

SECRET

PRIME MINISTER

CHINA

The situation continues to develop very fast. Stories of clashes between different units of the Army are becoming more frequent. As you will see from the attached telegram, our Ambassador is beginning to worry about evacuation if heavy fighting were to develop in the area where Embassy staff (and now students) are housed. The FCO are keeping a very careful eye on this.

We are also considering what action should be taken against the Chinese. We have suspended all current visits, including one planned by the Chinese Minister of Justice. We have said that it is most unlikely that the Prince and Princess of Wales would be able to go ahead with their visit later in present circumstances. We do not have any significant military sales but will probably announce tomorrow that we would not permit them in the present circumstances (the Americans, by contrast, have very substantial sales). We are not conducting any negotiations with the Chinese at present under the Joint Declaration. The Foreign Secretary's Statement tomorrow is likely to say (or hint) we will review the guarantees we are seeking for Hong Kong in the Basic Law as well as the pace of democratisation and the question of passports for some categories of Hong Kong citizens.

In short, we should have enough material by tomorrow for a respectable answer if you are pressed in the House. You can probably afford to step up further your condemnation of what is happening in Peking, particularly if there is further evidence that a substantial part of the Chinese leadership/Armed Forces is opposed to it.

There is no further news of Deng.

C.D.P.

CHARLES POWELL

5 June 1989

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