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cc: FCO

Prime Minister
For tomorrow
morning's meeting

10 DOWNING STREET

THE PRIME MINISTER

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 133/84**

23 July 1984

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cc MASTER
OPS

My dear Prime Minister,

In my message to you of 14 October 1983 about the negotiations on the future of Hong Kong, I proposed that in pursuance of my earlier letter to you of 10 March 1983, and without prejudice to any final agreement, the negotiators on the two sides should discuss what effective measures other than continued British administration might be devised to maintain the stability and prosperity of Hong Kong and should explore further the Chinese ideas which had at that stage been explained to us. I proposed that their purpose should be to see whether Britain and China could together construct, on the basis of the proposals put forward by China, arrangements which would ensure lasting stability and prosperity for Hong Kong. I added that, if on this basis arrangements could be agreed that would ensure the maintenance of stability and prosperity of Hong Kong, the British Government would be prepared to recommend to Parliament a bilateral agreement enshrining them and to do its utmost to help with the introduction and implementation of such arrangements. I have been following with close interest the progress of the negotiations since that date, and have been pleased to note that some progress has been made both in furthering the understanding between the two sides and in drafting an agreement which would be acceptable to China and Britain, as well as to the people of Hong Kong. I was particularly glad to note the progress made during Sir Geoffrey Howe's visit to Peking in April.

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However, we are now approaching the end of the limited time available for the work of drafting an agreement. I think that I should in all sincerity let you know that I have become concerned in recent weeks that progress in the negotiations has slowed down, and certain points of serious difficulty have been identified. The British Government and I personally remain strongly committed to seeking an acceptable agreement on the future of Hong Kong, and if such an agreement is reached, will co-operate to the utmost with the Chinese Government in ensuring that it is put into operation successfully. However, I must urge you to bear in mind that the British Government cannot undertake such an agreement unless it is accepted by the British Parliament, and Parliament will attach great importance to the extent to which the agreement commands confidence in Hong Kong. Parliament will certainly insist that any agreement entered into by Britain should be balanced and binding, and should contain sufficient detail about what is to happen in Hong Kong after 1997 to convince people both in Hong Kong and elsewhere that the arrangements set out in it will work in practice, and will provide the basis for continued stability and prosperity. A draft agreement which did not fulfil these requirements would undoubtedly be rejected by Parliament, and I am sure that you will understand that I should not recommend an agreement to Parliament unless I was confident that it would be accepted. We on our side understand that there are political constraints on the Chinese Government, but I ask you to understand in turn that there are also political constraints on the British Government. Only an agreement which meets the political needs of both sides can be successful.

I have been particularly disturbed at the disagreement which has arisen in the negotiations on the location of a joint liaison group. The Chinese side have explained the importance which they attach to establishing such a group in Hong Kong after the entry into force of the agreement. We

on our side have explained our firm conviction that the establishment of a joint liaison group with standing machinery in Hong Kong would not only create the impression of condominium but would so undermine the authority of the Hong Kong Government as to render it extremely difficult to continue the effective administration of Hong Kong during the period between now and 1997. The uncertainties which the establishment of such a joint liaison group would cause would certainly not be dissipated by mere assurances that the group was not to be an organ of power. That the United Kingdom should remain fully responsible for the administration of Hong Kong until 1997 has of course already been agreed between our two sides. If Britain's administration of the territory was seen or thought to be prejudiced in this period, the prosperity of Hong Kong would inevitably be damaged to the detriment of the interests of both Britain and China.

I wish to emphasise to you that the difficulties which we see in the Chinese proposal are genuine and practical and that our belief is sincerely held. Indeed news of this proposal has already caused great unease in Hong Kong. I ask you to reflect very carefully on what we have said. However, I am also concerned that our disagreement on this point should not so impede progress on the drafting of an agreement as to make it difficult to conclude it in the limited time available. I therefore suggest that we should for the present put aside the question of location of the group, and discuss instead its composition and functions, to see whether we can reach agreement on these points. At the same time we should continue our active negotiation on the form and content of an agreement on arrangements for Hong Kong after 1997. We should wish to look at the package which eventually resulted from our negotiations and at that stage consider our position on the joint liaison group in all its aspects.

Finally, I should like to convey to you and your colleagues my own determination and that of the British Government to seek solutions to our remaining difficulties. Only in this way can we exercise our joint historical responsibility to seek in co-operation a solution to this difficult question.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Zhao Ziyang

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10 DOWNING STREET

From the Private Secretary

20 July 1984

Future of Hong Kong:
Visit to Hong Kong and Peking by the
Foreign and Commonwealth Secretary

Thank you for your letter of 17 July in which you propose certain minor amendments to the text of the message from the Prime Minister to Zhao Ziyang.

The Prime Minister agrees that the message should be amended as proposed. She also agrees that it would be better not to make reference to the timing of the establishment of the joint liaison group in the text of the message.

(C.D. POWELL)

Len Appleyard, Esq.,
Foreign and Commonwealth Office

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