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Prime Minister

A.J.C. 7.



Foreign and Commonwealth Office

London SW1A 2AH

8 November 1982

Dear John,

Future of Hong Kong: Lee Kuan Yew

As you will recall, the Prime Minister asked at the end of her visit to Hong Kong whether it would be useful to consult Lee Kuan Yew on how to get across to the Chinese leadership the message about what inspires confidence in Hong Kong.

Our Ambassador in Peking had reservations about this, with which the Department agreed. After further consideration here and at No 10, it was decided not to bring in Mr Lee, at least for the time being.

The Prime Minister may now be interested to see the enclosed extract from a teleletter from the High Commissioner in Singapore, recording observations made by Mr Lee to the Archbishop of Canterbury in the course of a call by the latter on 30 October.

There is nothing particularly new or significant in Mr Lee's remarks and it is a pity that he said nothing about how commercial confidence might be maintained. His reference to possible reaction by the Chinese people to failures on the economic front is of some interest, but it is not clear what part Hong Kong's economic value to China - or the loss of it - might play in this.

We shall continue to keep a careful eye out for reports of this kind. Meanwhile, this report has not altered our reservations about using Mr Lee as a channel at this stage.


Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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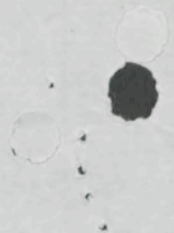
EXTRACT FROM TELELETTER NO 978 OF 1 NOVEMBER FROM THE HIGH COMMISSIONER
IN SINGAPORE

1. When the Archbishop of Canterbury called on Prime Minister Lee Kuan Yew on 30 October, Mr Lee made some observations on Hong Kong.

2. He regretted that at the time of Mrs Thatcher's visits to Peking and Hong Kong, statements had been made beyond the simple announcement of the decision to engage in diplomatic discussions. He thought that this had made things more difficult and he spoke pessimistically about the prospects. He seemed to favour an approach which avoided spelling out positions on the basic issues, but he did not deal with the problem of how you created commercial confidence against a background of political vagueness. He was clearly in a state of some personal puzzlement about Chinese intentions. Referring to the Chinese internal situation, he speculated about the possibility that at some point in time there would be a reaction by the Chinese people against a leadership and doctrines which had failed to bring economic progress.

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10 DOWNING STREET

From the Private Secretary

9 November, 1982

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FUTURE OF HONG KONG: LEE KUAN YEW

The Prime Minister has noted the contents of your letter of 8 November.

A. J. COLES

J. Holmes, Esq.,
F.C.O.,