

John 07/46

Prime Minister

1. Agree to see Sir Edward
Youde?

Foreign and Commonwealth Office

London SW1A 2AH

2. Agree that Sir Percy Cradock
should not come back at the
same time unless we have made
progress with the Chinese?

7 January 1983

A.F.C. $\frac{13}{1}$

Yes

Dear John,

Future of Hong Kong: Proposed Visit to London by HM Ambassador,
Peking

The Governor of Hong Kong is planning to visit London for the working week 24 - 28 January. He needs to do this for normal government business, particularly interviewing candidates for a new Attorney-General. However, Sir Edward Youde has suggested that it would be useful if Sir Percy Cradock came to London at the same time so that fairly full discussions could be held on our next moves on the future. The Ambassador has supported this idea.

There is obvious advantage in taking stock, with the Governor and the Ambassador, of where we now stand. We assume that the Prime Minister will in any case want to see Sir E Youde while he is in London. But Mr Pym sees difficulties about consultations with both the Governor and the Ambassador at this stage, as such an arrangement would inevitably give rise to speculation as to whether HMG were planning a shift of policy.

The main difficulty is that we still have no firm indication of the Chinese reply about the basis of substantive talks. If this was still the case by the week beginning 24 January, any discussions would have to be on a hypothetical basis. This would be unsatisfactory. And we should be left with the problem of the line to take with a press which is quite likely to make enquiries at the Chinese Foreign Ministry if they scent a story.

/Mr Pym's



Mr Pym's view is therefore that it would only be worth having the Ambassador here with the Governor if we had got a step further with the Chinese. He would prefer that we should first take up a suggestion by the Ambassador that he should seek an early interview with Yao Guang, the new Vice Minister for Foreign Affairs, who appears to have succeeded Zhang Wenjin, but whose role in the Hong Kong negotiations may not yet have been determined. If Sir P Cradock does this soon, and if he gets a definite indication of the Chinese position, we should ask Sir P Cradock to come. This would apply whether the Chinese response was favourable or unfavourable to substantive negotiations on the terms we are seeking. If the former, it would be very helpful to work out with the Governor and the Ambassador a careful plan for the conduct of the talks. If the Chinese are still sticking to their precondition on sovereignty, we shall need to consider our own response very carefully indeed. If, on the other hand, Sir P Cradock only obtains another temporizing reply, Mr Pym considers that it would be better to wait until we know more exactly where we stand before organising a full scale conference with him and the Governor.

If the Prime Minister agrees with this approach, we shall instruct Sir P Cradock accordingly.

Yours ever

John Holmes

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Private Secretary

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S E C R E T



File No 47

10 DOWNING STREET

From the Private Secretary

14 January 1983

FUTURE OF HONG KONG

Thank you for your letter of 7 January which the Prime Minister saw on her return from her visit to the Falkland Islands.

Mrs. Thatcher would indeed like to see Sir Edward Youde while he is in London.

As regards the suggestion that Sir Percy Cradock might return to London at the same time, the Prime Minister agrees with the Foreign and Commonwealth Secretary that this would not be desirable, unless we have made some progress with the Chinese in the sense that we have received a definite indication of the Chinese position on substantive negotiations.

A. J. COLES

John Holmes Esq
Foreign and Commonwealth Office

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