

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have a bilateral with the Foreign Secretary tomorrow. There are several points which you will want to cover.

Visit to Poland: Economic and Financial Policy

You wanted to talk to him about the line you should take in Poland on economic and financial help (FCO letter in folder). The recommendation is that the present situation in Poland does not justify substantial, politically motivated gestures of economic and financial support. Rather you should say that only when economic reform becomes a reality will Western confidence be restored and the way open for help. Once Poland is firmly on the right track, we would be prepared to play our part in discussion of debt relief and new credits. Until then, all we have to offer is some modest help with management training.

I think this is sound advice: money given to Poland now will simply be used to postpone the evil day when they have to grapple with reform. But it presents you with a difficult problem of presentation, since you will have virtually nothing to offer the Poles. The key will be to find a positive formulation about what we would be ready to offer if and when the Poles do carry through the necessary reforms.

Hong Kong

You wanted to raise with the Foreign Secretary the concerns being expressed to you from various quarters (no need to mention sources) about the situation in Hong Kong. There are complaints that too much attention is devoted to keeping the Chinese Government happy: that British interests, particularly commercial interests, are being neglected: that there is no strong British voice in Hong Kong: that we ought to establish a British Commissioner quite distinct from the Governor, who

would become a sort of Consul-General-in-waiting for the post-1997 period who would be responsible for pursuing purely British interests now . There are also concerns about the restrictive practices on civil aviation which are not consistent with preserving Hong Kong's reputation as a centre of free enterprise and competition; and renewed worries about our refusal to offer Hong Kong Chinese prepared to invest in this country citizenship, as a result of which Canada and Australia are getting all the best ones. You might ask for a note on these points as a prelude to discussion with the Chancellor, Home Secretary and Trade and Industry Secretary. But - health warning - this will not be well received by the Foreign Secretary.

European Community

He will want to tell you about the discussion among EC Foreign Ministers to prepare for the European Council in December.

East/West: Human Rights

We need a really thorough campaign to bind other countries in to setting firm criteria for a human rights conference in Moscow. Your warnings to other governments not to fall over themselves in the race to accept Soviet statements at face value are timely; and the announcement of increased defence spending in the autumn statement will be a good signal of our firmness. But we may have to be prepared for the Soviets to try a bit of blackmail over Gorbachev's visit here i.e. implying that you are out of line with others and this puts a possible visit in jeopardy.

South Africa

Chancellor Kohl has proposed that Teltschik comes over here on 7 November to finalise the proposed speaking note for use by Leutwiler with President Botha.

Spain

He will want to tell you about The Queen's visit to Spain. You will want to urge greater efforts with Bossano to get the Gibraltarians to accept the Airport Agreement. Should you see him yourself? There may also be developments on Spanish pensions.

Soviet Embassy

I understand the Foreign Secretary may mention to you tomorrow that the Security Service will shortly be recommending the expulsion of twelve members of the Soviet Embassy for unacceptable activities. I do not yet have full details. But this will present problems if we are on the verge of getting a firm proposal from the Russians for a visit of Mr. Gorbachev. We shall need to think carefully about the timing of any action.

C.D.P.

CHARLES POWELL
25 October 1988

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