

To “Educate” Deng Xiaoping in Capitalism: Thatcher’s Visit to China and the Future of Hong Kong in 1982

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On a sunny afternoon on September 22, 1982, British Prime Minister Margaret Thatcher arrived in Beijing to begin the second leg of her two-week tour of the Far East. While, as Opposition Leader, Mrs. Thatcher had first set foot on mainland China in 1977,¹ this was the first visit by a British prime minister in office to Communist China. Among the important issue for discussion was the future of Hong Kong, where the ninety-nine year lease of the New Territories by the United Kingdom would expire in 1997. When meeting the Chinese paramount leader, Deng Xiaoping, Thatcher asserted that the three treaties governing Hong Kong’s status were valid and British administration should be maintained beyond 1997. Disagreed, Deng insisted that China would resume both sovereignty and administration over Hong Kong. After an “abrasive” session with the “cruel” Deng,² Thatcher, walking down the Great Hall steps, slipped and fell to her knees. Captured by television cameras, the moment of Thatcher’s slip was repeatedly shown on Hong Kong television that night (and thereafter).³ If Thatcher’s “fall” in Beijing suggested a declining Britain after the so-called “century of humiliation,” China under the reformist Deng was on the path to becoming an economic powerhouse by the close of the century. By 1984, after two years of tough negotiations with the Chinese, the “Iron Lady,” who prided herself on being “not for turning,” could not but agree to return Hong Kong to China in 1997.⁴

This article examines Thatcher’s visit to China in the wider context of the rise of “Thatcherism” in Britain, the Sino-American controversy over Taiwan, and Anglo-Chinese relations since full diplomatic normalisation. 1982 was not only a crucial year for the people of Hong Kong, but also a pivotal moment for Thatcher’s Britain and Deng’s China.

Coming as it did three months after victory in the Falklands War, Thatcher's visit to China could hardly have been better timed. With her growing prestige at home and abroad, Thatcher could approach the Hong Kong question with a new confidence and in accordance with her principles or "Thatcherism." On the other hand, the Foreign and Commonwealth Office (FCO) and the British Embassy in Beijing were anxious to ensure that the United Kingdom should harbour a sense of realism in negotiating with China. Thatcher's China visit was thus a significant event through which the impact of the Falklands victory on Britain's diplomacy and place in the world could be assessed.

Thatcher's China trip, moreover, occurred at a critical juncture in Sino-American relations as a result of the Taiwan question. In 1979 China and the United States had achieved full diplomatic normalisation by exchanging ambassadors. During 1982, however, the resumption of US arms sales to Taiwan created tension between Washington and Beijing. Although the US-China Joint Communiqué, signed on August 17, defused the crisis, Deng believed that it had not resolved the fundamental problem of Sino-American relations brought about by the 1979 Taiwan Relations Act, namely Washington's continuing support for Taiwan which posed an obstacle to peaceful unification. Shortly after the conclusion of the communiqué, on September 1, Deng declared that China would pursue an "independent foreign policy." While related to the perceived changing balance of power between the United States and the Soviet Union, the proclamation of China's "independent foreign policy" also had to do with Deng's nationalist concerns. Thatcher arrived in Beijing at a time when Deng had been, and continued to be, preoccupied with the question of sovereignty, be it about Taiwan or Hong Kong. Nevertheless, by the early 1980s, Hong Kong was only one of the issues in Anglo-Chinese bilateral relations since diplomatic normalisation in 1972. With his reform to modernise China and her "revolution" to reverse Britain's "decline," both Deng and Thatcher attached importance to

Anglo-Chinese economic relations. Negotiation for Hong Kong's future was thus set against the wider background of improved Anglo-Chinese relations.

By focusing on Thatcher's China visit, this article not only illuminates a crucial episode in the colonial history of Hong Kong, but also sheds valuable light on British political history and Cold War international history, such as the impact of the Falklands War and "Thatcherism" on Britain, Sino-American relations regarding Taiwan, and China's quest for national unification. Thatcher's meetings with the Chinese leaders, occurring as they did in the unique circumstances of 1982, presaged the end of British Hong Kong. What Deng had told Thatcher – that China would resume both sovereignty and administration over Hong Kong on July 1, 1997 – would be written into the Sino-British Joint Declaration, signed on December 19, 1984. The first two sections of this article focuses on the background and preparations for Thatcher's visit, showing how the British and the Chinese developed their respective negotiating objectives and strategies. Section III provides a detailed account of the summit talks, highlighting how Thatcher sought to "educate" Deng in Hong Kong's capitalism. In order to assess its significance, Section IV contextualises Thatcher's visit by exploring domestic British politics and the changing dynamics of US-China-Taiwan relations, before a conclusion is drawn.

I

During the "century of humiliation," Hong Kong became part of the British Empire in three stages. After China's defeat in the First Opium War, the Treaty of Nanjing of August 19, 1842 ceded Hong Kong Island to the United Kingdom in perpetuity. The following year, Hong Kong was declared a Crown Colony. The Convention of Beijing, signed on October 24, 1860 following the second Anglo-Chinese war, added the Kowloon Peninsula and the Stonecutters Island to Hong Kong. During the "scramble for concessions" in

China, according to the Convention of Beijing of June 9, 1898, Britain got a ninety-nine year lease of the New Territories and some two hundred and thirty islands, increasing approximately ten times the land area of the Crown Colony to 391 miles.

After 1949 Mao Zedong regarded the three Treaties as “unequal” and thus invalid. To him, China always possessed sovereignty over the whole of Hong Kong, but in view of the Cold War would leave the British Colony alone in accordance with the principles of “long-term planning and full utilisation.”⁵ On March 8, 1963, a *Renmin Ribao* editorial formally stated that, with regard to the questions of Hong Kong and Macao, which were “a legacy of the past,” China held that “when the conditions are ripe, they should be settled peacefully through negotiations and that, pending a settlement, the *status quo* should be maintained.”⁶ Deng Xiaoping, then the general secretary of the Party who had been handling the Sino-Soviet ideological split, had revised the editorial before its publication. Indeed, the editorial was aimed to counter a hostile statement of the American Communist Party echoing Nikita Khrushchev’s criticism, in December 1962, of China’s toleration of colonialism in British Hong Kong and in Portuguese Macao.⁷ In May 1974 Deng, who was then put in charge of foreign affairs among other duties, was apparently entrusted by Mao with the responsibility of resolving the Hong Kong question in the long term. In a meeting with the former British Prime Minister, Edward Heath, Mao accompanied by Deng said that it was not the proper time to discuss Hong Kong, a matter which would be “their business” (meaning the younger Deng’s).⁸ Such were the origins of Deng’s involvement in Hong Kong affairs. (Indeed, Deng’s very first encounter with Hong Kong could be traced back to 1920 when his ship stopped there on its way to France.)⁹

Since the 1950s successive British governments had come to realise that Hong Kong was militarily indefensible against a determined Chinese attack, and was constitutionally “awkward” with no chance of advance towards self-government and

independence. As a result of the leftist riots in 1967, the then Wilson government undertook a study of Britain's long-term policy towards Hong Kong, which concluded in 1969 that "Hong Kong's future must eventually lie in China" and that "our objective must be to attempt to negotiate its return, at a favourable opportunity, on the best terms obtainable for its people and for our material interests there."¹⁰ For much of the 1970s, however, such an opportunity did not arise as a result of the ongoing Cultural Revolution and the uncertainty of post-Mao succession politics. It was not until early 1979, when the reform-minded Deng had consolidated his power and business concern about the land leases in the New Territories began to grow, that the Callaghan government decided to sound the Chinese out about Hong Kong's future.

At the invitation of the Chinese minister of foreign trade, Hong Kong Governor Murray MacLehose visited Beijing and was granted an interview with Deng on March 29. Taking a "sidelong approach"¹¹ to the political question of Hong Kong's "long term future," MacLehose raised the "immediate problem of individual leases in the New Territories," which would expire three days before the expiry of the New Territories Lease itself on July 1, 1997. He proposed that, if Deng agreed, the Hong Kong government would grant individual land leases going beyond 1997 by simply changing the wording of the leases from "valid until [28] June 1997" to "valid as long as Britain administered the New Territories" – a change which MacLehose stressed would not affect "China's underlying position on Hong Kong." Deng refused to give a direct reply to MacLehose's suggestion, however, and instead asked the governor to tell investors to "put their hearts at ease." Indeed, the vice premier had seized the initiative himself by declaring, before MacLehose spoke, that Hong Kong was "part of China," and any solution to the problem should be based on that "prerequisite." But Deng also reassured the British that China would "respect the special status of Hong Kong:" in this century and even at the beginning

of the next, Hong Kong would maintain its capitalist system while China practised socialism.¹²

After the MacLehose-Deng meeting, the British raised the Hong Kong question with the Chinese on a number of occasions. However, Beijing refused to be drawn on the issue each time due to two main reasons. The first was its priority on reunification with Taiwan. After the full normalisation of Sino-American relations in 1979, Deng deemed the international environment “favourable” to the prospect of Taiwan’s return to the motherland, declaring the latter as one of the three main tasks of the 1980s (the other two being maintenance of world peace and China’s four modernisations).¹³ Abandoning the liberation of Taiwan by military means, on September 30, 1981, Marshal Ye Jianying, the chairman of the Standing Committee of the National People’s Congress, publicly enunciated nine principles governing China’s reunification policy (or Ye’s “Nine Points”). Accordingly, Taiwan, after rejoining the mainland, would enjoy a high degree of autonomy, and be permitted to maintain its social and economic system and to retain its own army.¹⁴ As Deng, the chief architect of Taiwan policy, later explained, the Nine Principles delivered in Ye’s name were “in effect one country, two systems.”¹⁵

The other reason was that, while Beijing regarded resumption of sovereignty over Hong Kong as a forgone conclusion, how to achieve it and particularly to maintain Hong Kong’s prosperity and stability was thought to be a difficult task.¹⁶ In Hong Kong, fear of communism was prevalent among the older generation, many of whom were refugees from the mainland, and the post-war baby-boomers, who were accustomed to a capitalist lifestyle. As early as April 1978, Deng had established a Hong Kong and Macao Affairs Office under the State Council with a leading small group headed by Liao Chengzhi to devise China’s Hong Kong policy in the post-Cultural Revolution era. Yet he needed more “investigation and research” (*diao yan*) on how to recover Hong Kong. Shortly after the

announcement of Ye's Nine Points on Taiwan, on December 15, 1981, Deng instructed General Secretary Hu Yaobang, Liao, and other colleagues responsible for Hong Kong to come up with more than two proposals for resolving the Hong Kong question within three months.¹⁷ In January 1982, a joint policy task force, with five members including Liao, Lu Ping of the Hong Kong and Macao Office, and representatives of the Hong Kong branch of the New China News Agency, was established. After several months of policy studies and visits to Hong Kong, by March 1982 Liao's team submitted a preliminary plan for resolving the problem of Hong Kong to the Party Central Committee.¹⁸ On March 21, Deng approved the preliminary plan in principle, but wanted to seek further opinion on concrete proposals.¹⁹

Between late March and early June, Deng received twelve groups of visitors from Hong Kong, including business tycoons, academic leaders and newspaper executives, in order to spell out China's position on resuming sovereignty in 1997 and to solicit their views about how to maintain prosperity and stability in Hong Kong.²⁰ On September 16, Deng convened a meeting with Li Xiannian, Hu Yaobang, and Li Hou (the deputy director of the Hong Kong and Macao Office) and others at his residence to discuss Hong Kong's current financial situation. Deng said that, during the fifteen-year transitional period, China should prepare for possible disturbances in Hong Kong, and, in the event of serious disturbances, should reconsider the timing and method of recovering Hong Kong. Thatcher's forthcoming visit would be a good opportunity for China to stress its principles on Hong Kong and to seek British cooperation.²¹

II

The idea of a Far Eastern tour by Thatcher began to crystalise in the summer of 1981. To the FCO, a trip to China would be a return for the 1979 visit to Britain by the then Chinese

Premier, Hua Guofeng.²² Lacking foreign policy experience herself and preoccupied with economic issues during the early years of her premiership, Thatcher respected Foreign Secretary Lord Carrington, with whom she enjoyed “an occasionally stormy but generally successful relationship.”²³ Carrington helped Thatcher to get a general grasp of the Hong Kong problem. To him, a China visit, which would inevitably include a stop in Hong Kong, would be “an excellent move in the context of our relations with China and our international position as a whole.”²⁴

In early January 1982, Humphrey Atkins, the Lord Privy Seal and Carrington’s number two at the FCO, visited Beijing in preparation for Thatcher’s visit. When meeting Atkins on the 6th, Premier Zhao Ziyang spelt out China’s general stand on Hong Kong – that “China would safeguard her sovereignty,” and that “the prosperity of Hong Kong would be maintained.” After recalling Ye’s Nine Points on Taiwan, Zhao said that there was as yet “no specific formula” for Hong Kong, but the problem “would not be put on the shelf until 1997.”²⁵ On March 9, Carrington sent a detailed minute to Thatcher about the meeting: while “the Chinese have not moved on essentials,” it was encouraging that they “recognise the existence of the problem as well as the need for it to be solved before 1997.” Although the Chinese had stated that they wanted to “see Hong Kong remain a free port and a commercial and financial centre,” Carrington did not himself believe that “they have yet fully grasped the ways in which confidence could be threatened or maintained.” He asserted: “Confidence in the Territory, particularly among investors, is likely only to be maintained if autonomy is guaranteed by the administration continuing on the same lines, ie through the British.” Aware of the legal reality that Hong Kong was partly ceded and partly leased, Carrington believed that Britain could “only maintain sovereign powers in the New Territories up to 1997” and “the rest of the Territory is not viable on its own” after that date. If Britain and China “could come to an arrangement whereby we made some sort

of recognition of Chinese sovereignty over the rest of the Territory (ie Hong Kong Island and Kowloon) while still retaining the right to administer the Territory beyond 1997,” it would represent a “real foreign policy success.”²⁶ Thatcher, having read but making no comment on the substance of his minute, hoped to discuss with Carrington in the coming weeks.²⁷

Deng used a former prime minister to convey a message to London. In early April, Edward Heath, a ‘friend of China’ due to his roles in Sino-British normalisation and opposition to Soviet hegemony, visited China for the fifth time.²⁸ Referring to Ye’s Nine-Point proposals for Taiwan, which he suggested could be applied to Hong Kong, Deng stated that the new Chinese Constitution (which would be approved by the National People’s Congress in December 1982) would make provision for the creation of “special administrative zones,” according to which Hong Kong would be permitted to keep its “various systems” and managed by its inhabitants including foreign residents. Under such an arrangement, Deng claimed, Britain “might suffer a loss of taxation revenue from Hong Kong,” but “trade and commerce would not suffer.”²⁹ As the British ambassador in Beijing, Percy Cradock, assessed it, Deng’s was “the most important and revealing statement” about Hong Kong so far. Although Deng’s proposals did “not entirely preclude the possibility of continued British administration,” Cradock expressed his concern that Deng had shown “continued misunderstanding of the way the Hong Kong economy works and what investors will accept,” including “the delusion that the UK Treasury receives taxation revenue from Hong Kong.” “We must correct Chinese misconceptions,” Cradock recommended to London, and “try to explain to them how to avoid killing the goose that lays the golden eggs.”³⁰

The Deng-Heath conversation came just days after Argentina had invaded the Falkland Islands on April 2. Although Thatcher could not devote too much time to Hong

Kong during what would become a seventy-two-day war,³¹ she nonetheless took a personal interest in planning her Far Eastern tour – for example, concerning the first leg of her trip, she had preferred to go to China first but finally chose Japan on the FCO’s advice.³² After some deliberations about squeezing it into her busy diary, the China visit was scheduled for September 22-26, followed by a two-and-half day trip to Hong Kong, and would feature a small party consisting of Assistant Under Secretary Alan Donald, Hong Kong Governor Edward Youde, and John Coles (but not the foreign secretary). According to the FCO, the “main objectives” of the visit were to “demonstrate Britain’s willingness to develop through exchanges at the top level an enduring and balanced relationship with China” and to “take such limited opportunities as may arise to further our commercial interests.” But the “dominant objective” was to “obtain further Chinese understanding and cooperation over Hong Kong:” specifically, to “seek agreement on the opening of discussions on the future of the Territory after 1997.”³³

Thus began the project of “educating” China in Hong Kong’s capitalism. As Cradock advised the FCO in early 1982: “We must make every effort to educate the Chinese as to what the concept of ‘investor confidence’ involves.”³⁴ The notion of “educating” the Chinese had a long history in the British official mind, albeit for different reasons over times. Back in the nineteenth century, an expanding Victorian empire undertook a “pedagogical project” of indirectly influencing a declining Qing empire. Through various means of coercion (punitive expeditions and plunder) and enticement (training aid and exchange of embassies), the British imperialists aimed to teach the Qing court and the Chinese people about how to “behave properly” in the age of European empires.³⁵ During the Cold War a century later, the balance of power between Britain and China in Asia had reversed; so had the aims and means of Britain’s “pedagogical project” changed. As the British Chargé d’Affaires in Beijing, Donald Hopson, assessed the pros

and cons of China's admission to the United Nations in 1966, the issue boiled down to "Education of China versus Disruption of the U.N." He concluded that "the aim of trying to teach China to become a more normal and co-operative member of international society should surely be recognised as paramount."³⁶ By the early 1980s, after London and Beijing had achieved full diplomatic normalisation, the "education" of China became a lengthy process of engagement, dialogue and cooperation. As far as her China visit was concerned, Thatcher aimed to demonstrate how Hong Kong's capitalist system worked, to persuade the Chinese leaders that continuing British administration was essential to business confidence, and to seek agreement on the opening of formal talks on Hong Kong's future.

During a meeting at Downing Street on July 28, Thatcher, following the lines of argument made previously by Carrington (who had resigned over the Falklands War), asserted that "there appeared to be a fundamental lack of comprehension on the Chinese side as to what was needed to maintain confidence in Hong Kong," and the proposals they had so far put forward "would in themselves bring about a collapse of confidence." Governor Youde noted that while the unofficial members of Hong Kong's Executive and Legislative Councils (UMELCO) "wished British administration to continue," they believed that this could not be achieved "unless we were prepared to concede sovereignty" over the whole of Hong Kong. In this vein, Thatcher suggested the idea of a "management contract" – a device which would leave the administration of Hong Kong in British hands, while allowing China to claim that it had recovered sovereignty. But she stressed that "we should not start by assuming that we shall have to give up sovereignty."

Significantly, the Hong Kong question was bound up with the sensitive issue of British nationality and immigration. To Thatcher, "citizenship was linked to sovereignty:" if sovereignty were transferred to China, the inhabitants of Hong Kong could no longer have British passports, and they ought to be made aware of this at some stage. Related to

this, Thatcher believed that “the presentation in the United Kingdom of any concession would need the utmost care:” it was essential to show that there was “no danger of a mass influx of Hong Kong citizens” to the United Kingdom as a result of any agreement. Thus, “[e]ndorsement of any agreement by the people of Hong Kong” would “be of great assistance in presenting it in the United Kingdom.” In this aspect, Youde suggested to invite UMELCO to London for consultation.³⁷

After the Downing Street meeting, the Foreign Office constituted a special group under Lord Belstead, the minister of state responsible inter alia for Asian affairs, with the aim of producing a full study of all aspects of the Hong Kong problem.³⁸ Completed in late August, the study, titled “The Future of Hong Kong: A Special Study,” was the result of extensive consultation with the ambassador in Beijing, the Hong Kong governor, and a number of departments, although the recommendations were the responsibility of the FCO alone.³⁹ In a minute to Thatcher on September 3, Foreign Secretary Francis Pym summarised the conclusions of the study. After examining a number of options, the study concluded that “the likeliest way of reconciling our position and that of the Chinese while meeting the interests of the people of Hong Kong as a whole would be some form of ‘management contract’.” Any such arrangement should provide “very firm guarantees for the continuation of British administration beyond 1997,” and only “on that basis could any acknowledgement of Chinese sovereignty be considered.” With the immigration issue in his mind, Pym argued that a “management contract” would “be saleable in this country both in Parliament and to public opinion,” and, by maintaining confidence in Hong Kong’s future, would “discourage people in Hong Kong from trying to leave and come to this country.”⁴⁰

Thatcher was eager to gauge the “climate of opinion” in Hong Kong, where she felt Britain had a moral obligation to its people. On September 8, she invited the Hong Kong

governor and five UMELCO to lunch in Downing Street. Having a disposition to “suddenly propose something dramatic and impractical”⁴¹ in policy deliberations, Thatcher asked whether those present would welcome “independence” if it were a “genuine option” for Hong Kong. Lydia Dunn, a member of both Councils and an executive with John Swire and Sons Ltd., replied that “independence,” if feasible, would be “preferable to absorption of China,” although “the wish of the people of Hong Kong” would be maintenance of the British system. Sir Sze-yuen Chung, Senior Unofficial Member of the Executive Council and a successful industrialist, said that it was widely believed that China would not allow Hong Kong to become independent. Thatcher then floated the idea of continuing British administration “in exchange for a sovereignty which was merely titular.” Dunn replied that “at first blush the Chinese might regard titular sovereignty as inadequate,” but they were “pragmatic” and might be reconciled to the British standpoint “[o]nce they had been educated to see that prosperity flowed from British administration.” Sceptical about their “pragmatic” character, Thatcher claimed that the Chinese were “Marxist” and their system was “centralist,” and that the Chinese “did not understand what was necessary to maintain confidence.” After she had been told that some Hong Kong businessmen had been invited to Beijing for consultation, Thatcher commented that it was “not certain” that these people had “stated their views clearly” to the Chinese leaders. On the issue of China’s “basic misunderstanding” of the economic system in Hong Kong, Thatcher asked whether the “Special Economic Zones” in mainland China were relevant. She was told that the zones were “not successful,” and the conditions there “chaotic.” At the end of the meeting, Thatcher reassured her guests that Britain’s “duty lay with the five and a half million people of Hong Kong.”⁴²

To seek cabinet endorsement of her negotiating approach, Thatcher chaired a small ministerial meeting on September 13. Expressing her reluctance to discuss “substantive

concessions on sovereignty” with the Chinese leaders, Thatcher declared that “[t]he most she was prepared to envisage was that China would obtain merely titular sovereignty over Hong Kong.” The attorney general, Michael Havers, commented that “any arrangement involving the cession of sovereignty would require legislation,” adding that there “might also have to be legislation on immigration.” The home secretary, William Whitelaw, pointed out that under the 1981 Nationality Act (where Hong Kong was assigned the status of British Dependent Territories Citizenship), the bulk of the Hong Kong population had “no automatic right of abode in the United Kingdom.” But the British government might still face a difficult situation “if large numbers simply arrived on our shores,” he warned. Thus, “[t]he prospect of a major problem of immigration was a strong reason for arriving at a satisfactory agreement on the future of the colony.”⁴³

A briefing meeting for Thatcher was held on September 14, two days before she set off for Japan. The programme for her China trip was finalised only the day before she arrived in Beijing.⁴⁴ Nevertheless, the overall aim of the visit remained unchanged: to “educate” the Chinese leaders about the importance of continuing British administration in Hong Kong after 1997.

III

Arriving by VC10 in the early afternoon of September 22, Thatcher’s party was greeted at Beijing Airport by Vice Foreign Minister Zhang Wenjin, and was then driven to the State Guest House. A formal welcoming ceremony was arranged outside the Great Hall of the People, where Thatcher inspected a guard of honour. There followed the first round of talks between Premier Zhao Ziyang and Thatcher, focusing on China’s relations with the superpowers.⁴⁵ At night, a welcoming banquet in the prime minister’s honour was given by Zhao in the Great Hall for some two hundred guests. In her speech, Thatcher talked of the

long history of Anglo-Chinese “friendship,” quoting a Tang poem to illustrate that “[geographical] distances mean very little” to “friendship.”⁴⁶ Before the start of the talks on Hong Kong the next day, however, Zhao resorted to “megaphone diplomacy” to exert pressure on the British. In answering questions put to him by Hong Kong reporters, Zhao revealed that China would of course resume sovereignty over Hong Kong, although adding that this would not affect Hong Kong’s stability and prosperity.⁴⁷

At the Great Hall of the People, Thatcher opened the meeting with a statement conveying the crucial message about how capitalist Hong Kong worked. “Hong Kong is a unique example of successful Sino/British co-operation,” Thatcher proclaimed, and the problem faced by Britain and China at the moment was “how to agree about its future while maintaining its prosperity.” To Thatcher, “the prosperity of Hong Kong depends on confidence,” which in turn depended not only on “good relations between Britain and China” but also on other things – “a stable and internationally respected currency;” “a financial and tax regime favouring business enterprise and which is not liable to sudden change” (and one from which “Britain derives no revenue”); “a formal and internationally respected system of law;” “the maintenance of public order;” and “the freedom of its political and economic system.” Referring to the “general assurances” given previously by Deng and Zhao that “the present local systems will be preserved” and that “Hong Kong must be maintained as an international centre,” Thatcher asserted that they would “not be enough by themselves to maintain confidence.” Rather, she reiterated that “[c]onfidence in Hong Kong, and thus its continued prosperity, depend on British administration.”

On the “delicate” issue of sovereignty, Thatcher said that the Chinese position was “well-known” to the British government, but it was “politically difficult” for her to agree to China’s assertion of sovereignty over Hong Kong: acceptance of this “would involve Britain abrogating by Act of Parliament the treaties under which the British administer

Hong Kong.” Besides, abrogation of the treaties by Beijing alone would “produce immediate panic in Hong Kong,” and would be “rejected by the British Government and Parliament and by the people of Hong Kong.”

After listening very carefully to Thatcher’s statement, Zhao said that the Hong Kong question was “an issue left over from history,” and that the time had come when China would “recover its sovereignty over Hong Kong in 1997 – and no later.” Claiming that China “was not bound by treaties signed between the British Government and the Ching dynasty,” Zhao asserted that the recovery of the whole of Hong Kong (Hong Kong Island and Kowloon being “inseparable” from the New Territories) was “an issue concerning Chinese sovereignty, territorial integrity and the national feelings of the Chinese people.” After the recovery of sovereignty, China would pursue “special policies” in Hong Kong, “designed to maintain stability and prosperity;” for example, Hong Kong could become “a special administrative zone administered by local people,” “its existing economic and social system and style of life” could remain unchanged, and “its function as an international financial centre” would continue. If “it came to a choice between the two,” Zhao said, “China would put sovereignty above prosperity and stability” because “[s]overeignty was a matter of principle.” Zhao did not think that it was “impossible” to maintain the confidence of investors during the transitional period as long as both sides “showed full co-operation.” If China pursued a policy of maintaining prosperity in Hong Kong, Zhao was optimistic that Chinese investors would stay, asking rhetorically where else they could go. Thatcher, seizing an opportunity to “educate” the Chinese premier who was apparently ignorant of global capitalism, immediately suggested Singapore, the Philippines, or even New York.

Besides the confidence factor, Thatcher underscored the legality of the three Treaties governing Hong Kong’s status. By 1997 “the legal basis for the British

Administration of the new territories would end: the British Government honoured its agreements.” Yet “the legal basis for British retention of Hong Kong and Kowloon would continue as a matter of international law.” Although the Chinese wanted these treaties to be abrogated, Thatcher hoped that they would “recognise that abrogation would have to be achieved through a law passed by the British Parliament.” If Beijing insisted on abrogating one agreement “valid at international law,” “what assurance could there be that they would keep any other agreement,” she wondered.⁴⁸

The third day in Beijing, September 24, Thatcher was received by Deng Xiaoping. Arguing that the British and Chinese governments shared the “common objective” of “maintaining the prosperity and stability of Hong Kong in the interests of the people who lived there,” Thatcher spelt out her position on the resolution of the 1997 question. If the two governments could agree “definite arrangements about the future administration and control of Hong Kong,” and if she were satisfied that they would work and “command confidence” in the British Parliament and among the people of Hong Kong, Thatcher could “consider the question of sovereignty” and recommend the outcome to Parliament accordingly. As there was “no time in the present short visit to reconcile the differences” over Hong Kong, Thatcher proposed that, before she left Beijing, both sides should announce that further talks would take place.

Deng, for his part, underscored the Chinese basic position on Hong Kong in three aspects – sovereignty, prosperity, and the question of how to “avoid turbulence” in Hong Kong between now and 1997. First and foremost, “sovereignty was not a matter which could be discussed:” “in 1997 China would certainly recover sovereignty over Hong Kong.” If Hong Kong were not returned to the motherland in 1997, Deng warned, the Chinese government “would not be able to account for it to the Chinese people,” who would think that “the new China was like the China of the Ching dynasty and the present

leaders were like Li Hongzhang.” Significantly, Deng revealed that in “no more than one or two years time,” the Chinese government “would formally announce their decision to recover Hong Kong.” He had postponed the announcement because China needed time to solicit widespread views from various circles in Hong Kong and to conduct “friendly consultations” with Britain. Referring to Thatcher’s remarks about her “difficulties” over sovereignty, Deng offered his personal view that China’s recovery of Hong Kong would “bring a much bigger benefit because it meant that the period of colonialism would have ended in Britain.”

Unimpressed by Deng’s comments on the nature of British colonialism, Thatcher replied that it was Britain’s “normal policy” to bring former colonies to independence (45 members of the United Nations fell into that category), but that Hong Kong was exceptional “because of the complications of the lease from China.” Yet she took pains to highlight that “the British Government derived no revenue from Hong Kong, and Hong Kong received no aid.” “Britain was not a colonialist country: we had moved beyond that,” she claimed. Rather, “Britain simply wanted to carry out her moral duty to Hong Kong.” Regarding the attitude of the Hong Kong people, Thatcher later added that “every survey” showed that they “wished the British system of administration to be maintained.”

On the question of maintaining prosperity and stability, Deng said that China “hoped to enjoy the co-operation of Britain,” but that “did not mean that the prosperity of Hong Kong could be maintained only under British administration.” If there were “very large and serious disturbances” in the next fifteen years, Deng warned, “the Chinese Government would be forced to consider the time and formula relating to the recovery of its sovereignty over Hong Kong.” He added that any “major disturbances” “would be man-made (artificial), not natural.” When queried by Thatcher that “all disturbances were created by man,” Deng clarified that the disturbances “would be created, not by

Governments, but by individuals, some Chinese, some British.” He cited the example of the Hong Kong and Shanghai Bank: “No-one knew how many banknotes it had issued.” Just as Thatcher had enlightened Zhao on global capitalism the previous day, Youde immediately corrected Deng by saying that the colonial authorities knew. Deng agreed, but insisted that the Hong Kong people he talked to did not know. To Deng, the British and Chinese governments should “prevent some businessmen from doing things which were detrimental to the prosperity and stability of Hong Kong.”

Towards the end of the meeting, Deng suggested that the two sides should agree to start discussions through diplomatic channels on the “pre-condition” that “in 1997 China would recover sovereignty over Hong Kong.” After some discussion, the two sides agreed to issue the following statement:

Today the leaders of both countries held far reaching talks in a friendly atmosphere on the future of Hong Kong. Both leaders 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.⁴⁹

Besides the Hong Kong question, Thatcher, travelling from Beijing to Shanghai and finally Guangzhou, discussed with the Chinese bilateral economic relations, especially in the fields of energy resources, transport and communications, and aviation.⁵⁰

Upon arrival in Hong Kong on September 26, Thatcher gave a brief rundown on the Beijing talks to the governor and his senior officials.⁵¹ When meeting some thirty UMELCO the following day, Thatcher expressed her frustration with the perceived Chinese ignorance of capitalism. The Chinese “thought they could run a capitalist society but they did not know what it meant;” they “could grasp intellectually such concepts as the rule of law but they did not understand or accept that there could be fundamental rights that

did not derive from the State.” Thatcher explained that Deng’s “pragmatism counted for little compared with his Marxist-Leninism.” Another problem was that the Chinese leaders had not heard “the truth about what made Hong Kong a success from local personalities who had been invited to Peking.” Thatcher thus requested for the help of the unofficial members in getting across the basic message that Hong Kong’s prosperity depended on British administration.⁵² In other words, Deng needed to be “educated” about the real nature of capitalism in Hong Kong.

Back in the United Kingdom, on September 30, Thatcher reported to the Cabinet on her China visit. She said that her talks with the Chinese leaders, “although tough, had not been acrimonious,” and expressed her hope that the joint statement, which stipulated the beginning of talks through diplomatic channels, “would be sufficient to sustain confidence for the moment.” To Thatcher, the talks ahead would be “difficult,” but on balance, “an accommodation should be achievable.”⁵³ Cradock, too, believed that the visit had achieved its immediate objective, and that Britain “would have a chance of instructing the Chinese in the economic realities of Hong Kong” in future negotiation.⁵⁴

IV

To fully grasp the significance of Thatcher’s China visit, one must place it within the wider context of Thatcher’s Britain and Deng’s China in 1982. The Falklands War was the backdrop for the Thatcher government’s deliberations about Hong Kong’s future. Through her strong personality, the “Iron Lady” had stood up against the “defeatism” of the FCO. The recapture of the Falkland Islands was not only a military victory for Britain, but also a significant boost to Thatcher’s position within the Conservative Party and across the country. The Falklands conflict, however, had little long-term significance for Britain’s international status and post-imperial identity.⁵⁵ As Robin Harris (who drafted Thatcher’s

memoirs) argued, the Falklands War “had changed her” and “Britain’s standing,” but “could not change the realities of global power.”⁵⁶ The Falklands victory did not make Thatcher more “imperial” and more war-prone. With little overseas travel in her youth and no work experiences with the Empire before 1979, Thatcher was “almost uniquely insular and ‘a-imperial’ in her social and intellectual formation.”⁵⁷ Although feeling proud of the history of the Empire, Thatcher was not nostalgic about the loss of imperial grandeur: she was “not a Monday Club Tory, opposed to decolonization as such.”⁵⁸ She was herself “well aware” that Hong Kong was not the Falkland Islands and China was not Argentina, “both from the military and the legal viewpoints.”⁵⁹ Notwithstanding the Falklands euphoria, a military solution to the Hong Kong problem was never on the table. In other words, pragmatism and negotiation, not dogmatism and confrontation, characterised Thatcher’s approach to the Hong Kong question.⁶⁰

Nevertheless, there were two sides of Mrs Thatcher’s personality – “the realistic Prime Minister” and “the emotional Margaret Thatcher.”⁶¹ During 1982, Thatcher was more “emotional” than “realistic:” she was not prepared to concede sovereignty to China, and, even in return for the retention of British administration after 1997, she was willing to acknowledge merely China’s “titular sovereignty” over Hong Kong. Likewise, in 1982 the pragmatism of the FCO did not mean the advocacy of “appeasement.” Rather, Carrington and later Pym, in their minutes to Thatcher, had advised against making premature concession without firm Chinese guarantees for Hong Kong.

Thatcher’s attitude towards Hong Kong’s future and, for that matter, China could not be isolated from the context of the rise of “Thatcherism” in Britain. Thatcher came to power amidst the threat of socialism (or “democratic socialism,” not communism) and the ensuing crisis of confidence in late 1970s Britain. She saw the defeat of the Labour Party at the polls, and of the influence of socialism in the society at large, not only in political

terms but also as a kind of moral crusade. “Thatcherism” – a set of values and principles that championed free market, low government spending, tax cuts, privatisation, and weak organised labour – thus emerged to supersede the policies of the previous Labour governments characterised by state involvement in the economy, high taxation and union militancy, among other features.⁶² Thatcher’s attitude towards Communist China was complicated. While seeing China not as a military threat but as an Asian power with a long civilisation which was there to stay, the Iron Lady had a “visceral dislike” of the Chinese system.⁶³ To Thatcher, Deng was a “Marxist” presiding over a “centralist” polity and economy rather than a “pragmatist” as some had claimed, and had little understanding of how capitalism really worked in Hong Kong. Her perception was vindicated when Deng asked the British to prevent investors from withdrawing capital from Hong Kong, assumed that London derived tax revenue from Hong Kong, and suggested that no one knew the amount of banknotes issued by the Hong Kong and Shanghai Bank. Likewise, the “Special Economic Zones” on the mainland were “not successful” and “chaotic,” as Thatcher was told.⁶⁴

Just as she disliked the “centralist” system in China, Thatcher was proud of the achievement of capitalist Hong Kong, which demonstrated many features of “Thatcherism:” a free market economy (with selective government’s interference), fiscal conservatism (with no or minimal external debt), low tax rate (which was conducive to investment), the rule of law (which guaranteed personal freedom if not democracy), and weak union power (which ensured few industrial conflicts).⁶⁵ Not just Thatcher, but Carrington, Pym and Cradock all agreed that only British administration and law, not Chinese communist rule, could maintain confidence in Hong Kong.

With Deng’s misunderstanding of capitalism being exposed in front of her in Beijing, Thatcher argued that the Chinese “would need to be educated slowly and

thoroughly in how it worked if they were to keep Hong Kong prosperous and stable.”⁶⁶ In response to Thatcher’s request for advice, in early October the FCO submitted a note suggesting a number of ways to “educate further the Chinese in the realities of Hong Kong.” The key point should not be that “the British have expertise in administration which the Chinese lack,” for the Chinese leaders had hinted that after 1997 “the bulk of administration could be left to Hong Kong people to run.” Rather, what should be emphasised was that “the British connection” was valued as “an insurance against interference from Peking on major domestic and external issues.” The FCO realised that this would be “a very difficult message to get across both frankly and without causing offence.”⁶⁷

The FCO was right. If Deng had demonstrated a limited understanding of capitalism in Hong Kong, the “emotional Margaret Thatcher” had underestimated the force of Chinese nationalism (as invoked by Deng) in the circumstances of 1982. As Deng confided his difficulties to Thatcher, the Chinese people would not permit him to become another “Li Hongzhang.” In essence, the Deng-Thatcher meeting took place at the critical historical junctures of Sino-American disagreement over Taiwan and of China’s determination to uphold its sovereignty and “independence.” Since late 1981 the Taiwan question had re-emerged as the main irritant in Sino-American relations, thanks to the Ronald Reagan administration’s inclination to increase arms sales, including the sale of an advanced fighter called the FX, to Taiwan. In October Premier Zhao raised the issue with President Reagan, demanding that Washington should pledge not to exceed, in both quality and quantity, the level of arms sales under the Carter administration, agree to gradually reduce arms sales, and set a timetable for their complete termination. Notwithstanding Zhao’s reassurances that Taiwan would enjoy substantial autonomy under China’s sovereignty (thus making US arms sales to Taiwan both unnecessary and inappropriate),

Reagan wanted Beijing to make a statement on renunciation of forces against Taiwan if further arms sales were to be stopped.⁶⁸

The question of US arms sales to Taiwan, as Deng told Heath in April 1982, was “not just a matter of selling weapons” but also a “fundamental manifestation of US policy towards China.” Unless the United States fulfilled its obligations to gradually reduce arms sales until their complete termination, it was “impossible for China to resolve the Taiwan question peacefully.”⁶⁹ Not until August 17 did Washington and Beijing sign a joint communiqué on US arms sales to Taiwan. While refusing to commit to a firm timetable, the Reagan administration agreed that it would “reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution.”⁷⁰ Although the communiqué “has broken the deadlock between the two countries,” the *People’s Daily* warned, “this does not mean that the problem has been completely solved...[T]he fundamental obstacle to the development of Sino-American relations is the U.S. ‘Taiwan Relations Act’.”⁷¹

Deng’s nationalist sensitivities were, moreover, demonstrated in his proclamation of China’s “independent foreign policy.” In the light of the perceived changing strategic balance between the Soviet Union and the United States in the latter’s favour, Deng wanted to shift China’s foreign policy from an overt tilt towards America since 1979 to an equal distance approach towards the two superpowers. But Deng was also motivated by nationalist concerns. When formally enunciating China’s “independent foreign policy” at the Twelfth Party Congress on September 1, Deng talked at great length the fundamental principle of “independence and self-reliance.” “While the Chinese people value their friendship and cooperation with other countries and other peoples, they value even more their hard-won independence and sovereign rights.” “We shall unswervingly follow a policy of opening to the outside world,” Deng continued, but the government should ensure that “[w]e, the Chinese people, have our national self-respect and pride.” Deng

identified “three major tasks” of China during the 1980s, namely “to accelerate socialist modernization, to strive for China’s reunification...and to oppose hegemonism and work to safeguard world peace.”⁷²

Thatcher arrived in Beijing three weeks after the proclamation of China’s “independent foreign policy,” and a little over a month after the (temporary) resolution of Sino-American conflict over arms sales to Taiwan. With his nationalist feelings stirred by the Americans of late, Deng unsurprisingly refused to give an inch on the resumption of China’s sovereignty over Hong Kong. As reunification with Taiwan now appeared to be a more distant task, the recovery of Hong Kong became all the more important in Deng’s eyes. The evolving “one country, two systems” model, originally designed for Taiwan, would first be applied to Hong Kong and enshrined in the 1984 Sino-British Joint Declaration.

V

To conclude, Thatcher’s China visit took place at the critical historical junctures of the rise of “Thatcherism” in post-Falklands Britain and of the growth of Deng’s nationalist sensitivities in view of the perceived changing international strategic balance. After the Falklands victory, Thatcher became a dominant political figure at home, and intensified the economic and social transformation of Britain in “Thatcherite” images. Externally, the Falklands War did not make Thatcher more nostalgic about the glory days of the British Empire (she still felt that Britain’s responsibility was to prepare the remaining colonies for self-government/independence); nor did it make her more inclined to use force as an instrument of British foreign policy (she continued to rely on diplomacy and the talents of individual diplomats such as Cradock).⁷³ In preparing for her China visit, Thatcher had consulted the likes of Carrington, Cradock, and UMELCO. All agreed that Britain should

not compromise on the issue of sovereignty, and only with Beijing's "very firm guarantees" for the continuation of British administration beyond 1997 would Britain *consider* recognising China's "titular sovereignty" over Hong Kong. Such a "management contract," as Thatcher called it, would not only reassure the Hong Kong people, but also be "saleable" in the British Parliament, thus avoiding the possible influx of Hong Kong Chinese to Britain (even though Hong Kong holders of BDTTC passports indeed enjoyed no automatic right of abode there). In Beijing, Thatcher aimed at "educating" the Chinese leaders about the fundamental fact that Hong Kong's prosperity depended on confidence, which in turn rested on continuing British administration. This was not merely a negotiating tactic, but also a reflection of Thatcher's strong belief in capitalism and dislike of socialism.

Nevertheless, in Deng, Thatcher found a tough and rigid negotiating partner, whose nationalist sensitivities had lately been roused by the Reagan administration with its arms sales to Taiwan (which posed an obstacle to China's peaceful reunification efforts) and its massive military-up (which tilted the international strategic balance against the Soviet Union). As reunification with Taiwan now appeared to be a more difficult task than he might have expected in 1979, the recovery of Hong Kong assumed added importance in Deng's eyes. The evolving "one country, two systems" model was thus applied to Hong Kong first, which hopefully would set a successful precedent for peaceful reunification. When meeting Thatcher, Deng uttered a fundamental principle: "sovereignty was not a matter for discussion." Although Thatcher came away from Beijing feeling satisfied that the "dominant objective" of opening talks over Hong Kong's future had been achieved, the project of "educating" Deng in capitalism was doomed to failure from the start. From a broader international history perspective, Thatcher's China visit confirmed the decline of

Britain as a world power despite the Falklands victory, and the gradual rise of China as an economic superpower in the age of reform.

In retrospect, it seemed that the best way for the British to “educate” the Chinese in capitalism was what Deng called “seeking truth from facts.” Since the establishment of the four “Special Economic Zones” in 1979, Hong Kong Chinese businessmen, taking full advantage of the availability of a cheap labour force and special tax and tariff incentives, gradually moved their industrial processing/assembling operations to the mainland.⁷⁴ The large British firms, too, were eager to strengthen Anglo-Chinese economic cooperation – for example, the General Electric Company’s interest in building the conventional island for the Guangdong Nuclear Project; the British Petroleum’s involvement in offshore oil exploration in the South China Sea; and the Cable and Wireless Company’s efforts to forge telecommunications link between Hong Kong and Guangdong Province. Rather than being “lectured” by the British diplomats in the Hong Kong talks, the Chinese Communists were keen to learn capitalism through “practice.”

¹ Margaret Thatcher, *The Path to Power* (London: Harper Press, 2011), 388-91.

² Percy Cradock, *Experiences of China* (London: John Murray, 1994), 179.

³ To save Thatcher's "face," the mainland Chinese media was ordered not to show the footage of her slip. Zhang Chunsheng and Xu Yu, eds., *Zhou Nan jiemi GangAo huigui – ZhongYing ji ZhongPu tanpan taiqian muhou* [Zhou Nan's Leaks about the Return of Hong Kong and Macao to their Motherland – Sino-British and Sino-Portuguese Talks and their Background] (Xianggang: Zhonghua chubanshe, 2012), 123-24.

⁴ On Sino-British negotiations over Hong Kong between 1979 and 1984, see Cradock, *Experiences of China*; Robert Cottrell, *The End of Hong Kong: The Secret Diplomacy of Imperial Retreat* (London: John Murray, 1993); Mark Roberti, *The Fall of Hong Kong: China's Triumph and Britain's Betrayal* (New York: John Wiley & Sons, Inc., 1996); Steve Tsang, *Hong Kong: An Appointment with China* (London: I.B. Tauris, 1997); Qi Pengfei, *Deng Xiaoping yu Xianggang huigui* [Deng Xiaoping and the Return of Hong Kong] (Beijing: Xinhua chubanshe, 2004); and Chen Dunde, *Xianggang wenti tanpan shimo* [Negotiations for the Hong Kong Question From Beginning to End] (Hong Kong: Chung Hwa Book (HK) Company, 2009). Also see the memoirs of former Chinese officials dealing with Hong Kong quoted later.

⁵ Jin Yaoru. *Zhonggong Xianggang zhengce miwen shilu* [A Secret Record of the Chinese Communist Party's Hong Kong Policy] (Xianggang: Tianyuan shuwu, 1998), 2-6; Nan Shan and Nan Zhu, *Zhou Enlai shangping* [The Life of Zhou Enlai] (Changchun: Jilin renmin chubanshe, 1997), 812-14.

⁶ "A Comment on The Statement of The Communist Party of the U.S.A.," *Renmin Ribao* Editorial, March 8, 1963 (Beijing: Foreign Language Press, 1963), 13.

⁷ Cui Qi, *Wo suo qinli de ZhongSu dalunzhan* [My Experience of the Sino-Soviet Great Polemics] (Beijing: Renmin ribao chubanshe, 2009), 145-48.

⁸ *Jianguo yilai Mao Zedong wengao* [Mao Zedong Manuscripts since the Founding of the People's Republic of China], vol. 13 (Beijing: Zhongyang wenxian chubanshe, 1998), 390.

⁹ Ezra F. Vogel, *Deng Xiaoping and the Transformation of China* (Cambridge, Mass.: Harvard University Press, 2011), 490.

¹⁰ Memorandum by Stewart for Ministerial Committee on Hong Kong, K (69)1, "Hong Kong: Long Term Study," March 28, 1969, CAB 134/2945, The National Archives (hereafter TNA), Kew, Surrey, United Kingdom; Chi-kwan Mark, "Development without Decolonisation? Hong Kong's Future and Relations with Britain and China, 1967-1972," *The Journal of the Royal Asiatic Society* 24, no. 2 (2014): 315-35.

¹¹ Cradock, *Experiences of China*, 168.

¹² Beijing to FCO, nos. 345 and 346, March 30, 1979, FCO 21/1735 FEH021/1 Part B, TNA; Qi, *Deng Xiaoping yu Xianggang huigui*, 60-63.

¹³ *Deng Xiaoping wenxuan* [Selected Works of Deng Xiaoping], vol. 2 (Beijing: Renmin chubanshe, 1994), 185-188, 239-73.

¹⁴ Zhonggong renmin jiefangjun junshi kexueyuan, ed., *Ye Jianying nianpu, 1897-1986* [The Chronicle of Ye Jianying, 1897-1986], vol. 2 (Beijing: Zhongyang wenxian chubanshe, 2007), 1200-1202.

¹⁵ Zhonggong zhongyang wenxian yanjiushi, ed., *Deng Xiaoping nianpu, 1975-1997* [The Chronicle of Deng Xiaoping, 1975-1997], vol. 2 (Beijing: Zhongyang wenxian chubanshe, 2004), 797. As early as November 1978, Deng had talked of the concept of "one country, two systems" in its embryonic form. See *Deng Xiaoping nianpu, 1975-1997*, vol. 1, 442; Cheng Linsheng, *Deng Xiaoping 'Yiguo liangzhi' sixiang yanjiu* [A Study of Deng

Xiaoping's Thinking on "One Country, Two Systems"] (Shenyang: Liaoning renmin chubanshe, 1992), 142-43.

¹⁶ Wong Man Fong, *China's Resumption of Sovereignty over Hong Kong* (Hong Kong: The David C. Lam Institute for East-West Studies, Hong Kong Baptist University, 1997), 12, 27.

¹⁷ *Deng Xiaoping nianpu*, vol. 2, 791; Qi, *Deng Xiaoping yu Xianggang huigui*, 250.

¹⁸ Lu Ping (with the collaboration of Qian Yijiao), *Lu Ping koushu Xianggang huigui* [Lu Ping Speaks on the Return of Hong Kong] (Hong Kong: Joint Publishing (HK) Co. Ltd., 2009), 17-21; Wong, *China's Resumption of Sovereignty over Hong Kong*, 17-19. The preliminary plan suggested that Hong Kong's capitalist system and free port status should be maintained.

¹⁹ *Deng Xiaoping nianpu*, vol. 2, 805; Lu, *Lu Ping koushu Xianggang huigui*, 17.

²⁰ Wong, *China's Resumption of Sovereignty over Hong Kong*, 22-3; Qi, *Deng Xiaoping yu Xianggang huigui*, 77-78.

²¹ Li Hou, *Huigui de lichen* (The Journey of Retrocession) (Hong Kong: Joint Publishing (HK) Co. Ltd., 1997), 88; *Deng Xiaoping nianpu*, vol. 2, 849; Chen, *Xianggang wenti tanpan shimo*, 94-98.

²² Lyne to Alexander, July 9, 1981, Margaret Thatcher Foundation (hereafter MTF), document no. 122659 (<http://www.margaretthatcher.org>); Minute, Alexander to Lyne, July 13, 1981, *ibid.*

²³ Jonathan Aitken, *Margaret Thatcher: Power and Responsibility* (London: Bloomsbury, 2013), 283, 287.

²⁴ Minute, Carrington to Thatcher, December 15, 1981, MTF, Document no. 122661.

²⁵ Beijing to FCO, no. 18, January 8, 1982, PREM 19/789 Part 1, TNA.

²⁶ Minute, Carrington to Thatcher, March 9, 1982, PREM 19/789 Part 1, TNA.

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- ²⁷ Minute, Coles to Holmes, March 15, 1982, PREM 19/789 Part 1, TNA.
- ²⁸ *Deng Xiaoping ji waiguo shounao huitan lu* [A Record of Deng Xiaoping's Meetings with Foreign Heads] (Beijing: Taihai chubanshe, 2011), 93-99.
- ²⁹ Beijing to FCO, no. 202, April 6, 1982, PREM 19/789 Part 1, TNA; *Deng Xiaoping nianpu*, vol. 2, 812-13.
- ³⁰ Beijing to FCO, no. 209, April 7, 1982, PREM 19/789 Part 1, TNA.
- ³¹ Fall to Coles, July 21, 1982, PREM 19/789 Part 1, TNA.
- ³² Margaret Thatcher, *The Downing Street Years* (London: HarperCollins Publishers, 1993), 495-97.
- ³³ Acland to Armstrong, July 7, 1982, PREM 19/788, TNA.
- ³⁴ Beijing to FCO, no. 22, January 12, 1982, PREM 19/789 Part 1, TNA.
- ³⁵ James L. Hevia, *English Lessons: The Pedagogy of Imperialism in Nineteenth-Century China* (Durham: Duke University Press, 2003).
- ³⁶ Hopson to de la Mare, January 31, 1966, FO 371/187052 FC2251/4, TNA.
- ³⁷ Note of meeting, July 28, 1982, PREM 19/789 Part 1, TNA.
- ³⁸ Minute, Coles to Thatcher, July 29, 1982, PREM 19/789 Part 1, TNA.
- ³⁹ See "The Future of Hong Kong: A Special Study" by FCO, August 1982, PREM 19/792, TNA.
- ⁴⁰ Minute, Pym to Thatcher, September 3, 1982, PREM 19/789 Part 1; Minute, Coles to Thatcher, September 6, 1982, *ibid.*
- ⁴¹ Charles Moore, *Margaret Thatcher: The Authorized Biography*, vol. 1, *Not for Turning* (London: Allen Lane, 2013), 681.
- ⁴² Holmes to Coles, September 6, 1982, PREM 19/789 Part 1; Record of discussion, September 8, 1982, enclosed in Minute, Coles to Holmes, September 8, 1982, PREM 19/790 Part 2, TNA.

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- ⁴³ Minute, Coles to Holmes, September 13, 1982, PREM 19/790 Part 2, TNA.
- ⁴⁴ A dossier of briefing materials on China and Hong Kong can be found in CAB 133/528; PREM 19/792 Part 2, TNA.
- ⁴⁵ See Note of meeting, September 22, 1982, PREM 19/962 Part 2, TNA.
- ⁴⁶ Thatcher's speech, September 22, 1982, MTF, Document no. 105022.
- ⁴⁷ Hong Kong to Beijing, no. 469, September 23, 1982, PREM 19/962 Part 2, TNA.
- ⁴⁸ Record of conversation, September 23, 1982, PREM 19/962 Part 2, TNA.
- ⁴⁹ Record of meeting, September 24, 1982, PREM 19/962 Part 2, TNA; *Deng Xiaoping wenxuan*, vol. 3 (Beijing: Renmin chubanshe, 1993), 12-15.
- ⁵⁰ Record of conversation, September 23, 1982, PREM 19/962 Part 2; Record of meeting, September 27, 1982, *ibid.*, TNA.
- ⁵¹ Record of meeting, September 26, 1982, MTF, Document no. 122625.
- ⁵² Record of meeting, September 27, 1982, MTF, Document no. 122627.
- ⁵³ CC(82)42nd Conclusions, Minute 2, September 30, 1982, CAB 128/75, MTF, Document no. 123921.
- ⁵⁴ Cradock, *Experiences of China*, 182.
- ⁵⁵ See Brian Harrison, *Finding a Role? The United Kingdom, 1970-1990* (Oxford: Oxford University Press, 2011), 42-44.
- ⁵⁶ Robin Harris, *Not for Turning: The Life of Margaret Thatcher* (London: Bantam Press, 2013), 222.
- ⁵⁷ Stephen Howe, "Decolonisation and Imperial Aftershocks: The Thatcher Years," in *Making Thatcher's Britain*, eds. Ben Jackson and Robert Saunders (Cambridge: Cambridge University Press, 2012), 236-39 (quotation on 237).
- ⁵⁸ Harris, *Not for Turning*, 192; Richard Vinen, *Thatcher's Britain: The Politics and Social Upheaval of the 1980s* (London: Pocket Books, 2010), 220.

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- ⁵⁹ Margaret Thatcher, *The Downing Street Years* (London: HarperCollins Publishers, 1993), 259.
- ⁶⁰ John Campbell, *Margaret Thatcher*, vol. 2, *The Iron Lady* (London: Jonathan Cape, 2003), 316, 318; Vinen, *Thatcher's Britain*, 221; Harris, *Not for Turning*, 222.
- ⁶¹ Aitken, *Margaret Thatcher*, 424.
- ⁶² Robert Saunders, "'Crisis? What Crisis?' Thatcherism and the Seventies," in *Making Thatcher's Britain*, eds. Jackson and Saunders, 25-42.
- ⁶³ Campbell, *Margaret Thatcher*, 315.
- ⁶⁴ Deng never intended to bring "capitalism" to the "Special Economic Zones." *Deng Xiaoping nianpu*, vol. 2, 1025-1026; Li Lanqing, *Breaking Through: The Birth of China's Opening-up Policy* (Oxford: Oxford University Press, 2009), 150-51.
- ⁶⁵ Annex I "Currency and Finance;" Annex L "Legal System on Hong Kong;" and Annex M "External Trade," in "The Future of Hong Kong: A Special Study" by FCO, August 1982, PREM 19/792, TNA.
- ⁶⁶ Thatcher, *The Downing Street Years*, 262.
- ⁶⁷ Coles to Holmes, October 4, 1982, PREM 19/790 Part 2; Bone to Coles, October 11, 1982, PREM 19/791 Part 3, TNA.
- ⁶⁸ Harry Harding, *A Fragile Relationship: The United States and China since 1972* (Washington, DC: The Brookings Institution, 1992), 112-15.
- ⁶⁹ *Deng Xiaoping nianpu*, vol. 2, 812-13.
- ⁷⁰ Harding, *A Fragile Relationship*, 383-85.
- ⁷¹ David Shambaugh, *Beautiful Imperialist: China Perceives America, 1972-1990* (Princeton, New Jersey: Princeton University Press, 1991), 265.
- ⁷² *Selected Works of Deng Xiaoping*, vol. 3, 1982-1992 (Beijing: Foreign Languages Press, 1994), 13-16.

⁷³ In early 1984 Cradock was appointed as the prime minister's foreign policy advisor, while continuing to oversee the Hong Kong negotiations.

⁷⁴ Yun-Wing Sung, *The China-Hong Kong Connection: The Key to China's Open-Door Policy* (Cambridge: Cambridge University Press, 1991).