

MR POWELL

HONG KONG: OD(K) 28 JUNE

1. The papers on Hong Kong are bulky, as well as important and the Prime Minister may find it helpful to have a short commentary.

Acceptability

2. This is a more detailed sequel to the OD(K) paper approved on 23 May. It is concerned with the mechanics of testing acceptability in Hong Kong of any agreement. I think its recommendations are on the right lines. The main questions are:

- a. The need for preparation of Hong Kong public opinion both before the publication of a draft agreement and as part of the presentation of the agreement, so that they are aware where the choice lies, ie between the agreement and confrontation, which would mean reversion to China with no international agreement on future administration. This is the real choice, not one between the agreement and some unobtainable ideal.
- b. The form of question to be put to the public: whether to go for a specific question or for a more general invitation to comment (paragraph 8). On balance it seems better to go for the second, provided it is understood that the agreement must be judged as a whole and that at that stage detailed amendment will be impossible.
- c. Monitors. It is proposed that the assessment will be carried out by a special assessment office set up by the Hong Kong government. But a small team of independent monitors to oversee the work will be necessary if we are to avoid criticism that we have "fixed" the result. There will need to be very tight terms of reference for these monitors if we are to avoid another Pearce Commission. The Governor suggests two judges; the Foreign Secretary would prefer two figures of less prominence. I think the Foreign Secretary is right.

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Green Paper and Future Constitutional Arrangements

3. The draft Green Paper, to be published on 18 July if Ministers agree, follows lines already sketched out in OD(K) and provides for the gradual introduction over the next few years of indirect elections of a substantial number of unofficial Legco and Exco members. The conclusions are at paragraph 65. The Chinese will be informed immediately before publication. There is nothing very controversial here.

4. The question of the role and method of appointment of the Governor in the years leading up to 1997 is a much more tricky question and here the Green Paper avoids any commitment. This is because we are still unclear in our own minds what we should like. The Foreign Secretary proposes a preliminary discussion. His paper reviews the main choices and opts, I think rightly, for a locally elected Governor, with powers reserved to HMG for foreign affairs and defence (paragraph 6, option d). The main arguments for this course are an assurance of continuity pre and post 1997; retention of a measure of control for us by means of the specially reserved powers; and the fact that this option realistically takes account of the likelihood of a Sino-British Joint Group in Hong Kong, particularly in the years just before the handover.

5. What we want on the governorship is one thing; what we can get to stick is another. We shall have to consult the Chinese on this aspect of future constitutional arrangements. The Governor opposes consultation, but there would be no point in our announcing arrangements which the Chinese publicly attacked and would immediately dismantle. We could not afford confrontation over this central aspect of constitutional arrangements and being able to point the finger at the Chinese in the event of open disagreement would be of no long-term advantage to Hong Kong people.

Item 2. Pre-1997 Arrangements

6. The Foreign Secretary suggests a preliminary discussion based on a paper by officials. He envisages the need for eventual agreement to the basing of the Joint Group in Hong Kong and examines the form and

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Timing of any such move and what we might hope to gain in return.

7. This is a critical issue. The Governor, naturally enough, is against any movement. The Ambassador is for. I have thought a good deal about it and my feeling is that we shall have to be prepared to consider at least a notional base for the Joint Group in Hong Kong. My reasons are:

- a. This has now become an idée fixe for Deng and there is a real danger that the talks could founder on it. In my view failure of the talks would be too high a price to pay for this point.
- b. The issue has become a fairly narrow one. We have already accepted the idea of consultation pre-1997. We could not run Hong Kong in that period without it. We have also accepted the establishment of a Joint Group as the forum. The difficulty is simply the location of the Group: is it to be peripatetic, meeting only occasionally in Hong Kong, or is to be peripatetic with at least a notional base in Hong Kong.
- c. The Chinese have given substantial hints that if we are prepared to agree on a base in Hong Kong they will be very flexible about other aspects of the Group's work. See paragraph 11 of the paper by officials. We must take this with a pinch of salt, but there is probably some flexibility here.
- d. There just may be a trade-off in terms of an elected governorship. Even if not, we should be able to extract a price in terms of the agreement and annexes.

8. On timing, we should not take the step at once, though we should recognise that in its absence there is a risk of another unhelpful outburst by Deng. We should continue exploring informally with the Chinese what flexibility they may show and what scope there is for a "minimalist" group. But we need to take the decision in principle very soon if we are to pursue the negotiations on future constitutional arrangements. The Joint Group is linked with these (see paragraph 4 above).

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9. As pointed out above, on constitutional arrangements and item 2 the Foreign Secretary is seeking only preliminary Ministerial views. He suggests having the Governor and Ambassador back for consultations in the week beginning 2 July and reflecting further on these issues in consultation with them. In preparation for that, however, it would be helpful to have Ministers' general reactions.

h.

PERCY CRADOCK

26 June 1984

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10 DOWNING STREET

Prime Minister

OD (k): 28 June

Some very bulky
papers within, skillfully
summarised by Percy

Crook's minute just
inside the folder.

2. Further OD(k) in
week 9 July, if the
agenda cannot be
completed tomorrow.

C.D.P.

27/6.