



Foreign and Commonwealth Office

London SW1A 2AH

4 May 1983

Dear John,

You may find it helpful to have a note of the main points raised by Sir S Y with Sir A Acland and Mr Pym before he calls on the Prime Minister this afternoon. Sir S Y concentrated on the following three issues:

- (i) He was worried about careless statements made by backbenchers and opposition spokesmen in the House of Commons. The Unofficials understood the difference between Government statements and those made by MPs but the Hong Kong man in the street did not. He wanted the Government to control what was said in the House. He referred also to the recent visit by Roland Moyle MP to Hong Kong, in which he had appeared persuaded by the Unofficials of the correctness of the Government line, but had then spoilt an otherwise good press conference (and thereby damaged confidence) by one critical remark about the Prime Minister's attitude. Sir S Y also hinted, without being specific, /as a/that people in Hong Kong were disappointed by what they saw / difference in the line taken by the Government over Hong Kong from that taken over, for example, the Falklands and Gibraltar. He referred in particular to the Commons debate on the dependent territories on 15 April (I enclose a sidelined Hansard extract). Mr Pym said in reply that it was impossible to control what was said in the House, as Sir S Y would understand. The important point was for the Government to present its line as effectively as possible (Mr Pym thought it better not to refer to the fact that he will be briefing the opposition leaders on Privy Councillor terms about our policy).
- (ii) It was important for Britain to show that it attached importance to the future of Hong Kong and was listening to Hong Kong views. The people of Hong Kong saw that large numbers of delegations went to Peking and were received at a high level. It would be helpful if some delegations also came to London and were similarly received. Mr Pym welcomed this idea. He hoped Sir S Y and the Governor would get together to organise this.

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- (iii) The Unofficials had been kept informed by the Governor and had in turn fed in to him information they received from their Chinese contacts. But the Unofficials wanted more than consultation. They wanted to be fully involved in decision-making, for example in formulating options as well as pronouncing on them. To that end, it would be helpful if the Unofficials could be given some of the information available from London, eg from secret Intelligence. Mr Pym said that he would consider this, but there were obvious constraints on sharing Intelligence information (although he acknowledged that the record of the Unofficials in keeping confidential what they were told had been good).

Apart from these specific points, Sir S Y appeared reasonably pleased with the Government's position. He thought that the Chinese had in the face of British firmness retreated a little way. For example, they now no longer talked of the possibility of taking Hong Kong back before 1997, short of a drastic change in circumstances. This was helpful. He said that the people of Hong Kong were prepared for a protracted negotiation if necessary. As far as confidence was concerned, the initial panic was over but there was inevitably a continuing slow seepage of confidence. Business investment continued at a reasonably satisfactory level, but people were gradually beginning to take steps to protect their own position, for example putting spare money into property elsewhere rather than in Hong Kong itself.

Yours ever

John Holmes

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