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B.06711

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Future of Hong Kong: Agenda Item Two

BACKGROUND

FLAG A

1. In his minute to you of 29 March the Foreign and Commonwealth Secretary reports that the Chinese have said that they wish to discuss the arrangements in Hong Kong prior to 1997 (Agenda Item Two) in April. The British negotiators have replied that we will try to meet this deadline. Agreement is therefore needed on the line our negotiators should take in discussion with the Chinese.
2. Sir Geoffrey Howe points out that the Chinese are the demandeurs on this item. They wish to establish institutional machinery in Hong Kong before 1997 to give the impression they have acquired the right of consultation over the territory's internal affairs, most probably with particular regard to constitutional development, internal security and increasing participation by Hong Kong residents ("localisation") in the civil service, police and judiciary.
3. Clearly, we must not allow the Chinese a veto over developments up to 1997. But the Foreign and Commonwealth Secretary believes that there is a number of topics which it will be in our interests to discuss with the Chinese in connection with the provisions of the draft Agreement which the Sub-Committee approved at its last meeting. These are itemised in paragraph 5 of Sir Geoffrey Howe's minute. Sir Geoffrey also believes that, since the Chinese have said that our proposals for constitutional development until 1997 need to be discussed in order to ensure that they do not conflict with the Basic Law, such discussions might provide a useful means of enabling us to influence the drafting of the Basic Law itself. The Foreign and


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Commonwealth Secretary recommends that the Chinese should be told of the plans to move to indirect elections, and also that we should not be ready to decide on direct elections until the 1990s. We would not be seeking their views on indirect elections, but would undertake to consult them before moving to direct elections. A similar approach would be adopted on plans for localisation.

4. Sir Geoffrey Howe goes on to consider the arrangements under which the discussions might take place. These could be through normal diplomatic channels or in some new institutional framework. While the former would avoid creating a piece of machinery by which the Chinese could attempt to interfere in Hong Kong, it would limit the scope for attempting to influence the drafting of the Basic Law. The Foreign and Commonwealth Secretary therefore prefers the latter course and recommends that we should propose that the new consultative machinery should be based in Peking to avoid detracting from the authority of the Hong Kong Government. We should also propose that this machinery should include representation of Hong Kong. The most appropriate form of consultative machinery might be a series of working groups on various topics, established by agreement between the two sides.

5. The text of the Foreign and Commonwealth Secretary's minute has been telegraphed to the Governor of Hong Kong, who has been told he may show it to EXCO on the understanding that Ministers collectively had not considered its proposals, and were therefore not committed to them.

6. The Secretary of State for Defence, who will be in Turkey for NATO Nuclear Planning Group discussions, and the Minister of State, Foreign and Commonwealth Office (Mr Luce), who will be overseas, will be unable to attend the meeting. The Minister of State for Defence (Mr Stanley), and Sir Antony Acland, Foreign and Commonwealth Office, have been invited to attend.

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HANDLING

7. You should invite the Foreign and Commonwealth Secretary to introduce the discussion. The main points to establish are -

a. Is the Sub-Committee content for discussion on Agenda item two to begin this month, provided that we maintain the right to refer back to unresolved questions from Agenda item one?

b. If it is agreed that we must accept the need for discussions about pre-1997 arrangements to start this month, how can these be handled so as to reduce to a minimum the risk of the Chinese acquiring a de facto right of veto over developments in Hong Kong between now and 1997? Would the use of the diplomatic channel (as opposed to the establishment of "institutionalised consultation") necessarily limit such opportunities as may be open to us to influence the drafting of the Basic Law? Would the Chinese accept terms of reference for institutionalised consultation which would give us a droit de regard over the Basic Law?

c. If it is agreed that, on balance, it would be advantageous to go for institutionalised consultation, is it right that this should always take place in Peking? Should the location alternate, say between Peking and London?

d. Is the Sub-Committee content with the proposed line to take with the Chinese on constitutional arrangements, the internal security force and other questions mentioned in paragraph 4 of the Foreign and Commonwealth Secretary's minute?

CONCLUSION

8. Subject to the points made in discussion, you could guide the Committee to approve the recommendations in paragraph 5 of the Foreign and Commonwealth Secretary's minute. ~~_____~~

David Goodall

2 April 1984

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