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Foreign and Commonwealth Office

London SW1A 2AH

30. 3. 83

Prime MinisterA.J.C. $\frac{21}{3}$

Dear John,

Future of Hong Kong: Views of Singapore Prime Minister

We spoke on the telephone last week about Lee Kuan Yew's visit to Hong Kong. The Governor has now reported that he gave Lee Kuan Yew dinner on 23 March. Lee spoke at length about his experiences in China and got on to the subject of the future of Hong Kong. The Prime Minister might be interested in an account of Lee's personal views of how he would handle the Chinese. A full record is coming by bag but these are the main points:

- (i) He would put it to the Chinese that Hong Kong could not remain the success it has become without the talented professional, industrial and technically-minded young and middle generations who now service Hong Kong's modernised economy. Given their qualifications they are internationally mobile and would leave if they saw a real danger of change.
- (ii) Their confidence had been maintained because there had been an insulator between Peking and Hong Kong which had ensured that political changes in Peking had not washed over into Hong Kong. If this insulator were removed the professional classes and industrialists would not stay.
- (iii) They must therefore be given an assurance that the insulator will remain and that if there were any intention to remove it they would be given sufficient time to make their dispositions: (most of them would want to go). He suggested that they would want three to five years' notice of change (the Governor told him that he did not think that would be enough).
- (iv) He accepted that it would be extremely difficult to get the Chinese to accept this. They certainly would not do so without something substantial in return to present to their own people. This would have to be British acceptance that Hong Kong is Chinese territory which they are in a position to recover at any time.
- (v) He recognised that there would be risks in such an arrangement but given the way the cards are stacked he thought risks inevitable. It was his impression that the young professionals were already looking



around: and if they are given no assurance about the future in the next two or three years, they will leave anyway and once gone they will not come back.

- (vi) In his view, the period during which Deng Xiaoping is in power is as good as we shall get in which to seek a settlement. He saw no reason to think that Deng's successors would have his stature in the Chinese political scene and thus his ability to take difficult decisions.

Yours ever

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Future of Hong Kong: Views of
Singapore Prime Minister

Thank you for your letter of 30 March reporting Mr. Lee Kuan Yew's views, as recently conveyed to the Governor of Hong Kong, on the future of the territory. The Prime Minister read this with interest.

AJC

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.