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10 DOWNING STREET

From the Private Secretary

13 September 1982

FUTURE OF HONG KONG

The Prime Minister chaired a small ministerial meeting here this morning to discuss the above subject. The Foreign and Commonwealth Secretary, the Home Secretary and the Attorney General attended (the Secretary of State for Defence and the Chancellor were unable to attend owing to their absence from London).

The Prime Minister said that before she left for her visit to the Far East on 16 September, she wished to discuss with those present the problem of the future of Hong Kong. She described the problem in some detail. The principal difficulty at present was that China did not understand that the maintenance of confidence and prosperity in Hong Kong required the continuation of British control and administration. If confidence weakened money and people would start to leave Hong Kong. There could, in her view, be no question of our agreeing to concede sovereignty of Hong Kong Island and Kowloon unless we had total control over both these and the new scheduled territories. The prosperity of Hong Kong at present rested on an astonishing partnership of Britain and China, with a largely Chinese population working under British administration. She would not be prepared to discuss substantive concessions on sovereignty. The most she was prepared to envisage was that China would obtain merely titular sovereignty over Hong Kong. She hoped that at the end of her visit to Peking there would be a joint statement to the effect that Britain and China were of one mind with regard to the maintenance of prosperity and confidence in Hong Kong and proposed to embark on talks immediately to ensure that these continued. This was probably as far as we could get during her forthcoming visit. Later we might have to consider various packages. One possibility would be to state that the arrangements for British control and administration would continue for an undefined period, subject to 'X' years notice. The Attorney General pointed out that 'X' must be long enough to avoid the present problems of return on investment.

The Foreign and Commonwealth Secretary said that the conclusions of the 12th Congress of the Chinese Communist Party had left Mr. Deng in a stronger position than he had been at the outset of the Congress. He should be even better placed to reach some understanding about

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Hong Kong. He was of the view that the approach which the Prime Minister proposed to adopt when she was in Peking was the right one. The Home Secretary agreed - there seemed to be no sensible alternative.

The Attorney General pointed out that any arrangement involving the cession of sovereignty would require legislation. There might also have to be legislation on immigration. The Home Secretary said that a principal feature of the Nationality Bill was to ensure that the bulk of the Hong Kong population had no automatic right of abode in the United Kingdom but this did not avoid the difficult problem of what the Government's attitude should be if large numbers simply arrived on our shores. The prospect of a major problem of immigration was a strong reason for arriving at a satisfactory agreement on the future of the colony.

The Prime Minister reiterated that she would make it plain that she was not prepared to discuss title to Hong Kong and Kowloon unless we were sure of British control and administration. She wondered what attitude Parliament was likely to adopt. The Foreign and Commonwealth Secretary said that he had had some contact with the Hong Kong lobby. It was led by Sir Paul Bryan and was generally sensible and level-headed. He had detected no signs of discontent. The Home Secretary agreed that the lobby should not be troublesome. The sheer logic of what we were trying to achieve spoke for itself. On the other hand, difficulties could arise with the lobby if in subsequent negotiations we appeared to give the Chinese Government more control than we at present envisaged or if we indicated even a residual responsibility to admit people from Hong Kong into the United Kingdom. Mr. Pym thought it highly desirable to reach a settlement within six months if possible. This would help very substantially with any domestic doubts. When the Prime Minister came back from her visit it would be important to think carefully about how to prepare Party opinion.

I am sending copies of this letter to John Halliday (Home Office) and Jim Nursaw (Attorney General's Office).

John Holmes, Esq.,
Foreign and Commonwealth Office.

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