

SECRET

8

PRIME MINISTER

BRIEF FOR CABINET ON HONG KONG

You informed Cabinet on 16 June of the position reached.

Since substantive talks will begin on 12 July, you may like to brief Cabinet this week on the following lines:-

- "a) I told Cabinet on 16 June that the Chinese were now showing more urgency about substantive talks and that we were seeking agreement on an agenda which did not prejudice our position on sovereignty.
- b) It has now been agreed that substantive talks will begin on 12 July in Peking. In the public announcement we have referred merely to "a second phase" of the talks beginning on that day. We do not wish to suggest in public that since last September our contacts with the Chinese have been insubstantial.
- c) In order to reach this point, we had to overcome a difficulty about how sovereignty would be referred to in the agenda. We were prepared to agree that the relevant item would be worded "matters relating to a transfer of sovereignty". The Chinese wanted "matters relating to the transfer of sovereignty". We refused to accept this prejudicial language. Our Ambassador, who handled the discussions with great skill, manoeuvred the Chinese into proposing "matters relating to transfer of sovereignty" i.e. no article, definite or indefinite. We accepted that as being sufficiently neutral. (The complete agenda is attached.)
- d) The Governor of Hong Kong will attend the talks on 12 July for the first time. The talks will be long and difficult but it looks as though we shall at least

SECRET

/be

SECRET

-2-

be able to get down to serious discussion. Our first objective will be to demonstrate to the Chinese in considerable detail how Hong Kong works at present and how essential the current system of administration and law is to the future stability and prosperity of Hong Kong.

- e) News of the new phase of talks has had a good effect in Hong Kong. The Hang Seng index rose by 50 points on the news and the Hong Kong dollar strengthened. The unofficial members of the Hong Kong Executive Council visited London on 4/5 July for consultations with me and the Foreign Secretary. The process of consultation with Hong Kong representatives is continuous.

- f) There has been some interest in Parliament, following The Queen's Speech, as to how we propose to test the acceptability to Hong Kong of any final package. We are a long way from this point. The best line to take for the time being is that we are continually in contact with Hong Kong opinion through the Legislative and Executive Councils; the Urban Council and the 18 District Councils also let us have their views from time to time."

pp. AJC.
6 July, 1983

SECRET