

PRIME MINISTER

Future of Hong Kong

The special study, commissioned at the end of July, is attached, together with a minute by the Foreign and Commonwealth Secretary.

OD is due to discuss Hong Kong on Wednesday. In view of the bulkiness of this study, I have investigated whether it would be possible for OD to discuss the question later. But it would be very difficult to get the key Ministers together on any other date before your departure for the Far East.

Are you content:

- a) that OD should discuss Hong Kong on Wednesday;
- b) that the Foreign Secretary should circulate this study to members of OD as a basis for the discussion?

No - most A.J.C.  
 certainly not. I have not  
 ever begun the  
 consultations  
 not

6 September, 1982



PM/82/74

PRIME MINISTER

Future of Hong Kong: Special Study

1. At your meeting on 28 July you asked that a study should be prepared on the future of Hong Kong to examine possible solutions to the problem and the implications of changes which might result from an agreement with the Chinese.

*Filed in folder  
with back of file.*

2. I now attach a paper which has been prepared under the supervision of John Belstead. A number of Departments have been consulted at official level in preparing the detailed aspects which are covered in the Annexes, but the views set out and the recommendations are the responsibility of the FCO alone. The Governor of Hong Kong and the Ambassador to Peking have been consulted throughout.

3. The paper argues that while it will not be easy to reconcile the divergent positions of the British and Chinese Governments early action is necessary to prevent a slide in confidence in Hong Kong. It examines a number of options and concludes that the likeliest way of reconciling our position and that of the Chinese, while meeting the interests of the people of Hong Kong as a whole, would be some form of 'management contract'. It would be necessary to ensure that any such arrangement provided very firm guarantees for the continuation of British administration beyond 1997. Only on that basis could any acknowledgement of Chinese sovereignty be considered.

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they are  
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OK then?*

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4. The paper considers in detail what such an arrangement might involve. The view is that, provided agreement could be reached with the Chinese, there would be no legal or other objections to a system in which British jurisdiction continued after acknowledgement of Chinese sovereignty. The implications for such areas as the constitution, defence, finance and citizenship are discussed in the various annexes.

5. While I am sure there must be no illusions that the negotiation of such a package would be at all easy, I think it represents the best alternative to an evaporation of confidence in Hong Kong, a rundown of the Territory's economy and, by 1997, its eventual removal from British control. It is the view of the Governor of Hong Kong that such an arrangement would best meet the interests of the people there. I think that it would also be saleable in this country both in Parliament and to public opinion. It would indeed represent a very considerable foreign policy success.

6. One point of particular importance is that the maintenance of confidence in Hong Kong's future would discourage people in Hong Kong from trying to leave and come to this country. For this purpose I think it would be important to ensure that any agreement with the Chinese allowed for the continuation of the status of British Dependent Territories Citizens there. We would not achieve this by a change which involved removing the inhabitants' rights to British Dependent Territories' passports. Hong Kong people do not of course have the right of abode in the UK. Provided that they have confidence in their future in the Territory they will not want to leave but any move to deprive them of overall British protection would destroy their faith in the effectiveness of the new arrangement.

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7. I hope the study will form the basis of your briefing on Hong Kong, but you may wish to discuss this further.

8. I am copying this minute and the study to the Home Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence, the Secretary of State for Trade and Sir R Armstrong. Because of the extreme sensitivity of the subject and of the policy options discussed in the paper, the subject is being handled on a very restricted basis within the FCO. In Hong Kong the existence of the study is only known to the Governor, the Chief Secretary, the Commander British Forces, the Attorney General and the Political Adviser. I should be grateful if my colleagues would ensure that the need-to-know principle is exercised rigorously and that no reference be made to the study in discussion with other Departments or Hong Kong without prior reference to the FCO.

(FRANCIS PYM)

Foreign and Commonwealth Office  
3 September 1982

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PRIME MINISTER

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ML 2/8.

FUTURE OF HONG KONG

Following your talk with the Foreign and Commonwealth Secretary yesterday, you may like to know that the FCO this morning constituted a special group, which will probably be under Lord Belstead, to produce for you by, I suggested, the end of August a full study of all aspects of the problem. This will include a description of the solution at which we might aim together with possible alternative solutions. It would then go on to analyse every aspect of the present administration of Hong Kong (judicial system, the garrison, the currency, nationality, etc.) and state which of these elements will have to be retained with or without change in the future. The purpose would be to provide you with a full dossier on which you can draw during your briefing meetings in the first week of September and during your visit.

A.J.C.

29 July 1982