



Foreign and Commonwealth Office

London SW1A 2AH

14 September 1983

A.J.C. 15/9

Dear Sir,

7th Commonwealth Law Conference: Future of Hong Kong

As agreed I attach a note for the Attorney General's personal background information on the subject of Hong Kong's future.

The Attorney General will of course be aware of the need to avoid saying anything in Hong Kong that might damage confidence there or in any way jeopardise the confidential talks taking place between us and the Chinese in Peking. This is all the more important given that the next session of talks will take place on 22 and 23 September. Mr Luce will be discussing their outcome with the Governor during his visit to Hong Kong from 24 to 28 September.

The same considerations apply to the Attorney-General's visit to Australia (24 to 30 September). The Australians have a particular interest in Hong Kong and may raise the subject, but since they already receive briefing from us at a high level it would not be appropriate for the Attorney General to be drawn into discussion on this topic either with officials or publicly. Mr Whitney, who is to visit Australia in early October, will be briefed to provide the Australians with up to date material.

I am copying this letter to John Coles (No 10).

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

J Nursaw Esq
PS/Attorney General

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(NOT FOR USE)

BACKGROUND NOTE ON THE FUTURE OF HONG KONG FOR THE LORD CHANCELLOR
AND THE ATTORNEY-GENERAL

1. Prime Minister visited China and Hong Kong in September 1982. Following statement was issued after a meeting between Mrs Thatcher and Chairman Deng Xiaoping on 24 September:

"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."

2. Talks through diplomatic channels between Britain and China began soon after. Meetings held in Peking with common aim of maintaining Hong Kong's stability and prosperity.

3. Progress initially slow because of Chinese demand that we first recognise their sovereignty over whole of Hong Kong. Matters greatly improved by exchange of letters between Prime Minister and Premier Zhao in March/April.

4. Prime Minister gave nothing away. Made clear that sovereignty not in her gift. Parliament alone could decide. Stressed need for finding workable arrangements after 1997 acceptable to Britain, China and people of Hong Kong.

5. Second, more detailed, phase of talks began in July. Next session 22/23 September. Chinese delegation led by Vice Foreign Minister Yao Guang, British delegation by HMA Peking. Governor of Hong Kong participating as appropriate on British side.

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6. Content of talks confidential. Atmosphere generally friendly though Chinese line on substance tough throughout. They demand sovereignty and maintain that administration cannot be separated from it.
7. Our aim is to seek a settlement acceptable to Britain, China and people of Hong Kong. Their views being taken fully into account. Made known to us and Governor through many channels. We are in close consultation, through the Governor, with Hong Kong's Executive Council (EXCO). Mr Luce visiting Hong Kong 24-28 September.
8. Chinese propaganda has floated idea of Hong Kong coming within the Chinese State but with considerable autonomy and functioning essentially as it does now. In the talks with us they have taken a similar line. Their main points are:
 - (a) Hong Kong would become a Special Administrative Region of China under Article 31 of the Constitution.
 - (b) The Government would be drawn from the local people of Hong Kong.
 - (c) The economy and basic freedoms would be "protected" and the laws would be "basically unchanged". There would be an independent convertible currency and "existing external relations in the economic and cultural fields" would be maintained.
9. Most people in Hong Kong sceptical of this SAR idea. It is superficially attractive but lacks key ingredient for confidence, an insulator against Chinese interference in Hong Kong. At present this is provided by British administration. Evidence suggests Chinese have not thought through most detailed issues involved. They appear to assert that by saying Hong Kong will continue to be internationally tradeable, this will just happen.
10. HMG have sought to educate Chinese about basis for confidence and importance of continuity of current systems. We have concentrated on Hong Kong's position as a financial/commercial

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centre, on the Hong Kong dollar and on the importance of a stable legal system.

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