

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.



HOUSE OF LORDS,
SW1A 0PW

*See how much
Vulpe wings
?? complete to
No. 10, OD??*

27th September, 1983

CONFIDENTIAL

The Right Honourable
Sir Geoffrey Howe, QC MP
Secretary of State for Foreign
and Commonwealth Affairs,
Foreign and Commonwealth Office,
London, SW1A 2AL.

*HKS-0
AS
AS/Dr. Howe
Dr. G. ...
Dr. ...*

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My dear Geoffrey:

I think I should report shortly on my visit to Hong Kong. The Seventh Commonwealth Law Conference demands no special comment. It was very well run and by common consent it was pronounced a success. I made two speeches, the first opening the Conference, the second laying the foundation stone of the new Court building which was almost complete. Both speeches were potentially politically sensitive. Both received fairly wide coverage on the various media. But neither, so far as I am aware, excited adverse comments.

This was the more satisfactory since my visit coincided with the resumption of talks in Beijing (Pekin) at which Sir Edward Youde was present as a member of the British delegation, and with a currency crisis engendered by uncertainty as to the outcome of the talks. In my opinion this crisis was entirely brought about by the repeated breaches of confidentiality and the aggressive attitude exhibited by the People's Republic of China (PRC). It is for consideration whether this was done with the deliberate intention of creating panic or whether it was simply an example of the total inability of Communist regimes to understand the meaning of confidence or enterprise or the working of a free enterprise economy. In neither event is the prospect particularly encouraging. Despite attempts to make people believe that they do not wish to destroy the economy of Hong Kong which even now gives them a useful source of hard currency, by their actions the PRC leaders are creating a situation which, if it is not remedied, might be quite difficult to hold. In the meantime they blame us for "playing the economic card" and "playing the public opinion card". But we are not playing cards. The Governor (who as you know has served in Peking) believes (I think rightly) that, whatever the explanation of their behaviour, the "political imperatives" of the PRC take such a dominant place in their thinking and actions that they are simply indifferent to economic consequences. If this is so, the outlook is bleak, and whether or not the talks are resumed is simply a question of political judgment.

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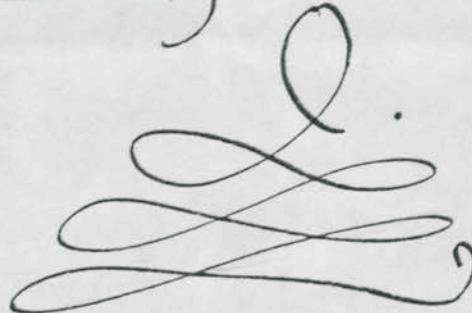
of/

Whilst I was there two British political figures occupied a small part of the scene without doing much noticeable good. One was Ted Heath who came hotfoot from the PRC and addressed the Unofficial Members of the Executive and Legislative Councils, repeating more or less as gospel the line taken by the PRC. Since they had heard it before the worthy burgers were not much pleased. But it was Ted who stormed out without partaking of the dinner/which he had been invited to partake. This, with various comments, was widely reported. The other British figure was our ex colleague Billy Rees-Davies who, since his father was a former Chief Justice of Hong Kong, was more prominent there than he usually is here. He tried to nobble all and sundry (including me and my daughter) with his own solutions, which did not impress me. They may, however, have weakened the hand of the Governor in the minds of those who listened to him.

Anything which can be done to support the morale of the population would be to the good. Those who can get out are in danger of voting with their feet. But it is difficult to know what to say or do which will restore their confidence. Whether the PRC line is due to ignorance or malice, or, as seems more likely, a combination of the two, the fact remains that militarily the territory is indefensible, that it buys a significant part of its water through a pipe from across the border, and also much of its supply of fresh vegetables and other food. However, the lease only expires in 1997, and, with a little luck things might quieten down. Given confidence, and basic supplies, the economy would be sound.

In view of the contents of this letter I am marking it "Confidential", and since it is D.O. as we used to say in the Army, I am not circulating it. It is for you to give it what circulation (if any) you wish.

yrs:

A large, stylized handwritten signature in black ink, consisting of several loops and flourishes.

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Foreign and Commonwealth Office

London SW1A 2AH

7 October 1983

MS

Prime Minister

A.S.C. 10/10.

Dear John,

Future of Hong Kong: Letter from the Lord Chancellor

The Prime Minister may be interested in seeing the enclosed letter to the Foreign Secretary from Lord Hailsham, who recently attended the 7th Commonwealth Law Conference in Hong Kong.

The Foreign Secretary thought that it was perceptive and worth reading.

Yours ever

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

17 October 1983

Future of Hong Kong: letter from the Lord Chancellor

The Prime Minister was grateful for your letter of 7 October enclosing a letter from Lord Hailsham to the Foreign Secretary which she has read with interest.

JOHN COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

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