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TO IMMEDIATE PEKING (FOR AMBASSADOR)

TELEGRAM NUMBER 106 OF 22 FEBRUARY

INFO IMMEDIATE HONG KONG

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A.S.C. 23/2

f.a.

YOUR TELNOS 124 AND 125: FUTURE OF HONG KONG: POSSIBLE MESSAGE FROM PRIME MINISTER

1. WE AGREE THAT A MESSAGE FROM MRS THATCHER TO ZHAO ZIYANG COULD BE AN IMPORTANT MOVE. HOWEVER, WE THINK THAT IT WOULD BE BEST FIRST TO ESTABLISH THE MAIN LINES OF OUR FUTURE STRATEGY BEFORE DECIDING WHETHER A MESSAGE WOULD BE APPROPRIATE AND WHAT ITS CONTENT SHOULD BE. WHILE THERE WOULD OBVIOUSLY BE SOME ADVANTAGE IN RE-EMPHASISING THE POINTS IN YOUR SECOND TUR, WE SEE A DANGER THAT THIS WOULD PRODUCE A FLAT REFUSAL FROM ZHAO. IF THE PRIME MINISTER WERE THEN TO DECIDE THAT SOME ADJUSTMENT IN OUR STRATEGY WAS NECESSARY, IT COULD APPEAR THAT SHE WAS REACTING TO THE CHINESE HARD LINE.

2. THE SECRETARY OF STATE'S RECOMMENDATION TO THE PRIME MINISTER IS THEREFORE THAT THIS SHOULD BE ONE OF THE POINTS TO BE CONSIDERED IN DISCUSSING THE OPTIONS PAPER AND FUTURE TACTICS, AND THAT EXCO'S VIEW ON THE IDEA MIGHT ALSO BE SOUGHT.

3. THE PRIME MINISTER HAS CONFIRMED THAT IT IS DESIRABLE THAT BOTH YOU AND THE GOVERNOR SHOULD RETURN FOR DISCUSSIONS IN THE WEEK BEGINNING 7 MARCH. MEANWHILE, SHE WOULD LIKE TO REFLECT FURTHER ON THE PAPERS SO FAR PROVIDED, AND ON A FURTHER ALTERNATIVE OPTION, BEFORE SHE TAKES A VIEW ON WHICH MATTERS THE GOVERNOR SHOULD BE AUTHORISED TO DISCUSS WITH EXCO BEFORE HIS RETURN.

PYM

~~FUTURE OF HONG KONG~~

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HD/FED

HD/PLANNING STAFF

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