



Foreign and Commonwealth Office

London SW1A 2AH

2 April 1984

Dear John,

Future of Hong Kong: Agenda Item 2

Thank you for your letter of 30 March about Agenda Item 2 which outlines the Prime Minister's concern that under the arrangements proposed in the Foreign Secretary's minute of 29 March the Chinese will be able to gain substantial influence in Hong Kong in the period up to 1997. This subject is on the agenda for OD(K) on 3 April.

Sir Geoffrey Howe agrees entirely that it will be important to resist Chinese efforts in this direction if the authority of the Hong Kong Government is not to be undermined and our job of administering the Territory made impossible.

We cannot, however, avoid discussing arrangements prior to 1997 with the Chinese. These form the agreed second item on the agenda. Ministers have already agreed that we shall need to tell the Chinese about constitutional changes, in order to induce them to continue the existing government structure after 1 July 1997. Other matters within this item include the question of renegotiating the nearly three hundred treaties and International Agreements to which Hong Kong is a party, and the extension of land leases in the New Territories beyond 1997.

We can handle this continuing discussion with the Chinese either through (a) ad hoc diplomatic contacts or (b) some more institutionalised form of consultation, possibly including Working Parties. The first might on the face of it provide less of a chance for the Chinese to interfere in the running of Hong Kong up to 1997. On the other hand, since contact up to 1997 will be necessary in any case, we believe that it will be worth using the opportunity to give ourselves a chance of influencing the drafting of the Basic Law. It is crucial to our agreement that the Basic Law corresponds to the detailed arrangements agreed with the Chinese; this would be particularly true if we were to consider ratifying the Agreement before seeing the Basic Law. An Anglo/Chinese Working Party to discuss transitional arrangements could help towards this. Indeed the Chinese may have given us an opportunity to pursue this line at the 11th round of talks when they said that time was needed for the parties concerned to study and consult with each other over the question of government structures before any provisions were made in the Basic Law.



The Chinese have indicated that they will propose machinery to discuss co-operation up to 1997. Sir Geoffrey Howe believes that we need to explore this idea to see what there may be in it for us. It is possible that some consultative machinery in Peking (rather than in Hong Kong) with sufficiently restricted terms of reference could on balance be helpful.

EXCO have already seen the paper on Item 2 on the understanding that Ministers are not committed to it. They may wish to discuss it during their visit from 4 - 6 April.

I am copying this letter to the Private Secretaries of other members of OD(K) and to Richard Hatfield (Cabinet Office).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

Hans Kowalski - Future
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