



Foreign and Commonwealth Office

London SW1A 2AH

2 April 1984

Prime Minister.

A.S.C. 3/4

Dear John,

Hong Kong: Public Statement on the Future

The meeting of OD(K) on 26 March considered whether the Foreign Secretary should make a statement during his visit to Hong Kong in April, lifting the veil on the likely package which would emerge from the discussions with the Chinese.

I now enclose a draft of such a statement which may of course need adjustment in the light of discussions with EXCO and in Peking. As you know, EXCO Unofficials have strongly expressed the view that it would be right to state frankly that there is no chance of negotiating the continuation of British administration with the Chinese. The draft is designed to make this clear, while underlining that any possibility of transferring sovereignty is still subject to conditionality. It also outlines the main elements which we would expect an agreement to contain in order to assure the continuation of Hong Kong's systems, laws, freedoms, etc. This is not an easy balance to strike, particularly since the Chinese have made it clear in informal contacts in Peking that they would object to our including in a statement points which they regarded as being their business - ie the future framework for Hong Kong to be covered under the Basic Law. But, if a statement is to be made, it must obviously explain that we are working for a binding agreement which will assure continuation of the main features of Hong Kong's way of life.

At OD(K) the Prime Minister asked us to consider whether we should give the Chinese formal warning of our intention to make such a statement, before the Foreign and Commonwealth Secretary visits Peking. Having consulted the Ambassador and Governor, the Foreign Secretary's view is that he should tell the Chinese leaders of our intention during his visit, adding of course an explanation of why we think this is in both Chinese and British interests. If we were to broach the matter before, there would be a risk that they would take it as a request for permission and would reject it out of hand. That is the more likely because the Chinese negotiator, Zhou Nan, has already expressed opposition to the concept and is in any case likely to view with suspicion any proposals which we make at official level.

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It is Sir Geoffrey Howe's intention to make the statement at the press conference which will conclude his visit to Hong Kong on the morning of 20 April. This timing will enable him to discuss the content of the statement with the Executive Council on the previous day, and also to inform the Unofficial members of the Legislative Council of his intentions.

There has already been some preliminary discussion with the Leader of the House and the Chief Whip about Parliamentary handling. Sir Geoffrey Howe proposes the following procedure:

- (a) the text of his statement would be deposited in the library of both Houses as soon as possible after it had been made. Since this will actually happen on Good Friday, special steps will be taken to ensure that it is available to Members immediately after the holiday weekend;
- (b) immediately after the Easter recess an FCO Minister would reply to an inspired written parliamentary question drawing attention to the Hong Kong statement and (if the Leader of the House agrees) looking forward to the possibility of an early debate.

The above procedure may not be ideal, but Sir Geoffrey feels that it should nonetheless be enough to satisfy MPs that their interests are being taken into account. Parliamentary interest in Hong Kong has so far been limited, and the proposed statement contains no striking revelations. Moreover, Sir Geoffrey is offering an informal briefing on Hong Kong to selected MPs of all parties, including members of the entire Select Committee on Foreign Affairs, before his departure, besides giving a further briefing to Opposition leaders on Privy Councillor terms.

I am copying this letter to Private Secretaries of members of OD(K) and to Richard Hatfield (Cabinet Office), and to Murdo Maclean (Chief Whip's Office).

Prime Minister

We might perhaps say to the Foreign Secretary that in the briefing he should describe his intention to make a written statement after the recess — to prevent criticism that it should have been oral.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

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10 Downing Street

A.S.C. $\frac{3}{4}$.

DRAFT STATEMENT BY THE SECRETARY OF STATE FOR FOREIGN AND
COMMONWEALTH AFFAIRS IN HONG KONG ON 20 APRIL 1984

1. I have, as you know, just come from three days of meetings with leaders of the Chinese Government in Peking. The greater part of these meetings was spent in discussion about the future of HONG KONG. I would now like to make a short statement about those negotiations and about the way HMG see the future of this territory.

CONFIDENTIALITY

2. Firstly, I should say that I realise the problems which the confidentiality of the negotiations has caused for the people of Hong Kong. I appreciate the forbearance which they have shown. The negotiations are still in progress and there can be no question of breaking confidentiality and going into details about what is being discussed. Indeed, many important points remain to be settled. Nevertheless I should like to take this opportunity to make some comments on how I see the problems which we are facing together and on the likely way ahead.

HISTORY AND BACKGROUND TO THE NEGOTIATIONS

3. Negotiations over the future of Hong Kong were started in September 1982 when the Prime Minister visited Peking. We then agreed with the Chinese Government that the negotiations should take place with the common aim of maintaining the prosperity and stability of Hong Kong. Our intention was and remains to remedy the uncertainty over the territory's future, caused by the fact that the lease on 92% of the territory was due to expire in 1997, and to work out arrangements for the future which would be in the best interests of Hong Kong's people.

4. I should emphasise that throughout the talks we have kept in close contact not only with the Governor but with members of his Executive Council. Our chief concern has been to find a way in which the Hong Kong enterprise, which has been so uniquely successful, could continue. What is important for Hong Kong is



the continuity of the essentials of the legal, social and administrative systems - indeed of the whole pattern of Hong Kong's way of life.

5. I touched on this question in a debate in the House of Commons last month. I pointed out then that at present continuity in Hong Kong is assured by British administration. It is right that I should tell you that I do not think it is realistic to think of an agreement providing for continued British administration in Hong Kong after 1997. We have therefore been concentrating on other ways of securing the assurances necessary for Hong Kong's continued stability and prosperity.

6. I believe that there is a basis on which this can be achieved. The Chinese Government have made clear that they recognise the special circumstances of Hong Kong and the need for its systems - in many ways so different from those of ^{mainland} China to remain. There is indeed the strongest possible common interest between ourselves and the Chinese Government that this should be so. Our approach to the talks has therefore been to examine with the Government of China how it might be possible to reach agreement that there should be established in Hong Kong after 1997 a system with a high degree of autonomy which would maintain the essentials of its present way of life under Chinese sovereignty within the terms of the Constitution of the People's Republic of China.

7. With this in mind we have covered an immense amount of detail in our approach to the discussions. We have explained the existing situation - whether in the legal, administrative, commercial or financial fields - and have given our views on how maximum continuity could be provided. Much still remains to be discussed. Our aim is to agree on a framework of arrangements which will provide for the maintenance of Hong Kong as a flourishing and dynamic society for many years to come.

8. I believe that both we and the Chinese Government share a common desire to see the continuation of Hong Kong's unique contribution to the economy of the region as a society enjoying its own legal, economic and social systems and distinct way of

life and offering a service to the world as an international commercial centre and a free port. It is possible to visualise a situation in which Hong Kong would, as part of China, have a high degree of autonomy which would extend to executive, legislative and judicial powers. Clearly there must be room for evolution, both between now and 1997 and after. An important point is that the laws of Hong Kong should be based upon the present system. That should include both written and common law. Existing freedoms should be maintained - freedoms against arbitrary arrest, freedoms of religion, assembly, speech and the press. The Chinese Government have made it clear that they see the Government of Hong Kong as being in the hands of local Hong Kong people. This would follow up a trend which I am glad to say is already taking place. Of course there should be a place, before and after 1997, for outside people, from Britain and elsewhere, to continue to work here in the service of Hong Kong. But essentially government by the people of Hong Kong should be developed on increasingly representative lines.

9. I have in mind a framework which would enable Hong Kong to operate its own independent financial system; and within which taxes would continue to be levied in Hong Kong for the benefit of Hong Kong people. It would allow Hong Kong's extensive and direct economic relationships with the world to continue; Hong Kong could remain an important contributor to regional and world economic organisations. Under such a system the Hong Kong Government could be responsible for public order in the territory, Government education systems and the opportunity for cultural exchange with the world could remain.

10. Of course there is bound to be change. I realise that the prospect causes some concern here. It is natural that people should be anxious to know what the future will hold. I would like to say that my discussions with the leaders of the Chinese Government have convinced me that they believe that it is essential for Hong Kong systems to remain fundamentally as they are. We have of course been careful to listen to the views of Hong Kong people and to explain their concerns to the Chinese leaders. We have pointed out the need for assurance that arrangements for Hong Kong's

continuing prosperity and stability based on effective autonomy will continue for many years. The Chinese Government have made clear in numerous public statements that they intend that this should be so for at least 50 years. We are working for an agreement which will enshrine that principle and ensure that, in this unique society, the pride of being Chinese will go hand in hand with confidence in the future of Hong Kong.

11. As I said, we are still negotiating. It would be wrong to anticipate the details of an eventual agreement. When the time comes, whatever agreement is reached must be put before Parliament. And before that can be done people in Hong Kong itself will need to know the terms of the agreement and to express their views. I can assure you that that will be done.

March 1984

FILE OD(K)



LPC LPS
 (FCO) DTI
 HO AG
 HMT Minister of State,
 MOD Mr. Luce, FCO

10 DOWNING STREET

cc: PC ✓

From the Private Secretary

4 April, 1984

HONG KONG: PUBLIC STATEMENT ON THE FUTURE

The Prime Minister has seen your letter of 2 April and the draft statement which the Foreign and Commonwealth Secretary proposes to make in Hong Kong on 20 April.

Mrs. Thatcher has made no comments on these documents.

We see some risk that the device of a written answer after the Easter Recess will attract some criticism on the grounds that a matter of this importance should be dealt with in an oral statement. The Foreign and Commonwealth Secretary has doubtless discussed this point with the Leader of the House and the Chief Whip. It seems to us that during the briefings which Sir Geoffrey is proposing to offer to MPs before his visit to Hong Kong and China it may be worth pre-empting possible criticism by informing them of his intention to make a written statement and the reasons why he would prefer not to make an oral statement.

I am copying this letter to the Private Secretaries of members of OD(K), the Chief Whip and Sir Robert Armstrong.

A. L. COLES

P.F. Ricketts, Esq.,
 Foreign and Commonwealth Office

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