



Prime Minister.

This is a major decision Foreign and Commonwealth Office
 which, in my view, ought to be properly considered in OD (K)
 before it is discussed with EXCO.

London SW1A 2AH

Hope that OD (K) should meet on Sunday and that Mr.

Dear John, Lucy should be instructed to stall:

A-7C. $\frac{23}{2}$. Yes

Future of Hong Kong: Strategy and Timetable

Sir Geoffrey Howe has been discussing with officials here and in Hong Kong and Peking the broad timetable we should adopt for negotiations during the rest of this year.

The negotiations are going well and we are making progress to date on key issues, but as regards timing a decisive factor is the Chinese intention to issue a statement either together with us or unilaterally in September.

In this discussion a difference of view has emerged between the Governor on the one hand and the Ambassador and ourselves on the other. The Governor would like us to seek no more than an interim statement in September, with the possibility of continuing negotiations and arriving at an agreement some time in 1985. He argues that this would give the best opportunity for Hong Kong opinion to accept the agreement and that there should be a long period of reflection in Hong Kong. He feels that without this, acceptability in Hong Kong will not be attained and the agreement will founder.

Sir Geoffrey's view, shared by the Ambassador in Peking, is that we must take the Chinese deadline seriously. They are determined to issue a statement either jointly or unilaterally in September. It must be our primary objective to see that this statement is as joint, palatable and binding as possible. If we were to tell the Chinese that we were not even going to try for an agreement this year, we would do ourselves much harm and reduce our chances of gaining the assurance we need. If we continue to work with the Chinese for an agreement by the date on which they are set, we will maintain a degree of leverage with them and stand a better chance of gaining the necessary assurances. Per contra a unilateral Chinese announcement of the decisions in respect of the future of Hong Kong in September would be disastrous for confidence there. I enclose the exchange of telegrams we have had with the Governor.

/Sir Geoffrey



Sir Geoffrey Howe's conclusion, therefore, is that we must try for a bilateral agreement with the Chinese by September with the knowledge that we might have to fall back on something less, such as a Heads of Agreement. He is, however, alive to the Governor's problem and the need to allow Hong Kong opinion to form when some indication of the likely agreement is revealed. We think that this can be achieved by a statement by Sir Geoffrey Howe or a White Paper, issued in the late spring or early summer, which would give some of the background to the issue and would indicate the sort of conclusions we might reach in the negotiations. Obviously this would need to be carefully worded to avoid any breach of conditionality but it should be able to describe the assurances that might be attainable from the Chinese.

There is therefore on more careful reading not such a great difference between ourselves and the Governor as would appear on the face of the telegram. However, we need to explain our reasoning more carefully than we did in the first telegram to the Governor on Friday. Sir Geoffrey would like, with the Prime Minister's agreement, to send a full explanation to the Governor along the lines of the attached draft telegram which should arrive by Saturday in order to give Mr Luce a clear steer on this issue when he goes to speak to EXCO during his visit to Hong Kong. Mr Luce has already considered the matter with Sir Geoffrey and Sir Percy Cradock and they are all of the same mind about this difficult and important question.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

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10 Downing Street

S E C R E T



10 DOWNING STREET

From the Private Secretary

23 February 1984

Dear Peter,

FUTURE OF HONG KONG: STRATEGY AND TIMETABLE

The Prime Minister has seen your letter of 21 February on this subject.

Mrs. Thatcher considers that the question of whether we should work for an interim statement or a bilateral agreement in September is, particularly given the views expressed by the Governor of Hong Kong, so important that it should be considered by OD(K). We have therefore arranged a meeting early next week.

I think it would be helpful if you could arrange to circulate a paper describing the problem - and perhaps a separate paper bringing members of OD(K) up to date on the negotiations.

Meanwhile, the Prime Minister would like Mr. Luce, when he meets EXCO in the near future, to avoid committing the Government on the questions of strategy and timetable.

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

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

CT.

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