



Foreign and Commonwealth Office

London SW1A 2AH

6 September 1982

Prime Minister

It would be helpful to know tomorrow morning whether you are content with the suggestions in this letter for press handling. Agree?

A.J.C. 7/9

Dear John,

Call on the Prime Minister by the Governor of Hong Kong and 5 Unofficial Members of the Executive and Legislative Councils

FLAG A /

In his letter of 20 August, Tim Flesher confirmed that the Prime Minister had invited the Governor of Hong Kong and 5 Unofficial Members of the Executive and Legislative Councils to lunch at 1245 on 8 September. I enclose a brief for the Prime Minister. You will see that we recommend that the Prime Minister should concentrate on exploring the views of the Unofficials on the future and assuring them that she will take these into account in her talks with Peking.

FLAG B /

As you know, there is great interest in Hong Kong in this visit. The Governor has proposed that a press statement should be issued after the lunch to pre-empt further questioning. I enclose a draft for your consideration and would be grateful if you would let me have a copy of the final version. I assume that you will wish to issue it.

The Governor has also pointed out that he will need to make a more detailed statement on his return to Hong Kong. He would not of course allow himself to be drawn on the views expressed by the Prime Minister, but he believes that it would be helpful if he could say that he and the Unofficial Members conveyed to the Prime Minister a full account of public opinion in Hong Kong, including expressions of views by organisations, in the press, in correspondence with Unofficial Members and through opinion surveys. He would decline to expand further on the draft statement, but would emphasise that the issue would not be settled all at one go, and that progress would be step by step. He would also like to be able to reveal publicly on his return that he will be accompanying the Prime Minister

/to Peking



to Peking. This would be a helpful supplement to an otherwise meagre public line, given the level of media interest in Hong Kong. I would be grateful for your confirmation that this is acceptable.

Yours ever
John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 DOWning Street

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PRIME MINISTER'S LUNCH WITH THE GOVERNOR OF HONG KONG AND
5 UNOFFICIAL MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS:
8 SEPTEMBER 1982

POINTS TO MAKE

General Introduction

1. Very pleased to see you all. Most grateful to you for agreeing to come to London for this meeting. Had useful discussion with Governor on 28 July. Agreed then it would be helpful to invite Unofficial Members to give first-hand account of views of Hong Kong people on the future before my visit to China.

The Future of Hong Kong

2. What is the general climate of opinion? Have seen reports of opinion polls suggesting that public wants continuation of British administration - is this a fair reflection of views? Do different sections of the community hold different views?


3. Are public aware of the possible options, and of the realistic constraints? What account should be taken of the Chinese claim to sovereignty over the whole territory?

4. How soon must a solution be found? Have noticed the considerable speculation in Hong Kong, and the recent Stock Market decline - hope that expectations are not too high that

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a quick agreement will be reached. What elements of a solution would be acceptable in Hong Kong? Does the Chinese Government show any signs of having understood these?

5. How can HMG best demonstrate that the views of the people of Hong Kong are being taken into account? At what stage should the process of consultation be widened? How should this be done?

Prime Minister's Visit to China

6. Will take views expressed by Unofficials fully into account in talks in Peking. Governor will accompany me. Not possible to judge what solution might emerge until have had authoritative exchange of views with Chinese leaders.

7. Don't expect talks to produce any immediate settlement. But hope for agreement to hold serious talks on a basis acceptable to both sides. This will be major achievement. The issue will not be settled all at one go. Progress will be step by step.

8. Important to restrain speculation in Hong Kong about possible solutions or about likely British negotiating position. Must avoid Chinese being provoked into unhelpful comment before visits - cf Lord Carrington's visit in 1981.

/Prime

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Prime Minister's Visit to Hong Kong

9. Realise that people will expect me to report on progress of talks in Peking. Unlikely to be able to say much publicly without jeopardising negotiations. Helpful if expectations of results of visit could be lowered.

10. Visit provides opportunity to discuss other bilateral areas of interest, eg commercial relations. Unhealthy if future totally dominated visit.

Other Issues (Defensive)

11. (The main purpose of the Unofficials' call is to brief the Prime Minister on opinion in Hong Kong about the future of the territory. They are unlikely to raise other issues, but might mention some bilateral questions briefly:

- (a) the Multi-Fibre Arrangement;
- (b) the British Nationality Act (and, in particular, the question of nomenclature in passports);
- (c) Overseas Students' Fees;
- (d) Vietnamese refugees.

12. The Unofficial will have had an opportunity to raise these issues with Lord Belstead and the Secretary of State on 7 September. The Prime Minister may, therefore, wish merely to listen to the Unofficials' views, and to suggest that these subjects be discussed at greater length during her visit to Hong Kong.)

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BACKGROUND

General Introduction

1. Apart from the Governor, Sir Edward Youde, the party consists of the following 5 Unofficials:

- (a) Sir S Y Chung CBE. Aged 64. Senior Unofficial Member of Executive Council since 1980. Member of Legislative Council 1968-78 and Executive Council since 1972. A self-made industrialist. Chairman of Sonca Industries Ltd and Grindleys Dao Heng Bank Ltd.
- (b) Mr Roger Lobo CBE. Aged 59. Senior Unofficial Member of Legislative Council. Member of Legislative Council since 1972 and Executive Council since 1978. A businessman of Portuguese origin, and closely involved with Catholic charities and voluntary organisations.
- (c) Mr Li Fook-wo CBE. Aged 65. A member of Executive Council since 1978, and a member of Legislative Council 1973-81. A banker from one of the inner group of established Hong Kong families.
- (d) Miss Lydia Dunn OBE. Aged 42. A member of Legislative Council since 1976 and now (since

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1 September 1982) also of Executive Council.

A successful executive with John Swire and Sons Ltd, and representative of the younger Chinese professional class. A member of the Textiles Advisory Board.


- (e) Mr Chan Kam-chuen. Aged 57. A member of Legislative Council since 1980. A building services manager with Cable and Wireless Ltd with close links to labour organisations.

The Future of Hong Kong

2. The Special Study on Hong Kong prepared by the Foreign and Commonwealth Office was submitted to the Prime Minister on 3 September. This gives an analysis of the interests of HMG, the PRC and the people of Hong Kong, considers various options for the future of Hong Kong that seem to be impracticable and suggests that the approach that would promise the best chance of success would be the negotiation of a 'management contract' that would allow for continued British administration of the whole of Hong Kong in return for an acknowledgement of Chinese sovereignty over the whole territory.

3. Annex E of the Study gives the Governor's views on current opinion in Hong Kong, as reflected in opinion polls, the media and informal soundings, and suggestions on ways in which consultation might be carried out after the Prime Minister's visit.

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Prime Minister's Visit to China

5. The Hong Kong Study recommended that the Prime Minister's main objectives in her talks with Chinese leaders should be:

- (a) to secure Chinese agreement that negotiations about the future should begin very soon on a basis acceptable to both sides, and that this agreement be registered in a joint statement in terms that will strengthen confidence in Hong Kong;
- (b) failing this, to ensure as far as possible that any public statements made from the Chinese side during or after the visit represent a significant step forward to maintain confidence in Hong Kong; and
- (c) throughout the discussions and the follow-up, to avoid a damaging confrontation with the Chinese.

6. It is expected that the Chinese will assert that the whole of Hong Kong is Chinese territory, that they must 'recover' sovereignty over it all but that subject to this they wish to preserve the prosperity and stability of Hong Kong. They may suggest that this could be achieved by making Hong Kong a 'Special Administrative Region' within China, run largely by Hong Kong Chinese under a similar system to the present but without continued British administration.

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Prime Minister's Visit to Hong Kong

7. The Prime Minister will arrive in Hong Kong on the afternoon of 26 September. It has been proposed that she should meet Unofficial Members of the Executive and Legislative Councils at 09.45 on 27 September, attend a lunch with businessmen at 13.00 and give a press conference at 16.00. A speech has been drafted for the businessmen's lunch mainly on the theme of the opportunities that Hong Kong offers for UK commercial interests. The main objective of interest at the press conference, however, and at the meeting with Unofficial Members, will undoubtedly be the progress of talks in Peking.

8. The Hong Kong Study has suggested that the public presentation in Hong Kong of the results of the Prime Minister's visit to China will be very important, and that the aim should be:

- (a) to avoid any public impression of a clash with the Chinese;
- (b) to emphasise that HMG and the Chinese share a common objective in maintaining the prosperity and stability of Hong Kong;
- (c) to provide evidence of a step forward (eg the holding of talks).

Some suggested answers to possible questions have been provided in Annex P. These are for illustrative purposes and will need revision depending on progress in Peking.

/OTHER

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OTHER ISSUES

Multi-Fibre Arrangement (MFA)

9. First round of EC-Hong Kong bilateral negotiations took place on 1 - 15 June and ended without agreement. Negotiations due to restart on 15 September. Main point of disagreement is over EC's demand for cutbacks averaging 10% on quotas for 5 of the most sensitive categories of low-cost imports.

10. Commission's mandate is a negotiated compromise between wishes of member states. UK resisted pressure from other member states for more severe treatment for Hong Kong. UK domestic industry faces severe difficulties: since beginning of 1980, output down 25% and over 170,000 jobs lost.

British Nationality Act 1981 (BNA)

11. Hong Kong fears that change in citizenship title as result of BNA may lead other countries to tighten up immigration rules for British Dependent Territories' Citizens (BDTCs). Germany and Austria have for some time required visiting Hong Kong passport holders to obtain visas. Spain have recently introduced this requirement and France may be about to do so. HMG have made representations on Hong Kong's behalf but so far with little success.

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12. At instigation of UMELCO, Hong Kong Government have recently proposed inclusion of word 'National' (eg, 'British National') in passports of BDTs. There is no basic legal objection to this, but Home Secretary's view is that there could be other problems, and possible legal complications. Now under discussion between Whitehall Departments.

Overseas Students' Fees


13. Decision in November 1979 to withdraw subsidy from fees paid by overseas students, including those from Hong Kong, caused ill-feeling in Hong Kong. Drop of 50% in Hong Kong students coming to UK 1979-81. Hong Kong Government instituted loan scheme, but this has not achieved aim of maintaining number of Hong Kong students coming to UK.

14. Overseas Students Trust recommended in June home student status for students from Dependent Territories, with, in the case of Hong Kong, joint subsidy by HMG and HKG. HKG have now proposed means-tested system of joint-funding: HMG's share estimated to be £1.6 million in 1983/4, rising to £5.1 million in 1987/8. Now being considered by Whitehall Departments.

/Vietnamese

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Vietnamese Refugees in Hong Kong

15. In 1979, HMG agreed to take 10,000 Vietnamese refugees from Hong Kong. Have taken more, because of those covered by previous agreed quota and ship rescue cases.

16. Number of refugees in Hong Kong now rising again (from 10,000 in April to over 13,000 now), owing to seasonal influx and falling off of resettlement places worldwide. Arrivals in July were 1,613, highest monthly figure since July 1979, and nearly 50% of regional total. From July, all new arrivals placed in closed camps to await resettlement, but no noticeable effect yet on numbers arriving.

Hong Kong and General Department

3 September 1982

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PRESS STATEMENT FOR ISSUE AFTER THE PRIME MINISTER'S
LUNCH WITH THE GOVERNOR OF HONG KONG AND 5 UNOFFICIAL
MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS ON
WEDNESDAY 8 SEPTEMBER

The Prime Minister today received a group of Unofficial Members of the Executive and Legislative Councils of Hong Kong, accompanied by the Governor, and entertained them to lunch. Her object was to hear at first hand their views on the climate of opinion in Hong Kong and of the wishes of the people there on the question of the future of the territory before her visit to Peking and Hong Kong at the end of September. The Prime Minister assured the Unofficial Members that in her discussions in Peking she would fully represent the views and interests of the people of Hong Kong.

DRAFT

Press statement for issue after the Prime Minister's Lunch with the Governor of Hong Kong and 5 Unofficial Members of the Executive and Legislative Councils on 8 September

'The Prime Minister today received a group of Unofficial Members of the Executive and Legislative Councils of Hong Kong, accompanied by the Governor, and entertained them to lunch. Her object was to hear at first hand their views on the climate of opinion in Hong Kong and of the wishes of the people there on the question of the future of the territory before her visit to Peking and Hong Kong at the end of September. The Prime Minister assured the Unofficial Members that in her discussions ~~the views and wishes of the people of Hong Kong would be taken fully into account.~~

in Peking she would fully represent the views and interests of the people of Hong Kong.

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FILE

RM

Hong Kong

10 DOWNING STREET

From the Private Secretary

20 August, 1982

Thank you for your letter of 19 August about the visit to London by Unofficial Members of the Executive and Legislative Councils of Hong Kong in September. I can confirm that the Prime Minister has invited the Governor together with representatives mentioned in your letter to lunch at 1245 hrs on 8 September and that we are content with the Governor's suggestion about the announcement of the visit to London.

I am sending a copy of this letter to Michael Arthur (Lord Belstead's Office).

(Timothy Flesher)

J E Holmes, Esq.,
Foreign and Commonwealth Office

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Foreign and Commonwealth Office

London SW1A 2AH

19 August, 1982

1) Agreed X by telephone
20/8. 2) Miss Stephens to
note guest list for
Hong Kong lunch 3) See
letter to me. JH 20/8.

Dear Tim,

Future of Hong Kong: Visit to London by Unofficial Members of
Executive and Legislative Councils in September

Further to my letter of 16 August, the Governor of Hong Kong has now invited the following Unofficials to accompany him on his visit to London next month when they will call on the Prime Minister at 12.45 on 8 September:

Sir S Y Chung Senior Unofficial Executive Council (a self-made industrialist).

Mr R H Lobo Senior Unofficial Legislative Council (of Portuguese origin). He is representative of the minority communities in Hong Kong.

Mr Li Fook-wo Executive Council, a banker and a representative of the inner group of established Hong Kong families.

Miss Lydia Dunn Legislative Council. A successful executive and representative of the Chinese professional class in Hong Kong.

Mr Chan Kam-chuen Legislative Council. A building services manager with Cable and Wireless Ltd and in close touch with the labour force side of industry.

X / He has suggested that a press announcement regarding the visit should be made in Hong Kong on or about 26-27 August, ie, about 10 days before the visit takes place, in order to avoid any dramatic speculation in Hong Kong about why a 'sudden visit' is necessary. The announcement could be made in the terms already agreed with you earlier in case there was a leak (copy attached), with the addition of the Unofficials' names.

The Governor's suggestion seems sensible to us and we support it, but I would be grateful to know if the Prime Minister is content. The Governor has requested a reply from us as soon as possible.

I understand that a general press release formally

/announcing

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announcing the Prime Minister's visit to the Far East will be issued on or shortly after 24 August. However, it is already widely known in Hong Kong that her visit will take place, and reference was made to it in connection with the Governor's previous visit to London in July.

I am copying this letter to Michael Arthur (Lord Belstead's office), Mr Donald and Mr Giffard.

Your ever

J E Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
Private Secretary
10 Downing Street

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PRESS LINE IN CASE OF LEAK

It is expected that the Governor will visit London again early in September for further consultations on the Prime Minister's visit to the Far East. He will be inviting some Unofficial Members from UMELCO, including the Senior Unofficial, Sir S Y Chung, to accompany him on this visit. It is expected that an appointment will be arranged for a call on the Prime Minister.

FORMULA FOR USE ON AN UNATTRIBUTABLE BASIS

The Prime Minister is of course interested in obtaining views from Hong Kong before she sets off on her tour.

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FM HONG KONG 171021Z AUG 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 882 OF 17 AUGUST

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FOLLOWING FOR CLIFT, HKGD
YOUR TELNO 600 : MY VISIT TO LONDON IN SEPTEMBER

Carry on! ✓
These are the
Under guests, I
think.

I HAVE NOW INVITED THE FOLLOWING UNOFFICIALS TO ACCOMPANY ME ON
MY VISIT TO LONDON EARLY IN SEPTEMBER AND THEY HAVE ACCEPTED.

TF
18/8

- (A) SIR S.Y. CHUNG. SENIOR UNOFFICIAL EXECUTIVE COUNCIL (A SELF-MADE INDUSTRIALIST),
- (B) MR. R.H. LOBO. SENIOR UNOFFICIAL LEGISLATIVE COUNCIL (OF PORTUGUESE ORIGIN). HE IS REPRESENTATIVE OF THE MINORITY COMMUNITIES IN HONG KONG,
- (C) MR. LI FOOK-WO. EXECUTIVE COUNCIL, A BANKER AND A REPRESENTATIVE OF THE INNER GROUP OF ESTABLISHED HONG KONG FAMILIES,
- (D) MISS LYDIA DUNN. LEGISLATIVE COUNCIL. A SUCCESSFUL EXECUTIVE AND REPRESENTATIVE OF THE CHINESE PROFESSIONAL CLASS IN HONG KONG,
- (E) MR. CHAN KAM-CHUEN. LEGISLATIVE COUNCIL. A BUILDING SERVICES MANAGER WITH CABLE AND WIRELESS LTD AND IN CLOSE TOUCH WITH THE LABOUR FORCE SIDE OF INDUSTRY.

2. WE ALREADY HAVE AN AGREED LINE IN CASE NEWS OF THE VISIT SHOULD LEAK (YOUR TEL UNDER REFERENCE) BUT IN ORDER THAT IT SHOULD APPEAR TO BE PART OF AN ORDERLY PROCESS I THINK IT WOULD BE HELPFUL TO ANNOUNCE IT HERE ABOUT TEN DAYS BEFORE IT TAKES PLACE (I.E. ABOUT 26/27 AUGUST). THE ANNOUNCEMENT COULD BE IN THE TERMS ALREADY AGREED WITH THE ADDITION OF THE NAMES OF THOSE WHO WILL BE ACCOMPANYING ME. IF WE LEAVE IT UNTIL THE LAST MINUTE THERE WILL BE DRAMATIC SPECULATION ABOUT WHY A "SUDDEN VISIT" WAS NECESSARY.

3. GRATEFUL FOR CONFIRMATION, IF POSSIBLE BY THE OPENING OF BUSINESS HERE ON FRIDAY, 20 AUGUST THAT THERE IS NO OBJECTION TO OUR MAKING THIS ANNOUNCEMENT.

YOUDE

LIMITED
HD/HK & GD
HD/NEWS D
PS

PS/LORD BELSTEAD
PS/PUS
MR DONALD

COPIES TO
MR COLES
NO 10 DOWNING STREET]

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Foreign and Commonwealth Office

London SW1A 2AH

16 August 1982

Dear Tim,

Responded by phone 17/8. The FCO will let us have details of UMERCO representatives. The meeting / lunch has been arranged at 12.45. JH 17/8.

Future of Hong Kong: Visit to London of Unofficial Members of Executive and Legislative Councils in September

At the Prime Minister's meeting on 28 July with Sir Edward Youde, the Governor of Hong Kong, it was agreed that Sir Edward would return to London in early September with representatives of the Unofficial Members of the Executive and Legislative Councils of Hong Kong (UMELCO). The idea was that they should see the Prime Minister in order to explain the feeling in Hong Kong on the main issues.

I understand that Wednesday 8 September at 1230 would be convenient for the Prime Minister. I should be grateful for your confirmation so that we can let the Governor know.

12.45

Yours ever

John Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
10 Downing Street