

Ref: B06916

PRIME MINISTER

c Sir Robert Armstrong

NB

OD(K): Future of Hong Kong

BACKGROUND

The meeting has been called to review the position in the light of the 7th round of negotiations with the Chinese which took place in Peking on 7 and 8 December. The Foreign and Commonwealth Secretary, in his minute of 12 December, comments that this round took place in a significantly improved atmosphere. Peking telegrams nos. 1309, 1310, 1314 and 1315 report and comment. The Governor of Hong Kong has given an account of the 7th round to the Hong Kong Executive Council (EXCO), whose reaction was one of continuing concern that we are moving too fast towards acceptance of the basic Chinese position and belief that the negotiations have reached a critical point at which it is time to take stock (Hong Kong telegram no. 1915). The Governor's assessment of the current state of confidence in Hong Kong has been circulated to the Sub-Committee as OD(K)(83) 5. Texts of the latest batch of 4 informal Working Papers handed to the Chinese have also been circulated (for information) to the Sub-Committee under cover of OD(K)(83) 4.

2. The Foreign and Commonwealth Secretary reports that the explanation of British views on the relationship between Hong Kong and Britain after 1997, which was put forward by Sir Percy Cradock on 28 November, has done much to dispel Chinese suspicions, and for the first time the Chinese have commented in some detail on our informal Working Papers. Some of their comments revealed a measure of common ground between their position and ours, but others were less welcome, in particular the implication that there would be a Chinese military garrison in Hong Kong.

3. Before the latest round of negotiations, the senior Unofficial Member of EXCO, Sir S Y Chung, suggested to the Governor that Unofficial Members of EXCO should review the position reached in the negotiations, and this is reinforced by EXCO's reaction to the Governor's report on the latest round. In preparation for this possibility the Foreign and Commonwealth Secretary has commissioned a paper for discussion with EXCO. His present thinking is that the arguments against confrontation with the Chinese are as strong as ever; and that we should broadly continue our current strategy of detailed discussion, continuing to put our Working Papers to them, including a paper on the central issues of administration. Sir Geoffrey Howe also draws attention to the need not to allow the Chinese to steal a march on us in appealing to the people of Hong Kong and suggests that we need to do what we can to develop a genuinely autonomous administration in Hong Kong well before 1997.

4. The Lord President of the Council, who is in Kenya, and the Attorney General, who is ill, will not be present.

HANDLING

5. You will wish to invite the Foreign and Commonwealth Secretary to introduce the discussion. Points to establish are -

- a. does the Sub-Committee agree that we should accept a visit to London by the Unofficial Members of EXCO before the next round of talks (which will take place on 25 and 26 January);
- b. if so, do the Sub-Committee agree that a paper should be prepared for discussion with the Unofficials on the lines suggested by the Foreign and Commonwealth Secretary;
- c. what line should be taken with the Unofficials on the points where Chinese comments cause us difficulty, including the stationing of Chinese troops in Hong Kong.

In seeking to reassure the Unofficials that we shall take a firm enough line with the Chinese on these points, it will be important not to obscure the reality that we are in a weak position to persuade the Chinese to change their minds.

CONCLUSION

6. Subject to the discussion you may wish to guide the Sub-Committee to agree that
 - a. the Unofficial Members of EXCO should be invited to London for discussions in mid-January;
 - b. a paper should be prepared by the Foreign and Commonwealth Secretary in the light of the discussion reviewing the current position and the way ahead in time for the EXCO visit. (The Sub-Committee will wish to agree the paper before it is used with EXCO but unless there are major unforeseen developments between now and then the paper could probably be cleared out of committee);
 - c. a further meeting of the Sub-Committee could be held after the next round of talks in Peking, unless the discussions with EXCO go badly, in which case a meeting may be necessary between their visit and the next negotiating round.

David Goodall

12 December 1983

A D S GOODALL