

Sir A. Parsons.

Prime Minister

R. COLES ✓ A.J.C. 6/7

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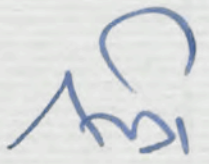
HONG KONG

I attended Teddy Youde's cocktail party at No 1 Carlton Gardens yesterday evening and managed to have a good talk with each of the unofficials. I am glad to say that they were all extremely satisfied with their talks in London and, in particular, with the meeting with the Prime Minister. So far, so good, was the word on everyone's lips.

They have absorbed the message from the Prime Minister that, although we would have to take the lead in the negotiations, they too would have to play their part. I explained to them what the Prime Minister meant by this. Some of them would clearly like to be present, even as observers, at the negotiations so that they can form a direct view of Chinese thinking and be in a better position to advise ^{us} her. But they realise that this would be very tricky and were content to leave it to Percy Cradock to play the hand as he thought best. All of them showed full confidence in Percy's skill as a negotiator.

One or two of them are obviously hankering after a solution which would give Britain another long lease after 1997, this time over the whole of the territory. I suggested that the lesson of history was that where there was a conflict between nationalism and economic interests, the former invariably triumphed. This view was not contested but some encouragement in the reverse direction had been given to them by something which the young professionals had been told while they were in Peking.

There was a strong feeling that Percy Cradock should be persuaded to stay on for the duration of the negotiations. I explained that his retirement would not be caused by bureaucratic reasons of age; rather because of his own domestic problems, particularly his wife's health. I said that this was an argument which made it impossible for us to twist his arm. However, I assured them that he would be available in London for advice on the negotiations.



A.D. PARSONS
6 July 1983