

PRIVATE AND CONFIDENTIAL

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Prime Minister
If you agree, I will ask the FCO
for a draft reply to this suggestion.
St. George's Building
Yes - it is far from new. LW
2/12

December 31, 1982

The Rt. Hon. Margaret Thatcher, MP
Prime Minister
10 Downing Street
London SW1
ENGLAND

Dear Mrs. Thatcher,

- 1) It gives me much pleasure to report that the work we have done over the past three years in connection with the proposal that a nuclear power station be built in Guangdong Province to provide electricity to Hong Kong and that Province has not been in vain.
- 2) Besides its potential value to UK industry, the importance of this project lies in its ability to create and preserve bonds of friendship between the UK, Hong Kong and Chinese Governments by the transfer of technology so essential to the fulfilment of China's Four Modernizations Programme.
- 3) It has now been announced that the PRC have given definite approval for the project to proceed. Of course, this is but the beginning but it augurs well for that good understanding that is so necessary to the maintenance of Hong Kong's prosperity and its function as the free zone of China under British Management.
- 4) Today, we are at a cross-roads where opinions must be sought and views expressed by the people of Hong Kong, yet at the same time confidentiality is essential to those responsible for negotiating our future. In these circumstances, I feel diffident in expressing an opinion but, perhaps, being nearly as old as the New Territories' lease itself, you will excuse my doing so.
- 5) There is a body of opinion here who believe that those in Peking would prefer not to have to take definite decisions as to Hong Kong's future, always provided sufficient 'face' was given to China by the abrogation of the so-called unequal treaties.
- 6) There is also a strong feeling within certain sections of the Hong Kong Community that the UK would not be sorry to wash their hands of this, their last remaining Colony, thus leaving decisions in the hands of others.

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*St. George's Building
Hong Kong*

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7) It is against this background that a suggestion has been made which, to my mind, has sufficient merit as to be brought to your attention. Briefly, this is that the UK should abrogate the three so-called unequal treaties on the understanding that in all other respects the status quo should remain as at present, with either party giving the other say twenty years notice of their desire to make any changes.

8) Perhaps, it is presumptuous on my part to write this letter, but in doing so I have no desire to interfere in negotiations which are the province of others.

9) What prompts my remarks is that the decision to proceed with the nuclear power station will involve an expenditure estimated at some US\$6 billion, and that funds of this importance cannot possibly be raised in an atmosphere of open-ended uncertainty.

10) I believe the question of confidence in Hong Kong's future, which is so essential to the financial aspects of this project, would be satisfied if the Chinese were to agree to a suggestion along the lines indicated above. This, of course, is an unknown factor.

11) Any approach along the lines indicated would have to be entirely unofficial in the first instance with a view to ascertaining whether or not they would be given sympathetic consideration if advanced on an official basis.

12) On this, the last day of a momentous 1982, may I wish you and Mr. Thatcher a Very Happy New Year.

Sincerely yours,

Kadoorie