

SUBJECT

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RECORD OF A DISCUSSION AT A MEETING WITH THE UNOFFICIAL MEMBERS OF EXCO AT 1030 HOURS ON MONDAY 16 JANUARY 1984 AT No. 10 DOWNING STREET.

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PRESENT

|                                    |                           |
|------------------------------------|---------------------------|
| The Prime Minister                 | The Governor of Hong Kong |
| Foreign and Commonwealth Secretary | Sir S Y Chung             |
| Mr. Luce                           | Mr. O V Cheung            |
| Sir Antony Acland                  | Mr. R H Lobo              |
| Sir Percy Cradock                  | Mr. F W Li                |
| Sir Richard Evans                  | Mr. M G R Sandberg        |
| Mr. Donald                         | Mr. T S Lo                |
| Mr. Coles                          | Miss Lydia Dunn           |
|                                    | Mr. Q W Lee               |
|                                    | Mr. S L Chen              |
|                                    | Miss Maria Tam            |

The Prime Minister welcomed the delegation of Unofficials. It was most helpful to have their advice and thoughts at each stage of the negotiations. It remained vital that we did all we could to secure the best possible arrangement for the people of Hong Kong after 1997. It was one thing to pose the problems. It was another to devise the most realistic way forward. She had seen an account of the meeting between the Unofficials and the Foreign and Commonwealth Secretary on 13 January. Although the Chinese had said that they would issue a public statement in September on the course of the negotiations, it looked as though negotiations might have to continue beyond that date since it was unlikely that by then the Chinese would have drawn up the Basic Law for the future Special Administrative Region.

Sir S Y Chung thanked the Prime Minister for the personal interest she was taking in the negotiations. He wished to look first at one or two major developments since her visit to Peking in September, 1982. It was then agreed that the common objective was to seek to maintain stability and prosperity in Hong Kong after 1997. It had become obvious in ensuing months that the Hong  
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Kong people also attached great importance to maintaining their present freedoms and life style. The belief was that the best means of securing these objectives was for British administration to continue in Hong Kong after 1997. But by October, 1983 it had become clear that this was not acceptable to the Chinese. For that reason, it had been decided to use a "without prejudice" formula in further discussion with the Chinese with the objective of building on to the Chinese plan for Hong Kong continuing British links and influence. Since then, details of the twelve-point Chinese plan had emerged. But it had unfortunately not proved possible to gain Chinese acceptance for a continuing British link of authority. The Chinese had now leaked their twelve-point plan, had furnished some details of it to the Hong Kong people and had specified that there would be no change after 1997 for a fixed period of 50 years.

During the recent review of policy the Unofficials had agreed with the British assessment that any British link of authority was likely to be unacceptable and that short of embarking on a confrontation with China, it was not possible to see clearly what the Chinese bottom line was. The Unofficials agreed with the British suggestion that we should seek a number of assurances designed to make any agreement last for 50 years. A British paper referring to this point had been of high quality. But, in order to increase the acceptability to Hong Kong of the Chinese plan, we needed to devise more safeguards than the paper had envisaged. The Hong Kong people had themselves suggested the same. An article in the South China Morning Post by a professor in the Chinese University of Hong Kong had put forward the idea of a kind of Chinese Commonwealth. Another professor had reported a conversation with the Head of the Hong Kong and Macau Bureau in Peking at which the latter had apparently expressed Chinese interest in the need for safeguards and for some British involvement in ensuring that there should be no Chinese interference for 50 years after 1997. Thus, the Chinese authorities seemed to give some weight to the suspicions expressed by the Hong Kong people. It was suggested that HMG should follow up these ideas with the Chinese as soon as possible.

With regard to the acceptability of the final agreement, the Unofficials were very confident that the Hong Kong people would accept British administration as the best device. But they were not  
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so confident that the Hong Kong people would accept the Chinese plan, whatever safeguards were devised.

The Chinese constantly leaked the details of their own plan and of HMG's position in the negotiations. HMG had remained silent for 15 months and this had led to increasing frustration and disappointment in Hong Kong. The opinion was growing in Hong Kong that HMG should state clearly the present purpose of the negotiations. If this was not done, both the Government and the Unofficials would gradually lose credibility with the people. The manner of making the objective clear needed very careful consideration. But it was necessary for HMG to condition the Hong Kong people to accepting with the minimum emotion the realities of the situation. This would also be a way of testing the acceptability to the Hong Kong people of any final arrangement. To repeat, the Unofficials were not altogether confident that any final arrangement would be accepted.

With regard to a possible Chinese announcement in September, 1984, it was the belief of the Unofficials that the Chinese would then set out only basic principles and not details. Everybody in Hong Kong knew the fundamentals of the Chinese plan. The Head of the **N**ew China News Agency in Hong Kong had made a speech last Sunday setting out the whole situation. If HMG could reach an interim agreement with the Chinese before September, 1984, it would be useful to announce this. But if not, then we should not rush into an agreement for the sake of an agreement if the terms were not right. A bad agreement was worse than no agreement. Everything he had so far said was agreed unanimously by the Unofficials.

The Prime Minister pointed out that even if we stuck to the treaties we should have a problem since we should lose most of the territory in 1997. We had long hoped that it would be possible to exchange Chinese sovereignty for British administration. It then became clear that the Chinese regarded administration as a function of sovereignty. This touched something very deep in Chinese psychology and could not be overcome by argument. So we had had to try to find another way round the obstacle. That had led to the

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last meeting with the Unofficials.

We still had the cards of sovereignty and conditionality. But since the Chinese did not observe the treaties, in their own eyes they had sovereignty already and could on that basis promulgate a plan at any time. Yet the Chinese wanted to preserve a good international reputation and wanted the success of Hong Kong to continue. Those were cards in our hands. In our handling of the negotiations we constantly emphasised these things. A further card was the impact of any outcome on the Taiwan situation.

She understood that the Unofficials had accepted in their talks with the Foreign and Commonwealth Secretary the re-definition of our objective in the negotiations.

A matter of great importance would be the draft Basic Law. The purpose of the present detailed negotiations was that each item of the agreement should be incorporated in this Basic Law. So the details of every single paper which we submitted were important. We also had to consider the continuity of the political system up to 1997 and must work out how it would be developed. The Chinese knew that unless the details of the eventual agreement commanded confidence in Hong Kong and the rest of the world, they would not secure all their objectives.

Sir S Y Chung intervened to say that he thought there was a slight difference of assessment between the Unofficials and HMG. In the view of the Hong Kong people it was not the details of the agreement but the accompanying safeguards which were crucial to confidence. The Prime Minister said that the safeguards would have to be incorporated in the bilateral agreement. She asked whether there was any evidence that China had broken an international agreement. Sir Percy Cradock said that he could not recall a violation of a formal agreement entered into by China after 1949. Mr. Sandberg raised the case of Tibet. Sir Percy Cradock said that the Chinese believed that there had been a major national uprising in Tibet. The Prime Minister added that the Chinese also regarded Tibet as a part of China.

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There could be no absolute guarantee of Chinese behaviour after 1997 any more than there was now. The Chinese could walk into Hong Kong at present but had not done so. We had to negotiate with the cards that we possessed. Sir S Y Chung said that he had merely been reflecting the fears of the Hong Kong people. The Prime Minister said that they were her fears too. But the way forward was to seek the maximum agreement and to incorporate in that agreement the maximum number of safeguards. We should also pin down the Chinese to an international reputation for integrity. If the Chinese failed to negotiate a satisfactory agreement, they would themselves incur penalties. There would be effects on their international prestige and on Taiwan and American opinion. It was generally recognised that you did not use force to solve disputes. In talking of the period within which there would be no change in Hong Kong, we should seek the phrase "at least 50 years" after 1997. If the new system worked well for 50 years, there was no reason why it should not continue indefinitely. It was wise to try to seek an agreement while Deng Xiaoping was still in office - at least we knew who we were dealing with. We could not obtain an absolute guarantee but we had very considerable cards.

Miss Dunn said that one felt rather helpless in this situation. Many people in Hong Kong had gone there to escape a Communist regime in China. The Chinese track record in respecting bilateral agreements was good. But she was not sure that that was sufficient for those Hong Kong people who had actual memories of treatment at the hands of the Chinese. It was necessary to secure as many assurances as possible. People would question whether a paper agreement was sufficient and if they did not believe in the agreement, confidence in Hong Kong would collapse. The Foreign and Commonwealth Secretary pointed out that the more Hong Kong could be locked into a network of international agreements and arrangements, the better the position would be. Miss Dunn said that people asked what Britain would do if China did violate the agreement. In a sense flagrant violations could be dealt with - but what safeguard was there against more subtle interference? The Prime Minister

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said that this point also worried her. The Chinese had no concept of a free society. But they would have to consider whether the disadvantages of interfering outweighed the advantages. How far was it possible to hint to the Chinese that confidence depended very largely on their behaviour?

Sir Percy Cradock said that this was the meaning of our frequent references to continuity. This term of art was understood to mean non-interference by the Chinese. They had come near to accepting continuity as a formal principle. In the end there was no absolute guarantee. All we could do was insert as many steel structures as possible and rely on their cumulative effect.

Miss Dunn said that people nevertheless worried that the agreement would not hold. Could we not devise a mechanism or a body with authority to intervene only in cases of breaches of the agreement. For example, the Chinese had floated the idea of a tripartite arrangement. The Prime Minister said that she was aware of this idea. But one had to guard against a mechanism which looked like a safeguard but turned out to be a vehicle of interference.

Mr. Lobo said that there was another problem, that of the frequent manipulation of the media by the Chinese. Hong Kong people would warmly agree with the Prime Minister's references on television yesterday to the need for prosperity, law and order and a free lifestyle in Hong Kong. But they would ask how these things could be secured. If safeguards could not be secured, many people would leave, and the Chinese would say that those who wished to depart could do so. The Prime Minister said that they were bound to take this line. But both China and the Soviet Union had shown that they did care how they were regarded by the rest of the world. In addition, China wanted to keep close to the West because of its fears of the Soviet Union. If China did not value Hong Kong it could have entered the territory earlier.

Mr. Lo said that his worry was that of insidious changes. There was also the danger of Hong Kong becoming the pawn of

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internal Chinese politics. One practical safeguard was to be as specific as possible about the details of any agreement. That would make it easier to demonstrate breaches of the agreement. Timing was difficult. It would not be possible to work out all the details before September. So the negotiations must continue beyond that date and one of our objectives should be to secure Chinese acceptance of that proposition. The Prime Minister said that she agreed with this point, especially because the Basic Law would take time to draft.

Mr. Lo said that it would also be necessary to have an independent organisation after 1997 with the function of drawing attention to breaches. The Prime Minister said that Britain, as a party to the agreement, could probably do that. The Foreign and Commonwealth Secretary said that indeed we could do no less. Mr. Lo wondered whether the future British representative in Hong Kong could be given the function of reporting on breaches.

Mr. Lee said that the people of Hong Kong were now prepared to accept some changes. But once these had been identified they needed the assurance that no more changes would be imposed against their free will. The British negotiators were doing their best, and it was true that China was concerned about its international reputation. But that was an external factor. They could always bring about changes by manipulation in Hong Kong. That was the real fear. Only absolute insulation in the form of a link of authority with Britain could guard against this.

The Prime Minister said that in Hong Kong the Chinese would be exercising authority over a very different society to that which they knew at home. It would be difficult for them to impose their system against the will of Hong Kong. Furthermore, there was a substantial international community in the colony. Mr. Lee said that he did not agree entirely. Recently, a Hong Kong editor who had been writing pro-Hong Kong articles had been silenced. The Foreign and Commonwealth Secretary pointed out that that implied that there was no guarantee against Chinese

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interference even today. Mr. Lo said that the view in Hong Kong was that Chinese interference would be ten times worse when British administration left.

Mr. Li said that it was difficult to negotiate with Marxists. He wished to emphasise the need for some kind of interim announcement as proposed by Sir S. Y. Chung. The fact was that we had changed course and people should know this. Any process of softening opinion should be very gradual. We must avoid the appearance of sudden change. The Prime Minister stated that we must continue to emphasise the conditionality of the present negotiations. Miss Tam stressed the usefulness of a body to police the agreement. When Hong Kong came to consider the acceptability of the final arrangement, it would look to the methods of enforcement. This was crucial to those who could not leave Hong Kong. The Foreign and Commonwealth Secretary said that the more we stressed to China the need for assurances, the less likely we were to obtain them. We must try discreetly to insert them during the course of negotiations.

Mr. Cheung said that we should try to steer the Chinese away from drafting a mini-Constitution for Hong Kong. The Prime Minister commented that we were in effect helping to draft the Basic Law now. But we would need to look at it very carefully as a whole. Mr. Cheung said that he thought that the Chinese might be willing to consider a joint statement in September embodying the agreed details. Miss Dunn said that she was attracted by the idea of a joint statement. It would let the people of Hong Kong know where they stood; their reaction, in emphasising the need for guarantees, would strengthen the British hand; and this could be helpful with the British Parliament. Sir Percy Cradock said that the Chinese themselves had indicated interest in a joint statement. Mr. Chen said that if it was not possible to obtain a joint statement, we should make an interim report to the Hong Kong people. The absence of such a report was contrasted with Chinese propaganda.

/ The Prime Minister



The Prime Minister stated that our aim should be to achieve a joint interim statement. We should also consider what more could be said unattributably to the media and we should need to make China understand our problems.

Mr. Lo said that the Hong Kong Government had been telling the people not to believe press statements but to wait for statements from their own Government. This process of waiting could not continue until September. There must be an interim report before then. The Prime Minister said that she understood this point. We were preparing a paper which would cover both unattributable briefing and what EXCO might say more publicly on the progress of negotiations. This paper would be prepared urgently and the Governor would discuss it with EXCO.

Reverting to the current objective of the negotiations, she said that she believed it had been agreed at the meeting with the Foreign and Commonwealth Secretary that this should read as follows:

"Negotiation of the highest degree of autonomy for Hong Kong, both internal and external, consistent with the assumption by China of sovereignty and the right of administration. We should also seek to assert in the negotiations the principle of minimum change in the Hong Kong systems. The arrangement should be backed by the maximum assurances in order to maintain domestic and international confidence".

Clearly this was an internal definition and was not for public consumption. Sir S.Y. Chung suggested that the definition should include after the word "systems" the phrase "for at least 50 years after 1997".

Sir Percy Cradock said that we needed from Peking a maximum assurance that there would be no change in Hong Kong as a result of Chinese Government actions after 1997 - but of course the SAR

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would have the usual right to change its own laws. Sir S.Y. Chung commented that we needed guarantees of two different things - no change and no interference. The Prime Minister commented that we would be seeking assurance at several levels - in the details of the negotiation and in the eventual bilateral agreement. Did we envisage that a bilateral agreement would be reached before we had seen the Basic Law? Sir Percy Cradock said that he believed this would be necessary - but Parliamentary approval would have to be deferred until the Law was clear. Sir E. Youde pointed out that the two things went together. Until there was a bilateral agreement it was not possible to determine the Basic Law. The Prime Minister said that we would also have to consider wider consultations in Hong Kong. In response to a question from Miss Dunn, she confirmed that conditionality remained until we had seen the Basic Law and the bilateral agreement would be subject to acceptability in the British Parliament.

Sir S. Y. Chung asked whether we could write into the objective of the negotiations a British monitoring role after 1997. The Foreign and Commonwealth Secretary said that that idea was contained in the reference to "maximum assurances". Sir Percy Cradock said that the aim must be to work for as many assurances as possible. But it was better not to work to a detailed list. The Prime Minister said that we would consider very carefully the question of a future monitoring role. There was bound to be a British diplomatic representative in Hong Kong after 1997. Sir Percy Cradock pointed out that the continuity of service of a number of British civil servants would lead to a continuing British presence after 1997. Mr. Sandberg pointed out that this would be a fading presence. Mr. Lo observed that their loyalty would be to the future SAR. What was needed was a British monitoring role.

The Prime Minister said that we would also need to give further thought to constitutional development in Hong Kong up to 1997. Mr. Lo said that as soon as the people of Hong Kong realised that there would be no British administration after 1997,

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the pressure for elections would be considerable. Sir S. Y. Chung recalled that EXCO had discussed with the Governor a paper on this matter. It was of great importance and EXCO was not yet ready to make realistic recommendations. All they could indicate now was that the direction in the paper was right - the majority of EXCO accepted this. But they were not ready yet to discuss the future pattern or structure. The Governor pointed out that it had been agreed that there should be a progressive development in the direction suggested in the paper, i.e. Hong Kong would not jump to a new pattern straightaway. EXCO would wish to consider the pattern and rate of development again and probably to take soundings of Hong Kong opinion. The Prime Minister observed that the critical point was for EXCO to move from a position of giving advice to taking decisions on certain things. That was the essence of democracy. She thought that it would be necessary to have a new system well entrenched before 1997. That in the end was the greatest safeguard for Hong Kong.

Miss Dunn said that she agreed entirely. It would be very dangerous to rush into the great unknown. Hong Kong was not ready and this would provoke the Chinese. It must be very clear that for 13 years Hong Kong would be under British rule. We should not lose the 13 years that we now had. Mr. Lo repeated his view that direct elections would be the most credible system at the end of the day.

The Governor pointed out that we needed to produce a working paper for the Chinese which would indicate the point which we hoped constitutional development would have reached by 1997. The Prime Minister noted that further work would now be done on the question of constitutional development.

Sir S. Y. Chung said that the Unofficials felt that circumstances had changed since HMG was no longer contemplating British administration after 1997. So in effect HMG was negotiating with China about the structure of the Hong Kong Government after 1997 on the assumption that this would be based on Hong Kong people

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ruling Hong Kong. China was briefing the media that the major matter for negotiation was how British interests would be guaranteed after 1997. This line was causing increasing suspicions in Hong Kong. The Unofficials were frequently questioned as to whether EXCO was being fully informed about the negotiations. The Unofficials believed that they were fully informed, but were not in a position formally to confirm this. So the Unofficials asked that when the time was ripe the British negotiating team should have a Hong Kong resident as a member. This would go a long way to alleviating suspicions in Hong Kong. The Prime Minister said that she understood this position. If it was up to us, the team would include Hong Kong people. But we believed that to propose this now would raise Chinese suspicions and would not be the best way to further the negotiations. She noted the reference to the time being ripe and therefore proposed to note the suggestion which had been made. She recognised that the Unofficials needed some clear indication from HMG that they were being fully consulted and informed. It had been suggested to her that a brief summary of the conclusions of today's talks should be agreed. She suggested that such a summary be drafted and be considered at a meeting which the Minister of State would hold with Unofficials tomorrow.

Mr. Sandberg said that he continued to be worried by the frequent Chinese references to the protection of British interests after 1997. These references created the impression that it was British interests, and the wishes of the Hong Kong people, which were the main preoccupation. The Chinese were attempting to divide Britain from Hong Kong and this needed to be countered. The Foreign and Commonwealth Secretary suggested that this should be considered in the paper which was to be produced about publicity. Sir S. Y. Chung pointed out that the public position of HMG would be stronger once it became clear that we were working not for British administration but for the future of the Hong Kong people.

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There was then some discussion of a press release, following which a text was agreed. Sir S. Y. Chung then asked what the reference in paragraph 2 to "HMG's continuing commitment to Hong Kong" meant. It was observed that this phrase had been used before and that further elaboration could perhaps await the Minister of State's meeting with the Unofficials tomorrow.

Sir S. Y. Chung then thanked the Prime Minister for the meeting and wished Sir Richard Evans every success in the continuing negotiations.

The meeting ended at 1230 hours.

A copy of the agreed press release is annexed to this record.

A.J.C.

16 January 1984



"The Prime Minister met the Governor of Hong Kong and the Unofficial members of the Executive Council on 16 January.

~~Sir Geoffrey Howe~~ and Mr Luce were also present, as were Sir Richard Evans, who will shortly be taking up his appointment as HM Ambassador in Peking, and Sir Percy Cradock. The programme for the Governor and the Unofficials also includes separate calls on Sir Geoffrey Howe and Mr Luce.

This was the third visit by the Governor and the Unofficials since July 1983. Ministers reaffirmed HMG's continuing commitment to Hong Kong and to the search for a settlement acceptable to Parliament, to China and to the people of Hong Kong.

As on previous occasions there was a comprehensive review of developments in the talks. It produced a close identity of views on the matters involved.

The Prime Minister and the Foreign Secretary reiterated the importance which they continue to attach to keeping the Executive Council fully informed and to receiving their advice. The Governor and the Unofficials expressed their appreciation for this further opportunity to meet the Prime Minister and her colleagues, and for their continuing support and encouragement.



Annex

PROPOSED TEXT OF PRESS RELEASE TO BE ISSUED AFTER THE  
PRIME MINISTER'S MEETING ON 16 JANUARY WITH THE  
GOVERNOR OF HONG KONG AND EXCO UNOFFICIALS

"The Prime Minister met the Governor of Hong Kong and the Unofficial members of the Executive Council on 16 January. Sir Geoffrey Howe and Mr Luce were also present, as were Sir Richard Evans, who will shortly be taking up his appointment as HM Ambassador in Peking, and Sir Percy Cradock. The programme for the Governor and the Unofficials also includes separate calls on Sir Geoffrey Howe and Mr Luce.

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Ministers reiterated the importance which they continue to attach to the advice of the Executive Council. The Governor and the Unofficials expressed their appreciation for this further opportunity to meet the Prime Minister and her colleagues, and for their continuing support and encouragement."