



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

18 January 1984

An analysis of the
parallel drawn by the
Tongan representative at

CHOGOR.

A.J.C. 18/1

[Handwritten signature]

Dear John,

Hong Kong

Thank you for your letter of 11 January. As Roger said in his letter of 9 January, we do not believe that the "promise" given by the new Chinese Government in the common programme of September 1949 to "encourage the active operation of all private economic enterprises beneficial to the national welfare and to the people's livelihood" can reasonably be compared with current Chinese proposals for making Hong Kong a Special Administrative Region with a high degree of autonomy, as part of the negotiation with us.

The Communists did not negotiate their takeover with Shanghai. Their armed forces occupied it on 24 May 1949, following its evacuation by the Nationalist garrison. They did not give any undertakings or guarantees for their future conduct that related specifically to Shanghai.

During the latter half of the 1940s, the Nationalists and the Communists did conduct inconclusive negotiations on several occasions. The Communists were at first conciliatory but, as it became clear that they were winning the Civil War, their stand hardened. Their last set of proposals, put forward in a draft 'Agreement on Interim Peace', were initially accepted by Nationalist negotiators in Peking in April 1949, but were subsequently rejected by the Government. Many of the points in the 'Agreement' were incorporated in the Common Programme adopted by the communist-dominated Chinese People's Political Consultative Conference (CPPCC) in September 1949. The CPPCC was attended by representatives from various 'democratic' parties but not the Nationalists.

The Common Programme was the Communists' most authoritative public statement of the policies to be pursued after their victory in the Civil War, and it served as the national Constitution until replaced by a more formal document in 1954. There is little in the April 1949 Draft Agreement or the Common Programme that is analogous to the Chinese proposals for Hong Kong. However, an annex, which attempts to compare these two documents with China's present '12-point plan' for Hong Kong, is attached.

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Although some private businessmen were initially tolerated by the Communists in Shanghai, the Communists moved quickly to establish state control and by January 1956 all privately-run business in Shanghai had been eliminated. During this process many businessmen were victimised; some were executed and many more imprisoned. There is, however, an obvious difference between the circumstances then and now. In the 1950s the Communists were in the first flush of their revolutionary enthusiasm and building a new state. They are now well aware of the advantages which they derive from Hong Kong with its well-established capitalist system, whereas in the early 1950s they inherited conditions of economic collapse in Shanghai as in other Chinese cities. It is worth noting, moreover, that even at that time (and during the Korean War) the Chinese refrained from taking serious measures against Hong Kong.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

H-K future #111

ANNEX: COMPARISONS

Chinese 12 Point Plan,
For Hong Kong

1. China to resume sovereignty over Hong Kong.
2. Hong Kong to become a Special Administrative Region (SAR) with a high degree of autonomy.
3. The SAR to enjoy power of legislation and independent judiciary with laws remaining basically unchanged.
4. SAR government to be composed of local inhabitants. Civil Servants of Chinese and foreign nationality of the former government can be employed.
5. Current social, and economic systems, and life to be unchanged.
- SAR to remain a free port.
7. SAR to remain international financial centre, including commodity markets. Hong Kong dollar to be freely convertible.
8. SAR to have financial independence.

Communist Statements in the
'Agreement on Internal Peace'
and the 'Common Programme'

The 'Constitution of the Republic of China' (Nationalist) to be abolished. (Agt. Article 3)

No similar provision

No reference to independence of the judiciary in the Common Programme. 'All laws, decrees and judicial systems ... which oppress the people shall be abolished' (Article 17)

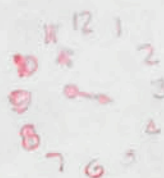
'... the Democratic Coalition Government of China shall take care to enlist all patriotic and useful persons among the former's (ie Nationalist) personnel, give them democratic education and assign them to suitable posts ...' (Agt. Article 20)

No sweeping provision of this kind. The Agreement and the Common Programme both contained commitments to expropriate 'bureaucrat-capitalists' and to reform the 'feudal' system of land-ownership. But the Common Programme also contained provisions for the freedoms of speech, change of domicile etc (Article 5); and it undertook to 'encourage the active operation of all private economic enterprises beneficial to the national welfare' (Article 30).

No such provisions. 'Financial enterprises shall be strictly controlled by the state. The right of issuing currency belongs to the state. The circulation of foreign currency within the country shall be prohibited. The buying and selling of foreign exchange, foreign currency, gold and silver shall be handled by the state banks' (Article 39).

9. SAR may establish reciprocal economic relations with Britain. 'The People's Republic of China may restore and develop commercial relations with foreign governments and peoples'. (Article 36). 'Control shall be exercised over foreign trade and the policy of protecting trade shall be adopted. (Article 37).
10. SAR as 'Hong Kong/China' may develop its own economic and cultural relations. Not applicable.
11. SAR to be responsible for its own public order. Not applicable.
12. The above to be incorporated into a basic law and to remain unchanged for 50 years. The 'Agreement' referred to a fundamental law to be drawn up by the Political Consultative Conference (ie the 'Common Programme'). No time limits were mentioned. The Common Programme was itself superceded by the State Constitution adopted in 1954 (which has in its turn been revised on several occasions).

8 JAN 1984



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19 January 1984

HONG KONG

Thank you for your letter of 18 January comparing the earlier Chinese attitude to Shanghai with their current proposals for making Hong Kong a Special Administrative Region. The Prime Minister has noted the contents of your letter.

JOHN COLES

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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