



Foreign and Commonwealth Office

London SW1A 2AH

27 July 1984

40<sup>A</sup> (2)  
Prime Minister

C.D.P.  
27/7.

Dear Charles,

Future of Hong Kong: Nineteenth Round of Talks

You may find it useful to have a brief account of the nineteenth round of talks on the future of Hong Kong which took place in Peking on 24 and 25 July.

The Chinese side tabled a revised draft joint declaration on the first day (copy attached). This was in response to the revised agreement we had tabled in the working group on 25 June. We pressed the Chinese to come up with a revised draft at that time, but they have only now produced it, just before the Secretary of State's visit. As we expected, the revised draft is not a great improvement on the original, and in some aspects is worse. On the positive side the Chinese have included:

- (a) parallel declarations by the two governments, as proposed by us, in which we declare that China will resume sovereignty over Hong Kong, and China declares what its policies towards Hong Kong will be after 1997;
- (b) some minor amendments to the 12 point plan (paragraph 4 of the text) at our insistence and have removed a reference to the "unequal treaties";
- (c) an attempt to meet our insistence that the agreement and annexes should be reflected in the Basic Law: paragraph 4 of the revised draft states that the Chinese draft note (equivalent to our annexes) contains an elaboration of the Chinese plans. Paragraph 7 says that the exchange of notes will be equally binding;
- (d) a joint declaration by the two governments in paragraph 5 that the UK will be responsible for Hong Kong up to 1997, although only for "administrative affairs" and not for the administration of the territory;
- (e) a reference to the joint group in paragraph 6 couched in more acceptable terms;

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- (f) Chinese acceptance that the agreement should enter into force on ratification rather than signature, but they insist that it should be ratified within 30 days of signature.

On the negative side the Chinese have:

- (a) included a Chinese declaration stating that they will recover the Hong Kong area, which is the common aspiration of the whole Chinese people (paragraph 2). This undermines the effect of our declaration in paragraph 3;
- (b) not included:
- (i) any equivalent of our "without prejudice" clause covering the position of the two governments on the history of Hong Kong;
  - (ii) any equivalent of paragraph 4 of our draft agreement which gives a fuller elaboration of China's policies towards Hong Kong after 1997;
  - (iii) any equivalent of paragraph 6 of our draft which makes the parallel declarations legally binding;
  - (iv) any indication that they would include articles on Hong Kong's participation in GATT, Nationality or land.

The Ambassador made a critique of the revised draft on the above lines. The Secretary of State will press the Chinese further on all these points during his visit.

Sir Richard Evans introduced our revised annex on nationality, which was handed to the Chinese on 19 July and Zhou Nan gave a preliminary Chinese response. Zhou said that our position was somewhat closer to that of the Chinese, but indicated three specific areas of difficulty, all of which seem to relate to the question of dual nationality. It was agreed that the annex should be referred to the working group. At first sight this is not a wholly discouraging response. The Chinese seem to have accepted a number of practical arrangements which would help to boost confidence in Hong Kong. But it would be unwise to draw any firm conclusions until detailed discussion begins in the working group.

Sir Richard Evans introduced our revised proposals on land in which we sought to meet Chinese concerns by:

/(a)



- (a) agreeing to an overall limit on the amount of land to be leased up to 1997; and
- (b) proposing that in the case of leases running beyond 1997, the rent payable should be increased after 1997 to ensure a continuing income to the Government of the Hong Kong SAR. Zhou Nan first reacted positively to these proposals, indicating Chinese flexibility, but then proposed the establishment of an independent land committee and a capital works fund committee, which should be composed of an equal number of Hong Kong people to be nominated by the Chinese and British sides. These bodies would make decisions on the granting of leases and the use of the fund. Zhou Nan presented these extremely disagreeable proposals as a Chinese compromise.

Finally, Zhou Nan criticised the British side for failing to table a draft document corresponding to the Chinese draft protocol (dealing with arrangements up to 1997) prior to the visit of Sir Geoffrey Howe. A Chinese official suggested in informal contacts after the talks that if Sir Geoffrey Howe was not coming to Peking to agree Chinese proposals on location and machinery of the joint group, he knew there would be confrontation. Zhou also suggested that a further visit by Sir Geoffrey in September might be difficult.

The working group has meanwhile been making good progress in discussion of the annexes to the agreement. We have now agreed annexes on (a) financial system; (b) monetary system; (c) economic system and external economic relations; (d) culture and education; (e) external relations; and (f) shipping. The Chinese have shown themselves ready in these discussions to add a reasonable amount of detail to these annexes, and even in the case of the annex on the legal system which is more contentious, have been prepared to accept our wording when we made a good case for it. The working group will have a recess after Sir Geoffrey Howe's visit until mid-August.

I am copying this letter to Private Secretaries to OD(K) members and to PS/Sir Robert Armstrong.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

JOINT DECLARATION OF THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON THE QUESTION OF HONG KONG (Revised draft 25 July 1984)

1. The Government of the People's Republic of China and the Government of the United Kingdom of Great Britain and Northern Ireland have reviewed with satisfaction the friendly relations existing between the two governments and peoples in recent years and agreed that a proper negotiated settlement of the question of Hong Kong, which is left over from the past, is conducive to the further strengthening and development of the relations between the two countries on a new basis. To this end, they have, after talks between the delegations of the two governments, agreed to issue this joint declaration.

2. The Government of the People's Republic of China declares that the Hong Kong area (including Hong Kong Island, Kowloon and the "New Territories" similarly hereafter) has been part of China's sacred territory since ancient times. To recover the Hong Kong area is the common aspiration of the entire Chinese people, including the compatriots in Hong Kong. Therefore, the Government of the People's Republic of China has decided to recover the Hong Kong area and resume exercise of sovereignty over it as from 1 July 1997.

3. The Government of the United Kingdom declares that it has agreed to restor the Hong Kong area to the People's Republic of China with effect from 1 July 1997 and withdraw all its troops from the area.

4. The Chinese government delcares that the guidelines of the People's Republic of China regarding the Hong Kong area are as follows:

(1) Upholding national unity and territorial integrity and taking account of the history of the Hong Kong area and its realities, the People's Republic of China has decided to establish, in accordance with the provisions of article 31 of the Constitution of the People's Republic of China, a Hong Kong Special Adminstrative Region upon resuming exercise of sovereignty over the Hong Kong



area.

(2) The Hong Kong Special Administrative Region will be directly under the authority of the Central People's Government of the People's Republic of China. It will enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's Government.

(3) The Hong Kong Special Administrative Region will be vested with the power of legislation and independent judicial power, including that of final adjudication. The laws currently in force will remain basically unchanged.

(4) The government of the Hong Kong Special Administrative Region will be constituted by local people. The Chief Executive will be appointed by the Central People's Government on the basis of the results of elections or consultations to be held locally. The principal officials will be nominated by the government of the special administrative region for appointment by the Central Peoples Government. The Chinese and Foreign Nationals working in the public and police services in the departments of the British authorities in Hong Kong may remain in employment. British and other foreign nationals may also be employed to serve as advisers to organs at various levels of the Hong Kong Special Administrative Region.

(5) The current social and economic systems in the Hong Kong area will remain unchanged, so will the life-style. Freedoms of person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of academic research and of religious belief will be ensured by law in the Hong Kong Special Administrative Region. Private property, ownership of enterprises, legitimate right of inheritance and foreign investment will be protected by law.

(6) The Hong Kong special administrative region will retain the status of a free port and a separate tariff area.

(7) The Hong Kong Special Administrative Region will retain the status of an international financial centre, and its markets for foreign exchange, gold, securities and futures will remain in

operation. There will be free flow of capital. The Hong Kong dollar will circulate and be convertible as usual.

(8) The Hong Kong Special Administrative Region will have independent finances. The Central People's Government will not levy taxes on it.

(9) The Hong Kong Special Administrative Region may establish mutually beneficial economic relations with the United Kingdom and other countries, whose economic interests in the Hong Kong area will be given due regard.

(10) Using the name of 'Hong Kong, China', the Hong Kong Special Administrative Region may on its own maintain and develop economic and cultural relations and sign agreements on these matters with foreign countries and relevant international organisations.

The government of the Hong Kong Special Administrative Region may issue on its own travel documents for entry into and exit from Hong Kong.

(11) The maintenance of public order in the Hong Kong Special Administrative Region will be the responsibility of its government.

(12) The above-stated guidelines regarding the Hong Kong special administrative region will be stipulated in a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China to be promulgated by the National People's Congress of the People's Republic of China, and they will remain unchanged for fifty years.

The above-mentioned guidelines of the Chinese Government will be elaborated and set forth in the exchange of notes appended as Annex 1 to this joint declaration.

5. The two governments declare that the period between the date of the entry into force of this joint declaration and 30 June 1997 is the transition period, during which the government of the United Kingdom shall be responsible for the administrative affairs of the Hong Kong area and for maintaining and preserving its economic

prosperity and social stability. The government of the People's republic of China will give its cooperation in this connection.

6. The two governments agree to continue their discussions in a friendly spirit and to cooperate for the effective implementation of this joint declaration. For this purpose, within        months of entry into force of this joint declaration, a Sino-British joint (liaison) group (joint committee) composed of an equal number of persons from each side and headed by officials of Ambassadorial rank will be set up , the task of which is to carry out coordination for the implementation of this joint declaration and discuss matters facilitating the smooth transfer of government and other questions which the two sides may deem necessary to discuss. The protocol on the hand-over of the Hong Kong area signed by the two governments is appended as annex 2 to this joint declaration.

7. This joint declaration is subject to ratification and shall enter into force on the date of the exchange of the instruments of ratification, which shall take place in Beijing within 30 days of the signing of this joint declaration. The joint declaration, the exchange of notes as its Annex 1, and the protocol as its Annex 2 will be equally binding.

Done in duplicate in Beijing on ..... 1984 in the Chinese and English languages, both texts being equally authentic.

(signed)

Plenipotentiary of the  
Government of the People's  
Republic of China

(signed)

Plenipotentiary of the  
Government of the United  
Kingdom of Great Britain  
and Northern Ireland

[Underlining indicates changes from original Chinese draft joint declaration]

Handwritten text: "Hd puter" with a faint circular stamp behind it.

27 JUL 1984

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10 DOWNING STREET

From the Private Secretary

30 July, 1984

Dear Colin,

Future of Hong Kong: Nineteenth Round  
of Talks

Thank you for your letter of 27 July reporting on the nineteenth round of talks on the future of Hong Kong. The Prime Minister has read this with interest. To some extent, it is of course overtaken by the discussions which the Secretary of State is currently holding in Peking. The Prime Minister hopes that some of the negative points listed in your letter as having emerged during the nineteenth round of talks will be put right in the course of Sir Geoffrey's discussions. This applies, in particular, to (b) (iii) and (iv).

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

Colin Budd, Esq.,  
Foreign and Commonwealth Office

C. D. POWELL

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yes surely.  
*(Signature)*

MR