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10 DOWNING STREET

From the Private Secretary

9 September 1982

Dear John,

Future of Hong Kong

The Prime Minister was grateful for the minute of 3 September by the Foreign and Commonwealth Secretary and the enclosed special study which she has read with interest.

As you know, the Prime Minister did not wish to hold an OD discussion of this question before her departure for the Far East. Instead, she would like to hold a restricted Ministerial meeting early next week. She hopes that the Foreign and Commonwealth Secretary, the Home Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence and the Attorney General would be free to attend (arrangements are being made separately with their offices). I should be grateful if you could arrange for the Attorney General to receive a copy of the special study before the weekend.

In order to clear her mind about certain aspects of the study before the Ministerial meeting, the Prime Minister has asked that Lord Macle hose and FCO officials should be invited to a meeting tomorrow. This is in hand separately.

I should be grateful if you could bring to the attention of FCO officials who will be attending tomorrow's meeting the following points which the Prime Minister has so far raised in relation to the study:-

- (a) Paragraph 4 states that the Chinese are "acutely aware of the economic benefits which they derive from Hong Kong and of the need to preserve it as a capitalist entity". The Prime Minister has asked what evidence there is that they are indeed "acutely aware" of the need to preserve the capitalist structure of Hong Kong.

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- (b) Paragraph 7b refers to HMG's repeated statements of commitment to the five million people of Hong Kong. The Prime Minister would be grateful for the text of such statements.
 - (c) Paragraph 9 states that it is clear that the PRC would not agree to any arrangement for Hong Kong which might prejudice their position on Taiwan. Mrs. Thatcher wonders whether this does necessarily represent the Chinese position.

I am copying this letter to John Halliday (Home Office), John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), Jim Nursaw (Law Officers' Department) and to Richard Hatfield (Cabinet Office).

*Yours ever
John Col.*

John Holmes Esq
Foreign and Commonwealth Office.

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