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Foreign and Commonwealth Office

London SW1A 2AH

3 September 1982

Dear Willie,

Prime Minister's Visit to China: Reception
at Shanghai

Two British companies represented in Shanghai, BP and the Hong Kong and Shanghai Banking Corporation, have separately approached our Embassy in Peking with proposals to offer hospitality in Shanghai during the Prime Minister's visit there to mark the occasion.

The Embassy have pointed out that it would be difficult to choose between the two firms. At the same time it would be out of keeping to say that we did not want a function during this leg of the tour. If there is to be one therefore it should be hosted by HMG, ie the Prime Minister or the Ambassador. As we as yet have no premises in Shanghai, the reception would have to be held in the Jinjiang Club, the former French Club very close to the guest house where the Prime Minister is likely to stay.

We support the idea of a reception in Shanghai to mark the Prime Minister's visit. She will have been entertained to lunch by the Mayor earlier in the day, and we hope by then to have had further discussions with the Chinese on our proposal to establish a Consulate there. It would be appropriate for her to entertain both Chinese notables and the small British business community, together with representatives of Sir Y-K Pao's party who will have attended the ship launching to be undertaken by the Prime Minister that afternoon. But as the Prime Minister will have already hosted a major banquet in Peking, and as the Shanghai reception will be a modest affair in comparison, we think that it might be better for the Ambassador to act as host.

I should add that a further complication has arisen: Sir Y-K Pao has also offered to give a reception or dinner in Shanghai on the evening of 25 September. He says that the reception after the ship-naming ceremony will probably be hosted by the ship-builders, not himself, and that he would like to be able to offer the Prime Minister some personal hospitality while she is in Shanghai. On learning that the programme is already very tight and that British companies have offered to give a reception, he has asked if he might alternatively co-host (and pay for) this. We do not think this would be

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appropriate, not least because it would seem to make the entire Shanghai leg of the Prime Minister's visit focus on Sir Y-K Pao's interests. The Chinese would be surprised that we wanted a visiting Hong Kong magnate to cut across the bilateral Governmental core of the visit. Moreover to give still further prominence to Sir Y-K Pao would upset other businessmen more directly involved in Anglo-Chinese trade, such as the Chairman of the Sino-British Trade Council who accepted our earlier advice against seeking to involve themselves in the Prime Minister's visit.

We should be grateful to have your views.

Yours ever

John Holmes

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