

PRIME MINISTER

26 (a-b)

BILATERAL WITH THE FOREIGN SECRETARY

You are to have a bilateral with the Foreign Secretary tomorrow afternoon. There are three subjects he wishes to raise:

- Hong Kong. He will want to tell you about his visit. His statement to the House this afternoon went quite easily: indeed, Labour took up a tougher position than the Government, Kaufman saying that if we were to give right of abode to certain categories of people, then Labour would cancel it if they were the Government. That of course is calculated to undermine confidence in any scheme we introduce.

I understand that the Foreign Secretary has come back convinced that we shall have to offer right of abode to more than the 150,000 which was agreed in OD(K). He thinks that anything less than 250,000 will be scorned in Hong Kong. Apparently, he has already convinced the Home Secretary of this. If we can agree on that figure, he believes the Government could announce the broad details of the scheme and the total before the House goes into recess. You will wish to consider whether you are prepared to go beyond the 150,000/170,000 which you were willing to contemplate in OD(K). The Governor apparently argues that, if we limit it to 150,000, they might all come, whereas if it is 250,000 quite a lot would not come. But I don't know how he can tell.

- Miss Bhutto's Visit. The main thing is to create a good atmosphere and encourage her to be sensible on relations with India and on nuclear issues (although I suspect we shall just get the usual assurances on the latter, which are not worth anything).

- Aid to Poland. There are signs that the Americans are going to bounce us all at the Economic Summit into an aid package for Poland. They have already tried on us the idea of de-linking World Bank loans from an IMF programme, which we have rejected. The signs are now that the President will propose setting up a consultative group to provide economic support for political reform and will invite other Summit countries to contribute. It seems quite likely that some others at least will agree, although the Germans may share our reservations: their negotiations with the Poles have broken down and Kohl's visit to Poland is postponed indefinitely.

C.D.P.

CHARLES POWELL

5 July 1989