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PRIME MINISTER

FUTURE OF HONG KONG

I attach two papers:

(a) the first is the long-awaited military assessment from the MOD;

(b) the second is the FCO policy review paper.

Mr. Heseltine would like to discuss the first paper with you. I believe that he finds it difficult to carry military contingency planning forward without a clearer understanding of the general policy background. He probably needs to know whether he has to plan for the possible contingency of a forcible take-over by the Chinese.

The FCO paper is deliberately designed as a "green paper" - i.e. a basis for discussion rather than a firm policy recommendation. There is thus no need for you to react to it, unless you want to, before our policy discussion.

At this stage some procedural decisions are necessary:

(a) Agree to see Mr. Heseltine at 1115 on Tuesday to discuss his concerns?

(b) Would you like a preliminary discussion of the FCO paper with Tony Parsons and Roger Jackling at 1200 on Tuesday (immediately following the meeting with Mr. Heseltine)?

We want a longish discussion with this

(c) Agree that Sir Percy Cradock and Sir Edward Youde should return to London for discussion of the FCO paper in the week beginning 7 March (we will make provision for two

Yes

/ long-ish

long-ish meetings in that week in case we need them both)?

(d) It is not necessary to decide now whether to have, as Mr. Pym recommends, a restricted Ministerial meeting - though at some stage I think you will need to bring in the Defence Secretary, the Home Secretary, the Attorney and perhaps one or two others.

Finally, you have agreed in principle that the Governor should discuss with EXCO the various options in the paper. As you know, he thinks it important to take EXCO into his confidence. I am sure that he should not actually show them the paper. But having seen it, can he now be authorised to discuss with EXCO the main ideas in it, making clear that these are simply options on which you have taken no decision but on which their views will be welcome?

A.J.C.

18 February 1983