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RECORD OF A DISCUSSION AT 10 DOWNING STREET ON WEDNESDAY 15 JUNE  
ABOUT THE FUTURE OF HONG KONG

Present: Prime Minister  
Foreign and Commonwealth Secretary  
Defence Secretary  
Sir Antony Acland  
Mr. Donald  
Mr. Freeland  
Sir Anthony Parsons  
Mr. Butler  
Mr. Coles

The Foreign and Commonwealth Secretary said that he had formed, in the brief time since he had taken office, some preliminary impressions about the problem. Confidence in Hong Kong was rather fragile at present. Anxiety was bound to recur between now and 1997 unless and until a satisfactory solution could be produced regarding arrangements for Hong Kong after 1997. Many Hong Kong Chinese appeared to be hedging their bets at present. It was clear that in the last resort our position in Hong Kong was untenable. China had overwhelming strength in the area and could overcome such resistance as we might care to mount. China had an economic interest in Hong Kong but this would diminish as its own economic strength increased. The major need was to bring the Chinese to an understanding of how the Hong Kong system worked and flourished. It was doubtful whether we could expect to retain a British administration of the present kind.

The Defence Secretary said that there was no easy way out. The choice before us was whether to accept an agenda on the lines proposed in the paper before the meeting or not. We must seek to ensure that the discussion with the Chinese centred initially on the question of maintaining industrial confidence.

The Prime Minister said that the problem remained disturbing. It would not be right for Hong Kong Chinese to think that the present system would necessarily be maintained until 1997.

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It remained important to stick to our position on the Treaties. By dint of the Treaties Hong Kong and Kowloon were ours in perpetuity unless we agreed otherwise. This was a fact which the Chinese had to face. While it was true, as the Foreign and Commonwealth Secretary had said, that China had overwhelming strength in the area it had so far refrained from using this and for good reasons relating to its economic interests and its international reputation. If the Chinese were to insist on a "red flag and yellow face" in Hong Kong, the remainder of the system after 1997 would have to be an administration of roughly the present kind though we might need to find a word other than administration to describe it. Our major responsibility was to the 4 million Chinese who had sought freedom from Communist rule. If the conviction grew that a Communist system would hold sway in Hong Kong after 1997, the basis of confidence would be destroyed. We had to find a system whereby the rights of the people of Hong Kong depended on the United Kingdom and were independent of Peking. Hong Kong needed this umbilical cord. China had provided for special regimes elsewhere. Perhaps it could be brought to accept in Hong Kong an effective system of administration of the present kind. It was not necessary that it should be called British administration. Confidence in Hong Kong would be retained only if China gained little more than titular sovereignty.

As regards the present state of the talks, it was important to be sure that EXCO were content with the approach which was proposed. She had expressed concern earlier that willingness on our part to discuss with the Chinese arrangements for Hong Kong between now and 1997 would give China a status in Hong Kong that it did not now possess. Mr. Freeland pointed out that mere agreement on our part to discuss arrangements with the Chinese did not necessarily give China increased status. The Prime Minister said that another problem was that it might be difficult to discuss the first agenda item proposed, namely arrangements for Hong Kong after 1997, without implying an acceptance of Chinese sovereignty. Sir Antony Acland observed that the question of sovereignty and the conditions under which we could agree to transfer it to China were covered in the Prime Minister's letter to Premier Zhao and

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the proposed formula for the agenda specifically mentioned that letter. Mr. Donald pointed out that the Chinese had originally sought to make the question of the transfer of sovereignty the first item on the agenda. By agreeing to invert the order, China had made a concession.

The Prime Minister said that she had to be sure that Hong Kong telegram number 779 was an accurate account of the discussion in EXCO. If necessary, we should have to publish EXCO's advice at a later stage. She recalled that at an earlier stage EXCO had not been content with the approach then proposed. We should also recognise the danger that the Chinese would leak the proposed formula for the agenda if it was agreed. The Defence Secretary and Sir Anthony Parsons commented that if the Chinese took this course, we should have to leak the Prime Minister's letter to Premier Zhao.

Following further discussion the Prime Minister stated that the formula to be put to the Chinese should read as follows:

"In order to meet the wish of the Chinese side for a broad agenda covering the whole course of the formal talks, the British side agree that, during the course of the talks, matters relevant to the future of Hong Kong should be discussed, in particular all the subjects mentioned in Mrs. Thatcher's letter and Premier Zhao's letter. These will include arrangements for Hong Kong after 1997, arrangements for Hong Kong between now and 1997, and matters relating to a transfer of sovereignty in that order. It is agreed that this agenda should remain strictly confidential."

The Prime Minister said that HM Ambassador in Peking should, EXCO having been told the latest position, be instructed to put this formula to the Chinese.

As regards the presentation of our case during the first round of substantive talks, discretion should be given to Sir Percy Cradock on the basis of the text in Hong Kong telegram number 624. Further consideration would need to be given to what



should be said in public about the new stage reached in the talks. The Foreign and Commonwealth Secretary said that he would submit a text shortly.

The Prime Minister said that it would be helpful if EXCO Unofficials visited London in the near future for further talks with Ministers.

The Foreign and Commonwealth Secretary said that there were one or two further points which needed consideration. When we spoke of discussing with the Chinese arrangements between now and 1997, we had to be clear what we had in mind. The Defence Secretary said that it was plain that China would in that period continue to be involved in such matters as investment decisions in Hong Kong. The answer to the point raised by the Foreign and Commonwealth Secretary was therefore probably that the arrangements to be discussed were those needed to maintain stability and prosperity between now and 1997.

The Foreign and Commonwealth Secretary said that we also needed to give thought to our condition that any solution must be "acceptable to the people of Hong Kong". We should come under increasing pressure to define this. At the moment we were only using EXCO as a test of acceptability. The Prime Minister agreed that more thought should be given to this criterion but stated that she could only recommend transfer of sovereignty if she was satisfied that the proposed solution was indeed acceptable to the people of Hong Kong. She understood that wording relevant to this point appeared in a current draft of The Queen's Speech. This would be discussed in Cabinet on Thursday, 16 June.

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10 DOWNING STREET

*From the Private Secretary*

16 June 1983

*Dear John,*

Future of Hong Kong

The Prime Minister held a meeting here yesterday to discuss this subject.

The discussion was in two parts, first a general exchange of views on the problems presented by the negotiations with the Chinese, secondly consideration of the immediate points for decision now that substantive talks appeared to be imminent. The latter part of the discussion was based on your letter of 13 June, Hong Kong telegrams numbers 624 and 779 and the FCO paper on forward strategy.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence).

*Yours ever*

*John Cole.*

John Holmes, Esq.,  
Foreign and Commonwealth Office.

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