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PREM 19/1267

PART 16

MT

SECRET

CONFIDENTIAL FILING

Future of Hong Kong

HONG KONG

Territorial Leases

Pt 1: JUNE 1979

Pt 16: AUGUST 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
1.8.84							
2.8.84							
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20.9.84							
24.9.84							
25.9.84							
-PART ENDS-							

PREM 19/1267

PART 16 ends:-

fm to Pres ~~by~~ Reagan (T1630/84) 25.9.84

PART 17 begins:-

Home Sec to FCS 26.9.84

FUTURE OF HONG KONG

ADVANCE COPIES

Page 13

PS

PS/PUS

PS/MR LUCE

~~PS/MR~~ BOYD

D/D 3

D/D

PS LADY YOUNG

SIR WILKINS

RESIDENT CLERK

COPIES TO:

^{POWELL}
MR COLES, NO. 10 DOWNING ST

MR ROBERTS, NEWS DEPT

SIR PERCY CRADOCK

SIR E. YOUDE (Rm. K195A)

RR CANBERRA

RR WELLINGTON

RR MOSCOW

GPS 300

CONFIDENTIAL

IMMEDIATE

ADVANCE COPY

FM WASHINGTON 251952Z SEP 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 2855 OF 25 SEPTEMBER

INFO IMMEDIATE UKMIS NEW YORK, HONG KONG, PEKING, PARIS,
BONN, DUBLIN, TOKYO

ROUTINE SINGAPORE, JAKARTA, UKMIS GENEVA, UKREP BRUSSELS,
CANBERRA, WELLINGTON, MOSCOW

INFO SAVING OTHER EC POSTS, SEOUL, MANILA, BANGKOK, KUALA LUMPUR

MY TELNO 2839 (NOT TO ALL)

FUTURE OF HONG KONG: U.S. STATEMENT

1. THE STATE DEPARTMENT HAVE INFORMED US THAT SHULTZ HAS AGREED
THAT THE STATEMENT IN MY TELEGRAM UNDER REFERENCE SHOULD BE
ISSUED IN HIS NAME AT NOON EST (1600Z) ON 26 SEPTEMBER.

2. STATE GAVE THE TEXT TODAY IN CONFIDENCE TO THE CHINESE EMBASSY
HERE, WHOSE INITIAL REACTION WAS THAT IT WAS POSITIVE AND HELPFUL.

3. TEXT IS AS FOLLOWS:

BEGINS:

THE U.S. GOVERNMENT WELCOMES THE SUCCESSFUL CONCLUSION OF TWO
YEARS OF NEGOTIATIONS BETWEEN THE UNITED KINGDOM AND THE
PEOPLE'S REPUBLIC OF CHINA OVER THE FUTURE OF HONG KONG.

THE U.S. GOVERNMENT
YEARS OF NEGOTIATIONS BETWEEN THE UNITED KINGDOM AND THE
PEOPLE'S REPUBLIC OF CHINA OVER THE FUTURE OF HONG KONG.

THE U.S. HAS A STRONG INTEREST IN THE CONTINUED STABILITY AND
PROSPERITY OF HONG KONG AND BELIEVES THE AGREEMENT WILL
PROVIDE A SOLID FOUNDATION FOR HONG KONG'S ENDURING FUTURE
PROGRESS. IN THIS REGARD, WE HAVE NOTED STATEMENTS BY BOTH
SIDES INDICATING THAT HONG KONG'S WAY OF LIFE WILL BE
GUARANTEED FOR FIFTY YEARS FROM 1997 AND THAT SYSTEMS EXISTING
IN HONG KONG WILL CONTINUE IN THE SPECIAL ADMINISTRATIVE REGION.

WE EXPECT THE AMERICAN BUSINESS COMMUNITIES, BOTH IN THE
UNITED STATES AND HONG KONG, WILL SEE IN THIS AGREEMENT GOOD
REASON FOR SUSTAINED CONFIDENCE IN THE FUTURE OF HONG KONG AS
AN ATTRACTIVE AND THRIVING COMMERCIAL CENTER.

THE U.S. WILL PROVIDE ANY ASSISTANCE IT CAN, IN CLOSE
COOPERATION WITH THE UNITED KINGDOM AND THE PEOPLE'S REPUBLIC
OF CHINA, TO MAINTAIN HONG KONG'S APPROPRIATE PARTICIPATION IN
INTERNATIONAL BODIES.

ENDS.

FCO PASS SAVING TO ATHENS, BRUSSELS, COPENHAGEN, LUXEMBOURG, ROME,
THE HAGUE, SEOUL, MANILA, BANGKOK, KUALA LUMPUR.

WRIGHT

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US DEPT OF STATE

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Master.

US Declassified



cc FCO

DSGABV

10 DOWNING STREET

THE PRIME MINISTER

25 September 1984

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T1630/84.

Dear Ron.

After two years of tough and detailed negotiations with the Chinese, which started with my visit to Peking in September 1982, we are set to initial an agreement on 26 September.

I believe that in this Agreement we have achieved the major points we set out to secure. In particular, it will be a binding international agreement; it incorporates sufficient detail and clarity about the arrangements in Hong Kong for a period of 50 years after 1997 to command the confidence of the people of Hong Kong; and it contains a provision that its terms will be "stipulated" in the Basic Law to be passed by the National People's Congress of China which will, in effect, form the Constitution of Hong Kong after 1997. We have managed to secure a high degree of autonomy for Hong Kong in all fields, especially in the financial and economic fields and in aviation and shipping.

I do not pretend that the Agreement is ideal in every respect, but I am convinced that it is a good one, and I shall commend it strongly as a whole to the people of Hong Kong and to Parliament.

I believe that this Agreement has an importance that stretches beyond Hong Kong itself. It will help to heal some of the historical scars which still make relations

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between China and the West difficult at times. It will also play a stabilising role in the area. But to do this, the Agreement must work. If it does not work, this could only have a bad effect on China's relations with the West generally. It is therefore in the interests of the West as a whole that it should succeed.

That is why I wanted to write to you personally. As you know well, Hong Kong's prosperity and security depend critically on international confidence. Without that, its prosperity will evaporate. Hong Kong is heavily dependent on commercial links with the United States. It would therefore be most valuable if, once the Agreement is published, you felt able to authorise a personal statement from a senior member of your Administration expressing the confidence of the United States in Hong Kong's future prosperity. That would give a powerful lead to international reactions. It would be a major contribution to ensuring the survival of Hong Kong as a flourishing capitalist society.

*Y
Lum*

Ray

The President of the United States of America.

CONFIDENTIAL



File to

10 DOWNING STREET

From the Private Secretary

25 September 1984

HONG KONG: AUSTRALIAN STATEMENT

I enclose a copy of a letter from Mr. Hawke to the Prime Minister in reply to hers asking him to make a statement on Hong Kong as soon as possible after the initialling of the Agreement.

I should be grateful for a draft reply.

CHARLES POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.

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SUBJECT
CCOPS
Master.

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(2)



AUSTRALIAN HIGH COMMISSION

AUSTRALIA HOUSE
STRAND
LONDON WC2B 4LA
01-438 8000

Acting
THE HIGH COMMISSIONER

Prime Minister
A helpful reply. Thank
you letter in preparation.
C.D. 25/9.

25 September 1984

My dear Prime Minister,

ms

Mr Hawke has asked me to pass to you the following text of a letter concerning a statement he will be making on The Future of Hong Kong:

Begins.

Dear Margaret

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 1638/84.

Thank you for your message confirming the successful conclusion of your negotiations with the Chinese on the future of Hong Kong.

As you note, Australia has a very close interest in the stability and prosperity of Hong Kong and we very much welcome the fact that a settlement has been reached.

I am happy to meet your request and issue a personal statement on the agreement.

I propose to issue the following statement at an early opportunity.

"The Future of Hong Kong
Statement by Prime Minister of Australia

The government welcomes the agreement that has been reached by the British and Chinese Governments about the future of Hong Kong.

I congratulate both governments on having achieved this settlement.

It is noteworthy that more than two years of intensive negotiations have resulted in a detailed agreement being reached with the declared object of maintaining confidence in Hong Kong and ensuring its continued stability and prosperity.

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It has been my firmly and consistently held view, a view strengthened by my visit to Hong Kong and particularly by my discussions with Premier Xhao in Peking in February this year, that the discussions between the United Kingdom and China would result in an amicable and sensible agreement which would allow Hong Kong to continue to function in conditions acceptable to all the parties.

Australia has important interests in Hong Kong and in Hong Kong's continuing to play a positive role in the development of our region. The agreement that has now been reached, and the arrangements made for continuing cooperation between the parties involved in Hong Kong's future, will make an important contribution to the political stability of the Western Pacific region as a whole."

Best wishes

Bob Hawke

Ends.

Yours sincerely,

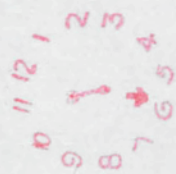
R.H. Robertson

R.H. Robertson

The Rt. Hon. Margaret Thatcher, MP
Prime Minister
10 Downing Street
LONDON SW1

CONFIDENTIAL

25 SEP 1984



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cc ops
Master.

File DSGABU^{DSG}
CCFCO



10 DOWNING STREET

THE PRIME MINISTER

25 September 1984

Dear Bob,

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 163C/84.

As you know, we have been engaged in tough and detailed negotiations with the Chinese over the future of Hong Kong since my visit to Peking in 1982. We have kept your people regularly briefed. We have now agreed the text of a draft agreement which will be initialled on 26 September. I am arranging for our High Commissioner to let you have a copy of the Agreement.

Our aim has been to secure the best possible framework within which Hong Kong's unique and highly developed social, legal and economic systems can be maintained and developed. The Agreement meets our essential requirements. It will be a binding international agreement; it describes with sufficient detail and clarity the high degree of autonomy which Hong Kong will continue to enjoy after 1997 and the specific arrangements which will prevail there for 50 years thereafter; and it states that its terms will be stipulated in a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, which will be passed by the National People's Congress, and will, in effect, form the constitution of Hong Kong after 1997.

The Agreement is one which I shall commend strongly to the people of Hong Kong and to Parliament.

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I wanted to write to you personally to let you know what has been achieved, in view of Australia's particularly close interest in Hong Kong. The Australian contribution to the territory in terms of capital, expertise, technology and skilled and professional manpower has been considerable. I very much hope that you will feel able to make a personal statement on the agreement, commending the results of the efforts of both sides, and expressing your confidence in Hong Kong's future stability and prosperity.

There is a great deal at stake. A successful settlement would have a beneficial effect stretching beyond Hong Kong itself. By healing one of the historical scars which have affected Chinese perceptions of the West, it should benefit relations between China and the Western world generally. Should it fail, the economic and strategic damage would be grave. I feel, therefore, that we must all do what we can to ensure the Agreement works well. I am sure that I can count on your help.

Yours sincerely
Raymond

The Honourable R. J. L. Hawke, A.C., M.P.

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1267</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Cadock to Powell dated 25 September 1984</i>	
CLOSED FOR <i>45</i> YEARS UNDER FOI EXEMPTION	<i>28/8/13</i> <i>J. Gray</i>
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Use the card for one piece/item number only

Enter the Department, Series and Piece/Item references clearly
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PIECE/ITEM <i>GRA 168</i>
(ONE PIECE/ITEM NUMBER ONLY) <i>49</i>

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S E C R E T

File with ODP 25/9
K07



FILE

cc: [initials]

68.

10 DOWNING STREET

From the Private Secretary

25 September, 1984

FUTURE OF HONG KONG: NATIONALITY

Thank you for your letter of 21 September explaining what can and cannot be done to deal with a number of points on nationality raised by the Unofficial members of the Executive Council of Hong Kong at their meeting with the Prime Minister on 19 September.

The Prime Minister has noted this and hopes that the proposal to allow the children of former BDTG's of non-Chinese race to acquire British nationality automatically at birth if they would otherwise be stateless will be acceptable to all.

I am sending a copy of this letter to Hugh Taylor (Home Office).

(C.D. Powell)

C. Budd, Esq.,
Foreign and Commonwealth Office.

S E C R E T

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FUTURE OF HONG KONG

ADVANCE COPIES

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PS
PS/FUS
PS/R LUCE
~~PS/BOYD~~ BOYD
D/D 3
D/D
PS LADY YOUNG
SIR WELBING

COPIES TO:
POWELL
MR COLES, NO. 10 DOWNING ST
MR ROBERTS, NEWS DEPT
SIR PERCY CRADOCK
SIR E. YOUDE (Rm. K195A)

SECRET

DESKBY 240600Z ALL

FM UKMIS NEW YORK 240002Z SEP 84
TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE
TELEGRAM NUMBER 880 OF 24 SEPTEMBER
AND TO IMMEDIATE HONG KONG, PEKING.

FUTURE OF HONG KONG

HONG KONG PRESS CONFERENCE: NEW YORK, 26 SEPTEMBER 1984.
1. FOLLOWING IS DRAFT OF OPENING REMARKS FOR SECRETARY OF
STATE'S PRESS CONFERENCE HERE ON 26 SEPTEMBER. GRATEFUL
FOR ANY COMMENTS BY 242200Z.

HONG KONG PRESS CONFERENCE: NEW YORK 26 SEPTEMBER 1984.

OPENING REMARKS

1. THE AGREEMENT WHICH THE BRITISH AND CHINESE GOVERNMENTS HAVE
PUBLISHED TODAY IN PEKING, LONDON AND HONG KONG, IS AN HISTORIC
AND REMARKABLE ONE. IT SETS OUT, IN CONSIDERABLE DETAIL,
THE FRAMEWORK IN WHICH A COMPLEX AND SOPHISTICATED COMMUNITY OF
FIVE AND A HALF MILLION PEOPLE WILL LIVE AND WORK UP TO THE YEAR
2047, WHILE PASSING FROM BRITISH TO CHINESE SOVEREIGNTY. MUCH
OF THE IMPORTANCE - AND INDEED THE ACHIEVEMENT - OF THE AGREEMENT
LIES IN ITS DETAIL. AND MUCH OF THE DEBATE IN THE WEEKS TO COME
- ESPECIALLY IN HONG KONG - WILL RIGHTLY FOCUS ON THE DETAILS.
BUT TODAY IS NOT THE DAY FOR THAT. IT IS FOR READING AND UNDER-
STANDING THE AGREEMENT AS A WHOLE.

2. SO I DON'T PROPOSE TO SUMMARISE OR DESCRIBE THE AGREEMENT.
TO BE UNDERSTOOD, IT NEEDS TO BE READ IN FULL. I WANT INSTEAD
TO UNDERLINE FIVE POINTS:

1) FIRST, THE AIM WHICH HAS GUIDED THE BRITISH AND CHINESE
NEGOTIATORS IS THE STABILITY AND PROSPERITY OF HONG KONG.
THE METHOD WE HAVE ADOPTED IS TO PROVIDE FOR A VERY HIGH DEGREE
OF CONTINUITY AND AUTONOMY. HONG KONG'S DISTINCTIVE
ECONOMIC SYSTEMS, FREEDOM AND LIFESTYLE - SO DIFFERENT FROM THAT
OF MAINLAND CHINA - WILL REMAIN UNCHANGED. THIS IS, IN OUR
JOINT JUDGEMENT THE BEST WAY OF GUARANTEEING HONG KONG'S CONTINUED
SUCCESS. WE BOTH RECOGNISE THAT A UNIQUE SOCIETY NEEDS
UNIQUE ARRANGEMENTS.

1) SECOND, WE HAVE ENSHRINED THE RESULT OF OUR NEGOTIATIONS
IN AN INTERNATIONAL AGREEMENT, BINDING IN ALL ITS PARTS. IN
ACCORDANCE WITH NORMAL INTERNATIONAL PRACTICE, THE BRITISH GOVERNMENT
WILL REGISTER IT HERE AND THE UNITED NATIONS. THE POLICIES

ACCORDANCE WITH NORMAL INTERNATIONAL PRACTICE, THE BRITISH GOVERNMENT WILL REGISTER IT HERE AND THE UNITED NATIONS. THE POLICIES SET OUT IN THE JOINT DECLARATION AND THE ANNEXES WILL BE INCLUDED IN THE BASIC LAW WHICH WILL BECOME THE CONSTITUTION OF THE NEW HONG KONG AND WILL BE PRESERVED UP TO 2047.

III) THIRD, THE GOVERNMENT OF HONG KONG WILL BE ENTIRELY IN LOCAL HANDS. IT WILL HAVE AN EXECUTIVE ACCOUNTABLE TO AN ELECTED LEGISLATURE; ITS EXISTING LEGAL SYSTEM WITH A COURT OF FINAL APPEAL IN HONG KONG; AN INDEPENDENT PUBLIC SERVICE AND ITS OWN FINANCES.

IV) FOURTH, HONG KONG WILL BE ABLE TO CONTINUE AS A WORLD COMMERCIAL, FINANCIAL AND COMMUNICATIONS CENTRE. IT WILL HAVE ITS OWN CURRENCY. IT WILL MAKE ITS OWN SHIPPING POLICY AND NEGOTIATE ITS OWN AIR SERVICE AGREEMENTS FOR INTERNATIONAL FLIGHTS TERMINATING IN HONG KONG. THERE WILL BE NO EXCHANGE CONTROL; INVESTORS WILL BE FREE TO MOVE CAPITAL IN AND OUT. HONG KONG WILL CONTINUE TO TAKE PART IN ORGANISATIONS LIKE THE GATT. IN SHORT, IT WILL BE ABLE TO RUN THE DISTINCT, DYNAMIC ECONOMY THAT IT HAS TODAY. IT IS IMPORTANT THAT HONG KONG'S TRADING PARTNERS AROUND THE WORLD RECOGNISE THIS.

V) FINALLY, A QUESTION WHICH MANY ARE ALREADY ASKING IS HOW CAN YOU BE SURE THAT THE AGREEMENT WILL WORK AND THAT BOTH SIDES WILL IMPLEMENT IT? THE SIMPLEST ANSWER IS THAT THIS IS THE HIGHEST FORM OF COMMITMENT THAT CAN BE ENTERED INTO BETWEEN TWO SOVEREIGN STATES. THERE ARE INDEED COGENT REASONS FOR BELIEVING THAT THIS AGREEMENT WILL STICK. FIRST, BOTH GOVERNMENTS HAVE AN IMPRESSIVE RECORD FOR OBSERVING INTERNATIONAL AGREEMENTS. SECOND, THIS IS A BINDING AGREEMENT, WORKED OUT IN CAREFUL DETAIL. THIRD, THE AGREEMENT TAKES PROPER ACCOUNT OF THE INTERESTS OF BOTH SIDES. AND FOURTH, AND MOST IMPORTANT, BRITAIN AND CHINA HAVE ENORMOUS INTERESTS IN HONG KONG CONTINUING TO BE THE DYNAMIC SOCIETY IT IS TODAY.

3. THIS IS A SOCIETY THAT THE PEOPLE OF HONG KONG HAVE THEMSELVES CREATED. ITS FUTURE DEPENDS MAINLY ON THEIR TALENT AND CONFIDENCE. THEY WILL WANT TO JUDGE THIS AGREEMENT FOR THEMSELVES.

4. I WILL BE HAVING ANOTHER MEETING WITH FOREIGN MINISTER WU XUE QIAN LATER THIS MORNING. FOR BOTH OF US, TODAY MARKS THE END OF MANY MONTHS OF INTENSIVE NEGOTIATION IN WHICH WE HAVE BEEN VERY PERSONALLY INVOLVED. BUT IT ALSO MARKS THE BEGINNING OF A MUCH LONGER PERIOD OF ANGLO-CHINESE COOPERATION TO ENSURE THAT HONG KONG ENTERS THE 21ST CENTURY IN THE BEST POSSIBLE CONDITION. WHEN I WAS IN PEKING IN JULY I HAD A LONG TALK WITH CHAIRMAN DENG XIAO PING. I SAID THEN THAT I SAW THE TRANSITION FROM BRITISH TO CHINESE SOVEREIGNTY AS BRITAIN PASSING TO CHINA A UNIQUELY PRECIOUS MING VASE. WE AGREED THAT OUR JOINT RESPONSIBILITY WAS TO MAKE SURE THAT THE MING VASE RETAINED ALL OF ITS QUALITY. THAT WILL REMAIN OUR CONTINUING TASK.

5. THIS AGREEMENT IS THE RESULT OF LONG AND HARD NEGOTIATION. THERE HAS HAD TO BE GIVE AND TAKE ON BOTH SIDES. BUT I THINK THAT ALL THOSE ENGAGED IN THESE NEGOTIATIONS WOULD AGREE THAT THE FINAL AGREEMENT IS MUCH CLEARER AND MORE COMPREHENSIVE THAN AT SOME STAGES SEEMED LIKELY TO EMERGE. THE PRIME MINISTER AND I HAVE NO DOUBT THAT WE CAN CONSCIENTIOUSLY COMMEND IT TO THE HONG KONG PEOPLE AND TO THE BRITISH PARLIAMENT.

THOMSON

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1267</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Powell to Taylor dated 24 September 1984</i>	
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10 DOWNING STREET

From the Private Secretary

24 September, 1984

Dear Peter,

FUTURE OF HONG KONG: BRIEFING FOR THE AUSTRALIANS AND
AMERICANS

Thank you for your letter of 21 September enclosing draft messages from the Prime Minister to President Reagan and Mr. Hawke.

ok // The Prime Minister was not impressed with the drafting of these messages particularly that to President Reagan. I enclose amended versions which I should be grateful if you would despatch telegraphically today.

Yours sincerely,

(C.D. Powell)

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

mg.

S E C R E T

64B. (2)
CCPC

Prime Minister Foreign and Commonwealth Office
London SW1A 2AH

21 September 1984

This problem was raised with you by EXCO. The answer is that there is nothing to be done for those of Chinese race: but we can help non-Chinese BDTCs. This will probably satisfy EXCO.

Dear Charles,

Future of Hong Kong: Nationality

MD

C.D.P. 24/9.

Thank you for your letter of 20 September, enclosing a record of the Prime Minister's meeting with the Governor and the Unofficial members of the Executive Council of Hong Kong on 19 September.

At the meeting, the Prime Minister undertook to look further into the problem of BDTC's who would lose their right to transmit British nationality for one generation even if they chose to leave Hong Kong permanently before 1997, and concluded that the scope for action under the British Nationality Act needed to be examined further.

Three of the Unofficials - Mr Roger Lobo, Mr T S Lo and Miss Maria Tam, together with the Hong Kong Attorney-General - called on the Department on 20 September to discuss the problem at greater length. FCO officials explained the difficulties in retaining transmissibility for former British Dependent Territories Citizens (BDTCs) of Chinese race, wherever they were living. Under the Chinese Nationality Law, such persons would be considered as Chinese nationals unless they had settled abroad and acquired the nationality of that country. As Sir Geoffrey Howe pointed out at the Prime Minister's meeting, there would be a very adverse reaction from the Chinese if HMG tried to reopen the idea of transmissibility for such people. Moreover, if such people did retain transmissibility they would almost certainly lose the right of abode in Hong Kong, and thus have no right of abode anywhere. This would mean that most countries would be very chary of letting BDTCs from Hong Kong in at all. We believe that most of the Unofficials accepted that transmissibility for such persons was impossible, although Maria Tam may still have reservations.

/ Mr Lobo

C D Powell Esq
10 Downing Street



Mr Lobo and Miss Tam also raised the question of former BDTs of non-Chinese race. They said that the Chinese had made it clear that such people would not be considered as Chinese nationals, although they could apply for this status, and that the Chinese would have no objection to their retaining British nationality. If provision was not made for these people to retain British nationality their children born after 1997 would be stateless. Such people might not wish to apply for Chinese nationality. FCO officials explained our intention to make provision in the relevant legislation on similar lines to Schedule 2 of the British Nationality Act 1981 (BNA), to allow such children to register as British nationals if they were stateless.

Mr Lobo said that it would be unacceptable for such children to be born stateless and to have to apply for British nationality. After all, they would have had British nationality by right but for our decision to drop transmissibility. He would not feel able to support arrangements of this kind and would have to make his feelings known publicly. He was sure other members of EXCO would support him. His own view was that transmissibility should be retained for such people.

FCO officials discussed this problem with Home Office officials today. They agreed that the arguments against retaining transmissibility directly and explicitly for this group were compelling. Legislation to do this would virtually have to be based on racial criteria, and would be very divisive in Hong Kong. Mr Lobo's point could, however, be met by providing for such children to acquire British nationality automatically at birth if they would otherwise be stateless, on the lines of Sections 1 and 2 of Schedule 2 of the BNA, which at the moment apply only to people born in the UK and Dependent Territories. Home Office officials today agreed to put up a recommendation to this effect to the Home Secretary. We are telegraphing to Hong Kong to obtain their reactions. If this course is agreed, we will have to make sure that the Chinese would raise no objection to such provisions applying to children of non-Chinese nationals born in the SAR. But we are confident that they will accept this.

/ If the



If the Home Secretary and EXCO are content, and the Chinese do not object, we would be able to say, in reply to questions after the publication of the agreement, that we would make provision for children born after 1997 to former BDTCs who were not Chinese nationals to acquire British nationality at birth if they would otherwise be stateless. We would not be able to go into details of how this would be done until the time came for the drafting of the relevant legislation.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

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24 SEP 1984



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SECRET

DESKBY 220100Z

FM FCO 211340Z SEP 84

TO IMMEDIATE HONG KONG

TELEGRAM NUMBER 1908 OF 21 SEPTEMBER

INFO IMMEDIATE PEKING

OUR TELNO 1842: FUTURE OF HONG KONG: TEST OF ACCEPTABILITY

1. WE DISCUSSED THIS BRIEFLY WITH THE GOVERNOR, AND HAVE NOW DISCUSSED THE TIMING OF THE PARLIAMENTARY DEBATE FURTHER WITH THE SECRETARY OF STATE.

2. WE HAVE ESTABLISHED THAT IT IS EXTREMELY UNLIKELY TO BE POSSIBLE TO HOLD A PARLIAMENTARY DEBATE IN THE SECOND WEEK OF DECEMBER. THE ONLY SAFE COURSE THEREFORE IS TO SEEK A DEBATE TOWARDS THE END OF THE FIRST WEEK OF DECEMBER.

3. IT IS ESSENTIAL TO PUBLISH THE REPORTS ON ACCEPTABILITY (BY THE ASSESSMENT OFFICE AND THE MONITORING TEAM) BY THE END OF THE PRECEDING WEEK AT THE LATEST. WE SHOULD THEREFORE NEED TO RECEIVE THE TEXTS OF THOSE REPORTS EARLY IN THAT WEEK (26-30 NOVEMBER). IF COMPILING THE REPORTS CANNOT BE DONE IN LESS THAN TWO WEEKS, THIS WOULD MEAN THAT THE UNIT WOULD HAVE TO CEASE TAKING EVIDENCE ON 9 NOVEMBER OR THEREABOUTS LEAVING JUST OVER SIX AND A HALF WEEKS FOR THE SUBMISSION OF VIEWS IN HONG KONG.

4. WE CAN SEE NO WAY OF COMPRESSING THE TIMESCALE OF OUR PART OF THE EXERCISE BECAUSE OF THE PHYSICAL DIFFICULTY OF SETTING THE PRINT. WE ASSUME THAT THE REPORTS WILL BE SUBSTANTIAL DOCUMENTS. UNLESS THE ASSESSMENT UNIT CAN TAKE LESS THAN TWO WEEKS ACTUALLY TO DRAW UP THEIR REPORTS, WE SEE NO ALTERNATIVE TO THE ABOVE TIMING.

HOWE

FUTURE OF HONG KONG
LIMITED

HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
RESEARCH D (MR WALKER)
LEGAL ADVISERS(SIR J FREELAND)
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR W HARDING
SIR C TICKELL
MR GOODALL
MR DEREK THOMAS
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SIR P CRADOCK NO 10 DOWNING ST.

SECRET

Prime Minister
Agree attached
messages to President



Foreign and Commonwealth Office

Reagan & Mr. Hawke?

London SW1A 2AH

Now very well
dictated - indeed
no one to
President Reagan
is really had - that
need to amend
to improve
and

C.D.P.
21/9

21 September 1984

Dear Charles,

Yes as amended
mt

Future of Hong Kong: Briefing for the Australians and Americans

In your letter of 14 September you said that the Prime Minister would be ready to send messages to President Reagan and Mr Hawke.

We should like the American Government (perhaps Mr Shultz), and Mr Hawke to make statements in support of the Agreement as soon as possible after publication of the Agreement. Since there will only be a few hours between initialling and publication, our Missions will need to deliver the messages to their recipients in advance of initialling. We would therefore propose to despatch messages, if the Prime Minister is content, in the course of Monday 24 September.

I enclose draft messages for Mr Reagan and Mr Hawke. In the time available I have not been able to show these to Sir Geoffrey Howe. I will be showing him a copy overnight.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

President Reagan

Top Secret

Secret

Confidential

Restricted

Unclassified

DSG ABV.

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

After two years of tough and detailed negotiations with the Chinese, which started with my visit to Peking in September 1982, we are set to initial an agreement on 26 September.

CAVEAT.....

I believe that in this Agreement we have achieved the major points we set out to secure. In particular, it ^{will be} ~~is unequivocally~~ a binding international agreement; it ^{incorporates} ~~contains~~ in our view sufficient detail and clarity about the arrangements in Hong Kong ^{for a period of 50 years} after 1997 to command the confidence of the people of Hong Kong; and it contains a provision that its terms will be stipulated in the Basic Law to be passed by the National People's Congress of China which will, in effect, form the Constitution of Hong Kong after 1997. We have ~~also~~ managed to secure a high degree of autonomy for Hong Kong in all fields, especially in the financial and economic fields and in aviation and shipping.

Enclosures—flag(s).....

I do not pretend that the Agreement is ideal in every respect, but I am convinced that it is a ~~very~~ ^{shall} good one, and I ~~feel able to~~ commend it strongly as a whole to the people of Hong Kong and to Parliament.

I believe that this Agreement has an importance that stretches beyond HONG Kong itself. It will help to heal some of the historical scars which still make relations between China and the West difficult at times. It will also play a stabilising role in the area. But to do this, the Agreement must work. If it does not work, this could only have a ^{bad} ~~strongly negative~~ effect on China's relations with the West generally. It is therefore in the interests of the West as a whole that it should ~~not fail~~ ^{succeed}.

That is why I wanted to write to you personally ~~at this time about the importance of the Agreement~~. As you know well, Hong Kong's prosperity and security depend critically on international confidence. Without that ~~confidence~~, its prosperity will evaporate. Hong Kong is heavily dependent on ~~its~~ commercial links with the United States. It would therefore be most valuable if ^{you} felt able to authorise a personal statement from a senior member of your Administration once the Agreement is published. ~~I hope that the statement could express~~ ^{the} confidence of the United States in Hong Kong's future prosperity. That would ~~be of great importance in giving~~ ^{e powerful} a lead to international reactions. It would be a major contribution to ensuring the survival of Hong Kong as a flourishing capitalist society.

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM
PRIME MINISTER

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

The Honourable R J L Hawke AC MP

Copies to:

DSSABU

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

As you know, we have been engaged in tough and detailed negotiations with the Chinese over the future of Hong Kong, ~~Since~~ my visit to Peking in 1982, ~~we~~ have kept your people regularly briefed. We have now agreed the text of a draft agreement which will be initialled on 26 September. I am arranging for our High Commissioner to let you have a copy of the Agreement.

Our aim has been to secure the best possible framework within which Hong Kong's unique and highly developed social, legal and economic systems can be maintained and developed. The Agreement meets our essential requirements. It ~~is unequivocally~~ ^{will be} a binding international agreement; it ~~describes with sufficient~~ ^{incorporates sufficient} detail and clarity the high degree of autonomy which Hong Kong will continue to enjoy after 1997 and the specific arrangements which will prevail there for 50 years thereafter; and it states that its terms will be stipulated in a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, which will be passed by the National People's Congress, and will, in effect, form the constitution

Enclosures—flag(s).....

of Hong Kong after 1-97.

The Agreement is one which I ^{shall} ~~feel able to~~ commend strongly to the people of Hong Kong and to Parliament.

I wanted to write to you personally to let you know what has been achieved, in view of Australia's particularly close interest in Hong Kong. The Australian contribution to the territory in terms of capital, expertise, technology and skilled and professional manpower has been considerable. I very much hope that you will feel able to make a personal statement on the agreement ~~reached~~, commending the results of the efforts of both sides, and expressing your confidence in Hong Kong's future stability and prosperity.

There is a great deal at stake. A successful settlement would have a beneficial effect stretching beyond Hong Kong itself. By healing one of the historical scars which have affected Chinese perceptions of the West, it should benefit relations between China and the Western world generally. Should it fail, the economic and strategic damage would be grave. I feel, therefore, that we must all do what we can to am sure that I can count on, ensure the Agreement works well. I ~~look forward to~~ your help.

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1267</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Folio 63A</i> <i>Powell to Cradock dated 20 September 1984</i>	
CLOSED FOR <i>45</i> YEARS UNDER FOI EXEMPTION	<i>28/8/13</i> <i>S. Gray</i>
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Instructions for completion of Dummy Card

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Please Sign and Date in the box adjacent to the description that applies to the document being replaced by the Dummy Card

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Extract/Item details: <i>Howe to Home Secretary dated 20 September 1984</i>	
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Foreign and Commonwealth Office

London SW1A 2AH

20 September 1984

W N Hyde Esq
Home Office
Queen Anne's Gate
LONDON

Dear Wilfred,

FUTURE OF HONG KONG; NATIONALITY

1. As you will know, the Governor and the Unofficial Members of the Executive Council of Hong Kong have been in London this week. Their purpose was to advise the Prime Minister on whether or not HMG should agree to initial the draft Agreement which has been reached with the Chinese Government on the future of Hong Kong. They advised that HMG should initial it. However they made clear to all the Ministers whom they saw, including the Prime Minister, that they had serious worries about certain aspects of the way nationality would be dealt with.
2. I held a separate meeting with some of the Unofficials this morning to try to establish exactly what they thought needed to be done.
3. The major question which emerged from this meeting was the treatment of children born after 1 July 1997 to former Hong Kong BDTs not of Chinese race. In such cases, according to the exchange of memoranda the parents will retain British national status after 1 July 1997, but as I understand it, the children would only be eligible for this if they fall within the provisions concerning statelessness that we intend to make on the lines of Schedule 2 of the British Nationality Act 1981.
4. The Unofficials represented that any system in which children of such people would have to be stateless before they could register as British nationals would be wholly unacceptable in Hong Kong and would give rise to major opposition to the Agreement. They also indicated that they would feel unable to support HMG in public on it. This is a source of great concern to Ministers, and I think that we must do our best to deal with it. It will be essential to have a satisfactory answer to give when the Agreement is published next week.

/5. What



5. What the Unofficials essentially wish is to have a provision whereby those children born after 1997 in Hong Kong to ex-BDTCs who are not Chinese under the Chinese Nationality Law should be able to choose whether they retain British nationality or seek Chinese nationality. I have considerable sympathy with the arguments of Unofficials that such people must not be forced to seek Chinese nationality in circumstances where it is uncertain whether the Chinese would be willing to grant it (or what conditions they might seek to impose).

6. We argued strongly that provisions along the lines of Schedule 2 of the British Nationality Act should remove the concern about the fate of such people. The Unofficials argued equally strongly that it would not, since under the type of conditions contained in the schedule people would have actually to become stateless before they would be able to apply for the appropriate form of British Nationality.

7. Since the discussion we have consulted Schedule 2 of the Act again. Section 4 of Schedule 2, which covers those born outside the United Kingdom and Dependent Territories makes it clear that the person has to prove that he is stateless before he is eligible for registration. As I have said before this would be unacceptable. It seems to me however that the problem could and should be resolved by using the wording in Section one of Schedule 2 which allows for automatic acquisition of the appropriate form of British citizenship where the person would otherwise be born stateless.

8. Such an approach would be in accord with the Chinese Nationality Act, of which I attach a copy. Section 6 gives Chinese nationality to persons born to parents who are stateless and have settled in China. This would not be the case here as the parents would have British nationality. Section 7 provides for acquisition of Chinese nationality by stateless persons on application, but not automatically by birth.

9. Ministers here are most concerned that this problem should be resolved quickly and satisfactorily. I should be most grateful if we could meet tomorrow to discuss the points in the letter. This would leave time to consult Ministers as necessary over the weekend.

As agreed,

Clifford Ham

for A C Galsworthy
Hong Kong Department

GRS 450

SECRET

Pine Minister 61
underlined sentence
only.
EDP

SECRET
DBY 211100Z BOTH
FROM PEKING 211009Z SEPT 84
TO IMMEDIATE FCO
TELNO 2482 OF 21/9/84
INFO IMMEDIATE HONG KONG

YOUR TELNO 1240 AND MY TELNO 2436: FUTURE OF HONG KONG:
DATE OF INITIALLING

1. AT MY MEETING WITH HIM TODAY, I ASKED ZHOU NAN WHEN THE CHINESE GOVERNMENT WOULD LET US KNOW WHETHER THEY WOULD BE ABLE TO PROCEED TO INITIALLING. ZHOU SAID THAT HE WOULD HOPEFULLY BE ABLE TO GIVE ME A RESPONSE AT 2.30 PM PEKING TIME TOMORROW. (WE HAVE ARRANGED TO MEET THEN.) I SAID THAT IT WAS ESSENTIAL THAT A FINAL DECISION BE TAKEN QUICKLY ON THE INITIALLING DATE, OTHERWISE IT WOULD BECOME RAPIDLY IMPOSSIBLE FOR US TO FINALISE ARRANGEMENTS EITHER FOR 25 OR 26 SEPTEMBER. GIVEN THE DIFFICULTIES WHICH HAD OCCURRED OVER THE WHITE PAPER IN RECENT DAYS, INITIALLING ON 25 SEPTEMBER WAS ALREADY VERY DIFFICULT FOR US. COULD THE CHINESE GOVERNMENT PLEASE AGREE TO 26 SEPTEMBER?

2. ZHOU SAID THAT, IN VIEW OF BRITISH DIFFICULTIES OVER 25 SEPTEMBER, THE CHINESE WERE PREPARED TO AGREE TO 26 SEPTEMBER. I SAID THAT I WAS GRATEFUL FOR THIS AND WAS SURE THAT MY MINISTERS WOULD BE TOO.

3. ZHOU WENT ON TO SAY THAT, ON THE HYPOTHETICAL BASIS THAT HE OBTAINED THE RIGHT SIGNAL BY 2.30 PM TOMORROW, THE CHINESE SIDE COULD AGREE THAT THE FOLLOWING PRESS STATEMENT SHOULD BE ISSUED SIMULTANEOUSLY BY THE MFA AND THE FCO AT 7.00 PM PEKING TIME TOMORROW EVENING:

"THE SECOND PHASE OF THE SINO-BRITISH TALKS ON THE QUESTION OF HONG KONG, WHICH BEGAN IN JULY 1983, HAS NOW BEEN CONCLUDED. THERE WILL THEREFORE BE NO FURTHER ROUND OF TALKS. THE TEXT OF A JOINT DECLARATION ON THE QUESTION OF HONG KONG WILL BE INITIALLED BY THE CHAIRMEN OF THE TWO DELEGATIONS AT 1000 AM ON 26 SEPTEMBER 1984 IN BEIJING."

SECRET

14.

SECRET

4. I SAID THAT THIS APPEARED TO BE ACCEPTABLE. I WOULD CONFIRM IT TOMORROW AND WE WOULD ALSO CONFIRM ZHOU'S PROPOSAL THAT IT BE RELEASED AT 7 PM PEKING TIME BY THE CHINESE MFA AND BY THE FCO. WE AGREED THAT THE EMBASSY WOULD NOT MAKE A SEPARATE ANNOUNCEMENT, BUT WOULD GIVE THE TEXT OUT IN RESPONSE TO ENQUIRIES.

RECOMMENDATION

5. I RECOMMEND THAT I CONFIRM OUR AGREEMENT TO INITIALLY TAKING PLACE AT 1000 AM PEKING TIME ON 26 SEPTEMBER AND TO THE RELEASE OF THE PRESS ANNOUNCEMENT ABOVE AT 7 PM PEKING TIME TOMORROW.

6. GRATEFUL FOR INSTRUCTIONS DESKBY 212330Z.

EVANS

FUTURE OF HONG KONG
LIMITED

HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
RESEARCH D (MR WALKER)
LEGAL ADVISERS(SIR J FREELAND)
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR W HARDING
SIR C TICKELL
MR GOODALL
MR DEREK THOMAS
MR. Boyd

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²
SECRET

FUTURE OF HONG KONG

ADVANCE COPIES

Page 13

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PS/PJS
PS/MR LUCE
~~MR BOYD~~ BOYD
D/D 3
D/D
PS LADY YOUNG
SIR W. HARRIS
RESIDENT CLERK

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SIR PERCY CRADOCK
SIR E. YOUDE (Rm. K195A)

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DESKBY 210900Z FCO

FM HONG KONG 210900Z SEP 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 8959 OF 21 SEPTEMBER

INFO IMMEDIATE PEKING

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

FUTURE OF HONG KONG : PRESS COVERAGE.

SUMMARY:

1. THE CABINET AGREES TO INITIALLING OF THE DRAFT AGREEMENT NEXT WEEK. WU XUEQIAN SAYS THAT THE EXACT DATE IS NOT FIXED BUT THE GOAL IS 25 SEPTEMBER. WU PAYS TRIBUTE TO THE SECRETARY OF STATE. POSITIVE MARKET REACTION. MOST INDEPENDENT NEWSPAPERS CONTINUE TO BE POSITIVE BUT UNEUPHORIC: PRAISE FOR EXCO UNOFFICIALS. 26 SEPTEMBER AN UNLUCKY DAY?

NEWS COVERAGE:

2. SINO/BRITISH AGREEMENT: 16 NEWSPAPERS LED THEIR FRONT PAGES ON THE NEWS THAT THE CABINET HAD ENDORSED THE DRAFT AGREEMENT AND AGREED THAT IT SHOULD BE INITIALLED IN PEKING NEXT WEEK. THE CABINET REPORTEDLY ALSO PAID TRIBUTE TO THE CONSTRUCTIVE AND

THE CABINET REPORTEDLY ALSO PAID TRIBUTE TO THE CONSTRUCTIVE AND STATESMANLIKE ROLE OF THE UNOFFICIALS AND TO THE SECRETARY OF STATE, THE GOVERNOR, HM AMBASSADOR, PEKING AND SIR PERCY CRADOCK. WEN WEI PAO (COMMUNIST) SAID THAT THE PRIME MINISTER WAS SATISFIED WITH THE DRAFT AND AGREED THAT IT SHOULD BE IN THE FORM OF A JOINT DECLARATION OR AGREEMENT AND NOT REPEAT NOT A TREATY. THE NEW EVENING POST (COMMUNIST) SAID THAT THE AGREEMENT WOULD RUN TO 10,000 CHARACTERS.

3. INITIALLING: THE SOUTH CHINA MORNING POST EXPECTED THE INITIALLING TO BE ON 26 SEPTEMBER, BUT MOST NEWSPAPERS THOUGHT THAT 25 SEPTEMBER WAS MORE LIKELY. CHINESE FOREIGN MINISTER WU XUEQIAN WAS REPORTED TO HAVE SAID IN NEW YORK THAT THE DATE HAD NOT YET BEEN DECIDED BUT THAT THE PRESENT GOAL WAS FOR INITIALLING ON 25 SEPTEMBER.

4. SECRETARY OF STATE: WU XUQIAN WAS REPORTED TO HAVE SAID THAT HE HAD FORMED A GOOD IMPRESSION OF THE SECRETARY OF STATE: SIR GEOFFREY HOWE WAS VERY WILLING TO LISTEN TO OTHER PEOPLE'S VIEWS.

5. MARKET REACTION: THE NEWSPAPERS GENERALLY ATTRIBUTED TO THE LONDON ANNOUNCEMENT THE STRENGTHENING OF THE HONG KONG DOLLAR AND THE FURTHER RECOVERY OF THE STOCK MARKET: THE HAN SENG INDEX ROSE ABOVE THE 1000 POINT MARK.

6. ENTRY INTO FORCE : A SOUTH CHINA MORNING POST (SCMP) REPORTER, EVIDENTLY QUOTING CHINESE SOURCES, SAID THAT BRITAIN AND CHINA HAD AGREED TO COMPROMISE AND THE AGREEMENT WOULD ENTER INTO FORCE ON 1 JULY 1985.

7. OMENS: THE SCMP QUOTED FORTUNE TELLERS AS SAYING THAT 26 SEPTEMBER, THE SECOND DAY OF THE 9TH MOON, COULD BE A BAD DATE FOR SIGNING ANY CONTRACT. IT WAS A DAY FOR CLEANSING ONESELF AND PREPARING OFFERINGS TO THE GODS. HOWEVER, WITER WOULD BE BOUNTIFUL.

8.- 95234 '594IES INCLUDE

8.- OTHER STORIES INCLUDED NEWS THAT A VICAR-GENERAL OF THE CATHOLIC CHURCH IN HONG KONG WOULD ATTEND THE 1 OCTOBER CELEBRATIONS AT NCNA'S INVITATION, IN THE ADSENCE ADORAD OF THE BISHOP: A REMARK BY XU JIATUN THAT IT WAS HIS DECISION, RATHER THAN THE HONG KONG GOVERNMENT'S. TO INVITE SIR SY CHUNG TO THE

BISHOP: A REMARK BY XU JIATUN THAT IT WAS HIS DECISION, RATHER THAN THE HONG KONG GOVERNMENT'S, TO INVITE SIR SY CHUNG TO THE 1 OCTOBER CELEBRATIONS: AN ASSURANCE BY XU THAT HONG KONG AND THE SHENZHEN SPECIAL ECONOMIC ZONE WOULD NOT REPEAT NOT BE MERGED BEFORE 2047: AND A SUGGESTION BY A UNIVERSITY ACADEMIC THAT CHINESE ABILITY TO IMPLEMENT THE AGREEMENT WOULD DEPEND ON WHETHER PEKING COULD CONTROL THE PLA.

COMMENTARIES:

9. SINO/BRITISH AGREEMENT: THE MOST POSITIVE EDITORIAL IN THE INDEPENDENT PRESS WAS PUBLISHED BY THE HONG KONG DAILY NEWS. IT SAW THE AGREEMENT AS A REMARKABLE DIPLOMATIC SUCCESS WHICH WOULD ENHANCE SINO/BRITISH RELATIONS, INCREASE HONG KONG/CHINA TRADE, TOURISM, BEGIN DEMOCRATIZATION IN HONG KONG AND INCREASE FOREIGN/INVESTMENTS.

10. SEVERAL INDEPENDENT PAPERS CONSIDERED THAT SO MUCH KNOWN ABOUT THE AGREEMENT'S CONTENTS THAT ITS PUBLICATION WOULD CAUSE NO SHOCK, PARTICULARLY AS THE CABINET AND EXCO HAD ENDORSED IT. WAH KIU YAT PO, SING PAO AND SING TAO WAN PO FELT THAT IF EXCO UNOFFICIALS WERE SATISFIED WITH THE AGREEMENT IT WAS LIKELY TO BE ACCEPTABLE TO THE HONG KONG PEOPLE. WAH KIU AND THE FINANCIAL DAILY CALLED ON PEOPLE TO TAKE A POSITIVE ATTITUDE TO THE AGREEMENT. SING PAO NOTED THAT HONG KONG PEOPLE STILL HAD FEARS ABOUT CHINESE INTERVENTION.

11. THE SCMP ALSO PAID TRIBUTE TO THE EFFORTS OF UNOFFICIALS AND WAS ENCOURAGED BY THE FACT THAT THEY AND BRITISH MINISTERS HAD AGREED. IT EXPECTED THAT THE SINO/BRITISH AGREEMENT WOULD HAVE SOME WAKNESSES AND THAT ULTIMATELY HONG KONG PEOPLE WOULD HAVE TO PIN MUCH TRUST ON CHINA'S WORD: BUT IT WAS TOO EARLY TO PASS JUDGEMENT.

12. MING PAO THOUGHT THAT THE AGREEMENT WAS LIKELY TO BE THE BEST OBTAINABLE. THERE WOULD INEVITABLY BE SOME CRITICISM OF IT, BUT PEOPLE SHOULD TAKE A BROAD VIEW AND SEE WHETHER ITS SPIRIT AND PRINCIPLES MET THEIR DEMANDS. SING TAO JIH PAO URGED PEOPLE TO KEEP A STEADY NERVE AND NOT BE PESSIMISTIC.

13. THE ECONOMIC JOURNAL SAID THAT EXCO'S ENDORSEMENT OF THE AGREEMENT LEFT LITTLE SCOPE FOR OTHER VIEWS IN HONG KONG: IF MR LOBO WAS CONTENT, OTHER LEGCO UNOFFICIALS WERE UNLIKELY TO OPPOSE IT. THE AGREEMENT WOULD PROVIDE 13 YEARS OF STABILITY AS FAR AS THE CONSTITUTIONAL LINK WITH BRITAIN WAS CONCERNED, BUT IT WOULD BE HARDER TO MAINTAIN SOCIAL AND ECONOMIC

AS FAR AS THE CONSTITUTIONAL LINK WITH BRITAIN WAS CONCERNED, BUT IT WOULD BE HARDER TO MAINTAIN SOCIAL AND ECONOMIC STABILITY.

14. COMMUNIST PAPERS WERE ENTHUSIASTIC. TA KUNG PAO OFFERED MORE REASSURANCES THAT CHINA WOULD NOT CHANGE ITS POLICIES: CHINA HAD HONOURED EVERY INTERNATIONAL AGREEMENT SINCE 1949 DESPITE DOMESTIC TURBULENCE, AND IN ANY CASE THERE HAD BEEN NO POLITICAL CAMPAIGN SINCE 1976 WHEN THE GANG OF FOUR FELL.

15. WEN WEI PO SAID THAT DESPITE MANY PROBLEMS AHEAD FOR HONG KONG, E.G. IN FORMULATING THE POLITICAL STRUCTURE, MAINTAINING OVERSEAS ECONOMIC LINKS, ADJUSTING THE INTERNAL ECONOMY AND COORDINATING THE JOINT LIAISON GROUP, THE TERRITORY WOULD CERTAINLY CONTINUE STABLE AND PROSPEROUS. MOREOVER SINO-BRITISH RELATIONS WOULD NOW BEGIN A NEW CHAPTER.

16. THE NEW EVENING POST SAID THAT THE NPC STANDING COMMITTEE WOULD CONSIDER THE DRAFT AGREEMENT AFTER INITIALLING, WHICH THE STATE COUNCIL HAD AUTHORITY TO APPROVE.

HADDON-CAVE

NNNN



10 DOWNING STREET

From the Private Secretary

Prime Minister

Hong Kong: White Paper

In the end, the Chinese
asked for only a handful of
minor amendments, on which we were
able to meet them.

CDP
21/9.

mb



10 DOWNING STREET

THE PRIME MINISTER

20 September 1984

My dear Sir 'S-Y.'

I was greatly heartened by my meeting yesterday evening with the Governor and the Unofficial Members of the Executive Council. Your statement that the Agreement which has been reached is one which you can commend to the people of Hong Kong in good conscience means a great deal to me and confirms that our joint efforts have been worthwhile.

I am very glad to be able to tell you that Cabinet this morning unanimously welcomed the Agreement and agreed that it should be initialled. My colleagues recognised that this was an historic moment for Britain and for Hong Kong. We placed on record in the Cabinet Minutes our admiration and gratitude for the constructive and statesman-like role played by the Unofficial Members of EXCO.

I wish you and your colleagues a safe journey back to Hong Kong.

Warm regards.

Yours sincerely

Margaret Thatcher

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

BM

Subject

CONFIDENTIAL

BEM

cc Hasler

file



OD(K)

LPO

HO

HMT

MOD

LPSO

DTI

LAD

M/S, FCO

10 DOWNING STREET

From the Private Secretary

20 September 1984

+ C.O.

Sir P. Craddock.

Dear Sir,

Record of a Meeting between the Prime Minister
and the Governor and the Unofficial Members of the
Executive Council of Hong Kong

I enclose a record of the meeting between the Prime Minister and the Governor and the Unofficial Members of EXCO yesterday evening, together with texts of Sir S.Y. Chung's statement on behalf of the Unofficials and the agreed statement for the press.

The Prime Minister told Sir S.Y. Chung after the meeting that she would ensure that he received a message about the outcome of Cabinet's discussion before he left London. She also wished the Chinese Ambassador to be summoned to the Foreign Office to be informed formally of the outcome.

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

Yours sincerely,
Charles Powell

(C.D. Powell)

Len Appleyard, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

BEMACI

889

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE
GOVERNOR AND THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL
OF HONG KONG: WEDNESDAY 19 SEPTEMBER AT 10 DOWNING STREET

Present:

Prime Minister	The Governor
Foreign & Commonwealth Secretary	Sir S.Y. Chung
Mr. Luce	Mr. O.V. Cheung
Sir Antony Acland	Mr. R.H. Lobo
Sir Percy Cradock	Mr. F.W. Li
Mr. F.E.R. Butler	Mr. M.G.R. Sandberg
Mr. C.D. Powell	Mr. T.S. Lo
	Miss Lydia Dunn
	Mr. Q.W. Lee
	Mr. S.L. Chen
	Miss Maria Tam
	Mr. M.D. Thomas QC
	(Attorney General)
	Mr. R.I. Upton
	(Clerk of the Councils)

The Prime Minister welcomed the Governor and the Unofficial Members of the Executive Council. The negotiations with the Chinese Government on the future of Hong Kong had been difficult. She was conscious of HMG's heavy responsibility. She wished to thank the Unofficial Members of the Executive Council for the contribution they had made to the negotiations through the candour and clarity of their advice and their strong support at difficult moments. She was convinced that the agreement which had been achieved was better than the Chinese Government had originally intended it to be. It was not ideal and there were points which she knew were of particular importance to the Unofficials such as transmissibility for which we had

fought as hard as we could but had failed to achieve.

The Prime Minister continued that she had been particularly grateful for the Unofficials' support following Sir Geoffrey Howe's visit to Peking in July during which he had made a breakthrough in the negotiations. She recalled that there had been close consultations with the Executive Council throughout the negotiations. She had therefore thought it particularly important to hear the Unofficials' views before Cabinet discussed the agreement tomorrow and decided whether to initial it.

Sir S.Y. Chung thanked the Prime Minister on behalf of the Unofficials. They had recognised from the beginning that it was their duty to get an agreement. They were grateful for this opportunity for a further meeting with the Prime Minister. He then made the statement attached at Annex 1 to this record.

The Prime Minister said that she entirely endorsed the tribute to the Governor. She had listened attentively to Sir S.Y. Chung's statement. The point which had affected her most was that the Unofficials would commend the agreement to the people of Hong Kong in good conscience. That meant a great deal to her. She had explained to the Chinese leaders two years ago that Britain's responsibility in the matter of Hong Kong's future was a moral one. It therefore had very deep significance for her that the Unofficials could use the words "in good conscience". She was glad also that Sir S.Y. Chung had pointed out that UMELCO had widespread support in Hong Kong for the decisions it had taken. The Prime Minister continued that she had not been happy at some of the things said in the debate in the House of Commons which the Unofficials had attended during their last visit, indeed she disagreed deeply with many of them.

The Prime Minister then turned to a number of the specific points raised by Sir S.Y. Chung. On the question of the Government structure, she pointed out that it would have been difficult to predict the exact structure of Hong Kong's Government in 1997 in any case. She well understood the Unofficials' fears for the period beyond that. But she believed that the Chinese Government had been negotiating in good faith and would stand by their commitments. It was in their interests to keep to the agreement, not just their economic interests but because it would affect their standing in the eyes of the world. She shared the Unofficials' regret that the agreement did not explicitly say that any changes to the Basic Law should only be allowed if they were initiated in Hong Kong. But on this point, as on a number of others, one had to weigh what had been left out against what had been included. She believed that the balance was very positive.

The Prime Minister continued that she agreed with Sir S.Y. Chung on the importance of the provision for the Joint Liaison Group to continue in existence after 1997. This would enhance the chances that the agreement would be implemented in full. She shared the disappointment of the Unofficials that it had not been possible to obtain the Chinese Government's agreement to transmissibility. In response to points made by Mr. Sandberg and Mr. Cheung the Prime Minister undertook to look further into the problem of BDTC's who would lose their right to transmit British nationality for one generation even if they chose to leave Hong Kong permanently before 1997. Sir Geoffrey Howe cautioned that there would be a very adverse reaction from the Chinese if the United Kingdom tried to reopen the idea of selective transmissibility. Mr. Sandberg said that the particular case which the Unofficials had raised was a matter for HMG and not the Chinese. Mr. Luce said that HMG would make use of the provisions of the British Nationality Act to ensure that the people concerned did not become

stateless. The Prime Minister concluded that the scope for action under the British Nationality Act needed to be examined further.

Turning to the four points listed in paragraph ten of Sir S.Y. Chung's statement, the Prime Minister said that the first, that is an assurance that HMG and its successors would maintain effective government in Hong Kong until 1997, was firmly stated in the agreement. The second point, namely that HMG would reject any attempt by the Chinese to interfere in the administration of Hong Kong before 1997 was also covered by the agreement, which made clear that the Chinese would not use the Joint Liaison Group to attempt such interference. On the third point, she could say that HMG would most certainly be ready to challenge the Chinese Government if the Basic Law did not conform with the terms of the agreement. We should be failing in our duty if we did not. She would ask Sir Geoffrey Howe to make this clear when Parliament debated the agreement. On the last point, she was confident that any British Government would accept a continuing obligation to ensure that there were no breaches of the agreement. That was correct both in custom and in law and would be honoured. We would also propose to the Chinese Government that the agreement should be registered at the UN under the procedure provided for in the United Nations Charter.

The Prime Minister said that she had noted that Sir S.Y. Chung had asked whether she would herself sign the agreement. She thought that Sir Geoffrey Howe should be present for the signing, given the valiant part he had played in the negotiations. She would strain to come to sign herself if that is what the people of Hong Kong wished.

The Prime Minister concluded that HMG and EXCO had come a long way together in the negotiations. What had been

achieved had been made possible only by the support of UMELCO and the Hong Kong people. But the task was not yet finished. It was now for the Unofficials to go out and sell the agreement in Hong Kong. Success in that would depend on the confidence of those who did the selling. It was important to preserve unity and not reveal details of who said or recommended what. The Unofficials should say that they gave their advice, did not get all that they had wanted but stand on what had been achieved and resist any attempt to divide them. They must give a lead.

The meeting then agreed the text of a statement to the press which is attached as Annex 2.

19 September 1984

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1267</i> (one piece/item number)	Date and sign
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Prime Minister

60

You will no doubt want to record the Cabinet's congratulations to the Foreign Secretary and the negotiating team, particularly Sir Percy Cradock, Sir Richard Evans and the Governor of Hong Kong.

PM/84/149

PRIME MINISTER

Future of Hong Kong: Draft Agreement with the Chinese Government

1. The British and Chinese negotiators in Peking have now agreed the texts of an agreement on the future of Hong Kong. This agreement will provide for Hong Kong to become a Special Administrative Region (SAR) of the People's Republic of China from 1997 under specified arrangements and with a high degree of autonomy. If both governments agree, the text will be initialled by negotiators in Peking on 25 or 26 September.

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2. The agreement will be published as a White Paper on the day it is initialled. I enclose the latest draft of the White Paper. This has three parts:

- (i) a short introduction and history;
- (ii) the text of the agreement, its annexes and the associated exchange of memoranda on nationality;
- (iii) explanatory notes.

Editorial work on these texts is still under way, but there should be no major changes.

3. I shall want to say more in Cabinet tomorrow about these historic negotiations and what has been achieved. But in preparation for our discussion, I should say that in my view this is the best agreement we could have achieved in all the circumstances: and indeed that it is very much better than at certain stages seemed possible. I consider that it meets all the British Government's essential requirements, namely:

- (i) it is unequivocally a binding international agreement;
- (ii) it contains sufficient detail and clarity about the arrangements which will apply to Hong Kong after 1997 to command the confidence of the people of Hong Kong;

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(iii) it contains a provision that its terms will be stipulated in the basic law to be passed by the National People's Congress of China, which will in effect form the constitution of post-1997 Hong Kong.

The final outcome represents major concessions by the Chinese on these and other points.

4. Of course we did not achieve all that we wanted. There are some points which fall short of what some members of the Governor's Executive Council would have wished. In particular, on nationality, we did not succeed in securing the right of British Dependent Territory Citizens to transmit their status for one generation to their children after 1997. On constitutional arrangements, we did not succeed in persuading the Chinese that the Chief Executive of Hong Kong should be elected immediately in 1997 (although the agreement does leave open the possibility that he might be so elected). But throughout the negotiations we have had the closest consultations with the Executive Council. We have brought them to accept at each point that we had achieved the maximum that was possible from the Chinese. You and I will be seeing them later today and we shall learn then their considered reactions to the completed package. But the indications are that they intend to advise that the agreement is likely to be acceptable to the people of Hong Kong.

5. At Cabinet tomorrow I intend to invite our colleagues to agree that our Ambassador in Peking should be authorised to initial the agreement and that our decision to do so should be announced on 21 September once the Chinese have been informed. The next step would then be the test of acceptability in Hong Kong. A special unit has been established by the Hong Kong Government to receive views from a wide range of individuals and bodies including the elected district boards. This unit will produce a report on the acceptability of the agreement which will be available before Parliament debates the draft

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agreement, probably in early December. If Parliament agrees, the document will be signed in Peking before the end of the year. Legislation sufficient to allow us to proceed to ratification would then be required in time to allow that to take place by 30 June 1985.

6. I am copying this minute to our colleagues in Cabinet, the Paymaster General, and to Sir Robert Armstrong.

L V Appleyard

GEOFFREY HOWE

[Approved by Sir Geoffrey
but signed in his absence]

Foreign and Commonwealth Office

19 September 1984

SECRET

A DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA ON THE FUTURE OF HONG KONG

INTRODUCTION

1. On .. September 1984 representatives of the Governments of the United Kingdom and of the People's Republic of China initialled the draft text of an agreement on the future of Hong Kong. The agreement, contained in the second part of this White Paper, consists of a Joint Declaration and three Annexes. There is an associated Exchange of Memoranda. These documents are the outcome of two years of negotiations between the two governments, undertaken with the common aim of maintaining the stability and prosperity of Hong Kong.

2. The purpose of this White Paper is to present these documents in the context of the history of Hong Kong and of the last two years' negotiations and to explain their contents. The text of this White Paper is also being published in Hong Kong by the Hong Kong Government, and the people of Hong Kong are being invited to comment on the overall acceptability of the arrangements which it describes. Thereafter the matter will be debated in Parliament.

HISTORY

3. During the nineteenth century Britain concluded three treaties with the Chinese Government relating to Hong Kong. The Treaty of Nanking(1) signed in 1842 and ratified in 1843 under which Hong Kong Island was ceded in perpetuity; the Convention of Peking (2) in 1860 under which the southern part of the Kowloon Peninsula and Stonecutters Island were ceded in perpetuity; and the Convention of 1898 (3) under which the New Territories (comprising 92% of the total land area of the territory) were leased to Britain for 99 years from 1 July 1898. It was the fact that the New Territories are subject to a lease with a fixed expiry date which lay behind the decision by Her Majesty's Government to seek to enter negotiations with the Government of the People's Republic of China (referred to hereafter as "The Chinese Government") on Hong Kong's future.

4. The attitude of the Chinese Government towards Hong Kong before the negotiations began was clear: it was that Hong Kong belonged to the category of unequal treaties left over by history: that the question of Hong Kong should be settled peacefully through negotiations when conditions were ripe; and that pending a settlement the status quo should be maintained. The Chinese Government made its view of Hong Kong's status clear in a letter to the UN Special Committee on Decolonisation in March 1972. This argued that the question of Hong Kong was a matter of China's sovereign right and did not fall within the ordinary category of colonial treaties and should not be included in the list of territories covered by the Declaration on the Granting of Independence to Colonial Countries and Peoples.

THE BACKGROUND TO THE NEGOTIATIONS

5. In the late 1970's, as the period before the termination of the New Territories lease continued to shorten, concern about the future of Hong Kong began to be expressed both in the territory itself and among foreign investors. In particular there was increasing realisation of the problem posed by individual land leases granted in the New Territories, all of which are set to expire three days before the expiry of the New Territories lease in 1997. It was clear that the steadily shortening span of these leases and the inability of the Hong Kong Government to grant new ones extending beyond 1997, would be likely to deter investment and damage confidence.

6. Her Majesty's Government had by this time, following a detailed examination of the problem conducted in consultation with the then Governor, concluded that confidence would begin to erode quickly in the early to mid-1980s if nothing was done to alleviate the uncertainty caused by the 1997 deadline. Accordingly, when the Governor of Hong Kong visited Peking in March 1979 at the invitation of the Chinese Minister of Foreign Trade, an attempt was made, on

the initiative of Her Majesty's Government, to solve the specific question of land leases expiring in 1997. These discussions did not result in measures to solve the problem.

7. In the course of the next two years there was increasing awareness of the need to remove the uncertainty which the 1997 deadline generated, and some discussion of how this might be achieved. The importance of the issue was publicly stressed by the senior Unofficial Member of the Executive Council in May 1982. In January 1982 Sir (then Mr) Humphrey Atkins, Lord Privy Seal, visited Peking and was given significant indications of Chinese policy towards Hong Kong by Chinese leaders, which confirmed the view of Her Majesty's Government that negotiations should be opened with the Chinese Government.

THE PRIME MINISTER'S VISIT TO CHINA

8. Against this background Her Majesty's Government decided that the Prime Minister's visit to China in September 1982 would provide an opportunity to open discussions with the Chinese Government on the future of Hong Kong. It was evident that the Chinese Government had reached the same conclusion, and substantive discussions took place during the visit. Following a meeting between the Prime Minister and Chairman Deng Xiaoping on 24 September 1982 the following joint statement was issued:

"Today the leaders of both countries held far-reaching talks in a friendly atmosphere on the future of Hong Kong. Both leaders made clear their respective positions on this subject. They agreed to enter talks through diplomatic channels following the visit with the common aim of maintaining the stability and prosperity of Hong Kong."

THE COURSE OF THE NEGOTIATIONS

9. The Prime Minister's visit was followed by the first phase of negotiations conducted by Her Majesty's Ambassador, Peking and the Chinese Foreign Ministry. These consisted of exchanges between the two sides on the basis on which the negotiations would be conducted, and on the agenda. On 1 July 1983 it was announced that the second

phase of the talks would begin in Peking on 12 July. The pattern of negotiation in the second phase, which was continued until the end of the negotiations, was for formal rounds of talks to be held between delegations led by HM Ambassador in Peking and a Vice or Assistant Minister of the Chinese Foreign Ministry, supplemented as necessary by informal contacts between the two delegations. The Governor of Hong Kong took part in every round of formal talks as a member of the British delegation.

10. In the course of the negotiations Her Majesty's Government explained in detail the systems which prevail in Hong Kong and the importance for these systems of the British administrative role and link. Following extensive discussion, however, it became clear that, since in the Chinese view, sovereignty and the right of administration over Hong Kong were inseparable, the continuation of British administration after 1997 would not be acceptable to China in any form. After full consultation with the Governor and the Executive Council of Hong Kong, Her Majesty's Government therefore proposed that the two sides discuss on a conditional basis what effective measures other than continued British administration might be devised to maintain the stability and prosperity of Hong Kong and explore further the Chinese ideas about the future which had at that stage been explained to them, in order to see whether on this basis, arrangements which would ensure lasting stability and prosperity for Hong Kong could be constructed. The Chinese Government were told that if this process was successful, Her Majesty's Government would consider recommending to Parliament a bilateral agreement enshrining the arrangements. Her Majesty's Government also undertook in this event to assist in the implementation of such arrangements, and to recommend to Parliament that sovereignty and administrative control pass to China. Following this, Her Majesty's Government sought to explore with the Chinese the implications of their proposals for Hong Kong as a Special Administrative Region. In response to these the Chinese side further elaborated their ideas on the policies which the Chinese Government were proposing to pursue in Hong Kong after 1997.

11. In April 1984 the two sides completed initial discussion of these matters. There were a number of outstanding unresolved points, but it was by then clear that an acceptable basis for an

agreement might be possible. At the invitation of the Chinese Government the Foreign and Commonwealth Secretary visited Peking from 15 to 18 April. During his meetings with Chinese leaders the two sides reviewed the course of the talks on the future of Hong Kong, and further progress was made. In Hong Kong on 20 April Sir Geoffrey Howe made a statement on Her Majesty's Government's approach to the negotiations. He said that it would not be realistic to think of an agreement that provided for continued British administration in Hong Kong after 1997: for that reason Her Majesty's Government had been examining with the Chinese Government how it might be possible to arrive at arrangements that would secure for Hong Kong, after 1997, a high degree of autonomy under Chinese sovereignty, and that would preserve the way of life in Hong Kong, together with the essentials of the present systems. He made it clear that Her Majesty's Government were working for a framework of arrangements that would provide for the maintenance of Hong Kong's flourishing and dynamic society, and an agreement in which such arrangements would be formally set out.

12. After Sir Geoffrey Howe's visit in April negotiations continued. A working group was established in June 1984 to meet full-time in Peking and consider documents tabled by both sides. In July 1984 the Foreign and Commonwealth Secretary again visited Peking. The visit was devoted almost entirely to the future of Hong Kong. Sir Geoffrey Howe announced in Hong Kong on 1 August that very substantial progress had been made towards agreement on the form and content of documents which would set out arrangements for Hong Kong's future with clarity and precision, in legally binding form.

13. Sir Geoffrey also announced on the same occasion that the two sides had agreed to establish a joint liaison group which would come into being when the agreement came into force and continue until the year 2000. It would meet in Peking, London and Hong Kong until 1 July 1988 when it would establish its principal base in Hong Kong, although it would also continue to meet thereafter in London and Peking. It was agreed that the group would not be an organ of power. Its functions would be: liaison, consultation on the implementation of the agreement, and exchange of information. It

was agreed that it would play no part in the administration of Hong Kong. Her Majesty's Government would continue to be responsible for the administration of Hong Kong up to 1997.

14. Following Sir Geoffrey Howe's visit the negotiations continued on the remaining unresolved issues and three further rounds of plenary talks took place. A further ad-hoc working group was established in Peking on 14 August. By 17 September negotiators on both sides had approved the English and Chinese texts of the documents that make up the agreement and the associated Exchange of Memoranda on nationality. These were submitted to British Ministers and Chinese leaders for final approval. The texts were initialled by the two delegation leaders on September.

CONSULTATION WITH THE PEOPLE OF HONG KONG

15. From the beginning of the negotiations Her Majesty's Government have been conscious that the negotiations concerned the interests and future of the five and a half million people of Hong Kong. It has been Her Majesty's Government's consistent position that any agreement with the Chinese Government on the future of the territory should be acceptable to the people of Hong Kong as well as to the British Parliament and the Chinese Government.

16. The negotiations had to be conducted on a basis of confidentiality. This was crucial to their success, but the maintenance of confidentiality also caused much concern and anxiety among the people of Hong Kong who were understandably anxious to know what was being negotiated for their future. All members of the Executive Council, as the Governor's closest advisers, were kept fully informed on the negotiations and consulted on a continuing basis throughout the period. The Unofficial members of the Executive and Legislative Councils (UMELCO) provided invaluable advice to the Governor and to Ministers on the course of the negotiations and on the attitude of the people of Hong Kong.

17. At a number of crucial points in the negotiations the Governor and Unofficial members of the Executive Council visited London for consultations with the Prime Minister and other Ministers. British

Ministers also paid a series of visits to Hong Kong, to consult the Governor, the Executive Council and the Unofficial members of the Executive and Legislative Councils and to keep in touch with opinion in the territory. The Secretary of State for Foreign and Commonwealth Affairs was able to describe the approach of Her Majesty's Government to the negotiations in his statement in Hong Kong on 20 April 1984, and to fill in more details of what might eventually be included in an agreement in a further statement in the territory on 1 August 1984. In the course of the negotiations, and in particular since the statement of 20 April, numerous individuals and groups in Hong Kong have made specific proposals on what should be included in an eventual agreement. The Legislative Council of Hong Kong has debated the future of the territory on a number of occasions. Her Majesty's Government have paid close attention to these proposals which the Hong Kong Government have relayed to Ministers, and to views about the future expressed through a variety of channels - by and through UMELCO, through the press, through individual communications addressed to Her Majesty's Government or the Hong Kong Government. In this way Her Majesty's Government have sought to take into account the views of the people of Hong Kong to the maximum extent possible during the negotiations.

18. In the same way the maintenance of confidentiality has made the task of consulting Parliament on the negotiations more difficult. Despite this there were debates on Hong Kong in October and November 1983 and in May 1984, and part of the Foreign Affairs Debate in March 1984 was also devoted to Hong Kong. Members of Parliament have kept in close touch with the people of Hong Kong, both through visits to the territory and through meetings with Hong Kong delegations visiting the United Kingdom.

INTRODUCTION TO THE AGREEMENT

19. The full text of the draft agreement is included the second part of this White Paper. It consists of a Joint Declaration and three Annexes. Each part of the agreement has the same status. The whole makes up an international agreement, legally binding in all its parts. An international agreement of this kind is the highest possible form of commitment between two sovereign states.

20. The Joint Declaration consists in part of linked declarations by Her Majesty's Government and the Chinese Government. In paragraph 1 the Chinese Government declare that they will resume the exercise of sovereignty over Hong Kong on 1 July 1997. In paragraph 2 Her Majesty's Government declare that they will restore Hong Kong to the Chinese Government from that date. In paragraph 3 the Chinese Government sets out its policies towards Hong Kong after 1997. In paragraph 4 the two Governments jointly declare that Her Majesty's Government will remain responsible for the administration of Hong Kong up to 30 June 1997. Paragraphs 5 and 6 deal with the Joint Liaison Group and land. Paragraph 7 constitutes the important link between the declarations by the two parties; it has the effect of making the Joint Declaration and the Annexes to it legally binding in their entirety on the two governments. Paragraph 8 provides for the agreement to enter into force on ratification. Ratification will take place before 30 June 1985.

21. The agreement sets out clearly the relationship between the provisions which it contains and the future Basic Law of the Hong Kong Special Administrative Region, to be promulgated by the National People's Congress of the People's Republic of China. Paragraph 3(12) of the Joint Declaration provides that the basic policies in the Joint Declaration and the elaboration of them in Annex I will be stipulated in the Basic Law. They will remain unchanged for 50 years.

22. Annex 1 contains an elaboration of Chinese policies for the Hong Kong Special Administrative Region. The Annex deals in detail with the way Hong Kong will work after 1 July 1997, and describes the extent of the autonomy and continuity which will prevail then. It covers:

- (I) Constitutional arrangements and government structure;
- (II) The laws;
- (III) The Judicial system;
- (IV) The public service;
- (V) The financial system;
- (VI) The economic system and external economic relations;
- (VII) The monetary system;
- (VIII) Shipping;

- (IX) Civil aviation:
- (X) Culture and education:
- (XI) External relations:
- (XII) Defence, security and public order:
- (XIII) Rights and freedoms:
- (XIV) Right of abode, travel documents and immigration.

23. Annex II sets out the provisions concerning the establishment of a Sino-British joint liaison group. The joint liaison group will be established on the entry into force of the agreement and will meet in Peking, London and Hong Kong. From 1 July 1988 it will be based in Hong Kong, although it will also continue to meet in Peking and London. It will continue its work until 1 January 2000. The annex includes terms of reference which clearly indicate that the group will be a forum for liaison only and not an organ of power. It will neither play a part in the administration of Hong Kong or have any supervisory role.

24. Annex III deals with land leases. It covers leases that have already been issued by the Hong Kong Government, leases issued between the entry into force of the agreement and 1997, and leases issued thereafter.

25. Associated with the Agreement is a separate Exchange of Memoranda on nationality. The Memoranda will be finally exchanged in Peking on the same day as the signature of the Joint Declaration.

26. The last part of this White Paper contains further explanatory notes on the text of the Annexes to the Joint Declaration and the Exchange of Memoranda.

VIEWS OF HER MAJESTY'S GOVERNMENT ON THE AGREEMENT

27. As recorded in paragraph ten above, Her Majesty's Government have sought to see whether on the basis of proposals put forward by the Chinese Government arrangements could be constructed which would ensure lasting stability and prosperity for Hong Kong. They have negotiated energetically and they believe successfully to secure an

agreement which meets the needs and wishes of the people of Hong Kong. The negotiations have been hard and long, and subject to the common aim of both sides to maintain stability and prosperity in Hong Kong. Taking the agreement as a whole Her Majesty's Government are confident that it does provide a framework in which the stability and prosperity of Hong Kong can be maintained after 1997 as a Special Administrative Region of the People's Republic of China.

28. The text of the agreement has been initialled by both sides. This represents a certification by the negotiators that it represents accurately the outcome of the negotiations. However, as is normal with international agreements negotiated between nations there is no realistic possibility of amending the text. The agreement must be taken as a whole.

29. Her Majesty's Government have a duty to make clear beyond any possibility of misunderstanding the alternative to acceptance of the agreement set out in this White Paper. In their view, there is no possibility of an amended agreement. The alternative to acceptance of the present agreement is to have no agreement. In this case the Chinese Government have made it plain that negotiation could not be reopened and that they would publish their own plan for Hong Kong. There is no guarantee that such a unilateral plan would include all the elements included in the draft agreement, nor would it have the same status as a legally binding agreement between the two countries. Whether or not there is an agreement between Her Majesty's Government and the Chinese Government the New Territories will revert to China on 1 July 1997 under the terms of the 1898 Convention of Peking. The remainder of Hong Kong (Hong Kong Island, Kowloon and Stonecutters Island) would not be viable alone. Hong Kong, including the New Territories, has since 1898 become an integral whole and Her Majesty's Government are satisfied that there is no possibility of dividing the New Territories which revert to China on 1 July 1997 from the remainder. The choice is therefore between reversion of Hong Kong to China under agreed, legally binding international arrangements or reversion to China without such arrangements. This is not a choice which Her Majesty's Government have sought to impose on the people of Hong Kong. It is

a choice imposed by the facts of Hong Kong's history.

30. [First two sentences in Bold type]. Her Majesty's Government believe that the agreement is a good one. They strongly commend it to the people of Hong Kong and to Parliament. It provides a framework to preserve Hong Kong's unique economic system and way of life as a Special Administrative Region of the People's Republic of China from 1 July 1997. The agreement preserves Hong Kong's familiar legal system and the body of laws in force in Hong Kong, including the common law. The agreement gives Hong Kong a high degree of autonomy in which it will be able to administer itself and pass its own legislation. It will enable Hong Kong to continue to decide on its own economic, financial and trade policies, and to participate in international organisations and trade agreements such as the General Agreement on Territory and Trade (GATT). Her Majesty's Government are confident that the agreement provides the necessary assurances about Hong Kong's future to allow the territory to continue to flourish and to maintain its unique position in the world. [Last sentence in bold type]

THE AGREEMENT AND THE PEOPLE OF HONG KONG

31. Her Majesty's Government have consistently stated that an agreement on the future of Hong Kong must be acceptable to the people of Hong Kong as well as to Parliament. In his statement on 20 April 1984 in Hong Kong the Secretary of State for Foreign and Commonwealth Affairs stated that the people of Hong Kong would need to have time to express their views on the agreement, before it was debated by Parliament. The people of Hong Kong will now have this opportunity.

32. The text of this White Paper is also being published in Hong Kong by the Hong Kong Government and will be circulated through a wide variety of channels in the territory. An assessment office has been set up in Hong Kong under the charge of a senior official of the Hong Kong Government, directly responsible to the Governor. This office will provide Her Majesty's Government and Parliament with an analysis and assessment of opinion in Hong Kong on the draft agreement. Two monitors, Sir Patrick Nairne and Mr Justice Simon

Li, have been appointed by Her Majesty's Government to observe the work of the assessment office and to report independently to the Secretary of State for Foreign and Commonwealth Affairs on whether they are satisfied that the assessment office has properly, accurately and impartially discharged its duties. In the light of these two reports Her Majesty's Government will decide what recommendation to make to Parliament.

33. The people of Hong Kong are now invited to comment on the overall acceptability of the arrangements negotiated between Her Majesty's Government and the Chinese Government for Hong Kong, in the light of the background set out in this White Paper.

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

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, which is left over from the past, is conducive to the maintenance of the prosperity and stability of Hong Kong and to the further strengthening and development of the relations between the two countries on a new basis. To this end, they have, after talks between the delegations of the two Governments, agreed to declare as follows:

1. The Government of the People's Republic of China declares that to recover the Hong Kong area (including Hong Kong Island, Kowloon and the New Territories, hereinafter referred to as Hong Kong) is the common aspiration of the entire Chinese people, and that it has decided to resume the exercise of sovereignty over Hong Kong with effect from 1 July 1997.
2. The Government of the United Kingdom declares that it will restore Hong Kong to the People's Republic of China with effect from 1 July 1997.
3. The Government of the People's Republic of China declares that the basic policies of the People's Republic of China regarding Hong Kong are as follows:
 - (1) Upholding national unity and territorial integrity and taking account of the history of Hong Kong and its realities, the People's Republic of China has 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 upon resuming the exercise of sovereignty over Hong Kong.

- (2) The Hong Kong Special Administrative Region will be directly under the authority of the Central People's Government of the People's Republic of China. The Hong Kong Special Administrative Region will enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government.
- (3) The Hong Kong Special Administrative Region will be vested with executive, legislative, and independent judicial power, including that of final adjudication. The laws currently in force in Hong Kong will remain basically unchanged.
- (4) The Government of the Hong Kong Special Administrative Region will be composed of 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. Principal officials will be nominated by the Chief Executive of the Hong Kong Special Administrative Region for appointment by the Central People's Government. Chinese and foreign nationals previously working in the public and police services in the Government departments of Hong Kong may remain in employment. British and other foreign nationals may also be employed to serve as advisers or hold certain public posts in government departments of the Hong Kong Special Administrative Region.
- (5) The current social and economic systems in Hong Kong will remain unchanged, and so will the lifestyle. Rights and freedoms including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike of choice of occupation, of academic research and of religious belief will be ensured by law in the Hong Kong Special Administrative Region. Private property, ownership of enterprises, legitimate right of inheritance and foreign investment will be protected by law.

- (6) The Hong Kong Special Administrative Region will retain the status of a free port and a separate customs territory.
- (7) The Hong Kong Special Administrative Region will retain the status of an international financial centre, and its markets for foreign exchange, gold, securities and futures will continue. There will be free flow of capital. The Hong Kong Dollar will continue to circulate and remain freely convertible.
- (8) The Hong Kong Special Administrative Region will have independent finances. The Central People's Government will not levy taxes on the Hong Kong Special Administrative Region.
- (9) The Hong Kong Special Administrative Region may establish mutually beneficial economic relations with the United Kingdom and other countries, whose economic interests in Hong Kong will be given due regard.
- (10) Using the name of "Hong Kong, China", the Hong Kong Special Administrative Region may on its own maintain and develop economic and cultural relations and conclude relevant agreements with states, regions and relevant international organisations.
The Government of the Hong Kong Special Administrative Region may on its own issue travel documents for entry into and exit from Hong Kong.
- (11) The maintenance of public order in the Hong Kong Special Administrative Region will be the responsibility of the Government of the Hong Kong Special Administrative Region.
- (12) The above-stated basic policies of the People's Republic of China regarding Hong Kong and the elaboration of them in Annex I to this Joint Declaration will be stipulated, in a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, by the National People's Congress of the People's Republic of China, and they will remain unchanged for

50 years.

4. The Government of the United Kingdom and the Government of the People's Republic of China declare that, during the transitional period between the date of the entry into force of this Joint Declaration and 30 June 1997, the Government of the United Kingdom will be responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and social stability; and that the Government of the People's Republic of China will give its cooperation in this connection.

5. The Government of the United Kingdom and the Government of the People's Republic of China declare that, in order to ensure a smooth transfer of Government in 1997, and with a view to the effective implementation of this Joint Declaration, a Sino-British Joint Liaison Group will be set up when this Joint Declaration enters into force; and that it will be established and will function in accordance with the provisions of Annex II to this Joint Declaration.

6. The Government of the United Kingdom and the Government of the People's Republic of China declare that land leases in Hong Kong and other related matters will be dealt with in accordance with the provisions of Annex III to this Joint Declaration.

7. The Government of the United Kingdom and the Government of the People's Republic of China agree to implement the preceding declarations and the Annexes to this Joint Declaration.

8. This Joint Declaration is subject to ratification and shall enter into force on the date of the Exchange of Instruments of Ratification, which shall take place in Beijing before 30 June 1985. This Joint Declaration and its Annexes shall be equally binding.

Done in duplicate at Beijing on 1984 in the English and Chinese languages, both texts being equally authentic.

(Signed)

(Signed)

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

For the Government of
The People's Republic of
China

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ANNEX I

ELABORATION BY THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF
CHINA OF ITS BASIC POLICIES REGARDING HONG KONG

The Government of the People's Republic of China elaborates the basic policies of the People's Republic of China regarding Hong Kong as set out in paragraph 3 of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong as follows:

I

The Constitution of the People's Republic of China stipulates in Article 31 that "the State may establish Special Administrative Regions when necessary. The systems to be instituted in Special Administrative Regions shall be prescribed by laws enacted by the National People's Congress in the light of the specific conditions". In accordance with this Article, the People's Republic of China shall, upon the resumption of the exercise of sovereignty over Hong Kong on 1 July 1997, establish the Hong Kong Special Administrative Region of the People's Republic of China. The National People's Congress of the People's Republic of China shall enact and promulgate a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (hereinafter referred to as the Basic Law) in accordance with the Constitution of the People's Republic of China, stipulating that after the establishment of the Hong Kong Special Administrative Region the Socialist system and Socialist policies shall not be practised in the Hong Kong Special Administrative Region and that Hong Kong's previous capitalist system and life-style shall remain unchanged for 50 years.

The Hong Kong Special Administrative Region shall be directly under the authority of the Central People's Government of the People's Republic of China and shall enjoy a high degree of

autonomy. Except for foreign and defence affairs which are the responsibilities of the Central People's Government, the Hong Kong Special Administrative Region shall be vested with executive, legislative and independent judicial power, including that of final adjudication. The Central People's Government shall authorise the Hong Kong Special Administrative Region to conduct on its own those external affairs specified in section XI of this annex.

The Government and legislature of the Hong Kong Special Administrative Region shall be composed of local inhabitants. The Chief Executive of the Hong Kong Special Administrative Region shall be selected by election or through consultations held locally and be appointed by the Central People's Government. Principal officials (equivalent to Secretaries) shall be nominated by the Chief Executive of the Hong Kong Special Administrative Region and appointed by the Central People's Government. The legislature of the Hong Kong Special Administrative Region shall be constituted by elections. The executive authorities shall abide by the law and shall be accountable to the legislature.

In addition to Chinese, English may also be used in organs of government and in the courts in the Hong Kong Special Administrative Region.

Apart from displaying the national flag and national emblem of the People's Republic of China, the Hong Kong Special Administrative Region may use a regional flag and emblem of its own.

II

After the establishment of the Hong Kong Special Administrative Region, the laws previously in force in Hong Kong (i.e. the common law, rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, save for any that contravene the Basic Law and subject to any amendment by the Hong Kong Special Administrative Region legislature.

The legislative power of the Hong Kong Special Administrative

Region shall be vested in the legislature of the Hong Kong Special Administrative Region. The legislature may on its own authority enact laws in accordance with the provisions of the Basic Law and legal procedures, and report them to the Standing Committee of the National People's Congress for the record. Laws enacted by the legislature which are in accordance with the Basic Law and legal procedures shall be regarded as valid.

The laws of the Hong Kong Special Administrative Region shall be the Basic Law, and the laws previously in force in Hong Kong and laws enacted by the Hong Kong Special Administrative Region legislature as above.

III

After the establishment of the Hong Kong Special Administrative Region, the judicial system previously practised in Hong Kong shall be maintained except for those changes consequent upon the vesting in the courts of the Hong Kong Special Administrative Region of the power of final adjudication.

Judicial power in the Hong Kong Special Administrative Region shall be vested in the courts of the Hong Kong Special Administrative Region. The courts shall exercise judicial power independently and free from any interference. Members of the judiciary shall be immune from legal action in respect of their judicial functions. The courts shall decide cases in accordance with the laws of the Hong Kong Special Administrative Region and may refer to precedents in other common law jurisdictions.

Judges of the Hong Kong Special Administrative Region Courts shall be appointed by the Chief Executive of the Hong Kong Special Administrative Region acting in accordance with the recommendation of an independent commission composed of local judges, persons from the legal profession and other eminent persons. Judges shall be chosen by reference to their judicial qualities and may be recruited from other common law jurisdictions. A judge may only be removed for inability to discharge the functions of his office, or for

misbehaviour, by the Chief Executive of the Hong Kong Special Administrative Region acting in accordance with the recommendation of a tribunal appointed by the Chief Judge of the Court of Final Appeal, consisting of not fewer than three local judges. Additionally, the appointment or removal of principal judges (i.e. those of the highest rank) shall be made by the Chief Executive with the endorsement of the Hong Kong Special Administrative Region legislature and reported to the Standing Committee of the National People's Congress for the record. The system of appointment and removal of judicial officers other than judges shall be maintained.

The power of final judgments of the Hong Kong Special Administrative Region shall be vested in the Court of Final Appeal in the Hong Kong Special Administrative Region, which may as required invite judges from other common law jurisdictions to sit on the Court of Final Appeal.

A prosecuting authority of the Hong Kong Special Administrative Region shall control criminal prosecutions free from any interference.

On the basis of the system previously operating in Hong Kong the Hong Kong Special Administrative Region Government shall on its own make provision for local lawyers and lawyers from outside the Hong Kong Special Administrative Region to work and practice in the Hong Kong Special Administrative Region.

The Central People's Government shall assist or authorise the Hong Kong Special Administrative Region Government to make appropriate arrangements for reciprocal juridical assistance with foreign states.

IV

After the establishment of the Hong Kong Special Administrative Region, public servants previously serving in Hong Kong in all Government Departments, including the Police Department, and members of the judiciary may all remain in employment and continue their

service with pay, allowances, benefits and conditions of service no less favourable than before. The Hong Kong Special Administrative Region Government shall pay to such persons who retire or complete their contracts, as well as to those who have retired before 1 July 1997, or to their dependants, all pensions, gratuities, allowances and benefits due to them on terms no less favourable than before, and irrespective of their nationality or place of residence.

The Hong Kong Special Administrative Region Government may employ British and other foreign nationals previously serving in the public service in Hong Kong, and may recruit British and other foreign nationals holding permanent identity cards of the Hong Kong Special Administrative Region to serve as public servants at all levels, except as heads of major government departments (corresponding to Branches or Departments at Secretary level) including the Police Department, and as deputy heads of some of those departments. The Hong Kong Special Administrative Region Government may also employ British and other foreign nationals as advisers to government departments and, when there is a need, may recruit qualified candidates from outside the Hong Kong Special Administrative Region to professional and technical posts in Government Departments. The above shall be employed only in their individual capacities and, like other public servants, shall be responsible to the Hong Kong Special Administrative Region Government.

The appointment and promotion of public servants shall be on the basis of qualifications, experience and ability. Hong Kong's previous system of recruitment, employment, assessment, discipline, training and management for the public service (including special bodies for appointment, pay and conditions of service) shall, save for any provisions providing privileged treatment for foreign nationals, be maintained.

V

The Hong Kong Special Administrative Region shall deal on its own with financial matters, including disposing of its financial

resources and drawing up its budgets and its final accounts. The Hong Kong Special Administrative Region shall report its budgets and final accounts to the Central People's Government for the record.

The Central People's Government shall not levy taxes on the Hong Kong Special Administrative Region. The Hong Kong Special Administrative Region shall use its financial revenues exclusively for its own purposes and they shall not be handed over to the Central People's Government. The systems by which taxation and public expenditure must be approved by the legislature, and by which there is accountability to the legislature for all public expenditure, and the system for auditing public accounts shall be maintained.

VI

The Hong Kong Special Administrative Region shall maintain the capitalist economic and trade systems previously practised in Hong Kong. The Hong Kong Special Administrative Region Government shall decide its economic and trade policies on its own. Rights concerning the ownership of property, including those relating to acquisition, use, disposal, inheritance and compensation for lawful deprivation (corresponding to the real value of the property concerned, freely convertible and paid without undue delay) shall continue to be protected by law.

The Hong Kong Special Administrative Region shall retain the status of a free port and continue a free trade policy, including the free movement of goods and capital. The Hong Kong Special Administrative Region may on its own maintain and develop economic and trade relations with all states and regions.

The Hong Kong Special Administrative Region shall be a separate customs territory. It may participate in relevant international organisations and international trade agreements (including preferential trade arrangements), such as the General Agreement on Tariffs and Trade and arrangements regarding international trade in textiles. Export quotas, tariff preferences and other similar

arrangements obtained by the Hong Kong Special Administrative Region shall be enjoyed exclusively by the Hong Kong Special Administrative Region. The Hong Kong Special Administrative Region shall have authority to issue its own certificates of origin for products manufactured locally, in accordance with prevailing rules of origin.

The Hong Kong Special Administrative Region may, as necessary, establish official and semi-official economic and trade missions in foreign countries, reporting the establishment of such missions to the Central People's Government for the record.

VII

The Hong Kong Special Administrative Region shall retain the status of an international financial centre. The monetary and financial systems previously practised in Hong Kong, including the systems of regulation and supervision of deposit taking institutions and financial markets, shall be maintained.

The Hong Kong Special Administrative Region Government may decide its monetary and financial policies on its own. It shall safeguard the free operation of financial business and the free flow of capital within, into and out of the Hong Kong Special Administrative Region. No exchange control policy shall be applied in the Hong Kong Special Administrative Region. Markets for foreign exchange, gold, securities and futures shall continue.

The Hong Kong Dollar, as the local legal tender, shall continue to circulate and remain freely convertible. The authority to issue Hong Kong currency shall be vested in the Hong Kong Special Administrative Region Government. The Hong Kong Special Administrative Region Government may authorise designated banks to issue or to continue to issue Hong Kong currency under statutory authority, after satisfying itself that any issue of currency will be soundly based and that the arrangements for such issue are consistent with the object of maintaining the stability of the currency. Hong Kong currency bearing references inappropriate to

the status of Hong Kong as a Special Administrative Region of the People's Republic of China shall be progressively replaced and withdrawn from circulation.

The Exchange Fund shall be managed and controlled by the Hong Kong Special Administrative Region Government , primarily for regulating the exchange value of the Hong Kong Dollar.

VIII

The Hong Kong Special Administrative Region shall maintain Hong Kong's previous systems of shipping management and shipping regulation, including the system for regulating conditions of seamen. The specific functions and responsibilities of the Hong Kong Special Administrative Region Government in the field of shipping shall be defined by the Hong Kong Special Administrative Region Government on its own. Private shipping businesses and shipping-related businesses and private container terminals in Hong Kong may continue to operate freely.

The Hong Kong Special Administrative Region shall be authorised by the Central People's Government to continue to maintain a shipping register and issue related certificates under its own legislation in the name of "Hong Kong, China".

With the exception of foreign warships, access for which requires the permission of the Central People's Government, ships shall enjoy access to the ports of the Hong Kong Special Administrative Region in accordance with the laws of the Hong Kong Special Administrative Region.

IX

The Hong Kong Special Administrative Region shall maintain the status of Hong Kong as a centre of international and regional aviation. Airlines incorporated and having their principal place of business in Hong Kong and civil aviation related businesses may

continue to operate. The Hong Kong Special Administrative Region shall continue the previous system of civil aviation management in Hong Kong, and keep its own aircraft register in accordance with provisions laid down by the Central People's Government concerning nationality marks and registration marks of aircraft. The Hong Kong Special Administrative Region shall be responsible on its own for matters of routine business and technical management of civil aviation, including the management of airports, the provision of air traffic services within the flight information region of the Hong Kong Special Administrative Region, and the discharge of other responsibilities allocated under the regional air navigation procedures of the International Civil Aviation Organisation.

The Central People's Government shall, in consultation with the Hong Kong Special Administrative Region Government, make arrangements providing for air services between the Hong Kong Special Administrative Region and other parts of the People's Republic of China for airlines incorporated and having their principal place of business in the Hong Kong Special Administrative Region and other airlines of the People's Republic of China. All air service agreements providing for air services between other parts of the People's Republic of China and other states and regions with stops at the Hong Kong Special Administrative Region and air services between the Hong Kong Special Administrative Region and other states and regions with stops at other parts of the People's Republic of China shall be concluded by the Central People's Government. For this purpose, the Central People's Government shall take account of the special conditions and economic interests of the Hong Kong Special Administrative Region and consult the Hong Kong Special Administrative Region Government. Representatives of the Hong Kong Special Administrative Region Government may participate as members of delegations of the Government of the People's Republic of China in air service consultations with foreign governments concerning arrangements for such services.

Acting under specific authorisations from the Central People's Government, the Hong Kong Special Administrative Region Government may:

- Renew or amend air service agreements and arrangements previously in force; in principle, all such agreements and arrangements may be renewed or amended with the rights contained in such previous agreements and arrangements being as far as possible maintained;
- Negotiate and conclude new air service agreements providing routes for airlines incorporated and having their principal place of business in the Hong Kong Special Administrative Region and rights for overflights and technical stops; and
- Negotiate and conclude provisional arrangements where no air service agreement with a foreign state or other region is in force.

All scheduled air services to, from or through the Hong Kong Special Administrative Region which do not operate to, from or through the mainland of China shall be regulated by air service agreements or provisional arrangements referred to in this paragraph.

The Central People's Government shall give the Hong Special Administrative Region Government the authority to:

- Negotiate and conclude with other authorities all arrangements concerning the implementation of the above air service agreements and provisional arrangements;
- Issue licences to airlines incorporated and having their principal place of business in the Hong Kong Special Administrative Region;
- Designate such airlines under the above air service agreements and provisional arrangements; and
- Issue permits to foreign airlines for services other than those to, from or through the mainland of China.

The Hong Kong Special Administrative Region shall maintain the educational system previously practised in Hong Kong. The Hong Kong Special Administrative Region Government shall on its own decide policies in the fields of culture, education, science and technology, including policies regarding the educational system and its administration, the language of instruction, the allocation of funds, the examination system, the system of academic awards and the recognition of educational and technological qualifications. Institutions of all kinds, including those run by religious and community organisations, may retain their autonomy. They may continue to recruit staff and use teaching materials from outside the Hong Kong Special Administrative Region. Students shall enjoy freedom of choice of education and freedom to pursue their education outside the Hong Kong Special Administrative Region.

XI

Subject to the principle that foreign affairs are the responsibility of the Central People's Government, representatives of the Hong Kong Special Administrative Region Government may participate as members of delegations of the Government of the People's Republic of China, in negotiations at the diplomatic level directly affecting the Hong Kong Special Administrative Region conducted by the Central People's Government. The Hong Kong Special Administrative Region may on its own, using the name "Hong Kong, China" maintain and develop relations and conclude and implement agreements with states, regions and relevant international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, touristic, cultural and sporting fields. Representatives of the Hong Kong Special Administrative Region Government may participate, as members of delegations of the Government of The People's Republic of China, in international organisations or conferences in appropriate fields limited to states and affecting the Hong Kong Special Administrative Region, or may attend in such other capacity as may be permitted by the Central People's Government and the organisation or conference

concerned and may express their views in the name of "Hong Kong, China". The Hong Kong Special Administrative Region may, using the name "Hong Kong, China" participate in international organisations and conferences not limited to states.

The application to the Hong Kong Special Administrative Region of international agreements to which the People's Republic of China is or becomes a party shall be decided by the Central People's Government, in accordance with the circumstances and needs of the Hong Kong Special Administrative Region, and after seeking the views of the Hong Kong Special Administrative Region Government. International agreements to which the People's Republic of China is not a party but which are implemented in Hong Kong may remain implemented in the Hong Kong Special Administrative Region. The Central People's Government shall, as necessary, authorise and assist the Hong Kong Special Administrative Region Government to make appropriate arrangements for the application to the Hong Kong Special Administrative Region of other relevant international agreements. The Central People's Government shall take the necessary steps to ensure that the Hong Kong Special Administrative Region shall continue to retain its status in an appropriate capacity in those international organisations of which the People's Republic of China is a member and in which Hong Kong participates in one capacity or another. The Central People's Government shall, where necessary, facilitate the continued participation of the Hong Kong Special Administrative Region in an appropriate capacity in those international organisations in which Hong Kong is a participant in one capacity or another, but of which the People's Republic of China is not a member.

Foreign consular and other official or semi-official missions may be established in the Hong Kong Special Administrative Region with the approval of the Central People's Government. Consular and other official missions established in Hong Kong by states which have established formal diplomatic relations with the People's Republic of China may be maintained. According to the circumstances of each case, consular and other official missions of states having no formal diplomatic relations with the People's Republic of China may either be maintained or changed to semi-official missions.

States not recognised by the People's Republic of China can only establish non-governmental institutions.

The United Kingdom may establish a Consulate-General in the Hong Kong Special Administrative Region.

XII

The maintenance of public order in the Hong Kong Special Administrative Region shall be the responsibility of the Hong Kong Special Administrative Region Government. Military forces sent by the Central People's Government to be stationed in the Hong Kong Special Administrative Region for the purpose of defence shall not interfere in the internal affairs of the Hong Kong Special Administrative Region. Expenditure for these military forces shall be borne by the Central People's Government.

XIII

The Hong Kong Special Administrative Region Government shall protect the rights and freedoms of inhabitants and other persons in the Hong Kong Special Administrative Region according to law. The Hong Kong Special Administrative Region Government shall maintain the rights and freedoms as provided for by the laws previously in force in Hong Kong, including freedom of the person, of speech, of the press, of assembly, of association, to form and join trade unions, of correspondence, of travel, of movement, of strike, of demonstration, of choice of occupation, of academic research, of belief, inviolability of the home, the freedom to marry and the right to raise a family freely.

Every person shall have the right to confidential legal advice, access to the courts, representation in the courts by lawyers of his choice, and to obtain judicial remedies. Every person shall have the right to challenge the actions of the executive in the courts.

Religious organisations and believers may maintain their

relations with religious organisations and believers elsewhere, and schools, hospitals and welfare institutions run by religious organisations may be continued. The relationship between religious organisations in the Hong Kong Special Administrative Region and those in other parts of the People's Republic of China shall be based on the principles of non-subordination, non-interference and mutual respect.

The provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights as applied to Hong Kong shall remain in force.

XIV

The following categories of persons shall have the right of abode in the Hong Kong Special Administrative Region, and, in accordance with the law of the Hong Kong Special Administrative Region, be qualified to obtain permanent identity cards issued by the Hong Kong Special Administrative Region Government, which state their right of abode:

- All Chinese Nationals who were born or who have ordinarily resided in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region for a continuous period of 7 years or more, and persons of Chinese nationality born outside Hong Kong of such Chinese Nationals;
- All other persons who have ordinarily resided in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region for a continuous period of 7 years or more and who have taken Hong Kong as their place of permanent residence before or after the establishment of the Hong Kong Special Administrative Region, and persons under 21 years of age who were born of such persons in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region;
- Any other persons who had the right of abode only in Hong

Kong before the establishment of the Hong Kong Special Administrative Region.

The Central People's Government shall authorise the Hong Kong Special Administrative Region Government to issue, in accordance with the law, passports of the Hong Kong Special Administrative Region of the People's Republic of China to all Chinese Nationals who hold permanent identity cards of the Hong Kong Special Administrative Region, and travel documents of the Hong Kong Special Administrative Region of the People's Republic of China to all other persons lawfully residing in the the Hong Kong Special Administrative Region. The above passports and documents shall be valid for all states and regions and shall record the holder's right to return to the Hong Kong Special Administrative Region.

For the purpose of travelling to and from the Hong Kong Special Administrative Region, residents of the Hong Kong Special Administrative Region may use travel documents issued by the Hong Kong Special Administrative Region Government or by other competent authorities of the People's Republic of China, or of other states. Holders of permanent identity cards of the Hong Kong Special Administrative Region may have this fact stated in their travel documents as evidence that the holders have the right of abode in the Hong Kong Special Administrative Region.

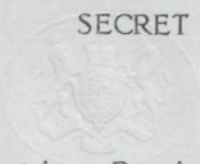
Entry into the Hong Kong Special Administrative Region of persons from other parts of China shall continue to be regulated in accordance with the present practice.

The Hong Kong Special Administrative Region Government may apply immigration controls on entry, stay in and departure from the Hong Kong Special Administrative Region by persons from foreign states and regions.

Unless restrained by law, holders of valid travel documents shall be free to leave the Hong Kong Special Administrative Region without special authorisation.

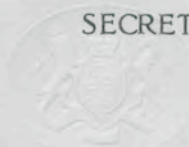
The Central People's Government shall assist or authorise the

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Hong Kong Special Administrative Region Government to conclude visa abolition agreements with states or regions.

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ANNEX II

SINO-BRITISH JOINT LIAISON GROUP

1. In furtherance of their common aim and in order to ensure a smooth transfer of government in 1997, the Government of the United Kingdom and the Government of the People's Republic of China have agreed to continue their discussions in a friendly spirit and to develop the cooperative relationship which already exists between the two Governments over Hong Kong with a view to the effective implementation of the Joint Declaration.

2. In order to meet the requirements for liaison, consultation and the exchange of information, the two governments have agreed to set up a Joint Liaison Group.

3. The functions of the Joint Liaison Group shall be;

(a) to conduct consultations on the implementation of the Joint Declaration;

(b) to discuss matters relating to the smooth transfer of government in 1997;

(c) to exchange information and conduct consultations on such subjects as may be agreed by the two sides.

Matters on which there is disagreement in the Joint Liaison Group shall be referred to the two Governments for solution through consultations.

4. Matters for consideration during the first half of the period between the establishment of the Joint Liaison Group and 1 July 1997 shall include:

(a) Action to be taken by the two Governments to enable the Hong Kong Special Administrative Region to maintain its economic relations as a separate customs territory, and in particular to ensure the maintenance of Hong Kong's participation in the General Agreement on Tariffs and Trade, the multifibre arrangements and other international arrangements; and

(b) action to be taken by the two Governments to ensure the continued application of international rights and obligations affecting Hong Kong.

5. The two Governments have agreed that in the second half of the period between the establishment of the Joint Liaison Group and 1 July 1997 there will be need for closer cooperation, which will therefore be intensified during that period. Matters for consideration during this second period shall include:

(a) procedures to be adopted for the smooth transition in 1997;

(b) action to assist the Hong Kong Special Administrative Region to maintain and develop economic and cultural relations and conclude agreements on these matters with states, regions and relevant international organisations.

6. The Joint Liaison Group shall be an organ for liaison and not an organ of power. It shall play no part in the administration of Hong Kong or the Hong Kong Special Administrative Region. Nor shall it have any supervisory role over that administration. The members and supporting staff of the Joint Liaison Group shall only conduct activities within the scope of the functions of the Joint Liaison Group.

7. Each side shall designate a senior representative, who shall be of ambassadorial rank, and four other members of the group. Each side may send up to 20 supporting staff.

8. The Joint Liaison Group shall be established on the entry into force of the Joint Declaration. From 1 July 1988 the Joint Liaison Group shall have its principal base in Hong Kong. The Joint Liaison Group shall continue its work until 1 January 2000.

9. The Joint Liaison Group shall meet in Beijing, London and Hong Kong. It shall meet at least once in each of the three locations in each year. The venue for each meeting shall be agreed between the two sides.

10. Members of the Joint Liaison Group shall enjoy diplomatic privileges and immunities as appropriate when in the three locations. Proceedings of the Joint Liaison Group shall remain confidential unless otherwise agreed between the two sides.

11. The Joint Liaison Group may by agreement between the two sides decide to set up specialist sub-groups to deal with particular subjects requiring expert assistance.

12. Meetings of the Joint Liaison Group and sub-groups may be attended by experts other than the members of the Joint Liaison Group. Each side shall determine the composition of its delegation to particular meetings of the Joint Liaison Group or sub-group in accordance with the subjects to be discussed and the venue chosen.

13. The working procedures of the Joint Liaison Group shall be discussed and decided upon by the two sides within the guidelines laid down in this Annex.

ANNEX III
LAND LEASES

The Government of the United Kingdom and the Government of the People's Republic of China have agreed that, with effect from the entry into force of the Joint Declaration, land leases in Hong Kong and other related matters shall be dealt with in accordance with the following provisions:

1. All leases of land granted or decided upon before the entry into force of the Joint Declaration and those granted thereafter in accordance with paragraphs 2 or 3 of this Annex, and which extend beyond 30 June 1997, and all rights in relation to such leases shall continue to be recognised and protected under the law of the Hong Kong Special Administrative Region.

2. All leases of land granted by the British Hong Kong Government not containing a right of renewal that expire before 30 June 1997, except short term tenancies and leases for special purposes, may be extended if the lessee so wishes for a period expiring not later than 30 June 2047 without payment of an additional premium. An annual rent shall be charged from the date of extension equivalent to 3 per cent of the rateable value of the property at that date, adjusted in step with any changes in the rateable value thereafter. In the case of old schedule lots, village lots, small houses and similar rural holdings, where the property was on 30 June 1984 held by, or, in the case of small houses granted after that date, the property is granted to, a person descended through the male line from a person who was in 1898 a resident of an established village in Hong Kong, the rent shall remain unchanged so long as the property is held by that person or by one of his lawful successors in the male line. Where leases of land not having a right of renewal expire after 30 June 1997, they shall be dealt with in accordance with the relevant land laws and policies of the Hong Kong Special Administrative Region.

3. From the entry into force of this Joint Declaration until 30 June 1997, new leases of land may be granted by the British Hong Kong Government for terms expiring not later than 30 June 2047. Such leases shall be granted at a premium and nominal rental until 30 June 1997, after which date they shall not require payment of an additional premium but an annual rent equivalent to 3 per cent of the rateable value of the property at that date, adjusted in step with changes in the rateable value thereafter, shall be charged.
4. The total amount of new land to be granted under paragraph 3 of this annex shall be limited to 50 hectares a year (excluding land to be granted to the Hong Kong Housing Authority for public rental housing) from the entry into force of the Joint Declaration until 30 June 1997.
5. Modifications of the conditions specified in leases granted by the British Hong Kong Government may continue to be granted before 1 July 1997 at a premium equivalent to the difference between the value of the land under the previous conditions and its value under the modified conditions.
6. From the entry into force of the Joint Declaration until 30 June 1997, premium income obtained by the British Hong Kong Government from land transactions shall, after deduction of the average cost of land production be shared equally between the British Hong Kong Government and the future Hong Kong Special Administrative Region Government. All the income obtained by the British Hong Kong Government, including the amount of the above mentioned deduction, shall be put into the Capital Works Reserve Fund for the financing of land development and public works in Hong Kong. The Hong Kong Special Administrative Region Government's share of the premium income shall be deposited in banks incorporated in Hong Kong and shall not be drawn on except for the financing of land development and public works in Hong Kong in accordance with the provisions of paragraph 7(D) of this Annex.
7. A Land Commission shall be established in Hong Kong immediately upon the entry into force of the Joint Declaration. The Land Commission shall be composed of an equal number of officials

designated respectively by the Government of the United Kingdom and the Government of the People's Republic of China together with necessary supporting staff. The officials of the two sides shall be responsible to their respective governments. The Land Commission shall be dissolved on 30 June 1997.

The terms of reference of the Land Commission shall be:

- (a) To conduct consultations on the implementation of this Annex;
- (b) To monitor observance of the limit specified in paragraph 4 of this Annex, the amount of land granted to the Hong Kong Housing Authority for Public Rental Housing, and the division and use of premium income referred to in paragraph 6 of this Annex;
- (c) To consider and decide on proposals from the British Hong Kong Government for increasing the limit referred to in paragraph 4 of this Annex;
- (d) To examine proposals for drawing on the Hong Kong Special Administrative Region Government's share of premium income referred to in paragraph 6 of this Annex and to make recommendations to the Chinese side for decision.

Matters on which there is disagreement in the Land Commission shall be referred to the Government of the United Kingdom and the Government of the People's Republic of China for decision.

8. Specific details regarding the establishment of the Land Commission shall be finalised separately by the two sides through consultations.

EXCHANGE OF MEMORANDA
(a) UNITED KINGDOM MEMORANDUM

MEMORANDUM

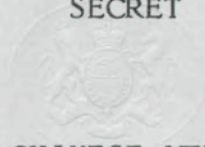
In connection with the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong to be signed this day, the Government of the United Kingdom declares that, subject to the completion of the necessary amendments to the relevant United Kingdom Legislation:

- (a) All persons who on 30 June 1997 are, by virtue of a connection with Hong Kong, British Dependent Territories Citizens (BDTCs) under the law in force in the United Kingdom will cease to be BDTCs with effect from 1 July 1997, but will be eligible to retain an appropriate status which, without conferring the right of abode in the United Kingdom, will entitle them to continue to use passports issued by the Government of the United Kingdom. This status will be acquired by such persons only if they hold or are included in such a British passport issued before 1 July 1997, except that eligible persons born on or after 1 January 1997 but before 1 July 1997 may obtain or be included in such a passport up to 31 December 1997.
- (b) No person will acquire BDTC status on or after 1 July 1997 by virtue of a connection with Hong Kong. No person born on or after 1 July 1997 will acquire the status referred to as being appropriate in sub-paragraph (a).
- (c) United Kingdom consular officials in the Hong Kong Special Administrative Region and elsewhere may renew and replace passports of persons mentioned in sub-paragraph (a) and may also issue them to persons, born before

1 July 1997 of such persons, who had previously been included in the passport of their parent.

- (d) Those who have obtained or been included in passports issued by the Government of the United Kingdom under sub-paragraphs (a) and (c) will be entitled to receive, upon request, British consular services and protection when in third countries.

SECRET



(b) CHINESE MEMORANDUM
MEMORANDUM

The Government of the People's Republic of China has received the Memorandum from the Government of the United Kingdom of Great Britain and Northern Ireland dated 1984.

Under the Nationality Law of the People's Republic of China, all Hong Kong Chinese compatriots, whether they are holders of the "British Dependent Territories Citizens' Passport" or not, are Chinese Nationals.

Taking account of the historical background of Hong Kong and its realities, the competent authorities of the Government of the People's Republic of China will, with effect from 1 July 1997 permit Chinese Nationals in Hong Kong who were previously called "British Dependent Territories Citizens" to use travel documents issued by the Government of the United Kingdom for the purpose of travelling to other states and regions.

The above Chinese nationals will not be entitled to British consular protection in the Hong Kong Special Administrative Region and other parts of the People's Republic of China on account of their holding the above-mentioned British travel documents.

SECRET

EXPLANATORY NOTES

INTRODUCTION

1. The following notes are intended to explain and amplify the material in the Annexes to the Joint Declaration and in the associated Exchange of Memoranda. They do not seek to be a comprehensive guide and do not include every point in the texts. They are designed to explain in simple terms, and to illustrate where appropriate, how the Annexes provide for the continuation of the essentials of Hong Kong's systems. Hong Kong is a highly developed industrial, commercial and financial centre and as such is a complex place. The Hong Kong Government, in consultation with Her Majesty's Government, are taking steps to ensure that further guidance and answers to detailed questions will be provided as may be necessary and appropriate.

ANNEX 1: ELABORATION BY THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA OF ITS BASIC POLICIES REGARDING HONG KONG

Section I: Constitutional Arrangements and Government Structure

2. When the People's Republic of China resumes the exercise of sovereignty over Hong Kong on 1 July 1997, Hong Kong will become a Special Administrative Region (SAR) of the People's Republic of China with a high degree of autonomy. A Basic Law to be enacted by the National People's Congress of the People's Republic of China will become the constitutional instrument for the Hong Kong SAR. The Letters Patent and the Royal Instructions, which have hitherto performed this function, will be revoked. As paragraph 3(12) of the Joint Declaration makes clear, the basic policies of the People's Republic of China as set out in the Joint Declaration and elaborated in this Annex will all be stipulated in the Basic Law.

3. This section of the Annex makes clear the important point that the Basic Law will stipulate that the socialist system and socialist policies practised in the rest of the People's Republic of China shall not be extended to the Hong Kong SAR and that Hong Kong's capitalist system and lifestyle shall remain unchanged for 50 years

after the establishment of the SAR.

4. The Annex also states that, except in relation to foreign and defence affairs, which are now the overall responsibility of Her Majesty's Government, and will with effect from 1 July 1997 become the overall responsibility of the Central People's Government of the People's Republic of China, the Hong Kong SAR will enjoy a high degree of autonomy, including executive, legislative and independent judicial power. The SAR will also have authority to conduct its own external affairs in appropriate areas (including those relating to economic, trade, financial and monetary, shipping, communications, touristic, cultural and sporting matters) as amplified in section XI of this Annex (External Relations). The SAR will enjoy a significant degree of autonomy in the maintenance and development of its air transport system as set out in Section IX of this Annex (Civil Aviation).

5. The section of the Annex on constitutional arrangements and government structure provides that the Hong Kong SAR will be under the direct authority of the Central People's Government. The SAR will therefore not be under the authority of any provincial Government.

6. The section of the Annex lays down the main elements of the structure of government in the Hong Kong SAR. It also states that the Government and legislature of the SAR will be composed of local inhabitants. The Chief Executive will be selected by election or through consultations held locally and be appointed by the Central People's Government. Officials of the rank equivalent to Secretaries will be nominated by the Chief Executive and appointed by the Central People's Government. The legislature will be elected.

7. Furthermore the Annex indicates that the executive authorities will be required to act in accordance with the law and will be accountable to the legislature; that both Chinese and English languages may be used in government and in the courts; and that the SAR may use its own flag and emblem as well as those of the People's Republic of China.

Section II: The Laws

8. This section of the Annex, which describes how the Hong Kong SAR will have its own system of laws, provides continuity of Hong Kong law beyond 1997. Since the law of the SAR will include the common law (meaning the law as developed by judges rather than as enacted by the legislature) it will remain, as now, capable of adapting to changing conditions and will be free to take account of developments in the common law elsewhere. That this is so is reinforced by specific provisions in Section III of this Annex providing that the courts of the SAR will be able to refer to precedents in other common law jurisdictions, that judges of the SAR may be recruited from other common law jurisdictions and the SAR's court of final appeal may invite judges from other common law jurisdictions to sit on it.

9. Hong Kong laws and those enacted after 1 July 1997 by the legislature of the Hong Kong SAR will be valid unless they contravene the Basic Law. The policies stated in the Joint Declaration and in this Annex will be stipulated in the Basic Law.

10. Laws enacted in the Hong Kong SAR will, as now, have to be passed by the legislature, or under its authority in the form of delegated legislation. Such laws may amend the laws of Hong Kong carried over in 1997 so long as the provisions of the Basic Law are not transgressed. After enactment, laws will have to be reported to the Standing Committee of the National People's Congress of the People's Republic of China for the record.

Section III: The Judicial System

11. The courts of Hong Kong consist of the Supreme Court, the District Courts, the Magistrates' Courts, and various statutory tribunals. The courts are at the heart of Hong Kong's legal system, which plays an important role in maintaining the stability and prosperity of Hong Kong. The Annex contains the very important provision for continuity of the judicial system.

12. Furthermore the Annex makes clear that the only change in the judicial system which will take place is the abolition of the system of appeal to the Privy Council and the substitution of arrangements for the final adjudication of disputes by a court of the Hong Kong SAR.

13. The independent exercise of judicial power and the obligation of the courts to decide cases in accordance with the law are both provided for in this section of the Annex. It also provides that the appointment of judges in the Hong Kong SAR will be subject to the recommendation of an independent commission similar to the existing Judicial Service Commission. The independence of the judiciary is protected by the provisions that judges of the SAR may only be removed from office on the grounds of inability or misbehaviour, and then only on the recommendation of a tribunal of judges of the SAR.

14. The Annex provides that the essentials of the system of appointment and removal of judges will remain unchanged, but the appointment and removal of judges of the highest rank will require the endorsement of the legislature of the Hong Kong SAR and have to be reported for the record to the Standing Committee of the National People's Congress.

15. At present the decision whether or not to prosecute in any particular case is the responsibility of the Attorney General. That responsibility is exercised independently free from government interference. The Annex provides that the responsibility will continue to be exercised in the SAR in the same independent way.

16. The Annex provides that local lawyers and also lawyers from outside Hong Kong, who contribute greatly both to the strength of the present legal system and to the success of Hong Kong as a commercial and financial centre, will continue to be able to practise law in Hong Kong. Provision is also made to enable arrangements to be continued whereby, for example, judgments obtained in Hong Kong may be enforced in other jurisdictions, and evidence may be obtained overseas for use in proceedings in Hong Kong.

Section IV: The Public Service

17. This section of the Annex provides for the continuation in Hong Kong of an impartial, stable and effective public service. This is an essential factor in ensuring Hong Kong's future stability and prosperity.

18. Under the provisions of this section of the Annex serving officers will be able to continue in employment with the Hong Kong SAR Government on terms and conditions, including pay and pensions, no less favourable than before 1 July 1997. Those special commissions which deal with pay and conditions of service will be retained. In addition, appointments and promotions will be made on the recommendations of an independent public service commission and on the basis of qualifications, experience and ability.

19. The Annex states that the Hong Kong SAR may employ foreign nationals in a number of capacities, namely as public officers (except at the highest levels), as advisers and in professional and technical posts.

20. It is explicitly provided that all pensions and other benefits due to those officers leaving the public service before or after 1997 or to their dependants will be paid by the Hong Kong SAR Government.

Section V: The Financial System

21. This section of the Annex provides for continuity in that the Government of the Hong Kong SAR will determine its own fiscal policy and manage and dispose of its financial resources, in accordance with Hong Kong's own needs. There will be no requirement to remit revenue to the sovereign power. The Annex also makes clear that the predominant authority of the legislature in financial matters, and the system for independent and impartial audit of public accounts, will continue unchanged.

Section VI: The Economic System and External Economic Relations

22. The Annex deals together with these two subjects, which are both important for Hong Kong's export-oriented economy. Hong Kong's prosperity is heavily dependent on securing continued access to its principal export markets in the developed world. This section of the Annex provides reassurance both to the community at large in Hong Kong and its trading partners that the basis for Hong Kong's flourishing free market economy will continue. It also ensures that Hong Kong's distinct position within the international trading community, on the basis of which Hong Kong enjoys its present rights of access, will continue.

23. The Annex provides for:

- (a) Hong Kong's right to continue to determine its economic policies, including trade policy, in accordance with its own needs.
- (b) The continuation of the free enterprise system, the free trade policies and the free port, which are the essentials of Hong Kong's consistent and successful economic policies:
- (c) The continuation of individual rights and freedoms in economic matters, notably the freedoms of choice of occupation, of travel and of movement of capital, and the rights of individuals and companies to own and dispose of property.

All these essential requirements are met in this section of the Annex, read in conjunction with the appropriate paragraphs of Section XIII (Rights and Freedoms). The right of the future Hong Kong SAR to decide its own economic policies is an essential part of the "one country, two systems" concept.

24. Hong Kong's participation in the General Agreement on Tariffs and Trade (GATT), through which it enjoys most favoured nation treatment in its major markets, has been an important element in its success as an exporter. Even in textiles and clothing, where the free trade principles of the GATT have been modified by the Multi-Fibre Arrangement (MFA) which is a negotiated derogation from

the normal GATT rules, Hong Kong is able to develop its trade within the MFA and the bilateral agreements negotiated under its provisions. What is even more important, Hong Kong plays an active role in the GATT and the MFA. The continuation of Hong Kong's participation in the GATT and the MFA (if the latter is extended beyond 1986, in which year it expires) is, therefore, of prime importance: and that too is provided in this section of the Annex.

25. This section of the Annex provides for the SAR to be a separate customs territory and to participate in relevant international organisations and trade agreements such as the GATT. Under the GATT there is provision for parts of countries which are separate customs territories to participate in their own right. There is no reason to suppose that any technical problems that may arise cannot be solved satisfactorily, if necessary through appropriate consultations.

Section VII: The Monetary System

26. A freely convertible currency and the right to manage the Exchange Fund, which provides the backing for the note issue and is used to regulate the exchange value of the currency, are the essential elements of Hong Kong's monetary system. This section of the Annex clearly stipulates that these essential elements shall be maintained. This means, for example, that the Government of the Hong Kong SAR will be free to decide for itself in what currencies or combinations of currencies the Exchange Fund assets will be held.

27. It is a feature of the system in Hong Kong that there is no Central Bank. The functions of a Central Bank are essentially divided between the Government (which manages the Exchange Fund) and the note-issuing banks (which are not owned or controlled by the Government). This system has served Hong Kong well, and again the Annex provides for its continuation.

28. The changes to the designs of bank notes and coins provided for in this section are a logical consequence of the fact that Hong Kong will become a Special Administrative Region of the People's Republic of China on 1 July 1997.



Section VIII: Shipping

29. A major factor in Hong Kong's trading success is its well-developed deep water port and the capacity to handle cargoes by up to date methods. Hong Kong's position as a major shipping centre will be preserved by this section of the Annex, which provides that systems of shipping management and shipping regulation will continue. Private shipping businesses and shipping-related businesses, including container terminals, may continue to operate freely.

30. The Annex states that the Hong Kong SAR will have its own shipping register and will issue certificates in the name of "Hong Kong (China)."

31. The Annex also provides that merchant shipping will have free access to the ports of Hong Kong under the laws of the SAR.

Section IX: Civil Aviation

32. This section of the Annex makes clear that Hong Kong will continue as a major centre of regional and international air services, and that airlines and civil aviation related businesses will be able to continue operating.

33. Under the provisions of the Annex the Central People's Government of the People's Republic of China will negotiate agreements concerning air services from and to other points in China through the Hong Kong SAR. However there is also a provision that in dealing with such arrangements the Central People's Government will consult the SAR Government, take its interests into account and include its representatives in delegations to air service consultations with foreign governments. By virtue of section XI (External Relations) of the Annex, such representatives may also be included in delegations to appropriate international organisations. The Central People's Government will also consult the Hong Kong SAR Government about arrangements for air services between the SAR and

other parts of China.

34. It is clearly provided that all scheduled air services touching the Hong Kong SAR which do not touch the mainland of China will be regulated by separate arrangements concluded by the SAR Government. For this purpose the SAR Government will be given specific authorisations from the Central People's Government to negotiate with foreign states and regions its own bilateral arrangements regulating air services. These will as far as possible maintain the rights previously enjoyed by Hong Kong. The SAR Government will also act under a general authority from the Central People's Government in negotiating all matters concerning the implementation of such bilateral arrangements and will issue its own operating permits for air services provided under these arrangements. The annex also states that the SAR will have the authority to licence local airlines, to keep its own aircraft register, to conduct the technical supervision of civil aviation and to manage airports in the SAR. In addition the general provisions in Section II (The Laws) of the Annex provide for continuity of previously existing civil aviation laws beyond 1997.

35. Hong Kong's civil aviation industry will thus be able to continue to make an important contribution to the effective functioning of Hong Kong's economy in terms of servicing the needs of both business and tourism.

Section X: Culture and Education

36. This section of the Annex makes clear that Hong Kong's own system of education will be continued and that it will operate separately and differently from that in other parts of China. Although most of the funds for education in Hong Kong are provided by the Government, many educational institutes were founded and are run by community and religious organisations. Explicit provision is made for this system to be maintained.

37. This section also provides for continuity in the application of present educational standards, in the use of teaching materials from overseas and in the freedom to pursue education outside Hong Kong. It therefore provides a sound basis for Hong Kong to continue to

develop an educational system which will ensure that the population will have the skills and expertise required to enable Hong Kong to maintain and improve its position in the fiercely competitive economic and trading environment within which Hong Kong operates.

38. Hong Kong has come to enjoy a varied cultural and intellectual life. This and other sections of the Annex provide for the present unique mix of cultural and intellectual influences to continue. Provision is made in section XI (External Relations) of the Annex for Hong Kong to continue to participate in international sporting events.

Section XI: External Relations

39. This section of the Annex provides for Hong Kong to continue to manage autonomously those aspects of its external relations, in particular in the economic field, which Hong Kong has over the years come to manage for itself. It takes full account of the fact that just as Hong Kong's economic interests, particularly in the trade field, have been separate from those of the United Kingdom, so they will be separate from those of other parts of the People's Republic of China after Hong Kong becomes a Special Administrative Region of the People's Republic of China on 1 July 1997. This is particularly important, since Hong Kong's access to its principal overseas markets in the industrialised world, which is crucial to Hong Kong's industry, depends upon recognition of the separate nature of these interests.

40. In keeping with the general provisions for Hong Kong to be a Special Administrative Region under Chinese sovereignty, overall responsibility for foreign affairs will lie with the Central People's Government in Peking, just as overall responsibility for these matters has lain with Her Majesty's Government in the United Kingdom in the past. At the same time the Hong Kong SAR will be able, under the provisions of this section of the annex, to look after its own particular interests by virtue of the power to be given to it to conclude agreements in appropriate fields and to be represented in the delegation of the People's Republic of China at negotiations of direct concern to Hong Kong.

41. The detailed method by which the provisions of the second paragraph of this section of the Annex will be implemented will have to be worked out during the transitional period and will be one of the matters to be considered by the Joint Liaison Group. There is a very large number of international agreements which apply to Hong Kong and whose continued application following the establishment of the Hong Kong SAR will need to be secured. This will require consultation with third countries. Where such agreements are between states, it will be necessary for the Central People's Government to authorise continued participation by the Hong Kong SAR in an appropriate form. Where Hong Kong has been a member of regional or international organisations and conferences whose participation is not limited to states, Hong Kong will be able to continue to participate.

42. The Annex provides for continuity of representation by all foreign states and organisations currently represented in Hong Kong, subject to the approval of the Central People's Government. Changes to the status of such missions may be required in order to take account of the existence or otherwise of formal relations between the People's Republic of China and a particular state. The United Kingdom will be represented in Hong Kong by a Consul General after 1 July 1997.

Section XII: Defence, Security and Public Order

43. With the establishment of the Hong Kong SAR, the British garrison will be withdrawn and the Central People's Government of the People's Republic of China will be responsible for the SAR's defence. This section of the Annex makes clear that the maintenance of public order in the SAR will be the SAR Government's responsibility. (Section IV of the Annex provides for continuity of service in the Police Department). It is also stated that military forces sent by the Central People's Government to be stationed in the SAR for the purpose of defence shall not interfere in its internal affairs, and that expenditure for these military forces will be borne by the Central People's Government.

(M) RIGHTS AND FREEDOMS

44. Basic rights and freedoms in the SAR will be protected by this section of the annex. It covers this important subject without an extended description of the rights and freedoms concerned by providing:

(a) that the rights and freedoms previously enjoyed under the laws of Hong Kong shall be maintained by the SAR Government; and

(b) that the provisions of the International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights, as they apply to Hong Kong, shall continue to apply to the Hong Kong SAR.

45. As a result, persons in the Hong Kong SAR will enjoy the same protection of the law against infringements of their basic rights as they did before the establishment of the SAR.

46. While not restricting the range of rights and freedoms the text mentions specifically some of the more important rights and freedoms presently enjoyed under the law.

47. The Covenants are too lengthy to reproduce here but they are public documents. [Footnote: Command 6702 Treaty Series No 6 (1977)]. They apply to Hong Kong, with certain reservations, and, in accordance with this section of the Annex will continue to do so after 30 June 1997. The Covenants were drafted by the United Nations Human Rights Commission and adopted by the United Nations General Assembly, and entered into force in 1976. They state a general consensus of nations on basic rights and identify in detail specific human rights and freedoms: including the right to work, to an adequate standard of living, to life and liberty, and freedom of expression, conscience, religion and association.

48. The reservations entered by the United Kingdom in respect of the application of the covenants to Hong Kong, which are also public, took account of the realities of the social and economic conditions in Hong Kong: for example, in relation to Hong Kong the United Kingdom made reservations relating to immigration and to the

deportation of aliens.

Section XIV: Right of Abode, Travel Documents and Immigration

49. This section concerns the right of abode in the Hong Kong SAR, the travel documents to be used by residents of the SAR, and immigration matters. It provides for a high degree of continuity in these areas consistent with the change in Hong Kong's status on 1 July 1997.

50. The first paragraph defines the categories of people who will have the right of abode (including the right to enter, re-enter, live and work) in the Hong Kong SAR. These include:

(a) Chinese nationals who were born in Hong Kong or have lived there continuously for at least 7 years,

(b) Chinese nationals born outside Hong Kong to Chinese nationals who have the right of abode in Hong Kong:

(c) all non-Chinese nationals who have lived in Hong Kong continuously for at least 7 years and who have taken it as their place of permanent residence, and

(d) any others who had the right of abode only in Hong Kong before 1 July 1997.

Non-Chinese nationals born in Hong Kong to parents who have the right of abode there also have the right of abode but will retain it after the age of 21 only if they have met the requirements of seven years' residence and of taking Hong Kong as their place of permanent residence. The SAR Government will issue permanent identity cards to all those with the right of abode in the SAR. These cards will state the holder's right of abode.

51. This section of the Annex states that Chinese nationals who have the right of abode in the Hong Kong SAR will be eligible for passports issued by the SAR Government. Other persons who have the right of abode, or are otherwise lawfully resident, in the SAR will be eligible for other travel documents issued by the SAR Government. Both these categories of persons may also use travel documents issued by the competent authorities of the People's Republic of China or by other governments to travel to and from the SAR: these include passports issued by the United Kingdom (see paragraphs 64 to

65 below).

52. The Annex makes clear that the right to leave the Hong Kong SAR for any purpose, eg business, study or emigration, will be maintained subject to the normal exceptions under the law. To facilitate entry by SAR residents into third countries, all travel documents issued to them will include a reference to their right to return to the SAR. The SAR Government will be assisted or authorised by the Central People's Government to conclude agreements with states or regions which provide for the mutual abolition of visa requirements.

ANNEX II: TERMS OF REFERENCE OF THE SINO-BRITISH JOINT LIAISON GROUP

53. As the Secretary of State for Foreign and Commonwealth Affairs emphasised in his press conference in Hong Kong on 1 August 1984, it is fully agreed between Her Majesty's Government and the Chinese Government that Her Majesty's Government will remain responsible for the administration of Hong Kong until 30 June 1997. Nonetheless there will, of course, be a number of areas relating to the implementation of the Joint Declaration where further consultation between the two Governments will be required after the Joint Declaration has entered into force. One obvious example in the future is the arrangements for Hong Kong's continued participation in international agreements and organisations. Such consultation will be facilitated by the Sino-British Joint Liaison Group, whose role and functions are clearly defined in Annex II.

ANNEX III: LAND LEASES

54. This Annex recognises the important part which land plays in the development and economy of Hong Kong. It provides for continuity of land administration beyond 1997.

55. It considers existing leases under two main categories: those which continue beyond 30 June 1997 and those which expire before that date. In the case of the first category (mainly 75 year leases renewable for 75 years, and 999 year leases) the rights in the leases are recognised by the annex and will be recognised and

protected under the law of the SAR after 1997. These rights include the right of renewal in the case of renewable leases, as well as rights granted by the leaseholder to other persons, eg sub-leases, mortgages and rights of way.

56. Leases which expire before 30 June 1997 (mainly New Territories leases and 75 year non-renewable leases in the urban area) may be extended without premium until 2047. A rent of three percent of current rateable value will be charged from the date of extension, except in the case of village land held by indigenous villagers who will continue to pay a nominal rent.

57. New leases running until 2047 may be issued by the Hong Kong Government in the period up to 30 June 1997. These will continue to be issued under the existing system of land disposal (ie by public auction, tender or private treaty grant). A premium will be payable and a nominal rent will be charged up to 30 June 1997. After that date, no additional premium will be payable but the rent will increase to three percent of current rateable value.

58. The concept of charging a rent on the basis of rateable values follows that used since 1973 to fix rents on the renewal of leases. It has, however, been agreed that the rent will be based on current rateable values (ie a rent which will change as rateable values change) rather than based, as at present, on a fixed reference point (ie a rent which is based on the rateable value at the date of renewal and which remains unchanged for the whole term of the lease).

59. The amount of new land which may be sold or granted by the Hong Kong Government will be limited to fifty hectares a year. There is provision for the limit to be increased to meet market demand. The limit does not include land used by the Hong Kong Government for public purposes (eg roads, government buildings, public parks, etc): nor does it include land granted to the Housing Authority for the construction of public rental housing.

60. Modifications of lease conditions will continue to be dealt with by the Hong Kong Government in accordance with existing

practice.

61. In recognition of the fact that leases which extend beyond June 1997 derive part of their value from the post-June 1997 portion of their term, the annex provides for net premium income to be shared between the Hong Kong Government and future SAR Government. Before 1997 both shares will be used exclusively for land development and public works in Hong Kong.

62. A Land Commission, consisting of an equal number of officials appointed by Her Majesty's Government and the Chinese Government, will be set up. This Commission will monitor the implementation of the provisions in this Annex and will consider proposals for increasing the limit on land sales and for drawing on the SAR Government's share of premium income. It will not, however, consider individual land cases, nor will it be involved in deciding who should be issued with new leases. The Commission will be dissolved on 30 June 1997.

ASSOCIATED EXCHANGE OF MEMORANDA ON NATIONALITY

63. Nationality and related issues are covered in two memoranda to be formally exchanged between the British and Chinese Governments on the same day as the signature of the Joint Declaration. These memoranda set out the respective positions of the two Governments.

64. Since Hong Kong will no longer be a British Dependent Territory after 30 June 1997, it will not be appropriate for those who are British Dependent Territories Citizens by virtue of a connection with Hong Kong to be described as such after that date. The United Kingdom Government will seek Parliamentary approval for legislation which will give such British Dependent Territories Citizens the right to retain a form of British nationality, with an appropriate title. This form of nationality will not give them the right of abode in the United Kingdom which they do not possess at present but it will carry benefits similar to those enjoyed by BDTs at present, including the entitlement to use British passports and to receive British consular services and protection in third countries. The status will not, however, be transmissible by descent. The United

Kingdom Government will do all they can to secure for holders of these British passports the same access to other countries as that enjoyed at present by holders of BDTc passports.

65. This form of British nationality will be acquired by former Hong Kong BDTcs only if they obtain a British passport before 1 July 1997. The only exceptions to this are:

(a) persons included in the passport of a parent before 1 July 1997 will be able to require this form of nationality and will be able to obtain a passport of their own after that date.

(b) persons who were born between 1 January and 30 June 1997 will be able to acquire the form of nationality if they obtain a passport, or are included in the passport of a parent, on or before 31 December 1997. Those who are included in the passport of a parent will be able to obtain a passport of their own after that date.

66. The Chinese memorandum states the Chinese Government's position that Hong Kong Chinese are Chinese nationals. It indicates, however, that those Chinese nationals who hold British travel documents may continue to use them after 1 July 1997. Such persons will not, of course, be entitled to consular protection by the United Kingdom Government in the Hong Kong SAR or in other parts of China.

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THE RT. HON.

MRS. MARGARETH THATCHER, P.C., M.P.

PRIME MINISTER

10, DOWNING STREET

LONDON/SW1

ARRIVING AT HONG KONG FROM PEOPLE'S REPUBLIC OF CHINA, I WISH TO CONVEY TO YOU MY WARMEST REGARDS TOGETHER WITH MY BEST WISHES FOR A SUCCESSFUL WORK IN THE NEGOTIATION THAT YOUR GOVERNMENT IS CARRYING OUT WITH PEKING

YOURS VERY SINCERELY

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INFO IMMEDIATE HONG KONG



MY TELNO 2446: FUTURE OF HONG KONG: WHITE PAPER.

1. ZHOU NAN MADE OUR MEETING THIS MORNING AS FORMAL AS HE COULD. HE SPOKE IN CHINESE THROUGHOUT (SEMI-COLON) AND HE INSISTED ON THE INTERPRETATIONS INTO CHINESE OF WHAT I SAID TO HIM. HE PUT A LOT OF STRESS ON THE FACT THAT HE WAS SPEAKING ON INSTRUCTIONS FROM HIS LEADERS (SEMI-COLON) AND IT IS MY JUDGEMENT THAT HE BUILT NOTHING OF HIS OWN INTO HIS FORMAL MESSAGE FROM THEM (PARAGRAPHS 2 - 5 OF MY TUR).
2. IT IS CLEAR FROM THIS FORMAL MESSAGE THAT THE CHINESE LEADERS ARE SERIOUSLY CONCERNED ABOUT WHAT THE WHITE PAPER MAY SAY IN EXPLANATION OF THE TERMS OF THE AGREEMENT. THE CHINESE THEMSELVES WILL DOUBTLESS PUBLISH EXPLANATORY EDITORIALS GIVING SOME OF THE HISTORICAL BACKGROUND TO THE HONG KONG PROBLEM AND URGING THE CONCEPT OF "ONE COUNTRY TWO SYSTEMS" AS THE WAY OF RESOLVING THIS AND VIRTUALLY ALL OTHER WORLD PROBLEMS. IT WOULD NOT, HOWEVER, ACCORD WITH THEIR NORMAL PRACTICE TO PUBLISH EXPLANATORY NOTES. NOR DO THEY HAVE A NEED TO DO THIS. ANY EXPLANATIONS ABOUT THE SIGNIFICANCE OR MEANING OF DIFFERENT PARTS OF THE AGREEMENT CAN BE MADE IN PRIVATE (EG TO THE STANDING COMMITTEE OF THE NATIONAL PEOPLE'S CONGRESS AND SENIOR PARTY OFFICIALS).
3. THE STRONG STAND WHICH THE CHINESE HAVE TAKEN CREATES A MAJOR DILEMMA. I BELIEVE THEY NOW ACCEPT THAT A WHITE PAPER OF SOME SORT WILL BE PUBLISHED AND THAT IT WILL INCLUDE MORE THAN SIMPLY THE TEXT OF THE AGREEMENT. THEY CANNOT TAKE EXCEPTION TO COMMENDATION OF THE AGREEMENT TO THE PEOPLE OF HONG KONG AND TO PARLIAMENT. NOR DO I THINK THEY WILL MAKE A GREAT FUSS ABOUT OUR EXPLANATION OF SOME OF THE BACKGROUND TO THE NEGOTIATION. THEIR OWN EXPLANATION OF THE HISTORICAL BACKGROUND WILL OF COURSE BE TOTALLY DIFFERENT AND THEY COULD EVEN CONTEST PUBLICLY WHAT WE

BE TOTALLY DIFFERENT AND THEY COULD EVEN CONTEST PUBLICLY WHAT WE SAY ABOUT THE NINETEENTH CENTURY TREATIES. IT WOULD NOT MATTER GREATLY IF THEY DID. BUT I JUDGE THAT THERE WOULD BE VERY SIGNIFICANT AND DAMAGING CONSEQUENCES IF THE CHINESE TOOK PUBLIC ISSUE WITH OUR EXPLANATION OF THE CONTENTS OF THE AGREEMENT ITSELF, OR WITH OUR RIGHT TO SAY ANYTHING ON THE SUBJECT AT ALL.

4. THE PROBLEM THEREFORE LIES WITH THE EXPLANATORY NOTES IN THE WHITE PAPER. I HAVE DISCUSSED HOW WE SHOULD HANDLE THIS WITH WILSON AND MCLAREN. WE ALL TAKE THE VIEW THAT THERE IS NOW A SERIOUS RISK THAT THE CHINESE WILL CHALLENGE US PUBLICLY IF WE ATTEMPT TO EXPLAIN THE CONTENTS OF ANNEX I, LET ALONE EXPAND ON IT. THESE, THEY WILL SAY, ARE CHINA'S POLICIES. THEY ARE NOT FOR BRITAIN TO EXPLAIN OR INTERPRET.

5. IF OUR ASSESSMENT OF THE RISK IS CORRECT, WE NEED TO DECIDE WHETHER THE BENEFITS TO BE DERIVED FROM PUBLISHING THE EXPLANATORY NOTES OUTWEIGH THE DISADVANTAGES. AS SEEN FROM HERE, THE EXPLANATORY NOTES ARE ESSENTIALLY A PRECIS OF WHAT APPEARS IN THE AGREEMENT ITSELF. THE CLOSER THE NOTES CONFORM TO THE LANGUAGE OF THE AGREEMENT, THE LESS RISK OF AN ADVERSE CHINESE REACTION. AT THE SAME TIME, HOWEVER, THE LESS VALUE THEY WILL HAVE AS AN EXPLANATION. ALL THOSE REALLY INTERESTED WILL READ THE FULL TEXT OF THE AGREEMENT. DO WE THEREFORE NEED TO DUPLICATE BY PROVIDING A PRECIS WITHIN THE WHITE PAPER? WOULD IT NOT BE BETTER TO USE THE EXPLANATORY NOTES FOR THE BRIEFING OF EG MEMBERS OF PARLIAMENT, JOURNALISTS AND FOREIGN GOVERNMENTS, IN CONFIDENCE AND OTHERWISE? THE INTRODUCTION AND THE TEXTS CAN STAND ON THEIR OWN. THE ONLY STRUCTURAL CHANGE REQUIRED TO THE INTRODUCTION WOULD BE TO DELETE PARAGRAPH 26. IN THE INTRODUCTION, WE STILL NEED TO TAKE CAREFUL ACCOUNT OF CHINESE SENSIBILITIES IN ORDER TO AVOID A DAMAGING REACTION. BUT THE PROBLEMS ARE MUCH LESS SERIOUS THAN THEY ARE WITH THE EXPLANATORY NOTES. RECOMMENDATIONS FOR MINOR APPROPRIATE CHANGES TO THE INTRODUCTION ARE IN MIFT.

6. TAKING ACCOUNT OF ALL THESE FACTORS, IT IS OUR STRONG RECOMMENDATIONS THAT WE SHOULD NOW DECIDE TO DELETE THE EXPLANATORY NOTES. IT COULD BE ARGUED THAT THE SAME OBJECTION DOES NOT APPLY TO THE NOTES ON ANNEXES II AND III AS TO THE NOTES ON ANNEX I SINCE THE TEXTS OF THESE ARE DESCRIBED AS AGREED. BUT WE JUDGE THAT NOTES TO EXPLAIN THESE DOCUMENTS STILL RUN THE RISK OF PROVOKING A PUBLIC REACTION AND THAT THEIR INCLUSION COULD HIGHLIGHT THE ABSENCE OF NOTES ABOUT ANNEX I.

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FROM PEKING 190500Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2446 OF 19/9/84

INFO IMMEDIATE HONG KONG

YOUR TELNO 1228: FUTURE OF HONG KONG: WHITE PAPER

This is going to be very difficult. We shall probably have to drop the explanatory section & let the agreement speak for itself. The explaining can be done in other ways - speeches, interviews, briefings etc. C D D

1. I SAW ZHOU NAN THIS MORNING. HE TOLD ME THAT HE HAD REPORTED WHAT I HAD SAID YESTERDAY ON INSTRUCTIONS ABOUT THE WHITE PAPER TO CHINESE LEADERS INVOLVED. THEY FELT VERY CONCERNED ABOUT THE MATTER AND HAD INSTRUCTED HIM TO MAKE THE CHINESE POSITION EMPHATICALLY CLEAR.

2. THIS POSITION WAS THAT THE CHINESE SIDE INTENDED TO PUBLISH THE WHOLE AGREEMENT, BUT WOULD NOT OFFER ANY EXPLANATION OF ITS CONTENT OR PROVISIONS. IN PRINCIPLE, NEITHER SIDE HAD THE RIGHT TO PUBLISH A ONE-SIDED EXPLANATION OF THE AGREEMENT, WHICH HAD BEEN REACHED AFTER MUCH CAREFUL DISCUSSION AND CONSIDERATION, STILL LESS TO DISTORT ITS MEANING.

3. IF THE BRITISH GOVERNMENT WISHED TO PREPARE AN EXPLANATION FOR INTERNAL PURPOSES, BUT NOT FOR PUBLICATION, THEN THAT WAS ENTIRELY THEIR AFFAIR, AND WAS A DIFFERENT MATTER FROM PUBLISHING AN EXPLANATION. EQUALLY, IT WAS A BRITISH AFFAIR IF QUESTIONS OF ONE SORT OR ANOTHER ON THE AGREEMENT WERE RAISED IN PARLIAMENT. BUT IF THE BRITISH SIDE PUBLISHED A WHITE PAPER AS A GOVERNMENT DOCUMENTS WHICH OFFERED A ONE-SIDED EXPLANATION OF THE CONTENT OF THE AGREEMENT, THEN THE CHINESE SIDE WOULD CONSIDER THIS A VERY SERIOUS MATTER. HOW WOULD THE BRITISH SIDE REACT IF THE CHINESE GOVERNMENT OFFERED A ONE-SIDED EXPLANATION IN AN OFFICIAL PAPER? THE CHINESE SIDE THEREFORE HOPED THAT, IF THE BRITISH SIDE WERE TO PUBLISH A WHITE PAPER, IT WOULD CONTAIN ONLY THE AGREEMENT ITSELF AND NOT AN EXPLANATION OF THE AGREEMENT, ESPECIALLY NOT A ONE-SIDED EXPLANATION OF THE AGREEMENT'S MAIN PROVISIONS.

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4. IN THE CHINESE VIEW, THE TWO SIDES HAD MADE TREMENDOUS EFFORTS OVER A LONG PERIOD OF TIME IN ORDER TO REACH AGREEMENT AND THE RESULT WAS SOMETHING THAT HAD BEEN FOUGHT HARD FOR ON BOTH SIDES. THEREFORE THE FIRST AND MOST IMPORTANT THING FOLLOWING ITS INITIALLING WAS TO SAFE-GUARD THE AGREEMENT AND ENSURE ITS SMOOTH IMPLEMENTATION.

BOTH SIDES SHOULD DO THEIR UTMOST TO AVOID A SITUATION IN WHICH THE AGREEMENT WAS DAMAGED THROUGH THE OVER-SIGHT OR IMPRUDENCE OF ONE SIDE. OTHERWISE, THERE WOULD BE A CONSIDERABLE RISK OF OPEN DEBATE IN THE WAKE OF INITIALLING, WITH THE INEVITABLE SERIOUS CONSEQUENCE OF SEVERE DAMAGE TO HONG KONG'S PROSPERITY AND STABILITY.

5. FOR THIS REASON, THE CHINESE LEADERS CONCERNED WERE GREATLY CONCERNED ABOUT THE MATTER. THE CHINESE SIDE HOPED THAT THE BRITISH SIDE WOULD PROVIDE THE FULL TEXT OF THE WHITE PAPER AS EARLY AS POSSIBLE. IN THESE CIRCUMSTANCES, THE CHINESE GOVERNMENT WOULD CONSIDER AND DECIDE, AFTER A CAREFUL STUDY OF THE WHITE PAPER, HOW TO REACT. ZHOU CONCLUDED BY EMPHASISING THAT HE HAD BEEN SPEAKING ON THE INSTRUCTIONS OF HIS SUPERIORS.

6. I SAID THAT WHAT HE HAD CONVEYED TO ME WOULD CAUSE SOME CONSTERNATION IN LONDON (SEMI COLN) THE CHINESE SIDE HAD KNOWN FOR SOME TIME THAT WE INTENDED TO PUBLISH A WHITE PAPER WHICH INCLUDED EXPLANATORY MATERIAL. SAYING THAT I WAS SPEAKING ON INSTRUCTIONS, I SAID THAT, FOR PRACTICAL REASONS, IT SIMPLY WOULD NOT BE POSSIBLE TO PROVIDE A COPY OF THE WHITE PAPER MORE THAN A SHORT TIME IN ADVANCE OF ITS PUBLICATION.

I RECALLED THAT I HAD TOLD ZHOU THAT I WOULD GIVE HIM TOWARDS THE END OF THIS WEEK A GENERAL ACCOUNT OF THE CONTENTS OF THE WHITE PAPER. THIS WOULD BE AS FULL AS POSSIBLE, IN THE LIGHT OF THE STATE OF PREPARATION OF THE PAPER AT THAT TIME.

7. ZHOU CONCEDED THAT THE CHINESE SIDE HAD KNOWN ABOUT THE WHITE PAPER FOR SOME TIME. THIS WAS WHY HE HAD MADE THE CONCERNS OF THE CHINESE SIDE KNOWN AT AN EARLY STAGE AND HAD EXPRESSED THE HOPE THAT WE WOULD TELL THEM OF THE EXACT CONTENT OF THE WHITE PAPER. HE RECALLED FIRST DISCUSSING THE SUBJECT ABOUT A FORTNIGHT AGO AND SUBSEQUENTLY ON A NUMBER OF OCCASIONS. HE HAD FAILED SO FAR TO GET A SATISFACTORY RESPONSE. THE FACT THAT HE HAD YESTERDAY REPORTED IMMEDIATELY TO HIS SUPERIORS DEMONSTRATED THE CONCERN THAT THE CHINESE SIDE HAD ALL ALONG FELT ABOUT THE MATTER, AND TALK OF CONSTERNATION AT WHAT HE HAD JUST SAID WAS THEREFORE UNJUSTIFIED. HE HAD NOT BEEN TALKING ABOUT ANYTHING NEW. WHAT I HAD JUST SAID ON INSTRUCTIONS IN RESPONSE TO HIS REMARKS WOULD NOT SATISFY HIS LEADERS. THE CHINESE SIDE BELIEVED THAT THE BRITISH SIDE INTENDED TO PUBLISH AND DISTRIBUTE IN HONG KONG AS MANY AS

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ONE MILLION COPIES OF THE WHITE PAPER ON THE DAY OF INITAILLING. IF COMPLETION OF THE PAPER TOOK SO LONG, HOW COULD A MILLION COPIES BE PUBLISHED ON THE VERY DAY OF INITAILLING? THE GENERAL ACCOUNT OF THE WHITE PAPER WHICH I HAD PROMISED WOULD NOT HELP MUCH. THE CHINESE SIDE COULD NOT MAKE A JUDGMENT ON THE BASIS OF SUCH AN ACCOUNT OF WHAT SPECIFIC EXPLANATORY REMARKS WOULD BE IN THE WHITE PAPER. NOR COULD THEY DECIDE ON THAT BASIS WHERE IT WOULD BE NECESSARY TO MAKE A GOVERNMENT STATEMENT AT THE TIME OF OR SHORTLY AFTER THE PUBLICATION OF THE WHITE PAPER.

8. I POINTED OUT THAT OUR INTENTION TO PUBLISH A WHITE PAPER HAD BEEN MADE KNOWN BY YOU AS LONG AGO AS JULY, IN AN ANSWER TO A WRITTEN PQ. I REJECTED HIS ARGUMENT THAT OUR PLAN TO PUBLISH A LARGE NUMBER OF COPIES OF THE WHITE PAPER IN HONG KONG INDICATED THAT WORK ON IT WOULD BE COMPLETED WELL IN ADVANCE. MODERN METHODS OF COMMUNICATION AND PRINTING MADE SUCH THINGS POSSIBLE AT VERY HIGH SPEED. I EMPHASISED THAT THE ACCOUNT I WOULD BE AUTHORISED TO GIVE HIM WOULD BE AS FULL AS POSSIBLE. IT WOULD NOT BE A MATTER OF A TWO OR THREE LINE EXPLANATION

9. I STRESSED THAT AN IMPORTANT PURPOSE IN PUBLISHING THE WHITE PAPER WAS TO ENSURE THAT THE AGREEMENT HAD AS GOOD A LAUNCH AS POSSIBLE IN HONG KONG AND GOT A FAVOURABLE RECEPTION. BOTH SIDES SHARED AN INTEREST IN THAT. WE DID NOT WANT TO MAKE WAVES (SEMICOLON) WE WANTED TO PREVENT WAVES BEING MADE. ZHOU REPLIED THAT HE DID NOT DOUBT OUR INTENTIONS. BUT GOOD INTENTIONS COULD VERY EASILY LEAD TO BAD RESULTS IF THE APPROACH ADOPTED WAS INAPPROPRIATE. MANY PROVISIONS IN THE AGREEMENT HAD BEEN AGREED ONLY AFTER LENGTHY DISCUSSIONS AND THROUGH COMPROMISE. THEY WERE DELICATELY BALANCED AND IF ONE SIDE WERE TO MAKE A ONE SIDED EXPLANATION IT WOULD BE SURE TO LEAD TO CONFUSION. IN THE CHINESE VIEW, THE PROVISIONS OF THE AGREEMENT WERE SELF-EXPLANATORY. WHY WAS IT NECESSARY TO RUN THE CONSIDERABLE RISK OF TOUCHING OFF AN OPEN DEBATE? I REPEATED THAT WE WISHED TO SEE THE AGREEMENT RECEIVED AS WELL AS POSSIBLE IN HONG KONG. ZHOU ARGUED THAT PEOPLE IN HONG KONG WERE NOT FOOLS AND THAT THEY WOULD BE ABLE TO SEE FOR THEMSELVES WHAT WAS CONTAINED IN THE AGREEMENT WITHOUT THE NEED FOR ONE SIDE OR THE OTHER TO EXPLAIN IT. CHINESE LEADERS DID NOT WANT TO SEE THE HARD-WON AGREEMENT DAMAGED. I SAID THAT THE BRITISH SIDE CERTAINLY SHARED THAT VIEW.

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10. I ASKED ZHOU ABOUT INTENTIONS OF THE CHINESE SIDE IMMEDIATELY AFTER THE INITIALLING. HE HAD MENTIONED THE POSSIBILITY OF EDITORIALS. WOULD THESE CONTAIN ANYTHING BY WAY OF EXPLANATION OF THE AGREEMENT? ZHOU HAD NO CLAR IDEA WHAT EDITORIALS WOULD APPEAR, BUT THEY WOULD PROBABLY OFFER CONGRATULATIONS ON THE CONCLUSION OF AN AGREEMENT AND EXPLAIN THE HISTORICAL SIGNIFICANCE OF THE EVENT

11. I WILL COMMENT AS SOON AS POSSIBLE

EVANS

FUTURE OF HONG KONG
LIMITED

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HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
RESEARCH D (MR WALKER)
LEGAL ADVISERS(SIR J FREELAND)
PS
PS/LADY YOUNG
PS/MR LUCE
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SIR W HARDING
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SPEAKING NOTE FOR SIR S Y CHUNG AT A MEETING WITH THE PRIME
MINISTER AND SECRETARY OF STATE ON 19 SEPTEMBER 1984 AT 10
DOWNING STREET

Prime Minister

We are glad to have this opportunity to meet with you again on the eve of the conclusion of the talks on the Sino-British Agreement on the future of Hong Kong. And I thank you on behalf of all my colleagues for seeing us yet again, the sixth occasion on which we have been privileged to tender advice to you.

2. You will recall, Prime Minister, that UMELCO issued a statement in May this year in which they listed the four most important requirements which they considered to be essential in the Sino-British Agreement. Since the publication of their paper, they have received a large number of representations from a wide cross-section of the community expressing their support. A major English language newspaper also commissioned an independent research firm to conduct a survey which showed that 82% of the community agreed with our paper. In addition, over 70% of the Unofficial Members of the District Boards came out in support. From these views, it is clear that a large majority of the people of Hong Kong supported UMELCO's views as reflecting their worries and their wishes.

3. Briefly, UMELCO's paper listed four basic requirements which they considered to be essential for the acceptability of the Agreement. These were, first, that the Agreement must contain full details of all the systems in Hong Kong after 1997; second that it must state that the provisions of the Basic Law will incorporate the provisions of the Agreement; third, that it must provide adequate and workable assurances that the terms of the Agreement will be honoured; and finally that the rights of British Nationals will be safeguarded. Given the support that UMELCO have received from the community on these four basic

/requirements



requirements, it follows that acceptability will, to a large extent, depend on how far the Agreement meets these requirements. The question is, therefore, does the Agreement meet these requirements?

4. We believe that the Agreement meets the first requirement; that is to say, the Agreement does provide sufficient details of the administrative, legal, social and economic systems which will continue in the SAR after 1997. There are, however, some important areas where precise details are lacking. For example, what exactly will be the Government structure? How will the executive authorities be appointed? We are worried that the Chinese may sweep away those institutions of Government that will evolve before 1997 and instal or impose a form of rule that will be alien to Hong Kong's evolving political institutions. How will the Head of the Civil Service be appointed? Would he be a political or a career civil servant? There are also worrying questions. In the legal system, for example, the continuation of existing laws in Hong Kong is qualified by a provision that they must not contravene the Basic Law. We also regret that our suggestion that there should be a provision that any changes to the Basic Law should only be allowed if they were initiated in Hong Kong is not stated in the Agreement.

5. The Agreement fully meets the second requirement in clearly stating that the future Basic Law will incorporate the provision of the Agreement.

6. As to the Agreement meeting the third requirement of providing adequate and workable assurances this is somewhat subjective, and different persons may have different assessments. Nonetheless, many people believe that a major assurance would be a continuing British link or a residual British presence after 1997. In this respect, we are glad that HMG have been able to secure agreement from the Chinese for the Joint Liaison Group to continue in existence for two and a half years

/after 1997.



As you know, Prime Minister, we have consistently advised that HMG should press for a straddle beyond 1997. We have sometimes wondered in the past if HMG were as committed to that objective as we were, but in the end it was secured until the beginning of the year 2000. A two and a half year straddle is better than none and this is a form of assurance.

7. Another assurance, we believe, is the fact that this agreement and its annexes 'shall be equally binding'. We trust, and we seek your assurance, Prime Minister, that this means that this Agreement is legally binding on both Governments and that if there are any breaches within the life of the Agreement, HMG and its successor governments as well, will be obliged to make the strongest representations to the Chinese Government in the best interests of the people of Hong Kong. We assume, also, that the binding nature of this Agreement means that HMG will have a continuing legal and moral obligation to see that the terms of the Agreement are honoured.

8. Lastly, on the fourth requirement of the rights of British Nationals, whilst the right of BDTCs to use a British passport will give people some comfort, we believe that HMG will be vulnerable in so far as the withdrawal of transmissibility is concerned. In particular, not only will the proposed withdrawal of transmissibility deprive BDTCs of their existing rights, but it will strip BDTCs of their right to transmit British Nationality for one generation even if they choose to leave Hong Kong permanently. We believe that this is legally and morally wrong and it cannot be argued that this has to be done because of Chinese objections. The rights of BDTCs outside of Hong Kong and China are entirely within HMG's complete authority.



9. So, the Agreement falls short of meeting completely all our requirements, but what is the alternative? The alternative is no agreement and the likelihood of a unilateral declaration by the Chinese. A unilateral declaration may not contain all the details we require; may not be binding; may not provide any assurances or an undertaking about the future Basic Law. It almost certainly would not safeguard the rights of Hong Kong BDTs. In all the circumstances, therefore, we believe that the people of Hong Kong will accept the reality of the unpalatable alternative. They will see that the Agreement, on the whole, is better than no agreement at all. It contains much that is to be welcomed (for example, on land). It contains more detail than at one time seemed possible. It is a vast improvement on the bare bones of the Chinese twelve-point plan. Our assessment, therefore, is that the Agreement, as a whole, will be acceptable to the majority of the people of Hong Kong.

10. We, the Unofficial Members of the Executive Council, will commend it to the people of Hong Kong. However, in commending it, we hope that you can assure us on four points:

First, that HMG and its successor governments will maintain a credible and effective government and retain real control in Hong Kong in the next thirteen years;

Second that HMG and its successor governments will be resolute in the Joint Liaison Group, and will reject any attempt by the Chinese to interfere in the administration of Hong Kong before 1997;

Third, that HMG and its successor governments will do what they can to ensure that the Basic Law will conform with the terms of the agreement, and that if the eventual Basic Law does not fully reflect the provisions of the Agreement then HMG will challenge the Chinese, even at the risk of a row;

/Fourth



Fourth, that HMG and its successor governments will have a continuing obligation during the life of the Agreement until 2047 to ensure that there are no breaches of the Agreement. do all they can

11. Finally, there is one specific suggestion we should like to make. We believe it important that the status and the binding nature of this Agreement be underlined by the Agreement being signed by you, Prime Minister, and your counterpart in the Chinese Government. We believe that this would provide a further assurance to the people of Hong Kong of the importance accorded to this Agreement by both Governments. We sincerely hope that you will feel able to arrange this.

12. Prime Minister, the last two years have been historic years: sometimes frustrating, sometimes emotional for all of us. We have not always agreed. The advice of the Unofficial Members was not always accepted. But we all of us were united and determined on the objective, that of securing the future prosperity and stability of Hong Kong. We believe that what we have today is a reasonable agreement, the best that can be achieved, and one which we can commend to the people of Hong Kong in good conscience.

13. There was, and still is, some unfair criticism, particularly in the United Kingdom, about the way in which these negotiations have been handled. We should like to put it on record that we disagree with these ill-informed commentaries. We believe that you were right, Prime Minister, when you stated, from the outset, the legal position of the treaties. We also believe that we would not be able to account for ourselves to the people of Hong Kong if we had not sought the continuation of British administration.

14. We are grateful to you, Prime Minister, and to your colleagues for your personal interest and efforts in these negotiations. We are particularly grateful to the Governor of

/Hong Kong



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Hong Kong and his Hong Kong team. Like your team here, the Hong Kong team has worked long and hard but the Governor deserves a special tribute. As the Governor of Hong Kong and as the Queen's representative, there have, inevitably, been some conflicting pressures on him. In all these, the Governor has always acted fairly and honestly.

TEXT OF A STATEMENT FOLLOWING THE PRIME MINISTER'S MEETING
WITH THE GOVERNOR AND THE UNOFFICIAL MEMBERS OF THE
EXECUTIVE COUNCIL OF HONG KONG ON WEDNESDAY, SEPTEMBER 19,
1984 AT 10 DOWNING STREET

The Prime Minister and the Foreign Secretary this evening had a meeting with the Governor and the Unofficial Members of the Executive Council of Hong Kong. The Minister of State FCO, Mr. Richard Luce, was also present.

This was the fifth visit by the Governor and the Unofficials since July 1983.

This meeting took place on the eve of consideration by the Cabinet of the draft Joint Declaration by the United Kingdom and Chinese Governments on the question of Hong Kong.

The meeting had a thorough discussion of the draft text which British and Chinese negotiators in Peking had now referred to their respective Governments for consideration. This resulted in a full identity of views.

The Executive Council has throughout been fully consulted and informed about the negotiations between the British and Chinese Governments.

Her Majesty's Government place on record their recognition of the valuable part which the close consultations between Ministers and the Executive Council of Hong Kong have played throughout the negotiations. It was agreed that the same close consultations will continue in the future.

The Prime Minister and the Foreign Secretary expressed their understanding of the difficult role which the

Unofficials had had to play in advising Ministers and the Governor during the course of the negotiations. They reiterated their admiration for the way in which the Unofficials had fulfilled this role and for the way in which they had strongly represented the views and interests of the people of Hong Kong at all times.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

19 September, 1984

Dear Charles,

Future of Hong Kong: Prime Minister's Meeting with EXCO

Unofficials: Press Release

On previous occasions we have issued a press release following EXCO Unofficials' meetings with the Prime Minister. It will be particularly important to do so this time, as all eyes in Hong Kong are turned on London during the visit.

I enclose a draft of a press release, based fairly closely on previous examples. It does however make it clear the Unofficials have given Ministers their views on the draft Agreement. We shall not, of course, be able to announce HMG's decision on the agreement until Cabinet has considered it tomorrow, and until Chinese leaders have also agreed to accept it. In the meantime, we recommend that the public line should be that the Unofficials have given their advice, but Ministers will want to consider it collectively before taking a decision.

We also need to decide what line the Governor and Unofficials should take on their return to Hong Kong when they will be closely questioned by the press. We believe that they should stick closely to this press release. They should simply say that they have given Ministers their advice on the draft Agreement, and that this advice must for the moment remain confidential.

Mr Luce will discuss these matters with the Unofficials prior to their meeting with the Prime Minister.

Yours ever,
Peter Ricketts

(C D Powell)
Private Secretary

C D Powell Esq
10 Downing Street

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DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM

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.....In Confidence

The Prime Minister and the Foreign Secretary this evening had a meeting with the Governor and the Unofficial Members of the Executive Council of Hong Kong. The Minister of State / Mr Richard Luce, was also present.

CAVEAT.....

This was the fifth visit by the Governor and the Unofficials since July 1983. There was a full discussion of the draft text of the agreement on the future of Hong Kong which British and Chinese negotiators in Peking have now referred to their respective governments for consideration.

The Executive Council has throughout been kept fully informed about the negotiations between the British and Chinese Government.

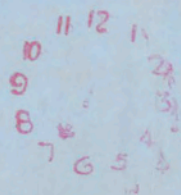
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There was full recognition of the valuable role which the close consultations between Ministers and the Executive Council of Hong Kong have played throughout the negotiations. It was agreed that the same close /consultations

consultations would continue in the future.

The Prime Minister and the Foreign Secretary reiterated their admiration for the way in which the Unofficials had fulfilled this difficult role of advising the Governor and Ministers during the course of the negotiations.

19 SEP 1984



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FROM PEKING 181230Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2439 OF 18/9/84

INFO IMMEDIATE HONG KONG



MT

MY TEL NO 2433: FUTURE OF HONG KONG: WHITE PAPER

1. ZHOU NAN HAS ASKED ME TO CALL ON HIM AGAIN TOMORROW MORNING. I SHALL DO SO AT 0930 LOCAL TIME. IN PASSING THE MESSAGE, THE MFA MADE IT CLEAR THAT ZHOU WISHED TO TALK ABOUT THE WHITE PAPER. HE WILL NO DOUBT ASK FOR YOUR RESPONSE TO HIS REQUEST THAT THE CHINESE SIDE SHOULD BY GIVEN THE TEXT OF THE WHITE PAPER WELL IN ADVANCE.

2. ZHOU'S REMARKS THIS MORNING AMOUNTED OF COURSE TO A REQUEST THAT WE SHOULD GIVE THE CHINESE THE OPPORTUNITY TO SEEK AMENDMENTS TO NMT THE WHITE PAPER. THERE IS CLEARLY NO QUESTION OF THIS. BUT IT WILL BE VERY IMPORTANT TO TAKE ACCOUNT OF CHINESE SENSIBILITIES WHEN FINAL DECISIONS ARE TAKEN ABOUT THE CONTENT AND WORDING OF THE WHITE PAPER, AND THEREBY TO MINIMISE THE RISK THAT THE CHINESE WILL TAKE PUBLIC ISSUE WITH ANY INTERPRETATIONS OF THE DOCUMENTS OR OTHER STATEMENTS WHICH THEY DID NOT LIKE. TO THIS END, WE SHALL BE LOOKING VERY CAREFULLY AT THE LATEST DRAFT FOR PART III OF THE WHITE PAPER IN YOUR TELNO 1850 AND WILL SEND COMMENTS SEPARATELY. IF THERE IS TIME, PLEASE HAVE A FINAL LOOK AT SECTION I AS WELL.

A FINAL LOOK AT SECTION 1 AS WELL.

3. I RECOMMEND THAT I SHOULD BE AUTHORISED TO TELL ZHOU THAT IT WOULD SIMPLY NOT BE PRACTICABLE TO GIVE THE CHIUN E THE TEXT OF THE WHITE PAPER AORE THAN A SHORT TIME IN ADVANCE. THIS IS BECAUSE IT IS STILL BEING WORKED ON AND WILL NOT VE FINALISED UNTIL SHORTLY BEFORE PUBLICATION. BUT, AS I SAID TO HIM THIS MORNING, I WOULD GIVE HIM A FAIRLY FULL ACCOUNT OF THE CONTENTS OF THE PAPER AT THE END OF THIS WEEK.

4. I WOULD LIKE TO ADD THAT I WOULD HOPE TO BE ABLE TO GIVE HIM THE FULL TEXT OF THE PAPER SOME 24 HOURS IN ADVANCE OF PUBLICATION. I BELIEVE THAT TO DO SO ONLY 6 HOURS IN ADVANCE AS ENVISAGED I YOUR TEL NO 1220 WOULD BE TAKEN AS DISCOURTESY RATHER THAN THE REVERSE SINCE IT WOULD GIVE THE CHINESE BARELY TIME TO READ THE TEXT, LET ALONE MAKE A SUMMARY FOR SUBMISSION TO LEADERS, BEFORE PUBLICATION. I HOPE THAT ON RECONSIDERATION YOU WILL BE ABLE TO AUTHORISE THIS.

5. IF I AM SO AUTHORISED, I SUGGEST THAT I SHOULD TELL ZHOU THAT WE WOULD REAGR D ANY EDITORIAL PUBLISHED IN THE PEOPLE'S DAILY AS A HIGHLY AUTHORITATIVE COMMENTARY AND THAT WE WOULD EXPECT THE CHINESE TO SHOW US THE SAME COURTESY OVER ITS TEXT AS WE WERE EXTENDING TO THEM OVER THE TEXT OF THE WHITE PAPER.

6. I SHOULD BE GRATEFUL FOR INSTRUCTIONS DESKBY 182330Z

EVANS

NNNN

SECRET

56



Foreign and Commonwealth Office

London SW1A 2AH

17 September 1984

Prime Minister

You may prefer to
see this tonight as you
are out tomorrow.

CDP
17/9.

Dear Charles,

Future of Hong Kong: Prime Minister's Meeting with EXCO
Unofficials, 19 September

I attach a brief for the Prime Minister's use at her meeting with EXCO Unofficials on 19 September. The Foreign Secretary returns from Bonn just before the meeting and will not have had a chance to see the Unofficials separately. Mr Luce will however see them immediately before they call on the Prime Minister, and Sir Geoffrey will attend the talks with the Prime Minister and offer them dinner afterwards.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

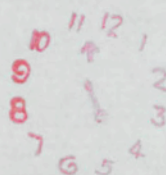
SECRET

Foreign and Commonwealth Office

London SW1A 7AA



7 SEP 1984



PRIME MINISTER'S MEETING WITH UNOFFICIAL MEMBERS OF THE
EXECUTIVE COUNCIL OF HONG KONG: 19 SEPTEMBER 1984

POINTS TO MAKE

- I. Introduction
- II. Review of the Negotiations
- III. The Future
- IV. Specific Points Likely to be Raised by Unofficials
 - (a) Can Unofficials Reveal Advice to HMG?
 - (b) Signature of Agreement
 - (c) Nationality
 - (d) Undertakings
 - (e) Joint Liaison Group
 - (f) Defence
 - (g) Constitutional Development
 - (h) Pensions

PRIME MINISTER'S MEETING WITH THE UNOFFICIAL MEMBERS OF THE HONG KONG EXECUTIVE COUNCIL OF HONG KONG, 19 SEPTEMBER 1984

I INTRODUCTION

1. Glad to see you here again. Have come a long way together in last two years.

2. Like to pay tribute to your contribution. Your advice invaluable. Recognise your role difficult - unable to tell other people in Hong Kong what was happening, but required to represent them. Consider you have served them faithfully and well.

II REVIEW OF THE NEGOTIATIONS

Help we have had from Canada - clarity of advice

3. Glad to see that a full text has now been agreed in Peking. Believe it is as good as it was possible to get, and in most respects objectively good too. Recognise in some respects not as good as you had hoped. But believe that what is good in it heavily outweighs what is less good.

significant

difficult with no results

4. Give and take is a necessary part of negotiation. This is not the agreement we ourselves would have dictated. It is however a very considerable improvement on what the Chinese were initially offering. In particular:

(a) Agreement and annexes legally binding on the two sides. [We shall register it at the UN.] China has a good record of observing international agreements.

→

Continued by a second session

- legally binding - sharp response to Chinese fait.

(b) The policies set out in agreement and annexes will be included in the Basic Law, and will be preserved for 50 years from 1997.

(c) Text contains a remarkable degree of detail about Chinese policies after 1997, all of which will go into the Basic Law.

(d) Particularly glad that we were able to get commitment to elected Legislature and accountability of executive to it.

5. Appreciate we have not been able to obtain everything you would have wanted. Loss of transmissibility of nationality status particularly hard for you. But Chinese position very firm. Do not believe we could have pushed them further. Using transmissibility as last minute bargaining card enabled us to obtain significant concessions. Believe points agreed on nationality in annex one and exchange of memoranda represent very significant achievements. Have made satisfactory practical arrangements on use of passports and right of abode despite Chinese not formally recognising dual nationality or separate Hong Kong citizenship.

6. Grateful to have your views on agreement, and your assessment of whether it will be acceptable in Hong Kong.

III THE FUTURE

7. Now at the end of the negotiations. Believe we have provided a satisfactory framework for the future. But only people of Hong Kong themselves can make agreement work. Need leadership and determination. Hope you will give firm lead, both on publication of agreement and thereafter.

IV SPECIFIC POINTS LIKELY TO BE RAISED BY UNOFFICIALS

(a) What attitude should Unofficials take in public about their advice during negotiations and about specific points in agreement which are less good?

8. Your advice to Governor confidential. This stipulated by oath of fidelity. Apart from that would be dangerous and divisive for individual Unofficials to say they advised in this way or that on specific points. Hope you will restrict yourselves to general public line that there was close consultation throughout and broad

measure of agreement.

Transmissibility

9. Idle to pretend agreement ideal in every way. Product of negotiation and had to give as well as take. But hope you will say you regard it as best obtainable. On individual points which were not obtained will have to say not obtained because not negotiable.

(b) Will Prime Minister sign agreement?

10. I am giving this consideration. If diary permits will do my best to meet your wishes.

(c) Nationality

[HMG intentions on amending British Nationality Act]

11. Agreement only just concluded. Will now have to work out how to amend British Nationality Act in a way consistent with it. Have not decided what to call new form of nationality: interested to hear your ideas. All BOTCs will have right to new nationality, but because of attitude Chinese have taken they will have to assert that right by obtaining a passport before 30 June 1997.

Consider
Pros & Cons

[Position of non-Chinese BOTCs]

12. Understand Chinese have said that non-Chinese ex-BOTCs in Hong Kong will be able to apply for Chinese citizenship. If their children are born outside Hong Kong they will be able to enter SAR to acquire right of abode through residence. Recognise that we shall have to deal in relevant legislation with problems of anyone who is likely to become stateless. Likely to do this by means of provisions analogous to those in Schedule II of British Nationality Act.

[HMG should continue transmissibility unilaterally]

15. Regret not possible. Foreign Secretary's message to Wu agreed to drop transmissibility if we could reach agreement on other nationality points. Going back on this would provoke hostile Chinese response and encourage them to disregard unilaterally other

parts of Agreement. We must not give them this opening.

(d) UNDERTAKINGS

14. Pleased we were able to agree to your proposals on undertakings to those who may be at risk. Convinced this was necessary to recognised loyal service of public servants and Unofficials. Hope arrangements will help to reassure those worried about future.

15. Expect news of undertakings will become publicly known. Important that undertakings should not give impression that we have no confidence in Agreement. Hope most of those concerned will wish, and will be able, to continue living and working in Hong Kong. Public statements on undertakings must be kept to minimum and carefully considered.

16. [If EXCO ask about definition of dependants] No limit on number of dependants who are eligible under Immigration Rules. This will be made clear in assurance given. Home Secretary will give flexible interpretation to "compassionate" cases who otherwise fall outside criteria but would be in real danger of retribution. Such cases will be considered on individual basis.

17. [If EXCO ask whether undertakings could take form of grant of citizenship rather than settlement] Do not think this appropriate. Many would not fit criteria for eligibility under BNA; this would be divisive. Idea of undertakings is to assure people they can come here in case of need. Once here will be able to obtain citizenship following period of residence.

(e) JOINT LIAISON GROUP

18. Neither we nor you wanted a joint group in Hong Kong. Believe however we have agreed satisfactory terms that will prevent interference. Agreement makes it absolutely clear that we will continue to be responsible for administration until 1997.

19. Joint Liaison Group could have a useful role in educating Chinese officials about workings of Hong Kong. Could give us a role

in drafting of the Basic Law.

(f) DEFENCE

20. After Deng Xiaoping's outburst clear that we could not rule out basing of Chinese troops in Hong Kong. At least agreement does not imply that they will automatically be based there. Hope to convince Chinese during next 13 years that a stronger police force will be able to deal with public order, and that there is no need to station troops in the SAR.

g) CONSTITUTIONAL DEVELOPMENT

21. (If Unofficials ask whether development towards representational government can be pursued without endorsement by Chinese.) There would be great risks in pursuing a course which the Chinese were determined to oppose. But Chinese have accepted concept of elective Legislature, and will be difficult for them to oppose gradual constitutional advance in the direction we have mapped out. Think we can go ahead gradually, but Chinese may take time to overcome suspicion of what we are about.

(h) PENSIONS

22. Realise you are disappointed HMG not willing to accept contingent liability for pensions after 1997. But no precedent for this. Do not believe it would be right to commit future government. Moreover, danger that this would encourage SAR Government to default. But accept we should do nothing that prevents future government taking whatever decision is considered appropriate in light of circumstances at time.

23. Believe arrangements in agreement provide maximum possible security for members of public service. No reason to believe SAR Government will not meet obligations.

PRIME MINISTER'S MEETING WITH UNOFFICIAL MEMBERS OF THE EXECUTIVE
COUNCIL OF HONG KONG: 19 SEPTEMBER 1984

BACKGROUND

1. Introduction
2. State of Negotiations
3. EXCO's public position on the Agreement
4. Signature
5. Nationality
6. Undertakings
7. Constitutional Development

APPENDED DOCUMENTS

- A. Full text of Agreement
- B. Biographical Notes on EXCO
- C. Programme of EXCO's visit

PRIME MINISTER'S MEETING WITH UNOFFICIAL MEMBERS OF THE EXECUTIVE
COUNCIL OF HONG KONG

19 SEPTEMBER 1984

BACKGROUND

1. EXCO Unofficials have visited London for consultation with Ministers four times since July 1983. Their last visit was in April of this year. Sir Geoffrey Howe also consulted the Unofficials both before and after his visit to Peking in late July.

STATE OF NEGOTIATIONS

2. Following the Foreign Secretary's visit in July the negotiations returned to trench warfare, with the Chinese dug in on the remaining points at issue. In order to break this stalemate Sir Geoffrey Howe sent a message to the Chinese Foreign Minister on September offering compromise solutions on:

- a) nationality
- b) constitutional arrangements
- c) civil aviation
- d) ratification

3. On September the Chinese Foreign Minister replied in a generally positive tone. On the outstanding points he accepted:

- a) that travel documents issued to ex BDTC's should be called passports
- b) that the Hong Kong Special Administrative Region (SAR) should have an elected legislature, and that the executive should be accountable to the legislature.
- c) that a reasonable compromise should be reached on civil aviation.

d) That the agreement should be ratified by July 1985, rather than 3 months after signature.

4. The Chinese refused however one element of the compromised proposed by Sir Geoffrey Howe, namely that we should be able to issue new passports to ex BDTC's after 1 July 1997. Sir Geoffrey Howe therefore sent a further message to the Chinese Foreign Minister offering a further compromise. The Chinese also rejected this, but agreement was reached on the text of an exchange of memorandum on nationality.

5. The final stages of negotiation were complicated by the presentation by the Chinese side of a completely revised text of Annex one (setting out Chinese policies towards Hong Kong after 1997). As well as changes of language there were changes of substance in texts laboriously agreed in the working group over three months of negotiations. We made it very clear to the Chinese that we could not accept this unilateral revision of texts. They subsequently showed themselves willing to compromise.

6. Agreement should be reached today at delegation level on the English and Chinese texts of the documents that make up the agreement, namely:

- (a) the Joint Declaration
- (b) Annex 1 : Chinese policies towards Hong Kong after 1997.
- (c) Annex 2 : Terms of reference of the Joint Liaison Group.
- (d) Annex 3: Land Leases
- (e) An associated exchange of memoranda on Nationality.

Copies of the latest texts are appended. It is understood that they are still subject to further consideration by higher authority on each side.

EXCO'S PUBLIC POSITION ON THE AGREEMENT

7. The Governor has warned that EXCO will wish to raise with Ministers the extent to which they can reveal the advice which they gave during the course of the negotiations and the extent of their freedom to comment on the content of the agreement after publication. They may well be accused of not standing out sufficiently strongly for the interests of Hong Kong, and they will want to be able to defend themselves. The Governor advises that their advice to the Governor and to Ministers is covered by the Oath of Fidelity and should remain confidential. If individual members divulged the advice they gave on one or another aspect of the agreement, they would be tempted to outbid each other in their role as defenders of Hong Kong's interests. The press would moreover be able to exploit any differences between members, and between members and HMG.

8. Their freedom to comment on the published agreement is not covered by the Oath of Fidelity. There are some parts of the agreement with which the Unofficials clearly disagree; for instance the failure to secure transmissibility of nationality status. We wish to avoid any public show of differences of opinion over the agreement, which could be exploited by commentators and could adversely affect the test of acceptability in Hong Kong. The Governor therefore proposes (and we agree) that we and the Unofficials could best take the following public line:

(a) Unofficials faithfully reflected the views of the people of Hong Kong during the negotiations.

(b) There were of course differences of opinion. But the overriding aim of the Government, as of all members of EXCO, was to achieve an agreement which would satisfy the requirements of the people of Hong Kong.

(c) While not every aspect of the agreement is perfect, it is the best we could obtain. It contains the best possible guarantees that

the systems of Hong Kong will be preserved.

SIGNATURE

9. Unofficials will want to press the Prime Minister to sign the agreement in December. They feel that the agreement will be strengthened if both sides have displayed political commitment to it at the highest level.

NATIONALITY

10. Questions of nationality are very sensitive in Hong Kong. There is considerable public interest in the preservation of British national status, the use of British passports, freedom of travel, rights of abode of those of non-Chinese race. These points have all been covered in one annex and in the exchange of memoranda.

11. EXCO attached great importance to the retention of all rights enjoyed by BDTs, including transmissibility. They finally accepted that this could not be obtained, but were nevertheless disappointed by Secretary of State's decision not to pursue it in his message to Wu Xueqian. Some argued for retention of transmissibility for children born outside Hong Kong after 1997 or for all those of non-Chinese race; other for unilateral action by HMG to retain transmissibility for all Hong Kong BDTs. Sir S Y Chung in particular may revert to these suggestions.

12. EXCO were initially also greatly concerned by the Chinese insistence that no new British passports could be issued to former Hong Kong BDTs after 1 July 1997. But once Wu had rejected the Secretary of State's proposal, they decided not to advise for a further attempt, if practical arrangements could be made to alleviate the major administrative difficulties caused by this deadline. This has been done.

13. EXCO may raise the question of nationality position of BDTs not of Chinese race. The Chinese have agreed that such people could apply for Chinese nationality. There is no reason therefore why they or their children should become stateless. But amending

legislation will contain a provision to resolve any problem of statelessness on the lines of schedule 2 of the British Nationality Act 1981.

14. We will have to pass amending nationality legislation before 1987 to allow time for replacement of BDTC passports and issue of new-style ones before 1997. It is intended that legislation should preserve all rights enjoyed by BDTCs except for transmissibility. No decision has yet been taken on the title of new British national status for former Hong Kong BDTCs which will be a very sensitive question both in Hong Kong and Peking. It will be necessary for this to be agreed by EXCO and acceptable to the Chinese. There is no prospect of agreeing this before the initialling of the agreement.

UNDERTAKINGS ON ENTRY TO UK

15. EXCO was consulted on 28 August on the proposals considered by OD(K) on 4 September. They were strongly in favour of undertakings being given and of no limit being placed on the number of dependants. They proposed the inclusion of magistrates as well as judges in group two and made other minor suggestions that we were able to accept. The point on dependants will be covered as far as possible by flexible interpretation to be given to "compassionate" cases under the Immigration Rules.

16. EXCO may ask if in individual cases assurances could take the form of grant of British citizenship rather than entry to the UK. The Home Office are opposed to this. Applications for British citizenship take much longer to process and are governed by strict criteria. Not all those concerned will fall within these. But those admitted to the UK will be eligible for British citizenship after a period of residence in UK.

CONSTITUTIONAL DEVELOPMENT

17. The Green Paper published in Hong Kong on 18 July proposed a system of indirect election for LEGCO to be introduced in 1985 and extended in 1988. Some Members would be elected by an electoral

college comprising Regional Councils and District Boards; others by functional constituencies, (industry, banking, education etc). Most Unofficial members of EXCO would be elected by Unofficial members of LEGCO. Direct elections are not considered appropriate now. The position would be reviewed in 1989.

18. The Chinese are known to be opposed to direct elections and generally wary of the development of representative institutions. But they have agreed that the Agreement should provide for an elected legislature after 1997. It will be impracticable to introduce direct elections without at least the tacit acquiescence of the Chinese.

19. The position of the Governor is to be considered separately from the Green Paper. There has been some pressure for introducing a system of local election (e.g. by LEGCO). The Prime Minister has instructed that nothing should be done to rule out this possibility. The Agreement states that in 1997 Chief Executive will be appointed "on the basis of elections of consultations" held locally.

PENSIONS

20. This was considered by OD(K) on 12 September. EXCO are not aware of the detailed discussion given to the question of contingent liability for Hong Kong pensions, but they know that HMG have not accepted this. They have frequently expressed concern about the need to reassure civil servants about their security of pensions and continuity of service.



SECRETARY OF STATE'S MEETING WITH EXCO UNOFFICIALS:

19 SEPTEMBER 1984

SUPPLEMENTARY NOTE ON CIVIL AVIATION (DEFENSIVE)

POINTS TO MAKE

CIVIL AVIATION ANNEX

1. We have secured as much in the section in Annex 1 dealing with civil aviation as we could reasonably have hoped for. All the more satisfying since in the early stages of the negotiations we were confronted by the greed of CAAC.

2. Agreed text satisfactory. Meets our essential requirement of giving the SAR sufficient control over routes originating in Hong Kong. Provides for the SAR to have responsibility for services originating and terminating in Hong Kong but not touching points on the mainland. As for air services between and beyond the SAR and other parts of China, the CPG will consult the SAR Government, taking the SAR's special interests into account. Agreed text also makes (a) the crucial provision for standing authority for the SAR to implement Air Service Agreements and (b) the authority to implement provisional arrangements and (c) the right to designate under them, airlines having their principal place of business in Hong Kong and to issue its own licences and operating permits.

MEMORANDUM OF UNDERSTANDING

3. There has been criticism of the Memorandum of Understanding, which supplements the UK-Hong Kong Agreement, initialled on 18 August, governing services between London and Hong Kong. Part of a package designed to give Hong Kong increased autonomy in civil aviation matters, in preparation for the negotiations of the civil aviation section in the Agreement with the Chinese.



- 2 -

EXCO considered that the Memorandum of Understanding still provided unacceptably preferential treatment for BA at the expense of CPA. CPA agreed. Ministers considered EXCO's views and those of the airlines concerned very carefully. We believe that we ultimately struck a reasonable and fair balance. The Memorandum of Understanding has been severely attacked by BA for surrendering too many of their privileges regarding Hong Kong.



SECRETARY OF STATE'S MEETING WITH EXCO UNOFFICIALS,
19 SEPTEMBER 1984

BACKGROUND SUPPLEMENTARY NOTE ON CIVIL AVIATION

CIVIL AVIATION: MEMORANDUM OF UNDERSTANDING

1. Initially a major handicap in the negotiations on civil aviation was that we were asking the Chinese to give Hong Kong greater autonomy in civil aviation than we had hitherto been prepared to grant it ourselves. For this reason; for reasons relating to the forthcoming privatisation of British Airways; and because BA enjoyed a privileged position vis-a-vis other airlines operating scheduled services to and from Hong Kong, the Department of Transport drew up proposals for an agreement between the UK and Hong Kong Government granting increased autonomy in the field of air traffic licensing, together with a supplementary memorandum of understanding providing for more or less the equivalent of existing traffic rights between the UK and Hong Kong for UK and Hong Kong based airlines (BA, BCAL AND CPA). Although EXCO welcomed the new licensing arrangements, they objected to the prospect of BA continuing to have traffic rights beyond Hong Kong, and thought CPA should have a bigger share of London/Hong Kong traffic rights. There was little we could do to help Hong Kong, mainly because of the constraints imposed by the government's concern that BA's traffic rights should not be reduced in advance of privatisation. After further discussion with the Governor, EXCO reluctantly accepted the proposals and the Memorandum of Understanding was initialled in Hong Kong on 18 August.

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

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, which is left over from the past, is conducive to the maintenance of the prosperity and stability of Hong Kong and to the further strengthening and development of the relations between the two countries on a new basis. To this end, they have, after talks between the delegations of the two Governments, agreed to declare as follows:

1. The Government of the People's Republic of China declares that to recover the Hong Kong area (including Hong Kong Island, Kowloon and the New Territories, hereinafter referred to as Hong Kong) is the common aspiration of the entire Chinese people, and that it has been decided to resume the exercise of sovereignty over Hong Kong with effect from 1 July 1997.
2. The Government of the United Kingdom declares that it will restore Hong Kong to the People's Republic of China with effect from 1 July 1997.
3. The Government of the People's Republic of China declares that the basic policies of the People's Republic of China regarding Hong Kong are as follows:
 - (1) Upholding national unity and territorial integrity and taking account of the history of Hong Kong and its realities, the People's Republic of China has 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 upon resuming the exercise of sovereignty over Hong Kong.

(2) The Hong Kong Special Administrative Region will be directly under the authority of the Central People's Government of the People's Republic of China. The Hong Kong Special Administrative Region will enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government.

(3) The Hong Kong Special Administrative Region will be vested with executive, legislative, and independent judicial power, including that of final adjudication. The laws currently in force in Hong Kong will remain basically unchanged.

(4) The Government of the Hong Kong Special Administrative Region will be constituted by local inhabitants. The Chief Executive will be appointed by the Central People's Government on the basis of the results of elections or consultations to be held locally. Principal officials will be nominated by the Chief Executive of the Hong Kong Special Administrative Region for appointment by the Central People's Government. Chinese and foreign nationals previously working in the public and police services in the Government departments of Hong Kong may remain in employment. British and other foreign nationals may also be employed to serve as advisers or hold certain public posts in Government departments of the Hong Kong Special Administrative Region.

(5) The current social and economic systems in Hong Kong will remain unchanged, and so will the lifestyle. Rights and freedoms including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike of choice of occupation, of academic research and of religious belief will be ensured by law in the Hong Kong Special Administrative Region. Private property, ownership of enterprises, legitimate right of inheritance and foreign investment will be protected by law.

(6) The Hong Kong Special Administrative Region will retain the status of a free port and a separate customs territory.

(7) The Hong Kong Special Administrative Region will retain the status of an international financial centre, and its markets for foreign exchange, gold, securities and futures will continue. There will be free flow of capital. The Hong Kong Dollar will continue to circulate and remain freely convertible.

(8) The Hong Kong Special Administrative Region will have independent finances. The Central People's Government will not levy taxes on the Hong Kong Special Administrative Region.

(9) The Hong Kong Special Administrative Region may establish mutually beneficial economic relations with the United Kingdom and other countries, whose economic interests in Hong Kong will be given due regard.

(10) Using the name of "Hong Kong, China", the Hong Kong Special Administrative Region may on its own maintain the develop economic and cultural relations and conclude relevant agreements with states, regions and relevant international organisations. The Government of the Hong Kong Special Administrative Region may on its own issue travel documents for entry into and exit from Hong Kong.

(11) The maintenance of public order in the Hong Kong Special Administrative Region will be the responsibility of the Government of the Hong Kong Special Administrative Region.

(12) The above-stated basic policies of the People's Republic of China regarding Hong Kong and the elaboration of them in Annex I to this Joint Declaration will be stipulated, in a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, by the National People's Congress of the People's Republic of China, and they will remain unchanged for fifty years.

4. The Government of the United Kingdom and the Government of the People's Republic of China declare that, during the transitional period between the date of entry into force of this Joint Declaration and 30 June 1997, the Government of the United Kingdom will be responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and

social stability; and that the Government of the People's Republic of China will give its cooperation in this connection.

5. The Government of the United Kingdom and the Government of the People's Republic of China declare that, in order to ensure a smooth transfer of Government in 1997, and with a view to the effective implementation of this Joint Declaration, a Sino-British Joint Liaison Group will be set up when this Joint Declaration enters into force; and that it will be established and will function in accordance with the provisions of Annex II to this Joint Declaration.

6. The Government of the United Kingdom and the Government of the People's Republic of China declare that land leases in Hong Kong and other related matters will be dealt with in accordance with the provisions of Annex III to this Joint Declaration.

7. The Government of the United Kingdom and the Government of the People's Republic of China agree to implement the preceding declarations and the Annexes to this Joint Declaration.

8. This Joint Declaration is subject to ratification and shall enter into force on the date of the Exchange of Instruments of Ratification, which shall take place in Beijing before 30 June 1985. This Joint Declaration and its Annexes shall be equally binding.

Done in duplicate at Beijing on 1984 in the English and Chinese languages, both texts being equally authentic.

(Signed)

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

(Signed)

For the Government of
The People's Republic of
China

17 September 1984
Hong Kong Department
Foreign and Commonwealth Office

ANNEX 1 : ELABORATION BY THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA OF ITS BASIC POLICIES REGARDING HONG KONG

The Government of the People's Republic of China elaborates the basic policies of the People's Republic of China regarding Hong Kong as set out in paragraph 3 of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong as follows:

I

The Constitution of the People's Republic of China stipulates in Article 31 that 'the State may establish Special Administrative Regions when necessary. The systems to be instituted in Special Administrative Regions shall be prescribed by laws enacted by the National People's Congress in the light of the specific conditions'. In accordance with this Article, the People's Republic of China shall, upon the resumption of the exercise of sovereignty over Hong Kong on 1 July 1997, establish the Hong Kong Special Administrative Region of the People's Republic of China. The National People's Congress of the People's Republic of China shall enact and promulgate a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (hereinafter referred to as the Basic Law) in accordance with the Constitution of the People's Republic of China, stipulating that after the establishment of the Hong Kong Special Administrative Region the socialist system and socialist policies shall not be practiced in the Hong Kong Special Administrative Region and that Hong Kong's previous capitalist system and lifestyle shall remain unchanged for 50 years.

The Hong Kong Special Administrative Region shall be directly under the authority of the Central People's Government of the People's Republic of China and shall enjoy a high degree of autonomy. Except for foreign and defence affairs which are the responsibilities of the Central People's Government, the Hong Kong Special Administrative Region shall be vested with executive, legislative and independent judicial power, including that of final adjudication. The Central People's Government shall authorise the Hong Kong Special Administrative Region to conduct on its own those

external affairs specified in section XI of this annex.

The Government and Legislature of the Hong Kong Special Administrative Region shall be composed of local inhabitants. The Chief Executive of the Hong Kong Special Administrative Region shall be selected by election or through consultations held locally and be appointed by the Central People's Government. Principal officials (equivalent to secretaries) shall be nominated by the Chief Executive of the Hong Kong Special Administrative Region and appointed by the Central People's Government. The legislature of the Hong Kong Special Administrative Region shall be constituted by elections. The Executive authorities shall abide by the law and shall be accountable to the legislature.

In addition to Chinese, English may also be used in organs of government and in the courts in the Hong Kong Special Administrative Region.

Apart from displaying the national flag and national emblem of the People's Republic of China, the Hong Kong Special Administrative Region may use a regional flag and emblem of its own.

II

After the establishment of the Hong Kong Special Administrative Region, the laws previously in force in Hong Kong (i.e. the common law, rules of equity, ordinances, subordinate legislation and customary law) shall be maintained save for any that contravene the Basic Law and subject to any amendment by the Hong Kong Special Administrative Region legislature.

The legislative power of the Hong Kong Special Administrative Region shall be vested in the legislature of the Hong Kong Special Administrative Region. The legislature may on its own authority enact laws in accordance with the provisions of the Basic Law and legal procedures, and report them to the Standing Committee of the National People's Congress for the record. Laws enacted by the legislature which are in accordance with the Basic Law and legal procedures shall be regarded as valid.

The laws of the Hong Kong Special Administrative Region shall be the Basic Law, and the laws previously in force in Hong Kong and laws enacted by the Hong Kong Special Administrative Region legislature as above.

III

After the establishment of the Hong Kong Special Administrative Region, the Judicial system previously practised in Hong Kong shall be maintained except for those changes consequent upon the vesting in the Courts of the Hong Kong Special Administrative Region of the power of final adjudication.

Judicial power in the Hong Kong Special Administrative Region shall be vested in the courts of the Hong Kong Special Administrative Region. The courts shall exercise judicial power independently and free from any interference. Members of the judiciary shall be immune from legal action in respect of their judicial functions. The courts shall decide cases in accordance with the laws of the Hong Kong Special Administrative Region and may refer to precedents in other common law jurisdictions.

Judges of the Hong Kong Special Administrative Region Courts shall be appointed by the Chief Executive of the Hong Kong Special Administrative Region acting in accordance with the recommendation of an independent commission composed of local judges, persons from the legal profession and other eminent persons. Judges shall be chosen by reference to their judicial qualities and may be recruited from other common law jurisdictions. A judge may only be removed for inability to discharge the functions of his office, or for misbehaviour, by the Chief Executive of the Hong Kong Special Administrative Region acting in accordance with the recommendation of a tribunal appointed by the Chief Judge of the Court of Final Appeal, consisting of not fewer than three local judges. Additionally, the appointment or removal of principal judges (i.e. those of the highest rank) shall be made by the Chief Executive with the endorsement of the Hong Kong Special Administrative Region legislature and reported to the Standing Committee of the National People's Congress for the record. The system of appointment and removal of judicial officers other than judges shall be maintained.

The power of final judgment of the Hong Kong Special Administrative Region shall be vested in the Court of Final Appeal in the Hong Kong Special Administrative Region, which may as required invite judges from other common law jurisdictions to sit on the Court of Final Appeal.

A prosecuting authority of the Hong Kong Special Administrative Region shall control criminal prosecutions free from any interference.

On the basis of the system previously operating in Hong Kong the Hong Kong Special Administrative Region Government shall on its own make provision for local lawyers and lawyers from outside the Hong Kong Special Administrative Region to work and practice in the Hong Kong Special Administrative Region.

The Central People's Government shall assist or authorise the Government of the Hong Kong Special Administrative Region to make appropriate arrangements for reciprocal juridical assistance with foreign states.

IV

After the establishment of the Hong Kong Special Administrative Region, public servants previously serving in Hong Kong in all Government Departments, including the Police Department, and members of the judiciary may all remain in employment and continue their service with pay, allowances, benefits and conditions of service no less favourable than before. The Hong Kong Special Administrative Region Government shall pay to such persons who retire or complete their contracts, as well as to those who have retired before 1 July 1997, or to their dependants, all pensions, gratuities, allowances and benefits due to them on terms no less favourable than before, and irrespective of their nationality or place of residence.

The Hong Kong Special Administrative Region Government may employ British and other foreign nationals previously serving in the public service in Hong Kong, and may recruit British and other foreign nationals holding permanent identity cards of the Hong Kong Special Administrative Region to serve as public servants at all levels,

except as heads of major Government Departments (corresponding to Branches or Departments at Secretary level) including the Police Department, and as deputy heads of some of those departments. The Hong Kong Special Administrative Region Government may also employ British and other foreign nationals as advisers to Government Departments and, when there is a need, may recruit qualified candidates from outside the Hong Kong Special Administrative Region to professional and technical posts in Government Departments. The above shall be employed only in their individual capacities and, like other public servants, shall be responsible to the Hong Kong Special Administrative Region Government.

The appointment and promotion of public servants shall be on the basis of qualifications, experience and ability. Hong Kong's previous system of recruitment, employment, assessment, discipline, training and management for the public service (including special bodies for appointment, pay and conditions of service) shall, save for any provisions providing privileged treatment for foreign nationals, be maintained.

V

The Hong Kong Special Administrative Region shall deal on its own with financial matters, including disposing of its financial resources and drawing up its budgets and its final accounts. The Hong Kong Special Administrative Region shall report its budgets and final accounts to the Central People's Government for the record.

The Central People's Government shall not levy taxes on the Hong Kong Special Administrative Region. The Hong Kong Special Administrative Region shall use its financial revenues exclusively for its own purposes and they shall not be handed over to the Central People's Government. The systems by which taxation and public expenditure must be approved by the legislature, and by which there is accountability to the legislature for all public expenditure, and the system for auditing public accounts shall be maintained.

VI

The Hong Kong Special Administrative Region shall maintain the capitalist economic and trade systems previously practiced in Hong Kong. The Hong Kong Special Administrative Region Government shall decide its economic and trade policies on its own. Rights concerning the ownership of property, including those relating to acquisition, use, disposal, inheritance and compensation for lawful deprivation (corresponding to the real value of the property concerned, freely convertible and paid without undue delay) shall continue to be protected by law.

The Hong Kong Special Administrative Region shall retain the status of a free port and continue a free trade policy, including the free movement of goods and capital. The Hong Kong Special Administrative Region may on its own maintain and develop economic and trade relations with all countries and regions.

The Hong Kong Special Administrative Region shall be a separate customs territory. It may participate in relevant international organisations and international trade agreements (including preferential trade arrangements), such as the General Agreement on Tariffs and Trade and arrangements regarding international trade in textiles. Export quotas, tariff preferences and other similar arrangements obtained by the Hong Kong Special Administrative Region shall be enjoyed exclusively by the Hong Kong Special Administrative Region. The Hong Kong Special Administrative Region shall have authority to issue its own certificates of origin for products manufactured locally, in accordance with the prevailing rules of origin.

The Hong Kong Special Administrative Region may, as necessary, establish official and semi-official economic and trade missions in foreign countries, reporting the establishment of such missions to the Central People's Government for the record.


VII

The Hong Kong Special Administrative Region shall retain the status of an international financial centre. The monetary and financial systems previously practiced in Hong Kong, including the systems of regulation and supervision of deposit taking institutions and financial markets, shall be maintained.

The Hong Kong Special Administrative Region Government may decide its monetary and financial policies on its own. It shall safeguard the free operation of financial business and the free flow of capital within, into and out of the Hong Kong Special Administrative Region. No exchange control policy shall be applied in the Hong Kong Special Administrative Region. Markets for foreign exchange, gold, securities and futures shall continue.

The Hong Kong dollar, as the local legal tender, shall continue to circulate and remain freely convertible. The authority to issue Hong Kong currency shall be vested in the Government of the Hong Kong Special Administrative Region. The Hong Kong Special Administrative Region Government may authorise designated banks to issue or to continue to issue Hong Kong currency under statutory authority, after satisfying itself that any issue of currency will be soundly based and that the arrangements for such issue are consistent with the object of maintaining the stability of the currency. Hong Kong currency bearing references inappropriate to the status of Hong Kong as a Special Administrative Region of the People's Republic of China shall be progressively replaced and withdrawn from circulation.

The Exchange Fund shall be managed and controlled by the Government of the Hong Kong Special Administrative Region, primarily for regulating the exchange value of the Hong Kong dollar.

VIII

The Hong Kong Special Administrative Region shall maintain Hong Kong's previous systems of shipping management and shipping regulation, including the system for regulating conditions of seamen. The specific functions and responsibilities of the Hong Kong Special Administrative Region Government in the field of

shipping shall be defined by the Hong Kong Special Administrative Region Government on its own. Private shipping businesses and shipping-related businesses and private container terminals in Hong Kong may continue to operate freely.

The Hong Kong Special Administrative Region shall be authorised by the Central People's Government to continue to maintain a shipping register and issue related certificates under its own legislation in the name of Hong Kong (China).

With the exception of foreign warships, access for which requires the permission of the Central People's Government ships shall enjoy access to the ports of the Hong Kong Special Administrative Region in accordance with the laws of the Hong Kong Special Administrative Region.

IX

The Hong Kong Special Administrative Region shall maintain the status of Hong Kong as a centre of international and regional aviation. Airlines incorporated and having their principal place of business in Hong Kong and civil aviation related businesses may continue to operate. The Hong Kong Special Administrative Region shall continue the previous system of civil aviation management in Hong Kong, and keep its own aircraft register in accordance with provisions laid down by the Central People's Government concerning nationality marks and registration marks of aircraft. The Hong Kong Special Administrative Region shall be responsible on its own for matters of routine business and technical management of civil aviation, including the management of airports, the provision of air traffic services within the flight information region of the Hong Kong Special Administrative Region, and the discharge of other responsibilities allocated under the regional air navigation procedures of the International Civil Aviation Organisation.

The Central People's Government shall, in consultation with the Hong Kong Special Administrative Region Government, make arrangements providing for air services between the Hong Kong Special Administrative Region and other parts of the People's Republic of China for airlines incorporated and having their

principal place of business in the Hong Kong Special Administrative Region and other airlines of the People's Republic of China. All air service agreements providing for air services between other parts of the People's Republic of China and other states and regions with stops at the Hong Kong Special Administrative Region and other states and regions with stops at other parts of the People's Republic of China shall be concluded by the Central People's Government. For this purpose, the Central People's Government shall take account of the special conditions and economic interests of the Hong Kong Special Administrative Region and consult the Hong Kong Special Administrative Region Government. Representatives of the Hong Kong Special Administrative Region Government may participate as members of delegations of the Government of the People's Republic of China in air service consultations with foreign governments concerning arrangements for such services.

Acting under specific authorisations from the Central People's Government, the Hong Kong Special Administrative Region Government may:

- Renew or amend air service agreements and arrangements previously in force; in principle, all such agreements and arrangements may be renewed or amended with the rights contained in such previous agreements and arrangements being as far as possible maintained;
- Negotiate and conclude new air service agreements providing routes for airlines incorporated and having their principal place of business in the Hong Kong Special Administrative Region and rights for overflights and technical stops;
- Negotiate and conclude provisional arrangements where no air service agreement with a foreign state or other region is in force.

All scheduled air services to, from or through the Hong Kong Special Administrative Region which do not operate to, from or through the mainland of China shall be regulated by air service agreements or provisional arrangements referred to in this paragraph.

The Central People's Government shall give the Hong Special

Administrative Region Government the authority to:

- Negotiate and conclude with other authorities all arrangements concerning the implementation of the above air service agreements and provisional arrangements;
- Issue licences to airlines incorporated and having their principal place of business in the Hong Kong Special Administrative Region;
- Designate such airlines under the above air service agreements and provisional arrangements; and
- Issue permits to foreign airlines for services other than those to, from or through the mainland of China.

X

The Hong Kong Special Administrative Region shall maintain the educational system previously practised in Hong Kong. The Hong Kong Special Administrative Region Government shall on its own decide policies in the fields of culture, education, science and technology, including policies regarding the educational system and its administration, the language of instruction, the allocation of funds, the examination system, the system of academic awards and the recognition of educational and technological qualifications. Institutions of all kinds, including those run by religious and community organisations, may retain their autonomy. They may continue to recruit staff and use teaching materials from outside the Hong Kong Special Administrative Region. Students shall enjoy freedom of choice of education and freedom to pursue their education outside the Hong Kong Special Administrative Region.

XI

Subject to the principle that foreign affairs are the responsibility of the Central People's Government, representatives of the Hong Kong Special Administrative Region Government may take part, as members of delegations of the Government of the People's Republic of China, in negotiations at the diplomatic level directly affecting the Hong Kong Special Administrative Region conducted by the Central People's

Government. The Hong Kong Special Administrative Region may on its own, using the name 'Hong Kong (China)', maintain and develop relations and conclude and implement agreements with states, regions and relevant international organisations in the appropriate fields, including the economic, trade, financial and monetary, shipping, communications, touristic, cultural and sporting fields. Representatives of the Hong Kong Special Administrative Region Government may participate, as members of delegations of the Government of The People's Republic of China, in international organisations or conferences in appropriate fields limited to states and affecting the Hong Kong Special Administrative Region, or may attend in such other capacity as may be permitted by the Central People's Government and the organisation or conference concerned and may express their views in the name of 'Hong Kong (China)'. The Hong Kong Special Administrative Region may, using the name 'Hong Kong (China)', participate in international organisations and conferences not limited to states.

The application to the Hong Kong Special Administrative Region of international agreements to which the People's Republic of China is or becomes a party shall be decided by the Central People's Government, in accordance with the circumstances and needs of the Hong Kong Special Administrative Region, and after seeking the views of the Government of the Hong Kong Special Administrative Region. International agreements to which the People's Republic of China is not a party but which are implemented in Hong Kong may remain implemented in the Hong Kong Special Administrative Region. The Central People's Government shall, as necessary, authorise and assist the Hong Kong Special Administrative Region Government to make appropriate arrangements for the application to the Hong Kong Special Administrative Region of other relevant international agreements. The Central People's Government shall take the necessary steps to ensure that the Hong Kong Special Administrative Region shall continue to retain its status in an appropriate capacity in those international organisations of which the People's Republic of China is a member and in which Hong Kong participates in one capacity or another. The Central People's Government shall, where necessary, facilitate the Hong Kong Special Administrative Region's continued participation in an appropriate capacity in those

international organisations in which Hong Kong is a participant in one capacity or another, but of which the People's Republic of China is not a member.

Foreign consular and other official or semi-official missions may be established in the Hong Kong Special Administrative Region with the approval of the Central People's Government. Consular and other official missions established in Hong Kong by status which have established formal diplomatic relations with the People's Republic of China may be maintained. According to the circumstances of each case, consular and other official missions of states having no formal diplomatic relations with the People's Republic of China may either be maintained or changed to semi-official missions. States not recognised by the People's Republic of China can only establish non-governmental institutions.

The United Kingdom may establish a Consulate-General in the Special Administrative Region.

XII

The maintenance of public order in the Hong Kong Special Administrative Region shall be the responsibility of the Hong Kong Special Administrative Region Government. Military forces sent by the Central People's Government to be stationed in the Hong Kong Special Administrative Region for the purpose of defence shall not interfere in the internal affairs of the Hong Kong Special Administrative Region. Expenditure for these military forces shall be borne by the Central People's Government.

XIII

The Hong Kong Special Administrative Region Government shall protect the rights and freedoms of inhabitants and other persons in the Hong Kong Special Administrative Region according to law. The Hong Kong Special Administrative Region Government shall maintain the rights and freedoms as provided for by the laws previously in force in Hong Kong, including freedom of the person, of speech, of the press, of assembly, of association, to form and join trade unions, of correspondence, of travel, of movement, of strike, of demonstration, of choice of occupation, of academic research, of belief,

inviolability of the home, the freedom to marry and the right to raise a family freely.

Every person shall have the right to confidential legal advice, access to the courts, representation in the courts by lawyers of his choice, and to obtain judicial remedies. Every person shall have the right to challenge the actions of the executive in the courts.

Religious organisations and believers may maintain their relations with religious organisations and believers elsewhere, and schools, hospitals and welfare institutions run by religious organisations may be continued. Religious organisations in the Hong Kong Special Administrative Region and those in other parts of the People's Republic of China shall be based on the principles of non-subordination, non-interference and mutual respect.

The provisions of the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights as applied to Hong Kong shall remain in force.

XIV

The following categories of persons shall have the right of abode in the Hong Kong Special Administrative Region, and, in accordance with the law of the Hong Kong Special Administrative Region, be qualified to obtain permanent identity cards issued by the Hong Kong Special Administrative Region Government, which state their right of abode:

- All Chinese Nationals who were born or who have ordinarily resided in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region for a continuous period of 7 years or more, and person of Chinese nationality born outside Hong Kong of such Chinese Nationals;

- All other persons who have ordinarily resided in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region for a continuous period of 7 years or more and who have taken Hong Kong as their place of permanent residence before or after the establishment of the Hong Kong Special Administrative Region, and persons under

21 years of age who were born of such persons in Hong Kong before or after the establishment of the Hong Kong Special Administrative Region;

- Any other persons who had the right of abode only in Hong Kong before the establishment of the Hong Kong Special Administrative Region.

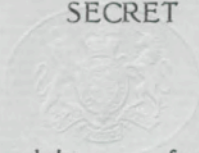
The Central People's Government shall authorise the Hong Kong Special Administrative Region Government to issue, in accordance with the law, passports of the Hong Kong Special Administrative Region of the People's Republic of China to all Chinese Nationals who hold permanent identity cards of the Hong Kong Special Administrative Region, and travel documents of the Hong Kong Special Administrative Region of the People's Republic of China to all other persons lawfully residing in the the Hong Kong Special Administrative Region. The above passports and documents shall be valid for all states and regions and shall record the holder's right to return to the Hong Kong Special Administrative Region.

For the purpose of travelling to and from the Hong Kong Special Administrative Region, residents of the Hong Kong Special Administrative Region may use travel documents issued by the Hong Kong Special Administrative Region Government or by other competent authorities of the People's Republic of China, or of other states. Holders of permanent identity cards of the Hong Kong Special Administrative Region may have this fact stated in their travel documents as evidence that the holders have the right of abode in the Hong Kong Special Administrative Region.

Entry into the Hong Kong Special Administrative Region of persons from other parts of China shall continue to be regulated in accordance with the present practice.

The Hong Kong Special Administrative Region Government may apply immigration controls on entry, stay in and departure from the Hong Kong Special Administrative Region by persons from foreign states and regions.

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Unless restrained by law, holders of valid travel documents shall be free to leave the Hong Kong Special Administrative Region without special authorisation.

The Central People's Government shall assist or authorise the Hong Kong Special Administrative Region Government to conclude visa abolition agreements with states or regions.

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ANNEX TWO: SINO-BRITISH JOINT LIAISON GROUP

1. In furtherance of their common aim and in order to ensure a smooth transfer of government in 1997, the Government of the United Kingdom and the Government of the People's Republic of China have agreed to continue their discussions in a friendly spirit and to develop the cooperative relationship which already exists between the two governments over Hong Kong with a view to the effective implementation of the Joint Declaration.
2. In order to meet the requirements for liaison, consultation and the exchange of information, the two governments have agreed to set up a Joint Liaison Group.
3. The functions of the Joint Liaison Group shall be:
 - (A) to conduct consultations on the implementation of the Joint Declaration;
 - (B) to discuss matters relating to the smooth transfer of government in 1997;
 - (C) to exchange information and conduct consultations on such subjects as may be agreed by the two sides.
4. Matters for consideration during the first half of the period between the establishment of the Joint Liaison Group and 1 July 1997 shall include:
 - (a) Action to be taken by the two governments to enable the Hong Kong Special Administrative Region to maintain its economic relations as a separate customs territory, and in particular to ensure the maintenance of Hong Kong's participation in the general agreement on tariffs and trade, the multifibre arrangements and other international arrangements; and
 - (b) action to be taken by the two governments to ensure the continued application of international rights and obligations affecting Hong Kong.
5. The two governments have agreed that in the second half of the period between the establishment of the Joint Liaison Group and 1

July 1997 there will be need for closer cooperation, which will therefore be intensified during that period. Matters for consideration during this second period shall include:

(a) procedures to be adopted for the smooth transition in 1997;

(b) action to assist the Hong Kong Special Administrative Region to maintain and develop economic and cultural relations and conclude agreements on these matters with states, regions and relevant international organisations.

6. The Joint Liaison Group shall be an organ for liaison and not an organ of power. It shall play no part in the administration of Hong Kong or the Hong Kong Special Administrative Region. Nor shall it have any supervisory role over that administration. The members and supporting staff of the Joint Liaison Group shall only conduct activities within the scope of the functions of the Joint Liaison Group.

7. Each side shall designate a Senior Representative, who shall be of ambassadorial rank, and four other members of the group. Each side may send up to 20 supporting staff.

8. The Joint Liaison Group shall be established on the entry into force of the Joint Declaration. From 1 July 1988 the Joint Liaison Group shall have its principal base in Hong Kong. The Joint Liaison Group shall continue its work until 1 January 2000.

9. The Joint Liaison Group shall meet in Beijing, London and Hong Kong. It shall meet at least once in each of the three locations in each year. The venue for each meeting shall be agreed between the two sides.

10. Members of the Joint Liaison Group shall enjoy diplomatic privileges and immunities as appropriate when in the three locations. Proceedings of the Joint Liaison Group shall remain confidential unless otherwise agreed between the two sides.

11. The Joint Liaison Group may by agreement between the two sides



decide to set up specialist sub-groups to deal with particular subjects requiring expert assistance.

12. Meetings of the Joint Liaison Group and Sub-groups may be attended by experts other than the members of the Joint Liaison Group. Each side shall determine the composition of its delegation to particular meetings of the Joint Liaison Group or Sub-group in accordance with the subjects to be discussed and the venue chosen.

13. The working procedures of the Joint Liaison Group shall be discussed and decided upon by the two sides within the guidelines laid down in this document.

ANNEX THREE: LAND LEASES

The Government of the United Kingdom and the Government of the People's Republic of China have agreed that with effect from the entry into force of the Joint Declaration, land leases in Hong Kong and other related matters shall be dealt with in accordance with the following provisions:

1. All leases of land granted or decided upon before the entry into force of the Joint Declaration and those granted thereafter in accordance with paragraphs 2 or 3 of this annex, and which extend beyond 30 June 1997, and all rights in relation to such leases shall continue to be recognised and protected under the law of the Hong Kong Special Administrative Region.

2. All leases of land granted by the British Hong Kong Government not containing a right of renewal that expire before 30 June 1997, except short term tenancies and leases for special purposes, may be extended if the lessee so wishes for a period expiring not later than 30 June 2047 without payment of an additional premium. An annual rent shall be charged from the date of extension equivalent to 3 per cent of the rateable value of the property at that date, adjusted in step with any changes in the rateable value thereafter. In the case of old schedule lots, village lots, small houses and similar rural holdings, where the property was on 30 June 1984 held by, or, in the case of small houses granted after that date, the property is granted to, a person descended through the male line from a person who was in 1898 a resident of an established village in Hong Kong, the rent shall remain unchanged so long as the property is held by that person or by one of his lawful successors in the male line. Where leases of land not having a right of renewal expire after 30 June 1997, they shall be dealt with in accordance with the relevant land laws and policies of the Hong Kong Special Administrative Region.

3. From the entry into force of this joint declaration until 30 June 1997, new leases of land may be granted by the British Hong Kong Government for terms expiring not later than 30 June 2047. Such leases shall be granted at a premium and nominal rental until

30 June 1997, after which date they shall not require payment of an additional premium but an annual rent equivalent to 3 per cent of the rateable value of the property at that date, adjusted in step with changes in the rateable value thereafter, shall be charged.

4. The total amount of new land to be granted under paragraph 3 of this annex shall be limited to 50 hectares a year (excluding land to be granted to the Hong Kong Housing Authority for public rental housing) from the entry into force of the Joint Declaration until 30 June 1997.

5. Modifications of the conditions specified in leases granted by the British Hong Kong Government may continue to be granted before 1 July 1997 at a premium equivalent to the difference between the value of the land under the previous conditions and its value under the modified conditions.

6. From the entry into force of the Joint Declaration until 30 June 1997, premium income obtained by the British Hong Kong Government from land transactions shall, after deduction of the average cost of land production be shared equally between the British Hong Kong Government and the future Hong Kong Special Administrative Region Government. All the income obtained by the British Hong Kong Government, including the amount of the above mentioned deduction, shall be put into the capital works reserve fund for the financing of land development and public works in Hong Kong. The Hong Kong Special Administrative Region Government's share of the premium income shall be deposited in banks incorporated in Hong Kong and shall not be drawn on except for the financing of land development and public works in Hong Kong in accordance with the provisions of paragraph 7(D) of this annex.

7. A land commission shall be established in Hong Kong immediately upon the entry into force of the Joint Declaration. The Land Commission shall be composed of an equal number of officials designated respectively by the Government of the People's Republic of China and the Government of the United Kingdom together with necessary supporting staff. The officials of the two sides shall be responsible to their respective governments. The Land Commission

shall be dissolved on 30 June 1997.

The terms of reference of the Land Commission shall be:

- (A) To conduct consultations on the implementation of this annex;
- (B) To monitor observance of the limit specified in paragraph 4 of this annex, the amount of land granted to the Hong Kong Housing Authority for Public Rental Housing, and the division and use of premium income referred to in paragraph 6 of this Annex;
- (C) To consider and decide on proposals from the British Hong Kong Government for increasing the limit referred to in paragraph 4 of this Annex;
- (D) To examine proposals for drawing on the Hong Kong Special Administrative Region Government's share of premium referred to in paragraph 6 of this Annex and to make recommendations to the Chinese side for decision.

Matters on which there is disagreement in the Land Commission shall be referred to the Government of the United Kingdom and the Government of the People's Republic of China for decision.

8. Specific details regarding the establishment of the Land Commission shall be finalised separately by the two sides through consultations.



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EXCHANGE OF MEMORANDA ON NATIONALITY

In connection with the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong to be signed this day, the Government of the United Kingdom declare that, subject to the completion of the necessary amendments to the relevant United Kingdom Legislation:

- (a) All persons who on 30 June 1997 are, by virtue of a connection with Hong Kong, British Dependent Territories Citizens (BDTCs) under the law in force in the United Kingdom will cease to be BDTCs with effect from 1 July 1997, but will be eligible to retain an appropriate status which, without conferring the Right of Abode in the United Kingdom will entitle them to continue to use passports issued by the Government of the United Kingdom. This status will be acquired by such persons only if they hold or are included in such a British passport issued before 1 July 1997, except that eligible persons born on or after 1 January 1997 but before 1 July 1997 may obtain or be included in such a passport up to 31 December 1997.
- (b) No person will acquire BDTC status on or after 1 July 1997 by virtue of a connection with Hong Kong. No person on or after 1 July 1997 will acquire the status referred to as being appropriate in sub-paragraph (a).
- (c) United Kingdom consular officials in the Hong Kong Special Administrative Region and elsewhere may renew and replace passports of persons mentioned in sub-paragraph (a) and may also issue them to persons, born before 1 July 1997 of such persons, who had previously been included in the passport of

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of their parent.

- (d) Those who have obtained or been included in passports issued by the Government of the United Kingdom under sub-paragraphs (a) and (c) will be entitled to receive, upon request, British Consular Services and protection when in third countries.

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DRAFT CHINESE MEMORANDUM

The Government of the People's Republic of China has received the memorandum from the Government of the United Kingdom of Great Britain and Northern Ireland dated.....1984.

Under the Nationality Law of the People's Republic of China, all Hong Kong Chinese Compatriots, whether they are holders of the "British Dependent Territories Citizens' Passport" or not, are Chinese nationals.

Taking account of the historical background of Hong Kong and its realities, the competent authorities of the Government of the People's Republic of China will, with effect from 1 July 1997 permit Chinese nationals in Hong Kong who were previously called "British Dependent Territories Citizens" to use travel documents issued by the Government of the United Kingdom for the purpose of travelling to other states and regions.

The above Chinese nationals will not be entitled to British consular protection in the Hong Kong Special Administrative Region and other parts of the People's Republic of China on account of their holding the above-mentioned British travel documents.

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UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL

SIR SZE-YUENCHUNG CBE

Senior Unofficial member of the Executive Council. Born 1927. Educated University of Hong Kong and University of Sheffield. Chairman of Sonca Industries Ltd. (Manufacturer of Electronic Equipment) and Grindlays - Dao Heng Bank. 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 1978-81. 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. A member of Legislative Council since 1972 and of Executive Council since 1978. Married to Margaret Mary, ten children.

LI FOOK WO CBE

Born 1916. Educated in Hong Kong and USA. A banker. Chairman of Barclays Asia Ltd. Member of Legislative Council 1973-81 and of Executive Council since 1978. Married to Laura, five children.

MICHAEL GRAHAM RUDDOCK SANDBERG OBE

Born 1927. Educated in Oxford. A former Army Officer, has served with the Hong Kong and Shanghai Banking Corporation since 1949 (now Chairman). Member of Executive Council since 1978. Married to Carmel, four 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 Advisory Committee and UMELCO Police Group. Married to Tierney, three children.

LYDIA DUNN CBE (MISS)

Born 1940. Educated in Hong Kong and the University of California, Berkeley. Director of John Swire and Sons Ltd. Member of the Legislative Council since 1976 and of Executive Council since 1982. Chairman, Hong Kong Trade Development Council. Single.

LEE QUO-WEI CBE

Born Macau 1918. Educated in Hong Kong. Chairman and Chief Executive of Hang Seng Bank. Former member of Executive and Legislative Council, from which he retired in 1978 because of ill health. Reappointed to Executive Council in 1983. Former Chairman of Board of Education. Married.

CHEN SHOU-LUM CBE

Born 1925. Educated in UK. Director of Hong Kong Electric Co Ltd and Cable and Wireless (HK) Ltd. Member of Legislative Council since 1976. Appointed to Executive Council 1983. Chairman of Hong Kong Productivity Council. Married to Doris, two children.

MARIA TAM WAI-CHU (MISS)

Born 1945. Educated in Hong Kong and UK. Barrister. Member of Legislative Council since 1981. Appointed to Executive Council 1983. Elected Urban Councillor and District Board Member. Involved in number of social welfare organisations. Single.



MICHAEL THOMAS QC

Attorney-General

Born 1933. Educated London School of Economics. National Service in Royal Navy. Called to Middle Temple 1955. Junior Counsel to MOD and Treasury in Admiralty matters 1966-73. Appointed QC 1973. Appointed to present post in May 1983. Separated from second wife, four children.

P R O G R A M M E

FOR VISIT BY THE GOVERNOR AND UNOFFICIAL MEMBERS
OF THE EXECUTIVE COUNCIL

16-20 SEPTEMBER 1984

Sir Edward Youde GCMG MBE

Sir S Y Chung CBE

Mr O V Cheung CBE QC

Mr R H Lobo CBE

Mr F W Li, CBE

Mr M G R Sandberg CBE

Mr T S Lo CBE

Miss Lydia Dunn CBE

Mr Q W Lee CBE

Mr S L Chen CBE

Miss Maria Tam OBE

Mr M D Thomas QC (Attorney General)

Mr P K Y Tsao CPM (Director of Information Services)

Mr A P Asprey (PS/Governor)

Mr R I W Upton (Assistant Director, Councils)

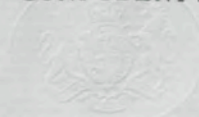
SUNDAY 16 SEPTEMBER

07.40

Governor and PS arrive Gatwick Flight CX 201. Met by
Sir J Cater.

(a) Governor only taken to Chevening House, Chevening,
Sevenoaks, Kent. Telephone 0732-52353/4.

(b) PS taken to Sheraton Park Tower Hotel, 101
Knightsbridge. Telephone 235-8050.



MONDAY 17 SEPTEMBER

- 10.30 Governor to call on Mr Galsworthy
11.30 Governor to call on Sir P Cradock.
Followed by lunch at the Reform Club
15.30 Governor to call on PUS.

TUESDAY 18 SEPTEMBER

- 07.40 Main party arrive Gatwick. Flight CX 201. Met by
Hong Kong Government Office. Taken to Sheraton Park
Tower Hotel, 101 Knightsbridge. Telephone 235-8050.
11.30 Governor to call on Mr Luce.

WEDNESDAY 19 SEPTEMBER

- 16.30 Call on Mr Luce.
18.00 Call on Prime Minister
20.00 for Dinner given by Secretary of State at the Garrick Club
20.15 Garrick Street, WC2

THURSDAY 20 SEPTEMBER

- 20.00 Governor and main party depart Gatwick. Flight BR 382.

NOTE: ROOM K 195A in the FCO has been reserved for the Governor's
use during the visit (telephone 233-3081).

Room W 41 in the FCO has been reserved for the main party's
use during the visit (telephone 233-4771).

SECRET

55

FUTURE OF HONG KONG

ADVANCE COPIES

13/15

PS
PS/PUS
PS/MR LUCE
~~MR BOYD~~
ED/ED 3
ED/ED
PS | LADY YOUNG
SIR W HARRING
~~RESIDENT CLERK~~

COPIES TO:
^{POWELL}
MR COLES, NO. 10 DOWNING ST
MR ROBERTS, NEWS DEPT
SIR PERCY CRADOCK
SIR E. YOUDE (Rm. K195A)

SECRET

IMMEDIATE

DD 180830Z FCO AND UKREP BRUSSELS

DD 172330Z HONG KONG

ADVANCE COPY

FROM PEKING 171340Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2420 OF ZQU/9/84

INFO IMMEDIATE HONG KONG AND UKREP BRUSSELS (FOR S OF S PARTY)

MY TEL NO 2414: FUTURE OF HONG KONG: INITIALLING

1. I SPOKE FURTHER TO ZHOU NAN THIS EVENING ABOUT INITIALLING. HE REPEATED THAT HIS LEADERS WERE VERY FIRMY OF THE VIEW THAT IT WOULD NOT TAKE PLACE AFTER 25 SEPTEMBER. HIS OWN VIEW WAS THAT IT SHOULD TAKE PLACE ON THAT DATE. THIS WOULD GIVE TIME FOR HIS LEADERS AND BRITISH MINISTERS TO CONFIRM THE TEXTS NOW ARRIVED AT AND FOR AN ANNOUNCEMENT ON INITIALLING TO BE MADE A FEW DAYS BEFORE IT TOOK PLACE. THIS COULD STATE WHEN AND WHERE THE CEREMONY WOULD BE HELD AND THAT THERE WOULD BE NO 23RD ROUND. HIS LEADERS HAD NOW AGREED TO THIS LAST POINT.

2. ZHOU ASKED WHETHER WE COULD PROPOSE A DRAFT ANNOUNCEMENT. I UNDERTOOK TO CONSIDER THIS

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SECRET
DESKBY 170730Z BOTH
FROM PEKING 170529Z SEPT 84
TO IMMEDIATE FCO
TELNO 2407 OF 17/9/84
INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: PRESS

1. AT THIS MORNING'S MEETING (AT WHICH I WAS ACCOMPANIED BY WILSON, MCLAREN AND MEMBERS OF BOTH GROUPS), AGREEMENT WAS REACHED AT DELEGATION LEVEL ON THE TEXTS FOR THE JOINT DECLARATION AND ALL ITS ANNEXES, INCLUDING ANNEX III ON LAND. THE TEXTS WILL NOW BE SUBJECT TO FURTHER EXAMINATION BY EXPERTS AT A MEETING THIS AFTERNOON TO ENSURE CONSISTENCY OF LANGUAGE ETC. AGREEMENT ON THE EXCHANGE OF MEMORANDA ON NATIONALITY WILL BE CONFIRMED THIS EVENING.
2. WE DISCUSSED THE LINE TO BE TAKEN WITH THE PRESS. ZHOU NAN AGREED TO MY PROPOSAL THAT FOR THE NEXT 24 HOURS BOTH SIDES WOULD TAKE THE LINE IN ANSWER TO ENQUIRIES THAT WORK ON DOCUMENTS WAS CONTINUING.
3. ON THE ASSUMPTION THAT THE TEXTS OF THE EXCHANGE OF MEMORANDA HAVE BEEN AGREED AND THAT THE FINAL CHECKING OF TEXTS IN BOTH LANGUAGES HAS BEEN COMPLETED, I ALSO PROPOSED A LINE WHICH BOTH SIDES MIGHT TAKE FROM TOMORROW ONWARDS. THIS WAS TO THE EFFECT THAT WORK ON THE TEXTS FOR THE AGREEMENT HAD BEEN COMPLETED AT DELEGATION LEVEL AND THAT DOCUMENTS WERE NOW BEING CONSIDERED BY MINISTERS (OR LEADERS). I DID NOT SUGGEST A PRECISE FORM OF WORDS. ZHOU SAID THAT HE WOULD NEED TO CONSULT HIS LEADERS ABOUT THIS LINE. HE WOULD BE READY TO DISCUSS THE QUESTION WITH ME WHEN WE MET THIS EVENING (HE IS GIVING A DINNER FOR THE SECRETARY OF STATE FOR WALES).

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4. I SHOULD BE GRATEFUL FOR CONFIRMATION DESKBY 171000Z, THAT I MAY AGREE TO THE LINE IN PARAGRAPH 3 ABOVE, OR SOMETHING LIKE IT, WHEN I SEE ZHOU THIS EVENING. AS SEEN FROM HERE, IT WILL NEITHER BE POSSIBLE NOR DESIRABLE TO MAINTAIN THE LINE THAT WORK IS CONTINUING HERE AFTER IT HAS IN FACT FINISHED.

EVANS

FUTURE OF HONG KONG
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53

DESKBY 160830Z FCO AND HONG KONG
FROM PEKING 160744Z SEP 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 2375 OF 16 SEPTEMBER
INFO IMMEDIATE HONG KONG

M

Y TELNO 2340: FUTURE OF HONG KONG: YOUR SECOND MESSAGE
TO WU XUEQIAN.

1. AT 0820 HOURS (LOCAL TIME), THE MFA TELEPHONED TO INVITE ME TO RECEIVE WU'S REPLY FROM ZHOU NAN AT THE DIAYOYUTAI BEFORE THE BEGINNING OF THIS MORNING'S NEGOTIATING SESSION.
2. I SAW ZHOU SHORTLY BEFORE 0900 HOURS. I WAS ACCOMPANIED BY BLUNT AND Y P CHENG.
3. ZHOU SAID THAT WU WOULD BE LEAVING FOR NEW YORK EARLY TOMORROW MORNING. IN THIS SITUATION HE DID NOT HAVE TIME TO SEND A WRITTEN REPLY OR TO RECEIVE ME HIMSELF. HE HAD THEREFORE ASKED ZHOU TO CONVEY HIS ORAL REPLY TO ME. THE REPLY CONTAINED 5 POINTS.

PREAMBLE

4. WU WISHED TO EXPRESS HIS THANKS TO YOU FOR YOUR LATEST MESSAGE, WHICH HE HAD STUDIED WITH GREAT CARE.

CIVIL AVIATION

5. WU WAS PLEASED TO LEARN THAT, AGAINST THE BACKGROUND OF THE EXCHANGE OF MESSAGES, THE TWO DELEGATIONS HAD "BASICALLY" REACHED AGREEMENT ON CIVIL AVIATION.

NATIONALITY

6. ON THE QUESTION OF PASSPORTS OF THOSE "CALLED BDTCS" IN HONG KONG, WU HAD CLEARLY EXPLAINED THE CHINESE POSITION IN HIS REPLY TO YOUR FIRST MESSAGE (MY TELNOS 2256-7). HE HAD SAID THAT IF BDTCS, WHETHER OR NOT THEY ALREADY HELD A BDTC PASSPORT, WISHED ON A VOLUNTARY BASIS TO APPLY FOR NEW BRITISH PASSPORTS, THE BRITISH GOVERNMENT MUST ISSUE THEM BEFORE 30 JUNE 1997. WU EMPHASISED THAT THIS WAS THE MAXIMUM FLEXIBILITY THE CHINESE GOVERNMENT COULD SHOW. HE HAD NOTED THAT THIS QUESTION HAD AGAIN BEEN RAISED IN YOUR MESSAGE. HE HAD ALREADY POINTED OUT THAT, IF BDTCS APPLIED FOR PASSPORTS BEFORE 30 JUNE 1997, YET THE PROCESS OF ISSUING NEW

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PASSPORTS.

PASSPORTS LASTED UNTIL AFTER 30 JUNE 1997, VERY GREAT POLITICAL DIFFICULTIES WOULD BE CREATED FOR THE CHINESE SIDE. YOUR PROPOSAL WAS THEREFORE DIFFICULT TO ACCEPT. WU THEREFORE HOPED THAT YOU AND THE BRITISH SIDE WOULD CONSIDER THE CHINESE SIDE'S DIFFICULTIES IN THE SPIRIT OF UNDERSTANDING AND SYMPATHY THAT THE CHINESE SIDE HAD DISPLAYED TOWARDS BRITISH DIFFICULTIES. WU THEREFORE HOPED THAT THE BRITISH SIDE WOULD NO LONGER PERSIST IN ITS POSITION ON THIS QUESTION.

ANNEX 1

7. WU BELIEVED THAT ZHOU NAN HAD ALREADY EXPLAINED VERY CLEARLY TO ME THE SUGGESTED CHANGES AND REVISIONS MADE BY THE CHINESE SIDE TO ANNEX 1. PUTTING FORWARD THESE CHANGES WAS FULLY "IN ACCORDANCE WITH PROCEDURE." WU ALSO BELIEVED THAT IF THE BRITISH SIDE STUDIED THE CONTENT OF THE CHANGES SUGGESTED BY THE CHINESE SIDE WITH GREAT CARE, THEY WOULD FIND THE CHINESE SIDE'S SUGGESTIONS AND PROPOSALS WERE REASONABLE. HE BELIEVED THAT THE BRITISH SIDE WOULD FIND THEIR ACCEPTANCE WOULD NOT BE DIFFICULT. WU KNEW THAT THE TWO DELEGATION CHAIRMEN WERE AT PRESENT STUDYING THESE QUESTIONS POINT BY POINT. HE BELIEVED THAT, AS LONG AS DISCUSSIONS WERE CONDUCTED IN A SPIRIT OF FRIENDSHIP AND MUTUAL UNDERSTANDING, AND FULL PLAY WAS GIVEN TO WISDOM, IT WOULD NOT BE DIFFICULT TO FIND A SATISFACTORY SETTLEMENT TO ALL REMAINING QUESTIONS.

CONCLUSION.

8. LIKE YOU, WU HAD FULL CONFIDENCE THAT THE TWO SIDES WOULD BE ABLE TO REACH AN HISTORIC AGREEMENT AT AN EARLY DATE. HE BELIEVED THAT THE INITIALLING WOULD TAKE HAVE TAKEN PLACE BY THE TIME HE MET YOU IN NEW YORK.

9. IN RESPONSE, I MADE THE FOLLOWING POINTS:-

(A) I WOULD CONVEY WU'S REPLY FULLY AND RAPIDLY TO YOU. I WAS SURE YOU WOULD WISH ME TO THANK WU FOR REPLYING TO YOUR SECOND MESSAGE SO PROMPTLY.

(B) CIVIL AVIATION: I PERSONALLY SHARED THE VIEW IN WU'S REPLY TO YOU THAT CIVIL AVIATION HAD BEEN BASICALLY RESOLVED.

(C) NATIONALITY: I SPOKE AS INSTRUCTED IN PARAGRAPH 1 OF YOUR TELNO 1203.

(D) ANNEX 1: YOU HAD EXPRESSED YOUR VIEW ON THE REVISED CHINESE TEXT VERY CLEARLY. I WOULD REST ON THAT.

(E) NEW YORK: YOU LOOKED FORWARD TO MEETING WU IN NEW YORK. I UNDERSTOOD THE BRITISH AND CHINESE MISSIONS WERE IN TOUCH ABOUT TIMING.

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10. ZHOU SAID HE HAD NOTED MY REMARKS. HE WOULD CONVEY THEM TO WU. ON NATIONALITY, THE AD HOC GROUP WOULD MEET THIS AFTERNOON. HE HAD NO DOUBT THAT THE TWO SIDES WOULD FIND A SATISFACTORY SOLUTION. I SAID THAT MCLAREN WAS PREPARED TO CONTINUE DISCUSSION TO-DAY.

11. HKD: PLEASE ENSURE THAT THE GOVERNOR SEES A COPY OF THIS TELEGRAM AS SOON AS POSSIBLE.

EVANS

(REPEATED AS REQUESTED)

FUTURE OF HONG KONG
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SIR E YAUDE K195A

³
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603 KAM CHUNG BUILDING
54 JAFFE ROAD
WAN CHAI
HONG KONG

(129)

Mr Bulworth

PMJ/jc/1273

13th September, 1984.

H/K

Sir P Crook

Dear Powell,

(113)

Thank you for your letter of 2nd August, I am most grateful to you for having taken the trouble to write, particularly since my views are of little or no consequence, one way or another.

I am afraid they remain unchanged from those expressed in my letter of 16th May 1984 and would like to make the following observations:-

1. Negotiations could not have been effectively conducted by the British Government since it was never prepared to insist that there were certain conditions which were just not negotiable, conditions which would have ensured that the people of Hong Kong continued to enjoy every one of their existing freedoms and remained as independent from China as they presently are from the UK. This would have required China to accept some sort of monitoring arrangement.
2. Everyone here - HK Chinese or English - believes that:-
 - (a) China does not even begin to understand what has made HK such a success.
 - (b) China will not allow HK to continue to enjoy its present virtual autonomy, but will gradually

Mrs Gulikand, Security Dept (Gr).



.../2

These papers are filed into Hong Kong Dept., but you will want to see para 8 of Command Murray Jones' letter. It looks as though he has not been convinced by his Security Service that this was nothing in his mind allegations.

M. S/x

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- 2 -

erode many of the freedoms presently enjoyed, probably beginning with the freedoms of speech and the media, exchange control and travel. Mr. Wu Jiatun's remarks of 9th September is warning enough.

3. It is clear that Britain has thrown in the towel, with the result that China has made ever increasing demands.

Sir Geoffrey Howe has refused to answer two crucial questions:

- (i) What will the UK Government do if the HK people don't like the "joint declaration"?
- (ii) What will the UK Government do if Parliament does not accept the "joint declaration"?

He has also refused to hold a referendum. It is crystal clear why it was considered that there were "very real drawbacks" in the case of Hong Kong. With Gibraltar it was fine, because it produced the answer the Government wanted. In Hong Kong it would produce exactly the answer the Government does not want, namely that the status quo should remain.

4. From watching the television news here, Britain appears weak and ineffectual. We have seen endless shots of Evans and/or Youde walking along the streets of Peking after meetings being badgered by reporters and - having nothing to say - feebly grinning. Why cannot they avoid this humiliation by going by car?

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HONG KONG

- 3 -

5. All the meetings were held in Peking - why should not some of them have been held in Hong Kong and/or London?
6. Since HK and Kowloon were ceded to Britain in perpetuity by Treaty, why cannot the Government insist on Treaties when transferring them back to China, with a "Joint Declaration" covering the reversion of the New Territories?
7. But leaving the territory itself aside, the most shameful thing is the apparent forthcoming abandonment of the people of Hong Kong, who are entitled to, and deserve, the protection of the Crown. Honour demands that, at the very least, resettlement arrangements are made available to HK British passport holders if they so require.
8. By publicly raising the question of the treaties, China was put in a position from which it had no alternative but to take the firm stand it has, and this result must have been obvious beforehand to any expert on China. It would therefore be interesting to know who advised the Prime Minister on this point, and it would not surprise me to learn that it was McLaren. (His astounding survival can only mean that he has some very powerful supporters, among whom, from my separate meetings with them, would seem to be both Howe & Youde. A chilling thought.)

On the other hand, perhaps the Prime Minister mentioned the treaties on Hong Kong T.V. deliberately, with the certain knowledge that this would effectively terminate any further British involvement in the territory.

.../4

FROM: P. J. MURRAY-JONES

TELEPHONE: 5-201639
TELEX: 76029 GARDE HX

603 KAM CHUNG BUILDING
54 JAFFE ROAD
WAN CHAI
HONG KONG

- 4 -

Either way, I am sadly of the opinion that the British Government is acting dishonourably towards the people of Hong Kong. Whether this is due to political expediency, or simply to ineptitude, matters little, the shame remains the same.

I suppose a pragmatist would say that by kow-towing before China, Britain will stand to gain by way of future trade - but what a price to pay!

Yours sincerely

P. J. Murray Jones

~~P. J. Murray Jones
Lieutenant Commander~~

C. D. Powell Esq.,
Private Secretary,
10 Downing Street,
LONDON SW1

SECRET

DESKBY 151100Z

FM HONG KONG 150930Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2848 OF 15 SEPTEMBER

INFO PRIORITY PEKING

AM

MY TELNO 2839: EXCO UNOFFICIALS VISIT.

1. ONE OF THE MOST IMPORTANT QUESTIONS WHICH THE UNOFFICIAL MEMBERS WILL WISH TO RAISE WITH MINISTERS IS THE EXTENT TO WHICH THEY CAN REVEAL THE ADVICE WHICH THEY GAVE DURING THE COURSE OF THE NEGOTIATIONS: THE EXTENT TO WHICH THEY CAN DRAW UPON THEIR KNOWLEDGE OF THE NEGOTIATIONS IN SPEAKING OF THE AGREEMENT: AND THE EXTENT OF THEIR FREEDOM TO COMMENT ON ITS CONTENTS AFTER IT HAS BEEN PUBLISHED.

2. UNOFFICIALS MAY WELL BE CRITICISED BY THOSE WHO FIND THE AGREEMENT UNSATISFACTORY IN WHOLE OR IN PART, FOR NOT STANDING OUT SUFFICIENTLY STRONGLY IN THE ADVICE THEY GAVE IN THE COUNCIL FOR THE INTEREST OF HONG KONG. THEY WILL BE JUSTIFIABLY CONCERNED, GIVEN THEIR OWN STANDING IN THE COMMUNITY AND THE JUDGEMENT OF HISTORY, NOT TO ALLOW SUCH ACCUSATIONS TO STAND. IN ADDITION, THEY WILL BE QUESTIONED CLOSELY ABOUT WHAT ADVICE THEY GAVE TO MINISTERS AND THE PRIME MINISTER DURING THEIR VISITS TO LONDON. I CAN FORESEE SEARCHING QUESTIONS FROM THE PRESS ABOUT THEIR ATTITUDE TO THE RELINQUISHMENT OF THE ATTEMPT TO RETAIN BRITISH ADMINISTRATION AFTER 1997: AND ALSO ON ISSUES OF NATIONALITY, ETC. THEY MAY BE ASKED WHETHER THEIR ADVICE ON NEGOTIATING TACTICS WAS ADOPTED BY HMG OR WHETHER THEY BELIEVE DIFFERENT TACTICS COULD HAVE ACHIEVED BETTER RESULTS ON DIFFICULT ISSUES.

3. IT WOULD BE TEMPTING TO ALLOW THEM TO SPEAK WITH DUE CAUTION ON SUCH ISSUES BUT IN MY VIEW IT WOULD BE DANGEROUS TO WAIVE THE ABSOLUTE LEGAL REQUIREMENT THAT THE ADVICE THEY HAVE OFFERED THE GOVERNOR AND WHICH THE GOVERNOR HAS OFFERED TO MINISTERS, TOGETHER WITH KNOWLEDGE ACQUIRED IN THE EXECUTIVE COUNCIL CHAMBER REMAINS CONFIDENTIAL AND SHOULD NOT BE DIVULGED. THIS IS WELL COVERED BY THE OATH OF FIDELITY WHICH EACH HAD TAKEN (SEE CAP 11, SECOND SCHEDULE, PART III). TO RELAX THIS RULE COULD PROVIDE OPPORTUNITIES FOR THE PRESS TO EXPLOIT ANY DIFFERENCES WHICH MIGHT BE PERCEIVED AND MAKE OTHER MEMBERS VULNERABLE TO ATTACK IF THEY FAILED TO SPEAK WITH THE SAME VOICE. AS A DEFENCE FOR NOT REVEALING WHAT THEY SAID MEMBERS COULD POINT TO THEIR OATH OF FIDELITY. I THINK IT WOULD ALSO BE WISE TO TAKE THE SAME VIEW AS FAR AS GIVING ADVICE TO MINISTERS IN LONDON WAS CONCERNED. THEY COULD SAY THAT SINCE THE ADVICE WAS GIVEN IN THEIR CAPACITY AS EXECUTIVE COUNCILLORS IT MUST REMAIN CONFIDENTIAL.

/4.

4. THE QUESTION OF THEIR COMMENTING ON THE AGREEMENT AFTER IT IS INITIALLED RAISES SOMEWHAT DIFFERENT ISSUES WHICH ARE POLITICAL NOT LEGAL. FOR EXAMPLE, SOME OF THEM MAY WELL FEEL THAT THEY SHOULD EXPRESS DISAPPOINTMENT THAT THE AGREEMENT DOES NOT PROVIDE FOR TRANSMISSIBILITY AND THUS THE BDTC'S WILL LOSE SOME RIGHTS THEY NOW HAVE. IF THEY WERE TO DO SO, HOWEVER, THEY COULD WELL BE ASKED WHETHER THEY ADVISED AGAINST CONCEDING IT: OR WHETHER THEY ARE SATISFIED WITH THE DEGREE OF EFFORT HMG MADE TO MAINTAIN IT. THERE MAY BE OTHER ISSUES IN THE AGREEMENT WHERE SIMILAR QUESTIONS MAY ARISE.

5. IT WOULD BE UNREALISTIC AND NOT CREDIBLE TO MAINTAIN THAT THERE WERE NO DIFFERENCES OF VIEW WITHIN EXCO AND BETWEEN EXCO AND LONDON AT VARIOUS TIMES. AS YOU RECOGNISE IT WOULD BE EQUALLY UNREALISTIC TO TRY TO MAINTAIN THAT THE AGREEMENT IS AN IDEAL ONE. NEVERTHELESS, MY OWN VIEW IS THAT IF INDIVIDUAL MEMBERS WERE TO BE DRAWN INTO COMMENTING CRITICALLY ON THE PARTICULAR PROVISIONS OF INTEREST TO THEM, THE PRESS COULD SWIFTLY AND EFFECTIVELY EXPLOIT ANY DIFFERENCES WHICH WERE ALLOWED TO APPEAR AND PUT OTHER MEMBERS IN A POSITION WHERE THEY HAD TO MAKE A CHOICE OF BREAKING CONFIDENTIALITY TO DEFEND THEIR POSITIONS OR THEMSELVES APPEAR TO HAVE FAILED TO PRESS STRONGLY FOR HONG KONG'S INTERESTS.

6. TO AVOID THIS THERE WILL NEED TO BE A CAREFULLY CONCERTED LINE WHICH CAN BE TAKEN ON THE AGREEMENT GENERALLY WHICH WOULD TAKE ACCOUNT OF THE NEED TO ALLOW UNOFFICIAL MEMBERS OF EXCO TO DEMONSTRATE TO THE COMMUNITY THAT THEY STOOD UP FOR HONG KONG'S INTERESTS, WHILE AT THE SAME TIME AVOIDING GIVING THE PRESS ANY OPPORTUNITY TO EXPLOIT DIVISIONS.

7. THERE IS NO EASY ANSWER ON THESE LATTER POINTS BUT I CONSIDER THAT THEY WOULD BEST BE MET BY THE FOLLOWING LINES OF COMMENT:

(A) THE FIRST IS TO SAY THAT UNOFFICIALS REFLECTED FAITHFULLY TO HMG AT ALL STAGES OF THE NEGOTIATIONS THE VIEWS OF PEOPLE IN HONG KONG AS THEY WERE EXPRESSED IN THE MEDIA, AND THROUGH REPRESENTATIONS MADE DIRECTLY OR INDIRECTLY TO THEM, ADDING THAT THEY ARGUED STRONGLY FOR THE HONG KONG VIEW ON ALL MAJOR POINTS. I WOULD SPEAK STRONGLY IN THE DEFENCE OF THE UNOFFICIALS IF ANY CRITICISM WAS MADE OF THEM ON THIS SCORE.

(B) THE SECOND IS TO SAY THAT NO-ONE WILL CLAIM THAT ALL MEMBERS EXCO OR EXCO AND HMG HELD IDENTICAL VIEWS ON ALL ISSUES AT ALL TIMES BUT ALL WOULD AGREE THAT THE OVER-RIDING AIM THROUGHOUT OF ALL MEMBERS OF EXCO, OF MINISTERS AND OF THE NEGOTIATORS, WAS TO ACHIEVE AN AGREEMENT WHICH WOULD SATISFY THE REQUIREMENTS OF THE PEOPLE OF HONG KONG AS FAR AS POSSIBLE.

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(C) ON THE AGREEMENT, WE COULD NOT CLAIM THAT IT WAS IDEAL ON ALL POINTS AND WOULD ADMIT IN GENERAL TERMS THAT PARTICULAR PROVISIONS MIGHT BE FOUND TO BE DISAPPOINTING. BUT HAVING AGREED TO IT BEING INITIALLED ALL MEMBERS SHOULD ADOPT THE LINE THAT TAKEN AS A WHOLE THE AGREEMENT WAS NOT ONLY THE BEST WE COULD OBTAIN BUT IT ALSO CONTAINS THE BEST POSSIBLE GUARANTEES THAT THE SYSTEMS TO WHICH THE PEOPLE OF HONG KONG ATTACH IMPORTANCE WILL BE PRESERVED.

B. I THINK IT POSSIBLE (THOUGH NOT CERTAIN) THAT THE UNOFFICIALS CAN BE PERSUADED TO ACCEPT THE ABOVE. THERE MAY BE ONE OR TWO MEMBERS WHO WILL CLAIM THAT, ALTHOUGH THEY WILL ADVISE MINISTERS TO INITIAL AND COMMEND THE AGREEMENT AS A WHOLE, THEY MUST BE FREE TO EXPRESS THEIR HONEST OPINIONS, EVEN IF THIS INVOLVES CRITICISM OF CERTAIN OF ITS PROVISIONS OR THE CONDUCT OF NEGOTIATIONS. I SHALL KNOW MORE OF THEIR THINKING ON THESE POINTS BY THE TIME THEY ARRIVE IN LONDON: THEY ARE LIKELY TO BE DISCUSSING THEM AMONG THEMSELVES OVER THE WEEKEND.

YOUDE

FUTURE OF HONG KONG
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SIR P CRADOCK NO 10 DOWNING ST.
SIR E YOUDE (ROOM K195A)

-3-
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GRS 700

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FM HONG KONG 141130Z SEP 84

TO PRIORITY F C O

TELEGRAM NUMBER 2834 OF 14 SEPTEMBER

INFO PRIORITY PEKING

OUR TELNO. 2493. FUTURE OF HONG KONG : REPORT ON PUBLIC OPINION.

THE MOOD REMAINS STABLE AND PATIENT WITH AN UNDER CURRENT OF UNDERSTANDABLE NERVOUSNESS. WITH THE END OF THE TALKS KNOWN TO BE IMMINENT, PEOPLE ARE WAITING ANXIOUSLY FOR THE EXPECTED ANNOUNCEMENT. MANY PEOPLE REMAIN CAUTIOUSLY OPTIMISTIC THAT THE AGREEMENT WILL CONTAIN BINDING ASSURANCES ON THE TOPICS KNOWN TO BE UNDER DISCUSSION (E.G. LAND TENURE AND NATIONALITY.) VARIOUS INDEPENDENT CHINESE LANGUAGE NEWSPAPERS HAVE RECENTLY CARRIED CAUTIOUS EDITORIALS. ONE SAID THAT PEOPLE STILL LACK CONFIDENCE IN CHINESE PROMISES OF 50 YEARS WITHOUT CHANGE. ANOTHER SAID THAT HONG KONG PEOPLE WOULD WANT TO SEE WHETHER CHINA KEPT ITS WORD AFTER DENG XIAOPING'S DEPARTURE FROM THE SCENE.

2. WHILE MOST LEADING BUSINESSMEN AND INDUSTRIALISTS ARE PUBLICLY OPTIMISTIC, MANY HAVE TAKEN OUT INSURANCE, EITHER BY LAYING CONTINGENCY PLANS FOR EMIGRATION, OR BY MAKING UP TO THE CHINESE, OR BOTH. MOST SEEM TO HAVE DECIDED TO STAY FOR AT LEAST FIVE YEARS TO SEE HOW THINGS TURN OUT.

3. THE CURRENT VISIT TO HONG KONG BY DENG PUFANG, THE PARAPLEGIC SON OF DENG XIAOPING, HAS AROUSED GREAT LOCAL INTEREST. WHILE HE IS PRINCIPALLY HERE TO STUDY HONG KONG'S POLICY TOWARDS PHYSICALLY AND MENTALLY HANDICAPPED PEOPLE, COMMENTATORS HAVE TAKEN IT FOR GRANTED THAT HE WILL REPORT HIS MORE GENERAL FINDINGS TO HIS FATHER.

PUBLIC SERVICE

4. CHINA'S EFFORTS TO REASSURE THE PUBLIC SERVICE CONTINUE. TWO GROUPS REPRESENTING HONG KONG CIVIL SERVANTS HAVE VISITED PEKING DURING THE PAST MONTH, AND HAVE BEEN ASSURED THAT CIVIL SERVANTS WILL BE ABLE TO CONTINUE WORKING AFTER 1997 WITH NO CHANGE IN TERMS OF SERVICE, AND WILL RECEIVE PENSIONS AS BEFORE. BOTH GROUPS RETURNED HERE REASONABLY SATISFIED, THOUGH SOME MEMBERS HAVE EXPRESSED DISAPPOINTMENT PRIVATELY AT THE BLANDNESS OF THE ASSURANCES THEY WERE GIVEN.

5. MORALE AMONG CIVIL SERVANTS REMAINS GENERALLY SATISFACTORY, THOUGH LIKE EVERYONE ELSE THEY TOO ARE WAITING ANXIOUSLY FOR THE TERMS OF THE FINAL AGREEMENT. AT A RECENT ANNUAL MEETING OF LOCAL POLICE INSPECTORS, THERE WAS WIDESPREAD IMPATIENCE AT THE CONTINUING LACK OF RESPONSE TO APPLICATIONS FOR BRITISH CITIZENSHIP.

CONFIDENTIAL

/REPRESENTATIVE

CONFIDENTIAL

REPRESENTATIVE GOVERNMENT

6. THE NUMBER OF REGISTERED VOTERS NOW STANDS AT OVER 1.3 MILLION. THERE ARE SLIGHT INDICATIONS THAT SOME POTENTIAL CANDIDATES MAY BE RELUCTANT TO STAND AGAINST PEOPLE ENJOYING OFFICIAL CHINESE SUPPORT. NEVERTHELESS, THE NUMBER AND CALIBRE OF CANDIDATES WHO EXPRESS A WILLINGNESS TO STAND IS FOR THE TIME BEING ENCOURAGING. THE COMMUNISTS ARE PRESSING AHEAD WITH THEIR OWN CAMPAIGN TO PERSUADE POTENTIAL SUPPORTERS TO REGISTER FOR 1985 DISTRICT BOARD ELECTIONS.

7. PEOPLE ARE INCREASINGLY SAYING THAT THE MOST IMPORTANT THING ABOUT ANY PROPOSED CONSTITUTIONAL CHANGE IS WHETHER PEKING WILL ACCEPT IT.

ECONOMIC INDICATORS

8. THE ECONOMIC INDICATORS REMAIN GOOD EXPORTS HAVE CONTINUED TO GROW, AND UNEMPLOYMENT AND INFLATION TO FALL. THE HONG KONG DOLLAR HAS RECENTLY BEEN UNDER SOME PRESSURE RESULTING FROM THE STRENGTH OF THE US DOLLAR, BUT APPEARS TO HAVE WEATHERED THIS. THERE ARE SOME SIGNS OF AN UPTURN AT THE LOWER LEVELS OF THE RESIDENTIAL PROPERTY MARKET. THERE ARE INDICATIONS THAT INVESTMENT IN PLANT AND MACHINERY MAY HAVE PICKED UP SLIGHTLY. MANUFACTURERS ARE GENERALLY OPTIMISTIC ABOUT BUSINESS PROSPECTS OVER THE NEXT FEW MONTHS

(EXCEPT OF COURSE FOR THE GARMENT MANUFACTURERS AFFECTED BY RECENT US MOVES ON TEXTILE IMPORTS).

9. IN GENERAL THEREFORE THE COMMUNITY AS A WHOLE IS SURPRISING CALM AND REALISTIC GIVEN THE IMMENSE IMPORTANCE OF THE AGREEMENT SOON TO BE ANNOUNCED FOR THEIR OWN INDIVIDUAL FUTURES AND THE FUTURE OF HONG KONG AS A WHOLE.

YOUDE

FUTURE OF HONG KONG
LIMITED

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GPS150
SECRET
DESKBY FCO 141430Z
DD PEKING 150100Z
FM HONG KONG 141400Z SEP 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 2839 OF 14 SEPTEMBER
INFO IMMEDIATE PEKING

SECRET

Prime Minister
You are likely to
be asked whether
you will go to
Peking to sign.
C.D.P.
17/4

MY TELNO 2829
EXCO VISIT: AGENDA

UNTIL THE UNOFFICIALS HAVE DISCUSSED THE MATTER AMONG THEMSELVES
OVER THE WEEKEND I SHALL NOT KNOW THEIR INTENTIONS. BUT THE MAIN
QUESTIONS WHICH MAY BE RAISED BY THE UNOFFICIALS ARE LIKELY TO BE

- A) THE ACCEPTABILITY OF THE AGREEMENT. (THEY WILL CONSIDER THIS AMONG
THEMSELVES ON MONDAY)
- B) THE EXTENT TO WHICH UNOFFICIALS WILL BE FREE TO REVEAL THE
ADVICE THEY HAVE GIVEN HMG DURING THE NEGOTIATIONS.
- C) HOW FAR THEY WILL BE FREE TO COMMENT DURING THE TEST OF
ACCEPTIBILITY ON PARTICULAR PROVISIONS IN THE AGREEMENT LIKELY
TO BE CRITICISED HERE. (I WILL TELEGRAPH (B) AND (C) TOMORROW).
- D) HMG INTENTIONS AS REGARDS AMENDMENT TO THE BRITISH NATIONALITY
ACT, INCLUDING THE QUESTION OF A NEW TITLE FOR BTDC'S
- E) HOW THE NATIONALITY POSITION OF NON-CHINESE HONG HONG BTDC'S
WILL BE SAFEGUARDED.
- F) WHETHER THE PRIME MINISTER PLANS TO SIGN THE AGREEMENT IN
DECEMBER (AS YOU KNOW THEY ARE KEEN ON THIS).
- G) HMG'S ATTITUDE TO THE DEVELOPMENT OF REPRESENTATIVE
GOVERNMENT: AND HOW FAR IT COULD BE PURSUED IF NECESSARY WITHOUT
ENDORSEMENT BY THE CHINESE.
- H) INDIVIDUAL MEMBERS MAY RAISE THE QUESTION OF WHETHER IN INDIVIDUAL
CASES ASSURANCES CAN TAKE THE FORM OF GRANT OF CITIZENSHIP
RATHER THAN SETTLEMENT.

YOUDE

FUTURE OF HONG KONG
LIMITED

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DD 140830Z FCO

SECRET

DD 140200Z H/K

IMMEDIATE

ADVANCE COPY

FROM PEKING 140100Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2336 OF 14/9/84

INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: ZHOU NAN

1. ZHOU NAN'S WIFE WAS IN HOSPITAL FOR SOME DAYS
LAST WEEK FOR AN OPERATION.
CANCER IS SUSPECTED.
ZHOU NAN HIMSELF WAS CLEARLY UNWELL THIS AFTERNOON. ONE OF
HIS STAFF TOLD US AS WE WERE LEAVING THE DIAOYUTAI THAT
HE HAD FLU RATHER BADLY

2. I CANNOT SAY THAT HE WOULD HAVE BEHAVED OTHERWISE
OVER THE PAST TWO DAYS IF HIS WIFE'S STATE
OF HEALTH AND HIS OWN HAD BEEN NORMAL.
BUT I THINK YOU SHOULD KNOW THAT THESE CIRCUMSTANCES
EXIST.

SECRET

file

288
49

bc: Sir P.C.

14 September 1984

FUTURE OF HONG KONG: BRIEFING THE AUSTRALIANS
AND AMERICANS

Thank you for your letter of 13 September asking whether the Prime Minister would be ready to send personal messages to President Reagan and Mr. Hawke once the agreement with the Chinese on Hong Kong is initialled.

I feel sure that the Prime Minister would be ready to send messages to both of them. I should be grateful for drafts in due course.

Charles Powell

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

SECRET

SECRET

2750 - 1

DD 132330Z PEKING

GRS 950

SECRET

DESKBY 132330Z

FM FCO 131650Z SEP 84

TO IMMEDIATE PEKING

TELEGRAM NUMBER 1193 OF 13 SEPTEMBER

INFO IMMEDIATE HONG KONG DESKBY 132330Z

MIPT: MESSAGE FROM CHINESE FOREIGN MINISTER

1. FOLLOWING IS TEXT OF MESSAGE FROM THE SECRETARY OF STATE TO THE CHINESE FOREIGN MINISTER.

2. BEGINS. I WAS VERY GRATEFUL FOR THE REPLY TO MY MESSAGE, WHICH HAS BEEN CONVEYED BY SIR RICHARD EVANS. I MUCH APPRECIATE ITS POSITIVE SPIRIT AND THE EFFORTS WHICH THE CHINESE LEADERS HAVE CLEARLY MADE TO MEET SOME OF OUR CONCERNS.

3. I AM GLAD THAT WE HAVE REACHED AGREEMENT BETWEEN US ON THE FINAL DATE WHICH WE PROPOSED FOR THE EXCHANGE OF INSTRUMENTS OF RATIFICATION. I THINK THAT OUR NEGOTIATORS SHOULD NOW BE ABLE QUICKLY TO AGREE A TEXT ON CONSTITUTIONAL ARRANGEMENTS.

4. ON CIVIL AVIATION WE HAVE MOVED A LONG WAY TO MEET YOUR CONCERNS. THE GAP BETWEEN OUR TWO SIDES IS NARROW, BUT THE REMAINING POINTS AT ISSUE ARE ONES OF REAL IMPORTANCE IF WE ARE TO MEET OUR COMMON AIM, WHICH IS TO ENSURE, WITH FULL RESPECT FOR CHINESE SOVEREIGNTY, THAT THE FUTURE SPECIAL ADMINISTRATIVE REGION HAS SUFFICIENT AUTONOMY IN THIS FIELD TO ENSURE THE CONTINUED SUCCESSFUL OPERATION OF HONG KONG'S OWN AIRLINE. THE TEXT MUST BE CLEAR ENOUGH TO ENSURE THIS.

I AM ANXIOUS THAT DISCUSSION ON THIS QUESTION SHOULD BE COMPLETED AS SOON AS POSSIBLE AND I HOPE THAT YOUR NEGOTIATORS WILL BE GIVEN THE NECESSARY FLEXIBILITY.

5. THE OTHER DIFFICULT REMAINING PROBLEM IS THAT CONCERNING THE CONTINUED USE OF BRITISH PASSPORTS AFTER 1997 BY THOSE PEOPLE IN HONG KONG WHO HAVE HAD THE RIGHT TO USE THEM BEFORE 1997. YOU HAVE CONFIRMED THAT THE CHINESE SIDE COULD AGREE TO THE BRITISH GOVERNMENT ISSUING A FORM OF BRITISH TRAVEL DOCUMENT TO THOSE WHO ARE NOW CALLED BDTCS, AND THAT HOLDERS OF THESE DOCUMENTS COULD

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/TRAVEL

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2750 - 1

TRAVEL ABROAD ON THEM AFTER 1997. YOU HAVE ALSO AGREED THAT THESE DOCUMENTS SHOULD BE PASSPORTS AND SHOULD BE REFERRED TO AS PASSPORTS IN THE UK MEMORANDUM. YOUR NEGOTIATORS HAVE TOLD US THAT THE CHINESE SIDE COULD ALSO AGREE TO THESE PASSPORTS BEING RENEWED OR REPLACED AFTER 1997 AS NECESSARY, AND TO APPROPRIATE ARRANGEMENTS BEING MADE FOR CERTAIN CATEGORIES OF CHILDREN BORN BEFORE 30 JUNE 1997, WHICH WE CAN DISCUSS IN DETAIL IN THE WORKING GROUP. IT WOULD BE ESSENTIAL FOR THE UK MEMORANDUM TO SPECIFY THAT EXISTING PASSPORTS COULD BE RENEWED OR REPLACED AFTER 1997, AND THAT PASSPORTS WOULD BE ISSUED AFTER THAT DATE TO ELIGIBLE CHILDREN BORN BEFORE 30 JUNE 1997 WHEN THEY BECAME TOO OLD TO TRAVEL ON THEIR PARENTS' PASSPORTS. IN VIEW OF WHAT YOUR NEGOTIATORS HAVE TOLD US I DO NOT THINK THAT THESE POINTS ARE LIKELY TO CAUSE YOU DIFFICULTY.

6. YOU HAVE HOWEVER ALSO TOLD ME THAT IT IS NOT POSSIBLE FOR THE CHINESE GOVERNMENT TO ACCEPT THAT ANY CHINESE NATIONALS IN HONG KONG SHOULD APPLY TO THE BRITISH AUTHORITIES FOR THE ISSUE OF A PASSPORT AFTER 1997. I AM DISAPPOINTED THAT YOU DO NOT FEEL ABLE TO MEET US ON THIS POINT, BUT IN THE INTERESTS OF REACHING AGREEMENT I AM PREPARED TO PUT YOUR POINT OF PRINCIPLE, PROVIDED THAT WE CAN TOGETHER FIND A WAY OF DEALING WITH THE PRACTICAL PROBLEMS WHICH WILL ARISE FROM IT.

7. I HAVE EXPLAINED THAT THE REQUIREMENT THAT PEOPLE SHOULD OBTAIN BRITISH PASSPORTS BEFORE 1997 IF THEY ARE TO CONTINUE TO USE THEM AFTERWARDS WILL CERTAINLY STIMULATE A FLOOD OF APPLICATIONS FOR PASSPORTS. IN PRACTICE, IT IS INEVITABLE THAT THERE WILL BE A PARTICULARLY HEAVY STREAM OF APPLICATIONS IN THE PERIOD IMMEDIATELY BEFORE 1997, AND I CONSIDER IT LIKELY THAT IT WILL BE PHYSICALLY IMPOSSIBLE FOR US TO PROCESS ALL THESE APPLICATIONS BEFORE 30 JUNE 1997. THIS WOULD BE A VERY UNSETTLING FACTOR AT THE TIME OF TRANSITION. I SHOULD THEREFORE LIKE TO PROPOSE AS A PRACTICAL MEANS OF COPING WITH THIS PROBLEM THAT THE UK SHOULD CONTINUE TO ACCEPT APPLICATIONS FOR NEW PASSPORTS FROM BDTCS UNTIL 30 JUNE 1997, BUT SHOULD CEASE TO DO SO ON THAT DATE. ANY APPLICATIONS WHICH HAD BEEN RECEIVED BUT NOT PROCESSED BY THEN SHOULD BE DEALT WITH THEREAFTER AS QUICKLY

2

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1AS

AS POSSIBLE. SPECIAL ARRANGEMENTS WOULD ALSO HAVE TO BE MADE FOR CHILDREN BORN IMMEDIATELY BEFORE 1 JULY 1997, SINCE THERE WOULD NOT BE TIME FOR SUCH CHILDREN TO BE ENTERED IN THEIR PARENTS' PASSPORTS BEFORE THE DUE DATE.

8. THESE ARE THE MINIMUM REQUIREMENTS OF THE BRITISH SIDE, AND I MUST EMPHASISE THAT THEY ARE NECESSARY FOR PRACTICAL PURPOSES IF WE ARE TO ACCEPT THE POSITION OF THE CHINESE SIDE IN PRINCIPLE. I SHOULD LIKE TO ADD AN ASSURANCE THAT THERE WOULD BE NO QUESTION OF CHINESE NATIONALS IN HONG KONG CONTINUING TO USE BDTC PASSPORTS AFTER 30 JUNE 1997.

9. I AM AFRAID THAT SINCE MY LAST MESSAGE THERE HAS BEEN ONE FURTHER DEVELOPMENT WHICH CAUSES ME GREAT CONCERN, NAMELY THE CHINESE SIDE'S PROPOSAL OF EXTENSIVE REVISION, INVOLVING CHANGES BOTH OF LANGUAGE AND SUBSTANCE, OF THE WHOLE OF ANNEX I. THIS SUDDEN ALTERATION OF TEXTS CAREFULLY AGREED OVER MANY MONTHS IS A SERIOUS SETBACK TO OUR JOINT WORK AND THREATENS THE WHOLE TIMETABLE. WE DO NOT EXCLUDE CONSIDERATION OF CHANGES OF GRAMMAR OR PUNCTUATION, BUT I MUST TELL YOU THAT WE CANNOT REOPEN ISSUES OF SUBSTANCE WHERE AFTER PROLONGED EFFORT WE HAVE REACHED AGREEMENT. I HOPE YOU CAN REASSURE ME THAT THE CHINESE SIDE HAS NO SUCH INTENTION. I HAVE ASKED THE AMBASSADOR TO EXPRESS MY CONCERN TO ZHOU NAN, BUT BECAUSE OF THE SERIOUS IMPLICATIONS OF THIS NEW DEVELOPMENT I FELT I MUST RAISE IT WITH YOU PERSONALLY.

10. WE HAVE COME A LONG WAY TOGETHER, AND I THINK THAT WE ARE ON THE VERGE OF AN AGREEMENT WHICH WILL MAKE HISTORY. I HOPE VERY MUCH THAT YOU WILL BE ABLE TO GIVE ME A POSITIVE REPLY. I ALSO LOOK FORWARD VERY MUCH TO MEETING YOU IN NEW YORK, PERHAPS ON THE DAY ON WHICH THE INITIALLING TAKES PLACE IN PEKING.

HOWE

FUTURE OF HONG KONG
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cc PG
48



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree in principle to
send a

13 September 1984

message to Mr. Hawke as soon
as the agreement with China
is initialled? CDP 18/9 Yes

Dear Charles,

Future of Hong Kong: Briefing the Australians and Americans *ms*

We have been intensifying the briefing of our allies on the talks on the future of Hong Kong over the last few weeks, with the aim of eliciting positive statements by Governments on the agreement on its initialling in late September.

In the case of the Americans and Australians we had planned to send messages from Sir Geoffrey Howe to Mr Hayden and Mr Shultz shortly before initialling, asking them to make supportive statements. Canberra has now advised that in view of Mr Hayden's rather unhelpful statements on Hong Kong in the past it would be better to seek a supportive statement from Mr Hawke. The best way to secure this would be by a message from the Prime Minister. Washington have also advised that the Prime Minister should send a message to President Reagan, since a decision whether to make such a statement on Hong Kong will be taken at that level.

If the Prime Minister agrees to send such messages we would forward drafts nearer to the date of initialling.

Yours ever,

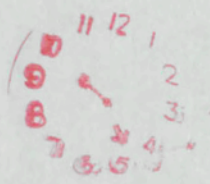
Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street



11 9 SE.



Special and Commercial Office

London 2414 JAL

Faint handwritten text, possibly a signature or address.

DEPARTMENT/SERIES <i>PCEM 19</i> PIECE/ITEM <i>1267</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Letter Powell to Ricketts dated 13 September 1984</i>	
CLOSED FOR <i>70</i> YEARS UNDER FOI EXEMPTION	<i>28/8/13</i> <i>S. Gray</i>
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
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MISSING AT TRANSFER	
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NUMBER NOT USED	

Instructions for completion of Dummy Card

Use **Black Pen** to complete form

Use the card for one piece/item number only

Enter the Department, Series and Piece/Item references clearly
e.g.

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DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1267</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Home Secretary to Howe dated 12 September 1984</i>	
CLOSED FOR <i>70</i> YEARS UNDER FOI EXEMPTION	<i>28/8/13</i> <i>S. Gray</i>
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Extract/Item details: <i>Powell to PM dated 12 September 1984</i>	
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43



TYPISTS

Prime Minister
see over:
we watched
Zhou
creating
difficulties
again.

SECRET
DESKBY 121430Z BOTH
FROM PEKING 121340Z SEPT 84
TO IMMEDIATE FCO
TELNO 2282 OF 12/9/84
INFO IMMEDIATE HONG KONG

ADVANCE
IMMEDIATE

MIPT: FUTURE OF HONG KONG: CALL ON ZHOU NAN: ORGANISATION OF WORK

1. I SAID THAT I UNDERSTOOD THE AD HOC GROUP WERE CLOSE TO AN AGREEMENT ON LAND, AND THAT THE ANNEX I TEXT ON NATIONALITY TOO WAS ALMOST AGREED. THAT LEFT THE NATIONALITY MEMORANDA AND CIVIL AVIATION.
2. ZHOU NAN SAID HE HOPED DISCUSSION OF BOTH SUBJECTS WOULD BE COMPLETED TOMORROW. ON THE EXCHANGE OF MEMORANDA, THE CHINESE HAD PUT FORWARD A DRAFT OF THEIR DOCUMENT, AND WERE WAITING FOR US TO GIVE THEM A DRAFT OF OURS. ON CIVIL AVIATION HE HOPED THAT MCLAREN WOULD HAVE INSTRUCTIONS BY TOMORROW WHICH WOULD ENABLE A TEXT TO BE AGREED. I SAID THAT I THOUGH MCLAREN WOULD RECEIVE INSTRUCTIONS DRAFTED IN THE LIGHT OF WU'S REPLY TO YOUR MESSAGE. BUT I WAS NOT SURE WHETHER DISCUSSION OF CIVIL AVIATION COULD BE COMPLETED TOMORROW.
3. I SAID I WAS MORE CONCERNED ABOUT THE REVISED ANNEX I TEXT PRESENTED TO THE WORKING GROUP TODAY. IN THIS TEXT THERE WERE A LARGE NUMBER OF CHANGES (INCLUDING A NUMBER OF SUBSTANCE) TO WHAT HAD BEEN AGREED IN THE WORKING GROUP AND ALSO NEW LANGUAGE ON CONSTITUTIONAL ARRANGEMENTS. WILSON HAD AGREED TO GO THROUGH THE TEXTS, AND WAS RESPONDING ON A PERSONAL BASIS TO THE PROPOSALS FOR CHANGES TO THEM. BUT HE WOULD HAVE TO CONSULT LONDON WHICH WOULD TAKE TIME.
4. ZHOU SAID THAT KE HAD TOLD WILSON THAT THE NEW REVISED DRAFT HAD BEEN CAREFULLY CONSIDERED NOT ONLY BY KE BUT ALSO BY HIMSELF AND OTHER EXPERTS. THE CHANGES WERE TECHNICAL AND LINGUISTIC. EARLIER TEXTS HAD READ IN CHINESE MORE LIKE TRANSLATIONS FROM THE ENGLISH TEXTS. FOR AN ANNEX THAT ELABORATED CHINESE POLICIES THIS WAS INAPPROPRIATE. BUT MANY OF THE CHANGES DID NOT REQUIRE CORRESPONDING AMENDMENT OF THE ENGLISH TEXT.

CJP
12/9

5. ZHOU SAID THAT HE HAD NO AUTHORITY TO AGREE TO ANY FURTHER CHANGES TO THE NEW REVISED DRAFT. MOREOVER AS WU HAD INDICATED, THE CONCESSIONS THE CHINESE WERE PREPARED TO MAKE ON CONSTITUTIONAL ARRANGEMENTS, RATIFICATION AND PASSPORTS WERE CONDITIONAL ON:

(A) BRITISH ACCEPTANCE OF CHINESE PROPOSALS ON CIVIL AVIATION,

(B) DISCONTINUATION OF BRITISH INSISTENCE ON BRITISH LANGUAGE FOR ANNEX J.

6. ZHOU SAID THAT AFTER THE SYMPATHETIC CONSIDERATION THE CHINESE HAD GIVEN TO THE POINTS WE HAD MADE ON THE MORE IMPORTANT ISSUES, THEY EXPECTED A MATCHING RESPONSE. THE CHINESE COULD NOT AGREE TO INITIALLING AFTER 25 SEPTEMBER. IT WAS VERY IMPORTANT THAT WORK ON TEXTS SHOULD BE FINISHED BY 15 SEPTEMBER. I WOULD HAVE NOTICED THAT WU HAD SAID THAT ZHOU AND I SHOULD COMPLETE OUR WORK ON TEXTS IN THE NEXT FEW DAYS. HE WOULD THEREFORE LIKE TO PROPOSE THAT AS SOON AS WILSON HAD STUDIED THE REVISED CHINESE DRAFT OF ANNEX I, THE WORKING GROUP MEMBERS SHOULD JOIN PLENARY DELEGATIONS TO GO THROUGH TEXTS AND RESOLVE ANY OUTSTANDING POINTS. THIS WOULD SAVE TIME.

7. I SAID THAT I HAD NOT UNDERSTOOD THAT WU HAD SAID THAT THE CONCESSIONS OFFERED ON RATIFICATIONS, CONSTITUTIONAL ARRANGEMENTS AND PASSPORTS HAD BEEN CONDITIONAL ON ACCEPTANCE OF THE CHINESE POSITION ON CIVIL AVIATION. ZHOU READ OUT WU'S MESSAGE. IT EMERGED THAT IN THE ORIGINAL CHINESE TEXT OF THE STATEMENT THE FIRST SENTENCE OF PARAGRAPH 9 OF MY TELNO 2256 WAS PREFIXED WITH THE WORDS: 'CAI CI QING KUANG ZHI XIA' (IN THESE CIRCUMSTANCES).

I SAID THAT I DOUBTED THAT THESE ADDITIONAL WORDS IMPOSED CONDITIONALITY ON WHAT FOLLOWED, BUT THAT I WOULD REPORT WHAT HE HAD SAID. ZHOU REPEATED THAT HE LOOKED FORWARD TO A POSITIVE RESPONSE FROM US.

8. I THEN SAID THAT:

(A) MY DELEGATION WAS HAPPY TO COMMIT ITSELF TO EVERY EFFORT TO COMPLETE WORK ON TIME.

(B) THAT IN OUR VIEW A MORE EFFICIENT WAY OF PROCEEDING WAS FOR THE WORKING GROUP TO COMPLETE WORK ON ANNEX I AND THEN SUBMIT AGREED TEXTS TO DELEGATION LEADERS FOR ANY DIFFERENCES TO BE RESOLVED IN PLENARY. ZHOU SAID THAT THE PURPOSE OF HIS PROPOSAL FOR ABSORPTION OF THE WORKING GROUP INTO THE PLENARY DELEGATIONS WAS TO SAVE TIME. IF WILSON WANTED ANOTHER HALF A DAY FOR WORKING GROUP DISCUSSIONS, THE CHINESE COULD CONSIDER THAT. BUT WE MUST IMPOSE A TIME LIMIT ON THE GROUP'S DELIBERATIONS. IN ANY CASE KE DID NOT HAVE AUTHORITY TO AGREE TO ANY CHANGES IN THE CHINESE REVISED TEXT. I SAID THAT THIS WAS AN UNBALANCED SITUATION. PEOPLE AT THE POLITICAL LEVEL ON THE CHINESE SIDE HAD HAD THE OPPORTUNITY TO GO THROUGH THE ANNEX I TEXTS, WHEREAS THIS WAS NOT THE CASE FOR THE BRITISH SIDE. ZHOU REPEATED THAT HE COULD AGREE TO THE WORKING GROUP CONTINUING TO WORK FOR ANOTHER HALF A DAY. BUT TEXTS MUST BE REFERRED TO DELEGATION LEADERS SOONER RATHER THAN LATER. I REPEATED THAT THE MOST IMPORTANT CONSIDERATION WAS THE EFFICIENCY WITH WHICH WORK WAS DISPATCHED.

COMMENT

9. I THINK THAT ZHOU'S ASSERTION THAT CHINESE CONCESSIONS ON RATIFICATION, CONSTITUTIONAL ARRANGEMENTS AND PASSPORTS, WERE CONDITIONAL ON OUR AGREEMENT TO THEIR PROPOSALS ON CIVIL AVIATION IS A TRY-ON. I CANNOT SEE THAT THE ADDITION OF THE WORDS :
"IN THESE CIRCUMSTANCES" TO "THE CHINESE SIDE WERE WILLING TO MAKE THE ABOVE CONCESSIONS ..." CREATES CONDITIONALTY. MOREOVER IT IS CLEAR FROM AD HOC DISCUSSIONS THAT WHILE THE CHINESE EXPECT US TO ACCEPT THEIR NEXT WORD UNDERLINED POSITION ON CIVIL AVIATION THEY ARE NOT ASKING US TO ACCEPT THEIR TEXT AS IT STANDS. LU PING TOLD MCLAREN AT THE END OF TODAY'S MEETING THAT HE HOPED WE WOULD TABLE A NEW DRAFT TOMORROW. I ALSO NOTE THAT THE CHINESE THEMSELVES HAVE NOW PUT FORWARD LANGUAGE ON CONSTITUTIONAL ARRANGEMENTS AND RATIFICATION.

10. SEE MIFT

EVANS

PS
 PS/PDS
 PS/MR LUCE
~~MR BOYD~~ BOYD
 D/D 3
 D/D ✓
 PS LADY YOUNG
 STR WEDDING
 RESIDENT CLERK

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 POWELL
 MR COLES, NO. 10 DOWNING ST
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 SIR PERCY CRADOCK

FLASH



SECRET

FM HONG KONG 121045Z

TO FLASH FCO

TELEGRAM NUMBER 2781 OF 12 SEPTEMBER

INFO FLASH PEKING

FUTURE OF HONG KONG : YOUR TELNO 1160 TO PEKING :
 MESSAGE FROM FOREIGN MINISTER WU

1. I TOLD THE EXECUTIVE COUNCIL THIS MORNING OF THE REPLY WHICH HAD BEEN RECEIVED LAST NIGHT TO THE SECRETARY OF STATE'S MESSAGE AND OF THE INSTRUCTIONS SENT TO PEKING WHICH HAD BEEN AGREED DURING THE COURSE OF THE NIGHT ON CONSTITUTIONAL ISSUES, PASSPORTS AND CIVIL AVIATION. MEMBERS WERE ENCOURAGED BY THE RESPONSE ON CONSTITUTIONAL MATTERS AND ENDORSED THE DECISION TO PRESS AHEAD WITH THE COMPLETION OF THE ANNEX ON THIS SUBJECT. THEY ALSO ENDORSED THE TACTIC OF SEEKING FURTHER CONFIRMATION THAT THE CHINESE HAD NOT MISUNDERSTOOD WHAT WE WERE PROPOSING ON THE ISSUE OF PASSPORTS AFTER 1997 IN ORDER TO GIVE TIME TO CONSIDER WHETHER THEY SHOULD ADVISE THE SECRETARY OF STATE TO RETURN TO THE CHARGE ON THIS POINT.
2. MEMBERS WERE GREATLY DISAPPOINTED BY WU'S REJECTION OF THE PROPOSAL CONCERNING THE ISSUE OF NEW STYLE PASSPORTS AFTER 1997. THEY AGREED NEVERTHELESS THAT THEY SHOULD NOT ADVISE THE SECRETARY OF STATE TO RETURN TO THE CHARGE ON OUR ORIGINAL PROPOSITION. GIVEN THE LEVEL AT WHICH DECISIONS HAD BEEN TAKEN THIS WILL ALMOST CERTAINLY NOT BE PRODUCTIVE, AND COULD PUT AT RISK OTHER ELEMENTS WHICH THEY SAW AS ESSENTIAL. THESE ESSENTIAL ELEMENTS WERE IN PARTICULAR THAT THE RIGHTS OF USE, RENEWAL, REPLACEMENT, ETC. SHOULD BE EXPLICITLY RECORDED.
3. BUT THEY ALSO CONSIDERED WHETHER THERE WAS IN ADDITION SOME HALF-WAY HOUSE WHICH WE COULD PUT TO THE CHINESE WHICH WOULD NOT AFFECT THE BASIC PRINCIPLE TO WHICH THE CHINESE ATTACH IMPORTANCE, OR THE ACHIEVEMENT OF OUR ESSENTIAL REQUIREMENTS, BUT WHICH COULD ALLEVIATE WHAT COULD BECOME A VERY SERIOUS ADMINISTRATIVE PROBLEM TOWARDS THE END OF THE PERIOD.
4. THIS PROBLEM COULD ARISE BECAUSE IT IS EXTREMELY LIKELY THAT AS 1997 APPROACHES THERE WILL BE THOSE, RANGING FROM YOUNG CHILDREN

4. THIS PROBLEM COULD ARISE BECAUSE IT IS EXTREMELY LIKELY THAT AS 1997 APPROACHES THERE WILL BE THOSE, RANGING FROM YOUNG CHILDREN BORN IN THE LATTER MONTHS, TO THOSE WHOSE APPLICATIONS CANNOT BE PROCESSED IN TIME, WHO WOULD BE ENTITLED TO THE NEW PASSPORTS (OR TO BE ENTERED ON PARENTS' PASSPORTS) BUT WILL NOT BE ABLE PHYSICALLY TO GET THEM (OR BE SO ENTERED). IN THE NATURE OF THINGS THERE WILL ALMOST CERTAINLY BE A LARGE SCALE LAST MINUTE RUSH WHICH COULD LEAD TO ENORMOUS QUEUES; AND GREAT RESENTMENT IF APPLICANTS FAILED TO OBTAIN PASSPORTS SIMPLY BECAUSE APPROVING THEIR APPLICATIONS WILL BE A LENGTHY PROCESS AND THE ADMINISTRATIVE MACHINE WILL JUST NOT BE ABLE TO COPE BY THE DEADLINE. TO AVOID THESE PROBLEMS THEY AGREED THAT THE SECRETARY OF STATE SHOULD BE ASKED TO SEEK CHINESE AGREEMENT THAT FOLLOWING WORD UNDERLINED APPLICATIONS FROM THOSE SO ENTITLED SHOULD BE ACCEPTED UP TO 30 JUNE 1997 WITH PROVISION FOR A PERIOD THEREAFTER DURING WHICH OUTSTANDING APPLICATIONS COULD BE DEALT WITH AND PASSPORTS ISSUED IN AN ORDERLY FASHION.

5. THIS WOULD GO A VERY SHORT STEP BEYOND FOREIGN MINISTER WU'S PROPOSAL THAT ALL THOSE WHO WISHED TO USE THE NEW-STYLE PASSPORTS AFTER 1997 SHOULD ACTUALLY FOLLOWING WORD UNDERLINED HOLD THEM BEFORE THAT DATE; BUT NOT SUBSTANTIALLY SO.

6. THEY THEREFORE THOUGHT THAT IN RESPONDING TO WU'S MESSAGE THE SECRETARY OF STATE MIGHT BE ADVISED TO SAY THAT WHILE DISAPPOINTED WITH WU'S RESPONSE ON THIS POINT HE WOULD NOT CONTEST THE PRINCIPLE; BUT HE WOULD SEEK WU'S ASSISTANCE IN ENSURING THAT CERTAIN ESSENTIAL ELEMENTS CONCERNING RENEWAL, REPLACEMENT, ETC. WERE PROPERLY RECORDED; AND IN RESOLVING WHAT COULD BE A MAJOR AND HIGHLY UNSETTLING ADMINISTRATIVE PROBLEM JUST AT THE TIME OF TRANSITION. HE COULD SAY THAT OUR NEGOTIATORS WOULD EXPLAIN IN MORE DETAIL WHAT WE HAD IN MIND.

7. MY I.P. T. CONTAINS A MORE DETAILED ACCOUNT OF THE DISCUSSION OF THIS POINT.

YOUDE

NNNN

11 September 1984

MR POWELLOD(K) 12 SEPTEMBER - HONG KONG: PENSIONS

1. The text we have agreed with the Chinese on pensions contains a clear undertaking that the SAR will pay pensions to Hong Kong civil servants on terms no less favourable than before. The Foreign Secretary is not recommending that HMG should accept a contingent liability if the SAR were to default. We should note that a problem could arise in the future; but that would be for the government of the day to decide.

2. What we are concerned with at this meeting, therefore, is not money but words, ie the terms of the statement we should make when the agreement is made public. The question is whether we use the first formula, which includes the word "responsibilities", or the second which does not contain that word and is altogether more cagey.

3. Our main concern, as I see it, is that, without misleading, we should try to give the maximum possible assurance to the Hong Kong civil servants. The administration of Hong Kong will depend crucially on them and their morale in the years ahead. It can be argued that the word "responsibilities" could arouse false expectations and on examination provoke only disappointment. But the

SECRET

Governor and EXCO, who are the best judges of likely Hong Kong reactions, nevertheless strongly urge the first formula. We have a respectable answer to questions, as set out in paragraphs 6 and 7 of the Foreign Secretary's minute.

4. I hope, therefore, the Prime Minister can agree to the Foreign Secretary's recommendation.

5. The Chancellor is likely to argue for the second formula.

cc.

PERCY CRADOCK

SECRET

FUTURE OF HONG KONG

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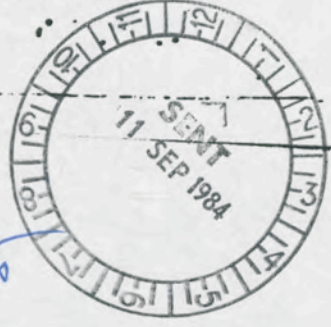
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PS
PS/PUS
PS/MR LUCE
~~MR BOYD~~
D/D 3
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PS/LADY YOUNG
SIR W. BRIDGES
RESIDENT CLERK

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GRS 750
SECRET
DESKBY 111100Z FCO, PEKING.
FM HONG KONG 110945Z SEP 84
TO IMMEDIATE F C O
TELEGRAM NUMBER 2751 OF 11 SEPTEMBER
INFO IMMEDIATE PEKING

PEKING TELNO 2233: FUTURE OF HONG KONG: THE END-GAME.

1. I BROUGHT EXCO UP TO DATE WITH DEVELOPMENTS THIS MORNING THEY WERE IN A SOMBRE MOOD. THEY WERE PUZZLED BY ZHOU NAN'S UNEXPECTED SUGGESTION THAT RESPONSE TO THE OTHER ISSUES IN THE SECRETARY OF STATE'S MESSAGE DEPENDED ON OUR RESPONSE ON CIVIL AVIATION. THEY BELIEVED THAT THEY WERE NOT IN A POSITION TO ADVISE ON WHAT THE NEXT STEPS MIGHT BE UNTIL THEY HAD SEEN WHAT WOULD BE INCLUDED IN THE REPLY FROM FOREIGN MINISTER WU.
2. THE COUNCIL WENT THROUGH ALL THE POINTS UNDER NEGOTIATION AND AGREED A REPLY WHICH SHOULD SATISFY THE CHINESE ON THE NEW DIFFICULTY OVER RATEABLE VALUES WHICH HAS OCCURRED IN THE DISCUSSIONS ON LAND. (MY TEL NO 1000 TO PEKING) THEY NOTED THE OBJECTIVES WHICH WERE IN THE MEANWHILE BEING PURSUED BY THE DELEGATION ON OTHER ISSUES.
3. FOLLOWING THIS DISCUSSION I TOLD THE COUNCIL THAT IN MY VIEW WE COULD NOW IDENTIFY THE PARAMETERS WITHIN WHICH ANY AGREEMENT WOULD HAVE TO FALL. IN RECOGNISING THIS THE COUNCIL SHARED MY VIEW THAT THE CESSATION OF TRANSMISSIBILITY WOULD ALREADY HAVE REDUCED THE DEGREE OF ACCEPTABILITY OF THE AGREEMENT AS A WHOLE. THEY ALSO BELIEVED THAT FAILURE BY THE CHINESE TO CONCEDE ANY OF THE POINTS IN THE SECRETARY OF STATE'S MESSAGE WOULD ALSO REDUCE COMMENSURATELY THE DEGREE OF THE AGREEMENT'S ACCEPTABILITY HERE.
4. THERE WAS SOME DISCUSSION ON WHETHER OR NOT THE CHINESE WOULD SACRIFICE EVERYTHING TO THE END SEPTEMBER DEADLINE IF WE STUCK-OUT AND ARGUED ON: AND TO SPECULATE ON WHAT WOULD HAPPEN IF WE DID TRY TO PUSH THEM BEYOND THE END OF SEPTEMBER. I TOLD THE COUNCIL THAT IN MY CONSIDERED JUDGMENT IT WAS A CASE OF INITIALLING BY THE END OF SEPTEMBER OR FACING A BREAK-DOWN AND CRISIS. I DID NOT MYSELF THINK THAT HONG KONG WOULD NOW ACCEPT A SITUATION IN

BY THE END OF SEPTEMBER OR FACING A BREAK-DOWN AND CRISIS. I DID NOT MYSELF THINK THAT HONG KONG WOULD NOW ACCEPT A SITUATION IN WHICH THERE WAS NO AGREEMENT OR THAT THEY WOULD BELIEVE THAT BREAK-DOWN WOULD BE JUSTIFIED EVEN ON OUTSTANDING ISSUES.

5. I DID NOT SEEK TO BRING THE COUNCIL TO ANY CONCLUSIONS ON THESE MATTERS WHICH MUST REMAIN OPEN UNTIL WE HAVE SEEN WHAT, IF ANY, CONCESSIONS THE CHINESE MAKE IN REPLY TO YOUR MESSAGE. BUT IT IN THE LIGHT OF DISCUSSION THIS MORNING WE ARE TO KEEP EXCO UNOFFICIALS, AND PARTICULARLY SIR S Y CHUNG, WITH US IN THIS LAST DIFFICULT STAGE I THINK TWO THINGS WILL BE ESSENTIAL.

6. FIRST THE COUNCIL ARE CONCERNED THAT WE SHOULD NOT ASSUME THAT THE PRESSURE OF TIME IS ON US ALONE. WITH TWO WEEKS STILL TO RUN BEFORE INITIALLING EXCO WILL NOT WISH TO CONCEDE UNTIL THEY ARE CERTAIN THAT EVERY LAST DROP HAS BEEN SQUEEZED OUT OF THE CHINESE ORANGE. WE SHOULD NOT THEREFORE RULE OUT FIRING A FURTHER MESSAGE BACK IMMEDIATELY IF WU'S REPLY IS INADEQUATE. (ALL MEMBERS WOULD WANT US TO STAND OUT FOR SPECIFIC MENTION OF PASSPORTS IN OUR DECLARATION)

7. THE SECOND POINT IS THAT WHERE WE CANNOT GET OUR ESSENTIALS WRITTEN IN WE SHOULD NOT ACCEPT WORDING WHICH WILL RULE THEM OUT. THIS COULD AFFECT REFERENCES TO AN ELECTED LEGISLATURE: THE ISSUE OF PASSPORTS AFTER 1997 AND SOME ASPECTS OF CIVIL AVIATION. SIR S Y CHUNG WOULD PROBABLY WISH TO INCLUDE UNILATERAL MAINTENANCE OF SOME RIGHT OF TRANSMISSIBILITY. THE OBJECT OF NOT GETTING THINGS WRITTEN OUT IS TO LEAVE AN OPPORTUNITY FOR THE ARGUMENT TO BE PURSUED AFTER THE INITIALLING.

8. ON SIR S Y CHUNG'S SPECIFIC POINT REGARDING TRANSMISSIBILITY FOR THE CHILDREN OF FORMER BDC'S BORN OUTSIDE HONG KONG, ALTHOUGH I ASSURED HIM THAT HIS RESERVATION WOULD BE RECORDED, I DOUBT IF HE WILL GIVE UP THE POINT. HE COMMENTED THAT IT DID NOT CONCERN THE CHINESE AND THAT THE TIME TO FIGHT THIS BATTLE WOULD COME WHEN AMENDMENTS WERE PROPOSED TO THE BNA IN PARLIAMENT.

9. THIS WAS, OF COURSE, A PRELIMINARY DISCUSSION AND THE COUNCIL WILL REMAIN READY TO OFFER FURTHER ADVICE AS SOON AS WU'S REPLY IS AVAILABLE. WE MEET AGAIN TOMORROW WEDNESDAY AT 9.30 A.M. LOCAL TIME.

YOUDE

NNNN

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 PS/PUS
 PS/CE
 MR BOYD
 D/D 3
 D/D
 PS LADY YOUNG
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 PRESIDENT CLERK

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FLASH

SECRET

FROM PEKING 111545Z SEP 84

TO FLASH FCO

TELEGRAM NUMBER 2257 OF 11/9/84

INFO FLASH HONG KONG

MIPT: FUTURE OF HONG KONG: REPLY TO YOUR MESSAGE

1. I THANKED WU FOR RECEIVING ME AND UNDERTOOK TO REPORT FULLY AND RAPIDLY WHAT HE HAD SAID. I AGREED THAT THE CHINESE GOVERNMENT HAD GIVEN SYMPATHETIC CONSIDERATION TO YOUR PROPOSALS. I WANTED HOWEVER, TO CLARIFY ONE ASPECT OF THE NATIONALITY QUESTION.
2. THE BRITISH GOVERNMENT ACCEPTED THAT HONG KONG BDTCS AS THEY NOW WERE WOULD NOT BE ABLE TO TRAVEL ON PASSPORTS DESCRIBING THEM AS BDTCS AFTER 1997. THE COROLLARY WAS THE BRITISH SIDE ACCEPTED THAT ALL BDTC HOLDERS OF PASSPORTS WOULD HAVE TO EXCHANGE THOSE DOCUMENTS FOR NEW PASSPORTS BEFORE 1997. THERE WAS NO QUESTION OF PEOPLE NOW HOLDING BDTC PASSP45' 54-VELLING AFTER 1997 ON PASSPORTS WHICH DESCRIBED THEM AS BDTCS. BUT THE FIRST POINT IN YOUR MESSAGE HAD ADDRESSED A DIFFERENT QUESTION. YOU HAD BEEN SPEAKING OF BDTCS WHO DID NOT NOW HOLD BDTC PASSPORTS AND WOULD NOT ACQUIRE THEM BEFORE 1997. IT WAS THESE PEOPLE WHOM YOU SUGGESTED SHOULD HAVE THE RIGHT TO DRAW THE NEW DOCUMENTS (WHICH WOULD NOT DESCRIBE THE HOLDERS AS BDTCS) AFTER 1997.
3. I EXPLAINED THAT OUR APPREHENSION WAS THAT IF THE 2 MILLION PEOPLE OR SO WHO WERE ELIGIBLE FOR, BUT DID NOT HOLD, BDTC PASSPORTS WERE REQUIRED TO DRAW THE NEW STYLE PASSPORTS BEFORE 1 JULY 1997, WE WOULD BE SADDLED WITH AN INTOLERABLE BUREAUCRATIC BURDEN. I REPEATED THAT I WAS NOT SPEAKING OF THE 1 MILLION PEOPLE OR SO WHO DID HOLD BDTC PASSPORTS, BUT OF THE 2 MILLION WHO DID NOT (SEMI-COLON) AND THAT THE BRITISH SIDE ACCEPTED THAT HOLDERS OF BDTC PASSPORTS MUST REPLACE THEM BEFORE 1 JULY 1997. YOUR POINT WAS THAT THOSE WHO DID NOT HOLD THESE PASSPORTS SHOULD BE ABLE TO OBTAIN THE NEW PASSPORTS AFTER THAT DATE. IT WAS POSSIBLE THAT IT MAY HAVE BEEN MISUNDERSTOOD.
4. I WOULD OF COURSE REPORT WHAT WU HAD SAID, BUT I MIGHT WELL RECEIVE INSTRUCTIONS TO PURSUE THE POINT WITH ZHOU NAN. IN THE MEANTIME I WOULD WELCOME ANY OBSERVATIONS WU MIGHT HAVE.

IN THE MEANTIME I WOULD WELCOME ANY OBSERVATIONS WU MIGHT HAVE.

5. WU SAID THIS WAS A VERY SPECIFIC QUESTION. THE POINT IN HIS STATEMENT WAS THAT ALL THOSE WHO HAD BDTG PASSPORTS, OR WISHED TO APPLY FOR BRITISH TRAVEL DOCUMENTS, MUST EXCHANGE THEIR PASSPORTS FOR THE NEW DOCUMENTS OR OBTAIN THOSE DOCUMENTS BY 1997. OTHERWISE, THE POLITICAL DIFFICULTIES WHICH HE HAD DESCRIBED WOULD ARISE.

6. I SAID THAT WE AGREED THAT ANY HOLDER OF A BDTG PASSPORT MUST EXCHANGE IT FOR ONE OF THE NEW DOCUMENTS BEFORE 1997, AND THAT HE WOULD NOT BE ABLE TO TRAVEL ON A BDTG PASSPORT AFTER 1997. THE POINT WE HAD BEEN TRYING TO MAKE WAS THAT PEOPLE WHO DID NOT HAVE BDTG PASSPORTS SHOULD BE ABLE TO OBTAIN THE NEW PASSPORTS AFTER 1997.

7. WU REPLIED THAT IT WOULD NOT BE APPROPRIATE POLITICALLY FOR THE BRITISH GOVERNMENT TO ISSUE BRITISH TRAVEL DOCUMENTS TO CHINESE NATIONALS AFTER 1997. HIS UNDERSTANDING OF YOUR MESSAGE WAS THAT A DEADLINE WOULD CREATE A BUREAUCRATIC BURDEN. BUT THAT WAS A TECHNICAL DIFFICULTY. I REPEATED THAT I WAS NOT ONLY SPEAKING OF THE 1 MILLION PEOPLE WHO HELD BDTG PASSPORTS, BUT ALSO OF THE 2 MILLION WHO WERE ELIGIBLE FOR BUT DID NOT HOLD THEM. THESE PEOPLE WOULD PROBABLY APPLY FOR THE NEW PASSPORTS IF TOLD THAT THEY MUST DO SO BY 1997.

8. WU SAID THAT HE UNDERSTOOD THAT THERE WERE TWO CATEGORIES OF PEOPLE: HOLDERS AND NON-HOLDERS. ALL THOSE WHO WISHED TO SHOULD APPLY FOR THE NEW BRITISH TRAVEL DOCUMENTS BEFORE 1997. IN OTHER WORDS, ALL WORK FOR BOTH CATEGORIES MUST BE COMPLETED BY THAT DATE. IT WAS UNTHINKABLE FOR CHINESE NATIONALS TO APPLY FOR BRITISH TRAVEL DOCUMENTS FROM THE BRITISH GOVERNMENT AFTER 1997. BUT THIS WAS A CONCRETE MATTER WHICH I COULD PURSUE WITH ZHOU NAN (WHO, HE WOULD LIKE TO TAKE THE OPPORTUNITY TO TELL ME, HAD JUST BEEN APPOINTED AS A VICE-MINISTER)

9. I ASKED WU TO CONFIRM MY UNDERSTANDING THAT THE CHINESE POSITION WAS THAT BDTG PASSPORT HOLDERS MUST EXCHANGE THEIR PASSPORTS FOR NEW PASSPORTS BEFORE 1 JULY

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1997 AND THAT THOSE WHO WERE ELIGIBLE FOR, BUT DID NOT HOLD THESE PASSPORTS, MUST APPLY FOR NEW PASSPORTS BEFORE THEN. WU CONFIRMED THAT THIS WAS CORRECT. I SAID THAT YOU WOULD BE DISSAPPOINTED.

10. I THEN SPOKE VERY BRIEFLY ON CIVIL AVIATION.

I SAID THAT WE HAD MADE A CONSIDERABLE MOVE TODAY TOWARDS THE CHINESE POSITION. THE CHINESE SIDE IN THE AD HOC GROUP HAD RECOGNISED THAT THERE WAS NOW A BASIS FOR AGREEMENT. WE HAD ONLY ONE OBJECTIVE: TO DISCOURAGE CPA FROM LEAVING HONG KONG AND TO ACHIEVE BETWEEN US A TEXT WHICH WOULD MAKE THEM NOT WISH TO LEAVE. WU SAID THAT THIS WAS A JOINT OBJECTIVE.

11. SEE MIFT (ALSO FLASH)

FUTURE OF HONG KONG

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PS
PS/PUS
PS/MR LUCE
~~MR BOYD~~
D/D 3
D/D
PS (LADY YOUNG)
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FLASH

ZZ HONG KONG

GRS 1200
SECRET
FROM PEKING 111511Z SEP 84
TO F L A S H FCO
TELEGRAM NUMBER 2256 OF 11 SEP
INFO F L A S H HONG KONG

SECRET



38

FUTURE OF HONG KONG: REPLY TO YOUR MESSAGE.

1. I CALLED ON WU XUEQIAN AT 8.30 LOCAL TIME THIS EVENING TO RECEIVE HIS REPLY TO YOUR MESSAGE OF 8 SEPTEMBER. I WAS ACCOMPANIED BY THOMSON AND Y P CHENG.
2. WU SAID HE HAD STUDIED YOUR MESSAGE WITH CARE, AND REPORTED TO ZHAO ZIYANG AND OTHER LEADERS. BECAUSE HE WAS PRESSED FOR TIME HE WAS NOT MAKING A WRITTEN REPLY, BUT WOULD LIKE ME TO CONVEY THE FOLLOWING TO YOU.
3. DURING YOUR WORKING VISIT IN JULY, SUBSTANTIAL PROGRESS HAD BEEN MADE IN THE TALKS ON THE FUTURE OF HONG KONG. LIKE YOU, HE WAS PLEASED AND ENCOURAGED WITH THE RESULT. FURTHERMORE, THANKS TO THE HARD WORK OF THE NEGOTIATORS, FURTHER PROGRESS HAD BEEN MADE SINCE THEN. SOME QUESTIONS REMAINED UNRESOLVED, WHICH CAUSED HIM AND HIS COLLEAGUES CONCERN.
3. NATIONALITY.

TO ACCOMMODATE BRITISH DIFFICULTIES, THE CHINESE HAD AGREED THAT BEFORE 30 JUNE, 1997, THE BRITISH GOVERNMENT COULD ISSUE SOME FORM OF BRITISH TRAVEL DOCUMENT TO THOSE WHO WERE NOW CALLED BDTCS. THE CHINESE HAD ALSO AGREED THAT HOLDERS OF THESE NEW DOCUMENTS COULD TRAVEL ABROAD ON THEM AFTER 1997. HE NOTED FROM YOUR MESSAGE THAT YOU RECOGNISED THE EFFORTS MADE BY THE CHINESE SIDE TO FIND A PRACTICAL SOLUTION TO THE PROBLEM OF TRAVEL DOCUMENTATION AND THAT YOU ALSO RECOGNISED WHY THE CHINESE COULD NOT AGREE TO ANY EXPLICIT REFERENCE TO PASSPORTS IN THEIR MEMORANDUM. YOU INDICATED IN YOUR MESSAGE THAT YOU WOULD BE PREPARED TO LOOK AGAIN AT THE QUESTION OF TRANSMISSIBILITY. BUT

Print Minister

This is another big step forward. They have accepted our points on the constitutional arrangements; accept the 30 June date for ratification; and offer me concession on nationality (the point in dispute is a misunderstanding).

Civil aviation is the main difficulty & there is some movement in the Working Group on that. Percy is pleased! C.D.P.

MEMORANDUM. YOU INDICATED IN YOUR MESSAGE THAT YOU WOULD BE PREPARED TO LOOK AGAIN AT THE QUESTION OF TRANSMISSIBILITY. BUT YOU HOPED THAT THE CHINESE COULD AGREE NOT TO IMPOSE A DEADLINE OF 30 JUNE 1997 FOR ISSUE OF BRITISH TRAVEL DOCUMENTS, AND THAT THEY COULD ACCEPT USE OF THE WORD 'PASSPORTS' IN REFERENCE TO THESE DOCUMENTS IN THE MEMORANDUM.

4. HE FELT BOUND TO SAY THAT THE FIRST OF THESE TWO REQUESTS WOULD BE UNACCEPTABLE TO THE CHINESE ON POLITICAL GROUNDS. THE CHINESE WOULD RESUME SOVEREIGNTY OVER HONG KONG IN 1997. IF BRITAIN COULD NOT COMPLETE THE ISSUE OF THE NEW TRAVEL DOCUMENTS BEFORE THEN, WITH THE RESULT THAT SOME CHINESE NATIONALS MIGHT CONTINUE TO USE BDTG PASSPORTS AFTERWARDS, THE PRINCIPLE OF CHINESE SOVEREIGNTY WOULD BE CONTRADICTED. HE WAS SURE THAT WE FULLY UNDERSTOOD THE CHINESE POSITION. MOREOVER, HE BELIEVED THAT THE BUREAUCRATIC DIFFICULTY WE HAD MENTIONED AS ARISING FROM THE ISSUE OF NEW TRAVEL DOCUMENTS BEFORE 1997 WAS ONLY A TECHNICAL PROBLEM. HOWEVER, HE WISHED TO SAY THAT IF WE NO LONGER CONTINUED TO PURSUE THE QUESTION OF TRANSMISSIBILITY OF NATIONALITY, AND IF WE WITHDREW THE REQUEST TO BE ABLE TO ISSUE NEW BRITISH TRAVEL DOCUMENTS AFTER 1997 (AND THE SUGGESTION THAT CHINESE NATIONALS MIGHT CONTINUE TO TRAVEL ON DOCUMENTS DESCRIBING THEM AS BDTGS AFTER THAT DATE), THEN THE CHINESE SIDE WERE PREPARED TO AGREE THAT WE MIGHT REFER IN OUR MEMORANDUM TO THE NEW DOCUMENTS AS PASSPORTS.

5. CONSTITUTIONAL ARRANGEMENTS.

WU NOTED FROM YOUR MESSAGE THAT WE WERE PREPARED TO ACCEPT THE CHINESE POSITION THAT THE CHIEF EXECUTIVE OF THE SAR SHOULD BE SELECTED BY ELECTION OR CONSULTATION. AFTER CAREFUL CONSIDERATION, THE CHINESE SIDE WERE PREPARED IN RETURN TO AGREE TO THE TWO REQUESTS IN YOUR MESSAGE, I.E.:

(A) THAT THE TEXT OF ANNEX 1 SHOULD STATE THAT THE LEGISLATURE SHOULD BE SELECTED BY AN ELECTIVE PROCESS (SEMICOLON) AND

(B) THAT THE EXECUTIVE AUTHORITY SHOULD BE ACCOUNTABLE TO THE LEGISLATURE.

6. RATIFICATION.

R WU NOTED THAT WE WERE NO LONGER INSISTING ON OUR EARLIER DEMAND FOR THE ADDITIONAL WORDS IN ARTICLE 8 OF THE JOINT DECLARATION. WE WOULD AGREE THAT AN EARLY EXCHANGE OF INSTRUMENTS OF RATIFICATION WAS IMPORTANT FOR THE STABILITY AND PROSPERITY OF HONG KONG AND ACCORDED WITH THE COMMON INTERESTS OF BOTH SIDES. OUT OF CONSIDERATION FOR YOUR WISHES, AND OUT OF RESPECT FOR OUR LEGISLATIVE PROCEDURES, THE CHINESE SIDE WERE PREPARED TO AGREE THAT THE JOINT DECLARATION SHOULD STATE THAT THE EXCHANGE OF INSTRUMENTS OF RATIFICATION SHOULD TAKE PLACE IN PEKING BEFORE 30 JUNE 1985.

7. HE BELIEVED THAT THE BRITISH SIDE WOULD UNDERSTAND THE SPIRIT OF FRIENDLY COOPERATION AND UNDERSTANDING IN WHICH THE CHINESE SIDE HAD GIVEN SYMPATHETIC CONSIDERATION TO OUR DIFFICULTIES, AND THAT THE CHINESE HAD MADE

IN WHICH THE CHINESE SIDE HAD GIVEN SYMPATHETIC CONSIDERATION TO OUR DIFFICULTIES, AND THAT THE CHINESE HAD MADE SUBSTANTIAL CONCESSIONS TO ACCOMMODATE THEM.

8. CIVIL AVIATION

HE WOULD LIKE TO POINT OUT THAT A NEW DRAFT HAD BEEN TABLED BY THE CHINESE SIDE ON 8 SEPTEMBER. THIS CONTAINED THE MAXIMUM COMPROMISE THAT COULD BE MADE CONSISTENT WITH CHINESE SOVEREIGNTY. IT WAS NOT REALISTIC TO ASK THE CHINESE TO GO BEYOND THAT LIMIT. HE HOPED THE BRITISH SIDE WOULD CONSIDER REALISTICALLY AND EARNESTLY THE NEW CHINESE DRAFT.

9. THE CHINESE SIDE WERE WILLING TO MAKE THESE ABOVE CONCESSIONS AND COMPROMISES. HE WISHED TO REITERATE THAT WHAT HE HAD SAID HAD BEEN SERIOUSLY CONSIDERED BY THE CHINESE AND APPROVED BY PREMIER ZHAO AND OTHER LEADERS. WE MUST NOT LET SPECIFIC ISSUES POSTPONE CONCLUSION OF THE TALKS. YOU HAD SAID WE HAD COME A LONG WAY TOGETHER AND WERE CLOSE TO AGREEMENT. HE SHARED THIS VIEW. OUR TALKS HAD REACHED THE FINAL STAGE. THERE WERE NOT MANY DAYS LEFT BEFORE INITIALLING.

10. HE HOPED THAT THE TWO SIDES WOULD CONTINUE TO WORK IN THE SPIRIT OF FRIENDLY COOPERATION TO RESOLVE THE ISSUES UNDER DISCUSSION RAPIDLY, WITHOUT LETTING DETAILED POINTS OR POINTS OF LANGUAGE GET IN THE WAY OF THE CONCLUSION OF THE AGREEMENT ON TIME. PROVIDED AGREEMENT COULD BE REACHED ON THE SUBSTANTIVE ISSUES HE HAD MENTIONED, HE BELIEVED THAT ZHOU NAI AND I WOULD BE ABLE TO REACH AGREEMENT ON THE WHOLE TEXT IN THE NEXT FEW DAYS, SO THAT IT COULD THEN BE SUBMITTED TO LEADERS FOR APPROVAL.

11. IN CONCLUSION, WU SAID HE LOOKED FORWARD TO MEETING YOU IN NEW YORK, WHERE HE HOPED TO BE ABLE TO REVIEW WHAT WE HAD ACHIEVED IN SOLVING THE HONG KONG QUESTION, AND TO DISCUSS HOW TO DEVELOP THE RELATIONSHIP BETWEEN OUR TWO COUNTRIES.

12. SEE MIFT (ALSO FLASH)

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PRIME MINISTER

c Sir Robert Armstrong

OD(K): Hong Kong: State of Negotiations

BACKGROUND

Following discussion at the last meeting of OD(K) on 4 September, the Foreign and Commonwealth Secretary sent a message to his Chinese opposite number, Mr Wu Xueqian, on 8 September about resolving the remaining difficulties arising in the negotiations. A copy of the message is attached. Mr Wu's reply is expected this evening.

FlagA

2. There are four unresolved difficulties:

- (a) nationality
- (b) consitutional arrangements
- (c) civil aviation
- (d) ratification.

Until Mr Wu's reply has been received and analysed, it is impossible to forecast which of these problems will need to be discussed by the Sub-Committee. It is, however, probable that the meeting will be confronted by some difficult decisions. If time permits, a supplementary brief will be submitted in the course of tomorrow morning.

3. The Chancellor of the Exchequer will be represented by the Economic Secretary and the Secretary of State for Trade and Industry by the Minister for Trade (Mr Channon). The Lord President of the Council, the Attorney General and the Minister of State, Foreign and Commonwealth Office (Mr Luce) are unable to attend. The Solicitor General is available to deputise for Sir Michael Havers but in view of the subject

This is ³⁷ rather overtaken by the fact that we to now have Wu's reply (in telegram folder) and its quite helpful.
C.D.P.



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matter of the meeting and the fact that Sir Patrick Mayhew is entirely unbriefed on this subject, the view has been taken that his presence is not essential.

HANDLING

4. You should invite the Foreign and Commonwealth Secretary to report on the position reached in the negotiations; to identify the problems outstanding; to describe his proposals for resolving them; and to give his forecast of the timetable of events prior to signature of the agreement.

CONCLUSION

5. In the light of the discussion, you will wish to guide the Sub-Committee to authorise the Foreign and Commonwealth Secretary to pursue the course of action best calculated to bring the negotiations to a satisfactory conclusion.

Bryan Cartledge

B G Cartledge

11 September 1984



36

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B.06826

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Hong Kong: Pensions

BACKGROUND

As in the case of undertakings to Hong Kong people, discussed at the last meeting of OD(K)), pensions is a matter for Her Majesty's Government to decide and, apart from one aspect dealt with in paragraph 3 below, does not concern the Chinese Government.

2. The problem can be simply stated. The Governor of Hong Kong would like HMG to accept a contingent liability after 1997 for pensions earned in Crown service before that date in the event of default by the future Government of the Hong Kong Special Administrative Region (SAR). For reasons of precedent and prudence, the Foreign and Commonwealth Secretary cannot agree. The most that he is prepared to recommend is a statement designed to reassure members of the Hong Kong public service but falling well short of a binding commitment. The Governor has reluctantly acquiesced.

3. There is one aspect of this matter which is likely to be of increasing interest to the Chinese Government as 1997 approaches. The Chinese might react adversely to any indication that the Hong Kong Government were raiding the reserves before 1997 in order to reduce the contingent liability for pensions after that date. Such a misunderstanding could arise because, as explained in paragraph 9 of Sir Geoffrey Howe's minute, the Hong Kong Government is considering amendments to update present pension arrangements which, while no doubt justified in themselves, would have the

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effect of increasing the short-term cost to the reserves as well as reducing the long-term liability. While the latter would be welcome both to HMG and the Chinese Government, it would be unfortunate if it led to the undermining of the agreement by arousing Chinese hostility. It is a point which needs to be watched.

4. The Chancellor of the Exchequer will be represented by the Economic Secretary and the Secretary of Trade and Industry by the Minister for Trade (Mr Channon). The Lord President of the Council, the Attorney General and the Minister of State, Foreign and Commonwealth Office (Mr Luce) are unable to attend. The Solicitor General is available to deputise for Sir Michael Havers but in view of the subject matter of the meeting and the fact that Sir Patrick Mayhew is entirely unbriefed on this subject, the view has been taken that his presence is not essential.

HANDLING

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

a. Statement of assurance

Do colleagues agree that HMG should not accept a contingent liability for pensions after 1997 in the event of default by the Hong Kong SAR? If so, can they accept Hong Kong's preferred formulation of the statement of assurance, as recommended by the Foreign and Commonwealth Secretary, and authorise the Governor to make it when the agreement is published? Do they accept that, although it includes the words "responsibilities", this is not misleading in relation to a default after 1997?

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b. Changes to Hong Kong pensions arrangements between now and 1997

Do colleagues agree that the Hong Kong Government should be encouraged to make changes to update current pension arrangements before 1997 which would also have the effect of reducing the long term cost of the pensions scheme and, in consequence, the contingent liability? Are there any steps that could be taken to allay possible Chinese suspicions of an unjustifiable depletion of the reserves before 1997?

CONCLUSION

6. Subject to points made in discussion, you might guide the Sub-Committee to the following conclusions -

- i. authorise the Governor to make his preferred statement of assurance on publication of the agreement;
- ii. note that, in the event of default by the Hong Kong SAR after 1997, there would be strong pressure on the Government of the day to accept liability for pensions if all else failed but that a future Government would have to take its own decisions in the light of the circumstances;
- iii. note that while the Hong Kong Government should be encouraged to update present pension arrangements, which would have the effect of reducing the contingent liability after 1997, such changes should be so handled as to minimise any risk to the smooth implementation of the agreement with the Chinese Government.

Bryan Cartledge

B G Cartledge

11 September 1984


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B.06825

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Draft White Paper

BACKGROUND

Flag A
Flag B
On 7 September, the Foreign and Commonwealth Secretary circulated Part I of the White Paper in draft. It is incomplete because negotiations are still in progress. For clarity, the proposed layout of the White Paper as a whole is set out in the attachment to this minute.

2. The meeting of OD(K) will need to take a final view on the general shape of the White Paper. As far as content is concerned, the timetable is likely to preclude anything other than minor changes to the text; it is considered essential to publish the White Paper within twenty-four hours of initialling the agreement so that it can be seen in its proper context from the start.
3. As well as constituting the basis on which the Hong Kong people will be invited to comment on the overall acceptability of the arrangements in the agreement, the White Paper will be debated in the British Parliament in December.
4. The Chancellor of the Exchequer will be represented by the Economic Secretary and the Secretary of State for Trade and Industry by the Minister for Trade (Mr Channon). Neither the Attorney General nor the Minister of State, Foreign and Commonwealth Office (Mr Luce) are able to attend. The Solicitor General is available to deputise for the former but in view of the subject matter of the meeting and the fact that Sir Patrick Mayhew is entirely unbriefed on this subject, the view has been taken that his presence is not essential.


CONFIDENTIAL

HANDLING

5. You should invite the Foreign and Commonwealth Secretary to introduce the discussion. Points to establish are -

a. Shape and layout

Are colleagues content with the layout of the White Paper? Do they have structural improvements to suggest?

b. Part I

Paragraphs 26 to 29 of Part I ("The views of Her Majesty's Government on the agreement") are the most important in terms of Parliamentary and public impact. Should they be given greater prominence, perhaps by making them a keynote passage at the beginning of the White Paper? Would there, at least, be advantage in spelling out at the beginning of Part I that the ceded territories of Hong Kong Island, Kowloon and Stonecutters Island would not be viable alone, rather than burying this key point in paragraph 28? Similarly, the statement that "the Government believe that the agreement is a good one..." and "...have no hesitation in commending it to the people of Hong Kong and to Parliament" (paragraph 29) comes late on in Part I and is not sign-posted in any way. Would a bolder treatment be presentationally preferable?

c. Timing

Part III (Detailed commentary on the agreement and annexes) will be particularly important, both in Hong Kong during the test of acceptability and in Parliament during the debate in December on the White Paper and later on the Hong Kong Bill. The problem is that it can only be finalised once the negotiations have ended and this may not leave OD(K) with enough time to consider it. Should arrangements be made for OD(K) to consider Part III in draft, even if it is incomplete?

CONFIDENTIAL



CONFIDENTIAL

CONCLUSION

6. You could invite the Foreign and Commonwealth Secretary to revise the draft White Paper in the light of the points made in discussion.

Bryan Cartledge.

B G Cartledge

11 September 1984

CONQUEROR



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FUTURE OF HONG KONG
LAYOUT OF WHITE PAPER

PART I

Paragraphs

Introduction	1 - 2
Treaties	3 - 4
The background to the negotiations	5 - 7
Prime Minister's visit to China	8
Course of the negotiations	9 - 14
Consultation with the people of Hong Kong	15 - 18
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The views of HMG on the agreement	26 - 29
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PART II

The Joint Declaration

Annex I - Arrangements for the Hong Kong Special Administrative Region:

- a. constitutional arrangements and government structure;
- b. the legal system
- c. the public service
- d. the financial system
- e. the economic system and external economic relations
- f. the monetary system
- g. shipping
- h. civil aviation
- i. culture and education
- j. external relations
- k. defence, security and public order
- l. rights and freedom
- [m. nationality]



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Annex 2 - Arrangements for the establishment of a
Sino-British Joint Liaison Group

Annex 3 - Provisions governing land

[Exchange of memoranda on nationality]

PART III

Detailed commentary on the agreement and annexes

PART IV

Relevant documents



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PM/84/147

PRIME MINISTER

HONG KONG PENSIONS

1. We are to discuss this subject in OD(K) on 12 September. There is great concern in the public service in Hong Kong about security of pensions after 1997. Our ability to continue to administer Hong Kong until 1997 depends on the maintenance of morale in the public service. With this in mind, the Governor has strongly urged that HMG should accept a contingent liability after 1997 for pensions earned in the service of the Crown before this date, if the future Government of Hong Kong after 1997 were to default. He has also urged that a statement should be made at the time of publication of the agreement, assuring members of the Public Service that HMG recognise its responsibilities with regard to pensions.

2. As in the UK Civil Service, pensions in Hong Kong are not a right. The Hong Kong Government has the power to pay pensions under the Hong Kong Pensions Ordinance. HMG has long accepted a general political obligation in respect of members of Her Majesty's Overseas Civil Service (HMOCS) to protect their pensions after constitutional change and in extremis to take over the payment of them if the successor government defaults. This would apply to HMOCS in Hong Kong, which includes about 750 expatriates. It would not cover local civil servants, who form the bulk of the Civil Service. There is no precedent for HMG accepting contingent liability in advance for the pensions of such locally employed officers, although there have been a number of occasions on which HMG has made ex-gratia payments to local officers previously employed by the Crown when a successor Government defaulted (Aden, Zanzibar) and has become the pensions authority for certain officers of the Palestine service in the absence of a successor government.

3. After careful consideration I have taken the view that I should not recommend that we should accept the contingent liability in respect of Hong Kong pensions, and thereby bind all future governments to accept this potential burden. This could, in a

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/"worst"



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clearly not imply that HMG would pay pensions in the event of a default. The Governor of Hong Kong, however, is strongly of the view that it is necessary that the statement should not explicitly or implicitly suggest that HMG's responsibility ended with the conclusion of the Agreement, ruling out any possibility of a future responsibility. I think this is only reasonable, since a future Government might well decide that it had a continuing responsibility. The attached annex sets out two possible formulations that attempt to reconcile these points.

6. The first formulation contains a reference to HMG's responsibilities with regard to pensions. If asked, as we would be, what these responsibilities involved, we would respond as follows:-

"HMG's ^(current) responsibilities are clearly to see that adequate arrangements are made in the agreement for the payment of pensions earned in the service of the Crown".

If pressed, we would add that "As to ^{the} future ~~responsibilities~~, it would be for the Government of the day to decide what action it would be right to take in any given set of circumstances".

7. It can be argued that the word "responsibilities" implies a wider commitment, and that to use it, and then immediately give it a restrictive definition, would be misleading. I do not myself accept this argument. The supplementary replies proposed would make it quite clear how the present government saw its responsibilities and leave open the question of what attitude future governments might take in the event of a default.

8. The Governor strongly recommends that the first formulation be used. He regards the second one as very much less likely to give adequate reassurance to members of the public service, and therefore as a bad second best. In the light of the Governor's views, I believe we should authorise the use of the first formulation, and I hope that colleagues will agree to this.

9. Colleagues should also be aware that the Hong Kong Government are considering amendments to the present pensions arrangements.

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"worst case" (and far-fetched) scenario, whereby the SAR Government sacked the entire public service in 1997, mean a once-for-all redundancy cost of approximately £2.1 billion followed by pension liabilities of about £627 million per year. (These figures are at 1983/84 pension rates and are converted at the current rate of HK \$10.14 = £1. If the Hong Kong inflation rate proves higher than that in the UK, as seems likely - and the exchange rate does not weaken to offset this differential, the sterling values will be larger). On a less drastic (but still remote) hypothesis whereby the SAR Government defaulted totally on pensions payments while continuing to employ members of the public service, the annual liability in respect of Crown Service is estimated at £179 million in 1997-8. The liability would take 75 years to run off, reaching a peak of £459 million in 2017-18. These costs relate only to officers' pensions. Adding in benefits for widows and orphans (which would have a different expenditure profile) would increase the liability by about 9%. This decision has been reluctantly accepted by the Governor. Members should be aware, however, of the problem that would arise if the SAR Government defaulted on the payment of pensions after 1997. There is no doubt that HMG would in such circumstances be under very strong pressure to go at least some way towards accepting the liability.

4. The agreement with the Chinese will be satisfactory on this point. The relevant text, which has been agreed, runs - "The SAR Government shall pay to such persons (public servants) who retire or complete their contracts, as well as to those who have retired before 1 July 1997, or to their dependants, all pensions, gratuities, allowances and benefits due to them on terms no less favourable than before, and irrespective of their nationality or place of residence." We are therefore only concerned with what could happen if the future SAR Government were to fail to honour the agreement.

5. Although I am making no recommendation to accept the contingent liability, I believe it is important for the maintenance of morale in the public service for us to give such reassurance as we can. We shall in any case have to make a statement in Hong Kong on the pensions issue when the agreement is published. This statement must

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These would have the effect of bringing some rather outdated aspects into line with normal practice elsewhere and reducing the long term cost of the pensions scheme. But they involve some additional short-term cost and there are sound political and financial reasons for the territory not to dig too deeply into its reserves at this time. The changes would also reduce to some degree the possible contingent liability that might fall to HMG after 1997, although the extent of this will depend on the details of the changes finally made. It is clearly in our interests to encourage Hong Kong to move as far as they can in this direction.

10. In conclusion, I therefore ask colleagues to:

- (a) note that a problem could arise in the future, that in such an event there would be strong pressure on the Government of the day to accept a liability if all else fails, but that a future Government would have to take its own decision on what action to take in the light of the circumstances.
- (b) agree that the Governor should be authorised to make his preferred statement on publication of the agreement (ie the first of the two set out in the attached annex).

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

GEOFFREY HOWE

Foreign and Commonwealth Office

10 September 1984

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ANNEX

Alternative Formulations for Assurances

(i) Hong Kong's First Preference

"HMG are conscious of their responsibilities in relation to public service pensions. Annex () to the Joint Declaration made by the Chinese and British Government states ... HMG are confident that this arrangement will provide full security for the payment of pensions to both service and retired civil servants and their dependants."

(ii) Hong Kong's Second Preference

"HMG have all along recognised the need to make proper provision in relation to public service pensions. Annex () to the Joint Declaration made by the Chinese and British Government states ... HMG are confident that this arrangement will provide full security for the payment of pensions to both serving and retired civil servants and their dependants."

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PRIVY COUNCIL OFFICE

WHITEHALL, LONDON SW1A 2AT

10 September 1984

Dear Geoffrey

requested

*Reflects outcome
of OD(K). NBPM*

*CJP
10/9*

FUTURE OF HONG KONG

Thank you for your minute of 28 August which we discussed in OD(K) on 4 September.

There are it would seem to me, two issues on which we must now decide, the content and the timing of the Hong Kong Bill. The timing is not wholly within our control, and, as the two are interrelated, it is not possible to take final decisions on either until we have agreement with the Chinese about the date of ratification. I cannot, however, stress too strongly the need for work on legislation to proceed as quickly as possible, if necessary on a contingency basis. We must be ready to introduce it soon after Parliament has debated the White Paper.

What I suggest, therefore, is that work should go ahead rapidly on the following basis.

- a. There will be legislation on Hong Kong in the next Session.
- b. The date when Royal Assent is required will depend on negotiations with the Chinese about the date of ratification. As Business Managers, the Lord Privy Seal and I require the maximum possible time for the passage of the Bill, bearing in mind that it cannot be introduced until January. Our negotiators should therefore press for ratification in July. However, if this cannot be achieved and it is necessary to give Hong Kong legislation enhanced priority, this can be done within limits, provided that the adverse consequential effects on the legislative programme are recognized.
- c. The content of next Session's Bill can only be finalised when the timing is clear. In the meantime it is essential to decide:
 - i. what legislative changes would be absolutely necessary to enable us to ratify the agreement with the Chinese;

The Rt Hon Sir Geoffrey Howe QC MP

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- ii. what other changes in UK law will be necessary in order to implement the agreement, together with an indication of the timescale for their introduction.
- d. We also need to know to what extent the changes in c.ii. could be effected by enabling legislation, followed by secondary legislation dealing with the detail.

When this information is available, I suggest that you should present it to QL - I hope no later than early October - so that we can decide whether the obvious disadvantages for next Session of doing more than the minimum can be balanced by other advantages. We will then be able to consider the effect of the required timescale, including on other legislation, whether a separate Bill dealing with non-ratification issues could be contemplated in the same Session or whether all other legislation but the bare minimum must be postponed until later Sessions.

The Lord Privy Seal shares my view and this reply may be regarded as his reply to your minute to him.

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

James
Little

- 9 SEP 1984



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TO IMMEDIATE PEKING

TELEGRAM NUMBER 1131 OF 8 SEPTEMBER

INFO IMMEDIATE HONG KONG

MIPT : FUTURE OF HONG KONG : MESSAGE FROM SECRETARY OF STATE :
FOLLOWING IS TEXT :

1. I HAVE BEEN FOLLOWING VERY CLOSELY THE PROGRESS OF THE NEGOTIATIONS ON THE FUTURE OF HONG KONG SINCE MY VISIT TO PEKING IN JULY. MUCH WAS ACHIEVED DURING THAT VISIT AND I WAS GRATIFIED AND ENCOURAGED BY THE SPIRIT OF GIVE AND TAKE WHICH CHARACTERISED OUR DISCUSSIONS. THE SAME SPIRIT HAS ENABLED FURTHER PROGRESS TO BE MADE ON A NUMBER OF ISSUES, FOR EXAMPLE ON LEGAL MATTERS WHERE WE APPRECIATE THE EFFORT MADE BY THE CHINESE DELEGATION TO MEET OUR CONCERNS AND ON LAND WHERE BOTH SIDES HAVE DONE THEIR BEST TO MEET EACH OTHERS' CONCERNS. THIS IS A TRIBUTE TO THE ABILITY AND DEDICATION OF THE NEGOTIATORS ON BOTH SIDES.
2. I HAVE TRIED TO LOOK AT THE DRAFT AGREEMENT AS IT IS EMERGING AS A WHOLE AND TO JUDGE HOW IT WILL BE RECEIVED IN HONG KONG AND ALSO BY PARLIAMENT HERE. I AM CONCERNED, AS I KNOW YOU ARE, THAT IT SHOULD BE SEEN AS A FARSIGHTED AND SUFFICIENT SOLUTION TO A PROBLEM WHICH WE HAVE BOTH INHERITED FROM HISTORY. IT IS ESSENTIAL THAT THIS SOLUTION SHALL COMMAND LASTING CONFIDENCE.
3. FOR THIS REASON I AM VERY ANXIOUS THAT THE AGREEMENT SHOULD NOT ATTRACT CRITICISM OF A KIND WHICH YOU AND I, WHO ARE SO CLOSE TO THE ISSUES, COULD FORESEE AND WITH A FURTHER JOINT EFFORT AVOID.
4. ON THIS BASIS, I SHOULD LIKE TO TELL YOU FRANKLY THAT I HAVE BECOME INCREASINGLY CONCERNED ABOUT DIFFICULTIES WHICH HAVE ARISEN ON THREE OF THE SUBJECTS LEFT OUTSTANDING AFTER MY VISIT, NAMELY NATIONALITY, CONSTITUTIONAL ARRANGEMENTS AND RATIFICATION. I AM ALSO APPREHENSIVE ABOUT A FURTHER ISSUE ON WHICH OUR PEOPLE HAVE RECENTLY BEGUN TO WORK, NAMELY CIVIL

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AVIATION. I AM QUITE CERTAIN IT IS ONLY BY REACHING CONVINCING SOLUTIONS ON ALL THESE POINTS THAT WE SHALL BE ABLE TO CONCLUDE AN AGREEMENT WHICH I CAN HONOURABLY COMMEND TO PARLIAMENT AND WHICH WILL, AS WE BOTH WISH, MAINTAIN CONFIDENCE IN HONG KONG IN THE MONTHS AND YEARS AHEAD.

5. THE FIRST OF THE THREE AREAS I HAVE IDENTIFIED IS NATIONALITY. I RECOGNISE THE EFFORTS WHICH THE CHINESE SIDE HAVE MADE TO FIND A PRACTICAL SOLUTION, AND WE HAVE SOUGHT TO MATCH THESE ON OUR SIDE. BUT WE HAVE NOT BEEN ABLE TO REACH AGREEMENT ON THE QUESTION OF TRANSMISSIBILITY OF NATIONALITY AND ON TWO FUNDAMENTAL QUESTIONS OF PRINCIPLE RELATING TO PASSPORTS.

6. ON THE QUESTION OF TRANSMISSIBILITY, I EXPLAINED TO YOU DURING MY VISIT THE ENORMOUS POLITICAL DIFFICULTIES WHICH WOULD FACE HMG IF THEY WERE ASKED TO DIVEST A LARGE NUMBER OF PEOPLE IN HONG KONG OF RIGHTS THEY ENJOY UNDER BRITISH LAW. WE HAVE ALREADY ACCEPTED THAT NO ONE WILL ACQUIRE ANY FORM OF BRITISH NATIONALITY AFTER 1 JULY 1997 SIMPLY BY VIRTUE OF A CONNECTION WITH HONG KONG. WHAT WE ARE ASKING IS THAT THOSE WHO HAVE THAT NATIONALITY BEFORE 1997 SHOULD RETAIN THE RIGHT THEY NOW HAVE TO TRANSMIT THEIR STATUS TO THEIR CHILDREN FOR ONE GENERATION ONLY. THIS RIGHT IS, FOR HISTORICAL REASONS, MUCH VALUED BY A SECTION OF THE COMMUNITY WHO ARE IMPORTANT TO THE FUTURE PROSPERITY OF HONG KONG. IT IS OUR STRONG WISH, AND I BELIEVE YOURS, TO ENCOURAGE THOSE PEOPLE TO STAY IN HONG KONG. BUT IF THIS RIGHT IS REMOVED FROM THEM IT IS OUR JUDGEMENT THAT A LARGE NUMBER OF THEM WILL SEEK TO LEAVE. IT IS FOR THESE REASONS THAT I HOPE YOU WILL LOOK AGAIN AT WHAT WE HAVE PROPOSED ON THIS QUESTION.

7. AS I SAID ABOVE, THERE ARE TWO FUNDAMENTAL QUESTIONS OF PRINCIPLE FOR US ON PASSPORTS. THESE ARE AS FOLLOWS:

I) THE FIRST ARISES FROM YOUR PROPOSAL THAT ALL NEW PASSPORTS SHOULD BE ISSUED BEFORE 1997. THE IMPOSITION OF SUCH A DEADLINE WOULD ALMOST CERTAINLY STIMULATE A VERY LARGE NUMBER OF APPLICATIONS FROM PEOPLE WHO MIGHT OTHERWISE NEVER APPLY AT ALL, AND THE SCALE OF THE APPLICATIONS WOULD BE SUCH THAT, EVEN IF SPECIAL MACHINERY WERE TO BE SET UP, IT WOULD IMPOSE AN INTOLERABLE BUREAUCRATIC BURDEN. I AM SURE YOU WOULD AGREE THAT

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IT WOULD BE BETTER TO AVOID A PROCEDURE WHICH WOULD BE SO SERIOUSLY UNSETTLING IN HONG KONG.

II) THE SECOND RELATES TO THE BRITISH TRAVEL DOCUMENTS WHICH FORMER BDTCS WILL HAVE AFTER 1997. I THINK WE ARE AGREED THAT THESE WILL IN FACT BE PASSPORTS. BUT THIS WILL NOT BE CLEAR TO THE PEOPLE MOST AFFECTED AND IT IS A POINT WHICH THEY ATTACH GREAT IMPORTANCE, AND WHICH I ALSO BELIEVE WILL HAVE GREAT VALUE IN HELPING TO SECURE ACCEPTANCE OF OUR WHOLE WORK. WHAT WE ARE PROPOSING THEREFORE IS THAT THERE SHOULD BE A REFERENCE IN THE UNITED KINGDOM MEMORANDUM THAT THOSE CONCERNED SHOULD HAVE THE RIGHT TO TRAVEL ON BRITISH PASSPORTS. WE UNDERSTAND WHY YOU CANNOT REFER TO PASSPORTS IN YOUR MEMORANDUM. BUT I HOPE THAT YOU WILL ACCEPT THAT WE SHOULD DO SO IN OURS. THERE COULD BE NO POSSIBLE IMPLICATION THAT THE CHINESE SIDE WAS THEREBY RECOGNISING DUAL NATIONALITY.

8. THESE THREE POINTS ON THE SUBJECT OF NATIONALITY ARE ALL OF GREAT IMPORTANCE. WE NEED TO FIND A WAY OF RESOLVING THEM. I HAVE SAID THAT THE TWO QUESTIONS RELATING TO PASSPORTS ARE OF FUNDAMENTAL IMPORTANCE TO US. TRANSMISSIBILITY IS ALSO VERY IMPORTANT. HOWEVER, IF WE WERE ABLE TO REACH AGREEMENT ON THE TWO PASSPORT QUESTIONS, AND PROVIDED THAT THE OTHER ISSUES RAISED IN THIS LETTER COULD ALSO BE RESOLVED SATISFACTORILY, I SHOULD BE PREPARED TO RECOMMEND TO MY COLLEAGUES THAT THEY SHOULD LOOK AT THE QUESTION OF TRANSMISSIBILITY AGAIN.

9. THE SECOND AREA OF DIFFICULTY IS CONSTITUTIONAL ARRANGEMENTS. WE ARE AGREED THAT WE CANNOT EXPECT TO SPECIFY 13 YEARS IN ADVANCE EVERY DETAIL OF THE FUTURE STRUCTURE OF GOVERNMENT IN HONG KONG. WE ALSO KNOW OF YOUR INTENTION TO SET OUT THESE MATTERS IN MORE DETAIL IN THE BASIC LAW. BUT IT WILL STILL BE SOME YEARS BEFORE THAT LAW APPEARS AND IN THE MEANTIME IT IS VERY IMPORTANT TO ASSURE PEOPLE IN HONG KONG ABOUT CERTAIN ESSENTIAL PRINCIPLES OF FUTURE GOVERNMENT STRUCTURE. OUR POSITION HAS BEEN THAT THE AGREEMENT SHOULD SPECIFY THAT THE FUTURE CHIEF EXECUTIVE SHOULD BE ELECTED. THE CHINESE SIDE WISH TO STATE THAT HE WILL BE ELECTED OR SELECTED BY CONSULTATION. I AM WILLING TO ACCEPT YOUR POSITION ON THIS POINT, PROVIDED THAT

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THE TEXT ALSO STATES THAT THE FUTURE LEGISLATURE WILL BE SELECTED BY AN ELECTIVE PROCESS, AND THAT THE FUTURE HONG KONG EXECUTIVE SHOULD BE ACCOUNTABLE TO THE LEGISLATURE. THIS IS A POINT OF FUNDAMENTAL IMPORTANCE TO US. ELECTED LEGISLATURES TO WHICH THE EXECUTIVE IS ACCOUNTABLE EXIST IN BOTH CHINA AND BRITAIN BOTH AT CENTRAL AND LOCAL LEVELS. IT IS SOMETHING WHICH OUR TWO COUNTRIES HAVE IN COMMON WITH VERY MANY OTHER COUNTRIES. WE ARE NOT ASKING THAT THE AGREEMENT SHOULD SPECIFY THAT THE LEGISLATURE SHOULD BE IN ANY PARTICULAR FORM, OR THAT ELECTIONS TO IT SHOULD BE IN ANY PARTICULAR FORM, JUST THAT IT SHOULD BE AN ELECTED BODY. BUT I REGARD IT AS ESSENTIAL THAT THE MINIMUM REQUIREMENT I HAVE INDICATED ABOVE SHOULD BE SPECIFIED IN THE AGREEMENT. THERE WILL OTHERWISE BE VERY WIDESPREAD CRITICISM OF THE AGREEMENT, AND EVEN SUGGESTIONS THAT THE CHINESE AND BRITISH GOVERNMENTS ARE NOT WILLING TO TRUST THE PEOPLE OF HONG KONG WITH ELECTING THEIR OWN FUTURE LEADERS. I SHOULD FIND THAT POINT VERY DIFFICULT TO REBUT IN PARLIAMENT.

10. AS I SAID ABOVE, I AM APPREHENSIVE THAT DIFFICULTIES MAY ARISE ON CIVIL AVIATION. AS I EXPLAINED DURING MY LAST VISIT TO PEKING, I BELIEVE IT IS VITAL TO PRESERVE CONDITIONS WHICH ENABLE HONG KONG TO CONTINUE TO HAVE ITS OWN AIRLINE. CATHAY PACIFIC HAS A KEY ROLE TO PLAY IN THE FUTURE PROSPERITY OF HONG KONG. IF THEY ARE TO CONTINUE THE ENORMOUS LONG-TERM INVESTMENT WHICH IS NECESSARY TO MAINTAIN THEM AS A MODERN COMPETITIVE AIRLINE THEY MUST HAVE THE ASSURANCE THAT THE SAR WILL CONTINUE TO HAVE ADEQUATE CONTROL OF THE AIR SERVICES NETWORK ON WHICH CATHAY DEPEND. THIS IS WHAT WE ARE SEEKING IN THE PROPOSALS WE HAVE PUT FORWARD. IF CATHAY PACIFIC ARE NOT SATISFIED THAT THEIR FUTURE PROSPERITY IS ASSURED, THEY WOULD HAVE TO BEGIN SOON MAKING PLANS TO MOVE ELSEWHERE. THAT WOULD HAVE A VERY SERIOUS EFFECT ON MORALE IN HONG KONG, AS WELL AS A DIRECT EFFECT ON HONG KONG'S PROSPERITY. IT IS IN THE INTERESTS OF BOTH OUR COUNTRIES TO ENSURE THAT THIS DOES NOT HAPPEN. WE MUST THEREFORE JOINTLY WORK TO ACHIEVE A SATISFACTORY ANNEX ON THIS SUBJECT. HOW THE CIVIL AVIATION QUESTION IS DEALT WITH WILL ALSO BE TAKEN AS A SYMBOL OF THE TREATMENT WHICH WILL BE GIVEN TO FOREIGN INVESTORS, WHOM I

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KNOW THE CHINESE SIDE WISH TO ENCOURAGE.

11 . THE LAST OF THE MAJOR SUBJECTS WHICH I MENTIONED AT THE BEGINNING IS RATIFICATION. I FULLY UNDERSTAND THAT THIS IS A SUBJECT OF FUNDAMENTAL IMPORTANCE TO THE CHINESE SIDE. I HAVE DISCUSSED AGAIN WITH THE PRIME MINISTER VERY RECENTLY WHAT WE COULD DO TO MEET YOUR ESSENTIAL REQUIREMENTS. THE QUESTION OF THE DATE POSES A REAL, PRACTICAL DIFFICULTY FOR US. WE DO NOT WANT TO PROMISE SOMETHING IN THE AGREEMENT THAT WE CANNOT BE SURE OF ACHIEVING. IN REACHING A JUDGEMENT ON THE QUESTION OF THE DATE, WE HAVE TO BEAR IN MIND THAT ALTHOUGH WE CAN LEAD PARLIAMENT, WE CANNOT COMMAND IT.

12. ON THAT BASIS, THE PRIME MINISTER AND I HAVE CONCLUDED THAT WE MUST STICK TO OUR PROPOSAL THAT THE DATE SHOULD BE 30 JUNE 1985. THAT IN OUR CONSIDERED JUDGEMENT IS THE EARLIEST POSSIBLE DATE BY WHICH WE COULD HOPE TO GET THIS LEGISLATION THROUGH. BUT BECAUSE OF THE GREAT IMPORTANCE YOU ATTACH TO THIS QUESTION, WE ARE PREPARED TO INCLUDE THAT DATE WITHOUT QUALIFICATION AND THEREFORE TO DROP THE ADDITIONAL WORDS WHICH WE HAD PROPOSED, AND TO GIVE YOU AN ASSURANCE THAT WE WILL DO ALL IN OUR POWER TO ENSURE THAT THE NECESSARY LEGISLATIVE STEPS ARE COMPLETED BY THAT DATE.

13. I AM SENDING YOU THIS MESSAGE BECAUSE TIME IS GETTING SHORT AND IT IS MY BELIEF THAT IF WE COULD AGREE ON THESE QUESTIONS DISCUSSION BETWEEN OUR DELEGATIONS COULD QUICKLY RESOLVE THE REST.

14. WE HAVE COME A LONG WAY TOGETHER AND ARE VERY CLOSE NOW TO AN AGREEMENT WHICH I BELIEVE WILL BE SEEN IN THE WORLD AS HISTORIC. ONE MORE JOINT EFFORT IS NEEDED. AS I SAID IN HONG KONG THE CONCEPT OF 'ONE COUNTRY TWO SYSTEMS' IS A FAR-SIGHTED ONE. I AM VERY CONCERNED THAT WE SHOULD NOT IMPERIL THE AGREEMENT OR SPOIL ITS RECEPTION IN THE WORLD BY FAILING TO MAKE ADEQUATE PROVISIONS IN THE IMPORTANT AREAS I HAVE INDICATED.

15. MY COLLEAGUES AND I ATTACH GREAT IMPORTANCE TO THE SUCCESS OF THIS ENTERPRISE. IF IT WOULD HELP I AM WILLING TO COME TO PEKING AGAIN AS SOON AS ARRANGEMENTS CAN BE MADE IN ORDER TO RESOLVE THE OUTSTANDING PROBLEMS BETWEEN US. PERHAPS YOU COULD

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LET ME KNOW IF YOU THINK THAT THIS WOULD BE USEFUL.
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DESBKY -FCO 081300Z

FROM PEKING 081620Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2195 OF 8/9/84

INFO IMMEDIATE HONG KONG

YOUR TEL NOS 1129 1130 AND 1131.

FUTURE OF HONG KONG : SECRETARY OF STATE'S MESSAGE

1. ON RECEIPT OF YOUR FIRST TUR, I SPOKE TO THE MFA AS INSTRUCTED . THEY TELEPHONED BACK TO SAY THAT WU WAS VERY BUSY TODAY AND HAD ASKED WZHOU NAN TO RECEIVE YOUR MESSAGE WHENEVER IT WAS READY FOR DELIVERY.

I SAID THAT YOU WANTED ME TO DELIVER IT TO WU. PERSONALLY. WOULD HE BE FREE TO RECEIVE ME TOMORROW? THEY TELEPHONED TO SAY THAT WU WOULD BE BUSY BOTH TOMORROW AND ALL NEXT WEEK. I THEREFORE AGREED TO GIVE THE MESSAGE TO ZHOU AS SOON AS I HAD RECEIVED IT.

2. I CALLED ON ZHOU AT 8 PM (LOCAL 5 TIME) ACCOMPANIED BY THOMSON. AFTER HE HAD READ THE MESSAGE, I SPOKE AS INSTRUCTED IN YOUR SECOND TUR.

ZHOU SAID THAT THE MESSAGE WAS IMPORTANT, AND THAT HE WOULD PASS IT TO WU IMMEDIATELY. BUT AS THE SUBJECTS COVERED HAD BEEN DISCUSSED IN OUR RECENT MEETINGS, AND AS HE WAS FAMILIAR WITH THE CHINESE POSITION, HE THOUGHT IT WOULD BE USEFUL TO EXPRESS SOME PERSONAL VIEWS. THE CHINESE POSITION ON THE SUBJECT YOU COVERED HAD BEEN FORMULATED AFTER CAREFUL CONSIDERATION. THEY TOOK ACCOUNT OF BRITISH DIFFICULTIES. IN SOME CASES, FURTHER CONCESSIONS WOULD BE IMPOSSIBLE. HE COULD TELL ME THAT HE HAD REPORTED VERY RECENTLY ON THE STATE OF THE NEGOTIATIONS TO HIS LEADERS. THE COMMENTS HE WAS ABOUT TO OFFER WERE THEREFORE NOT PURELY PERSONAL OPINIONS, BUT THE VIEWS OF HIS GOVERNMENT

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3. NATIONALITY.

IF THE CHINESE GOVERNMENT ACTED STRICTLY IN ACCORDANCE WITH THEIR PRINCIPLES THAT THEY ~~DID~~ NOT RECOGNISE DUAL NATIONALITY, CHINESE RESIDENTS IN HONG KONG WOULD NOT BE PERMITTED AFTER 1997 TO USE TRAVEL DOCUMENTS ISSUED BY FOREIGN GOVERNMENTS. BUT THE CHINESE GOVERNMENT HAD SHOWN FLEXIBILITY AND AGREED THAT THE BRITISH GOVERNMENT COULD REPLACE BDTG PASSPORTS BY NEW DOCUMENTS FOR USE FOR OVERSEAS TRAVEL.

IF THE BRITISH GOVERNMENT FAILED TO COMPLETE REPLACEMENT BY 1997, SOME BDTGS WOULD BE LEFT TO TRAVEL ON BDTG PASSPORTS AFTER 1997. THIS WOULD GREATLY CREATE POLITICAL PROBLEMS, BOTH DOMESTICALLY AND INTERNATIONALLY. AS TO THE BUREAUCRATIC BURDEN YOU HAD MENTIONED, THERE WERE 13 YEARS IN WHICH TO DISCHARGE IT. AS TO THE STIMULATION OF APPLICATIONS, MANY OF THOSE ELIGIBLE MIGHT NOT APPLY.

4. ZHOU SAID THAT OUR PROPOSAL THAT THE BRITISH MEMORANDUM ON NATIONALITY SHOULD MENTION "PASSPORTS EXPLICITLY COULD PERHAPS BE CONSIDERED; BUT TRANSMISSABILITY WAS AN EVEN GREATER PROBLEM THAN THE PROBLEM OF POST-1997 REDOCUMENTATION. A MATTER OF PRINCIPLE WAS INTRODUCED. THE CHINESE SIDE COULD NOT ACCEPT TRANSMISSABILITY UNDER ANY CIRCUMSTANCES.

5. GOVERNMENT STRUCTURE.

ZHOU SAID THAT THE CHINESE POSITION WAS FIRM. THE STRUCTURE OF THE FUTURE SAR GOVERNMENT WOULD BE STIPULATED IN THE BASIC LAW. THE CHINESE PROPOSED THAT THE AGREEMENT SHOULD STATE THAT THE CHIEF EXECUTIVE SHOULD BE CHOSEN BY ELECTION OR CONSULTATION. THIS WAS REASONABLE, BECAUSE IT WOULD IN PRACTICE BE DIFFICULT TO PRE-DETERMINE THE METHOD BY WHICH HE SHOULD BE CHOSEN.

ON THE LEGISLATURE, IT WAS TRUE ON THE "THEORETICAL LEVEL" IT SHOULD BE ELECTED, IN THE LONGER TERM AT LEAST. BUT WE COULD NOT KNOW NOW WHETHER THE OBJECTIVE CONDITIONS FOR THAT WOULD BE RIGHT IN 1997.

AS WE KNEW, SOME SENIOR AND INFLUENTIAL PEOPLE IN HONG KONG WERE CONCERNED ABOUT OUR PROPOSALS FOR AN ELECTED LEGISLATURE. IF ELECTION WERE STIPULATED IN THE AGREEMENT, AND THE APPROPRIATE CONDITIONS DID NOT MATERIALISE., THE RESULT WOULD BE GREAT INSTABILITY. THE CHINESE HAD THEREFORE PROPOSED THAT FORMATION SHOULD BE BY ELECTION OR CONSULTATION AS APPROPRIATE. TO TAKE A FIRM DECISION NOW THAT THE LEGISLATURE SHOULD BE ELECTED FROM THE START WOULD INVOLVE TOO GREAT A RISK.

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6. CIVIL AVIATION

ZHOU SAID HE WOULD NOT COMMENT ON WHAT THE MESSAGE SAID ABOUT CIVIL AVIATION. THE CHINESE SIDE HAD JUST HANDED OVER A NEW TEXT WHICH MET SOME OF THE BRITISH CONCERNS AND GRANTED CONSIDERABLE AUTHORITY IN THIS FIELD TO THE SAR GOVERNMENT.

7. RATIFICATION

ZHOU WELCOME YOUR OFFER TO DROP OUR CONDITONAL LANGUAGE. BUT THE SIX MONTHS THAT WE ASKED FOR WAS TOO LONG. IN HIS VIEW, WE OUGHT TO BE ABLE TO COMPLETE THE NECESSARY LEGISLATION BY THE EASTER RECESS. THE CHINESE WERE NOT ASKING FOR EARLY RATIFICATION FOR ITS OWN SAKE. A LONG PERIOD OF SUSPENSE WOULD BE DETRIMENTAL TO THE INTERESTS OF ALL PARTIES CONCERNED. MOREOVER, SOME OF THE PROVISIONS OF THE AGREEMENT REQUIRED EARLY IMPLEMENTATION.

8. ZHOU SAID THAT ALL THESE WERE HIS PERSONAL AND PRELIMINARY COMMENTS. THE CHINESE SIDE WOULD STUDY THE MESSAGE. HIS RESPONSE WAS NOT OFFICIAL: BUT, AS TIME WAS SHORT HE THOUGHT HIS EXTEMPOREY REMARKS WOULD BE USEFUL. WHETHER WU REPLIED MORE FORMALLY AND MORE COMPREHENSIVELY (BY WRITING OR ORALLY THROUGH ZHOU) WERE FOR HIS JUDGEMENT. BUT ZHOU COULD ASSURE ME THAT HIS COMMENTS REFLECTED THE CHINESE GOVERNMENTS POSITION

9. I SAID I WOULD BE AVAILABLE TO RECEIVE WU'S REPLY AT ANY TIME. IN REPLY I MADE THREE COMMENTS

(A) RATIFICATION .

I SPOKE AGAIN IN ACCORDANCE WITH PARAGRAPH 2 OF YOUR SECOND TUR.

(B) GOVERNMENT STRUCTURE

I ASKED WHETHER THE CHINESE GOVERNMENT REALLY BELIVED THAT HONG KONG WOULD NOT BE READY FOR AN ELECTED LEGISLATURE BY 1997 AND IF SO WHY, ZHOU SAID THAT A COMMITMENT TO ELECTIONS COULD TURN OUT TO BE AN ERROR JUDGEMENT.

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WE WERE A PRACTICAL PEOPLE, WHO FAVOURED GRADUAL CHANGE. SUDDEN CHANGE WOULD LEAD TO UNDESIRABLE RESULTS, PARTICULARLY OVER THE ORGANISATION OF POLITICAL PARTIES.

I ASKED WHETHER THIS MEANT THAT THE CHINESE DID NOT TRUST THE PEOPLE OF HONG KONG. ZHOU REPLIED THAT THE CHINESE WERE CONCERNED ABOUT OBJECTIVE CONDITIONS. THE CHINESE FORMULATION PROVIDED FOR AN APPROPRIATE DEGREE OF FLEXIBILITY.

(C) NATIONALITY

I WELCOMED ~~WHAT~~ ZHOU HAD SAID ABOUT THE POSSIBILITY OF THE BRITISH MEMORANDUM MENTIONING PASSPORTS EXPLICITLY. ON THE BUREAUCRATIC BURDEN IMPOSED BY THE PROPOSED DEADLINE FOR REDOCUMENTATION, I SAID THAT YOUR POINT WAS BASED ON VERY THOROUGH CALCULATION

10. ZHOU THEN REVERTED TO RATIFICATION, REPEATING HIS VIEW THAT NECESSARY LEGISLATION COULD BE PASSED BY EASTER. I SAID THAT YOU AND THE PRIME ~~MINISTER~~ HAD MADE A CONSIDERED JUDGMENT AND THAT IT WAS NOT FOR THE CHINESE SIDE TO QUESTION IT.

11. ZHOU THEN SAID THAT HE HAD SPOKEN THIS MORNING WITH

DENG HAD EXPRESSED CONCERN ~~ABOUT~~ THE SLOW PROGRESS OF THE NEGOTIATION.

HE HAD SAID THAT, IF WE COULD NOT MAKE RAPID PROGRESS, WE RISKED THE COLLAPSE OF THE ENTIRE STRUCTURE THAT THE TWO SIDES HAD BUILT OVER A LONG PERIOD. THIS WOULD HAVE THE MOST SERIOUS POLITICAL CONSEQUENCES. PERHAPS SOME OF THE POINTS OF DETAIL UNDER NEGOTIATION COULD BE PUT ASIDE AND SETTLED LATER, SO THAT INITIALLY WOULD NOT BE HELD UP.

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12. I SAID THAT MY BRITISH MINISTERS WOULD AGREE THAT A COLLAPSE WOULD HAVE DIRE CONSEQUENCES.

BUT AT THE SAME TIME THERE WAS A NECESSARY MINIMUM, OR MODICUM, WHICH MUST BE AGREED AND RECORDED IN THE AGREEMENT.

IF IT WERE NOT, THAT TOO WOULD LEAD TO SERIOUS CONSEQUENCES.

13. ZHOU ENDED BY SAYING THAT I WOULD RECEIVE A RESPONSE TO YOUR MESSAGE AS SOON AS POSSIBLE.

EVANS

FUTURE OF HONG KONG
LIMITED

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HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
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LEGAL ADVISERS(SIR J FREELAND)
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SIR W HARDING
SIR C TICKELL
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FUTURE OF HONG KONG: WORKING GROUP

32A

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RESIDENT CLERK

TYPISTS

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DESKBY 081530Z BOTH
FROM PEKING 081350Z SEP 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 2194 OF 8 SEP
INFO IMMEDIATE HONG KONG

IMMEDIATE
ADVANCE COPY

FROM WILSON

FUTURE OF HONG KONG: ASSESSMENT OF PROGRESS IN THE WORKING
GROUP AND AD HOC GROUPS

1. IN THE WORKING GROUP PROGRESS HAS BEEN PAINFULLY SLOW. THOSE
SUBJECTS REMAINING FOR DISCUSSION WERE AMONGST THE MOST DIFFICULT.
WE HAVE NOTHING TO OFFER AND MUCH TO ASK. WE HAVE BEEN NEGOTIATING
ON SEVERAL MATTERS WHERE THERE IS NEITHER AN ESTABLISHED
CHINESE POLICY NOR ANY AGREED APPROACH BETWEEN THE TWO SIDES DURING
THE PAST MONTHS OF NEGOTIATIONS. NEVERTHELESS, ON THE PUBLIC
SERVICE WE NOW HAVE AN AGREED TEXT WHICH CONTAINS THE ESSENTIAL
POINTS WE WERE SEEKING ON CONTINUITY OF SERVICE FOR PUBLIC SERVANTS
AND FOR THE CONTINUED PAYMENT OF PENSIONS BY THE SAR GOVERNMENT AND
WHICH HAS REASONABLY SATISFACTORY PROVISIONS ON CONTINUITY OF
THE GENERAL PUBLIC SERVICE SYSTEM.

2. IT IS WHEN DEALING WITH CONSTITUTIONAL ARRANGEMENTS AND
GOVERNMENT STRUCTURE THAT WE HAVE HIT THE HEAVIEST GOING.
AS THE CHIIIIIPV

AS THE CHINESE HAVE REPEATEDLY MADE CLEAR, THEY DO NOT YET
KNOW IN DETAIL WHAT GOVERNMENT STRUCTURE THEY WISH TO SEE IN PLACE
AFTER 1997: THESE ARE MATTERS FOR THE BASIC LAW. MEANWHILE
THEY ARE UNWILLING TO TIE THEIR OWN HANDS. WE FOR OUR PART,
UNLIKE OUR USUAL ROLE OF SEEKING ASSURED CONTINUITY, ARE TRYING TO
TIE THE CHINESE DOWN TO GOVERNMENTAL STRUCTURES WHICH DO NOT
YET EXIST IN HONG KONG.

3. THE AD HOC GROUP HAS MADE BETTER PROGRESS. THE ANNEX ON
LAND LEASES IS NOW FULLY AGREED APART FROM THE TWO POINTS OF
DETAIL. IT PROVIDES FOR THE CONTINUED RECOGNITION OF
OF EXISTING RIGHTS IN LAND, THE EXTENSION OF EXISTING LEASES BEYOND
1997, AND THE GRANT OF NEW LEASES EXTENDING BEYOND THAT DATE IN
LANGUAGE WHICH IS VIRTUALLY IDENTICAL TO THE WORDING WE HAD
PROPOSED. IN RETURN WE HAVE CONCEDED THAT A PROPORTION OF THE
REVENUE INCOME DERIVED FROM THE GRANT OF NEW LEASES SHOULD

PROPOSED. IN RETURN WE HAVE CONCEDED THAT A PROPORTION OF THE PREMIUM INCOME DERIVED FROM THE GRANT OF NEW LEASES SHOULD BE RESERVED TO THE FUTURE SAR GOVERNMENT, AND HAVE AGREED TO ESTABLISHMENT OF A (JOINT) LAND COMMISSION WITH CERTAIN POWERS. BUT THE TERMS OF REFERENCE FOR THE LATTER ARE TIGHTLY DRAWN AND THE PRICE HAS BEEN WORTHE PAYING. OUR ABILITY TO GIVE THE CHINESE SOME OF WHAT THEY WANTED HAS PAID DIVIDENDS IN TERMS OF THE OVERALL TEXT.

4. ON NATIONALITY WE ARE NEAR TO AGREEMENT ON A TEXT FOR ANNEX 1 WHICH WILL PROVIDE A SATISFACTORY DEFINITION OF THE RIGHT TO

ABODE, INCLUDING ALL WHO WILL HAVE THAT RIGHT IN HONG KONG BEFORE 1997, AND PROVISIONS WHICH SHOULD ENSURE THAT FREEDOM OF TRAVEL AND THE RIGHT TO USE FOREIGN PASSPORTS ARE EFFECTIVELY PRESERVED. BUT WE HAVE NOT YET GOT TO GRIPS WITH THE KEY ISSUES ARISING FROM THE EXCHANGE OF MEMORANDA: TRANSMISSIBILITY, THE ISSUE OF NEW-STYLE BRITISH PASSPORTS AFTER 1997, AND AN EXPLICIT REFERENCE TO "PASSPORTS" IN THE EXCHANGE ITSELF.

5. DISCUSSION ON CIVIL AVIATION HAS ONLY JUST BEGUN. THE POSITION OF THE TWO SIDES ARE STILL FAR APART AND IT IS NOT EASY TO SEE HOW THEY CAN BE RECONCILED. WE FACE A HARD SLOG ON THIS NEXT WEEK.

6. SINCE LATE AUGUST THE CHINESE HAVE BEEN TALKING ABOUT A SELF-IMPOSED DEADLINE OF 10 SEPTEMBER FOR THE WORKING AND AD HOC GROUPS TO COMPLETE THEIR WORK. ZHOU NAN STILL TALKS IN TERMS OF AN IMMEDIATE DEADLINE. BUT THE TWO LEADERS OF THE CHINESE TEAMS SHOW NO SIGNS OF EXPECTING TO COMPLETE THEIR WORK BY 10 SEPTEMBER. INDEED, THAT DEADLINE HAS CLEARLY BEEN UNATTAINABLE FOR SOME TIME, PARTICULARLY FOR THE AD HOC GROUP. DESPITE ZHOU NAN'S ATTEMPTS TO GET ALL THE WORK COMPLETED IN A HURRY, THE CHINESE SHOW NO SIGNS OF BEHAVING ACCORDINGLY IN THE TWO GROUPS. IN THE AD HOC GROUP THE CHINESE LEADER IS WRKING STEADILY AND REASONABLY PRAGMATICALLY. BY CONTRAST, IN THE WORKING GROUP THE APPROACHING DEADLINE IS PRODUCING NOT A DISPOSITION TO AGREE BUT AN OBSESSION WITH THE MINUTIAE AND A DISTRESSING TENDENCY TO GO BACK ON AGREED TEXTS, PRESUMABLY INDUCED BY SECOND THOUGHTS ON HOW THEY WILL LOOK TO READERS IN THE TOP LEADERSHIP.

7. WE ARE NEARING THE END. BUT HOW THAT END GAME WLL BE PLAYED IN THE WORKING AND AD HOC GROUPS NOW DEPENDS TO A LARGE EXTENT ON THE CHINESE RESPONSE TO YOUR MESSAGE OF TODAY.

EVANS

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1267</i> (one piece/item number)	Date and sign
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PM/84/145

PRIME MINISTER

Prime Minister

You may like to look at this partial White Paper over the week-end. It is for discussion at OD(K) on 12 September. It looks very much on the right lines.

Future of Hong Kong: Draft White Paper

1. I am circulating under cover of this minute a copy of part one of a draft White Paper on the negotiations on the future of Hong Kong for discussion at the meeting of OD(K) on 12 September. It puts the agreement in the context of the history of the negotiations, and of the alternatives open to us. Part two of the White Paper will consist of the Agreement itself, part three will be a detailed commentary on the agreement, and part four will include appended relevant documents.

2. The text of the White Paper cannot be finalised until we have initialled the Agreement. It is, however, important that we publish the White Paper immediately after initialling so that the Agreement is seen in Hong Kong in its proper context from the start. We therefore intend to have the White Paper set in print in the near future and then amend it to take account of the final stages of negotiation.

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

GEOFFREY HOWE

Foreign and Commonwealth Office

7 September, 1984

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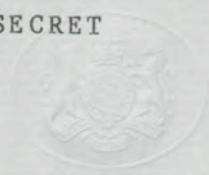
DRAFT WHITE PAPER

A DRAFT AGREEMENT BETWEEN THE UNITED KINGDOM AND THE PRC ON THE
FUTURE OF HONG KONG

PART ONE

INTRODUCTION

1. On .. September 1984 representatives of the Governments of the United Kingdom and of the People's Republic of China initialled the draft text of an agreement on the future of Hong Kong. The agreement, contained in Part Two of this White Paper, consists of a joint declaration including three annexes, and an associated exchange of memoranda. These documents are the outcome of two years of negotiations between the two governments, undertaken with the common aim of maintaining the stability and prosperity of Hong Kong.
2. The purpose of this White Paper is to present these documents in the context of the history of Hong Kong and of the last two years' negotiations and to explain their contents. The text of this White Paper is also being published in Hong Kong by the Hong Kong Government, and the people of Hong Kong are being invited to comment on the overall acceptability of the arrangements which it describes. Thereafter the matter will be debated in Parliament.



TREATIES

3. Britain acquired the Crown colony of Hong Kong (through three treaties concluded with the then Chinese Government during the nineteenth century: the Treaty of Nanking, signed in 1842 and ratified in 1843 under which Hong Kong Island was ceded in perpetuity; the Convention of Peking in 1860 under which the southern part of the Kowloon Peninsula and Stonecutters Island were ceded in perpetuity; and the Convention of 1898 under which the New Territories (comprising 92% of the total surface area of the territory) were leased to Britain for 99 years from 1 July 1898. It was the fact that the New Territories are subject to a lease with a fixed expiry date which lay behind the decision by Her Majesty's Government to seek to enter negotiations with the Government of the People's Republic of China (referred to hereafter as "The Chinese Government") on Hong Kong's future. *came to Britain*

4. The attitude of the Chinese Government towards the treaties has been clearly stated: it is that Hong Kong and Macau "belonged to the category of unequal treaties left over by history"; that they should be settled peacefully through negotiations when conditions were ripe; and that pending a settlement the status quo should be maintained. The Chinese Government also made its view of Hong Kong's status clear in a letter to the UN Special Committee on Decolonisation in March 1972. This argued that the question of Hong Kong was a matter of China's sovereign right and did not fall within the ordinary category of colonial treaties and should not be included in the list of territories covered by the Declaration on the Granting of Independence to Colonial Countries and Peoples.

THE BACKGROUND TO THE NEGOTIATIONS

5. In the late 1970's, as the period before the termination of the New Territories lease continued to shorten, significant concern about the future of Hong Kong began to be expressed both in the territory itself and among foreign investors. In particular there was increasing anxiety about individual land leases granted in the New Territories, all of which are set to expire 3 days before the expiry of the New Territories lease in 1997. There was a danger that the steadily shortening span of these leases, and the inability of the Hong Kong Government to grant new ones extending beyond 1997, would deter investment and damage confidence.
6. The Government had by this time, following a careful examination of the problem conducted in consultation with the Hong Kong Government, concluded that confidence would begin to erode quickly in the early to mid-1980s if nothing was done to alleviate the uncertainty caused by the 1997 deadline in a way consistent with the position of the Chinese Government on Hong Kong's future. Accordingly, when the Governor of Hong Kong visited Peking in March 1979 at the invitation of the Chinese Minister of Foreign Trade, discussions took place on the problem of land leases in the New Territories. These discussions did not result in measures to solve the problem.
7. In the course of the next two years there was increasing awareness of the need to remove the uncertainty which the 1997 deadline generated, and some discussion of how this might be achieved. The importance of the issue was publicly stressed by the senior Unofficial member of the Executive Council in May 1982. In January 1982 Sir (then Mr) Humphrey Atkins, Lord Privy Seal, visited Peking and was given significant indications of Chinese policy towards Hong Kong by Chinese leaders, which confirmed the view of the Government that negotiations should be opened with the Chinese Government.



THE PRIME MINISTER'S VISIT TO CHINA

8. Against this background the Government decided that the Prime Minister's visit to China in September 1982 would provide an opportunity to open discussions with the Chinese Government on the future of Hong Kong. It was evident that the Chinese Government had reached the same conclusion, and substantive discussions took place during the visit. Following a meeting between the Prime Minister and Chairman Deng Xiaoping on 24 September 1982 the following joint statement was issued:

"Today the leaders of both countries held far-reaching talks in a friendly atmosphere on the future of Hong Kong. Both leaders made clear their respective positions on this subject.

They agreed to enter talks through diplomatic channels following the visit with the common aim of maintaining the stability and prosperity of Hong Kong."



THE COURSE OF THE NEGOTIATIONS

9. The Prime Minister's visit was followed by the first phase of negotiations conducted by H M Ambassador, Peking and the Chinese Foreign Ministry. These consisted of exchanges between the two sides on the basis on which the negotiations would be conducted, and on the agenda. On 1 July 1983 it was announced that the second phase of the talks would begin in Peking on 12 July. The pattern of negotiation in the second phase, which was continued until the end of the negotiations, was for formal rounds of talks to be held between delegations led by HM Ambassador in Peking and a Vice-Minister of the Chinese Foreign Ministry, supplemented as necessary by informal contacts between the two delegations. The Governor of Hong Kong took part in every round of formal talks as a member of the British delegation.

10. In the course of the negotiations the British side explained in detail the systems which prevail in Hong Kong and the importance for these systems of the British administrative role and link.

Following extensive discussion, however, it became clear that, since in the Chinese view, sovereignty and the right of administration over Hong Kong were inseparable, no continuation of British administration after 1997 would be acceptable to China. After full consultation with the Governor and the Executive Council of Hong Kong, the British side therefore proposed that the two sides discuss on a conditional basis what effective measures other than continued British administration might be devised to maintain the stability and prosperity of Hong Kong and explore further the Chinese ideas which had at that stage been explained to them, in order to see whether China and Britain could construct on this basis arrangements which would ensure lasting stability and prosperity for Hong Kong. The Chinese side were told that if this process was successful, the British Government would consider recommending to Parliament a bilateral agreement enshrining the arrangements. The British Government also undertook in this event to assist in the implementation of such arrangements, and to recommend to Parliament that sovereignty and administrative control pass to China.

Following this, the British side presented to the Chinese a series of working papers which took as the basis for discussion China's proposals for Hong Kong as a Special Administrative Region and examined their implications. In response to these papers the Chinese side further elaborated their ideas on the policies which the Chinese Government were proposing to pursue in Hong Kong after 1997.

11. In April 1984 the two sides completed initial discussion of the working papers. There were a number of outstanding unresolved points, but it was by then clear that an acceptable basis for an agreement might be possible. Both sides tabled draft agreements. At the invitation of the Chinese Government the Foreign and Commonwealth Secretary visited Peking from 15 to 18 April. During his meetings with Chinese leaders the two sides reviewed the course of the talks on the future of Hong Kong, and further progress was made. In Hong Kong on 20 April Sir Geoffrey Howe made a statement on the Government's approach to the negotiations. He said that it would not be realistic to think of an agreement that provided for continued British administration in Hong Kong after 1997: for that reason the Government had been examining with the Chinese Government how it might be possible to arrive at arrangements that would secure for Hong Kong, after 1997, a high degree of autonomy under Chinese sovereignty, and that would preserve the way of life in Hong Kong, together with the essentials of the present systems. He made it clear that the Government were working for a framework of arrangements that would provide for the maintenance of Hong Kong's flourishing and dynamic society, and an agreement in which such arrangements would be formally set out.

12. After Sir Geoffrey Howe's visit in April negotiations continued. A working group was established in June 1984 to meet full-time in Peking and consider documents tabled by both sides. In July 1984 the Foreign and Commonwealth Secretary again visited Peking. The visit was devoted almost entirely to the future of Hong Kong. Sir Geoffrey Howe announced in Hong Kong on 1 August that very substantial progress had been made towards agreement on the form and content of documents which would set out arrangements for Hong Kong's future with clarity and precision, in legally binding



form.

13. Sir Geoffrey also announced on the same occasion that the two sides had agreed to establish a joint liaison group which would come into being when the agreement came into force. It would meet in Peking, London and Hong Kong until 1 July 1988 when it would establish its principal base in Hong Kong, although it would also continue to meet thereafter also in London and Peking. It was agreed that the group would not be an organ of power. Its functions would be: liaison, consultation on the implementation of the agreement, and exchange of information. It was agreed that it would play no part in the administration of Hong Kong. The British Government would continue to be responsible for the administration of Hong Kong up to 1997.

14. [Last phase of negotiations.]



CONSULTATION WITH THE PEOPLE OF HONG KONG

15. From the beginning of the negotiations the Government have been conscious that the negotiations concerned the interests and future of the five and a half million people of Hong Kong. It has been the Government's consistent position that any agreement with the Chinese Government on the future of the territory should be acceptable to the people of Hong Kong as well as to the British Parliament and the Chinese Government.
16. The negotiations had to be conducted on a basis of confidentiality. This was crucial to their success, but the maintenance of confidentiality also caused much concern and anxiety among the people of Hong Kong who were understandably anxious to know what was being negotiated for their future. The Official and Unofficial members of the Executive Council, as the Governor's closest advisers, were kept fully informed on the negotiations and consulted on a continuing basis throughout the period. The Unofficial members of the Executive and Legislative Councils (UMELCO) provided invaluable advice to the Governor and to Ministers on the course of the negotiations and on the attitude of the people of Hong Kong.
17. At a number of crucial points in the negotiations the Unofficial members of the Executive Council visited London for consultations with the Prime Minister and other Ministers. British Ministers also paid a series of visits to Hong Kong, to consult the Executive Council and the Unofficial members of the Executive and Legislative Councils and to keep in touch with opinion in the territory. The Secretary of State for Foreign and Commonwealth Affairs was able to describe the approach of the British Government to the negotiations in his statement in Hong Kong on 20 April 1984, and to fill in more details of the content of the agreement in a further statement in the territory on 1 August 1984. In the course of the negotiations, and in particular since the statement of 20 April, numerous individuals and groups in Hong Kong have made specific proposals on what should be included in an eventual agreement. The Government has paid close attention to these proposals which the Hong Kong Government has relayed to Ministers

and to views about the future expressed through a variety of channels - by and through UMELCO, through debates in the Legislative Council, through the press, through individual communications addressed to the British Government or the Hong Kong Government. In this way the Government have sought to take into account the views of the people of Hong Kong to the maximum extent possible in negotiating with the Chinese Government over the future of the territory.

18. In the same way the maintenance of confidentiality has made the task of consulting Parliament on the negotiations more difficult. Despite this there were debates on Hong Kong in October and November 1983 and in May 1984, and part of the Foreign Affairs Debate in March 1984 was also devoted to Hong Kong. Members of Parliament have kept in close touch with the people of Hong Kong, both through visits to the territory and through meetings with Hong Kong delegations visiting the United Kingdom.

INTRODUCTION TO THE AGREEMENT

19. The full text of the draft agreement is included as Part Two of this White Paper. It consists of a joint declaration including three annexes, together with an associated exchange of memoranda on nationality. Each part of the agreement has the same status. The whole makes up a formal international agreement, legally binding in all its parts. An international agreement of this kind is the highest possible form of commitment between sovereign states.

20. The Joint Declaration consists in part of linked declarations by the British and Chinese Governments. In paragraph one the Chinese government declare that they will resume the exercise of sovereignty over Hong Kong on 1 July 1997. In paragraph two the British Government declares that it will restore Hong Kong to the Chinese Government from that date. In paragraph three the Chinese Government sets out its policies towards Hong Kong after 1997. In paragraph 4 the two Governments jointly declare that the British Government will remain responsible for the administration of Hong Kong up to 1997. Paragraphs 5 and 6 deal with the Joint Liaison Group and land. Paragraph 6 constitutes the important link between the declarations by the two parties; together with paragraph 7 it has the effect of making the joint declaration and the annexes to it legally binding in their entirety on the two governments. If the agreement is approved by Parliament it will be signed and will enter into force on ratification. This last step will be taken as soon as possible after the necessary legislation has been enacted.

21. Annex one contains an elaboration of Chinese policies for the Hong Kong Special Administrative Region. The annex deals in detail with the way Hong Kong will run after 1 July 1997, and describes the extent of the autonomy and continuity which will prevail then. It covers:

- (a) constitutional arrangements and government structure;
- (b) the legal system;
- (c) the public service;

- (d) the financial system;
- (e) the economic system and external economic relations;
- (f) the monetary system;
- (g) shipping;
- (h) civil aviation;
- (i) culture and education;
- (j) external relations;
- (k) defence, security and public order;
- (l) rights and freedoms.
- ? (m) nationality

22. Annex two sets out the provisions concerning the establishment of a Sino-British joint liaison group. The joint liaison group will be established on the entry into force of the agreement and will meet in Peking, London and Hong Kong. From 1 July 1988 it will be based in Hong Kong, although it will also continue to meet in Peking and London. It will continue its work until 1 January 2000. The annex includes terms of reference which clearly indicate that the group will be a forum for liaison only and not an organ of power. It will neither play a part in the administration of Hong Kong or have any supervisory role.

23. Annex three sets out provisions governing land. [To be expanded.]

24. The agreement sets out clearly the relationship between the provisions which it contains and the Basic Law of the Hong Kong Special Administrative Region, to be promulgated by the National People's Congress of the People's Republic of China. Article 3(12) of the joint declaration provides that the basic policies in the joint declaration and the elaboration of them in Annex 1 will be stipulated in the Basic Law. They will remain unchanged for 50 years.

25. Part Three of this White Paper contains further explanatory notes on the text of the agreement and its annexes.

VIEWS OF HER MAJESTY'S GOVERNMENT ON THE AGREEMENT

26. As recorded in para 10 above, the Government have sought to see whether on the basis of proposals put forward by the Chinese Government arrangements could be constructed which would ensure lasting stability and prosperity for Hong Kong. They have negotiated energetically and they believe successfully to secure an agreement which meets the needs and wishes of the people of Hong Kong. The negotiations have been hard and long, and subject to the common aim of both sides to maintain stability and prosperity in Hong Kong, (have also needed to take account of the political requirements of both sides) Taking the agreement as a whole the Government are satisfied that it does provide a framework in which the stability and prosperity of Hong Kong can be maintained after 1997 as a Special Administrative Region of the People's Republic of China.

27. The negotiators have at all times taken into account the views expressed during the negotiations by the Hong Kong people and their interests. The text of the agreement has been initialled by both sides. This is simply a certification by the negotiators that it represents accurately the outcome of the negotiations. However, as is normal with international agreements negotiated between nations however, there is no realistic possibility of amending the text. The agreement must be taken as a whole. In addition the Chinese Government has made it clear that once the agreement has been initialled and published they are not willing to entertain proposals for amendment.

28. The Government have a duty to make clear beyond any possibility of misunderstanding the alternative to acceptance of the agreement set out in this White Paper. In their view, there is no possibility of an improved agreement. The alternative to acceptance of the present agreement is to have no agreement at all. In this case the Chinese Government have made it plain that negotiation would be at an end and that they would publish their own plan for Hong Kong. There is no guarantee that such a unilateral plan would include all the elements included in the draft agreement, nor would it have the same status as a legally binding agreement between the two

countries. Whether or not there is an agreement between the British Government and the Chinese Government the New Territories will revert to China on 1 July 1997 under the terms of the 1898 Convention of Peking. The remainder of Hong Kong (the ceded territories of Hong Kong Island, Kowloon and Stonecutters Island) would not be viable alone. Hong Kong, including the New Territories, has since 1898 become an integral whole and the British Government is satisfied that there is no possibility of dividing the New Territories which revert to China on 1 July 1997 from the ceded territories. The choice is therefore between reversion of Hong Kong to China under agreed, legally binding international arrangements or reversion to China without such arrangements. This is not a choice which the Government have wished to impose on the people of Hong Kong. It is a choice imposed by the facts of Hong Kong's history.

29. However the Government believe that the agreement is a good one. They have no hesitation in commending it to the people of Hong Kong and to Parliament. It provides a framework to preserve Hong Kong's unique economic system and way of life as a Special Administrative Region of the People's Republic of China from 1 July 1997. The Agreement preserves Hong Kong's familiar legal system and the body of laws in force in Hong Kong, including the common law. The agreement gives Hong Kong a high degree of autonomy in which it will be able to administer itself and pass its own legislation. It will enable Hong Kong to continue to decide on its own economic financial and trade policies, and to participate in international organisations and trade agreements such as GATT. The Government are confident that the agreement provides the necessary assurances about Hong Kong's future to allow the territory to continue to flourish and to maintain its unique position in the world.



THE AGREEMENT AND THE PEOPLE OF HONG KONG

30. The Government have consistently stated that an agreement on the future of Hong Kong must be acceptable to the people of Hong Kong as well as to Parliament. In his statement on 20 April 1984 in Hong Kong the Secretary of State for Foreign and Commonwealth Affairs stated that the people of Hong Kong would need to have time to express their views on the agreement, before it was debated by Parliament. The people of Hong Kong will now have this opportunity.

31. The text of this White Paper is also being published in Hong Kong by the Hong Kong Government and will be circulated through a wide variety of channels in the territory. An assessment office has been set up in Hong Kong under the charge of a senior official of the Hong Kong Government, directly responsible to the Governor. This office will provide Her Majesty's Government and Parliament with an analysis and assessment of opinion in Hong Kong on the draft agreement. Two monitors, Sir Patrick Nairne and Mr Justice Simon Li, have been appointed by Her Majesty's Government to observe the work of the assessment office and to report independently to the Secretary of State for Foreign and Commonwealth Affairs on whether they are satisfied that the assessment office has properly, accurately and impartially discharged its duties. In the light of these two reports the Government will decide what recommendation to make to Parliament.

32. The people of Hong Kong are now invited to comment on the overall acceptability of the arrangements negotiated between HMG and the Chinese Government for Hong Kong, in the light of the background set out in this White Paper.



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10 DOWNING STREET

From the Private Secretary

7 September 1984

Dear Len,

Future of Hong Kong : Message to the Chinese Foreign Minister

The Prime Minister discussed Sir Geoffrey Howe's minute of 6 September with him today.

On the date of ratification, the Prime Minister notes the strong Chinese reaction to our proposal to qualify the date of 30 June 1985 with the words "subject to the completion of the necessary procedures in national legislatures". The Prime Minister considers that the Chinese have now been clearly warned that the date of 30 June 1985 could slip for reasons beyond the Government's control and therefore agrees that we should now withdraw the qualifying phrase. If in the event by June next year it appears that the date may slip to the end of the Parliamentary Session, the Chinese will have to be informed at the time with an appropriate explanation and reference to the warning which has been given.

The Prime Minister is content with the other points which Sir Geoffrey intends to include in his message. She attaches particular importance to the question of constitutional arrangements, notably to a statement that the legislature should be elected and the executive answerable to it and hopes that these points will be very forcefully represented in the message.

I am sending copies of this letter to Private Secretaries to the Lord President, the Lord Privy Seal, the Secretary of State for Defence, the Minister of Trade and the Economic Secretary, and to Richard Hatfield (Cabinet Office).

Yours sincerely,

Charles Powell

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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GRS 1617
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FM FCO 061920Z SEP 84
TO IMMEDIATE HONG KONG
TELEGRAM NUMBER 1777 OF 6 SEPTEMBER
INFO IMMEDIATE PEKING
MIPT : FUTURE OF HONG KONG : MESSAGE FROM SECRETARY OF STATE :
FOLLOWING IS TEXT :

1. I HAVE BEEN FOLLOWING VERY CLOSELY THE PROGRESS OF THE NEGOTIATIONS ON THE FUTURE OF HONG KONG SINCE MY VISIT TO PEKING IN JULY. MUCH WAS ACHIEVED DURING THAT VISIT AND I WAS GRATIFIED AND ENCOURAGED BY THE SPIRIT OF GIVE AND TAKE WHICH CHARACTERISED OUR DISCUSSIONS. THE SAME SPIRIT HAS ENABLED FURTHER PROGRESS TO BE MADE ON A NUMBER OF ISSUES, FOR EXAMPLE ON LEGAL MATTERS WHERE WE APPRECIATE THE EFFORT MADE BY THE CHINESE DELEGATION TO MEET OUR CONCERNS AND ON LAND WHERE BOTH SIDES HAVE DONE THEIR BEST TO MEET EACH OTHERS' CONCERNS. THIS IS A TRIBUTE TO THE ABILITY AND DEDICATION OF THE NEGOTIATORS ON BOTH SIDES.

2. I HAVE TRIED TO LOOK AT THE DRAFT AGREEMENT AS IT IS EMERGING AS A WHOLE AND TO JUDGE HOW IT WILL BE RECEIVED IN HONG KONG AND ALSO BY PARLIAMENT HERE. I AM CONCERNED AS I KNOW YOU ARE THAT IT SHOULD BE SEEN AS AN IMAGINATIVE AND FARSIGHTED SOLUTION TO A PROBLEM WHICH WE HAVE BOTH INHERITED FROM HISTORY.

3. FOR THIS REASON I AM VERY ANXIOUS THAT THE AGREEMENT SHOULD NOT ATTRACT CRITICISM OF A KIND WHICH YOU AND I, WHO ARE SO CLOSE TO THE ISSUES, COULD FORESEE AND WITH A FURTHER JOINT EFFORT AVOID. I HAVE BECOME INCREASINGLY CONCERNED ABOUT DIFFICULTIES WHICH HAVE ARISEN ON TWO OF THE ISSUES LEFT OUTSTANDING AFTER MY VISIT.

4. THE FIRST IS NATIONALITY. I RECOGNISE THE EFFORTS WHICH THE CHINESE SIDE HAVE MADE TO FIND A PRACTICAL SOLUTION, AND WE HAVE SOUGHT TO MATCH THESE ON OUR SIDE. BUT WE HAVE NOT BEEN ABLE TO REACH AGREEMENT ON THE QUESTION OF TRANSMISSIBILITY OF

NATIONALITY AND ON CERTAIN PASSPORT QUESTIONS. ON THE FIRST ISSUE I EXPLAINED TO YOU DURING MY VISIT THE ENORMOUS POLITICAL DIFFICULTIES WHICH WOULD FACE HMG IF THEY WERE ASKED TO DIVEST A LARGE NUMBER OF PEOPLE IN HONG KONG OF RIGHTS THEY ENJOY UNDER BRITISH LAW. WE HAVE ALREADY ACCEPTED THAT NO ONE WILL ACQUIRE ANY FORM OF BRITISH NATIONALITY AFTER 1 JULY 1997 SIMPLY BY VIRTUE OF A CONNECTION WITH HONG KONG. WHAT WE ARE ASKING IS THAT THOSE WHO HAVE THAT NATIONALITY BEFORE 1997 SHOULD RETAIN THE RIGHT THEY NOW HAVE TO TRANSMIT THEIR STATUS TO THEIR CHILDREN FOR ONE GENERATION. THIS RIGHT IS, FOR HISTORICAL REASONS, MUCH VALUED BY A SECTION OF THE COMMUNITY WHO ARE IMPORTANT TO THE FUTURE PROSPERITY OF HONG KONG. IT IS OUR STRONG WISH, AND I BELIEVE YOURS, TO ENCOURAGE THOSE PEOPLE TO STAY IN HONG KONG. BUT IF THIS RIGHT IS REMOVED FROM THEM IT IS OUR JUDGEMENT THAT A LARGE NUMBER OF THEM WILL SEEK TO LEAVE. IT IS FOR THESE REASONS THAT I HOPE YOU WILL LOOK AGAIN AT WHAT WE HAVE PROPOSED ON THIS QUESTION.

5. THE SECOND PROBLEM IS YOUR PROPOSAL THAT ALL NEW PASSPORTS SHOULD BE ISSUED BEFORE 1997. THIS PROPOSAL RAISES SUBSTANTIAL ISSUES OF PRINCIPLE FOR US. MOREOVER, THE IMPOSITION OF SUCH A DEADLINE WOULD ALMOST CERTAINLY STIMULATE A VERY LARGE NUMBER OF APPLICATIONS FROM PEOPLE WHO MIGHT OTHERWISE NEVER APPLY AT ALL, AND THE SCALE OF THE APPLICATIONS WOULD BE SUCH THAT EVEN IF SPECIAL MACHINERY WERE TO BE SET UP, IT WOULD IMPOSE AN INTOLERABLE BUROCRATIC BURDEN. I AM SURE YOU WOULD AGREE THAT IT WOULD BE BETTER TO AVOID A PROCEDURE WHICH WOULD BE SO SERIOUSLY UNSETTLING IN HONG KONG.

6. THERE IS ALSO ANOTHER IMPORTANT ASPECT CONCERNING PASSPORTS. I THINK WE ARE AGREED THAT THE BRITISH TRAVEL DOCUMENTS WHICH FORMER BDTC'S WILL HAVE AFTER 1997 WILL IN FACT BE PASSPORTS. BUT THIS WILL NOT BE CLEAR TO THE PEOPLE MOST AFFECTED AND WHO ATTACH IMPORTANCE TO IT UNLESS WE FIND SOME WAY OF MAKING IT SO. WHAT WE ARE PROPOSING THEREFORE IS THAT THERE SHOULD BE A REFERENCE IN THE UNITED KINGDOM MEMORANDUM THAT THOSE CONCERNED SHOULD HAVE THE RIGHT TO TRAVEL ON BRITISH PASSPORTS. WE UNDERSTAND WHY YOU CANNOT REFER TO PASSPORTS IN YOUR MEMORANDUM.

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BUT I HOPE THAT YOU WILL ACCEPT THAT WE SHOULD DO SO IN OURS. THERE COULD BE NO POSSIBLE IMPLICATION THAT THE CHINESE SIDE WAS THEREBY RECOGNISING DUAL NATIONALITY.

7. THESE THREE ISSUES ARE ALL OF GREAT IMPORTANCE.

NEVERTHELESS, IF THE OTHER ISSUES ADDRESSED IN THIS LETTER WERE SATISFACTORILY RESOLVED, I SHOULD BE PREPARED TO RECOMMEND TO MY COLLEAGUES THAT THEY SHOULD LOOK AT THIS AGAIN. I HOPE THAT THIS WILL NOT BE NECESSARY, BECAUSE I BELIEVE THAT THIS MIGHT WELL LEAD TO A VERY CONSIDERABLE NUMBER OF PEOPLE IN HONG KONG REJECTING THE AGREEMENT AS UNACCEPTABLE, WHICH IS SOMETHING I WISH AT ALL COSTS TO AVOID.

8. THE SECOND SUBJECT IS CONSTITUTIONAL ISSUES. WE ARE AGREED THAT WE CANNOT EXPECT TO SPECIFY 13 YEARS IN ADVANCE EVERY DETAIL OF THE FUTURE STRUCTURE OF GOVERNMENT IN HONG KONG. WE ALSO KNOW OF YOUR INTENTION TO SET OUT THESE MATTERS IN MORE DETAIL IN THE BASIC LAW. BUT IT WILL STILL BE SOME YEARS BEFORE THAT LAW APPEARS AND IN THE MEANTIME IT IS VERY IMPORTANT TO ASSURE PEOPLE IN HONG KONG ABOUT CERTAIN ESSENTIAL PRINCIPLES OF FUTURE GOVERNMENT STRUCTURE. WE SHOULD HAVE PREFERRED TO SPECIFY THAT THE FUTURE CHIEF EXECUTIVE SHOULD BE ELECTED. THE CHINESE SIDE WISH TO STATE THAT HE WILL BE ELECTED OR SELECTED BY CONSULTATION. IF YOU FEEL THAT YOU CANNOT AT THIS STAGE BE CLEARER THAN THIS THEN I WILL ACCEPT IT BUT I THINK THAT IT IS OF VERY GREAT IMPORTANCE THAT THE ANNEX SHOULD STATE THAT THE FUTURE LEGISLATURE WILL BE SELECTED BY AN ELECTIVE PROCESS, AND THAT THE FUTURE HONG KONG EXECUTIVE SHOULD BE ACCOUNTABLE TO THE LEGISLATURE. ELECTED LEGISLATURES TO WHICH THE EXECUTIVE IS ACCOUNTABLE EXIST IN BOTH CHINA AND BRITAIN BOTH AT CENTRAL AND LOCAL LEVELS. IT IS SOMETHING WHICH OUR TWO COUNTRIES HAVE IN COMMON. I WISH TO UNDERLINE THAT WE ARE NOT ASKING THAT THE AGREEMENT SHOULD SPECIFY THAT THE LEGISLATURE SHOULD BE IN ANY PARTICULAR FORM, OR THAT ELECTIONS TO IT SHOULD BE IN ANY PARTICULAR FORM, JUST THAT IT SHOULD BE AN ELECTED BODY. I FEAR THAT IF WE DO NOT SPECIFY THIS MINIMUM REQUIREMENT IN THE AGREEMENT THERE WILL BE VERY WIDESPREAD CRITICISM OF IT AND EVEN SUGGESTIONS THAT WE ARE NOT WILLING TO TRUST THE PEOPLE OF HONG

KONG WITH ELECTING THEIR OWN FUTURE LEADERS. I SHOULD FIND THIS VERY DIFFICULT TO DEFEND IN PARLIAMENT.

9. THERE IS ONE OTHER SUBJECT WHICH I KNOW IS STILL UNDER DISCUSSION, BUT ON WHICH IT IS POSSIBLE THAT DIFFICULTIES MAY ARISE. THAT IS CIVIL AVIATION. AS I EXPLAINED DURING MY LAST VISIT TO PEKING, MY CONCERN IN THIS IS TO PRESERVE CONDITIONS WHICH ENABLE HONG KONG TO CONTINUE TO HAVE ITS OWN AIRLINE. CATHAY PACIFIC IS WIDELY SEEN AS HONG KONG'S AIRLINE. BUT IF THEY ARE TO CONTINUE THE ENORMOUS LONG-TERM INVESTMENT WHICH IS NECESSARY TO MAINTAIN THEM AS A MODERN COMPETITIVE AIRLINE THEY MUST HAVE THE ASSURANCE THAT THE SAR WILL CONTINUE TO HAVE ADEQUATE CONTROL OF THE AIR SERVICES NETWORK ON WHICH CATHAY DEPEND. THIS IS WHAT WE ARE SEEKING. CATHAY HAVE NO BASE OUTSIDE HONG KONG, AND IF THEY WERE NOT SATISFIED THAT THEIR FUTURE PROSPERITY WAS ASSURED THEY WOULD HAVE TO SET ABOUT CREATING ONE VERY QUICKLY. THIS WOULD HAVE A VERY SERIOUS EFFECT ON MORALE IN HONG KONG, AS WELL AS A DIRECT EFFECT ON HONG KONG'S PROSPERITY. I AM DETERMINED TO DO EVERYTHING I CAN TO PREVENT IT, BUT I NEED YOUR HELP.

10. RATIFICATION IS A FURTHER IMPORTANT ISSUE. I AM SURPRISED AND WORRIED BY THE DIFFICULTIES WHICH HAVE ARISEN OVER THIS IN THE COURSE OF THE TWENTY-SECOND ROUND OF TALKS. I FULLY RECOGNISE THAT THE CHINESE SIDE WISH TO HAVE AN ASSURANCE TO THE FULLEST EXTENT WHICH IT IS POSSIBLE FOR US TO GIVE THAT THE AGREEMENT BETWEEN US WILL COME INTO FORCE BY A DEFINITE DATE. THIS IS AN UNUSUAL AND DIFFICULT REQUIREMENT FOR US BECAUSE IT TOUCHES ON THE SOVEREIGNTY OF PARLIAMENT. CONSTITUTIONALLY WE CANNOT RATIFY UNTIL PARLIAMENT HAS PASSED THE NECESSARY LEGISLATION. NEVERTHELESS IN VIEW OF THE WISHES OF THE CHINESE SIDE, AND AFTER CONSULTING MY COLLEAGUES I AUTHORISED OUR AMBASSADOR TO PUT FORWARD PROPOSALS ON 5 SEPTEMBER INCLUDING A DATE FOR RATIFICATION. I WISH TO REPEAT THAT WE HAVE NO WISH TO DELAY RATIFICATION, AND HAVE UNDERTAKEN AS A GOVERNMENT TO DO OUR UTMOST TO GET LEGISLATION THROUGH PARLIAMENT BY THAT DATE.

11. I UNDERSTAND THAT THE CHINESE SIDE WAS PARTICULARLY CONCERNED BY OUR PROPOSAL TO INSERT THE WORDS 'SUBJECT TO

COMPLETION OF THE NECESSARY PROCEDURES IN NATIONAL LEGISLATURES'. I THOUGHT IT STRONGLY ADVISABLE TO PUT THESE WORDS IN IN ORDER TO PREVENT PARLIAMENT CRITICISING THE CLAUSE AS IGNORING THEIR SOVEREIGN RIGHT. HOWEVER IF THIS IS A POINT OF FUNDAMENTAL DIFFICULTY FOR YOU I WOULD BE PREPARED TO LEAVE THESE WORDS OUT, AND EXPLAIN THE SITUATION TO PARLIAMENT AS BEST I CAN. THE CHINESE DELEGATION ALSO SUGGESTED THAT SIX MONTHS FOR RATIFICATION WAS TOO LONG. I HOPE YOU WILL ACCEPT MY ADVICE ON THIS. SIX MONTHS IS THE MINIMUM TIME WHICH I AND MY COLLEAGUES THINK, WORKING AS FAST AS WE CAN, WE CAN BE SURE OF GETTING THE LEGISLATION THROUGH PARLIAMENT. I FEAR THAT PARLIAMENT WILL CRITICISE IT AS MUCH TOO SHORT A TIME.

12. I AM SENDING YOU THIS MESSAGE BECAUSE TIME IS GETTING SHORT AND IT IS MY BELIEF THAT IF WE COULD AGREE ON THESE QUESTIONS DISCUSSION BETWEEN OUR DELEGATIONS COULD QUICKLY RESOLVE THE REST.

13. WE ARE VERY CLOSE NOW TO AN AGREEMENT WHICH I BELIEVE WILL BE SEEN IN THE WORLD AS HISTORIC. AS I SAID IN HONG KONG THE CONCEPT OF 'ONE COUNTRY TWO SYSTEMS' IS A FAR-SIGHTED ONE. I AM VERY CONCERNED THAT WE SHOULD NOT IMPERIL THE AGREEMENT OR SPOIL ITS RECEPTION IN THE WORLD BY FAILING TO MAKE ADEQUATE PROVISIONS IN THE IMPORTANT AREAS I HAVE INDICATED.

14. I AND MY COLLEAGUES ATTACH GREAT IMPORTANCE TO THE SUCCESS OF THIS ENTERPRISE. IF IT WOULD HELP I AM WILLING TO COME TO PEKING AGAIN AS SOON AS ARRANGEMENTS CAN BE MADE IN ORDER TO RESOLVE THE OUTSTANDING PROBLEMS BETWEEN US. PERHAPS YOU COULD LET ME KNOW IF YOU THINK THAT THIS WOULD BE USEFUL.

HOWE

FUTURE OF HONG KONG
LIMITED

HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
RESEARCH D (MR WALKER)
LEGAL ADVISERS(SIR J FREELAND)
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR W HARDING
SIR C TICKELL
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PRIME MINISTER

Future of Hong Kong: Message to the Chinese Foreign Minister

1. When we discussed Hong Kong in OD(K) earlier this week I said I envisaged the possibility of a message to the Chinese Foreign Minister when the key points still at issue in the negotiations had been sufficiently identified. I think we have reached this point, and I should like to discuss the terms of a message with you when we meet tomorrow. The main issues it will need to cover are as follows.
2. The first is ratification. Following our last discussion we proposed to the Chinese that the date of ratification should be not later than 30 June 1985 "subject to the completion of the necessary procedures in national legislatures". This last phrase was added to cover the possibility that despite our best endeavours we might find we could not pass the necessary legislation by the end of June.
3. I am afraid the Chinese have reacted very strongly, both to the proposed date and even more to the conditional clause. After reference to their leaders they have formally rejected our proposal and accused us of raising a new obstacle to the talks at the last minute. They have stated they cannot initial an agreement which leaves open the date of its coming into force. They clearly suspect that we are seeking to re-establish the link we sought to make earlier in the year between entry into force and publication of the Basic Law, which will not take place until about 1990. Their reaction has set the negotiations back and if we persist could even frustrate their successful conclusion. In the light of this response and of the Lord President's statement on Tuesday that

/30 June

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30 June was a manageable date, I recommend that we should offer to withdraw the conditional clause while standing firm on the date of 30 June. That will be difficult but probably not impossible to negotiate and I believe we can use this move as a useful lever with the Chinese on a number of difficult substantive issues outstanding in the talks.

4. On nationality, which we expected would prove particularly difficult, there are three main issues: transmissibility of their status by BDTCS to their children for one generation; our opposition to the Chinese proposal that all new passports, replacing BDTC passports, should be issued by 1997; and the need to describe in our memorandum on nationality the passports former BDTCS will have after 1997 as passports and not just as travel documents. Hong Kong feels strongly on all these three. The first, however, transmissibility, is one which it is clear we are not going to achieve. The second two are more realisable. I therefore propose indicating that despite its great importance we shall not in the last resort insist on transmissibility provided we can obtain our requirements on the other two nationality questions.

5. Next is the question of constitutional arrangements. The Chinese are refusing to commit themselves on the structure of government after 1997 beyond saying that the Chief Executive of the Hong Kong SAR should be chosen "by election or consultation". They have refused to specify that the legislature will be elected or that the executive authority should be answerable to the legislature. We see an elected legislature as fundamental to the autonomy of the future Hong Kong SAR and must press for it strongly. Here I propose saying that we should be prepared to accept the Chinese line that the Chief Executive could be chosen by election or /consultation

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consultation in return for a statement that the legislature should be elected and that the executive should be answerable to it.

6. There remains the question of civil aviation. Since the working party have not yet addressed this question in detail I shall have to confine myself to a passage indicating the importance we attach to preserving conditions which would enable Hong Kong to continue to have its own airline.

7. These are the main outstanding problems. My object in sending a message would be to bring them directly to the attention of the Chinese Foreign Minister, to underline the great importance we attach to them, but at the same time to indicate the kind of bargain that might eventually be struck. I shall also, as envisaged, have to offer another visit to Peking, though I doubt whether the Chinese will want to see me again so soon.

8. I am of course ensuring that my lines are clear with the Governor and Exco.

GEOFFREY HOWE

Foreign and Commonwealth Office

6 September 1984

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10/10/74



FUTURE OF HONG KONG

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DESKBY ~~061030Z FCO~~

DESKBY 070020Z HK

FROM PEKING 061440Z SEPT 84

TO IMMEDIATE FCO

TELNO 2143 OF 6/2/84

INFO IMMEDIATE HONG KONG.



FUTURE OF HONG KONG: RATIFICATION.

1. AT THIS EVENING'S DINNER FOR THE DELEGATIONS, ZHOU NAN AND I REPEATED TO ONE ANOTHER WHAT WE HAD SAID AT THE TABLE THIS MORNING. BUT HE ALSO SAID THAT CHINA WOULD NOT REPEAT NOT BE ABLE TO INITIAL AN AGREEMENT WHICH LEFT OPEN THE DATE OF ITS COMING INTO FORCE. HE SAID HE DID NOT QUESTION OUR MOTIVES IN PROPOSING CONDITIONAL LANGUAGE, BUT HAD INEVITABLY BEEN REMINDED OF THE LINK WE HAD MADE EARLIER BETWEEN RATIFICATION AND THE PROMULGATION OF THE BASIC LAW.

2. OTHER CHINESE AT THE DINNER SAID THAT CHINA WOULD NOT SIGN AN AGREEMENT WHICH WAS OPEN-ENDED ABOUT THE DATE OF COMING INTO FORCE AND ALSO EXPRESSED STRONG SUSPICION ABOUT A LINK BETWEEN OUR NEW CONDITIONAL LANGUAGE AND A DESIRE TO WAIT FOR PROMULGATION OF THE BASIC LAW.

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SECRET
 DESKBY 061130Z
 FROM PEKING 061045Z SEPT 84
 TO IMMEDIATE FCO
 TELNO 2134 OF 6/9/84
 INFO IMMEDIATE HONGKONG

MIPT: FUTURE OF HONG KONG: RATIFICATION

1. I HAD EXPECTED ZHOU NAN TO MAKE A FORMAL STATEMENT TODAY. BECAUSE HE SPOKE AFTER CONSULTATION WITH HIS LEADERS, AND IN VERY STRONG TERMS, I HAVE REPORTED HIS STATEMENT FULLY IN MIPT.

2. I SHALL NO DOUBT HEAR MORE FROM ZHOU DURING THIS EVENING'S CHINESE DINNER PARTY FOR THE DELEGATIONS. MEANWHILE, I HAVE ONLY THREE COMMENTS:

(A) I GOT THE IMPRESSION (WHICH I THINK WAS SHARED BY THE GOVERNOR) THAT THE CHINESE OBJECT CONSIDERABLY MORE TO OUR CONDITIONAL LANGUAGE THAN TO THE DATE OF 30 JUNE 1985 (THOUGH THEY DISLIKE THIS TOO).

(B) THE CHINESE ARE UPSET AS MUCH AS ANYTHING BY THE FACT THAT WE GAVE THEM NO WARNING ABOUT THE CONDITIONAL LANGUAGE.

(C) THE CHINESE SUSPECT THAT WE ARE SEEKING TO RE-ESTABLISH THE LINK WHICH WE MADE IN THE SPRING BETWEEN ENTRY INTO FORCE AND THE PUBLICATION OF THE BASIC LAW. THE REFERENCE TO "NATIONAL LEGISLATURES" (IN THE PLURAL) IN OUR CONDITIONAL LANGUAGE MAY HAVE PROMPTED THIS SUSPICION. IT WILL IN ANY CASE MAKE THE SUSPICION HARDER TO DISPEL.

3. SEE MIFT

(REPEATED AS REQUESTED)

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DESKBY 061200Z FCO

FROM PEKING 061039Z SEP 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 2133 OF 6 SEP

INFO IMMEDIATE HONG KONG

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FUTURE OF HONG KONG: ROUND 22: SECOND DAY: RATIFICATION

1. ZHOU NAN OPENED THE SESSION BY SAYING THAT HE HAD PROPOSED YESTERDAY THAT WE SHOULD NOT EXCHANGE FORMAL STATEMENTS. BUT, IN VIEW OF WHAT I HAD SAID ON RATIFICATION, THE CHINESE SIDE DEEMED IT NECESSARY TO STATE FORMALLY THEIR POSITION ON THE TIME LIMIT FOR THE EXCHANGE OF INSTRUMENTS OF RATIFICATION. HE WISHED TO MAKE THE FOLLOWING POINTS:
2. FIRSTLY, THE CHINESE SIDE HAD ORIGINALLY PROPOSED THAT THE AGREEMENT SHOULD BE SIGNED IN SEPTEMBER AND ENTER INTO EFFECT IMMEDIATELY. THE BRITISH SIDE HAD INDICATED THAT THE PARLIAMENT WOULD NOT AUTHORISE SIGNATURE BEFORE THEY HAD HAD AN OPPORTUNITY TO CONSIDER THE AGREEMENT, AND TO DEBATE IT. IN ORDER TO ACCOMMODATE BRITISH DIFFICULTIES, AND OUT OF RESPECT FOR BRITISH LEGISLATIVE PROCEDURE, THE CHINESE HAD AGREED THAT THE AGREEMENT SHOULD BE INITIALLED IN SEPTEMBER, SIGNED BY THE END OF THE YEAR, AND PUT INTO EFFECT ON EXCHANGE OF INSTRUMENTS OF RATIFICATION 30 DAYS AFTER SIGNATURE. THIS HAD BEEN A SUBSTANTIAL CONCESSION BY THE CHINESE SIDE. THE BRITISH SIDE HAD THEN SAID THAT 30 DAYS WAS NOT ENOUGH TIME IN WHICH TO COMPLETE RATIFICATION, AND HAD PROPOSED INSTEAD 'A MATTER OF MONTHS'. THE CHINESE SIDE, IN A FURTHER CONCESSION, HAD PROPOSED AN EXTENSION TO 3 MONTHS. THEY BELIEVED THAT 3 MONTHS WAS ENOUGH. THEY COULD NOT AGREE TO THE 6 MONTH PERIOD WE HAD PROPOSED YESTERDAY.
3. SECONDLY, THE BRITISH SIDE HAD NOW PROPOSED THAT THE INTERVAL BEFORE ENTRY INTO FORCE SHOULD BE A MATTER SUBJECT TO COMPLETION OF PROCEDURES IN NATIONAL LEGISLATURES. NEITHER THE SECRETARY OF STATE NOR I HAD RAISED THIS BEFORE. THE CHINESE SIDE WERE ASTONISHED BY THIS SUDDEN, NEW, AND UNREASONABLE DEMAND PUT FORWARD IN THE FINAL STAGE OF OUR NEGOTIATIONS. OUR NEW PROPOSED CONDITION AMOUNTED TO ASKING THE CHINESE TO ACCEPT UNCERTAINTY ABOUT THE TIME AT WHICH THE AGREEMENT WOULD COME INTO EFFECT. WHAT THEN WAS THE POINT OF SIGNING THE AGREEMENT?
4. THIRDLY, MY ARGUMENTS IN SUPPORT OF THIS UNREASONABLE DEMAND WERE UNTENABLE. I HAD SAID THAT, AFTER SIGNATURE OF THE AGREEMENT, PARLIAMENT MUST PASS LEGISLATION BEFORE INSTRUMENTS OF RATIFICATION COULD BE EXCHANGED. BECAUSE IT WAS POSSIBLE THAT PARLIAMENT MIGHT NOT PASS THIS LEGISLATION, IT WAS NECESSARY TO MAKE OUR UNDERTAKING ON RATIFICATION CONDITIONAL. THE LOGIC OF THIS WAS NOT JUSTIFIABLE, AS I HAD SAID EARLIER THAT PARLIAMENT WOULD DEBATE THE TEXT OF THE AGREEMENT THIS AUTUMN BEFORE SIGNATURE.

THE KEY ELEMENT IN THE AGREEMENT WAS THE TRANSFER OF SOVEREIGNTY. WHEN PARLIAMENT GAVE THE GOVERNMENT A MANDATE BEFORE THE END OF THE YEAR TO SIGN THE AGREEMENT, THEY WOULD SIGNAL THEIR AGREEMENT TO THE MANNER IN WHICH THE GOVERNMENT WAS ABOUT TO HANDLE THE QUESTION OF SOVEREIGNTY. HOW WAS IT CONCEIVABLE THAT PARLIAMENT SHOULD AFFIRM OUR PROPOSED SESSION OF SOVEREIGNTY BEFORE THE END OF THE YEAR AND THEN VETO THE NECESSARY LEGISLATION TWO OR THREE MONTHS LATER?

5. FOURTHLY, IT SEEMED THAT WE WERE ATTEMPTING TO MAKE THE TIME OF WHICH THE AGREEMENT CAME INTO AFFECT UNCERTAIN. THIS WOULD HAVE THE FOLLOWING CONSEQUENCES:

(A) IT WOULD MAKE UNCERTAIN THE IMPLEMENTATION OF CERTAIN PROVISIONS IN THE AGREEMENT WHICH IT WAS NECESSARY TO PUT INTO EARLY EFFECT,

(B) IT WOULD CREATE A CLIMATE OF UNCERTAINTY IN HONG KONG, WHICH WOULD AFFECT THE TERRITORY'S STABILITY AND PROSPERITY,

(C) IT WOULD AFFECT THE COMMON INTERESTS OF CHINA AND BRITAIN.

6. FIFTHLY, IN THE CHINESE VIEW, BY PUTTING FORWARD SUCH AN UNREASONABLE DEMAND, WE WERE CREATING A SIDE ISSUE WHICH WOULD COMPLICATE THE TALKS AND PUT A NEW OBSTACLE IN THE WAY OF SUCCESSFUL CONCLUSION.

7. ZHOU SAID THAT FOR ALL THESE REASONS THE CHINESE COULD NOT ACCEPT OUR PROPOSALS THE CHINESE SIDE'S POSITION WAS FIRM. HE HOPED THAT WE WOULD CONSIDER IT CAREFULLY, AND ABANDON OUR PROPOSALS IN ORDER TO FACILITATE A SATISFACTORY CONCLUSION OF OUR NEGOTIATIONS ON TIME. HE WISHED TO EMPHASISE THAT HE HAD MADE THESE REMARKS AFTER CONSULTATION WITH HIS LEADERS.

8. I SAID THAT YESTERDAY I HAD BEEN INSTRUCTED TO MAKE TWO PROPOSAL BEARING ON RATIFICATION:

(A) 30 JUNE 1985 AS THE DATE BY WHICH WE COULD AGREE TO THE EXCHANGE OF INSTRUMENTS OF RATIFICATION,

(B) THE ADDITION OF THE WORDS 'SUBJECT TO THE COMPLETION OF THE NECESSARY PROCEDURES IN NATIONAL LEGISLATURES' IN THE RELEVANT PARAGRAPH IN THE JOINT DECLARATION. I THEN SPOKE ACCORDING TO PARAGRAPHS 2 TO 4 OF YOUR TELNO 1099, ADDING THAT I NOTED THAT A LARGE NUMBER OF AGREEMENTS CONCLUDED BY THE PRC STIPULATED THAT RATIFICATION SHOULD TAKE PLACE AS SOON AS POSSIBLE.

9. ZHOU NAN REPLIED THAT MY EXPLANATION WOULD NOT CONVINCING THE CHINESE SIDE. THE KEY ISSUE WAS THAT OUR CONDITION WAS A NEW DEMAND WHICH ATTEMPTED TO MAKE THE ENTRY INTO FORCE OF THE AGREEMENT UNCERTAIN. THE CHINESE COULD NOT AGREE TO THIS, ESPECIALLY

IN THE CASE OF SUCH AN IMPORTANT AGREEMENT. OUR FORMULATION WAS OPEN TO WIDE INTERPRETATION. IT REMINDED HIM OF OUR EARLIER SUGGESTION THAT DATE OF ENTRY INTO FORCE SHOULD BE LINKED TO PUBLICATION OF THE BASIC LAW, A PROPOSITION THE CHINESE SIDE HAD ALREADY CRITICISED AND REJECTED. HE SAID THAT SOME CHINESE AGREEMENTS STIPULATED ENTRY INTO FORCE AS SOON AS POSSIBLE. BUT OTHERS STIPULATED ENTRY INTO FORCE IMMEDIATELY UPON SIGNATURE. IF WE COULD ACCEPT THAT, THE CHINESE SIDE WOULD BE VERY PLEASED. THERE WAS NO PRECEDENT IN ANY CHINESE AGREEMENT FOR SUCH A LONG INTERVAL BETWEEN SIGNATURE AND ENTRY INTO FORCE.

10. ZHOU REPEATED THAT OUR PROPOSED CONDITION HAD NEVER BEEN RAISED FORMALLY OR INFORMALLY UNTIL YESTERDAY. WE HAD ONLY SAID THAT RATIFICATION WOULD TAKE MONTHS NOT DAYS. HE ALSO REPEATED THAT HIS REMARKS WERE MADE ON BEHALF OF THE CHINESE GOVERNMENT, AND THAT THE CHINESE POSITION WAS FIRM. OUR PROPOSAL WOULD PUT THE TALKS AT RISK, IN WHICH CASE WE MUST TAKE RESPONSIBILITY.

11. ZHOU ADDED THAT ACCORDING TO THE CHINESE UNDERSTANDING AN INTERNATIONAL AGREEMENT INITIALED BY HMG WOULD ENTER INTO EFFECT 21 DAYS AFTER BEING LAID BEFORE PARLIAMENT IF PARLIAMENT RAISED NO OBJECTION. HE WOULD NOT PURSUE THIS POINT BECAUSE THIS WAS A BRITISH DOMESTIC CONCERN. THE KEY POINT WAS THAT THE AGREEMENT WOULD BE BETWEEN TWO SOVERIGN GOVERNMENTS. THE CHINESE WOULD NOT AGREE TO SIGN IT IF THE DATE OF ENTRY INTO EFFECT WAS UNCERTAIN. HE HOPED WE WOULD CONSIDER THIS POINT OF VIEW. OTHERWISE IT WOULD BE DIFFICULT TO CONTINUE OUR TALKS.

12. I UNDERTOOK TO REPORT WHAT ZHOU HAD SAID. I SAID THAT I TOO HAD SPOKEN ON BEHALF OF MY GOVERNMENT. THE CHINESE WERE MISINFORMED ABOUT OUR PRACTICE ON INTERNATIONAL AGREEMENTS. 21 DAYS BETWEEN SIGNATURE AND ENTRY INTO FORCE WAS NOT NORMAL FOR AGREEMENTS WHICH ENTAILED LEGISLATION. OUR PROPOSAL HAD NOTHING TO DO WITH THE BASIC LAW: THEY RELATED ONLY TO BRITISH CONSTITUTIONAL

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PRACTICE AND BRITISH CONSTITUTIONAL RELATIONSHIPS. THEY WAS DESIGNED TO MAKE IT MORE, NOT LESS, LIKELY THAT THE BRITISH GOVERNMENT COULD RATIFY BY 30 JUNE. ZHOU SAID HE FOUND THIS LAST POINT UNCONVINCING. IN ANY CASE HE COULD NOT ACCEPT OUR POSITION. WE MUST FIND A WAY ROUND OUR DIFFICULTIES.

13. SEE MIFT.

CCN: PARA 4 LINE 9 TO READ...

THE KEY ELEMENT IN THE AGREEMENT.....ETC..

EVANS

[REPEATED AS REQUESTED]

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DD PEKING DESKBY 052330Z

GRS 420

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FM FCO 051410Z AUGUST 84

TO IMMEDIATE PEKING

TELEGRAM NUMBER 1099 OF 5 SEPTEMBER

INFO IMMEDIATE HONG KONG

YOUR TELNOS 2096, 2098, 2099, 2100 AND 2101: FUTURE OF HONG KONG:
RATIFICATION.

1. WE ARE NOT SURPRISED BY ZHOU NAN'S STRONG REACTION. NEVERTHELESS WE MUST MAINTAIN OUR PROPOSAL. THE WORRIES EXPRESSED YESTERDAY BY MINISTERS ABOUT THE REAL DIFFICULTIES OF GETTING LEGISLATION THROUGH BY 30 JUNE 1985 MEAN THAT IT WILL BE VERY DIFFICULT TO CONTEMPLATE WITHDRAWING THE PHRASE 'SUBJECT TO THE COMPLETION OF THE NECESSARY PROCEDURES IN NATIONAL LEGISLATURES'. MINISTERIAL DISCUSSION OF THIS MATTER WAS SUBSEQUENT TO OUR TELNO 1080 AND SUPERSEDES IT.
2. IN DISCUSSION OF THIS SUBJECT TOMORROW YOU SHOULD REPEAT TO ZHOU NAN THAT THE PROPOSAL WAS MADE AFTER VERY CAREFUL CONSIDERATION COLLECTIVELY BY MINISTERS. MINISTERS HAD NO WISH TO CREATE OBSTACLES OR TO HOLD UP RATIFICATION OF THE AGREEMENT. HOWEVER THE CHINESE SIDE KNOW VERY WELL THAT AS A MATTER OF CONSTITUTIONAL LAW IN THE U.K. RATIFICATION OF THE AGREEMENT (AND THUS ITS ENTRY INTO FORCE) CAN ONLY TAKE PLACE AFTER THE PASSAGE OF THE NECESSARY DOMESTIC LEGISLATION THROUGH PARLIAMENT.
3. THE DIFFICULTY ARISES FROM THE CHINESE WISH, WHICH WE DO NOT SHARE, TO NAME A SPECIFIC DATE FOR RATIFICATION. WE AGREE THAT YOU SHOULD POINT OUT TO THE CHINESE, AS PROPOSED IN YOUR TELNO 2100, THAT THIS IS MOST UNUSUAL. WE WOULD BE PERFECTLY CONTENT FOR THE AGREEMENT TO SAY THAT INSTRUMENTS OF RATIFICATION WILL BE EXCHANGED AS SOON AS POSSIBLE. HOWEVER WE ARE PREPARED TO MEET THE CHINESE WISH TO PUT A DEFINITE DATE IN. THE COROLLARY IS HOWEVER THAT WE NEED THE EXTRA WORDS PROPOSED. TO ENTER INTO A COMMITMENT IN THE AGREEMENT THAT PARLIAMENT WOULD PASS THE

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LEGISLATION BY A CERTAIN DATE WITHOUT QUALIFICATIONS WOULD BE A MISTAKE. IT WOULD GIVE THE IMPRESSION OF SEEKING TO DICTATE TO PARLIAMENT. IF THEY CHOSE TO TAKE IT WRONGLY, AS THEY WELL MIGHT, THIS COULD LEAD TO LEGISLATION BEING DELAYED, CONTRARY TO OUR WISHES AND THOSE OF THE CHINESE GOVERNMENT. TO SAY THAT DOMESTIC LEGISLATION HAS NO BEARING ON THE TEXT OF THE AGREEMENT IS POINTLESS.

4. YOU MAY REPEAT THAT YOU ARE AUTHORISED TO TELL THE CHINESE GOVERNMENT FORMALLY THAT HMG UNDERTAKES TO MAKE EVERY EFFORT TO ENSURE THAT LEGISLATION IS PASSED IN TIME TO ALLOW RATIFICATION BY 30 JUNE 1985. YOU MAY ADD THAT HMG WOULD EXPECT A PLEDGE OF THIS KIND TO BE TAKEN SERIOUSLY, AND NOT TO BE DISMISSED AS AN EXCUSE TO SEEK DELAYS OF ONE YEAR OR MORE.

5. WE ACCEPT THAT THIS WILL NEED A MENTION IN THE MESSAGE TO WU.

HOWE

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DESKBY HONGKONG 060100Z
FROM PEKING 051117Z SEPT 84
TO IMMEDIATE FCO
TELNO 2101 OF 5/9/84
INFO IMMEDIATE HONG KONG

MY IPT: FUTURE OF HONG KONG: RATIFICATION

1. THE STRENGTH OF THE CHINESE REACTION TO THE PROPOSALS I MADE ON THE TIMING OF RATIFICATION AND THE INTRODUCTION OF THE NEW CONDITION WILL HAVE DONE NOTHING TO IMPROVE THE NEGOTIATING CLIMATE. ON THE CONTRARY I WOULD EXPECT THEIR EVIDENT RESENTMENT THAT WE HAD INTRODUCED THIS NEW ELEMENT AT SUCH A LATE STAGE TO MAKE THEM EVEN LESS INCLINED TO COMPROMISE ON OTHER ISSUES OF IMPORTANCE TO US. IN MY VIEW THEREFORE WE SHALL HAVE TO DROP THE EXTRA CONDITION AND LIVE WITH THE FIXED DATE ALONE. YOU WILL IN ANY CASE HAVE NOTED BURROWS'S FIRM VIEW IN PEKING TELNO 2097.

2. NEVERTHELESS, IT WOULD REFLECT ON OUR CREDIBILITY IF, HAVING RELIED SO HEAVILY ON THE ARGUMENT THAT OUR PROPOSALS WERE MADE AFTER THE MOST CAREFUL CONSIDERATION BY MINISTERS, WE WERE TO MOVE TOO QUICKLY. MOREOVER, HAVING CONFIRMED THAT THE CHINESE ATTACH

AFTER THE MOST CAREFUL CONSIDERATION BY MINISTERS, WE WERE TO MOVE TOO QUICKLY. MOREOVER, HAVING CONFIRMED THAT THE CHINESE ATTACH GREAT IMPORTANCE TO A DEFINITE DATE FOR RATIFICATION AND THE AVOIDANCE OF ANY FURTHER CONDITIONAL CLAUSE, WE OUGHT TO CONSIDER WHAT USE WE CAN MAKE OF THIS.

3. I THINK IT NOW SELF EVIDENT THAT ANY MESSAGE FROM THE SECRETARY OF STATE TO WU XUEQIAN WOULD HAVE TO DEAL WITH THIS QUESTION. IT WOULD NOT BE CREDIBLE TO TAKE UP ONLY THE ISSUES OF INTEREST TO US AND TO IGNORE ISSUES OF INTEREST TO THE CHINESE. WE COULD THEREFORE BEGIN THE MESSAGE BY EXPRESSING A WISH TO MEET THEIR CONCERNS ON RATIFICATION AS FAR AS WE CAN BUT BALANCE THIS WITH A STRONG BID TO GET THE CHINESE TO TAKE ACCOUNT OF OUR CONCERNS ON NATIONALITY AND CONSTITUTIONAL ISSUES. WE MIGHT LEAVE ASIDE FOR A DAY OR TWO WHETHER WE SHOULD NOW INCLUDE ANY REFERENCE TO CIVIL AVIATION.

4. A REVISED DRAFT OF A MESSAGE FROM THE SECRETARY OF STATE TO WU XUEQIAN WILL FOLLOW LATER THIS EVENING.

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FROM PEKING 051059Z SEP 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 2098 OF 5 SEP
INFO IMMEDIATE HONG KONG

FUTURE OF HONG KONG: ROUND 22: FIRST DAY: JOINT DECLARATION:
ARTICLE 8 (RATIFICATION)

1. ZHOU SAID THAT THERE WAS A GAP TO BE FILLED IN THE ARTICLE ON RATIFICATION. ORIGINALLY, THE CHINESE SIDE INTENDED THAT THE AGREEMENT SHOULD ENTER INTO FORCE ON SIGNATURE. BUT, IN VIEW OF BRITISH LEGISLATIVE DIFFICULTIES, THEY HAD SUGGESTED THAT RATIFICATION SHOULD TAKE PLACE 30 DAYS AFTER SIGNATURE. THE BRITISH SIDE HAD SAID THAT THAT WAS NOT ENOUGH TIME. THE CHINESE SIDE HAD THEREFORE PROPOSED A TIME LIMIT OF 3 MONTHS. IF A MUCH LONGER PERIOD ELAPSED, AN ADVERSE IMPRESSION WOULD BE CREATED. THERE WERE CERTAIN PROVISIONS WHICH NEEDED TO BE PUT INTO EARLY EFFECT. WITHOUT RATIFICATION, THEY COULD NOT BE IMPLEMENTED. AS AN EXAMPLE, FAILURE TO IMPLEMENT WHAT HAD BEEN AGREED ON LAND, COULD AFFECT STABILITY AND PROSPERITY. HE THEREFORE WISHED TO REPEAT HIS PROPOSAL THAT A PERIOD OF 3 MONTHS SHOULD BE STIPULATED FOR RATIFICATION.

2. I SAID I HAD INSTRUCTIONS. WE WISHED TO PROPOSE 30 JUNE 1985, AS THE DATE BY WHICH WE COULD AGREE TO THE EXCHANGE OF INSTRUMENTS ON RATIFICATION. WE ALSO WISHED TO PROPOSE THE ADDITION OF THE WORDS 'SUBJECT TO COMPLETION OF NECESSARY PROCEDURES IN NATIONAL LEGISLATURES'. I WOULD ASK MY LIAISON OFFICER TO HAND OVER THIS AFTERNOON A TEXT FOR THE PARAGRAPH INCORPORATING THIS LANGUAGE. I SPOKE OTHERWISE AS INSTRUCTED IN PARAGRAPHS 2 AND 3 OF YOUR TELNO 1088.

3. ZHOU SAID THAT WHAT I HAD PROPOSED WAS MOST UNSATISFACTORY. THREE MONTHS WAS ENOUGH. 6 MONTHS WAS TOO LONG. ON TOP OF THIS, WE HAD PROPOSED CONDITIONAL LANGUAGE WHICH WOULD MAKE WHATEVER DATE WAS STIPULATED UNCERTAIN. THE CHINESE DELEGATION COULD NOT ACCEPT OUR PROPOSALS.

DATE WAS STIPULATED UNCERTAIN. THE CHINESE DELEGATION COULD NOT ACCEPT OUR PROPOSALS.

4. I SAID I REGRETTED HIS APPARENT REJECTION OF OUR PROPOSALS. THEY HAD BEEN MADE AFTER VERY SERIOUS CONSIDERATION. MINISTERS IN LONDON MUST BE THE BEST JUDGES OF THE TIMETABLE. THEY MUST ALSO TAKE ACCOUNT OF THE SOVEREIGNTY OF PARLIAMENT. NEITHER THEY NOR ANYONE ELSE COULD BIND PARLIAMENT. ZHOU RETORTED THAT CONDITIONAL LANGUAGE WAS THE SAME AS LEAVING THE GAP UNFILLED. THE PERIOD MUST BE SPECIFIED. THE CHINESE WOULD AGREE TO DO THIS, WHY COULD NOT THE BRITISH? THE SECRETARY OF STATE HAD SAID RATIFICATION WOULD TAKE MONTHS RATHER THAN DAYS. BUT HE HAD MADE NO MENTION OF THE NEW CONDITION WE HAD INTRODUCED. INDEED THIS WAS THE FIRST THE CHINESE HAD HEARD OF IT. DOMESTIC LEGISLATION WAS OUR OWN AFFAIR. IT HAD NO DIRECT BEARING ON THE TEXT OF THIS AGREEMENT, WHICH WAS BETWEEN TWO SOVEREIGN GOVERNMENTS.

5. I REPEATED THAT WE HAD MADE A FORMAL PROPOSAL AFTER THOROUGH CONSIDERATION BY MINISTERS. THERE WAS NOTHING IN IT WHICH WAS INCONSISTENT WITH WHAT THE SECRETARY OF STATE HAD SAID. IT WAS A SOLEMN DOCUMENT. BRITISH MINISTERS COULD NOT UNDERTAKE COMMITMENTS WHICH THEY MIGHT NOT BE ABLE TO FULFIL.

6. ZHOU SAID THAT HE ASKED ME IN THE NAME OF THE CHINESE GOVERNMENT TO CONSIDER THE STRONG VIEWS HE HAD EXPRESSED. I ASKED HIM TO CONSIDER WHAT I HAD SAID AND TO REPORT OUR PROPOSALS TO HIS LEADERS. ZHOU SAID CHINESE LEADERS WOULD FIND THEM DIFFICULT TO UNDERSTAND. WITH CONDITIONAL LANGUAGE WE COULD ALWAYS SAY THAT WE NEEDED MORE TIME TO TAKE ACCOUNT OF DIFFERENT VIEWS IN PARLIAMENT. ONE, TWO OR THREE YEARS MIGHT BE NEEDED. I SAID THAT SPECULATION OF THAT KIND WAS ENTIRELY MISCONCEIVED. ZHOU REPLIED THAT WE WERE PROPOSING NO MORE THAN AN EXPRESSION OF INTENTION. I REPEATED THAT MINISTERS IN LONDON MUST BE THE BEST JUDGES.

7. SEE MY TWO IFTS.

EVANS

DO NOT SIGNIFY DETAIL



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cc: PC
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10 DOWNING STREET

From the Private Secretary

4 September, 1984

FUTURE OF HONG KONG: EXCO VISIT TO LONDON

Thank you for your letter of 3 September about EXCO's visit to London.

The Prime Minister agrees with the Governor that it would be much better if she were to see EXCO before discussion of the Agreement by Cabinet on 20 September. I understand that it would in fact be possible for Sir Geoffrey Howe to return from Germany in time for a meeting on the evening of 19 September. I have, therefore, arranged for the meeting to be held at 1800 hrs on Wednesday, 19 September. There is no objection to the fact of the visit and the call at No.10 being made public.

(C.D. Powell)

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



file

cc: FCO

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10 DOWNING STREET

From the Private Secretary

4 September, 1984

Thank you for your letter to the Prime Minister. . I have been asked to reply.

The Prime Minister is most grateful to receive the views of the Chamber of Commerce on this important subject. She is very much aware of the significance that Hong Kong people attach to the right to travel freely throughout the world. The question of nationality is still the subject of negotiation in the talks in Peking. As I am sure you will understand, the content of these talks has to be confidential for the moment. However I can assure you that our negotiators have been taking and will continue to take full account of views expressed in Hong Kong on this important subject. You will have noticed that Sir Geoffrey Howe also said on 1 August that we believed Hong Kong could look forward with confidence to an agreement which will enable Hong Kong residents to continue to enjoy the right to travel and move freely in and out of Hong Kong.

(C.D. Powell)

Mr. Jack C. Tang.

NR

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FUTURE OF HONG KONG - ADVANCE COPIES 13

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DESKBY FCO 031300Z

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FM HONG KONG 031130Z SEP 84

TO IMMEDIATE F C O

TELEGRAM NUMBER 2624 OF 3 SEPTEMBER

INFO IMMEDIATE PEKING

FUTURE OF HONG KONG : MAIN NEGOTIATIONS : THE END GAME.

1. I THINK THE TIME HAS COME FOR US TO TAKE STOCK AND CONSIDER WHAT WE CAN NOW REASONABLY EXPECT TO ACHIEVE IN THE FINAL AGREEMENT ; AND HOW WE CAN BEST ACHIEVE IT.
2. WHAT WE HAVE BEEN ABLE TO OBTAIN IN THE NEGOTIATIONS IN THE TWO GROUPS IN PEKING SINCE THEY RESUMED IN THE MIDDLE OF AUGUST HAS BEEN DISAPPOINTING. THIS IS NOT THE FAULT OF OUR NEGOTIATORS WHO HAVE BATTLED MANFULLY. THE CAUSE HAS BEEN THE INTRANSIGENCE OF THE CHINESE. NEVERTHELESS WHEN THE RESULTS ARE REVEALED, THE REACTION IN HONG KONG TO THE AGREEMENT AS A WHOLE IS LIKELY TO BE MORE GUARDED AND LESS ENTHUSIASTIC THAN IT WAS TO THE SECRETARY OF STATE'S ANNOUNCEMENT AT THE BEGINNING OF AUGUST.
3. AS REGARDS THE MAIN SUBJECTS NOW UNDER DISCUSSION IT LOOKS AS IF WE MAY BE ABLE TO ACHIEVE A REASONABLE SETTLEMENT ON THE LAND ISSUE, PROVIDING THE CHINESE CONFIRM THEIR RECOGNITION OF EXISTING RIGHTS, THE ARRANGEMENTS FOR THE RENEWAL OF NEW TERRITORIES AND OTHER LEASES, ETC. THE PRICE WE SHALL HAVE TO PAY IN THE ESTABLISHMENT OF THE LAND COMMISSION AND DIVISION OF PREMIA SHOULD BE TOLERABLE.
4. CIVIL AVIATION IS STILL SOMETHING OF AN UNKNOWN QUANTITY. MUCH DEPENDS ON WHETHER THE OTHER CHINESE DEPARTMENTS ARE PREPARED TO REDUCE THE AMITIONS OF CAAC. THE KEY IS WHETHER

4. CIVIL AVIATION IS STILL SOMETHING OF AN UNKNOWN QUANTITY. MUCH DEPENDS ON WHETHER THE OTHER CHINESE DEPARTMENTS ARE PREPARED TO REDUCE THE AMBITIONS OF CAAC. THE KEY IS WHETHER THE CHINESE WILL CONCEDE ENOUGH TO PERSUADE THE CPA THAT THEY HAVE A FUTURE HERE. BUT THE PROBLEM IS NOT ONLY THE FUTURE OF THE AIRLINE; IT IS THE SYMBOLIC SIGNIFICANCE WHICH THE DECISIONS IN THIS AREA WILL HAVE. IF SWIRE'S DECIDE THEY HAVE TO LOOK FOR A FUTURE ELSEWHERE THAT WOULD BE A HEAVY BLOW TO BUSINESS CONFIDENCE.

5. SO MUCH FOR THE ECONOMIC ISSUES. FOR LARGE NUMBERS IN THE COMMUNITY THE OUTCOME ON NATIONALITY WILL LOOM LARGE. ALTHOUGH IT MAY BE OF LITTLE PRACTICAL INTEREST TO THE MAJORITY OF THE POPULATION, WHAT EMERGES WILL HAVE A POWERFUL INFLUENCE ON THE PROFESSIONAL MIDDLE CLASS WHO ARE BOTH ARTICULATE AND A KEY ELEMENT IN HONG KONG'S ECONOMY. THE LOSS OF TRANSMISSIBILITY - I.E. THE FACT THAT ANY CHILDREN BORN AFTER 1997 WILL BE ONLY CHINESE NATIONALS IF THEY ARE BORN IN HONG KONG, WILL ENCOURAGE A NUMBER OF THEM TO LEAVE ANY WAY IN ORDER TO SEEK SOME OTHER FORM OF NATIONALITY FOR THEIR OFF-SPRING. THOSE WHO DO STAY WILL BE VITALLY CONCERNED ABOUT THEIR ABILITY TO TRAVEL FREELY ON BRITISH PASSPORTS. THEY WILL NOT ACCEPT ANY FUDGING OF THAT RIGHT; AND WHAT HAPPENS ON THIS ISSUE WILL BE TAKEN AS A MEASURE BOTH OF HMG'S COMMITMENT AND OF THE WEIGHT WHICH HMG HAVE PUT BEHIND THEIR NEGOTIATING EFFORT. IF THEREFORE TRANSMISSIBILITY IS TO BE CONCEDED, AT THE COST I HAVE SET OUT, IT MUST ONLY BE IN RETURN FOR SPECIFIC ACCEPTANCE BY THE CHINESE OF THE RIGHT OF THESE PEOPLE TO TRAVEL ON BRITISH PASSPORTS AND TO CONTINUE TO OBTAIN THEM AFTER 1997. REFERENCE TO "TRAVEL DOCUMENTS" WILL NOT DO.

6. ON CONSTITUTIONAL MATTERS IT IS ALREADY OUR AGREED OBJECTIVE TO ALLOW NOTHING TO APPEAR IN THE CONSTITUTIONAL ANNEX WHICH RULES OUT AN ELECTED CHIEF EXECUTIVE BOTH BEFORE AND AFTER 1997, AND TO SPECIFY THAT THERE WILL BE AN ELECTED LEGISLATURE. WE OUGHT ALSO TO AIM TO HAVE IT RECORDED THAT THE EXECUTIVE WILL BE ACCOUNTABLE TO THE LEGISLATURE. BEYOND THESE MAJOR POINTS THERE WILL BE NOTHING VERY SPECIFIC IN THE AGREEMENT ABOUT HOW THE GOVERNMENT AFTER 1997 WILL BE CONSTITUTED, SAVE THAT IT WILL BE UNDER THE DIRECT AUTHORITY OF THE CPG. IT CAN BE REASONABLY EXPLAINED THAT, AS THE GREEN PAPER SHOWS, WE ON OUR SIDE ACCEPT THAT THE CONSTITUTIONAL STRUCTURE HERE MUST CHANGE WITH THE TIMES. EVEN SO THE LACK OF CERTAINTY AND PRECISION AS TO THE CHANGES TO COME WILL WORRY PEOPLE. THIS ELEMENT OF UNCERTAINTY AND ANXIETY WILL THEN REMAIN UNTIL THE PUBLICATION OF THE BASIC LAW OVER WHICH THEY SEE THE U.K. AS HAVING LITTLE INFLUENCE.

7. TO THIS MUST BE ADDED THE FAILURE OF THE PUBLIC SERVICE ANNEX TO SPECIFY THE CONTINUATION OF SOME ASPECTS OF THE CIVIL SERVICE SYSTEM TO WHICH THE SERVICE WILL ATTACH IMPORTANCE. THE CONCERN OF THE PUBLIC SERVICE ON THIS WILL CARRY MORE WIDELY INTO THE COMMUNITY.

8. WE SHALL ALSO NEED A SATISFACTORY TEXT ON DEFENCE. SECURITY

8. WE SHALL ALSO NEED A SATISFACTORY TEXT ON DEFENCE, SECURITY AND PUBLIC ORDER.

9. THE END-GAME HAS THEREFORE BECOME VITALLY IMPORTANT. BEFORE THE WORKING GROUP AND THE AD HOC GROUP GET MUCH FURTHER INTO THEIR DISCUSSIONS WE OUGHT TO DECIDE WHICH ISSUES REMAIN OF KEY IMPORTANCE TO US; AND IN MY VIEW THESE SHOULD BE THE SUBJECT OF A MESSAGE FROM THE SECRETARY OF STATE TO THE CHINESE FOREIGN MINISTER TO BE DELIVERED IN THE SECOND HALF OF THIS WEEK. SUBJECT TO THE AMBASSADOR'S VIEWS I WOULD SEE IT AS ESSENTIAL THAT IT SHOULD BE DELIVERED DIRECT TO WU XUEQIAN. IT SHOULD NOT BE FILTERED THROUGH THE UNHELPFUL ZHOU NAN.

10. THE MESSAGE COULD COVER THE ISSUES WHICH I HAVE REFERRED TO ABOVE. UNLESS THE CHINESE HAD ALREADY ACCEPTED SATISFACTORY REFERENCES TO THE USE OF BRITISH PASSPORTS IN THE ANNEX AND OUR MEMORANDUM, WE WOULD NOT CONCEDE TRANSMISSIBILITY IN THE AD HOC GROUP. ANY BARGAIN WOULD BE OFFERED ONLY IN THE SECRETARY OF STATE'S MESSAGE. THE SAME APPLIES TO OUR KEY REQUIREMENTS ON CONSTITUTIONAL ISSUES. THE MESSAGE MIGHT ALSO URGE ON WU THAT THE WAY IN WHICH THE CHINESE TREAT CPA WILL BE TAKEN AS A TEST OF THE REAL INTENTIONS OF THE CHINESE TOWARDS FOREIGN INVESTMENT IN HONG KONG.

11. TO GIVE WEIGHT TO THE PROPOSALS COVERED IN THE MESSAGE THE SECRETARY OF STATE MIGHT WISH TO OFFER TO VISIT PEKING AGAIN PERSONALLY IF WU SAW DIFFICULTY WITH WHAT HE PROPOSED.

12. DEPENDING ON PROGRESS IN THE FIRST HALF OF THE WEEK THERE MAY BE ADDITIONAL ISSUES TO BE COVERED, E.G. CONFIRMATION OF THE RIGHT OF THE SAR TO RECRUIT JUDGES FROM OTHER COMMON LAW JURISDICTIONS.

13. I RECOMMEND THIS COURSE BECAUSE IN MY JUDGMENT IF WE DO NOT SUCCEED IN OBTAINING MOST OF WHAT WE WANT, PARTICULARLY ON NATIONALITY AND CONSTITUTIONAL MATTERS IT WILL SUBSTANTIALLY REDUCE THE DEGREE OF ACCEPTABILITY OF THE AGREEMENT IN HONG KONG.

14. IF YOU AGREE WITH THIS APPROACH NO DOUBT AN APPROPRIATE TEXT COULD BE DISCUSSED WHEN I ARRIVE IN PEKING TOMORROW. I ALSO PROPOSE TO GO OVER THE OUTSTANDING ISSUES WITH EXCO TOMORROW.

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Prime Minister

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MR POWELL

3 September 1984

HONG KONG: OD(K) 4 SEPTEMBER

Question of Legislation

1. In reviewing the state of the negotiations, the Foreign Secretary will wish to point out the need for legislation very soon after signature of the agreement so as to permit early ratification. We shall need to insert in the agreement itself a date by which ratification is to be completed. The end of June 1985 is the latest date we think it possible to negotiate with the Chinese and even that will be difficult. This will mean special arrangements to expedite UK legislation, which is likely to involve an Enabling Act permitting transfer of sovereignty at a later date by means of an Order in Council without further reference to Parliament. But if we are to get this Enabling Act through before 1 July 1985 we shall need to keep it simple and distinct from other consequential legislation, ie on nationality. To try to deal with all in one go, as the Home Secretary may prefer, would make it impossible to meet this timetable. Nationality will require separate treatment in slower time.

Undertakings

2. As a result of further discussion between the Foreign Secretary and the Home Secretary, we have something approaching an agreed Foreign Office/Home Office paper. It involves assurances to some 6,400 people in Hong Kong with

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allowance for a very small number, perhaps 25 a year to cover individuals outside this group who might become vulnerable. In all, plus dependants, it would mean about 25,000 people between now and 2029, although a significant number will be likely to go elsewhere, eg the United States or Australia.

3. Paragraph 4 of the Foreign Secretary's minute draws attention to vestigial differences between him and the Home Secretary. On the first (ceilings on the number of undertakings to be given), I think we have solved the problem by simply noting that if, as seems likely, we are unable to negotiate an Internal Security Force with the Chinese, some 3,000 more policemen might have to be recruited. How many of these would fall into the category covered by undertakings would need further examination at the time. On the second, (ceiling on the number of annual admissions), we have left it that it may become necessary to consider a ceiling if the flow of Chinese into the UK proves unacceptable to the Home Secretary. This is just acceptable but will need careful watching, since a quota could force Chinese to remain in Hong Kong after they had become vulnerable and any reports of a possible ceiling could easily generate a state of alarm. On the third problem, (dependants), this is acceptable provided we are agreed that in compassionate cases exceptional treatment may be granted. What we are dealing with is not the normal Home Office problem of reuniting divided families.

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4. At an earlier discussion in OD(K) the Prime Minister spoke of the need to be generous on undertakings. Subject to the provisos in paragraph 3 above I think we should be satisfied with the proposals and our consciences should be at ease.


PERCY CRADOCK

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PM/84/142

PRIME MINISTER

Future of Hong Kong: Undertakings by HMG to Hong Kong People

1. At OD(K) on 17 July, we had before us a paper setting out proposals that HMG should give undertakings on entry to the UK to specific categories of people in Hong Kong. The Home Secretary and I were instructed to continue our discussions with a view to reaching a joint view, which we could recommend to the Sub-Committee.

2. I attach a paper and two annexes which have been drafted with the assistance of the Home Office and the Ministry of Defence (in view of MOD responsibilities for personnel in Hong Kong). They also incorporate the views of the Governor of Hong Kong who has consulted the Executive Council. I have discussed them in detail with the Home Secretary. We are proposing:

(a)

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(b) that undertakings should be given to 4,300 Unofficial members of the Executive and Legislative Councils, judges and magistrates, administrative officers, senior policemen, MOD employees and other civil servants (Group Two) that they and their families would be allowed entry to the UK when they reached normal pensionable age, or earlier if they became vulnerable;

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(c) that it should be accepted in principle that some other individuals outside these two groups will exceptionally need to be allowed entry to the UK with their families if they become vulnerable.

3. The maximum number of undertakings that would be given with regard to Group One and Group Two above would be 6,400. It is not known how many dependants these people will have. On the basis of the average family size in Hong Kong, these undertakings would represent an estimated immigration commitment of approximately 25,000 between now and 2029. In addition there will be a limited commitment under (c). In practice, it is likely that by no means all of these will take up the offer and come to the UK. In recent years Hong Kong emigrants have largely chosen the United States, Canada and Australia as their new homes.

4. There are three important points on which the Government's responsibilities for making satisfactory arrangements for the future of Hong Kong conflict with our policy of maintaining a tight control on immigration. These are:

- (a) ceilings on the number of undertakings to be given;
- (b) a ceiling on the number of annual admissions to the United Kingdom;
- (c) a definition of dependants.

If the Hong Kong Government are to complete the administrative arrangements for giving the undertakings before the expected date for initialling the Agreement, we must reach agreement on these points at OD(K) on 4 September. The paragraphs below set out the points which the Home Secretary and I would like colleagues to consider.



5. Ceiling on number of undertakings: the Home Secretary wishes to set a ceiling on the total number of undertakings. I can accept a ceiling on the number of undertakings to be given to people in Groups One and Two, subject to a caveat that, should there be a need to increase the rate of recruitment into these groups beyond the level now allowed for, HMG would consider giving undertakings to the additional personnel concerned. The only area in which I can at present see a possible need is the recruitment of additional police for internal security purposes, if we are unable to persuade the Chinese to agree to the formation of a local internal security force. A rough estimate for planning purposes of the numbers that might be required for this contingency would be 3,000. How many of these would fall within Group Two would depend on the role which the force was called upon to perform. I propose that if the requirement proves necessary between now and 1997, a fresh submission should be put to Ministers to decide whether additional undertakings should be given over and above the ceiling of 6,400 proposed.

6. Ceiling on the number of annual admissions: the Home Secretary and I have agreed that there is no immediate need to place a ceiling on the total number of admissions to the United Kingdom each year for Groups One and Two. However, it may become necessary to consider imposing a ceiling at a future date, if the flow of Chinese into the UK becomes unacceptable to the Home Secretary. This would need careful handling. We would need to ensure that those who were highly vulnerable at the time were not as a result of an imposed ceiling forced to remain at risk in Hong Kong.



7. Dependants: The Home Secretary thinks that, quite apart from the increase in the number of people admitted from Hong Kong as a result of our proposals, there would be undesirable repercussions for policy regarding other groups of immigrants if we were to make any more general provision for the entry of dependants in the case of Hong Kong than those covered by the criteria set out in the Immigration Rules. The Rules allow for the general admission of spouses and unmarried dependant children under 18. They also allow for the admission of widowed mothers of any age, widowed fathers aged 65 or over and parents of whom at least one is aged 65 or over, if they are wholly or mainly dependent on children coming to or settled in this country and have no other close relatives to turn to. There is provision for exceptional treatment of compassionate cases outside these criteria. The assurances to be given to those in Groups One and Two (paragraph 4 of Annex 4) bring these points out clearly.

8. I believe that the circumstances in which people would enter the UK under the proposals in this paper are not comparable with cases of normal immigration. They arise directly from our giving up sovereignty over a colony to a Communist State. Apart from the anguish of leaving aged parents or other relations behind, the possibility of retribution against those remaining in Hong Kong will weigh heavily on the minds of those to whom undertakings are given. We must avoid placing them in the impossible position of having to choose between their own safety and their family responsibilities. This could and should in my view be avoided by a readiness to give a flexible interpretation to "compassionate" in the case of Hong Kong to cover, for example, parents falling outside the criteria in the Immigration Rules where they could be in real danger of retribution if they were to remain in Hong Kong. Individual cases would have to be looked at on this basis by Home Office Ministers.



9. Parliamentary and public interest will require statements on undertakings to be made in Parliament and in Hong Kong.

I propose that a Ministerial statement should be made in December during the debate on the future of Hong Kong.

The Governor will need to make a statement in Hong Kong in September and it may be necessary to reply to Parliamentary Questions before the test of acceptability is complete. This requirement is considered further in paragraphs 7 and 8 of Annex 2.

10. One last point. In the course of our negotiations, I have had to ask the Executive Council in Hong Kong to accept some unpalatable decisions, for example the establishment of the Joint Liaison Group, because of the need to meet Chinese demands. There are no such constraints as far as Undertakings are concerned: they are in HMG's gift. It will be difficult to carry the Executive Council with us over other crucial and unpalatable decisions which will have to be faced in the final weeks of negotiations if we give the impression of being niggardly over undertakings.

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

(GEOFFREY HOWE)

Foreign and Commonwealth Office

3 September 1984

FUTURE OF HONG KONG : UNDERTAKINGS BY HMG TO HONG KONG PEOPLE
THE ARGUMENTS FOR GIVING UNDERTAKINGS

1. HMG will remain responsible for Hong Kong until 1997. There will in any circumstances be great difficulties in ensuring stable administration during the run up to that date. Our ability to do this will depend on our being able to retain the loyalty of the public service (including the police) and of members of the public who are willing to serve a "British" administration before 1997 and to take the risk of continuing in the service of the SAR thereafter. There is a genuine concern that the Chinese will be noting who is loyal to the Hong Kong Government and that such people will be vulnerable to pressure before 1997 and to retribution afterwards. Such pressure is already being applied. The Chinese Government has instructed the Communist Party in Hong Kong to try and penetrate the Hong Kong Government, particularly the police and administrative officers, and their united front activities are being stepped up accordingly. Assurances that people with the most to fear from China's resumption of sovereignty would if necessary be looked after could remove an important cause of potential unrest, especially within the public service. People are more likely to stay in Hong Kong if they know that in the last resort they would be able to leave. If they are not given assurances they will leave Hong Kong well before 1997.
2. The Prime Minister alluded to Britain's "moral responsibility" when she visited Hong Kong in September 1982. This moral argument takes as its basis HMG's position as its colonial power and as employer for the past 140 years: it is therefore considered to be particularly relevant to Crown servants and Unofficial members of EXCO and LEGCO. Many people in Hong Kong, not only the Unofficial members of EXCO, believe strongly that HMG has an obligation in this area and see it as a yardstick by which to measure HMG's commitment to Hong Kong. Assurances to those who may be at risk after 1997 would go some way to fulfilling this obligation.

ARGUMENTS AGAINST GIVING UNDERTAKINGS

3. The giving of undertakings at this time could be interpreted in Hong Kong and elsewhere as indicating lack of confidence in the settlement. It may be said that if the settlement is intended to secure the future of all those in Hong Kong, the giving of assurances to anyone there should be unnecessary. Moreover, any undertaking, particularly one which was tightly drawn, could have a divisive effect in Hong Kong which would damage rather than raise morale. Those who fell outside the category to which an undertaking applied would be likely to resent their exclusion and to press for the extension of undertakings to themselves.

4. More generally, any large-scale immigration from Hong Kong would run counter to HMG's policies in this field, and would be politically unpopular. The precedents of the inflow of East African Asians in the 1960's and of the later exodus from Uganda in 1972, are not happy ones in domestic political terms. Although arrivals of people given undertakings could be phased, nevertheless the total number of people covered by any undertakings, when it became known, would have a sharp political impact.

PROPOSALS

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6. A second group consists of those who would be vulnerable to retribution as a consequence of their service to the British administration in Hong Kong, but whose services it will be essential to retain both in the run up to 1997 and after the change to a SAR, if effective government, continuity and confidence are to be preserved. These are people who would be able to leave Hong Kong and settle abroad. They will be tempted to do so if they are not given an undertaking that they will be allowed entry into the UK if things went wrong. This group would include Unofficial members of the Executive and Legislative Councils, judges and magistrates, administrative officers, police gazetted officers and inspectors, officers of the Hong Kong Military Service Corps and some civilian employees of the Hong Kong Garrison, and certain other individuals who deal directly with the communists. These people are vulnerable because of the "political" nature of their work, which causes them to be the most visible representatives of the "British" administration. There is already evidence of the Chinese trying to cultivate them, creating precisely the sort of unease that our proposals are designed to help to alleviate.

7. For this second group the aim would be to ensure continuity by providing reassurances that such people will be looked after provided they serve their normal term until retirement. It is proposed that public servants in this group and their immediate families should be granted entry into the UK when they reach normal pensionable age (at present 50 for police and 55 for other civil servants) unless their position becomes vulnerable before then, in which case provision would have to be made for them at an earlier date. Unofficial members of EXCO and LEGCO would become eligible after they had left the Councils or before that if they became vulnerable.

8. There will also inevitably be other individuals who do not fall into these two groups, but who may become vulnerable during the coming years because of their service to the Hong Kong Government and the community. This will depend on the attitude of the Chinese Government to such people between now and 1997, the circumstances at the time of transition and beyond and the extent to which HMG and the Hong Kong Government have to take action unpopular with the

communists. Examples of people who might be affected are members of certain public bodies, particularly those dealing with immigration, deportation, or labour matters; members of the public service, such as certain units of the police force who may have to take firm action in case of social disorder or action unpopular with communist sympathisers in order to maintain law and order; members of the Armed Forces and supporting staff, and of the Royal Hong Kong Auxiliary Police, in similar circumstances; members of the public, such as journalists, those standing for election and other public figures who may be singled out as targets for resisting communist influence; and retired civil servants and members of the community who were actively engaged against the communists in 1967. It is not proposed that assurances should be given to these people, but it would be open to the Governor to recommend to the Home Secretary that individuals should exceptionally be admitted because they were personally at risk. It is not possible to estimate how many people may need assistance in this way. But the kind of figure under this head that the Foreign Secretary and Home Secretary have in mind at this stage is of the order of 25 plus dependants.

9. There will be very strong pressure from civil servants as a whole and even from BDTCs outside the civil service for more wide-ranging undertakings to be given than are proposed above. This pressure will be even more intense if no agreement is reached or if the agreement does not command widespread support in Hong Kong. We will have to take careful account of the need to maintain morale in the public service over the period up to 1997. But the best we can do for the rest of the public service, apart from the groups described above, is to rely on assurances in the agreement in respect of pensions, continuity of service and the barrier against political intervention against individuals which will be provided by the establishment of an executive Public Service Commission in Hong Kong.

SUMMARY

10. The proposals outlined above would mean that individual assurances would be given to not more than 6,400 people from Hong Kong that they and their dependants would be allowed entry to the UK over a period from now until well into the next century. Details of the numbers involved in each category, when they might be expected to come to the UK and the form of assurance that they would be given, are set out in the attached annexes.

11. It should be noted that not everyone to whom an assurance was given would actually wish to settle in the UK, if given a choice in the matter. Hong Kong people contemplating emigration tend to look towards Canada, Australia and the US rather than Britain. Many people, particularly among the professional classes, have already made contingency plans that permit them legally to take up residence in one or other of the preferred destinations.

12. These proposals, if accepted, would go further than any assurances so far given to people in Hong Kong. Whether they would be sufficient to maintain confidence and to prevent an exodus is difficult to predict and will depend to a large extent on the acceptability of the agreement reached with the Chinese. But the Governor believes that it is unlikely that HMG would be able in practice to hold a tighter line for long. Political pressure in the UK for more sympathetic discharge of our moral obligation and disaffection among the Hong Kong public service would be strong. It would be better to show some limited flexibility, within the existing law, in order to stave off even wider demands.

13. If we were unable to reach agreement with the Chinese, or if the agreement did not hold up for any reason either before or after 1997, there would be a major crisis. In such circumstances, there would be an obligation on HMG to take at once all those to whom it had made a commitment. But the political pressures on HMG to help these people would in any case be intense whether or not they had earlier been given any assurances. Moreover, the undertakings that



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are proposed above are designed to minimise the risk of a break down in Hong Kong, by helping to maintain confidence in the territory and thus making it more useful to the Chinese as an autonomous unit.

Hong Kong Department

August 1984

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UNDERTAKINGS BY HMG TO HONG KONG PEOPLE
ANNEX ONE: GROUPS AND NUMBERS INVOLVED

A: GROUP ONE

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B: GROUP TWO

4. This covers those who would be vulnerable to retribution as a consequence of their service to the British Administration in Hong Kong, but whose services it will be essential to retain both in the run up to 1997 and after the change to a SAR if effective government, continuity and confidence are to be preserved. It comprises:-

(a) Past and present Unofficial members of the Executive and Legislative Councils who do not already have the right of abode outside Hong Kong (estimated 38).

(b) Serving Members of the Administrative Service of the Hong Kong Government (214).

(c) Serving Gazetted officers and inspectors in the Royal Hong Kong Police Force (1,451).

(d) Serving Judges and Magistrates (13).

(e) Certain other serving individual staff of the Hong Kong government who deal directly with the Communists (220).

(f) Local civilian and military staff currently employed by the Ministry of Defence (48).

(g) Staff who will be recruited into the above categories between now and 1997 (2,300 - 350 for (b), 1820 for (c), 14 for (f) and 116 for the other categories).

The total is therefore a maximum of 4,300.

5. On the basis of the same estimated average family size of 3.9 as used in category one, the total including dependants would be approximately 16,700.

6. Those in this category to whom assurances are given would enter the United Kingdom over the period between now and 2029. But if things were to go wrong in Hong Kong before 1997 or if individuals in this category became vulnerable before retirement age, it would be necessary to allow them into the UK then.

PHASING AND CEILINGS

7. The total number of people in groups one and two to whom assurances would be given would not exceed 6,400. The estimated commitment, assuming an average family size of 3.9, would therefore be approximately 25,000. If things went well, their arrival would be spread over 13 years in the case of the first category, and over 45 years in the case of the second. Those people who are already over retirement age (approximately 600) could be expected to arrive in the next few years, with their families. Of those now serving who are under that age (and those to be recruited in future) no more than 200 would reach retirement age in any one year. Allowing for dependants, the maximum number of people to whom assurances would be given in any year in both categories would therefore not normally exceed 1,000. However, there will be some 700 people in group one who will not have reached retirement age in 1997. These and their dependants would probably be admitted over a short period before that date.

8. It should be noted, however, that there is no guarantee that everyone will take up the assurance immediately they are entitled to. Many people may prefer to stay in Hong Kong for as long as possible. To insist on them leaving Hong Kong before it becomes necessary for them to do so could alarm them and create unnecessary anxiety in the community. Moreover, the more people that choose to stay in Hong Kong, the smaller the immigration commitment that will fall on HMG.

9. It is not envisaged that any reception arrangements would be needed for those who entered the UK under these proposals. Virtually all of them would speak English and would have regular incomes, either from private sources or Government pensions. They would therefore be unlikely to be any special burden on public funds.

UNDERTAKINGS BY HMG TO HONG KONG PEOPLE

ANNEX TWO: FORM OF ASSURANCES AND PROCEDURES FOR GIVING THEM

1. An assurance would need to satisfy the person concerned that he would definitely be able to come to the United Kingdom and remain here. It is not necessary or desirable to give individuals any precise indication of the means by which such an assurance would be given effect. It is not possible, for example, to offer groups of people or individuals a guarantee in advance that they would be given British citizenship or would enter this country as citizens. Under the British Nationality Act 1981 citizenship may be acquired only on application and subject to the exercise of the Secretary of State's discretion, which must be based on consideration of the applicant's circumstances. These provisions are not compatible with the giving of assurances in advance (and without individual consideration) that any particular person or groups will be given British citizenship.

2. This does not rule out the possibility that people at risk may wish to apply under section 4(5) of the Act on their own initiative and at a time of their own choosing, but it does mean that they will do so without a guarantee of success. Moreover, Ministers have made it plain that applications under this section will be scrutinised very carefully and that the provision will be used sparingly. The enquiries which would necessarily precede any decision will take too long for this route to be effective at short notice, particularly if for any reason it became desirable to consider large numbers of applications simultaneously.

3. Accordingly no reliance may be placed on nationality provisions either as a basis for prior assurances or as a means to effect entry to this country at short notice or in relatively large numbers. Immigration procedures, however, are not subject to the same difficulties, given the scope for exceptional action, if necessary outside the Rules. Once through immigration control into this country, given settlement, and residentially qualified, people from Hong Kong could then apply for British citizenship under section 6(1) of the Act - the usual naturalisation route.

4. In the light of this, it is proposed that the form of words for any assurance given to those involved in group one (intelligence operations) would be:

"You may be assured that at an appropriate time you, your spouse at that time, and unmarried and dependent children then aged under 18, will be allowed to enter and remain in the United Kingdom, provided that each is personally acceptable.

The decision on when will be an appropriate time will be taken by the Home Secretary after taking advice from the Governor of Hong Kong, but it will be before 1997. This assurance also allows, under the Immigration Rules, for the admission of widowed mothers of any age, widowed fathers then aged 65 and over, and parents of whom at least one is then aged 65 and over if they are wholly or mainly dependent on children going to settle in Britain and if they have no other relatives to turn to. Exceptionally, an application outside these criteria would be considered on compassionate grounds."

For those in the second group the assurance would be in similar terms, except that the second sentence would be replaced by - "The decision on when will be an appropriate time will be taken by the Home Secretary after taking advice from the Governor of Hong Kong before 1997, and HMG's representative in Hong Kong thereafter. This would not be before you reach normal pensionable age, unless circumstances became such that HMG judged it appropriate to admit you earlier".

5. The Governor of Hong Kong has advised that these assurances should be given no later than the publication of the Sino-British agreement on the future of Hong Kong. This is likely to be around the end of September. They would be given orally by a senior officer, either to individuals or groups of staff as appropriate. To avoid future doubts about whether an assurance had been given, a written copy of it, signed by the individual and the person who had conveyed the assurance, would be placed on the personal file of the person concerned. Copies would not be given to individuals, because

of the risk of forgery and other abuse. A list of all those who had been given assurances would be held by the Home Office as a further safeguard. This list would need to be updated regularly to take account of new recruits. Delegated authority could be given to the Governor of Hong Kong to decide which of the individuals in group one should be allowed to come at a particular time, subject to an overall ceiling in each year agreed by the Home Secretary.

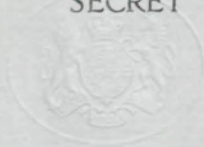
6. These procedures would not be appropriate in the case of anyone in Hong Kong who fell outside these two groups and who might ask about his position if he became vulnerable. The form of words proposed for use in answering enquiries in such cases would be: "If at any time you consider yourself to be at risk and wish to come to the UK you may apply to do so. If special circumstances affecting any individual were to arise the Home Secretary may take these into account. I can of course give no guarantee on what decision he would take". No written record would be kept of this response and no central list compiled of those to whom it had been given.

7. There would inevitably be Parliamentary interest in these arrangements. It is proposed that a Ministerial statement should be made in December during the Debate on the future of Hong Kong. Such a statement could be on the following lines:-

"Assurances have been given by HMG to some 3,700 people in Hong Kong that if they wish to apply they will be permitted to enter the UK and remain here. To these 3,700 will be added approximately a further 2,700 as a result of further recruitment between now and 1997. These assurances have been and will be given in the light of each individual's service to the Crown. They extend to the spouse and dependent children under 18 of those concerned. It is intended that the arrival of these people will be phased over a number of years. It may also be necessary to consider exceptionally admitting to the UK a small number of other individuals from Hong Kong."

It would not be appropriate to give details of the groups to whom assurances had been given, although this would be likely to become public knowledge.

SECRET



8. It will be necessary also to make some kind of statement in Hong Kong in September and possibly subsequently in London in response to questions in Parliament. Any statements at this time ie before the end of the period of the test of acceptability should avoid giving any details of the number and type of assurances given.

Hong Kong Department
August 1984

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B.06819

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Undertakings by
Her Majesty's Government to Hong Kong People

BACKGROUND

At their last meeting, the Sub-Committee had a brief exchange on the question of undertakings to certain Hong Kong people that they be admitted to the United Kingdom following the relinquishment of British sovereignty over the territory in 1997. OD(K) agreed that substantive discussion should be deferred and invited the Foreign and Commonwealth Secretary and the Home Secretary to continue their discussions with a view to reaching a joint view which they could recommend to the Sub-Committee (OD(K)(84) 8th Meeting, Item 2). The Foreign and Commonwealth Secretary's minute of 3 September to you attaches a paper and two annexes that have been drafted with the assistance of the Home Office and Ministry of Defence. They also incorporate the views of the Governor of Hong Kong, who has consulted the Executive Council.

Flag A

2. There is now a large measure of agreement on the nature and extent of the undertakings which should be given to Hong Kong people. Nevertheless, as explained in the Foreign and Commonwealth Secretary's minute of 3 September, three important points remain to be settled. Sir Geoffrey Howe would like these points settled at this meeting of OD(K) so that the Hong Kong Government can complete the administrative arrangements for giving the undertakings before the expected date of initialling the Joint Declaration (i.e. 24/25 September).

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3. The Chancellor of the Exchequer is unable to attend the meeting and will ~~not~~ be represented. ^{by Mr. Stewart} The Lord Privy Seal and the Minister of State, Foreign and Commonwealth Office (Mr Luce) are also unable to attend.

HANDLING

4. You should invite the Foreign and Commonwealth Secretary to introduce the discussion and the Home Secretary to reply. It would be appropriate to handle the discussion under the following main headings -

a. Extent of undertakings

Does the Sub-Committee agree that undertakings be given as follows:

(i)

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RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

(ii) to 4,300 unofficial members of the Executive and Legislative Council, judges and magistrates, administrative officers, senior policemen, Ministry of Defence employees and other civil servants (Group Two) that they and their families would be allowed entry to the United Kingdom when they reach normal pensionable age, or earlier if they become vulnerable;

(iii) in principle to some other individuals outside these Groups if they become vulnerable?

b. Ceiling on number of undertakings

On the basis of the average family size in Hong Kong, the undertakings to the 6,400 people in Groups One and Two represent an estimated immigration commitment of approximately 25,000 between now and ²⁰²⁹ 2059. Is this an acceptable commitment? Does the Sub-Committee



SECRET

further agree that if the requirement arises (e.g. through additional police recruitment) between now and 1997, a fresh submission should be put to Ministers to decide whether additional undertakings should be given, over and above the ceiling of 6,400?

c. Ceiling on the number of annual admissions

The Foreign and Commonwealth Secretary and Home Secretary agree that there is no immediate need to place a ceiling on the total number of admissions to the United Kingdom each year for Groups One and Two: is this accepted by the Sub-Committee? Is it also agreed that the position should remain under review and that the Home Secretary should have discretion to propose the imposition of an annual ceiling if the flow of Chinese in the future creates difficulties?

d. Dependants

The Home Secretary sees undesirable implications for general immigration policy if the provisions for the entry of the dependants of the 6,400 are more generous than the criteria of the Immigration Rules (i.e. limitations to spouses, unmarried dependent children under 18 and, in certain strictly defined circumstances, aged parents). The Foreign and Commonwealth Secretary argues that Hong Kong is a special case because of the particular risks arising from the transfer of sovereignty to a Communist regime, e.g. the possible danger of retribution against aged parents or other relatives falling outside the Immigration Rules. He proposes that such cases be dealt with by a flexible interpretation of "compassionate" under the Rules. Does the Sub-Committee agree?



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e. Publicity for undertakings

The Foreign and Commonwealth Secretary proposes that the Governor of Hong Kong should make a statement about undertakings in Hong Kong in September and that a Ministerial statement should be made in December during the debate on the future of the Territory. Is publicity necessary? Or might it be interpreted in Hong Kong and elsewhere as indicating lack of confidence in the settlement? What would be the political impact of such statements in Peking?

CONCLUSIONS

5. Subject to the points made in discussion, you could guide the Sub-Committee to the following conclusions -

- i. agree that personal undertakings be given to the 6,400 Hong Kong people in Groups One and Two that they and their dependants will be allowed entry to the United Kingdom before 1997;
- ii. agree in principle that personal undertakings should be given to some other individuals outside Groups One and Two, if they become vulnerable;
- iii. agree that if the requirement arises for further undertakings under Groups One and Two over and above the 6,400, a fresh submission will be made to Ministers;
- iv. agree that there is no immediate need for a ceiling on the total number of admissions to the United Kingdom each year under Groups One and Two but that the Home Secretary should have discretion to propose such a ceiling if the consequential flow of immigrants in the future creates difficulties;




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v. agree that the circumstances surrounding the relinquishment of British sovereignty over Hong Kong constitute a special case and accordingly invite the Home Secretary to adopt a flexible interpretation of the Immigration Rules in cases where there is a risk of retribution against aged parents or other relatives falling outside the Immigration Rules;

vi. agree that a statement about the undertakings should be made by the Governor of Hong Kong in September and by Ministers during the debate on the future of the Territory in December but that in general publicity about the undertakings should be kept to the minimum.

B G Cartledge

3 September 1984


CONFIDENTIAL

B.06818

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Hong Kong: State of Negotiations and
Question of Legislation

BACKGROUND

FLAG A
On 2 August, the Foreign and Commonwealth Secretary reported to Cabinet in full on the outcome of his successful negotiations in Peking on the future of Hong Kong (CC(84) 29th Conclusions, Minute 1).

2. During August, negotiations with the Chinese continued. The 21st Round of talks on 22/23 August discussed land, nationality and the organisation of the remaining work. The Working Group discussed the legal system, individual rights, the public service and constitutional arrangements. Informal discussions on civil aviation have also been held. The 22nd Round is due to take place on 5/6 September. One or more Rounds may be necessary thereafter; and, although it has not yet been agreed with the Chinese, the final Round and initialling of the draft agreement (to be called a Joint Declaration) is likely to take place on 24/25 September, assuming that the remaining negotiations go smoothly. That would be followed by a period of assessment of the acceptability of the agreement to the people of Hong Kong and a debate in the House of Commons, probably early in December 1984. We have undertaken to sign the Joint Declaration before the end of the year.

3. At this meeting of OD(K), the Foreign and Commonwealth Secretary will wish to report briefly on developments during August which have maintained slow, at times even sticky, but

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nevertheless perceptible progress. He is also likely to draw attention to the question of legislation, which needs to be settled urgently.

4. The need for legislation on Hong Kong in the legislative programme for 1984-85 has arisen because of the importance which the Chinese attach to early ratification of the Joint Declaration. Their present position is that the Joint Declaration itself should stipulate that the exchanges of instruments of ratification should take place within 30 days of signature. Early ratification is in fact also important from our own point of view to put an end to uncertainty in Hong Kong. However, as has been explained to the Chinese, ratification can only follow legislation in the British Parliament to allow the United Kingdom to divest itself of sovereignty. A view is therefore urgently needed on the timetable for completing the passage of the Hong Kong Bill. The considered view of the Foreign and Commonwealth Secretary is that July 1985 (i.e. six months after signature) is the latest date for ratification which could reasonably be put to the Chinese and that anything later could put conclusion of the agreement at risk. He therefore needs authority to insert this date into the draft Joint Declaration. On 28 August he put this suggestion to the Lord President of the Council, Lord Privy Seal and Attorney General. Sir Michael Havers replied on 30 August, agreeing that to proceed by way of a short Bill, to be put through all its *stages* by the end of June 1985, was technically feasible and might be the only way of meeting the timetable without a major disruption of the legislative programme. Lord Whitelaw and Mr Biffen are still considering the matter. However, the indications are that they too accept this timetable provided it is clear that the proposed Hong Kong Bill deals with the termination of British sovereignty over Hong Kong and note with other matters, such as nationality, which would be left for later legislation.

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5. The Chancellor of the Exchequer is unable to attend the meeting and will not be represented. The Lord Privy Seal and the Minister of State, Foreign and Commonwealth Office, (Mr Luce), are also unable to attend.

HANDLING

6. You should invite the Foreign and Commonwealth Secretary to report. The three points to establish in subsequent discussion are -

(a) Are we still on target for concluding and initialling an agreement with China by the end of September? Will the Foreign and Commonwealth Secretary need to pay a further visit to Peking?

(b) Are colleagues content that ratification should take place by July 1985 and that this date should be proposed to the Chinese for inclusion in the draft Joint Declaration?

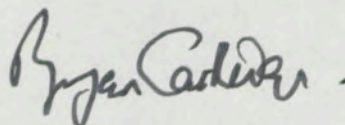
(c) If so, is there any objection to proceeding by way of a short Bill, to be put through all its stages by July 1985, confined to the relinquishment of British sovereignty over Hong Kong as from 1 July 1997, with other matters left to later legislation?

CONCLUSION

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

(i) endorse the Foreign and Commonwealth Secretary's approach to the remaining stages of the negotiations with China;

(ii) agree that the Foreign and Commonwealth Secretary should propose July 1985 to the Chinese for inclusion in the Joint Declaration as the date for ratification.



3 September 1984

B G Cartledge

CONFIDENTIAL



Foreign and Commonwealth Office

Prime Minister.

London SW1A 2AH

17

It would surely be much better
 presentationally for you to see EXCO before
 cabinet. We should run to get Sir C. Howe
 back from Germany to have a meeting
 with EXCO on the evening of 19 September.

3 September 1984

Dear Charles, Yes not Agree?

Future of Hong Kong: EXCO Visit to London

As you know, before the Prime Minister postponed her trip to South East Asia, it had been intended that EXCO should visit London and see her on 12 September.

We had always considered this date earlier than was desirable, since it seems likely that we shall still be locked in combat in Peking then. However, if the initialling is to take place in the last week of September the EXCO visit to London would have to take place at the latest in the week beginning 17 September. The Foreign Secretary is away from 17-19 September, which leaves 20 and 21 September. I should be grateful if you could let me know whether the Prime Minister could see EXCO on either of these days, and if so whether the fact of the forthcoming visit and the call at No 10 can be made public. It will otherwise leak.

The only slight drawback to this timing is that if the Prime Minister wishes to put the final text of the agreement to Cabinet before initialling, this would have to be done on 20 September, and thus before she has seen EXCO. As you will have seen, the Governor has represented that the call should therefore take place by 19 September. This will not be possible, given the Foreign Secretary's absence. But we do not in any case think that it is an insuperable obstacle, since EXCO's views will already be known to us before they come. If absolutely necessary, and if the Prime Minister wished, it would be possible to circulate copies of the Agreement to the Cabinet after EXCO's visit.

Yr ever,

Peter Ricketts

(P F Ricketts)
 Private Secretary

C D Powell Esq
 10 Downing Street

ADVANCE COPIES

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FUTURE OF HONG KONG: WORKING GROUP

IMMEDIATE

SIR P CRADOCK, ROOM K195
" " " NO. 10 DOWNING ST

ED/ HKD
MR MOUND, HKD

MR BURROWS, LEGAL ADVISERS

RESIDENT CLERK

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SECRET
DESKBY FCO 011400Z
DESKBY HK 020030Z
FROM PEKING 011311Z SEPT 84
TO IMMEDIATE FCO
TELNO 2037 OF 1/9/84
INFO IMMEDIATE HONG KONG

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FROM WILSON

FUTURE OF HONG KONG: ASSESSMENT OF PROGRESS IN THE WORKING AND
AD HOC GROUPS

1. IT HAS BEEN A WEEK OF SLOGGING THROUGH THE FOOTHILLS. WE HAVE
MADE SOME PROGRESS BUT REACHED NO SUMMITS.

2. IN THE WORKING GROUP, APART FROM TWO DAYS ON THE TEXT ABOUT
CONSTITUTIONAL ARRANGEMENTS, WE HAVE BEEN DEALING EXCLUSIVELY
WITH THE PUBLIC SERVICE. DURING THE WEEK WE HAVE REACHED VIRTUAL
AGREEMENT ON A KEY PARAGRAPH ABOUT MEMBERS OF THE PUBLIC SERVICE
BEING ABLE TO CONTINUE THEIR SERVICE WITH THE SAR GOVERNMENT AND
ABOUT PAY, CONDITIONS OF SERVICE AND PENSIONS. WE ALSO HAVE THE
MAKINGS OF AN IMPROVED PARAGRAPH ABOUT EMPLOYMENT OF FOREIGN
NATIONALS, ALTHOUGH SOME HIDEOUS PROBLEMS REMAIN ABOUT RECONCILING
THE DESCRIPTION OF CERTAIN OFFICERS IN HONG KONG (WHERE SOME TITLES
IN CHINESE DATE FROM THE CHING DYNASTY) WITH WHAT IS COMPREHENSIBLE
ON THE MAINLAND AND VICE VERSA. ON THE IMPORTANT QUESTION OF
CONTINUITY OF THE GENERAL PUBLIC SERVICE SYSTEM, WE HAVE MADE SOME
HEADWAY, BUT WE ARE CLOSE TO AN IMPASSE ON FINDING WORDING WHICH
WILL PROVIDE THE MINIMUM OF WHAT HONG KONG SEES AS NECESSARY FOR
REASSURING THE PUBLIC SERVICE AND YET IS ACCEPTABLE TO THE CHINESE WH
O
ARE DIGGING IN THEIR TOES ABOUT PINNING THE SAR DOWN TO PERPETUATION
OF THE DETAIL OF THE EXISTING SYSTEM.

3. A SINGLE DAY'S DISCUSSION ON THE CONSTITUTIONAL TEXT SHOWED THAT MAJOR DIFFICULTIES LIE AHEAD OVER OUR ATTEMPTS TO LAY DOWN ARRANGEMENTS FOR THE SAR IN WHICH THE CHIEF EXECUTIVE AND LEGISLATURE WILL BOTH BE ELECTED AND THE EXECUTIVE SUBJECT TO APPROVAL BY THE LEGISLATURE. THE CHINESE ARE STICKING FIRMLY TO THEIR POSITION THAT IT IS TOO EARLY TO TAKE A POSITION ON ANY OF THESE POINTS.

4. THE NEW AD HOC GROUP HAS NOW COMPLETED ITS FIRST FULL WEEK OF OPERATION. ON NATIONALITY AND TRAVEL WE HAVE MADE AN IMPORTANT MOVE TOWARDS THE CHINESE BY AGREEING TO ADOPT THEIR PREFERRED METHOD OF DEALING WITH NATIONALITY IN AN EXCHANGE OF MEMORANDA. THE CHINESE HAVE MAINTAINED THEIR REFUSAL TO CONTEMPLATE TRANSMISSIBILITY FOR ONE GENERATION, AND WE MUST NOW ACCEPT THAT IT IS NOT NEGOTIABLE. THEY ARE ALSO BEING VERY DIFFICULT ABOUT THE ISSUE OF BRITISH PASSPORTS TO FORMER BDTCS AFTER 1997. AFTER SOME USEFUL SKIRMISHING ON THE TEXT FOR THE ANNEX WHICH DEALS WITH THE RIGHT OF ABODE AND TRAVEL ISSUES WE HAVE AT LAST GOT DOWN TO DETAILED NEGOTIATION.

5. ON LAND, THE CHINESE HAVE INDICATED THAT THEY WOULD BE PREPARED TO RECOGNISE EXISTING RIGHTS, AND TO ALLOW EXTENSIONS OF LEASES AND THE GRANT OF NEW LEASES UP TO 2047. BUT THEY HAVE MADE IT CLEAR THAT OUR AGREEMENT TO A SHARING OF THE INCOME DERIVED FROM THE GRANT OR EXTENSION OF LEASES BEYOND 1997 BETWEEN THE HONG KONG GOVERNMENT AND THE FUTURE SAR; TO A LIMIT ON THE AMOUNT OF NEW LAND WHICH CAN BE SOLD BY THE HKG BEFORE 1997; AND TO SOME JOINT BODY TO SUPERVISE ALL THIS ARE ALL ESSENTIAL PRE-CONDITIONS. WE HAVE NOW PROPOSED TERMS OF REFERENCE FOR A SINGLE LAND COMMISSION (INSTEAD OF THE TWO THE CHINESE PROPOSED) WHICH SHOULD SATISFY CHINESE REQUIREMENTS IN THESE RESPECTS, AND OPEN THE WAY TO AGREEMENT ON THE OTHER IMPORTANT ASPECTS. BUT THERE IS STILL MUCH HARD WORK TO BE DONE, BOTH ON LAND AND NATIONALITY.

6. ALTHOUGH TIME IS BEGINNING TO RUN SHORT, PARTICULARLY FOR THE CHINESE IF THEY STILL WISH TO STICK TO THEIR OBJECTIVE OF COMPLETING BY 10 SEPTEMBER, THERE ARE NO SIGNS THAT THIS TIME PRESSURE IS INDUCING THE CHINESE TO BE MORE FLEXIBLE ON ANY OF THE MAJOR POINTS AT ISSUE. IF ANYTHING THE GOING IS GETTING HARDER BUT, SO FAR AS THE WORKING GROUP IS CONCERNED, THIS IS MORE A FUNCTION OF THE SUBJECTS UNDER DISCUSSION THAN THE EFFECT OF TIME PRESSURES EITHER WAY.

7. DURING THE WEEK AHEAD WE ARE GOING TO FACE THE NEED FOR DIFFICULT DECISIONS ON NATIONALITY, LAND, CONSTITUTIONAL ARRANGEMENTS AND POSSIBLY THE PUBLIC SERVICE. WE HAVE STILL TO TACKLE CIVIL AVIATION AND DEFENCE. WHEN THEIR TURN COMES THEY TOO WILL FACE US WITH DIFFICULT DECISIONS.

EVANS

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Foreign and Commonwealth Office

London SW1A 2AH

31 August 1984

Dear Charles,

Hong Kong: Letter from Chairman of Hong Kong General
Chamber of Commerce

We understand that Mr Jack C Tang, the Chairman of the Hong Kong General Chamber of Commerce wrote to the Prime Minister about nationality (the text of his letter was sent to us by the Hong Kong Government). Once the top copy shows up, I recommend that you should reply to Mr Tang's letter on the lines of the attached draft, which has been cleared with the Hong Kong Government.

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

C D Powell Esq
10 Downing Street

CONFIDENTIAL

D5R 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

PS/Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Mr Jack C Tang
 Chairman
 Hong Kong General Chamber of Commerce
 HONG KONG

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter to the Prime Minister. I have been asked to reply.

CAVEAT.....

The Prime Minister is most grateful to receive the views of the Chamber of Commerce on this important subject. She is very ^{much aware} ~~conscious~~ of the significance that Hong Kong people attach to the right to travel freely throughout the world. The question of nationality is, ~~as Sir Geoffrey Howe said in Hong Kong on 1 August,~~ still the subject of negotiation in the talks in Peking. As I am sure you will ^{understand} ~~appreciate~~, the content of these talks has to be confidential for the moment. However I can assure you that our negotiators have been taking and will continue to take full account of views expressed in Hong Kong on this important subject. You will have noticed that Sir Geoffrey Howe also said on 1 August that we believed Hong Kong could look forward with confidence to an agreement which will enable Hong Kong residents to continue to enjoy the right to travel and move freely in and out of Hong Kong.

Enclosures—flag(s).....

~~Thank you for taking the trouble to write.~~

30 August 1984

CDD
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Hong Kong : Futur 1416

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31 AUG 1984



FCS/84/230

LORD PRIVY SEAL

Future of Hong Kong

1. The talks with the Chinese are, as you know, progressing well and we hope to be in a position to initial a draft agreement before the end of September.
2. If we are successful, we shall need legislation on a future transfer of sovereignty before we can ratify and I have written separately to Willie Whitelaw about this.
3. The immediate problem is that we need to agree with the Chinese a date for ratification of the agreement, which will be included in the Joint Declaration. The Chinese originally insist that this should be within 30 days of sovereignty, which, as you know, we have agreed should take place before the end of the year. We have told the Chinese that ratification will require legislation in the British Parliament, and will take months rather than days. Since the Chinese wish to complete work soon on the draft agreement, we need to form a view quickly on the timetable for putting a Hong Kong Bill through both Houses.
4. My considered view is that July 1985 is the latest date at which ratification would be acceptable to the Chinese. I have written to Willie Whitelaw about the exact timetable of a Hong Kong Bill, but I should be grateful for your confirmation that the pressure of business in the House will not preclude us from putting a Hong Kong bill through all its stages by the end of June. My best guess at present is that the bill will not be controversial, though it is likely to attract considerable interest.



5. We have in mind a short bill dealing with the termination of British sovereignty over Hong Kong as from 1 July 1997. We hope that any other matters, consequent on the agreement can be left until later. We cannot be sure exactly what form the bill will take before the agreement and its annexes have been finalised at the end of September, but a paper on this matter will be prepared for OD(K) and QL.

6. I am copying this minute to Sir Michael Havers and Sir Robert Armstrong.

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

(GEOFFREY HOWE)

Foreign and Commonwealth Office
28 August 1984

bc: Sir R Engle
Parliamentary Counsel



FCS/84/229

LORD PRESIDENT OF THE COUNCIL

Future of Hong Kong: Legislation

1. You will remember that we have spoken briefly about the possible need for legislation on Hong Kong in the legislative programme for 1984-85.
2. We are now working for an initialled agreement with the Chinese by the end of September. This will be followed by a period of assessment of the acceptability of the agreement to the people of Hong Kong and a debate in the House of Commons, probably early in December. We have undertaken to sign the agreement before the end of the year.
3. One of the factors in the negotiation is the date of ratification of the agreement. The Chinese attach considerable importance to early ratification, and originally proposed that the agreement should stipulate that the exchange of instruments of ratification should take place within 30 days of signature. We have explained to them that ratification can only follow legislation in the British Parliament to allow the United Kingdom to divest itself of sovereignty. The Chinese appear to accept this, but insist that we should include within the Agreement (to be called a Joint Declaration) a date for ratification. Since the Chinese want to complete work on the draft agreement by 10 September, we need to reach a view quickly on the timetable for completing the passage of a Hong Kong Bill. Early ratification is also important from our own point of view to put an end to uncertainty in Hong Kong.
4. In all the circumstances my considered view is that July 1985 is the latest date which we could reasonably put to the Chinese for ratification. Even this will not be easy for them.

/It



It is clear that they attach considerable importance to this point and a row about it could well make the conclusion of the agreement more difficult. But before we do agree to insert the date of July 1985 into the Joint Declaration, we will need your agreement that the necessary legislation can be completed by the end of June 1985.

5. We have in mind a short bill, essentially dealing with the termination of British sovereignty over Hong Kong as from 1 July 1997. We shall try to avoid the necessity for it to deal with other matters, such as nationality, which might complicate its passage, and are in my view better left until the dust settles at a later date. We cannot however be absolutely certain which aspects the bill will need to cover until we complete negotiations at the end of September.

6. Subject to your agreement, I assume that we would need to prepare a paper for the Queen's Speeches and Future Legislation Committee setting out the position, with a view to giving instructions to Parliamentary Counsel shortly after the initialling of the agreement in September.

7. I hope that you will be able to agree that it would be possible to include a Hong Kong Bill in the legislative programme 1984/85, and to put it through all the necessary stages by the end of June 1985. I am writing separately to the Leader of the House on this subject.



8. I am copying this minute to the Attorney General and to Sir Robert Armstrong.

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

GEOFFREY HOWE

Foreign and Commonwealth Office

28 August 1984

bc: Sir R Engle
Parliamentary Counsel

GRS 550/25
SECRET
DESKBY 251400Z FCO
FROM PEKING 251133Z AUG 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 1915 OF 25 AUG
INFO IMMEDIATE HONG KONG

SECRET

AMENDED DISTRIBUTION
26/8.

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mt

FROM WILSON
FUTURE OF HONG KONG : ASSESSMENT OF PROGRESS IN THE WORKING
GROUP.

1. WE HAVE NOW HAD A FULL WEEK OF NEGOTIATIONS IN THE WORKING GROUP SINCE WE RESUMED WORK ON 17 AUGUST. TEXTS HAVE BEEN AGREED ON THE LEGAL SYSTEM, ON RIGHTS AND FREEDOMS AND ON PROPERTY. AN ADDITIONAL GROUP (KNOWN AS THE AD HOC GROUP) HAS BEEN SET UP, LED ON OUR SIDE BY ROBIN MCLAREN AND ON THE CHINESE SIDE BY LU PING, SECRETARY GENERAL OF THE HONG KONG AND MACAO OFFICE, AND A MEMBER OF THE CHINESE NEGOTIATING TEAM FROM THE OUTSET. IN THE FIRST TWO DAYS OF ACTIVITY THEY HAVE STARTED TO GET TO GRIPS WITH THE DETAILS OF NATIONALITY AND LAND.

2. WE HAVE BEEN DISCUSSING A TEXT ON THE LEGAL SYSTEM WITH THE CHINESE OFF AND ON SINCE THE WORKING GROUP STARTED IN LATE JUNE. IT IS CLEARLY ONE OF THE KEY ITEMS. I BELIEVE THAT WE HAVE NOW ACHIEVED AS GOOD A TEXT AS WAS POSSIBLE. ON RIGHTS AND FREEDOMS WE HAVE ACHIEVED ALL THE SUBSTANCE OF WHAT WE REQUIRE BY REFERENCES TO CONTINUATION OF RIGHTS UNDER THE LAWS OF HONG KONG AND TO THE TWO RELEVANT INTERNATIONAL COVENANTS. BUT, WE HAVE NOT BEEN ABLE TO GET IN SPECIFIC REFERENCES TO ALL THE RIGHTS WHICH WOULD HAVE BEEN DESIRABLE PRESENTATIONALLY IN HONG KONG. ON PROPERTY (PROTECTION OF INVESTMENTS) WE HAVE GOT ALL WE WANTED DESPITE STARTING FROM THE TACTICALLY DIFFICULT POSITION OF HAVING TO ARGUE THAT A TEXT AGREED EARLIER WAS INADEQUATE. ACHIEVEMENTS ON THIS LAST POINT WERE IN PART ATTRIBUTABLE TO WITHDRAWING INSISTENCE ON A SPECIFIC REFERENCE TO CERTAIN RIGHTS IN THE TEXT ON RIGHTS AND FREEDOMS.

3. THE BEGINNING OF THE WEEK WAS SLOW GOING AND THERE HAVE BEEN SOME DIFFICULT MOMENTS. THE CHINESE ARE CLEARLY ANXIOUS TO FINISH DRAFTING AS SOON AS POSSIBLE AND, IF THEY CAN, BY 10 SEPTEMBER. BUT THIS DOES NOT (NOT) MEAN THAT THEY ARE MORE DISPOSED ON THIS ACCOUNT TO ACCEPT OUR POINTS. INDEED THEY STARTED BY SHOWING CONSIDERABLE RESISTANCE EVEN ON MATTERS WHICH MIGHT NOT HAVE SEEMED TOO DIFFICULT FOR THEM TO ACCEPT. EXPERIENCE AS THE WEEK HAS PROGRESSED SUGGESTS THAT THEY ARE HOWEVER PREPARED TO GO A GOOD WAY TO MEET US WHEN OUR APPROACH CONVINCES THEM THAT WE ARE PREPARED TO BE REASONABLY FLEXIBLE ON POINTS OF IMPORTANCE TO THEM AND NOT TO INSIST ABSOLUTELY ON POINTS WHERE THEY HAVE MADE IT CLEAR THAT THEY SEE INSUPERABLE DIFFICULTIES.

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4. IN THE AD HOC GROUP WE HAVE BEEN ABLE TO GET A CLEARER PICTURE THAN PREVIOUSLY OF A NUMBER OF IMPORTANT POINTS IN THE CHINESE POSITION ON NATIONALITY. LU PING'S APPROACH HAS BEEN A GOOD DEAL MORE CONSTRUCTIVE THAN THAT OF ZHOU NAN. BUT THERE IS MUCH DIFFICULT WORK STILL TO BE DONE ON THIS SUBJECT, AS WELL AS ON LAND, WHERE THE INITIAL MEETING WAS LESS ENCOURAGING. SIMILARLY, IN THE WORKING GROUP, THERE WILL BE IMPORTANT POINTS OF DIFFERENCE TO BE RESOLVED ON BOTH THE PUBLIC SERVICE AND THE CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURE. WE HAVE TO FIND BOTH A SLOT IN THE WORKING SCHEDULE FOR FITTING CIVIL AVIATION AND THE MEANS TO RESOLVE SOME OF THE POINTS OF CONFLICT. WE ALSO HAVE TO DEAL WITH DEFENCE WHERE THE RIVAL TEXTS ARE SHORT BUT THE EXCHANGES LIKELY TO BE SHARP.

5. WE HAVE A BUSY TIME AHEAD.

EVANS

FUTURE OF HONG KONG
LIMITED

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HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
RESEARCH D (MR WALKER)
LEGAL ADVISERS(SIR J FREELAND)
PS
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PS/ATTORNEY GENERAL
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SIR P CRADOCK NO 10 DOWNING ST.

2
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MR POWELL
c Mr Ingham

2a.
JDD .29/8

24 August 1984

Prime Minister (2)
To be aware
CDP
20/8.

TIMES ARTICLE ON HONG KONG DEPARTMENT IN THE FOREIGN OFFICE


1. On 7 August Peter Hennessy of The Times approached the Foreign Office with a proposal to write an article on Hong Kong Department. Mr Hennessy specialises in the organisation of Whitehall and has done one or two broadly favourable articles on Foreign Office Departments, in particular one on the Planning Staff last year. Foreign Office Ministers felt that there would be advantage in agreeing, provided that the article did not appear until after the initialling of the Hong Kong agreement, ie after 30 September. The department was briefed to keep clear of substance.

2. As the Deputy Under Secretary responsible for the Department I was asked to see Mr Hennessy. I agreed on the understanding that we not get into substance and that there would be no questions about my work at No 10.

3. Mr Hennessy duly had an hour with Tony Galsworthy, the Head of Hong Kong Department, and then a short session with me. It all went fairly smoothly though his questions inevitably tended to stray from organisation towards substance. I answered some questions about job satisfaction and sinology, and said a little about the difficulties of

negotiating with the Chinese. There was, however, one potentially troublesome point which came up both with Tony Galsworthy and myself: Hennessy suggested that this was perhaps the first case since the 1940s when we were not only passing over territory but people to another system. In other words he was trying to draw some parallel with Yalta. Both Galsworthy and I rejected this as a totally unacceptable parallel. We explained something of this kind might conceivably have been said if we had done nothing or let negotiations founder, in which case in 1997 92% of the territory and its people would pass without qualification into mainland Chinese hands. But in fact what we had done was precisely the opposite. We had achieved a binding international agreement providing for the continuation of the capitalist system in Hong Kong for 50 years after 1997, had worked out a whole series of detailed annexes covering every aspect of Hong Kong life, and had provided, as far as was possible to do so, for the continuation of that life after 1997. In these circumstances, far from handing over Hong Kong people to an alien system, we were ensuring that their own survived. Mr Hennessy took all this in good part and will no doubt print some part of our denials but his preconception may also appear.

4. Before it is printed, the article will be seen by Foreign Office News Department who will check it for any inaccuracy.


PERCY CRADOCK

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Pome Mark

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MR FLESHER

24 August 1984

24/8.

HONG KONG: STATE OF THE NEGOTIATIONS

1. Since the dramatic developments during the Foreign Secretary's visit to Peking at the end of July the negotiations have inevitably become more humdrum. Zhou Nan has remained characteristically unhelpful although not totally intransigent. In the Working Group there has been a Chinese disposition to compromise. We have been ploughing slowly forward through a mass of detail.

2. Of the eight Annexes outstanding on 3 August, two important ones, namely the legal system and rights and freedoms, have now been satisfactorily settled. Of the rest, I do not expect public service, constitutional arrangements, or defence to present undue difficulties. Nationality is now being addressed in detail; I can see a solution based on parallel British and Chinese statements in memoranda linked to the agreement. This should preserve the position of BDTC's under another name, though without power to transmit to the next generation. That leaves land and civil aviation. Land has proved very complex and although some progress has been made there is still a good way to go. A land expert from Hong Kong has joined the Working Group. On civil aviation, an expert from the Department of Transport is talking with the Chinese but the issue has not yet got to the Working Group and I expect it to be perhaps the most protracted and intractable of all.

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3. On our own side, Ministerial decisions will be required on undertakings to the people of Hong Kong, ie immigration into the UK, and on pensions. On the first, there is a measure of agreement between the Foreign and Home Office but significant differences are likely to remain and these will have to be argued out in OD(K). We are trying for a meeting on 3 September. On pensions the questions are whether Her Majesty's Government should accept in principle a potentially very large contingent liability after 1997 in respect of pensions for the Hong Kong public service; what steps can be taken have the liability at least partly covered from Hong Kong resources before 1997; and what public assurances can be given when the draft agreement is published. The Foreign Secretary will be trying to talk to the Chancellor, who does not return until 10 September, and Ministers will probably wish to have at least a first look at the issue just before the Prime Minister's departure for South East Asia, ie about 10 or 11 September.

4. On the future timetable of the negotiations, the Chinese want to finish work by 10 September to give time for their leaders to scrutinise the papers and permit initialling before 25 September. We have made it plain that, although we should be delighted if that proved possible, we are not accepting these dates as deadlines. The Chinese are now clearly under some time pressure. To some degree this can work to our advantage. We are most unlikely to have settled everything by 10 September, but we want to be in a position

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then where we have cleared the undergrowth and reduced the outstanding points of difference to one or two crucial ones. It might then be open to the Foreign Secretary to offer to come out to Peking once again to conclude the negotiations. It is unlikely that the Chinese will want another visit before initialling but the offer should at least concentrate minds and promote progress.

5. As yet I do not see the end game clearly but I am reasonably confident that we can reach satisfactory conclusions by 30 September.

lc

PERCY CRADOCK

SECRET - 3 -



FUTURE OF HONG KONG

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FM HONG KONG 200915Z AUG 84
TO IMMEDIATE F C O
TELEGRAM NUMBER 2437 OF 20 AUGUST
INFO IMMEDIATE PEKING

M.I.P.T.

FUTURE OF HONG KONG : NATIONALITY

THE FOLLOWING IS THE TEXT OF THE LETTER TO THE PRIME MINISTER.

BEGINS:-

DEAR MRS. THATCHER.

MY PREDECESSOR AS CHAIRMAN OF THE HONG KONG GENERAL CHAMBER OF COMMERCE, JOHN MARDEN, WROTE TO YOU ON 7TH SEPTEMBER 1982, TO EXPRESS THE CHAMBER'S SUPPORT FOR THE EFFORTS OF YOUR GOVERNMENT TO ACHIEVE THE BEST POSSIBLE ARRANGEMENT FOR THE FUTURE OF HONG KONG.

IT IS NOW CLEAR FROM RECENT STATEMENTS BY SIR GEOFFREY HOWE THAT THE BRITISH RESPONSIBILITY FOR ADMINISTRATION WILL TERMINATE IN 1997 WHEN CHINA WILL RESUME SOVEREIGNTY OVER HONG KONG.

WE UNDERSTAND ALSO THAT THERE MAY STILL BE TIME FOR APPROPRIATE REPRESENTATIONS ON IMPORTANT ASPECTS OF THE DRAFT AGREEMENT TO BE TAKEN INTO CONSIDERATION.

IT IS IN THIS CONNECTION THAT I AM WRITING TO YOU NOW. YOUR GOVERNMENT IS OF COURSE WELL AWARE OF THE IMPORTANCE TO HONG KONG OF THE MAINTENANCE OF THE MANY FREEDOMS WHICH WE PRESENTLY ENJOY.

ONE PARTICULAR FREEDOM HAS GREAT SIGNIFICANCE FOR HONG KONG'S BUSINESS COMMUNITY, THE RIGHT TO TRAVEL FREELY THROUGHOUT THE WORLD IN THE PURSUIT OF BUSINESS. THE QUESTION OF DUAL NATIONALITY AFTER 1997 FOR HONG KONG CITIZENS PRESENTLY ENTITLED TO HONG KONG PASSPORTS AS CITIZENS OF A BRITISH DEPENDENT TERRITORY WAS BROUGHT UP A NUMBER OF TIMES AND SUPPORTED STRONGLY DURING THE DEBATE IN THE HOUSE OF LORDS ON HONG KONG'S FUTURE IN LATE MAY OF THIS YEAR. IT IS UNDERSTOOD THAT THE QUESTION OF TRAVEL DOCUMENTS FOR HONG KONG CITIZENS AFTER 1997 HAS ALSO BEEN DISCUSSED DURING THE NEGOTIATIONS IN BEIJING. IT IS NOT CLEAR HOWEVER WHETHER AGREEMENT HAS BEEN REACHED ON THIS ISSUE AND IF SO WHETHER HONG KONG CITIZENS WILL BE ABLE TO ENJOY FREEDOM OF TRAVEL UNDER SOME FORM OF DUAL NATIONALITY AFTER 1997.

CF
Please keep.
FCO will advise.

Sub
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THE CHAMBER BELIEVES THAT DUAL NATIONALITY FOR HONG KONG CITIZENS AFTER 1997 COULD PROVIDE A REAL AND LASTING BASIS FOR THE MAINTENANCE OF A HIGH LEVEL OF CONFIDENCE THROUGHOUT THE HONG KONG COMMUNITY, LEADING TO IMPROVED INVESTMENT AND ECONOMIC GROWTH AND STABILISATION WITHIN THE HONG KONG SOCIETY. WE BELIEVE THAT THE CHINESE GOVERNMENT WOULD HAVE NO OBJECTION TO A DUAL NATIONALITY ARRANGEMENT WHICH WOULD ALLOW HONG KONG TRAVELLERS TO ENJOY THE SERVICES PROVIDED BY BOTH CHINESE AND BRITISH OVERSEAS DIPLOMATIC AND CONSULAR OFFICES AFTER 1997. THIS IN TURN WOULD ENCOURAGE THIRD COUNTRIES TO CONTINUE TO ACCORD HONG KONG PASSPORTS THE SAME STATUS AS THEY NOW ENJOY AND TO REFRAIN FROM IMPOSING ADDITIONAL AND UNREASONABLE RESTRAINTS UPON HONG KONG TRAVELLERS.

THE FREEDOM TO TRAVEL IS FUNDAMENTAL TO HONG KONG'S ECONOMIC SUCCESS. IT WILL ALSO BE AN EXTREMELY IMPORTANT ELEMENT IN THE MAINTENANCE OF LOCAL CONFIDENCE IN OUR FUTURE. THE CHAMBER THEREFORE WISHES TO URGE THE BRITISH GOVERNMENT TO ACCEPT THE PROPOSAL FOR DUAL NATIONALITY FOR HONG KONG CITIZENS AFTER 1997. THIS WOULD NOT PROVIDE HONG KONG CITIZENS WITH THE RIGHT OF ABODE IN BRITAIN BUT WOULD RECOGNISE THE RESPONSIBILITY OF BOTH GOVERNMENTS TO PROVIDE AN EFFECTIVE ASSURANCE THAT HONG KONG PEOPLE WILL HAVE FULL AND UNFETTERED FREEDOM TO TRAVEL AFTER 1997.

THE CHAMBER WILL CONTINUE TO CONTRIBUTE IN ANY WAY IT CAN TO THE REALISATION OF AN EFFECTIVE AND JUST AGREEMENT ON OUR FUTURE AND IN MAKING ANY SUCH AGREEMENT SUCCESSFUL IN THE YEARS TO COME. WE ARE DEEPLY CONSCIOUS OF AND GRATEFUL TO YOU FOR YOUR PERSONAL INTEREST IN THE PEOPLE OF HONG KONG AND IN THE EFFORTS OF YOUR GOVERNMENT TO ACHIEVE A SUCCESSFUL SOLUTION.

YOURS SINCERELY,

JACK C. TANG
CHAIRMAN.

ENDS.

HADDON-CAVE

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FUTURE OF HONG KONG

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LADY YOUNG

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FM HONG KONG 200910Z AUG 84
TO PRIORITY F C O
TELEGRAM NUMBER 2436 OF 20 AUGUST
INFO PRIORITY PEKING

FUTURE OF HONG KONG : NATIONALITY.

WE HAVE HEARD THAT THE CHAIRMAN OF THE CHAMBER OF COMMERCE HAS WRITTEN TO THE PRIME MINISTER ABOUT NATIONALITY, IN A LETTER DATED 16 AUGUST. THE TEXT OF HIS LETTER WHICH IS BEING SENT BY COURIER SERVICE IS IN MIFT.

2. THE CHAIRMAN OF THE CENTRAL CHAMBER OF COMMERCE IS UNAWARE OF THE DETAILS OF THE DISCUSSIONS IN PEKING. HE WAS, OF COURSE, A MEMBER OF THE DELEGATION WHICH WENT TO CHINA FROM 19 TO 23 JUNE WHEN THEY WERE RECEIVED BY CHAIRMAN, DENG XIAOPING. IN THEIR RECORD OF THEIR DISCUSSION WITH LI HOU AND LU PING ON 21 JUNE THEY REPORTED THAT THESE OFFICIALS TOLD THEM THAT THE CHINESE GOVERNMENT DOES NOT RECOGNISE DUAL NATIONALITY, BUT THAT CHINA WOULD ALLOW HONG KONG PEOPLE TO HOLD BRITISH PASSPORTS.

SUBSEQUENTLY A RECORD OF THE MEETING WITH MR. DENG ON 22 JUNE WAS PUBLISHED BY NCNA. IT CONTAINED NO REFERENCE TO NATIONALITY OR PASSPORTS.

3. ON ITS RETURN TO HONG KONG, THE DELGATION STRESSED THE IMPORTANCE OF PERSONS BEING ABLE TO LEAVE THE SAR ON BRITISH PASSPORTS AND OF FREEDOM OF TRAVEL.

HADDON-CAVE



No trace GR

? CF

GR Please check again

The Hong Kong General Chamber of Commerce

not in '82 filing

16th August, 1984.

The Right Honourable Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London,
England.

Dear Mrs. Thatcher,

My predecessor as Chairman of the Hong Kong General Chamber of Commerce, John Marden, wrote to you on 7th September 1982, to express the Chamber's support for the efforts of your Government to achieve the best possible arrangement for the future of Hong Kong.

It is now clear from recent statements by Sir Geoffrey Howe that the British responsibility for administration will terminate in 1997 when China will resume sovereignty over Hong Kong.

We understand also that there may still be time for appropriate representations on important aspects of the draft agreement to be taken into consideration.

It is in this connection that I am writing to you now. Your Government is of course well aware of the importance to Hong Kong of the maintenance of the many freedoms which we presently enjoy.

One particular freedom has great significance for Hong Kong's business community, the right to travel freely throughout the world in the pursuit of business. The question of dual nationality after 1997 for Hong Kong citizens presently entitled to Hong Kong passports as citizens of a British Dependent Territory was brought up a number of times and supported strongly during the debate in the House of Lords on Hong Kong's future in late May of

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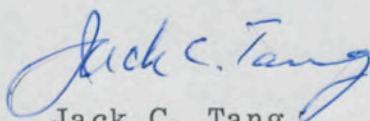
this year. It is understood that the question of travel documents for Hong Kong citizens after 1997 has also been discussed during the negotiations in Beijing. It is not clear however whether agreement has been reached on this issue and if so whether Hong Kong citizens will be able to enjoy freedom of travel under some form of dual nationality after 1997.

The Chamber believes that dual nationality for Hong Kong citizens after 1997 could provide a real and lasting basis for the maintenance of a high level of confidence throughout the Hong Kong community, leading to improved investment and economic growth and stabilisation within the Hong Kong society. We believe that the Chinese Government would have no objection to a dual nationality arrangement which would allow Hong Kong travellers to enjoy the services provided by both Chinese and British overseas diplomatic and consular offices after 1997. This in turn would encourage Third Countries to continue to accord Hong Kong passports the same status as they now enjoy and to refrain from imposing additional and unreasonable restraints upon Hong Kong travellers.

The freedom to travel is fundamental to Hong Kong's economic success. It will also be an extremely important element in the maintenance of local confidence in our future. The Chamber therefore wishes to urge the British Government to accept the proposal for dual nationality for Hong Kong citizens after 1997. This would not provide Hong Kong citizens with the right of abode in Britain but would recognise the responsibility of both Governments to provide an effective assurance that Hong Kong people will have full and unfettered freedom to travel after 1997.

The Chamber will continue to contribute in any way it can to the realisation of an effective and just agreement on our future and in making any such agreement successful in the years to come. We are deeply conscious of and grateful to you for your personal interest in the people of Hong Kong and in the efforts of your Government to achieve a successful solution.

Yours sincerely,



Jack C. Tang
Chairman

Chairman

Jack C. Davis

Handwritten signature

Dear Sirs:

Thank you for your letter of 21st July 1984.

Your letter is the first of its kind from the Government to advise us on the way we should proceed in the future. It is a very welcome development and we are pleased to see that the Government is taking a positive approach to the problem of the future of the Hong Kong economy. We are particularly pleased to see that the Government is taking a long-term view and is not simply reacting to the immediate situation. We are confident that the Government's proposals will contribute to the long-term growth and prosperity of the Hong Kong economy.

We are particularly pleased to see that the Government is taking a long-term view and is not simply reacting to the immediate situation.

The Government's proposals will contribute to the long-term growth and prosperity of the Hong Kong economy. We are particularly pleased to see that the Government is taking a long-term view and is not simply reacting to the immediate situation. We are confident that the Government's proposals will contribute to the long-term growth and prosperity of the Hong Kong economy.

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Yours faithfully,

17 AUG 1984

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We are particularly pleased to see that the Government is taking a long-term view and is not simply reacting to the immediate situation. We are confident that the Government's proposals will contribute to the long-term growth and prosperity of the Hong Kong economy.

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FM HONG KONG 150925Z AUG 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 2367 OF 15 AUGUST
INFO IMMEDIATE PEKING

FOLLOWING FOR CRADOCK FROM GOVERNOR.
YOUR TELNO 1593: FUTURE OF HONG KONG: VISIT OF EXCO UNOFFICIALS
TO LONDON.

1. THERE WAS FURTHER DISCUSSION IN EXCO THIS MORNING ON THE TIMING OF A VISIT BY EXCO UNOFFICIALS TO LONDON, IN THE LIGHT OF THE ABSENCE OF THE PRIME MINISTER IN SOUTH EAST ASIA FROM SEPTEMBER 14 TO 27 AND THE SECRETARY OF STATE'S ENGAGEMENTS.
2. DURING THIS DISCUSSION THERE WAS SUPPORT AMONG MEMBERS FOR SIR S.Y. CHUNG'S VIEW THAT, ASSUMING THAT THERE WAS NO LARGE HITCH ON THE OUTSTANDING MATTERS, A MAJOR PURPOSE OF THE VISIT WOULD BE TO URGE ON THE PRIME MINISTER THAT SHE HERSELF SHOULD SIGN THE AGREEMENT AT THE END OF THE YEAR WITH THE CHINESE PRIME MINISTER. THEY TOOK THIS VIEW ON THE GROUND THAT IT WAS VITAL TO HONG KONG TO COMMIT THE CHINESE TO THE AGREEMENT AT AS HIGH A LEVEL AS POSSIBLE. THIS WOULD GIVE THE AGREEMENT GREATER STATUS IN THE EYES OF PEOPLE IN HONG KONG AND GIVE THEM GREATER CONFIDENCE THAT THE CHINESE WOULD NOT GO BACK ON THEIR COMMITMENT TO IMPLEMENT IT.
3. I DID NOT OF COURSE REVEAL THE CONTINGENCY ARRANGEMENT IN YOUR TELNO 1953. BUT I BELIEVE THERE IS FORCE IN THE ARGUMENT ABOVE. IN ADDITION IF, AS SEEMS LIKELY, HMG WILL NOW HAVE THE SUPPORT OF THE EXECUTIVE COUNCIL FOR THE AGREEMENT IT WOULD TO ME SEEM A FAIR RESPONSE TO GIVE UNOFFICIALS THE OPPORTUNITY OF BEING SEEN TO BE CONSULTED BY THE P.M. BEFORE INITIALLING AND OF PUTTING THEIR CASE DIRECT TO THE PRIME MINISTER ON THE QUESTION OF SIGNATURE.
4. ON THIS BASIS IT LOOKS AS THOUGH WE SHOULD PLAN FOR EXCO UNOFFICIALS TO TRAVEL TO LONDON IN THE WEEK BEGINNING SEPTEMBER 10.

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IT COULD BE OF COURSE THAT WE WILL BE ENGAGED IN SOME CLIFF-HANING
LAST MINUTE NEGOTIATION WITH THE CHINESE AT THAT TIME BUT THE
PRESENCE OF EXCO UNOFFICIALS IN LONDON WOULD BE A HELP RATHER THAN
A HINDRANCE IN SUCH CIRCUMSTANCES.

YOUDE

FUTURE OF HONG KONG
LIMITED

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HD/PUSD
DEP HD/PUSD
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LEGAL ADVISERS(SIR J FREELAND)
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With the Compliments of
Hilton Cheong-Leen, CBE, JP
Chairman
Urban Council
Hong Kong

*sub
2/1/8*



市政局主席

張有興

致意

Speech by Mr. Hilton Cheong-Leen, CBE, JP,
at the Hong Kong Affairs Society's Symposium entitled
"The Political System of Hong Kong:
its development and 1997"
at Loke Yew Hall, University of Hong Kong
on Sunday, August 12, 1984, at 3.30 p.m.

Political Leadership, the Electorate
and Development of the Political System

(政治人才, 選民及政制發展)

Today I am honoured to speak to you in a personal capacity, not as Chairman of Urban Council, but as a member of today's Symposium on the specific subject of political leadership, the electorate and development of the political system.

Hong Kong has been a British Crown Colony for over 140 years and the vast majority of people here have had little interest in politics, but an all-consuming interest in pursuing material gains for themselves and their families. Because of British democratic traditions, Hong Kong people take for granted the personal freedoms which are an acceptable way of life in Western democratic countries. Also, because of Hong Kong's status as a free port, and an international trading and financial centre, people here are not only individualistic and sophisticated in outlook, but are more international in their thinking than in most other cities in Asia.

For many years already, the Hong Kong Government has been a benevolent colonial administration where all the members of the Executive Council and Legislative Council are not elected but are appointed by the Governor.

Soon this situation will have to change, and local leaders will have to work with the British Government to achieve a suitable structure of internal self-government.

Hong Kong's population is 98% Chinese, and so many of our traditions are of Chinese origin. Such traditions as close family ties, the individualism of the Chinese character, the celebrating of Chinese festivals, etc., are still very much the way of life in Hong Kong.

Hong Kong's colonial history is rooted in the materialism of the West, and being an international trade and financial centre, the free enterprise system is an indispensable part of Hong Kong's way of life and existence.

If I were asked to describe Hong Kong's political reality, I would say that we share the "Yang (陽)" of the materialistic dynamism of the West, and the "Yin (陰)" of the cultural and intellectual equilibrium of Chinese civilization.

Due to Hong Kong's British colonial background, our intellectuals do not have the same Marxist background which some of the intellectual and political leaders in China acquired since the past 50 or 60 years of this century. However, as sovereignty of Hong Kong will be transferred to China in 1997, it is of the utmost importance that Hong Kong political and intellectual leaders should re-assess what is happening now and about to happen towards the end of the century, and develop their own local political thinking.

Under the pending Sino-British agreement, it is expected that the handing over of sovereignty of Hong Kong by Britain to China should take 13 years from now. So that Hong Kong's capitalistic system can fit in with China's evolving socialist system, Mr. Deng Xiao-ping and other Chinese leaders have proposed, no doubt with the full endorsement of the National Peoples' Congress, the bold concept of "One country - two systems".

I believe that this concept - if it can be successful over the coming years, and I see no reason why it should not be - will have a long-term impact on China's economic and social sectors. It is a concept for which Mr. Deng Xiao-ping deserves much credit.

Political leadership and objectives

The message which Chinese leaders in Peking have been conveying to Hong Kong through the many groups which have visited Peking in recent months is that Hong Kong will be given a high degree of autonomy under Chinese sovereignty after 1997. We will have to see how this is spelt out in the draft Sino-British agreement when it is published in the coming weeks.

Naturally, to what extent and in what manner Hong Kong people will have a genuine level of self-administration, only time can tell, as much will depend on a number of factors. For example,

What will be the strength and unity of Hong Kong leaders between now and 1997?

What will be the pace and degree of Hong Kong participation in the modernization of China between now and 1997 and for 50 years thereafter?

What will be the outlook and vision of the leadership in the Chinese Communist Party and in the Chinese Government structure towards the end of this century?

Because of the political reality of 1997, Hong Kong people will have little or no choice but to take up the challenges and opportunities (even though fraught with

many risks) of self-administration, for the next 13 years under British sovereignty and, after 1997, under Chinese sovereignty.

Our emerging political leadership will need to have a sense of history, in terms of firstly, Hong Kong's colonial past, and secondly, the rapidly changing scene taking place as a result of China's modernization.

Hong Kong leaders will want to maintain the Hong Kong lifestyle as much as possible. This includes retaining fundamental freedoms, such as the right of free speech and freedom to travel, the rule of law and independence of the judiciary, the present market economy system, Hong Kong's international status as a free port and major trade and financial centre, etc.

Between now and 1997, Hong Kong should continue as an international city from where the Western world can enter the portals of China. After 1997, Hong Kong will become a vital Chinese gateway between China and the rest of the world.

Whatever the political changes in Hong Kong, our local political leadership has the responsibility to ensure that social and political stability, as well as economic prosperity, will be permanently preserved.

Our leaders will have to cultivate vision, courage, determination and strength and above all a sense of unity, tolerance and co-operation in order to ensure that Hong Kong and its people will remain an international city well into the 21st century.

On the one hand we will want to preserve our own lifestyle and a good standard of living, and on the other hand we should play a positive role in China's modernization and in supporting China's Open Door policy. We can go even further by joining hands with the great majority of China's population not to allow the recurrence of any other type of Cultural Revolution to happen in the future.

The Hong Kong Electorate

As I have spoken at length on the subject of political leadership, I can only briefly comment on the present electorate in Hong Kong.

For District Boards and the Regional Councils, Councillors are elected on the basis of universal franchise by constituencies. For election to the Legislative Council, the Green Paper proposes that there should be in 1985 indirect elections with geographic and functional constituencies.

Since the Green Paper was first published, there has been many views expressed as to whether or not Legislative Council elections should be direct or indirect. I shall come back to this again when I speak about the development of the political system.

I would like to emphasize at this point, however, that civic education in the schools should from now on take more cognizance of the political changes which will take place between now and the end of the century. I would like to see a stepped-up pace in teaching "Pu-T'unghua" in all schools. Also, Hong Kong leaders can contribute much towards political education of the public through public discussion on Government policies and issues having to do with the wellbeing of the community.

Political education expands with public participation in discussion and consultation in the activities of Government, and as the system of representative government develops this will increase the public awareness of the electorate. The result will be a more educated electorate with more persons coming forward to participate in the political arena in Hong Kong.

Development of the Political System

The Green Paper on Representative Government seems to be a broad brush outline of the direction in which

Hong Kong can move towards self-administration in the coming years.

Hong Kong was the offspring of the "Chinese Imperial Dragon" and the "British Colonial Lion". From now on, Hong Kong will have to develop its own self-generating political structure, with healthy grassroots organizations and grassroots leadership as the base. Such political structure cannot be a copy of either the Westminster colonial model, or the Peking, Shanghai or Tientsin municipal model.

By 1997 Hong Kong is expected to be a Special Administrative Region under Chinese sovereignty, with a high degree of autonomy to be exercised by Hong Kong people and Hong Kong leaders.

Coming back to the Green Paper, would it not be possible for the electoral college to elect 10 seats to the Legislative Council in 1985 instead of 6, on two lists: 6 seats for the District Boards and 4 seats for the regional councils? Furthermore, why not increase the number of indirectly elected seats on the functional constituencies from 6 to 10 as well? By 1988, the number of indirectly elected seats for both the geographic and functional constituencies could be each increased by 5-10 seats more.

Also, before the next round of elections to Legislative Council takes place in 1988, Government should review the possibility of having direct elections for 8 to 10 seats, either on a territory-wide constituency or on a regional constituency (Hong Kong Island, Kowloon West, Kowloon East and New Territories regions).

Although the Green Paper does not make specific recommendations for the period from 1991 to 1997, I think that the aim should be for self-administration or internal self-government to be arrived at sometime between 1991 to 1994, and not to wait until 1997.

Again, there is no mention in the Green Paper as to the pace at which the chairmanship of the boards and committees which are still in the hands of civil servants should be transferred to unofficials. This should not be overlooked.

In closing, may I urge those who are concerned with Hong Kong's future not to lose their nerve but to work hard and to keep faith in Hong Kong's future - we cannot afford but to do otherwise.

Others who are worried about drastic changes in the Hong Kong lifestyle after 1997 have the freedom to plan what they wish to do between now and 1997, and if they so wish to emigrate elsewhere to settle down.

To those who have already left Hong Kong and want to return and contribute to Hong Kong's and China's prosperity - and to make money in the bargain - they are welcome to do so, whether or not they would still retain a Hong Kong passport or Hong Kong Certificate of Identity, or whether they would have acquired the passport of another country.

For generations to come, it will be the responsibility of Hong Kong leaders to keep the gates of Hong Kong - as China's "Southern Gateway" to the world - as wide open as ever, as a vital economic, political, social and cultural bridge between China's 1,200 million people (by 1997) and the rest of the world.

21 AUG 1984



10

LPC to SS/Transport 9/8

SUBJECT Hong Kong Air Services

Now filed on:

AEROSPACE: UK - Hong Kong
Air Services June 1980

SECRET

file

BM



9

10 DOWNING STREET

From the Private Secretary

8 August 1984

Future of Hong Kong:
Consultation with EXCO

Thank you for your letter of earlier today.

As I have already told Sir Percy Cradock, the Prime Minister has agreed in principle - and if necessary - to see members of EXCO on the afternoon of 12 September, beginning at 1400 hours.

(David Barclay)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

SECRET

NIR

cc/K
8

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree in principle to see

Yes not

8 August 1984

EXCO on the afternoon

of Sep 12th (the 11th and the morningof Sep 12th (the 11th and the morning
Dear David, of the 12th are being kept free)?Future of Hong Kong: Consultation with EXCOsub
878

We have long thought that once an agreement on Hong Kong is completed or close to completion in Peking, it would be necessary to bring the EXCO Unofficials back to London again for consultations with Ministers before we initial the texts. The purpose would be both to demonstrate that EXCO had been fully consulted, and to head off any last minute demands for unrealistic amendments to the text.

The Governor regards it as most important that EXCO should see the Prime Minister on this occasion. This presents us with a timing problem. The Prime Minister is due to be in South East Asia from 14-27 September. It is, however, unlikely that the negotiations will have reached a final stage before mid-September at the earliest. On the other hand, bringing EXCO to London after 27 September would be too late.

In view of the importance which the Governor believes the Unofficials will attach to seeing the Prime Minister, we think that we should make provisional plans to invite them to London before the Prime Minister leaves on her trip to South East Asia, even if this means that their consultations in London would have to be on a contingent basis. I suggest that, if it is possible, we should pencil in one date between 10 and 13 September. Perhaps you could let me know whether the Prime Minister would be able to see them in that period.

A final decision on the timing of EXCO's visit will inevitably have to wait until late this month or early September.

Yr ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

David Barclay Esq
10 Downing Street

H/K

Posten und Fernverkehr

Haus Nr. 211



28 AUG 1984

1 2 3 4 5 6 7 8 9 10 11 12

SIR PERCY CRADOCK

Possible Meeting with Members of EXCO

Charles Powell has shown me a copy of Hong Kong telegram number 2243 of 4 August.

Although the Prime Minister's diary for 10-13 September is already extremely overcrowded, I am reserving from 2.00 pm to 4.00 pm on 12 September for a possible meeting with members of EXCO.

I should be grateful if you could keep me in touch about the need for this meeting as things develop.

DB

6 August 1984

SECRET

CONFIDENTIAL



*File
ccpw* *[Signature]*

10 DOWNING STREET

From the Private Secretary

6 August 1984

Future of Hong Kong: Test of Acceptability

Thank you for your letter of 3 August about the appointment of two monitors to observe the work of the Assessment Unit in determining the acceptability of an agreement on the future of Hong Kong.

The Prime Minister agrees to the appointment of Mr Justice Simon Li as the Hong Kong based monitor and Sir Patrick Nairne as the British monitor, with Sir John Paul as fallback.

C D Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

14-00 - 1600 m 12 GP

DB

6

SECRET

SECRET

FM HONG KONG 040315Z AUG 84
TO PRIORITY FCO
TELEGRAM NUMBER 2243 OF 4 AUGUST
INFO PRIORITY PEKING

To note that members
of Exco may need to
come to London &
see the PM between
10-13 September. Please

FOLLOWING FOR CRADOCK FROM GOVERNOR

YOUR TELNO 1525

1. I CAN SEE THE DIFFICULTY OVER TIMINGS BUT I THINK THE UNOFFICIALS WILL ATTACH VERY GREAT IMPORTANCE TO SEEING THE PRIME MINISTER. IF THEY ARE TO DO THIS IT MUST CLEARLY BE BEFORE SHE LEAVES FOR THE FAR EAST.
2. IF THE DIE HAS BEEN CAST THE MEETING COULD BE QUITE A SHORT ONE. IF, ON THE OTHER HAND, THERE WERE STILL POINTS OUTSTANDING WHICH WERE CRUCIAL TO ACCEPTABILITY THEN THE CONSULTATION WITH THE PRIME MINISTER MIGHT HAVE TO BE ON A CONTINGENT BASIS I.E. ACCEPTABLE SUBJECT TO SATISFACTORY RESOLUTION OF THE OUTSTANDING POINTS.
3. THE ONLY OTHER SOLUTION I CAN THINK OF WOULD BE FOR THE EXCO PARTY TO PASS THROUGH WHICHEVER CAPITAL SHE WAS VISITING ON THEIR WAY BACK TO HONG KONG AFTER CONSULTATIONS IN LONDON. BUT I DO NOT IMAGINE THE PRIME MINISTER WOULD WELCOME THIS AND WE WOULD ALMOST CERTAINLY NOT WANT TO ADOPT SUCH A COURSE ANYWAY UNLESS IT WAS ALREADY CLEAR THAT THE AGREEMENT WOULD BE ACCEPTABLE.
4. I AGREE THAT WE CANNOT TAKE THIS MUCH FURTHER NOW BUT I THINK IT WOULD BE WISE TO PENCIL IN A DATE BEFORE THE PRIME MINISTER LEAVES AS WELL AS THE DATES YOU PROPOSED.

CDD GP
pencil in,
& let
P-Cradock
know.

YOUDE

FUTURE OF HONG KONG
LIMITED

HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
RESEARCH D (MR WALKER)
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TO IMMEDIATE FCO
TELEGRAM NUMBER 2229 OF 3 AUGUST
INFO IMMEDIATE PEKING
INFO ROUTINE HONG KONG GOVERNMENT OFFICE LONDON, H.K. REPS
WASHINGTON, NEW YORK, BRUSSELS, GENEVA

MT

FUTURE OF HONG KONG : PRESS COVERAGE.

SUMMARY:

1. FURTHER POSITIVE REACTIONS TO THE SECRETARY OF STATE'S VISIT.
A FEW MORE CAUTIONARY NOTES FROM THE INDEPENDENT PRESS. NCNA
SAY THAT EVEN IF THE SINO/BRITISH AGREEMENT IS CALLED A JOINT
DECLARATION IT WILL STILL BE BINDING. SPECULATION ABOUT THE PROBLEMS
OF LAND, NATIONALITY AND CIVIL AVIATION. CIVIL SERVANTS
ENCOURAGED BY THEIR TALKS IN PEKING: TALENT, NOT POLITICAL BELIEFS,
TO BE THE CRITERION FOR FUTURE ADMINISTRATORS? LEGCO DEBATES THE
GREEN PAPER. A COMMUNIST NEWSPAPER SUGGESTS THAT THE BASIC LAW
MIGHT BE READY BY 1988.

NEWS COVERAGE:

2. SECRETARY OF STATE'S VISIT: MOST PAPERS CONTINUED TO GIVE VERY
PROMINENT COVERAGE TO REPORTS LINKED TO THE SECRETARY OF STATE'S

NEWS COVERAGE:

2. SECRETARY OF STATE'S VISIT: MOST PAPERS CONTINUED TO GIVE VERY PROMINENT COVERAGE TO REPORTS LINKED TO THE SECRETARY OF STATE'S VISIT TO PEKING AND HONG KONG. THE 67 POINT RISE IN THE HANG SENG INDEX WAS GENERALLY INTERPRETED AS A DIRECT RESPONSE TO THE VISIT, AND THE CUT IN INTEREST RATES ANNOUNCED ON 2 AUGUST WAS EXPECTED TO ENCOURAGE FURTHER MARKET RECOVERY.

3. TITLE OF AGREEMENT: AN MCNA(HONG KONG) SPOKESMAN WAS REPORTED TO HAVE CLARIFIED THE APPARENT DISCREPANCY BETWEEN THE SECRETARY OF STATE'S REFERENCE TO A SINO/BRITISH "AGREEMENT" AND THE MFA REFERENCE TO A "JOINT DECLARATION". THE SPOKESMAN SAID THAT THE DOCUMENT'S NAME WOULD BE MADE KNOWN AFTER IT WAS INITIALLED, AND SAID THAT "NO MATTER WHAT IT IS GOING TO BE CALLED IT WILL HAVE EQUAL BINDING EFFECTS ON BOTH SIDES." EXCO AND LEGCO MEMBERS DECLINED TO COMMENT ON THE POINT. BUT THE SOUTH CHINA MORNING POST (SCMP) CITED A LEADING ACADEMIC ON INTERNATIONAL LAW AS SAYING THAT THE NAME OF THE PAPER DID NOT MATTER, PROVIDED THAT IT CONSTITUTED A BINDING AGREEMENT.

4. UNRESOLVED ISSUES/LAND: THE ORIENTAL DAILY (INDEPENDENT) SUGGESTED THAT IF THE ISSUES ON LAND, NATIONALITY AND CIVIL AVIATION WERE NOT RESOLVED BEFORE SEPTEMBER, THE JOINT LIAISON GROUP WOULD CONTINUE TO DISCUSS THEM. ON LAND IT QUOTED SOURCES AS SAYING THAT BRITAIN AND CHINA HAD AGREED THAT THE HONG KONG GOVERNMENT COULD SELL 100 HECTARES OF LAND PER YEAR ON LEASES EXTENDING BEYOND 1997, BUT THAT THEY HAD NOT YET AGREED ON HOW TO SHARE THE REVENUE. THE FINANCIAL DAILY (INDEPENDENT) REPORTED THAT ALL NEW TERRITORY LEASES WOULD BE EXTENDED FOR 50 YEARS AFTER 1997, BUT THAT ARRANGEMENTS FOR PAYING THE PREMIUM WERE STILL UNDER NEGOTIATION.

5. NATIONALITY: SEVERAL NEWSPAPERS SUGGESTED THAT THE QUESTION OF A NEW PASSPORT FOR HONG KONG BTDC'S HAD BEEN DISCUSSED DURING THE SECRETARY OF STATE'S VISIT TO PEKING. THE CHINESE HAD AGREED TO HONG KONG RESIDENTS' HAVING DUAL NATIONALITY.

6. CIVIL AVIATION: SING PAO (INDEPENDENT) SPECULATED THAT THE MAIN ISSUES OUTSTANDING ON CIVIL AVIATION CONCERNED AIR SERVICES TO TAIWAN AND UK AIRLINE'S LANDING RIGHTS IN HONG KONG.

7. MINISTERIAL VISITS: IT WAS REPORTED THAT THE PRIME MINISTER HAD NO PRESENT PLANS TO VISIT CHINA IN SEPTEMBER OR FOR THE SIGNING OF THE AGREEMENT LATER. IT WAS REPORTED THAT THE SECRETARY OF STATE WOULD MEET THE CHINESE FOREIGN MINISTER AT THE UNITED NATIONS IN SEPTEMBER.

8. CIVIL SERVICE: COMMENTS BY THE HONG KONG CHINESE CIVIL SERVANTS' ASSOCIATION DELEGATION ON ITS DISCUSSIONS IN PEKING WERE WIDELY REPORTED. THE DELEGATION WAS REPORTED TO HAVE BEEN SATISFIED WITH THE ASSURANCES IT RECEIVED. JI PENGFEI REPORTEDLY TOLD THE DELEGATION THAT THERE HAD BEEN A MISUNDERSTANDING ABOUT THE IDEA THAT HONG KONG'S FUTURE LEGISLATURE WOULD BE EQUALLY DIVIDED AMONG PRO-BRITISH, PRO-PEKING AND NEUTRAL HONG KONG RESIDENTS: IN FACT POLITICAL TENDENCIES WOULD NOT BE TAKEN INTO ACCOUNT, AND HONG KONG'S

THAT HONG KONG'S FUTURE LEGISLATURE WOULD BE EQUALLY DIVIDED AMONG PRO-BRITISH, PRO-PEKING AND NEUTRAL HONG KONG RESIDENTS: IN FACT POLITICAL TENDENCIES WOULD NOT BE TAKEN INTO ACCOUNT, AND HONG KONG'S ADMINISTRATORS WOULD BE SELECTED ON THE BASIS OF INDIVIDUAL TALENT. THE SCMP QUOTED THE LEADER OF THE DELEGATION AS SAYING THAT JI HAD CLARIFIED THE DEFINITION OF THE HONG KONG PEOPLE WHO WOULD RULE HONG KONG AFTER 1997, BY DENYING THAT PATRIOTISM WOULD BE A CRITERION AND SAYING THAT HONG KONG PEOPLE WOULD BE PEOPLE WHO HAD LIVED IN HONG KONG FOR A LONG TIME. JI ALSO DENIED THAT DENG XIAOPING HAD SAID THAT HONG KONG'S CIVIL SERVANTS WERE OVERPAID, AND HE REASSURED THEM THAT THE PAY AND CONDITIONS OF SERVICE WOULD REMAIN THE SAME AFTER 1997. CIVIL SERVANTS WOULD NOT BE TRANSFERRED TO THE MAINLAND UNLESS THEY WANTED TO BE. JI ALSO INDICATED THAT THOSE OFFICERS OF BRANCH SECRETARY AND HIGHER RANK, INCLUDING THE CP AND GOVERNOR WHO COULD NOT REMAIN IN THEIR POSTS AFTER 1997 WOULD BE APPOINTED AS ADVISERS. BUT THE DELEGATION WAS UNCLEAR WHETHER AN EXPATRIATE WHO WAS A PERMANENT HONG KONG CITIZEN COULD OCCUPY THESE SENIOR POSTS: IT WOULD SEEK FURTHER CLARIFICATION FROM NCHA. JI ALSO REPORTEDLY UNDERTOOK TO CONSIDER INCLUDING A PROVISION IN THE BASIC LAW TO PROTECT MEMBERS OF HONG KONG'S DISCIPLINED FORCES FROM POST-1997 PURGES AND REPRISALS.

9. GREEN PAPER: LEGCO'S DEBATE ON THE GREEN PAPER WAS WIDELY REPORTED. UNOFFICIALS GENERALLY WELCOMED THE GRADUALIST APPROACH TO REFORM, BUT SOME ARGUED FOR A LONGER CONSULTATION PERIOD, AND SOME DOUBTS WERE EXPRESSED ABOUT THE PROPOSED FUNDAMENTAL CONSTITUENCIES. MISS LYDIA DUNN ARGUED FOR THE EARLY INTRODUCTION OF A SYSTEM OF CONFERRING QUASI-MINISTERIAL RESPONSIBILITIES ON ELECTED REPRESENTATIVES.

COMMENTARIES:

10. SINO/BRITISH TALKS: MANY INDEPENDENT NEWSPAPERS CONSIDERED THE RISE IN THE HANG SENG INDEX TO SHOW PUBLIC WELCOME FOR THE SECRETARY OF STATE'S DISCLOSURES AND AN INCREASE IN CONFIDENCE. KUNG SHEUNG DAILY NEWS (PRO-TAIPEI) SAID THAT IT WAS THE SPEAKER NOT THE MESSAGE WHICH BOOSTED LOCAL CONFIDENCE: IF THE SECRETARY OF STATE'S STATEMENT HAD BEEN MADE BY A PEKING OFFICIAL, HONG KONG WOULD HAVE REACTED SCEPTICALLY.

11. MING PAO (INDEPENDENT) SAID THAT PEOPLE COULD MONITOR PEKING'S PERFORMANCE OVER THE NEXT FEW YEARS IN A NUMBER OF AREAS SO AS TO ASSESS THE LIKELIHOOD OF ITS HONOURING THE SINO/BRITISH AGREEMENT AFTER 1997.

12. THE DAILY NEWS AND SING TAO WAN PAO (BOTH INDEPENDENT) URGED THE EARLIEST POSSIBLE RESOLUTION OF THE LAND PROBLEM.

13. THE EXPRESS (INDEPENDENT) WAS NOT MUCH CHEERED BY WHAT HAD BEEN AGREED ON THE JOINT LIAISON GROUP: THE SECRETARY OF STATE HAD PICKED UP A SESAME SEED BUT LOST A WATER-MELON. SING TAO JIH PAO (INDEPENDENT) SAID THAT IT REMAINED TO BE SEEN WHETHER CHINA WOULD ADHERE TO THE AGREEMENT. THE ECONOMIC JOURNAL (INDEPENDENT) SAID THAT THE CONFIDENCE CRISIS HAD BEEN CONTAINED BUT NOT ELIMINATED. MORE LOCAL PEOPLE WOULD TRY TO CURRY FAVOUR WITH PEKING:

13. THE EXPRESS (INDEPENDENT) WAS NOT MUCH CHEERED BY WHAT HAD BEEN AGREED ON THE JOINT LIAISON GROUP; THE SECRETARY OF STATE HAD PICKED UP A SESAME SEED BUT LOST A WATER-MELON. SING TAO JIN PAO (INDEPENDENT) SAID THAT IT REMAINED TO BE SEEN WHETHER CHINA WOULD ADHERE TO THE AGREEMENT. THE ECONOMIC JOURNAL (INDEPENDENT) SAID THAT THE CONFIDENCE CRISIS HAD BEEN CONTAINED BUT NOT ELIMINATED. MORE LOCAL PEOPLE WOULD TRY TO CURRY FAVOUR WITH PEKING; A KEY QUESTION WAS WHETHER MCNA AND OTHER SUCH ORGANIZATIONS WOULD ENCOURAGE THEM.

14. PRO-PEKING NEWSPAPERS CONTINUED TO URGE OPTIMISM. THE NEW EVENING POST (COMMUNIST) AND OTHER PAPERS CONTINUED TO CRITICIZE UMELCO'S ATTITUDES.

15. BASIC LAW: NEW EVENING POST (COMMUNIST) ARGUED THAT IT WOULD BE DESIRABLE TO DRAW UP THE BASIC LAW AS SOON AS POSSIBLE, PREFERABLY BY THE DAY THE JOINT LIAISON GROUP CAME TO BE LOCATED IN HONG KONG, 1 JULY 1988.

YOUDE

NNNN



Foreign and Commonwealth Office

London SW1A 2AH

3 August, 1984

Dear Charles,

Yes
Prime Minister
Agree to appointment
of Sir Patrick Nairne,
with Sir John Paul
as fall back?

Future of Hong Kong: Test of Acceptability

As you know, part of the proposed method of determining the acceptability of an agreement when it is reached in Hong Kong involves the appointment by HMG of two monitors to observe the work of the Assessment Unit set up under the Hong Kong Government, and to report on the impartiality of its proceedings. The proposal is that one monitor should be from Hong Kong, and the other from the UK.

CDD
3/8.

There was an initial discussion of possible candidates in OD(K) before the Foreign Secretary's visit to Hong Kong and China. During his visit, Sir Geoffrey discussed possible candidates for these posts with the Governor. The Governor proposes to nominate a Chinese High Court Judge, Mr Justice Simon Li, as the Hong Kong-based monitor.

As for the British candidate, Sir Geoffrey and the Governor concluded that the best choice would be Sir Patrick Nairne, now Master of St Catherine's College, Oxford. The second choice would be Sir John Paul, currently Director of Overseas Relations with St John's Ambulance Brigade, and previously Governor of the Isle of Man.

I should be grateful to know whether the Prime Minister is content with these conclusions. If so, we propose to make an early approach to Sir Patrick Nairne in the first instance.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

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Sir P. Gledoch
✓ CDP 6/P.

SECRET

James
Tate 11.14.8

Prime Minister (2)
CDP
3/8

Thanks on - many

PRIME MINISTER

3 August 1984

HONG KONG

Congratulations to you
both - it was an excellent result -
- progress beyond all expectations
me.

1. You have already had a report on the talks from the Foreign Secretary. But you may find it helpful to have some personal comments.

2. First, there was no question that for the Chinese this was a make or break occasion. Zhou Nan made this very plain to me at lunch on the first day when he outlined the Chinese offer: if we left Peking without settling the issue of the Joint Liaison Group, Chinese offers of concessions would be withdrawn and the talks as a whole would fail. As you readily accepted in your telegram to the Foreign Secretary, the question had therefore to be settled on the spot. We were all very grateful for your understanding and support.

3. The next point is that we got as much out of the Chinese as was possible. We went to the brink and even slightly beyond it. Once we had your telegram, the bargaining on the date of location of the Joint Group in Hong Kong was carried on through the Sunday morning with Wu, the Chinese Foreign Minister, through the Sunday evening during dinner at the Residence, again with Wu, and finally on Monday morning with Premier Zhao. The matter had to be finalised with him. The Chinese said several times to me that Zhao would make the final decision. What they meant by this was that it would

SECRET

be fatal to go to Deng with the issue unresolved. Deng is now getting more irascible and unpredictable and the Chinese are getting increasingly nervous about his interventions. Even so I was getting distinctly uneasy as the bargaining went on with Zhao, moving him finally from 1 January 1988 to 1 July 1988.

4. During the two days in Peking when we indicated that we were interested in the Chinese offer but the precise date of the Joint Group's location in Hong Kong was still being debated we enjoyed maximum leverage and were able to exploit it. In that time we pinned the Chinese down on issues that we had expected to take weeks, ie making the agreement legally binding, undertaking that its provisions and those of the Annexes would be in the Basic Law, calling the Annexes Annexes rather than exchanges of notes, and removing offensive Chinese language on sovereignty. The use of the word "agree" governing all the provisions was particularly critical. As late as the Foreign Secretary's last visit in April, Premier Zhao said that China would never accept that its future policies regarding Chinese territory could be made the subject of agreement with another power (ie unilateral declaration was as far as they were prepared to go).

5. During the same period, we also secured Chinese agreement with only minor changes to our draft on the terms

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of reference of the Joint Liaison Group, though on this they first tried to resile.

6. Deng, who looked very fit, made the five hour train journey from the holiday resort of Beidaihao specially to see the Foreign Secretary and give his benediction to the deal. He sent you his thanks and good wishes and I think meant it. He is still very ignorant of Hong Kong and suspicious of what may happen there during the period before 1997. But he made the important admission that the Chinese have now concluded we are playing straight and can be trusted. This will make it easier for us to conduct the necessary education of how capitalist Hong Kong works. Deng is also inordinately proud of the concept of "one country, two systems". It is not his own, I suspect, but he should be given undue credit for it, because it carries with it the valuable implication that he will want Hong Kong to work in something like the way we would want it to work.

7. We also now have Exco with us. At our first meeting with them there was stunned silence; at the second S Y Cheung and Lydia Dunn gave generous approval and said they expected the agreement emerging would be acceptable to Hong Kong. At another meeting unofficial members of Legco and Exco broke into applause after the Foreign Secretary's exposition. This solidarity will be important in the presentation and acceptance phase we are now approaching.

- 3 -
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8. There is hard negotiating ahead, and much detailed work to be done on the remaining Annexes, some, eg on the legal system, very important indeed. The Chinese will be more accommodating, but we must not expect miracles or over-estimate our leverage. We shall also continue to have internal arguments with Hong Kong over the ideal length of the Annexes. There are limits to what the Chinese will take. During this visit Zhao was still difficult about what he called 'excessive detail'. A balance therefore has to be achieved between clarity and brevity. We should trust David Wilson's judgement. As leader of the working group he will be in direct contact with the Chinese. So far he has got virtually all of the points we regard as essential into the Annexes, but in wording which the Chinese can understand and accept. He will know how much traffic the bridge can take.

9. We shall need to keep a close eye on the timetable. If all goes well we shall reach a point about the first or second week of September when the last remaining hard issues, eg nationality, have to be settled. Somewhere about mid-September we should have Exco back here to make the final decision whether or not to accept the deal. This will be a much easier exercise than we originally thought. Nevertheless, the trip to London is something they will expect. You may be away on your South East Asian tour. In that case the best solution would probably be for them to

- 4 -
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come to London to see the Foreign Secretary and you may wish to leave them a message.

10. We should also be turning our thoughts to presentation. The negotiators can provide language but the Hong Kong response will be decisive. If they treat the draft agreement as the end of the world it will be so. If they recognise it as a challenge but one they can meet, it will be a triumph. It is essential that we encourage the right response. Fortunately, the Foreign Secretary has given them a lot of detail and they have taken it well. As publication of the draft agreement approaches we should plan to give confidential previews to certain Hong Kong business houses, banks etc who can make favourable comments in the first critical 48 hours after publication. We should also brief foreign governments in advance eg the United States, Japan and the Community, so they can make early positive comments. These in turn will encourage confidence inside Hong Kong.

11. As regards signature, the Chinese made it clear they expect a Minister to sign. Exco made the same point independently. This will mean a trip to Peking in December and some thought will have to be given to this aspect. We shall also need to think about methods of speeding up ratification.

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12. The Foreign Secretary in his press conference spoke about progress to an historic agreement. He is right. There is still a lot of work to be done before we get there but we shall be inept if we cannot manage it now. When it comes it will be a big event and a great success for your foreign policy.

14.
PERCY CRADOCK

SECRET - 6 -

E. R.

NOTE FOR THE RECORD

HONG KONG

When the Prime Minister discussed the outcome of Sir Geoffrey Howe's visit to Peking with him this afternoon, they agreed that it would be an excellent idea to hold a party for those most closely concerned with the Hong Kong negotiations when they were complete. The idea would be to invite members of EXCO to come over for it.

Please bring this up to remind me in early October.

C.D.P.

2 August 1984

cc: Mr. Robin Butler

IMMEDIATE

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1689 OF 2/8/84

INFO IMMEDIATE HONG KONG

MY TELNO 220 TO HONG KONG: SECRETARY OF STATES VISIT:

CHINESE PRESS COVERAGE

1. A SPOKESMAN FOR INFORMATION DEPARMTN OF THE MFA MADE A STATEMENT YESTERDAY (1 AUGUST) ON THE JOINT LIAISON GROUP, THE FULL TEXT OF WHICH IS REPORTED PROMINENTLY ON THE FRONT PAGES OF BOTH THE PEOPLES DAILY AND CHINA DAILY.

IT READS:

" DURING HIS WORKING VISIT TO BEIJING, THE BRITISH FOREIGN SECRETARY HELD FRUITFUL TALKS WITH THE CHINESE LEADERS ON THE MAJOR ASPECTS OF THE HONG KONG QUESTION IN A FRIENDLY SPIRIT AND AN ATMOSPHERE OF MUTUAL UNDERSTANDING AND MUTUAL ACCOMMODATION. THE TALKS REGISTERED SUBSTANTIAL PROGRESS, AS STATED IN THE JOINT PRESS COMMUNIQUE ISSUED AT THE CONCLUSION OF THE VISIT. THE TWO SIDES REACHED AGREEMENT ON THE SETTING UP OF A SINO-BRITISH JOINT LIAISON GROUP.

THE GOVERNMENTS OF CHINA AND THE UNITED KINGDOM HAVE AGREED TO SET UP THE SINO-BRITISH JOINT LIAISON GROUP IN ORDER TO FURTHER THEIR COMMON AIM AND PROMOTE THE COOPERATIVE RELATIONSHIP WHICH ALREADY EXISTS BETWEEN THE TWO GOVERNMENTS OVER HONG KONG. THE FUNCTIONS OF THE JOINT LIAISON GROUP SHALL BE AS FOLLOWS:

1. TO CONDUCT CONSULTATIONS ON THE IMPLEMENTATION OF THE JOINT

1. TO CONDUCT CONSULTATIONS ON THE IMPLEMENTATION OF THE JOINT DECLARATION TO BE CONCLUDED BETWEEN THE CHINESE AND THE UNITED KINGDOM GOVERNMENTS:

2. TO DISCUSS MATTERS RELATING TO THE SMOOTH TRANSFER OF GOVERNMENT IN 1997: AND

3. TO EXCHANGE INFORMATION AND CONDUCT CONSULTATIONS ON SUCH SUBJECTS AS MAY BE AGREED BY THE TWO SIDES.

THE JOINT LIAISON GROUP SHALL BE AN ORGAN FOR LIAISON AND NOT AN ORGAN OF POWER. IT SHALL PLAY NO PART IN THE ADMINISTRATION OF HONG KONG OR THE HONG KONG SPECIAL ADMINISTRATIVE REGION. NOR SHALL IT HAVE ANY SUPERVISORY ROLE OVER THAT ADMINISTRATION.

THE JOINT LIAISON GROUP SHALL BE ESTABLISHED ON THE ENTRY INTO FORCE OF THE JOINT DECLARATION. THE TWO SIDES HAVE AGREED THAT FROM 1 JULY 1988 THE GROUP SHALL HAVE ITS PRINCIPAL BASE IN HONG KONG. IT SHALL CONTINUE ITS WORK UNTIL 1 JANUARY 2000.

THE GOVERNMENT DELEGATIONS OF CHINA AND THE UNITED KINGDOM SHALL CONTINUE THEIR TALKS ON THE QUESTION OF HONG KONG WITH A VIEW TO ACHIEVING A COMPREHENSIVE AND SATISFACTORY AGREEMENT ON SCHEDULE''

2. BOTH PAPERS ALSO CARRY SHORT REPORTS OF THE SECRETARY OF STATE'S 1 AUGUST PRESS CONFERENCE IN HONG KONG, HIGHLIGHTING THE FACT THAT HE SAID THE TALKS HAD MADE ''VERY SUBSTANTIAL PROGRESS'' AND THAT HE BELIEVED THERE WAS THE PROSPECT OF REACHING ''AN HISTORIC AGREEMENT''.

3. THERE HAVE BEEN NO CHINESE COMMENTARIES ON THE VISIT SO FAR.

THOMSON

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Useful that
the Chinese
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publicly on
the record
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IMMEDIATE

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ROUTINE HONG KONG GOVERNMENT OFFICE LONDON
HONG KONG GOVERNMENT OFFICES WASHINGTON, NEW YORK, BRUSSELS AND GENEVA.

FUTURE OF HONG KONG : PRESS COVERAGE.

SUMMARY:

1. BLANKET COVERAGE FOR THE SECRETARY OF STATE'S PRESS CONFERENCE. GENERALLY VERY POSITIVE REACTIONS ALTHOUGH SOME INDEPENDENT PAPERS VOICE SOME CONTINUING CONCERNS.

NEWS COVERAGE:

- 2. ALL NEWSPAPERS GAVE BLANKET COVERAGE TO THE SECRETARY OF STATE'S PRESS CONFERENCE. MANY, INCLUDING THE MAIN COMMUNIST PAPERS, PUBLISHED VERBATIM THE STATEMENT, QUESTIONS AND ANSWERS.
- 3. HEADLINES GENERALLY STRESSED THAT BRITAIN AND CHINA HAD AGREED ON THE FRAMEWORK AND KEY CLAUSES OF A LEGAL AND BINDING AGREEMENT ON HONG KONG'S FUTURE. SOME PAPERS, INCLUDING WEN WEI PO (COMMUNIST), HIGHLIGHTED THE SECRETARY OF STATE'S ANNOUNCEMENT OF AGREEMENT TO ESTABLISH A JOINT LIAISON GROUP. THE NEWSPAPERS DID NOT HIGHLIGHT THE SECRETARY OF STATE'S ASSURANCE THAT ALL THE POINTS IN THE SINO/BRITISH AGREEMENT WOULD BE ENSHRINED IN THE BASIC LAW.
- 4. THE TWO MAIN COMMUNIST NEWSPAPERS LED THEIR FRONT PAGES ON AN NCNA DESPATCH, QUOTING A CHINESE MFA SPOKESMAN'S ACCOUNT OF THE SINO-BRITISH UNDERSTANDING ON THE JOINT LIAISON GROUP, ITS TERMS OF REFERENCE, ITS LOCATION IN HONG KONG FROM 1988 AND ITS CONTINUING IN EXISTENCE UNTIL THE YEAR 2000. THE MFA STATEMENT REFERRED TO A SINO/BRITISH JOINT COMMUNIQUE RATHER THAN AN AGREEMENT.

5. MARKET REACTION: THE PRESS NOTED THAT THE HONG KONG INDEX RISE

5. MARKET REACTION: THE PRESS NOTED THAT THE HANG SENG INDEX ROSE 27 POINTS IN THE MORNING SESSION BEFORE THE PRESS CONFERENCE AND LINKED THIS TO OPTIMISTIC REPORTS OF THE PROGRESS MADE IN PEKING. IT WAS NOTED THAT AFTER THE PRESS CONFERENCE HONG KONG SHARE PRICES GAINED GROUND IN LONDON AND THE HONG KONG DOLLAR STRENGTHENED. FURTHER MARKET RECOVERY ON 2 AUGUST WAS GENERALLY PREDICTED.

6. REPORTED PUBLIC REACTIONS WERE ALMOST ALL FAVOURABLE. SIR S Y CHUNG NOTED THAT THE AGREEMENT WOULD BE DETAILED, LEGALLY BINDING AND THAT ITS TERMS WOULD BE REFLECTED IN THE BASIC LAW. HONG KONG PEOPLE HAD NOT WANTED A JOINT LIAISON GROUP BUT AT LEAST ITS TERMS OF REFERENCE HAD BEEN CAREFULLY LIMITED. OTHER EXCO AND LEGCO MEMBERS, MANY DISTRICT BOARD MEMBERS, URBAN COUNCILLORS AND OTHER PROMINENT PERSONALITIES ALSO SPOKE POSITIVELY AND CONSIDERED THAT THE ARRANGEMENTS FOR THE JOINT LIAISON GROUP WOULD BE ACCEPTABLE. BUT DR LAO SZEKUANG, CHAIRMAN OF THE HONG KONG PROSPECT INSTITUTE, NOTED THAT THE SECRETARY OF STATE HAD FAILED TO SAY WHETHER HONG KONG WOULD BE ABLE TO AMEND THE FUTURE BASIC LAW AND WHETHER CHINA WOULD ACCEPT THE FORM OF REPRESENTATIVE GOVERNMENT DEVELOPED BEFORE 1997.

COMMENTARIES:

7. THE MOST ENTHUSIASTIC REACTIONS IN THE INDEPENDENT PRESS CAME FROM THE HONG KONG DAILY NEWS, FINANCIAL DAILY AND SING PAO. THE FINANCIAL DAILY NOTED THAT NO AGREEMENT HAD EVER OFFERED A HUNDRED PER CENT SECURITY, BUT BRITAIN AND CHINA HAD COMMON OBJECTIVES, AND CHINA HAD MADE BIG CONCESSIONS ON A DETAILED AGREEMENT AND ON THE JOINT GROUP CONTINUING TO 2000. THE DAILY NEWS THOUGHT THE JOINT LIAISON GROUP WOULD BE ACCEPTABLE ON THE TERMS OUTLINED BY THE SECRETARY OF STATE. SING PAO PRAISED THE STATESMANSHIP OF BOTH BRITISH AND CHINESE LEADERS.

8. SING TAO JIH PAO, MING PAO AND THE ECONOMIC JOURNAL ALSO WARMLY WELCOMED THE SECRETARY OF STATE'S DISCLOSURES BUT WITH SOME QUALIFICATIONS. SING TAO JIH PAO, FELT THAT HONG KONG PEOPLE COULD ASK FOR NO MORE THAN WHAT WAS NOW PROMISED, BUT IT WARNED AGAINST OVER OPTIMISM AT THIS STAGE. MING PAO FELT THAT THE OUTLINE AGREEMENT INCLUDED ALL THE DEMANDS MADE BY HONG KONG PEOPLE AND SOME POINTS, E.G. CONCERNING EDUCATION, WHICH THEY HAD NOT THOUGHT ABOUT. THE AGREEMENT COULD NOT COMPLETELY RESOLVE THE CONFIDENCE QUESTION, AS PEOPLE STILL WORRIED ABOUT THE CONSEQUENCES OF A CHANGE IN CHINESE POLICY AND LEADERSHIP. BUT PESSIMISM WOULD NOT HELP: HONG KONG PEOPLE SHOULD TAKE A POSITIVE ATTITUDE: IF CHINA REVERTED TO EXTREME LEFTISM, HONG KONG PEOPLE COULD TRY TO RESIST: IF THEY FAILED THEY COULD RUN FOR THEIR LIVES. THE ECONOMIC JOURNAL DENIED THAT THERE HAD BEEN A SELL-OUT: PARTICULARLY GOOD NEWS WERE THE JOINT GROUP'S CONTINUATION TO 2000, THE LOCATION OF THE FINAL COURT OF APPEAL IN HONG KONG AND THE WARMER POLITICAL CLIMATE IN PEKING. THERE COULD NOW BE A CHOROUS OF OPTIMISM FROM PEKING, LONDON AND HONG KONG. BUT WHEN THIS JOYFUL MOOD PASSED, THERE WOULD BE SILENCE AND A MESSY SITUATION.

9. 3 OTHER INDEPENDENT PAPERS WERE MORE CAUTIOUS. WHA KIU YAT PO WAS NEITHER ENCOURAGE NOR DISAPPOINTED BY THE SECRETARY OF STATE'S NEWS. HONG KONG PEOPLE REMAINED CONCERNED ABOUT THE BINDING EFFECT OF THE AGREEMENT AND THE POWER OF THE JOINT GROUP: THE GROUP SHOULD

NEWS. HONG KONG PEOPLE REMAINED CONCERNED ABOUT THE BINDING EFFECT OF THE AGREEMENT AND THE POWER OF THE JOINT GROUP; THE GROUP SHOULD CONTINUE FOR MORE THAN THREE YEARS AFTER 1997. THE ORIENTAL DAILY NEWS WISHED THAT THE SECRETARY OF STATE'S DISCLOSURES HAD BEEN MORE COMPREHENSIVE. IT HOPED THAT THE PROBLEMS OF LAND AND NATIONALITY COULD BE RESOLVED AS SOON AS POSSIBLE. THE EXPRESS ASSESSED THE SECRETARY OF STATE'S VISIT AS A SMALL VICTORY AFTER HIS BIG DEFEAT LAST APRIL, WHEN HE CONCEDED SOVEREIGNTY. BUT HONG KONG PEOPLE NEEDED A CONCRETE GUARANTEE THAT CHINA WOULD NOT INTERFERE IN HONG KONG.

10. ENGLISH LANGUAGE PAPERS: THE STANDARD WELCOMED THE STATEMENT, WHICH IT SAW AS SOMETHING OF A BRITISH DIPLOMATIC COUP. THE SOUTH CHINA MORNING POST EXPRESSED QUALIFIED APPROVAL AND BREATHED A TENTATIVE SIGH OF RELIEF. IT REMAINED ANXIOUS ABOUT THE JOINT LIAISON GROUP, WHOSE ARRIVAL IN 1988 WOULD BE LIKE INVITING IN THE UNDERTAKER BEFORE THE PATIENT HAD SUCCUMBED. BUT IT CONCLUDED THAT IN ANY NEGOTIATIONS "YOUR CAN'T WILL THEM ALL". HOWEVER, THERE WERE STILL SOME MAKE-OR-BREAK ISSUES TO RESOLVE.

11. PRO-TAIPEI NEWSPAPERS WERE FAIRLY FRIENDLY. KUNG SHEUNG DAILY NEWS CONSIDERED THAT THE SECRETARY OF STATE'S FIRMER ATTITUDE IN PEKING HAD ACHIEVED SOME MODERATE RESULTS. BUT BRITAIN AND HONG KONG SHOULD REMAIN FIRM TO AVOID BEING CHEATED BY THE COMMUNISTS. THE HONG KONG TIMES THANKED THE SECRETARY OF STATE FOR HIS EFFORTS BUT DOUBTED THAT THE STATEMENT WOULD DIFFUSE HONG KONG'S CONFIDENCE CRISIS; WITHOUT INTERNATIONAL GUARANTEES THE AGREEMENT WOULD HAVE NO BINDING EFFECT.

12. PRO-PEKING NEWSPAPERS UNRESERVEDLY WELCOMED THE SUCCESSFUL DEVELOPMENTS IN THE TALKS. WEN WEI PO SAID HONG KONG PEOPLE COULD NOW HAVE FULL CONFIDENCE; THE AGREEMENT WOULD NOT BE VAGUE OR ABSTRACT. TA KUNG PAO SAID THAT THE END OF BRITISH COLONIAL RULE WAS GOOD FOR CHINA, HONG KONG AND BRITAIN. HONG KONG PEOPLE COULD ACTIVELY PARTICIPATE IN DRAFTING THE BASIC LAW; THEY SHOULD AIM AT PRODUCING THE DRAFT BY THE EARLY 1990'S. DURING THE TRANSITION PERIOD BRITAIN HAD MUCH TO DO IN MAINTAINING PROSPERITY AND STABILITY, ECONOMISING AND PREVENTING EXCESSIVE EXPANSION OF THE PUBLIC SERVICE. TIN FUNG YA PO SAID THAT IT TOOK AN IRON LADY TO HAVE THE COURAGE TO END BRITISH COLONIALISM.

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NOTE FOR THE RECORD

SIR PHILIP HADDON-CAVE

When the Prime Minister discussed Hong Kong matters with Sir Geoffrey Howe this afternoon, Sir Geoffrey recalled that Sir Philip Haddon-Cave would shortly be retiring and moving to the United Kingdom.

The Prime Minister said that he would be an excellent candidate for the Court of the Bank of England.

C.D.P.

2 August 1984

cc: Mr. Robin Butler
Mr. Andrew Turnbull
Court of Bank of England File

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FOLLOWING FROM PRIVATE SECRETARY.

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

SUMMARY

1. GOOD INITIAL REACTION FROM UMELCO MEMBERS TO SECRETARY OF STATE'S ACCOUNT OF THE VISIT TO PEKING AND OUTLINE OF HIS PRESS STATEMENT. SEVERAL MEMBERS COMMENTED THAT RESULTS WERE BETTER THAN THEY HAD EXPECTED.

DETAIL

2. THE SECRETARY OF STATE HAD LUNCH AND A MEETING WITH MEMBERS OF THE UNOFFICIAL MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS (UMELCO) EARLIER THIS AFTERNOON. HE GAVE THEM A REASONABLY FULL OUTLINE OF THE DISCUSSIONS IN PEKING AND A FULL SUMMARY OF THE PRESS STATEMENT HE MADE LATER IN THE AFTERNOON. HE ADDED THAT HE HAD THOUGHT IT RIGHT TO GO SOMEWHAT FURTHER THAN BEFORE IN GIVING THEM A FULL ACCOUNT OF THE TALKS, AND ASKED THEM NOT TO REVEAL IN PUBLIC AT THIS STAGE POINTS OF PARTICULAR SENSITIVITY FOR THE CHINESE, NAMELY THE TRANSLATION OF THE AGREEMENT AND ANNEXES INTO THE BASIC LAW AND THE DIVISION OF THE WORK OF THE JOINT GROUP INTO TWO HALVES.

3. SIR S. Y. CHUNG THEN REPEATED THE TRIBUTE HE HAD PAID EARLIER IN

THE BASIC LAW AND THE DIVISION OF THE WORK OF THE JOINT GROUP INTO TWO HALVES.

3. SIR S Y CHUNG THEN REPEATED THE TRIBUTE HE HAD PAID EARLIER IN EXCO TO THE SECRETARY OF STATE'S EFFORTS. HE POINTED OUT THAT THE SECRETARY OF STATE HAD SECURED ACCEPTANCE OF THE SIGNIFICANT POINTS ON THE MAIN AGREEMENT WHICH UMELCO MEMBERS HAD EXPRESSED AT THEIR MEETING WITH THE SECRETARY OF STATE LAST WEEK. THE ARRANGEMENTS FOR THE JOINT LIAISON GROUP ALSO REPRESENTED A MAJOR ACHIEVEMENT.

4. A NUMBER OF LEGCO MEMBERS COMMENTED THAT THE EMERGING AGREEMENT WAS BETTER THAN THEY HAD EXPECTED. THE MAIN POINTS WHICH EMERGED FROM THE SUBSEQUENT DISCUSSION WERE:

(I) NATIONALITY: THIS WAS A SUBJECT TO WHICH UMELCO MEMBER ATTACHED GREAT IMPORTANCE. THE SECRETARY OF STATE SAID THAT WE HAD PUT IN OUR PROPOSALS ON THIS BUT DIFFICULT POINTS REMAINED TO BE SETTLED:

(II) POSSIBLE CHINESE INTERFERENCE IN THE ADMINISTRATIVE STRUCTURE AFTER 1997. THE SECRETARY OF STATE EMPHASISED THAT IT HAD BEEN AGREED WITH THE CHINESE THAT HONG KONG PEOPLE WOULD CONTINUE TO RUN HONG KONG. THE MAXIMUM DEGREE OF AUTONOMY WAS BEING SECURED AREA BY AREA: THIS PROCESS WAS NOT YET COMPLETE:

(III) THE TEST OF ACCEPTABILITY, AND IN PARTICULAR THE PURPOSE IT SERVED IF THE ONLY OPTIONS WERE ACCEPTANCE OR REJECTION OF AN AGREEMENT. THE SECRETARY OF STATE EMPHASISED THAT IT WAS STILL USEFUL TO GAIN AN INSIGHT INTO ATTITUDES IN HONG KONG TOWARDS AN AGREEMENT WHEN IT WAS REACHED:

(IV) THE POSITION REACHED ON THE PUBLIC SERVICE AND LAND. THE SECRETARY OF STATE MADE CLEAR THAT IN BOTH CASES WE HAD HONG KONG'S CONCERNS VERY MUCH IN MIND. LAND WAS A GOOD ILLUSTRATION OF AN AREA WHERE THERE WOULD NEED TO BE A LONG PROCESS OF EDUCATION IF THE CHINESE WERE TO UNDERSTAND HOW HONG KONG'S ARRANGEMENTS WORKED.

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FUTURE OF HONG KONG: SECRETARY OF STATE'S DISCUSSION WITH EXCO.

SUMMARY

1. A GENEROUS AND STATESMANLIKE RESPONSE FROM SIR S.Y. CHUNG AND THE UNOFFICIALS TO THE ACHIEVEMENTS MADE DURING THE SECRETARY OF STATE'S VISIT. CONSENSUS THAT IF WORK ON ANNEXES PROCEEDS SATISFACTORILY, PARTICULARLY ON NATIONALITY AND LAND, BASIS FOR AN AGREEMENT ACCEPTABLE TO HONG KONG PEOPLE NOW EXISTS. PROPOSAL FROM UNOFFICIALS THAT POSSIBILITY OF SIGNATURE BY CHINESE AND BRITISH PRIME MINISTERS SHOULD BE CONSIDERED IN ORDER TO GIVE GREATEST POSSIBLE STANDING TO AGREEMENT IN THE EYES OF HONG KONG. TEXT OF UNVEILING STATEMENT DISCUSSED AND APPROVED.

DETAIL

2. SIR S.Y. CHUNG, SPEAKING ON BEHALF OF ALL THE UNOFFICIALS, EXPRESSED WARM APPRECIATION FOR THE ACHIEVEMENTS MADE DURING THE SECRETARY OF STATE'S VISIT AND PAID GENEROUS TRIBUTE TO THE EFFORTS OF ALL INVOLVED. IT HAD BEEN A MAJOR ACHIEVEMENT TO SECURE CHINESE AGREEMENT TO THE VITAL COMPONENTS WHICH MADE THE AGREEMENT BINDING AND COMMITTED THE CHINESE TO DRAFT THE BASIC LAW IN ACCORDANCE WITH ITS PROVISIONS. ON THE JOINT LIAISON GROUP, SIR S.Y. SAID THAT THE PROLONGATION OF ITS LIFE BEYOND 1997 WOULD BE OF INESTIMABLE VALUE IN OFFSETTING THE ADVERSE EFFECTS OF ITS ESTABLISHMENT BEFORE 1997, AND WOULD PLAY AN IMPORTANT PART IN ACHIEVING ACCEPTANCE OF THE FINAL AGREEMENT. PROVIDED THE OUTSTANDING ISSUES OF DETAIL, AND IN PARTICULAR THE NATIONALITY QUESTION, WERE RESOLVED SATISFACTORILY, SIR S.Y. HAD HIGH HOPES THAT THE FINAL AGREEMENT WOULD BE ACCEPTABLE TO HONG KONG PEOPLE. THE PROGRESS MADE DURING THE SECRETARY OF STATE'S VISIT REPRESENTED AN IMPORTANT ACHIEVEMENT IN A NEGOTIATION WHERE THE BALANCE OF FORCES WAS UNEQUAL.

3. THE SECRETARY OF STATE THANKED SIR S.Y. FOR HIS RESPONSE AND IN TURN PAID TRIBUTE TO THE SUPPORT AND ADVICE OF THE EXECUTIVE COUNCIL THROUGHOUT THE NEGOTIATING PROCESS.

4. SIR S.Y., WITH SUPPORT FROM HIS UNOFFICIAL COLLEAGUES, THEN PROPOSED THAT THE POSSIBILITY OF HAVING THE AGREEMENT SIGNED AT PRIME MINISTERIAL LEVEL SHOULD BE CONSIDERED. THE MORE SENIOR AND AUTHORITATIVE THE PERSON WHOSE SIGNATURE APPEARED ON THE TEXT, THE MORE HONG KONG PEOPLE WOULD BE INCLINED TO HAVE CONFIDENCE IN IT. FAILING THE PRIME MINISTER, SIR S.Y. AND HIS COLLEAGUES SAID THAT THE SECRETARY OF STATE SHOULD SIGN. THE SECRETARY OF STATE TOOK NOTE AND SAID THAT HE APPRECIATED THE IMPORTANT PRESENTATIONAL ARGUMENT.

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5. THE POINTS OF INTEREST WHICH EMERGED FROM SUBSEQUENT DISCUSSION WERE AS FOLLOWS:

(A) A NUMBER OF MEMBERS ENQUIRED ABOUT TIMETABLE: THE SECRETARY OF STATE EXPLAINED THAT INITIALLY IN LATE SEPTEMBER, A PARLIAMENTARY DEBATE IN DECEMBER AND SIGNATURE BY THE END OF THE YEAR WAS THE MOST LIKELY TIMETABLE. ON RATIFICATION, HE HAD MADE IT CLEAR TO THE CHINESE THAT THIS WAS LIKELY TO TAKE MONTHS RATHER THAN WEEKS. UNTIL HE HAD DISCUSSED THIS WITH THE PRIME MINISTER AND THE MANAGERS OF THE PARLIAMENTARY TIMETABLE, IT WOULD BE DIFFICULT TO GIVE ANY PRECISE INDICATION.

(B) MISS LYDIA DUNN ASKED WHETHER, NOW THAT THE CHINESE HAD SECURED AGREEMENT ACCEPTABLE TO THEM ON SOVEREIGNTY, RIGHT OF ADMINISTRATION AND THE JOINT GROUP, WAS THERE ANY NEGOTIATING LEVERAGE LEFT FOR THE BRITISH SIDE TO USE IN DISCUSSION OF THE ANNEXES. THE SECRETARY OF STATE SAID THAT THE CHINESE NEGOTIATORS WERE LIKELY TO BE AFFECTED BY THE TIME PRESSURES WHICH THEY THEMSELVES HAD CREATED. FURTHERMORE, THERE HAD BEEN A VERY SPECIFIC ENDORSEMENT FROM DENG XIAOPING ON THE MAINTENANCE OF THE CAPITALIST SYSTEM IN HONG KONG WHICH COULD BE EXPLOITED TO BRING PRESSURE TO BEAR ON THE CHINESE (AND WOULD BE MADE CLEAR IN PUBLIC) THAT THE POINTS WHICH REMAINED TO BE SETTLED WERE NOT MERE DETAILS, BUT WERE MATTERS OF SUBSTANCE. SIR PERCY CRADOCK SAID THAT THE CHINESE WERE LIKELY TO BE MORE HELPFUL IN FURTHER DISCUSSION FOLLOWING THE AGREEMENT REACHED DURING THE SECRETARY OF STATE'S VISIT, BUT THIS SHOULD NOT BE OVERSTATED. THEY WERE LIKELY TO MOVE MUCH MORE QUICKLY TO THEIR BOTTOM-LINE, BUT THE LIKELIHOOD OF ANY GREATER DISPOSITION TO SHIFT THEIR BOTTOM-LINE WAS OPEN TO QUESTION. UNOFFICIAL MEMBERS SUGGESTED THAT, IF THE PUBLIC IN HONG KONG COULD BE MADE AWARE IN GENERAL TERMS OF WHAT WE WERE SEEKING ON THE OUTSTANDING ISSUES, THEY WOULD BE ENCOURAGED TO SPEAK UP IN SUPPORT OF THESE REASONABLE DEMANDS. THERE WAS EVIDENCE THAT PRESSURE OF PUBLIC OPINION IN HONG KONG DID HAVE AN EFFECT ON THE CHINESE.

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6. A DRAFT OF THE SECRETARY OF STATE'S UNVEILING STATEMENT WAS DISTRIBUTED. THE COUNCIL READILY ENDORSED THE GENERAL APPROACH AND SUGGESTED A NUMBER OF HELPFUL AMENDMENTS. FINAL TEXT BEING TELEGRAPHED SEPARATELY.

YOUDE

FUTURE OF HONG KONG
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TO FLASH PEKING
TELEGRAM NUMBER 759 OF 01 AUGUST
INFO IMMEDIATE F C O, TOKYO

FOLLOWING FROM PRIVATE SECRETARY.

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

1. FOLLOWING IS THE FINAL TEXT OF THE SECRETARY OF STATE'S OPENING STATEMENT AT THE PRESS CONFERENCE AT 1630 LOCAL TIME TODAY. IT INCLUDES AMENDMENTS SUGGESTED AT HIS MEETING WITH EXCO THIS MORNING. (FCO WILL NEED TO CHECK TEXT AGAINST DELIVERY BEFORE DEPOSITING COPIES IN THE LIBRARY OF THE HOUSE)

BEGINS

WHEN I WAS IN HONG KONG LAST WEEK I SAID THAT I WOULD KEEP YOU INFORMED ABOUT THE NEGOTIATIONS IN PEKING. I KNOW VERY WELL HOW CRUCIAL THEY ARE FOR THE PEOPLE OF HONG KONG. SO I WELCOME THIS CHANCE TO BRING YOU UP TO DATE.

MY VISIT TO PEKING WAS ALMOST ENTIRELY DEVOTED TO THE FUTURE OF HONG KONG. I WAS ABLE TO HAVE LONG DISCUSSIONS WITH FOREIGN MINISTER WU XUEQIAN, PREMIER ZHAO ZIYANG AND CHAIRMAN DENG XIAOPING.

THE PURPOSE OF MY VISIT WAS:

- TO REVIEW PROGRESS IN THE NEGOTIATIONS;
- TO MAKE REAL HEADWAY ON THE REMAINING ISSUES;
- AND ABOVE ALL, TO STRIVE FOR THE BEST POSSIBLE RESULT FOR THE PEOPLE OF HONG KONG. THAT IS MY OVERRIDING OBJECTIVE.

I AM GLAD TO SAY THAT VERY SUBSTANTIAL PROGRESS HAS BEEN MADE. WE HAVE AGREED:

- FIRST, THE FRAMEWORK AND KEY CLAUSES OF AN AGREEMENT WHICH WILL PRESERVE HONG KONG'S UNIQUE ECONOMIC SYSTEM AND WAY OF LIFE;
- SECONDLY, THAT THIS AGREEMENT AND ITS ANNEXES WILL ALL BE LEGALLY BINDING;
- THIRDLY, SATISFACTORY PROVISIONS FOR LIAISON AND CONSULTATION AFTER THE CONCLUSION OF THE AGREEMENT.

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IN ADDITION, THE ARRANGEMENTS THAT WILL APPLY IN HONG KONG FOR 17 YEARS AFTER 1997 WILL BE PRESCRIBED WITH SUFFICIENT CLARITY AND PRECISION TO COMMAND THE CONFIDENCE OF THE PEOPLE WHO LIVE, WORK, TRADE AND INVEST HERE.

THIS PROGRESS WOULD NOT HAVE BEEN POSSIBLE UNLESS THE TWO SIDES HAD APPROACHED THEIR TASK WITH STATESMANSHIP AND DETERMINATION TO SUCCEED. THE CONCEPT OF "ONE COUNTRY, TWO SYSTEMS" IS A FARSIGHTED ONE AND HOLDS ENORMOUS POTENTIAL FOR THE FUTURE OF HONG KONG.

A GOOD DEAL STILL REMAINS TO BE DONE IN ORDER TO COVER ALL THE ASPECTS OF HONG KONG'S ECONOMIC SYSTEM AND WAY OF LIFE WHICH I DESCRIBED IN MY STATEMENT IN APRIL. THERE ARE MATTERS OF SUBSTANCE TO BE SETTLED. THE NEGOTIATORS WILL CONTINUE THEIR WORK. THE BRITISH GOVERNMENT WILL WANT TO JUDGE THE AGREEMENT AS A WHOLE AT THE END OF THE NEGOTIATIONS. SO TOO WILL THE PEOPLE OF HONG KONG.

BUT ALREADY I CAN TELL YOU THAT HONG KONG CAN LOOK FORWARD WITH CONFIDENCE TO AN AGREEMENT WHICH WILL CONTAIN THE FOLLOWING ESSENTIAL PROVISIONS:

- IT WILL PRESERVE HONG KONG'S FAMILIAR LEGAL SYSTEM AND THE BODY OF LAWS IN FORCE IN HONG KONG. BY THAT I MEAN THE COMMON LAW, RULES OF EQUITY, ORDINANCES, SUBORDINATE LEGISLATION AND CUSTOMARY LAW. WITHIN THAT GENERAL FRAMEWORK, POWER TO MAKE LAWS WILL CONTINUE TO LIE WITH THE LEGISLATIVE AUTHORITIES OF HONG KONG; AND JUDICIAL POWER, INCLUDING THE RIGHT OF FINAL APPEAL, WILL BE VESTED IN THE COURTS OF HONG KONG.
- THE AGREEMENT WILL ENABLE HONG KONG TO CONTINUE TO DECIDE ITS OWN ECONOMIC AND TRADE POLICIES; TO MAINTAIN ITS STATUS AS A FREE PORT AND A MAJOR MANUFACTURING AND TRADING ECONOMY; AND TO PRESERVE THE RIGHTS OF OWNERSHIP OF PROPERTY AND FREE MOVEMENT OF GOODS.
- IT WILL PROVIDE FOR THE CONTINUATION OF HONG KONG'S STATUS AS A SEPARATE CUSTOMS TERRITORY. HONG KONG WILL BE ABLE TO CONTINUE PARTICIPATING IN INTERNATIONAL ORGANISATIONS AND TRADE AGREEMENTS SUCH AS THE GATT; TO CONTINUE TO ENJOY EXCLUSIVELY ITS OWN EXPORT QUOTAS AND TARIFF PREFERENCES; AND TO ISSUE ITS OWN CERTIFICATES OF ORIGIN FOR HONG KONG PRODUCTS.
- IT WILL PROVIDE FOR HONG KONG TO MANAGE ITS OWN FINANCIAL AFFAIRS AND TO USE ITS FINANCIAL REVENUES EXCLUSIVELY FOR ITS OWN PURPOSES.
- IT WILL PROVIDE FOR THE CONTINUING CONVERTIBILITY OF THE HONG KONG DOLLAR AND THE FREEDOM TO MOVE CAPITAL INTO AND OUT OF HONG KONG.
- IT WILL CONTAIN ARRANGEMENTS FOR CONTINUITY OF EMPLOYMENT IN THE PUBLIC SERVICE AND FOR THE SAFEGUARDING OF PENSION RIGHTS.
- IT WILL MAINTAIN HONG KONG'S SYSTEMS OF PORT MANAGEMENT, SHIPPING AND THE FREE OPERATION OF PRIVATE SHIPPING BUSINESS.
- IT WILL ENABLE HONG KONG RESIDENTS TO CONTINUE TO ENJOY THE RIGHT TO TRAVEL AND MOVE FREELY INTO AND OUT OF HONG KONG.
- IT WILL PROVIDE FOR THE MAINTENANCE OF HONG KONG'S EDUCATION SYSTEM, WITH ITS WIDE RANGE OF DIFFERENT EDUCATIONAL INSTITUTIONS. IT WILL PRESERVE THE PRESENT FREEDOM OF CHOICE OF EDUCATION AND THE FREEDOM TO PURSUE EDUCATION OVERSEAS.
- IT WILL PROVIDE FOR THE PRESERVATION OF ALL THE RIGHTS AND FREEDOMS

FROM WHAT I HAVE SAID YOU WILL SEE THAT SOMETHING VERY IMPORTANT HAS BEEN ACHIEVED. I BELIEVE IT HOLDS OUT THE PROSPECT OF AN HISTORIC AGREEMENT: AN AGREEMENT WHICH WILL PROVIDE FOR A HIGH DEGREE OF AUTONOMY SEMI COLON UNDER WHICH ADMINISTRATION WILL BE IN THE HANDS OF THE HONG KONG PEOPLE THEMSELVES SEMI COLON AND UNDER WHICH HONG KONG'S ECONOMIC AND SOCIAL SYSTEMS, ITS DISTINCTIVE WAY OF LIFE AND ITS POSITION AS A FINANCIAL TRADING AND INDUSTRIAL CENTRE WILL BE SECURED.

THOUGH THERE IS STILL A LOT OF WORK TO BE DONE, I AM CONFIDENT THAT WE ARE ON COURSE FOR A CONCLUSION WE SHALL BE ABLE TO COMMEND BOTH TO THE PEOPLE OF HONG KONG AND TO THE BRITISH PARLIAMENT.

ENDS

YOUDE

NNNN

TO THE SECRETARY OF STATE FOR FOREIGN AFFAIRS
LONDON
FROM THE GOVERNOR OF HONG KONG
11.11.84

RE: HONG KONG
I AM PLEASURED TO ADVISE YOU THAT THE GOVERNMENT OF HONG KONG HAS AGREED TO THE PROVISIONS OF THE HONG KONG BILL OF RIGHTS AND TO THE PROVISIONS OF THE HONG KONG BILL OF ORDINANCES WHICH WILL BE INTRODUCED IN PARLIAMENT IN THE NEAR FUTURE. THESE PROVISIONS WILL SECURE THE HIGHEST DEGREE OF AUTONOMY FOR HONG KONG AND WILL BE A MAJOR STEP TOWARDS THE REALIZATION OF THE GOVERNMENT'S POLICY OF 'HONG KONG IS HONG KONG'. THE GOVERNMENT OF HONG KONG IS CONFIDENT THAT THESE PROVISIONS WILL BE WELL RECEIVED BY THE PEOPLE OF HONG KONG AND WILL BE A MAJOR CONTRIBUTION TO THE WELL-BEING OF HONG KONG.

Only with B1

HONG KONG

Geoffrey Howe has just had a very successful visit to Peking and made some important progress towards an agreement with the Chinese which would guarantee the continuation of Hong Kong's unique economic system and way of life after 1997. Of course up to 1997 we shall remain responsible for Hong Kong's administration.

The phrase which the Chinese use to describe the arrangement we are negotiating is "one country two systems". I think that sums it up rather well. An agreement ^{will} give Hong Kong, under China's sovereignty, a high degree of autonomy with administration in the hands of the Hong Kong people themselves.

Hong Kong's present legal system will be preserved, it will continue to decide its own economic and trade policies, manage its own financial affairs, maintain its education system and ^{enjoy} generate all the rights and freedoms which the people of Hong Kong now enjoy.

Work still remains to be done to tie up all the details but there is no major obstacle to agreement left. When all the details are in place we shall have to judge the agreement as a whole. The Hong Kong people will want to give their views. And the agreement will be put to Parliament.

But I am confident that a good result which will command the confidence of the people who live, work and trade in Hong Kong is now attainable. That will be a very considerable achievement.

[If asked about: Joint Liaison Group]

There will need to be close consultation between Britain and China up to 1997 to ensure a smooth transition. That is why we have agreed to the establishment of a Joint Liaison Group which will operate both before 1997 and after. But let me make one thing quite clear - and this is agreed with the Chinese - the Group will not be an organ of power, will not have a supervisory role in Hong Kong and will play no part in its Administration.

1 August 1984



10 DOWNING STREET

PART 15 ENDS

Hong Kong Tel 282 317

PART 16 BEGINS

Note on FCS visit to Hong Kong
and China.