

S E C R E T

FUTURE OF HONG KONG

NEGOTIATIONS WITH CHINA : POSSIBLE ACCEPTABLE PACKAGES

1. (1) An agreement between the UK and China coming into force, say, six months after ratification in, say, 1983 or 1984 and providing that:

- (a) UK sovereignty over the whole of Hong Kong is relinquished; but
- (b) the UK will continue to be exclusively responsible for the administration of the whole territory and for the conduct of external relations in respect of the whole territory.

(2) The agreement would be of indefinite duration but would be terminable by either country on the giving of not less than, say, fifteen years' notice but only after the agreement has been in force for not less than, say, thirty five years.

2. (1) A similar agreement on Chinese titular sovereignty and continued British administration but coming into force on a specified future date, say, ten or fifteen

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years after the date of ratification, or on a future date to be agreed between the parties after, say, ten or fifteen years from the date of ratification. Until the agreement comes into force, British administration as at present over the whole territory will continue during the interval.

(2) As in paragraph 1(2) above.

3. (1) A wider agreement between the UK and China providing for friendship and for co-operation in various spheres of common interest, such an agreement to come into force on ratification. There would be included in this wider agreement, specific provisions relating to Hong Kong to the same effect as either:

- (a) paragraph 1(1) above; or
- (b) paragraph 2(1) above.

(2) The whole agreement would be of indefinite duration and terminable as in paragraph 1(2) or paragraph 2(2) above.

S E C R E T

FUTURE OF HONG KONG: POSSIBLE CONCESSIONS IN NEGOTIATING
CONTINUED BRITISH ADMINISTRATION

1. If the Chinese agreed to the continuation of full British control (internal and external) in return for our recognising their titular sovereignty over the whole territory, they might seek further concessions from us to provide visible evidence of their sovereignty. Only those which were consistent with effective British administration could be considered.

2. The main concessions which HMG might agree to consider are:

- a) recognition of an official Chinese representative in Hong Kong;
- b) a change in title of the Governor;
- c) the banning of the use of the KMT flag;
- d) certain economic inducements.

Chinese Representative

3. The issue of an official Chinese representative in Hong Kong has been raised by the Chinese on a number of occasions, most recently in 1979. In the past Ministers have taken the line that the time had not yet come for such a step in the absence of any long-term solution to the problem of Hong Kong's future.

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4. The existing channel of communication between Hong Kong and Peking is the First Director of the New China News Agency (NCNA) who is accepted as de facto Chinese representative. There is also a Chinese Visa Office, opened in 1981, which is run by Ministry of Foreign Affairs staff but is not representative and does not have consular status.

5. The upgrading of the status of the NCNA Director or the Head of the Visa Office, or the nomination of someone else, to be a formal official representative could be considered provided full British administration and control were not undermined. The Chinese representative could be consulted by the Governor on matters of direct concern to China. Provided his functions were clearly defined and did not involve any right to interfere in the government of Hong Kong, in internal or external matters, a higher public profile and increased status for a Chinese representative would be acceptable. But he should not be afforded a constitutional rôle and the Governor would continue to be accountable only to the Secretary of State.

Governor's Title

6. The Chinese might well seek a change in the title of the Governor and abandonment of ceremonial uniform. This could be contemplated provided his powers were in no way diminished. He might be called instead, for example, High Commissioner.

/KMT Flag

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KMT Flag

7. the Chinese might well seek a ban on the flying of the KMT flag. This could be considered but might be difficult to enforce comprehensively.

Economic Inducements

8. We might offer the Chinese a number of economic inducements of which the following are only illustrations. Any concession here would have to be the subject of careful examination and subsequent negotiation:

- a) a share of Hong Kong's taxation (although it would be for the British authorities to decide what taxes should or should not be levied);
- b) the provision of exclusive wharf and warehouse facilities;
- c) the placing of a proportion of reserves on deposit with the Bank of China;
- d) the investing of a proportion of reserves in China;
- e) the creation of a trust fund for financing Chinese agencies in Hong Kong;
- f) the provision of soft loans (or other forms of aid or economic assistance) which might be linked to specific projects;
- g) a share of air traffic rights into Kai Tak airport;
- h) special arrangements for the provision of facilities for through trade from China;
- i) the use of Hong Kong Government funds, on some mutually acceptable basis, for joint venture projects in China.

NY 100-100000

The Chinese might well say that the
the NY 100-100000. This book is
different to other correspondence

11 5 5 10 10 12
1 2 3 4 5 6 7 8 9 10 11 12

Economic Indicators

It is also clear that the Chinese number of economic
indicators of which the following are only a few.
Any suggestion here would have to be the subject of careful
examination and appropriate negotiation.

As a state of Hong Kong's position (although it
would be for the British authorities to decide
what cases should or should not be listed)
b) the provision of exchange what and exchange

facilities;
c) the placing of a proportion of reserves on deposit
with the Bank of China;
d) the investing of a proportion of reserves in China

e) the creation of a trust fund for financing to meet
demands in Hong Kong;
f) the provision of all loans for other forms of

and a bank to assist in which should be limited
to specific projects;
g) a share of all profits to be retained in Hong Kong;
h) special arrangements for the transfer of funds

for transfer funds from Hong Kong;
i) the use of Hong Kong Government funds to meet
special accounts for foreign exchange purposes
in China.

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Foreign and Commonwealth Office

Prime Minister

London SW1A 2AH

We can discuss in detail
(a) at lunch on Wednesday
(b) with Sir Percy Cradock in Tokyo

13 September, 1982

A. J. C. $\frac{13}{9}$

Dear Idun,

Future of Hong Kong

Your letter of 10 September requested additional material for the Prime Minister. I enclose drafts of items (a), (c), (d), (e) and (f). Item (b), the list of nominal concessions, has been telegraphed to Hong Kong and Peking for their comments and will be submitted before close of play tomorrow. The other items have been completed within the FCO without outside consultation, but based essentially on material from the special study and its annexes. I also enclose a draft press release which the Prime Minister may wish to consider discussing with the Chinese leaders if agreement on the main aims of the visit is reached.

The Prime Minister may wish to consider carefully the use of the draft aide memoire. Experience has shown that the Chinese can react to written communications of this sort by committing their own view to paper in a manner which leads to a hardening of their position and often to outright rejection of ours. This occurred in 1979 when a proposal on Crown land leases in the New Territories was put to them by diplomatic note and rejected formally in writing.

I know that the Prime Minister is concerned that we have adequate Chinese translations prepared for the opening statement, the possible press release and, if used, the aide memoire on the British position. Our Embassy in Peking are well aware of the need to get translations made in good time. When the Prime Minister has agreed on final versions of the documents in question, we shall telegraph them to Peking for immediate translation; Sir Percy Cradock will be able to report progress when he visits Tokyo.

Mr Pym, who is at Chevening talking to M. Thorn, has not seen these papers. I will let you have any comments he may have as soon as possible on 14 September.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AH

15 September, 1982

Dear John,

Prime Minister's Visit to the Far East: Future of Hong Kong

Following the Prime Minister's meeting with officials today, I enclose copies of further briefing material on this subject. This comprises:

- /* (i) a covering note on tactics; *- Brief 1*
- /* (ii) a draft opening statement; *Brief 6*
- /* (iii) further defensive points to make; *Brief 8*
- /* (iv) a draft press release/joint communique; *Brief 3*
- /* (v) a note of possible concessions which might be made during negotiations. *Brief 10*

Items (ii) and (iv) were fully discussed with the Prime Minister.

I understand that Alan Donald agreed with you that no other copies of this material would be distributed. Background on the subject has, however, already been issued through the Cabinet Office. Alan Donald will have additional supporting material with him on the visit.

Yours ever
JA Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

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SECRET



Foreign and Commonwealth Office

London SW1A 2AH

15 September, 1982

Dear John,

Future of Hong Kong

W. M. AOC?
/

Following my letter of 13 September, I enclose the outstanding item requested in your letter of 10 September. This is item (b), the list of nominal concessions. This takes account of comments from Hong Kong and Peking.

It should be borne in mind that:

- (a) it is unlikely that there will be sufficient progress during the Prime Minister's visit for discussion of such concessions to be useful (it would in any case be better to leave them for the Chinese to raise);
- (b) if they do come up detailed discussion should be left for subsequent official talks, since
- (c) some of the concessions listed are still tentative and would need careful examination by a number of interested departments.

These are points which the Ambassador in Peking considered especially important. In the circumstances the paper is best seen as a preliminary survey of the type of concession which might be considered later. One point which might however be taken rather further during the visit is that of a Chinese representative. The Chinese have pressed this item in the past. If they did so again there might well be advantage in indicating that the question could be pursued if satisfactory arrangements on continuing British administration were agreed.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

SECRET



10 DOWNING STREET

Prime Minister

The last of the F./C.-O. papers
on Hong Kong. For discussion
at lunch.

A. J. C. $\frac{14}{9}$



PRIME MINISTER
FIRST LORD OF THE TREASURY

FUTURE OF HONG KONG

SPECIAL BRIEFING

To Be Retained

Do Not Destroy

FUTURE OF HONG KONG

LIST OF BRIEFS

1. Introduction. Tactics
2. Labour Government Statements on HMG Commitment
3. Draft Press Statement on Hong Kong
4. Draft Aide Memoire
5. Chronology of Major Events and Statement
6. Draft Opening Statement
7. Form and Structure of Negotiation
8. Further Defensive Points
9. Possible Acceptable Package
10. Possible Concession which might be made during negotiation
11. Possible Chinese objections and suggested responses
- 11a. Answers to Criticisms Chinese Leaders may make
12. FCO Special Study
 - (a) Treaty of Nanking 1842
 - (b) Text of Second Convention of 1898
 - (c) Map of New Territories
 - (d) Chinese Proposals on Taiwan
 - (e) Consultation on Hong Kong
 - (f) Options and Solution and Legislative Requirements
 - (g) Constitutional Position of Hong Kong
 - (h) External Relations
 - (i) Currency and Finance
 - (j) Defence and Internal Security
 - (k) Citizenship, Nationality, Immigration
 - (l) Legal System on Hong Kong
 - (m) External Trade
 - (n) Civil Aviation and Shipping
 - (o) Crown Land Leases in New Territories
 - (p) Illustrative Questions and Answers Following Prime Minister's Visit to China.