

GRS 1050

MR POWELL
NO 10 DOWNING ST

CONFIDENTIAL
FM HONG KONG
TO IMMEDIATE FCO
TELNO 2800
OF 111030Z DECEMBER 85
INFO IMMEDIATE PEKING

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FILE

MT



VISIT OF JI PENGFEI : TALKS : PLENARY SESSION.

SUMMARY

1. ALMOST TWO HOURS OF DISCUSSION IN A GOOD ATMOSPHERE. JI WAS RELAXED AND REASONABLY ALERT. DELICATE ISSUES LIKE REPRESENTATIVE GOVERNMENT APPROACHED BUT NOT (NOT) DISCUSSED IN DETAIL. JI OUTLINED CURRENT STATE OF AFFAIRS IN HONG KONG, WITH EMPHASIS ON THE FACTORS THAT MAKE IT DYNAMIC. JI PENGFEI DESCRIBED TIMETABLE AND PROCESSES ENVISAGED FOR BASIC LAW CONSULTATIVE AND DRAFTING PROCESSES. GROUND PREPARED FOR TACKLING MORE SENSITIVE ISSUES AT SECOND MEETING TONIGHT.

DETAIL

2. THE HELICOPTER TOUR SCHEDULED FOR THIS MORNING HAD TO BE CANCELLED BECAUSE OF BAD WEATHER. THIS MORNING'S DISCUSSIONS CONTINUED FOR NEARLY TWO HOURS INSTEAD OF 45 MINUTES ORIGINALLY ENVISAGED. I GAVE JI FULL ACCOUNT OF DEVELOPMENTS IN HONG KONG AND OF THE PRESENT STATE OF AFFAIRS. IN ORDER TO PROVIDE A CONVINCING PICTURE OF OUR DETERMINATION TO CONTINUE TO BUILD UP HONG KONG AND MAKE A SUCCESS OF THE JOINT DECLARATION I EMPHASISED

(A) EXTRAORDINARILY RAPID DEVELOPMENT OF HONG KONG PARTICULARLY IN THE LAST FIFTEEN YEARS OF THE ECONOMY HAD CHANGED FROM COMMERCIAL PORT TO LOW COST MANUFACTURING AND RISEN TO HIGH QUALITY INDUSTRY LEADING TO THE GROWTH OF HONG KONG WITH MAJOR INDUSTRIAL, COMMERCIAL AND LATTERLY FINANCIAL CENTRE. THE PROFESSIONAL CLASSES PLAYED A KEY ROLE IN MAINTAINING THE FLEXIBILITY AND COMPETITIVENESS OF THE HONG KONG ECONOMY.

(B) THE EXISTENCE OF A KNOWN AND RESPECTED LEGAL SYSTEM HAD ALSO BEEN A VITAL COMPONENT IN THE DEVELOPMENT OF HONG KONG'S INTERNATIONALLY ORIENTED ECONOMY. THE PROVISIONS OF THE JOINT DECLARATION ON THE CONTINUITY OF THE LEGAL SYSTEM HAD BEEN PARTICULARLY IMPORTANT AND WELCOME.

(C) HONG KONG HAD DEVELOPED RAPIDLY BOTH SOCIALLY AND ECONOMICALLY AND WOULD CONTINUE TO DO SO. THERE WAS A CONTINUING HIGH LEVEL OF INVESTMENT IN HONG KONG'S INFRASTRUCTURE, BOTH BY THE GOVERNMENT AND THE PRIVATE SECTOR - OFTEN IN COOPERATION WITH EACH OTHER VIDE EXPANSION OF THE CONTAINER TERMINAL AND DECISION ON THE SECOND CROSS HARBOUR TUNNEL. THE PUBLIC HOUSING PROGRAMME WOULD PROVIDE NEW HOUSES FOR 160,000 PEOPLE EACH YEAR. I ALSO REFERRED TO THE THIRD UNIVERSITY, ETC. ALL THIS WOULD BE ACHIEVED WITH NO BUDGET DEFICIT IN THE NEXT FINANCIAL YEAR.

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(D) ON THE JLG IT WAS IMPORTANT TO BUILD UP A PATTERN OF PRACTICAL SOLUTIONS TO THE ISSUES WHICH CAME BEFORE IT. SUCH A PATTERN WOULD BE HELPFUL IN GIVING PEOPLE CONFIDENCE IN THE DECLARATION.

3. IN REPLY, JI PENGFEI LAID PREDICTABLE STRESS ON THE NEED FOR COOPERATION BETWEEN BRITAIN AND CHINA TO ENSURE THE MAINTENANCE OF HONG KONG'S STABILITY AND PROSPERITY AND THE PROPER IMPLEMENTATION OF THE JOINT DECLARATION. HE ALSO EMPHASIZED THE INTERNATIONAL NATURE OF THE AGREEMENT, REFERRING TO ITS REGISTRATION AT THE UNITED NATIONS. HE SAID THAT THE CENTRAL COMMITTEE HAD BEEN AND REMAINED VERY FIRM IN ITS DETERMINATION TO ENSURE THE "ONE COUNTRY, TWO SYSTEMS" POLICY, SINCE THIS WAS SUITABLE FOR THE UNIQUE CIRCUMSTANCES OF HONG KONG. JI EXPRESSED SATISFACTION AT THE PROGRESS MADE SINCE THE JOINT DECLARATION WAS SIGNED, REFERRING SPECIFICALLY TO NATIONALITY. HE ALSO HINTED THAT SOLUTIONS TO OTHER OUTSTANDING ISSUES MIGHT BE FOUND AT THE NEXT JLG MEETING IN HONG KONG.

4. JI SAID THAT THE BASIC ISSUES OF PRINCIPLE HAD BEEN SETTLED: THERE WERE A NUMBER OF AREAS IN WHICH THE JOINT DECLARATION DID NOT PROVIDE DETAILED ANSWERS. THESE MATTERS SHOULD NOT BE DIFFICULT TO SOLVE PROVIDED BOTH SIDES COOPERATED FULLY. IT WAS UNREALISTIC TO EXPECT ALL THE OUTSTANDING QUESTIONS TO BE SOLVED AT A STROKE. HONG KONG WAS A COMPLEX AND SENSITIVE PLACE. THE CHINESE GOVERNMENT NEEDED TIME TO EXAMINE VERY CAREFULLY PROPOSALS FOR SETTLING OUTSTANDING QUESTIONS IN ORDER TO CONSIDER ALL THE POSSIBLE CONSEQUENCES. HE WAS CONFIDENT THAT ALL OUTSTANDING QUESTIONS WOULD BE SOLVED ONE BY ONE, AND THAT HONG KONG PEOPLE'S CONFIDENCE WOULD GRADUALLY BE ENHANCED.

5. ON THE BASIC LAW, JI MADE THE FOLLOWING MAIN POINTS:

(A) HE DID NOT HAVE ANY CLEAR IDEA OF THE SUBSTANCE. ONE OF HIS PURPOSES IN COMING TO HONG KONG WAS TO LISTEN TO HONG KONG PEOPLE'S VIEWS. HIS PERSONAL VIEW WAS THAT THERE SHOULD NOT (NOT) BE TOO MUCH DETAIL, SINCE THIS MIGHT PROVE TOO RIGID, AND MIGHT BE DIFFICULT TO RECONCILE WITH THE LEGISLATIVE AUTHORITY WHICH WAS TO BE VESTED IN THE HONG KONG SAR.

(B) THE DRAFTING PROCESS SHOULD NOT BE RUSHED. THE STEPS THE CHINESE GOVERNMENT ENVISAGED WERE AS FOLLOWS:

(I) AFTER THE BASIC LAW CONSULTATIVE COMMITTEE PLCC HAD COLLECTED VIEWS, A PRELIMINARY TEXT WOULD BE PRODUCED BY THE DRAFTING COMMITTEE IN EARLY 1988. THIS WOULD BE PUBLISHED AND DISTRIBUTED IN HONG KONG FOR A FURTHER PROCESS OF CONSULTATION AND COLLECTION OF VIEWS BY THE BLCC.

(II) A DRAFT BASIC LAW FOR SUBMISSION TO THE NPC STANDING COMMITTEE WOULD BE PRODUCED IN LATE 1988 OR EARLY 1989. SUBJECT TO THE VIEWS OF THE NPC STANDING COMMITTEE, THE DRAFT WOULD THEN BE PUBLISHED AND DISTRIBUTED IN HONG KONG FOR FURTHER COMMENTS.

(114) THE BLDC WOULD THEN PRODUCE A REVISED DRAFT FOR SUBMISSION TO THE NPC STANDING COMMITTEE IN THE FIRST HALF OF 1990, WHICH WOULD BE PROMULGATED AFTER APPROVAL BY THE STANDING COMMITTEE.

(C) PEOPLE AND GROUPS NOT REPRESENTED ON THE BLCC COULD MAKE THEIR VIEW KNOWN DIRECT TO THE BLDC.

6. JI ADDED THAT THE FUTURE STRUCTURE OF GOVERNMENT WOULD BE DETERMINED BY THE BASIC LAW. THERE WOULD BE ABOUT SEVEN YEARS FOLLOWING THE PROMULGATION OF THE BASIC LAW DURING WHICH HONG KONG WOULD BE UNDER THE ADMINISTRATION OF THE HONG KONG GOVERNMENT (SIC).

7. I THANKED JI FOR HIS EXPLANATION, AND SAID THAT, AS HE WOULD KNOW, WE HAD WELCOMED THE ESTABLISHMENT OF THE TWO COMMITTEES. THEIR CREATION WOULD NOW START A LIVELY DEBATE ON BOTH THE FORM AND CONTENT OF THE BASIC LAW. HONG KONG PEOPLE WOULD HAVE PLENTY OF IDEAS ON THESE MATTERS, WHICH WERE OF VITAL CONCERN TO THEIR FUTURE. THE CHINESE WOULD HEAR MANY POINTS OF VIEW, AS DID WE. SINCE THE BASIC LAW WOULD BE PART OF THE LAW OF HONG KONG THE INTERNATIONAL INVESTING COMMUNITY WOULD ALSO BE FOLLOWING ITS FORMULATION CLOSELY. IT WAS IMPORTANT FOR CONFIDENCE THAT PEOPLE SHOULD FEEL THEIR VIEWS WERE BEING LISTENED TO AND TAKEN INTO ACCOUNT. WE RECOGNISED THAT THINGS COULD NOT BE RUSHED. BUT PEOPLE IN HONG KONG WOULD BE ANXIOUS TO SEE THE REMAINING UNCERTAINTIES REMOVED AS QUICKLY AS POSSIBLE, SO THAT THEY COULD PLAN THEIR OWN FUTURES. JI UNDERSTOOD THIS. HE SAID THAT IT WOULD NOT BE POSSIBLE TO MUZZLE HONG KONG PEOPLE, AND THAT THE CHINESE GOVERNMENT WAS NOT AFRAID TO HEAR A WIDE VARIETY OF VIEWS. THESE WOULD BE USED AS A "REFERENCE" FOR THE DRAFTING PROCESS. THE CHINESE GOVERNMENT HAD ITS OWN CRITERIA BY WHICH THE VIEWS WOULD HAVE TO BE JUDGED. NOT ALL THE VIEWS EXPRESSED WOULD NECESSARILY BE "CORRECT".

8. WE AGREED WITH JI'S DELEGATION IN TEXT OF A FAIRLY ANODYNE PRESS STATEMENT. TEXT IN MIFT

9. FOR COMMENT SEE SECOND MIFT.

YOUDE

HONG KONG AGREEMENT

LIMITED
HD/HKB
HD/FED
HD/PLANNING STAFF
HD/PUSD
DEP HD/PUSD
RES D (MR WALKER)
PS
PS/MR RENTON
PS/PUS
SIR W HARDING
MR WILSON
SIR J FREELAND
MR J CROWLEY PUSD
PS/LADY YOUNG

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3
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