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MOST CONFIDENTIAL RECORD
TO
CC(83) 8th Conclusions, Minute 2
Thursday 10 March 1983

FOREIGN
AFFAIRS

Hong Kong

THE PRIME MINISTER said that during her visit to Peking in September 1982 Chairman Deng Xiaoping and the then Prime Minister of the Chinese People's Republic had agreed a communique, issued jointly with her, which committed the two sides to hold talks through diplomatic channels about ways of maintaining the future stability and prosperity of Hong Kong. Despite repeated approaches from the British side, these talks had not yet taken place. Instead, the Chinese were seeking to make cession of sovereignty over Hong Kong by the British Government a precondition for starting the talks; and there was evidence to suggest that the Chinese Government was intending to use the occasion of a meeting of the Chinese People's Congress in June 1983 to announce that its intentions for Hong Kong were to assume full sovereignty over the whole colony, which would thereafter be administered as a special autonomous region of China. This would be disastrous for confidence in Hong Kong. Unless satisfactory arrangements could be negotiated with China for maintaining British administration along with the present legal and economic system in Hong Kong, the economy of the colony would collapse. Sovereignty over 92 per cent of its territory would in any case revert to China in 1997 with the expiry of the lease of the New Territories - without which Hong Kong would cease to be viable. It was therefore vital to get talks with China started soon. Accordingly, after consultation with the Governor of Hong Kong, Sir Edward Youde, and HM Ambassador at Peking, Sir Percy Cradock, she proposed, subject to the agreement of the Cabinet, to write to Chairman Deng Xiaoping. Her letter, the proposed text of which the Prime Minister read to the Cabinet, would be delivered by HM Ambassador on his return to Peking within the next few days. It would express disappointment that talks had not started on the basis of the joint communique of last September, and would propose that they should start at once. The letter would go on to say, that provided that formal agreement could be reached on arrangements for maintaining the stability and prosperity of the colony which were satisfactory to the people of Hong Kong and to the British Government as well as to the Government of China, she would be prepared, subject to the agreement of the Cabinet, to recommend to Parliament that sovereignty over the whole of Hong Kong should be transferred to China. This would involve going one step further than the formula she had used with the Chinese Government in September 1982, when she had said that, in the circumstances described, she would be prepared to "consider" making such a recommendation to Parliament.

The Cabinet -

Agreed that the Prime Minister should write to Chairman Deng Xiaoping in the terms proposed.

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