



SECRET

39

B.06790

PRIME MINISTER

c Sir Robert Armstrong

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

BACKGROUND

Flag A
The Sub-Committee last considered Agenda Item Two (arrangements in Hong Kong before 1997) on 23 May (OD(K)(84) 6th Meeting, Item 1) and agreed that in the light of likely Chinese insistence that a joint group with them should be formed, the United Kingdom could agree to the establishment of a group on the strict understanding that it would not be based in Hong Kong; that there should be no standing machinery in Hong Kong and that the group should have no executive or policy role. Accordingly, the British side in the talks has proposed to the Chinese that the joint group should be a peripatetic body meeting as necessary in Hong Kong, Peking or London.

D
2. The Foreign and Commonwealth Secretary's minute to you of 25 June reports that the Chinese continue to reject this proposal, and in the margins of the talks have hinted that if the British side can agree at least on the notional basing of the group in Hong Kong, the Chinese will be able to show considerable flexibility over the precise attributes of the group and its presence in the territory. The establishment of the group in Hong Kong is of considerable importance to the highest levels of the Chinese leadership, and Sir Geoffrey Howe believes it is an issue on which the talks could fail. Foreign and Commonwealth Office officials have therefore prepared the paper attached to Sir Geoffrey Howe's minute which considers the extent to which apparent Chinese flexibility might be used to circumscribe the terms of reference of a joint group based in Hong Kong to reduce its profile there to tolerable proportions; whether, on that basis, there would



SECRET

be advantage in agreeing to the Chinese proposals; if so what quid pro quo should be sought, and the timing of any move by the British side.

3. This paper reviews the current Chinese and British positions on the joint group, and (paragraphs 11 and 12) examines those areas in which the Chinese have indicated they might be prepared to be flexible in the terms of reference of the group, including agreement that the chief representatives would not be resident in Hong Kong, even though the group was based there; that the British representative might be a member of the Hong Kong Government (which could have presentational advantages); that the pattern of work of the group might be so arranged as to minimise its profile in Hong Kong; that there need be no joint secretariat or office, and that a formal decision might be made between an initial period of information gathering by the group and the later process of closer consultation. In this latter context, it might be appropriate to explore with the Chinese the possibility of deferring the establishment of the joint group for a few years. On the basis of assumed Chinese agreement to these points, illustrative terms of reference for a "minimalist" group to be based in Hong Kong have been drawn up and are at the Annex to the paper.

4. The paper goes on to consider what might be sought as a quid pro quo for acceptance of the Chinese proposal. If Ministers agree the separate proposal that the constitutional development of the territory to 1997 should follow a path leading to a locally elected Governor, it is suggested that consideration be given to linking agreement to the establishment of the group in Hong Kong with Chinese acceptance of this point. A concession should also clearly be linked with progress on the form and content of the draft agreement and associated documents.



SECRET

5. As to timing (paragraphs 15 and 16) the paper suggests that no concession should be made in the short term, but that some movement in the longer term will be necessary if deadlock is to be avoided. These considerations point to a further visit by the Foreign and Commonwealth Secretary to Peking, perhaps in late July, when it might be possible to trade the Government's agreement to a Hong Kong based joint group for the sorts of concession by the Chinese side discussed earlier. The paper does not indicate whether it would be important to follow this with a visit by the Foreign and Commonwealth Secretary to Hong Kong but this could be affected by any conclusion reached, under the first item of the meeting's agenda, about the possible need for a second unveiling statement in Hong Kong before September.

6. The Foreign and Commonwealth Secretary's minute suggests that the Sub-Committee should have a preliminary discussion of the problem. In the light of that discussion, and the Sub-Committee's views on constitutional development, it will be necessary for the Government's position to be refined in consultation with the Governor and HM Ambassador at Peking. Neither has yet been consulted in detail on what is proposed. The Ambassador is likely to be in general agreement, but the Governor might see considerable difficulties.

7. All members of the Sub-Committee will be present at the meeting.

HANDLING

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

(a) When the Sub-Committee last discussed the problem, Ministers were firmly of the view that there could be no question of agreeing to the establishment of a joint group in Hong Kong. In the light of continuing



SECRET

Chinese intransigence on this point and the danger of a breakdown in the talks, are Ministers now prepared to reconsider their earlier decision?

(b) If the British side were to make a concession on the joint group, are the sorts of quid pro quo identified the right concessions to seek to extract from the Chinese in return?

(c) Are the outline terms of reference for a "minimalist" joint group to be based in Hong Kong along the right lines?

(d) On timing, does the Sub-Committee agree that a visit by the Foreign and Commonwealth Secretary to Peking in, say, late July, would be an appropriate moment to make a change in the British position on this topic? Would this need to be coupled with a visit by the Foreign and Commonwealth Secretary to Hong Kong?

CONCLUSION

9. Subject to the points made in discussion, you could guide the Sub-Committee to -

(i) reach a preliminary view as to whether the sort of possible movement in the British position on Agenda Item Two identified in the paper by officials would be acceptable in the face of continuing Chinese obduracy;

(ii) invite the Foreign and Commonwealth Secretary to arrange for the future handling of Agenda Item Two to be discussed with the Governor of Hong Kong and HM Ambassador at Peking, and to report.

B G Cartledge

26 June 1984