

SECRET

RECORD OF A MEETING AT No. 10 DOWNING STREET AT 1600 HOURS
ON THURSDAY 6 OCTOBER 1983

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
Sir Edward Youde
Mr. Donald
Sir Anthony Parsons
Mr. Robin Butler
Mr. Coles

Sir Edward Youde said that the opinion of the Unofficials, whom the Prime Minister would be meeting the next day, had changed since he had last discussed ^{the situation} with them in Hong Kong. They had then been keen to maintain the current policy of insisting on British administration after 1997. Now, a number had come round to the view that it might be wiser to consider a formula which would enable the negotiations to progress. Nevertheless, others felt that there was a risk that if we made a concession to China we should receive nothing in return. This group also argued that if confrontation was inevitable it was better to have it now while Hong Kong was strong. Some of the Unofficials, especially the bankers among them, recognised that a breakdown in the talks would bring serious consequences.

The Foreign and Commonwealth Secretary said that his impressions were similar. Some Unofficials argued that it was better to face confrontation now. Others were more inclined to argue that it was wrong to precipitate a breakdown until every avenue had been explored; but we should not unconditionally accept the Chinese position. Agreeing, Mr. Luce said that the
/mood of the

mood of the Unofficials was more open now than when he had met them in Hong Kong nine days ago.

The Prime Minister said that we had earlier worked on the assumption that if we made a conditional concession with respect to sovereignty, the negotiations would proceed smoothly. That had not proved true. The proposition now was that we should make a conditional concession on administration and that negotiations would then proceed smoothly. But if they did not, what would the next Chinese demand be?

The Foreign and Commonwealth Secretary said that the term "British administration" had become a shorthand device for suitable arrangements in the future. But the term itself, which was not used in the Prime Minister's letter of 10 March, had become a stumbling block. The "special policies" announced by China clearly added up to something less than Chinese administration. Sir Percy Cradock commented that Article 31 of the Chinese Constitution allowed the Chinese Government to create any arrangements they chose in the special administrative regions.

The Prime Minister suggested that the meeting should discuss the two documents enclosed with Mr. Holmes' letter of 6 October to Mr. Coles, namely:-

- (a) A draft telegram of instructions to H.M. Ambassador in Peking;
- (b) an outline of points which would need to be covered in negotiating a system of assurances for Hong Kong.

A number of detailed drafting amendments were suggested to the draft telegram. It was agreed that a revised text should be prepared and submitted to the Prime Minister for her approval.

/As regards the

As regards the second paper, the Foreign and Commonwealth Secretary stressed that it was a purely internal document, at least at this stage. The Chancellor of the Exchequer commented that it could be very useful for publication at a later stage as an indication of the British aims in the negotiation. Sir Edward Youde commented that in due course it would be necessary to consult EXCO about the various elements in the paper. In his view, our objective in the talks should be to make the Chinese negotiate us down from the present position obtaining in Hong Kong, i.e. it was tactically wiser to let the Chinese state what they objected to in the present system, with the implication that everything to which they did not specifically object would be retained.

The Prime Minister said that the second paper should be regarded as a draft which at this stage would be for purely internal use. It should be further elaborated and refined in consultation with those departments principally interested in the matter. In due course, it might be necessary for the new OD Sub-Committee to consider the document.

Following discussion of the handling of the meeting with the Unofficials on the following day, the meeting ended at 1800 hours.

A.J.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.

S E C R E T