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Prime Minister

Private Secretary

*You may like to read now - we will be propose a meeting at 7.00 tonight for which this will be useful.*

The Prime Minister's meeting with UMELCO will be *MR 26/9*

very important. The Prime Minister will need to tell them more about her talks with Chinese leaders than she revealed at her press conference, and thus give them the impression that she is taking them into her confidence, but she will not wish to go too far: UMELCO members have so far been very good about maintaining the confidentiality of their discussions about the future but the pressures on them will be strong. A key point with them will be that Hong Kong should continue to be fully involved, and seen to be involved, not only in the preparations for the talks but, also, through the Governor at stages during the talks themselves.

2. A draft speaking note is attached. To maintain confidence among the UMELCO members, it would be best if the Prime Minister did not mention some of the starker phrases used by ZHAO and DENG.

3. I am sure that UMELCO will be satisfied with something on these lines. They will understand that in such a wide forum the Prime Minister will need to exercise some caution in what she says.

*Edwin Jenkins*  
Governor

Government House

26.9.82.

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TOPICS TO BE COVERED WITH UMELCO

1. Talks with DENG AND ZHAO for six hours:  
atmosphere.
2. The Chinese views well known:  
sovereignty.
3. The U.K. view -
  - (a) Treaties may be varied but not  
abrogated;
  - (b) British administration the basis  
of confidence;
  - (c) British responsibility to the people of  
Hong Kong and investors.
4. What we thought we could achieve -
  - (i) No time to reconcile
  - (ii) Aim for talks: a formula on ~~the~~ <sup>(iii)</sup>  
stability and confidence: and <sup>an</sup>  
announcement to the press.

We achieved all three.

5. Talks will begin through diplomatic  
channels but consultation with Hong Kong will  
be continuous.
6. Please maintain confidentiality: like  
to hear your views.

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## Prime Minister's meeting with UMELCO: Draft Opening Statement

1. You will already know a good deal about my visit to  
to China from the press. You will also know that the  
outcome of my talks with Chinese leaders about Hong  
Kong was a statement agreed by both sides which read  
as follows:

"Today the leaders of both countries held  
far-reaching talks in a friendly atmosphere  
on the future of Hong Kong. Both sides made  
clear their respective positions on this  
subject. They agreed to enter talks through  
diplomatic channels following the visit with  
the common aim of maintaining the stability  
and prosperity of Hong Kong".

I propose this morning to say something about my  
talks with Chinese leaders, and the process by which  
we arrived at that statement. I must ask you not  
to reveal what I say. I said at my press conference  
in Peking that to maintain confidence you must also

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maintain confidentiality. I am sure you will agree.

2. I had two long meetings with Premier ZHAO and one with Chairman DENG. My first meeting with ZHAO, which lasted for two hours, was entirely devoted to international affairs. I hoped in this way to establish a rapport with him before we got on to Hong Kong. At the second meeting, which also lasted over two hours, Premier ZHAO went straight into the Hong Kong question, and the great bulk of the time was spent on that. I then had more than two hours with DENG, and again, almost all the discussion was about Hong Kong.
3. The communique says that the talks were held "in a friendly atmosphere". This phrase was suggested by the Chinese side but I had no difficulty in agreeing to it. Though there was straight talking on both sides, the atmosphere was friendly.
4. We had a thorough review of the history of the problem. The Chinese explained their view of the

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present status of Hong Kong, and I explained the British Government's view. The Chinese outlined their thinking about future arrangements for Hong Kong. I spoke to them about the reasons for Hong Kong's success, and the wishes of the people of Hong Kong. In this I was able to draw on my talks with the UMELCO members who visited London in September. They gave me an invaluable insight into the wishes and views of UMELCO as a whole and, through them, of the people of Hong Kong.

5. You will want to know what I expected from my talks with Chinese leaders before I went to Peking. It was clear from the outset that this could only be a first exchange of views, and that there would not be time to reconcile differences between the British and Chinese positions. So my objective was three-fold:-

(a) To get it agreed and firmly recorded

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that the common aim of Britain and China is to maintain the stability and prosperity of Hong Kong.

(b) That there should be talks on the future, and that these should be completed as quickly as possible.

(c) That agreement to enter into these talks should be announced to the press.

You will have seen from the joint statement that this three-fold objective was met.

6. The Chinese position on sovereignty will come as no surprise to you. It is not new, and was reaffirmed to the press by Premier ZHAO, and by the New China News Agency after the talks. That position is, as you know, that all of Hong Kong is Chinese territory, and that sovereignty must be recovered. As regards administrative arrangements once

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sovereignty had been recovered, the Chinese explained that the plan in their minds was to make Hong Kong a special administrative region of China, but with a high degree of autonomy which would enable Hong Kong people to run their own affairs. Hong Kong would remain capitalist, and its "local systems" would be maintained in order to preserve confidence and therefore prosperity. The Chinese leaders also made it clear that they intended to continue their consultations with "the various circles" in Hong Kong about their plans, and in particular about what should happen after 1997. It was however clear throughout that they also wished to discuss with the British Government what arrangements should be made to maintain the prosperity and stability of Hong Kong.

7. I told the Chinese leaders that I understood how important the principle of sovereignty was to

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China, but that it was also a difficult issue for Britain. Britain's position rested on the Treaties, which in our view were valid in international law. [ I said that if there was a difference of view about the Treaties, the right way to deal with it was by discussion. ] If necessary the Treaties could be varied by agreement, but they could not be unilaterally abrogated.

8. Secondly, I made it clear that the plan which the Chinese had in mind would not work. I explained that confidence in Hong Kong depended not only on good relations between Britain and China but on such things as a stable and internationally respected relationship; a financial and tax regime favouring business enterprise, and which is not liable to sudden

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change; a familiar and internationally respected system of law; the maintenance of public order; and the freedom of its political and economic systems. I explained that British administration had provided these things and was the basis for confidence in Hong Kong. At this stage the question was not so much what would happen in 1997, but what people believed now in 1982 would happen. I made it crystal clear that if the Chinese plan were announced now there would be a disastrous effect on confidence.

9. Thirdly, I spoke of British responsibility for Hong Kong, and of the determination of my Government to discharge our moral responsibility to the people of Hong Kong. They, and the many foreign investors who had come to Hong Kong had put their faith in Britain. I made it clear that

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we would not let them down.

10. We had a very full and frank discussion in which, as the communique said, "both sides made clear their respective positions". We both maintained our positions. But I believe we can reconcile our differences and produce an agreement which will be acceptable to China and to Britain, and which will be welcomed by the people of Hong Kong.
11. The main difference which will need to be reconciled is as you will realise, the question of sovereignty. As I have said, I took my stand on the Treaties. Nevertheless, I made it clear that if arrangements for continuing British administration could be agreed, and these were fully acceptable to Parliament and the people of Hong Kong, I should be prepared to consider the question afresh. I took this position in the knowledge that you agree that British
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administration is essential, and that if agreement on this could be achieved, you would be prepared to contemplate an agreement on sovereignty which would meet China's political requirements.

11. Talks will start as soon as we make the necessary arrangements. They will begin through diplomatic channels, though if there proves to be a need we can add to them or vary them. It is right to start through diplomatic channels because that is the best way of keeping the talks confidential. It will be essential that they should be confidential if they are to be successful.
12. I already know, through the Governor and through you, the views of Hong Kong and what Hong Kong wants from the talks. The Governor will be fully involved in the preparation of instructions for the

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Ambassador in Peking and will take part in the discussions as and when necessary. Should any new question of substance arise, or new concrete proposals be put forward, the Governor would naturally seek the advice of the Executive Council and, where appropriate, consult UMELCO. And when we do get to the stage of concrete proposals I will ask the Governor to consider with you how consultation with the people of Hong Kong should best be widened.

13. I need hardly add that I shall be taking a close personal interest in the conduct of the talks.

14. I have given you as full an account of my talks in Peking as I can. I look to you to maintain confidentiality. In the meantime if there are any further views you wish to express to me I am here to listen. I want to be sure that I do understand the views of the people of Hong Kong.

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