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Foreign and Commonwealth Office

London SW1A 2AH

10 May, 1984

A.J.C. 1/5.

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Dear John,

Future of Hong Kong: Record of the Prime Minister's Meeting  
with EXCO Unofficials on 6 April 1984

I attach a copy of the record of the meeting between the Prime Minister and EXCO Unofficials on 6 April, prepared by the Clerk to the Executive Council. We have been asked to send this to you to retain as a matter of courtesy, following a discussion in EXCO on 13 April.

Yours ever,

L V Appleyard

(L V Appleyard)  
Private Secretary

A J Coles Esq  
10 Downing Street

SECRET

MEMORANDUM FOR EXECUTIVE COUNCIL  
THE FUTURE

RECORD OF A MEETING BETWEEN  
THE PRIME MINISTER AND  
THE UNOFFICIAL MEMBERS OF  
THE EXECUTIVE COUNCIL OF HONG KONG:  
6 APRIL 1984, AT 10 DOWNING STREET

Present:

The Prime Minister	Sir Edward Youde, GCMG, MBE, Governor
Rt Hon Sir Geoffrey Howe, QC, MP, Secretary of State for Foreign and Commonwealth Affairs	Sir Sze-yuen CHUNG, CBE, JP
Mr Richard Luce, Minister of State	Mr O V CHEUNG, CBE, QC, JP
Rt Hon Sir Michael Havers, QC, MP, Attorney General	Mr R H Lobo, CBE, JP
Sir Percy Cradock, GCMG, Deputy Under Secretary of State	Mr F W LI, CBE, JP
Sir Anthony Acland, GCMG, Permanent Under Secretary of State	Mr M G R Sandberg, CBE, JP
Dr D C Wilson, Assistant Under Secretary of State Private Secretary/Prime Minister	Mr T S LO, CBE, JP
	Miss Lydia DUNN, CBE, JP
	Mr Q W LEE, CBE, JP
	Mr S L CHEN, CBE, JP
	Miss Maria TAM, JP
	Mr M D Thomas, Attorney General
	Mr R I W Upton, Clerk of Councils

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The meeting commenced at 9.00 a.m.

2. The Prime Minister welcomed the Governor and Unofficials. She said that she wanted the Unofficials to say exactly what they felt. She thought that both sides felt the same way, but in the case of the Unofficials their feelings would be heightened by being closer to the issue.

3. Sir S.Y. Chung on behalf of his colleagues expressed their gratitude that their request for a meeting had been met at short notice. He referred to the beginning of the process of negotiations and recalled that at first we had tried to get the Chinese Communists to agree to continuing British administration after 1997 in return for sovereignty, but they had not been receptive to this approach. By September and October 1983 we had reached the brink of breakdown. At that stage HMG could have stood firm and exposed the Chinese bottom line, but they had instead persuaded the Unofficials to give up the objective of British administration, and to try to build on the premise of the Chinese plan a satisfactory agreement incorporating as many British links as possible of authority and influence while preserving conditionality.

4. After three months of talks and the submission of working papers the Chinese had put increasing pressure on our side to hasten the pace of negotiations, and had threatened a unilateral announcement in September 1984. The Unofficials had met the Prime Minister in January 1984, when they had been persuaded again that there should be a new negotiating brief. This brief had had as its first aim an interim agreement in September. Second had been the preservation of conditionality. Third had been the understanding that there would be no signing of the agreement before the drafting of the Basic Law. Fourth, conditionality would not be lifted without Parliament having endorsed the agreement. Fifth, the agreement should give the highest degree of autonomy to Hong Kong, and provide for minimum changes in the systems of Hong Kong and produce maximum assurances to maintain domestic and international confidence. The objective should be no change for 50 years, and to this end the agreement should contain as much detail as possible.

5. Sir S.Y. Chung said that the Unofficials had thus been very much surprised to learn from Mr Luce in February that HMG had changed its mind so as to accede to the Chinese request for a final agreement by the end of 1984. They understood that Mr Luce had reported to the Prime Minister the strong views that had been expressed by all Members of the Executive Council on 27 February. Subsequently the Unofficials had been given a revised draft strategy for comment, which they had decided to support provided certain minor changes were made, but they had expressed the unanimous view that the proposed timetable was quite unrealistic. They noted that there were still many areas of substantial disagreement with the Chinese, and required that the negotiations should proceed step by step without the imposition of any arbitrary deadlines by the Chinese.

They had required that the strategy should be changed to comprise six events, thus -

- a) a ministerial statement, after consultation with the Executive Council on its contents;
- b) a second ministerial statement, after consultation with the Executive Council, to unveil the progress of the negotiations, and to outline a possible agreement;
- c) publication of the draft agreement in full detail for public comment in Hong Kong;
- d) presentation of the draft agreement to Parliament for debate and endorsement;
- e) the signing of the agreement;
- f) the passing of legislation to return sovereignty over all Hong Kong to China, and ratification of the agreement after the publication of the Basic Law.

Of these the most important were the third and the sixth stages, the publication of the draft agreement for public comment and the passing of legislation to return sovereignty and the ratification of the agreement after the publication of the Basic Law.

6. In agreeing this strategy the Unofficials had stressed two points. First, HMG must be ready to go back to the negotiating table if the people of Hong Kong objected to any clause in the draft agreement, and the Chinese side must be made aware of this possibility from the outset. Second, if the advice of the Executive Council on the draft agreement was not acceptable to HMG then the dissent of the Executive Council should be made public.

7. The Unofficials had now seen the form proposed for the draft agreement, and wished to make two points. First, when the agreement was published the people of Hong Kong would be very disappointed if it contained no article covering its monitoring and interpretation, and another article providing for redress for the people of Hong Kong if the agreement was violated, since, unlike other international agreements, the injured party would be a third party who was not a signatory. Second, the

Unofficials believed that there was a cultural difference in approach: in their view the terms of the draft agreement were not sufficiently advantageous to our side to allow us scope for the necessary bargaining with the Chinese Communists.

8. After hearing the reports of the tenth and the eleventh rounds, particularly the eleventh round, the Unofficials had been very alarmed by the statements of Mr ZHOU Nan. The Chinese were not merely unwilling to deal in detail, but showed bad faith in continually shifting their position. Sir S.Y. Chung said Miss Lydia Dunn would give examples of these shifts in position. The Unofficials were increasingly worried about the growing number of swift retreats made by HMG, and the continual wrong assessments of the Chinese position, on which Mr Sandberg would speak. Above all, the Chinese had dropped the bombshell of refusing to recognise the British nationality of BDCs in Hong Kong after 1997, thus denying their rights and privileges. This was the most crucial development. Sir S.Y. Chung said that the Unofficials warned that if HMG allowed such an injustice then Hong Kong would become ungovernable long before 1997. Mr T.S. Lo would speak on this subject.

9. It was because of these developments that the Unofficials had asked for this meeting with the Prime Minister so that they could express their fears and position on Hong Kong's future.

10. The previous day, in a meeting with Mr Luce, the Unofficials had been very concerned to learn of another possible shift in the British position. Instead of the ratification of the agreement after the publication of the Basic Law they now understood that it was thought that a better arrangement would be for the agreement to be ratified first and the transfer of sovereignty made effective by an Order in Council thereafter. Sir S.Y. Chung said that if the Unofficials could be sure that the Prime Minister would remain in office for another 13 years then they would have no qualms about such a procedure, but they feared that another Prime Minister might not have the same degree of political will. For this reason the Unofficials did not favour the proposed change in procedure.

11. The Unofficials felt very strongly that the agreed strategy should be our bottom line, and that HMG should make no further concessions to the Chinese. If HMG was to retreat from this bottom line then the Unofficials hoped that the Prime Minister would understand that they would wish to dissociate themselves from such a retreat.

12. At the meeting with the Secretary of State the previous day the Unofficials had advised him that he should be prepared for the Chinese to reject the proposed draft agreement. Nevertheless, they fully supported his visit to China, and wished him every success.

13. Mr M.G.R. Sandberg said that the Prime Minister had asked the Unofficials to be frank. He wished to say frankly that there had been, and still were, major differences between the advice which the Prime Minister had received from the Executive Council and from Foreign Office officials in London. At the start both parties had agreed that we should press for continuing British administration as the best possible solution. Sadly this had proved beyond our grasp, although there had been no sin in seeking it: but since that point there had been a widening divergence of views. The basic difference was that the Unofficials had advised that the British side should have a bottom line and stick to it. Instead there had been a continual acceptance of Chinese demands in the belief that we could secure compensating concessions. To date there had been no such concessions. The more we retreated the more Peking had demanded. The building-in of real British links into the agreement, which after the dropping of British administration had been regarded as essential, had now disappeared almost completely as an objective.

14. The Unofficials had also been told that we should press ahead with the negotiations at present because the Chinese would be at their most receptive. Nothing could be further from the truth, since the Chinese in fact saw the British as being on the run and took every advantage of this. The Unofficials had been warned of the dangers of the Chinese announcing unilaterally their twelve-point plan in September, but in fact the twelve-point plan had been well publicised for many months, and we knew now that the Chinese proposed to make an official announcement of this plan in September, backed by a British statement of "appreciation".

15. Mr Sandberg said that the Unofficials did not understand the unwillingness of the Prime Minister's advisers to even venture a line suggested by the Executive Council. The best example of this gap which he could cite was that in January the Unofficials had heard the Prime Minister say that a bad agreement would be worse than no agreement; they had been much comforted by this. Her advisers, however, had clearly been uncomfortable with this stance, because once the Unofficials returned to Hong Kong they found that this approach had been abandoned quickly. It seemed that the

professional diplomats regarded the lack of any agreement, however bad, as the cardinal failure. The Unofficials, however, saw a bad agreement as meaning not merely failure after 1997, but the loss of the precious 13 years which remained.

16. Mr Sandberg said that obviously we must attempt to continue the negotiations, but the Unofficials hoped that the British side could establish the bottom line from which it would not retreat. The concessions made must stand, but there must be no more, and we should not be so fearful of a unilateral declaration by the Chinese.

17. The Prime Minister asked the Unofficials to expand on this point: it was for them to say whether they feared a unilateral declaration or not. Mr Sandberg said his point was that the Chinese plan was so well publicised that it did not represent a major threat.

18. The Secretary of State said that we were all in this together, with the common objective of getting the best possible deal for Hong Kong. We must, however, face the reality of the situation. We had before tried to test some of our propositions to destruction - for example, continuing British administration the previous summer. We were still trying for an agreement, but HMG's position remained beyond question that a bad agreement was worse than no agreement. HMG would not be able to sell a bad agreement to Parliament, nor the Unofficials to the people of Hong Kong. We were thus still fighting for a good agreement, although we might have to concede in the end that a good agreement was not possible. Sir Geoffrey sought clarification as to what precisely the Unofficials were advocating at this stage. They were clearly not suggesting that we should break off the negotiations. To believe that we could somehow improve on the terms of the draft agreement was in his view unrealistic. To try to add to the draft agreement a clause such as Sir S.Y. Chung suggested on monitoring would be seen as an attempt to reinstate continuing British administration through the back door. He asked what different course we could in fact take.

19. The Prime Minister said that Unofficials should understand that a unilateral statement would mean a breakdown in the negotiations and thus much more than simply the cessation of talks. It would be a sign that the two sides could not agree. If we secured an agreement then we should prevent the Chinese from making a unilateral declaration. Stopping them from such a declaration last June, when the Chinese agreed to a term of 50 years, had been an enormous achievement. She was indeed worried that the Chinese would not agree to the

inclusion of detail, which we required so that if the Chinese broke the agreement it would be evident to the world. HMG found the Chinese very difficult to understand, and for this reason we needed a detailed agreement setting out precisely what obligations the Chinese had incurred.

20. Miss Lydia Dunn recalled that at her first meeting with the Prime Minister on the subject the Prime Minister had said the Chinese were Marxist-Leninists and could not be trusted. The course of negotiations had indeed revealed their untrustworthiness. There were two notable examples of this. First, the Civil Service, where Mr JI Pengfei had said that British nationals with Hong Kong identity cards could serve in all ranks of the Civil Service, but now the Chinese said that only Chinese nationals could serve in the top ranks. Second, as regards nationality, Mr LU Ping had said originally that it was the title of BDTC rather than the rights which it conferred to which the Chinese objected, Mr LUO Jiahuan thought that dual nationality would be acceptable, but now the Chinese would not agree to the perpetuation of BDTC rights.

21. Miss Dunn said that she thought we must now question seriously the intentions of the Chinese. They could not be trusted, and the people of Hong Kong were not prepared to risk trusting them. There could be no compromise on a detailed workable agreement. If a draft agreement was put to the Chinese then there must be clear understanding on our side on which points could not be negotiated down. Unless HMG committed itself on this the Unofficials had serious doubts as to whether they were content to remain on the present course. They would rather have a unilateral declaration than an inadequate agreement. The Unofficials had agreed to the abandonment of continuing British administration on the understanding that HMG would only accept an agreement which contained adequate and effective safeguards and an assurance that they would be honoured. There could be no further retreat if either HMG or HKG were to preserve any semblance of credibility. It was the Chinese who were the threat to prosperity and stability in Hong Kong. Hong Kong had flourished under British rule and savoured the freedoms of the liberal tradition. It would be a tragic irony if the outcome of the negotiations was the dishonour of Britain.

22. The Prime Minister said that we must be clear what the lack of an agreement meant. It would mean that by 1997 the New Territories would have returned to China as a fully incorporated part of the Chinese communist state. Mr M.G.R. Sandberg said that this was not the intention which the Chinese had declared in their



twelve-point plan. The Prime Minister said that she could not understand why the Unofficials were prepared to trust the Chinese twelve-point plan, but not an agreement signed with the Chinese. Mr T.S. Lo said that they trusted the Chinese with neither but did not believe that HMG should sully itself by signing a bad agreement. The Prime Minister said that unless we had an agreement HMG would have no basis on which to intercede in Hong Kong's future. Miss Dunn said that the Unofficials' worry was that no agreement which the Chinese would sign would have sufficient detail. It was because they mistrusted the Chinese that an agreement must have detail. If we failed to secure an agreement then that would have a serious impact on confidence in Hong Kong, but the difference was that a bad agreement would have an impact on confidence which was final and irrevocable.

23. The Prime Minister said that HMG could not put a bad agreement in front of Parliament, but the 50 year term the Chinese had already offered was a large concession which she did not wish to lose. If the Chinese would not allow an agreement which Parliament and the people of Hong Kong could accept, then HMG would have to ask the Chinese whether they wished prosperity and stability in Hong Kong to continue. But we had not reached that point yet, and we should not take action or throw away the 50 years which we had secured. Our experience suggested that if we could coax the Chinese into signing a rigid agreement then they would keep it.

24. Mr T.S. Lo said that whatever the eventual outcome of the talks people in Hong Kong recognised how hard she had personally tried to secure for them reasonably acceptable arrangements for their future. They appreciated the almost superhuman effort put in by the Governor. They would not forget the courageous journey that the Secretary of State would make shortly.

25. Nonetheless, the juxtaposition of certain events had damaged the credibility of HMG in Hong Kong and the Unofficials considered it their duty to underline this for HMG's attention.

26. First, when the Nationality Bill 1981 was passed no-one in Hong Kong had imagined that talks on Hong Kong's future would spell the end of any British connection. Now that they were beginning to be aware of this they were starting to link together these two events mentally. They were starting to say privately that Britain had discreetly closed the stable door before any horse had bolted. If on top of all this Communist China declined to recognise in the agreement that BDTCS (under whatever name) were still British

Nationals these British nationals were bound to look to Britain to protect them from the communists and they would, quite naturally, clamour for this whilst they still had the freedom of speech, which meant now. Consequently it must be obvious that we simply could not whittle down or erode any of the rights or status of a BDTG in the agreement with China. To do so would make Hong Kong immediately ungovernable.

27. Soon the talks would come to an end, and unless the results were genuinely acceptable all hope would be gone. HMG would take the only position it had: it would say it had done its very best. To this the people would reply that this was not true. To give them back the right of abode in the UK was something which was peculiarly within the power of the UK.

28. In this atmosphere of despondency and bitterness, if Britain was seen to be doing well in her China trade (such as oil exploration contracts or nuclear generation stations) the charge of a British sell-out would follow. Dishonourable suggestions of this kind were first made by Mr YAO Guang in his opening statement in July last year (12 July) embellished by Mr LI Jusheng two weeks later (30 July) and repeated by Mr Yao again three days after that (2 August). They had not merely suggested that Britain got something out of Hong Kong, but that she could gain by co-operating with China on the Hong Kong question. Both the Ambassador and the Governor had refuted any suggestion that Britain gained financially from Hong Kong - but they could hardly deny that Britain valued her trade with China.

29. Mr Lo continued that the point which the Unofficials were seeking to make was that we should be considering what steps should be taken if the Chinese Communists refused to sign an acceptable agreement. They were unanimous in advising that most probably the Chinese Communists would now refuse. They saw as one of HMG's most important tasks to consider their downside strategy and their obligation, often stated publicly, towards the people of Hong Kong. At the very least we must discuss how we could protect British nationals from communists. We simply could not throw them to the wolves. We must recognise that once Hong Kong was taken over by the communists HMG could not protect them from any communist violation of any human rights - and violation there would be.

30. The Prime Minister said that Mr Lo appeared to be saying that it did not matter whether we had an agreement or whether the Chinese made a unilateral statement. Mr Lo said this was not his position. The draft agreement was acceptable, but if we thought it

likely that the Chinese would refuse to sign it then we must face the question of alternative plans.

31. The Prime Minister said that she would welcome more advice on the psychology of the Chinese. Miss Lydia Dunn said that all commercial experience showed that the Chinese would go to the brink of breakdown to test the resolve of their commercial partners, but having reached the limit then if they really wanted a deal they would return to the negotiating table. Sir Percy Cradock suggested a commercial analogy did not suit a major political issue such as sovereignty.

32. The Prime Minister said that the problem was that the Chinese could just sit and wait until 1997 for Hong Kong to fall into their laps. Mr Sandberg said that the fact was that they were talking to us. The Prime Minister said she thought there were two reasons for this: first, because the Chinese did want to preserve prosperity and stability in Hong Kong, and, second, to prove to the Taiwanese that they could keep their commitments.

33. Sir Percy Cradock said that undoubtedly the Chinese wanted the best of both worlds, i.e. the commercial benefits and the restoration of sovereignty, but the Unofficials should make no mistake that in the final analysis China would insist upon the restoration of sovereignty. The economic card had some value, but it was not so great.

34. The Prime Minister said that we had made little mention so far of the Taiwan factor, although she thought that it was possibly one reason why the Chinese had offered a 50 year term. When we had got as much as we were going to get from the Chinese, then we would have to consider whether in the aggregate it was enough. It was vital that at this juncture we should make an official progress report on the negotiations to the people of Hong Kong, and not be driven off this intention by the Chinese. We could not shake them from their September deadline. She was worried about the speed at which we were now working in the negotiations, but she hoped to be able to turn this speed against the Chinese by saying to them that if they wanted an early agreement then they must be prepared to accept certain conditions in it.

35. Sir Michael Havers noted that Mr T.S. Lo had said we should be preparing contingency plans against failure. Sir Percy Cradock agreed that we should start private consideration of the worst case. The Prime Minister said that if we reached the point where we could not recommend an agreement to Parliament or Hong

Kong then we should have to say to the Chinese that it was not acceptable, and then fall back on what they had offered themselves, i.e. nail them to their twelve-point plan. She asked what Unofficials thought would happen in such a case. Miss Lydia Dunn said that she thought the Chinese would mount a full scale propaganda war, but she did not think that they would go so far as to incite riots. Mr T.S. Lo drew a parallel with their response to the Lobo motion, where the Chinese had maintained a major propaganda campaign until the event itself, and had then shut up.

36. The Prime Minister said that we must start considering contingency plans very quickly. As regards the presentation of the draft agreement, there were several things which she thought were outstanding. Sir Percy Cradock said that the outstanding issues in fact were the timetable, the form of the agreement, the preparatory statement and the unresolved issues of troops, nationality and the public service. The Prime Minister said that she supposed it was possible that the Chinese might say that if we revealed now what had been confidential so far, then they would break off the negotiations. If so we must face that threat. The Secretary of State said that whatever the Chinese threatened our aim must be to leave them reflecting on the situation and not able to say that we had broken off the negotiations. The Prime Minister recalled that when she had met Mr DENG Xiaoping in September 1982 he had threatened at the time that if Britain did not publicly renounce sovereignty in favour of China then there might be violence and riots in Hong Kong. She had said to Mr Deng that if that was what he intended then she had no way of stopping him, but she guaranteed that the world would know what had happened and why. It had been a nasty five minutes, but within a further fifteen minutes the Chinese had agreed to a joint communique. If the Chinese refused to agree to the preparatory statement then we should have to face them in the same way. Mr Sandberg said that he was sure that the Prime Minister was right, and the stance she had taken in September 1982 was precisely the approach which the Unofficials were advocating now.

37. The Prime Minister said that, as regards Sir S.Y. Chung's proposed monitoring clause, she did not think that we could introduce a third party to the agreement. Monitoring and supervision would have to be left to the court of world opinion. Sir S.Y. Chung said that if we published a draft agreement which was only in effect the Chinese twelve-point plan, then the people of Hong Kong would say that HMG had conspired to sell them out. They would query what value such an agreement had unless HMG had the power of redress to stop the Chinese

from going back on their commitments. The Prime Minister said that if the Chinese did violate the agreement then HMG would have to make representations. Sir S.Y. Chung said the situation that he envisaged was one in which freedom of speech would have gone from Hong Kong and there could be no public calls for help. The Secretary of State said that in his experience (e.g. fishing disputes with Iceland) the introduction of an outside agency made no difference to negotiations between sovereign powers. He thought that the concept of an external monitor would not only offend the Chinese but in practice would be of no value to us.

38. Sir S.Y. Chung said that he was not suggesting an external agency, but a specific role for HMG. The Prime Minister said Britain would have representation in Hong Kong. She asked whether the Unofficials were saying that there was no point in an agreement because there was no guarantee of its performance. Sir S.Y. Chung said that this was not the Unofficials' position; but the people of Hong Kong would see it in a different light.

39. The Prime Minister said that she thought the Chinese wanted an agreement, and that in order to get sovereignty and administration they were prepared to go a long way, so we must push them very hard. Her fear throughout had been not the visible dangers but the infiltration of communists into the existing structure. Miss Lydia Dunn said that this was happening now.

40. The Secretary of State said that if we had an agreement with the Chinese, then it was implicit that we had a status in it. Mr Lo said that it would help if this could be said explicitly in the agreement without irritating the Chinese. The Prime Minister said that this was why we wanted a detailed agreement, because this would establish HMG's inherent concerns. Sir Michael Havers said that he thought the Unofficials' point was that this idea might need to be spelt out to secure confidence in the agreement in Hong Kong. The Unofficials agreed.

41. The Secretary of State said that he thought that it would be unproductive to spell out the idea in this way. By definition the agreement reached must be defensible to Parliament and Hong Kong. If the Executive Council repudiated the agreement then it would be no use to HMG, since they could not then sell it to Parliament. So HMG and the Unofficials were necessarily seeking the same thing. As he had said the previous day, he was going to Peking in the role of a politician, and would be able to say to the Chinese that if they wanted certain things then they must be prepared to pay

a certain price. They might, of course, not accept this. The Prime Minister said there was a consensus that we must have a position to cover that threat, and enable us to hold down the situation until 1997. The Secretary of State said that we should have to look at the totality of what was agreed before we could say whether it was sufficient for our purposes, and that we should therefore have to wait until the end of the process to see how much we had secured. Miss Lydia Dunn repeated that there were certain points which were non-negotiable.

42. The Prime Minister said that as regards the shortage of time, she supposed that it was possible that Parliament might hold an initial debate in July. She did not want the Chinese to close off the option of an acceptable agreement because of the shortage of time. She queried why September had been made the deadline. Sir Percy Cradock said that this represented the two years for a solution prescribed by Mr DENG Xiaoping in September 1982. The Chinese certainly meant what they said about this deadline. Miss Lydia Dunn queried whether we had put it to them that since we were making progress the deadline could be overshot. Sir Percy Cradock said that we had told the Chinese that HMG was not bound by the Chinese deadline. In response to the Prime Minister, Sir Percy said that it had never been suggested to the Chinese that since progress was being made the Chinese deadline should be put back for a few months. The Governor said that an additional factor now seemed to be the special celebrations planned in October to mark the 35th anniversary of the founding of the People's Republic.

43. The Prime Minister said that the discussion with Mr DENG Xiaoping would clearly be very significant. We must not be moved from our intention to unveil. The Secretary of State said that we should also have to stand firm on the parliamentary implications of the timetable. The Prime Minister said that there could be a debate in Parliament in July if there was enough material to discuss. Mr Luce said that in fact a short earlier debate in May was envisaged as a possibility. The Prime Minister asked the Unofficials what they thought would be most likely to make the Chinese come closer to our position which could be said in this debate: presumably the concept of acceptability to the people of Hong Kong. The Governor said that there was a further point, the question of what was likely to make an agreement acceptable, i.e. the need for a credible agreement maintaining the continuity of present systems. The Prime Minister said that she thought this should all be put across in terms of the confidence of the people of Hong Kong.

44. Mr M.G.R. Sandberg said Unofficials felt that Peking wanted an agreement as much as HMG, and that if HMG showed resolve at this stage then Peking might retreat. Sir Percy Cradock said that it would be a major error to under-estimate the dangers of a unilateral statement from the Chinese. This would be a final statement, and thereafter large areas of discussion would be ruled out for ever. Only minor details could then be discussed. Miss Dunn said that the Chinese did not envisage much detail in any agreement, so why should it be so final? Sir Percy Cradock said that Miss Dunn was talking of the form of the statement, which was not the same as the impact. The Secretary of State said that it would be misleading to think that a vague statement from the Chinese would be hopeful, because the point was that the Chinese would then bring down the shutters on discussion. The Unofficials disagreed.

45. The Prime Minister observed that once we had started the process of unveiling on what had been agreed so far, then the situation would in fact be changed completely. It would then be very hard for the Chinese to go back on the commitments which they had made, and this in turn would affect the resolution of outstanding issues. Sir Percy Cradock and the Secretary of State agreed. The Prime Minister said this might then make a debate in July possible.

46. The Prime Minister said that it would certainly be more difficult for the Chinese to make a unilateral statement once we had made the Ministerial statement in April. Sir Percy Cradock warned that it would still be possible for them to do so, and that we must realise that a unilateral statement had certain attractions to the Chinese, not least as a means of avoiding detail. Sir S.Y. Chung disagreed: if this was the case why would the Chinese wish to talk at all, and why would they commit themselves to a 50 year agreement. The Secretary of State said it was quite possible that there were contending views within the Chinese Government. He thought that we must work on the assumption that the Chinese were prepared to make an announcement in September. The Prime Minister said that she was very anxious not to lose the 50 year term which the Chinese had already offered. Mr Sandberg said that the unveiling must make that less likely, and he agreed with the Prime Minister that a unilateral statement would lose much of its sting after the unveiling.

47. Sir Anthony Acland asked whether the implication was that the unveiling should be a statement of detail about the matters agreed in the negotiations. The Secretary of State said that it would need to go

into substantial detail. Miss Dunn said that it must not give away conditionality. The Prime Minister said that it must outline all the main points of the agreement, otherwise it would not carry any conviction to the people of Hong Kong. We should have to press the Chinese hard to agree to this unveiling: it would be an earnest of the determination which we felt. We were undoubtedly coming to the crunch.

48. Sir S.Y. Chung referred to Agenda Item Two. The Unofficials considered it premature to discuss this with the Chinese when there was so much outstanding on Agenda Item One. Whatever promises the Chinese made, they would certainly try to stop further discussion on Item One once we had reached Item Two. If discussion on Item Two did begin then the Unofficials had two points to make: first, we should only discuss those matters which were favourable to us, for example land tenure in the New Territories; second, we should resist at all costs any proposals to establish standing machinery for discussing pre-1997 issues. We should only allow ad hoc discussion with the Chinese. Mr T.S. Lo added that the Unofficials considered that adequate machinery existed for whatever discussions were necessary, and that we must resist any attempts by the Chinese to create a shadow administration in Hong Kong.

49. The Prime Minister said that she agreed that the existing diplomatic channels were sufficiently well established institutions. The Secretary of State agreed, but noted the theoretical possibility that new institutions might give us access to the draft of the Basic Law. The Prime Minister recalled that the Chinese had wanted to use the ordinary diplomatic machinery for the conduct of the talks on Hong Kong's future. The Governor explained that the Unofficials were concerned that in fact present arrangements went beyond normal diplomatic channels, and that if these special arrangements were perpetuated beyond the negotiations then the Chinese would have a permanent forum through which to interfere in Hong Kong. The Prime Minister noted that one of the problems was that if we declined to discuss pre-1997 issues with the Chinese, then by the same token they could decline to discuss the drafting of the Basic Law with us. There were things which we must discuss with them: and we wanted the maximum possible input into the Basic Law. Mr M.G.R. Sandberg said that in his view the Chinese would find it more easy to accept our having an input into the Basic Law if the channels were ad hoc.

50. The Secretary of State said that the question must be what did we wish to influence and achieve. We did not wish to give the Chinese institutionalised



surveillance of Hong Kong. The Prime Minister said that we did wish to achieve institutionalised surveillance of the drafting of the Basic Law.

51. Sir S.Y. Chung said that the Unofficials would like to hear the Prime Minister's view on nationality. The Prime Minister said that this was an issue at which we would have to go very hard in the negotiations. The Secretary of State said that, as with other issues, we should simply have to see what we could get from the Chinese and whether in the aggregate it was enough. Miss Lydia Dunn warned that this was a topic where even the erosion of an insignificant right could produce a profound negative reaction among the people.

52. Sir S.Y. Chung asked when the Prime Minister proposed that the draft agreement and its annexes should be put to the Chinese. The Prime Minister said that she felt very strongly that, as we approached the crunch, we could not afford to have a misunderstanding between the negotiators and therefore it was essential to put the agreement and the annexes to the Chinese as early as possible so that they should be able to consider it well before the Secretary of State's visit. The detail would shock them. Sir Percy Cradock said that of the intended 14 annexes ten were broadly complete; those issues remaining under debate would not be put in annexes at present, but a marker would be put down that they were to be the subject of annexes later. Mr O.V. Cheung said that it was important to check at this stage that what we thought was agreed in fact was agreed. The Governor said that because of the shortage of time before the agreement and the annexes were presented to the Chinese, there would have to be an understanding that the Council was not disbarred from raising points on the annexes for HMG's consideration even after submission to the Chinese. The Prime Minister said this was understood.

53. Sir S.Y. Chung thanked the Prime Minister for the opportunity for this discussion. He wished to make it plain that the Unofficials did not advocate confrontation, but were merely saying that we should not see the Chinese bottom line and the Chinese intentions unless we were prepared to stick at some point. The Unofficials wanted an agreement, but not an agreement at any price.

(The meeting concluded at 10.45 a.m.)

13 April 1984

COUNCIL CHAMBER