

Foreign B1 81(A-B)
Mtg with FOS.

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have a bilateral with the Foreign Secretary tomorrow afternoon. On a general point you will wish to encourage him to remain in very close touch with you on the main issues and to continue the tradition of weekly bilaterals. He faces a very full agenda of difficult issues: the European Community (particularly the handling of EMU and the Social Charter at the European Council in Strasbourg in December), and Hong Kong/Vietnamese Boat People. But he has a first class Ministerial team and you hope he will make full use of them to maintain a high profile for Britain in international affairs, in particular on East/West relations (including aid to Poland and Hungary), on strategic and arms control issues within NATO, over Southern Africa and in the Middle East. We must not allow our temporary economic problems to detract from the much greater standing and influence in the world which Britain has acquired within the past 10 years.

If you want to make a particular comment on the European Community, it might be that nothing would more greatly weaken our hand in dealing with the difficult issues which lie ahead than the suggestion of the differences within Government of European policy. That would just be a gift to the other Europeans. All your experience of the past ten years teaches you that if we have clear and well thought out objectives and are prepared to persist in pursuing them, even if we are isolated at the beginning, then we can achieve a great deal. That is the spirit in which the Government should approach the forthcoming debates on EMU and the Social Charter.

The only operational question at this bilateral is Hong Kong. There are two propositions which need to be discussed:

- first, the idea that Sir Percy Cradock should visit Peking to set up a secret channel of communication with the Chinese, which would enable us to discuss sensitive issues without confronting the Chinese publicly;

- linked to this, the question of what Sir Percy would say on the subject of directly elected seats in Legco. The Governor's and official Hong Kong opinion are in favour of 20 directly elected seats in 1991. Sir Percy believes that to insist on this risks an attempt at confrontation with the Chinese which could put the Joint Declaration itself in jeopardy. He thinks that we should either stick to the 10 seats which the Chinese are already expecting or, at most, go for 15. But anything less than 20 will certainly expose us to allegations here and in Hong Kong that we are failing to make sufficiently rapid progress towards representative government. I believe John Major had reached the view that, despite the risks with the Chinese, we should go for 20 seats. You will want to sound out the new Foreign Secretary's thinking and then perhaps suggest a subsequent meeting at which Percy would also be present (or a discussion in OD(K)).

You will also want to sound out his views on Vietnamese Boat People. There is mounting opposition to compulsory repatriation in the establishment press - Sunday Times and Telegraph. But no one has an alternative solution. For the time being, we are pressing on with voluntary repatriation, but the time will soon come when we will have to take the plunge and resort to compulsory repatriation, with the best obtainable guarantees from the Vietnamese government and UNHCR that those who return to Vietnam will be decently treated.

Finally, you may wish to mention the question of life peerages for Hong Kong. The feeling of your colleagues yesterday was that the moment was not quite right to award life peerages, but that the question might be looked at again for the Birthday Honours list.

You may like to get the Foreign Secretary's reaction to this idea.

C.D.P

C. D. POWELL

31 October 1989

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Please now see separate minute on Hong Kong with the Foreign Secretary has set in. C.D.P.