce a strong reaction from the Chinese.

7. The publication of the manifesto produced by the Unofficial Members of the Executive and Legislative Councils (UMELCO) and the hostile Chinese reaction illustrates the need for caution in stimulating debate. The manifesto did imply criticism of the 20 April statement and did express unrealistic expectation on the part of the Hong Kong people. The Chinese did take strong exception, in part because the EXCO Unofficials are privy to the negotiations and the Chinese suspected collusion with HMG.

8. Our experience with the UMELCO manifesto suggests that we need to move very cautiously in encouraging organised debate through representative bodies in Hong Kong. Debate is well underway, in part as a result of the manifesto's appearance. It is not particularly favourable to HMG, although some of the points raised can be used in negotiation to impress on the Chinese eg the need for a detailed announcement. Chinese hostility has already been aroused. This points up the urgent need to put firmly on record a description of our own case and of the constraints within which we work, so as to encourage greater realism and a more constructive approach in Hong Kong. A further Ministerial statement initiating a second phase of debate is all the more desirable. At the same time we are forced to bear in mind the likely strong Chinese objection to our saying anything which is too revealing of the content of the talks or to our soliciting too actively an expression of Hong Kong opinion.

ASSESSING THE ACCEPTABILITY OF AN AGREEMENT AFTER SEPTEMBER

9. The main options for assessing the acceptability of an agreement to Hong Kong, in descending order of formality are:

- (a) a referendum with universal franchise, possibly with some outside independent supervision;

- (b) opinion polls, either Governemnt sponsored or privately arranged;
- (c) an independent commission of outside experts appointed to take soundings in Hong Kong (cf the Pearce Commission in Rhodesia).
- (d) an indirect process of opinion sounding, involving circulation of the agreement to existing institutions including EXCO, LEGCO, District Boards, Advisory Committees, Kai Fong (neighbourhood welfare) associations, etc, who would be asked for their views;
- (e) a more passive approach by which the proposals were published as a Green or White Paper with an invitation to the public and representative organisations to debate them and make their views known, to be followed by an assessment compiled by the Hong Kong Government;
- (f) a combination of (d) and (e).

The Chinese Position

10. The Chinese position is that:

- (a) Hong Kong is and always has been part of China, that the population is 98% Chinese and that only the Chinese Government can represent the views of the people of Hong Kong;
- (b) it is not acceptable that the principle of the resumption of sovereignty and right of administration should be subject to public consultation in Hong Kong. The Chinese maintain that the views of the 1 billion people in China must take precedence over the views of 5 million Hong Kong Chinese on an issue of fundamental national policy;
- (c) they are prepared to consult the people of Hong Kong about the preparation of the Basic Law, but they propose to conduct this consultation themselves and do not envisage any role for the British or Hong Kong Governments. The more formal is the action taken by the British or Hong Kong Governments to determine the

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views of Hong Kong people, the stronger Chinese opposition is likely to be. The Chinese have moreover specifically ruled out a referendum.

British requirements and the Chinese attitude

11. To secure Parliamentary approval for any agreement we reach with the Chinese we must be able to demonstrate that it is acceptable to the people of Hong Kong. This will be politically hazardous. Given a free choice the majority of people in Hong Kong would choose the continuation of British administration. They remain intensely suspicious of the good faith of Peking. They believe that there is no guarantee that an agreement reached in 1984 will be observed by Chinese leaders in 1997. There is thus a danger of a rejection of any agreement with the Chinese by the Hong Kong population. HMG can scarcely co-operate with the Chinese in forcing it upon an unwilling population. There would be no alternative to returning to the Chinese with the demand that additional requirements should be met. The Chinese have already told us that an initialled agreement will represent their last word and that it is inconceivable that we should not go on to signature. If this was in doubt there is a danger that they might take steps to provoke a crisis. Moreover we have accepted, and indicated to the Chinese, that we do not expect that an agreement could be amended between publication as an initialled draft and signature. It would indeed be most unusual for a text to be varied between these stages.

Advantages and disadvantages of each form of consultation

12. In light of these factors the advantages and disadvantages of the various options are as follows:

- (a) a referendum is out of the question given Chinese opposition. The Chinese have the means to frustrate any attempt to hold one. The Foreign Secretary has already said publicly that a referendum would present very real drawbacks. This was broadly the view expressed in the House of Commons debate on 16 May.
- (b) an opinion poll overtly sponsored by the Government would be

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ruled out on the same ground. Covert encouragement of such a poll might be possible. But the phrasing of questions would be extremely difficult and the Chinese would be likely to maintain anyway that we were behind the move. Moreover in those circumstances we would not be able to demonstrate that we had ourselves taken adequate steps to assess acceptability.

- (c) an independent commission is almost equally problematical. There could possibly be some pressure from Parliament for such an arrangement, but the Chinese would certainly regard any Pearce style commission as outside interference and seek to frustrate its work. The Pearce Commission is not an auspicious precedent and there was no pressure for one in the House of Commons debate. Such a commission would also be open to manipulation in Hong Kong by vociferous minority groups.
- (d) a period of public debate in representative and semi-representative bodies in Hong Kong as well as at grass-roots level, stimulated by an invitation to the public to express their views on a draft agreement, would produce a reasonable reflection of public attitudes after the earlier phases of less structural and less informed debate, . It would probably be less likely to provoke interference from the Chinese. The Chinese would however almost certainly still object on the grounds that it was not for the British to conduct any consultative process in Hong Kong. In Hong Kong, the UK and particularly in Parliament such a process might be open to criticism on the grounds that the present system in Hong Kong, however actively and carefully operated, is still not fully elective or fully democratic. But criticism on this score could probably be kept within acceptable bounds if the debate was conducted through a wide enough range of channels.
- (e) a passive sounding of public opinion would be less provocative to the Chinese but at the same time less credible as a means of gaining a clearer and authoritative picture of the views of the people of Hong Kong. It would be more difficult to demonstrate to Parliament that we had fully consulted the people of Hong Kong and any assessment of public opinion would be more

open to question.

(f) a mixture of (d) and (e) would provide a fairly representative sounding of opinion. It could be defended on the grounds that a mix of approaches (part stimulated debate, part receptiveness to volunteered opinions) exposed HMG to the widest practicable expression of views),

13. With options (d), (e) and (f), careful consideration would need to be given to the type of explanatory or commendatory statement which might accompany the publication of the draft agreement. We should ensure that public opinion in Hong Kong fully understood the constraints within which the negotiators had worked and the absence of any realistic alternative to what was on offer. (This process of explanation is already under way.) The more explicitly we were able to urge acceptance of the draft agreement by Hong Kong, moreover, the more likely it would be that the Chinese would be reconciled to the whole exercise. We cannot yet decide precisely in what way the draft agreement will be put to the Hong Kong people: but it is likely that both a document of explanation and a statement of commendation will be required.

CONCLUSIONS

14. Before the publication of the draft agreement we must seek to maintain what is demonstrably a process of active consultation with Hong Kong opinion. The active soliciting of views and in particular the organisation of formal debate could cause us problems both with the Chinese and with Hong Kong opinion: but we must in any case make use of Hong Kong views in negotiation with the Chinese where we judge that they will help in obtaining an acceptable agreement. It may be helpful to reveal more details of the likely agreement (if this can be done in a way tolerable to the Chinese) by means of a second Ministerial statement to put our position and its constraints more clearly on record.

15. For the final process of assessing the acceptability of a draft agreement we should use a mix of options (d) and (e) in para 12 above. We should encourage debate through existing bodies on the

basis of the published text of the draft agreement, together with covering explanatory and commendatory statements. The results, added to the monitoring of public opinion, would form the basis of advice from the Hong Kong Government to enable HMG to assess whether a recommendation to Parliament could be justified.

16. If this approach is agreed, we should probably not delay much longer in announcing how we intend to assess opinion. The question is increasingly asked and our reply that we have not yet decided is becoming less credible. If a second Ministerial statement were to be made within the next four to six weeks, that might be the right occasion. If it were to be delayed longer we might need to find another way of making the announcement, eg in answer to an inspired PQ or through a statement by the Governor.

EXCO AND LEGCO

17. The special position of these bodies will have to be taken into account. EXCO will probably expect to continue to be closely consulted. At the same time however, EXCO Unofficials may maintain or step up their present tactics of distancing themselves from HMG's position and taking up a public position at variance with it. A break with the Unofficials can by no means be ruled out. This would make very much more difficult our task of convincing Hong Kong opinion to accept the agreement negotiated. LEGCO has given notice that it will wish to debate the question when a draft agreement is published. The Chinese will be highly suspicious of this. It will be important to continue to represent LEGCO discussion as a part of the process of consultation not the key element, and to avoid any suggestion of a LEGCO veto.



PM/84/80

PRIME MINISTER

Future of Hong Kong: Agenda Item Two

- / 1. I attach a paper on our handling of Agenda item two (arrangements up to 1997) in talks with the Chinese about the future of Hong Kong.
2. The Chinese originally put forward their proposals for the handling of the transition period at the twelfth round of talks. They pressed the question of the establishment of a joint group very forcefully during my meetings with Chinese leaders in April, and Deng Xiaoping put forward a compromise proposal of a rotating joint group meeting in London, Peking and Hong Kong. I undertook to study this proposal constructively. We have told the Chinese that we hope to respond to their proposals at the fifteenth round on 30/31 May.
3. I believe that there are arguments for agreeing to a peripatetic group, as long as it is not established in Hong Kong. We must avoid any Chinese attempts to undermine the authority of the Hong Kong Government in the period up to 1997, but it is clear that the Chinese will try to meddle whether or not we agree to the establishment of a joint group. Such a group may well provide a means of controlling Chinese interference as long as its terms of reference are carefully drawn up. We shall need too to use any group to enhance the concept of local autonomy by including Hong Kong officials in work as much as possible. We need to discuss this tricky question with EXCO before putting our thoughts to the Chinese. Discussion so far has shown that they still believe that we should continue to argue for ad hoc diplomatic contacts in Peking up to 1993 rather than agreeing to the establishment of a joint group. I understand their concerns but, for the reasons set out in the attached paper I believe we should agree to a carefully circumscribed joint committee.

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4. I am copying this minute to OD(K) colleagues, and to Sir Robert Armstrong.

A handwritten signature in blue ink, consisting of stylized, overlapping letters that appear to read 'G. Howe'.

GEOFFREY HOWE

Foreign and Commonwealth Office

18 May, 1984

SECRET

FUTURE OF HONG KONG: CONSULTATION WITH THE CHINESE GOVERNMENT IN THE PERIOD UP TO 1997

INTRODUCTION

1. This paper considers the options for consultation with the Chinese Government during the period up to 1997.

CHINESE PROPOSALS

2. The Chinese proposals were originally put during the twelfth round of talks and expanded at the thirteenth round. At the fourteenth round the Chinese tabled a draft protocol associated to the agreement setting out their main proposals for the period up to 1997. The main features of the Chinese plan are:

- (a) The transitional period should last from the date on which the agreement in principle was reached until 1 July 1997. In that period the UK would have responsibility for maintaining stability and prosperity in the territory.
- (b) HMG would hand over Hong Kong intact to the Chinese Government including all land, facilities and official documents that belonged to the Hong Kong British authorities, which the Chinese Government would in turn hand over to the Hong Kong SAR Government.
- (c) A Sino-British Joint Group would be set-up and located in Hong Kong. The chief representative of each side would be of ambassadorial rank. The group's tasks would include:
 - (i) co-ordinating the implementation of the Joint Declaration.
 - (ii) Discussing matters relatively to the smooth transfer of Government.
 - (iii) Other matters which the two sides deem necessary to discuss.
- (d) The joint group would not be an organ of power nor would it interfere in the day to day work of the Hong Kong authorities. The joint group would be able to set up a number of special sub groups, as required.
- (e) An oral agreement would be reached that the joint group should rotate between Hong Kong, Peking and London.
- (f) The issues which the joint group was unable to settle would be submitted to a higher level for negotiated settlement.
- (g) The Hong Kong British Authorities should provide facilities for

the joint group and sub groups, including information and policy papers. The Hong Kong government would not participate in the group.

- (h) The British and Chinese sides would work together in conducting talks with other countries and other international organisations so that the Hong Kong SAR would continue to enjoy preferential treatment and separate quotas after 1997.
- (i) HMG would provide the Chinese government with information about the issuance of Hong Kong currency and Hong Kong's financial system and economy. The Hong Kong branch of the Bank of China would become a member of the Advisory Committee on the Exchange Fund.
- (j) The British side might grant land leases running beyond 1997 with the approval of the Chinese side. Revenue obtained from these leases should be paid into a Hong Kong development fund which the British side might draw on with China's approval. The number of land leases to be granted each year must be decided through discussions between the two sides.
- (k) HMG might with Chinese approval conclude civil aviation agreements or arrangements which over-run 1997.
- (l) Local Chinese should take part gradually in Hong Kong administration during the transitional period. The joint group would need to cover joint selection of personnel. The people selected to participate in the administration must support the resumption of sovereignty by China.
- (m) After the promulgation of the basic rules the two sides would cooperate to establish executive, legislative and judicial set ups in line with the Basic Law.

INITIAL BRITISH RESPONSE

3. At the 12th and 13th rounds, as well as during the Secretary of State's visit, the British side said that ad hoc consultation along existing channels was likely to be sufficient, and that Chinese proposals would create the impression of a condominium. Before he left Peking, the Foreign Secretary expressed his willingness to examine constructively the proposal that there might be a joint group which might meet in Hong Kong, London and Peking.

4. At the 14th round of talks the Ambassador made a statement explaining the extent to which Hong Kong was already autonomous and to which Hong Kong Chinese already took part in administration. He said that we hoped to present a reply to Deng's proposal by the 15th round (30/31 May).

CHINESE OBJECTIVES

5. The Chinese proposal reflects mistrust of British motives and intentions. They suspect that the British have the power to siphon everything of value out of Hong Kong in the transition period so as to leave China with worthless shell in 1997, and that there are others bent on disturbing Hong Kong economically and politically. Their comments indicate a wish to have a say in a number of other aspects of the administration of Hong Kong, despite their professed intention not to interfere (eg over the exchange fund and the selection of personnel). The Chinese also wish to have a say in constitutional development in Hong Kong before 1997. (cf their demand that legislative, administrative and judicial arrangements in Hong Kong should be revised before 1 July 1997, to bring them into line with the requirements of the Basic Law).

6. The probable Chinese objectives are:

- (i) to arrange a smooth transfer of government in 1997:
- (ii) to maintain Hong Kong's stability and prosperity in the meantime, so that they take over Hong Kong as a going concern:
- (iii) to ensure that the "right" Hong Kong people are ready to take over the administration of the territory on that date and that the pattern, style and composition of the SAR Government in 1997 are in accordance with Chinese ideas and the Basic Law:
- (iv) to secure British co-operation as far as possible on (i) to (iii), and to monitor British performance:

- (v) to obtain as much information as possible about how Hong Kong works:
- (vi) to exclude HMG and the Hong Kong Government from any involvement in the formulation of the Basic Law, and the process of consultation with Hong Kong about the Basic Law.

BRITISH OBJECTIVES

7. British objectives for the period up to 1997 are of course different although they do to some extent coincide with those of the Chinese in paragraph 6 (i) and (ii) above. We share the Chinese wish to maintain the stability and prosperity of Hong Kong up to 1997, and, to ensure a smooth transition at that time, we shall wish to consult with the Chinese on a number of points to this end. But we also aim to maintain the authority of Hong Kong Government in the period up to 1997 and to prevent Chinese interference in order to maintain confidence. We lay stress on the principles of autonomy and continuity. We do not accept the notion of a Chinese take over of government but aim at a handover by the Hong Kong Government to that of the SAR.

Factors Affecting HMG's Position

8. In deciding on our attitude to a joint group, we have to take account of the following points:
- (a) When an arrangement for an SAR under Chinese sovereignty is announced, public opinion will be highly sensitive to any evidence that HMG's responsibility for the territory is likely to be whittled away in the period up to 1997 and that the Chinese are in fact endeavouring to encroach on autonomy before that date.
 - (b) There will be subjects on which we must consult the Chinese. The principal ones are:
 - (i) procuring Hong Kong's future position within the GATT, MFA etc.
 - (ii) Continued application of international treaty obligations affecting Hong Kong.
 - (iii) Land leases.
 - (iv) Possibly other matters unresolved during negotiation of

the agreement, eg civil aviation.

- (c) There will also be subjects on which it would help us to keep the Chinese informed, as part of the process of education.

Examples are:

- (i) Plans for the development of a more representative structure of government within Hong Kong.
 - (ii) Major issues of domestic policy after decisions have been taken. There are however sensitive subjects (eg the detailed management of the Exchange Fund, Civil Service, security questions etc) on which we could not provide information without impairing Hong Kong's administration prior to 1997. In particular we must resist Chinese attempts to interfere directly in the management of the Exchange Fund or to control appointments to the public service before 1997.
- (d) We shall face the dilemma that, for the sake of confidence, we shall wish to demonstrate that HMG's links with Hong Kong remain but that the principles of autonomy and continuity will demand that progressively greater authority is devolved to the Hong Kong Government before 1997 in order to add credibility to the proposition that that Government will hand over to or rather become the SAR Government at that date.
- (e) The need for consultation with the Chinese will will increase progressively as 1997 approaches. In the last few years close cooperation will be essential
- (f) The Secretary of State has undertaken to examine constructively Deng Xiaoping's proposal for a peripatetic joint group.

The Options

9. These are:

- (a) Some form of permanent machinery based in Hong Kong but with rotation in practice between Hong Kong, London and Peking, as proposed by the Chinese.
- (b) A peripatetic group without a base, meeting as necessary in London, Hong Kong and Peking.
- (c) The continuation of existing diplomatic contacts through the Embassy in Peking with the Chinese Ministry of Foreign Affairs.

10. These options could be further varied on a time basis. The Chinese have divided the transitional period into two parts: from now until about 1993 and from then until 1997. This division has some logic. The Basic Law may not be issued until 1993. Although we should still press the Chinese to expedite this, we may not persuade them. After 1993 there will be only four years to go before the termination of British administration and HMG will need to cooperate closely with China to ensure a smooth transition. We could therefore consider another option: (d) the use of existing diplomatic contacts up to 1993 and the establishment of more formal machinery after that.

Argument

11. The establishment of a joint group with a base in Hong Kong would certainly be seen by public opinion in the territory as a move towards Chinese control before 1997. We should therefore strongly resist that option, even if the group were in practice to meet in London and Peking as well as Hong Kong. The choice therefore lies between the continued use of diplomatic contacts in Peking, a group without a base meeting in the three places or a combination of these arrangements, possibly with a change from one to the other in 1993.

12. It would not be realistic to argue that the system of diplomatic contacts should be used up to 1997. This would not be a basis for satisfactory negotiation with the Chinese, given the Secretary of State's agreement to examine their proposal constructively. Nor would it necessarily suit us. The increasing need for information and cooperation will require more frequent and specialist contacts than could be met through discussions between the Embassy and the Chinese MFA. We shall need to discuss an extensive programme of diplomatic approaches to encourage the governments to support the concept of an autonomous Hong Kong. Work on GATT will only be one aspect of this. Civil aviation questions may well require detailed discussion (which could be delegated to a sub-group. Moreover the use of a joint group would give us a better chance of involving Hong Kong officials in the 'educational' side of the work. (See 14 and 15(h) below).

13. Even a joint group without a base could be seen as increasing China's ability to interfere in Hong Kong during the transitional period. The Chinese will however have the means of doing this whether or not we agree to the establishment of a joint group. There is evidence that they are preparing for such activity through their own channels in the territory. We should not be able to prevent such interference by refusing to agree to the establishment of a joint group: indeed there would be advantages in agreeing to such a group in order to have a means of monitoring and controlling the Chinese disposition to interfere.

14. There might also be advantages for us in the establishment of a joint group:

- (a) The Chinese officials involved might be brought to look more sensibly at the realities in Hong Kong.
- (b) We would have an opportunity to demonstrate in practice the degree of real autonomy existing in Hong Kong. In a number of areas, eg staffing of the public service, this autonomy will significantly increase between now and 1997.
- (c) We might be able to obtain information from the Chinese on the drafting of the Basic Law in return for providing information on the functioning of the Hong Kong Government. This would not be easy. The Chinese have said that constitutional developments in Hong Kong should be adjusted in line with the Basic Law. This would clearly impair the principle of local autonomy. We have to take account of Chinese views and we should argue strongly as possible that HMG and the Hong Kong Government should logically play a major part in contributing to the preparation of the Basic Law.

15. We could not however agree to the establishment of a joint group unless certain requirements were met:

- (a) There should be no standing machinery in Hong Kong. .
- (b) The group should have no executive or policy role. .
- (c) The concept of the development of Hong Kong autonomy should be accepted. We should argue strongly the proposition that, apart from the transfer of sovereignty, there should be no change of government in 1997.

- (d) A major function of a joint group should therefore be the provision of information on how Hong Kong operates autonomously, without interference by the sovereign power. This would be useful in the case for instance of the Exchange Fund. There would be no objection to briefing the Chinese fully on how the Exchange Fund Advisory Commission operates in practice but we should make clear that knowledge of the detailed movement of funds between different accounts is and must be the confidential preserve of a very small group of people in Hong Kong. HMG is not involved in it.
- (e) We should strongly resist any other Chinese moves to oversee actions which are the preserve of the Hong Kong Government. On land leases for instance, the idea of agreement between the British and Chinese Governments on individual future grants would be rejected. But it would be reasonable to agree to safeguards which would reassure the Chinese that grants would not be made indiscriminately or that funds from them would be frittered away before 1997.
- (f) To this end, there should be no permanent machinery of sub-groups. They should be set up to deal only with specific matters arising from the agreement and should be wound up once their tasks were completed.
- (g) The terms of reference of the joint group and any sub-groups should be tightly drawn to emphasise their limited liaison role.
16. In order to boost the position of the Hong Kong Government we should aim for the maximum participation by Hong Kong officials in the joint group and sub-groups. One problem about this is that the argument if pressed too far, logically points to the siting of the joint group in Hong Kong. But it is essential that we should not collaborate with the Chinese in a system which edged the Hong Kong Government out of the picture. It is most unlikely that the Chinese would accept that the Hong Kong Government should be formally represented on the group. We should have to accept the concept of a bilateral group but we must argue on the grounds of practical efficiency, and in accordance with the principle of autonomy and continuity, that the people who are directly involved in Hong Kong should take part.
17. If we were to accept the idea of a joint group with the above

conditions, it might be argued that it should not come into operation until the later phase of the run-up to 1997, eg after 1993. This would have the initial advantage of reassuring Hong Kong opinion about early Chinese interference. On the other hand the need for consultation is not likely to increase with a sudden jump in 1993 but rather to rise steadily over the period. The need to educate the Chinese at a policy making level about the concept of autonomy and the realities of Hong Kong's administration will not be one that can be ignored for 9 years. We are more likely to get our points over effectively if we accept the Chinese idea of a joint group right away. Moreover it would be known in advance in Hong Kong that there would be a sharp change of system in 1993 and that date would become in its turn another focus of lessening confidence. It would in balance be better ^{for Hong Kong to} be involved in the early setting up of a joint group with limited functions from the start and keep as much control of it as possible.

Presentation to the Chinese

18. If we were to agree to a joint group on the above terms we should still be rejecting many of the Chinese proposals. We should need to present our position as positively as possible. We should make clear that we would agree to the establishment of a joint group only as part of a satisfactory agreement with the Chinese. We should make a comprehensive statement in the talks which would develop our ideas on how Hong Kong should evolve towards further autonomy. In particular we should explain our ideas on future management of the civil service through an independent public service commission and describe the general principles on which we believe that constitutional arrangements before and after 1997 should be based. We should also set out the terms of reference by which we believe the joint group should be guided.

Terms of Reference

19.

- (a) The group would meet as required in Peking, London or Hong Kong. The British Ambassador in Peking and the relevant Assistant Foreign Minister in the Ministry of Foreign Affairs

would act as alternate Chairman and maintain contact on matters relating to the group between meetings.

- (b) The purpose of the group would be to discuss matters arising from the agreement between the British and Chinese governments on the future of Hong Kong, to exchange information in the period up to 1997 and to provide cooperation for a smooth transfer after that date. The role of the joint group would be confined to liaison and consultation; it would have no standing machinery or executive functions.
- (c) The precise matters for discussion would be for agreement between the two governments. They would include the action to be taken by the British and Chinese governments in consultation with Hong Kong to ensure the maintenance of Hong Kong's participation in GATT and the MFA etc and the continued application of international treaty obligations affecting Hong Kong.
- (d) Where necessary specialist sub-groups could be established to deal with particular subjects requiring expert assistance. Such groups could meet as necessary in Peking, London or Hong Kong.
- (e) Personnel of the Hong Kong Government would participate as necessary in the joint group or its sub-groups. The Hong Kong Government would furnish information to the joint groups or sub-groups at the request of both governments.

Conclusions

20.

- (a) We should agree to the establishment of a joint group. We should not accept that it should be based in Hong Kong but could agree to meetings as necessary in Peking, London or Hong Kong.
- (b) The group should be for liaison and consultation with no executive powers. Its terms of reference would be as above.
- (c) We should not accept the Chinese proposition that the assets of the Hong Kong Government should be taken over by the Central Government of the PRC in 1997 and in

turn passed on to the SAR. We should insist on a direct handover between the Government of Hong Kong and the Government of the future Hong Kong SAR.

- (d) We should use the joint group to promote the idea of a handover between the two local governments. We should provide information in order to educate the Chinese on the concept of autonomy.
- (e) We should require that Hong Kong personnel would take part in the joint group and sub-groups.
- (f) We should make clear to the Chinese that we would see the work of the joint group increasing as 1997 approached, but we would not propose any change in institutionalised arrangements by any particular date. We could agree to review the position with the Chinese in the early 1990's:
- (g) We should ensure that references to the joint group in any agreement or associated protocol or exchange of notes made clear that the joint group had no executive functions and was not an organ of power.
- (h) HMG and the Hong Kong Government should cooperate to speed up as much as possible the process of reducing the areas of HMG's involvement in Hong Kong administration in order to establish a fully autonomy administration well before 1997.

HONG KONG : Future
PE 14



1984



SPEECH BY THE RT HON SIR GEOFFREY HOWE QC MP
SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH
AFFAIRS OPENING THE DEBATE ON HONG KONG IN THE
HOUSE OF COMMONS: WEDNESDAY, 16 MAY 1984

I am very glad that we have the opportunity tonight to debate the important issue of Hong Kong's future. It is a matter of prime concern to Her Majesty's Government - and, indeed, to right hon and hon Members in all parts of this House, many of whom have of course visited the territory and know it well. For that reason I have no need to recall in detail the unique conjunction of history and geography that has fashioned Hong Kong. Over almost a century and a half, a diverse community has grown and flourished there. British administration, in partnership with Chinese energy and creativity, has secured for Hong Kong an economic influence in the world out of all proportion to its size.

Anyone who has visited one of the thriving new towns in which literally millions of Hong Kong people have made their homes and are making their lives will have been moved, as I was, by feeling the powerful sense of community and vitality that prevails. They will have been reminded vividly of our responsibility for the future of this unique society.

Inescapably, the future has to be seen against the background of one all-important fact - the fact that 92 per cent of the land area is held under a lease which expires in 1997. That reality, which no-one can ignore, means that the future of Hong Kong is inseparably bound up with the great and historic nation that is China.

In that situation, the future of a unique society calls for a unique solution. That is why we have for the last eighteen months been engaged with the Chinese Government in the task of exploring

what arrangements can best secure the future of the territory. Perhaps the most encouraging feature of this joint endeavour is that the two governments share a common objective - the objective of reaching an agreement which will ensure the stability and prosperity of Hong Kong. The Chinese government have many times made it clear that that is their purpose. And it is, of course, our own.

The outcome of these negotiations will affect most of all the people of Hong Kong. It is natural that they should be anxious. I fully understand their very real concern.

Hon Members will have heard something of this for themselves from the two groups from Hong Kong who are now in London. Many will have met the delegation of Unofficial members of Hong Kong's Executive and Legislative Councils. I had a long discussion with them myself yesterday evening. I should like to take this opportunity to pay a tribute to the very important contribution that the Unofficial members of the two Councils make, in their different ways, to the administration and the life of Hong Kong. The Unofficial members of the Executive Council in particular play an important dual role. On the one hand, they are close advisers of the Governor. And on the other, they seek understandably to express their understanding of the wishes and concerns of the people of Hong Kong to a wider public, including of course members of this House.

It was in that latter, independent, capacity that they associated themselves with the statement which I understand has been sent to all members of the House. The House will readily understand - but I wish to place the matter absolutely beyond doubt - that that statement was issued entirely on their own initiative. Its terms were not the subject of any prior consultation with Her Majesty's Government, either in London or in Hong Kong. To put it plainly, they were exercising the right of free speech, as it exists today in Hong Kong.

Discussions on Hong Kong's future dominated the visits to Peking and Hong Kong which I undertook last month. My visit to Peking lasted from 15 to 18 April. My aim there was to review the course of the negotiations so far and to give them a new impetus at Ministerial level. I held talks with the Chinese Foreign Minister Wu Xueqian, with State Counsellor Ji Pengfei, Head of the Hong Kong and Macao Office of the State Council, with Premier Zhao Ziyang and with Chairman Deng Xiaoping. By far the greatest part of the talks was spent in serious and detailed discussion of all aspects of the future of Hong Kong. The meetings were businesslike and the atmosphere good.

I went on to Hong Kong and there held discussions with the Governor and the Unofficial members of the Executive and Legislative Councils. This was my fifth meeting, my first in Hong Kong, with members of the Executive Council. I also met representatives of a wide range of local opinion including members of the Urban Council and the district boards, and of the business community.

In Hong Kong, my purpose was not only to consult, but also to explain the way in which the Government is approaching the present negotiations on Hong Kong's future. This I did in a public statement which I made on 20 April. Copies have, of course, been deposited in the library of the House.

The House will understand why it was not possible, then, and would not be right now, for me to go into detail about the content of our negotiations with the Chinese government. These negotiations are still in progress. Both sides are agreed that they must remain confidential. I do of course appreciate the difficulties which that need for confidentiality poses for members of this House, and even more for the people of Hong Kong. But I have no doubt that confidentiality is important for their success. And I believe that what I was able to say in Hong Kong and can tell the House tonight will allow discussion on the future to be conducted on a reasonably informed basis.

Let me now describe to the House the basis of our approach. I have no doubt that it was right to express in Hong Kong my clear conclusion that it would not be realistic to think of an agreement that provided for continued British administration in Hong Kong after 1997. It was right for us to explore every possibility before coming to that conclusion. But it is a conclusion that emerges inescapably from the negotiations and most of all from the reality that I have explained, the expiry only 13 years hence of the lease over 92 percent of the territory. In those circumstances we concluded that it would be right to concentrate on other ways of securing the assurances necessary for the continuity of Hong Kong's stability, prosperity and way of life.

This brings me to the key question of continuity. 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. They have also underlined their recognition that Hong Kong should continue as a separate entity within the international economic and trading community. These points were reaffirmed only yesterday by Premier Zhao Ziyang when he addressed the National People's Congress in Peking. We share with the Chinese Government the strongest possible common interest in these objectives. 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 of Hong Kong, together with the essentials of the present systems.

It is important to understand the high degree of autonomy now exercised by the Hong Kong Government. Decisions affecting the day to day life of Hong Kong are taken in Hong Kong and not by Her Majesty's Government in London. I cannot emphasise too strongly the fact that Her Majesty's Government does not, and will not, look on Hong Kong as a source of revenue. Decisions affecting Hong Kong, its economy, its taxes, its land, the management of its currency are taken in Hong Kong and by Hong Kong.

The widespread confidence in Hong Kong which today prevails springs very largely from that autonomy. If confidence is to be maintained, the people of Hong Kong, as well as governments and investors around the world, need an assurance that this autonomy will be preserved after 1997. That assurance can best be provided by a detailed and binding agreement between the British and Chinese Governments, an agreement which plainly and fully sets out the arrangements for the future.

I can understand the real concern in Hong Kong about the idea that two distinct political and economic systems, the socialism of the People's Republic of China and the free market system of Hong Kong, might co-exist under a single sovereignty. It is my belief that the Chinese Government share the desire of Her Majesty's Government to see the continuation in Hong Kong of a society which enjoys its own economic and social systems and distinct way of life. It is, of course, the case that Hong Kong has not existed in the past, could not indeed have survived over any period, in a state of hostility with China. It is in this context that the Chinese Government has evolved the unique and imaginative concept, which Chairman Deng Xiaoping himself described to me, of two systems within one nation.

It is against this background that it is possible to foresee a situation in which Hong Kong would, as part of China, enjoy a high degree of autonomy which would last for at least fifty years from 1997.

In such a situation, that autonomy would extend to administration, the maintenance and making of laws (including the Common Law system), the continuation of Hong Kong's own long-established and familiar system of justice and responsibility for public order in the territory. Under such arrangements, the laws of Hong Kong would be based upon the present system and existing freedoms would be maintained. Hong Kong would manage its own public finances. 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's role as an international financial and commercial centre is of particular importance for its prosperity. This depends upon maintaining its present openness to the world and its extensive and direct economic relationship with its trading partners. Arrangements would need to be made, in co-operation with the other countries concerned, to ensure that Hong Kong remained an important participant in regional and world economic organisations such as the Asian Development Bank and, in particular, the GATT.

We are fully aware of the crucial importance for Hong Kong's trading activity of its status in the latter organisation and indeed of its ability to manage its international economic relations as a whole.

In the same context it is essential to maintain an independent Hong Kong dollar, which would, as now, circulate freely as an internationally convertible currency. That convertibility is indeed a key element in Hong Kong's prosperity. It must be underpinned by really effective confidence.

The people of Hong Kong are naturally enough asking for assurances that continuity and confidence will be maintained. Neither in Hong Kong nor anywhere else in today's troubled world can any government give a cast iron assurance about the future. But certainly we need to do all we can to meet Hong Kong's concerns.

That underlines the importance of our objective: a binding international agreement in which arrangements for Hong Kong's continuing prosperity and stability, based on a substantial degree of autonomy, would be formally recorded. We are looking for the clarity and the detail which is essential to give confidence to all those affected by the Agreement, in Hong Kong and elsewhere.

The success of such an agreement can never, as I have said, be absolutely guaranteed. Nor do I believe that it would be realistic to try to impose an external regulator on the freedom of the two sovereign states concerned. But history shows that international obligations are most likely to be observed when they coincide with the common interests of both parties. That is certainly the case over Hong Kong. Equally, these obligations are most likely to be observed when those two parties already enjoy good relations with each other. The fact that these good relations exist was brought home to me in Peking. In discussion of general international issues, I was struck by the number of subjects on which the British and Chinese Governments share very similar views.

At the conclusion of the negotiations over Hong Kong, if we are able to bring them to a successful conclusion, the international prestige of both countries would be at stake.

The Chinese Government, like our own, attaches the highest importance to their country's international reputation. Moreover, we should share a clear common interest that Hong Kong should continue to flourish. This would be an important additional incentive to maintain the agreement.

This brings me to the question of the acceptability of an agreement to the people of Hong Kong. Throughout our negotiations with the Chinese Government, our consultation with the people of Hong Kong has been - and it remains - a continuous process. It has taken many forms - our close contact with the Executive Council, Ministerial visits to the territory, the reception of delegations to London and attention to the views and opinions which reach the Hong Kong Government through many channels. The views expressed by the Hong Kong people will continue to be taken fully into account in our approach to the negotiations. This process of consultation has been intensified since my visit to the territory. We shall continue to use and to develop methods of carrying it forward which are appropriate to each stage of the negotiations. [In due course the Hong Kong people will have a full opportunity to express their views on the text of a draft agreement.]

There has been some suggestion that a referendum might have a part to play. On that, I have to say that there are very real drawbacks. Whatever method is adopted, when the time comes for the House to debate the draft agreement, the people of Hong Kong will have had a full opportunity to make their views known.

It is their future and their livelihood which is at stake. They have a right to know as soon as possible what arrangements will apply in Hong Kong after 1997. In particular I understand the concerns of the British nationals in Hong Kong - the great majority of whom are British Dependent Territories Citizens - and their wish to retain that nationality. I have to say that I do not believe that either this Parliament or a successor would favour changes which stimulated emigration from Hong Kong to the UK or elsewhere. That is a further reason why we are looking for arrangements which would allow Hong Kong people to enter and leave the territory freely and, at the same time, provide a secure future for them there. That must remain a prime objective.

In working for an agreement on Hong Kong's long-term future, we shall not lose sight of our responsibilities in the period before 1997. Until that time, we shall continue to provide the framework within which the Hong Kong government can administer the territory and plan for its future. Our intention is to protect Hong Kong's prosperity by making the transition as smooth as possible. (To ensure this, it is important that Hong Kong people should be in no doubt over where administrative responsibility lies.) Hong Kong is successful and we firmly intend it to remain so.

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 democratic 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.

~~As regards timescale,~~ we are aware of the Chinese desire that an announcement about future arrangements for Hong Kong should be made in September. We are working to a programme in the talks which takes account of Chinese wishes but also of all our own requirements. The people of Hong Kong will need to know the terms of any agreement that may be reached and have time to express their views: and Parliament will wish to take account of those views when they come to debate the agreement. It is of course Parliament which must make the final decision. For the Government's part I can assure the House that we would not be ready to recommend a package which we believe would be regarded as inadequate. We are not seeking an agreement for its own sake, an agreement at any price. It is important to get the right agreement.

Let me sum up the position. I came away from Peking with the belief that a good deal of progress had been made. But the House should be aware that some major points still have to be resolved. I believe that there is a determination on the part of both governments to bring our work to a successful conclusion. Certainly we are working in good faith to that end. But a complex and challenging stage in the negotiations still lies ahead. We have some way to go. If we can succeed, we shall have achieved much. We shall have built a bridge of mutual confidence, spanning two nations and three societies. Our aim is clear: a binding agreement which will secure a high degree of continuity for Hong Kong under Chinese sovereignty: which will preserve the essentials of the present systems and way of life in Hong Kong: and which will be acceptable to the people of Hong Kong. It must be one which we can honourably commend to this House.

Healey

"A very large part of the ~~foreign~~ Hong Kong
popl^e favours Peking."

"New pragmatism"

↳ Comment: there is the main source
of capital in Hong Kong."

↳ If understandings are broken - no guarantee
no sanctions available.

"If date brought forward for 1997 -
so much the better"

"Some of the fed cuts may scrub away"

Fed 1972. "Taiwan - recognized as a province
of China?
Acceptability - gov is circumscribed,

MR COLES

POSSIBLE INVITATION TO THE CHINESE PRIME MINISTER

1. This is a nicely balanced judgement. In arguing against an invitation I was particularly influenced by two thoughts;

- a. Zhao would not be able to negotiate on Hong Kong while here: decisions on it are not for him alone. He would be without the Chinese negotiating team and would probably confine himself to repeating a generalised statement.
- b. A visit would inevitably play up Sino-British relations and it might appear as an occasion where China and Britain were celebrating these at a time when the wishes and fears of Hong Kong people were being neglected. There would be material for ill-intentioned media comment.

2. I accept, however, that it would be possible to invite Zhao for a very short working visit at the end of his European trip, say one day centring round a lunch at Chequers. Admittedly he could probably not negotiate, but the Prime Minister would be able to put over to him our thoughts on one or two key Hong Kong issues, allowing him to convey this message to his colleagues. If we could arrange the occasion in this way it would avoid some of the dangers of 1(b) above and could serve a useful purpose in the negotiations. I would not oppose such an invitation.

3. I must add that I think it likely that he will turn down any invitation. He has a long and complex programme and leaves China in about two weeks. The fact of a refusal may become know. But I do not think that matters.

Handwritten note: Andy, if... and a dinner



16 May 1984

PERCY CRADOCK

④

UMELCO

Prime Minister.

Office of Unofficial Members of Executive and Legislative Councils
行政立法兩局非官守議員辦事處

M 17/5

The Rt Hon Margaret Thatcher, MP
10 Downing Street
London SW1A 0AA

16th May 1984

L17
MS

Dear Prime Minister,

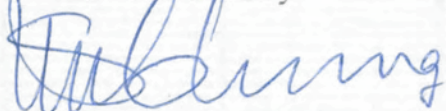
Subject : The Future of Hong Kong

Thank you so much for making time to meet our delegation yesterday. It was helpful to have the opportunity to elaborate further on our position paper and to be able to exchange views with you on this issue of such vital importance to us.

We are most appreciative of your continuing interest and support.

Should you wish to see us again or require any further information, we shall be at the Portman Inter-Continental Hotel, Portman Square, until 22nd May, tel : 01-486 5844.

Yours sincerely



S Y CHUNG
Senior Unofficial Member

1) Copy to F.I.C.O. (Mr. Roberts)

2) p.a.

A.F.C. 2/5.



FILE da

ccpc

10 DOWNING STREET

From the Private Secretary

16 May 1984

Hong Kong

I enclose a copy of a telex which has been sent to the Prime Minister by a number of textile associations in Hong Kong. You will see that the original was sent to Sir S.Y. Chung.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

✓

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Telegram

NNNN

15 MAY 1984/0924

ZCZC DLM8768 GHA324 VDB097 VDA HX37843/001

GBXX CO HXHK 307

HONGKONG 307/286 15 1611

PRIME MINISTER

10 DOWNING ST.,

LONDON

2/6/85

PRIME MINISTER

10 DOWNING ST., LONDON

THE RIGHT HONORABLE MRS. M. THATCHER

FOLLOWING TELEX HAS BEEN SEND TO THE HONG KONG UMELCO MEMBERS.

QUOTE

ATTN THE HON. SIR S. Y. CHUNG

DEAR SIR

WE WISH TO ASSURE YOU AND YOUR FELLOW UMELCO MEMBERS THAT

COL 10 10

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P2/50WD

YOU HAVE
THE FULLEST SUPPORT OF THE JOINT CONFERENCE OF TEXTILE ASSOCIATION
IN
YOUR MISSION TO CONVEY TO LEADING MEMBERS OF THE U.K. GOVERNMENT
THE
VERY REAL DESIRE AND EARNEST WISH OF THE PEOPLE OF HONG KONG TO
SECURE A SETTLEMENT OF THE FUTURE OF THIS TERRITORY WHICH PROTECTS
THE

P3/50WD

ASPIRATIONS OF ALL WHO LIVE HERE. YOU HAVE PRECISELY DEFINED THE
DOUBTS OF HONG KONG PEOPLE WHICH REMAIN TO BE DISPELLED, AND THE
SAFEGUARDS THAT WE SEEK IN ANY AGREEMENT NOW BEING NEGOTIATED,
WE FEEL CERTAIN THAT YOUR VISIT, COMING AS IT DOES BEFORE (REPEAT
BEFORE) THE PARLIAMENTARY DEBATE, IS

P4/50WD

NOT ONLY APPROPRIATE BUT TIMELY.
WE ALSO FULLY SUPPORT THE VIEW THAT RIGHT OF HONG KONG PEOPLE TO
SETTLE IN THE UNITED KINGDOM WILL INJECT THE DEGREE OF CONFIDENCE
THAT IS NOW SO PATENTLY NECESSARY FOR THE REALISATION OF THE
OBJECTIVES PURSUED IN THE NEGOTIATIONS OF HONG KONG'S FUTURE.
WE

TELECOM for enquiries dial the number
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Telegram for enquiries dial the number
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British TELECOM

number
instructions

Telegram

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for enquiries dial the number
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Te

50WD

ARE SENDING A COPY OF THIS CABLE TO THE PRIME MINISTER.

REGARDS

THE HONGKONG TEXTILE N CLOTHING INDUSTRIES' JOINT CONFERENCE

(THE FEDERATION OF HONGKONG COTTON WEAVERS;

THE FEDERATION OF HONGKONG GARMENT MANUFACTURERS;

THE HONGKONG CHINESE TEXTILE MILLS ASSOCIATION;

THE HONGKONG COTTON MADE-UP GOODS MANUFACTURERS ASSOCIATION LTD;

THE HONGKONG COTTON SPINNERS

P6/36WD

ASSOCIATION;

HONGKONG GARMENT MANUFACTURERS ASSOCIATION;

HONGKONG KNITWEAR EXPORTERS N MANUFACTURERS ASSOCIATION LTD;

THE HONGKONG WEAVING MILLS ASSOCIATION; AND

HONGKONG WOOLLEN N SYNTHETIC KNITTING MANUFACTURERS ASSOCIATION

LTD)

UNQUOTE

REGARDS

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With the Compliments of
Hilton Cheong-Leen, OBE JP
Chairman
Urban Council
Hong Kong

AR 2/15
h.a.

File No.: UC/MISC/13/81 XI
Telex to: Hong Kong Government Office, London
(Attention: Sir Jack Cater)
Telex No.: 05128404

PLEASE PASS ON THE FOLLOWING MESSAGE TO SIR
SZE-YUEN CHUNG, HEAD OF UMELCO GROUP VISITING LONDON:

MAY I, IN A PERSONAL CAPACITY, CONGRATULATE YOU
AND THE UMELCO GROUP ON THE INITIATIVE THAT YOU HAVE TAKEN
TO PRESENT YOUR STATEMENT ON THE FUTURE OF HONG KONG TO THE
BRITISH GOVERNMENT, BRITISH MPS AND THE BRITISH PUBLIC ON
WHAT REPRESENTS THE FEELINGS AND WORRIES OF THE MAJORITY OF
THE PEOPLE OF HONG KONG ON THE COURSE OF THE SINO-BRITISH
NEGOTIATIONS.

THERE MAY BE SOME WHO DISAGREE WITH THE VIEWS AS
CONTAINED IN THE STATEMENT, BUT IT IS BETTER THAT SUCH VIEWS
BE PUBLICLY EXPRESSED AT THIS TIME SO THAT THE BRITISH
GOVERNMENT AND THE PEOPLE IN BRITAIN CAN HAVE NO EXCUSE TO
SAY THAT THE FEELINGS AND WORRIES OF THE MAJORITY OF HONG
KONG PEOPLE WERE NOT BROUGHT TO THEIR ATTENTION AT THIS
CRUCIAL STAGE OF THE SINO-BRITISH NEGOTIATIONS ON HONG
KONG'S FUTURE.

UMELCO MEMBERS WHILE NOT ELECTED BY THE PEOPLE,
HAVE TAKEN GREAT PAINS TO SOUND OUT A WIDE AND
REPRESENTATIVE RANGE OF THE VIEWS OF HONG KONG PEOPLE FROM
ALL WALKS OF LIFE TO FORMULATE THE VIEWS AS EXPRESSED IN THE

STATEMENT. ALTHOUGH SUCH VIEWS MAY BE REGARDED BY SOME AS CONTROVERSIAL AND UNPALATABLE, THEY ARE INDISPUTABLY REPRESENTATIVE OF WHAT THE GREATER MAJORITY OF HONG KONG PEOPLE FEEL.

PERSONALLY, I AM OPTIMISTIC THAT AN AGREEMENT ON THE FUTURE OF HONG KONG WILL BE REACHED BETWEEN CHINA AND BRITAIN THAT SHOULD BE ACCEPTABLE TO THE PEOPLE OF HONG KONG. BUT IT IS ABSOLUTELY ESSENTIAL THAT BOTH THE BRITISH AND CHINESE GOVERNMENTS SHOULD REALISE THAT THE TERMS OF THE AGREEMENT MUST BE AS COMPREHENSIVE AS POSSIBLE AND MUST INCLUDE THE ESSENTIAL COMPONENTS OF THE FUTURE BASIC LAW.

IT IS MUCH BETTER AT THIS STAGE TO RECOGNISE THE VERY COMPLICATED BUT NOT INSURMOUNTABLE DIFFICULTIES WHICH BOTH SIDES MUST RESOLVE SO AS TO ARRIVE AT A GOOD, LASTING AND BINDING AGREEMENT, AND ABOVE ALL GENERALLY ACCEPTABLE TO THE PEOPLE OF HONG KONG.

WE MUST ALL LOOK TO THE FUTURE WITH COURAGE, CONFIDENCE AND IN A POSITIVE FRAME OF MIND. HONG KONG'S FUTURE INTO THE 21ST CENTURY IS INEXTRICABLY LINKED WITH CHINA'S MODERNISATION PROGRAMME AND OPEN DOOR POLICY. IN THIS RESPECT, OUR ROLE CAN ONLY BE POSITIVE AS WELL AS PRODUCTIVE.

IN THE COMING MONTHS, AS THE HONG KONG GOVERNMENT UNVEILS ITS PROGRAMME FOR DEMOCRATIZATION OF THE HONG KONG

ADMINISTRATION, WE IN HONG KONG NEED ALL THE SUPPORT POSSIBLE FROM BRITAIN AND CHINA TO MAINTAIN AND PROMOTE HONG KONG'S STABILITY, PROSPERITY AND A SELF-GENERATING PROCESS OF PERSONAL FREEDOM, DIGNITY AND A DEMOCRATIC SYSTEM OF ADMINISTRATION THAT WILL CONTINUE WELL INTO THE 21ST CENTURY.

IT IS SINCERELY HOPED THAT YOUR STATEMENT WILL BE CAREFULLY STUDIED BY ALL PARTIES CONCERNED SO THAT A GOOD AGREEMENT CAN BE ARRIVED AT BETWEEN BRITAIN AND CHINA BY THE END OF 1984.

SINCERELY,

HILTON CHEONG-LEEN

MAY 15, 1984

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cedi P Cadock 16B

10 DOWNING STREET

From the Private Secretary

15 May 1984

HONG KONG: UMELCO DELEGATION

I enclose the record of a discussion which took place when a UMELCO delegation called on the Prime Minister this morning.

I also enclose copies of various documents which were handed over by the delegation during the course of the meeting.

A J COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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SUBJECT
CC Master.

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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND A
UMELCO DELEGATION AT 0930, 15 MAY 1984

PRESENT

The Prime Minister
Sir Percy Cradock
Mr. Wilson
Mr. Coles

Sir S Y Chung
Mr. Oswald Cheung
Mr. Rogerio Lobo
Mr. T. S. Lo
Miss Maria Tam
Mr. Allen Lee
Mrs. Selina Chow
Mr. Stephen Cheong
Mr. Benton Cheung Yan-Lung
Mr. Chan Ying-Lun
Secretary-General

The Prime Minister welcomed the delegation, said that she was pleased that they had visited the United Kingdom and invited them to state their feelings about the future of Hong Kong.

Sir S Y Chung thanked the Prime Minister for receiving the delegation. They were here not just as members of the Executive and Legislative Councils of Hong Kong, but as representatives of the Unofficial members of the two Councils. During their stay in London they had met a number of Members of Parliament. They were not here to make demands but to reflect the wishes, fears and feelings of the Hong Kong people about their future. The whole of Hong Kong was watching their visit and the delegation had been supplying to the Hong Kong people a continuous report of their activities.

He wished to ask that the meeting should not be regarded as confidential so that the delegation could fully reflect what transpired to the press. The Prime Minister said that the delegation was free to convey to the press anything which they said to her. But it would be best to decide at the end of the meeting what should be said about her own remarks.

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Sir S. Y. Chung then handed over a copy of the UMELCO statement of 9 May. EXCO had visited London on several occasions. On their return they had always been asked what they had said to the Prime Minister. They had always replied that the discussions were confidential. The Hong Kong people had become increasingly resentful of this secrecy. On 20 April the Foreign and Commonwealth Secretary had made a public statement in Hong Kong. The Main points he had made were reflected in paragraph 3 of the UMELCO statement. Then, there had been news of the forthcoming debate in the British Parliament. The Unofficials had felt that the time had come to give the public an account of their work.

The UMELCO statement was in three parts. Page 2 set out the major worries of the Hong Kong people. Some of these might be unfounded. Some might be well founded but difficult to deal with. It was not the delegation's purpose to say which of these worries could be met but one day Her Majesty's Government would have to give answers to the various questions. Since the delegation's arrival in London they had received at least 30 telegrams from Hong Kong reflecting support for their views. Some British MPs had told them that they were not elected representatives of Hong Kong. The Unofficials agreed. They nevertheless had a duty to reflect Hong Kong's views. Moreover, the House of Commons was not elected by Hong Kong either. The final decision on their future had to be made by the Hong Kong people.

The second part of the UMELCO statement comprised the two questions at the top of page 3. When the Prime Minister visited Hong Kong in 1982 she said that whatever agreement might be reached it would have to be not only approved by China and Britain but must also be acceptable to the people of Hong Kong. That statement had brought great relief because Hong Kong had always been worried that the two Governments might make an agreement above its head. Now two questions arose. First, what would the test of acceptability be? The method of testing must be agreed by the Hong Kong people. Secondly, the Hong Kong people wished to know whether, if they did not accept the fundamental agreement, or parts of it, Britain would return to the negotiating table?

Part 3 of the UMELCO statement spelt out four points which would determine the acceptability of the agreement. How far these could be met was another matter. Individuals in Hong Kong would attach differing weight to the four points according to their own particular circumstances.

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The Chinese Government, through the New Chinese News Agency, had criticised the UMELCO statement. The Chinese had alleged that the Unofficials did not want an agreement. This was wrong. But they wanted a good agreement. China also said that they were trying to delay a settlement. This was not true. But they had to set out the necessary elements of an agreement to ensure a smooth course of events. Then the Chinese claimed that the Unofficials were trying to disrupt confidence. But the latter believed that confidence could only be built on truth. They were not prepared to promote confidence on a false basis.

The delegation was not in London to negotiate, merely to inform the Prime Minister of their views.

The Prime Minister said that she would be particularly interested to hear the views of those who had not visited London before. She would also welcome information on how the delegation had canvassed Hong Kong opinion.

Mr. Lee said that he had visited Peking as a member of a delegation of young professionals. Since that visit they had collected many views, especially from professional organisations. These people understood Communism and its past history very well. They were very much alive to the human consequences of the negotiations. Workers in his own factory had said that they were very fearful for the future. At least half the population of Hong Kong had lived under a Communist regime at one time or another. And they had seen problems in China since. Despite their fears they were now becoming more out-spoken because they realised that their future was at stake.

The Prime Minister said that she understood the UMELCO document. It was a manifestation of free speech. It had caused concern in Peking. The Chinese Government had found it difficult to understand that HMG had not been involved in its preparation but they now appeared to accept that.

Responding to a question from the Prime Minister, Mr. Lee said that during his visit to Peking the Chinese had initially not believed his delegation's statements. They had not understood the nature of the crisis of confidence and had failed to comprehend the relationship between the US dollar and the Hong Kong dollar. The Prime Minister commented that the Bank of China must understand the latter point. Mr. Lee agreed but their understanding did not percolate to the Chinese leadership. However, he believed that Peking now understood that there was a crisis

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of confidence. The Chinese had told his delegation that sovereignty was not negotiable but everything else was. Whether that was true, he did not know.

Mrs. Chow said that the basis of Hong Kong's fears was that they were never certain of the Chinese position. Chinese statements kept changing. But there was no doubt that there was a deep distrust of Chinese intentions in the hearts of the Hong Kong people. While China admitted that the cultural revolution had been a mistake, there were reports today of execution without trial and the jailing of people including religious leaders. There were references to "spiritual pollution". Those who publicly stated their fears were subjected to verbal abuse from China. Assurances were necessary. It was not clear that the words of Chinese leaders could be taken at face value.

Mr. Cheung Yan-Lung, speaking through an interpreter, said that he had been on two visits to China as a member of a delegation from the New Territories. The last visit had taken place just before he came to London. The delegation had been very well treated and had held four days of meetings. It had raised 35 old points and 10 new ones. From these he would select two because they gave a clear impression that China did not keep its word.

First, in March 1983 the delegation had been told that China would not station troops in Hong Kong. This time the Chinese had said that they would do so in order to demonstrate that they had recovered sovereignty.

Secondly, the Chinese had described the British Dependent Territories Citizens of Hong Kong as persons holding the passports of a dependent territory. They claimed that after China had regained sovereignty, these passports would no longer be valid. Asked what China would do to people deprived of their nationality, the Chinese had said that before 1997 the Hong Kong people could request Britain to give them overseas citizenship status as it had done in other countries. He had reminded the Chinese that in 1980 they had passed a law forbidding dual nationality. The reply had been that some changes could be made to accommodate BDTCs for one generation. The delegation had asked whether this could extend to two generations. The reply had been "all right" but this had apparently not been a sincere response. Asked what the Chinese attitude would be to the new type of passport, the Chinese had said that it could be used for the purposes of travelling.

They had claimed that Britain was considering issuing new passports and had advised the delegation to talk to the British Government.

Mr. Stephen Cheong said, with regard to the Prime Minister's interest in how Hong Kong opinion had been sounded, that Unofficials had attended some 9 to 10 District Board discussions. They had also talked to student groups, labourers, taxi drivers, workers' representatives, industrialists, foreign investors and civil servants. The civil servants were very worried, especially the local Administrative Officers who were not professional grade employees. They believed that they might not be needed in any new governmental system and might be persecuted. Their morale was low and if nothing was done it could collapse before 1997. It was necessary to face squarely the fact that there was a confidence crisis. Words would not cause it to go away.

Mr. Chan Ying-Lun said that he had stood for election in 1982. He represented a constituency in the squatter area of 35,000 people. He had been born in Hong Kong and had no experience of China. But he had discussed the problems with the squatters. They, drawing on their experience of China, had convinced him that if China took over Hong Kong the future would be very unhappy.

A survey of 8,700 people in the area of the Eastern District Board had produced overwhelming support for a continuing British role. 76 per cent of those interviewed felt that Britain had a responsibility to the people of Hong Kong. Only 18 per cent had confidence in an arrangement whereby the Hong Kong people ruled Hong Kong, and 42 per cent believed that Britain should have some place in that system.

Miss Maria Tam said that, since the debate on the Lobo Motion, 12 District Boards had discussed it. They had all supported it.

She handed over the document annexed to this record and briefly summarised the results of the discussions. Those involved believed that the Hong Kong people should have a say in their future and in the test of acceptability. Debates in the Urban and District Boards had given the Unofficials a mandate to represent their views. Just before the Unofficials had come to London, four District Boards had carried out a special survey. She handed over a further document reflecting the results which is annexed to this record.

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Sir S. Y. Chung said that he had received a telephone call today to the effect that four District Boards representing one million people would today make a public statement supporting the UMELCO statement of 9 May.

Miss Maria Tam referred to another communication sent by the Official Receiver's Office which emphasised the particular worries of Crown servants as to their future.

Mr. Cheung Yan-Lung said that he had also received a telephone call today to the effect that the Head of the New China News Agency had privately told a group of reporters in Hong Kong that the UMELCO statement was true and that the Unofficials had been brave and courageous in making it. Mrs. Chow drew attention to the problem of split families. This phenomenon was very much the order of the day among the young professionals. Wives and children were emigrating to acquire green card status while their husbands stayed in Hong Kong. All these people wished to live in Hong Kong but they feared for the future. 60 per cent of a group of people polled by professional societies had said that they were planning to emigrate.

The Prime Minister said that it was not difficult to understand the basic fears of the people of Hong Kong. They were concerned that a society based on the total regulation of life would fail to understand how another society could work without such regulation. The best approach was to work to keep Hong Kong prosperous and thriving up to 1997. Then, more and more people would come to understand how Hong Kong society worked. If it continued in this way until 1997 there would be a good chance of it continuing thereafter. It was right to work for as detailed an agreement as possible. She understood the tensions in Hong Kong. She would feel the same way herself. She knew that the Hong Kong people would prefer the status quo. But China insisted that administration was a function of sovereignty. Hence the importance of as detailed an agreement as possible. The passport problem still had to be negotiated. In general, we were up against the fact that the lease would expire in 1997. The best chance of maintaining the present life style of Hong Kong was to make sure that it continued up to 1997. We must try to get China to understand that if they contravened the agreement they would do so before international opinion. We must seek to ensure that China upheld the agreement and must try to make known to the Chinese leadership the anxieties which had been expressed. It was helpful to her to have heard the views of the Unofficials. It was important that they should express

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them but also important that they should not put Peking in a position where it lost face.

Mrs. Chow said that there was a widespread feeling in Hong Kong that Britain might attach higher priority to an agreement than to a good agreement. The Prime Minister said that the British Government would eventually have to decide whether they could recommend the agreement to Parliament. But Parliament's first question would be about the attitude of the people of Hong Kong. Sir S. Y. Chung asked whether this meant that the Prime Minister would not put the agreement to Parliament unless the Hong Kong people had previously accepted it. The Prime Minister said that this was not her meaning. We knew that Parliament would ask about Hong Kong's views and we should therefore have to take them into account.

Sir S. Y. Chung asked what our attitude would be if Hong Kong did not accept the agreement. The Prime Minister said that we would have to state that that was a factor to be taken into account. But it would also be necessary to consider what the alternatives were. Sir S. Y. Chung stated that the judgement should be left to the Hong Kong people. The Prime Minister pointed out that 92 per cent of the territory would pass to China in 1997 on the expiry of the lease. Our aim was that the present life style should continue. The right approach was to seek a detailed agreement so as to ensure that, so far as possible, stability and prosperity continued beyond 1997. But if there were no agreement in 1997 the lease would end anyway.

Sir S. Y. Chung said that it was for the Hong Kong people to decide. They must be made aware of the consequences of not accepting an agreement. The Prime Minister stated that we would take all these matters into account when deciding whether to put the agreement to Parliament. We would not be prepared to recommend an inadequate package. We were not seeking an agreement for its own sake. But life was a question of alternatives.

Mr. T. S. Lo said that some people, while recognising that the British Government had done its best, might prefer to reject a bad agreement and simply wait for a few years to see what happened in China. The Prime Minister replied that she always had to bear in mind that if great problems arose before 1997 the present system might not continue until that year. Our sole aim was to obtain a good agreement for Hong Kong. Mr. T. S. Lo said that he recognised the dangers of making Hong Kong ungovernable before 1997.

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The Prime Minister stressed that in the end it was the responsibility of HMG to take a decision on whether to recommend a package to Parliament. SIR S. Y. CHUNG said that he must sound a warning. For two governments to decide the future of five million people against their wishes would be a serious step. The Prime Minister repeated that if there was no agreement, 92 per cent of the territory would pass in 1997 to China which could then do what it liked. We could not act as if the lease did not exist. Sir S. Y. Chung said that the Hong Kong people would not accept that proposition so lightly. To transfer land was one thing. To transfer people was another. The Prime Minister's advisers might under-estimate feelings in Hong Kong. The Prime Minister denied this. The best hope was a detailed agreement. She did not under-estimate the feelings of Hong Kong. Sir S. Y. Chung suggested that land and people were two different things.

The Prime Minister reiterated her thanks to the delegation for visiting London. Sir S. Y. Chung again thanked the Prime Minister for making time available.

The discussion ended at 1045.

After the Prime Minister's departure, it was agreed that No. 10 would issue the following press statement:-

"A delegation representing the Unofficial members of the Executive and Legislative Councils of Hong Kong, led by Sir S. Y. Chung, spent over an hour with the Prime Minister this morning. They explained to her the wishes and anxieties of the Hong Kong people as reflected in the statement issued by the Unofficial members of 9 May.

"The Prime Minister welcomed the opportunity to talk with the delegation and made it clear that she fully understood the anxieties and wishes expressed to her. Both sides reaffirmed the necessity of maintaining stability and prosperity in Hong Kong. The Prime Minister stressed the importance to that end of reaching a detailed agreement which would be acceptable to the Government and Parliament of the United Kingdom, to the Government of the People's Republic of China and to the people of Hong Kong."

A. J. C.

15 May 1984

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Discussions by District Boards on the Future of Hong Kong

Since the Lobo motion on 14.3.84, the following District Boards have discussed the future issue at their regular or special meetings:-

Sha Tin District Board

meeting on 21.3.84

Sham Shui Po District Board

meeting on 23.3.84

Kwun Tong District Board

(i) meeting on 26.3.84

Mr. Andrew SO and Mr. Stephen CHEONG attended as observers.

(ii) meeting on 9.4.84

Mr. WONG Lam, Mr. Andrew SO, Mr. Stephen CHEONG, Mr. CHAN Ying-lun, Mrs. Rita FAN and Mrs. Pauline NG attended as observers.

Eastern District Board

meeting on 30.3.84

Dr. HO Kam-fai, Mr. Stephen CHEONG and Mr. CHEUNG Yan-lung attended as observers.

Mong Kok District Board

meeting on 12.4.84

Mr. WONG Lam, Mr. Allen LEE, Mr. Stephen CHEONG and Mrs Pauline NG attended as observers.

Wan Chai District Board

meeting on 17.4.84

Mr. WONG Lam, Mr. Andrew SO, Mr. F.K. HU, Mr. Stephen CHEONG, Mr. CHAN Ying-lun, Mrs. Rita FAN and Mr. YEUNG Po-kwan attended as observers.

Central and Western District Board

meeting on 19.4.84

Dr. HO Kam-fai, Mr. Allen LEE, Mr. Andrew SO, Mr. Stephen CHEONG, Mrs. Selina CHOW, Mrs. Pauline NG and Mr. Peter POON attended as observers.

At Annex I is a paper produced by Mr. Stephen CHEONG on the impressions of Members who have attended some of the
----- foregoing DB meetings as observers. At Annex II is a summary of the main points raised at these DB meetings.

It is likely that other District Boards will follow suit and discuss the future issue at their forthcoming meetings. The known schedules are:-

Yaumatei District Board	3.00 p.m. on Friday 27.4.84
Tsuen Wan District Board	2.30 p.m. on Tuesday 1.5.84
Southern District Board	2.30 p.m. on Friday 4.5.84
Sai Kung District Board	10.00 a.m. on Friday 4.5.84 (subject to confirmation)

Members are invited to note the contents of this paper and the annexes.

DB Discussions on the future of Hong Kong
- An Impression

The followings are but, a brief impression on the various District Boards meetings we have attended so far :-

- (a) Generally speaking, all unofficial members of District Boards which we have attended, displayed appreciations to UMELCO taking a direct interest in their views. They specifically appreciated the fact that we were there to listen to their views and that we have observed strictly the protocol of being guest observers.
- (b) Most District Board members wished to help and participate in meaningful contributions towards the future issue. It should be noted that their enthusiasm has led to their undertaking in involving themselves with opinion gathering process within their own districts. This, in my view, can be most helpful if ever the test of acceptability is to be considered.
- (c) We are very encouraged by the general feeling that UMELCO will be advised of the result of individual District Boards' working committees' deliberation so that we can reflect those opinions to the relevant authorities. The fact that motions asking for UMELCO involvement had been passed with a wide margin has, in our view, provided us with some sort of a mandate to speak for them. This may be helpful in counteracting the criticism that we do not have the mandate of the people.
- (d) One point that bears out quite clearly is that a lot of work has been done, possibly by the united front organisations, to the extent that in each DB there were some members who toed the line that discussions in DB at this time could only have the adverse effect of generating unease in the community and affect adversely the atmosphere of the talks. Fortunately, the number of those who toed this line was only a handful and their arguments, though well prepared, were not persuasive enough to do any damage. The Kwun Tong DB was the most obvious one in toeing such a line. Our estimation is that there must have been at least five to six members who toed this line.
- (e) The visits were all very useful, firstly in making our presence felt, secondly, in starting some sort of a dialogue between UMELCO & DB members; thirdly, in broadening the experiences & exposures of UMELCO Members; and fourthly, as a bi-product of our visit, the media took a great interest in our attending the DB meetings and reported our activities with a favourable tone.
- (f) A brief summary of main points raised is presented below for Hon Members reference.

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A brief summary of main points raised
in DB meetings on the future of Hong Kong

(I) Sha Tin DB (meeting on 21.3.84)

A majority of DB unofficials felt that they needed more time to consult their constituents fully on the issue of HK's future. Nonetheless, they morally supported the motion that any proposals for the future of Hong Kong should be debated in the Legislative Council before any final agreement is reached.

(II) Sham Shui Po DB (meeting on 23.3.84)

- (a) DBs should discuss the proposed agreement on the future of Hong Kong.
- (b) Views collected by DB members should be forwarded to UMELCO.
- (c) Discussions on the future of Hong Kong should not only be confined to ExCo, LegCo and Urbco, but also to Area Committees; social, interest and pressure groups as well as among the general public.
- (d) Time is now ripe for such discussions to take place.
- (e) An overwhelming majority of district residents wish to maintain their existing life styles.

(III) Kwun Tong DB

(1) Meeting on 26.3.84

- (a) HK people are not happy to wait in the dark for their future to be arranged by others. HK people should be given a chance to discuss the contents of the talks before finalisation.
- (b) Some members considered that DB members should express their views on the future of Hong Kong which could be channelled to the Central Government. However, others felt that discussing the issue now might jeopardise the talks. A few even considered that the subject should not be discussed in the DB at all, but discussion should only be on how to carry out the UK - China final agreements.

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(2) Meeting on 9.4.84

- (a) Hong Kong's present system as well as its people's freedom should be preserved.
- (b) HK people has a right to express their views on their own future and the DB is a suitable forum. However, a few consider this would jeopardise the negotiations.
- (c) There is a need for political and civic education.
- (d) DB members defeated a motion tabled by Mr Sulke seeking to suspend the talks and to conduct a referendum on Hong Kong's future in the territory.
- (e) DB members passed 3 motions, namely, that -
 - (i) LegCo should act as an agent to collect and reflect public opinion;
 - (ii) DB should establish a working party to collect district views on 1997; and
 - (iii) DB should have an opportunity to express views on the contents of the draft agreement.

(IV) Eastern DB (meeting on 30.3.84)

- (a) The Chinese and British Authorities should listen to the views of the Hong Kong people.
- (b) The early uplifting of the veil of confidentiality.
- (c) Hong Kong people wish to preserve their freedom.
- (d) It is of utmost importance to maintain confidence in HK and 1984 is a critical year.
- (f) DB members must reflect the views of the residents after the views are collected by systematic and scientific surveys.
- (g) An unofficial working group will be set up to collect these views.
- (h) LegCo Unofficials should co-ordinate the views of DBs with a view to formulating plans for the future of Hong Kong.

- (V) Mong Kok DB (meeting on 12.4.84)
- (a) Existing system should remain unchanged.
 - (b) People should have more detailed information on the arrangements of their future.
 - (c) HK should have an independent set of constitution, not one that would be included as an appendix to the Chinese Constitution.
 - (d) DB should discuss the future of Hong Kong before the final agreement is reached and the Lobo Motion is strongly supported.
 - (e) Views of HK people should be made known to UK and China.
 - (f) Many have reservations on the feasibility of the coexistence of a capitalist and socialist system.
 - (g) There is a need for some guarantee that Hong Kong would not be subjected to external intervention.
 - (h) A working group consisting of all DB unofficials should be formed to obtain the views of the residents in this issue. All information would be presented systematically to UMELCO.
- (VI) Wan Chai DB (meeting on 17.4.84)
- (a) Unanimously agree that the 1997 issue is a major concern of DB members.
 - (b) Support the spirit of the Lobo Motion.
 - (c) Want more information about the negotiation because it is DB members' role to reflect public opinion before any final agreement is reached.
 - (d) LegCo should co-ordinate a systematic consultative framework with all 18 DBs for effective territory-wide consultation on the 1997 issue.
 - (e) A working group on 1997 to be set up to collect public opinion after the proposals for the future of Hong Kong is announced.

(VII) Central and Western DB (meeting on 19.4.84)

- (a) Agree that the outcome of the negotiation will be of vital concern to the people of Hong Kong, including residents of the Central and Western District.
- (b) Wish to reflect the views of the residents when the proposals for the future are finalised.
- (c) Propose to conduct a scientific survey on residents' views in due course.

Addendum to Representation Made By Local Groups (May 8, 1984)

2/3

Wan Chai DB

Results of a survey conducted by Wan Chai District Board in the district showed that 60% of the 1,118 respondents had no confidence in China's guarantee to maintain HK's system unchanged for 50 years because of their fear that the successors of the future Chinese government would not keep the agreed promises and of their apprehension of a communist regime. 60% of the interviewees felt that Britain had an obligation to make arrangements for British-HK passport holders to emigrate in 1997 and the same percentage of respondents felt that they intended to emigrate when Britain ended its rule here in 1997. Results of the survey had been submitted to the Umelco Group who would visit London this week.

Central/Western DB

Nine Unofficial members of Central/Western DB issued a joint statement on May 6 urging Britain to fulfil its obligation to British-HK passport holders by providing protection to those who found that they could not continue to live in HK under a new administration after 1997. The statement also asked Britain to make clear in what way they would find that the final agreement on HK's future would be acceptable to HK people. The joint statement by Britain and China to indicate their intention to sign the formal agreement should not be brief. The statement was submitted to the Umelco Office.

Eastern DB

Unofficial members of the Eastern District Board conducted an opinion poll among some 9 000 residents in the district on May 5 and 6 with the results published on May 7.

Findings of the poll are:

- (1) 76.4% of the respondents felt that Britain should have a moral obligation towards towards HK people;
- (2) 33% felt that Britain and China should take into account the wishes of HK people;
- (3) 67% felt that the wishes and interests of HK people should be an important factor in reaching a decision on the HK question;
- (4) 61.4% felt that the Sino-British agreement should attach importance to the human rights of HK people;
- (5) 42.6% felt that the feasibility of the "HK people governing HK" and "50 years no change" proposals depended on whether there would be substantial arrangements; 23.7% felt the proposals were empty words, and 18.6% felt the plans were workable;
- (6) 41.6% felt that HK people were neglected in the talks because attention was paid to the interests of both Britain and China;



- (7) 23% said they would emigrate; 41.3% said they would stay in HK; and 35.7% were undecided; and
- (8) 46% hoped HK would be completely ruled by HK people after 1997, while 42.1% hoped British people would be allowed to take part in the administration after 1997.

Northern DB

Northern District Board held a special meeting on May 7 to discuss HK's future. Most unofficials felt the authorities should start promoting an acceptable administrative framework for HK. The British Government should fulfil its obligation to resettle HK people, who do not wish to live under the future administration, as citizens of its dependent territories.

The points they made are:

It was important to maintain the territory's prosperity and stability in the transition period. The issues of civil servants and law and order in the pre-1997 period should be handled cautiously;

The present seven years residency requirement for candidates of election is too general and would give rise to the situation that China would send people to run HK in the next 13 years.

There should be arrangements to enable British-HK passport holders to continue their present lifestyle beyond 1997; and

Candidates for the future administrators should either be HK born or people who had lived here for more than 15 years.



Prime Minister.

(2)

UMELCO put out their own
statement.

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PRESS RELEASE

UMELCO Mission meets PM

The delegation representing the Unofficial Members of the Executive and Legislative Councils of Hong Kong led by Sir S Y CHUNG spent over an hour with the Prime Minister this morning. They explained the wishes, views, fears and feelings of Hong Kong people on Hong Kong's future as reflected in their statement published on 9th May 1984. The Prime Minister listened with great care and expressed her understanding of the UMELCO statement.

The Unofficials stressed the important difference between the return of territory as opposed to the transfer of people, and they emphasised that the ultimate decision on the arrangements for the future of Hong Kong must be decided by the people of Hong Kong themselves.

They impressed on the Prime Minister that Hong Kong people want a good agreement which will command their confidence, so that Hong Kong's prosperity, stability and the freedoms they at present enjoy will continue up to and beyond 1997. They related to her that confidence must be built on truth and no one should promote false confidence which will not endure for truth will come out at the end.

They have reported to the Prime Minister the results of the various meetings held and surveys conducted by District Boards, professional, commercial and industrial organisations. All these results show there would be a large number of people wishing to leave Hong Kong. They also informed her of the rapidly growing support from Hong Kong people to the UMELCO statement as evidenced by the increasing number of telex messages and letters they have received in London, as well as by the open support published in various independent newspapers in Hong Kong. In addition, they reported to the Prime Minister that four District Boards on Hong Kong Island representing over one million people have notified the Unofficials this morning that they had published a statement today to indicate their whole-hearted support of the UMELCO statement.

The Unofficials underlined to the Prime Minister that the people of Hong Kong look upon the option of being able to settle elsewhere as a very important assurance of their future and drew attention to the other equally important elements which must be present in any agreement on Hong Kong's future, as set out in the UMELCO statement.

o o o

MDS/jf
15.5.84



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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JF6528

PS Secretary of State for Trade and Industry

15 May 1984

*cc Hong Kong: Castle
Peak + Guangdong #3.*

RESTRICTED

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

*A.d.c. 15
h.a.*

Dear John

HONG KONG

My Secretary of State had a short courtesy meeting with Lord Kadoorie of China Light and Power on 10 May. Since most of what Lord Kadoorie said related to his view of the future of Hong Kong, I thought you might find it useful to have a copy of the enclosed meeting note.

... 2 I am sending a copy of this letter and the enclosure to Peter Ricketts in the Foreign and Commonwealth Office.

*Yours ever,
Ruth*

RUTH THOMPSON
Private Secretary

Encl

JF6516

RESTRICTED

MR BENJAMIN

cc PS/Minister for Trade
PS/Mr Baker
PS/Sir Anthony Rawlinson
Mr Roberts
Mr Corley OT4
Dr Dobbie MEE4
Mr Hall OT4/2

SECRETARY OF STATE'S MEETING WITH LORD KADOORIE,
10 MAY 1984

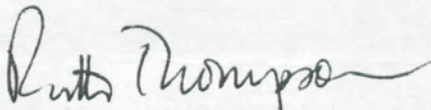
You and Dr Dobbie were present when the Secretary of State met Lord Kadoorie for what was essentially a courtesy call.

2 Most of the conversation centred on Lord Kadoorie's concerns about the future of Hong Kong. He said the publicity which was being attached to the current unofficials' visit was unfortunate, but very understandable. He warned that there was some anti-UK feeling about in Hong Kong. He was personally optimistic that the arrangement outlined by the Foreign Secretary would bear fruit: if any sort of co-existence between socialism and capitalism were to be possible, Hong Kong was the best available place to try this. Lord Kadoorie raised again the point he had made to the Prime Minister (John Coles' letter of 8 May to Peter Ricketts). Businessmen were, in particular, concerned about what was proposed. Lord Kadoorie said he had a "half-baked" suggestion to make: would it not be possible to make arrangements for temporary dual passports, which did not grant the right of residence in Britain, but did allow the holder right of access, to British Embassy and Consular officials in third countries. In particular, there was going to be a problem for Hong Kong citizens, originally of British descent but without any present British relations, who were likely not to receive passports from China. Lord Kadoorie believed that HMG should make some gesture in order to keep the goodwill of Hong Kong; this was just such a possibility. The Secretary of State replied that the problem of nationality was a particularly difficult one, which the Prime Minister, the Foreign Secretary and the Home Secretary had been grappling with. However, the Government had to take account of fears at home as well as the possible difficulties for Hong Kong citizens.

3 On the Guangdong project, Lord Kadoorie believed that provided the project went forward slowly, it would

succeed. The Chinese were, however, putting pressure on for quick decisions. Lord Kadoorie stressed the importance of his MD's excellent relationship with the Chinese Vice-Minister, Peng Shi-Lu in the talks. Lord Kadoorie said he still believed that the UK ought to demonstrate its backing for our producers in this brand-new prototype plant: he would have preferred a token investment from HMG (of, say, £25m). On the details of the talks, there was a difference between the Hong Kong and the Chinese sides on the amount of offtake from the plant; Hong Kong did not feel it could guarantee to take a total of 70 per cent of production, even though this projection of need was based on very conservative estimates of future growth rates, and was very likely to be needed. Somehow or other, this final point of difference would have to be resolved.

4 The Secretary of State thanked Lord Kadoorie for calling on him, and reiterated his hope that the Guangdong project would be successful.



RUTH THOMPSON
PS/Secretary of State for Trade & Industry
Room 803, 1 Victoria Street
215 5422

11 May 1984

HONG KONG & future
PH 14

15 MAY 1984



DRAFT PRESS STATEMENT

A delegation representing the Unofficial members of the Executive and Legislative Councils of Hong Kong, led by Sir S.Y. Chung, spent over an hour with the Prime Minister this morning. They explained to her the wishes and anxieties of the Hong Kong people as reflected in the statement issued by the Unofficial members on 9 May.

The Prime Minister welcomed the opportunity to talk with the delegation and made it clear that she fully understood the anxieties and wishes expressed to her. Both sides reaffirmed the necessity of maintaining stability and prosperity in Hong Kong. The Prime Minister stressed the importance to that end of reaching a detailed agreement which would be acceptable to the Government and Parliament of the United Kingdom, to the Government of the People's Republic of China and to the people of Hong Kong.

HONG KONG

Debate in the House of Commons
on Wenesday 16th May 1984

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1. CONSTITUTIONAL AND POLITICAL BACKGROUND

1.1 Hong Kong consists of:

- (a) Hong Kong Island, ceded by China in perpetuity by the Treaty of Nanking (1842);
- (b) the Kowloon peninsula and Stonecutters' Island, similarly ceded in 1860 by the First Convention of Peking; and
- (c) the New Territories, which China leased to Britain for 99 years in 1898 by the Second Convention of Peking.

Its total land area is 1,064 square kilometres and it has a population of 5.3 million of whom 98% are Chinese. The New Territories account for approximately 92% of Hong Kong's total area and more than 50% of its total population.

1.2 Hong Kong is a Dependent Territory and the Secretary of State for Foreign and Commonwealth Affairs is responsible to Parliament for its government. The Territory is administered by a Governor, with the help of an Executive Council and a Legislative Council. As Hong Kong is a dependent territory, there is no British Embassy there. Our trade interests are dealt with by the British Trade Commission, which also covers trade with Macao. Included within the Commission is a China Trade Unit which is responsible for trade with China through Hong Kong.

1.3 The Governor, who represents the Crown, is the head of government and has the power to make laws (called "ordinances") for the "peace, order and good government" of Hong Kong. His authority derives from the Letters Patent and the Royal Instructions. The Crown reserves the power to disallow ordinances enacted in Hong Kong and to legislate for the Territory by Order in Council. In practice, no post-war British government has exercised this power. English common law and the rules of equity are in force in Hong Kong, extended and modified as necessary by local legislation.

1.4 The Governor is advised by an Executive Council (known as "EXCO") of 16 members, comprising:

- (a) 4 ex-officio members (the Chief Secretary, the Commander British Forces, the Financial Secretary and the Attorney-General); and
- (b) 12 other members appointed by the Governor, of whom 2 are Official (ie members of the Hong Kong Government) and 10 are Unofficial.

The Governor is required to consult EXCO on all major issues of public policy. He is not obliged to accept the advice he receives, but if he does not he must report his reasons to HMG.

1.5 The Governor legislates with the advice and consent of the Legislative Council (known "LEGCO") comprising:

- (a) 3 ex-officio members (the Chief Secretary, the Financial Secretary and the Attorney-General); and
- (b) a further 15 Official members and 29 Unofficial members nominated by the Governor.

The Governor has not acted against the views of LEGCO for many years. In the unlikely event that he should need to do so, he can appoint, on instructions from

the Foreign and Commonwealth Secretary, extra Official members from the Council. The Finance Committee of LEGCO, on which all Unofficial members sit, considers all proposals involving expenditure from public funds. A Public Accounts Committee considers the annual report of the Director of Audit and reports to the Governor.

1.6 By taking part in the process of government, Unofficial Members of the Executive and Legislative Councils (UMELCO) play a significant role in the administration of Hong Kong. They advise on the formulation of government policies, participate in the enactment of legislation, consider complaints by members of the public against government departments and monitor the effectiveness of public administration. Unofficial members are selected by the Governor from a wide spectrum of society and they hold more than 300 seats, outside the two councils, on various committees and boards dealing with public and community affairs.

1.7 By far the most significant political presence in Hong Kong is that of the Communist Chinese. There are a number of overt Communist organisations, including businesses, banks, trade unions and schools. They are tightly disciplined and controlled by the local party organisation appointed by Peking (headed by the Director of the local Office of the New China News Agency). These organisations have not attempted to play a direct role in Hong Kong's political affairs. While it remains the policy of Peking to maintain the stability and prosperity of Hong Kong, the Chinese Communist organisations in the Territory can be relied on not to undermine government policies. The activities of the Chinese Nationalists parallel those of the Communists but on a very much smaller, and diminishing, scale.

2. PARTICIPATION IN GOVERNMENT

2.1 The absence of democratic institutions in Hong Kong has given rise to protests in some quarters that the general public should have greater say in the way the Territory is run. Because of the Territory's special position vis-a-vis China, and the fact that 92% of it is held on a lease, there is no possibility of its ever becoming independent. The normal policy in Dependent Territories of encouraging local democratic procedures, as part of the process of moving towards self-government and ultimate independence, has therefore only applied in a limited way to Hong Kong.

2.2 The Hong Kong Government are aware of the need, because of these special circumstances, to devise ways of making the government more responsive to public opinion. In selecting Unofficial Members of the Executive and Legislative Councils, the Governor has endeavoured to make the Councils representative of as broad a cross-section of Hong Kong society as possible. A large number of official and unofficial advisory committees and community organisations have also been developed as channels of communication between the Government and the public, notably the District Boards in the urban areas and the New Territories.

3. THE ECONOMY

3.1 Much of Hong Kong is unproductive mountainland. About 16%, including areas reclaimed from the sea, is used for residential and industrial development. Only 9.4% of the land is farmed, producing vegetables, fruit, flowers, freshwater fish, pigs and poultry. There is a considerable fishing fleet of 5,000 boats, meeting over 90% of local demand for fish. Less than 3% of the population engage in farming or fishing.

3.2 Hong Kong's principal natural asset is its sheltered harbour, the only developed deep water port on the China coast. From the establishment of Hong Kong as a centre for Britain's Far East trade in 1841 up to about 1950, trade and

commerce was the main economic activity. Then, when the Korean War brought a slump in trade with China, it became necessary to develop other sources of income, particularly as the population had expanded rapidly with the influx of immigrants from China at the time of the Communist take-over. Hong Kong therefore turned to manufacturing, starting with textiles and clothing (which remain the dominant industries), but diversifying later to many other products, including plastics, electrical and electronic goods, scientific instruments, watches and photographic and optical equipment. The entrepot trade with China has re-emerged as a significant proportion of Hong Kong's trade in the last few years, and service industries have expanded rapidly as a consequence of rapidly growing domestic incomes and Hong Kong's development as an important financial and tourist centre in the region.

3.3 The management of Hong Kong's economy is based on commitment to market mechanisms and free enterprise. In 1983, the Gross Domestic Product was estimated HK\$206,890 million (approx. £18,800 million at 1983 rate of exchange) and per capita GDP was HK\$38,900 (approx. £3,540). In the ten years ending 1982 the growth rate of the GDP in real terms was 9.6%. The growth rate of real income per capita was affected by the considerable increase in population in 1978-80. Nevertheless, as a result of a growth rate of 7.4% in the 1970's, real income per capita by 1982 was more than twice that in 1972, (giving Hong Kong the highest per capita income in Asia, after Japan). Subsequently, the world recession meant a reduction in growth, which was only 1.1% in real terms in 1982. In 1983, however, the economy experienced an accelerating export-led recovery. Domestic imports increased by 14% in real terms over their 1982 level and the overall growth rate was 5.9%. The annual inflation rate is about 10% and the seasonally adjusted unemployment rate under 4%.

3.4 Hong Kong is almost totally lacking in natural resources and, relative to its population, is very short of usable land. The manufacturing sector is therefore completely dependent on imported raw materials, semi-manufactures and capital goods. Other sectors of the economy are almost equally dependent on imported inputs. The bulk of Hong Kong's requirements of foodstuffs and consumer goods is also imported. Thus the total value of Hong Kong's visible trading transactions is just on twice the value of the GDP, and much more than twice if invisible imports and exports are added in.

3.5 The value of Hong Kong's export of goods in 1983, including re-exports was HK\$160,703 million (approx. £14,600 million). Import of goods in 1983 totalled HK\$175,444 million (approx. £15,950 million) an increase of 23% over 1982.

3.6 There was a visible trade deficit in 1983 of HK\$14,741 million (approx. £1,300 million). However, trade in invisibles makes an important contribution to Hong Kong's balance of payments. In 1981 Hong Kong's surplus on invisibles was estimated at roughly HK\$9,241 million - over half of the visible trade deficit.

3.7 The balance of trade between the UK and Hong Kong is slightly in Hong Kong's favour. The British share of the Hong Kong market declined from over 11% in 1967 to only 4.2% in 1976, rose to 5.1% in 1979, and in 1983 stood at 4.3%. Hong Kong is now, with Japan, Britain's largest market in the Far East. British exports to Hong Kong in 1983 totalled £727 million (1982: £732 million), which put Hong Kong well ahead of China (£159 million in 1983) as a market for British goods. The real growth of UK exports to Hong Kong since 1979 has been 15% p.a. British imports from Hong Kong in 1983 totalled £1,178 million (1982: £872 million). This left a trade gap favouring Hong Kong of £451 million - up 60% from 1981. A substantial proportion of British imports from Hong Kong in recent years has consisted of textiles and clothing.

4. UK - HONG KONG RELATIONS

4.1 While in practice Hong Kong enjoys a considerable degree of autonomy in the management of its own affairs, particularly in the commercial, financial and economic sectors, its constitutional and, to some extent, its political dependence on Britain is accepted. It is appreciated that without the British connection Hong Kong in its present form would cease to exist. There is a continuing dialogue between HMG and the Hong Kong Government about how the two governments should best discharge their responsibilities for the welfare of the population of Hong Kong. None of the many and far-reaching changes that have been made in Hong Kong in recent years have been imposed from London: they have all been made with the agreement, and usually on the initiative, of the Hong Kong Government. However, it is acknowledged that, where UK interests are involved, the last word must rest with HMG.

4.2 Defence. The garrison in Hong Kong consists of five infantry battalions (four Gurkha and one British), a Gurkha engineering squadron, five naval patrol craft and two squadrons of helicopters. There is provision for ad hoc short term reinforcement. A new Defence Costs Agreement was signed in October 1980 and came into effect in April 1981. It will run for seven years initially, and will be renewable for further periods of five years on the same terms unless varied.

4.3 Nationality Act. The British Nationality Act, which came into effect on 1st January, provides for a separate category of "British Dependent Territories' Citizenship" (BDTC). Hong Kong, which was unhappy about the abandonment of the unitary Citizenship of the United Kingdom and Colonies (CUKC) would have preferred a title which emphasised more strongly the Territory's links with the UK. Amendments were, however, introduced in order to allay some of Hong Kong's fears over the Act, by permitting registration for BDTCs after five years' residence in the UK, and allowing discretionary registration by the Home Secretary of Dependent Territories' Crown servants and some others as British Citizens. It has also been agreed by HMG that BDTCs from all Dependent Territories should be described as "British Nationals" in their passports, although this does not reflect any change in their immigration status into the UK. HMG also agreed in August 1983 that the endorsements which were previously inserted in most BDTC passports, stating that the holder is subject to control under the Immigration Act, 1971, should be omitted and replaced by 'Holder has right of abode in Hong Kong' (or the relevant Dependent territory). About 3 million Hong Kong residents are BDTCs: the remaining 2.3 million are holders of Hong Kong residence permits which give no citizenship status under UK law.

5. THE FUTURE

5.1 The Chinese consider the Treaties relating to the cessation Hong Kong and the lease of the New Territories as "unequal treaties" forced on China during a period of internal weakness and they do not, therefore, recognise them. They have, however, hitherto regarded Hong Kong as a problem left over from history, to be settled when the time is right, and have been content to leave things as they are, particularly in view of the practical value of Hong Kong to them. Hong Kong is a valuable direct source of convertible currency (estimated at approximately 30% of total Chinese earnings of foreign exchange) mostly earned from foodstuffs, invisibles and remittances to relations in China.

5.2 During the Cultural Revolution, widespread unrest throughout China spilled over into Hong Kong, especially in 1967/68. The imprisonment of rioters in Hong Kong and the refusal to bend to Chinese pressure for their release led to the sacking of the British Mission in Peking. China now displays a much more relaxed

and pragmatic attitude towards Hong Kong and has been notably co-operative in recent years. There are substantial, and increasing, Chinese investments in Hong Kong and large numbers of Chinese officials in, for example, the New China News Agency (NCNA), the Bank of China and many trading and other organisations. The Hong Kong Government's regular contacts with the Chinese are relaxed and easy; there is close contact with the Shenzhen and Guangdong authorities on matters of mutual concern.

5.3 In 1982, the Chinese Government began to focus more closely on the question of the the future of Hong Kong. They publicly stated that they intended to "recover" sovereignty over the whole of Hong Kong, but that they wished to maintain its prosperity and stability. Useful contacts between the British and Chinese governments had taken place when Lord Carrington visited China in April 1981, and during the Lord Privy Seal's visit in January 1982. The process of consultation was stepped up during the Prime Minister's visit to China in September 1982, when it was announced that the two governments would hold talks through diplomatic channels with the common aim of maintaining the stability and prosperity of Hong Kong.

5.4 Meetings in Peking to follow up the Prime Minister's visit through diplomatic channels began soon afterwards and are continuing. In this second phase, fourteen rounds of talks have been held in Peking, the most recent on 9th and 10th May. The Governor of Hong Kong has been consulted throughout, and has participated personally in the talks since the beginning of the second phase.

5.5 Following his visit to Peking last month the Foreign Secretary, Sir Geoffrey Howe told a press conference in Hong Kong on 20th April:

"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 assurance necessary for the continuity of Hong Kong's stability, prosperity and way of life".

The Foreign Secretary said that the Chinese government recognised the special circumstances of Hong Kong and that they wanted its social and economic systems and lifestyle to remain unchanged. The talks, therefore, were designed to secure arrangements that would give Hong Kong, after 1997, a high degree of autonomy under Chinese sovereignty, he added:

"During the years immediately ahead, the Government of Hong Kong will be developed on increasingly representative lines".

Public reaction to Sir Geoffrey's statement was cautious but relieved that the idea of the territory retaining its internal way of life had been made official. A drop in the Hang Seng stock exchange index appeared to reflect short-term speculation rather than any long-term lack of confidence and most businessmen welcomed the announcement as a basis on which to plan the future of their companies.

15.5.84

DRAFT PRESS STATEMENT

A delegation representing the Unofficial members of the Executive and Legislative Councils of Hong Kong, led by Sir S.Y. Chung, spent over an hour with the Prime Minister this morning. They explained to her the wishes and anxieties of the Hong Kong people as reflected in the statement issued by the Unofficial members on 9 May.

The Prime Minister welcomed the opportunity to talk with the delegation and made it clear that she fully understood the anxieties and wishes expressed to her. Both sides reaffirmed the necessity of maintaining stability and prosperity in Hong Kong. The Prime Minister stressed the importance to that end of reaching a detailed agreement which would be acceptable to the Government and Parliament of the United Kingdom, to the Government of the People's Republic of China and to the people of Hong Kong.



Foreign and Commonwealth Office

London SW1A 2AH

14 May 1984

Dear John,

MS

Hong Kong: Meeting with UMELCO Delegation

The Prime Minister is seeing this group, led by Sir S Y Chung on 15 May. I enclose a list of the group, together with personality notes, and a brief.

The background to the delegation's visit, and the text of the manifesto they have issued, were set out in my letters of 10 and 11 May. The manifesto has aroused speculation about a split between HMG and their Hong Kong advisers. On 11 May the Foreign Secretary saw Sir S Y Chung alone. I understand that Sir Geoffrey emphasised three points of concern arising from the UMELCO statement:

- (i) the risk of destructive Chinese reactions;
- (ii) the risk of raising unrealistic expectations in Hong Kong;
- (iii) the risk of undermining confidence in advance.

Sir S Y did not accept that the statement would lead to unrealistic expectations. He maintained that if the Chinese did not see the Unofficials speaking up they would not believe that such views were genuinely held in Hong Kong: in all the circumstances the Unofficials could not have done any less. He emphasised that the Statement had been drafted with the intention of making clear that it was not a Statement on behalf of EXCO and LEGCO but simply the Unofficials' impressions of the views of Hong Kong people. Sir S Y made clear that in their view the Unofficials were still our partners, fighting alongside us for a satisfactory agreement.

As you will already have seen from the reporting telegrams, the manifesto provoked a sharp reaction from the Chinese negotiator in the talks. On 12 May the People's Daily carried an NCNA report which described the manifesto as detrimental to Hong Kong's stability and prosperity and a clear attempt to obstruct the conclusion of an agreement by the Chinese and British Governments. The report did not, however, claim that the British or Hong Kong Governments were behind the statement or threaten that it would affect the conduct of the talks.

/I enclose



/ I enclose a summary of the latest state of play in the talks. The visit comes when the negotiations are entering a crucial phase of discussion of the agreement and of the transition period. On both the Chinese will be extremely tough. The Unofficials are clearly sceptical of our chances of getting an acceptable deal and suspicious that HMG might be prepared to settle for a package which would not satisfy Hong Kong. It will be important to reassure them that we do have a bottom line, but we should persuade them to think in terms of seeking the best possible package and then judging it as a whole, rather than setting precise requirements and stating them in advance, particularly in public.

The Unofficials' wish for HMG to acknowledge its moral obligation to Hong Kong in terms of a readiness to accept Hong Kong BDTCs in the UK reflects a growing public demand in Hong Kong. But OD(K) has not yet taken decisions in this very difficult area.

The Unofficials have had many contacts with Parliamentarians and the media over the past five days. Our impression is that as far as Parliamentarians are concerned, they have in general been heard with sympathy but with no indication that MPs see any real alternative to working for the best possible deal with China. We understand that some MPs have expressed doubts about the tactical wisdom of issuing the manifesto. The delegation will remain in London until after the debate on 16 May.

I am copying this letter to Nigel Pantling (Home Office.)

Yours ever
Peter Ricketts

(P F Ricketts)
Private Office

A J Coles Esq
 10 Downing Street

FUTURE OF HONG KONG

MEETINGS WITH UMELCO DELEGATION: 15 MAY 1984

POINTS TO MAKE

1. Value role played by Unofficials.
2. Understand their concerns. Importance of hearing Hong Kong people's views. HMG have been careful to consult Hong Kong ~~th~~roughout. Note particularly close involvement of EXCO.
3. HMG's position based on fact that negotiations are continuing. Probably now in most important phase. Wrong to believe they are over bar the shouting. During continuing discussion of agreement can establish whether satisfactory arrangement will be possible on basis of Chinese proposals.
4. In case any misunderstanding we do have a bottom line, in sense that we will not be prepared to recommend inadequate package to Parliament. Not seeking agreement for its own sake. Shall make this clear in debate. But before rejecting agreement would have to weigh consequences of confrontation and bear in mind how remote are chances of resuming talks with Peking and improving deal on offer.
5. But this does not mean setting and stating detailed requirements now. We shall fight hard, but a package will be combination of elements. It must be judged as a whole when negotiation has established what can be obtained.
6. If a workable agreement emerges its success or failure will depend on two factors. One is the degree to which the obligation imposed by an international agreement, and Chinese self interest, will tie Peking to honour the deal. We believe they have every interest in doing this. There are still large gaps between their concept of real autonomy and ours. But the game is not over. To ~~educate~~ educate them and press for a genuinely satisfactory package will be object of negotiations in coming weeks.
7. The other factor is the readiness of Hong Kong people to make an agreement effective. Confidence breeds confidence. Reverse also true. Demonstration that Hong Kong determined to prosper under new system will be strongest possible incentive to Chinese to respect its genuine autonomy. A Hong Kong in decline would be invitation to Peking to try to run the place.

Role which Unofficials can play in leading opinion. Right to represent Hong Kong views and fears. Right too to point out opportunities. But risks of public statements appearing to assume failure (eg manifesto), or raising expectations in Hong Kong that unattainable can be attained. Hope Unofficials will be able to play constructive role, helping opinion to form a realistic understanding of what can be achieved.

[DEFENSIVE]

Nationality and other 'obligations' of HMG

9. Not possible to give blanket assurances. Would not help confidence. Would be seen as anticipation of failure. Would reduce Chinese incentive to observe agreement if they could accuse HMG of undermining it. But understand anxieties.

10. Meanwhile will press Chinese hard in negotiation for a deal which will retain essentials of British nationality.

Precise Assurances in Agreement

11. Have explained the main assurances would be the international agreement itself and Chinese self-interest. Cannot promise others which we know are not attainable, eg residual British role.

Agreement and Basic Law

12. We must get as detailed agreement as possible, tying Chinese down on subsequent drafting of Basic Law. Believe this is more effective than insisting on holding up ratification till after appearance of Basic Law.

Transition Period

13. Agree we must be particularly careful in negotiation to avoid giving Chinese means of interference before 1997. Consultation will be necessary, but must be controlled. HMG are committed to retaining the framework of an effective administration in Hong Kong as long as its responsibilities remain.

HONG KONG DEPARTMENT

14 May 1984



UMELCO DELEGATION

NAME LIST AND PERSONALITY NOTES

SIR SZE-YUEN CHUNG CBE

Senior Unofficial Member of the Executive Council. Born 1917. Educated University of Hong Kong and University of Sheffield. Chairman of Sonca Industries Ltd (Manufacturer of Electronic Equipment). Senior General Manager of Eveready (HK) Co. Member of the Legislative Council from 1968-1974. Member of the Executive Council since 1972 and Senior Unofficial Member since September 1980. Widower, three children.

OSWALD VICTOR CHEUNG CBE QC

Born 1922. Educated in Hong Kong and Oxford. A barrister and Queens Counsel. Member of Legislative Council from 1970-81. Member of Executive Council since 1974. Married to Pauline, one son.

ROGERIO HYNDMAN LOBO CBE

Senior Unofficial Member of the Legislative Council. Born 1923, Macao. Educated in Macao and Hong Kong. A businessman. Member of Legislative Council since 1972 and of Executive Council since 1978. Married to Margaret Mary, ten children.

LO TAK-SHING CBE

Born 1935. Educated in Hong Kong and UK. A solicitor. Partner of Lo and Lo Solicitors. Member of Legislative Council since 1974 and Member of Executive Council since 1980. Chairman, Transport.

MARIA TAM WAI CHU (MISS)

Born 1945. Educated in Hong Kong and at University of London. Barrister-at-law of Grey's Inn. Member of Legislative Council since 1981. Appointed to Executive Council 1981. Appointed to Executive Council 1983. Elected Urban Councillor and District Board Member. Involved in a number of social welfare organisations. Single.



ALLEN LEE PENG FEI OBE

Born 1940. Educated in USA. Managing Director Ampex World Operations SA, Hong Kong. Member of Legislative Council since 1978. Chairman, Hong Kong Industrial Design Council. Married to Maria. 3 children.

MRS SELINA CHOW LIANG SHUK-YEE

Born 1945. Rducated in Hong Kong. Chairman Brainchild Productions Ltd and Record Films Ltd. Member of Legislative Council since 1981. Appointed member of Urban Council. Married to Joseph, two children.

STEPHEN CHEONG KAM-CHUEN

Born 1941. Educated in Hong Kong and UK. Managing Director, Cheong's Textile Co Ltd and Lee Wah weaving factory Ltd. Member of Legislative Council since 1980. Married to Joan, 4 children.

BENTON CHEUNG YAN-LUNG OBE

Born 1923. Educated in Hong Kong and China. A merchant and businessman from New Territories. Member of the Legislative Council since 1981. Married to Angela, thirteen children.

CHAN YING-LUN

Born 1950. Educated in Hong Kong. Public relations manager, Sam Miguel Brewery. Elected District Board member. Appointed to Legislative Council 1983. Married with one child.

- - - - -

THE SINO-BRITISH TALKS ON THE FUTURE OF HONG KONG AFTER THE
FOURTEENTH ROUND

1. The fourteenth round of talks took place on 9/10 May. The fifteenth round will take place on 30/31 May.
2. Little progress was made at the fourteenth round and much time was spent going over familiar ground. The Chinese side formally tabled their drafts of the documents comprising an agreement: they take the form of a joint declaration together with an associated draft protocol and exchange of notes. We responded by formally tabling our agreement and annexes. The Chinese side continued to describe our draft as unacceptable.
3. This was our first sight of the Chinese draft protocol to the agreement (covering the transitional period to 1997) and exchange of notes (setting out an elaboration of the plan for Hong Kong after 1997). The protocol sets out arrangements for the establishment of a joint group to continue consultations during the transitional period. It would be based in Hong Kong, but the Chinese envisage that it would also meet in London and Peking. The protocol also contains further unwelcome details of Chinese plans for the period, including their wish to be privy to the confidential details of the working of the exchange fund. It envisages that in 1997 HMG would hand over Hong Kong's reserves, Government property, archives etc in its possession to the Government of the People's Republic of China in the first instance, who would then pass it on to the Government of the SAR. This contradicts our conception of the Government of the SAR as a direct successor of the Hong Kong Government.
4. The Chinese exchange of notes, based on the Chinese reactions in discussion of our working papers, while fuller than we might have feared, is still too thin on detail and adopts the Chinese position on the points under dispute in the talks. The reference in the paragraph dealing with defence to the stationing of PLA troops in Hong Kong is particularly objectionable. The Chinese have confirmed that the exchange of notes would be equally valid and binding as the joint declaration. The draft Chinese note contains the undertaking that the details of Chinese plans for after 1997 would be reflected in the Basic Law.
5. In discussion of the transitional period Sir Richard Evans made a factual statement demonstrating the high degree of autonomy that

/Hong Kong

Hong Kong already possesses. He promised to give a response by the next round to the Chinese proposal for a joint group. The Chinese side reiterated their arguments for the creation of a joint group. Sir Richard Evans put forward our proposals for the handling of land leases in the territory both before and after 1997, and Zhou Nan undertook to respond at the next round.

5. On the second day of talks Zhou Nan made a statement criticising the statement issued in conjunction with the visit of the UMELCO delegation to Britain. He said that it was useless to pretend that the initiative was not that of the British Government because of the similarities between the British negotiating position and the demands in the manifesto. As we briefed EXCO on the talks, and EXCO Unofficials had put their name to the statement, it was clearly part of a British campaign to put public pressure on the Chinese, as in the case of other earlier incidents. The Chinese side would be forced to respond. Sir Richard Evans refuted these criticisms.

6. The fourteenth round did not take us much further forward. We need to recover the momentum generated by Sir Geoffrey Howe's visit to Peking. We have to decide on:

- (a) What line to adopt on the transitional period and the Chinese proposal for a peripatetic joint group.
- (b) How to get more detail into the annexes and when to table a revised agreement moving towards the form of a Chinese agreement while maintaining our essentials of substance;

At the same time we are under sustained pressure from the Unofficial members of UMELCO, both in public and in private, hold to a rigid negotiating position. The publication of their manifesto has complicated the tasks of our negotiating team and may provoke further Chinese public statements.

Hong Kong Department
14 May 1984

f.a.
Hong Kong.
AOL 15/5.

QUESTIONNAIRE ANALYSIS

Total Received:	90	
Invalid	2	
	—	
Total Valid Samples	90	
Local	66	73.3%
Expatriate	24	26.7%

<u>LOCAL</u>	<u>No.</u>	<u>Percentage</u>	
	66	100%	
Plan to emigrate	31	47%	
Not applying	35	53%	
a) <u>Plan to emigrate</u>	<u>31</u>	<u>100%</u>	
Plan to send spouse/children	24	77.4%	
Already sent	1	3.2%	
No spouse/children	6	19.4%	
<u>Countries:</u>			
U.K.	15	62.5%)	
Canada	3	12.5%)	
Australia	1	4.2%)	those listed countires
India	2	8.3%)	
Pakistan	2	8.3%)	
Sri Lanka	1	4.2%)	
Unknown	10		
	—		
Total	34		
	==		

b) <u>Not applying</u>	<u>35</u>	<u>100%</u>
Plan to send spouse/children	4	11.4%
Have already sent	0	0%

Reasons	Planned but not yet apply	Not applying	Total	Percentage Total (90)
Lack of financial means	9	11	20	22.2%
Ineligibility	8	8	16	17.8%
Others (e.g. roots in HK)	6	24	30	33.3%

<u>EXPATRIATE</u>	<u>No.</u>	<u>Percentage</u>
	28	100%
Plan to emigrate	13	39.3%
Not applying	11	14.3%
Undecided	4	14.3%
a) <u>Plan to emigrate</u>	<u>13</u>	<u>100%</u>
Plan to send spouse/children	6	46.1%
Already sent	2	15.4%
No spouse/children	5	38.5%

b) Not yet plan to emigrate but plan to send spouse/children	1	9.1%
Have already sent	0	0.0%

COUNTRIES OF PERMANENT RESIDENCE					
	Plan	Not Plan	Undecided	Total	%
U.K.	11	9	3	23	79.3
U.S.A.	1	0	0	1	3.4
Canada	0	1	0	1	3.4
Australia	1	0	0	1	3.4
Trinidad	1	1	0	2	6.6
New Zealand	1	0	0	1	3.4

Total: 29

QUESTIONNAIRE ANALYSIS

A) Total questionnaire received:	747	
1) Invalid	4	
2) Valid	743	
B) Type	Total:	743
1) Local	478	64.33%
2) Expatriate	265	35.67%

I) <u>EXPATRIATE</u>	<u>No.</u>	<u>Percentage</u>
Total:	265	100.00%
a) <u>Passport</u>		
Hold 1 passport	254	95.85%
Hold 2 passports	11	4.15%
Hold no passport	0	0.00%
Total: 276 passports		
b) <u>Country of the passports</u>		
British (U.K.)	218	78.99%
British (H.K.)	17	6.16%
Australia	11	3.98%
New Zealand	10	3.62%
H.K. Cert. of Identity	7	2.54%
U.S.A.	7	2.54%
Canada	3	1.09%
Switzerland	1	0.36%
Nepal	1	0.36%
Denmark	1	0.36%
c) <u>Applying for passport</u>		
Yes	0	0.00%
No	265	100.00%

d) Permanent residence outside H.K.

Total	266	97.74%
Britain	223	83.83%
Australia	14	5.26%
New Zealand	9	3.38%
U.S.A.	8	3.01%
Canada	4	1.50%
EEC countries	2	0.75%
Denmark	1	0.38%
Switzerland	1	0.38%
Nepal	1	0.38%
Not stated which country	3	1.13%
*No permanent residence	6	2.26%

Note: Someone has permanent residence in more than one country

e) Applying for permanent residence

No	262	98.87%
Yes	3	1.13%
(1 for Australia, 1 for U.K. & 1 for U.S.A.)		

f) Intend to apply for permanent resident before 1997

Yes	3	1.13%
No	44	16.60%
No answer	218	82.26%

Total: 265

- g) 1. plan to emigrate personally
 2. plan to send spouse/children
 3. already sent

Y	Y	Y	NNN	N	?
Y	Y	N	YYN	N	?
Y	N	N	NYN	N	?
20	100	45	12	47	41

∴ will emigrate personally	165	62.26%
∴ will send spouse/children	132	40.81%

h) Reasons for not planning to emigrate

1. lack of financial means	4	6.35%
2. ineligibility	0	0.00%

3. others		
(i) not stated	28)	
(ii) confident	4)	
(iii) love H.K.	3)	
(iv) wait	2)	93.65%
(v) no intention	7)	
(vi) go home/retire	15)	

4. ? 202

II. LOCAL

Total: 478 100.00%

a) passport

(i) no passport	15	3.14%
(ii) 1 passport	443	92.68%
(iii) 2 passports	18	3.76%
(iv) 3 passports	2	0.42%

Total 485

b) Country of passport

British (H.K.)	314	64.74%
H.K. Cert. of Identity	102	21.03%
British (U.K.)	45	9.28%
Canada	13	2.68%
Australia	5	1.03%
U.S.A.	2	0.41%
Singapore	1	0.21%
Taiwan	1	0.21%
India	1	0.21%

Total 485

c) Applying for passport

Yes	11	2.30%
No	467	97.70%

d) Permanent residence outside H.K.

Britain	50	55.56%
Canada	21	23.33%
Australia	8	8.89%
U.S.A.	5	5.56%
China	3	3.33%
Singapore	1	1.11%
Dominican Republic	1	1.11%
India	1	1.11%
—	90	18.62%
*No permanent residence	389	81.38%

e) Applying for permanent residence

Canada	22	32.84%
U.S.A.	21	31.34%
Australia	12	17.91%
U.K.	8	11.94%
Singapore	2	2.98%
Costa Rica	1	1.49%
Portugal	1	1.49%
—	67	
Total	67	

f) Intend to apply for permanent residence

Yes	178	37.24%
No	132	27.61%
No answer	168	35.15%

- g) 1. plan to emigrate personally
 2. plan to send spouse/children
 3. already sent

Y	Y	Y	Y	N	N	?
Y	Y	N	N	Y	N	?
Y	N	Y	N	N	N	?
19	220	5	27	42	152	13

∴ will emigrate personally	271	56.70%
∴ will send spouse/children	281	58.79%

h) Reasons for not planning

1. lack of financial means	62	28.18%
s. ineligibility	23	10.45%

3. others		
(i) not stated	74)	
(ii) confident	8)	
(iii) no intention	12)	
(iv) rooted	14)	52.73%
(v) no suitable place	2)	
(vi) wait	2)	
2 & 3 with a) no suitable place	1)	
b) wait	1)	1.82%
c) no stated	2)	
1 & 3 with a) no intention	1)	
b) rooted	1)	5.00%
c) not specified	9)	
1 & 2 & 3 with a) no suitable place	1)	
b) no intention	1)	3.64%
c) not specified	6)	
4. ?	258	



file

67

cc: P.C.

10 DOWNING STREET

From the Private Secretary

14 May, 1984

The Prime Minister has asked me to thank you for your letter of 9 May and the paper which you enclosed. As you will have heard from the Foreign and Commonwealth Office, the Prime Minister looks forward to seeing you and your delegation at 0930 hrs on Tuesday, 15 May.

A. J. COLES

Sir S.Y. Chung, CBE, JP.

VC



10 DOWNING STREET

From the Private Secretary

14 May, 1984

Hong Kong: UMELCO Visit to London

Thank you for your letter of 11 May. As I told you on the telephone, the Prime Minister has agreed to see the UMELCO delegation at 0930 on Tuesday, 15 May at No. 10 Downing Street. Would you please invite the delegation to attend accordingly.

A. J. COLES

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

ew

cc/c
15A-



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

11 May 1984

Agree that you should
not invite the Chinese Prime
Minister here in mid-June?

A.J.C. 11/5

We are in difficulty

because under the same
conditions (i.e. a visit
to Europe)

Dear John,

Future of Hong Kong: European Tour of Zhao Ziyang

You will have seen Peking telegram No 842 and Hong Kong
telegram No 1198 about the plans of Premier Zhao Ziyang
to tour a number of Western European countries in the first
half of June (I attach copies for ease of reference).

we visited
Both.

Both the Ambassador and the Governor are inclined
to see merit in our extending an invitation to Zhao to pay
a brief visit to Britain, perhaps at the end of his
European tour, or at least in our keeping that option
open. The main arguments in favour are, first, that it
could look odd, particularly in Hong Kong, if we failed
to take the opportunity of Zhao's presence in Europe to
put our arguments to him once more; and, secondly, that
it might in any case be timely to reinforce a number of
points at Prime Ministerial level in June. But there are
also strong arguments against. In particular:

I will be
to think
we must
invite
Zhao
Ziyang.
not

(a) In practice it would not be feasible to keep
open the option of a visit by Zhao unless we spoke
soon to the Chinese. To offer a tentative or
conditional invitation now would be an embarrassing
procedure and would run a high risk of receiving
a Chinese rebuff. To delay an invitation until
much nearer the time would risk causing irritation,
inconvenience to the Chinese (if they accepted) or
a set-back to the atmosphere of the talks (if they
declined).

(b) It is unlikely that matters would have progressed
far enough, even by the end of Zhao's tour in mid-June,
for a meeting between Zhao and the Prime Minister to
bring about a resolution of outstanding problems.
Zhao does not make the final decisions on Hong Kong;
will not, on present plans, be accompanied to Europe
by his Hong Kong advisers; and is in any event
unlikely to have sufficient flexibility at long
range to make the sort of concessions that might
clinch an agreement.

/(c)



(c) The impact in Hong Kong of a visit by Zhao to Britain could be double-edged. Zhao and the Prime Minister will not be in a position by then to celebrate the conclusion of an agreement. The meeting could be seen by Hong Kong opinion as furthering Sino-British relations at Hong Kong's expense. Speculation in Hong Kong and elsewhere either about crisis or about imminent agreement in the talks would also be very unhelpful.

The Foreign Secretary considers that the arguments for and against an invitation are finely balanced but concludes that, against the background of the present negotiations, the risks outweigh the potential advantages. Unless the Prime Minister sees objection, we would propose to send a telegram to the Ambassador and the Governor setting out the Foreign Secretary's views as outlined above.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

GR 490
SECRET
FM PEKING 021030Z MAY 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 842 OF 2 MAY
INFO IMMEDIATE HONG KONG

11KK 026/8

FUTURE OF HONG KONG: EUROPEAN TOUR OF ZHAO ZIYANG

1. THE TIMETABLE HAS CHANGED AGAIN. THE VISITS TO NORWAY AND DENMARK HAVE BEEN REVERSED, TO PREVENT ZHAO'S PRESENCE IN DENMARK COINCIDING WITH PRINCE HENDRICK'S 50TH BIRTHDAY ON 11 JUNE. THE TIMETABLE FINALLY AGREED IS AS FOLLOWS:

eee (10)

FRANCE 31 MAY - 3 JUNE

BELGIUM 4-5 JUNE

SWEDEN 6-7 JUNE

DENMARK 8-9 JUNE

REST DAY 10 JUNE

NORWAY 11-12 JUNE

ITALY 13-16 JUNE.

2. ON 10 JUNE, ZHAO WILL LEAVE COPENHAGEN AT 1030 IN THE MORNING FOR BERGEN, WHERE HE WILL SPEND THE REST OF THE DAY WITHOUT ANY OFFICIAL ENGAGEMENTS. HE WILL FLY TO OSLO ON 11 JUNE.

3. ZHAO WILL BE ACCOMPANIED BY ZHANG JINGFU, THE CHAIRMAN OF THE STATE ECONOMIC COMMISSION, QIAN QICHEN, A VICE-MINISTER OF FOREIGN AFFAIRS, ABOUT 30 OFFICIALS AND A SUPPORTING STAFF OF ABOUT 70. HE WILL NOT BE ACCOMPANIED BY VICE-MINISTER YAO GUANG OR ASSISTANT MINISTER ZHOU NAN.

4. THE HONG PRESS PERSISTENTLY ASK US WHETHER ZHAO WILL VISIT THE UNITED KINGDOM DURING HIS TOUR OF WESTERN EUROPE. WE HAVE REPLIED THAT THE UNITED KINGDOM IS NOT ON THE LIST OF SIX COUNTRIES WHICH HE IS DUE TO VISIT.

5. I DO NOT KNOW HOW EASY IT WOULD BE IN PRACTICAL TERMS FOR ZHAO TO VARY HIS ITINERARY TO MAKE A STOP-OVER IN THE UNITED KINGDOM. HE WILL BE TRAVELLING ON A SPECIAL CHINESE AIRCRAFT. BUT I JUDGE THAT HE WOULD BE RELUCTANT TO GIVE UP HIS REST DAY ON 10 JUNE, LEAVING ONLY 30 MAY AND 17 JUNE AS POSSIBLE DATES, AND THAT HE MIGHT BE UNWILLING TO EXTEND AN ABSENCE FROM CHINA WHICH WILL ALREADY LAST FOR NEARLY THREE WEEKS.

SECRET

/5

SECRET

9. A MEETING WITH THE PRIME MINISTER, PARTICULARLY IF TACKLED ON TO A TOUR WHICH HAD ALREADY BEEN ARRANGED, COULD CREATE SPECULATION EITHER THAT AGREEMENT WAS ABOUT TO BE REACHED OR THAT SOME CRISIS HAD OCCURRED. IT WOULD BE WORTH RISKING THIS IF THERE WAS A GOOD CHANCE OF OBTAINING CONCESSIONS FROM THE CHINESE. BUT THE TIMING MIGHT BE WRONG FOR THIS. I SUSPECT THAT THE CHINESE ARE LIKELY TO KEEP ANY FURTHER CONCESSIONS UP THEIR SLEEVES UNTIL TIME PRESSURE BEGINS TO BUILD UP AGAIN. BY 30 MAY, WE SHALL HAVE HAD ONLY ONE MORE ROUND OF TALKS (WE SHALL PROBABLY BE ENGAGED ON ANOTHER ON THAT DATE). WE SHALL HAVE HAD THREE MORE ROUNDS BY 17 JUNE. BUT WE MIGHT NEED LONGER TO ESTABLISH WHERE THE FINAL BATTLE LINES ARE GOING TO BE DRAWN. MY RECOMMENDATION, THEREFORE, IS THAT WE SHOULD RULE OUT 30 MAY, BUT KEEP 17 JUNE IN MIND AS AN OPTION WHICH WE COULD RETURN TO IF IT TURNED OUT THAT DEVELOPMENTS MADE IT WORTH GOING FOR.

EVANS

FUTURE OF HONG KONG

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

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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 GRADOCK RM K196
SIR P GRADOCK NO 10 DOWNING STREET

2

SECRET

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GRS 300

SECRET

DESKBY 031100Z

FM HONG KONG 030835Z MAY 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1198 OF 3 MAY

INFO IMMEDIATE PEKING

HKK 026/8	
RECEIVED "H.K. IS..."	
-3 MAY 1984	
DESK OF	
INDEX	

(7)
PEKING TELNO 842: FUTURE OF HONG KONG: EUROPEAN TOUR BY ZHAO ZIYANG

1. WHILE IT IS TRUE THAT THERE WILL BE SPECULATION IF ZHAO WERE TO VISIT BRITAIN DURING HIS EUROPEAN TOUR THERE WILL EQUALLY BE SPECULATION IF HE DOES NOT DO SO. IN VIEW OF ALL THAT WAS SAID DURING THE SECRETARY OF STATE'S VISIT TO PEKING (INCLUDING IN THE JOINT PRESS STATEMENT) ABOUT THE VERY GOOD STATE OF SINO/BRITISH RELATIONS, IT WILL CERTAINLY LOOK ODD IN HONG KONG IF ZHAO DID NOT INCLUDE BRITAIN IN HIS TOUR AND ODDER STILL IF IT BECAME CLEAR THAT THE OUTSTANDING INVITATION TO HIM HAD NOT BEEN RENEWED.
2. NOR MUST WE OVERLOOK THE FACT THAT ONE OF THE ISSUES AT THE END OF THE DAY WILL BE WHETHER HMG HAS DONE ITS UTMOST TO ACHIEVE THE BEST POSSIBLE SETTLEMENT FOR HONG KONG. IN THIS CONTEXT MISSING AN OPPORTUNITY FOR THE PRIME MINISTER TO URGE HONG KONG'S CASE DIRECTLY ON THE CHINESE PRIME MINISTER WOULD NOT LOOK WELL.
3. AS SEEN FROM HERE A MEETING BETWEEN ZHAO AND THE PRIME MINISTER IN MID JUNE COULD BE TIMELY. IF THE TALKS ON THE FUTURE ARE GOING WELL IT MIGHT BE HELPFUL FOR THE LEADERS TO REVIEW PROGRESS AND LOOK AHEAD TO THE NEXT STAGES. IF, AS SEEMS MORE LIKELY THE CHINESE ARE STILL PROVING DIFFICULT ABOUT THE CONTENT OF THE AGREEMENT AND ABOUT MAJOR OUTSTANDING ISSUES SUCH AS NATIONALITY THE PRIME MINISTER'S INTERVENTION COULD BE VERY VALUABLE. I DO NOT SEE THAT WE HAVE ANYTHING TO LOSE.

SECRET

SECRET

4. SUBJECT TO THE PRIME MINISTER'S DIARY, I AGREE WITH THE AMBASSADOR THAT IT WOULD BE BETTER TO THINK IN TERMS OF A POSSIBLE VISIT AT THE END OF THE TOUR RATHER THAN AT THE BEGINNING. BUT IF WE WISH TO KEEP OPEN THE OPTION OF A VISIT IT WILL PRESUMABLY BE NECESSARY TO SAY SOMETHING TO THE CHINESE VERY SOON. OTHERWISE ZHAO MAY TAKE ON COMMITMENTS (IF HE HAS NOT ALREADY DONE SO) WHICH WOULD MAKE IT IMPOSSIBLE FOR HIM TO MAKE ANY FURTHER CHANGES TO HIS PRESENT PLANS.

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

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MR BRENNAN CABINET OFFICE

PS/S OF S FOR DEFENCE D

PS/ATTORNEY GENERAL

SIR P GRADOCK RM K195

SIR P GRADOCK NO 10 DOWNING STREET

2
SECRET



10 DOWNING STREET

Prime Minister.

This Hong Kong delegation is quite different from previous ones. It contains people who are not going to the negotiations.

2. I do not think you need give them as much time as the earlier EXCO delegation. Would you see them for 45 minutes at ~~1030~~ ⁰⁹³⁰

on Tuesday, 15 May - the day before the Hong Kong debate?

Can we then do hon
A.S.C. 1/3.

Yes
no

S E C R E T



Foreign and Commonwealth Office

London SW1A 2AH

11 May 1984

Dear John,

Hong Kong: UMELCO Visit to London: Proposed Call on Prime Minister

As you know a group of Unofficials from the Hong Kong Executive and Legislative Councils are visiting London, mainly to lobby MPs in advance of the debate on Hong Kong on 16 May. The group, which is led by Sir S Y Chung, contains a total of ten members. (I enclose a list)

Although the visit is different in form and purpose from the previous visits by Unofficials of EXCO, which were part of HMG's regular consultations, the group are being seen at their request by Mr Luce and by the Foreign Secretary on the afternoon and evening respectively of 15 May. Sir S Y Chung has now passed a request through the Acting Governor that they should be received by the Prime Minister. We recommend that this should be agreed, if Mrs Thatcher's programme will allow it. As you know, the Unofficials are in a state of some tension and particularly conscious of their role in representing what they see as Hong Kong views, to Ministers and MPs. Their manifesto, issued on the eve of their departure from Hong Kong and sent to a wide range of Members of Parliament and other figures in London (my letter of 10 May) has been badly received by the Chinese (Zhou Nan took Richard Evans to task for it at the latest round of talks). There clearly are problems arising from the position of the Unofficials (particularly EXCO members) as confidential advisers to the Governor and their role as reflectors of opinion. In these circumstances it would be helpful if the Prime Minister could listen to their concerns and take the opportunity to discuss how the Unofficials can best operate publicly in order to help us to negotiate the best possible agreement with the Chinese.

If a meeting is arranged we shall of course supply a brief. In addition the Secretary of State is seeing Sir S Y privately this afternoon. We shall let you know if any points arise from that meeting.

For ever,
(P F Ricketts)
Private Secretary

Peter Ricketts

A J Coles Esq
10 Downing Street

S E C R E T



UMELCO DELEGATION

Sir Sze-Yuen Chung CBE

Mr O V Cheung CBE QC

Mr R H Lobo CBE

Mr T S Lo CBE

Miss Maria Tam

Mr Allen Lee OBE

Mrs Selina Chow

Mr Stephen Cheong

Mr Y L Cheung MBE

Mr Y L Chan

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MR ROBERTS, NEWS DEPT

SIR PERCY CRADOCK

IMMEDIATE

Ly Puts

SECRET

DESBKY 111000Z BOTH

14

FROM PEKING 110920Z MAY 84

mt

TO IMMEDIATE FCO

TELEGRAM NUMBER 907 OF 11/5/84

INFO IMMEDIATE HONG KONG

YOUR TEL NO 501: FUTURE OF HONG KONG: UMELCO STATEMENT

WHEN I ASKED FOR AN APPOINTMENT TO DELIVER YOUR MESSAGE, THE MFA SAID THAT WU XUEQIAN WAS IN MEETINGS ALL TODAY AND VERY BUSY TOMORROW. SINCE SPEED WAS OF THE ESSENCE, I THEREFORE AGREED TO CALL ON ZHOU NAN.

2. I SPOKE AS INSTRUCTED. I DID NOT RECEIVE YOUR TEL NO 502 BEFORE I CALLED.

3. ZHOU THANKED ME FOR DELIVERING YOUR MESSAGE WHICH HE HAD NOTED CAREFULLY AND WHICH HE WOULD CONVEY TO WU. HE WENT ON TO REPEAT ONCE AGAIN THE CHINESE POINT OF VIEW.

CHINA CONSIDERED THAT THE UMELCO STATEMENT DID NOT EXPRESS THE DESIRES OF THE PEOPLE OF HONG KONG. ITS PUBLICATION CONSTITUTED DISRUPTION OF THE TALKS AND WAS DETRIMENTAL TO THE STABILITY AND PROSPERITY OF HONG KONG. AS HE HAD PREVIOUSLY POINTED OUT, THE BRITISH GOVERNMENT HAD GREAT INFLUENCE WITH THE UNOFFICIAL MEMBERS OF THE TWO COUNCILS AND KNEW OF THEIR

OUT, THE BRITISH GOVERNMENT HAD GREAT INFLUENCE WITH THE UNOFFICIAL MEMBERS OF THE TWO COUNCILS AND KNEW OF THEIR STATEMENT BEFOREHAND. THE CHINESE GOVERNMENT COULD NOT HELP THINKING THAT THE BRITISH GOVERNMENT HAD RESPONSIBILITY IN THIS MATTER. AS TO HOW THE CHINESE SIDE WOULD DEAL WITH IT, THAT WAS A MATTER WHICH THEY THEMSELVES WOULD DECIDE.

IT WAS OBVIOUS THAT THE CHINESE SIDE HAD NEVER PLAYED TRICKS AND HAD NOT PROVOKED THIS INCIDENT. AS THE CHINESE PROVERB WENT: "TREES PREFER TO REMAIN CALM BUT THE WIND KEEPS BLOWING". THIS INCIDENT HAD REALLY SURPRISED THE CHINESE SIDE AND THEY HAD ALREADY EXPRESSED THEIR REGRET. THE BRITISH SIDE MUST BEAR RESPONSIBILITY FOR THE CONSEQUENCES.

4. ZHOU SAID THAT HE HAD NOTED THAT THE FINAL POINT IN YOUR MESSAGE TO WU WAS THAT WE WISHED TO MOVE FORWARD AS FAST AS POSSIBLE TO THE CONCLUSION OF AN AGREEMENT.

THE CHINESE SIDE WOULD WAIT AND OBSERVE BRITISH ACTIONS. THE BRITISH SIDE BORE RESPONSIBILITY FOR THE DISRUPTION CAUSED BY THESE REPEATED INCIDENTS. ZHOU CONCLUDED BY REPEATING THAT HE WOULD REPORT YOUR MESSAGE TO WU AS SOON AS POSSIBLE.

5. I SAID THAT YOU WOULD BE INTERESTED IN WU'S REACTION. I DID NOT WISH TO EMBROIDER YOUR MESSAGE. ZHOU SAID THAT HE WOULD LET ME KNOW IF THE CHINESE GOVERNMENT HAD ANYTHING NEW TO SAY.

EVANS

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PS/MR LUCE
MR WILSON
HD/HKD
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DESKBY HONG KONG 110430Z

FM PEKING 110410Z MAY 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 901 OF 11 MAY

INFO IMMEDIATE HONG KONG

IMMEDIATE

ADVANCE COPY

MIPT AND MY TELNO 899: FUTURE OF HONG KONG: UMELCO
STATEMENT

1. THE CHINESE MADE THREE FURTHER POINTS WHICH ARE WORTH REPORTING DURING THE DINNER FOR DELEGATIONS.

(A) ZHOU NAN SAID THAT WE WOULD HAVE NOTED THAT DENG XIAOPING TOLD BOTH THE PRIME MINISTER AND YOU THAT, IN THE CASE OF DISTURBANCES WHICH GOT OUT OF CONTROL IN HONG KONG, CHINA WOULD HAVE TO RECONSIDER THE TIMING AND MANNER OF HER RECOVERY OF HONG KONG.

(B) ZHOU SAID THAT THE CHINESE SIDE KNEW WHO WAS WHO IN UMELCO. DID THE OPPONENTS OF AN AGREEMENT THERE NOT REALISE THAT THEIR OWN FATE WAS IN THE BALANCE? THEY HAD LONG LIVES TO LIVE.

(C) LU PING SAID THAT THE UMELCO STATEMENT WAS EXACTLY THE SORT OF EVENT WHICH MADE NECESSARY SINO-BRITISH LIAISON IN HONG KONG DURING THE TRANSITIONAL PERIOD.

EVANS

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DESKBY HONG KONG 110300Z
FM PEKING 101545Z MAY 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 899 OF 10 MAY
INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: UMEICO STATEMENT

1. FROM CONVERSATIONS AT THIS EVENINGS DINNER FOR THE TWO DELEGATIONS IT IS CLEAR THAT WE CAN EXPECT A STRONG PUBLIC REACTION TO THE UMEICO STATEMENT.
2. THE TERMS OF THE STATEMENT WERE DESCRIBED BY SEVERAL MEMBERS OF THE CHINESE DELEGATION AS BEING "HOSTILE" AND "ANTI-CHINESE". WE WERE REMINDED THAT THE CHINESE HAD NOT REACTED OFFICIALLY TO THE LOBO MOTION. BUT THIS TIME, ZHOU NAN SAID, THE UNOFFICIALS HAD "GONE TOO FAR". THE CHINESE COULD NOT KEEP QUIET AND THE UNOFFICIALS WOULD HAVE TO BEAR THE CONSEQUENCES.
3. ZHOU NAN REFUSED TO ACCEPT THAT HMG AND THE HKG HAD PLAYED NO PART. PING ASSERTED THAT WE MUST HAVE KNOWN WHAT WOULD BE IN THE STATEMENT; THAT THE UNOFFICIALS MUST HAVE SOUGHT PERMISSION; AND THAT WE COULD HAVE STOPPED IT IF WE HAD WANTED TO.
4. WE VERY FIRMLY REJECTED ALL THESE ALLEGATIONS. I REMINDED ZHOU OF WHAT I HAD SAID ON YOUR INSTRUCTIONS BOTH AT MY MEETING WITH HIM ON 9 MAY AND TODAY IN THE TALKS. ZHOU WAS CLEARLY UNWILLING TO ACCEPT WHAT I SAID. HE CLAIMED THAT THE CHINESE SIDE HAD BEEN DEEPLY SHOCKED AND SURPRISED BY THIS DEVELOPMENT, THAT CHINESE LEADERS WERE EXTREMELY DISTRESSED AND THAT THE CREDIBILITY OF THE BRITISH SIDE WAS NOW AT STAKE.
5. ZHOU LINKED THE TIMING OF THE UMEICO STATEMENT TO HIS TABLING OF THE FULL CHINESE DRAFT AGREEMENT, ABOUT WHICH HE CLAIMED THE EXCO MEMBERS MUST HAVE KNOWN. THE WAY IN WHICH THE BRITISH SIDE REACTED TO THESE DOCUMENTS WOULD BE VERY IMPORTANT TO CHINESE LEADERS IN JUDGING WHETHER WE WERE PARTNERS OR ADVERSARIES IN THE NEGOTIATIONS.

EVANS

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PS

PS/PUS / MR BULLARD

PS/MR LUCE

MR WILSON

HD/HKD

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TO IMMEDIATE FCO

TELEGRAM NUMBER 898 OF 10 MAY

INFO IMMEDIATE HONG KONG

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MIPT: FUTURE OF HONG KONG: ROUND 14: SECOND DAY: COMMENT

1. I SPOKE FIRST, ON LAND. ZHOU UNDERTOOK TO STUDY MY STATEMENT. HE OFFERED NO IMMEDIATE COMMENT.
2. ZHOU'S OWN STATEMENT COMMENTED ON MY STATEMENTS OF YESTERDAY ON THE TWO SIDES' DRAFT AGREEMENTS AND ON ITEM 2. HE SPOKE ALSO ON THE UMELCO STATEMENT. I HAVE REPORTED AND COMMENTED ON THE LAST SEPARATELY (MY TELNOS 893 AND 894).
3. ON THE DRAFT AGREEMENTS, ZHOU SAID NOTHING NEW. HE REPEATED THAT THE BRITISH DRAFT REMAINED UNACCEPTABLE AND EXPRESSED THE HOPE THAT WE WOULD RESPOND POSITIVELY TO THE CHINESE DRAFT. I SAID THAT WE HAD ALREADY EXPLAINED THE SHORTCOMINGS OF THE CHINESE JOINT DECLARATION. WE HAD UNDERTAKEN TO STUDY CAPEFULLY ALL THREE DOCUMENTS WHICH ZHOU HAD TABLED ON 9 MAY.
4. THE BULK OF ZHOU'S STATEMENT DEALT WITH ITEM 2. HE STRESSED THAT A JOINT GROUP HAD TO BE SET UP IN HONG KONG AND NOWHERE ELSE.

~~THAT A JOINT GROUP HAD TO BE SET UP IN HONG KONG AND NOWHERE ELSE.~~
IT WAS ON THIS PREMISE THAT DENG XIAOPING HAD SUGGESTED THAT IT MIGHT MEET IN PEKING, LONDON AND HONG KONG. HE WENT ON TO REMAKE THE POINTS ON WHICH I HAD ANSWERED HIM YESTERDAY. ONE POINT WHICH HE UNDERLINED WAS THAT THOSE WHO HAD BEEN 'UNILATERALLY' CHOSEN BY THE BRITISH WOULD NOT BE ACCEPTABLE AS HONG KONG'S LEADERS AFTER 1997. HE DISMISSED THE POSSIBILITY OF CHINA GIVING A BLANK CHEQUE TO THE UK TO KEEP INTACT WHATEVER GOVERNMENTAL STRUCTURES WE MIGHT HAVE DEVELOPED BEFORE 1997. BUT, AS PREVIOUSLY, HE EFFECTIVELY ASKED US TO GIVE THE CHINESE A BLANK CHEQUE BY ARGUING THAT WE SHOULD COOPERATE IN IMPLEMENTING WHATEVER CHANGES TO THE PRESENT GOVERNMENTAL STRUCTURE THE CHINESE MIGHT DECIDE WERE NECESSARY. HE DISMISSED PUBLISHED INFORMATION ON THE ISSUANCE OF CURRENCY AS SUPERFICIAL, SAYING THAT CHINA MUST BE PRIVY TO CONFIDENTIAL INFORMATION ON THE MANAGEMENT OF THE EXCHANGE FUND IF SHE WERE TO ALLOW THE PRESENT NOTE-ISSUING BANKS TO CONTINUE IN THAT CAPACITY AFTER 1997. ON LAND, HE SAID THAT THE HONG KONG GOVERNMENT'S POLICY HAD PRODUCED CHAOS IN THE PAST: CHINA AND BRITAIN MUST DISCUSS LAND LEASES JOINTLY IN THE FUTURE.

5. TAKEN AS A WHOLE, ZHOU'S STATEMENT ON ITEM 2 DISPLAYED DEEP MISTRUST OF OUR MOTIVES AND INTENTIONS BEFORE 1997. HE CHARACTERISED MY STATEMENT OF YESTERDAY AS GIVING THE IMPRESSION THAT ITEM 2 DID NOT EXIST FOR THE BRITISH SIDE. HIS TONE WAS CARPING. IN RESPONSE, I REMINDED HIM THAT WE WERE EXAMINING DENG'S PROPOSAL WITH PARTICULAR CARE IN VIEW OF ITS IMPORTANCE. MY LONG STATEMENT ON ITEM 2 WAS EVIDENCE THAT WE HAD NOT OVERLOOKED OR IGNORED THIS QUESTION. MY STATEMENT HAD BEEN FILLED WITH FACTS.

6. THE TEMPERATURE THIS MORNING, HARDLY SURPRISINGLY, DROPPED MARKEDLY. BUT AT THE END OF THE MEETING ZHOU MADE NO FUSS ABOUT THE JOINT COMMUNIQUE.

EVANS

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SECRET

10. cef/c



Foreign and Commonwealth Office

London SW1A 2AH

10 May, 1984

A.J.C. 1/5.

p.a.

Dear John,

Future of Hong Kong: Record of the Prime Minister's Meeting
with EXCO Unofficials on 6 April 1984

I attach a copy of the record of the meeting between the Prime Minister and EXCO Unofficials on 6 April, prepared by the Clerk to the Executive Council. We have been asked to send this to you to retain as a matter of courtesy, following a discussion in EXCO on 13 April.

Yours ever,

L V Appleyard

(L V Appleyard)
Private Secretary

A J Coles Esq
10 Downing Street

SECRET

MEMORANDUM FOR EXECUTIVE COUNCIL
THE FUTURE

RECORD OF A MEETING BETWEEN
THE PRIME MINISTER AND
THE UNOFFICIAL MEMBERS OF
THE EXECUTIVE COUNCIL OF HONG KONG:
6 APRIL 1984, AT 10 DOWNING STREET

Present:

The Prime Minister	Sir Edward Youde, GCMG, MBE, Governor
Rt Hon Sir Geoffrey Howe, QC, MP, Secretary of State for Foreign and Commonwealth Affairs	Sir Sze-yuen CHUNG, CBE, JP
Mr Richard Luce, Minister of State	Mr O V CHEUNG, CBE, QC, JP
Rt Hon Sir Michael Havers, QC, MP, Attorney General	Mr R H Lobo, CBE, JP
Sir Percy Cradock, GCMG, Deputy Under Secretary of State	Mr F W LI, CBE, JP
Sir Anthony Acland, GCMG, Permanent Under Secretary of State	Mr M G R Sandberg, CBE, JP
Dr D C Wilson, Assistant Under Secretary of State Private Secretary/Prime Minister	Mr T S LO, CBE, JP
	Miss Lydia DUNN, CBE, JP
	Mr Q W LEE, CBE, JP
	Mr S L CHEN, CBE, JP
	Miss Maria TAM, JP
	Mr M D Thomas, Attorney General
	Mr R I W Upton, Clerk of Councils

The meeting commenced at 9.00 a.m.

2. The Prime Minister welcomed the Governor and Unofficials. She said that she wanted the Unofficials to say exactly what they felt. She thought that both sides felt the same way, but in the case of the Unofficials their feelings would be heightened by being closer to the issue.

3. Sir S.Y. Chung on behalf of his colleagues expressed their gratitude that their request for a meeting had been met at short notice. He referred to the beginning of the process of negotiations and recalled that at first we had tried to get the Chinese Communists to agree to continuing British administration after 1997 in return for sovereignty, but they had not been receptive to this approach. By September and October 1983 we had reached the brink of breakdown. At that stage HMG could have stood firm and exposed the Chinese bottom line, but they had instead persuaded the Unofficials to give up the objective of British administration, and to try to build on the premise of the Chinese plan a satisfactory agreement incorporating as many British links as possible of authority and influence while preserving conditionality.

4. After three months of talks and the submission of working papers the Chinese had put increasing pressure on our side to hasten the pace of negotiations, and had threatened a unilateral announcement in September 1984. The Unofficials had met the Prime Minister in January 1984, when they had been persuaded again that there should be a new negotiating brief. This brief had had as its first aim an interim agreement in September. Second had been the preservation of conditionality. Third had been the understanding that there would be no signing of the agreement before the drafting of the Basic Law. Fourth, conditionality would not be lifted without Parliament having endorsed the agreement. Fifth, the agreement should give the highest degree of autonomy to Hong Kong, and provide for minimum changes in the systems of Hong Kong and produce maximum assurances to maintain domestic and international confidence. The objective should be no change for 50 years, and to this end the agreement should contain as much detail as possible.

5. Sir S.Y. Chung said that the Unofficials had thus been very much surprised to learn from Mr Luce in February that HMG had changed its mind so as to accede to the Chinese request for a final agreement by the end of 1984. They understood that Mr Luce had reported to the Prime Minister the strong views that had been expressed by all Members of the Executive Council on 27 February. Subsequently the Unofficials had been given a revised draft strategy for comment, which they had decided to support provided certain minor changes were made, but they had expressed the unanimous view that the proposed timetable was quite unrealistic. They noted that there were still many areas of substantial disagreement with the Chinese, and required that the negotiations should proceed step by step without the imposition of any arbitrary deadlines by the Chinese.

They had required that the strategy should be changed to comprise six events, thus -

- a) a ministerial statement, after consultation with the Executive Council on its contents;
- b) a second ministerial statement, after consultation with the Executive Council, to unveil the progress of the negotiations, and to outline a possible agreement;
- c) publication of the draft agreement in full detail for public comment in Hong Kong;
- d) presentation of the draft agreement to Parliament for debate and endorsement;
- e) the signing of the agreement;
- f) the passing of legislation to return sovereignty over all Hong Kong to China, and ratification of the agreement after the publication of the Basic Law.

Of these the most important were the third and the sixth stages, the publication of the draft agreement for public comment and the passing of legislation to return sovereignty and the ratification of the agreement after the publication of the Basic Law.

6. In agreeing this strategy the Unofficials had stressed two points. First, HMG must be ready to go back to the negotiating table if the people of Hong Kong objected to any clause in the draft agreement, and the Chinese side must be made aware of this possibility from the outset. Second, if the advice of the Executive Council on the draft agreement was not acceptable to HMG then the dissent of the Executive Council should be made public.

7. The Unofficials had now seen the form proposed for the draft agreement, and wished to make two points. First, when the agreement was published the people of Hong Kong would be very disappointed if it contained no article covering its monitoring and interpretation, and another article providing for redress for the people of Hong Kong if the agreement was violated, since, unlike other international agreements, the injured party would be a third party who was not a signatory. Second, the

Unofficials believed that there was a cultural difference in approach: in their view the terms of the draft agreement were not sufficiently advantageous to our side to allow us scope for the necessary bargaining with the Chinese Communists.

8. After hearing the reports of the tenth and the eleventh rounds, particularly the eleventh round, the Unofficials had been very alarmed by the statements of Mr ZHOU Nan. The Chinese were not merely unwilling to deal in detail, but showed bad faith in continually shifting their position. Sir S.Y. Chung said Miss Lydia Dunn would give examples of these shifts in position. The Unofficials were increasingly worried about the growing number of swift retreats made by HMG, and the continual wrong assessments of the Chinese position, on which Mr Sandberg would speak. Above all, the Chinese had dropped the bombshell of refusing to recognise the British nationality of BDCs in Hong Kong after 1997, thus denying their rights and privileges. This was the most crucial development. Sir S.Y. Chung said that the Unofficials warned that if HMG allowed such an injustice then Hong Kong would become ungovernable long before 1997. Mr T.S. Lo would speak on this subject.

9. It was because of these developments that the Unofficials had asked for this meeting with the Prime Minister so that they could express their fears and position on Hong Kong's future.

10. The previous day, in a meeting with Mr Luce, the Unofficials had been very concerned to learn of another possible shift in the British position. Instead of the ratification of the agreement after the publication of the Basic Law they now understood that it was thought that a better arrangement would be for the agreement to be ratified first and the transfer of sovereignty made effective by an Order in Council thereafter. Sir S.Y. Chung said that if the Unofficials could be sure that the Prime Minister would remain in office for another 13 years then they would have no qualms about such a procedure, but they feared that another Prime Minister might not have the same degree of political will. For this reason the Unofficials did not favour the proposed change in procedure.

11. The Unofficials felt very strongly that the agreed strategy should be our bottom line, and that HMG should make no further concessions to the Chinese. If HMG was to retreat from this bottom line then the Unofficials hoped that the Prime Minister would understand that they would wish to dissociate themselves from such a retreat.

12. At the meeting with the Secretary of State the previous day the Unofficials had advised him that he should be prepared for the Chinese to reject the proposed draft agreement. Nevertheless, they fully supported his visit to China, and wished him every success.

13. Mr M.G.R. Sandberg said that the Prime Minister had asked the Unofficials to be frank. He wished to say frankly that there had been, and still were, major differences between the advice which the Prime Minister had received from the Executive Council and from Foreign Office officials in London. At the start both parties had agreed that we should press for continuing British administration as the best possible solution. Sadly this had proved beyond our grasp, although there had been no sin in seeking it: but since that point there had been a widening divergence of views. The basic difference was that the Unofficials had advised that the British side should have a bottom line and stick to it. Instead there had been a continual acceptance of Chinese demands in the belief that we could secure compensating concessions. To date there had been no such concessions. The more we retreated the more Peking had demanded. The building-in of real British links into the agreement, which after the dropping of British administration had been regarded as essential, had now disappeared almost completely as an objective.

14. The Unofficials had also been told that we should press ahead with the negotiations at present because the Chinese would be at their most receptive. Nothing could be further from the truth, since the Chinese in fact saw the British as being on the run and took every advantage of this. The Unofficials had been warned of the dangers of the Chinese announcing unilaterally their twelve-point plan in September, but in fact the twelve-point plan had been well publicised for many months, and we knew now that the Chinese proposed to make an official announcement of this plan in September, backed by a British statement of "appreciation".

15. Mr Sandberg said that the Unofficials did not understand the unwillingness of the Prime Minister's advisers to even venture a line suggested by the Executive Council. The best example of this gap which he could cite was that in January the Unofficials had heard the Prime Minister say that a bad agreement would be worse than no agreement; they had been much comforted by this. Her advisers, however, had clearly been uncomfortable with this stance, because once the Unofficials returned to Hong Kong they found that this approach had been abandoned quickly. It seemed that the

professional diplomats regarded the lack of any agreement, however bad, as the cardinal failure. The Unofficials, however, saw a bad agreement as meaning not merely failure after 1997, but the loss of the precious 13 years which remained.

16. Mr Sandberg said that obviously we must attempt to continue the negotiations, but the Unofficials hoped that the British side could establish the bottom line from which it would not retreat. The concessions made must stand, but there must be no more, and we should not be so fearful of a unilateral declaration by the Chinese.

17. The Prime Minister asked the Unofficials to expand on this point: it was for them to say whether they feared a unilateral declaration or not. Mr Sandberg said his point was that the Chinese plan was so well publicised that it did not represent a major threat.

18. The Secretary of State said that we were all in this together, with the common objective of getting the best possible deal for Hong Kong. We must, however, face the reality of the situation. We had before tried to test some of our propositions to destruction - for example, continuing British administration the previous summer. We were still trying for an agreement, but HMG's position remained beyond question that a bad agreement was worse than no agreement. HMG would not be able to sell a bad agreement to Parliament, nor the Unofficials to the people of Hong Kong. We were thus still fighting for a good agreement, although we might have to concede in the end that a good agreement was not possible. Sir Geoffrey sought clarification as to what precisely the Unofficials were advocating at this stage. They were clearly not suggesting that we should break off the negotiations. To believe that we could somehow improve on the terms of the draft agreement was in his view unrealistic. To try to add to the draft agreement a clause such as Sir S.Y. Chung suggested on monitoring would be seen as an attempt to reinstate continuing British administration through the back door. He asked what different course we could in fact take.

19. The Prime Minister said that Unofficials should understand that a unilateral statement would mean a breakdown in the negotiations and thus much more than simply the cessation of talks. It would be a sign that the two sides could not agree. If we secured an agreement then we should prevent the Chinese from making a unilateral declaration. Stopping them from such a declaration last June, when the Chinese agreed to a term of 50 years, had been an enormous achievement. She was indeed worried that the Chinese would not agree to the

inclusion of detail, which we required so that if the Chinese broke the agreement it would be evident to the world. HMG found the Chinese very difficult to understand, and for this reason we needed a detailed agreement setting out precisely what obligations the Chinese had incurred.

20. Miss Lydia Dunn recalled that at her first meeting with the Prime Minister on the subject the Prime Minister had said the Chinese were Marxist-Leninists and could not be trusted. The course of negotiations had indeed revealed their untrustworthiness. There were two notable examples of this. First, the Civil Service, where Mr JI Pengfei had said that British nationals with Hong Kong identity cards could serve in all ranks of the Civil Service, but now the Chinese said that only Chinese nationals could serve in the top ranks. Second, as regards nationality, Mr LU Ping had said originally that it was the title of BDTC rather than the rights which it conferred to which the Chinese objected, Mr LUO Jiahuan thought that dual nationality would be acceptable, but now the Chinese would not agree to the perpetuation of BDTC rights.

21. Miss Dunn said that she thought we must now question seriously the intentions of the Chinese. They could not be trusted, and the people of Hong Kong were not prepared to risk trusting them. There could be no compromise on a detailed workable agreement. If a draft agreement was put to the Chinese then there must be clear understanding on our side on which points could not be negotiated down. Unless HMG committed itself on this the Unofficials had serious doubts as to whether they were content to remain on the present course. They would rather have a unilateral declaration than an inadequate agreement. The Unofficials had agreed to the abandonment of continuing British administration on the understanding that HMG would only accept an agreement which contained adequate and effective safeguards and an assurance that they would be honoured. There could be no further retreat if either HMG or HKG were to preserve any semblance of credibility. It was the Chinese who were the threat to prosperity and stability in Hong Kong. Hong Kong had flourished under British rule and savoured the freedoms of the liberal tradition. It would be a tragic irony if the outcome of the negotiations was the dishonour of Britain.

22. The Prime Minister said that we must be clear what the lack of an agreement meant. It would mean that by 1997 the New Territories would have returned to China as a fully incorporated part of the Chinese communist state. Mr M.G.R. Sandberg said that this was not the intention which the Chinese had declared in their

twelve-point plan. The Prime Minister said that she could not understand why the Unofficials were prepared to trust the Chinese twelve-point plan, but not an agreement signed with the Chinese. Mr T.S. Lo said that they trusted the Chinese with neither but did not believe that HMG should sully itself by signing a bad agreement. The Prime Minister said that unless we had an agreement HMG would have no basis on which to intercede in Hong Kong's future. Miss Dunn said that the Unofficials' worry was that no agreement which the Chinese would sign would have sufficient detail. It was because they mistrusted the Chinese that an agreement must have detail. If we failed to secure an agreement then that would have a serious impact on confidence in Hong Kong, but the difference was that a bad agreement would have an impact on confidence which was final and irrevocable.

23. The Prime Minister said that HMG could not put a bad agreement in front of Parliament, but the 50 year term the Chinese had already offered was a large concession which she did not wish to lose. If the Chinese would not allow an agreement which Parliament and the people of Hong Kong could accept, then HMG would have to ask the Chinese whether they wished prosperity and stability in Hong Kong to continue. But we had not reached that point yet, and we should not take action or throw away the 50 years which we had secured. Our experience suggested that if we could coax the Chinese into signing a rigid agreement then they would keep it.

24. Mr T.S. Lo said that whatever the eventual outcome of the talks people in Hong Kong recognised how hard she had personally tried to secure for them reasonably acceptable arrangements for their future. They appreciated the almost superhuman effort put in by the Governor. They would not forget the courageous journey that the Secretary of State would make shortly.

25. Nonetheless, the juxtaposition of certain events had damaged the credibility of HMG in Hong Kong and the Unofficials considered it their duty to underline this for HMG's attention.

26. First, when the Nationality Bill 1981 was passed no-one in Hong Kong had imagined that talks on Hong Kong's future would spell the end of any British connection. Now that they were beginning to be aware of this they were starting to link together these two events mentally. They were starting to say privately that Britain had discreetly closed the stable door before any horse had bolted. If on top of all this Communist China declined to recognise in the agreement that BDTCS (under whatever name) were still British

Nationals these British nationals were bound to look to Britain to protect them from the communists and they would, quite naturally, clamour for this whilst they still had the freedom of speech, which meant now. Consequently it must be obvious that we simply could not whittle down or erode any of the rights or status of a BDTIC in the agreement with China. To do so would make Hong Kong immediately ungovernable.

27. Soon the talks would come to an end, and unless the results were genuinely acceptable all hope would be gone. HMG would take the only position it had: it would say it had done its very best. To this the people would reply that this was not true. To give them back the right of abode in the UK was something which was peculiarly within the power of the UK.

28. In this atmosphere of despondency and bitterness, if Britain was seen to be doing well in her China trade (such as oil exploration contracts or nuclear generation stations) the charge of a British sell-out would follow. Dishonourable suggestions of this kind were first made by Mr YAO Guang in his opening statement in July last year (12 July) embellished by Mr LI Jusheng two weeks later (30 July) and repeated by Mr Yao again three days after that (2 August). They had not merely suggested that Britain got something out of Hong Kong, but that she could gain by co-operating with China on the Hong Kong question. Both the Ambassador and the Governor had refuted any suggestion that Britain gained financially from Hong Kong - but they could hardly deny that Britain valued her trade with China.

29. Mr Lo continued that the point which the Unofficials were seeking to make was that we should be considering what steps should be taken if the Chinese Communists refused to sign an acceptable agreement. They were unanimous in advising that most probably the Chinese Communists would now refuse. They saw as one of HMG's most important tasks to consider their downside strategy and their obligation, often stated publicly, towards the people of Hong Kong. At the very least we must discuss how we could protect British nationals from communists. We simply could not throw them to the wolves. We must recognise that once Hong Kong was taken over by the communists HMG could not protect them from any communist violation of any human rights - and violation there would be.

30. The Prime Minister said that Mr Lo appeared to be saying that it did not matter whether we had an agreement or whether the Chinese made a unilateral statement. Mr Lo said this was not his position. The draft agreement was acceptable, but if we thought it

likely that the Chinese would refuse to sign it then we must face the question of alternative plans.

31. The Prime Minister said that she would welcome more advice on the psychology of the Chinese. Miss Lydia Dunn said that all commercial experience showed that the Chinese would go to the brink of breakdown to test the resolve of their commercial partners, but having reached the limit then if they really wanted a deal they would return to the negotiating table. Sir Percy Cradock suggested a commercial analogy did not suit a major political issue such as sovereignty.

32. The Prime Minister said that the problem was that the Chinese could just sit and wait until 1997 for Hong Kong to fall into their laps. Mr Sandberg said that the fact was that they were talking to us. The Prime Minister said she thought there were two reasons for this: first, because the Chinese did want to preserve prosperity and stability in Hong Kong, and, second, to prove to the Taiwanese that they could keep their commitments.

33. Sir Percy Cradock said that undoubtedly the Chinese wanted the best of both worlds, i.e. the commercial benefits and the restoration of sovereignty, but the Unofficials should make no mistake that in the final analysis China would insist upon the restoration of sovereignty. The economic card had some value, but it was not so great.

34. The Prime Minister said that we had made little mention so far of the Taiwan factor, although she thought that it was possibly one reason why the Chinese had offered a 50 year term. When we had got as much as we were going to get from the Chinese, then we would have to consider whether in the aggregate it was enough. It was vital that at this juncture we should make an official progress report on the negotiations to the people of Hong Kong, and not be driven off this intention by the Chinese. We could not shake them from their September deadline. She was worried about the speed at which we were now working in the negotiations, but she hoped to be able to turn this speed against the Chinese by saying to them that if they wanted an early agreement then they must be prepared to accept certain conditions in it.

35. Sir Michael Havers noted that Mr T.S. Lo had said we should be preparing contingency plans against failure. Sir Percy Cradock agreed that we should start private consideration of the worst case. The Prime Minister said that if we reached the point where we could not recommend an agreement to Parliament or Hong

Kong then we should have to say to the Chinese that it was not acceptable, and then fall back on what they had offered themselves, i.e. nail them to their twelve-point plan. She asked what Unofficials thought would happen in such a case. Miss Lydia Dunn said that she thought the Chinese would mount a full scale propaganda war, but she did not think that they would go so far as to incite riots. Mr T.S. Lo drew a parallel with their response to the Lobo motion, where the Chinese had maintained a major propaganda campaign until the event itself, and had then shut up.

36. The Prime Minister said that we must start considering contingency plans very quickly. As regards the presentation of the draft agreement, there were several things which she thought were outstanding. Sir Percy Cradock said that the outstanding issues in fact were the timetable, the form of the agreement, the preparatory statement and the unresolved issues of troops, nationality and the public service. The Prime Minister said that she supposed it was possible that the Chinese might say that if we revealed now what had been confidential so far, then they would break off the negotiations. If so we must face that threat. The Secretary of State said that whatever the Chinese threatened our aim must be to leave them reflecting on the situation and not able to say that we had broken off the negotiations. The Prime Minister recalled that when she had met Mr DENG Xiaoping in September 1982 he had threatened at the time that if Britain did not publicly renounce sovereignty in favour of China then there might be violence and riots in Hong Kong. She had said to Mr Deng that if that was what he intended then she had no way of stopping him, but she guaranteed that the world would know what had happened and why. It had been a nasty five minutes, but within a further fifteen minutes the Chinese had agreed to a joint communique. If the Chinese refused to agree to the preparatory statement then we should have to face them in the same way. Mr Sandberg said that he was sure that the Prime Minister was right, and the stance she had taken in September 1982 was precisely the approach which the Unofficials were advocating now.

37. The Prime Minister said that, as regards Sir S.Y. Chung's proposed monitoring clause, she did not think that we could introduce a third party to the agreement. Monitoring and supervision would have to be left to the court of world opinion. Sir S.Y. Chung said that if we published a draft agreement which was only in effect the Chinese twelve-point plan, then the people of Hong Kong would say that HMG had conspired to sell them out. They would query what value such an agreement had unless HMG had the power of redress to stop the Chinese

from going back on their commitments. The Prime Minister said that if the Chinese did violate the agreement then HMG would have to make representations. Sir S.Y. Chung said the situation that he envisaged was one in which freedom of speech would have gone from Hong Kong and there could be no public calls for help. The Secretary of State said that in his experience (e.g. fishing disputes with Iceland) the introduction of an outside agency made no difference to negotiations between sovereign powers. He thought that the concept of an external monitor would not only offend the Chinese but in practice would be of no value to us.

38. Sir S.Y. Chung said that he was not suggesting an external agency, but a specific role for HMG. The Prime Minister said Britain would have representation in Hong Kong. She asked whether the Unofficials were saying that there was no point in an agreement because there was no guarantee of its performance. Sir S.Y. Chung said that this was not the Unofficials' position; but the people of Hong Kong would see it in a different light.

39. The Prime Minister said that she thought the Chinese wanted an agreement, and that in order to get sovereignty and administration they were prepared to go a long way, so we must push them very hard. Her fear throughout had been not the visible dangers but the infiltration of communists into the existing structure. Miss Lydia Dunn said that this was happening now.

40. The Secretary of State said that if we had an agreement with the Chinese, then it was implicit that we had a status in it. Mr Lo said that it would help if this could be said explicitly in the agreement without irritating the Chinese. The Prime Minister said that this was why we wanted a detailed agreement, because this would establish HMG's inherent concerns. Sir Michael Havers said that he thought the Unofficials' point was that this idea might need to be spelt out to secure confidence in the agreement in Hong Kong. The Unofficials agreed.

41. The Secretary of State said that he thought that it would be unproductive to spell out the idea in this way. By definition the agreement reached must be defensible to Parliament and Hong Kong. If the Executive Council repudiated the agreement then it would be no use to HMG, since they could not then sell it to Parliament. So HMG and the Unofficials were necessarily seeking the same thing. As he had said the previous day, he was going to Peking in the role of a politician, and would be able to say to the Chinese that if they wanted certain things then they must be prepared to pay

a certain price. They might, of course, not accept this. The Prime Minister said there was a consensus that we must have a position to cover that threat, and enable us to hold down the situation until 1997. The Secretary of State said that we should have to look at the totality of what was agreed before we could say whether it was sufficient for our purposes, and that we should therefore have to wait until the end of the process to see how much we had secured. Miss Lydia Dunn repeated that there were certain points which were non-negotiable.

42. The Prime Minister said that as regards the shortage of time, she supposed that it was possible that Parliament might hold an initial debate in July. She did not want the Chinese to close off the option of an acceptable agreement because of the shortage of time. She queried why September had been made the deadline. Sir Percy Cradock said that this represented the two years for a solution prescribed by Mr DENG Xiaoping in September 1982. The Chinese certainly meant what they said about this deadline. Miss Lydia Dunn queried whether we had put it to them that since we were making progress the deadline could be overshot. Sir Percy Cradock said that we had told the Chinese that HMG was not bound by the Chinese deadline. In response to the Prime Minister, Sir Percy said that it had never been suggested to the Chinese that since progress was being made the Chinese deadline should be put back for a few months. The Governor said that an additional factor now seemed to be the special celebrations planned in October to mark the 35th anniversary of the founding of the People's Republic.

43. The Prime Minister said that the discussion with Mr DENG Xiaoping would clearly be very significant. We must not be moved from our intention to unveil. The Secretary of State said that we should also have to stand firm on the parliamentary implications of the timetable. The Prime Minister said that there could be a debate in Parliament in July if there was enough material to discuss. Mr Luce said that in fact a short earlier debate in May was envisaged as a possibility. The Prime Minister asked the Unofficials what they thought would be most likely to make the Chinese come closer to our position which could be said in this debate: presumably the concept of acceptability to the people of Hong Kong. The Governor said that there was a further point, the question of what was likely to make an agreement acceptable, i.e. the need for a credible agreement maintaining the continuity of present systems. The Prime Minister said that she thought this should all be put across in terms of the confidence of the people of Hong Kong.

44. Mr M.G.R. Sandberg said Unofficials felt that Peking wanted an agreement as much as HMG, and that if HMG showed resolve at this stage then Peking might retreat. Sir Percy Cradock said that it would be a major error to under-estimate the dangers of a unilateral statement from the Chinese. This would be a final statement, and thereafter large areas of discussion would be ruled out for ever. Only minor details could then be discussed. Miss Dunn said that the Chinese did not envisage much detail in any agreement, so why should it be so final? Sir Percy Cradock said that Miss Dunn was talking of the form of the statement, which was not the same as the impact. The Secretary of State said that it would be misleading to think that a vague statement from the Chinese would be hopeful, because the point was that the Chinese would then bring down the shutters on discussion. The Unofficials disagreed.

45. The Prime Minister observed that once we had started the process of unveiling on what had been agreed so far, then the situation would in fact be changed completely. It would then be very hard for the Chinese to go back on the commitments which they had made, and this in turn would affect the resolution of outstanding issues. Sir Percy Cradock and the Secretary of State agreed. The Prime Minister said this might then make a debate in July possible.

46. The Prime Minister said that it would certainly be more difficult for the Chinese to make a unilateral statement once we had made the Ministerial statement in April. Sir Percy Cradock warned that it would still be possible for them to do so, and that we must realise that a unilateral statement had certain attractions to the Chinese, not least as a means of avoiding detail. Sir S.Y. Chung disagreed: if this was the case why would the Chinese wish to talk at all, and why would they commit themselves to a 50 year agreement. The Secretary of State said it was quite possible that there were contending views within the Chinese Government. He thought that we must work on the assumption that the Chinese were prepared to make an announcement in September. The Prime Minister said that she was very anxious not to lose the 50 year term which the Chinese had already offered. Mr Sandberg said that the unveiling must make that less likely, and he agreed with the Prime Minister that a unilateral statement would lose much of its sting after the unveiling.

47. Sir Anthony Acland asked whether the implication was that the unveiling should be a statement of detail about the matters agreed in the negotiations. The Secretary of State said that it would need to go

into substantial detail. Miss Dunn said that it must not give away conditionality. The Prime Minister said that it must outline all the main points of the agreement, otherwise it would not carry any conviction to the people of Hong Kong. We should have to press the Chinese hard to agree to this unveiling: it would be an earnest of the determination which we felt. We were undoubtedly coming to the crunch.

48. Sir S.Y. Chung referred to Agenda Item Two. The Unofficials considered it premature to discuss this with the Chinese when there was so much outstanding on Agenda Item One. Whatever promises the Chinese made, they would certainly try to stop further discussion on Item One once we had reached Item Two. If discussion on Item Two did begin then the Unofficials had two points to make: first, we should only discuss those matters which were favourable to us, for example land tenure in the New Territories; second, we should resist at all costs any proposals to establish standing machinery for discussing pre-1997 issues. We should only allow ad hoc discussion with the Chinese. Mr T.S. Lo added that the Unofficials considered that adequate machinery existed for whatever discussions were necessary, and that we must resist any attempts by the Chinese to create a shadow administration in Hong Kong.

49. The Prime Minister said that she agreed that the existing diplomatic channels were sufficiently well established institutions. The Secretary of State agreed, but noted the theoretical possibility that new institutions might give us access to the draft of the Basic Law. The Prime Minister recalled that the Chinese had wanted to use the ordinary diplomatic machinery for the conduct of the talks on Hong Kong's future. The Governor explained that the Unofficials were concerned that in fact present arrangements went beyond normal diplomatic channels, and that if these special arrangements were perpetuated beyond the negotiations then the Chinese would have a permanent forum through which to interfere in Hong Kong. The Prime Minister noted that one of the problems was that if we declined to discuss pre-1997 issues with the Chinese, then by the same token they could decline to discuss the drafting of the Basic Law with us. There were things which we must discuss with them: and we wanted the maximum possible input into the Basic Law. Mr M.G.R. Sandberg said that in his view the Chinese would find it more easy to accept our having an input into the Basic Law if the channels were ad hoc.

50. The Secretary of State said that the question must be what did we wish to influence and achieve. We did not wish to give the Chinese institutionalised

surveillance of Hong Kong. The Prime Minister said that we did wish to achieve institutionalised surveillance of the drafting of the Basic Law.

51. Sir S.Y. Chung said that the Unofficials would like to hear the Prime Minister's view on nationality. The Prime Minister said that this was an issue at which we would have to go very hard in the negotiations. The Secretary of State said that, as with other issues, we should simply have to see what we could get from the Chinese and whether in the aggregate it was enough. Miss Lydia Dunn warned that this was a topic where even the erosion of an insignificant right could produce a profound negative reaction among the people.

52. Sir S.Y. Chung asked when the Prime Minister proposed that the draft agreement and its annexes should be put to the Chinese. The Prime Minister said that she felt very strongly that, as we approached the crunch, we could not afford to have a misunderstanding between the negotiators and therefore it was essential to put the agreement and the annexes to the Chinese as early as possible so that they should be able to consider it well before the Secretary of State's visit. The detail would shock them. Sir Percy Cradock said that of the intended 14 annexes ten were broadly complete; those issues remaining under debate would not be put in annexes at present, but a marker would be put down that they were to be the subject of annexes later. Mr O.V. Cheung said that it was important to check at this stage that what we thought was agreed in fact was agreed. The Governor said that because of the shortage of time before the agreement and the annexes were presented to the Chinese, there would have to be an understanding that the Council was not disbarred from raising points on the annexes for HMG's consideration even after submission to the Chinese. The Prime Minister said this was understood.

53. Sir S.Y. Chung thanked the Prime Minister for the opportunity for this discussion. He wished to make it plain that the Unofficials did not advocate confrontation, but were merely saying that we should not see the Chinese bottom line and the Chinese intentions unless we were prepared to stick at some point. The Unofficials wanted an agreement, but not an agreement at any price.

(The meeting concluded at 10.45 a.m.)

13 April 1984

COUNCIL CHAMBER

UMELCO

Office of Unofficial Members of Executive and Legislative Councils
行政立法兩局非官守議員辦事處

9th May 1984

Rt Hon Margaret Thatcher MP
House of Commons
LONDON SW1A 0AA

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I have replied on
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Dear Mrs Thatcher,

Subject: The Future of Hong Kong

We understand that the future of Hong Kong will be the subject of a whole day debate in the House of Commons during the week commencing 14th May.

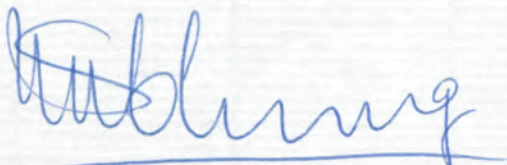
The Sino-British talks on the future of Hong Kong commenced in 1982 and have been conducted in the strictest confidence. The subject was debated in the Hong Kong Legislative Council on 14th March 1984 and a summary of some of the key points expressed in the course of the debate together with the Hansard record was forwarded to you earlier. Since then the Foreign Secretary's statement on 20th April lifted the veil for the first time from some aspects of the negotiations.

The Foreign Secretary's statement disclosed the British withdrawal from Hong Kong in 1997 and mentioned a framework of arrangements for Hong Kong as a part of China. The position revealed has aroused great concern and the Unofficial Members of the Hong Kong Executive and Legislative Councils are sending a delegation to London to meet with Ministers and Members of Parliament in order to reflect and to underline the views and wishes of Hong Kong people before the Commons debate.

X | We will be arriving in London on 10th May and hope to have the opportunity to see you to discuss this issue. We are also pleased to forward the paper attached which sets out the unanimous position of the Unofficial Members of both the Executive and Legislative Councils.

With kindest regards

Yours sincerely,



S.Y. CHUNG
Senior Unofficial Member

UMELCO

UNOFFICIAL MEMBERS OF THE
EXECUTIVE AND LEGISLATIVE COUNCILS
OF HONG KONG



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1 Lord Belstead, Minister of State for Foreign and Commonwealth Affairs, accompanied by the Governor, attends a meeting with UMELCO.

2 The Prime Minister, Mrs. Margaret Thatcher, visits the UMELCO Office.

3 UMELCO Members inspect the Hong Kong International Mail Centre.

4 UMELCO Members see accommodation for Vietnamese refugees in the Chi Ma Wan Closed Camp.

5 The Legislative Council in session.

6 UMELCO Members see recruits of the Hong Kong Military Service Corps receiving training at Lyemun Barracks.

7 UMELCO Members being briefed on developments in the Islands District.

8 UMELCO Members visit the back streets of Kwun Tong.

9 Press Briefing by the UMELCO Education Panel.

UMELCO

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Statement issued by the Unofficial Members of the Hong Kong Executive and Legislative Councils on 9th May 1984:

THE FUTURE OF HONG KONG

The Executive and Legislative Councils are the two central organs of the Government of Hong Kong. Unofficial Members are in the majority in both councils. They are appointed by the Governor from a wide spectrum of society. Through their membership of these two Councils, Unofficial Members advise on the formulation of Government policies, participate in the enactment of legislation, monitor the effectiveness of public administration and consider complaints by members of the public against Government Departments.

As they are appointed by the Governor rather than elected, Unofficial Members make no claim to representative status, but they are in touch with all sectors of the community through their membership of over 300 boards and committees dealing with public affairs, and with all facets of Hong Kong's economic and social life. Since the Sino-British talks on the future of Hong Kong began in late 1982, Unofficial Members have received, both individually and through the UMELCO Office, many representations on the question of Hong Kong's future after 1997. So they are in a position to reflect the views and wishes of Hong Kong people on this vital question.

The Sino-British talks have been conducted throughout in the strictest confidence, although there have been many statements from the Chinese side. Sir Geoffrey Howe's Statement in Hong Kong on 20th April publicly lifted the veil for the first time from the British side on some aspects of the talks. *Inter alia* he said that:

- It would not be realistic to think of an agreement that provides for continued British administration in Hong Kong after 1997.
- Other ways were being explored to secure the assurances necessary for the continuation of Hong Kong's stability, prosperity and way of life and, although Hong Kong would become a part of China, it would enjoy, as a Special Administrative Region, a high degree of autonomy.
- The Chinese leadership claim that they wish existing systems and freedoms in Hong Kong and the free market economy to remain fundamentally unchanged for at least 50 years after 1997.

Hong Kong has enjoyed a constitutional link with the British Crown for 143 years. This link has provided an effective external insulator against interference from the ruling government on the Mainland, despite the turbulence which has characterised China's history for so many years and despite the essential incompatibility of the political system prevailing in present day China, on the one hand, and the liberal traditions of a capitalist society, on the other.

It is now suggested that this link should be removed but that, in order to achieve a high degree of autonomy for Hong Kong under Chinese sovereignty, there would be a devolution of power from the Central People's Government to the Hong Kong Special Administrative Region *via* a Basic Law to be promulgated in the early 1990's. Hong Kong people are being asked to accept, in other words, that the Chinese Government will resume sovereignty and exercise administrative control over the whole of Hong Kong after 1997, against a promise that Hong Kong's existing systems and accustomed life style will remain unchanged.

But many anxious questions spring to mind to which no satisfactory answers have been given as yet. For instance:

- Will the essential elements of the Basic Law be enshrined in the Sino-British Agreement? If not, would not the British Government run the risk of signing an agreement which the Chinese side may later unilaterally alter on the grounds that it is in conflict with the Basic Law?
- In the final analysis, the more detailed the Agreement, the more that the Basic Law is compatible with it and the more binding it is in form, the more likely that the people of Hong Kong will find it acceptable in the belief that the Chinese are more likely to honour it. Thus, if the Agreement *is* to be *signed* before the Basic Law is promulgated, should not Parliament withhold *ratification* until the details of the Basic Law are known?
- Even so, given the historical reality that Hong Kong has developed over many years as a recognisable community in its own right, with its own distinctive life-style, surely Hong Kong people have the right to ask for assurances that any Agreement entered into between the British and Chinese Governments will be honoured? That is to say, should not the British Government insist on a mechanism which will ensure that the agreement is faithfully implemented?
- To this end, should not Britain insist on retaining some residual status in Hong Kong beyond 1997 to provide re-assurance that the terms of the Agreement will be kept?
- Given the possibility that the Chinese authorities will seek to anticipate 1997 and start interfering with the administration of Hong Kong between now and then, will the British Government insist that it must retain effective control, as the sovereign power, during the next 13 years? If effective control is not exercised by the Hong Kong Government under the authority of HMG, a smooth transition up to, let alone stable government beyond, 1997 will not be possible for Hong Kong people will not feel it is worthwhile even to try to adjust to their new circumstances. A collapse of confidence before 1997 would make Hong Kong virtually ungovernable. For example, the allegiance of the police and the civil service will be seriously impaired. Quite apart from the disastrous effect on the people of Hong Kong, this would be as embarrassing to the British Government as a ruined economy would be disappointing to the Chinese Government.
- About half of Hong Kong's present population of 5.3 millions came to Hong Kong from China to seek a better life here. They do not relish the thought of a return to Chinese Communist rule. But what of the rest of the population? They are British nationals by birth (a small number by naturalisation) holding British passports with a right of abode in the British Dependent Territory of Hong Kong. Parliament may cede sovereignty over the territory, but it cannot, by the same act, deprive British nationals of their national status. What then will be the fate of Hong Kong's BDTCs? How will their rights and status be preserved? How will BDTCs continue to enjoy British protection? Will they, and other Hong Kong belongers who cannot accept the idea of living under Communist authority, have a right to settlement in the United Kingdom and should not the British Government negotiate settlement places for them?

Recently, when in Hong Kong, Sir Geoffrey Howe said the Agreement must be such that the British Government can commend it to Parliament, but the people of Hong Kong will need to know the terms of the Agreement and have time to express their views, and he added that Parliament itself will need time to reflect and take account of the views of Hong Kong people. The Foreign Secretary was reiterating what has been said many times before, namely, that any Agreement reached between the British and Chinese Governments must be acceptable to the people of Hong Kong. This raises at least two questions:

- How is it proposed that acceptability is put to the test?
- What will be HMG's reaction if Hong Kong people do not accept the Agreement or parts of it?

Parliament cannot take lightly the responsibility of transferring authority over a community (as opposed to the territory) for which the constitutional link with Britain has meant so much for so long to a communist government, albeit the Chinese Government which has a legitimate claim to sovereignty over the territory of Hong Kong itself. The inescapable fact is that the Chinese Government is committed to a political philosophy which is at least incompatible, and at worst hostile, to the philosophy on which the various systems and freedoms enjoyed by Hong Kong today rest.

It follows that acceptability will depend on the Agreement now being negotiated:

- containing* full details of the proposed administrative, legal, social and economic systems applicable after 1997;
- providing* adequate and workable assurances that the terms of the Agreement will be honoured;
- stating* that the provisions of the Basic Law will incorporate the provisions of the Agreement;
- guaranteeing* that the rights of British nationals will be safeguarded.

We believe that Members of Parliament will wish to take account of our views. We also believe that these views are an accurate reflection of the views of Hong Kong people as a whole, to whom the imminent withdrawal of the British link has been a great, if not entirely unexpected, disappointment.

UMELCO

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UMELCO

DELEGATION TO LONDON — MAY 1984

MEMBERS' BIOGRAPHIES

**Sir Sze-yuen CHUNG, CBE,
LLD, DSC, JP**

b.: 3.11.1917

Executive Council:

Senior Unofficial Member (since 1.9.80)
Member (1.7.72-31.8.80)

Legislative Council:

Member (1.7.68-30.6.74)
Senior Unofficial Member (1.7.74-31.8.78)

Education and Professional Qualifications:

B.Sc. (Eng.) (1st Class Honours), University of Hong Kong
Ph.D. (Engineering Science), University of Sheffield
D.Sc. (Honoris Causa), University of Hong Kong
LL.D. (Honoris Causa), Chinese University of Hong Kong
British Council Research Scholar
Fellow, Fellowship of Engineering, United Kingdom
Chartered Mechanical & Production Engineer in the UK
Honorary Fellow, Institution of Mechanical Engineers, London
Honorary Fellow, Hong Kong Institution of Engineers
Honorary Fellow, Asian Productivity Organisation, Japan
Fellow, Institution of Production Engineers, London
Companion, British Institution of Management

Principal Occupation:

Chairman and Chief Executive Officer, Sonca Industries Ltd.

Public Service:

Chairman, Council of the Hong Kong Polytechnic
Chairman, Hong Kong/Japan Business Co-operation Committee
Chairman, ICAC Complaints Committee
Chairman, Planning Committee for the City Polytechnic
Chairman, Standing Commission on Civil Service Salaries and Conditions of Service
Convener, UMELCO Staff Steering Panel
Member, Council of University of Hong Kong
Member, Hong Kong Branch Executive Committee of Hong Kong Association
Member, Po Leung Kuk Advisory Board
Member, Tung Wah Group of Hospitals Advisory Board

Vice Patron, Community Chest of Hong Kong
Honorary Life President, Federation of Hong Kong Industries

Mr. Lobo, Rogerio Hyndman,

CBE, LLD, JP

b.: 15.9.1923

Executive Council:

Member (since 1.9.78)

Legislative Council:

Member (1.7.72-31.8.81)
Senior Unofficial Member (since 1.9.81)

Education and Professional Qualifications:

Escola Central, Macao
Seminario de S. Jose, Macao
Liceu Nacional Infante D. Henrique, Macao
La Salle College, Hong Kong
LL.D. (Honoris Causa), University of Hong Kong

Principal Occupation:

Chairman, P. J. Lobo & Co. Ltd.

Public Service:

Chairman, Advisory Committee on Corruption of the ICAC
Commissioner, Civil Aid Services
Convener, UMELCO Housing Panel
Member, Court of University of Hong Kong
Member, Hong Kong Housing Authority
Member, ICAC Complaints Committee
Member, Landlord and Tenant (Consolidation) Review Committee
Member, Medical Development Advisory Committee
Member, Tenancy Tribunal Panel
Member, UMELCO Public Relations Panel
Member, UMELCO Security Panel
Member, UMELCO Staff Steering Panel
Vice Patron, Community Chest of Hong Kong
Vice Patron, The Hong Kong Society for the Aged

Mr. LO Tak-shing, CBE, MA, JP

b.: 23.1.1935

Executive Council:

Member (since 1.4.80)

Legislative Council:

Member (since 1.7.74)

Education and Professional Qualifications:

Lingnam Primary School, Canton Lingnam
Middle School, Hong Kong
King's College, Taunton
Wadham College, Oxford

Principal Occupation:

Solicitor & Partner, Lo & Lo Solicitors

Public Service:

Chairman, Establishment Sub-Committee of the Finance Committee, Legislative Council
Chairman, UMELCO Police Group
Convener, LegCo General Services Working Group
Convener, UMELCO Civil Service Panel
Convener, UMELCO Security Panel
President, Hong Kong Playground Association
Member, Court of University of Hong Kong
Member, English Schools Foundation
Member, Law Reform Commission of Hong Kong
Member, Legal Practitioners Disciplinary Committee Panel
Member, LegCo Legislation Scrutiny Working Group
Member, UMELCO Staff Steering Panel

Miss TAM, Maria Wai-chu, JP

b.: 2.11.1945

Executive Council:

Member (since 1.9.83)

Legislative Council:

Member (since 1.9.81)

Education and Professional Qualifications:

St. Paul's Co-Educational College, Hong Kong
LL.B., London University
Member of Gray's Inn

Principal Occupation:

Barrister-at-Law

Public Service:

Member, Action Committee Against Narcotics
Member, Board of Education
Member, Central and Western District Board
Member, Council of the Chinese University of Hong Kong
Member, Hong Kong Housing Authority
Member, LegCo Community Services Working Group

Member, LegCo Legislation Scrutiny Group
Member, Transport Advisory Committee
Member, UMELCO Education and Manpower Panel
Member, UMELCO Lands and Works Panel
Member, UMELCO Security Panel
Member, Urban Council

Mr. CHEUNG, Benton Yan-lung,

MBE, S.B.St.J., JP

b.: 18.4.1922

Legislative Council:
Member (since 1.9.81)

Education and Professional Qualifications:
La Salle College, Hong Kong
B.A., University of Dr. SUN Yat-sen, Canton

Principal Occupation:
Businessman

Public Service:
Chairman, North District Community Centre and Town Hall Management Committee
Chairman, North District Social Services Committee
Director, Kowloon-Canton Railway Corporation
Member, Duke of Edinburgh's Award Committee
Member, Fireworks Displays Vetting Committee
Member, Heung Yee Kuk
Member, Hong Kong Housing Authority
Member, LegCo Community Services Working Group
Member, LegCo General Services Working Group
Member, LegCo Social Services Working Group
Member, North District Board
Member, Police Cadet School Advisory Board
Member, St. John Council
Member, UMELCO Chinese Language Policy Panel
Member, UMELCO Cultural Affairs and Recreation Panel
Member, UMELCO Environmental Affairs Panel
Member, UMELCO Health and Welfare Panel
Member, UMELCO Public Relations Panel

Mr. LEE, Allen Peng-fei, OBE, JP

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Legislative Council:
Member (since 1.9.78)

Education and Professional Qualifications:
B.S. (Engineering Mathematics), University of Michigan

Principal Occupation:
Managing Director, Ampex World Operations, S.A. Hong Kong

Public Service:
Chairman, Hong Kong Productivity Council
Chairman, Industrial Affairs Committee, Hong Kong General Chamber of Commerce
Regional Commander (Hong Kong and Islands), Civil Aid Services

Deputy Convener, LegCo Economic Services Working Group
Member, Citizens Advisory Committee on Community Relations of the ICAC
Member, Economic Review Committee
Member, General Committee, Federation of Hong Kong Industries
Member, General Committee, Hong Kong General Chamber of Commerce
Member, Industrial Development Board
Member, Industry Advisory Board
Member, Securities Commission
Member, UMELCO Civil Service Panel
Member, UMELCO Economic Services and Monetary Affairs Panel
Member, UMELCO Housing Panel
Member, UMELCO Trade and Industry Panel
Member, Vocational Training Council

Mrs. CHOW, Selina Shuk-ye (nee LIANG), JP

b.: 25.1.1945

Legislative Council:
Member (since 1.9.81)

Education and Professional Qualifications:
St. Paul's Co-Educational College, Hong Kong
B.A. (English), University of Hong Kong
Post Graduate Diploma, Rose Bruford College of Speech and Drama, UK
L.R.A.M. in Drama (Teacher and Performer), A.D.B.

Principal Occupation:
Director, Brainchild Ltd.

Public Service:
Advisor, Against Child Abuse
Member, Agency for Volunteer Service
Member, Council for the Performing Arts
Member, Executive Committee, Housing Society
Member, Law Reform Commission of Hong Kong
Member, LegCo Ad Hoc Group on Review of Correctional Institutions Managed by Social Welfare Department
Member, LegCo Community Services Working Group
Member, LegCo General Services Working Group
Member, LegCo Social Services Working Group
Member, Mong Kok District Board
Member, Provisional Council for the Hong Kong Academy for Performing Arts
Member, UMELCO Cultural Affairs and Recreation Panel
Member, UMELCO Education and Manpower Panel
Member, UMELCO Health and Welfare Panel
Member, UMELCO Public Relations Panel
Member, UMELCO Transport Panel
Member, Urban Council
Member, World Wildlife Fund

Mr. CHEONG, Stephen Kam-chuen, JP

b.: 31.5.1941

Legislative Council:
Member (since 2.12.80)

Education and Professional Qualifications:
La Salle College, Hong Kong
B.Sc. (Engineering), Imperial College, London
M.Phil., London University
Dip., Imperial College, London

Principal Occupation:
Managing Director, Lee Wah Weaving Factory Ltd. and Cheong's Textile Co. Ltd.

Public Service:
Chairman, Transport Complaints Unit
Member, Aviation Advisory Board
Member, Economic Review Committee
Member, General Committee, Federation of Hong Kong Industries
Member, Hong Kong Export Credit Insurance Corporation Advisory Board
Member, Hong Kong Industrial Estates Corporation
Member, LegCo Community Services Working Group
Member, LegCo Economic Services Working Group
Member, LegCo Monetary Policy Working Group
Member, Public Accounts Committee
Member, Statistics Advisory Board
Member, Textiles Advisory Board
Member, Town Planning Board
Member, Transport Advisory Committee
Member, UMELCO Economic Services and Monetary Affairs Panel
Member, UMELCO Environmental Affairs Panel
Member, UMELCO Housing Panel
Member, UMELCO Lands and Works Panel
Member, UMELCO Police Group
Member, UMELCO Trade and Industry Panel
Member, UMELCO Transport Panel

Mr. CHAN, Ying-lun

b.: 6.10.1950

Legislative Council:
Member (since 1.9.83)

Education and Professional Qualifications:
Cognitio College
B.Soc. Sc., University of Hong Kong

Principal Occupation:
Public Relations Manager (Community Affairs), San Miguel Brewery Ltd.

Public Service:
Elected Member, Eastern District Board
Member, Hong Kong Housing Authority
Member, Panel of Assessors
Member, Area Committee 6 (Shauiwan Hillside)
Member, Board of Education
Member, UMELCO Education and Manpower Panel
Member, UMELCO Health and Welfare Panel
Member, UMELCO Housing Panel
Member, UMELCO Public Relations Panel
Member, LegCo Community Services Working Group
Member, LegCo Economic Services Working Group
Member, LegCo General Services Working Group
Member, LegCo Social Services Working Group

S E C R E T



Foreign and Commonwealth Office

London SW1A 2AH

9A
Prime Minister.

9 May 1984

To note.

Dear John,

A.J.C. 2/5.

Hong Kong: Manifesto by UMELCO

I enclose copies of Hong Kong telnos 1251 and 1252 reporting that the UMELCO delegation visiting London has prepared one thousand copies of a manifesto for distribution to MPs and the Press in this country. It has now been released to the press in Hong Kong. It reflects familiar concerns of the Unofficials: the need to commit the Chinese to an agreement; the possibility of residual status for Britain in Hong Kong; the position of BDTCs and the need for a test of acceptability. The release of this document to the press raises very serious issues. It has been issued in the name of EXCO, as well as LEGCO, Unofficials and therefore reflects the views publicly of a group of people who are privy to the detail of the negotiations. The tone and content of the document as a whole suggests doubt that a satisfactory arrangement can be negotiated with the Chinese. Thus it risks undermining confidence in Hong Kong and is likely to affect adversely the attitude of outside investors.

The document is also likely to bring a strong reaction from the Chinese, who may well focus on two aspects. First, they will suspect that it was instigated by HMG. They will see it as an attempt to stir up trouble in Hong Kong and somehow to put pressure on them in the negotiations. Second, they are likely to object to a number of the specific points raised by the Unofficials, in particular the suggestion that there should be a residual role for Britain after 1997. This is bound to make our negotiating position more difficult.

The Foreign Secretary therefore sent a telegram last night to the Acting Governor, instructing him to speak urgently to Sir S Y Chung, to make clear the dismay and seriousness with which we viewed this action, and to explore the possibility of the delegation's using the paper simply as a private briefing document and not releasing it to the press. I enclose a copy, together with the reply. Sir S Y Chung declined to accept the suggestion that the statement should not be issued to the press and said that many copies had already been sent out by post. Accordingly, the Ambassador in Peking will by now have acted on his contingency instructions to tell the Chinese about the manifesto and to emphasise to them that HMG were not involved in its preparation.

/A further

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A further development is that Sir S Y Chung has told the Governor that he has been invited, with another EXCO Unofficial, Mr Q W Lee, to visit Peking. The Foreign Secretary sees no objection to Sir S Y, and other Unofficials, visiting Peking. There might, indeed, be advantage in him being exposed to the Chinese position at first hand. It would in any case enable Unofficials to feel that they had had some opportunity to put their point of view to the Chinese. We have therefore confirmed that we see no objection to the proposal.

Y
m ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

S E C R E T

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GRS 709

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DESKBY 082330Z

FM FCO 082128Z MAY 84

TO IMMEDIATE HONG KONG

TELEGRAM NUMBER 839 OF 8 MAY

AND TO IMMEDIATE PEKING (DESKBY 082330Z)

HONG KONG TELEGRAMS 1251 AND 1252: FUTURE OF HONG KONG:

UMELCO VISIT TO LONDON

1. THIS IS A MOST UNWELCOME DEVELOPMENT. I AM CONCERNED BY ITS IMPLICATIONS AND SURPRISED AT THE ABSENCE OF BETTER ADVANCE WARNING, PARTICULARLY IN VIEW OF OUR OWN RECORD OF KEEPING EXCO CLOSELY IN TOUCH WITH EVERY STEP WE HAVE TAKEN IN THE NEGOTIATION A MANIFESTO OF THIS KIND ISSUED BY THE UNOFFICIALS WOULD BE BOUND TO HAVE A SERIOUSLY ADVERSE EFFECT ON THE NEGOTIATIONS, BOTH BY REASON OF ITS IMPACT IN HONG KONG AND THE UK AND OF ITS RECEPTION IN PEKING. THE CHINESE WOULD BE BOUND TO SEE IT AS AN EVENT INSTIGATED BY HMG. THEY WOULD REACT BADLY AND WOULD FEEL IMPELLED TO ISSUE SOME KIND OF COUNTER STATEMENT WITH DAMAGING EFFECTS ON CONFIDENCE IN HONG KONG.
2. THE MAIN PROBLEM ARISES FROM THE FACT THAT THE STATEMENT WOULD BE ISSUED IN THE NAME OF EXCO, AS WELL AS LEGCO UNOFFICIAL AND THEREFORE WOULD REFLECT THE VIEWS PUBLICLY OF A GROUP OF PEOPLE WHO ARE PRIVY TO THE DETAIL OF THE NEGOTIATIONS. THE TONE AND CONTENT OF THE DOCUMENT AS A WHOLE SUGGESTS DOUBT THAT A SATISFACTORY ARRANGEMENT CAN BE NEGOTIATED WITH THE CHINESE. THUS IT WOULD TEND TO WEAKEN CONFIDENCE IN HONG KONG. WE ARE ALSO NOW IN THE MOST CRUCIAL PHASE OF TWO YEARS OF NEGOTIATIONS, AND TO PUT OUT A STATEMENT AT THIS DELICATE JUNCTURE COULD SERIOUSLY AFFECT OUR NEGOTIATING HAND.
3. I AM CONSCIOUS OF THE DANGER THAT WE SHALL BE SEEN TO BE GAGGING UMELCO IF WE TRY TO STOP THIS EXERCISE, AND WELL UNDERSTAND THAT ANY APPROACH TO SIR SY WILL NEED TO BE UNDERTAKEN WITH THAT DANGER IN MIND. BUT I BELIEVE STRONGLY THAT HE SHOULD BE MADE AWARE OF MY CONCERN, AS SOMEONE WHO HAS HELD LONG AND

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DETAILED CONFIDENTIAL DISCUSSIONS WITH EXCO, AND WHO HAS BEEN READY TO NEGOTIATE WITH THEM THE TEXTS NOT ONLY OF PUBLIC STATEMENTS BUT OF PAPERS PUT FORWARD IN THE NEGOTIATIONS. IF MY UNVEILING STATEMENT IN HONG KONG WAS WORTH WEIGHING SO CAREFULLY WITH EXCO THEN SURELY SIMILAR CONSIDERATIONS SHOULD HAVE APPLIED IN THIS CASE.

4. UNLESS THE GOVERNOR SEES VERY STRONG OBJECTION, THEREFORE, YOU SHOULD SEEK AN IMMEDIATE MEETING WITH SIR S Y CHUNG AND EXPRESS TO HIM MY DISMAY AT THIS UNHERALDED STEP BY THE UNOFFICIALS. YOU SHOULD THEN PUT ACROSS THE APPROPRIATE POINTS IN PARAGRAPHS L-3 ABOVE. YOU SHOULD MAKE IT CLEAR THAT THE FINAL DECISION ON THE ISSUE OF THE MANIFESTO IS OF COURSE ONE FOR SIR S Y CHUNG AND HIS COLLEAGUES. BUT THEY SHOULD BE IN NO DOUBT OF OUR OWN VIEWS ABOUT ITS CONSEQUENCES. WE REALISE THAT ARRANGEMENTS FOR THE ISSUE OF THE DOCUMENT ARE NOW FAR ADVANCED. BUT YOU SHOULD EXPLORE WITH HIM THE POSSIBILITY OF AT LEAST AVOIDING THE ISSUE OF THE STATEMENT TO THE PRESS ON THE DEPARTURE OF THE DELEGATION AS AT PRESENT CONTEMPLATED, AND ASK WHETHER IT COULD NOT BE KEPT TO BE USED SIMPLY AS A PRIVATE BRIEFING DOCUMENT FOR DISCUSSION WITH MPS. SIMILAR CONSIDERATION ALSO APPLY TO THE LETTER OF SIR S Y CHUNG REFERRED TO IN HONG KONG TELEGRAM NUMBER 1251.

5. I HAVE SEEN THE AMBASSADOR'S VIEW (PEKING TELEGRAM NUMBER 876) THAT WE SHOULD NOT (NOT) SAY ANYTHING TO THE CHINESE UNTIL THEY RAISE THE QUESTION. HOWEVER I SHOULD MUCH PREFER THE AMBASSADOR TO TAKE IMMEDIATE ACTION WITH THE CHINESE TO LIMIT THE POTENTIAL DAMAGE IF SIR S Y GOES AHEAD WITH RELEASING HIS TEXT TO THE PRESS. THERE WOULD SEEM TO BE CONSIDERABLE ADVANTAGE IN TAKING THE INITIATIVE TO WARN ZHOU NAN OF THE IMPENDING ISSUE OF THE STATEMENT AND TO EMPHASISE STRONGLY TO HIM THAT THIS IS A DEVELOPMENT IN WHICH HMG AND THE HONG KONG GOVERNMENT HAVE PLAYED NO REPEAT NO PART AND TO UNDERLINE THAT THIS IS ENTIRELY AN EXPRESSION OF VIEW BY THE UNOFFICIAL MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCIL. THE AMBASSADOR COULD ALSO EXPRESS THE HOPE THAT THE CHINESE GOVERNMENT WOULD AVOID A COUNTER-STATEMENT, WHICH WOULD ONLY AGGRAVATE THE

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SITUATION AND HAVE DANGEROUS CONSEQUENCES FOR CONFIDENCE IN HONG KONG.

7. I SHOULD BE GRATEFUL IF THE GOVERNOR WOULD TELEGRAPH HIS VIEWS FLASH TO HONG KONG TO ENABLE YOU TO ACT. GRATEFUL IN TURN FOR AN URGENT REPORT ON YOUR DISCUSSION WITH SIR S Y, REPEATED FLASH TO PEKING TO ENABLE THE AMBASSADOR, UNLESS HE SEES SERIOUS OBJECTIONS TO ACT IN TURN WITH ZHOU NAN, IF NECESSARY, ON 9 MAY.

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FUTURE OF HONG KONG
LIMITED
ED/ERD
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 WRIGHT
SIR C TICKELL

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PS/HOME SECRETARY
PS/CHANCELLOR OF THE EXCHEQUER
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PS/SECRETARY FOR TRADE & INDUSTRY

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MR BURROWS LEGAL ADVS
MR COLES NO 10 DOWNING ST

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

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FM HONG KONG 090342Z MAY 84
TO FLASH PEKING
TELEGRAM NUMBER 375 OF 9 MAY
INFO IMMEDIATE F C O

FCO TELNO. 839 AND PEKING TELNOS. 876 AND 82:
FUTURE OF HONG KONG: UMEICO VISIT TO LONDON

I HAVE NOW SPOKEN TO SIR S. Y. CHUNG AND HE DECLINED TO ACCEPT THE SUGGESTION THAT THE STATEMENT SHOULD NOT BE ISSUED TO THE PRESS THIS EVENING AS THE DELEGATION DEPARTS FOR LONDON. HE SAID THAT, IN ANY CASE, IT WOULD BE QUITE IMPOSSIBLE TO KEEP IT 'AS A PRIVATE BRIEFING DOCUMENT FOR DISCUSSION WITH MPS' AS SO MANY COPIES WERE NOW ON THEIR WAY BY POST TO MPS AND MANY OTHER TARGETED PERSONS.

2. FOR A FULLER REPORT ON MY CONVERSATION WITH SIR S. Y. PLEASE SEE MIFT.

HADDON-CAVE

FUTURE OF HONG KONG

LIMITED

ED/EKD

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 WRIGHT

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PS/LORD PRIVY SEAL

PS/SECRETARY FOR TRADE & INDUSTRY

COPIES TO: (VIA ADR)

MR ROBERTS NEWS D

MR BURROWS LEGAL ADVS

MR COLES NO 10 DOWNING ST

MR MARTIN ASSESSMENT STAFF CABINET OFFICE

MR GOODALL CABINET OFFICE

MR BRENNAN CABINET OFFICE

PS/S OF S FOR DEFENCE D

PS/ATTORNEY GENERAL

SIR P CRADOCK RM K195

SIR P CRADOCK NO 10 DOWNING STREET

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DESKBY FCO 080800Z
DESKBY PEKING 080800Z
FM HONG KONG 080520Z MAY 84
TO IMMEDIATE F C O
TELEGRAM NUMBER 1251 OF 8 MAY
INFO IMMEDIATE PEKING

FUTURE OF HONG KONG:

UMELCO VISIT TO LONDON

1. IN PREPARATION FOR THEIR VISIT TO LONDON THE UMELCO DELEGATION HAVE DRAWN UP A MANIFESTO WHICH THEY HAVE HAD PRINTED. THE TEXT, A COPY OF WHICH SIR S Y CHUNG GAVE ME THIS MORNING, IS IN MIFT.
2. ONE THOUSAND COPIES OF THIS MANIFESTO ARE ALREADY ON THEIR WAY TO LONDON AND WILL BE POSTED TO MP'S ON WEDNESDAY UNDER COVER OF A LETTER SIGNED PERSONALLY BY SIR S Y CHUNG. IT WILL BE RELEASED TO THE PRESS HERE TOMORROW EVENING TO APPEAR IN THE FOLLOWING DAYS'S MORNING PRESS.
3. WE ARE BOUND TO BE ASKED WHEN THE MANIFESTO APPEARS WHETHER THE HONG KONG GOVERNMENT WAS CONSULTED IN ITS PREPARATION. I HAVE AGREED WITH SIR S Y CHUNG THAT WE WILL SAY THAT THE HONG KONG GOVERNMENT WERE NOT CONSULTED: IT IS ENTIRELY A UMELCO DOCUMENT: BUT THAT WE WERE GIVEN A COPY IN ADVANCE OF PUBLICATION AS A COURTESY. I SUGGEST THAT THE NEWS DEPARTMENT SHOULD TAKE THE SAME LINE.

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FUTURE OF HONG KONG
LIMITED
ED/RED
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
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SIR C TICKELL

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PS/LOED PRIVY SEAL
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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 GRADOCK RM 4198
SIR P GRADOCK NO 10 DOWNING STREET

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DESKBY FCO 080800Z FCO
DESKBY PEKING 080800Z
FM HONG KONG 080600Z MAY 84
TO IMMEDIATE F C O
TELEGRAM NUMBER 1252 OF 8 MAY
INFO IMMEDIATE PEKING

MIPT. FUTURE OF HONG KONG: UMELCO VISIT TO LONDON.

THE FOLLOWING IS THE TEXT OF THE STATEMENT.

BEGINS.

'STATEMENT ISSUED BY THE UNOFFICIAL MEMBERS OF THE HONG KONG -
EXECUTIVE AND LEGISLATIVE COUNCILS ON 9TH MAY 1984:

THE FUTURE OF HONG KONG

THE EXECUTIVE AND LEGISLATIVE COUNCILS ARE THE TWO CENTRAL ORGANS OF THE GOVERNMENT OF HONG KONG. UNOFFICIAL MEMBERS ARE IN THE MAJORITY IN BOTH COUNCILS. THEY ARE APPOINTED BY THE GOVERNOR FROM A WIDE SPECTRUM OF SOCIETY. THROUGH THEIR MEMBERSHIP AND THESE TWO COUNCILS, UNOFFICIAL MEMBERS ADVISE ON THE FORMULATION OF GOVERNMENT POLICIES, PARTICIPATE IN THE ENACTMENT OF LEGISLATION, MONITOR THE EFFECTIVENESS OF PUBLIC ADMINISTRATION AND CONSIDER COMPLAINTS BY MEMBERS OF THE PUBLIC AGAINST GOVERNMENT DEPARTMENTS.

AS THEY ARE APPOINTED BY THE GOVERNOR RATHER THAN ELECTED, UNOFFICIAL MEMBERS MAKE NO CLAIM TO REPRESENTATIVE STATUS, BUT THEY ARE IN TOUCH WITH ALL SECTORS OF THE COMMUNITY THROUGH THEIR MEMBERSHIP OF OVER 300 BOARDS AND COMMITTEES DEALING WITH PUBLIC AFFAIRS, AND WITH ALL FACETS OF HONG KONG'S ECONOMIC AND SOCIAL LIFE. SINCE THE SINO-BRITISH TALKS ON THE FUTURE OF HONG KONG BEGAN IN LATE 1982, UNOFFICIAL MEMBERS HAVE RECEIVED, BOTH INDIVIDUALLY AND THROUGH THE EMELCO OFFICE, MANY REPRESENTATIONS ON THE QUESTION OF HONG KONG'S FUTURE AFTER 1997. SO THEY ARE IN A POSITION TO REFLECT THE VIEWS AND WISHES OF HONG KONG PEOPLE ON THIS VITAL QUESTION.

THE SINO-BRITISH TALKS HAVE BEEN CONDUCTED THROUGHOUT IN THE STRICTEST CONFIDENCE, ALTHOUGH THERE HAVE BEEN MANY STATEMENTS FROM THE CHINESE SIDE. SIR GEOFFREY HOWE'S STATEMENT IN HONG KONG ON 20TH APRIL PUBLICLY LIFTED THE VEIL FOR THE FIRST TIME FROM THE BRITISH SIDE ON SOME ASPECTS OF THE TALKS. INTER ALIA HE SAID THAT:

IT WOULD NOT BE REALISTIC TO THINK OF AN AGREEMENT THAT PROVIDES FOR CONTINUED BRITISH ADMINISTRATION IN HONG KONG AFTER 1997.

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OTHER WAYS WERE BEING EXPLORED TO SECURE THE ASSURANCES NECESSARY FOR THE CONTINUATION OF HONG KONG'S STABILITY, PROSPERITY AND WAY OF LIFE AND, ALTHOUGH HONG KONG WOULD BECOME A PART OF CHINA, IT WOULD ENJOY, AS A SPECIAL ADMINISTRATIVE REGION, A HIGH DEGREE OF AUTONOMY.

THE CHINESE LEADERSHIP CLAIM THAT THEY WISH EXISTING SYSTEMS AND FREEDOMS IN HONG KONG AND THE FREE MARKET ECONOMY TO REMAIN FUNDAMENTALLY UNCHANGED FOR AT LEAST 50 YEARS AFTER 1997.

HONG KONG HAS ENJOYED A CONSTITUTIONAL LINK WITH THE BRITISH CROWN FOR 143 YEARS. THIS LINK HAS PROVIDED AN EFFECTIVE EXTERNAL INSULATOR AGAINST INTERFERENCE FROM THE RULING GOVERNMENT ON THE MAINLAND, DESPITE THE TURBULENCE WHICH HAS CHARACTERISED CHINA'S HISTORY FOR SO MANY YEARS AND DESPITE THE ESSENTIAL INCOMPATIBILITY OF THE POLITICAL SYSTEM PREVAILING IN PRESENT DAY CHINA, ON THE ONE HAND, AND THE LIBERAL TRADITIONS OF A CAPITALIST SOCIETY, ON THE OTHER.

IT IS NOW SUGGESTED THAT THIS LINK SHOULD BE REMOVED BUT THAT, IN ORDER TO ACHIEVE A HIGH DEGREE OF AUTONOMY FOR HONG KONG UNDER CHINESE SOVEREIGNTY, THERE WOULD BE A DEVOLUTION OF POWER FROM THE CENTRAL PEOPLE'S GOVERNMENT TO THE HONG KONG SPECIAL ADMINISTRATIVE REGION VIA A BASIC LAW TO BE PROMULGATED IN THE EARLY 1990'S. HONG KONG PEOPLE ARE BEING ASKED TO ACCEPT, IN OTHER WORDS, THAT THE CHINESE GOVERNMENT WILL RESUME SOVEREIGNTY AND EXERCISE ADMINISTRATIVE CONTROL OVER THE WHOLE OF HONG KONG AFTER 1997, AGAINST A PROMISE THAT HONG KONG'S EXISTING SYSTEMS AND ACCUSTOMED LIFE STYLE WILL REMAIN UNCHANGED.

Check.

BUT MANY ANXIOUS QUESTIONS SPRING TO MIND TO WHICH NO SATISFACTORY ANSWERS HAVE BEEN GIVEN AS YET. FOR INSTANCE.

WILL THE ESSENTIAL ELEMENTS OF THE BASIC LAW BE ENSHRINED IN THE SINO-BRITISH AGREEMENT? IF NOT, WOULD NOT THE BRITISH GOVERNMENT RUN THE RISK OF SIGNING AN AGREEMENT WHICH THE CHINESE SIDE MAY LATER UNILATERALLY ALTER ON THE GROUNDS THAT IT IS IN CONFLICT WITH THE BASIC LAW?

IN THE FINAL ANALYSIS, THE MORE DETAILED THE AGREEMENT, THE MORE THAT THE BASIC LAW IS COMPATIBLE WITH IT AND THE MORE BINDING IT IS IN FORM, THE MORE LIKELY THAT THE PEOPLE OF HONG KONG WILL FIND IT ACCEPTABLE IN THE BELIEF THAT THE CHINESE ARE MORE LIKELY TO HONOUR IT. THUS, IF THE AGREEMENT IS TO BE SIGNED BEFORE THE BASIC LAW IS PROMULGATED, SHOULD NOT PARLIAMENT WITHHOLD RATIFICATION UNTIL THE DETAILS OF THE BASIC LAW ARE KNOWN?

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EVEN SO, GIVEN THE HISTORICAL REALITY THAT HONG KONG HAS DEVELOPED OVER MANY YEARS AS A RECOGNISABLE COMMUNITY IN ITS OWN RIGHT, WITH ITS OWN DISTINCTIVE LIFE-STYLE, SURE HONG KONG PEOPLE HAVE THE RIGHT TO ASK FOR ASSURANCES THAT ANY AGREEMENT ENTERED INTO BETWEEN THE BRITISH AND CHINESE GOVERNMENTS WILL BE HONOURED? THAT IS TO SAY, SHOULD NOT THE BRITISH GOVERNMENT INSIST ON A MECHANISM WHICH WILL ENSURE THAT THE AGREEMENT IS FAITHFULLY IMPLEMENTED?

TO THIS END, SHOULD NOT BRITAIN INSIST ON RETAINING SOME RESIDUAL STATUS IN HONG KONG BEYOND 1997 TO PROVIDE RE-ASSURANCE THAT THE TERMS OF THE AGREEMENT WILL BE KEPT?

GIVEN THE POSSIBILITY THAT THE CHINESE AUTHORITIES WILL SEEK TO ANTICIPATE 1997 AND START INTERFERING WITH THE ADMINISTRATION OF HONG KONG BETWEEN NOW AND THEN, WILL THE BRITISH GOVERNMENT INSIST THAT IT MUST RETAIN EFFECTIVE CONTROL, AS THE SOVEREIGN POWER, DURING THE NEXT 13 YEARS? IF EFFECTIVE CONTROL IS NOT EXERCISED BY THE HONG KONG GOVERNMENT UNDER THE AUTHORITY OF HMG, A SMOOTH TRANSITION UP TO, LET ALONE STABLE GOVERNMENT BEYOND. 1997 WILL NOT BE POSSIBLE FOR HONG KONG PEOPLE WILL NOT FEEL IT IS WORTH-WHILE EVEN TO TRY TO ADJUST TO THEIR NEW CIRCUMSTANCES. A COLLAPSE OF CONFIDENCE BEFORE 1997 WOULD MAKE HONG KONG VIRTUALLY UNGOVERNABLE. FOR EXAMPLE, THE ALLEGIANCE OF THE POLICE AND THE CIVIL SERVICE WILL BE SERIOUSLY IMPAIRED. QUITE APART FROM THE DISASTROUS EFFECT ON THE PEOPLE OF HONG KONG, THIS WOULD BE AS EMBARRASSING TO THE BRITISH GOVERNMENT AS A RUINED ECONOMY WOULD BE DISAPPOINTING TO THE CHINESE GOVERNMENT.

ABOUT HALF OF HONG KONG'S PRESENT POPULATION OF 5.3 MILLIONS CAME TO HONG KONG FROM CHINA TO SEEK A BETTER LIFE HERE. THEY DO NOT RELISH THE THOUGHT OF A RETURN TO CHINESE COMMUNIST RULE. BUT WHAT OF THE REST OF THE POPULATION? THEY ARE BRITISH NATIONALS BY BIRTH (A SMALL NUMBER BY NATURALISATION) HOLDING BRITISH PASSPORTS WITH A RIGHT OF ABODE IN THE BRITISH DEPENDENT TERRITORY OF HONG KONG. PARLIAMENT MAY CEDE SOVEREIGNTY OVER THE TERRITORY, BUT IT CANNOT, BY THE SAME ACT, DEPRIVE BRITISH NATIONALS OF THEIR NATIONAL STATUS. WHAT THEN WILL BE THE FATE OF HONG KONG'S BDTCS? HOW WILL THEIR RIGHTS AND STATUS BE PRESERVED? HOW WILL BDTCS CONTINUE TO ENJOY BRITISH PROTECTION? WILL THEY, AND OTHER HONG KONG BELONGERS WHO CANNOT ACCEPT THE IDEA OF LIVING UNDER COMMUNIST AUTHORITY, HAVE A RIGHT TO SETTLEMENT IN THE UNITED KINGDOM AND SHOULD NOT THE BRITISH GOVERNMENT NEGOTIATE SETTLEMENT PLACES FOR THEM?

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RECENTLY, WHEN IN HONG KONG, SIR GEOFFREY HOWE SAID THE AGREEMENT MUST BE SUCH THAT THE BRITISH GOVERNMENT CAN COMMEND IT TO PARLIAMENT, BUT THE PEOPLE OF HONG KONG WILL NEED TO KNOW THE TERMS OF THE AGREEMENT AND HAVE TIME TO EXPRESS THEIR VIEWS, AND HE ADDED THAT PARLIAMENT ITSELF WILL NEED TIME TO REFLECT AND TAKE ACCOUNT OF THE VIEWS OF HONG KONG PEOPLE. THE FOREIGN SECRETARY WAS REITERATING WHAT HAS BEEN SAID MANY TIMES BEFORE, NAMELY, THAT ANY AGREEMENT REACHED BETWEEN THE BRITISH AND CHINESE GOVERNMENTS MUST BE ACCEPTABLE TO THE PEOPLE OF HONG KONG. THIS RAISES AT LEAST TWO QUESTIONS:

HOW IS IT PROPOSED THAT ACCEPTABILITY IS PUT TO THE TEST?

WHAT WILL BE HMG'S REACTION IF HONG KONG PEOPLE DO NOT ACCEPT THE AGREEMENT OR PARTS OF IT?

PARLIAMENT CANNOT TAKE LIGHTLY THE RESPONSIBILITY OF TRANSFERRING AUTHORITY OVER A COMMUNITY (AS OPPOSED TO THE TERRITORY) FOR WHICH THE CONSTITUTIONAL LINK WITH BRITAIN HAS MEANT SO MUCH FOR SO LONG TO A COMMUNIST GOVERNMENT, ALBEIT THE CHINESE GOVERNMENT WHICH HAS A LEGITIMATE CLAIM TO SOVEREIGNTY OVER THE TERRITORY OF HONG KONG ITSELF. THE INESCAPABLE FACT IS THAT THE CHINESE GOVERNMENT IS COMMITTED TO A POLITICAL PHILOSOPHY WHICH IS AT LEAST INCOMPATIBLE, AND AT WORST HOSTILE, TO THE PHILOSOPHY ON WHICH THE VARIOUS SYSTEMS AND FREEDOMS ENJOYED BY HONG KONG TODAY REST.

IT FOLLOWS THAT ACCEPTABILITY WILL DEPEND ON THE AGREEMENT NOW BEING NEGOTIATED:

CONTAINING FULL DETAILS OF THE PROPOSED ADMINISTRATIVE, LEGAL, SOCIAL AND ECONOMIC SYSTEMS APPLICABLE AFTER 1997:

PROVIDING ADEQUATE AND WORKABLE ASSURANCES THAT THE TERMS OF THE AGREEMENT WILL BE HONOURED:

STATING THAT THE PROVISIONS OF THE BASIC LAW WILL INCORPORATE THE PROVISIONS OF THE AGREEMENT:

GUARANTEEING THAT THE RIGHTS OF BRITISH NATIONALS WILL BE SAFEGUARDED.

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WE BELIEVE THAT MEMBERS OF PARLIAMENT WILL WISH TO TAKE ACCOUNT OF OUR VIEWS. WE ALSO BELIEVE THAT THESE VIEWS ARE AN ACCURATE REFLECTION OF THE VIEWS OF HONG KONG PEOPLE AS A WHOLE, TO WHOM THE IMMINENT WITHDRAWAL OF THE BRITISH LINK HAS BEEN A GREAT, IF NOT ENTIRELY UNEXPECTED, DISAPPOINTMENT."

ENDS.

YOUDE

FUTURE OF HONG KONG
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ED/FED
ED/PLANNING STAFF
ED/PCSD
D/ED/PUSD
PES B. (MR WALKER)
LEGAL ADVISER (MR FREELAND)
PS
PS/LADY YOUNG
PS/HR LUCE
PS/PUS
SIR J BULLARD
SIR W HARDING
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With the Compliments of
Hilton Cheong-Leen, OBE, JP
Chairman
Urban Council
Hong Kong

AL 75.



張有興
市政局主席
致意

Statement by Hilton Cheong-Leen,
Chairman, Urban Council,
at the Urban Council Meeting
on Tuesday, May 8, 1984

Urban Council Annual Clean-up

The Urban Council's recent big annual clean-up produced a veritable mountain of refuse -- 20,000 tonnes of it plus 3,600 tonnes of junk. It meant six days' hard work for departmental staff who had to service and cart away from 156 permanent junk and reception points, plus 87 temporary ones. But it was a job well worth doing, and widely appreciated, I am sure, by the general public.

It has become apparent that the fight against litterbugs entered a significant new phase with the computerisation of litter offenders which was begun in September of 1982. The main purpose of the computer system is deterrent -- with the aid of these print-outs, our prosecutors can identify repeat offenders and magistrates can then dispense fines accordingly, thereby discouraging habitual litterers.

Generally speaking, penalties for second or third convictions are higher, but perhaps of potentially greater significance is the statistical information we have been able to glean from the computer profiles.

We have found that 85% of all repeat offenders were males but that very few individuals aged under 21 -- fewer than 4% of the total -- appeared in court more than once.

/The

The latter is a very encouraging finding since it shows that bad habits can be broken and that our message has got across to the young.

The computer also revealed that most habitual litterbugs are either hawkers or workers for private refuse collection services, marine yards or in the waste-paper baling trading.

Now, having these facts and figures to go on, we are able to deploy our prosecution forces and concentrate our educational efforts where they will be most effective.

Confidence in the Future

Now what I have just said is one clear indication that in spite of the major pre-occupation that is in the minds of Hong Kong people -- that is the 1997 issue -- the Urban Council will carry on without any let-up with its day-to-day responsibilities to improve our living conditions in every way possible, especially in the environmental and hygiene field, culture, recreation and sports.

We all now know where we stand over 1997 -- not the details of course, but the significant fact that after that year the administration of Hong Kong will no longer be directly under British jurisdiction. And we in Hong Kong must take Sir Geoffrey Howe's announcement in a realistic and pragmatic way -- by getting on with our day-to-day affairs

/with

with the "work ethic" continuing to be far stronger than the "worry ethic".

Of course we are all vitally concerned that under its post-1997 administration Hong Kong will basically retain its own lifestyle and all of the things -- such as personal freedom, free enterprise, the rule of law -- that we take for granted today. Indeed the reassurances from China recently have been continuous and overwhelming; the question is: can we accept them in the same good faith as they have been expressed?

We would all very much hope that China has learnt the lessons of the Cultural Revolution and that between now and 1997, China's development in her modernization programmes and Open Door Policy will progressively dispel our worries and doubts about our future stability and prosperity when China regains sovereignty over Hong Kong in 1997.

Can we hope that by the end of this century, the Communist system in China will have been further modified with more Chinese cultural characteristics so that it could be compatible with the higher standard of living and relatively freer lifestyle in Hong Kong?

Is there also hope that by the end of this century, the proposed Hong Kong Special Administrative Region model will be more clearly understood by Taiwan's 20 million people?

/The

The fact that the Sino-British discussions on our future are taking place in an atmosphere of amity, co-operation and goodwill on both sides is something from which we can take heart. There are leaders with vision in China, United Kingdom and Hong Kong who wish to keep the Hong Kong miracle alive. This vision must be transmitted intact to the next generation of leaders.

And particularly we in Hong Kong must be united in our efforts to ensure that the Hong Kong miracle will continue for 50 years after 1997 and more!

If I may return to my speech in this Chamber last month, we must look ahead to the future beyond 1997 and set our sights on that momentous time only 17 years hence to the turn of the new century in the year 2001.

The Urban Council's development plans go up to and beyond the turn of the century and our facilities and services will by then be further widened and expanded, and the quality of life will be even better.

Let us all then look forward with courage and strength to the challenging future -- with confidence in ourselves, confidence in our abilities and confidence in Hong Kong itself.

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TO IMMEDIATE F C O
TELEGRAM NUMBER 1253 OF 8 MAY
INFO IMMEDIATE PEKING

FUTURE OF HONG KONG: UMELCO VISIT

1. SIR S Y CHUNG TOLD ME THIS MORNING THAT AN INVITATION HAD BEEN CONVEYED TO HIM AND TO MR Q.W. LEE FROM DENG XIAOPING TO VISIT PEKING. THEY WERE GIVEN THE IMPRESSION THAT IT WOULD BE ARRANGED FOR THEM TO SEE OTHER LEADERS, INCLUDING ZHAO ZIYANG AND JI PENGFEI, THE INVITATION WAS CONVEYED BY XU JIATUN, THE DIRECTOR OF THE NCNA IN HONG KONG, WHO HAD SEEN DENG DURING HIS RECENT STAY IN PEKING.

2. WHEN XU WAS ASKED BY SIR S Y CHUNG WHETHER THE INVITATION EXTENDED TO THEM PERSONALLY OR TO UMELCO, XU SAID THAT IT WAS PERSONAL. SIR S Y CHUNG EXPLAINED THAT IT WOULD BE DIFFICULT FOR HIM AND MR LEE TO GO WITHOUT UMELCO REPRESENTATION, GIVEN THE FACT THAT THEY WERE ALL PART OF THE DELEGATION VISITING LONDON. HE PROPOSED AS A COMPROMISE THAT THE INVITATION SHOULD BE EXTENDED ADDITIONALLY TO MR ROGER LOBO, THE SENIOR UNOFFICIAL LEGCO MEMBER AND MISS LYDIA DUNN, ANOTHER LEGCO MEMBER WITH WIDE TRADE INTERESTS. THIS GROUP WAS SUGGESTED BECAUSE, AS EXCO MEMBERS, ALL WERE FAMILIAR WITH THE DETAILS OF THE DISCUSSIONS WITH THE CHINESE AND COULD THEREFORE TALK TO CHINESE LEADERS WITHOUT INHIBITIONS ABOUT CONFIDENTIALITY. XU AGREED TO PUT THIS TO PEKING. HE WAS DOUBTFUL ABOUT THE INCLUSION OF MR LOBO BUT TOOK THE POINT PUT BY MR LEE THAT TO INCLUDE THE PROPOSER OF THE LOBO MOTION WOULD BE A SIGN OF CHINESE BROADMINDEDNESS. SIR S Y CHUNG ALSO TOLD XU THAT HE WOULD, AS A MEMBER OF EXCO WISH TO CONSULT ME TO ENSURE THAT I HAD NO

~~ABOUT THE INCLUSION OF MR LOBO BUT TOOK THE POINT PUT BY MR LEE THAT TO INCLUDE THE PROPOSER OF THE LOBO MOTION WOULD BE A SIGN OF CHINESE BROADMINDEDNESS. SIR S Y CHUNG ALSO TOLD XU THAT HE WOULD AS A MEMBER OF EXCO WISH TO CONSULT ME TO ENSURE THAT I HAD NO OBJECTION.~~

3. WHEN DENG AUTHORISED XU TO EXTEND THE INVITATION THE CHINESE WERE NOT AWARE OF THE UMELCO VISIT TO LONDON (AND DENG'S INVITATION WAS ORIGINALLY FOR MAY 12.) IN ADDITION XU WAS ONLY TOLD LASTNIGHT THAT UMELCO PROPOSED TO ISSUE THEIR MANIFESTO (MY TELNO 1251). SIR S Y CHUNG THEREFORE SUGGESTED THAT XU WOULD WISH TO SEE THE MANIFESTO BEFORE DECIDING TO CONFIRM THE INVITATION.

4. I TOLD SIR S Y CHUNG THAT FOR ME TO SEEK TO PREVENT THEM ACCEPTING THE INVITATION WOULD BE A PROPAGANDA GIFT TO THE CHINESE. WHATEVER THE POSSIBLE COMPLICATIONS FOR THE NEGOTIATIONS, WE SHOULD NOT IN ANY WAY WISH TO GIVE THE IMPRESSION OF SEEKING TO PREVENT HONG KONG CHINESE TALKING DIRECTLY TO PEKING. INDEED A DIRECT EXPRESSION OF VIEWS IN THIS WAY COULD BE VERY HELPFUL. BUT AS A COURTESY I THOUGHT THAT I SHOULD LET YOU AND THE P.M. KNOW OF THESE DEVELOPMENTS SO THAT ANY COMMENTS YOU MIGHT HAVE COULD BE CONVEYED TO HIM BEFORE XU CAME BACK WITH HNS CONFIRMATION OF THE INVITATION. IF CONFIRMED THE CHINESE WILL BE THINKING IN TERMS OF A VISIT SOON AFTER THE DELEGATIONS RETURN FROM LONDON ON MAY 20/21.

5. I SHOULD THEREFORE BE GRATEFUL IF YOU COULD TELEGRAPH ANY COMMENTS YOU MAY WISH TO BE CONVEYED TO SIR S Y CHUNG AND MR LEE TO REACH HONG KONG BY 090030Z. THE CHIEF SECRETARY WILL THEN SPEAK TO SIR S Y CHUNG BEFORE HIS DEPARTURE FOR LONDON TOMORROW EVENING (MR LEE IS REMAINING IN HONG KONG).

HADDON-CAVE

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FUTURE OF HONG KONG

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TO IMMEDIATE F C O
TELEGRAM NUMBER 1252 OF 8 MAY
INFO IMMEDIATE PEKING

MIPT. FUTURE OF HONG KONG: UMELCO VISIT TO LONDON.

THE FOLLOWING IS THE TEXT OF THE STATEMENT.

BEGINS.

STATEMENT ISSUED BY THE UNOFFICIAL MEMBERS OF THE HONG KONG
EXECUTIVE AND LEGISLATIVE COUNCILS ON 9TH MAY 1984:

THE FUTURE OF HONG KONG

THE EXECUTIVE AND LEGISLATIVE COUNCILS ARE THE TWO CENTRAL ORGANS OF THE GOVERNMENT OF HONG KONG. UNOFFICIAL MEMBERS ARE IN THE MAJORITY IN BOTH COUNCILS. THEY ARE APPOINTED BY THE GOVERNOR FROM A WIDE SPECTRUM OF SOCIETY. THROUGH THEIR MEMBERSHIP AND THESE TWO COUNCILS, UNOFFICIAL MEMBERS ADVISE ON THE FORMULATION OF GOVERNMENT POLICIES, PARTICIPATE IN THE ENACTMENT OF LEGISLATION, MONITOR THE EFFECTIVENESS OF PUBLIC ADMINISTRATION AND CONSIDER COMPLAINTS BY MEMBERS OF THE PUBLIC AGAINST GOVERNMENT DEPARTMENTS.

AS THEY ARE APPOINTED BY THE GOVERNOR RATHER THAN ELECTED, UNOFFICIAL MEMBERS MAKE NO CLAIM TO REPRESENTATIVE STATUS, BUT THEY ARE IN TOUCH WITH ALL SECTORS OF THE COMMUNITY THROUGH THEIR MEMBERSHIP OF OVER 300 BOARDS AND COMMITTEES DEALING WITH PUBLIC

~~ARE IN TOUCH WITH ALL SECTORS OF THE COMMUNITY THROUGH THEIR MEMBERSHIP OF OVER 300 BOARDS AND COMMITTEES DEALING WITH PUBLIC AFFAIRS, AND WITH ALL FACETS OF HONG KONG'S ECONOMIC AND SOCIAL LIFE. SINCE THE SINO-BRITISH TALKS ON THE FUTURE OF HONG KONG BEGAN IN LATE 1982, UNOFFICIAL MEMBERS HAVE RECEIVED, BOTH INDIVIDUALLY AND THROUGH THE LANELCO OFFICE, MANY REPRESENTATIONS ON THE QUESTION OF HONG KONG'S FUTURE AFTER 1997. SO THEY ARE IN A POSITION TO REFLECT THE VIEWS AND WISHES OF HONG KONG PEOPLE ON THIS VITAL QUESTION.~~

THE SINO-BRITISH TALKS HAVE BEEN CONDUCTED THROUGHOUT IN THE STRICTEST CONFIDENCE, ALTHOUGH THERE HAVE BEEN MANY STATEMENTS FROM THE CHINESE SIDE. SIR GEOFFREY HOWE'S STATEMENT IN HONG KONG ON 20TH APRIL PUBLICLY LIFTED THE VEIL FOR THE FIRST TIME FROM THE BRITISH SIDE ON SOME ASPECTS OF THE TALKS. INTER ALIA HE SAID THAT:

IT WOULD NOT BE REALISTIC TO THINK OF AN AGREEMENT THAT PROVIDES FOR CONTINUED BRITISH ADMINISTRATION IN HONG KONG AFTER 1997.

OTHER WAYS WERE BEING EXPLORED TO SECURE THE ASSURANCES NECESSARY FOR THE CONTINUATION OF HONG KONG'S STABILITY, PROSPERITY AND WAY OF LIFE AND, ALTHOUGH HONG KONG WOULD BECOME A PART OF CHINA, IT WOULD ENJOY, AS A SPECIAL ADMINISTRATIVE REGION, A HIGH DEGREE OF AUTONOMY.

THE CHINESE LEADERSHIP CLAIM THAT THEY WISH EXISTING SYSTEMS AND FREEDOMS IN HONG KONG AND THE FREE MARKET ECONOMY TO REMAIN FUNDAMENTALLY UNCHANGED FOR AT LEAST 50 YEARS AFTER 1997.

HONG KONG HAS ENJOYED A CONSTITUTIONAL LINK WITH THE BRITISH CROWN FOR 143 YEARS. THIS LINK HAS PROVIDED AN EFFECTIVE EXTERNAL INSULATOR AGAINST INTERFERENCE FROM THE RULING GOVERNMENT ON THE MAINLAND, DESPITE THE TURBULENCE WHICH HAS CHARACTERISED CHINA'S HISTORY FOR SO MANY YEARS AND DESPITE THE ESSENTIAL INCOMPATIBILITY OF THE POLITICAL SYSTEM PREVAILING IN PRESENT DAY CHINA, ON THE ONE HAND, AND THE LIBERAL TRADITIONS OF A CAPITALIST SOCIETY, ON THE OTHER.

IT IS NOW SUGGESTED THAT THIS LINK SHOULD BE REMOVED BUT THAT, IN ORDER TO ACHIEVE A HIGH DEGREE OF AUTONOMY FOR HONG KONG UNDER CHINESE SOVEREIGNTY, THERE WOULD BE A DEVOLUTION OF POWER FROM THE CENTRAL PEOPLE'S GOVERNMENT TO THE HONG KONG SPECIAL ADMINISTRATIVE REGION VIA A BASIC LAW TO BE PROMULGATED IN THE EARLY 1990'S. HONG KONG PEOPLE ARE BEING ASKED TO ACCEPT, IN OTHER WORDS, THAT THE CHINESE GOVERNMENT WILL RESUME SOVEREIGNTY AND EXERCISE ADMINISTRATIVE CONTROL OVER THE

~~THE CHINESE GOVERNMENT WILL RESUME SOVEREIGNTY AND EXERCISE~~
ADMINISTRATIVE CONTROL OVER THE WHOLE OF HONG KONG AFTER 1997,
AGAINST A PROMISE THAT HONG KONG'S EXISTING SYSTEMS AND ACCUSTOMED
LIFE STYLE WILL REMAIN UNCHANGED.

BUT MANY ANXIOUS QUESTIONS SPRING TO MIND TO WHICH NO SATISFACTORY
ANSWERS HAVE BEEN GIVEN AS YET. FOR INSTANCE.

WILL THE ESSENTIAL ELEMENTS OF THE BASIC LAW BE ENSHRINED IN THE
SINO-BRITISH AGREEMENT? IF NOT, WOULD NOT THE BRITISH GOVERNMENT
RUN THE RISK OF SIGNING AN AGREEMENT WHICH THE CHINESE SIDE MAY
LATER UNILATERALLY ALTER ON THE GROUNDS THAT IT IS IN CONFLICT WITH
THE BASIC LAW?

IN THE FINAL ANALYSIS, THE MORE DETAILED THE AGREEMENT, THE MORE
THAT THE BASIC LAW IS COMPATIBLE WITH IT AND THE MORE BINDING IT IS
IN FORM, THE MORE LIKELY THAT THE PEOPLE OF HONG KONG WILL FIND IT
ACCEPTABLE IN THE BELIEF THAT THE CHINESE ARE MORE LIKELY
TO HONOUR IT. THUS, IF THE AGREEMENT IS TO BE SIGNED BEFORE THE BASIC
LAW IS PROMULGATED, SHOULD NOT PARLIAMENT WITHHOLD RATIFICATION
UNTIL THE DETAILS OF THE BASIC LAW ARE KNOWN?

EVEN SO, GIVEN THE HISTORICAL REALITY THAT HONG KONG HAS
DEVELOPED OVER MANY YEARS AS A RECOGNISABLE COMMUNITY IN ITS OWN
RIGHT, WITH ITS OWN DISTINCTIVE LIFE-STYLE, SURE HONG KONG PEOPLE
HAVE THE RIGHT TO ASK FOR ASSURANCES THAT ANY AGREEMENT ENTERED
INTO BETWEEN THE BRITISH AND CHINESE GOVERNMENTS WILL BE HONOURED?
THAT IS TO SAY, SHOULD NOT THE BRITISH GOVERNMENT INSIST ON A
MECHANISM WHICH WILL ENSURE THAT THE AGREEMENT IS FAITHFULLY
IMPLEMENTED?

TO THIS END, SHOULD NOT BRITAIN INSIST ON RETAINING SOME
RESIDUAL STATUS IN HONG KONG BEYOND 1997 TO PROVIDE
RE-ASSURANCE THAT THE TERMS OF THE AGREEMENT WILL BE KEPT?

GIVEN THE POSSIBILITY THAT THE CHINESE AUTHORITIES WILL SEEK TO
ANTICIPATE 1997 AND START INTERFERING WITH THE ADMINISTRATION OF
HONG KONG BETWEEN NOW AND THEN, WILL THE BRITISH GOVERNMENT INSIST
THAT IT MUST RETAIN EFFECTIVE CONTROL, AS THE SOVEREIGN POWER,
DURING THE NEXT 13 YEARS? IF EFFECTIVE CONTROL IS NOT EXERCISED BY
THE HONG KONG GOVERNMENT UNDER THE AUTHORITY OF HMG, A SMOOTH
TRANSITION UP TO, LET ALONE STABLE GOVERNMENT BEYOND. 1997 WILL
NOT BE POSSIBLE FOR HONG KONG PEOPLE WILL NOT FEEL IT IS WORTH-
WHILE EVEN TO TRY TO ADJUST TO THEIR NEW CIRCUMSTANCES. A COLLAPSE
OF CONFIDENCE BEFORE 1997 WOULD MAKE HONG KONG VIRTUALLY

~~OF CONFIDENCE BEFORE 1997 WOULD MAKE HONG KONG VIRTUALLY~~
UNGOVERNABLE. FOR EXAMPLE, THE ALLEGIANCE OF THE POLICE AND THE
CIVIL SERVICE WILL BE SERIOUSLY IMPAIRED. QUITE APART FROM THE
DISASTROUS EFFECT ON THE PEOPLE OF HONG KONG, THIS WOULD BE AS
EMBARRASSING TO THE BRITISH GOVERNMENT AS A RUINED ECONOMY WOULD
BE DISAPPOINTING TO THE CHINESE GOVERNMENT.

ABOUT HALF OF HONG KONG'S PRESENT POPULATION OF 5.3 MILLIONS
CAME TO HONG KONG FROM CHINA TO SEEK A BETTER LIFE HERE. THEY DO
NOT RELISH THE THOUGHT OF A RETURN TO CHINESE COMMUNIST RULE.
BUT WHAT OF THE REST OF THE POPULATION? THEY ARE BRITISH NATIONALS
BY BIRTH (A SMALL NUMBER BY NATURALISATION) HOLDING BRITISH PASSPORTS
WITH A RIGHT OF ABODE IN THE BRITISH DEPENDENT TERRITORY OF HONG
KONG. PARLIAMENT MAY CEDE SOVEREIGNTY OVER THE TERRITORY, BUT IT
CANNOT, BY THE SAME ACT, DEPRIVE BRITISH NATIONALS OF THEIR
NATIONAL STATUS. WHAT THEN WILL BE THE FATE OF HONG KONG'S BDTCS?
HOW WILL THEIR RIGHTS AND STATUS BE PRESERVED? HOW WILL BDTCS
CONTINUE TO ENJOY BRITISH PROTECTION? WILL THEY, AND OTHER HONG KONG
BELONGERS WHO CANNOT ACCEPT THE IDEA OF LIVING UNDER COMMUNIST
AUTHORITY, HAVE A RIGHT TO SETTLEMENT IN THE UNITED KINGDOM AND
SHOULD NOT THE BRITISH GOVERNMENT NEGOTIATE SETTLEMENT PLACES FOR
THEM?

RECENTLY, WHEN IN HONG KONG, SIR GEOFFREY HOWE SAID THE
AGREEMENT MUST BE SUCH THAT THE BRITISH GOVERNMENT CAN COMMEND IT
TO PARLIAMENT, BUT THE PEOPLE OF HONG KONG WILL NEED TO KNOW THE
TERMS OF THE AGREEMENT AND HAVE TIME TO EXPRESS THEIR VIEWS,
AND HE ADDED THAT PARLIAMENT ITSELF WILL NEED TIME TO REFLECT
AND TAKE ACCOUNT OF THE VIEWS OF HONG KONG PEOPLE. THE FOREIGN
SECRETARY WAS REITERATING WHAT HAS BEEN SAID MANY TIMES BEFORE,
NAMELY, THAT ANY AGREEMENT REACHED BETWEEN THE BRITISH AND
CHINESE GOVERNMENTS MUST BE ACCEPTABLE TO THE PEOPLE OF HONG KONG.
THIS RAISES AT LEAST TWO QUESTIONS:

HOW IS IT PROPOSED THAT ACCEPTABILITY IS PUT TO THE TEST?

WHAT WILL BE HMG'S REACTION IF HONG KONG PEOPLE DO NOT ACCEPT THE
AGREEMENT OR PARTS OF IT?

PARLIAMENT CANNOT TAKE LIGHTLY THE RESPONSIBILITY OF TRANSFERRING
AUTHORITY OVER A COMMUNITY (AS OPPOSED TO THE TERRITORY) FOR WHICH
THE CONSTITUTIONAL LINK WITH BRITAIN HAS MEANT SO MUCH FOR SO LONG
TO A COMMUNIST GOVERNMENT, ALBEIT THE CHINESE GOVERNMENT WHICH
HAS A LEGITIMATE CLAIM TO SOVEREIGNTY OVER THE TERRITORY OF HONG
KONG ITSELF. THE INESCAPABLE FACT IS THAT THE CHINESE

~~HONG KONG ITSELF. THE INESCAPABLE FACT IS THAT THE CHINESE~~
GOVERNMENT IS COMMITTED TO A POLITICAL PHILOSOPHY WHICH IS AT
LEAST INCOMPATIBLE, AND AT WORST HOSTILE, TO THE PHILOSOPHY
ON WHICH THE VARIOUS SYSTEMS AND FREEDOMS ENJOYED BY HONG KONG TODAY
REST.

IT FOLLOWS THAT ACCEPTABILITY WILL DEPEND ON THE AGREEMENT NOW
BEING NEGOTIATED:

CONTAINING FULL DETAILS OF THE PROPOSED ADMINISTRATIVE, LEGAL,
SOCIAL AND ECONOMIC SYSTEMS APPLICABLE AFTER 1997:

PROVIDING ADEQUATE AND WORKABLE ASSURANCES THAT THE TERMS OF THE
AGREEMENT WILL BE HONOURED:

STATING THAT THE PROVISIONS OF THE BASIC LAW WILL INCORPORATE THE
PROVISIONS OF THE AGREEMENT:

GUARANTEEING THAT THE RIGHTS OF BRITISH NATIONALS WILL BE
SAFEGUARDED.

WE BELIEVE THAT MEMBERS OF PARLIAMENT WILL WISH TO TAKE ACCOUNT
OF OUR VIEWS. WE ALSO BELIEVE THAT THESE VIEWS ARE AN ACCURATE
REFLECTION OF THE VIEWS OF HONG KONG PEOPLE AS A WHOLE, TO WHOM
THE IMMINENT WITHDRAWAL OF THE BRITISH LINK HAS BEEN A GREAT, IF
NOT ENTIRELY UNEXPECTED, DISAPPOINTMENT."

ENDS.

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FUTURE OF HONG KONG:

UMELCO VISIT TO LONDON

1. IN PREPARATION FOR THEIR VISIT TO LONDON THE UMELCO DELEGATION HAVE DRAWN UP A MANIFESTO WHICH THEY HAVE HAD PRINTED. THE TEXT, A COPY OF WHICH SIR S Y CHUNG GAVE ME THIS MORNING, IS IN MIFT.
2. ONE THOUSAND COPIES OF THIS MANIFESTO ARE ALREADY ON THEIR WAY TO LONDON AND WILL BE POSTED TO MP'S ON WEDNESDAY UNDER COVER OF A LETTER SIGNED PERSONALLY BY SIR S Y CHUNG. IT WILL BE RELEASED TO THE PRESS HERE TOMORROW EVENING TO APPEAR IN THE FOLLOWING DAYS'S MORNING PRESS.
3. WE ARE BOUND TO BE ASKED WHEN THE MANIFESTO APPEARS WHETHER THE HONG KONG GOVERNMENT WAS CONSULTED IN ITS PREPARATION. I HAVE AGREED WITH SIR S Y CHUNG THAT WE WILL SAY THAT THE HONG KONG GOVERNMENT WERE NOT CONSULTED: IT IS ENTIRELY A UMELCO DOCUMENT: BUT THAT WE WERE GIVEN A COPY IN ADVANCE OF PUBLICATION AS A COURTESY. I SUGGEST THAT THE NEWS DEPARTMENT SHOULD TAKE THE SAME LINE.

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FROM PEKING 040425Z MAY 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 851 OF 4/5/84
INFO IMMEDIATE HONG KONG WASHINGTON

FUTURE OF HONG KONG: PRESIDENT REAGAN'S VISIT

1. THE AMERICAN EMBASSY HERE HAVE TOLD US THAT HONG KONG WAS ONLY RAISED PERIPHERALLY DURING THE TALKS WHICH TOOK PLACE DURING PRESIDENT REAGAN'S VISIT. DENG XIAOPING, WHO HAD BEEN TALKING ABOUT TAIWAN, AND HAD REPEATED MUCH OF WHAT HE HAD SAID TO BREZHNEV AND TO YOU ABOUT CONFEDERATION AS A PRACTICAL SOLUTION TO THE PROBLEMS OF DIVIDED COUNTRIES, HAD ADDED THAT THIS WAS REALLY THE COURSE BEING PURSUED IN RELATION TO HONG KONG, WHICH AS A PROBLEM WAS NOW 'VIRTUALLY RESOLVED'. DENG HAD ADDED THAT THEIR COMPATRIOTS IN TAIWAN SHOULD PAY ATTENTION TO WHAT THE CHINESE DID IN HONG KONG.

2. REGAN DID NOT RESPOND TO THIS. THE AMERICANS HERE COMMENTED TO US THAT THEY THOUGHT THAT THE T-REE POINTS WHICH WE HAD SUGGESTED THAT REAGAN MIGHT MAKE (HONG KONG TEL NO 8 TO WASHINGTON) WOULD HAVE GONE A LITTLE BIT TOO FAR IN INVOLVING THE AMERICANS IN THE HONG KONG ISSUE.

EVANS

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Foreign and Commonwealth Office

London SW1A 2AH

4 May 1984

*I have informed the F.C.O.
that the telegram should be
sent. AB 4/5.*

Dear John,

Hong Kong: Visit of a Delegation led by Dr Ding Lik-Kiu

Dr Ding Lik-Kiu, the leader of a delegation from Hong Kong which is visiting London from 8 - 15 May to discuss the implications of introducing electoral reform in Hong Kong, rang the Hong Kong Government requesting an interview with the Prime Minister.

Dr Ding, who is aged 62, has been involved in community affairs in Hong Kong for many years. The other members of the delegation include elected Urban Councillors and social activists.

We do not think that it is necessary or appropriate for the Prime Minister to meet Dr Ding. Sir Geoffrey Howe, Mr Luce and Sir P Cradock have all received invitations to meet the delegation from the Catholic Institute for International Relations which is helping to arrange their programme. Replies have been sent declining the invitations and suggesting that the delegation call on the Head of Hong Kong Department here instead.

If you agree, I propose to send the enclosed telegram to Hong Kong asking them to tell Dr Ding that the Prime Minister will be unable to see the delegation.

*Yours ever,
Peter Ricketts*

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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OUT TELEGRAM

		Classification and Caveats CONFIDENTIAL	Precedence/Deskby PRIORITY
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GRS	2	GRS	
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CAVEATS	4		
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FM FCO	6	FM FCO	
PRE/ADD	7	TO PRIORITY HONG KONG	
TEL NO	8	TELEGRAM NUMBER	
	9	FOR BRAY: YOUR TELNO 1181: DR L K DING	
	10	1. Please inform Dr Ding that the Prime Minister regrets that	
	11	she will be unable to meet him during his forthcoming visit to	
	12	London.	
	13	2. However Clift will be interested in hearing the Delegation's	
	14	views on democratic development in Hong Kong when they call on	
	15	him on 9 May and will ensure that these are passed to Ministers.	
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DEPARTMENT/SERIES <i>POEM 19</i> PIECE/ITEM <i>1265</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Ricketts to Coles dated 3 May 1984</i>	
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SECRET



to
6

10 DOWNING STREET

From the Private Secretary

3 May, 1984.

Hong Kong

Thank you for your letter of 2 May about
of 26 April. The Prime
Minister has noted the contents of your letter
and the report.

A. J. COLES

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

SECRET

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FM PEKING 021030Z MAY 84
 TO IMMEDIATE FCO
 TELEGRAM NUMBER 842 OF 2 MAY
 INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: EUROPEAN TOUR OF ZHAO ZIYANG

1. THE TIMETABLE HAS CHANGED AGAIN. THE VISITS TO NORWAY AND DENMARK HAVE BEEN REVERSED, TO PREVENT ZHAO'S PRESENCE IN DENMARK COINCIDING WITH PRINCE HENDRICK'S 50TH BIRTHDAY ON 11 JUNE. THE TIMETABLE FINALLY AGREED IS AS FOLLOWS:

FRANCE 31 MAY - 3 JUNE
 BELGIUM 4-5 JUNE
 SWEDEN 6-7 JUNE
 DENMARK 8-9 JUNE
 REST DAY 10 JUNE
 NORWAY 11-12 JUNE
 ITALY 13-16 JUNE.

2. ON 10 JUNE, ZHAO WILL LEAVE COPENHAGEN AT 1030 IN THE MORNING FOR BERGEN, WHERE HE WILL SPEND THE REST OF THE DAY WITHOUT ANY OFFICIAL ENGAGEMENTS. HE WILL FLY TO OSLO ON 11 JUNE.

3. ZHAO WILL BE ACCOMPANIED BY ZHANG JINGFU, THE CHAIRMAN OF THE STATE ECONOMIC COMMISSION, QIAN QICHEN, A VICE-MINISTER OF FOREIGN AFFAIRS, ABOUT 30 OFFICIALS AND A SUPPORTING STAFF OF ABOUT 70. HE WILL NOT BE ACCOMPANIED BY VICE-MINISTER YAO GUANG OR ASSISTANT MINISTER ZHOU NAN.

4. THE HONG PRESS PERSISTENTLY ASK US WHETHER ZHAO WILL VISIT THE UNITED KINGDOM DURING HIS TOUR OF WESTERN EUROPE. WE HAVE REPLIED THAT THE UNITED KINGDOM IS NOT ON THE LIST OF SIX COUNTRIES WHICH HE IS DUE TO VISIT.

5. I DO NOT KNOW HOW EASY IT WOULD BE IN PRACTICAL TERMS FOR ZHAO TO VARY HIS ITINERARY TO MAKE A STOP-OVER IN THE UNITED KINGDOM. HE WILL BE TRAVELLING ON A SPECIAL CHINESE AIRCRAFT.

~~KINGDOM. HE WILL BE TRAVELLING ON A SPECIAL CHINESE AIRCRAFT.~~
BUT I JUDGE THAT HE WOULD BE RELUCTANT TO GIVE UP HIS REST DAY
ON 10 JUNE, LEAVING ONLY 30 MAY AND 17 JUNE AS POSSIBLE DATES,
AND THAT HE MIGHT BE UNWILLING TO EXTEND AN ABSENCE FROM CHINA
WHICH WILL ALREADY LAST FOR NEARLY THREE WEEKS.

6. A MEETING WITH THE PRIME MINISTER, PARTICULARLY IF TACKED
ON TO A TOUR WHICH HAD ALREADY BEEN ARRANGED, COULD CREATE
SPECULATION EITHER THAT AGREEMENT WAS ABOUT TO BE REACHED
OR THAT SOME CRISIS HAD OCCURRED. IT WOULD BE WORTH RISKING
THIS IF THERE WAS A GOOD CHANCE OF OBTAINING CONCESSIONS FROM
THE CHINESE. BUT THE TIMING MIGHT BE WRONG FOR THIS. I SUSPECT
THAT THE CHINESE ARE LIKELY TO KEEP ANY FURTHER CONCESSIONS
UP THEIR SLEEVES UNTIL TIME PRESSURE BEGINS TO BUILD UP AGAIN.
BY 30 MAY, WE SHALL HAVE HAD ONLY ONE MORE ROUND OF TALKS (WE
SHALL PROBABLY BE ENGAGED ON ANOTHER ON THAT DATE). WE SHALL
HAVE HAD THREE MORE ROUNDS BY 17 JUNE. BUT WE MIGHT NEED LONGER
TO ESTABLISH WHERE THE FINAL BATTLE LINES ARE GOING TO BE DRAWN.
MY RECOMMENDATION, THEREFORE, IS THAT WE SHOULD RULE OUT
30 MAY, BUT KEEP 17 JUNE IN MIND AS AN OPTION WHICH WE COULD
RETURN TO IF IT TURNED OUT THAT DEVELOPMENTS MADE IT WORTH
GOING FOR.

EVANS

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B.06733

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Strategy in Negotiations

BACKGROUND

FLAG A

The Foreign and Commonwealth Secretary's minute to you of 1 May describes his talks in China and Hong Kong, and proposes a way forward in discussions with the Chinese over the future of the territory, and handling of opinion within Hong Kong itself. The Foreign and Commonwealth Secretary's minute also refers to the possibility of the United Kingdom presenting to the Chinese a revised draft agreement in order to keep up the momentum given to the talks by his visit to Peking and Mr Ricketts's letter of 1 May to Mr Coles attaches a revised draft agreement on the lines Sir Geoffrey Howe has in mind. Mr Ricketts's letter of 2 May to Mr Coles describes the outcome of the latest round of talks in Peking, held on 27-28 April, in which little progress was made.

FLAG B.

FLAG C

2. In his discussions in Peking, Sir Geoffrey Howe firmly pressed the British case on the timetable for an agreement (draft published in September, Parliamentary Debate in November, signature by the end of the year) and this was accepted by Chairman Deng on the last day. He also secured agreement that there should be further discussions of both the British and Chinese draft agreements, and that the final agreement and its annex or annexes should be binding. The Chinese were particularly tough on Agenda Item 2 (arrangements up to 1997), and continued to press their idea of a joint group to be established in Hong Kong, although in response to British counter-argument they appeared to be showing signs of shift. Chairman Deng suggested that the joint group might be peripatetic, meeting in Hong Kong,

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Peking and London. This will require further consideration. On some issues the Chinese showed little or no movement. They did not respond to the reiteration of the British position on nationality, and Deng stated that the Chinese would send a small military force to Hong Kong after 1997; the Foreign and Commonwealth Secretary made clear the damaging effect this would have on confidence.

3. As agreed by the Sub-Committee, Sir Geoffrey Howe made his "unveiling" statement in Hong Kong. This was generally welcomed as having dispelled some uncertainties. In his discussions with EXCO, the Foreign and Commonwealth Secretary made clear that the important thing in the future negotiations was to hold on to the essentials of a detailed and binding agreement while being ready to be flexible as to its shape. Tactical considerations meant that there might be occasions when our negotiators had to shift position without the detail being discussed with EXCO in advance. EXCO members did not dissent, but made clear that they reserved the right to reject an ultimate package if they disliked it and to make that rejection public. More generally, there is a prevalent view in Hong Kong that somehow "assurances" can be added to the agreement which might increase the chance of the Chinese adhering to it. The Foreign and Commonwealth Secretary has explained that this is illusory; but it will persist.

4. As to the way ahead, Sir Geoffrey Howe believes that the Chinese definitely want an agreement. There are gaps between the two positions but a prospect of achieving common ground. The key area is the agreement itself, where the Chinese will fight to exclude language which gives the impression that the arrangements for Hong Kong have been negotiated with Britain, as opposed to decided by China. The revised draft circulated with Mr Rickett's letter of 1 May has been designed to retain the essentials of the British negotiating position, with considerable detail


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included, and the important provision that the agreement as a whole and its annexes should be binding. In order to make the draft more acceptable to the Chinese, however, some of their language has been adopted, as has the technique of parallel declarations with a joint provision that the future of Hong Kong would be settled in accordance with the declaration and annexes. The Chinese "twelve point plan" is included, but this has been amended to remove reference to the "unequal treaties". A disclaimer would explicitly dissociate the British Government from the Chinese view of the status of Hong Kong.

5. Sir Geoffrey Howe believes that, in the light of our study of the full draft which the Chinese are expected to table in mid-May, a revised draft along the lines proposed might then be presented to them. The revised draft preserves negotiating flexibility, since there are elements of it (notably in paragraph 4, on the attributes of the Basic Law) which the Foreign and Commonwealth Secretary believes could be discarded at the right tactical moment in order to argue forcibly for the points of real concern. Again, depending upon study of the Chinese draft and tactical considerations as the negotiations progress, an alternative approach might be to feed in to the negotiations elements of the draft as a set of modules.

6. The arrangements for the transitional period in Hong Kong before 1997 will need to be handled with great care. As has been recognised, the Chinese idea of a joint group has obvious dangers, particularly if it is based in Hong Kong. But there could be some advantages in a joint group as a means of educating the Chinese about realities in Hong Kong and conditioning Chinese thinking on the Basic Law. Sir Geoffrey Howe believes that thought is required as to how the proposal for a peripatetic group could be developed to our advantage. Mr Ricketts's letter of 2 May indicates that the Chinese are now arguing that the group, while

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actually peripatetic, would be formally located in Hong Kong under the terms of the Agreement, so underlining the need for caution in examining this proposal.

7. As to Hong Kong itself, it will be necessary to consult the Governor on how EXCO should be kept informed of developments in the British negotiating position, particularly variations in the draft agreements. There is also the growing tendency for Hong Kong people to demand of the British Government undertaking on immigration and related matters as insurance against the failure of an agreement; separate recommendations will be made on this.

8. The Secretary of State for Trade and Industry cannot attend the meeting because of an industrial visit to the North East and will not be represented. Sir Antony Acland has been invited to attend.

HANDLING

9. You should invite the Foreign and Commonwealth Secretary to introduce the discussion. Points to be established in subsequent discussion are -

(a) Does the Sub-Committee endorse the Foreign and Commonwealth Secretary's general conclusion that the Chinese are indeed anxious to reach an agreement, and that it might prove possible to close the gap between the two sides, particularly on the form of an agreement?

(b) Are the Sub-Committee generally content with the provisions of the revised draft agreement?

(c) Do the Sub-Committee believe that it would be right for them to consider again the question of tabling the revised draft with the Chinese, in whole or in part, in the light of study of the promised Chinese draft?

(d) On Agenda Item 2, the Sub-Committee's view at its last Meeting (Limited Circulation Annex to OD(K)4th Meeting Minutes) was that there might be advantage in

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establishing a series of working groups. But the Sub-Committee considered that they should meet in Peking rather than Hong Kong, and include representatives from Hong Kong. In the light of the Chinese attitude, does the Sub-Committee agree that the "peripatetic" approach should be considered further? Can the distinction drawn by the Chinese in the 27-28 April round of discussions between a formal location for such a group in Hong Kong and an actual rotation of meetings between London, Peking and Hong Kong be entertained? What is the Chinese attitude towards representation of Hong Kong in a group of this sort?

CONCLUSION

10. The Sub-Committee might be guided -

(a) to endorse the revised draft agreement, amended in the light of points made in discussion;

(b) to agree that the question of tabling all or part of the agreement should be considered further in the light of study of the draft agreement which the Chinese are expected to present in mid-May;

(c) to invite the Foreign and Commonwealth Secretary to bring forward detailed proposals on the handling of Agenda Item 2 in the light of the Sub-Committee's discussion.

David Goodall

A D S Goodall

2 May 1984



Foreign and Commonwealth Office

London SW1A 2AH

2 May 1984

Dear John,

Future of Hong Kong: 13th Round of Talks

To supplement the assessment already sent by the Foreign Secretary on his visit to Hong Kong and China, this letter provides a resume of the 13th round of Sino-British talks on the future of Hong Kong, (27/28 April), as background for the meeting of OD(K) on 3 May.

The greater part of the round was taken up in consolidating positions established during Sir Geoffrey Howe's visit. Predictably enough the Chinese side endeavoured to put the most advantageous slant on everything that had been said. There was little advance on substance.

Timetable

Zhou Nan, the Chinese negotiator, tried to put the most favourable possible gloss on Sir Geoffrey's agreement with Deng Xiaoping on the timetable for the talks, presenting it as:

- (a) an initialled agreement to be published by September 1984;
- (b) immediate consideration by Parliament after resumption in October;
- (c) signature well before the end of the year.

Sir R Evens restated our position and is taking further action to impress on Zhou Nan that it will certainly not be practicable for Parliament to discuss Hong Kong before November.

Agreement

Zhou Nan undertook to let us have the Chinese draft protocol and annex around the time of the 14th round (9/10 May). These will complete the set of texts making up the Chinese draft agreement. He confirmed that the annex could deal with points agreed between the two sides in the talks as an elaboration of the Chinese twelve points, and the annex should be equally valid and binding. He said that excessive detail should be avoided, and reaffirmed the Chinese position that Chinese policies after 1997 were an internal matter, not subject to formal agreement with the British side. He did not challenge the proposition that both agreements should remain on the table for further

/negotiation



negotiation. Sir Richard Evans restated our position on the agreements, and said that we remained ready to discuss the wording of our draft.

Transition Period

There was lengthy discussion of the transitional period up to 1997. Zhou Nan repeated Chinese arguments for the establishment of a joint group as a forum for cooperation and contact during period up to 1997. He said that the group would be a liaison body, and not an organ of power. He claimed that Deng Xiaoping had said to Sir Geoffrey Howe that the Agreement should state that the group should be established in Hong Kong, and only a verbal agreement reached that it should meet by rotation in Hong Kong, London and Peking. This may be partly an attempt by Zhou Nan to establish the most favourable interpretation of the understanding. But it seems clear that while Deng appeared to imply that the location of the joint group would not be specified, the Chinese will argue that the protocol to the agreement should place it formally in Hong Kong. Zhou also referred to the need for the two sides in the joint group to cooperate, beginning now in selecting competent people to assume the administration of the territory in 1997. The only criterion for the selection of these people would be that they should support China's resumption of sovereignty over Hong Kong. The joint group should also discuss the issue of bank notes, land leases and the implementation of those sections of the Basic Law that covered government structure. This elaboration of the Chinese view of the role of the joint group reinforces the need to examine the proposal and terms of reference for a joint group very carefully.

Outstanding Issues

Zhou Nan rejected our restatement of our case on the various outstanding issues from agenda Item 1 including nationality, government structure, the public service and civil aviation. On public service he corrected what had appeared to be a concession by Deng Xiaoping when the latter had implied that expatriate officials could serve at all levels in the Hong Kong administration after 1997, whatever passports they held. Zhou restated the position that expatriates could only serve up to a certain level.

Conclusion

There was disappointingly little progress in this round. The Chinese were evidently attempting to stake out once again maximalist positions following the discussions held during the Foreign Secretary's visit. Sir Geoffrey has suggested in

/his minute

S E C R E T



his minute to the Prime Minister how we can maintain the momentum created during that visit.

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

*Yes Sir,
P F Ricketts*

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

S E C R E T

DEPARTMENT/SERIES <i>PRM 19</i> PIECE/ITEM <i>1265</i> (one piece/item number)	Date and sign
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CC P.C.

2

PM/84/71

PRIME MINISTER

Meeting of OD(K), 3 May 1984: Visit of Foreign and Commonwealth
Secretary to China and Hong Kong

1. I visited Peking from 15-18 April and Hong Kong from 18-22 April.

China

2. The primary purpose of my visit to China was to discuss Hong Kong with the Chinese leaders. In line with the discussions at OD(K)'s meeting on 3 April and the following visit to London by EXCO Unofficials from 4-6 April, I was in a position to press our case strongly on the key issues, in particular the form and content of an agreement and the timetable for its conclusion, but also to retain some tactical flexibility in dealing with the Chinese.

3. We had made clear in advance that we wanted to concentrate on hard business on Hong Kong and the Chinese met us on this. I had two sessions with the Foreign Minister, Wu Xueqian, and one each with State Councillor Ji Pengfei, Head of the Hong Kong and Macau Office of the State Council, Premier Zhao Ziyang and Chairman Deng Xiaoping, in that ascending order. I had expected the leaders to be tough and for much of the time they were. In the negotiations immediately before the visit, the Chinese had been taking a very hard line which, if adhered to rigidly, would virtually rule out the possibility of getting an acceptable agreement. I therefore argued the British case strongly on the timetable, pointing out the impracticability 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. I also stressed the need

/for detail



for detail in the agreement and the requirement that it should be balanced as regards obligations and binding. I argued for the draft agreement which we had put in and pointed out the weaknesses in the Chinese own partial draft which they had given us informally just before the visit. I 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.

4. There was particularly tough argument about Item 2 of the agenda (arrangements up to 1997). The Chinese pressed very strongly their idea of a joint group which they wanted established in Hong Kong and which we saw as likely to hit confidence badly because it would suggest that the Peking Government was indeed interfering in Hong Kong's autonomy even before 1997.

5. Given the earlier Chinese hard line, there was a danger that they would reject the major elements in our position out of hand. But in fact the visit opened up ground in a number of areas which I believe we can usefully exploit:

(a) on the timetable Deng, on the last morning, abandoned the September deadline for a final signed agreement and agreed to a timetable involving publication of a draft agreement in September followed by debate in Parliament in November and signature by the end of the year;

(b) despite their initial description of our draft as unacceptable, the Chinese in effect agreed that both draft agreements should remain on the table for further negotiation;

(c) they 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.

/(d)



(d) on Item 2, although the Chinese were particularly tough there were signs of some shift. Deng suggested that the joint group might be a peripatetic one, meeting in Hong Kong, Peking and London. I expressed willingness to examine this proposal constructively. Its precise significance of course needs to be clarified. Subsequent Chinese remarks at the latest round of talks suggest that they may still be seeking to get a joint group formally established in Hong Kong.

6. On some issues the Chinese showed little or no movement. They did not respond to a reiteration of our position on nationality and Deng, at the end of my meeting with him, volunteered that the Chinese would send a small military force to Hong Kong after 1997; I responded by pointing out how badly that would hit confidence.

7. I also informed Ji Pengfei briefly of my intention to make an "unveiling" statement in Hong Kong in order to start preparing option there for the sort of agreement which might be reached and which would not involve British administration.

Hong Kong

8. In Hong Kong I was able to meet, in a comparatively short time, a fairly wide range of people, to have full discussions with EXCO and with the Unofficial members of the Executive and Legislative Councils (UMELCO) and to make the unveiling statement.

9. The text of the unveiling statement has already been distributed to colleagues. It was clear from the immediate reaction that most people welcome the fact that the uncertainty of the last few months had been removed. The Hong Kong press in general reacted calmly to my statement. There is of course much underlying concern about the trustworthiness of the Chinese and Hong Kong press comment has also reflected this, although the most virulent and irresponsible attacks on "selling Hong Kong down the river" have come from some - but by no means all - sections of the British press. The Official Chinese press have made no comment, although



reporting the statement selectively; the left wing press in Hong Kong quoted the statement in full and were generally approving in their comment.

10. An important feature of Hong Kong's concern has been over what are seen as HMG's obligations to Hong Kong people, particularly in the immigration field, if they should choose not to live in the SAR. This difficult point was pressed particularly strongly during my discussions with EXCO and particularly with UMELCO. I undertook to report their views but gave no ground.

11. EXCO received my account of the Peking visit soberly. They expressed appreciation for the way in which Hong Kong's case had been put over in Peking but they also showed deep disquiet about the Chinese motives. This was reflected by their view that the draft agreement which we had presented should be regarded not as a maximalist proposal but as a bottom line. I stressed to EXCO that we would negotiate as toughly as possible with the Chinese but I underlined the need for tactical manoeuvrability. The important thing was to hold on to the essentials of a detailed and binding agreement while being ready to be flexible about the form and language of any document. I also explained to EXCO that to achieve this our negotiators would need to have discretion to shift tactically at short notice. For this reason it would not be possible to clear every alteration with EXCO in advance although they would be kept generally informed. EXCO members did not dissent from this although they made quite clear that they reserved the right to reject an ultimate package if they disliked it and to make that rejection public.

The Way Ahead

12. This proved to be a less negative visit than I had expected. My assessment is that the Chinese definitely want an agreement with us. There are still wide gaps



between our positions on a number of important issues but some prospect of achieving common ground. We must be ready to take advantage of the points on which they have been ready to shift. The key area is the negotiation of the agreement itself. It is clear to me that, as we knew all along, the draft agreement we tabled cannot survive in its present form. There is still a big difference in concept to be overcome, in that the Chinese will fight to avoid any suggestion that arrangements for the future autonomy of Hong Kong are the result of negotiation with us rather than their own decision. Nevertheless their acceptance of the idea of an agreement binding on both sides, with an equally binding annex containing at least the bulk of the points agreed, is something which we must exploit. We should start by arguing for our draft, building up in the process the case for an agreement which is binding, has matching obligations and sufficient detail. But we need also to be ready with a variety of alternative proposals which would still meet these criteria. I have circulated to colleagues separately the text of a revised draft which would allow for at least two stages of tactical variation which could be further adapted as the negotiation progressed.

13. 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 we should not overlook the fact that there could be some real advantage for us in setting up some form of liaison arrangement.

14. 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 already rather than in London. They need, for example, to be rid of the notion that "preventive measures" against a "flight of capital" would not strike at



the root of real economic autonomy. 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. We need therefore to think how we could develop the proposal for a peripatetic group to our advantage, examining the implications with the greatest care before we make any response to the Chinese.

EXCO

15. As I explained to EXCO, we must throughout the new phase of negotiations, continue to work within the agreed strategic framework. If we are to make the most of shifts in the Chinese position as they appear, we must develop more tactical manoeuvrability than we have had for the past few months. This will mean that it will not be possible to agree in advance with EXCO all the detailed moves that we shall want to make. We have to combine this essentially attacking approach with the obvious aim of keeping EXCO with us as far as possible and we shall need to consult the Governor carefully on how we keep EXCO informed on such key matters as variations in our draft agreement.

Conclusion

16. Although I believe that the unveiling in Hong Kong has usefully cleared the air to some extent, I have no doubt that our double-edged problem remains very tricky. On the one hand we have to negotiate with the Chinese a deal which meets as fully as possible the essential requirements for Hong Kong. Although there is a clear risk of Chinese backsliding and there are real points of substance still to be resolved, I am more hopeful since my visit that we might be able to achieve that. On the other hand, we have to persuade Hong Kong opinion (and EXCO still hold a key position here) that such an agreement can stick. That is made more difficult by the prevalence in

/Hong Kong



Hong Kong of the view that somehow a way can be found to add 'assurances' to an agreement which would genuinely increase the likelihood of the Chinese honouring it. I have explained to EXCO that such a belief is illusory but it will persist. Equally difficult will be the growing tendency for Hong Kong people to demand of HMG undertakings, on immigration and related matters, as an insurance against the failure of an agreement. I shall be making separate recommendations to colleagues on this.

17. I am copying this minute to all OD(K) colleagues and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
1 May 1984

SECRET

B *cc/c*



Prime Minister.

This is for discussion at
ad (K) on Thursday. but
you may care to look at it
tonight.

Foreign and Commonwealth Office

London SW1A 2AH

1 May 1984

A.F.C. $\frac{1}{5}$

Dear John,

Hong Kong: Revised Draft Agreement

The Foreign Secretary is minuting to the Prime Minister in advance of the OD(K) meeting on 3 May, outlining his views on our general strategy on Hong Kong. In that minute he refers to the possibility of our presenting the Chinese with a revised draft agreement fairly soon in order to keep up the momentum created by his visit to Peking.

I enclose a revised draft. This follows the modular pattern which Sir Geoffrey favours, although he has not had time to study it in detail. It takes the form of two parallel declarations on our part to restore the Hong Kong area to China and on the Chinese part to make provision for autonomy. Detail would be expressed in annexes which would amplify the Chinese declaration. The key section would be a provision (paragraph 6) whereby the two governments would agree that Hong Kong's future should be settled in accordance with both declarations and with the annexes. It has been designed to retain the essentials of our position, including considerable detail and provision for the agreement as a whole and the annexes to be binding. At the same time it has adopted some of the Chinese language. It also meets the Chinese insistence that the 12 point plan should be included in the agreement. The latter has been amended to remove a reference to the "unequal treaties" and there is in addition a disclaimer in paragraph 2 which would explicitly dissociate HMG from the Chinese view of the status of Hong Kong.

Depending on the outcome of the latest round of talks and our study of the full draft which we expect the Chinese to table in mid-May, we should be ready to present them with a revised draft on these lines. We should be able to preserve considerable negotiating flexibility because there are still elements which could be chopped, notably in paragraph 4 of the draft, describing the attributes of the Basic Law. Sir Geoffrey Howe believes that we should keep open the option of discarding this section at the right tactical moment in order to enable us to argue forcibly for the points which are of real concern to us. We should then be relying on the employment of detail in the annexes and

/should

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should of course need to watch carefully that these were not whittled down in negotiation so that key points were lost.

Another possible approach would be to treat the revised draft as a set of modules which could be fed into the negotiation piecemeal, as tactics demanded. (The draft agreement is therefore annotated to indicate divisions on these lines.)

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

*Yours ever,
Peter Ricketts*

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

S E C R E T

EXPLANATORY NOTES ON MODULES OF DRAFT JOINT DECLARATION

(Roman numerals refer to passages in attached draft joint declaration.)

I Preamble (para 1) can be varied. Based on Chinese text.

II UK Declaration (para 2). Can be varied but needs:

(a) Provision reserving our view on status of Hong Kong

(b) Statement on continuing British administration until 30
June 1997. _____

(order of reference to two Governments will be reversed in Chinese text, as in standard treaty practice).

III Link between Chinese declaration and Basic Law (introduction to para 3). Highly desirable, in order to ensure that the agreement is reflected in Basic Law.

IV Chinese Declaration 'A' (para 3). The 12 points. Not necessary for us but likely to be Chinese requirement in some part of agreement and provides in body of agreement a useful undertaking on autonomy. Reference to unequal treaties removed.

V Chinese Declaration 'B' (para 4). Adaptation of the old Articles 2(3) and 2(4) from our maximalist draft. Should be included in first revision but could be dropped in negotiation as these points could all be covered in Annexes.

VI Chinese Declaration 'C' (para 5). Stipulates that Basic Law will be in accordance with Annexes. Essential in some form in order to commit the Chinese to the Annexes as well as their declaration.

VII Agreement on implementation of Chinese and UK Declarations. (Para 6). Key point for us but could be covered in other form, eg Exchange of Notes, constituting a legally binding international agreement, which would oblige both parties to act in accordance with the Joint Declaration.



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VIII Continued co-operation and representations to other governments. (Paras 7 and 8) Not essential for us but desirable, particularly para 8.

IX Points On Nationality and Land. (Paras 9 and 10). Desirable presentationally but could be dropped if covered in Annexes.

X Entry into force. (Para 11). Some provision essential. Simple entry into force on ratification keeps our options open.

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

- I | 1. The Government of the United Kingdom of Great Britain and
| Northern Ireland and the Government of the People's Republic of
| China 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 is conducive to the further strengthening and development of
| the relations between the two countries. With the common aim of
| maintaining the future stability and prosperity of Hong Kong, and
| 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 society and way of life, the two
| governments make the following Joint Declaration.
- II | 2. The United Kingdom Government declare that on 1 July 1997 and
| without prejudice to the position of either government before that
| date with regard to the status of Hong Kong, they will restore the
| Hong Kong area (including Hong Kong Island, Kowloon and the New
| Territories) to the People's Republic of China. Accordingly the
| United Kingdom Government declare that they will continue to
| administer Hong Kong until 30 June 1997 and will, with effect from 1
| July 1997, terminate all powers of administration which they
| exercise with respect to Hong Kong.
- III | 3. The Government of the People's Republic of China declare that,
| with effect from 1 July 1997, the status, administration and way of
| life of Hong Kong will be governed by a special Basic Law which will
| be drawn up in accordance with the following principles:
- IV | (1) The government of the People's Republic of China declare that
| they have decided to establish, in accordance with the
| provisions of Article 31 of the constitution of the People's
| Republic of China, a Hong Kong Special Administrative Region of
| the People's Republic of China, hereafter referred to as 'Hong
| Kong (China)'.
|

- (2) Hong Kong (China) will be directly under the authority of the Central People's Government of the People's Republic of China. Hong Kong (China) will enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government.
- (3) Hong Kong (China) 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.
- IV (4) The Government of Hong Kong (China) 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 Hong Kong (China) 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 Hong Kong (China).
- (5) The current social and economic systems in the Hong Kong area will remain unchanged, and 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 Hong Kong (China). Private property, ownership of enterprises, legitimate right of inheritance and foreign investment will be protected by law.
- (6) Hong Kong (China) will retain the status of a free port and a separate tariff area.
- (7) Hong Kong (China) 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) Hong Kong (China) will have independent finances.

IV (9) Hong Kong (China) 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 of the People's Republic of China 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 organisations. The Government of Hong Kong (China) may issue on its own travel documents for entry into and exit from Hong Kong.

(11) The maintenance of public order in Hong Kong (China) will be the responsibility of the government of Hong Kong (China).

(12) The above-stated principles concerning Hong Kong (China) will be given effect in a Basic Law for the Hong Kong Special Administrative Region of the People's Republic of China to be enacted by the National People's Congress of the People's Republic of China as the paramount law for Hong Kong (China), and they will remain unchanged for at least fifty years.

V 4. The Government of the People's Republic of China further declare that all rights and powers in relation to external defence and, subject to the provisions of sub-paragraph 6 of this paragraph, the conduct of external affairs will remain with the Central People's Government, but that otherwise Hong Kong (China) will enjoy autonomy within the People's Republic of China under the Basic Law which will be drawn up in accordance with the following provisions:

(1) The right and power of administration within the territory of Hong Kong (China), including responsibility for internal security and public order, will 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 will be liable to challenge or review by the courts in Hong Kong (China) in accordance with established legal procedures.

(2) The right and power of legislation for Hong Kong (China) will be vested through the Basic Law [exclusively] in the legislative authorities of Hong Kong (China). Laws enacted by the Legislature will be reported to the Standing Committee of the National People's Congress for the record but there will be no right or power of disallowance or annulment outside or within Hong Kong (China).

(3) 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 will be vested through the Basic Law [exclusively] in the established courts of Hong Kong (China) whose judges will function independently and without interference from the Executive or Legislature of Hong Kong (China) or from outside Hong Kong (China). Hong Kong (China) will have the right to recruit and employ judges from other common law jurisdictions.

(4) The laws of Hong Kong (China) on and after 1 July 1997 will 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) will 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).

(5) In pursuance of the common aim, the object and the intent of the Basic Law will be to ensure that persons within Hong Kong (China) will 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.

- (6) The Chief Executive of Hong Kong (China) will 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.
- (7) In consequence of the severance of constitutional links with the United Kingdom, the Basic Law will 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.
- V (8) Hong Kong (China) will 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) will 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 and to their dependents. Hong Kong (China) will also become responsible for payments to members of the public service who continue to serve after 30 June 1997 and their dependants of all earned emoluments, gratuities and all pensions and similar allowances and associated benefits which by that date are, or may thereafter become, due to them.
- (9) No taxes will be levied in Hong Kong (China) save by the legislature of Hong Kong (China).

VI 5. The Government of the People's Republic of China also declares that the Basic Law will be in accordance with the annexes to this Joint Declaration which contain further clarification of the status of Hong Kong (China) and of the means by which Hong Kong's

[systems, laws and freedoms will be preserved.

VII [6. The United Kingdom Government and the Government of the People's
| Republic of China agree that Hong Kong's future shall be settled in
| accordance with the preceding declarations and with the annexes to
| this Joint Declaration.

VIII [7. In furtherance of their common aim, of a smooth transition to
| the status of a Special Administrative Region of The People's
| Republic of China, in accordance with this Joint Declaration, the
| two Governments, in a spirit of friendship, agree to continue their
| discussions and to co-operate upon the effective implementation of
| this Joint Declaration. [They agree to establish a consultative
| commission to assist in the implementation of this Joint
| Declaration.]

| 8. The two Governments agree to cooperate in promoting
| understanding by the international community of the autonomous
| status of Hong Kong (China), in economic, cultural and other related
| matters, as defined by The People's Republic of China in this Joint
| Declaration and its annexes, with the particular aim of securing 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.

[9. [A paragraph on Nationality]

IX [10. [A paragraph on Land]

X [11. This Joint Declaration shall enter into force upon exchange of
| instruments of ratification.

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



SECRET

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

[signed]

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

[signed]

27 April 1984
Hong Kong Department

SECRET

ATC for info.



Cameron.

With the compliments of

HONG KONG DEPARTMENT

A.S.C. 3/5

Ravena 2/5 f.a.

FOREIGN AND COMMONWEALTH OFFICE
SW1A 2AH



Foreign and Commonwealth Office

London SW1A 2AH

1 May 1984

Mr Chow Hing-Chuen
Working Committee
Hong Kong Self Salvation Movement
Room 14 4/F
760 Nathan Road
KOWLOON
HONG KONG

723

HKK 011/2
RECEIVED IN REGISTRY
- 1 MAY 1984

Dear Mr. Chow,

I have been asked to reply to your letter of 1 April to the Prime Minister

The British Government attaches great importance to the views of the people of Hong Kong about the future of the territory. The Prime Minister has made it clear that these views will be fully taken into account in our negotiations with the Chinese Government.

Since you addressed your letter to the Prime Minister, the Foreign and Commonwealth Secretary has visited Hong Kong and made an important statement on the approach of the British Government to the negotiations. I enclose a text of that statement. Sir Geoffrey Howe emphasised his understanding that the people of Hong Kong would need to know the terms of an eventual agreement and to have time to express their views. He also reaffirmed that it remained a prime objective of the British Government to reach an agreement with the Chinese Government which would ensure the stability and prosperity of Hong Kong.

Yours sincerely

Richard Clift

R D Clift
Head, Hong Kong Department

PART Pt 13 ends:-

Reking tel 831 of 30/4

PART 14 begins:-

FCO to Chow Hing-chen 1/5

