

PS
PS/PUS
PS/MR LUCE.
~~MR ROBERTS~~
ED/ED
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DESKDY 010730Z FCO
FM HONG KONG 010435Z AUG 84
TO FLASH PEKING
TELEGRAM NUMBER 759 OF 01 AUGUST
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FOLLOWING FROM PRIVATE SECRETARY.

FUTURE OF HONG KONG: SECRETARY OF STATE'S PRESS CONFERENCE STATEMENT

1. FOLLOWING IS THE FINAL TEXT OF THE SECRETARY OF STATE'S OPENING STATEMENT AT THE PRESS CONFERENCE AT 1630 LOCAL TIME TODAY. IT INCLUDES AMENDMENTS SUGGESTED AT HIS MEETING WITH EXCO THIS MORNING. (FCO WILL NEED TO CHECK TEXT AGAINST DELIVERY BEFORE DEPOSITING COPIES IN THE LIBRARY OF THE HOUSE)

BEGINS

WHEN I WAS IN HONG KONG LAST WEEK I SAID THAT I WOULD KEEP YOU INFORMED ABOUT THE NEGOTIATIONS IN PEKING. I KNOW VERY WELL HOW CRUCIAL THEY ARE FOR THE PEOPLE OF HONG KONG. SO I WELCOME THIS CHANCE TO BRING YOU UP TO DATE.

MY VISIT TO PEKING WAS ALMOST ENTIRELY DEVOTED TO THE FUTURE OF HONG KONG. I WAS ABLE TO HAVE LONG DISCUSSIONS WITH FOREIGN MINISTER WU XUEQIAN, PREMIER ZHAO ZIYANG AND CHAIRMAN DENG XIAOPING.

THE PURPOSE OF MY VISIT WAS:

- TO REVIEW PROGRESS IN THE NEGOTIATIONS;
- TO MAKE REAL HEADWAY ON THE REMAINING ISSUES;
- AND ABOVE ALL, TO STRIVE FOR THE BEST POSSIBLE RESULT FOR THE PEOPLE OF HONG KONG. THAT IS MY OVERRIDING OBJECTIVE.

I AM GLAD TO SAY THAT VERY SUBSTANTIAL PROGRESS HAS BEEN MADE. WE HAVE AGREED:

- FIRST, THE FRAMEWORK AND KEY CLAUSES OF AN AGREEMENT WHICH WILL PRESERVE HONG KONG'S UNIQUE ECONOMIC SYSTEM AND WAY OF LIFE;
- SECONDLY, THAT THIS AGREEMENT AND ITS ANNEXES WILL ALL BE LEGALLY BINDING;
- THIRDLY, SATISFACTORY PROVISIONS FOR LIAISON AND CONSULTATION AFTER THE CONCLUSION OF THE AGREEMENT.

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IN ADDITION, THE ARRANGEMENTS THAT WILL APPLY IN HONG KONG FOR 17 YEARS AFTER 1997 WILL BE PRESCRIBED WITH SUFFICIENT CLARITY AND PRECISION TO COMMAND THE CONFIDENCE OF THE PEOPLE WHO LIVE, WORK, TRADE AND INVEST HERE.

THIS PROGRESS WOULD NOT HAVE BEEN POSSIBLE UNLESS THE TWO SIDES HAD APPROACHED THEIR TASK WITH STATESMANSHIP AND DETERMINATION TO SUCCEED. THE CONCEPT OF "ONE COUNTRY, TWO SYSTEMS" IS A FARSIGHTED ONE AND HOLDS ENORMOUS POTENTIAL FOR THE FUTURE OF HONG KONG.

A GOOD DEAL STILL REMAINS TO BE DONE IN ORDER TO COVER ALL THE ASPECTS OF HONG KONG'S ECONOMIC SYSTEM AND WAY OF LIFE WHICH I DESCRIBED IN MY STATEMENT IN APRIL. THERE ARE MATTERS OF SUBSTANCE TO BE SETTLED. THE NEGOTIATORS WILL CONTINUE THEIR WORK. THE BRITISH GOVERNMENT WILL WANT TO JUDGE THE AGREEMENT AS A WHOLE AT THE END OF THE NEGOTIATIONS. SO TOO WILL THE PEOPLE OF HONG KONG.

BUT ALREADY I CAN TELL YOU THAT HONG KONG CAN LOOK FORWARD WITH CONFIDENCE TO AN AGREEMENT WHICH WILL CONTAIN THE FOLLOWING ESSENTIAL PROVISIONS:

- IT WILL PRESERVE HONG KONG'S FAMILIAR LEGAL SYSTEM AND THE BODY OF LAWS IN FORCE IN HONG KONG. BY THAT I MEAN THE COMMON LAW, RULES OF EQUITY, ORDINANCES, SUBORDINATE LEGISLATION AND CUSTOMARY LAW. WITHIN THAT GENERAL FRAMEWORK, POWER TO MAKE LAWS WILL CONTINUE TO LIE WITH THE LEGISLATIVE AUTHORITIES OF HONG KONG; AND JUDICIAL POWER, INCLUDING THE RIGHT OF FINAL APPEAL, WILL BE VESTED IN THE COURTS OF HONG KONG.
- THE AGREEMENT WILL ENABLE HONG KONG TO CONTINUE TO DECIDE ITS OWN ECONOMIC AND TRADE POLICIES; TO MAINTAIN ITS STATUS AS A FREE PORT AND A MAJOR MANUFACTURING AND TRADING ECONOMY; AND TO PRESERVE THE RIGHTS OF OWNERSHIP OF PROPERTY AND FREE MOVEMENT OF GOODS.
- IT WILL PROVIDE FOR THE CONTINUATION OF HONG KONG'S STATUS AS A SEPARATE CUSTOMS TERRITORY. HONG KONG WILL BE ABLE TO CONTINUE PARTICIPATING IN INTERNATIONAL ORGANISATIONS AND TRADE AGREEMENTS SUCH AS THE GATT; TO CONTINUE TO ENJOY EXCLUSIVELY ITS OWN EXPORT QUOTAS AND TARIFF PREFERENCES; AND TO ISSUE ITS OWN CERTIFICATES OF ORIGIN FOR HONG KONG PRODUCTS.
- IT WILL PROVIDE FOR HONG KONG TO MANAGE ITS OWN FINANCIAL AFFAIRS AND TO USE ITS FINANCIAL REVENUES EXCLUSIVELY FOR ITS OWN PURPOSES.
- IT WILL PROVIDE FOR THE CONTINUING CONVERTIBILITY OF THE HONG KONG DOLLAR AND THE FREEDOM TO MOVE CAPITAL INTO AND OUT OF HONG KONG.
- IT WILL CONTAIN ARRANGEMENTS FOR CONTINUITY OF EMPLOYMENT IN THE PUBLIC SERVICE AND FOR THE SAFEGUARDING OF PENSION RIGHTS.
- IT WILL MAINTAIN HONG KONG'S SYSTEMS OF PORT MANAGEMENT, SHIPPING AND THE FREE OPERATION OF PRIVATE SHIPPING BUSINESS.
- IT WILL ENABLE HONG KONG RESIDENTS TO CONTINUE TO ENJOY THE RIGHT TO TRAVEL AND MOVE FREELY INTO AND OUT OF HONG KONG.
- IT WILL PROVIDE FOR THE MAINTENANCE OF HONG KONG'S EDUCATION SYSTEM, WITH ITS WIDE RANGE OF DIFFERENT EDUCATIONAL INSTITUTIONS. IT WILL PRESERVE THE PRESENT FREEDOM OF CHOICE OF EDUCATION AND THE FREEDOM TO PURSUE EDUCATION OVERSEAS.
- IT WILL PROVIDE FOR THE PRESERVATION OF ALL THE RIGHTS AND FREEDOMS

FROM WHAT I HAVE SAID YOU WILL SEE THAT SOMETHING VERY IMPORTANT HAS BEEN ACHIEVED. I BELIEVE IT HOLDS OUT THE PROSPECT OF AN HISTORIC AGREEMENT: AN AGREEMENT WHICH WILL PROVIDE FOR A HIGH DEGREE OF AUTONOMY SEMI COLON UNDER WHICH ADMINISTRATION WILL BE IN THE HANDS OF THE HONG KONG PEOPLE THEMSELVES SEMI COLON AND UNDER WHICH HONG KONG'S ECONOMIC AND SOCIAL SYSTEMS, ITS DISTINCTIVE WAY OF LIFE AND ITS POSITION AS A FINANCIAL TRADING AND INDUSTRIAL CENTRE WILL BE SECURED.

THOUGH THERE IS STILL A LOT OF WORK TO BE DONE, I AM CONFIDENT THAT WE ARE ON COURSE FOR A CONCLUSION WE SHALL BE ABLE TO COMMEND BOTH TO THE PEOPLE OF HONG KONG AND TO THE BRITISH PARLIAMENT.

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HONG KONG

Geoffrey Howe has just had a very successful visit to Peking and made some important progress towards an agreement with the Chinese which would guarantee the continuation of Hong Kong's unique economic system and way of life after 1997. Of course up to 1997 we shall remain responsible for Hong Kong's administration.

The phrase which the Chinese use to describe the arrangement we are negotiating is "one country two systems". I think that sums it up rather well. An agreement ^{will} give Hong Kong, under China's sovereignty, a high degree of autonomy with administration in the hands of the Hong Kong people themselves.

Hong Kong's present legal system will be preserved, it will continue to decide its own economic and trade policies, manage its own financial affairs, maintain its education system and ^{enjoy} generate all the rights and freedoms which the people of Hong Kong now enjoy.

Work still remains to be done to tie up all the details but there is no major obstacle to agreement left. When all the details are in place we shall have to judge the agreement as a whole. The Hong Kong people will want to give their views. And the agreement will be put to Parliament.

But I am confident that a good result which will command the confidence of the people who live, work and trade in Hong Kong is now attainable. That will be a very considerable achievement.

[If asked about: Joint Liaison Group]

There will need to be close consultation between Britain and China up to 1997 to ensure a smooth transition. That is why we have agreed to the establishment of a Joint Liaison Group which will operate both before 1997 and after. But let me make one thing quite clear - and this is agreed with the Chinese - the Group will not be an organ of power, will not have a supervisory role in Hong Kong and will play no part in its Administration.

1 August 1984