

CONFIDENTIAL

RECORD OF A MEETING BETWEEN
THE PRIME MINISTER
AND
CHAIRMAN DENG XIAOPING
AT
THE GREAT HALL OF THE PEOPLE, PEKING
ON
19 DECEMBER 1984, AT 4.00 P.M.

PRESENT:

The Rt Hon Margaret Thatcher FRS, MP, Prime Minister
The Rt Hon Sir Geoffrey Howe QC, MP, Secretary of State
for Foreign and Commonwealth Affairs
Sir Richard Evans KCMG, HM Ambassador, Peking
Sir Percy Cradock GCMG, Deputy Under Secretary of
State, FCO
Sir Edward Youde GCMG, MBE, Governor of Hong Kong
Mr F E R Butler, Principal Private Secretary to the
Prime Minister
Dr D C Wilson, Assistant Under Secretary of State, FCO
Mr R J T McLaren, CMG, Assistant Under Secretary of State,
FCO
Mr C D Powell, Private Secretary to the Prime Minister
Mr B Ingham, Chief Press Secretary to the Prime Minister
Mr L V Appleyard, Principal Private Secretary to the
Secretary of State
Mr C J Meyer, Head of News Department, FCO
Mr P A B Thomson, Counsellor, British Embassy, Peking
Mr H L Davies, Commercial Counsellor, British Embassy, Peking
Mr W G Ehrman, First Secretary, British Embassy, Peking
Mr P F Ricketts, Private Secretary to the Secretary of State
Miss A L Batty, Attache, British Embassy, Peking
Mr Y P Cheng, Interpreter

HE Mr Deng Xiaoping, Chairman of the Central Advisory Commission
of the Chinese Communist Party
HE Mr Ji Pengfei, State Councillor
HE Mr Wu Xueqian, State Councillor and Foreign Minister
HE Mr Zhou Nan, Vice-Minister of Foreign Affairs
HE Mr Jia Shi, Vice-Minister of Foreign Economic Relations
and Trade

HE Mr Chen Zhaoyuan, Chinese Ambassador at London
Mr Guo Fengmin, Director of the Western European Department
of the Foreign Ministry
Mr Tang Longbin, Director of the Protocol Department of
the Foreign Ministry
Mr Ma Youzhen, Director of the Information Department of
the Foreign Ministry
Mr Shao Tianren, Legal Adviser to the Foreign Ministry
Mr Lu Ping, Advisor to the Foreign Ministry
Mr Ke Zaishuo, Advisor to the Foreign Ministry
Mr Luo Jiahuan, Counsellor of the Western European Department
of the Foreign Ministry
Mr Yue Junqing, Division Chief of the Western European Department
of the Foreign Ministry
Madame Zhang Youyun, Interpreter
Chinese notetakers

HONG KONG

1. After an exchange of courtesies, Chairman Deng said that the achievement of the leaders of China and Britain was of historic importance. A failure to solve the Hong Kong question would have cast a shadow over the relations between the countries. There was now a very bright future.
2. The Prime Minister agreed. During the past two years of work we had taken people along with us and taken account of their needs. Chairman Deng had received many Hong Kong groups and they had been able personally to hear his assurances and to let him know of their wishes. Many Hong Kong people had visited London to see her. When she had last met members of the Executive and Legislative Councils they had asked her to convey their wish that Chairman Deng should still be alive in 1997 when the agreement was implemented. If people were taken along it made matters far easier to settle satisfactorily in the end. Chairman Deng said that he cherished the hope of visiting Hong Kong if he were still alive in 1997.
3. The Prime Minister said that the stroke of genius in the negotiations had been the concept of "one country, two systems". Deceptively simple, it had been the key that had unlocked the future. Chairman Deng said that if the concept was of far-reaching significance the credit should go to Marxist historical dialectics, or to "seeking truth from the facts". To solve the Hong Kong question peacefully an answer which satisfied China, Britain and the people in Hong Kong had had to be found. The imposition of socialism on the territory would have been easy but would not have been acceptable to Britain or to the people of Hong Kong. Nor, even if it had been acceptable, would it have preserved Hong Kong's prosperity. The same consideration applied to Taiwan. The concept of "one country, two systems" had in fact been devised originally to solve the Taiwan and not the Hong Kong question. It had flowed from Chairman Ye Jianying's nine point proposal in 1980 for Taiwan. Chinese leaders were deeply convinced that it could work and the two years of Sino-British talks appeared to testify to this. The next 63 years would prove the concept. Some people harboured doubts about whether China would honour the agreement. Chairman Deng said that he wished to inform the Prime Minister and the whole world that China had always honoured its commitments.
4. Some Japanese friends had asked why China had set a period of 50 years after 1997 for the duration of the agreement. The reason was that China hoped to approach the economic level of advanced countries by the end of that time. If China wanted to develop itself, it had to open to the outside world for the whole of that period. The maintenance of Hong Kong's stability and prosperity accorded with China's interest in modernising its economy. So the period for the agreement had

been set in the light of the needs of Chinese modernisation. In the first 50 years of the next century there was also a need for a stable Taiwan. China did not wish to go to war with Taiwan. If people understood the considerations behind China's policy they would not have misgivings that it would change. The possibility of change after the first 50 years of the next century was even less because by then economic exchanges with other countries would have resulted in China and other countries having come to depend upon each other.

5. The Prime Minister said that Chairman Deng's concept was a great design which she believed could be achieved. He had said that China deduced truth from facts. He must therefore know that the concept would work because capitalist Hong Kong worked very well now and it was not going to be changed after 1997. Our two countries had signed the agreement in the eyes of the world. She was sure that China would therefore honour the agreement. So would Britain. Nevertheless it was natural that in the face of change some people in Hong Kong harboured doubts. They needed to be reassured and it was helpful to be able to explain the reasons why Chinese policy would not change, as Chairman Deng had explained it. Up to 1997 Britain would administer Hong Kong prudently and with foresight and would pay particular importance to the work of the Joint Liaison Group so that the transition would be smooth.

6. Chairman Deng said that the one billion Chinese on the mainland would pursue socialism firmly. If the people of Taiwan who numbered somewhat over 10 million and the 5 million people of Hong Kong practiced capitalism this would not affect the socialist orientation of the bulk of the country. Indeed the practice of capitalism in some small areas would benefit socialist policy. The policy of opening to the outside world would help China's socialist policy to grow in strength.

7. The Prime Minister said that she believed that the agreement would be honoured, that the concept of "one country, two systems" would work and that the 50 year economic plan for China would also work, since all would be of benefit to China.

INTERNATIONAL ISSUES

8. After discussion on Hong Kong, the Prime Minister asked Chairman Deng for his views on Sino-Soviet relations and on the recent Soviet-US decision to resume arms control talks.
9. Chairman Deng said that China hoped to see progress at the Soviet-US talks. He asked the Prime Minister to persuade President Reagan not to develop weapons in outer space as that would mean escalation in the arms race and an even more tense international situation. Of course China understood that the intention of the US in developing space weapons was to force the Soviet Union to make concessions on nuclear missiles. But space weapons should nevertheless not be developed. Throughout the 1970s and the first two years of the 1980s China's view had been that the danger of another world war existed. Now this view had changed somewhat because the forces for peace were growing fast. The British Government and the Prime Minister had exerted effective efforts in this respect. China was all for breaking the existing Soviet-American deadlock. She was making efforts to increase her own contacts with the Soviet Union. But China's situation was different from Britain's. China was faced with a direct Soviet threat. She had therefore consistently tried to normalise relations by removing the "three obstacles" (Soviet troops on her border, Afghanistan and Cambodia). Up to now, the Soviet Union had refused to remove even one, so there was no normalisation of Sino-Soviet relations to speak of at present. Some development of economic and cultural relations had taken place and contacts of this kind could serve the interests of peace and detente. Confrontation was not the way out.
10. The Prime Minister said that Chairman Deng's views accorded in many respects with hers. Some people, but not herself, believed that wars were caused by the existence of arms. The real danger however was not when two countries were strong enough to deter attack but when one was stronger and possessed territorial ambitions and the other was weak. Britain would like security at a lower level of weaponry. But this had to be balanced security. We had only deployed Cruise and Pershing in Europe because SS20s were targetted on us. If the Soviet Union was to destroy some SS20s in the period over which US missiles were to be deployed it would be possible to halt their deployment. We had to watch the Soviet Union closely however to ensure that she did not simply move SS20s beyond the Urals, because that would not be real disarmament. There were two other sources of imbalance which had to be dealt with in disarmament talks: first, the Soviet Union possessed enormous stocks of chemical weapons and, secondly, the Soviet Union had an anti-satellite satellite capability. It was only when the Americans had shown that they could develop an even more sophisticated capability in this second area that the Soviet Union had been persuaded to return to the negotiating table.
11. Chairman Deng asked for the Prime Minister's view of Mr Gorbachev. The Prime Minister said that she had enjoyed

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meeting him and felt that she could do business with him. The Soviet Union continued to state that the US was not sincere in wanting disarmament. But she believed that President Reagan wanted arms reduction to be one of the major achievements of his second term in office. For that to be achieved trust was necessary. Chairman Deng enquired whether the Prime Minister had asked Mr Gorbachev whether the Soviet Union was sincere in wanting to disarm. The Prime Minister said that she had drawn her own conclusions. The Russians did not have the right to call the West insincere with Soviet troops continuing to occupy Afghanistan. But it was in Soviet economic interests to reduce the burden of armaments.

12. Chairman Deng asked the Prime Minister to take with her his sincere regards to President Reagan and his congratulations on his re-election. He asked the Prime Minister to convey his hope that in President Reagan's second term China and the US would cooperate in solving the question of Taiwan. If the US and President Reagan thought the concept of "one country, two systems" was desirable, there was much that they could do in this respect. The Prime Minister said that she would certainly convey this message. The US had welcomed the Hong Kong agreement.

13. The meeting concluded at 5.15pm.

BRITISH EMBASSY

PEKING

28 December 1984