

SUBJECT CC MASTER



## 10 DOWNING STREET

*From the Private Secretary*

10 September 1986

*Dear Tony,***PRIME MINISTER'S MEETING WITH THE GOVERNOR AND MEMBERS OF  
THE EXECUTIVE COUNCIL OF HONG KONG ON 10 SEPTEMBER**

The Prime Minister met the Governor of Hong Kong and members of the Executive Council this afternoon for a general discussion. A list of those who attended is attached.

The Prime Minister said that she continued to follow developments in Hong Kong closely. The United Kingdom of course retained responsibility for Hong Kong up until 1997 and would exercise that responsibility fully. She was anxious to hear the views of members of the Executive Council on conditions in Hong Kong. She was aware that there were a number of issues which were giving concern. She was sorry that illness prevented Sir S Y Chung from being present.

In response to the Governor's invitation, Sir Michael Sandberg gave an account of the Hong Kong economy. Exports were strong, inflation low and the stock market at an all time high. There was plenty of investment from Japan and North America, though not as much as Hong Kong would like from the United Kingdom. Indigenous investment by Hong Kong Chinese, on the other hand, was disappointing. The basic constraint was confidence and the drain of wealth overseas, which was actively encouraged by Canada, Australia and Singapore. But apart from the weakness of investment from local sources, the Hong Kong economy was in good shape. Sir Michael mentioned the low quality of NCNA staff, as representatives of China, as a factor affecting confidence.

Miss Dunn gave reported on the functioning of the Legislative Council. In general experience with the indirectly elected members had been positive. It had been possible to achieve consensus on most issues. Business had been conducted responsibly and the credibility of the Legislative Council in Hong Kong enhanced. Recently a more political approach had emerged over the Daya Bay nuclear power station. Debate on this had been confrontational. It seemed likely, therefore, that the next session of the Legislative Council would be less peaceable. Because Hong Kong had been devoid of politics for so long, the change was felt more strongly.

Mr. Cheung recalled that there would be a review of constitutional developments in Hong Kong in 1987. This would have to consider, among other things, whether direct elections to the Legislative Council should be introduced. Discussion in Hong Kong was beginning to focus on the desirability of directly elected representatives. The issue was clearly at the forefront of the Chinese Government's concerns. The Governor had made clear to them that HMG were committed to considering this question in the context of the review and could not prejudge how public opinion would view it. Another, though less controversial, matter under consideration was whether the Governor should step down as President of the Legislative Council. The Governor commented that there was likely to be a Green Paper on constitutional development early in 1987 and a White Paper at the end of the year. There was also likely to be an interim report in 1987 from the Basic Law Drafting Committee. The matters raised by Mr. Cheung had to be seen in the context of progress with drafting the Basic Law.

Miss Tam reported that the pace of drafting had quickened. In general, there was no difficulty in setting down what had been specifically agreed in the Joint Declaration. But problems were being experienced in grey areas where the Joint Declaration made no specific provision. A particularly difficult issue was the relationship of the Basic Law to Chinese law. For instance, who would interpret the Basic Law, the Hong Kong courts or Chinese courts? The Prime Minister said that she shared Miss Tam's concern. We must do everything possible to ensure that commitments made in the Joint Declaration and in the negotiations leading up to it were fully observed.

Miss Dunn said that if the drafting of the Basic Law departed from what had been agreed in the Joint Declaration there would be consequences for confidence in Hong Kong. Because there were differing opinions in Hong Kong itself, it was important that HMG should do everything possible to influence the drafting through informal contacts with the Chinese Government. The detailed papers on Hong Kong that the Foreign Secretary had handed to the Chinese Foreign Minister in May had been very helpful in this respect. The Prime Minister suggested that it might be helpful to hand over further papers on points which continued to give concern during the Foreign Secretary's forthcoming visit to China with The Queen. The Governor could then follow them up subsequently with the Chinese.

Mr. Cheung referred to the importance of a smooth transition in 1997. One possibility being considered by the Executive Council was that of withdrawing the Governor from the political arena and appointing a Chief Executive who would have an overtly political role. There was provision in the Joint Declaration for the appointment of a Chief Executive in 1997. If one were appointed a few years earlier it might be possible to secure the Chinese Government's agreement to his remaining in office for a period after 1997. The Prime Minister commented that this required careful handling. If the Chinese Government were

to accept the principle of continuity they might subsequently try to insist that a candidate of their own be appointed before 1997.

The Prime Minister said that she was aware of the concern in Hong Kong about the nuclear power station at Daya Bay. HMG would discharge their responsibility for Hong Kong safety fully. She had emphasised to Hu Yaobang the need to take account of the concerns of the people of Hong Kong. She believed that the Chinese Government took this seriously. The Chinese were relying on French nuclear expertise at Daya Bay. France's safety record was very good.

The Prime Minister concluded that she had found the meeting very helpful and looked forward to remaining in close contact with the members of the Executive Council.

I am enclosing a copy of the agreed statement issued to the press at the end of the meeting.

I am copying this letter to the Lord President, the Chancellor of the Exchequer, the Secretary of State at the Home Office, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Trade and Industry, the Attorney General and to Sir Robert Armstrong.

*yours sincerely,*  
*C. D. Powell*

C. D. POWELL

A. C. Galsworthy, Esq., C.M.G.,  
Foreign and Commonwealth Office

THOSE ATTENDING PRIME MINISTER'S MEETING WITH THE GOVERNOR AND  
MEMBERS OF THE EXECUTIVE COUNCIL OF HONG KONG, 10 SEPTEMBER 1986

The Prime Minister

Mr. Renton, Minister of  
State, Foreign and  
Commonwealth Office

Sir Percy Cradock

Dr. David Wilson

Mr. Charles Powell

Sir Edward Youde, G.C.M.G., M.B.E.

Oswald Victor Cheung, C.B.E., Q.C.

Sir Michael Sandberg, C.B.E.

Miss Lydia Dunn, C.B.E.

Lee Quo-wei, C.B.E.

Chen Shou-lum, C.B.E.

Maria Tam Wai-chu, O.B.E.

Allen Lee Peng-fei, O.B.E.

Eric Peter Ho, C.B.E.

Donnald Liao Poon-Luai, C.B.E.

R. J. F. Hoare

A. L. Lang

## 10 DOWNING STREET

### CALL ON THE PRIME MINISTER BY THE GOVERNOR AND MEMBERS OF THE EXECUTIVE COUNCIL OF HONG KONG, 10 SEPTEMBER 1986

#### Press Statement

1. The Prime Minister had a meeting this afternoon with the Governor and Members of the Executive Council of Hong Kong. The Minister of State at the FCO with responsibility for Hong Kong, Mr Tim Renton, was also present.
2. The meeting reviewed developments in Hong Kong since the Prime Minister's visit to the territory in December 1984 and the ratification in May 1985 of the Sino-British Joint Declaration on the future of Hong Kong. The Prime Minister expressed appreciation of the continuing close consultation between Ministers and the Executive Council of Hong Kong, and of the valuable role played by Members of the Council in giving advice and in reflecting the views and interests of the people of Hong Kong.
3. The meeting expressed pleasure at the progress achieved in implementing the Joint Declaration over the 15 months since it came into effect. They noted with particular satisfaction the positive achievements of the Sino-British Joint Liaison Group, which has now held four meetings, and of the Land Commission, which has now met on ten occasions.
4. The Members of the Council stressed to the Prime Minister the importance of the review of representative

government to be conducted by the Hong Kong government in 1987. The Prime Minister reaffirmed the British Government's commitment to the 1987 Review, and confirmed that full account would be taken of the views of the people of Hong Kong when drawing conclusions from the Review.

5. The Members of the Council conveyed to the Prime Minister the concern expressed in Hong Kong over safety aspects of the Daya Bay project. The Prime Minister assured them that the British Government was fully aware of its responsibilities for the welfare and well-being of the people of Hong Kong, and had stressed these concerns to the Chinese Government on several occasions. In the light of its discussions with the other Governments concerned, it was confident that every effort would be made to ensure that the construction, operation and management of the plant would be carried out to the highest possible safety standards.

10 SEPTEMBER 1986