

SUBJECT

copied on  
Hong Kong - PM's  
mtgs with  
Sir Yue-Kong Pao



HONG KONG

EC MASTER

10 DOWNING STREET

From the Private Secretary

8 December 1982

Dear John,

China/Hong Kong

Sir Y.K. Pao called on the Prime Minister on 7 December. Among the points he made were the following.

He thought that there were two reasons for the dismissal of the previous Chinese Foreign Minister. The first was that Deng Xiaoping had been angered by an article, inspired by the Chinese military, which had attacked the present Chinese Government. He had therefore decided to sack the Defence Minister but, in order to save the latter's face to some extent, had dismissed Huang Hua as well. Secondly, Huang Hua had taken too optimistic a view in public of a possible rapprochement between the Soviet Union and China.

Sir Y.K. Pao had just come from Brazil where he had had some contact with President Reagan's visiting delegation. He had urged that President Reagan should visit China soon. But Deaver from the White House had said that Reagan would not visit China in 1983, though he might go in 1984. Much would depend on the assessment made by Mr. Shultz when he visited Peking in January.

The Chinese had asked Sir Y.K. Pao recently to announce his support for the Chinese "Plan" for the future of Hong Kong. He had replied that, given his connections with both Britain and China, he had to be very careful. He had stressed that China would need British co-operation over Hong Kong in the future if international confidence was to be maintained. The Chinese had attempted to rebut the argument that they could not maintain the prosperity of Hong Kong without British administration by saying that they ran Shanghai with success, despite earlier predictions that they would not be able to do so.

The Prime Minister said that she found the latter remark most revealing. The Chinese had not made a success of running Shanghai and the state of that city could not be compared with the situation in Hong Kong. The Chinese had clearly not appreciated

/ the

CONFIDENTIAL

the fundamental point that prosperity in Hong Kong depended on British administration. Sir Y.K. Pao stated that he had made this point in an interview with the New China News Agency when he was last in Hong Kong and had stressed the necessity of maintaining the confidence not just of local Hong Kong opinion but of international opinion. But the Agency had not published these remarks.

I should be grateful if this letter could be given the usual very limited circulation.

*Yours ever  
John Cole.*

John Holmes, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL