

CONFIDENTIAL

B.06801

PRIME MINISTER

c Sir Robert Armstrong

OD(K): Hong Kong: State of Negotiations and  
Future Strategy

BACKGROUND

At their meeting on 28 June, the Sub-Committee agreed that the Foreign and Commonwealth Secretary should plan to visit Peking at the end of July with the aim of reaching an acceptable accommodation with the Chinese on Agenda Item 2 (arrangements before 1997) and other outstanding issues, such as the draft of the agreement and the future role of the Governor; and that further consideration should be given to the tactics to be adopted with the Chinese at forthcoming talks between the Foreign and Commonwealth Secretary, the Governor and Sir Richard Evans (OD(K)(84) 7th Meeting, Item 3). At the meeting which you held on 6 July with the Foreign and Commonwealth Secretary, the Governor and others, it was agreed that you should send a message to Prime Minister Zhao Ziyang suggesting that the location of the Joint Group should be put aside for the present, while discussion continues on its composition, functions and powers and while negotiation continues on the form and content of an agreement on arrangements for Hong Kong after 1997. The British side would wish to look at the resulting package and at that stage consider its position on the Joint Group in all its aspects. This message was sent on 12 July. (FCO telegram No. 1270 to <sup>Hong Kong</sup> Peking.)

Meanwhile, it was further agreed that the Minister of State at the Foreign and Commonwealth Office (Mr Luce) would pay an early visit to Hong Kong for discussion with EXCO to reassure Hong Kong opinion. He did so from 12 to 14 July.



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2. It was announced on 13 July that the Foreign and Commonwealth Secretary will visit Peking from 27 to 31 July, travelling via Hong Kong both on his way out (25-26 July) and back (1-2 August). At this meeting of OD(K) he will wish to give an oral report covering -

- a. progress during the 18th round of plenary negotiations with the Chinese and on related meetings of experts;
- b. discussions with the Governor and Sir Richard Evans, including your meeting with them on 6 July;
- c. the reasons for his forthcoming visit to Peking and Hong Kong; and
- d. Mr Luce's recent visit to Hong Kong.

HANDLING

3. You should invite the Foreign and Commonwealth Secretary to report. The main points to establish in subsequent discussion are -

- a. Does the timetable for concluding and announcing an agreement with China by the end of September still make sense? Or is it already unrealistic?
- b. What are the chances that the Chinese will decide to bring matters to a head (notably over the Joint Group) during Sir Geoffrey Howe's visit to Peking from 27 to 31 July? If they do, will he still return via Hong Kong despite the difficulty of formulating a public statement there which will not damage confidence?
- c. Should special arrangements be made for Ministers to meet during August in the event of a crisis developing during or in the immediate aftermath of Sir Geoffrey Howe's visit?



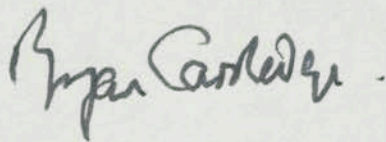
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CONCLUSION

4. Subject to the points made in discussion, you could guide the Sub-Committee to -

(i) endorse the approach which the Foreign and Commonwealth Secretary proposes to take during his visits to Peking and Hong Kong;

(ii) agree that it cannot be excluded that Ministers may need to meet during August to take stock of the position after the Foreign and Commonwealth Secretary's return and to take decisions.



B G Cartledge

16 July 1984