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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister
The message has to strike
a careful balance. The
Governor is satisfied.

10 July, 1984

Agree draft message?

Dear Charles

CJP 10/7

Future of Hong Kong: Visit to Hong Kong and Peking by the
Secretary of State for Foreign and Commonwealth Affairs

At the Prime Minister's meeting on 6 July with the Foreign and Commonwealth Secretary, the Ambassador from Peking and the Governor of Hong Kong, it was decided that the Secretary of State would visit Hong Kong and Peking towards the end of July (your letter of 6 July). The dates provisionally suggested are for Sir Geoffrey Howe to depart on 25 July and return on 2 August, travelling via Hong Kong on each journey and spending 28-31 July in Peking. It was also agreed that Sir Geoffrey Howe would take with him a message from the Prime Minister to Premier Zhao Ziyang. I now attach a draft which takes account of suggestions by the Ambassador in Peking and the Governor, and by the Executive Council in Hong Kong.

The letter seeks to balance the need to demonstrate a firm front to the Chinese and to give ourselves the maximum opportunity to explore the flexibility in the Chinese position. It expresses our concern at the lack of progress in the talks; points out that our signature of an agreement cannot be assumed; sets out our requirements, including a binding agreement spelling out in some detail how post-1997 arrangements would operate; states that the final decisions on the location of a joint group should be left until the overall package has been considered, and that only at that stage, if we were satisfied with the content and form of the agreement and the terms of reference of the joint group, would we be prepared to consider this issue in all its aspects.

I should be grateful if you could obtain the Prime Minister's early agreement to the draft letter so that Mr Luce will be able to discuss the draft with the Executive Council when he visits Hong Kong this week. He leaves on 11 July.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

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DRAFT MESSAGE FROM THE PRIME MINISTER TO PREMIER ZHAO ZIYANG

1. In my message to you of 14 October 1983 about the negotiations on the future of Hong Kong I proposed that in pursuance of my earlier letter to you of 10 March 1983, and without prejudice to any final agreement, the negotiators on the two sides should discuss what effective measures other than continued British administration might be devised to maintain the stability and prosperity of Hong Kong and should explore further the Chinese ideas which had at that stage been explained to us. I proposed that their purpose should be to see whether Britain and China could together construct on the basis of the proposals put forward by China, arrangements of lasting value to the people of Hong Kong. I added that, if on this basis arrangements could be agreed that would ensure the maintenance of stability and prosperity of Hong Kong, the British Government would be prepared to recommend to Parliament a bilateral agreement enshrining them and to do its utmost to help with the introduction and implementation of such arrangements.

2. I have been following with close interest the progress of the negotiations since that date, and have been pleased to note that some progress has been made both in furthering the understanding between the two sides and in drafting an agreement which would be acceptable to China and Britain, as well as to the people of Hong Kong. I was particularly glad to note the progress made during Sir Geoffrey Howe's visit to Peking in April.

3. However, we are now approaching the end of the limited time available for the work of drafting an agreement. I think that I should in all sincerity let you know that I have become concerned in recent weeks that progress in the negotiations has slowed down, and certain points of serious difficulty have been identified. The British Government and I personally remain strongly committed to seeking an acceptable agreement on the future of Hong Kong, and if such an agreement is reached, will co-operate to the utmost with the Chinese Government in ensuring that it is put into operation successfully. However, I must urge you to bear in mind that the British Government cannot undertake such an agreement unless it is accepted by the British Parliament, and Parliament will attach great

importance to the extent to which the agreement commands confidence in Hong Kong. Parliament will certainly insist that any agreement entered into by Britain should be balanced and binding, and should contain sufficient detail about what is to happen in Hong Kong after 1997 to convince people both in Hong Kong and elsewhere that the arrangements set out in it will work in practice, and will provide the basis for continued stability and prosperity. A draft agreement which did not fulfil these requirements would undoubtedly be rejected by Parliament, and I am sure that you will understand that I should not recommend an agreement to Parliament unless I was confident that it would be accepted. We on our side understand that there are political constraints on the Chinese Government, but I ask you to understand in turn that there are also political constraints on the British Government. Only an agreement which meets the political needs of both sides can be successful.

4. I have been particularly disturbed at the disagreement which has arisen in the negotiations on the location of a joint group. The Chinese side have explained the importance which they attach to establishing such a group in Hong Kong after the entry into force of the agreement. We on our side have explained our firm conviction that the establishment of a joint group with standing machinery in Hong Kong would not only create the impression of condominium but would so undermine the authority of the Hong Kong Government as to render it extremely difficult to continue the effective administration of Hong Kong during the period between now and 1997. The uncertainties which the establishment of such a group would cause would certainly not be dissipated by mere assurances that the group was not to be an organ of power. That the UK should remain fully responsible for the administration of Hong Kong until 1997 has of course already been agreed between our two sides. If Britain's administration of the territory was ^{seen as likely to be} prejudiced in this period, the prosperity of Hong Kong would inevitably be damaged to the detriment of the interests of both Britain and China.

5. I wish to emphasise to you that the difficulties which we see in the Chinese proposal are genuine and practical and that our belief is sincerely held. I ask you to reflect very carefully on what we have said. However, I am also concerned that our disagreement on

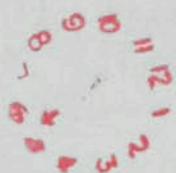
this point should not so impede progress on the drafting of an agreement as to make it difficult to conclude it in the limited time available. I therefore suggest that we should for the present put aside the question of the location of the group, and discuss instead its composition, functions and powers, to see whether we can reach agreement on these points. At the same time we should continue our active negotiation on the form and content of an agreement on arrangements for Hong Kong after 1997. We should wish to look at the package which eventually resulted from our negotiations and at that stage consider our position on the joint group in all its aspects.

6. Finally, I should like to convey to you and your colleagues my own determination and that of the British Government to seek solutions to our remaining difficulties. Only in this way can we exercise our joint historical responsibility to seek in co-operation a solution to this difficult question.

I see there is no
reference to the unclear which
the proposals on the Joint Group
has already caused in Hong Kong

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Hong Kong future ATIS



10 JUL 1984

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10 DOWNING STREET

From the Private Secretary

11 July 1984

Future of Hong Kong
Visit to Hong Kong and Peking by the FCS

Thank you for your letter of 10 July enclosing a draft message from the Prime Minister to Zhao Ziyang.

The Prime Minister is content with the message subject to three amendments. Since the matter is urgent I have made these in manuscript on the attached copy. I have also informed Mr Luce of them.

C D Powell

Len Appleyard Esq
Foreign and Commonwealth Office

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