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Hong Kong

10 DOWNING STREET

From the Private Secretary

20 December 1983

The Prime Minister has asked me to bring to the attention of the Foreign and Commonwealth Secretary the enclosed copy of a letter which she has received from the Earl of Cromer.

Mrs. Thatcher would be grateful for Sir Geoffrey Howe's comments both on the general suggestions made about our negotiations with the Chinese and on the reference in page 2 to the lack of confidence caused by the Political Adviser in Hong Kong who is said to disseminate widely in the Colony his personal support for unilateral disarmament.

BE ✓
The Prime Minister thinks that this latest reference to the Political Adviser, on top of the earlier ones, gives ground for concern. She would be grateful for an account of Sir Geoffrey Howe's current thinking about this problem in the light of the contacts which he had earlier with Mr. Murray Jones.

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

Prime Minister.

This letter from the Earl of
Cromer contains :-

(a) some general suggestions
about our negotiations with the
Chinese

(b) a further criticism of
Mr. MacLaren (the Political
Advisor).

May I ask the Foreign Secretary
to his comments on both?

(I will let you have a copy of
the letter.)

Yours m

A.F.C. $\frac{19}{12}$.

From: The Rt. Hon. The Earl of Cromer

Beaufield House, ^{59A}
St. Saviour,
Jersey,
Channel Islands



15 December 1983.

STRICTLY PERSONAL AND CONFIDENTIAL

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Dear Prime Minister,

You once told me not to hesitate to get in touch with you if I had some advice to proffer, so I am venturing to take you at your word, on a Privy Counsellorship basis, in a field with which you would probably not associate me but which I mentioned to you the other evening at the Buckingham Palace Diplomatic Reception.

HONGKONG

My elder son, Errington, who has lived in the Far East for some fifteen years, the last five of which in Hongkong, has recently been home on a brief Leave and I think it may be of interest to you to be aware of what he told me but I should make it clear that the initiative to write to you stems from me and not from him. Some five years ago Errington was instructed to start from scratch Inchcape (China) Ltd. as Inchcapes were not one of the old China Houses. By spending a great deal of time in China, by last year he had built up the turnover of sales to China of Inchcape (China) from zero to \$75 million for the year and had been responsible for setting up a couple of years ago the first joint venture enterprise between the Chinese and any Western capitalist enterprise. He thus has wide contacts in China.

He tells me that he believes that the crise de nerfs displayed in the Colony last September was certainly in part due to two particular factors as well as indicating the generally highly sensitive mood of the Hongkong business community. The first was the rumour in the Colony that Sir Percy Craddock was retiring as he is held in highest esteem as a thorough professional of wide experience and great capability. When it was announced that Craddock was returning to serve you at No. 10 there was widespread relief. The second was that it was believed in the Colony that our negotiating mission was being selected more on linguistic ability than on negotiating experience whilst the Chinese team had been selected on proven negotiating prowess in having negotiated Chinese entry into the UN, despite not having a word of English amongst them

There remains concern over our negotiating mission. It is thought that the inclusion in the delegation of Sir Edward Youde as Governor of Hongkong is an affront to Chinese "face" as they do not recognise such a title. The Chinese have subtle ways of signifying their standpoint as the following incident would seem to bear out. Entirely by chance Errington found himself on the same aircraft flying from



Peking to Hongkong with Sir Edward Youde who was also returning to the Colony at the conclusion of a recent round of negotiations. Sir Edward was seen off from Peking by a very junior Chinese official. On the aircraft Sir Edward had been allotted a single seat in Row B whilst his 'bag-carrier' had been allocated a seat several rows away. Only after a row and with the reluctant co-operation of an American tourist were the seats changed. On this journey it is apparently necessary to land at Tianjin to clear Chinese Immigration and Customs. Here some American and Chinese business men were led off to receive VIP treatment in the VIP Lounge while their formalities were looked after for them, whilst there was no-one to meet Sir Edward who had to queue up with the tourists and others who were on the flight. The interpretation of this behaviour is of course obvious.

Unfortunately, as you are doubtless aware, Sir Edward has not yet succeeded in establishing confidence in the Colony itself; maybe, given time this would improve but time is not on our side. Further lack of confidence is caused by the Governor's Political Adviser, a Mr. Maclaren, who widely disseminates in the Colony his personal support for unilateral disarmament. It goes without saying that morale in the Colony is of highest importance if there is not to be an ugly exodus when the Union Jack has in due course to be hauled down. There appears to be a general feeling in the Colony that the UK is not taking the future of Hongkong sufficiently seriously and is treating these highly important negotiations on a routine level appropriate to some rather unimportant trade negotiations.

Although personally knowing nothing of Hongkong it does occur to me to suggest to you, with great respect, that some of these criticisms would appear to have some substance. Being aware, as we all are, of the importance that the Chinese place on "face" one would have thought that the Governor of Hongkong by virtue of his Office was the last person to include in the negotiating mission although obviously he would have much invaluable advice to offer whilst based in Hongkong to the Head of our Negotiating Mission. I would suggest that Chinese "face" would call for a Head of Mission of past-Cabinet or proconsular status, or at least a man of outstanding public eminence.

The working out of the new Constitution, for this is what is involved, would, I suggest, be best carried out by an outstanding constitutional lawyer, or possibly academic. What is obviously called for is a mind of great professional ingenuity



with a strong bent for obfuscation. I cannot believe that any solution lies in detailed discussion of 'the small print' ab initio. These negotiations so far transcend the ordinary run-of-the-mill negotiations that there is plenty of past precedent for calling in from outside the Service the best brains in the country, e.g. Lord Monkton and the Indian Princes, and others.

If this new approach to the composition of a new Mission were to appeal to you one immediately comes to the question of possible candidates and in this I would be hesitant to make any suggestions as No. 10 is obviously best equipped in this respect. For Head of Mission, age is if anything an advantage as the Chinese evidently respect age. I would have someone in mind such as Alec Home, Hartley Shawcross (who incidentally knows China well), Sir Zelman Cowen, or Sir Patrick Neill (All Souls) although anyone of the calibre you need would require a great deal of persuading to take on such an arduous challenge.

As to the Lawyer, I am sure that the Lord Chancellor might well have suggestions.

You must forgive me, Prime Minister, for this unsolicited intervention but it occurred to me that these thoughts might constructively augment what you are receiving through the normal official channels.

Yours sincerely
Rowley Cross

P.S. The continuing fall in the £/\$ rate I find rather disturbing as a threat to your most successful containment of inflation particularly with the prospects of considerable pressure on the price of oil this coming Spring. So many of our basic imports are today priced in \$

The Rt. Hon. Margaret Thatcher M.P.,
Prime Minister,
10 Downing Street,
LONDON SW1

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