



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister⁽²⁾

24 April 1984

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Foreign and Commonwealth Secretary's Visit to Hong Kong

/ I enclose a copy of the Foreign Secretary's statement
 / of 20 April in Hong Kong, with copies of Hong Kong telnos
 / 1090, 1099 and 1102 giving reactions there, and 1078, 1079
 / 1088 and 1089 giving accounts of his meetings with EXCO and
 / UMELCO, and 1091 giving an assessment of the visit. You may
 find the following brief summary of the main points helpful.

Sir Geoffrey Howe's statement on 20 April outlining Britain's aims in the talks and making it clear that continued British administration after 1997 was unlikely to be attainable, was received relatively calmly in Hong Kong. The message was unpalatable but the lifting of the veil has been welcomed. Comment in the Hong Kong press has been sober and generally favourable. The Hang Seng Index went down 45 points on Tuesday 24 April; this is little more than the gain it showed in the previous week. The Governor has nevertheless commented that underlying concern remains. He believes that attention will now focus particularly on such sensitive issues as nationality, the right of settlement in the UK and assurances to the public service and the police.

The reaction in the mainland Chinese press has been limited to reprinting sections of Sir Geoffrey Howe's speech without comment. The Hong Kong Communist press has taken a broadly favourable line.

Sir Geoffrey briefed EXCO on his talks with Chinese leaders and outlined his thinking on the way ahead. He also briefed the Unofficial Members of EXCO and LEGCO (UMELCO) in more general terms. The Unofficials expressed appreciation for Sir Geoffrey's firmness in pressing the British case in Peking. They argued that the British draft agreement should be our bottom line, and that we should resist Chinese interference in Hong Kong before 1997. Sir S Y Chung said that he believed that HMG attached too much importance to the Chinese deadline of September 1984. On nationality, both EXCO and UMELCO took a very strong line. Some of them

/agreed



agreed that, while HMG has the right to dispose of British territory, we cannot abandon British nationals who live there to Communist rule, against their will. There will clearly be continued pressure on this issue.

On the way ahead, Sir Geoffrey said that we should be ready to change the form of the agreement without changing the content. The crucial thing would be to secure the inclusion of our points of substance and ensure that obligations undertaken by HMG are matched by obligations on the Chinese side. He said that HMG would need freedom to operate tactically within the agreed strategy and could not consult with EXCO on every tactical point. The Unofficials appeared to accept this, on the understanding that at the end of the day they would have to consider whether the final package was acceptable. If they found it unacceptable and HMG nevertheless went ahead, they would wish to make their position public.

We are providing separately a line to take for the Prime Minister for questions in the House on 25 April.

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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GRS 550

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DESKBY 231330Z

FM HONG KONG 231130Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1102 OF 23 APRIL

INFO IMMEDIATE SEOUL (FOR PS/SOFS) DESKBY 231300Z

AND PEKING DESKBY 240100Z

FUTURE OF HONG KONG: SECRETARY OF STATE'S STATEMENT AND PRESS CONFERENCE:

THE SECRETARY OF STATE'S STATEMENT ON THE FUTURE HAS TAKEN HONG KONG THROUGH A DIFFICULT AND SENSITIVE STAGE. THE MESSAGE WHICH IT HAD TO CONVEY - THAT BRITISH ADMINISTRATION MUST END IN 1997 - WAS A HIGHLY UNPALATABLE ONE. WHATEVER THE ASSURANCES THE UK MIGHT BE SEEKING THE FUTURE STATUS HE HAD TO OUTLINE FOR HONG KONG IS ONE WHICH CAUSES DEEP CONCERN AND ANXIETY HERE. OUR SOUNDINGS OVER THE WEEKEND INDICATE GENERAL RECOGNITION THAT BY WELL-JUDGED CONTENT AND CAREFUL AND SERIOUS PRESENTATION THE MESSAGE WAS VERY EFFECTIVELY CONVEYED. IT IS WITH SOME RELIEF THAT I CAN RECORD THAT IT HAS BEEN RECEIVED MORE CALMLY THAN MIGHT HAVE BEEN EXPECTED.

2. SOME HAVE REGARDED THE CONTENT AS LITTLE MORE THAN CONFIRMATION OF WHAT WAS ALREADY KNOWN. OTHERS HAVE SEEN IN IT IMPORTANT DISCLOSURES AND HAVE RECOGNISED THE IMPORTANCE OF THE FACT THAT WHAT WAS SURMISE BEFORE HAS NOW BEEN STATED AUTHORITATIVELY AT SENIOR MINISTERIAL LEVEL. EVEN THOUGH THE MESSAGE IS SO UNPALATABLE THE LIFTING OF THE VEIL HAS BEEN WELCOMED.

3. IT WILL NOT BE POSSIBLE TO JUDGE THE EFFECTS IN THE FINANCIAL MARKETS AND ON THE SHARE INDEX UNTIL THE END OF THE WEEK. THERE COULD WELL BE A DROP WHEN THE MARKETS OPEN TOMORROW. WHETHER, AS SOME ARE PREDICTING, ANY FALLS WILL SOON BE REVERSED REMAINS TO BE SEEN.

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4. BUT EVEN THOUGH, ON FIRST INDICATIONS, THE PURPOSE OF THE UNVEILING HAS BEEN WELL ACHIEVED, THERE IS NO DOUBT ABOUT THE CONTINUING UNPALATABILITY OF THE MESSAGE. THE DEEP DISTRUST OF THE COMMUNISTS, AND LACK OF FAITH IN THEIR PROMISES, REMAINS. SOME, WHO HAVE TO STAY ANYWAY ARE SHOWING READINESS TO ACCEPT THAT THEY WILL HAVE TO DO THEIR BEST TO MAKE ANY NEW ARRANGEMENTS WORK. OTHERS WHO CAN LEAVE ARE NOW RESIGNED TO HAVING TO LOOK MORE ACTIVELY FOR WAYS OF DOING SO. THEY ARE PROFESSIONALS AND BUSINESSMEN WHOM HONG KONG CAN ILL-AFFORD TO LOSE.

5. THE AUTHORITATIVE STATEMENT THAT THERE IS NOW A TERM TO BRITISH ADMINISTRATION IS ALREADY FOCUSING ATTENTION MORE SHARPLY ON THE MEANING OF HMG'S COMMITMENT TO HONG KONG IN CONNEXION WITH A NUMBER OF HIGHLY SENSITIVE AND EMOTIVE ISSUES, SUCH AS NATIONALITY AND THE RIGHT OF SETTLEMENT IN THE U.K., ASSURANCES TO THE PUBLIC SERVICE AND THE POLICE ETC. IT HAS ALREADY BEEN NOTED THAT THE SECRETARY OF STATE HAD NOTHING TO SAY ON THESE ISSUES.

6. THIS ASSESSMENT IS BASED ON FIRST REACTIONS OVER THE WEEKEND. I WILL SEND A FURTHER ASSESSMENT DURING THE WEEK.

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FUTURE OF HONG KONG

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DESKBY 210900Z

FM HONG KONG 210425Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1099 OF 21 APRIL

INFO IMMEDIATE PEKING ROUTINE HONG KONG GOVERNMENT OFFICE LONDON
FOR HONG KONG GOVT REPS BRUSSELS WASHINGTON NEW YORK GENEVA

RESIDENT CLERK PLEASE PASS TO PS/MR LUCE

FUTURE OF HONG KONG: PRESS COVERAGE

SUMMARY

1. THE SECRETARY OF STATE'S PRESS CONFERENCE AND COMMENT ON IT COMPLETELY DOMINATED ALL SECTORS OF THE PRESS AS WELL AS TV AND RADIO NEWS. A NUMBER OF SPECIAL TV AND RADIO DISCUSSION PROGRAMMES WERE ORGANISED. THE SECRETARY OF STATE'S REMARK IN HIS OPENING STATEMENT TO THE EFFECT THAT BRITISH ADMINISTRATION AFTER 1997 WAS NOT A REALISTIC PROSPECT RECEIVED THE MOST ATTENTION. COMMENT BOTH IN EDITORIALS AND FROM THE LARGE NUMBER OF PUBLIC FIGURES WHO WERE INTERVIEWED, WAS GENERALLY FAVOURABLE, ALTHOUGH THERE WERE SOME GLOOMY EXCEPTIONS, NOTABLY THE RIGHT-WING AND PRO-TAIWAN PRESS.

DETAIL

(A) COVERAGE

2. MANY PAPERS INCLUDING BOTH MAJOR COMMUNIST PAPERS, CARRIED THE FULL TEXTS OF SECRETARY OF STATE'S STATEMENT AND THE TRANSCRIPT OF THE QUESTION AND ANSWER SESSION. HEADLINES FOCUSED ON THE PASSAGE INDICATING THAT IT WAS NOT REALISTIC TO THINK IN TERMS OF BRITISH ADMINISTRATION AFTER 1997. MING PAO AND SING TAO DAILY (ALL INDEPENDENT) HIGHLIGHTED THE REMARKS ABOUT SEEKING ASSURANCES OF CONTINUITY: ORIENTAL DAILY (INDEPENDENT) SAID IN ITS HEADLINE THAT THE TALKS WERE AIMING FOR AN AGREEMENT ENSHRINING THE PRINCIPLE OF HONG KONG PEOPLE TO RUN HONG KONG. THE MAJOR COMMUNIST NEWSPAPER HEADLINES READ QUOTE SIR GEOFFREY INDICATES THAT BRITAIN DOES NOT INSIST ON SOVEREIGNTY: AN AGREEMENT WILL PRESERVE EXISTING SYSTEMS IN HONG KONG UNQUOTE. (WEN WEI PO) AND QUOTE BRITISH FOREIGN SECRETARY FORMALLY ANNOUNCES THAT BRITAIN WILL NO LONGER CONTROL HONG KONG AFTER 1997 UNQUOTE. MORE PESSIMISTIC NOTES WERE STRUCK BY THE SING PAO (INDEPENDENT) QUOTE BRITAIN ABANDONS HONG KONG UNQUOTE AND BY THE RIGHT WING AND PRO-TAIWAN PRESS. THE KUNG SHEUNG DAILY SAID THAT BRITAIN WAS ABANDONING SOVEREIGNTY WITH NO GUARANTEE THAT THINGS WOULD REMAIN THE SAME FOR 50 YEARS. THE NEW CHINA NEWS AGENCY PUT OUT A DESPATCH IN THE ENGLISH LANGUAGE SERVICE QUOTING WITHOUT COMMENT EXTENSIVE EXTRACTS FROM THE SECRETARY OF STATE'S STATEMENT. THE ENGLISH LANGUAGE AND A NUMBER OF INDEPENDENT PAPERS NOTED THE APPEARANCE OF THE NCNA DESPATCH.

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COMMENT

3. 14 PAPERS COMMENTED ON THE PRESS CONFERENCE. THERE WAS NO(NO) EDITORIAL COMMENT IN EITHER OF THE MAJOR COMMUNIST PAPERS. THE MING PAO (INDEPENDENT) SAID THAT THE SECRETARY OF STATE HAD MADE THE GREATEST POSSIBLE DISCLOSURE WITHOUT VIOLATING THE PRINCIPLE OF CONFIDENTIALITY. THE BRITISH GOVERNMENT DID UNDERSTAND THE WISH OF LOCAL PEOPLE TO MAINTAIN HONG KONG'S EXISTING SYSTEMS. BRITAIN HAD STRIVED TO MAINTAIN BRITISH ADMINISTRATION AFTER 1997 BUT THIS HAD BEEN OPPOSED BY CHINA. THE SING PAO (INDEPENDENT) SAID THAT THE DIE WAS CAST IN THE FORM OF A HIGH DEGREE OF AUTONOMY UNDER CHINESE SOVEREIGNTY, BUT THE DETAILS WERE STILL SHROUDED IN FOG. AUTONOMY WAS SUBJECT TO DIFFERENT INTERPRETATIONS BY BRITAIN AND BY CHINA. THE HONG KONG DAILY NEWS (INDEPENDENT) WELCOMED THE FACT THAT, AS A RESULT OF THE PRESS CONFERENCE, HONG KONG'S FUTURE WAS NOW CLEARER. THIS WOULD HELP REDUCE SPECULATION ON THE STOCK MARKETS. PEOPLE SHOULD NOT WORRY THAT AN AGREEMENT SIGNED BY BRITAIN AND CHINA WOULD BE CHANGED. THE FINANCIAL DAILY (INDEPENDENT) DOUBTED WHETHER BRITAIN COULD SECURE A TRULY BINDING INTERNATIONAL AGREEMENT BECAUSE THIS WOULD CONFLICT WITH CHINA'S PLAN TO DRAW UP A BASIC LAW FOR HONG KONG AS A SPECIAL ADMINISTRATIVE REGION OF CHINA. THE REMAINING WORK WAS AN ENORMOUS CHALLENGE TO BOTH SIDES AND WOULD REQUIRE WISDOM AND MUCH DIPLOMATIC MANOEUVRING.

4. THE EXPRESS (RIGHT WING) SAID THAT NO MATTER HOW OPTIMISTIC THE SECRETARY OF STATE HAD BEEN, THE DIE WAS NOW CAST ON SOVEREIGNTY AND ADMINISTRATION. HONG KONG PEOPLE WOULD NO LONGER REGARD THE BRITISH AS BEING ON THEIR SIDE, AND THE MUTUAL TRUST BETWEEN LOCAL PEOPLE AND THE HONG KONG GOVERNMENT WOULD DISAPPEAR. THE REACTIONS OF THE CIVIL SERVICE AND THE DISCIPLINED SERVICES IN PARTICULAR WOULD BE VERY IMPORTANT: THERE WAS A DANGER THAT HONG KONG WOULD BECOME DIFFICULT TO GOVERN. THE PRO-TAIWAN HONG KONG TIMES SAID THE HONG KONG PEOPLE WERE DISAPPOINTED BY BRITAIN'S WEAK POSITION. THE PEKING GOVERNMENT, THROUGH THEIR PRESSURE TACTICS, HAD GAINED A GREAT DEAL AND GIVEN ONLY EMPTY PROMISES.

5. THREE MINOR LEFT-WING PAPERS COMMENTED EDITORIALY. THE CHING PO SAID THAT THE SECRETARY OF STATE HAD IN EFFECT CONFIRMED THE SERIES OF POLICIES ADOPTED BY CHINA IN RESOLVING THE HONG KONG QUESTION. MOST PEOPLE WANTED TO SEE CHINA RECOVER SOVEREIGNTY AND ADMINISTRATIVE RIGHTS OVER HONG KONG IN 1997. BRITAIN SHOULD TAKE PRACTICAL STEPS TO MAINTAIN HONG KONG'S STABILITY AND PROSPERITY AND MUST NOT ALLOW ANY UNREST TO DEVELOP. THE CENTRE DAILY SAID THAT BROAD PRINCIPLES HAD NOW BEEN SETTLED SINCE BRITAIN HAD CLEARLY INDICATED ITS DECISION TO GIVE UP SOVEREIGNTY AND ADMINISTRATION. IT SHOULD THEREFORE BE POSSIBLE TO CONCLUDE ON AN AGREEMENT BEFORE LONG. ANY DELAY WOULD BE HARMFUL. THE 'POINTS OF SUBSTANCE' WHICH SIR G. HOWE HAD SAID REMAINED TO BE CLEARED UP WERE NOT MATTERS OF BROAD PRINCIPLE. THE TALKS SHOULD THEREFORE BE SPEEDED UP. THE TIN TIN

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DAILY SAID THAT BRITAIN'S DECISION TO GIVE UP SOVEREIGNTY AND ADMINISTRATION WAS WISE AND COOL HEADED. WITH THIS MAJOR QUESTION SETTLED, HONG KONG COMPATRIOTS SHOULD JOIN HANDS WITH CHINA TO WORK FOR HONG KONG'S GREATER PROSPERITY. THE TA KUNG PAO (COMMUNIST) CARRIED A NEWS ANALYSIS COLUMN, WHICH OBSERVED THAT THE SECRETARY OF STATE'S REMARKS ON SOVEREIGNTY AND ADMINISTRATION HAD ATTRACTED MUCH ATTENTION. IT ALSO NOTED THAT THE SECRETARY OF STATE WAS QUOTE BASICALLY OPPOSED TO UNQUOTE A REFERENDUM.

6. THE WEN WEI PO CARRIED A DETAILED ACCOUNT OF A MEETING BETWEEN LOCAL UNIVERSITY STUDENTS AND XU JIATUN, DIRECTOR OF NCNA, HONG KONG. XU WAS QUOTED AS HAVING SAID THAT THERE WERE TWO ASPECTS OF THE HONG KONG FUTURE ISSUE: THE REUNIFICATION OF CHINA AND THE MANNER IN WHICH HONG KONG WAS TO BE ADMINISTERED AFTER 1997. THE FIRST WAS A SUBJECT FOR THE NEGOTIATIONS WITH BRITAIN. THE SECOND WAS A CHINESE INTERNAL AFFAIR. CHINA HAD ALREADY NOTIFIED BRITAIN OF ITS POLICIES IN THIS RESPECT.

7. A WIDE RANGE OF PUBLIC FIGURES WERE INTERVIEWED BY THE PRESS, RADIO AND TELEVISION. UNOFFICIAL LEGCO MEMBERS ALLAN LEE, STEPHEN CHEONG, SELINA CHOW, PAULINE NG AND DR HU KAM-FAI, SIR PETER BLAKER (CHAIRMAN OF THE ANGLO/HONG KONG PARLIAMENTARY GROUP), MR JIMMY MACGREGOR/HONG KONG GENERAL CHAMBER OF COMMERCE), SPOKESMEN FOR MEETING POINT, THE OBSERVERS AND THE HONG KONG BELONGERS PRESSURE GROUPS AS WELL AS A NUMBER OF ACADEMICS ALL WELCOMED THE REMOVAL OF UNCERTAINTY AND SUGGESTED THAT THE STATEMENT GAVE HONG KONG PEOPLE A BASIS ON WHICH THEY COULD WORK TO HELP SAFEGUARD THEIR OWN FUTURE. MR MACGREGOR DID NOT (NOT) THINK THAT THE STOCK MARKETS WOULD REACT STRONGLY WHEN THEY REOPENED AFTER THE HOLIDAY. THE OBSERVERS SPOKESMAN ADDED THAT A CLEARER INDICATION OF HOW THE BRITISH GOVERNMENT INTENDED TO PROMOTE REPRESENTATIVE GOVERNMENT IN HONG KONG WOULD HAVE BEEN WELCOME.

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8. TWO DISTRICT BOARD MEMBERS WERE QUOTED AS SAYING THAT THE STATEMENT HAD NOT REVEALED ENOUGH TO SATISFY HONG KONG PEOPLE. THE REMAINDER WORRIED BECAUSE THE TWO SIDES WERE SOME WAY FROM AN AGREEMENT. LAU CHIN SHEK (LABOUR MOVEMENT ACTIVIST) SAID THAT THE STATEMENT WAS DISAPPOINTING BECAUSE IT HAD FAILED TO INDICATE CLEARLY HOW HONG KONG PEOPLE WERE TO BE PROPERLY CONSULTED. A NUMBER OF COMMENTATORS SAID THAT THE SECRETARY OF STATE'S STATEMENT CONTAINED NOTHING NEW. BUT THIS WAS THE FIRST TIME THAT THESE THINGS HAD BEEN SAID BY THE BRITISH.

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DESKBY 201300Z
FM HONG KONG 201108Z APR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 1091 OF 20 APRIL
INFO IMMEDIATE PEKING

FOLLOWING FROM PRIVATE SECRETARY: SECRETARY OF STATE'S VISIT TO CHINA AND FUTURE OF HONG KONG

1. YOU WILL HAVE SEEN FROM HONG KONG TELEGRAMS NOS 1078 AND 1079 THE SECRETARY OF STATE'S ASSESSMENT OF HIS VISIT TO PEKING AND HIS VIEWS ON THE IMPLICATIONS FOR OUR STRATEGY AS EXPLAINED TO EXCO.

2. IN THE LIGHT OF HIS VISIT TO PEKING, THE SECRETARY OF STATE BELIEVES WE ARE NOW ENTERING A NEW PHASE IN THE NEGOTIATIONS. THE CHINESE SHIFT OF POSITION ON THEIR DEADLINE, AND OUR AGREEMENT TO WORK FOR A DRAFT TO BE PUBLISHED BY SEPTEMBER, IMPOSES CONSTRAINTS ON BOTH SIDES. IN ORDER TO SEIZE WHATEVER OPPORTUNITY THIS PROVIDES FOR US, WE SHOULD NOW ADOPT A STRATEGY OF GREATER TACTICAL MOBILITY. IT IS CLEAR THAT THE DRAFT AGREEMENT WE TABLED CANNOT SURVIVE IN ITS PRESENT FORM (AS WE KNEW ALL ALONG). BUT THE CHINESE HAVE ACCEPTED BOTH THE CONCEPT OF AN AGREEMENT BINDING ON BOTH SIDES AND THAT AN ANNEX (OR, LESS LIKELY, ANNEXES), WHICH WOULD CONTAIN AT LEAST THE BULK OF POINTS AGREED ON THE BASIS OF OUR WORKING PAPERS, WOULD BE EQUALLY BINDING. OUR DRAFT REMAINS ON THE TABLE TO BE CONSIDERED WITH THAT OF THE CHINESE. INITIALLY WE SHALL NEED TO ARGUE FOR OUR DRAFT, BUILDING UP IN THE PROCESS THE CASE FOR AN AGREEMENT WHICH IS BINDING, HAS MATCHING OBLIGATIONS AND SUFFICIENT DETAIL. BUT WE SHOULD START WORK NOW ON ALTERNATIVE FORMS AND WORDING WHICH, WHILE MEETING OUR ESSENTIAL REQUIREMENTS, WOULD BE MORE LIKELY TO BE ACCEPTABLE TO THE CHINESE. IT MAY BE USEFUL TO START PREPARING THIS WORK IN

TO THE CHINESE. IT MAY BE USEFUL TO START PREPARING THIS WORK IN THE FORM OF MODULES WHICH COULD BE INCORPORATED INTO VARIOUS FORMS OF AGREEMENT.

3. IN THE NEW PHASE OF NEGOTIATIONS, WE SHALL CONTINUE TO WORK WITHIN THE STRATEGIC FRAMEWORK AGREED WITH MINISTERS AND EXCO. WHILE, HOWEVER, KEEPING EXCO FULLY INFORMED OF ALL OUR EXCHANGES WITH THE CHINESE, TACTICAL MANOEUVRABILITY AND THE NEED FOR SPEED MEAN THAT IT WILL NOT BE POSSIBLE TO AGREE IN ADVANCE WITH EXCO ALL THE DETAILED MOVES WE SHALL WANT TO MAKE. THE SECRETARY OF STATE PUT THESE CONSIDERATIONS TO EXCO THIS MORNING. ALTHOUGH, AS THE SEPARATE REPORTING TELEGRAMS SHOW, CONCERN WAS EXPRESSED BY SOME MEMBERS ABOUT ANY MOVE AWAY FROM THE PRESENT DRAFT, HE BELIEVES THAT EXCO, WHILE PRESERVING THEIR POSITION ON THE FINAL OUTCOME, WILL NOT OBJECT TO THE APPROACH HE OUTLINED.

4. ITEM 2 (ARRANGEMENTS IN THE PERIOD BEFORE 1997) WILL CLEARLY NEED TO BE HANDLED WITH GREAT CARE. THE CHINESE IDEA OF A JOINT GROUP HAS OBVIOUS DANGERS, PARTICULARLY IF, AS IN THE ORIGINAL CHINESE SUGGESTION, IT IS ESTABLISHED IN HONG KONG. BUT THERE MAY ALSO BE ADVANTAGES IN SETTING UP SOME FORM OF LIAISON ARRANGEMENT. THIS COULD PROVIDE OPPORTUNITIES FOR EDUCATING THE CHINESE ABOUT THE WAY IN WHICH HONG KONG FUNCTIONS AND, IN PARTICULAR, THE WAY IN WHICH NEARLY ALL DECISIONS ARE TAKEN LOCALLY RATHER THAN IN LONDON. FURTHERMORE, BY ENSURING THAT THE CHINESE ARE KEPT INFORMED ABOUT THE DEVELOPMENT OF INSTITUTIONS IN HONG KONG PRIOR TO 1997, WE MIGHT BE ABLE TO SOME EXTENT TO CONDITION CHINESE THINKING ABOUT THE BASIC LAW. THERE WILL IN ANY CASE BE A NEED FOR CLOSE CONSULTATIONS WITH THE CHINESE IN THE YEARS IMMEDIATELY BEFORE 1997, AND THERE IS A CASE FOR STARTING NOW TO THINK OF WAYS IN WHICH WE CAN START A PROCESS WHICH WILL LATER HAVE TO BECOME A MUCH MORE SIGNIFICANT PART OF OUR EXCHANGES. A PERIPATETIC, GROUP AS SUGGESTED BY DENG, WOULD BE BETTER THAN A STATIC ONE IN HONG KONG. BUT THE IMPLICATIONS OF THAT ALSO NEED TO BE EXAMINED WITH THE GREATEST CARE BEFORE WE MAKE ANY RESPONSE TO THE CHINESE. HONG KONG WILL WORK ON A PAPER COVERING ALL ASPECTS OF THE SUBJECT. MEANWHILE, OUR IMMEDIATE REACTION TO THE CHINESE SHOULD BE TO PROBE FOR A MORE PRECISE DEFINITION OF THE EXACT FUNCTIONS THE CHINESE HAVE IN MIND FOR A JOINT GROUP AND HOW THEY WOULD SEE IT OPERATING.

5. THE SECRETARY OF STATE WILL WISH TO CONSULT MINISTERIAL COLLEAGUES ON HIS CHINA VISIT AND ITS IMPLICATIONS FOR OUR STRATEGY SOON AFTER HE RETURNS FROM KOREA AND JAPAN.

6. A SEPARATE TELEGRAM OF INSTRUCTIONS WILL FOLLOW ON THE HANDLING OF THE NEXT ROUND OF TALKS.

~~SECRET~~

DESKBY 201300Z

FM HONG KONG 201108Z APR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 1091 OF 20 APRIL
INFO IMMEDIATE PEKING

FOLLOWING FROM PRIVATE SECRETARY: SECRETARY OF STATE'S VISIT TO CHINA
AND FUTURE OF HONG KONG

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FUTURE OF HONG KONG

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LEGAL ADVISER (MR FREELAND)

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FM HONG KONG 201100Z APR 84
TO IMMEDIATE FCO
TELEGRAM NUMBER 1090 OF 20 APRIL
AND TO IMMEDIATE COI
INFO IMMEDIATE PEKING, WASHINGTON

FOLLOWING IS TRANSCRIPT OF QUESTION AND ANSWER SESSION AT SECRETARY
OF STATE'S PRESS CONFERENCE.

BEGINS.

TRANSCRIPT OF THE QUESTIONS AND ANSWERS
AT THE PRESS CONFERENCE HELD BY THE FOREIGN SECRETARY,
SIR GEOFFREY HOWE, IN THE LEGISLATIVE COUNCIL CHAMBER,
HONG KONG, APRIL 20, 1984

- Q1. RADIO TELEVISION HONG KONG - STEVE JOHNSON
CAN THE FOREIGN SECRETARY GIVE ANY KIND OF GUARANTEE
THAT WHATEVER IS EVENTUALLY WORKED OUT, AT PEKING,
WILL ACTUALLY STICK, THAT IT WILL NOT BE
RE-NEGOTIATED, AMENDED OR OVERTURNED, IF THERE IS A
CHANGE OF GOVERNMENT, EITHER IN PEKING OR IN
WESTMINSTER?
- A. THE OBJECT OF THE NEGOTIATIONS AS I HAVE SAID, IS TO
SECURE AGREEMENT OF A FRAMEWORK OF ARRANGEMENTS THAT
WILL PROVIDE FOR WHAT WE WANT, THE MAINTENANCE OF
HONG KONG AS FLOURISHING AND DYNAMIC SOCIETY, AND
FOR THOSE ARRANGEMENTS TO BE INCORPORATED IN AN
AGREEMENT THAT IS FORMALLY RECORDED, AN INTERNATIONAL
AGREEMENT BETWEEN THE TWO GOVERNMENTS OF CHINA AND
THE UNITED KINGDOM, WHICH WOULD THEREAFTER BE BINDING
MUTUALLY UPON BOTH SIDES.
- Q2. FAR EAST ECONOMIC REVIEW - PHILIP BOWRING
DURING YOUR DISCUSSINGS IN PEKING, DID CHINA GIVE
ANY INDICATION AT ALL THAT IT IS WILLING TO AGREE
TO FORMAL DETAILED RECORDING OF THE ITEMS YOU
MENTIONED IN PARAGRAPH 8, OF YOUR TEXT HERE, OR TO
AGREE TO ANY COMMITMENT TO LINK THESE, OR THE
ACHIEVEMENT OF THESE, TO THE CONTINUATION OF THESE
TO HONG KONG'S CONTINUED PARTICIPATION IN INTERNATIONAL
ECONOMIC INSTITUTIONS?

/A. 1 AM

A. I AM NOT READY TO DISCLOSE THE CONTENT OF OUR DISCUSSIONS IN THE COURSE OF NEGOTIATIONS IN PEKING, BUT I HAVE, IN MY STATEMENT, SET OUT THE OBJECTIVES WHICH WE BELIEVE COULD, AND WE WANT TO, ACHIEVE UNDER THE ARRANGEMENTS THAT WE HAVE IN MIND, AND THOSE DO, OF COURSE, INCLUDE CONTINUED PARTICIPATION OF HONG KONG IN INTERNATIONAL RELATIONSHIPS OF THE KIND YOU HAVE IN MIND.

Q3. DIANA LIN, ATV

IN RECENT YEARS THE HONG KONG GOVERNMENT HAS TAKEN IN MANY THOUSANDS OF VIETNAMESE REFUGEES. BRITAIN AND OTHER COUNTRIES FELT A MORAL OBLIGATION TO PROVIDE PERMANENT HOMES FOR THESE PEOPLE WHO WERE FLEEING FROM COMMUNISM. WILL YOUR GOVERNMENT FEEL A SIMILAR OBLIGATION TO PROVIDE RE-SETTLEMENT FOR PEOPLE FROM HONG KONG, IF THEY DECIDE THAT THEY CANNOT STAY ON HERE UNDER A COMMUNIST GOVERNMENT?

A. OUR OBJECTIVES ARE TO SECURE AGREEMENT FOR ALL THE PEOPLE OF HONG KONG, WHICH TAKES ACCOUNT OF ALL THE OBJECTIVES THAT WE HAVE IN MIND- CONTINUED STABILITY AND PROSPERITY FOR THE WHOLE OF HONG KONG, AT LEAST FOR THE PERIOD THAT I HAVE IN MIND, AND, IN SEEKING THOSE OBJECTIVES, OUR PURPOSE IS TO GET AGREEMENT ON THE WAY OF ACHIEVING THAT. I THINK THAT IS THE RIGHT THING TO HAVE IN MIND THROUGHOUT THESE NEGOTIATIONS BECAUSE IF WE ACHIEVE THAT THEN WE ACHIEVE THE CONCLUSIONS THAT WE WANT, A CONTINUATION OF HONG KONG'S WAY OF LIFE, A CONTINUATION OF THE LEGAL, ECONOMIC, SOCIAL AND OTHER CIRCUMSTANCES THAT HELP MAKE UP THAT WAY OF LIFE, IN THAT WAY WE BELIEVE WE SHOULD DO THE BEST WE POSSIBLY CAN TO ACHIEVE THE RESULTS THAT EVERYONE WOULD LIKE IN THOSE CIRCUMSTANCES.

Q4. DIANA LEE - INTERNATIONAL HERALD TRIBUNE, WASHINGTON POST AND ECONOMIST
SHOULD THE HONG-KONG PEOPLE EXPRESS THE VIEW THAT THE AGREEMENT WAS PARTIALLY OR TOTALLY UNACCEPTABLE, WHAT WILL THE FOREIGN OFFICE DO THEN?

A. ONE OF THE REASONS WHY WE ARE SO ANXIOUS TO CONTINUE AND EXTEND THE PROCESS OF CONSULTATION WHICH HAS ALREADY BEEN TAKING PLACE THROUGH THE METHODS I HAVE DESCRIBED, ONE OF THE REASONS WHY WE WANT TO ENSURE THAT THAT IS FULL AND EFFECTIVE, IS TO ENSURE THAT, AS WE APPROACH THE FINAL STAGES OF THESE NEGOTIATIONS, WE DO SO HAVING FULLY IN MIND THE VIEWS OF PEOPLE IN HONG KONG, THE LIKELY VIEWS OF PARLIAMENT,

SO THAT WE SHALL REACH AN AGREEMENT, IF WE ARE ABLE TO DO SO, THAT WE CAN CONFIDENTLY COMMEND TO THE PEOPLE OF HONG KONG, AND TO PARLIAMENT. THAT MUST BE OUR OBJECTIVE. WE WANT TO REACH A CONCLUSION THAT WE CAN COMMEND AND THAT THE PEOPLE OF HONG KONG, AND PARLIAMENT, WILL REGARD AS ACCEPTABLE.

Q5. TA KUNG PAO, LEE WAI HING

DURING YOUR VISIT IN BEIJING YOU HAD A CHANCE TO TALK WITH CHINESE LEADERS INCLUDING THE CHAIRMAN DENG, PREMIER ZHAO, WOULD YOU GIVE YOUR IMPRESSIONS OF THOSE CHINESE LEADERS YOU HAVE MET, AND IN WHAT WAY YOU FEEL THE CHINESE LEADERS ARE SINCERE TO SOLVE THE 1997 ISSUE, WITH THE AIM OF MAINTAIN THE STABILITY AND PROSPERITY FOR HONG KONG?

A. AGAIN, IT WOULD NOT BE RIGHT FOR ME TO GIVE IMPRESSIONS OF PERSONALITIES, ANY MORE THAN IT WOULD BE RIGHT FOR ME TO GIVE IMPRESSIONS OR DESCRIPTIONS OF THE SUBSTANCE OF THE NEGOTIATIONS, BUT ALL MY MEETINGS IN PEKING WERE VERY BUSINESS-LIKE, CONDUCTED IN A FRIENDLY ATMOSPHERE DIRECTED TO TRYING TO SECURE AGREEMENT OF THE KIND WE BOTH WANT AND THE THING THAT IMPRESSED ME MOST WAS THE JOINT DETERMINATION TO TRY TO REACH THE RIGHT ANSWER TO THIS VERY IMPORTANT QUESTION.

Q6. RADIO HONG KONG, NICK BEACROFT

IT IS A TWO SIDED QUESTION. ONE IS: HOW EXACTLY ARE YOU GOING TO TEST THE OPINION OF HONG KONG PEOPLE? AND, IF THE HONG KONG PEOPLE REJECT YOUR AGREEMENT, WHAT WILL YOU DO THEN?

A. WELL, WE ARE STILL CONSIDERING WHAT ARE THE BEST WAYS IN THE FINAL STAGE AFTER THE AGREEMENT IS PRESENTED TO THE REST OF THE WORLD, INCLUDING OF COURSE HONG KONG, WHAT WILL BE THE MOST EFFECTIVE WAY OF TAKING THE OPINION OF THE PEOPLE OF HONG KONG, AT THAT STAGE. I EMPHASISE, OF COURSE, AS I HAVE SAID ALREADY, THE IMPORTANCE IN THIS CONTEXT OF THE CONTINUING CONSULTATIONS THAT ARE TAKING PLACE, WELL AHEAD OF THE AGREEMENT, BECAUSE THE OBJECTIVE THAT WE MUST HAVE IN MIND IS TO KNOW THE ASPIRATIONS AND THE ANXIETIES AND THE DESIRES OF THE PEOPLE OF HONG KONG NOL. THAT IS ONE OF THE REASONS I AM HERE NOW, THAT IS ONE OF THE REASONS WHY MY MEETING WITH EXCO YESTERDAY, WHICH WAS NOT THE FIRST BUT THE FIFTH, IN ORDER THAT WE CAN TAKE FULL ACCOUNT OF WHAT THE PEOPLE OF HONG KONG WANT IN THE NEGOTIATIONS AND BEFORE WE COME TO THE AGREEMENT. THAT IS THE BASIS ON WHICH WE WILL THEN PRESENT THE AGREEMENT, BELIEVING BY THEN WE HAVE GOT OUT OF THE NEGOTIATIONS THAT WHICH THE PEOPLE OF HONG KONG HAVE INDICATED THAT THEY WANT.

Q7. LUK HON TAK, WEN WEI PO,
BRITAIN ALWAYS STRESSED THERE IS NO TIME TABLE FOR
THE TALKS, BUT YOU AGREE THAT IT IS HELPFUL FOR KEEPING
HONG KONG'S PEOPLE'S CONFIDENCE IF AN AGREEMENT CAN
BE MADE AS SOON AS POSSIBLE AND DO YOU THINK THERE IS
A POSSIBILITY TO HAVE A PRELIMINARY AGREEMENT BEFORE
SEPTEMBER OF THIS YEAR?

A. AS I HAVE SAID, WE ARE WORKING TO A PROGRAMME WHICH
TAKES ACCOUNT BOTH OF CHINESE WISHES AND OF ALL OF OUR
OWN REQUIREMENTS, AND I BELIEVE THAT ONE OF THOSE
REQUIREMENTS, IS ONE OF THE THINGS YOU HAVE MENTIONED,
NAMELY THE NEED TO REACH AN AGREEMENT AS SOON AS WE
POSSIBLY CAN. THAT DOESN'T MEAN THAT WE HAVE TO RUSH
THE NEGOTIATIONS, THAT WOULD BE WRONG. IT MEANS WE
HAVE TO MAKE SURE WE ARE GETTING THE RIGHT AGREEMENT,
IT HAS GOT TO HAVE SUFFICIENT CONTENT, AND THE RIGHT
CONTENT AND THAT ON THAT BASIS, I AM QUITE CERTAIN THAT
IN ORDER TO REMOVE UNCERTAINTY TO ESTABLISH CONFIDENCE
ON THE BEST BASIS, WE SHOULD STRIVE TO REACH AN
AGREEMENT AS SOON AS WE SENSIBLY CAN.

Q8. JILL HARTLEY - SOUTH CHINA MORNING POST
A POINT OF CLARIFICATION, AT THE BOTTOM OF PAGE
FOUR OF YOUR STATEMENT YOU SAY THE CHINESE
GOVERNMENT HAVE MADE IT CLEAR THEY INTEND
ARRANGEMENTS TO LAST FOR AT LEAST 50 YEARS FROM
1997, THEN YOU SAY WE ARE WORKING FOR AN AGREEMENT
WHICH WILL ENSHRINE THAT PRINCIPLE. DOES THAT MEAN
THAT YOU ARE LOOKING FOR A 50 YEAR AGREEMENT?

A. INDEED THE PRINCIPLE OF CONTINUITY IS THE MOST
IMPORTANT THING THE PEOPLE OF HONG KONG WANT.
CONTINUITY IS THE NECESSARY FOUNDATION OF
CONFIDENCE AND I REFER THERE TO THE CHINESE PUBLIC
INDICATION OF THE PROSPECT OF 50 YEARS CONTINUATION
OF PRESENT SYSTEMS AND SO ON, FROM 1997. CLEARLY,
THAT IS ONE OF THE THINGS THAT WE SHOULD WANT TO SEE EMBODIED
IN ANY INTERNATIONAL AGREEMENT.

Q9. NICK GOWING - ITN LONDON
IS THERE ANY DOUBT IN YOUR MIND, FOREIGN SECRETARY,
THAT WHAT YOU NEGOTIATE IN THE COMING MONTHS WILL
SIMPLY BE IRRELEVANT TO WHATEVER THE POLITICAL
SITUATION MIGHT BE, BOTH IN BRITAIN AND CHINA 13
YEARS FROM NOW.

A. WHAT WE NEGOTIATE DURING THE COMING MONTHS, WHAT WE HAVE NEGOTIATED IN THE MONTHS PASSED, IS ABOUT THE POINTS THAT NEED TO BE INCLUDED IN THE ARRANGEMENTS OF WHICH I SPOKE, WHICH NEEDS TO BE SPELT OUT IN THE AGREEMENT, OF WHICH I SPOKE. THAT IS WHY IT IS SO IMPORTANT TO SECURE AN AGREEMENT BETWEEN THE TWO NATIONS, ENTERED INTO AS AN INTERNATIONAL AGREEMENT THAT IS INTENDED TO BE BINDING. THAT IS THE BEST ASSURANCE OF THE CONTINUITY AND RELIABILITY OF THE MATTERS WE ARE DISCUSSING AND SEEKING TO AGREE.

Q10. JAMES STERN GOLD, AP DOW-JONES
IN THE FORM OF THE AGREEMENT WHICH YOU HAVE DESCRIBED HERE, WHICH WOULD BE AN AUTONOMOUSLY ADMINISTERED HONG KONG, UNDER CHINESE SOVEREIGNTY, CAN YOU FORESEE - MY QUESTION REFERS TO THE MAINTENANCE OF EXISTING LINKS INTERNATIONALLY WITH HONG KONG - DO YOU THINK THAT INTERNATIONAL ORGANISATIONS WOULD RECOGNISE A SOMEWHAT AUTONOMOUS HONG KONG, INDEPENDENT OF CHINA, IN TERMS OF MONETARY FACTORS, SUCH AS TEXTILE QUOTAS AND THAT SORT OF THING?

A. THAT IS ONE OF THE VERY IMPORTANT FEATURES THAT WE DO NEED TO ACHIEVE. I BELIEVE THAT UNDER THE ARRANGEMENTS WE HAVE IN MIND IT WOULD BE POSSIBLE, AND CERTAINLY DESIRABLE, TO SECURE AGREEMENT ON THE CONTINUATION OF HONG KONG'S CONTINUED PARTICIPATION IN THE WIDE NETWORK OF INTERNATIONAL AGREEMENTS IN WHICH IT ALREADY PLAYS A PART, AND ITS MEMBERSHIP OF INTERNATIONAL ORGANISATIONS OF THE KIND YOU HAVE IN MIND IS IMPORTANT IN THE SAME CONTEXT TO ENSURE THAT THE HONG KONG DOLLAR WILL CONTINUE TO CIRCULATE FREELY AND AS AN INDEPENDENT CONVERTIBLE CURRENCY. I BELIEVE THAT ALL THOSE THINGS WHICH ARE PART OF THE ESSENTIAL ECONOMIC FRAMEWORK OF HONG KONG WOULD BE ACHIEVABLE IN THE FRAMEWORK THAT WE HAVE IN MIND.

Q11. REPORTER, NEW EVENING POST
WOULD YOU TELL US WHAT THE BRITISH GOVERNMENT WILL DO IN THE 13 YEARS BEFORE 1997 TO MAINTAIN THE PROSPERITY AND STABILITY OF HONG KONG?

A. IN THE 13 YEARS UP TO 1997, IT WOULD CERTAINLY BE THE INTENTION OF THE BRITISH GOVERNMENT TO MAINTAIN RESPONSIBILITY FOR ADMINISTRATION OF HONG KONG IN EXACTLY THE PRESENT WAY. WE ARE CONCERNED, AS I AM SURE THE PEOPLE OF HONG KONG ARE CONCERNED, TO MAINTAIN CONTINUING PROSPERITY AND STABILITY ON EXACTLY THE PRESENT LINES. WHAT WE WANT TO ACHIEVE IS A CHANGE IN 1997 WITH THE LEAST POSSIBLE DISTURBANCE. FROM NOW ON UP TO 1997, THE MAINTENANCE OF ALL THOSE

THINGS WHICH ARE THE FOUNDATION OF HONG KONG'S PRESENT PROSPERITY, AND AFTER 1997, THE LEAST POSSIBLE CHANGE SO PEOPLE CAN HAVE CONFIDENCE THAT THE WAY OF LIFE WHICH THEY KNOW TO BE THE FOUNDATION OF THEIR SUCCESS WILL CONTINUE.

Q12. HARVEY STOCKWIN, TIMES OF INDIA

SIR, REGARDING YOUR STATEMENT THAT: +IT IS RIGHT FOR ME TO TELL YOU NOW THAT IT WOULD NOT BE REALISTIC TO THINK OF AN AGREEMENT THAT PROVIDES FOR CONTINUED BRITISH ADMINISTRATION IN HONG KONG AFTER 1997.+ THE STATEMENT DOES NOT RECORD ON WHAT GROUNDS IT WOULD BE CONSIDERED REALISTIC. WAS IT REALISTIC BECAUSE BRITAIN DID NOT SEEK SUCH AN ARRANGEMENT, OR BECAUSE CHINA REJECTED IT? HOW FAR DID THE BRITISH SIDE PUSH FOR AN ARRANGEMENT UNDER WHICH CHINA WOULD HAVE HAD SOVEREIGNTY RESTORED, MIXED WITH SOME CONTINUING DEGREE OF BRITISH ADMINISTRATION? A SOLUTION WHICH MANY PEOPLE IN HONG KONG FEEL IS THE BEST GUARANTEE OF CONTINUITY OF WHICH YOU SPEAK.

A. WHAT WE ARE DOING IS CONDUCTING NEGOTIATIONS ON A REALISTIC BASIS WITH THE INTENTION OF SECURING THE BEST POSSIBLE OUTCOME ON THE MOST ASSURED BASIS FOR THE FUTURE, IN THE INTERESTS OF THE PEOPLE OF HONG KONG. AND IN DOING THAT, OF COURSE, AT EACH STAGE AND IN EACH WAY, WE PRESS ALL THE POINTS WHICH ARE REGARDED AS IMPORTANT, BUT WE ALSO HAVE TO CONSIDER HOW THE AGREEMENT COMES TOGETHER AS A WHOLE. WE HAVE TO CONSIDER, THE PEOPLE OF HONG KONG WILL HAVE TO CONSIDER, PARLIAMENT WILL HAVE TO CONSIDER, AT THE END OF THE NEGOTIATIONS HOW ALL THE ELEMENTS OF THE NEGOTIATIONS COME TOGETHER, AND WE BELIEVE THAT IT HAS BEEN RIGHT TO EXPLORE HOW IT MIGHT BE POSSIBLE TO ARRIVE AT ARRANGEMENTS THAT WOULD SECURE FOR HONG KONG AFTER 1997 A HIGH DEGREE OF AUTONOMY UNDER CHINESE SOVEREIGNTY THAT WILL PRESERVE THE WAY OF LIFE IN HONG KONG, TOGETHER WITH THE ESSENTIALS OF THE PRESENT SYSTEM. WHAT WE ARE DOING IS TO EXPLORE ALL THE WAYS IN WHICH THAT IS BEST LIKELY TO BE ASSURED AND IT IS IN THAT CONTEXT WE HAVE COME TO THE CONCLUSION TO WHICH YOU REFER.

Q13. MICHAEL EVANS, DAILY EXPRESS

TWO YEARS AGO THE PRIME MINISTER, IN PEKING, SEEMED UNWILLING TO TOTALLY RELINQUISH ALL BRITISH RIGHT TO SOVEREIGNTY OVER HONG KONG. ARE YOU NOW TODAY SAYING THAT THE BRITISH GOVERNMENT DOES JUST THAT?

- A. AT THE END OF THE DAY, ONLY PARLIAMENT CAN CONCEDE SOVEREIGNTY, AND WHEN PARLIAMENT CONSIDERS THIS MATTER IT WILL HAVE TO SEE THE AGREEMENT AS A WHOLE AND SEE HOW FAR ALL THE ELEMENTS I HAVE BEEN TALKING ABOUT, HOW FAR ALL THE COMPONENTS WE DESIRE CAN BE JUDGED TOGETHER AT THE END OF THE NEGOTIATION, IT IS IN THAT CONTEXT WE SHALL REACH THAT CONCLUSION.

Q14. KAYSER SUNG, TEXTILE ASIA

SIR GEOFFREY, HONG KONG HAS BEEN ENJOYING A CERTAIN AMOUNT OF AUTONOMY IN INTERNATIONAL TRADE THROUGH GATT ORGANISATIONS AND THROUGH MEMBERSHIP OF THE U.K., HOW THIS WILL CONTINUE AFTER 1997 BECAUSE CHINA IS NOT A GATT MEMBER YET?

- A. NO, AND OF COURSE HONG KONG HAS BEEN ENJOYING A SUBSTANTIAL DEGREE OF AUTONOMY IN THAT RESPECT, NOT ALWAYS THROUGH BRITISH PARTICIPATION BUT FROM HONG KONG'S DIRECT PARTICIPATION IN A NUMBER OF SUCH ORGANISATIONS. NOW IT IS CLEARLY RECOGNISED IN THESE NEGOTIATIONS ALL THOSE INTERNATIONAL LINKS, INCLUDING PARTICIPATION IN GATT AND ARRANGEMENTS ASSOCIATED WITH IT, WILL CONTINUE, AND THAT IS ONE OF THE MATTERS WHICH WE SHALL BE WANTING TO SOLVE AND CARRY THROUGH INTO EFFECTIVE CONTINUITY BEYOND 1997. IT IS A POINT WELL UNDERSTOOD. IT IS VERY IMPORTANT THAT HONG KONG SHOULD BE ABLE TO MAINTAIN ITS PARTICIPATION IN THE WHOLE RANGE OF INTERNATIONAL ARRANGEMENTS, INCLUDING THE ONE YOU HAVE IN MIND.

Q. WILL HONG KONG BECOME A MEMBER OF GATT?

- A. WE CAN'T YET WORK OUT THE PRECISE MECHANICS. THE OBJECTIVE FOR THE PARTICIPATION OF HONG KONG WITH A HIGH DEGREE OF AUTONOMY IN GATT ARRANGEMENTS AND OTHER ARRANGEMENTS OF THAT KIND IS CLEAR. WE BELIEVE IT WILL BE POSSIBLE TO ACHIEVE THAT OBJECTIVE UNDER THE ARRANGEMENTS WE HAVE IN MIND.

Q15. JOHN DICKIE, DAILY MAIL

MANY PEOPLE HAVE EXPRESSED TO US FEARS THAT DESPITE YOUR SINCERITY AND DESPITE THE GOOD INTENTIONS TO ACHIEVE YOUR OBJECTIVES SUCH AS YOU HAVE SET OUT TODAY, IN SPITE ALL OF THAT, THEY MIGHT IN THE END BE FACED WITH A SELL OUT. WHAT CAN YOU SAY TO THEM, TO ASSURE THEM THAT THAT WON'T HAPPEN, AND THAT YOU WILL NOT IN THE END BE OBLIGED TO ACCEPT SOMETHING WHICH IS JUST THE BEST THAT CAN BE NEGOTIATED?

/A. THE FACT

A. THE FACT IS THAT THE CONCEPT OF A SELL OUT, THE IDEA OF A SELL OUT, IS QUITE UNTRUE, IT IS NOT AN OBJECTIVE WE HAVE IN MIND, OR COULD POSSIBLY HAVE IN MIND. OUR COMMITMENT TO HONG KONG IS TO DO OUR UTMOST TO SECURE THROUGH THESE NEGOTIATIONS THE FOUNDATIONS THAT I HAVE DESCRIBED AND THERE IS NO QUESTION OF HER MAJESTY'S GOVERNMENT COMMENDING TO OUR PARIAMENT OR TO HONG KONG, AN AGREEMENT THAT WOULD NOT OFFER PROSPECTS, ASSURED PROSPECTS, OF PRESERVING THAT WAY OF LIFE.

Q16. THERESA MA, FAR EASTERN ECONOMIC REVIEW
WOULD YOU PLEASE TELL WHY THE TERMS OF REPRESENTATIVE GOVERNMENT, AS OPPOSED TO DEMOCRATIC GOVERNMENT WHICH HAS BEEN CALLED FOR BY VARIOUS GROUPS IN HONG KONG?

A. THE DEVELOPMENT OF INCREASINGLY REPRESENTATIVE GOVERNMENT IN HONG KONG, IS OF COURSE, CURRENTLY DIRECTLY THE RESPONSIBILITY OF THE HONG KONG GOVERNMENT. STEPS HAVE RECENTLY BEEN TAKEN IN THAT DIRECTION. FURTHER PROGRESS IN THAT DIRECTION IS, AS I SAID IN MY STATEMENT, CLEARLY IN MIND, AND PROGRESS OF THAT KIND WHICH MAY TAKE DIFFERENT FORMS IS NOT FOR THE U.K. GOVERNMENT TO DECIDE, IS SOMETHING WHICH THE U.K. GOVERNMENT WOULD CERTAINLY COMMEND BUT IT WILL BE FOR THE HONG KONG GOVERNMENT TO DECIDE PRECISELY THE TIME SCALE AND WAY IN WHICH PROGRESS TOWARDS INCREASINGLY REPRESENTATIVE GOVERNMENT WILL BE MADE.

Q17. MARK BAKER, THE MELBOURNE AGE
SIR GEOFFREY, DO YOU ACCEPT CHINA'S STATED DEADLINE OF SEPTEMBER, AND DO YOU REGARD THAT AS BEING A REALISTIC TIME FRAME FOR AN AGREEMENT.

A. WELL, AS I SAID IN THE STATEMENT, WE ARE WORKING TO A PROGRAMME WHICH TAKES ACCOUNT OF CHINESE WISHES ON THE ONE HAND AND ALL OF OUR OWN REQUIREMENTS ON THE OTHER HAND. BEYOND THAT, AS I SAID IN ANSWER TO AN EARLIER QUESTION, WE BELIEVE THAT IT IS CLEARLY IN THE INTERESTS OF HONG KONG FOR US TO REACH A GOOD AGREEMENT AS SOON AS WE POSSIBLY CAN. THERE IS A MANIFEST INTEREST IN CONCLUDING THE NEGOTIATIONS SOONER RATHER THAN LATER, IN ORDER TO LAY A FOUNDATION FOR CONFIDENCE AT THE EARLIEST POSSIBLE STAGE BUT THE PROGRAMME TO WHICH WE ARE WORKING TAKES ACCOUNT OF THE CHINESE WISHES AND OF ALL OUR OWN REQUIREMENTS.

Q18. ROBERT COTTRELL, FINANCIAL TIMES

SIR GEOFFREY, YOU DWELL IN YOUR STATEMENT ON THE IMPORTANCE OF CERTAIN SPECIFIC FREEDOMS FOR HONG KONG. NOW THE TYPES OF FREEDOMS THAT YOU DESCRIBED ARE ALREADY PROMISED TO THE CHINESE PEOPLE, IN THE CHINESE CONSTITUTION. ARE YOU GOING TO ENSURE THAT FREEDOMS PROMISED TO HONG KONG IN THE FUTURE WILL MEAN MORE IN PRACTICE THAN THOSE WHICH HAVE BEEN PROMISED IN CHINA IN THE PAST.

- A. ONE OF THE MOST IMPORTANT FEATURES, WHICH IS ALSO REFERRED TO IN MY STATEMENT, IS THE NEED TO SECURE CONTINUATION OF THE PRESENT LEGAL SYSTEM, THE PRESENT FAMILIAR PATTERN OF JUSTICE, THE FAMILIAR SYSTEM FOR THE ADMINISTRATION OF JUSTICE AND THE PRESENT FRAMEWORK OF LAW OF HONG KONG BASED UPON PRESENT SYSTEMS. AND IT IS ALL THOSE THINGS, THE LAWS THAT ARE ENFORCED, THE WAY IN WHICH THEY ARE ADMINISTERED, AND THE COURTS BY WHICH THEY ARE ADMINISTERED, WHICH OF COURSE IN HONG KONG, PROVIDE THE ASSURANCE OF THOSE FREEDOMS, AND IT IS IN ORDER TO SECURE THE CONTINUATION OF THE FRAMEWORK WHICH WILL UPHOLD THOSE FREEDOMS IN THE WAY THAT IS FAMILIAR TO PEOPLE IN HONG KONG. BUT WE DO WANT TO SECURE ASSURANCE ON THOSE OTHER THINGS AS WELL.

Q19. C.B. LAU, RADIO HONG KONG

SIR, WILL THE PEOPLE WHO LIVE IN HONG KONG WAIT UNTIL A FINAL AGREEMENT BEFORE WE CAN KNOW MORE ABOUT THE DETAILS OF THE NEGOTIATIONS.

- A. WHAT I HAVE BEEN TRYING TO DO, WHAT WE HAVE BEEN TRYING TO DO THROUGHOUT THE NEGOTIATIONS, IS TO CONSULT AS FULLY AS WE CAN CONSISTENT WITH CONFIDENTIALITY SURROUNDING THE NEGOTIATIONS THEMSELVES. I AM QUITE CERTAIN CONFIDENTIALITY ABOUT THE NEGOTIATIONS IS IMPORTANT FOR THE SUCCESS OF THOSE NEGOTIATIONS. IT IS MY EXPERIENCE WITH OTHER INTERNATIONAL NEGOTIATIONS THAT THE ACTUAL NEGOTIATING PROCESS HAS TO BE CONDUCTED IN CONFIDENCE. BUT ALONGSIDE THAT, WE SHALL CONTINUE TO CONSULT, IN THE WAY THAT I HAVE DESCRIBED. THIS PRESS CONFERENCE TODAY IS A FURTHER STEP IN THAT PROCESS IN WHICH I HAVE TOLD QUITE A CONSIDERABLE AMOUNT ABOUT WHAT OUR OBJECTIVES ARE IN THESE NEGOTIATIONS. WE SHALL CONTINUE TO PERFORM IN THIS FASHION. AND OF COURSE, AT THE END OF THE NEGOTIATING PROCESS THEN THE AGREEMENT WILL BE PUBLISHED. IT WILL BE PUBLISHED FOR THE PEOPLE OF HONG KONG TO CONSIDER, FOR PARLIAMENT TO CONSIDER, FOR OTHER PEOPLE TO CONSIDER. AS I SAID, TIME WILL BE ALLOWED FOR THAT CONSIDERATION, FOR PARLIAMENT TO TAKE ACCOUNT OF THE VIEWS OF THE PEOPLE OF HONG KONG.

Q20. BETTY LIU - TVB

WHAT WOULD HAPPEN IF AGREEMENT IS REACHED AND ONE SIDE DOES NOT LIVE UP TO ITS PROMISES.

- A. THAT IS THE QUESTION THAT COULD BE ASKED ABOUT EVERY AGREEMENT. THIS AGREEMENT IS GOING TO HAVE PARTICULAR IMPORTANCE - NAMELY IT IS A FORMULATION AND EMBODIMENT IN AN INTERNATIONAL AGREEMENT BETWEEN TWO COUNTRIES THAT HAVE GOT GOOD BILATERAL RELATIONSHIPS WITH EACH OTHER, BETWEEN TWO COUNTRIES EACH OF WHICH WILL HAVE AN INTEREST IN UPHOLDING ITS OWN SIDE OF THE AGREEMENT - INTEREST ARISING FROM WHAT IT ACTUALLY WANTS TO SECURE, ARISING FROM ITS CONCERN FOR ITS OWN REPUTATION BEFORE THE WORLD, AND INTERNATIONAL OPINION. THOSE ARE THE CIRCUMSTANCES WHICH ARE THE FOUNDATIONS OF THE ASSURANCE THAT INTERNATIONALLY BINDING AGREEMENTS IS THE RIGHT WAY OF CONCLUDING THIS MATTER.

Q21. BETTY LIU, TVB

IF ONE SIDE FAILS TO KEEP ITS PROMISES, OR TO LIVE UP TO THE EXPECTATIONS, IS IT POSSIBLE FOR ANOTHER SIDE TO TAKE ACTION?

- A. IN ANY AGREEMENT, IF EITHER SIDE IS FAILING TO FULFIL ITS OBLIGATIONS, OBVIOUSLY THE OTHER PARTY WOULD WANT TO RAISE COMPLAINTS ABOUT THAT. THAT IS THE PURPOSE OF THE RELATIONSHIP BETWEEN THE TWO PARTIES TO AN INTERNATIONAL AGREEMENT, AND THAT IS WHY, AS I SAID IN MY STATEMENT, IT IS IMPORTANT NOT JUST TO SECURE AGREEMENT ON THE FRAMEWORK OF ARRANGEMENTS THAT IS NECESSARY, BUT ALSO TO HAVE THE COMPONENTS OF THAT FRAMEWORK SPELT OUT CLEARLY IN AN AGREEMENT THAT WOULD BE INTERNATIONALLY BINDING BETWEEN TWO STATES.

Q22. ANDY IP, KUNG SHEUNG DAILY NEWS

SIR, DO YOU THINK THERE SHOULD BE SOME FORM OF GUARANTEE SO THAT THE AGREEMENT WOULD NOT BE CHANGED IN THE FUTURE?

- A. THE GUARANTEES THAT WE ARE SEEKING, THE BEST ASSURANCE FOR ALL THOSE MATTERS IN THE FUTURE, IS THAT THE AGREEMENT, BEFORE WE CONSIDER IT IS SATISFACTORY, SHOULD DESCRIBE AS CLEARLY AND AS FULLY AS POSSIBLE ALL THE COMPONENTS THAT ARE NECESSARY TO IDENTIFY THE FOUNDATIONS OF HONG KONG'S FUTURE. THAT IS ONE OF THE MOST IMPORTANT PURPOSES OF THE NEGOTIATIONS - TO SECURE AS FULL AS POSSIBLE, AND AS CLEAR AS POSSIBLE, A SPECIFICATION OF THE COMPONENTS THAT WILL ASSURE THAT FUTURE.

Q23. NIGEL HAWKS, OBSERVER

SIR GEOFFREY, IN YOUR STATEMENT YOU SEEMED TO BE SUGGESTING THAT UNDER CHINESE SOVEREIGNTY, HONG KONG WILL ENJOY GREATER AUTONOMY, MORE DEMOCRACY, MORE RESPONSIBILITY FOR ITS OWN FUTURE, THAN IT HAS DONE FOR 100 YEARS UNDER BRITISH SOVEREIGNTY. IS THIS A REALISTIC POSITION, AND WHY SHOULD THE CHINESE ACCEPT IT?

- A. I THINK ONE OF THE IMPORTANT FEATURES FOR PEOPLE TO UNDERSTAND, ALL THOSE CONSIDERING THIS MATTER, IS THE EXTENT TO WHICH HONG KONG AT PRESENT DOES ENJOY A VERY HIGH DEGREE OF AUTONOMY IN THE MANAGEMENT AND CONDUCT OF ITS OWN AFFAIRS. IT IS A VERY CRUCIAL COMPONENT FOR IN THE SUCCESS OF HONG KONG. THE BRITISH GOVERNMENT IS NOT MANAGING HONG KONG, THE BRITISH GOVERNMENT IS NOT GOVERNING HONG KONG, THE BRITISH GOVERNMENT IS NOT INTERFERING IN HONG KONG. ALL THE MATTERS PEOPLE HAVE BEEN TALKING ABOUT INCLUDING THE MANAGEMENT OF HONG KONG CURRENCY AND ECONOMY ARE GOVERNED BY DECISIONS TAKEN WITHIN HONG KONG ITSELF. AND IF THERE IS THE PROSPECT OF FURTHER ADVANCES TOWARDS MORE REPRESENTATIVE GOVERNMENT NOW, THAT IS A PROSPECT WHICH BECOMES INCREASINGLY LIKELY AND DESIRABLE IN PRESENT CIRCUMSTANCES. AND THAT IS WHY I HAVE SAID IN MY STATEMENT, I DO LOOK FORWARD TO AN INCREASINGLY REPRESENTATIVE FRAMEWORK OF GOVERNMENT.

Q24. ROSALIND MAK, SING TAO EVENING POST

IS THERE ANY POSSIBLE WAY FOR THE PEOPLE OF HONG KONG TO PARTICIPATE IN THE ACTUAL NEGOTIATION?

- A. I THINK THAT WOULD BE RATHER A CROWDED NEGOTIATION. THE NEGOTIATION DOES HAVE TO BE UNDERTAKEN BY THOSE WHO HAVE RESPONSIBILITY FOR IT, AND I AM VERY DEEPLY CONSCIOUS OF THE BREADTH AND DEPTH OF MY RESPONSIBILITY IN THESE NEGOTIATIONS. THE WAY IN WHICH THE PEOPLE OF HONG KONG CAN PARTICIPATE IS BY EXPRESSING THEIR VIEWS. I HAVE NOT FOUND THEM UNWILLING TO EXPRESS THEIR VIEWS, I HAVE MET VERY MANY HONG KONG PEOPLE IN THE LAST COUPLE OF DAYS, THEY CAN EXPRESS THEM DIRECTLY, THEY CAN EXPRESS THEM THROUGH THE REPRESENTATIVE ORGANISATIONS, THROUGH EXCO, THROUGH LEGCO, THROUGH THE DISTRICT BOARDS, THE REGIONAL COUNCILS, THEY CAN EXPRESS THEM THROUGH BRITISH MEMBERS OF PARLIAMENT. I AM VERY ANXIOUS THAT THIS PROCESS OF CONSULTATION, WHEREBY I KNOW WHAT THE PEOPLE OF HONG KONG WANT, SHOULD CONTINUE AND OF COURSE WHEN WE COME TO THE CONCLUSION OF THE AGREEMENT, IF WE DO, THEN THERE WILL BE PUBLICATION OF THAT, AND THEY WILL HAVE A FRESH OPPORTUNITY OF MAKING THEIR VIEWS KNOWN.

Q25. KEVIN TOOLIS, IRISH NEWS

HOW MUCH CONTROL WILL CHINA HAVE OF HONG KONG'S FOREIGN AFFAIRS IN THE FUTURE, HOW WILL IT AFFECT HONG KONG'S ECONOMIC RELATIONSHIP WITH OTHER COUNTRIES?

A. WELL, THE TWO PARTS IN YOUR QUESTION ARE OF COURSE, DISTINCT AND IMPORTANTLY DISTINCT. BECAUSE PLAINLY, THE SOVEREIGN COUNTRY DOES HAVE RESPONSIBILITY FOR FOREIGN AND EXTERNAL AFFAIRS IN THE BROADEST SENSE. ONE OF THE IMPORTANT COMPONENTS OF THE HIGH DEGREE OF AUTONOMY THAT WE ARE SEEKING, IS AUTONOMY IN RELATION TO THE MANAGEMENT OF ECONOMIC AFFAIRS, SUCH AS THE ONES WE HAVE BEEN TALKING ABOUT, MEMBERSHIP AND PARTICIPATION IN INTERNATIONAL ECONOMIC ORGANISATIONS, LIKE GATT, LIKE THE ASIAN DEVELOPMENT BANK AND SO ON, AND MANAGEMENT OF AN INDEPENDENT, CONVERTIBLE CURRENCY CONTINUING TO CIRCULATE FREELY THE HONG KONG DOLLAR.

Q26. STEVEN JESSEL, BBC

IN ASSESSING THE OPINION OF THE PEOPLE OF HONG KONG, WOULD YOU EXCLUDE THE POSSIBILITY OF A REFERENDUM?

A. WE HAVE NOT COME TO A CONCLUSION ABOUT THE BEST OF SEVERAL ALTERNATIVE WAYS OF ASSESSING THE OPINION OF THE PEOPLE OF HONG KONG. AND IT MUST BE STATED THERE ARE SOME VERY REAL DRAWBACKS TO THE IDEA OF A REFERENDUM.

Q27. IRENE SUNG, SING TAO JIH PAO

YOU HAVE MENTIONED IN YOUR SPEECH ABOUT THE ADMINISTRATION OF HONG KONG AFTER 1997 AS BEING IN THE HANDS OF HONG KONG PEOPLE THEMSELVES AND THERE WILL FOLLOW A PROCESS OF DEVELOPMENT WHICH IS ALREADY UNDER WAY. UNDER THE DEVELOPMENT, WILL THERE BE A HONG KONG PERSON APPOINTED AS A VICE-GOVERNOR LEARNING HOW TO ADMINISTER THE FUTURE OF HONG KONG DURING THE NEXT FEW YEARS?

A. IT IS NOT FOR ME TO ANSWER SPECIFIC QUESTIONS OF THAT KIND, AT THIS STAGE. I SEE SOME OF THE PAPERS TODAY SAY THAT I WAS EXPRESSING AN OPINION ABOUT THAT, IN FACT I WASN'T DOING THAT, ALTHOUGH ONE LADY I THINK EXPRESSED AN OPINION TO ME ABOUT THAT. OF COURSE I

TAKE MOST OPINIONS OFFERED BY MOST LADIES. BUT IN ANSWER TO YOUR SPECIFIC QUESTION, IT WILL BE FOR THE HONG KONG GOVERNMENT TO DETERMINE IN WHAT WAY THERE WILL BE FURTHER MOVEMENT TOWARDS MORE REPRESENTATIVE GOVERNMENT, AND ON WHAT TIME SCALE.

+++ END +++

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FOLLOWING FROM PRIVATE SECRETARY

FUTURE OF HONG KONG: SECRETARY OF STATE'S DISCUSSION WITH UMELCO

1. THE SECRETARY OF STATE HAD 75 MINUTES DISCUSSION LAST NIGHT WITH THE UNOFFICIAL MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS (UMELCO). HE GAVE THEM A BRIEF ASSESSMENT OF HIS TALKS IN PEKING AND SUMMARISED HIS UNVEILING STATEMENT.
2. THERE FOLLOWED AN HOUR OF PERSISTENT QUESTIONING BY UMELCO MEMBERS WHICH REVEALED A DEEP MISTRUST OF CHINESE INTENTIONS, AND A GREAT DEAL OF ANXIETY ON THE NATIONALITY QUESTION.

THE MAIN POINTS WERE AS FOLLOWS:

- (I) SEVERAL MEMBERS ASKED HOW A LINK WOULD BE ESTABLISHED BETWEEN THE AGREEMENT AND THE BASIC LAW. ONE SUGGESTED THAT WE SHOULD AIM FOR A TWO-STAGE AGREEMENT: THE SECOND STAGE PROVIDING FOR THE TRANSFER OF SOVEREIGNTY WOULD THEN BE DELAYED UNTIL THE BASIC LAW HAD BEEN PUBLISHED. THE SECRETARY OF STATE SAID THAT WE WERE AIMING IN THE NEGOTIATIONS TO ACHIEVE A SPECIFIC LINK. IT WOULD NOT BE POSSIBLE TO KNOW THE CONTENTS OF THE BASIC LAW WHEN REACHING A CONCLUSION ON THE DRAFT AGREEMENT. WE WERE THEREFORE SEEKING AN UNDERTAKING THAT THE POINTS INCLUDED IN THE AGREEMENT AND ANNEXES SHOULD BE INCORPORATED IN THE BASIC LAW. THE IDEA OF A TWO-STAGE AGREEMENT POSED REAL DIFFICULTIES. IT WAS MOST UNLIKELY THAT THE CHINESE WOULD ACCEPT THAT COMPLETION OF THE AGREEMENT SHOULD BE DELAYED UNTIL THE BASIC LAW WAS PUBLISHED. THE BEST ASSURANCE WAS AS MUCH DETAIL AS POSSIBLE IN THE AGREEMENT AND ANNEXES: WE WERE WORKING FOR THIS. THERE WAS JUST A POSSIBILITY THAT AT A LATER STAGE WE SHOULD BE ABLE TO ACHIEVE SOME INFLUENCE ON THE DRAFTING OF THE BASIC LAW, BUT THIS WAS NOT(NOT) SOMETHING ABOUT WHICH HE COULD GIVE ANY ASSURANCE.
- (II) GUARANTEES. SEVERAL MEMBERS ASKED WHAT GUARANTEES HONG KONG COULD HAVE THAT CHINA WOULD, AFTER 1997, STICK TO THE AGREEMENT. ONE SUGGESTED A ROLE FOR THE UNITED NATIONS. THE SECRETARY OF STATE REPEATED HIS POINT ABOUT DETAIL IN THE AGREEMENT AND POINTED OUT THAT THE CHINESE ATTACHED IMPORTANCE TO THEIR INTERNATIONAL REPUTATION. WE COULD BUILD ON THAT. THEIR LONGER TERM AMBITIONS TOWARDS TAIWAN MIGHT ALSO INFLUENCE THEM. HE ALSO STRESSED THE IMPORTANCE, AS ONE ELEMENT IN THE OVERALL PACKAGE, OF MUTUALLY BINDING OBLIGATIONS FORMING PART OF AN INTERNATIONAL AGREEMENT. BUT IN THE LAST RESORT THERE WAS NO ABSOLUTE GUARANTEE.

(III) WHAT WOULD HMG DO IF HONG KONG DID NOT ACCEPT THE DRAFT AGREEMENT? THE SECRETARY OF STATE REPLIED THAT WE WERE WORKING TO PRODUCE AN AGREEMENT WHICH WE COULD HONOURABLY COMMEND TO PARLIAMENT. BUT HE PUT DOWN A CLEAR MARKER THAT ONCE A DRAFT AGREEMENT HAD BEEN PUBLISHED, IT WOULD NOT, IN PRACTICE, BE POSSIBLE TO GO BACK TO THE CHINESE TO SEEK FURTHER IMPROVEMENTS. IN RESPONSE TO FURTHER QUESTIONS, HE ADDED THAT IF HONG KONG FOUND THE AGREEMENT UNACCEPTABLE, THAT THIS WOULD CREATE A VERY SERIOUS SITUATION. THIS UNDERLINED THE NEED TO HAVE THE WIDEST POSSIBLE CONSULTATIONS WITH THE PEOPLE OF HONG KONG BEFORE THE AGREEMENT WAS PUBLISHED.

(IV) NATIONALITY. THE SECRETARY OF STATE WAS PRESSED HARD ON HOW HMG INTENDED TO DISCHARGE ITS RESPONSIBILITY TO BDTCS IN HONG KONG AFTER 1997: WHETHER THEY WOULD CONTINUE TO HOLD BRITISH PASSPORTS: AND WHETHER THOSE WHO DID NOT WISH TO LIVE UNDER COMMUNISM WOULD HAVE A RIGHT OF SETTLEMENT IN UK. SOME MEMBERS SAID THAT THE RIGHT OF SETTLEMENT (WHICH MIGHT IN PRACTICE NOT BE TAKEN UP BY VERY MANY) WOULD MAKE IT MUCH EASIER TO SECURE ACCEPTANCE IN HONG KONG OF A DRAFT AGREEMENT. IT WAS SUGGESTED THAT HMG HAD A PARTICULAR RESPONSIBILITY TO THOSE WHO LIVED OR HAD BOUGHT PROPERTY IN THE 8 PERCENT OF HONG KONG WHICH WE WOULD BE CEDING VOLUNTARILY IN 1997. THE SECRETARY OF STATE EXPLAINED THAT WE WERE NEGOTIATING FOR AN AGREEMENT WHICH WOULD MEET ALL OUR OBJECTIVES AND WHICH WOULD BE ACCEPTABLE TO ALL THE PEOPLE OF HONG KONG. AS ONE ELEMENT OF THAT WE WERE SEEKING SEPARATE STATUS FOR HONG KONG PEOPLE WITH A RIGHT OF ABODE IN HONG KONG: FREEDOM OF ENTRY TO AND EXIT FROM HONG KONG: AND THE CONTINUATION OF THE RIGHTS OF BDTCS TO CONSULAR PROTECTION IN THIRD COUNTRIES. IT WOULD NOT BE REALISTIC TO SEEK CONSULAR PROTECTION FOR FORMER BDTCS IN HONG KONG AFTER 1997: FUNDAMENTAL FREEDOMS IN HONG KONG WOULD NEED TO BE ESTABLISHED BY THE BASIC LAW. CHINA'S REFUSAL TO ACCEPT DUAL NATIONALITY MADE MATTERS EVEN MORE DIFFICULT. NEGOTIATIONS WERE CONTINUING: THE ISSUE REQUIRED VERY CAREFUL CONSIDERATION. THE EXTENSION TO SOME OR ALL BDTCS OF A RIGHT TO SETTLEMENT IN THE UK WOULD REPRESENT A FUNDAMENTAL CHANGE FROM THE PRESENT SITUATION. THE SECRETARY OF STATE MADE CLEAR THAT HE COULD NOT GO ANY FURTHER. THIS WAS ACCEPTED WITH SOME RELUCTANCE.

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FOLLOWING FROM PRIVATE SECRETARY
MIPT: FUTURE OF HONG KONG: NATIONALITY

1. THE IMPORTANCE OF THE NATIONALITY ISSUE CAME OVER VERY CLEARLY DURING THE SECRETARY OF STATE'S VARIOUS MEETINGS IN HONG KONG. IT WAS RAISED BY SIR S.Y. CHUNG AND T.S. LO AT THE MEETING WITH EXCO (HONG KONG TELNO 1078) AND AT THE PRESS CONFERENCE. BUT THE STRENGTH OF FEELING ON THE ISSUE CAME OVER MOST CLEARLY AT THE UMELCO MEETING.
2. AS THE SUMMARY IN MIPT SHOWS, THERE IS A VERY STRONG FEELING AMONG THE UMELCO MEMBERS THAT BRITAIN HAS A MORAL OBLIGATION TO BDTCS WHICH CANNOT BE COMPLETELY DISCHARGED BY GETTING THE BEST POSSIBLE SETTLEMENT WITH CHINA. THEY TAKE THE VIEW THAT WHILE WE HAVE THE RIGHT TO DISPOSE OF BRITISH (NEXT WORD UNDERLINED) TERRITORY WE CANNOT ABANDON THE BRITISH NATIONALS WHO LIVE THERE TO CHINESE COMMUNIST RULE AGAINST THEIR WILL. THEY ARGUE THAT IF BRITISH ADMINISTRATION CANNOT CONTINUE WE HAVE AN OBLIGATION TO FIND THEM A SAFE HAVEN IN BRITISH TERRITORY ELSEWHERE. THERE WAS SOME DISPOSITION TO ACCEPT THE CONSTRAINTS ON IMMIGRATION TO THE UK, AND A CONSEQUENT TENDENCY TO SUGGEST IN PRIVATE DISCUSSION THAT HMG SHOULD EXPLORE THE POSSIBILITIES FOR ARRANGING SETTLEMENT ELSEWHERE E.G. CANADA, AUSTRALIA AND THE U.S.
3. IN ALL THESE MEETINGS THE SECRETARY OF STATE MADE CLEAR THAT THIS WAS A VERY IMPORTANT ISSUE AND THAT HE AND OTHER MINISTERS CONCERNED FULLY RECOGNISED THE ANXIETIES FELT BY PEOPLE IN HONG KONG. BUT HE WAS VERY CAREFUL TO AVOID SAYING ANYTHING WHICH COULD HAVE BEEN TAKEN AS OFFERING ANY PROSPECT OF A CHANGE IN THE PRESENT POSITION REGARDING SETTLEMENT IN THE UK OR ELSEWHERE FOR BDTCS.

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4. WE SHALL CLEARLY FACE CONTINUING AND INDEED INCREASING PRESSURE FROM HONG KONG ON THIS ISSUE. IN PRIVATE CONVERSATION MR T.S.LO MADE CLEAR THAT HE WAS DETERMINED TO PURSUE THIS ISSUE AND THAT HE WOULD WELCOME THE CHANCE TO PUT HIS VIEWS DIRECT TO THE HOME SECRETARY WHEN NEXT IN LONDON. THE HOME SECRETARY WILL WISH TO CONSIDER WHETHER TO RECEIVE HIM. MR LO WILL BE DIFFICULT TO DEFLECT, AND THERE MIGHT IN ANY CASE BE ADVANTAGE IN HEARING HIS VIEWS ON THIS ISSUE DIRECT.

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FUTURE OF HONG KONG: CONSULTATION WITH EXCO
SUMMARY

1. THE SECRETARY OF STATE HAD A TWO AND A HALF HOUR MEETING WITH THE EXECUTIVE COUNCIL THIS MORNING. HE GAVE THEM A SUMMARY ACCOUNT AND ASSESSMENT OF HIS DISCUSSIONS WITH CHINESE LEADERS. HE ALSO OUTLINED HIS THINKING ON THE WAY AHEAD. THE UNOFFICIALS EXPRESSED APPRECIATION FOR THE SECRETARY OF STATE'S FIRMNESS IN ARGUING THE BRITISH CASE IN PEKING AND AGREED GENERALLY WITH THE STRATEGY HE HAD OUTLINED. THEY ARGUED HOWEVER THAT WE WERE ATTACHING UNDUE SERIOUSNESS TO THE CONSEQUENCES OF A CHINESE UNILATERAL ANNOUNCEMENT IN SEPTEMBER - IF WE HAD FAILED TO REACH AGREEMENT BY THEN. THEY EMPHASISED THE VERY GREAT IMPORTANCE OF THE NATIONALITY ISSUE. THE TEXT OF THE DRAFT UNVEILING STATEMENT WAS AGREED.

DETAIL

2. THE COUNCIL HAD HAD AN OPPORTUNITY TO READ THE RECORDS OF THE SECRETARY OF STATE'S DISCUSSIONS WITH WU XUEQIAN, JI PENGFEI AND ZHAO ZIYAND BEFORE THE MEETING. I HAD ALSO GIVEN THEM A PRELIMINARY ACCOUNT OF THE DISCUSSION WITH DENG. THE SECRETARY OF STATE DESCRIBED THE ATMOSPHERE IN THE NINE HOURS OF MEETINGS DEVOTED TO THE HONG KONG QUESTION ON IT HAD BEEN BUSINESSLIKE. THERE HAD BEEN NO CONFRONTATION, AND THE LEVEL OF TENSION WAS LOW EVEN WHEN DEALING WITH QUESTIONS WHICH WERE DIFFICULT FOR THE CHINESE SUCH AS ITEM 2 AND THE NATURE AND FORM OF OUR DRAFT AGREEMENT. HE HAD ARGUED THE BRITISH CASE STRONGLY ON THE TIMETABLE AND THE UNREASONABLENESS OF THE CHINESE SUGGESTION THAT THERE SHOULD BE AN AGREED TEXT OF AN AGREEMENT BY JUNE IN ORDER TO MEET THEIR SEPTEMBER DEADLINE FOR A SIGNED AND FINAL AGREEMENT. HE HAS STRESSED THE NEED FOR DETAIL IN THE AGREEMENT; AND THE REQUIREMENT THAT IT SHOULD BE BALANCED AS REGARDS OBLIGATIONS AND BINDING. HE HAD ALSO STATED THE BRITISH CASE FIRMLY ON THE IMPORTANT OUTSTANDING ISSUES OF NATIONALITY, THE PUBLIC SERVICE, CONSTITUTIONAL ARRANGEMENTS AFTER 1997 AND THE STATIONING OF CHINESE TROOPS IN HONG KONG.

3. THE SECRETARY OF STATE SAID THAT ITEM 2 (ARRANGEMENTS FOR THE PERIOD BEFORE 1997) HAD ASSUMED GROWING IMPORTANCE IN THE CHINESE POSITION. IN WARNING THEM OF THE DANGERS OF THEIR IDEAS ON A JOINT GROUP HE HAD CONCENTRATED ON THEIR WISH TO SEE SUCH A GROUP ESTABLISHED IN HONG KONG. **SECRET**

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4. THE SECRETARY OF STATE SAID THAT THE CHINESE HAD MADE SOME MOVES IN OUR DIRECTION:

(A) ON THE TIMETABLE DENG HAD ABANDONED THE SEPTEMBER DEADLINE FOR A FINAL SIGNED AGREEMENT AND HAD ACCEPTED OUR CASE FOR AIMING AT A DRAFT AGREEMENT TO BE PUBLISHED IN SEPTEMBER WITH DEBATE BY PARLIAMENT IN NOVEMBER AND SIGNATURE BY THE END OF THE YEAR.

(B) DESPITE THEIR INITIAL REJECTION OF OUR DRAFT THEY HAD IN EFFECT AGREED THAT BOTH DRAFT AGREEMENTS SHOULD REMAIN ON THE TABLE FOR FURTHER NEGOTIATION.

(C) THEY HAD STATED THAT AN AGREEMENT BETWEEN THE TWO GOVERNMENTS WOULD BE BINDING: THAT IT WOULD HAVE AN EQUALLY BINDING ANNEX OR ANNEXES: AND THAT THE ANNEXES COULD CONTAIN THE POINTS AGREED BETWEEN THE TWO SIDES IN DISCUSSION OF THE WORKING PAPERS. IT WOULD HOWEVER BE NECESSARY TO PRESS THE CHINESE FOR FURTHER CLARIFICATION ON ALL THESE POINTS.

(D) ON ITEM 2 THERE HAD BEEN SOME SHIFT IN THE CHINESE POSITION WHEN DENG HAD SUGGESTED THAT THE JOINT GROUP MIGHT BE PERIPATETIC, MEETING IN HONG KONG, PEKING AND LONDON. IT WOULD BE NECESSARY TO CONSIDER ALL THE IMPLICATIONS VERY CAREFULLY BEFORE DECIDING ON OUR POSITION. TO ENSURE THAT THERE WAS NO MISUNDERSTANDING THE SECRETARY OF STATE HAD EXPLAINED THIS TO ZHOU NAN ON THE WAY TO AIRPORT.

(E) DENG HAD ALSO MADE A DELPHIC REMARK ABOUT THE PUBLIC SERVICE, SUGGESTING THAT THERE MIGHT BE WIDER SCOPE FOR EMPLOYMENT OF EXPATRIATES AT ALL LEVELS. THE SIGNIFICANCE OF THIS WOULD NEED TO BE EXPLORED FURTHER.

5. THE SECRETARY OF STATE SAID THAT THE CHINESE HAD BEEN PARTICULARLY TOUGH ON:

(A) ITEM 2.

(B) THE STATIONING OF CHINESE TROOPS IN HON KONG (THE SECRETARY OF STATE HAD EMPHASISED BRITISH CONCERN AND DENG HAD ACCEPTED THAT THE MATTER COULD BE FURTHER DISCUSSED.

(C) THEIR REACTION TO OUR POSITION ON NATIONALITY. THEY HAD HOWEVER AGREED THAT THIS TOO COULD BE FURTHER DISCUSSED.

(D) THEIR UNWILLINGNESS TO BE FORTHCOMING ON CONSTITUTIONAL ARRANGEMENTS.

6. THE SECRETARY OF STATE 'S GENERAL ASSESSMENT WAS THAT THE CHINESE WANTED AN AGREEMENT. WHILE THEIR APPROACH WAS DIFFERENT FROM THAT OF THE BRITISH SIDE THERE HAD BEEN SOME SHIFT IN OUR DIRECTION. THE VISIT HAD INDICATED WAYS IN WHICH WE MIGHT BE ABLE TO ACHIEVE AN ACCEPTABLE AGREEMENT. THERE WOULD BE A NEED FOR CONSIDERABLE RECASTING OF THE BRITISH (OR THE CHINESE) DRAFT. THERE WERE STILL DIFFICULT ISSUES OBTRUDING, IN PARTICULAR ITEM 2, NATIONALITY AND CONSTITUTIONAL ARRANGEMENTS. THERE WAS ALSO A NEED TO FIND A WAY ROUND CHINESE INSISTENCE THAT POST - 1997 ARRANGEMENTS WERE A MATTER FOR DECLARATION BY THEM AND NOT FOR AGREEMENT WITH HMG. BUT WITH ARGUMENT AND SKILL IT SHOULD BE POSSIBLE TO FIND A SATISFACTORY WAY OF DEALING WITH THESE QUESTIONS.

SECRET-2-

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7. IN CONCLUSION THE SECRETARY OF STATE SAID THAT HE HAD ARRIVED IN PEKING SOMEWHAT PESSIMISTIC. THERE HAD BEEN DANGER THAT THE CHINESE WOULD REJECT MAJOR ELEMENTS OF THE BRITISH POSITION OUT OF HAND AND THERE WAS DOUBT WHETHER HE WOULD SEE DENG. AS IT WAS THE VISIT HAD OPENED UP GROUND THAT IT MIGHT BE POSSIBLE TO EXPLOIT. IT WOULD NOW BE NECESSARY TO EXPLORE CAREFULLY THE WAY AHEAD WITH THE CONTINUING AIM OF ACHIEVING AN AGREEMENT WHICH MET THE BRITISH OBJECTIVES. THE MAIN OBJECTIVE REMAINED UNCHANGED: TO SEE WHETHER IT WOULD BE POSSIBLE TO REACH AN AGREEMENT WHICH HMG COULD HONOURABLY COMMEND TO HONG KONG AND TO PARLIAMENT.

8. AFTER EXPRESSING A WARM APPRECIATION FOR THE SECRETARY OF STATE'S EFFORTS IN PEKING, SIR S Y CHUNG SAID THAT HE HAD ATTEMPTED TO DRAW UP A BALANCE SHEET FOR THE VISIT. AS FAR AS HE COULD SEE HMG HAD GIVEN AWAY NOTHING. BUT NEITHER HAD THE CHINESE, THOUGH THEY HAD SHOWN INDICATIONS OF FLEXIBILITY. HE REMAINED CONCERNED ABOUT CHINESE MOTIVES. WHILE THEY WERE STILL INSISTING THAT THE PERIOD BEFORE 1997 SHOULD BE REGARDED AS A TRANSITION PERIOD IN WHICH THEY WOULD BE ABLE TO INFLUENCE POLICY. ON THE AGREEMENT, SIR S Y RECALLED THE VIEW OF THE UNOFFICIALS THAT THE BRITISH DRAFT SHOULD BE REGARDED AS THE BOTTOM LINE. THE FACT THAT IT HAD BEEN AGREED THAT BOTH DRAFTS SHOULD REMAIN ON THE TABLE STRONGLY SUGGESTED THAT THE OUTCOME WOULD BE A COMPROMISE BETWEEN THE TWO. SIR S Y REMAINED CONCERNED ABOUT THE ABSENCE OF ANY PROTECTION FOR GHK PEOPLE OF HONG KONG IN THE AGREEMENT. ON CONSULTATIVE MACHINERY, HIS OBJECTION WAS NEITHER TO THE NAME OF THE PROPOSED BODY NOR TO ITS LOCATION IN HONG KONG BUT TO THE FACT THAT ANY MACHINERY OF THE KIND PROPOSED WOULD PROVIDE OPPORTUNITIES FOR CHINESE INTERFERENCE.

9. OTHER MEMBERS AGREED GENERALLY WITH SIR S Y'S COMMENTS, PARTICULARLY AS REGARDS THE IMPORTANCE OF SECURING AN AGREEMENT ON THE LINES OF THE BRITISH DRAFT, AND THE RISKS INVOLVED IN ACCEPTING JOINT CONSULTATION ON THE LINES PROPOSED BY THE CHINESE.

10. APART FROM CLARIFICATIONS, OTHER POINTS RAISED INCLUDED:
(A) THE SECRETARY OF STATE WAS ASKED ABOUT THE REACTION TO THE IDEA OF AN UNVEILING STATEMENT. HE SAID THAT HE HAD EXPLAINED THE NEED FOR SUCH A STATEMENT TO JI PENGFEI WHO HAD APPEARED TO ACCEPT IT. HE HAD THEREFORE NOT RAISED THE MATTER WITH OTHER CHINESE LEADERS. ZHOU NAN HAD HOWEVER RAISED IT WITH HIM AND HAD BEEN LESS THAN ENTHUSIASTIC. THE CHINESE REACTION TO THE ACTUAL STATEMENT REMAINED TO BE SEEN.
(B) MEMBERS ASKED WHETHER THE CHINESE REALISED THAT THE PRESENT DRAFT AGREEMENT REPRESENTED THE BRITISH BOTTOM LINE. THE SECRETARY OF STATE SAID THAT THEY CERTAINLY KNEW THAT HMG ATTACHED IMPORTANCE TO ALL THE POINTS INCLUDED IN THE DRAFT. THOSE POINTS WOULD CONTINUE TO BE PRESSED THOUGH THE PRECISE FORM AND LANGUAGE MIGHT HAVE TO BE CHANGED. AT THE END OF THE DAY A JUDGMENT WOULD REMAIN WHETHER THE OUTCOME OF THE NEGOTIATIONS MET HMG'S REQUIREMENTS. SECRET-3-

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(C) IT WAS SUGGESTED THAT THE CHINESE WISH TO MAINTIAN HONG KONG'S PROSPERITY IN THE PERIOD UP TO 1997 COULD BE USED AS POWERFUL LEVERAGE TO SECURE CHINESE AGREEMENT TO THE KIND OF ARRANGEMENTS WE WERE SEEKING POST - 1997. THE SECRETARY OF STATE AGREED THAT THIS MIGHT GIVE US SOME BARGAINING POWER. BUT IT SHOULD NOT BE OVERESTIMATED. OUR MAIN CONCERN UNDER ITEM 2. WAS TO PREVENT CHINESE INTERFERENCE.

11. FOR THE DISCUSSION ON STRATEGY SEE MIFT.

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FM HONG KONG 191125Z APR 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 1079 OF 19 APRIL

INFO IMMEDIATE PEKING

MIPT: FUTURE OF HONG KONG: CONSULTATION WITH EXCO: THE WAY AHEAD

1. IN INTRODUCING THE DISCUSSION THE SECRETARY OF STATE SPOKE ON THE FOLLOWING LINES:-

(A) THE EXTENT OF PROGRESS MADE ON THE TIMETABLE SHOULD NOT BE MISUNDERSTOOD. WE HAD PUSHED THE CHINESE BACK ON THEIR SEPTEMBER DEADLINE, BUT WE WOULD STILL NEED TO AIM TO COMPLETE A DRAFT AGREEMENT IN SEPTEMBER. THE DEADLINE THEREFORE REMAINED THOUGH WE BELIEVED IT WAS BEGINNING TO EXERT PRESSURE ON THE CHINESE AS WELL AS ON THE BRITISH SIDE. IT WAS IMPORTANT TO REALISE THAT IT WOULD NOT BE POSSIBLE TO AMEND A DRAFT AGREEMENT PUBLISHED IN SEPTEMBER: IT WOULD HAVE TO BE ACCEPTED OR REJECTED.

(B) IN ORDER TO GET THE RIGHT AGREEMENT, INCLUDING ALL POINTS OF SUBSTANCE IMPORTANT TO US WE WOULD NEED TO ENGAGE THE CHINESE IN A BATTLE OF MOVEMENT. WE SHOULD BE READY TO CHANGE THE FORM RAPIDLY IF THIS COULD BE DONE WITHOUT CHANGING THE CONTENTS. THE CRUCIAL THING WOULD BE TO SECURE THE INCLUSION OF OUR POINTS OF SUBSTANCE AND TO ENSURE THAT OBLIGATIONS UNDERTAKEN BY HMG WERE MATCHED BY OBLIGATIONS ON THE CHINESE SIDE.

(C) HMG WOULD NEED FREEDOM TO OPERATE TACTICALLY WITHIN THE AGREED STRATEGY. IT WOULD NOT BE PRACTICABLE FOR THERE TO BE CONSULTATION WITH EXCO ON EVERY TACTICAL POINT. BUT EXCO WOULD OF COURSE BE KEPT VERY CLOSELY INFORMED.

(D) THE SECRETARY OF STATE HIMSELF WOULD CONTINUE TO BE PERSONALLY AND CLOSELY INVOLVED. THERE MIGHT WELL BE A NEED FOR HIM TO VISIT PEKING AGAIN BEFORE SEPTEMBER. THERE MIGHT ALSO BE A NEED FOR A FURTHER UNVEILING STATEMENT DURING THE SUMMER. THE SECRETARY OF STATE DID NOT, HOWEVER, WISH TO BE HELD TO THIS.

(E) BEFORE THE TEXT OF A DRAFT AGREEMENT WAS PUBLISHED WE WOULD NEED TO HAVE CONVINCED OURSELVES THAT EVERYTHING POSSIBLE HAD BEEN ACHIEVED: WE WOULD HAVE TO BE SURE THAT WE HAD SQUEEZED THE CHINESE LEMON DRY. SIR S Y CHUNG HAD RAISED THE POSSIBILITY OF GETTING AN AGREEMENT WHICH WAS BINDING IN MORE THAN WORDS. THE TRUTH WAS THAT NO AGREEMENT BETWEEN SOVEREIGN STATES COULD CONTAIN EFFECTIVE GUARANTEES OF PERFORMANCE. THIS WAS ONE REASON WHY THE AGREEMENT WOULD HAVE TO BE CLEAR AND SUFFICIENT.

(F) THE BRITISH OBJECTIVE WAS CLEAR AND HAD NOT CHANGED. WE WOULD HAVE TO GO ON PRESSING TO GET THE BEST AGREEMENT POSSIBLE. THE FORM AND SHAPE OF THAT AGREEMENT WERE LESS IMPORTANT THAN THE CONTENT.

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(G) AS REGARDS ITEM 2 WE SHOULD PERSUADE THE CHINESE THAT THERE WAS A CERTAIN BALANCE BETWEEN OUR DEPENDENCE ON CHINESE GOOD FAITH AFTER 1997 AND CHINESE DEPENDENCE ON OUR GOOD FAITH BEFORE THAT DATE. IT WAS CLEAR THAT THERE WOULD BE A NEED FOR CONSULTATION WITH THE CHINESE. IT WAS NOW NECESSARY TO MAKE A CAREFUL STUDY OF WHAT THAT CONSULTATION SHOULD BE ABOUT, IN ORDER TO SEE WHETHER IT COULD BE MADE TO SERVE OUR INTERESTS AND FEND OFF CHINESE INTERFERENCE. THE CHINESE HAD SAID THAT THEY WERE NOT SEEKING ANY KIND OF CONDOMINIUM IN HONG KONG BEFORE 1997 BUT THAT THEY NEEDED TO LEARN HOW HONG KONG WORKED BEFORE RESUMING SOVEREIGNTY. WE WOULD NEED TO SEE WHETHER IT WOULD BE POSSIBLE TO FIND WAYS OF EDUCATING THEM AS TO WHAT WAS MEANT BY THE HIGH DEGREE OF AUTONOMY NOW ENJOYED BY HONG KONG WITHOUT PROVIDING OPPORTUNITIES FOR CHINESE INTERFERENCE.

2. SIR S Y CHUNG SAID IT WAS DIFFICULT TO COMMENT ON THE STRATEGY OUTLINED BY THE SECRETARY OF STATE WITHOUT KNOWING THE REACTION IN HONG KONG TO THE UNVEILING STATEMENT HE WOULD MAKE THE FOLLOWING DAY. HE ACCEPTED THAT HMG WOULD HAVE THEIR OWN VIEWS ABOUT TACTICS. AT THE END OF THE DAY THE UNOFFICIALS WOULD HAVE TO CONSIDER WHATEVER DRAFT AGREEMENT HAD BEEN ACHIEVED AND DECIDE WHETHER THEY COULD ACCEPT IT. IF THEY FOUND IT UNACCEPTABLE, AND HMG NEVERTHELESS WENT AHEAD, THEY WOULD WISH THEIR POSITION TO BE MADE KNOWN PUBLICLY. IN THE MEANTIME HE WAS CONCERNED ABOUT THE SECRETARY OF STATE'S STATEMENT THAT IT WOULD NOT BE POSSIBLE TO AMEND A DRAFT AGREEMENT AFTER IT HAD BEEN PUBLISHED.

3. FURTHER DISCUSSION CONCENTRATED ON THE TIMETABLE AND THE IMPORTANCE OF THE CHINESE DEADLINE. A NUMBER OF MEMBERS ARGUED THAT THE SECRETARY OF STATE HAD EXAGGERATED THE DANGERS INVOLVED IN FAILURE TO MEET THE SEPTEMBER DEADLINE. THEY SUGGESTED THAT IF THE CHINESE DID MAKE A UNILATERAL ANNOUNCEMENT IT WOULD NOT CONTAIN MUCH MORE THAN THE 12 POINTS. HMG MIGHT THEN MAKE THEIR OWN ANNOUNCEMENT AND THE WORLD WOULD SEE THAT THE TWO SIDES WERE NOT REALLY SO FAR APART. IN SOME MEMBERS' VIEW, A UNILATERAL CHINESE ANNOUNCEMENT WOULD NOT NECESSARILY BE THE END OF THE ROAD. THE CHINESE WANTED AN AGREEMENT AND WOULD RETURN TO THE NEGOTIATING TABLE. THEY MIGHT EVEN BE READY TO ACCEPT OUR DRAFT AGREEMENT. THE SECRETARY OF STATE MADE IT CLEAR THAT, IN MINISTERS' CONSIDERED VIEW, THE SEPTEMBER DEADLINE WAS SERIOUS. THE CHINESE MEANT WHAT THEY SAID AND WOULD MAKE A UNILATERAL ANNOUNCEMENT IF A DRAFT AGREEMENT HAD NOT BEEN COMPLETED BY SEPTEMBER. IT WOULD THEN BE VIRTUALLY IMPOSSIBLE TO GET THEM BACK TO THE NEGOTIATING TABLE. THE RESULTING SITUATION WOULD BE VERY SERIOUS INDEED. HE STRESSED THAT IF IT CAME TO A CHOICE THE CHINESE WOULD GIVE THE RECOVERY OF SOVEREIGNTY PRIORITY OVER THE CONCLUSION OF AN AGREEMENT WHICH WOULD MAINTAIN HONG KONG'S PROSPERITY.

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4. MR T S LO MADE A PREPARED STATEMENT ON NATIONALITY, ARGUING THE NEED TO MAKE CONTINGENCY PLANS IN CASE OF FAILURE TO ACHIEVE AN ACCEPTABLE AGREEMENT BY SEPTEMBER. IN THAT EVENT HMG WOULD HAVE CONSIDER THEIR OBLIGATIONS TO THOSE OF BRITISH NATIONALITY. THE CONSEQUENCES WOULD BE VERY SERIOUS IF 3 MILLION BDTC'S LOST THEIR EXISTING RIGHTS THROUGH THE RENUNCIATION OF SOVEREIGNTY. SIR S Y CHUNG ADDED THAT HE DID NOT CHALLENGE HMG'S RIGHT TO RETURN THE TERRITORY OF HONG KONG TO CHINA. THE QUESTION WAS WHETHER HMG COULD FORCE PEOPLE WHO DID NOT WISH TO DO SO TO LIVE UNDER COMMUNISM. THE SECRETARY OF STATE SAID THAT CONTINGENCY PLANNING WOULD CERTAINLY INCLUDE THE QUESTION OF NATIONALITY. THE ISSUE REQUIRED VERY CAREFUL CONSIDERATION. THIS ASSURANCE WAS ACCEPTED.

5. IN CONCLUSION THE SECRETARY OF STATE SAID HE HOPED THAT THE BROAD STRATEGY HE HAD OUTLINED, WHICH INCLUDED CONTINUING CONSULTATION WITH EXCO THOUGH NOT ON EVERY TACTICAL POINT, WAS ACCEPTABLE TO THE COUNCIL. TWO MEMBERS RAISED OBJECTIONS ALTHOUGH IT WAS CLEAR FROM THE EARLIER DISCUSSION THAT THEY CONTINUED TO HAVE MISGIVINGS ON SOME ASPECTS.

YOUDE

FUTURE OF HONG KONG

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D/ED/PUSD

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26 April 1984

Foreign and Commonwealth Secretary's
Visit to Hong Kong

Thank you for your letter of 24 April to John Coles reporting on the Foreign and Commonwealth Secretary's visit to Hong Kong, which the Prime Minister has seen and noted.

David Barclay

Roger Bone, Esq.,
Foreign and Commonwealth Office.