

PRIME MINISTER

HONG KONG

Since your programme will not allow you to see Lord MacLehose today I rang him this morning to ask if there was anything in addition to his letter which he would like me to pass on to you.

He said he had just come back from Singapore where he was the guest of Lee Kuan Yew. Lee had said (and this was rather different to remarks he made earlier) that he was surprised by the way the negotiations had gone. He wondered if it was realised in London that the right way to deal with China was to give way on positions of principle and then recover the ground in discussion of detail. If the Chinese were opposed on matters of principle they reacted in such a way that discussion of detail became impossible.

Lord MacLehose then said that it was he who had recommended the present members of EXCO, and he, indeed, who had appointed them. He had not appointed them in order that they should dictate British policy towards China but to help over a series of economic and social reforms which he had wished to carry out to make Hong Kong strong before the talks with China opened. The EXCO team was fairly well equipped to help for this limited purpose. But they were not people of great wisdom, nor did they have the moral courage or the training to face up to a situation like the present one. They would expect a strong lead from the British Government. If the Prime Minister gave them a frank appraisal of the course we should follow they would be rather relieved and they would, at the very least, be split in their views. One or two might react unfavourably but would probably not do so in public.

Lord MacLehose repeated what he had said in his letter, namely that if there is controversy about the line the British Government is following he would engage in the public debate in support of the Government. He was sure that the course currently ~~continued~~ *advocated*

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by EXCO would be disastrous for Hong Kong.

Finally, he said that the right way to deal with EXCO is not to harangue them. It is better to let them talk themselves out first. Ask them what they feel. Urge others to speak. Then, when they have finished, if the prudent way forward is described they will tend to rally behind it.

A. J. C.

6 October, 1983

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