

GRS 330
CONFIDENTIAL
FROM PEKING 110940Z MAY 83
TOROUTINE FCO
TELEGRAM NUMBER 435 OF 11/5/83.

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REPEATED FOR INFO TO HONG KONG

FUTURE OF HONG KONG: LORD SHAWCROSS

1. LORD SHAWCROSS CAME TO LUNCH WITH ME ON 11 MAY. HE HAD HAD MEETINGS WITH THE CHINESE PEOPLE'S INSTITUTE FOR FOREIGN AFFAIRS (HIS HOSTS) AND WITH ASSISTANT FOREIGN MINISTER ZHOU NAN.

2. LORD SHAWCROSS SAID THAT ALL HIS CHINESE INTERLOCUTORS HAD BEEN CATEGORICAL THAT SOVEREIGNTY OVER HONG KONG WAS NOT NEGOTIABLE. ZHOU HAD SAID THE CHINESE EXPECTED BRITAIN TO BE IN A POSITION TO MAKE A STATEMENT ABOUT SOVEREIGNTY BY SEPTEMBER 1984. NEGOTIATIONS ON OTHER POINTS COULD EXTEND WELL BEYOND THAT. LORD SHAWCROSS COMMENTED TO ME THAT A STATEMENT ON SOVEREIGNTY ALONE, WITHOUT MENTIONING OTHER MATTERS, WOULD BE CATASTROPHIC FOR CONFIDENCE IN HONG KONG, BUT IT WAS NOT ABSOLUTELY PLAIN THAT HE HAD MADE THIS POINT SPECIFICALLY TO THE CHINESE.

3. LORD SHAWCROSS HAD HOWEVER TOLD THE CHINESE THAT INVESTOR CONFIDENCE IN HONG KONG WAS ALREADY EBBING AND WOULD EBB MORE QUICKLY UNLESS AND UNTIL THERE WAS A SATISFACTORY SETTLEMENT. HE HAD SAID THAT THE CHINESE MILLIONAIRES WHO CAME UP TO PEKING AND SPOKE IN TERMS AGREEABLE TO THE CHINESE WERE AT THE SAME TIME SEEKING ADVICE FROM SHAWCROSS AND OTHERS ON HOW TO GET THEIR MONEY OUT. MONEY WAS ALREADY LEAVING.

4. A BANKER IN SHAWCROSS'S PARTY TOLD US THAT SHAWCROSS HAD ALSO SPOKEN AT SOME LENGTH TO ZHOUNAN ABOUT SINGAPORE, SAYING THAT SINGAPORE HAD BEEN A SUCCESS LARGELY BECAUSE IT HAD PRESERVED BRITISH INSTITUTIONS AND INTRODUCED CHANGE ONLY GRADUALLY. ZHOU HAD SAID THAT HE HAD NOT FOCUSSED ON THIS POINT BUT WOULD HAVE IT LOOKED INTO.

5. COMMENT.

SHAWCROSS SEEMS TO HAVE SPOKEN MORE ROBUSTLY THAN MOST VISITORS, THOUGH WITHOUT ELICITING A CHINESE RESPONSE. HIS CALLS WERE AT A RELATIVELY LOW LEVEL, BUT THE CONVERSATION WITH ZHOU AT LEAST WILL HAVE BEEN REPORTED TO THOSE CONCERNED ON THE CHINESE SIDE.

CRADOCK

FUTURE OF HONG KONG

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