



10 DOWNING STREET

From the Private Secretary

1 October 1982

HONG KONG

The Prime Minister held a meeting this afternoon to discuss the instructions which should be sent to HM Ambassador, Peking, with regard to the opening of talks with the Chinese Government. In the absence of the Foreign and Commonwealth Secretary, the meeting was attended by Sir Antony Acland, Mr. Donald and Sir Ian Sinclair. As Lord Maclehorse was in London, he was also invited to attend.

The content of a telegram of instructions was agreed and this will be despatched by Mr. Donald. The purpose of this letter is to record one or two other points which were made at the meeting.

There was a good deal of discussion of the significance of the recent fall on the Hong Kong Stock Exchange. It was suggested that the major part of the fall was attributable to property shares. These were valued far too highly anyway. The Prime Minister asked whether there was an analysis available of the nature of the recent decline in share values. I should be grateful if such an analysis could be produced.

It was agreed that the talks with the Chinese must be kept confidential. Publicity would be likely to have an unfortunate effect on confidence in Hong Kong. But the need for confidentiality would present particular problems for Prime Minister's Question Time. Mrs. Thatcher will wish to give further thought as to how to handle this, but she is inclined, at the first suitable opportunity, to inform the House that talks are going on but that the livelihood of over five million people is at issue and that therefore the House will not expect her to give details. It will clearly be important for our own Press Office here, as well as the FCO News Department, to adopt a similarly cautious line in response to press enquiries. I shall pursue this separately.

Lord Maclehorse said that he himself had been pursued by the media in recent days. When he was asked further questions, he intended to say that he could understand the nervousness of the people of Hong Kong about the discussion of their future, but they would have much greater cause for nervousness if talks were not now to begin. It was agreed that this would be helpful.

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Finally, the Prime Minister said that we had three immediate objectives:

- (a) To have established preliminary contact with the Chinese before the Governor made his major speech on 6 October;
- (b) To announce at a slightly later stage a date for the opening of talks, which the Governor would attend; and
- (c) The actual opening of talks.

All three events, properly handled, could have a useful effect on confidence.

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