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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name LAUX, DAVID: FILES

Withdrawer

CAS 6/9/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (10/27/82-11/19/82)

FOIA

M09-299/1

Box Number 13

COLLINGS

10

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92309	CABLE	RE HONG KONG <i>D</i> 12/20/2017 M299/1	3	10/27/1982	B1 B3
92310	CABLE	RE HONG KONG <i>D</i> 12/20/2017 M299/1	2	10/28/1982	B1 B3
92311	PAPER	RE HONG KONG (P.5 ONLY) <i>D</i> 12/20/2017 M299/1	1	10/28/1982	B1 B3
92312	CABLE	RE HONG KONG <i>D</i> 12/20/2017 M299/1	4	11/1/1982	B1 B3
92313	CABLE	RE HONG KONG (ANNOTATED COPY OF 92312) <i>D</i> 12/20/2017 M299/1	4	11/1/1982	B1 B3
92314	CABLE	RE HONG KONG <i>D</i> 12/20/2017 M299/1	1	11/5/1982	B1 B3
92315	CABLE	COPY IF 92314 <i>D</i> 12/20/2017 M299/1	1	11/5/1982	B1 B3
92316	MEMO	JOHN POINDEXTER TO LAUX RE SEC. SHULTZ'S EVENING REPORT <i>R</i> 6/21/2012 M299/1	1	11/6/1982	B1
92317	CABLE	RE HONG KONG <i>D</i> 12/20/2017 M299/1	3	11/8/1982	B1 B3

Freedom of Information Act - [5 U.S.C. 552(b)]

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92318	CABLE	RE HONG KONG <i>D 12/20/2017 M299/1</i>	4	11/8/1982	B1 B3
92319	CABLE	STATE 318767 <i>R 6/21/2012 M299/1</i>	2	11/12/1982	B1
92320	CABLE	RE HONG KONG <i>D 12/20/2017 M299/1</i>	3	11/17/1982	B1 B3
92321	CABLE	RE HONG KONG (COPY OF 92320) <i>D 12/20/2017 M299/1</i>	3	11/17/1982	B1 B3
92322	MEMO	WILLIAM FRENCH SMITH TO MEMBERS OF THE CABINET COUNCIL ON LEGAL POLICY RE REPORT TO THE PRESIDENT CONCERNING OFFICIAL VISITS TO JAPAN, HONG KONG, THAILAND, PAKISTAN, FRANCE AND ITALY <i>R 11/27/2012 M299/1</i>	1	11/16/1982	B1
92323	REPORT	REPORT TO THE PRESIDENT CONCERNING OFFICIAL VISITS TO JAPAN, HONG KONG, THAILAND, PAKISTAN, FRANCE AND ITALY <i>R 11/27/2012 M299/1</i>	3	11/15/1982	B1
92324	REPORT	REPORT TO THE PRESIDENT CONCERNING OFFICIAL VISITS TO JAPAN, HONG KONG, THAILAND, PAKISTAN, FRANCE AND ITALY <i>R 11/27/2012 M299/1</i>	15	11/15/1982	B1

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92325	CABLE	BEIJING 15840 <i>R 6/21/2012 M299/1</i>	3	11/19/1982	B1

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92310	CABLE RE HONG KONG	2	10/28/1982	B1 B3

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92311	PAPER RE HONG KONG (P.5 ONLY)	1	10/28/1982	B1 B3

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92312	CABLE RE HONG KONG	4	11/1/1982	B1 B3

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92313	CABLE RE HONG KONG (ANNOTATED COPY OF 92312)	4	11/1/1982	B1 B3

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92314	CABLE RE HONG KONG	1	11/5/1982	B1 B3

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92315	CABLE	1	11/5/1982	B1
	COPY IF 92314			B3

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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

November 6, 1982

MEMORANDUM FOR David Laux

FROM: JOHN M. POINDEXTER
SUBJECT: Secretary Shultz's Evening Report of

The following excerpt is for your information:

1. British Talks with Chinese on Hong Kong. On instruction from Mrs. Thatcher, British Ambassador Sir Oliver Wright called on me today to provide a detailed account of the Prime Minister's talks with the Chinese leadership on Hong Kong. It is clear that the Chinese took a somewhat harder line than the British had anticipated, but the talks were "very measured and friendly." Mrs. Thatcher felt she achieved her limited objective of gaining Beijing's agreement to begin talks on the future, with the publicly expressed common aim of preserving Hong Kong's prosperity. The British are concerned, however, that the Chinese have not grasped how delicate is the problem of maintaining confidence within the Hong Kong business community. I thanked Wright for the briefing and indicated that we will follow the talks, which have already begun in Beijing, with great interest. (8)

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NLRR M299 #92316

BY KML NARA DATE 6/21/12

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92317	MEMO RE HONG KONG	3	11/8/1982	B1 B3

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92319

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NATIONAL SECURITY COUNCIL
MESSAGE CENTER

BY KML NARA DATE 6/2/12

PAGE 01 OF 02 SECSTATE WASHDC 8767 DTG: 122056Z NOV 82 PSN: 004228
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~~SECRET~~ STATE 318767

EXDIS-NOFORN/NOCONTRACT/ORCON - FOR PRINCIPAL OFFICERS ONLY
E. O. 12356: DECL: OADR
TAGS: XE, PINR, CH
SUBJECT: INR'S INTELLIGENCE NOTES ON EAST ASIA AND
PACIFIC, OCTOBER 31-NOVEMBER 6, 1982, REPORT NO. 41, SUPPLE-
MENT 1

1. MEMORANDUM FOR: EA - AMBASSADOR HOLDRIDGE
FROM: INR/EAP - WEVER GIM

A. CHINA: SEEKING TO EASE CONCERNS ABOUT HONG KONG'S
FUTURE

(1) RECENT INTELLIGENCE REPORTING SUGGESTS THAT THE CHINESE HAVE DECIDED TO REFRAIN, WHENEVER POSSIBLE, FROM PUBLIC COMMENT ON HONG KONG SOVEREIGNTY. THE NEW CHINA NEWS AGENCY FOR EXAMPLE, HAS DIRECTED ITS HONG KONG STAFF TO EMPHASIZE SINO-BRITISH STATEMENTS ABOUT MAINTAINING STABILITY AND PROSPERITY IN THE COLONY WITHOUT REFERENCE TO THE SOVEREIGNTY ISSUE. JIA SHI, CHINA'S DEPUTY MINISTER FOR ECONOMIC RELATIONS AND TRADE, ALSO FOCUSED ON STABILITY AND PROSPERITY IN RECENT TALKS WITH A VISITING DELEGATION FROM THE HONG KONG TRADE DEVELOPMENT COUNCIL. JIA AGAIN STRESSED THE IMPORTANCE OF HONG KONG TO CHINESE MODERNIZATION.

(2) SINCE THE PUBLIC FLAP OVER SOVEREIGNTY DURING AND AFTER THE THATCHER VISIT, THE CHINESE HAVE BEEN BUSY TRYING TO REASSURE HONG KONG INVESTORS AND BUSINESSMEN THAT BEIJING WILL LEAVE THE ISLAND'S ECONOMY AND LIFESTYLE ESSENTIALLY INTACT AFTER 1997. SOME OF THE SUGGESTIONS THEY HAVE FLOAT-ED FOR A POST-1997 HONG KONG INCLUDE PERMITTING THE PEOPLE (AND RESIDENT ALIENS) OF HONG KONG TO ADMINISTER THE COLONY'S GOVERNMENT, INCLUDING THE USE OF MORE LOCAL CHINESE IN THE CIVIL SERVICE AND OF LOCALLY ENLISTED MILITARY AND POLICE TO MAINTAIN SECURITY.

(3) WHAT THE CHINESE WANT TO AVOID AT ALL COSTS IS LARGE SCALE CAPITAL FLIGHT AND A CONTINUED AND SUSTAINED DOWNTURN IN THE STOCK MARKET. EITHER COULD CAUSE A SERIOUS DETERIORATION IN HONG KONG'S ECONOMY AND FORCE BEIJING TO ADDRESS A DIFFICULT SITUATION EARLIER THAN IT WOULD LIKE. ACCORDING TO ANOTHER RELIABLE SOURCE, DENG XIAOPING WOULD HAVE PREFERRED LEAVING THE ENTIRE ISSUE OF HONG KONG'S FUTURE TO ANOTHER GENERATION. HOWEVER, MRS. THATCHER'S "BULLISH" ATTITUDE ON BRITISH ADMINISTRATIVE RIGHTS MADE IT IMPERATIVE

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26
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NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 SECSTATE WASHDC 8767

DTG: 122056Z NOV 82 PSN: 004228

THAT THE CHINESE POSITION ON SOVEREIGNTY BE A MATTER OF
PUBLIC RECORD. (THIS RECOUNTING OF EVENTS, OF COURSE, IG-
NORES THE FACT THAT PRIOR TO THE THATCHER TRIP PREMIER ZHAO
ZIYANG ANNOUNCED CHINA'S INTENTION TO "REASSERT" ITS SOVER-
EIGNTY OVER ALL OF HONG KONG.) (RGOLDBERG) SHULTZ
BT

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Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

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SMITH, W

16 NOV 82

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as 6/9/18

File - Hong Kong

KEYWORDS: CCLP

DRUGS

PAKISTAN

JAPAN

HONG KONG

THAILAND

SUBJECT: RPT TO PRES RE DRUG TRAFFICKING & ORGANIZED CRIME PROBLEMS FOR
DISCUSSION AT UPCOMING CABINET COUN ON LEGAL POLICY MTG

ACTION: FOR RECORD PURPOSES

DUE:

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ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

DISPATCH _____ W/ATTCH FILE _____ (C)

CABINET AFFAIRS STAFFING MEMORANDUM

P2: 34

DATE: 11-19-82 NUMBER: 077606CA DUE BY:

SUBJECT: Attorney General Report to the President on the International
Scope of Drug Trafficking and Organized Crime

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baker	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input checked="" type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Harper	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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Transportation	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

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ATTACHMENTS

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as 4/1/0

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☒ Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800

CVU:
8019



Office of the Attorney General
Washington, D. C. 20530

November 16, 1982

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MEMORANDUM TO: Members of the Cabinet Council on
Legal Policy

FROM: William French Smith *WFS*
Attorney General

SUBJECT: Report to the President Concerning Official
Visits to Japan, Hong Kong, Thailand,
Pakistan, France and Italy

I am forwarding the attached Report to the President for your information and possible discussion at an upcoming meeting of the Cabinet Council on Legal Policy. Our recent visits demonstrated dramatically that the drug trafficking and organized crime problems are truly international in scope. These problems manifestly require a coordinated multinational response focusing upon the key source and transit countries to augment the domestic task force initiative recently announced by the President.

We are hopeful that the visits will yield concrete results in this regard and that our Cabinet Council working group on narcotics control issues can help to coordinate the interagency aspects of this critical international and domestic effort.

~~CONFIDENTIAL~~ Material Attached

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BY KML NARA DATE 11/27/12

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Office of the Attorney General

Washington, D. C. 20530

November 15, 1982

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BY KML NARA DATE 11/27/12

REPORT TO THE PRESIDENT
CONCERNING OFFICIAL VISITS BY THE ATTORNEY GENERAL TO
JAPAN, HONG KONG, THAILAND, PAKISTAN, FRANCE AND ITALY

Executive Summary

As you know, I recently undertook along with Francis Mullen, Acting Administrator of the Drug Enforcement Administration and Alan Nelson, Commissioner of the Immigration and Naturalization Service, a series of official visits to Japan, Hong Kong, Thailand, Pakistan, France and Italy to seek concrete new means of cooperation on a range of law enforcement issues, with principal emphasis on the problems of international narcotics trafficking, terrorism and refugees.

Narcotics trafficking in combination with organized crime is the number one crime problem facing America. We are taking strong action against this menace domestically, but it is truly international in scope and we must impress upon leaders of source and transit countries the seriousness of this problem and the need to develop new means of cooperation to attack it in every possible way. Similarly, terrorism is an urgent problem requiring a coordinated international response, and refugee matters are extremely important in that they are so often intertwined not only with humanitarian issues, but also with questions of political stability.

In Japan, we discussed growing international drug abuse problems and the activities of Japanese organized crime groups in the United States. Japanese leaders expressed a willingness to cooperate more closely in organized crime investigations and international efforts to control opium production. They also agreed to convene a meeting to explore negotiation of a comprehensive law enforcement mutual assistance treaty. At the request of Japanese and U.S. officials, we explained that recent indictments of Hitachi officials for theft of computer secrets were not part of a conspiracy to influence the Japanese on trade issues. We did emphasize, however, that protectionist sentiment in the U.S. Congress -- as evidenced by "local content" legislation -- would not subside until the Japanese took concrete steps to open up their markets to imports. The Japanese also agreed to explore new Rules of Practice in upcoming meetings between U.S. and Japanese bar representatives to relax severe restrictions upon the ability of U.S. lawyers to practice in

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31

Japan. We discussed antitrust disputes and agreed to establish a framework for consultations to minimize frictions on these issues. Finally, we reaffirmed the need for Japan's continued support for the resettlement of Southeast Asian refugees. The recent Japanese contribution to the Refugee Processing Center in Bataan provides cause for optimism on this score.

Hong Kong is the financial center for Southeast Asian drug trafficking, and during our visit there we explored with Hong Kong officials means of reducing the attractiveness of Hong Kong as a haven for drug money. We also discussed the need to broaden the international efforts to accommodate refugees, and consulted with Hong Kong officials concerning their program to curb illegal immigration through employer sanctions and a new secure identification system. Meetings on these subjects will be extremely helpful to our own reform efforts.

Meetings in Thailand with Prime Minister Prem and members of his Cabinet reaffirmed the extremely friendly state of U.S.-Thai relations, but also demonstrated that Thailand is both a key opium source country and the major processing and transit country for the 600-ton annual opium harvest of the "Golden Triangle" region. The Thais have undertaken strong military action against drug trafficking "armies" along the Burma border, and we encouraged them to increase these enforcement activities. We also expressed strong concern that Thailand move more quickly in fulfilling its commitment to control opium poppy cultivation by its hill tribes. The Thais have undertaken to develop asset forfeiture and other legislation to aid in prosecuting trafficking groups and to restrict availability of heroin processing chemicals. We signed a Prisoner Transfer Treaty with Thailand and began discussions to explore negotiation of a modern extradition treaty and treaty providing for mutual assistance in law enforcement investigations. Finally, after visiting a number of refugee camps we increased the number of INS personnel available to process Khmer refugees. We thus reassured the Thais of our resolve to process refugees expeditiously in order to retain their commitment to provide first asylum for refugees of Cambodia and other currently unstable areas.

Pakistan has recently become a significant heroin source country, and our visit provided an opportunity to review with Pakistani officials the need to take action on all fronts -- crop substitution, destruction of heroin laboratories, and legislative reform -- to reduce the heroin traffic, which has become a serious domestic menace in Pakistan itself. The fact that opium is cultivated and processed into heroin in remote tribal areas only partly subject to the control of the central government presents serious difficulties, but as a result of our visit -- and the ongoing efforts of our embassy personnel -- there is reason for cautious optimism that significant action will soon be taken. Pakistan is also host to some 3 million Afghan refugees, and I was pleased to have the chance to applaud their important efforts in this area.

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During a one-day visit in France, we addressed at the request of the State Department the issue of international terrorism, which has been on the upsurge in recent months in France and has taken the lives of three Americans, including our military attache at the American Embassy in Paris. French officials, including Interior Minister Gaston Defferre and Justice Minister Robert Badinter, expressed their intent to cooperate fully with the United States in matters of terrorism and other forms of organized criminal activity. We agreed to meet in Washington in late November to discuss a protocol to the outdated 1909 France-U.S. Extradition Treaty and a possible Mutual Assistance Treaty, both of which would be useful in dealing with terrorism cases that cross national lines, such as a recent case involving a suspected Armenian terrorist who fled to France after apparently participating in two terrorist bombings in Los Angeles.

In Italy, we worked with Italian officials to find ways in which our efforts against narcotics trafficking and organized crime can be more effective. This is of critical importance because Italy is now the principal processing and transit point for heroin entering the United States. One important vehicle for international cooperation was created when we entered into a Mutual Assistance Treaty with Italy on November 9 and executed on the same day a protocol to the Extradition Treaty to prevent criminals in one country from fleeing to a safe haven in another country. We also began exploring ways in which the Drug Enforcement Administration can better assist Italian law enforcement officials in narcotics cases, and we expect concrete discussions to commence promptly in this respect as a result of our visit. Finally, in our discussions Foreign Minister Colombo committed the Italian government to contributing \$40 million over the next three years to a cocaine crop substitution project in the Andean regions of South America, an important step in getting control over drug trafficking at its source.

In each country we spent time with many Justice Department field personnel and offered support and praise for the fine work they are doing. We are also grateful for the outstanding counsel and support provided by your Ambassadors and State Department personnel in these important posts.

Our meetings demonstrated the strong bilateral relationship we enjoy with each of these source and transit countries and the recognition among leaders of those countries that organized crime and drug trafficking are international problems requiring cooperative response. Some concrete advances have already been made; in other cases foreign leaders have made oral assurances of their willingness to join in new initiatives. These assurances will manifestly require follow up and close monitoring. However, I believe that there is cause for optimism that our existing cooperative relationships in law enforcement and refugee matters can be further enhanced in concrete ways.

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Office of the Attorney General

Washington, D. C. 20530

November 15, 1982

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REPORT TO THE PRESIDENT
CONCERNING OFFICIAL VISITS BY THE ATTORNEY GENERAL TO
JAPAN, HONG KONG, THAILAND, PAKISTAN, FRANCE AND ITALY

This is to report to you the results of a series of official visits to Japan, Hong Kong, Thailand, Pakistan, France and Italy for the principal purpose of seeking concrete new means of cooperation in responding to the worldwide problems of narcotics trafficking and refugees. Our meetings also addressed numerous other important topics, such as trade liberalization in Japan and counterterrorism initiatives in France and Italy. Joining me were Acting Administrator Francis Mullen of the Drug Enforcement Administration and Commissioner Alan Nelson of the Immigration and Naturalization Service.

Drug trafficking in combination with organized crime is by far the number one crime problem in America and we have made a firm commitment to attack that problem domestically, through the major new task force initiative which you recently announced. However, the problem is international in scope, and it is critical that we both develop close cooperation with the leaders in source and transit countries and forcefully make known the importance of this matter to us. Every possible step must be taken to control this menace. It is also important to know first hand what enforcement problems confront these countries and how we can best assist them in this common effort. It seems clear that a dollar spent and effort undertaken in a source country is far more valuable than that spent or undertaken anywhere else along the trail from the source to the ultimate consumer.

Problems concerning refugees and terrorism are also of urgent worldwide importance. There is a clear need to craft international cooperative responses to acts of terrorism in France and elsewhere which affect the persons and property of the United States and so many other nations. On refugee matters, there is also a special need for international commitment. All nations must be persuaded to shoulder their fair share of the resettlement burden. At the same time, the United States must continue to deal with refugees consistently with humanitarian standards and the regional security interests which are so often intertwined with refugee questions.

Despite the scope of Department of Justice foreign operations and the extreme importance of these international law enforcement problems, no Attorney General in recent memory has

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undertaken to address these problems in detail with either foreign leaders or U.S. operational personnel abroad. It appears from meetings held abroad that, with appropriate follow through, some significant advances can be made. For example, the principal source countries of Thailand and Pakistan have indicated a heightened resolve to control opium cultivation and to seek out heroin processing labs in their mountainous border areas. Hong Kong, Thailand and Pakistan may soon pass new legislation such as asset seizure laws to assist in organized crime and narcotics investigations. Japan and Italy have pledged enhanced cooperation with the United States in investigating organized crime activities; France is committed to a strong law enforcement response to terrorists operating there. We are about to embark upon negotiations with Japan, Thailand and France to conclude law enforcement mutual assistance treaties; we signed a comprehensive new mutual assistance treaty with Italy and signed a prisoner transfer treaty with Thailand.

Much was learned about the scope of these law enforcement and refugee problems and political attitudes in the source countries themselves, which will be of great assistance as we fashion truly international responses to those problems. We also reviewed our administrative and operational personnel and resource allocation, particularly of the Drug Enforcement Administration and the Immigration and Naturalization Service, and are analyzing the results of that review to ensure that our resources are being employed in the most effective possible way.

JAPAN

In Japan, discussions addressed coordination in organized crime enforcement, continued Japanese support for Southeast Asian refugees, and antitrust and trade issues. As requested by Japanese and U.S. officials, we also sought to allay any residual suspicions about the motivation behind last summer's indictments of Hitachi officials for computer espionage. Despite the fact that my visit coincided with one of the most politically fluid times in Japan since the Liberal Democratic Party assumed control in 1955, Foreign Minister Sakurauchi and others assured me that this was purely an internal struggle among party factions, and that Japan's foreign policy would remain constant. The Foreign Minister expressed the extremely strong desire of Liberal Democratic Party leaders for you to visit Japan when the new leadership is in place, and I agreed to convey that invitation to you.

In Japan we met with numerous Japanese leaders, including Foreign Minister Sakurauchi, Minister of International Trade Abe, Justice Minister Sakata, Director General of National Police Mitsui and Prosecutor General Yasuhara, and participated in a very interesting luncheon with Keidanren, an advisory body comprising Japan's leading businessmen.

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-- Organized Crime and Narcotics Enforcement. Japan is not a narcotics source country, but its large organized crime groups (Yakuza) are becoming far more active in Hawaii, California and elsewhere in the United States. Japanese leaders were apprised of your initiative to combat organized crime and narcotics trafficking in the United States and the need for our law enforcement agencies to cooperate even more closely in battling organized crime groups which victimize citizens of both our countries. The response from Japanese Cabinet members and National Police officials was extremely encouraging, and I am hopeful that we will develop more sharing of information and coordination in following the movements of these groups.

-- Mutual Assistance Treaty. Both parties agreed to explore negotiation of a treaty for mutual assistance in law enforcement investigations. Such a treaty would help to establish an extensive formal law enforcement cooperative relationship, and there is cause for optimism that talks can be scheduled in a matter of weeks.

-- International Narcotics Crop Control Efforts. Japan once had a serious domestic heroin abuse problem, but overcame this through strong penalties and education. Japan still has a serious problem of amphetamine abuse. Discussions with the Japanese emphasized the growing heroin abuse problems in many parts of Asia and the relationship between the burgeoning availability of drugs and international criminality and even political instability. The Japanese agreed that this was a problem affecting all nations, and that crop control is critical to any anti-narcotics program. They have expressed interest in working with us in international assistance programs for crop control in Southeast and Southwest Asia. Discussions on this subject were necessarily brief and will require follow up.

-- Recent Hitachi-Mitsubishi Indictments. There continues to be a residual suspicion in Japan that last summer's indictments of officials of Hitachi and Mitsubishi for theft of computer technology were part of an effort to coerce Japan in its trade policies. Therefore, at the request of both U.S. and Japanese officials, we assured Japanese leaders and the public that those indictments were purely law enforcement matters and in no way were part of a foreign policy offensive against the Japanese. Discussions emphasized that undercover operations are an essential tool in the U.S. for detecting sophisticated criminal activity. The FBI "PENGEM" undercover investigation in California did not target Hitachi or Japanese persons, but once law violations were detected, these individuals were pursued and prosecuted in precisely the same way as we would prosecute anyone in the same position. The Japanese understood that these cases were purely domestic law enforcement matters and appreciated being consulted to erase lingering suspicions on this issue.

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-- Consultations on Antitrust and Related Investigative Activity. The Japanese were also concerned about pending antitrust price fixing and trade "dumping" investigations. Minister of International Trade Shintaro Abe expressed concern about a pending antitrust investigation of Japan's computer chip industry. Mr. Abe and Japanese business leaders were assured that our antitrust policy focuses only upon those cartel-type activities which injure U.S. consumers. We recognize, however, that in the international arena sovereign national interests may be at stake, and we agreed that consultations can help to eliminate unnecessary frictions. Antitrust consultations last year concerning Japan's voluntary automobile export restraints were extremely successful, and we agreed to work on developing a consultative framework similar to the U.S.-Australia Antitrust Cooperation Agreement I signed last July.

-- Trade Liberalization. The alarming growth of protectionist sentiment in the United States -- as evidenced by recent "local content" legislation proposed in the Congress -- was emphasized in meetings with the Foreign Minister and Minister of International Trade and Industry. We stressed that although the Administration opposes such legislation, protectionist sentiment in the Congress will not subside until the Japanese government translates its promised import liberalization reforms into concrete action to open up Japanese markets to U.S. goods to the same extent U.S. markets are open to Japan's goods.

-- U.S.-Japan Bar Relationships. The severe restrictions in Japan upon the ability of U.S. lawyers to practice there were discussed with the Minister of Justice and other leaders. We urged that new Rules of Practice be developed at meetings of the American and Japanese bar associations to be held in late November. The Japanese were receptive to this suggestion and it is hoped that Japanese bar restrictions will be relaxed in the near future.

-- Refugee Assistance. Japan is a major financial contributor to international refugee relief agencies (second only to the U.S.), but owing to the homogeneous nature of Japanese society, has accepted very few refugees for permanent resettlement there. The Japanese recognize the importance of refugee relief efforts to political and economic stability in Southeast Asia, and agreed to do all that they can to cooperate in solving this problem, through financial assistance and resettlement of refugees. Japan's recent contributions to a health screening and vocational training services center for refugees in the Philippines (Bataan) are an extremely positive sign.

In sum, our meetings with Japanese leaders were warm and productive, and should, I believe, yield concrete results at least in terms of increased cooperation and communication on a

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range of law enforcement issues and continued Japanese support for the cause of Southeast Asian refugee resettlement.

HONG KONG

Joint studies conducted by the Hong Kong Police and our own Drug Enforcement Administration have clearly established that Hong Kong is the financial center for Southeast Asian narcotics trafficking. As one Hong Kong official put it during our consultations, Hong Kong money and Hong Kong brains fuel the Southeast Asian heroin flow. The main purpose of our stay in Hong Kong was to explore with Hong Kong authorities means of attacking narcotics trafficking by getting at the drug money that both flows through and comes to rest in Hong Kong.

While in Hong Kong we met with the Governor, Sir Edward Youde, Secretary for Security Louis Davies, Deputy Secretary for Security P.J. Williamson, Acting Attorney General E.R. Astin, Police Commissioner Roy Henry, Customs Commissioner Doug Jordan, Narcotics Commissioner Peter Lee, and other Hong Kong officials. These are the senior Hong Kong officials with responsibility for narcotics law enforcement, immigration, and refugees.

-- Financial Records in Drug Cases. It is essential for law enforcement to have access to financial records in the investigation and prosecution of major drug trafficking cases. As drug trafficking has become more sophisticated, and with the entry of organized crime, following the money trail has become a critical approach to stopping the drug flow. The question of access to records is a sensitive one for Hong Kong, since the *raison d'etre* of the colony is its *laissez-faire* banking system. Nevertheless we urged Hong Kong officials to take steps to correct the current situation which precludes access to Hong Kong financial records in the absence of a criminal act in Hong Kong itself. We also explored ways of increasing the exchange of financial information between law enforcement agencies in international narcotics investigations.

-- Seizure and Forfeiture of Assets. Hong Kong is considering modernizing its seizure and forfeiture laws, and I believe that our visit may have helped this process along. We related to Hong Kong authorities our own experience with asset seizure and forfeiture in drug cases, and our own efforts to strengthen the law in this area. We also discussed our successful cooperation with other banking centers -- such as Switzerland -- on law enforcement. Hong Kong officials indicated a desire to review the recent U.S. - Swiss agreement in this area, and to consider possible similar approaches.

-- Narcotics Trafficking. We conveyed to Hong Kong authorities our view that it is essential for the heroin consuming and transit countries to cooperate in impressing upon source

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countries, such as Pakistan and Thailand, the need to take steps to control opium production. Hong Kong officials concurred in the need to work together in expressing our common concerns to source countries. This is an important step, since source countries must recognize that concerns about narcotics trafficking are shared by the international community and are not merely parochial American concerns.

-- Physical Transit of Drugs. We also reviewed with Hong Kong officials the role of the colony as a transit point for the physical shipment of drugs from the Golden Triangle area to the United States. There was some debate about the degree of responsibility to take measures to stop the flow of drugs that simply touch down in places such as the Hong Kong airport enroute to other destinations. We conveyed the strong view that such transit points were excellent places to cut off the drug flow, before the drugs dispersed to numerous consuming countries and cities.

We also expressed concern about the currently unmonitored flow of methaqualone from the People's Republic of China through Hong Kong, and its diversion into illicit channels. Hong Kong officials indicated that the PRC seemed to be increasingly concerned about this and other drug problems.

-- Refugees. Hong Kong has been a significant place of first asylum for Indochinese refugees, receiving some 114,000 since 1975. The U.S. has resettled over half of these refugees, and currently accepts 75% of those resettled from Hong Kong. Both Hong Kong and the U.S. have been concerned by declining resettlement to other countries, including Britain and Canada.

It was agreed that although the U.S. would continue to do its fair share, our countries must seek greater international participation, including that of British Commonwealth nations.

-- Immigration. Illegal migration, despite some differences, has beset Hong Kong as it has the U.S. in recent years. Hong Kong recently instituted a program making it illegal to employ illegal immigrants and including an expanded program of deportation. It is also planning to issue a more secure means of identification for legal residents. Because of the similarity to certain provisions of the Administration's immigration reform legislation, the Hong Kong experience is very instructive, and we expect to learn much from it.

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THAILAND

Thailand was in many senses the centerpiece of our trip, inasmuch as narcotics trafficking, opium production and refugees are extremely high priority items on the United States' bilateral agenda with Thailand. I believe that we made significant advances in each of these areas during my meetings with a host of Thai officials and the Crown Princess. The bonds of friendship between our countries are extremely strong and, as you know, our security relationship with Thailand and support for ASEAN's diplomatic efforts in the region are of dramatic current importance.

Meetings of some length were held with Prime Minister Prem, Deputy Prime Minister Prachuap, Foreign Minister Siddhi, Interior Minister Sitthi, Justice Minister Marut, National Security Council Chairman Prasong, and narcotics enforcement coordinator General Phao. We also visited refugee camps near the Cambodia border and opium growing and processing areas along the Burma border.

-- Narcotics Issues Generally. Thailand is a focal point of our international narcotics enforcement efforts. More than 600 tons of opium is grown every year in the mountains of the "Golden Triangle" of Burma, Thailand and Laos and very likely the majority of Burma's vast opium harvest is processed into morphine or heroin in laboratories along the Thai-Burmese border and is transshipped through Thailand to consumers around the world. The problems involved in fighting this heroin trafficking were well illustrated by flying over the poppy fields and processing labs in the rugged mountains of Thailand and Burma's tribal areas. There are two principal components to our efforts to stem the flow of Golden Triangle heroin -- law enforcement and crop control -- and our extensive meetings in Thailand have provided cause for optimism that new advances may be made in each of these areas.

-- Narcotics Enforcement Activities. Because of your meetings with Prime Minister Prem last year, and because heroin abuse is a growing domestic problem in Thailand, the Thais have undertaken strong military actions along the Burmese border to break up well-armed trafficking groups such as the Shan United Army. One such effort was underway during our visit. In our meetings, the Thais pledged to continue and increase these law enforcement efforts, and we will continue to support them in every way possible. We have encouraged the Thai to coordinate with authorities in Burma and Malaysia and we will be working to assist them in training and to coordinate with them more extensively in other enforcement activities.

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- 8 -
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-- Narcotics Enforcement: Legislative Initiatives. In order to assist narcotics control authorities in rounding up large trafficking organizations, the Thai leadership is considering certain legislative initiatives. We explained in some detail to Thai leaders the positive ways in which U.S. conspiracy statutes and asset forfeiture laws increase the efficacy of enforcement actions against criminal enterprises. The Thais, we are told, are developing legislation in these areas and are moving quickly with a new asset forfeiture bill.

-- Narcotics Enforcement: Halting the Flow of Processing Chemicals. Additionally, our talks with the Thais focused upon another means of attacking traffickers -- by outlawing or at least regulating certain chemicals used to process opium into morphine and heroin. Some chemicals have few legitimate uses, and refining operations can be crippled without ready availability of these chemicals. We will assist in this effort.

-- Narcotics: Crop Control. The need to eliminate opium poppy cultivation by northern Thai hill tribes is urgent. The Thais committed themselves to this goal in the United Nations, but concrete results have been slow in coming. The Thais have embarked on a long-term program -- which the U.S. is helping to fund -- of persuading farmers in targeted villages to substitute legitimate crops for opium. However, they stressed to me the political and practical problems inherent in forcing the tribes in the rugged border areas to cease opium production against their will. Nonetheless, we emphasized that crop control in source countries is critical to the success of our international narcotics control efforts. We agreed to work closely with the Thais to address their problems, but that this Administration was firmly committed to an all-out assault on narcotics trafficking and that it was in our mutual interests for Thai crop substitution and control programs to proceed more rapidly.

-- New Treaties to Enhance Law Enforcement Mutual Assistance. While in Thailand, I and Foreign Minister Siddhi signed a Prisoner Transfer Treaty which would permit U.S. citizens in Thai jails to serve out their sentences in U.S. jails after serving a prescribed period in Thailand. We are entering into these agreements with a number of nations, and they reflect a significant international meeting of the minds on the desirability of the orderly return of individuals to their home country while at the same time ensuring that they receive full punishment for crimes committed abroad. The agreement with the Thais is especially significant because it has helped to set the stage for negotiation of an updated extradition treaty and a comprehensive treaty providing for mutual assistance in law enforcement investigations and prosecutions. Mutual assistance issues were discussed with a number of Thai leaders. We believe that treaties which will permit even greater law enforcement cooperation in narcotics and other investigations can be concluded in the near future.

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- 9 -
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-- Refugees. Thailand has been the principal country of first asylum for Indochinese refugees, receiving some 650,000 since 1975. The U.S. has led international efforts to resettle these refugees, and has taken more than half of the 450,000 who have been resettled, both for humanitarian reasons and because we view the growing refugee population as a possible threat to political stability in the region. The Thai have been publicly critical of recent declines in resettlement efforts, including our own, and have implied that they might again resort to forcibly returning refugees to their home countries.

We visited the refugee camps at Kamput and Phanat Nikhom and reviewed our refugee processing in Thailand to ensure that we were fairly applying the terms of the 1980 Refugee Act, and to assess the adequacy of present staffing. To speed up the processing of Khmer refugees at Kamput, I authorized an increase of 12 INS refugee officers (more than doubling the current number). The Thai were extremely pleased with this undertaking, but stressed that the underlying political situation in Cambodia must be resolved before the refugee problem can be brought under control.

The overall relationship between our countries is excellent. I believe that following through on the initiatives advanced on our recent visit can improve further the cooperative relationship in narcotics law enforcement and refugee matters.

PAKISTAN

In just the past two years, Pakistan has emerged as a major heroin source country. Over half of the heroin reaching the United States now comes from Southwest Asia, and virtually all of this amount is either grown and processed in Pakistan or transits Pakistan from the other source countries of the "Golden Crescent", Afghanistan and Iran. Opium is cultivated in the mountainous areas of northern Pakistan near the Afghan border, and small laboratories which process the opium into heroin are springing up in the vicinity at a truly alarming rate. In the refugee area, Pakistan is playing host to the almost 3 million Afghans who have fled the Soviet oppression of their homeland.

In Pakistan we held meetings in the capital city of Islamabad with Chief Justice and Acting President Haleem, Minister of Interior Haroon, Minister of Law and Parliamentary Affairs Pirzada, and Narcotics Control Board Chairman Husain. We then proceeded to Peshawar, capital of the Northwest Frontier Province, where the opium cultivation and heroin processing take place. While there we met with Pakistani officials who are most directly involved with narcotics law enforcement, including the Governor, General Fazle Haq, and went to Landikotal, on the Afghan border, where drugs -- including heroin -- are sold in the "smugglers bazaar". We also visited the Afghan refugee camp at Nasir Bagh, where we met with a large number of refugee leaders.

~~CONFIDENTIAL~~

- 10 -
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-- Narcotics Trafficking. The visit to Pakistan was highly significant in impressing upon Pakistani officials at the highest levels the seriousness of the concerns of our government in the area of narcotics trafficking. In addition to making the Pakistanis aware of the depth of our concern, we also stressed the growing domestic drug abuse problem in Pakistan itself. Through both approaches I believe we were able to further the Pakistani resolve to increase efforts in this common cause.

-- Narcotics Enforcement Legislation. Pakistani officials were urged to proceed with the new drug control legislation drafted by the Pakistan Narcotics Control Board and pending for more than two years. We received encouraging reports that the bill would be actively considered. We also urged the Pakistanis to elevate the status of their drug enforcement agencies, in the interest of greater attention to narcotics enforcement, and discussed ways of accomplishing this.

-- Heroin Laboratories. We firmly expressed the need for action to be taken against heroin laboratories. The issue is a difficult one, since the laboratories are located in tribal areas and "merged" areas only partly under governmental control and jurisdiction. We nonetheless received assurances that Pakistani authorities desired to eliminate processing activity and that initiatives would be taken in this area. Such assurances cannot, of course, be considered the end of the matter, but they do form the basis for continuing cooperation and a yardstick against which to measure subsequent action -- or inaction. We look forward to concrete steps in the near future.

-- Crop Substitution Projects. We had extensive discussions with the Pakistanis on crop substitution projects, whereby tribal groups which have traditionally grown opium are introduced to alternative crops. One such project is underway in the Malakand Agency. We advised the Pakistanis of the critical need for this project to succeed if American aid for crop control is to continue, and if the project is to serve as a model for expanded projects in the future. We were encouraged by commitments that the ban would be enforced, taking significant acreage out of the opium growing business. We must continue to monitor this situation closely.

-- Refugees. Pakistan is currently the temporary home of some 2.7 million Afghans fleeing the Soviet occupation of their country. Pakistan has generously offered them asylum, and in cooperation with the U.S. and other countries has provided massive amounts of food, medical supplies, and other support. The U.S. has been by far the largest contributor to these relief efforts, providing 30-40% of the United Nations and World Food Programs budgets (some \$217 million since 1979).

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We met with Afghan refugee leaders and assured them of the continued firm support of the American people and our hope that they could soon return to their homeland freed of Soviet aggression. We expressed our gratitude to the Pakistani Government for their efforts in aid of the refugees and underscored the importance of close cooperation to resist Soviet expansionism in the region.

FRANCE

At the request of the State Department, we made a one-day stop in France to express the concern of our Government over the increased incidence of terrorist acts in France. Those acts in recent months have taken the lives of three Americans including a military attache at the American Embassy in Paris, and have involved attempts on the lives of two other senior U.S. Embassy officials. We also explored additional ways by which our two Governments can cooperate with respect to narcotics trafficking.

We met with a number of senior French officials, including Minister of Justice Robert Badinter, Minister of Interior Gaston Defferre, Secretary of State for Public Security Joseph Franceschi, and senior officials of the French National Police.

--Terrorism. We expressed the deep concern of the United States Government about the substantial increase in terrorist activities in France, principally by foreign groups using French soil to carry out attacks against American and other non-French nationals and property interests. Indeed, more American than French interests have been subjected to terrorist attacks or threats in the wave of incidents during recent months. We further expressed our disappointment with the results in one recent extradition case in which an Armenian terrorist suspected of two bombings in the U.S., including at an Air Canada facility in Los Angeles, was released by a French court in the face of a United States request for his return to stand trial.

French officials assured us of their commitment to address the terrorism problem vigorously, as evidenced by President Mitterrand's recent appointment of Joseph Franceschi, with whom we met at some length, to a new Ministerial-level post. We were informed that French officials, under Mr. Franceschi's direction, have recently instituted daily meetings of an inter-agency working group on terrorism to increase the overall level of effort and to ensure full consideration by the relevant French law enforcement agencies.

-- Extradition Treaty. We discussed with French officials the modernization of the 1909 U.S.-France Extradition Treaty. French officials have agreed to meet in Washington with State Department and Justice Department officials later this month to discuss needed changes in that Treaty. We are optimistic that the talks

~~CONFIDENTIAL~~

- 12 -
~~CONFIDENTIAL~~

30

in late November will lead to the negotiation of significant improvements in the now-outdated Extradition Treaty.

-- Mutual Assistance Treaty. We explored the interest of the Government of France in entering into a Mutual Assistance Treaty, along the lines of the Treaty which we concluded with Italy during my visit there last week. Talks aimed at reaching such a Treaty will take place in Washington concurrently with the talks in late November on the Extradition Treaty.

-- Drug Trafficking and Organized Crime. While commending French officials for their success in recent years in the fight against drug trafficking and the related menace of organized crime, culminating in the dismantling of the French Connection in Marseilles, we expressed our concern about the upsurge in narcotics trafficking in Europe and indicated our interest in enhancing the outstanding level of cooperation that already exists between our two countries in the fight against organized crime and narcotics trafficking. Our points in this respect were well received, as senior French officials expressed their desire to provide and exchange information and intelligence about drug trafficking and indicated their firm commitment to attack the narcotics trade, as evidenced by their destruction recently of a heroin laboratory in Marseilles.

-- Immigration and Refugees. France, like the U.S., has had a serious problem of illegal immigration in recent years. The French recently have undertaken a series of measures to deal with this situation (including employer sanctions and legalization of illegal aliens then resident in France) that are similar in some respects to the Administration's proposed immigration reform legislation. INS Commissioner Nelson and members of my staff had lengthy discussions with French officials concerning these initiatives and their relevance to our experience, and we will continue our work with the French as we prepare our own immigration reforms.

ITALY

Our meetings in Italy focused on the issues of drug trafficking and organized crime. Italy has, in the wake of the dismantling of the French Connection, become the principal heroin processing and transit country in Europe. DEA estimates that over fifty percent of all heroin entering the United States and between seventy and eighty percent of all heroin coming into the East Coast is either processed in heroin laboratories in Sicily or Northern Italy or is shipped through Italy en route to Western Europe and the United States.

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51

The Government of Italy mounted many months ago a highly successful campaign against terrorism, culminating in the dramatic rescue of Brigadier General James Dozier. The Italian government has been in the forefront in dealing with this menace.

During our visit we met with Foreign Minister Emilio Colombo, Interior Minister Virginio Rognoni, Justice Minister Clelio Darida, National Chief of Police Giovanni Coronas and a number of members of his staff, and the newly appointed High Commissioner against Mafia Emmanuele de Francesco. During a visit to the Vatican, we also met with the Vatican Foreign Minister.

-- Organized Crime Enforcement. My discussions with Italian officials focused upon the need to attack organized criminal elements with new resolve. Several positive steps have already been taken in recent weeks in the wake of the murder in Sicily of the Italian Government's chief anti-Mafia official, General Della Chiesa. These measures include the passage of a stringent anti-Mafia law and the appointment in place of General Della Chiesa of a highly respected official, General de Francesco, with whom we met at length, to head up the Government's anti-Mafia effort. We have pledged to work closely with Italian authorities in this area.

-- Heroin and Narcotics Trafficking. Italy is now the principal source of heroin in the United States and Western Europe. In my meetings with Italian government officials, we reiterated the importance of a vigorous effort to attack the narcotics menace and commended them for their recent step-up in narcotics enforcement activity. Based upon our discussions, we are persuaded that the Italian Government is committed at the highest levels to moving effectively to combat the narcotics trade, particularly the processing and shipping activities in Sicily controlled by organized crime groups. Italian officials readily agreed that Italy had become a major source country of heroin to the West and their intent to combat the narcotics trade has been manifested in their recent seizures of heroin laboratories in Sicily and Milan.

-- Law Enforcement Coordination between Italy and the United States. The structure of Italian law enforcement agencies has resulted in communications and administrative difficulties between our respective agencies. We expressed our concern about the need for greater coordination between U.S. agencies, particularly the DEA, and Italian law enforcement authorities. After we explored the problems at some length, Italian officials agreed to begin discussions with DEA and Embassy officials to develop ways of increasing the effectiveness of our respective enforcement activities.

-- Mutual Assistance Treaty. In the past twenty-one months, a major attack has been mounted by the FBI and other components of the Justice Department against organized crime elements in the United States. Organized crime, however, does not respect

~~CONFIDENTIAL~~

- 14 -
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57

national boundaries; in particular, organized crime groups in the Northeastern United States maintain close ties with Sicilian organized crime elements. For this reason, we have sought to improve our bilateral arrangements with Italy in handling criminal cases.

During our trip, we signed a Mutual Assistance Treaty with the Government of Italy. This vitally important agreement will permit full assistance in criminal matters, including organized crime and terrorism cases. It will also serve as a model for negotiations with other countries, including France.

--Protocol to Extradition Treaty. In addition to the Mutual Assistance Treaty, we also signed on November 9, 1982, a protocol to the 1973 Extradition Treaty between Italy and the United States. This Protocol will better ensure that criminals can be brought completely to justice for crimes committed in either country. We also agreed to continue our comprehensive review of the Extradition Treaty to guarantee that it meets the challenge of international criminal activity.

--Refugees. Although Italy does not encourage the permanent settlement of large numbers of refugees, it has since World War II generously provided temporary asylum for refugees, including those from the Soviet Union and Eastern Europe, awaiting resettlement in other countries.

While refugee affairs generally run smoothly, a number of operational problems have arisen, including Italian concern with the pace of resettlement to the U.S. and possible connections between some refugee groups and terrorism. We had useful working level discussions addressed to these problems, and are making significant progress toward their correction.

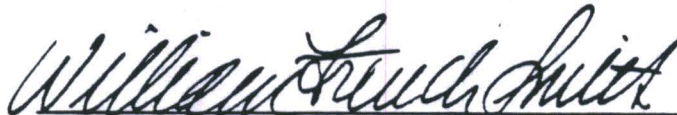
-- Commitment to Fund UNFDAC Activities. At the request of Secretary Shultz, we raised with Italian officials the desirability of Italy contributing to the United Nations Fund on Drug Abuse and Control (UNFDAC), and particularly to a crop substitution project in the Andes where coca is grown for the supply of cocaine to the United States. During our meeting, Foreign Minister Colombo committed the Italian Government to fund \$40 million for the UNFDAC project over the next three years. This activity should considerably enhance the efforts underway in various source countries to curtail the supply of illicit narcotics that find their way to the United States.

Our meetings in all countries demonstrated dramatically that the problems of narcotics trafficking and organized crime are international in scope and require coordinated international responses focused upon the principal source and transit countries. We were extremely heartened by the receptiveness of the leaders in these key countries to proposals for enhanced cooperation in law enforcement, narcotics crop control and

~~CONFIDENTIAL~~

- 15 -
~~CONFIDENTIAL~~

refugee matters. Each of these countries is a friend of the United States and perceives interests in common with us in these areas. With appropriate follow through, the international initiatives developed by State and Justice Department officials in conjunction with our visits can provide the needed complement to your recent domestic actions in these important areas. Our experiences abroad persuade me that we can enjoy success on both fronts.


William French Smith
Attorney General

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BY KML NARA DATE 6/21/12

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NODIS
E.O. 12356: DECL: OADR
TAGS: PEPR, PINS, CH, HK, UK
SUBJECT: BRITISH DISCUSSIONS ON THE FUTURE OF HONG KONG

1. SECRET - ENTIRE TEXT.
2. SUMMARY. BRITISH AMBASSADOR SIR PERCY CRADOCK CALLED ON ME NOVEMBER 18 TO DISCUSS IN GENERAL TERMS THE BRITISH TALKS WITH THE PRC ABOUT THE FUTURE OF HONG KONG, AND A BRIEFING HE SAID HAD BEEN GIVEN BY BRITS IN WASHINGTON NOVEMBER 5 FOR VERY RESTRICTED GROUP OF DEPARTMENT AND WHITE HOUSE OFFICIALS. THE BRITS REPORTEDLY REQUESTED THAT USG OFFICIALS MAKE STATEMENTS TO THE PRC SUPPORTING THE BRITISH POSITION ON HONG KONG. END SUMMARY.
3. CRADOCK DESCRIBED BRIEFLY CONTINUED PRC INSISTENCE, IN THE DESULTORY TALKS HERE IN BEIJING, /ON BOTH CHINESE SOVEREIGNTY AND SUBSTANTIAL ADMINISTRATIVE CONTROL OVER HONG KONG. THE PRC APPARENTLY DOES NOT REALIZE THE ADVERSE EFFECTS IN HONG KONG OF WHAT THEY ARE DEMANDING, WHICH THE BRITS BELIEVE (AND I AGREE) WOULD RESULT IN LARGE-SCALE FLIGHT OF PEOPLE AND CAPITAL, ALONG LINES DESCRIBED IN MESSAGE FROM AMCONGEN HONG KONG AND OTHERS. CRADOCK ENJOINED EXTREMELY CLOSE HOLD ON US-BRITISH DISCUSSIONS ON THIS ISSUE.
4. SPECIFICALLY, CRADOCK SAID BRITISH INTERLOCUTORS IN WASHINGTON NOVEMBER 5 HAD REQUESTED THAT USG OFFICIALS FIND WAYS TO MAKE THE FOLLOWING THREE POINTS TO PRC OFFICIALS: (A) THAT ONCE CONFIDENCE IS LOST IN THE FUTURE OF HONG KONG THE RESULTS WILL BE IRREVERSIBLE; INVESTORS AND PEOPLE WOULD NOT RETURN; (B) A STRONG BRITISH LINK AND ADMINISTRATIVE CONTROL IS ESSENTIAL TO PRESERVING THE VIABILITY OF HONG KONG; AND NO MATTER WHAT VERBAL ASSURANCES THE PRC GIVES ABOUT FUTURE SPECIAL STATUS O HONG KONG, THE HISTORY OF PRC POLICY CHANGES WILL DEPRIVE SUCH ASSURANCES OF THE DESIRED EFFECT; (C) EVENTS IN HONG KONG WILL BE AN IMPORTANT MODEL FOR THE FUTURE REUNIFICATION OF TAIWAN, AND IF HANDLED BADLY BY THE PRC WOULD SEVERELY DAMAGE PROSPECTS FOR REUNIFICATION.
5. CRADOCK ACKNOWLEDGED THAT SOME OF THESE POINTS, PARTICULARLY THE LAST ONE ON TAIWAN, WILL BE DIFFICULT FOR THE USG TO MAKE TO PRC OFFICIALS WITHOUT RAISING COUNTER-

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PAGE 02 OF 02 BEIJING 5840

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PROBLEMS. NEVERTHELESS, HE SAID, UKG HAD ASKED FOR U. S. SUPPORT, AND CRADOCK HAD BEEN TOLD TO BRIEF ME. HONG KONG GOVERNOR WILL BRIEF U. S. CONGEN BURTON LEVIN ALSO. I WAS NONCOMMITTAL, AND SAID I WOULD ASK FOR INSTRUCTIONS. I POINTED OUT THAT THE PRESENT STATE OF US-PRC RELATIONS WAS NOT CONDUCTIVE TO SUCH USG INTERVENTION, BUT THAT WE HOPED FOR WIDE-RANGING DISCUSSIONS WITH PRC WHEN SECSTATE SHULTZ VISITS BEIJING AND THERE MIGHT BE OPENINGS FOR SECY TO SAY SOMETHING ABOUT , HE HONG KONG PROBLEM.

6. HONG KONG CONGEN LEVIN IS IN BEIJING ON BRIEF CONSULTATION. I HAVE DISCUSSED THIS WITH HIM AND I BELIEVE HE AGREES WITH MY COMMENT BELOW. HE WILL MAKE HIS OWN COMMENTS AFTER HE RETURNS TO HONG KONG ON SATURDAY AND IS BRIEFED BY THE GOVERNOR.

7. COMMENT: DURING OUR CONFRONTATION WITH THE PRC OVER TAIWAN ARMS SALES, THE BRITISH SUPPORTED US WITH OCCASIONAL MILD EXPRESSIONS OF HOPE THAT BOTH SIDES SHOULD WORK FOR A CONSTRUCTIVE COMPROMISE. THUS IT WILL NOT BE EASY FOR US TO REJECT BRITISH REQUESTS AND STAND ENTIRELY ASIDE IN THE HONG KONG PROBLEM, WHERE WE ALSO HAVE SUBSTANTIAL INTERESTS IN A NON-DISRUPTIVE SOLUTION. NEVERTHELESS, I RECOMMEND GREAT CAUTION BE EXERCISED AS TO TIMING AND MODALITIES OF ANY USG INTERVENTION. I THINK THAT IF A VIABLE SOLUTION IN HONG KONG IS POSSIBLE IT WILL COME ONLY AS A RESULT OF A LONG EDUCATIVE PROCESS IN WHICH THE PRC BECOMES CONVINCED THAT 9TS OPENING DEMANDS DO NOT SERVE CHINESE INTERESTS. OUR TAIWAN NEGOTIATIONS WERE SUCCESSFUL IN THE END THROUGH JUST SUCH A LONG PROCESS OF CONVINCING THE PRC. IT WILL TAKE TIME (DURING WHICH WE CAN HOPE HONG KONG WILL NOT BE DAMAGED BY PREMATURE PANIC) AND WILL REQUIRE THE MOBILIZATION OF HONG KONG CHINESE AND OTHERS TO TRY AND EDUCATE PRC LEADERS. WE CAN BE PART OF SUCH A PROCESS BUT SHOULD NOT TRY TO PLAY ANY SUBSTANTIAL ROLE. THE CHINESE WILL REGARD ANY USG INTERVENTION WITH CONSIDERABLE SUSPICION,

AND WE RUN THE RISK OF PRODUCING A PRC REACTION THE OPPOSITE OF WHAT WE WOULD WISH. IN ANY EVENT, NOW IS NOT THE TIME FOR US TO BE INJECTING ANY SUBSTANTIVE VIEWS INTO THE HONG KONG NEGOTIATIONS. TO AVOID BEING COMPLETELY UNRESPONSIVE TO THE BRITS AND AS A MILD MEANS OF
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PAGE 01
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~~SECRET~~ SECTION 02 OF 02 BEIJING 15840

NODIS
INDICATING TO THE CHINESE OURXINTEREST IN HONG KONG, THE
SECRETARY DURING HIS FORTHCOMING VISIT MIGHT EXPRESS HIS
WISHES FOR A RESOLUTION OF THE HONG KONG ISSUE IN A
MANNER WHICH DOES NOT HARM U. S. INTERESTS IN THE
TERRITORY. I DO NOT THINK WE OR THE SECRETARY SHOULD
GO BEYOND THAT. AFTER WE ASSESS THE HOPEFULLY SUCCESSFUL
RESULTS OF THE SECRETARY'S VISIT AND DEPENDING ON CON-
DITIONS IN HONG KONG, WE CAN DECIDE WHETHER, AND HOW
TO SUPPORT THE UK POSITION IN OUR TALKS WITH PRC OFFICIALS.
END COMMENT.

8. REQUEST INSTRUCTIONS.

9. DEPT PLEASE REPEAT TO HONG KONG AND LONDON. HUMMEL
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