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RECORD OF A DISCUSSION AT 1600 HOURS ON WEDNESDAY 9 MARCH 1983  
AT 10 DOWNING STREET

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Present:

Prime Minister  
Foreign and Commonwealth Secretary  
Secretary of State for Defence  
Sir Antony Acland  
Sir Edward Youde  
Sir Percy Cradock  
Mr Donald  
Sir Anthony Parsons  
Mr Coles

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The Prime Minister said that she would like the discussion to concentrate on the steps which we might need to take once a reply had been received to the message which she proposed to send, subject to Cabinet's approval, to the Chinese Premier. She felt that more could be done by way of presenting our case to the people of Hong Kong. The Foreign and Commonwealth Secretary said that there was also a need for presentation of the case within the United Kingdom. He thought it would be desirable in due course to brief a few Members of Parliament who were particularly interested in the issue. It would be better to take them into our confidence before a critical situation developed. The Prime Minister said that she believed this could well be useful in due course but for the moment we had nothing to say. She thought we should first see what response our message to the Chinese evoked. Sir Edward Youde commented that there was a constant danger that if we said

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too much in public the Chinese would engage in confrontational propaganda. Sir Antony Acland said that it was his impression that Hong Kong businessmen were relatively relaxed at the present time.

Sir Edward Youde said that if the message to the Chinese produced the right response, we should proceed on the course we originally intended. He assumed that Sir Percy Cradock would conduct the opening round of talks but that he would participate as soon as possible and then attend as and when necessary. If we got into a detailed discussion of the economic system of Hong Kong, he would probably send specialists to participate.

The Prime Minister recalled that Sir S.Y. Chung had earlier told her that he thought some Hong Kong Chinese should be present in Peking during the talks so that they could be consulted by our team. Sir Edward Youde said that he would not rule that out. But the Chinese might refuse to give them visas. Peking might take the line that if they wished to talk to the Hong Kong Chinese they would do this direct and not through the intermediary of the British. But if members of EXCO could not go to Peking he hoped they might come to London again in a few weeks time to see the Prime Minister. The Prime Minister agreed that this would be useful. We must give EXCO full opportunities to put their ideas forward. EXCO should be briefed on her message to the Chinese Premier before it was delivered in Peking. She also thought it might be worth telling the Chinese that she could come under Parliamentary pressure at any time to reveal the state of the talks. This tactic might influence the Chinese reply. Sir Percy Cradock agreed that it would be useful to make this point to the Chinese and draw their attention to the difficulties which could be created if there was no early evidence of talks.

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But the question arose of what we should do if the Chinese reply was negative or if they simply did not reply for a considerable period. He was sure we must avoid a confrontational approach. The Prime Minister agreed. We should constantly emphasise that both sides were interested in the prosperity of Hong Kong and that it would be foolish to destroy this. Sir Percy Cradock said that the key question, if the message did not work, was what, if anything, we could do to circumvent the Chinese precondition of sovereignty. Sir Edward Youde said the danger was that the Chinese would announce publicly that the talks were making no progress and that therefore the Chinese "plan" would prevail in 1997. How in those circumstances did we maintain prosperity and confidence, avoid confrontation and keep the position open? We should devise a statement to meet those objectives. But we should also decide what action we could take. Sir Percy Cradock observed that our strongest point was that we had created in Hong Kong a prosperous society. The Chinese wished to retain that prosperity and the good will of the people of Hong Kong.

Mr. Donald asked whether we could not blur the date of 1997. Sir Edward Youde pointed out that the Chinese maintained that the treaties were not valid. It followed logically that the date of 1997 had less significance for them. Our position in Hong Kong was basically founded on the Hong Kong wish that we should be there and the fact that the status quo suited the interested parties. If the Chinese could be brought to recognise this, it might be possible to induce them to consider what might happen in the future if, for the purpose of the talks, the treaties were set aside. The Prime Minister commented that in practice China did recognise the treaties because they constantly referred to 1997 and their intention of recovering then the whole area. It was suggested that the reason they did so was because we in our turn emphasised the importance of the

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treaties. Sir Percy Cradock said that the great unanswered question was how much the Chinese would need to change the present administrative system to meet their ideas of sovereignty. The Prime Minister said that the Chinese threat to cut the link with the Privy Council went to the heart of the difficulty.

Sir Percy Cradock said that it might be possible to obtain Chinese agreement to set aside the treaties for the purpose of the talks and on that basis discuss how to keep a prosperous society going. Agreeing, Sir Edward Youde said that it would be essential to do this in an exploratory way, making it clear that we were not committed to the approach. The Prime Minister said our right to be in Hong Kong was partly founded on the treaties. But it was also founded on a right of prescription and on the choice of the Hong Kong people. We had operated a system which suited both sides. But if we were to go into talks on the basis suggested, we should need a clear written formula. Sir Edward Youde suggested that the first step would be to discover from the Chinese, without commitment, whether this was a possible way forward. The Prime Minister stressed that we should not state that we were setting aside the treaties - but rather setting them aside for the purpose of the talks and forming a new basis for the talks. Sir Antony Acland asked whether the Chinese would not demand a clear statement as to whether we were or were not maintaining the treaties. The Prime Minister said a possible response was that we were trying to agree on a package of measures which would enable recommendations to be made to Parliament. If we could obtain such a package, it would supercede the other difficulties. Sir Edward Youde commented that we could then use the substantive talks to discuss what the package should consist of. The Secretary of State for Defence said that this was in essence the same approach as that suggested in the Prime Minister's message but took a slightly different form.

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/Sir Anthony Parsons

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Sir Anthony Parsons asked whether it was likely that if the Chinese returned a negative reply they would at the same time publish their plan. Sir Percy Cradock doubted this. He believed that the announcement of the plan was linked to party meetings in May or June.

The Foreign and Commonwealth Secretary said that the Chinese might well show interest in the reference in the message to a "package" of measures. The Chinese Ambassador had questioned him on this point recently.

Sir Edward Youde said that, if talks commenced, our starting point would be the package which we already had, namely the existing systems. We should in any case promote a greater participation of Hong Kong people in Government. He would produce a plan for that.

Sir Percy Cradock said that the approach suggested would have attractions for the Chinese. They would for the first time have a formula which they could confidently present to their party network. Deng would be able to see a time ahead when he could recover sovereignty.

The Prime Minister thought that for the Chinese the minimum demonstration of their sovereignty would be a flag and a Governor. The question was - what were the minimal trappings of titular sovereignty which could be coupled with the substance of British administration.

Sir Edward Youde said that it would be desirable to consult EXCO about the idea at an early stage.

The discussion ended at 1715 hours.

A-J-C

9 March 1983

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cc Sir A. Parsons

10 DOWNING STREET

From the Private Secretary

9 March 1983

Dear John,

Hong Kong

The Prime Minister today held a further meeting on the future of Hong Kong. The discussion was of an exploratory nature and the Prime Minister stressed that no decisions would be taken.

I enclose a record of the discussion.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence).

John

John Holmes

John Holmes Esq  
Foreign and Commonwealth Office

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