

Original in Cabinet of Hong Kong

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CALL ON LORD BELSTEAD BY SIR S Y CHUNG, SENIOR MEMBER OF THE HONG KONG EXECUTIVE COUNCIL, 14 OCTOBER 1982

Present

Lord Belstead

Sir S Y Chung

Mr A E Donald

Mr R D Clift

Mr M Arthur

Future of Hong Kong

1. At Lord Belstead's invitation, Sir S Y Chung described the present views in Hong Kong in the aftermath of the Prime Minister's visit. People on the inside, such as UMELCO, appreciated the Prime Minister's efforts and thought she had done an extremely good job. The talks were an important step forward and the start of a long process of negotiation. Meanwhile, there was concern at the recent Chinese statements about the future which appeared to be an attempt to harden their line on sovereignty and he noted in particular the 'Observer' article of 10 October which mentioned a Chinese Governor and Chinese control on foreign affairs in Hong Kong.

2. Sir S Y stressed the importance of briefing the Unofficials on the content of the discussions with the Chinese. At present they really only knew that there had been friendly talks. It was important that the Unofficials should not

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begin to lose their nerve.

3. Mr Donald said that the points referred to by Sir S Y appeared as part of alleged '5 Principles'. These were probably journalistic speculation on points of detail. Mrs Thatcher's discussions had concentrated on principle.

4. Lord Belstead asked about views in Hong Kong on the stress which the Prime Minister had placed on the treaties. Sir S Y said that he supported 100% the Prime Minister's remarks on this score.

5. Lord Belstead asked whether there were ways of providing greater reassurance to the Hong Kong media. Sir S Y said that something might be done with radio and television but the press was really too diffuse. Moreover the Communist press would do what they could to suggest that a Chinese takeover was inevitable.

6. Lord Belstead asked how consultation with people in Hong Kong might be set up. Sir S Y said that he understood that the Hong Kong Government was preparing a paper on this. He agreed with Lord Belstead that the District Boards should be involved.

7. Lord Belstead asked whether it would be helpful if more influential visitors went to Peking for discussion with the Chinese authorities. Sir S Y said that most visitors went for business purposes. It was difficult for them to get over to the Chinese the basis of Hong Kong's confidence and success. The most effective advocate might be a third party

who clearly had no self-interest in the Hong Kong situation. However, it was very difficult to find such a person. If education of the Chinese authorities could not be conducted in this way it might be necessary for this to be done in a more painful and dangerous manner, by accepting a further decline in the Hong Kong economy. The problem was whether this would have an effect on the Chinese leaders before Hong Kong became bankrupt.

8. Lord Belstead asked about the present position on the Hong Kong Stock Exchange. Sir S Y noted that in fact the Hong Kong Stock Exchange had a very small capacity. The top ten companies were equal in total to the value of IBM. He referred to rumours that the Bank of China might have been supporting the Hong Kong dollar. Mr Donald commented that this was probably unfounded.

9. Sir S Y reiterated the importance of UMELCO being kept informed about the progress of the talks. This was particularly important when China was reiterating her position on sovereignty. This encouraged fears that HMG might back down. Lord Belstead underlined the importance of keeping a steady nerve in the talks. We have known that China would take a tough line. The Prime Minister had made our position abundantly clear and we had not shifted from it.

British Nationality Act

10. Sir S Y referred to the Hong Kong legislation which was coming before the Executive and Legislative Councils as a consequence of the British Nationality Act. This was

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inevitably linked in the minds of Unofficials with their request that they should be described as 'British' in their passports. If they did not get a positive answer on this it would be difficult for them to pass the legislation.

11. Lord Belstead said that this had been referred to by the Prime Minister. It was now under discussion in London. It was not yet resolved but he hoped that there would be an early answer.

12. Sir S Y emphasised the shortness of time. The legislation would take six weeks to pass. The question of designation in passports was an important symbol. It was necessary to counteract any suggestion that the British Government might renege on its commitment to Hong Kong. Lord Belstead emphasised that the Prime Minister had taken a very robust line. She had been criticised in some quarters for being too tough but there was no doubt about her commitment to Hong Kong.

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