

RECORD OF A MEETING AT No. 10 DOWNING STREET AT 1630 HOURS  
ON WEDNESDAY 5 OCTOBER 1983

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PRESENT

The Prime Minister  
Foreign and Commonwealth Secretary  
Chancellor of the Exchequer  
Secretary of State for Defence  
Mr. Luce  
Sir Robert Armstrong  
Sir Antony Acland  
Sir Percy Cradock  
Mr. Donald  
Sir Anthony Parsons  
Mr. Coles

The Prime Minister said that we were now faced with an acutely difficult problem in the negotiations with China. She was not sure that all the possible options were set out in the minute of 4 October by the Foreign and Commonwealth Secretary. She wondered whether an alternative option was to produce a document describing what the Chinese were apparently prepared to offer in regard to the future system for running Hong Kong. This document would put special emphasis on the concept of a 50-year period of autonomy starting in 1997. If the Chinese provoked a breakdown in the negotiations the document could usefully be published. We had been on the defensive for too long and needed some device for regaining the initiative.

The Foreign and Commonwealth Secretary said that he could see the value of having available a document which might in due course be published. But there could be difficulty in drawing up a paper for presentation to the Chinese at the present stage. It might turn out later that there were further concessions that we could have obtained. It might be that we had not yet reached the point where we could define in any detail the Chinese prescription for the future of Hong Kong.

/The Prime Minister

The Prime Minister commented that the Chinese aim seemed to be to ensure that Hong Kong was not under British administration after 1997. If they could not be moved on this point, perhaps our aim should be to achieve a Singapore-type autonomy for Hong Kong preserved by a treaty lasting for 50 years. Our immediate objective had to be to keep the talks going. If the Chinese claimed publicly that we had surrendered British administration, the document she had described would be valuable in showing what we believed the Chinese to have offered in return.

Sir Percy Cradock said that it might be useful to draw up a document to clear our own minds. But it would be dangerous to give it to the Chinese. It would be taken as setting out our maximum demands. But it might be shown in the event that we could have done better. Our position would have been rigidified. Flexibility was preferable so that we were able to extract the maximum advantage for Hong Kong. Moreover, the Chinese might interpret the document as British acceptance without qualification of the Chinese premise. It would be better to give a conditional acceptance along the lines that if satisfactory arrangements could be agreed, then the Government would be prepared to recommend them to Parliament. If, at the end of the negotiations, the package was unsatisfactory, we would have the right to reject it just as we were still able, following the Prime Minister's letter of 10 March to the Chinese Premier, to reject the proposition that China would obtain sovereignty over Hong Kong in 1997.

Agreeing, Mr. Luce thought that it would be the wrong tactic to table such a paper now. The aim must be to get the Chinese to reveal their hand. So he favoured the kind of formula which Sir Percy Cradock had described.

The Chancellor of the Exchequer said that he had recently read for the first time the list of "special policies" which China had decided to adopt towards Hong Kong, as elaborated to the Ambassador in Peking in the talks on 25 July. His first impression was one of some surprise that the Chinese had been prepared to go so far. He agreed with the Prime Minister that  
/if China

if China stated publicly after the next round of talks that Britain had now expressed readiness to concede British administration, that would have a damaging effect on the markets.

Sir Percy Cradock said that if we now entered into a period of confrontation with China, damage to Hong Kong was certain. If we put forward the formula proposed in Option D of the Foreign and Commonwealth Secretary's minute, we ran the risk of Chinese misinterpretation. But if they did claim publicly that we had made a concession we should be able to rebut this with the argument that we were simply doing what any prudent negotiator would do, exploring all the possible options. At the end of the day, we retained the right to reject whatever package was on offer.

Mr. Luce said that the public relations aspect was important. The question was whether a formula of this kind would induce the Chinese to stop their propaganda which was having a serious effect on opinion in Hong Kong. If it did not have this effect, we should explain to Hong Kong publicly what we were trying to achieve. He had met many people on his recent visit to Hong Kong. He was struck by their great fear of living under a Communist regime. To be able to live in freedom in the future was more important to them than the existence of a British Governor.

Sir Robert Armstrong said that the difficulty with Option D was that it repeated in respect of administration the formula which we had adopted on sovereignty. Could we not instead ask the Chinese to explain in detail their position on administration? Sir Percy Cradock said that the Chinese were not prepared to discuss details until a bow had been made in the direction of their premise. A formula along the lines of that in Option D was the only way in which we could discover what they had in mind.

/The Prime Minister said

The Prime Minister said that Option D presented difficulties. We had employed a conditional formula in respect of sovereignty. As a result, the Chinese had convinced everyone that we had surrendered sovereignty. The suggestion now was that we should concede that the right of administration should pass to China. In her view, the right of administration should pass to the residents of Hong Kong. That was what autonomy meant. It was extremely difficult to envisage that administration could be conceded. The document that she had in mind would, of course, be a conditional statement. It would sell no passes. We still had sovereignty in perpetuity over Hong Kong and Kowloon. It was still open to us to bring the people close to independence by 1997. At that point, Peking would have to deal with the people of Hong Kong.

The Foreign and Commonwealth Secretary said that any future arrangements in Hong Kong would depend crucially on China's consent and acquiescence. It was true that legally we had the right to sovereignty over eight per cent of the territory after 1997. But this was not a good guide to our overall policy on the problem. Initially, we had tried to separate sovereignty and administration. But we had not been successful in promoting a negotiation about the details of a future administration. We now needed to enter into talks on what elements of administration should be preserved in order to guarantee stability and prosperity. The Chinese "special policies", accompanied by a 50-year guarantee and credible elements of a British presence, might well be the best possible outcome.

The Chancellor of the Exchequer said that he did not find it surprising that the Chinese would not accept a British Governor after 1997. He thought that something along the lines of Option D in the Foreign and Commonwealth Secretary's minute might be the best way forward, though the particular formula suggested might not be suitable.

/Sir Antony Acland

Sir Antony Acland said that it was not clear that a paper setting out our interpretation of the Chinese position would remove the deadlock in the talks. The Chinese might still refuse to discuss it unless we accepted their premise.

The Prime Minister commented that any formula would have to make it clear that we were prepared to discuss administrative arrangements only in the context of her letter of 10 March to the Chinese Premier. But it remained her goal that effective administration should pass not to China but to the residents of Hong Kong. The Foreign and Commonwealth Secretary said that perhaps it was not necessary to refer in the formula to the right of administration passing to China in 1997. It was worth noting that the Prime Minister's letter of 10 March did not refer explicitly to British administration. It might be sufficient to make clear to the Chinese that we were not envisaging the continuation of British administration. The Prime Minister said that it must be remembered that we were committed to the proposition that any arrangements agreed with the Chinese must be acceptable to the people of Hong Kong.

Sir Percy Cradock said that it was only in co-operation with China that we could reach an agreement which was in the interests of the people of Hong Kong. We could do nothing for them if we were in confrontation with China.

Summing up the discussion, the Prime Minister asked that two documents should be prepared for consideration at a meeting the following day:-

- (a) A draft telegram of instructions to H.M. Ambassador in Peking which would set out in general terms what we understood the Chinese proposals for the future to be, emphasising in particular the requirement that Hong Kong should have autonomy; which would express our willingness to see whether the elaboration of this description conformed with the conditions laid down in the Prime Minister's letter of 10 March; and which would move sufficiently far in the direction

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of the Chinese premise to avoid deadlock in the talks and promote detailed discussion of the future of Hong Kong.

- (b) A draft paper setting out what, on the basis of the Chinese proposals so far made, might be achievable in the continued negotiations about the future of Hong Kong.

The meeting ended at 1800 hours.

A-F C.

10 October 1983

S E C R E T



CC MASTER SET

10 DOWNING STREET

*From the Private Secretary*

10 October 1983

HONG KONG

I sent you, with my letter of 7 October, an account of the discussion which took place at the Prime Minister's meeting with the Unofficial members of EXCO on that day.

As you know, the meeting with EXCO was preceded by two internal meetings on 5 and 6 October. For the record, I now enclose summaries of the discussions at those two meetings.

I am copying this letter and enclosures to Richard Mottram (Ministry of Defence), John Kerr (H.M. Treasury) and Richard Hatfield (Cabinet Office).

A. J. COLES

John Holmes Esq.,  
Foreign and Commonwealth Office.

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