



Hong Kong
FILE
B
20
RM

10 DOWNING STREET

From the Private Secretary

13 October, 1982

FUTURE OF HONG KONG

Thank you for your letter of 11 October. The Prime Minister has read it with interest and has noted the comments made by the Foreign and Commonwealth Secretary before his departure for the Middle East.

The Prime Minister is grateful for the work that has been done. She feels that it is now necessary to develop our ideas quickly.

As regards gestures to the Chinese, Mrs Thatcher believes that the goal of "improving the atmosphere of the talks" is too vague to be worth spending money on. Unless we can find a gesture that will positively promote a solution on Hong Kong, we should not go down this path.

But the idea of a Treaty of Friendship and Co-operation would be worth refining on a contingency basis, since it might help the Chinese to accept a solution which would otherwise be unpalatable.

BP//
The Prime Minister is inclined to think that the plan for educating the Chinese about Hong Kong is too general in nature. We ought to have a much more specific and detailed plan available very soon (paragraph 2 of Hong Kong telegram 1157 shows that the Chinese are well ahead with their briefing of people in Hong Kong). Mrs Thatcher thinks that we should be in a position very shortly to commence this campaign of education. She would like to see more specific ideas urgently, when the Governor has been consulted.

The Prime Minister is also inclined to question whether we could not make more use of the Peking talks to carry the education process forward. She has asked whether, for example, Sir Philip Haddon-Cave could not, in the context of the talks, put forward a good deal of information about the way Hong Kong's banking and financial mechanisms operate.

/As regards

SECRET

BP

SECRET

- 2 -

As regards gestures to Hong Kong, the Prime Minister will be meeting soon with the Foreign and Home Secretaries to discuss the passport question. She would like to consider other proposals, particularly any which might help to maintain confidence in Hong Kong by demonstrating our faith in its future.

On another point, the Prime Minister has commented, with regard to paragraph 3(i)B of the paper on the Future of Hong Kong that we must be very wary of defence sales to China at present.

I should be grateful if the above could be given urgent consideration and if further advice could be sent to the Prime Minister in the next few days.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office

SECRET