

SUBJECT

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cc Mark  
Wing Kong  
Philip on PM's visit

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND UNOFFICIAL MEMBERS OF THE EXECUTIVE COUNCIL HELD AT THE UMELCO CHAMBERS AT 0945 ON MONDAY 27 SEPTEMBER IN HONG KONG

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Present

Prime Minister  
Governor  
H.M. Ambassador  
Mr. R.W. Gray  
Mr. B. Ingham  
Mr. A.E. Donald  
Mr. A.J. Coles

Sir Philip Haddon-Cave,  
Chief Secretary  
Mr. R.J.T. McLaren,  
Political Adviser  
Mr. M.D. Sargent  
UMELCO Secretary General  
A list of the UMELCO members present is attached

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Welcoming the Prime Minister, Sir S.Y. Chung said that while UMELCO had had the honour of a visit by Her Majesty The Queen this was the first visit by a Prime Minister in office. It was not however Mrs. Thatcher's first visit: she had been to UMELCO in 1977 as leader of the Opposition. The Prime Minister's discussions in Peking were of crucial importance for the long term future of Hong Kong. UMELCO hoped that the advice given by those Members who had been received by Mrs. Thatcher in London had been useful. The general reaction to the joint statement issued after her talks with Chinese leaders had been good. UMELCO Members hoped to hear something of the Prime Minister's talks, and how she saw the future course of negotiations.

The Prime Minister thanked Sir S.Y. Chung for his welcome. She had been very pleased to see some UMELCO Members before going to Peking. She attached great importance to knowing the views of people in Hong Kong. She would give an outline of her discussions in Peking, and would try to convey the flavour of them. But what she said must not be revealed to anyone outside UMELCO.

The Prime Minister said she had spent one of her two sessions of talks with Premier Zhao, and the whole of her discussion with Chairman Deng on Hong Kong. That amounted to four a a half hours, but it was not a long time when allowance was made for translation. The Prime Minister had set out British views in detail and the Chinese had set out theirs. It was a first exchange and it was

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hardly to be expected that either side would shift from its opening position. The Prime Minister had found that the Chinese leaders had a very limited understanding of what a free society was. They could grasp intellectually such concepts as the rule of law but they did not understand or accept that there could be fundamental rights that did not derive from the State. They thought they could run a capitalist society but they did not know what it meant. The Prime Minister had been told many times that Deng Xiaoping was "pragmatic", but his pragmatism counted for little compared with his Marxist-Leninism.

The Prime Minister did not think that the Chinese leaders had heard the truth about what made Hong Kong a success from local personalities who had been invited to Peking. She had told the truth, and it was not surprising that the Chinese had not accepted what she said. They had told her that Singapore worked very well; she had pointed out that Singapore was an independent sovereign state.

Turning to the joint statement, the Prime Minister said that it described the talks as having taken place in a friendly atmosphere. This phrase had been suggested by the Chinese side, but it was perfectly true. (Sir Percy Cradock confirmed this.) The statement also said that "both sides had made clear their respective positions". The Chinese view of sovereignty would be well known to UMELCO Members. The Prime Minister had said that she knew and understood that view, but for Britain the treaties were valid in International Law and could not be unilaterally abrogated. If the Chinese did not like them the right thing to do was to vary them by agreement. But the real difficulty had been, and would continue to be, to get the Chinese to understand that Hong Kong would not have become what it was today without British administration, and could not continue as it was if British administration was not maintained. The point would be difficult to get over because, as the Prime Minister had already explained, the Chinese leaders did not begin to understand the nature of a free society.

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/ The Prime Minister

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The Prime Minister said that she had had two objectives in her talks: to secure Chinese acknowledgement that the stability and prosperity of Hong Kong was a common aim; and to get Chinese agreement to the opening of talks following her visit. Both these objectives had been achieved.

The Prime Minister thought that the joint statement, which she emphasised had been agreed by both sides, was as much as could have been achieved in the time available during her visit. She did not underestimate the complexity and difficulty of the task which lay ahead. She would need the help of people in Hong Kong, including UMELCO Members, in getting across the basic message that British administration was essential for the continuing stability and prosperity of Hong Kong. The talks which had been agreed would start through the diplomatic channel. She was constantly being asked how long they would last. She had said in reply to one questioner that they would take "some months." It might well be longer than that. The process of convincing the Chinese that British administration would be needed if they wished to achieve their objective of preserving the stability and prosperity of Hong Kong would be a slow one, like water dripping onto a stone.

/ Sir S.Y. Chung

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Sir S.Y. Chung then invited questions. Mr. Sandberg said that Hong Kong would be much relieved by the firm line which the Prime Minister had taken in her discussions; there had been some concern beforehand that the UK might not stand up for Hong Kong's interests. But there was some urgency about the negotiations. The time left before 1997 was shrinking and there was concern about the attitude likely to be taken by a future Labour government in Britain. The Prime Minister said that speed was less important than getting the right result. Given the isolation of the Chinese leadership and their lack of understanding about Hong Kong, it was bound to take time. As for Mr. Sandberg's political point, any government which did not stand up for Hong Kong would face strong opposition in Parliament. Mr. Li Fook-wo asked whether the idea of varying the treaties had been discussed in the Prime Minister's talks. The Prime Minister said that both sides had set out their positions in the talks. The Chinese position was that the treaties were not valid. The British position was that they were valid in international law, and could only be varied by agreement.

Mr. Peter C. Wong asked about the prospects for the talks. The Prime Minister said that she could not comment on how the talks would be conducted. But there was a common aim, that of maintaining the prosperity and stability of Hong Kong, and it was her view that it would be possible to reconcile the positions of the two sides.

Dr. Rayson Huang said that he had been much encouraged by the Prime Minister's remarks at her press conference about her responsibility to the people of Hong Kong. There was a need to reach agreement with the Chinese as soon as possible, but he thought it would take a long time to get the Chinese to understand what made Hong Kong work: "some of us" had tried to do so, but had not found the task easy.

The Prime Minister said that she had emphasised Britain's responsibility to the people of Hong Kong, and to those investors who had put their faith in British administration, because she had

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the impression that some people were concerned that the future of Hong Kong would be settled between the British and Chinese Governments without regard for the views of those in Hong Kong. The negotiations would have to be handled steadily and with great skill. The Chinese had said that they intended to continue their consultations with "the various circles" in Hong Kong. She would look to UMELCO for advice, through the Governor, on how the people of Hong Kong might best be consulted.

Mr. Oswald Cheung said he assumed that the aim of the talks would be to reconcile the positions of the two sides. He wondered whether the Chinese had accepted that the only way to alter the status quo was by agreement. The Prime Minister thought they had. The Chinese did not want a mess in Hong Kong. They had accepted that the common aim was to maintain the stability and prosperity of Hong Kong. Sir Percy Cradock added that the Chinese had consistently said that Hong Kong was a problem left over from history which must be solved through negotiation. Mr. Cheung asked whether decisions would be taken by the most senior levels of the Chinese leadership. The Prime Minister and Sir Percy Cradock confirmed this.

Mr. Newbigging accepted the need for confidentiality. But confidence was a fragile flower. In order to maintain it there would be a need to let it be known from time to time that progress was being made in the talks. The Prime Minister said that that had been the purpose of the joint statement. No negotiations would be possible unless both sides could be sure that confidentiality would be maintained. But she agreed that something would have to be said publicly at intervals. Sir S.Y. Chung said that no-one had any doubt that the British Government would maintain confidentiality, but the Chinese might not. There were already rumours in Hong Kong about what had gone on, based on leaks from the Chinese side about their position. The Prime Minister said that there had been no statement from the Chinese Government other than the agreed joint statement.

/ Sir Percy Cradock

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Sir Percy Cradock said that a distinction should be drawn between stating opening positions in public and revealing the content of confidential discussions.

Miss Lydia Dunn reverted to the dilemma between maintaining confidence on the one hand and confidentiality on the other. The Prime Minister said that confidentiality was essential, but there might be occasions when some of the evidence used in the talks would be published, as had happened in other negotiations. Miss Dunn said that it was important politically in Hong Kong that the Governor should be associated, and be seen to be associated, with the negotiations. The Prime Minister said the point was well taken. This was why the Governor had been present at all her discussions in Peking.

A.J.C.

/ Mr. Roger Lobo

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Mr Roger Lobo appreciated that the Chinese did not want a mess in Hong Kong. But time was on the Chinese side, so the sooner the talks started the better. The Prime Minister said that talks through the diplomatic channel would start soon.

Mr S L Chen asked whether the Chinese had shown any reluctance to talks about the treaties. He thought there would have to be a compromise between the Chinese and British positions eventually. The Prime Minister replied that there had not been time in her discussions to attempt to reconcile the different positions of the two sides over the treaties. But even if the Chinese did accept that the treaties were valid there would still be a problem in 1997. That was why there had to be talks.

Mr. Henry Hu asked whether the Chinese distinguished clearly between sovereignty and administration. The Prime Minister said that they did. Mr Charles Yeung asked what weight the Chinese attached to international law and human rights. There was good support for these concepts among the native population of Hong Kong, including the New Territories. The Prime Minister reiterated that the basic difference between communist and free societies was that in the former the government was in total control and was the source of all rights. But all communist countries were concerned about their international image. China would not wish to be regarded as a country which broke agreements and took no account of the wishes of the people of Hong Kong. So not all the cards were on the Chinese side. Mr Yeung said that the native people of Hong Kong had had British rule imposed upon them many years ago. But now they had become accustomed to it and would not wish to return to Chinese rule.

/The Prime Minister

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The Prime Minister was asked whether a Hong Kong representative would be included in the British team for the talks with the Chinese. The Prime Minister said this was something she would have to consider. The Governor would of course be fully involved; rather than have people in the negotiating team views might have to be expressed through him.

Mr Francis Tien welcomed the remarks the Prime Minister had made in her press conference about HMG's obligations to the people of Hong Kong. He agreed that the right result was more important than a quick result. He asked what consultation with the people of Hong Kong there would be before the negotiations were completed. The Prime Minister said that the negotiating team would be in constant touch with London and Hong Kong. At the end of the day the outcome of the negotiations would have to be put to the British Parliament. They would not accept an outcome which was not a reasonable one for Hong Kong.

Mrs Selina Chow said that many young professional people with whom she was in contact, including journalists, were concerned about the future, but they knew the subject was sensitive and they were reluctant to make their views known. How forthright should they be? Since the Chinese authorities would watch the local press closely it might be useful if the truth were to come out through these people. The Prime Minister expressed approval for the idea of "the truth coming out": an orchestrated campaign would be wrong. She would rely on UMELCO Members to put forward their views on this through the Governor. The Governor said that the process had worked quite well so far. Views had been expressed in speeches, articles and opinion polls without any orchestration; they had been conveyed to the Prime Minister; and had been drawn on by her in her talks in Peking. Dr. Harry Fang asked whether the present Chinese leadership would be prepared to vary the treaties. The Prime Minister said that although the Chinese regarded all three treaties as unequal they were in practice observing them. They would not have agreed to enter talks if they were not prepared to



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contemplate a negotiated solution.

Mr T S Lo said he had seen the advice which the UMELCO Members who had visited London had tendered to the Prime Minister. He agreed with it. After congratulating the Prime Minister on the outcome of her visit, he asked about the modalities for talks. The Prime Minister said that the talks would start through diplomatic channels, but there would be a need for an advisory team to back up the negotiations.

Miss Joyce Bennett pointed out that it was not only the Communists who regarded the treaties as unequal; most Chinese, and more people in Hong Kong took the same view, for nationalist reasons. The Prime Minister said that the important point was not whether the treaties were unequal but what was to be done about them. Even if they were regarded as valid there would still be a problem.

Concluding the meeting, Sir S Y Chung thanked the Prime Minister for the information she had given UMELCO about her discussions. It was the UMELCO view that she had taken a major step towards settling the future, and that her visit to China had been a success. Two months earlier when the Chinese Foreign Minister had been in Portugal he was still saying that the Hong Kong issue was not ready for settlement. It was in the Chinese interest to postpone the issue for as long as possible so it was no mean achievement to persuade the Chinese leadership to enter into talks. As regards the negotiations it was essential that Hong Kong should be represented in the talks by someone who would command confidence; who had access to the consultation process in Hong Kong; and could speak with authority about the likely acceptability of proposals. Only the Governor could fulfil this role. Chinese agreement to enter into official talks might be only the beginning of a long process, but if confidence was to be sustained results would have to be achieved in one or two years at most. In the meantime there

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would be many rumours so it would be necessary to demonstrate from time to time that significant progress had been made.

The Prime Minister reiterated what she had said at the beginning of the meeting about the need for confidentiality: what she had said must not be divulged. She then read out a draft press statement which was agreed.

28 September, 1982

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UMELCO

Hon. Sir S Y Chung  
Hon. O V Cheung  
Hon. R H Lobo  
Hon. Li Fook-wo  
Dr. Hon. Harry Fang  
Hon. M G R Sandberg  
Hon. T S Lo  
Hon. D.K. Newbigging  
Hon. Lydia Dunn  
Dr. Hon. Francis Tien  
Hon. Alex Wu  
Rev. Hon. Joyce M. Bennett  
Hon. S L Chen  
Dr. Hon. Henry Hu  
Hon. Peter C. Wong  
Hon. Wong Lam  
Dr. Hon. Rayson Huang  
Hon. Charles Yeung  
Dr. Hon. Ho Kam-fai  
Hon. Allen Lee Peng-fei  
Hon. Andrew So Kwok-wing  
Hon. Hu Fa-kuang  
Hon. Wong Po-yan  
Hon. Chan Kam-chuen  
Hon. J J Swaine  
Hon. Stephen Cheong Kam-chuen  
Hon. Cheung Yan-lung  
Hon. Mrs Selina Chow  
Hon. Maria Tam  
Dr. Hon. Henrietta Ip Man-hing

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10 DOWNING STREET

From the Private Secretary

28 September 1982

HL  
original despatched  
30/9

copies despatched  
en route

Dear John,

Prime Minister's visit to Hong Kong

I enclose a copy of the record of the meeting in Hong Kong on 27 September between the Prime Minister and UMELCO.

I am sending copies of this letter and enclosure to Sir Edward Youde in Hong Kong and Sir Percy Cradock in Peking.

I should be grateful if the contents of the record could be closely protected.

Yours ever

John Cole.

John Holmes, Esq.,  
Foreign and Commonwealth Office.

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