

SECRET



Foreign and Commonwealth Office
London SW1A 2AH

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From The Minister of State
Richard Luce MP

31 July 1984

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Jean Michelas

You wrote to Geoffrey Howe on 24 July enclosing a note prepared by your officials on the subject of Hong Kong Licensing and British Airways Privatisation. I am replying in his absence in the Far East.

FCO officials, including Legal Advisers, were, as you know, fully consulted during the drafting of the note. In general we welcome the changes you are proposing, and feel that they adequately reconcile our concerns with regard to Hong Kong with your own requirements related to the forthcoming privatisation of British Airways.

The option which the note recommends is consistent with our general aim to reinforce Hong Kong's autonomy in many fields, including civil aviation, between now and 1997, so as to equip it as well as possible for a largely autonomous existence as a Special Administrative Region of China after that date. We attach great importance to this. In that connection we feel it will probably be desirable to extend autonomy beyond licensing arrangements to the establishment of separate air services arrangements: but we accept that this will need to be considered in the light of the eventual outcome of our negotiations with the Chinese. We hope too that the proposals will provide sufficient flexibility to enable Hong Kong to negotiate revised arrangements as necessary in the light of future changes in its air traffic requirements. And I have no doubt that the ending of BA's exemption from the need to obtain licenses from the Hong Kong Air Transport Licensing Authority will be much welcomed by Hong Kong.

I agree that your officials should now seek the views of the Secretary for Economic Services in Hong Kong on the proposals. I note the legislative implications contained in Annex D.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and the Lord Privy Seal.

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

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Ridley

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BY JUL 1974

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SS/transport to FCS 24/7

Hong Kong Air Services

This is now filed on:

AEROSPACE: UK - Hong Kong
Air Services

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