

05 MAR 1984

ANNEX TO RECORD OF CONVERSATION BETWEEN MR RICHARD LUCE AND MR LEE KUAN YEW AT BANDAR SERI BEGAWAN ON 24 FEBRUARY 1984 AT 11.00

HONG KONG

1. Mr Lee Kuan Yew said that when he had spoken to Mrs Thatcher during the CHOGM he had advised her not to bring the house down if the Chinese insisted on an answer to Hong Kong's future being worked out by September. We should give in gracefully. Mr Luce said that the Chinese seemed to trust us more. The crucial period for the negotiations lay immediately ahead. But the main difficulty now lay in persuading EXCO of the need to take the September deadline seriously. Hong Kong leaders, particularly Sir S Y Chung, were taking a hard line and still appeared to believe that a bargain could be struck to enable discussions to continue as before beyond September. Mr Lee interjected that this was quite unrealistic. The whole thing rested on confidence. If Hong Kong opposed a solution by September the dollar would drop through the floor.
2. Mr Lee asked how the talks were progressing. Mr Luce said that we had accepted the main principles of the Chinese position. They in turn were now being receptive about our ideas for judges, the governorship and future administration. But ultimately there was of course no guarantee that any agreement reached could be made to stick. Mr Lee agreed that a guarantee did not exist; the Chinese could move in tomorrow.
3. Mr Lee continued that the crucial question was who would run Hong Kong and make the laws after 1997. All the British officials would presumably go. Who would replace them? Mr Luce said that the answer lay in the evolution over the next few years of democratic institutions in Hong Kong. Mr Lee warned against the conflicts of interest that this could give rise to if the process were carried too far. Any autonomous Hong Kong Chinese administration would seek to govern in the interests of the population. These interests would inevitably conflict with those of China. If the process was too democratic it would be brought down. A careful balance would have to be struck. Mr Luce said that finding the right mixture was bound to be difficult; however we had 13 years to make the adjustment. Mr Lee replied that we should nevertheless be very careful. The Governor would have to be carefully chosen and be someone who was aware of the limits of autonomy. He would have to understand that, after 1997, that was that. He knew the difficulties from his own experience. In 1955 British Ministers had thought that Singapore could be given some semi-independent status in order to preserve our interests for the sea-route to Australia. He had warned that this arrangement would not last; the result had been Singapore's incorporation into Malaysia and her subsequent painful separation.
4. Mr Lee summed up by observing that our difficulty would be to balance between the interests of the people of Hong Kong, the investors and the Chinese. We should tell the Chinese our plans. They would understand. Once the idea of representative government had been got across, it would have to be implemented in such a way as not to be offensive to Peking but remain credible to investors.

South East Asian Department
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