

CONFIDENTIAL

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10 DOWNING STREET

From the Private Secretary

25 March 1983

HONG KONG

You asked me whether an article in the Hong Kong Standard of 16 March, reporting that during his visit to London Dr Mahathir warned the Prime Minister about the way we were handling our talks with the Chinese over the future of Hong Kong, is consistent with the facts.

As you know from the record I provided at the time, this matter was not raised in the talks between the two Prime Ministers. Mrs. Thatcher has since told me that the only point made by Dr. Mahathir on Hong Kong in the course of his visit was that something would be necessary to save Chinese face.

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

*Notes (NO10)
we spoke
Text of article
as sent to Malaysia
High Commission here*

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PERINGKAT KEUTAMAAN

PERINGKAT KESELAMATAN

TALIGERAM MASUK

UNCLAS

*Perhaps you could
let Nigel Bone
know it reflects
any real exchange.*

Daripada: WISMA PUTRA KUALA LUMPUR

Tarikh: March: 19th, 1983

Kepada: MALAWAKIL LONDON

Prime Minister

Tal. No. 200

*No - he did Dr. Mahathir speak in base
terms to you? (see second page as well).
This needed something to save jaw
A.T.C. 23/3*

For Lily from Dennis.

We have received the following telex from Hong Kong:-

"For your information, Hongkong Standard of March 16 carried a report by Ray Hearn from London about YAB PM's "Stern warning" to Thatcher over future of Hong Kong! Appended below is full text of reports:-

"Tread softly, Thatcher told"

A stern warning over the future of Hong Kong has been delivered to Prime Minister Margaret Thatcher by her Malaysia counterpart, Datuk Seri Dr Mahathir Mohamad. On a visit to Britain the Malaysian Prime Minister said, "Be careful, other Southeast Asian countries are concerned over the future of the territory." Downing Street sources say that in private talks, Dr Mahathir voiced his country's worries over the "Problem" of Hong Kong and how the British Government has so far handled it. He told of Malaysia business interests in the territory and what might happen to these in 1997.

Pembahagian

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It is believed that Mrs Thatcher was told of Malaysian dismay at the way in which the talks with the Chinese leaders had been handled, and the subsequent business chaos in Hong Kong. The tremors from this had been felt throughout Southeast Asia. It is also understood that Mrs Thatcher has heeded the Malaysian leader's warning, and will possible "Tread softly" in future. Dr Mahathir was in Britain ostensibly for trade talks with the British Government, but used the occasion to voice his fears over the future of Hong Kong. It is also understood that the Singapore Government is demonstrating similar fears as that expressed by the Malaysian leader. What is worrying both Singapore and Malaysian leaders is a mass exodus of rich Chinese capital from the area, which will take their money to the United States and Canada, rather than countries nearest to Hong Kong. The "Knock-on" effect for both Singapore and Malaysia if the wrong decisions are made, is thought to be "Devastating". Mrs Thatcher is being urged not to stress the "Legal" status of Hong Kong, and to attempt to work out a deal. - Ray Hearn in London".