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PRIME MINISTER

7 August 1989

MEETING WITH THE FOREIGN AND COMMONWEALTH SECRETARY

You are to have a meeting with the Foreign and Commonwealth Secretary tomorrow to run over current issues before you go on holiday.

✓ On hostages, the tension has fallen a little and we may be at the beginning of a long bargaining session between the Israelis and Hizbollah at one level and between the US and Iran at another. Our interest is in maintaining our principle that we do not make deals over hostages, while ensuring we know what is going on, and that our hostages are not excluded from any final package. We need to know more how the Americans see it. Do you wish to talk again with President Bush before you go?

On Hong Kong, there are several points. The Foreign Secretary will no doubt want to tell you of his meeting with the Chinese Foreign Minister in Paris. Qian was fairly tough and I would regard his performance as a good guide to the likely Chinese response to the various representations we shall have to make in the coming months. The question of the PLA in Hong Kong was raised. It is a very long shot and there is little chance of getting what we want while Deng is about, or after for that matter. The Press have now fastened on to it; this could be dangerous. We do not want to set our sights too high in public and make the PLA issue the touchstone of success.

You may also wish to discuss the timing of visits to Hong Kong. The Foreign Secretary would particularly welcome guidance on the Prince of Wales' projected visit in November.

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We ought to make our plans on the "flexibility" package public before November, otherwise Hong Kong will think we are going back on our undertakings (you promised Lydia Dunn an early statement). But such an announcement would not of course help the atmosphere for the Prince's visit. Ideally, it would be better if it could be postponed until next year, even the autumn of next year, which is probably the earliest practical alternative.

As you find from papers in your weekend box, this may be difficult. FCO are coming back with the earliest possible alternative date.

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On the Vietnamese Boat People, we still face US objections to our plans. Jim Baker spoke to the Foreign Secretary on the subject in Paris.

You will have seen the reports about Deng's health. We have no collateral but he is old and sick. This suggests some contingency work on messages. His death might also herald a renewed period of instability on the Chinese mainland.

On Argentina, you will want to stress the need for great caution and precision in our New York talks.

NB There are two FCO submissions in your folder.

On the Community, the Foreign Secretary will probably seek your guidance on the approach to the EC issues of the autumn.

See also note in folder on "a wider European Community"

On Commonwealth matters, the Foreign Secretary would probably welcome your thoughts on the preparation for CHOGM and on tactics over the Commonwealth Secretary General's post. He may also have some comment on Commonwealth sport.

? Also: Chemical Weapons us/Soviet talks?

PERCY CRADOCK

SECRET

PRIME MINISTER

MEETING WITH THE FOREIGN SECRETARY, 11.30

I have fixed a meeting for tomorrow rather than Wednesday - as this was the most convenient time for the Foreign Secretary.

Sir Percy has kindly provided a note of some of the issues you might cover. This is at Flag A. It might usefully form an agenda.

I mentioned this meeting to Charles, who is keeping in telephone contact with the office. He said he might ring you tonight or tomorrow about it.

You have received a number of papers relevant to tomorrow's meeting. For ease of reference, I am enclosing them in this folder:

- The TO (P) note on the hostage position (Flag B);
- two FCO notes on the talks with Argentina, informing you of how they plan to handle the talks and seeking your agreement to try to seek direct communications (Flag C);
- An FCO note on "a wider European Community" - which is largely for information, but also relevant to your Austrian trip (Flag D).

Not in your folder for this meeting, although you may want to touch on it, is a note from Sir Percy about US/Soviet talks on Chemical Weapons.

Do you want me to be present to take a note?

CS

- Yes please
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Caroline Slocock

7 August 1989