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B.06712

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Meetings with  
Unofficial Members of the Hong Kong Executive Council

BACKGROUND

1. In his minute of 2 April the Foreign and Commonwealth Secretary sets out proposals for handling discussions with the Unofficial Members of the Hong Kong Council (EXCO) during their visit to London, accompanied by the Governor, from 4-6 April.

2. The Foreign and Commonwealth Secretary's minute gives a full description of the Unofficial Members' concerns, as reported by the Governor, arising from the present state of talks with the Chinese. The Unofficials are reported to be deeply dissatisfied and to regard their talks on this occasion to be crucial. Their chief causes of concern are -

a. their dissatisfaction with what has been achieved in the Peking talks and in particular the Chinese reaction on nationality and the form and content of the proposed Agreement;

b. their fear of criticism in Hong Kong if they are seen to be associated with an Agreement which in their terms achieves little more than a statement of the Chinese 12 points;

c. their concern about the timetable for reaching an agreement, based on the Chinese deadline of September 1984, and their desire that in negotiations with the Chinese the United Kingdom should put in a strong initial bid from which we would make it clear that we could not retreat.



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3. The Foreign and Commonwealth Secretary considers that, despite the considerable difference of view with the EXCO Unofficials, we should make every effort to keep them with us because of their important role in securing acceptance of an Agreement in Hong Kong. He considers that EXCO's concerns are in many ways based on misconceptions and should be countered with some or all of the following arguments:

- a. discussion of the working papers has in fact produced an extensive measure of agreement with the Chinese, and the difficulties which have arisen are those which we expected on nationality, constitutional arrangements and the stationing of Chinese troops;
- b. the United Kingdom is seeking to promote the best interests of the people of Hong Kong and our tactics are geared to maximising the chances of achieving the points which we regard as essential to any tolerable Agreement;
- c. assistance on the sort of high initial bid or bids proposed by the EXCO Unofficials would be likely to lead to a rupture in the negotiations without putting effective pressure on the Chinese. The result would simply be to frustrate our present strategy of testing how far the Chinese can be persuaded to accept our requirements and to agree the fullest possible statement about continuity of systems and freedom within Hong Kong;
- d. although the "maximalist" draft Agreement we are tabling will almost certainly be unacceptable to the Chinese, it is hoped that our proposals for expediting ratification will give them an incentive for accepting a more detailed Agreement than they would otherwise favour, and one which will incorporate the main lines of the eventual Chinese Basic Law.



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4. In short, the Foreign and Commonwealth Secretary believes that there is no realistic alternative to maintaining our present strategy and that the course favoured by the Unofficials of inviting a "stand-off" from the Chinese would be counter-productive.

5. The Secretary of State for Defence and the Minister of State, Foreign and Commonwealth Office (Mr Luce) cannot be present at the meeting because of their absence overseas. The Minister of State for the Armed Forces (Mr Stanley) and Sir Antony Acland (Foreign and Commonwealth Office) have been invited to attend.

#### HANDLING

6. You should invite the Foreign and Commonwealth Secretary to introduce the paper. Points to establish in subsequent discussion on the strategy to be followed in the discussions with the Unofficial Members of EXCO are -

- a. Is it agreed that every effort should be made to retain the co-operation of the EXCO Unofficials at this stage, given their important role in obtaining acceptance of any Agreement in Hong Kong?
- b. Is the Sub-Committee satisfied that the balance of advantage continues to lie against risking any rupture in the negotiations with the Chinese until the process of testing the Chinese position is complete?
- c. How far should Ministers go in reassuring the Unofficials about the elements in an Agreement which we would regard as essential to safeguard Hong Kong's autonomy and continuity of systems after 1997, bearing in mind that the Unofficials will regard such reassurances as implying a commitment not to accept less?



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d. Are there any other arguments which would be influential in persuading the Unofficials to accept our present strategy in negotiations? (Presumably the Foreign and Commonwealth Secretary will dwell on the probable impact of the Unofficials' preferred tactics on the Chinese view of the seriousness of the United Kingdom search for an accommodation, and the impact which any breakdown of the talks would have on business confidence within Hong Kong.)

e. Does the Sub-Committee agree the tactics proposed on the key issue of nationality in paragraphs 10-12 of his paper? (The Home Secretary will wish to comment on this aspect.)

CONCLUSION

7. Subject to the points made in discussion you could guide the Sub-Committee to endorse the approach recommended by the Foreign and Commonwealth Secretary.

*David Goodall*

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2 April 1984