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PRIME MINISTER

Meeting of OD(K), 3 May 1984: Visit of Foreign and Commonwealth  
Secretary to China and Hong Kong

1. I visited Peking from 15-18 April and Hong Kong from 18-22 April.

China

2. The primary purpose of my visit to China was to discuss Hong Kong with the Chinese leaders. In line with the discussions at OD(K)'s meeting on 3 April and the following visit to London by EXCO Unofficials from 4-6 April, I was in a position to press our case strongly on the key issues, in particular the form and content of an agreement and the timetable for its conclusion, but also to retain some tactical flexibility in dealing with the Chinese.

3. We had made clear in advance that we wanted to concentrate on hard business on Hong Kong and the Chinese met us on this. I had two sessions with the Foreign Minister, Wu Xueqian, and one each with State Councillor Ji Pengfei, Head of the Hong Kong and Macau Office of the State Council, Premier Zhao Ziyang and Chairman Deng Xiaoping, in that ascending order. I had expected the leaders to be tough and for much of the time they were. In the negotiations immediately before the visit, the Chinese had been taking a very hard line which, if adhered to rigidly, would virtually rule out the possibility of getting an acceptable agreement. I therefore argued the British case strongly on the timetable, pointing out the impracticability 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. I also stressed the need

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for detail in the agreement and the requirement that it should be balanced as regards obligations and binding. I argued for the draft agreement which we had put in and pointed out the weaknesses in the Chinese own partial draft which they had given us informally just before the visit. I 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.

4. There was particularly tough argument about Item 2 of the agenda (arrangements up to 1997). The Chinese pressed very strongly their idea of a joint group which they wanted established in Hong Kong and which we saw as likely to hit confidence badly because it would suggest that the Peking Government was indeed interfering in Hong Kong's autonomy even before 1997.

5. Given the earlier Chinese hard line, there was a danger that they would reject the major elements in our position out of hand. But in fact the visit opened up ground in a number of areas which I believe we can usefully exploit:

(a) on the timetable Deng, on the last morning, abandoned the September deadline for a final signed agreement and agreed to a timetable involving publication of a draft agreement in September followed by debate in Parliament in November and signature by the end of the year;

(b) despite their initial description of our draft as unacceptable, the Chinese in effect agreed that both draft agreements should remain on the table for further negotiation;

(c) they 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.

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(d) on Item 2, although the Chinese were particularly tough there were signs of some shift. Deng suggested that the joint group might be a peripatetic one, meeting in Hong Kong, Peking and London. I expressed willingness to examine this proposal constructively. Its precise significance of course needs to be clarified. Subsequent Chinese remarks at the latest round of talks suggest that they may still be seeking to get a joint group formally established in Hong Kong.

6. On some issues the Chinese showed little or no movement. They did not respond to a reiteration of our position on nationality and Deng, at the end of my meeting with him, volunteered that the Chinese would send a small military force to Hong Kong after 1997; I responded by pointing out how badly that would hit confidence.

7. I also informed Ji Pengfei briefly of my intention to make an "unveiling" statement in Hong Kong in order to start preparing option there for the sort of agreement which might be reached and which would not involve British administration.

#### Hong Kong

8. In Hong Kong I was able to meet, in a comparatively short time, a fairly wide range of people, to have full discussions with EXCO and with the Unofficial members of the Executive and Legislative Councils (UMELCO) and to make the unveiling statement.

9. The text of the unveiling statement has already been distributed to colleagues. It was clear from the immediate reaction that most people welcome the fact that the uncertainty of the last few months had been removed. The Hong Kong press in general reacted calmly to my statement. There is of course much underlying concern about the trustworthiness of the Chinese and Hong Kong press comment has also reflected this, although the most virulent and irresponsible attacks on "selling Hong Kong down the river" have come from some - but by no means all - sections of the British press. The Official Chinese press have made no comment, although



reporting the statement selectively; the left wing press in Hong Kong quoted the statement in full and were generally approving in their comment.

10. An important feature of Hong Kong's concern has been over what are seen as HMG's obligations to Hong Kong people, particularly in the immigration field, if they should choose not to live in the SAR. This difficult point was pressed particularly strongly during my discussions with EXCO and particularly with UMELCO. I undertook to report their views but gave no ground.

11. EXCO received my account of the Peking visit soberly. They expressed appreciation for the way in which Hong Kong's case had been put over in Peking but they also showed deep disquiet about the Chinese motives. This was reflected by their view that the draft agreement which we had presented should be regarded not as a maximalist proposal but as a bottom line. I stressed to EXCO that we would negotiate as toughly as possible with the Chinese but I underlined the need for tactical manoeuvrability. The important thing was to hold on to the essentials of a detailed and binding agreement while being ready to be flexible about the form and language of any document. I also explained to EXCO that to achieve this our negotiators would need to have discretion to shift tactically at short notice. For this reason it would not be possible to clear every alteration with EXCO in advance although they would be kept generally informed. EXCO members did not dissent from this although they made quite clear that they reserved the right to reject an ultimate package if they disliked it and to make that rejection public.

#### The Way Ahead

12. This proved to be a less negative visit than I had expected. My assessment is that the Chinese definitely want an agreement with us. There are still wide gaps



between our positions on a number of important issues but some prospect of achieving common ground. We must be ready to take advantage of the points on which they have been ready to shift. The key area is the negotiation of the agreement itself. It is clear to me that, as we knew all along, the draft agreement we tabled cannot survive in its present form. There is still a big difference in concept to be overcome, in that the Chinese will fight to avoid any suggestion that arrangements for the future autonomy of Hong Kong are the result of negotiation with us rather than their own decision. Nevertheless their acceptance of the idea of an agreement binding on both sides, with an equally binding annex containing at least the bulk of the points agreed, is something which we must exploit. We should start by arguing for our draft, building up in the process the case for an agreement which is binding, has matching obligations and sufficient detail. But we need also to be ready with a variety of alternative proposals which would still meet these criteria. I have circulated to colleagues separately the text of a revised draft which would allow for at least two stages of tactical variation which could be further adapted as the negotiation progressed.

13. 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 we should not overlook the fact that there could be some real advantage for us in setting up some form of liaison arrangement.

14. 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 already rather than in London. They need, for example, to be rid of the notion that "preventive measures" against a "flight of capital" would not strike at



the root of real economic autonomy. 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. We need therefore to think how we could develop the proposal for a peripatetic group to our advantage, examining the implications with the greatest care before we make any response to the Chinese.

#### EXCO

15. As I explained to EXCO, we must throughout the new phase of negotiations, continue to work within the agreed strategic framework. If we are to make the most of shifts in the Chinese position as they appear, we must develop more tactical manoeuvrability than we have had for the past few months. This will mean that it will not be possible to agree in advance with EXCO all the detailed moves that we shall want to make. We have to combine this essentially attacking approach with the obvious aim of keeping EXCO with us as far as possible and we shall need to consult the Governor carefully on how we keep EXCO informed on such key matters as variations in our draft agreement.

#### Conclusion

16. Although I believe that the unveiling in Hong Kong has usefully cleared the air to some extent, I have no doubt that our double-edged problem remains very tricky. On the one hand we have to negotiate with the Chinese a deal which meets as fully as possible the essential requirements for Hong Kong. Although there is a clear risk of Chinese backsliding and there are real points of substance still to be resolved, I am more hopeful since my visit that we might be able to achieve that. On the other hand, we have to persuade Hong Kong opinion (and EXCO still hold a key position here) that such an agreement can stick. That is made more difficult by the prevalence in

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Hong Kong of the view that somehow a way can be found to add 'assurances' to an agreement which would genuinely increase the likelihood of the Chinese honouring it. I have explained to EXCO that such a belief is illusory but it will persist. Equally difficult will be the growing tendency for Hong Kong people to demand of HMG undertakings, on immigration and related matters, as an insurance against the failure of an agreement. I shall be making separate recommendations to colleagues on this.

17. I am copying this minute to all OD(K) colleagues and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

1 May 1984