

PS

PS/PUS / MR BULLARD

PS/MR LUCE

MR WILSON

HD/HKD

HD/FED

PS / LADY YOUNG / MR WHITNEY

SIR W HARDING

~~RESIDENT CLERK~~

COPIES TO:

MR COLES, NO.10 DOWNING ST

MR ROBERTS, NEWS DEPT

SIR PERCY CRADOCK

11

IMMEDIATE



ADVANCE COPY

SECRET

DESKBY FCO 101100Z

FM PEKING 100900Z MAY 84

TO IMMEDIATE FCO

TELEGRAM NUMBER 898 OF 10 MAY

INFO IMMEDIATE HONG KONG

*MS*

MIPT: FUTURE OF HONG KONG: ROUND 14: SECOND DAY: COMMENT

1. I SPOKE FIRST, ON LAND. ZHOU UNDERTOOK TO STUDY MY STATEMENT. HE OFFERED NO IMMEDIATE COMMENT.
2. ZHOU'S OWN STATEMENT COMMENTED ON MY STATEMENTS OF YESTERDAY ON THE TWO SIDES' DRAFT AGREEMENTS AND ON ITEM 2. HE SPOKE ALSO ON THE UMELCO STATEMENT. I HAVE REPORTED AND COMMENTED ON THE LAST SEPARATELY (MY TELNOS 893 AND 894).
3. ON THE DRAFT AGREEMENTS, ZHOU SAID NOTHING NEW. HE REPEATED THAT THE BRITISH DRAFT REMAINED UNACCEPTABLE AND EXPRESSED THE HOPE THAT WE WOULD RESPOND POSITIVELY TO THE CHINESE DRAFT. I SAID THAT WE HAD ALREADY EXPLAINED THE SHORTCOMINGS OF THE CHINESE JOINT DECLARATION. WE HAD UNDERTAKEN TO STUDY CAPEFULLY ALL THREE DOCUMENTS WHICH ZHOU HAD TABLED ON 9 MAY.
4. THE BULK OF ZHOU'S STATEMENT DEALT WITH ITEM 2. HE STRESSED THAT A JOINT GROUP HAD TO BE SET UP IN HONG KONG AND NOWHERE ELSE.

~~THAT A JOINT GROUP HAD TO BE SET UP IN HONG KONG AND NOWHERE ELSE.~~  
IT WAS ON THIS PREMISE THAT DENG XIAOPING HAD SUGGESTED THAT IT MIGHT MEET IN PEKING, LONDON AND HONG KONG. HE WENT ON TO REMAKE THE POINTS ON WHICH I HAD ANSWERED HIM YESTERDAY. ONE POINT WHICH HE UNDERLINED WAS THAT THOSE WHO HAD BEEN 'UNILATERALLY' CHOSEN BY THE BRITISH WOULD NOT BE ACCEPTABLE AS HONG KONG'S LEADERS AFTER 1997. HE DISMISSED THE POSSIBILITY OF CHINA GIVING A BLANK CHEQUE TO THE UK TO KEEP INTACT WHATEVER GOVERNMENTAL STRUCTURES WE MIGHT HAVE DEVELOPED BEFORE 1997. BUT, AS PREVIOUSLY, HE EFFECTIVELY ASKED US TO GIVE THE CHINESE A BLANK CHEQUE BY ARGUING THAT WE SHOULD COOPERATE IN IMPLEMENTING WHATEVER CHANGES TO THE PRESENT GOVERNMENTAL STRUCTURE THE CHINESE MIGHT DECIDE WERE NECESSARY. HE DISMISSED PUBLISHED INFORMATION ON THE ISSUANCE OF CURRENCY AS SUPERFICIAL, SAYING THAT CHINA MUST BE PRIVY TO CONFIDENTIAL INFORMATION ON THE MANAGEMENT OF THE EXCHANGE FUND IF SHE WERE TO ALLOW THE PRESENT NOTE-ISSUING BANKS TO CONTINUE IN THAT CAPACITY AFTER 1997. ON LAND, HE SAID THAT THE HONG KONG GOVERNMENT'S POLICY HAD PRODUCED CHAOS IN THE PAST: CHINA AND BRITAIN MUST DISCUSS LAND LEASES JOINTLY IN THE FUTURE.

5. TAKEN AS A WHOLE, ZHOU'S STATEMENT ON ITEM 2 DISPLAYED DEEP MISTRUST OF OUR MOTIVES AND INTENTIONS BEFORE 1997. HE CHARACTERISED MY STATEMENT OF YESTERDAY AS GIVING THE IMPRESSION THAT ITEM 2 DID NOT EXIST FOR THE BRITISH SIDE. HIS TONE WAS CARPING. IN RESPONSE, I REMINDED HIM THAT WE WERE EXAMINING DENG'S PROPOSAL WITH PARTICULAR CARE IN VIEW OF ITS IMPORTANCE. MY LONG STATEMENT ON ITEM 2 WAS EVIDENCE THAT WE HAD NOT OVERLOOKED OR IGNORED THIS QUESTION. MY STATEMENT HAD BEEN FILLED WITH FACTS.

6. THE TEMPERATURE THIS MORNING, HARDLY SURPRISINGLY, DROPPED MARKEDLY. BUT AT THE END OF THE MEETING ZHOU MADE NO FUSS ABOUT THE JOINT COMMUNIQUE.

EVANS

NNNN