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Foreign and Commonwealth Office

London SW1A 2AH

16 November 1983

Dear John,

Hong Kong: Negotiations with the Chinese

You may find helpful for the meeting of OD(K) at 1700 on 17 November a summary of the telegrams relating to the last round of talks on 14-15 November. They will all have been distributed to members of OD(K) in the usual way.

You will remember that following consultation with the Unofficial members of EXCO in early October, the Prime Minister proposed that in pursuance of her letter of 10 March to the Chinese Premier, and without prejudice to any final agreement, the negotiators on the two sides should discuss what other effective methods (apart from the continuation of British administration) might be devised to maintain the stability and prosperity of Hong Kong. She instructed our Ambassador to explore Chinese ideas further to see whether Britain and China could together construct acceptable arrangements on the basis of the proposals put forward by China.

After the round of talks on 19/20 October it appeared that although the Chinese had not given up their premise, they were ready to accept that progress was possible without an explicit acceptance of it. The atmosphere of the talks was very much better and the communique after it described them as "useful and constructive". Morale in Hong Kong was considerably raised.

The talks on 14 and 15 November were again described as "useful and constructive" in the communique. It was agreed to meet again on 7 and 8 December. However no real progress was made during the two days and the Ambassador has commented that the road ahead looks ever bleaker than we had envisaged. Informal contacts over the previous two weeks with the Chinese negotiator and the latest round confirmed continuing Chinese suspicion of British intentions: they claim that we still want to retain British administration in Hong Kong after 1997 or at any rate a form of joint administration and that neither can be accepted by China.

During the most recent round of talks, the Chinese referred back to their premise on sovereignty and the right of administration and maintained that real progress was not possible unless we were prepared to tackle matters of principle. They objected to our "step-by-step" approach. They did comment superficially on the papers which we had presented on the legal

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and financial systems, but in the sense of seeking to eliminate points inconsistent with their premise. They claimed that many of the points we had raised covered questions which were China's internal affair or which should be left to the Government of a future Special Administrative Region to decide.

The Ambassador explained the reasons why we favoured a detailed step-by-step approach, primarily because confidence in Hong Kong would not be satisfied with general assurances. He reiterated that, subject to the conditions explained in the Prime Minister's message, we were prepared to examine whether agreement was possible on the basis of the Chinese proposals which, as we understood them, did not involve any link of authority between Hong Kong and the UK. He pressed the Chinese on a number of points which they had raised on our papers. There was some discussion on the question of British personnel remaining in official posts after 1997 on which the Chinese negotiator had shown great suspicion in informal contacts, claiming that we wished to reserve posts for our people in order to set up "co-administration". The Chinese remained hostile to the concept of reserving posts for expatriates; suggesting that British personnel could only remain in the Civil Service in Hong Kong as advisers.

The Ambassador has commented in the light of the talks that the Chinese position appears to have hardened, and has speculated that this might be as a result of Deng's personal intervention. Looking ahead, he has commented that we must now keep constantly in mind the possibility that we may fail to get a package that can be represented as acceptable and that we must plan with the possibility of a breakdown in mind. He recommends that, while we have no alternative but to pursue our present tactic of seeking to talk constructively in detail, on the basis of working papers, it is essential to deal with Chinese suspicions about the British link or role. He suggests that, before the next round on 7 December he should speak to the Chinese negotiator on instructions, making it clear that, in the context of the discussions (i.e. subject to the conditions in the Prime Minister's message) we shall make no proposals on a British link or role which conflict with the transfer of both sovereignty and the right of administration to China.

The Ambassador would not wish to hold out great hopes that such a demarche would generate more profitable discussion on the detailed areas. He regards it, nevertheless, as essential in order to avoid giving the Chinese any possibility of saying that the talks had broken down because Britain was persisting in trying to perpetuate colonial rule in Hong Kong after 1997.

/The Governor



S E C R E T

The Governor has explained by telephone that although he is in broad agreement with Sir Percy's ideas he will need to report to EXCO on 17 November on the last round of talks and to hear their initial reaction before offering advice. Thereafter, he urges that Ministers should not take a final decision on the next step without the proposals having been aired frankly with EXCO and their advice sought.

I am sending copies of this letter to the Private Secretaries to the President of the Council, the Home Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Trade and Industry, the Attorney General, Mr Luce and Sir Robert Armstrong.

Yours ever

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