

CONFIDENTIAL

CC MASNGR

RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND  
SIR S.Y. CHUNG, C.B.E., AT 1615 HOURS AT 10 DOWNING STREET  
ON MONDAY 20 DECEMBER.

---

Present

Prime Minister  
Mr. Coles

Sir S.Y. Chung

\* \* \* \* \*

The Prime Minister said she would be grateful for an account of feelings in Hong Kong with regard to the negotiations with China about Hong Kong's future.

Sir S.Y. Chung said that the Unofficials had been most appreciative of the Prime Minister's emphasis on the moral basis for our commitment to Hong Kong and our obligation to work for its prosperity and its stability. The criticism that had been made of the stand she had taken on sovereignty and the Treaties was most unfair. The Unofficials thought that her approach had been right. This was the correct way to handle the negotiations and the Unofficials were fully behind the Prime Minister. The Prime Minister commented that the Treaties were the only legal basis for our presence in Hong Kong.

Sir S.Y. Chung said that we should maintain our present position until we saw that the Chinese were ready to move. As the Unofficials had said to the Prime Minister at their meeting with her in London in September, if the ceding of sovereignty proved to be the only way to maintain Hong Kong's prosperity in the future, that was acceptable as a fall-back position.

The Prime Minister said that it was proving difficult to get talks going. Sir S.Y. Chung commented that this was normal when dealing with the Chinese. They had long resisted talks on the future of Hong Kong. Now they had skillfully been brought to accept official talks on the basis of an excellent communique. They would play the talks long. One factor in their minds was

/the forthcoming

CONFIDENTIAL



CONFIDENTIAL

- 2 -

the forthcoming British Elections. They might calculate that there was a possibility of a Labour victory and in that event the negotiations would be easier. So they might hold to their present position for a year or so. The Prime Minister said that so far we had only had contacts with the Chinese, not substantive talks. But we were worried that those Hong Kong Chinese who went to Peking did not state firmly enough that it was the combination of British administration and the Chinese character which had made Hong Kong what it is. Sir S.Y. Chung said that these people were not willing to speak in this way first, because they were the invitees of the Chinese Government and did not go to Peking of their own free will; secondly, because they were out-ranked by Deng Xiaoping; thirdly, because all those invited were making money out of China; and fourthly, because, being Chinese, they found it difficult to say to Chinese leaders that they would not be able to run Hong Kong.

The Prime Minister said that it was difficult to educate the Chinese leadership in the realities of Hong Kong unless we had the backing of the people. She had, however, noticed that the press line in Hong Kong was changing and that the argument for continued British administration was now being put more strongly.

Sir S.Y. Chung told the Chinese story of the woman who tried to persuade her husband by first crying, next screaming and finally committing suicide. Hong Kong was at present in the first stage. The fall of the share market and the Hong Kong dollar was a painful way of telling the Chinese that their formula would not work. He had advised the Hong Kong Government that they should not try artificially to prop up confidence because that could mislead China. Nor should they attempt to make confidence slide because that could tempt China to take action. They should let events take their course. We should be patient. Provided unrest did not develop, there would be no difficulty. Given the world economic situation, the state of the Hong Kong stock market was quite good. The Prime Minister said that she agreed that we should not ourselves appear to be anxious about developments. Sir S.Y. Chung said that last Friday two leading Chinese property developers had given a press conference about a recent meeting with Deng and conveyed his assurance that China would not take over sovereignty

CONFIDENTIAL

/before 1997.



# CONFIDENTIAL

- 3 -

before 1997. Sir S.Y. Chung said that the Unofficials were Dissatisfied because they had not been kept informed of the details of the talks with the Chinese until Lord Belstead had visited Hong Kong - and this despite the fact that the Chinese had leaked details liberally. The Prime Minister said that we had agreed with the Chinese that the talks should be kept confidential. But when they had broken this agreement we had decided that the constraint imposed upon us could be lifted. Sir S.Y. Chung said that the Unofficials had a special status and should receive special treatment. The failure to convey information had created great distress. Time would be needed for this situation to be remedied. At the moment there were no Chinese on EXCO. The future of Hong Kong was a matter of life and death. It was important that the Government should get the best possible advice from EXCO. But the advice they could offer was limited by the absence of a Chinese representative. So advice from the Unofficials was imperative. They should be given a role in the negotiations. The Prime Minister commented that the agreement with the Chinese was that the talks should be conducted through diplomatic channels. As different subjects came up, there would be a need for different participants. Sir S.Y. Chung said that, while many British officials spoke excellent Chinese, they would not find it easy to detect the nuances of Chinese meaning. Unless the Unofficials were closely involved in the negotiations, they could not convey the best advice. He did not expect the Unofficials to be represented at the negotiating table but they ought to be present in Peking when talks took place and to be consulted frequently. The Prime Minister said that the talks which had so far taken place were hardly of a type to warrant that.

Sir S.Y. Chung said that he was not surprised that we had not yet entered into serious negotiations. The Chinese would play these talks long. In the view of the Unofficials, the reason they had given so much publicity to Mrs. Thatcher's views was to demonstrate to opinion in China that the negotiations were complex.

/They would

# CONFIDENTIAL



CONFIDENTIAL

- 4 -

They would need time to convince internal opinion of the elements of a solution. And, he repeated, they might wait to see the results of the next British Elections before moving.

Sir S.Y. Chung suggested that we give consideration to working through the Americans in Washington on the former Chinese Vice-Foreign Minister who was now to be the Chinese Ambassador in Washington. This could be a useful way of enlisting American help. The Prime Minister said that this seemed a good idea.

Sir S.Y. Chung said that there was a need to counter discreetly the views of people under the age of thirty in Hong Kong who had no direct experience of Communism and were therefore inclined to argue in favour of the Chinese formula. It was also necessary to give more publicity to the fact that the United Kingdom derived no material benefit from Hong Kong.

The Prime Minister said that she wished to emphasise that we had complete confidence in UMELCO. If we had not conveyed information immediately about the talks in Peking, this was partly because we did not want to depress UMELCO at the outset. Deng had said some very unpleasant things and she had taken him to task as she had rarely done with any other leader. The Unofficials should not be in doubt that we had not retreated one inch from the position she had expressed in Peking. She was sure that he had excellent access to the Governor but if he ever wanted to write to her he should feel free to do so.

In conclusion, Sir S.Y. Chung said that he was most grateful for the action which had been taken with regard to Hong Kong passports - this was very good for morale. He also wished to let the Prime Minister know that Lord Belstead's visit had been most successful.

The discussion ended at 1715.

A. J. C.

20 December 1982

CONFIDENTIAL



*File*

*TWP*

**CONFIDENTIAL**



**10 DOWNING STREET**

*From the Private Secretary*

20 December 1982

*Dear John,*

HONG KONG

Sir S.Y. Chung called on the Prime Minister this afternoon. The conversation lasted for nearly an hour. I enclose a record.

*Yours ever  
John Cole.*

John Holmes, Esq.,  
Foreign and Commonwealth Office.

*JH*

**CONFIDENTIAL**



Hong Kong

40

GR 250  
SECRET  
DESKBY 151030Z

SECRET

I expect only - but the  
call will be next Sunday.

FM HONG KONG 150849Z DEC 82  
TO IMMEDIATE F C O  
TELEGRAM NUMBER 1471 OF 15 DECEMBER  
INFO PRIORITY PEKING

A.S.C. 16/12

p-a.

FUTURE OF HONG KONG

1. THE SENIOR UNOFFICIAL MEMBER OF EXCO, SIR S.Y. CHUNG, IS IN LONDON ON PRIVATE BUSINESS, PARTLY IN CONNECTION WITH THE AFFAIRS OF THE HONG KONG POLYTECHNIC OF WHICH HE IS CHAIRMAN OF THE COUNCIL. I UNDERSTAND THAT HE MAY BE SEEING THE PRIME MINISTER TODAY. IF THE CALL TAKES PLACE I SHOULD BE GRATEFUL FOR AUTHORITY TO ANNOUNCE IT PUBLICLY HERE. THIS WOULD SERVE TO DEMONSTRATE ONCE MORE THE IMPORTANCE WHICH HMG AND THE PRIME MINISTER PERSONALLY ATTACH TO KEEPING IN CLOSE TOUCH WITH THE UNOFFICIALS OVER THE FUTURE. LORD BELSTEAD'S VISIT LAST WEEK WAS VERY HELPFUL IN THIS REGARD.

2. IF NO. 10 AGREE WE WOULD LIKE TO SAY SOMETHING ON THE FOLLOWING LINES TOMORROW, 16 DECEMBER:

"THE SENIOR UNOFFICIAL MEMBER OF THE EXECUTIVE COUNCIL, SIR S Y CHUNG, WAS RECEIVED BY THE PRIME MINISTER AT NO. 10 DOWNING STREET ON 15 DECEMBER. SIR S Y CHUNG IS IN LONDON ON PRIVATE BUSINESS AND THE PRIME MINISTER TOOK THE OPPORTUNITY TO INVITE HIM TO CALL".

WE WOULD ADD UNATTRIBUTABLY THAT THE CONVERSATION WAS PRIVATE BUT THAT IT IS UNDERSTOOD THAT THEY DISCUSSED DEVELOPMENTS OVER THE FUTURE IN THE LIGHT OF LORD BELSTEAD'S VISIT.

3. IF NO. 10 AGREE PLEASE ALSO ALERT SIR S.Y. CHUNG.

4. GRATEFUL FOR REPLY DESKBY 160100Z.  
YOUDE

FUTURE OF HONG KONG

LIMITED

HD/HK & GD  
ED/FED  
HD/PLANNING STAFF  
HD/PUSD  
PS  
PS/LORD BELSTEAD  
PS/PUS  
MR GIFFARD  
MR DONALD

PS/MR HURD  
SIR J BULLARD

COPIES TO

SIR I SINCLAIR LEGAL ADVISER  
MR ROBERTS NEWS D  
MR COLES - NO 10 DOWNING STREET  
MR MARTIN ASSESSMENTS STAFF  
CABINET OFFICE

SECRET