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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Agree with the proposal to
the substantive talks?

1 July 1983

A.S.C. 1/7.

Why worry about

sub-committee is that the details

we wish to get across will never become

Dear John, known to the main political figures who
have to take the decisions. How do we

Future of Hong Kong: Start of Substantive Talks

get the
facts
over
taken?
not

You will have seen that the Chinese have agreed on the start of substantive talks on the basis of an agenda which meets our requirements. They have accepted the order of discussion which we wanted, which will allow for consideration of arrangements after 1997 before "transfer of sovereignty" is tackled. It has been agreed that the first session should be on 12 July; that will last one day and will be followed by a further session about a week later. The Governor will attend both.

The Chinese are insisting that the first session should be confined to an exchange of opening statements and comments thereon, perhaps followed by procedural consideration of the next steps. This is a typically Chinese approach. It suggests, apart from anything else, that the pace of negotiations, although quicker than before, is likely still to be fairly measured. It is not yet clear how far the discussions will get into detail before the end of July when both the Governor and Ambassador are on present plans due to come on leave. But these opening rounds will be important both in making our general position absolutely clear and steering subsequent talks along the right lines. We need to provide instructions to the Ambassador on the general thrust of our opening statement and on subsequent procedures for the talks.

We can expect the Chinese opening statement to set out their known position on sovereignty, to emphasise that the talks should concentrate on a smooth transition towards the recovery of sovereignty and administration by China by 1997 and possibly to set out in some detail their ideas on post-1997 arrangements, including the concept of a Special Administrative Region. The Ambassador would need to respond by making clear the British position that recommendations on sovereignty could only be put to Parliament if arrangements acceptable to all parties were agreed. He would in other words reaffirm the message in the Prime Minister's letter to Zhao. He would then emphasise that while the UK had no objections

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to the concept of Hong Kong people running their own affairs, Hong Kong is an exceptional case with a unique status.

A simple transfer of control from the UK to Peking would not enable confidence to be maintained and prosperity and stability would suffer. He would point to the doubts in Hong Kong about the continuity of Chinese policy and about the ability of a country with a socialist system to absorb a region with a liberal capitalist system. He would stress the need for guarantees for the continuity of the arrangements after 1997, explaining that in our view the only satisfactory guarantee would be the continuation of the British administrative role in Hong Kong. He would recognise that, in order to make this palatable to the Chinese Government, it would have to be coupled to an acceptance by Britain of Chinese sovereignty over the whole of Hong Kong, but he would of course reiterate that this could only be considered as part of a satisfactory package, which Parliament and the people of Hong Kong could accept.

If time allowed it would be best if, at an appropriate point in this statement, the Governor could make the general presentation on how Hong Kong works which was enclosed with my letter of 20 May. He and Sir P Cradock would however need to keep their approach flexible and it might be necessary for that presentation to be postponed until the second session. There is obviously a need for the negotiators to have sufficient latitude on the spot.

For the longer term our aim would be to continue the process of education of the Chinese by encouraging examination in more detail of various aspects of Hong Kong administration in order to point up the importance of the British link. It would be important to make our key points on these questions in plenary sessions, in order to get them over at the right level. The Chinese have suggested that, at an early stage, sub-committees might be formed to consider different areas, eg the law or financial structure. The Ambassador recommends that we should welcome this idea and use it to try to continue the education process. He believes that this could usefully be backed by the provision of detailed papers for the Chinese to absorb. The Governor is rather more cautious. He does not oppose the idea of sub-committees in principle, but does see a danger that if we are not careful the Chinese might use them in order to twist the discussion towards consideration of unacceptable changes after 1997 rather than the need for continuity.

Sir Geoffrey Howe considers that it would be tactically wrong to oppose the idea of sub-committees. He understands the Governor's concern but believes that in any case the

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whole negotiation will involve efforts on the Chinese part to introduce the idea of change and transition. We shall need to counter these whether in plenary or sub-committee session. If carefully handled we should be able to make use of sub-committees to get over the importance of the British link. We should not however, over-estimate their importance or expect that all the information fed in would find its way to the Chinese leadership. We should need to make clear to the Chinese that the sub-committees were to enable specialists to service the plenary sessions and would be primarily for the purpose of clarifying the points made by the chief negotiators rather than as negotiating fora themselves. For our part we would need to consider the position of each sub-committee carefully: in most cases representation from Hong Kong would be necessary at a specialist level. As the Governor points out, the questions of coordination and the exercise of political control are important. For this purpose we are likely to need participation from London. The detailed papers for the sub-committees would be drafted either in Hong Kong or in London depending on the subject in each case, but all would be subject to agreement from here.

If the Prime Minister agrees with this general approach we shall telegraph instructions to Sir P Cradock at the beginning of next week which he can use not only in the talks but in the further informal contacts which he expects to have with Assistant Minister Zhou Nan (he expects to see him before the talks start). It would also be helpful to cover these points briefly when the Prime Minister sees the Hong Kong Unofficials next week. I shall be writing separately with a brief for this.

Yours ever
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