

49A

GRS 1000

SECRET

SECRET

DESKBY 231100Z

FROM PEKING 231020Z JUN 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 580 OF 23/6/83

REPEATED FOR INFO TO IMMEDIATE HONG KONG

He handled it very well. M 24/6

Wonderfully
mf

YOUR TEL NO 386: FUTURE OF HONG KONG

1. I HAD ASSISTANT MINISTER ZHOU NAN ROUND FOR A DRINK THIS AFTERNOON AND ON THE USUAL PERSONAL BASIS PUT TO HIM STRONGLY THE DIFFICULTIES THAT WOULD BE CREATED BY THE PHRASE "THE TRANSFER OF SOVEREIGNTY". I SAID WE WERE BOTH IN SEARCH OF NEUTRAL WORDING WHICH WOULD ALLOW US TO EMBARK ON SUBSTANTIVE TALKS. THE PHRASE "A TRANSFER OF SOVEREIGNTY" WAS A SERIOUS ATTEMPT ON OUR SIDE TO MOVE FROM WHAT WOULD HAVE BEEN OUR PREFERRED LANGUAGE, NAMELY "ANY TRANSFER OF SOVEREIGNTY", TO MIDDLE GROUND. ON THE OTHER HAND, THE USE OF THE DEFINITE ARTICLE WOULD CONVEY THE CLEAR IMPRESSION THAT A TRANSFER WAS ALREADY SIGNED AND SEALED. THIS WOULD BE INACCURATE. IT WOULD ALSO BE UNCONSTITUTIONAL, SINCE SOVEREIGNTY LAY IN THE GIFT OF PARLIAMENT. THE RISK TO CONFIDENCE IN HONG KONG WOULD BE IMMENSE IF THERE WERE ANY LEAKAGE AND THERE HAD BEEN LEAKAGE ALREADY OF DELICATE MATTERS ON THE CHINESE SIDE. I URGED HIM TO THINK AGAIN.

2. ZHOU CLAIMED THAT, STARTING FROM ZHAO'S LETTER, THE CHINESE SIDE HAD ALREADY MADE IMMENSE CONCESSIONS AND THAT THE PHRASEOLOGY HE HAD NOW SUGGESTED WAS ENTIRELY NEUTRAL. THE USE OF THE INDEFINITE ARTICLE WAS QUITE UNACCEPTABLE.

3. AFTER SOME FURTHER EXCHANGES, WE AGREED WE HAD REACHED SOMETHING OF AN IMPASSE. HE THEREUPON SUGGESTED, AS THE ONLY POSSIBLE WAY OUT, THAT WE SHOULD DELETE THE ARTICLES, DEFINITE AND INDEFINITE, AND HAVE SIMPLY "MATTERS RELATING TO TRANSFER OF SOVEREIGNTY". I SAID THAT THIS MIGHT POSSIBLY PROVIDE A WAY OUT FOR US AND I WOULD REFER TO LONDON. I SAID THAT HIS OTHER AMENDMENT, NAMELY THE INSERTION OF THE PHRASE "THE MAINTENANCE OF THE STABILITY AND PROSPERITY" WOULD PROBABLY NOT CAUSE US SO MUCH DIFFICULTY IF OTHER THINGS FELL INTO PLACE.

SECRET

14.

4. IT WAS LEFT THAT I WOULD GET IN TOUCH WITH HIM ON 24 JUNE AND IF THE ANSWER WAS SATISFACTORY VICE-MINISTER YAO GUANG WOULD ASK ME TO CALL ON 27 JUNE.

5. TOWARDS THE END OF OUR DISCUSSION, ZHOU TRIED ON ANOTHER AMENDMENT TO OUR DRAFT AGENDA NAMELY TO SUBSTITUTE FOR "ARRANGEMENTS IN HONG KONG BETWEEN NOW AND 1997" THE PHRASE "ARRANGEMENTS IN HONG KONG IN THE TRANSITIONAL PERIOD BETWEEN NOW AND 1997". I TOLD HIM THIS WAS NOT ON AND HE RAPIDLY WITHDREW IT. I GOT THE IMPRESSION THAT HE HAD BEEN INSTRUCTED TO GO THROUGH THE MOTIONS.

6. WE WENT OVER THE QUESTION OF THE PRESS ANNOUNCEMENT AND IT WAS AGREED, AS REPORTED IN MY TEL NO 570, THAT HE COULD ACCEPT THE FIRST SENTENCE OF OUR DRAFT WITHOUT AMENDMENT, I REMINDED HIM THAT WE WOULD BE UNDER GREAT PRESSURE FROM THE PRESS AND WOULD NEED TO BE VERY CAREFUL TO MAINTAIN THE CONFIDENTIALITY OF THE DISCUSSIONS AND, IN PARTICULAR, OF THE AGENDA, HE FULLY TOOK THIS POINT AND SAID WE HAD A STRONG WEAPON AGAINST THE PRESS, NAMELY OUR AGREED ANNOUNCEMENT. WE WOULD SAY NO MORE AND NO LESS THAN THAT.

7. ON TIMING, I SAID THAT EVEN ASSUMING ALL WENT WELL, IT WAS UNLIKELY WE COULD HAVE A MEETING BEFORE THE WEEK BEGINNING 11 JULY. HE SAW NO DIFFICULTY IN THIS. IT WAS AGREED WE SHOULD THINK IN TERMS OF A MEETING ABOUT 11 JULY. I ASKED HOW LONG HE ENVISAGED THE FIRST MEETING WOULD BE AND SAID PERHAPS WE SHOULD ALLOW FOR TWO DAYS, IE ONE DAY FOR THE MEETING AND THE SECOND DAY FOR ANY SPILL-OVER. HE DID NOT DISSENT.

8. ON THE AGENDA FOR THE FIRST MEETING, AGAIN ASSUMING ALL WENT WELL, I SAID THAT WE SHOULD GO FOR THE FIRST AGENDA ITEM AND, AS A PRELUDE TO THAT, TRY TO REACH A JOINT ASSESSMENT OF THE FACTORS MAKING FOR THE PRESENT HONG KONG STABILITY AND PROSPERITY. HE SAW NO DIFFICULTY ABOUT THIS, BUT SAID EACH SIDE WOULD NO DOUBT WISH TO MAKE AN OPENING STATEMENT BUT REPEATED HIS EARLIER CAVEAT ABOUT AVOIDING PHILOSOPHICAL DISCUSSIONS: THE CHINESE WANTED TO GET DOWN TO DETAILS AS SOON AS POSSIBLE.

9. ON THE FORM OF THE TALKS, HE SPOKE ABOUT PLENARIES AND THREE POSSIBLE COMMITTEES, NAMELY A LEGAL/ADMINISTRATIVE COMMITTEE, A FINANCIAL/ECONOMIC COMMITTEE, AND A COMMITTEE TO CONSIDER HONG KONG'S INTERNATIONAL RELATIONS AND ITS POSITION AS AN INTERNATIONAL FINANCE AND TRADE CENTRE. I SAID I DID NOT SEE THIS NECESSARILY AS AN EXHAUSTIVE LIST BUT THESE WERE THE SORT OF SUBJECTS WE WOULD NEED TO DISCUSS IN DETAIL. HE ASKED AGAIN WHETHER WE FORESAW ANY TIME LIMIT FOR DISCUSSIONS OF EACH TOPIC: I REPEATED THAT I DID NOT THINK IT WOULD BE HELPFUL TO TRY TO SET SUCH A LIMIT IN ADVANCE.

10. IN THIS CONTEXT I REPEATED MY CONCERN AT THE EFFECT OF IMPOSING THE SEPTEMBER 1984 DEADLINE. ZHOU WAS PERHAPS A LITTLE LESS UNYIELDING ON THIS THAN ON 21 JUNE.

11. HE ASKED HOW WE SHOULD RECORD AGREEMENT ON THE AGENDA, IE BY SOME FORM OF STATEMENT AT THE OPENING MEETING OR BY EXCHANGE OF LETTERS. I SAID WE WERE FLEXIBLE, PROVIDED IT WAS CLEARLY AGREED.

12. ON VENUE, ZHOU SUGGESTED "SOME QUIET PLACE" IN PEKING WHICH WAS NEITHER THE EMBASSY NOR THE MINISTRY OF FOREIGN AFFAIRS.

13. ON INTERPRETERS, THE CHINESE SUGGESTED WE SHOULD BRING OUR OWN FOR BOTH PLENARY AND COMMITTEES. I WARNED WE WERE NOT SO WELL STOCKED IN THIS RESPECT AS THE CHINESE, BUT UNDERTOOK TO CHECK.

COMMENT

14. THIS WENT REASONABLY WELL AND UNLESS I HEAR FROM YOUR TO THE CONTRARY I SHALL TELEPHONE ZHOU AT 10 AM LOCAL ON 24 JUNE TO SAY THAT WE CAN ACCEPT THE AGENDA, IE OUR DRAFT PLUS THE INSERTION "THE MAINTENANCE OF STABILITY AND PROSPERITY" AND THE DELETION OF ANY ARTICLE BEFORE "TRANSFER". I JUDGED IT RIGHT TO GO THROUGH THE MOTION OF REFERRING BACK TO YOU SO AS TO UNDERLINE THAT WE WERE REALLY EXTENDING OURSELVES IN ORDER TO MEET THE CHINESE.

CRADOCK

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

PS

PS/LADY YOUNG

PS/MR LUCE

PS/FUS

SIR J BULLARD

MR GIFFARD

MR DONALD

MR WRIGHT

COPIES TO

SIR I SINCLAIR LEGAL ADVISER

MR BURROWS LEGAL ADVISERS

MR ROBERTS NEWS D

MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE

MR FLOWER PUSD

MR COLES NO 10 DOWNING STREET

SIR A PARSONS " " "



Four

10 DOWNING STREET

From the Private Secretary

27 June 1983

FUTURE OF HONG KONG

The Prime Minister has seen Peking Telegram No. 580 in which Sir Percy Cradock reports on his recent conversation with Minister Zhou Nan. Mrs. Thatcher has minuted that Sir Percy handled this conversation very well indeed.

A. J. COLES

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.

005

518

SECRET

1401' - 1

GRS
SECRET
FM FCO 281050Z JUN 83
TO ROUTINE PEKING
TELEGRAM NUMBER 402 OF 28 JUNE
INFO ROUTINE HONG KONG
FUTURE OF HONG KONG.

A.S.C. 207/6
h.a.

1. THE PRIME MINISTER HAS SEEN YOUR TEL 580 ABOUT YOUR CONVERSATION WITH ZHOU NAN. SHE HAS MINUTED THAT YOU HANDLED THIS CONVERSATION VERY WELL INDEED. I HAD EXACTLY THE SAME COMMENT.

HOWE

FUTURE OF HONG KONG

LIMITED
HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/LADY YOUNG
PS/MR LUCE
PS/FUS
SIR J BULLARD
MR GIFFARD
MR DONALD
MR WRIGHT

COPIES TO:
SIR I SINCLAIR LEGAL ADVISER
MR BURROWS LEGAL ADVISERS
MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE
MR FLOWER PUSD
MR COLES NO 10 DOWNING ST
SIR A PARSONS " "
MR WALKER, RESEARCH DEPT
MR. ROBERTS. NEWS. D.

SECRET

49

SECRET

172 - 2

DD 230100 PEKING

GRS 754

SECRET

DESKBY 230100Z

FM F C O 221830Z JUN 83

TO IMMEDIATE PEKING

TELEGRAM NUMBER 386 OF 22 JUNE

INFO IMMEDIATE HONG KONG (PERSONAL FOR GOVERNOR)

M $\frac{23}{6}$

YOUR TELNOS 570, 571 AND 575 AND HONG KONG TELNOS 843 AND 835: FUTURE OF HONG KONG

1. NOTWITHSTANDING EXCO'S ADVICE IN PARA 2 OF HONG KONG TELNO 843, MINISTERS ARE RELUCTANT TO ACCEPT THE FORMULA 'THE TRANSFER OF SOVEREIGNTY' IN THE AGENDA. THIS WOULD TILT THE LANGUAGE TOO FAR IN THE CHINESE DIRECTION AND COULD PROVE EMBARRASSING IF THE CHINESE MAKE IT PUBLIC. THEY ASSUME THAT THE CHINESE MAY WANT TO MAKE MAXIMUM USE OF THE AGENDA FORMULA, NOT ONLY IN THE SUBSTANTIVE TALKS THEMSELVES, BUT ALSO THROUGH PUBLIC INNUENDO TO IMPLY THAT WE HAVE AGREED TO SURRENDER SOVEREIGNTY OVER THE WHOLE OF HONG KONG.
2. MINISTERS ARE THEREFORE NOT PREPARED TO GIVE YOU DISCRETION TO ACCEPT THE DEFINITE ARTICLE BEFORE 'TRANSFER'. THE OBJECTIVE SHOULD BE TO GET THE INDEFINITE ARTICLE OR, AS A FALL BACK, NO ARTICLE AT ALL, LEAVING THE PHRASE TO READ: 'MATTERS RELATING TO TRANSFER OF SOVEREIGNTY'.
3. YOU SHOULD THEREFORE CONTACT ZHOU NAN AGAIN AND RESUME DISCUSSION ON THE SAME PERSONAL BASIS. YOU SHOULD EXPRESS DISAPPOINTMENT THAT, HAVING MADE SIGNIFICANT PROGRESS IN NARROWING THE GAP BETWEEN THE TWO SIDES, THE CHINESE SIDE ARE NOW SEEKING TO MAKE FURTHER AMENDMENTS WHICH WOULD AFFECT THE COURSE OF THE SUBSTANTIVE TALKS. YOU SHOULD ARGUE THAT THE PHRASE 'A TRANSFER OF SOVEREIGNTY' IS THE FORMULA WHICH MOST NEARLY EXPRESSES IN ENGLISH THE PRIME MINISTER'S CONDITIONAL OFFER SPELT OUT IN HER LETTER TO PREMIER

1

/2100

SECRET

SECRET

172 - 2

ZHAO. HAVING PRESSED FOR RETENTION OF THIS FORM OF WORDS YOU MAY FALL BACK IF NECESSARY TO AGREEING TO DROP THE ARTICLE (DEFINITE OR INDEFINITE) ALTOGETHER (PRESUMABLY IT WOULD BE BETTER IF THE CHINESE WERE TO PROPOSE THIS IN THE FACE OF YOUR UNWILLINGNESS TO MOVE) IN DOING SO YOU SHOULD MAKE CLEAR TO THE CHINESE THAT MINISTERS' WILLINGNESS TO DO THIS IS IN ORDER TO GET SUBSTANTIVE TALKS GOING AND THE PHRASE IS WHOLLY WITHOUT PREJUDICE TO THEIR POSITION AS REGARDS A TRANSFER OF SOVEREIGNTY AS STATED IN THE PRIME MINISTER'S LETTER.

4. YOU COULD CONTRIVE TO LINK THE TWO AMENDMENTS PROPOSED BY THE CHINESE IN PARA 1 OF YOUR TELNO 570 WITH THE HINT THAT IF THE CHINESE WOULD ACCEPT EITHER ''A TRANSFER'' OR ''TRANSFER'', WE COULD AGREE TO THE PROPOSED EXPANSION OF THE PENULTIMATE SENTENCE (PARA 1A OF TUR).

5. MINISTERS ARE AWARE THAT THIS IS A VERY DIFFICULT HAND TO PLAY, AND PARAGRAPHS 3 AND 4 ABOVE ARE SUGGESTIONS ONLY. MINISTERS ARE CONTENT TO LEAVE THE TACTICS IN YOUR HANDS.

6. ON THE PROPOSED ANNOUNCEMENT, MINISTERS AGREE THAT THE SECOND SENTENCE MAY BE DROPPED BUT HAVE A PREFERENCE FOR OUR ORIGINAL WORDING, IE 'A SECOND PHASE OF THE TALKS' RATHER THAN 'SUBSTANTIVE DISCUSSIONS'. WE UNDERSTAND THE HONG KONG REQUIREMENT FOR A SHORT STATEMENT SAYING THAT THE GOVERNOR WOULD BE GOING TO PEKING ON SUCH AND SUCH A DAY TO TAKE PART IN THE TALKS.

7. WE WERE CONCERNED THAT ZHOU NAN HAD SUGGESTED THAT THE AGREED AGENDA SHOULD BE RELEASED PUBLICLY AND YOU SHOULD AGAIN REMIND HIM OF THE IMPORTANCE OF KEEPING WHATEVER IS AGREED FOR THE AGENDA STRICTLY CONFIDENTIAL.

8. ON THE SUGGESTION THAT SUBSTANTIVE TALKS MIGHT BEGIN ON 4 JULY, WE SUPPORT THE HONG KONG VIEW THAT THE PROPOSED VISIT BY THE GOVERNOR AND THE UNOFFICIALS SHOULD GO AHEAD AT THE TIME ALREADY AGREED IN PRINCIPLE. IN SPITE OF THE POINTS IN YOUR TELNO 575, THE CHINESE CANNOT SERIOUSLY ARGUE THAT WE WOULD BE DRAGGING OUR FEET BY SUGGESTING THAT TALKS MIGHT INSTEAD BEGIN A WEEK LATER, IE ON 11 JULY, AS THE GOVERNOR HAS SUGGESTED. HONG KONG SHOULD PLAN ON THIS BASIS.

2

SECRET

19

SECRET

172 - 2

9. AS FAR AS AN ANNOUNCEMENT ABOUT THIS IS CONCERNED WE SHOULD LIKE TO MAKE A SMALL AMENDMENT TO THE TEXT PROPOSED IN HONG KONG TELNO 848 SO THAT IT READS AS FOLLOWS:

'AS PART OF THE CONTINUING PROCESS OF CONSULTATION ON THE FUTURE OF HONG KONG, THE GOVERNOR OF HONG KONG, ACCOMPANIED BY THE UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL, WILL VISIT LONDON DURING THE WEEK BEGINNING 4 JULY. WHILE IN LONDON THEY EXPECT TO CALL ON THE PRIME MINISTER, THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS AND THE MINISTER RESPONSIBLE FOR HONG KONG IN THE FOREIGN AND COMMONWEALTH OFFICE, MR RICHARD LUCE.'

10. WE SHOULD BE GRATEFUL HOWEVER IF HONG KONG WOULD HOLD ANY SUCH ANNOUNCEMENT UNTIL THE AMBASSADOR HAS MADE CONTACT AGAIN WITH ZHOU NAN AND WE HAVE A BETTER IDEA OF WHETHER THE CHINESE WOULD AGREE TO POSTPONE THE START OF SUBSTANTIVE TALKS UNTIL AFTER THE GOVERNOR'S RETURN TO HONG KONG.

HOWE

R

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

PS

PS/LADY YOUNG

PS/MR LUCE

PS/PUS

SIR J BULLARD

MR GIFFARD

MR DONALD

MR WRIGHT

COPIES TO

SIR I SINCLAIR LEGAL ADVISER

MR BURROWS LEGAL ADVISERS

MR ROBERTS NEWS D

MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE

MR FLOWER PUSD

MR COLES NO 10 DOWNING STREET

SIR A PARSONS " " "

- 3 -
SECRET



Joe VC
48

cc MASTER

10 DOWNING STREET

From the Private Secretary

22 June 1983

Thank you for your letter of today's date. The Prime Minister discussed the present state of negotiations with the Foreign and Commonwealth Secretary this afternoon.

It was agreed that:

- (a) We could accept the Chinese proposal to make the opening phrase of the penultimate sentence of our formula for the agenda read "These will include arrangements for the maintenance of the stability and prosperity of Hong Kong after 1997 ..." (The following words, "arrangements in Hong Kong between now and 1997" were omitted from your description of the Chinese proposal but would of course be retained.)
- (b) As regards the Chinese proposal to insert the definite article before "transfer of sovereignty", the aim in further discussions with the Chinese should be to retain the indefinite article or to have neither. Sir Percy Cradock should argue strenuously for such an outcome. He should have discretion as to tactics - it might be better for him to revert to our proposal for the indefinite article in the hope that the Chinese would themselves propose the compromise of having neither. He does not have discretion to accept the definite article.
- (c) As regards the proposed announcement for the substantive talks, we can agree to the Chinese proposal that the second sentence be omitted.

AG

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

22 June 1983

*Dear John,*Future of Hong Kong

/ You will have seen the two latest telegrams from Peking (570 and 571) reporting on Sir Percy Cradock's latest contact with his Foreign Ministry interlocutor, Zhou Nan. I enclose a copy of Hong Kong Telegram Number 843 reporting the views of EXCO on that discussion.

/ Sir Percy Cradock has asked for instructions if possible by the morning of 23 June. To meet this deadline we should need to send a telegram tonight. Sir Geoffrey Howe would like to discuss this with the Prime Minister when they meet later this afternoon. You may find the enclosed note of the key texts useful for the discussion.

Yours ever

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

49

GR 400

SECRET

SECRET

P.R. has seen

DESKBY 221030Z

FM HONG KONG 220926Z JUN 83
TO IMMEDIATE F C O
TELEGRAM NUMBER 843 OF 22 JUNE
INFO IMMEDIATE PEKING

ARC 23/6

p.a.

PEKING TELNOS 570 AND 571 : FUTURE OF HONG KONG

1. AT TODAY'S EXECUTIVE COUNCIL MEETING I TOOK THE OPPORTUNITY TO INFORM MEMBERS OF THE DISCUSSION WITH ZHOU NAN REPORTED IN PEKING TURS AND TO SEEK THEIR ADVICE ON THE AGENDA FORMULA AND THE JOINT PRESS ANNOUNCEMENT.

AGENDA

2. A NUMBER OF MEMBERS INTERPRETED ZHOU NAN'S AMENDMENTS, PARTICULARLY WHEN TAKEN TOGETHER, AS INDICATING A CHINESE INTENTION TO TRY TO LIMIT DISCUSSION UNDER THE FIRST ITEM TO THE QUESTION OF HOW TO MAINTAIN STABILITY AND PROSPERITY (NEXT WORD UNDERLINED) AFTER SOVEREIGNTY (AND CONTROL) HAS BEEN TRANSFERRED TO CHINA. ACCORDINGLY THERE WAS GENERAL AGREEMENT WITH THE AMBASSADOR'S PROPOSAL THAT AN ATTEMPT SHOULD BE MADE TO PERSUADE THE CHINESE TO REFER SIMPLY TO 'TRANSFER' OF SOVEREIGNTY (OMITTING THE ARTICLE) AND THUS TO BRING THE ENGLISH AND PROBABLE CHINESE TEXTS INTO LINE. (SOME MEMBERS TOOK THE VIEW THAT DIFFICULTIES ARE LIKELY TO ARISE IN DISCUSSION OF THE FIRST ITEM IN ANY EVENT; AND THAT ZHOU NAN'S AMENDMENTS WOULD NOT IN ANY CASE INHIBIT US FROM PRESENTING THE CASE FOR CONTINUED BRITISH ADMINISTRATION). MEMBERS ALSO THOUGHT IT IMPORTANT, PARTICULARLY IN VIEW OF THE EXPECTATIONS NOW BUILDING UP HERE THROUGH PRESS REPORTS, NOT TO RISK FURTHER DELAY IN THE START OF THE SUBSTANTIVE TALKS BY PROLONGING DISCUSSION OF THE AGENDA UNDULY. IT WAS THEREFORE THEIR UNANIMOUS ADVICE THAT THE AMBASSADOR SHOULD HAVE DISCRETION TO ACCEPT ZHOU NAN'S TWO AMENDMENTS IF A FURTHER EFFORT TO GET THE CHINESE TO ACCEPT 'TRANSFER' RATHER THAN 'THE TRANSFER' IS UNSUCCESSFUL.

3. EXCO WOULD BE CONTENT WITH A ONE SENTENCE ANNOUNCEMENT ON THE LINES DISCUSSED BETWEEN THE AMBASSADOR AND ZHOU NAN (PARA 8 OF TUR). HOWEVER THEY TOOK THE VIEW THAT IF THE CHINESE REVERTED TO A PREFERENCE FOR NO JOINT ANNOUNCEMENT AT ALL, THE HONG KONG REQUIREMENT WOULD BE MET BY A SHORT STATEMENT ISSUED HERE SAYING THAT THE GOVERNOR WOULD BE GOING TO PEKING ON SUCH AND SUCH A DATE TO TAKE PART IN THE TALKS.

SECRET

/4. AS

SECRET

4. AS REGARDS A DATE FOR THE START OF SUBSTANTIVE TALKS (PARA 4 OF PEKING TELNO 570) MEMBERS CONFIRMED THEIR STRONG VIEW THAT THE VISIT TO LONDON BY UNOFFICIALS SHOULD PRECEDE MY VISIT TO PEKING TO TAKE PART IN THE TALKS (PARA 1 OF MY TELNO 835). ON THIS BASIS, AND ASSUMING THAT THE FIRST SUBSTANTIVE MEETING WOULD BE ONE WHICH I WOULD ATTEND, THE EARLIEST PRACTICABLE DATE FOR THE START OF THE SECOND PHASE WOULD BE MONDAY 11 JULY.

YOUDE

FUTURE OF HONG KONG

LIMITED

HD/HKD
HD/FED
HD/PLANNING STAFF
HD/PUSD
PS
PS/LADY YOUNG
PS/MR LUCE
PS/PUS
SIR J BULLARD
MR GIFFARD
MR DONALD
MR WRIGHT

COPIES TO

SIR I SINCLAIR LEGAL ADVISER
MR BURROWS LEGAL ADVISERS
MR ROBERTS NEWS D
MR MARTIN ASSESSMENTS STAFF
CABINET OFFICE
MR FLOWER PUSD
MR COLES NO 10 DOWNING STREET
SIR A PARSONS " " "

2

SECRET



FUTURE OF HONG KONG

1. TRANSFER OF SOVEREIGNTY

(a) Extract from Prime Minister's letter of 10 March to Premier Zhao:

'I fully understand the importance the Chinese Government attach to the matter of sovereignty. But as I explained to you and Chairman Deng it is not constitutionally in my power as Prime Minister acting alone to agree to the transfer of sovereignty; that is a matter which I have to refer to Parliament which alone has the power to decline. If Parliament is to agree to such a transfer of sovereignty, it will need to be part of an overall package of measure guaranteeing the future stability and prosperity of Hong Kong. I understand your difficulties, but I hope that you will understand mine. In my meeting with you I said that I would be prepared to consider making recommendations on sovereignty to Parliament in certain circumstances. Perhaps it would be helpful if I strengthened that assurance. Provided that agreement could be reached between the British and Chinese Government on administrative arrangements for Hong Kong which would guarantee the future prosperity and stability of Hong Kong, and would be acceptable to the British Parliament and to the people of Hong Kong as well as to the Chinese Government, I would be prepared to recommend to Parliament that sovereignty over the whole of Hong Kong should revert to China!!

(b) Extract from Premier Zhao's response on 9 May to the Prime Minister's letter:

'I also note that in your letter you have given an assurance that you are prepared at a certain stage to recommend to Parliament that sovereignty over the entire Hong Kong area should revert to China!'

2. AGENDA FORMULA

(a) Extract from Premier Zhao's response on 9 May to the Prime Minister's letter:

'Discussions on the form of transference of sovereignty as well as on the related questions of how China and Britain can cooperate during the transitional period between now and 1997 and after 1997.'

(b) Extract from Vice Minister Yao's conversation with the Ambassador on 24 May:

'Three-point agenda proposed in Zhao's letter:
 A. The form of transference of sovereignty
 B. Cooperation before 1997
 C. Cooperation after 1997'

(c) Formula agreed by the Prime Minister on 15 June:



'In order to meet the wish of the Chinese side for a broad agenda covering the whole course of the formal talks, the British side agree that, during the course of the talks, matters relevant to the future of Hong Kong should be discussed, in particular all the subjects mentioned in Mrs Thatcher's letter and Premier Zhao's letter. These will include arrangements for Hong Kong after 1997, arrangements in Hong Kong between now and 1997, and matters relating to a transfer of sovereignty in that order. It is agreed that this agenda should remain strictly confidential'.

- (d) Amendments proposed by Assistant Minister Zhou to the Ambassador on 21 June:

'.....These will include arrangements for the maintenance of the stability and prosperity of Hong Kong after 1997, and matters relating to the transfer of sovereignty in that order. It is agreed that this agenda should remain strictly confidential'.

3. ANNOUNCEMENT OF SUBSTANTIVE TALKS

- (a) The wording agreed by the Prime Minister on 15 June:

'Following the discussions between the leaders of the two countries in September 1982, and subsequent useful exchanges, it has been agreed that a second phase of the talks on the future of Hong Kong will begin in Peking on Both sides have reaffirmed the common aim of maintaining the stability and prosperity of Hong Kong and have expressed their determination to pursue the talks to a successful conclusion.'

- (b) Change proposed by Zhou Nan to the Ambassador on 21 June: Omission of the second sentence of the above.

arrangements in Hong Kong
between now and 1997