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PRIME MINISTER

BRIEF FOR CABINET : HONG KONG

You informed Cabinet on 16 June of the position reached (see attached Cabinet minutes). FLAG A

You may now like to brief Cabinet on the following lines:

"(a) I told Cabinet on 16 June that the Chinese were now showing more urgency about substantive talks and that we were seeking agreement on an agenda which did not prejudge our position on sovereignty.

(b) It has now been agreed that substantive talks will begin on 12 July. An announcement will be made in London, Hong Kong and Peking on 1 July stating:-

"Following the discussions between the leaders of the two countries in September 1982, and subsequent useful exchanges, it has been agreed that a second phase of the talks on the future of Hong Kong will begin in Peking on 12 July 1983."

(c) The main difficulty over the agenda was the wording of the reference to sovereignty. We were prepared to agree that the relevant item would be worded "matters relating to a transfer of sovereignty". The Chinese wanted "matters relating to the transfer of sovereignty". We refused to accept this prejudicial language. Our Ambassador, who handled the discussions with great skill, manoeuvred the Chinese into proposing "matters relating to transfer of sovereignty" i.e. no article, definite or indefinite. We accepted that as being sufficiently neutral. (The complete agenda is attached.) FLAG B

/(d) The talks

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(d) The talks will be long and difficult but it looks as though we shall at last be able to get down to serious discussion. Our first objective will be to demonstrate to the Chinese in considerable detail how Hong Kong works at present and how essential a system of administration and law like the present one is to the future stability and prosperity of Hong Kong.

(e) Members of the Hong Kong ⁴Legislative and Executive Councils will be visiting London on 4/5 July for consultations with me and the Foreign Secretary. This is part of our continuous process of consultation with Hong Kong representatives."

A.J.C.

29 June 1983

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