



Foreign and Commonwealth Office

London SW1A 2AH

5 April 1984

Dear John,

Hong Kong: Prime Minister's Meeting with EXCO Unofficials:6 April 1984

With my letter of 4 April I sent you a brief for this meeting. Since then, EXCO have had meetings today with Mr Luce and with the Secretary of State. With Sir Geoffrey Howe they concentrated on questions of general strategy and for the most part avoided specific matters. They expressed general concern about the course of the negotiations during the last two rounds and in particular the fear that the Chinese line had hardened.

The Unofficials also expressed their concern that during his visit to Peking the Secretary of State would be confronted by unacceptable Chinese demands on the form and content of an agreement and that HMG might prove less than resolute in arguing for our draft. They asked specifically what HMG's bottom line would be.

① Sir Geoffrey Howe assured the Unofficials that we remain as determined as ever to secure the best possible agreement and that he was going to Peking to argue as strongly as he could for an agreement on the lines of our "maximalist" draft. He acknowledged the Unofficials' point that there had been some signs of a less co-operative attitude by the Chinese during the last two rounds, ② but added that these provided far from sufficient evidence from which to draw the conclusion that they were no longer interested in an agreement. One purpose of his visit would be to form a judgement on how ready the Chinese were to reach an agreement acceptable to Hong Kong and to HMG. ③ As regards a "bottom line", this was in practice that any agreement would have to be one we could honourably commend to Parliament. He also referred to the need for a binding agreement, adequate detail and a 50 year guarantee of Hong Kong's autonomous systems. ④ But he did not go into detail.

/The Foreign



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The Foreign Secretary also emphasised to the Unofficials the importance, in order to press our case on the Chinese, of putting in our own draft agreement with as many annexes as possible in advance of his arrival in Peking. The Unofficials appeared not to dissent from this.

Neither with the Foreign Secretary nor with Mr Luce did the Unofficials go far in dealing with specific problems and our feeling is that in their meeting tomorrow with the Prime Minister EXCO will wish to rehearse their general worries rather than to go into much detail. It is likely, however, that they will reiterate concern on the problem of nationality. They will urge that all the existing rights of BDTCs should be retained after 1997 and may go on to argue that HMG will have an obligation to provide in some way for Hong Kong people who are dissatisfied with an agreement or with its implementation.

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In the discussions on 6 April the Prime Minister may wish to draw on the brief enclosed with my letter of 4 April. She might assure the Unofficials that she remains determined to seek an acceptable agreement and underline the fact that we do have a bottom line along the lines indicated by Sir Geoffrey. It would be helpful if the Prime Minister could emphasise the need for the draft agreement and annexes to be presented to the Chinese in advance of the Foreign Secretary's visit. She could add that he would of course argue cogently for that draft but that if we are to attain our common objective, we shall have to be prepared to consider adjusting our position in the light of the Chinese response. She will no doubt wish to remind the Unofficials of the likely consequence of confrontation with the Chinese and say that we have not yet completed the process we embarked on last October, namely of exploring what can be built on the basis of the Chinese proposals. Only at the end of that, would we, in consultation with EXCO, be deciding finally whether the package was tolerable.

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The Unofficials in their meeting with the Prime Minister may revert to complaints they made in the course of today: that the Chinese have shown bad faith in the negotiations; that we have never fought in the negotiations and have pursued only one strategy - that of concessions; and that we have achieved nothing. I attach a note dealing with the first two points; the third was covered in the material sent to you on 4 April.

/I have not,

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I have not, in the time available, been able to show this letter in draft to Sir Geoffrey: I shall be showing him a copy.

Yours ever,

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Private Secretary

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FUTURE OF HONG KONG

SUPPLEMENTARY POINTS

HMG have only employed one strategy throughout the talks with the Chinese - that of continuous concession

1. In agreement with EXCO, we spent several months up to September 1983 arguing for the retention of British administration after 1997. We pressed this vigorously on the Chinese to the point where the talks were on the verge of collapse. We only shifted from this position after careful analysis of the situation and discussion with EXCO.

The Chinese side have shown bad faith and have reneged on a number of points which they appeared to have agreed earlier on.

2. The Chinese have of course adopted a tough line from the beginning. Their perception of the requirements for confidence in Hong Kong has always been shaky. It is true that a number of their statements have varied but it is too early to assess that they have gone back on essential points.

3. On an agreement, they have told us on several occasions that they do seek a binding bilateral agreement. We have of course always known that their view of an agreement differs from ours. They would prefer a general document dealing with principles.

Zhou Nan's



Zhou Nan's remarks at the 11th round, in which he maintained that the agreement should not cover post-1997 arrangements which the Chinese regard as falling within their sovereign right, were tough. But they are bound to put in a hard initial bid.

4. On nationality, the Chinese line has also been hard. But the difference between this and earlier informal indications is that they are now saying that they would not be able to recognise the British nationality of former BDTs because it would be inconsistent with their Nationality Law. They have also said that British passports should not be issued to BDTs in Hong Kong for some years before 1997. This is something we shall have to look at very carefully, but their earlier position was not specific on this.

5. [If the Unofficials say that the Chinese have gone back on their undertaking to preserve systems in Hong Kong for 50 years after 1997].

We believe that the Chinese are not going back on the essential undertaking that the main systems should remain unaltered. They are merely saying that the SAR Government must have some scope to evolve and must not be preserved in amber for the full 50 years in precisely the form inherited on 1 July 1997.