



PM/84/57

PRIME MINISTER

Hong Kong: Visit of EXCO Unofficials

1. The Hong Kong EXCO Unofficials, accompanied by the Governor, will again be visiting London from 4-6 April. The purpose is to hold discussions in advance of my visit to China and Hong Kong in mid-April. I shall see them on 5 April and they will call on you on the morning of Friday the 6th.
2. The Unofficials have made clear that they regard their talks with HMG on this occasion as crucial. The Governor has reported that they are deeply dissatisfied with the recent course of the talks in Peking. They were particularly depressed by the response which the Chinese gave us at the eleventh round on our proposals on nationality and by the indications we have received about the sort of agreement which the Chinese would be prepared to consider.
3. In a sense, every visit by EXCO to London has focussed on the same problem: how to reconcile the perceived requirements for confidence in Hong Kong with a realistic negotiating position in Peking. This time, however, the Governor believes that there is a point beyond which EXCO might withhold their support. They will certainly demand that Ministers make clear to them that we are prepared to face a break in the talks if that requirement cannot be obtained. They will argue that we have in practice agreed virtually nothing with the Chinese during our discussions of our working papers and, inconsistently, that HMG have made successive concessions throughout for no real return.
4. The Unofficials' attitude is understandable and has to be taken very seriously. They clearly fear heavy criticism if they are seen to be associated with an agreement which might be seen by the public as little more than a reformulation of the Chinese twelve points. Although opinion in EXCO is by no means unanimous, there is bound to be a reluctance to stand our against a call by





colleagues for a tough line in defence of Hong Kong's 'interests'. Although at some stage we might have to decide to overrule EXCO, we must make every effort to keep them with us, because their support will be a key factor in obtaining acceptance of any agreement in Hong Kong.

5. On the other hand, I believe that EXCO's views are in many ways based on misconceptions. In the first place they are likely to argue that, when we have exercised flexibility in negotiation with the Chinese, this has produced no real benefit and that we have only made gains where we have stood firm. In fact the main breaks in the talks and the main progress on detail have been achieved not by refusing to move at all on our side but by a readiness to examine on a conditional basis whether satisfactory arrangements could be devised for Hong Kong on the basis of the Chinese proposals. This was the theme of your message to the Chinese Premier last October, to which EXCO agreed. I believe also that EXCO are wrong in asserting that we have not made progress on important points with the Chinese. The discussion of our working papers has in fact produced very extensive agreement on substance, though not yet to the same extent in form. The main outstanding points are those on which we always expected that the Chinese would be difficult: nationality, constitutional arrangements, and stationing of Chinese troops. We shall have to consider carefully how we press our case on the Chinese on these very important points, but this should not disguise the fact that on other questions, notably the law and the financial and economic systems, as well as freedoms and human rights, the Chinese have responded to our working papers and our arguments with a considerable expansion of their proposals.

6. It is clear that in our continuing negotiations with the Chinese there will be some points on which we must place more weight and for which we must argue harder and longer than others. There will also be points that we regard as essential to a tolerable agreement. These will include a binding commitment by the Chinese to respect certain essential elements of the autonomy of Hong Kong for at least fifty years and a considerable measure





of detail about the systems and freedoms that will be continued. We must make clear to EXCO that we do have such sticking points. But we can only express such concepts to the Unofficials in very general terms. It would not be wise to spell out in detail and in advance what our individual requirements are.

7. This is necessary because I believe that EXCO's application of the principle of a sticking point differs from ours. Because they want to be seen, even more strongly than we need to be, as the defenders of Hong Kong's interests, they are likely to demand that we put in strong initial bids to the Chinese from which we would be committed not to retreat. This would apply both to specific issues and to the general content of an agreement. Experience has shown that we could not sensibly conduct the negotiation on those lines and hope to get a result which would be in Hong Kong's best interests. As you know, I believe that the 'maximalist' draft agreement which we discussed on 26 March stands no chance of eventual acceptance by the Chinese. We shall be discussing tactics further with EXCO this week and at the Governor's request are delaying handing over the draft Agreeing in Peking until after that. We shall need to present the maximalist draft to the Chinese and argue for it. But it is not the case that every part of that draft is essential to Hong Kong's future autonomy or for confidence. I believe that there should be ways of framing an agreement so as to meet those requirements and also gain Chinese acceptance. But we cannot discover whether that is so unless we have flexibility in our negotiation position. We shall hog-tie ourselves if we lay down immutable and specific requirements now. It is far better to negotiate flexibly and to rely on the fact that everything in an eventual package will be ad referendum. We are still operating on the terms we laid down last October. That means that there will come a time when we shall have to recognise that we have completed our explorations of what can be built on the Chinese proposals and to decide in consultation with EXCO whether the total package is acceptable. That point has not come yet and EXCO's proposals for putting in very high bids and sticking to these at all costs have the effect of preventing us completing this exploration. When we





do eventually reach the point of judging whether the total package is acceptable, we shall need to take the consequences of break-down very much into account. I do not believe that we can regard EXCO's concept of a relatively harmless stand-off as a realistic option. A breakdown in the talks would mean confrontation, in which a unilateral Chinese statement in a few months would inevitably be the most striking feature.

8. We need to adopt a similar approach to the question of the timetable for talks and the procedures for signature and ratification of an agreement. On 26 March we agreed that we would need some flexibility on this and in particular might have to indicate to the Chinese that, if they were prepared to agree to a detailed package which clearly set out the lines of the eventual basic law, we might be able to consider expediting reatification on our side. I hope that during EXCO's visit we can convince them of the sense of such a tactic. It is likely to be one of our strongest cards in getting an agreement that will meet their interests.

9. I am sure that we must talk frankly to EXCO on these lines. We must again reassure them that we are seeking the best interests of Hong Kong. We need to remind them of the real risk of confrontation with the Chinese, while acknowledging that there may come a point at which those risks will have to be run. But we must also make clear that there is still much to play for. The Chinese are bound to take a tough line at this key phase in the negotiations, as we approach discussion of an agreement. But they are also indicating in informal contacts and in secret material that they realise that Hong Kong will require assurance. Their understanding of what will be necessary for that is probably inadequate. We need to use the negotiation in order to explain the requirements. But we cannot do that on the basis of a rigid position.

10. At the same time, if I am to go to Peking with EXCO's confidence, and particularly if I am to make a statement in Hong Kong which will set out the public positions more openly, I shall





have to be, and am, ready to argue strongly on points which matter to Hong Kong. The Governor has made clear that nationality is such a point. In the last round of talks the Chinese rejected our proposal for a separate category of citizenship for Hong Kong under Chinese nationality and continuation of rights for Hong Kong BDTCs under another title. Their point was that they could not agree with us on arrangements which contravened the Chinese principle that Hong Kong Chinese were, and would remain, simply Chinese nationals. At the same time they appeared to accept that we could, on our own, make provision for some of the BDTCs' present rights to continue; and that outside Hong Kong such people could use a British passport as a travel document. They added to this, however, the important rider that such a British national status could not be transmitted to a succeeding generation.

11. EXCO have argued strongly, with the Governor's support, that we should not adjust our position to meet that of the Chinese and that we should continue to press our proposals on nationality, despite the Chinese reaction. I am under no illusion that the Chinese would accept these. However, I have told the Governor I am prepared to argue for them again when I go to Peking and to explain to the Chinese the great significance of this issue for Hong Kong in judging the acceptability of any agreement. I would thus demonstrate to EXCO that we are prepared to press on important issues. But I should also make clear to the Unofficials that it would not be in their interests to treat every aspect of this question as one for which we should necessarily die in a ditch.

12. Finally, the Governor advises that the Unofficials may press us on what measures HMG would take to help Hong Kong people, particularly BDTCs, if an acceptable agreement is unobtainable. They probably have in mind financial assistance to those who wish to leave Hong Kong and may well couple this with the question of entry into the UK. My own view is that we could not give a blanket assurance of any sort; we should





tell EXCO that we could only consider any cases in the light of circumstances as they arose. We should emphasise that public statements on this would not help confidence but would cast doubt on the effectiveness of the negotiations while they were in progress.

S.4(s)

13. I am sending copies of this minute to OD(K) colleagues, and believe that it would be helpful if we could discuss these questions with them at the meeting arranged for 3 April. before the EXCO Unofficials arrive in London. I am also sending a copy to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

2 April, 1984

-2 APR 1984

11 12 1  
9 8 2  
7 6 5 4 3