

Foreign and Commonwealth Office

London SW1A 2AH



PO/84/6

5 January 1984

*Dear John,*Future of Hong Kong: Policy Review

In your letter of 3 January you listed a number of comments on the paper for OD(K) annexed to Sir Geoffrey Howe's minute of 23 December. Sir Geoffrey has considered these carefully.

The amendments suggested to paragraph 1 of the paper obviously clarify the position on both points. However Sir Geoffrey does see difficulty in the suggestions relating to paragraphs 5 and 6. It is important to include in any assessment a description of the extent of nationalist feeling over the reunification of China, of which the recovery of Hong Kong is seen as part. This Chinese view certainly affects the calculations of the present administration in Peking and is likely to influence future governments similarly. A statement of this sort of course carries no implication about our own reaction. But it is something which we must take into account.

The point about the Chinese view of the respective wishes of the people of Hong Kong and the people of China is, we think, an accurate reflection of their position. It is, of course, true that they are prepared to envisage a Special Administrative Region for Hong Kong. However we think that that reflects more a cool assessment by Peking of how they can best reconcile their nationalist objectives with their economic interests than a concession to the wishes of the local people. We do not believe that the Chinese would really be prepared to concede what the people of Hong Kong want - the continuance of the status quo.

On paragraph 6 we do not think that we should go as far as to describe our sovereignty over Hong Kong Island and Kowloon as a positive card in the negotiations. We have mentioned it as a bargaining card in the preceding paragraph in the sense that we can insist that Parliament must judge an overall package. But in negotiation with the Chinese it does not carry positive weight. They do not accept our legal view of the position and they are not prepared to bargain on that point. Indeed they may well regard the existence of the 19th century treaties more as a plus point for themselves in the sense that they calculate, rightly in Sir Geoffrey's view, that world opinion in general

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would not be inclined to support the UK over the retention of a territory acquired by force. There is, moreover, a fundamental difference between the Chinese and the Argentine problems. The vast majority of the people of Hong Kong are Chinese, many of whom were born in China. The inhabitants of the Falklands are British. However that may be, our problem is that there is no chance of our taking the Hong Kong issue to any international legal forum where we should be able to take advantage of our title in international law.

Sir Geoffrey Howe therefore proposes to circulate a revised version of paragraph 1 of the Policy Review paper to OD(K) colleagues. He will be putting round a further minute after the weekend. This will take into account the discussion which the Governor of Hong Kong is having this week with EXCO and will suggest points on which OD(K) should concentrate at its meeting on 11 January.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

Hong Kong Future Pt 11

5 JAN 1984



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10 DOWNING STREET

From the Private Secretary

6 January 1984

Future of Hong Kong: Policy Review

Thank you for your letter of 5 January.

The Prime Minister has noted that, in the revised version of the paper which Sir Geoffrey Howe will circulate to OD(K) colleagues, he proposes to amend paragraph 1 of the earlier version but not paragraphs 5 and 6.

A. J. COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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Prime Minister.

Hong Kong.

The Foreign Secretary accepts most but not all the amendments I proposed to his O.D. paper on Hong Kong.

2. I suggest that we accept this. It is his paper - and your views are on record.

Agree?

A.S.C. $\frac{5}{1}$

Yes not



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From the Private Secretary

3 January 1984

Future of Hong Kong

As David Barclay said in his letter to you of 30 December, the Prime Minister has made a number of comments on the paper for OD(K) which was annexed to the Foreign and Commonwealth Secretary's minute of 23 December. Sir Geoffrey Howe may wish to arrange for a revised version of the paper to be circulated for consideration in the sub-committee.

With regard to the third sentence of paragraph 1, the Prime Minister thinks it is over-stating the case to say that even in September, 1982 we judged it probable that the Chinese would not agree to any authoritative role for Britain in Hong Kong continuing after 1997. She recalls that it was our aim to influence the Chinese in discussion towards our view that the continuance of British administration was an important element in maintaining stability and prosperity. It may be that the substitution of "possible" for "probable" would meet the point.

The fourth sentence of paragraph 1 (beginning "The Chinese insistence") conveys, in the Prime Minister's view, the impression that faced with Chinese insistence on explicit acceptance of their premise on sovereignty, we abandoned our own position; whereas we have done no more than give a conditional assurance that we will be prepared to recommend a transfer of sovereignty to Parliament, if an arrangement acceptable to the two Governments and to the people of Hong Kong could be agreed. This point could probably be met by redrafting on the following lines:

"The Chinese continued to insist that their premise on sovereignty must be accepted before substantive talks could begin. While we were not prepared to concede acceptance of this premise, in order to make possible the holding of substantive talks the Prime Minister gave to the Chinese Premier a conditional

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assurance that, if an arrangement acceptable to the two Governments and to the people of Hong Kong could be agreed, she would be prepared to recommend a transfer of sovereignty to Parliament."

With regard to the fourth sentence of paragraph 5, the Prime Minister is uneasy at the implication that we should give weight to the nationalist feeling of all Chinese administrations since 1911 in seeing the recovery of Hong Kong as a step in the "sacred task" of re-unifying China. She has pointed to the similarity with Argentine attitudes over the Falklands. Later in the same paragraph, Mrs. Thatcher has questioned whether it is correct to say that, in the Chinese view, the wishes of the Hong Kong people must be subordinate to those of the people of China as a whole. The fact that the Chinese are prepared to envisage a special administrative region for Hong Kong may point somewhat in the opposite direction.

Paragraph 6 states that we have one positive card in the negotiations. The Prime Minister has observed that we also have the card of our sovereignty at international law over Hong Kong and Kowloon.

I am copying this letter only to Richard Hatfield (Cabinet Office).

Peter Ricketts Esq
Foreign and Commonwealth Office.

A. J. COLES