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NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE FOREIGN AND COMMONWEALTH SECRETARY AT NO.10 DOWNING STREET AT 0900 HOURS ON WEDNESDAY 28 JULY 1982

- Present:
- Prime Minister
 - Foreign and Commonwealth Secretary
 - Lord Belstead
 - Sir Antony Acland
 - Sir Edward Youde
 - Sir Percy Cradock
 - Sir Ian Sinclair
 - Mr. Donald
 - Mr. Coles

The Prime Minister said that there appeared to be a fundamental lack of comprehension on the Chinese side as to what was needed to maintain confidence in Hong Kong. Proposals they had so far put forward would in themselves bring about a collapse of confidence. Their habit was always to couch their policies in a few simplistic propositions, from which they were reluctant to diverge. Meanwhile, expectations in Hong Kong were high; unless progress was made with regard to future arrangements, confidence could disappear quickly. We needed to apply some original thinking ourselves. It might be necessary to establish a special group to handle the matter. The difficulty was ^{that} /if we made any gesture with regard to giving up sovereignty, we should lose our locus for the future. The only real guarantee of our position was the international treaties on which it was based. She wondered whether someone should visit Peking in advance of her own visit to explain to the Chinese what was required to maintain confidence in Hong Kong.

Sir Percy Cradock thought it advisable that the Prime Minister herself should take on this task. He agreed that there was a lack of comprehension on the Chinese side. They did not understand the mainsprings of Hong Kong's success. He believed there was scope for a flexible and co-operative solution. But it would take time and a good deal of explanation would be necessary. Deng had the authority and influence to reach an agreement. The Chinese would honour any agreement reached because it was in their interest to do so. Their record of keeping their word, once given, was good.

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The Prime Minister reiterated her view that if we abandoned sovereignty we had no insurance for the future. Sir Edward Youde said that the Unofficials approached the problem realistically. They knew that Hong Kong must be maintained as a whole. They wished British administration to continue. They believed this would not be achieved unless we were prepared to concede sovereignty. They had no emotional attachment to British sovereignty. The Prime Minister commented that a "management contract" was a possible device for the future. Sir Edward Youde observed that Britain had exercised that type of jurisdiction in a number of areas of the world. The key question with regard to Hong Kong was whether British administration was linked so closely to British sovereignty that the one could not exist without the other. China did not accept the present treaties. A new agreement with the Chinese which was signed and accepted by them would be a considerable improvement on the present situation.

The Prime Minister asked whether there would be nationality problems. If sovereignty were transferred, the inhabitants of Hong Kong would have to accept that they could not come here. But we should also have to avoid precipitating a situation whereby they sought entry to the United Kingdom in advance of an agreement. The Foreign and Commonwealth Secretary agreed. Sir Ian Sinclair said that any eventual agreement with the Chinese would have to deal with the question of nationality. Sir Edward Youde pointed out that the problem would be with us in 1997 in any case, if no action was taken. The Prime Minister reiterated her view that citizenship was linked to sovereignty. The inhabitants of Hong Kong could no longer have British passports, if sovereignty were transferred. It would be necessary to make this plain at some stage to them.

Sir Percy Cradock pointed out that the alternative, if we clung to sovereignty, was a confrontation with China. The Prime Minister thought it might be possible to agree to set aside the sovereignty question and simply concentrate on future administrative arrangements. But she supposed that the Chinese would not accept this formula. In any case, we should not start by assuming that we shall have to give up sovereignty. Agreeing, Sir Edward Youde said that if we began by dismissing any possibility of a concession on sovereignty we should make no progress.

The Foreign and Commonwealth Secretary asked whether any eventual agreement would last in perpetuity. The Prime Minister thought that it would contain no terminal date. It would simply continue unless something happened to upset it.

Mr. Donald said that the formal Chinese position was as presented to the then Lord Privy Seal in China^{last January}. The Chinese had then said that they had not made up their minds about the problem but were guided by two general principles. First, Chinese sovereignty must be safeguarded. Secondly, Hong Kong must be maintained as a free port and commercial centre. The various statements which were now appearing in the media did not amount to a new formal position. The Chinese were simply sounding us out. We should go back to them and point out the fundamental contradiction between the two principles they had described.

The Prime Minister then raised the question of how discussions on the problem should be carried forward. Should she leave someone behind to continue talking with the Chinese? Sir Percy Cradock suggested that there should be serious talks at official level through diplomatic channels. The Prime Minister felt that some special device might be necessary. The situation was unique. In order to indicate the importance we attached to the problem, it might be necessary to appoint a special emissary who knew both China and Hong Kong and in particular the financial and commercial systems of the latter. Sir Antony Acland pointed out that the Chinese would probably not expect rapid progress. Sir Edward Youde observed that the Prime Minister's visit was the subject of intense speculation in Hong Kong. Great importance would be attached to what the Prime Minister said publicly when she left China. The right kind of statement would maintain confidence. The wrong one could seriously weaken it. The danger of appointing a special emissary at too early a stage would be that, if he returned without agreement, confidence would fail. The Prime Minister expressed the view that it might be possible for the special emissary to visit China towards the end of the negotiations. Meanwhile, and following her visit, Sir Percy Cradock and Sir Edward Youde could conduct the discussions with the Chinese together. This would have the advantage of avoiding publicity. But she did not want a solution to be long delayed.

We should aim to reach one in about six months. The key to reaching a solution in such a short timescale might be to make a concession on sovereignty. But the presentation in the United Kingdom of any concession would need the utmost care. It would help if we could show that as a result of an agreement there was no danger of a mass influx of Hong Kong citizens into this country. What she could not do, particularly in the light of the recent Falkland Islands problem, was simply to announce that we had conceded sovereignty over Hong Kong. Sir Edward Youde pointed out that the question of immigration would need careful handling if it too was not to have a harmful effect on confidence in Hong Kong.

Sir Edward Youde said that whatever agreement was reached with the Chinese, the main factor making for continued confidence in Hong Kong would be the Chinese interest in maintaining that confidence.

The Foreign and Commonwealth Secretary said it was important that, according to our most recent information, the people of Hong Kong wanted an agreement of the kind envisaged. The Prime Minister concurred. Endorsement of any agreement by the people of Hong Kong would be of great assistance in presenting it in the United Kingdom. Sir Edward Youde said that, if it would be helpful, he could bring a small delegation of the Unofficial Members of the Executive and Legislative Councils to London in September. It was agreed that the Prime Minister would receive such a delegation at a suitable date before her departure to the Far East.

The Prime Minister said that we should need to give further thought to consultation of Hong Kong opinion at a future date. We might need to send a team of people to explain our thinking about the future. Sir Antony Acland referred to the precedent of the sounding of opinion in Bahrain about its relationship with Iran.

The Prime Minister wondered whether we should not seek the assistance of a third party to corroborate to the Chinese what she would be saying about the need to maintain confidence in Hong Kong. Perhaps the Prime Minister of Singapore might be able to do this. Sir Edward Youde pointed out the difficulty that Mr. Lee Kuan Yew ran Singapore without British administration. Sir Percy Cradock suggested that the Japanese might be able to help though it was observed that we should need to be sure that they would convey

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any message accurately.

In conclusion, it was agreed that, on his return to Hong Kong, Sir Edward Youde might say to the Unofficials that he had conveyed to the Prime Minister the observations they had made to him before his departure and that he had had a thorough discussion of the question of the future with the Prime Minister, the Foreign and Commonwealth Secretary and others.

The meeting ended at 1030 hours.

A.Y.C.

28 July 1982

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10 DOWNING STREET

Prime Minister

To be attended by :-

Foreign Secretary

Lord Selkirk

Sir Antony Auld

Mr. Alan Donald

Sir Edward (Teddy) Youde

Sir Perry Crookall.

2. I suggest that we use the
Cabinet Room.

A.J.C. $\frac{27}{7}$

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10 DOWNING STREET

From the Private Secretary

28 July 1982

FUTURE OF HONG KONG

When Sir Percy Cradock called on the Prime Minister this afternoon it was agreed that on his return to Peking he should inform the Chinese Government, before the Prime Minister's visit, of the minimum objective which we should seek to secure on the subject of Hong Kong during that visit. This objective was defined as: agreement to have serious talks at official level about Hong Kong. Sir Percy Cradock would also request the Chinese Government to avoid any public statement which might prejudice the obtainment of that objective.

It was further agreed that in a letter which the Prime Minister will be sending to the Chinese Ambassador (your letter of 27 July refers) we should state that Sir Percy Cradock will be conveying a message to the Chinese Government shortly about the question of Hong Kong.

A. J. COLES

Francis Richards, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

28 July 1982

Dear Brian,

Future of Hong Kong

The Prime Minister held a meeting this morning with the Foreign and Commonwealth Secretary and officials to discuss the above subject. I enclose a record of the conversation.

Yours ever

John Major

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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Handwritten initials 'JFB' and the name 'C. Cardone' in cursive.

10 DOWNING STREET

From the Private Secretary

23 July 1982

FUTURE OF HONG KONG:
MEETING ON 28 JULY

We discussed the composition of the informal meeting which the Prime Minister is holding on 28 July to discuss the problem of the future of Hong Kong.

I suggest that, in addition to the Foreign and Commonwealth Secretary, the meeting is attended by Lord Belstead, Sir Antony Acland, Sir Edward Youde, Sir Percy Cradock, Mr. Donald and an FCO legal adviser.

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office

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15 July 1982

Prime Minister's visit to Japan, China and Hong Kong

Thank you for your letter of 9 July. I owe you a reply to paragraph 2.

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I agree that it would be useful for the meeting on 28 July to be attended by Sir Percy Cradock and by Sir Edward Youde - though I assume that the latter would not be returning to London exclusively for the purposes of this meeting but for consultations more generally. I believe it will be desirable not to have too large a meeting on 28 July. Perhaps we could therefore consult further about which other officials will attend.

JOHN COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

Prime Minister

As you know, we have arranged meetings towards the end of July when policy on the future of Hong Kong will be discussed. It will be better to keep off the subject at the Chinese Embassy on Sunday night.

2. For the meeting on 28 July may I say that the Foreign Secretary plus 2 F.I.C.O. officials and Sir Perry Crookall may attend - but that Sir E. Tonde should only come if he has other official reasons for being in the U.K. than (it is a long and expensive journey to make to just one meeting).

A.S.C. $\frac{9}{7}$