

Ronald Reagan Presidential Library Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Laux, David N.: Files
Folder Title: China – Foreign Relations – Hong
Kong (09/16/1983-10/29/1983)
Box: RAC Box 13

To see more digitized collections visit:
<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:
<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1

Box Number 13

COLLINGS

19

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions	
92460	CABLE	160015Z SEP 83 D 12/20/2017 M299/1	1	9/16/1983	B1	B3
92461	CABLE	160008Z AUG 83 D 12/20/2017 M299/1	1	9/16/1983	B1	B3
92462	CABLE	HONG KONG 16959 R 6/21/2012 M299/1	4	9/19/1983	B1	
92463	CABLE	200201Z SEP 83 D 12/20/2017 M299/1	1	9/20/1983	B1	B3
92464	PAPER	RE HONG KONG (P. 3 ONLY) R 12/20/2017 M299/1	1	ND	B1	B3
92465	PAPER	RE HONG KONG (P. 5 ONLY) D 12/20/2017 M299/1	1	9/22/1983	B1	B3
92466	CABLE	RE HONG KONG D 12/20/2017 M299/1	4	9/22/1983	B1	B3
92467	CABLE	241555Z SEP 83 D 12/20/2017 M299/1	1	9/24/1983	B1	B3
92468	PAPER	RE HONG KONG (P. 3 ONLY) PAR 12/20/2017 M299/1	1	9/27/1983	B1	B3

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.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1

Box Number 13

COLLINGS

19

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92469	PAPER	RE HONG KONG (P. 3 ONLY) R 6/21/2012 M299/1	1	9/27/1983	B1
92470	REPORT	RE HONG KONG PAR 12/20/2017 M299/1	7	9/29/1983	B1 B3
92471	MEMO	CHARLES HILL TO WILLIAM CLARK RE NSSD ON US POLICY TOWARD HONG KONG R 6/21/2012 M299/1	1	10/17/1983	B1
92472	DRAFT NSSD	RE HONG KONG (ATTACHMENT TO 92471) R 11/27/2012 M299/1	4	ND	B1
92473	MEMO	ORIGINAL OF 92471 R 6/21/2012 M299/1	1	10/17/1983	B1
92474	DRAFT NSSD	ORIGINAL OF 92472	4	ND	B1
92475	CABLE	RE HONG KONG D 12/20/2017 M299/1	3	10/19/1983	B1 B3
92476	REPORT	RE HONG KONG (P. 11 ONLY) PAR 12/20/2017 M299/1	1	10/24/1983	B1 B3
92477	CABLE	251629Z OCT 83 D 12/20/2017 M299/1	1	10/25/1983	B1 B3

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.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1

Box Number 13

COLLINGS

19

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92478	CABLE	290043Z OCT 83 <i>D 12/20/2017 M299/1</i>	1	10/29/1983	B1 B3

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.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92460	CABLE 160015Z SEP 83	1	9/16/1983	B1 B3

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.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92461	CABLE 160008Z AUG 83	1	9/16/1983	B1 B3

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.

DECLASSIFIED

~~CONFIDENTIAL~~

92462

NLRR M299 # 92462

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

BY KML NARA DATE 10/21/12

PAGE 01 OF 02 AMCONSUL HONG KONG 6959 DTG: 191036Z SEP 83 PSN: 005535
EOB118 AN010466 TOR: 262/1719Z CSN: HCE700

DISTRIBUTION: CHLD-01 FORT-01 MYER-01 SIGU-01 LAUX-01 SOMM-01
MART-01 MAT-01 /008 A2

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

PRIORITY
STU0360
DE RUMJNG #6959/01 2621039
P 191036Z SEP 83
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 9166

INFO AMEMBASSY BEIJING PRIORITY 6952
AMEMBASSY LONDON PRIORITY 4727
AMEMBASSY TOKYO PRIORITY 9664
AIT TAIPEI PRIORITY

*Foreign Policy
China Hong Kong*

~~CONFIDENTIAL~~ SECTION 01 OF 02 HONG KONG 16959

EXDIS
E. O. 12356: OADR: DECL
TAGS: PREL, PGOV, UK, HK, CH
SUBJ: STATUS OF UK-PRC NEGOTIATIONS ON HONG KONG

1. (C - ENTIRE TEXT)

2. SUMMARY: HKG POLITICAL ADVISER MCLAREN TOLD ME THAT FROM NOW ON HE WILL KEEP ME MORE FULLY INFORMED ON THE SINO-BRITISH NEGOTIATIONS ON HONG KONG'S FUTURE, THEN CONFIRMED THE PERSISTENCE OF AN IMPASSE. THE CHINESE INSIST THERE CAN BE NO POST-1997 BRITISH ADMINISTRATIVE ROLE; THE BRITISH SEE THEIR FORMAL PRESENCE AS ESSENTIAL TO HONG KONG'S CONTINUED PROSPERITY AND STABILITY, AND NEITHER SEEMS PREPARED TO BUDGE AT THE ROUND OF TALKS SET FOR SEPTEMBER 22-23.

3. MCLAREN AGREED THAT MUTUAL SINO-BRITISH IRRITATION WAS NOTICEABLY INCREASING. I SUGGESTED THE BRITISH MIGHT FIND ADVANTAGE IN TABLING DETAILED PROPOSALS, A SUGGESTION HE THOUGHT WORTH CONSIDERATION.

4. PRESSED BY LOCAL HARDLINERS AND NO DOUBT FEELING THE NEED TO DEMONSTRATE FCO TOUGHNESS TO THE THATCHER GOVERNMENT, THE FCO'S HERE SEEM MORE CONVINCED THAN EVER THAT BRITAIN MUST RETAIN A FORMAL PRESENCE AFTER 1997. THUS HKG INDIGNATION GROWS AGAINST A BEIJING WHICH TO DATE SEES A CONTINUED UK ROLE AS AN IMPERMISSIBLE PERPETUATION OF HONG KONG'S COLONIAL STATUS. THE ONE SLIGHT HOPE IS THAT THE DETERIORATING SITUATION AND PLUNGING HONG KONG DOLLAR WILL LEAD ONE OR BOTH PARTIES TO DISPLAY A NEW FLEXIBILITY, BUT I AM NOT SANGUINE THAT THIS CAN HAPPEN AT ANY TIME SOON. END SUMMARY.

5. AT LUNCH ON FRIDAY, SEPTEMBER 16, POLITICAL ADVISER MCLAREN APOLOGIZED FOR PAST RETICENCE ON THE SINO-UK TALKS ON HONG KONG AND SAID HE NOW HAD A MANDATE TO KEEP ME BETTER INFORMED FROM HERE ON IN. MCLAREN THEN PROVIDED A RUNDOWN WHICH ADDED LITTLE TO WHAT WE HAVE ALREADY PIECED TOGETHER FROM VARIOUS SOURCES. HE SAID, THE CHINESE HAVEN'T GONE BEYOND REITERATING THEIR PUBLIC POSITION -- RESTORATION OF SOVEREIGNTY,

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 AMCONSUL HONG KONG 6959 DTG: 191036Z SEP 83 PSN: 005535

HONG KONG PEOPLE TO GOVERN HONG KONG, EXISTING SOCIAL AND ECONOMIC SYSTEM TO BE MAINTAINED, NO POST-1997 BRITISH ADMINISTRATIVE ROLE, ETC. THE CHINESE HAVE NOT PRESENTED ANY CONCRETE PROPOSALS FOR IMPLEMENTING THESE BROAD PRINCIPLES.

6. THE BRITS IN TURN HAVE CONCENTRATED ON TRYING TO EDUCATE THE CHINESE ABOUT THE INTRICACIES OF HONG KONG. IN ADDITION TO PRESENTING DETAILED PAPERS ON THE WORKINGS OF HONG KONG'S POLITICAL AND ECONOMIC SYSTEMS, THEY HAVE HIT HARD ON THE CONFIDENCE FACTOR. WHILE AVOIDING ANY IMPLICATION THAT THE HONG KONG CHINESE ARE NOT CAPABLE OF RUNNING HONG KONG, THEY HAVE SOUGHT TO CONVINCE THE CHINESE THAT A CONTINUED, FORMAL BRITISH PRESENCE IS REQUIRED TO PRESERVE THE CONFIDENCE NECESSARY FOR HONG KONG'S CONTINUED PROSPERITY AND STABILITY. IN SUPPORT OF THIS CONTENTION THEY HAVE POINTED TO THE IMPACT THAT MOUNTING UNCERTAINTY HAS HAD ON THE ECONOMY. THE CHINESE HAVE NOT BEEN WON OVER. THEY PROFESS TO SEE THE DETERIORATING HONG KONG DOLLAR AS THE RESULT OF HKG MISMANAGEMENT AND PERHAPS EVEN MANIPULATION DESIGNED TO STRENGTHEN THE BRITISH NEGOTIATING HAND. MCLAREN DID NOT RULE OUT THE POSSIBILITY THAT SOME CHINESE LEADERS WERE BEGINNING TO HAVE A BETTER UNDERSTANDING OF WHAT'S GOING ON HERE AND THAT THIS COULD EVENTUALLY PRODUCE GREATER PRC FLEXIBILITY. BUT THE BRITS DO NOT EXPECT THIS TO HAPPEN IN THE NEXT ROUND OF TALKS WHICH BEGIN SEPTEMBER 22 AND SINCE THEY DO NOT INTEND TO UNVEIL ANY NEW PROPOSALS, THEY DO NOT HAVE ANY EXPECTATION OF PROGRESS IN THE SHORT TERM.

7. MCLAREN ATTRIBUTED THE DEEPENING GLOOM EVIDENT IN LAST WEEK'S DRAMATIC DECLINE IN THE HONG KONG DOLLAR TO STEPPED-UP PRC PROPAGANDA AND ACTIVITIES HERE.

WHILE DESIGNED TO REASSURE THE LOCAL POPULACE OF CHINA'S FAVORABLE INTENTIONS, THEY WERE HAVING A CONTRARY EFFECT THANKS TO WIDESPREAD SKEPTICISM ABOUT PRC RELIABILITY AND CONSTANCY. MCLAREN REVEALED THAT THE WORSENING SITUATION WOULD LIKELY PROMPT THE HKG TOWARD A MORE ACTIVE AND FORTHCOMING PUBLIC RELATIONS STANCE. THIS MIGHT ENTAIL SELECTIVE LEAKING OF ELEMENTS OF THE BRITISH POSITION. THE EFFORT WOULD BE DESIGNED NOT ONLY TO COUNTER PRC PROPAGANDA, BUT ALSO TO DISPEL THE FEARS OF SOME HERE ABOUT A BRITISH INCLINATION

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02 AMCONSUL HONG KONG 6959 DTG: 191036Z SEP 83 PSN: 005537
EOB120 AN010465 TOR: 262/1720Z CSN: HCE701

DISTRIBUTION: CHLD-01 FORT-01 MYER-01 SIGU-01 LAUX-01 SOMM-01
MART-01 MAT-01 /008 A2

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

PRIORITY
STU0377
DE RUMJNG #6959/02 2621039
P 191036Z SEP 83
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 9167

INFO AMEMBASSY BEIJING PRIORITY 6953
AMEMBASSY LONDON PRIORITY 4728
AMEMBASSY TOKYO PRIORITY 9665
AIT TAIPEI PRIORITY

~~CONFIDENTIAL~~ SECTION 02 OF 02 HONG KONG 16959

EXDIS
E. O. 12356: OADR: DECL
TAGS: PREL, PGOV, UK, HK, CH
SUBJ: STATUS OF UK-PRC NEGOTIATIONS ON HONG KONG
NATION TO BE LESS THAN RESOLUTE.

8. I SAID I DETECTED A GROWING PEEVISHNESS BETWEEN THE BRITS AND CHINESE. MCLAREN AGREED. THE BRITS WERE UPSET WITH CHINESE PROPAGANDA ACTIVITIES AND THE CHINESE IN TURN HARBORED SUSPICIONS ABOUT A BRITISH CONSPIRACY TO WORSEN THE HONG KONG SITUATION. MCLAREN VEHEMENTLY DENIED THE EXISTENCE OF SUCH A CONSPIRACY. I BELIEVE HIM.

9. I SUGGESTED THAT THE BRITS CONSIDER TABLING AT THE NEGOTIATIONS CONCRETE AND DETAILED PROPOSALS FOR DEALING WITH HONG KONG'S FUTURE. THE PRC TENDED TO DWELL ON BROAD PRINCIPLES AND TO AVOID TAKING THE INITIATIVE IN GETTING DOWN TO DETAILS. THERE ALSO WOULD BE TACTICAL ADVANTAGES IN WORKING FROM A BRITISH DRAFT. MOREOVER, IT COULD PROVIDE AN OPPORTUNITY TO APPROACH THE CONTENTIOUS ISSUE OF A RESIDUAL BRITISH ADMINISTRATIVE ROLE VIA THE BACK DOOR RATHER THAN AS A HEAD-ON CONFRONTATION OVER PRINCIPLE. MCLAREN SAID IT WAS WORTH CONSIDERING.

10. COMMENT: THE MOOD BETWEEN THE BRITS AND CHINESE HAS DEFINITELY SOURED OVER THE PAST FEW WEEKS. THE FCO PROS HERE WORKING THE PROBLEM SEEM MORE CONVINCED THAN EVER OF THE NECESSITY OF THE U.K. RETAINING A POST-1997 FORMAL ADMINISTRATIVE ROLE. THIS POSITION CLEARLY HAS BEEN INFLUENCED BY THE HARDLINE VIEWS OF AN INFLUENTIAL SEGMENT OF THE LOCAL ELITE CLOSELY ASSOCIATED WITH THE GOVERNMENT AND BRITISH AND, I SURMISE, ALSO BY THE FELT-NEED OF FCO TYPES TO DEMONSTRATE THEIR TOUGHNESS TO THE TOUGH THATCHER. ONE SENSES A GROWING INDIGNATION AND ANGER WITHIN THE HKG AND CIRCLES CLOSELY IDENTIFIED WITH IT OVER WHAT IN LESS EMOTIONAL CIRCUMSTANCES MIGHT BE REGARDED AS PREDICTABLE AND, INDEED, RATHER INEFFECTIVE PRC EFFORTS TO INFLUENCE POPULAR ATTITUDES HERE. AS FOR THE PRC, BEIJING UNDOUBTEDLY BELIEVES THAT IT HAS BEEN EXTREMELY FORTHCOMING IN LAYING OUT A BROAD PROGRAM DMSIGNED TO EASE LOCAL CONCERNS. I THINK BEIJING

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 AMCONSUL HONG KONG 6959 DTG: 191036Z SEP 83 PSN: 005537

FULLY REALIZES THAT ANY ATTEMPT TO EXTEND ITS HAND INTO HONG KONG WOULD BRING THIS PLACE TO ITS KNEES IN RECORD TIME -- HENCE THE REPEATED PLEDGES OF NON-INTERFERENCE. WHILE PROBABLY WILLING TO GO A SURPRISING WAY DOWN THE ROAD IN DEVISING ARRANGEMENTS THAT WOULD BE SEEN AS GUARANTEEING HONG KONG'S AUTONOMY, UP TO NOW BEIJING HAS REMAINED ADAMANT AGAINST THE IDEA OF A RESIDUAL, FORMAL BRITISH PRESENCE, SEEING THAT AS AN IMPERMISSIBLE PERPETUATION OF THE TERRITORY'S COLONIAL STATUS. WITH BEIJING CLEARLY HAVING ALLOWED FOR THE POST-1997 CONTINUATION OF AN EXPATRIATE PRESENCE IN THE CIVIL SERVICE, THE GAP BETWEEN THE TWO POSITIONS MAY NOT BE AS GREAT AS IT APPEARS. IN THE MEANTIME, THE IMPASSE BETWEEN THE TWO IS PLUNGING HONG KONG INTO EVEN DEEPER GLOOM TO THE POINT WHERE A PANIC RUN HAS BEGUN ON THE HONG KONG DOLLAR. PERHAPS THE ONE RAY OF HOPE AT PRESENT IS THAT THE SERIOUSLY DETERIORATING LOCAL SITUATION WILL LEAD ONE OR BOTH OF THE PARTIES TO MAKE THE ADJUSTMENTS NECESSARY FOR PROGRESS.

-
LEVIN
BT

EXDIS

EXDIS

EXDIS

EXDIS

~~CONFIDENTIAL~~

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92463	CABLE	1	9/20/1983	B1
	200201Z SEP 83			B3

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.

92464

~~TOP SECRET/EXDIS/CODEWORD~~

- 3 -

INR Comment: Airspace violations along the ill-defined frontier occur regularly and this spate of violations could be a spillover from the heavy fighting now going on in Afghanistan's neighboring Pakhtiya Province. However, the fact that six separate incidents have been reported in a two-day period may indicate that the Soviets have decided to increase direct pressure on Pakistan in light of the now stalled UN negotiations on Afghanistan.
(SECRET SPOKE/NOFORN/NOCONTRACT)

File=HK

9. HONG KONG: UK-PRC TALKS STYMIED

INR-20 Sept. 83

The British and Chinese have reached an impasse in their negotiations, Hong Kong government adviser McLaren told Consul General Levin. Beijing wants no UK administrative role after 1997; London sees its formal presence as essential to Hong Kong's stability and prosperity. Neither side seems ready to bend at the next round of talks.

Consul General's Comment: Although the bilateral mood has soured recently, the gap may not be as wide as it seems since Beijing clearly has allowed for expatriate UK personnel in the post-1997 civil service. In any case, the current impasse has weakened public confidence in the colony's future. (CONFIDENTIAL/EXDIS)

DECLASSIFIED

NLRR m299/1 #92464

BY hw NARA DATE 12/20/17

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92465	PAPER RE HONG KONG (P. 5 ONLY)	1	9/22/1983	B1 B3

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.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92466	CABLE RE HONG KONG	4	9/22/1983	B1 B3

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.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92467	CABLE	1	9/24/1983	B1
	241555Z SEP 83			B3

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.

13526
E.O. 12958
As Amended
Sec. 3.3 b(1)(e)
1.4c

~~TOP SECRET/EXDIS/COEWORD~~

File WK 70408 15

- 3 -

INR-27641983

federal and state governments, and the size of the Turkish area, Embassy Nicosia reports. Turkish leader Denktash reportedly told Job that if the Greeks adopted this attitude, he would be willing to meet President Kyprianou.

Embassy Comment: Veniamin's comprehensive, bottom-line presentation suggests the Greek leadership is rethinking its basic positions. (CONFIDENTIAL/EXDIS)

7. CHINA/UK: POLEMICS ESCALATE OVER HONG KONG

Sino-British polemics have intensified following the latest round of talks on Hong Kong's future. On September 25, the Chinese media issued a direct refutation of Prime Minister Thatcher's recent assertion that Hong Kong is a special colonial situation. Beijing also charged that London engineered the recent steep decline in the Hong Kong dollar to put pressure on China for a favorable settlement.

INR Comment: Public sparring will probably continue prior to the next round of talks, set for late October. Despite this, both sides will want to avoid shattering local business confidence. Beijing and London may have to intervene to support the Hong Kong dollar should it decline further. (CONFIDENTIAL)

(See Item 3, Analysis, for related information)

9. POLAND: FOOD PRICES TO RISE

The government announced it will raise the price of bread, cereals, milk and meat on January 1, 1984, reducing purchasing power an officially estimated four per cent, Embassy Warsaw reports.

Embassy Comment: Price increases have brought major upheaval in the past. The government does not expect a dramatic reaction this time, however, because of the recent experience of martial law and the ample notice given the public. (CONFIDENTIAL)

DECLASSIFIED IN PART

NLRR M299/1 #92468

~~TOP SECRET/EXDIS/COEWORD~~

BY RW NARA DATE 12/20/17

DECLASSIFIED

NLRR M299 # 92469

~~SECRET~~

File - HK

BY KML NARA DATE 6/21/12

- 3 -

JNR - Sept. 27, 1983

92469

3. THE FUTURE OF HONG KONG

Hong Kong will experience considerable nervousness in the months ahead while Anglo-Chinese negotiations on its future continue, in the view of a recent intelligence community study. The agreement, once reached, probably will be along lines currently proposed by the Chinese including full Chinese sovereignty after 1997 but with internal self-rule. Hong Kong's future will depend to a great degree on whether China can win the trust and confidence of Hong Kong businessmen.

* * *

For Beijing, the effect on its relations with Taiwan will be a major incentive for restraint in its handling of the Hong Kong situation. For this, among other, reasons, Beijing wants a thriving and prosperous Hong Kong. However, considerations of national honor and the alien nature of Hong Kong's economic system to Beijing's ideology, experience and operating style will make it very difficult for China to maintain the economic and political environment necessary to Hong Kong's prosperity. A favorable resolution of these difficulties is entirely possible, but the study concludes that the most likely long-term prospect for Hong Kong is one of gradual decline.

The United States has extensive economic involvement in Hong Kong, and its future will affect US commercial interests. However, much US investment is of a short-term nature or has already been recovered, and much of the trading activity can be transferred relatively easily to other locations. A loss of access to Hong Kong or a serious decline in its economy, therefore, would not be an economic disaster for US commercial interests, although it could significantly damage or inconvenience individual firms.

Similarly, while Hong Kong is presently useful to the US as a military R&R port and a place for provisioning, no US military operations are based there or depend on it for operational effectiveness.

Nevertheless, a serious deterioration in Hong Kong's stability would bring pressures on the US to become involved: the UK would seek support for its position; Hong Kong residents in great numbers might seek rescue and asylum; and US investors would seek protection of their interests. US policy makers then would have to thread their way among conflicting demands of strategic interests vis-a-vis China and the UK, economic and commercial interests, humanitarian considerations and immigration capabilities.

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 01 OF 02
EOB025

AMCONSUL HONG KONG 7488
AN003728

DTG: 270957Z SEP 83
TOR: 270/1007Z

PSN: 019528
CSN: HCE470

DISTRIBUTION: CHLD-01 BALLY-01 SIGU-01 LEVN-01 LAUX-01 LILA-01
MART-01 ROBN-01 /008 A3

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

OP IMMED
UTS4410
DE RUMJNG #7488 2700958
O 270957Z SEP 83
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC IMMEDIATE 9310

INFO AMEMBASSY BEIJING 7094
AMEMBASSY LONDON IMMEDIATE 4750
ZEN/AMCONSUL GUANGZHOU POUCH
ZEN/AMCONSUL SHANGHAI POUCH
AMEMBASSY SINGAPORE 9595
AMEMBASSY MANILA 5350
AMEMBASSY TOKYO 9708
AMEMBASSY SEOUL 6243
AMEMBASSY BANGKOK 1319
AMEMBASSY KUALA LUMPUR 6276
AIT TAIPEI

~~CONFIDENTIAL~~

LIMITED OFFICIAL USE HONG KONG 17488

SECSTATE ALSO FOR EA/EX

E. O. 12356: N/A

TAGS: EFIN, ECON, HK, CH, PREL, ETRD

SUBJECT: THE HONG KONG DOLLAR - EYE OF THE TYPHOON

REFS: A) HONG KONG 16717, B) HONG KONG 16956, C) HONG KONG
-- 17270, D) HONG KONG 17384

1. COMPARED WITH THE PRECIPITOUS DROP ON SATURDAY AND THE ANXIOUS UNCERTAINTY OF MONDAY, TUESDAY WAS RELATIVELY CALM. THE HONG KONG DOLLAR OPENED AT 8.35 PER U.S. DOLLAR AND CLOSED AT 8.37 IN A THIN MARKET. THE AVERAGE OF SELLING AND BUYING PRICE WAS ABOUT THE SAME AS MONDAY, BUT THE SPREAD OF HKDOL 0.15 BETWEEN THE SELLING AND BUYING PRICES WAS MUCH NARROWER THAN MONDAY'S GAP OF ALMOST ONE HONG KONG DOLLAR. THE STOCK MARKET CLOSED DOWN 9.32 POINTS AT 800.7, THE TRADE-WEIGHTED EXCHANGE RATE UP SLIGHTLY AT 63.2 AND GOLD WAS AT USDOL 401 PER OUNCE, UP SLIGHTLY FROM YESTERDAY'S USDOL 393.

2. WITH MONDAY'S TURNAROUND IN THE HONG KONG DOLLAR, GOLD PRICES AND THE STOCK MARKET, MOST FOREIGN EXCHANGE TRADERS ARE APPARENTLY WAITING TO SEE WHETHER AND TO WHAT EXTENT HKG WOULD ACTUALLY INTERVENE IN ORDER TO SUPPORT THE HONG KONG DOLLAR. THE RAISING OF THE PRIME RATE BY HONG KONG'S BANKING CARTEL MAY ALSO HAVE BUOYED THE HONG KONG DOLLAR SOMEWHAT.

3. SIR JOHN BREMBRIDGE, THE FINANCIAL SECRETARY, WHO CUT SHORT HIS MEETING AT THE IMF, FLEW BACK LATE MONDAY NIGHT. HE SAID THAT BADLY BURNED FINGERS ARE IN STORE NOW FOR ANYONE SELLING HONG KONG DOLLARS. THE HKG, WHICH HAS BEEN MEETING THROUGHOUT THE DAY,

~~CONFIDENTIAL~~

18
~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
MESSAGE CENTER

PAGE 02 OF 02 AMCONSUL HONG KONG 7488 DTG: 270957Z SEP 83 PSN: 019528

ISSUED A STATEMENT LATE TUESDAY AFTERNOON SAYING THAT IT IS ILLEGAL FOR ENTITIES OTHER THAN MONEY TRADERS AND FINANCIAL INSTITUTIONS TO TRADE IN FOREIGN EXCHANGE. THIS PRONOUNCEMENT IS APPARENTLY DESIGNED TO DISCOURAGE LOCAL BUSINESSES FROM ENGAGING IN THE INCREASING PRACTICE OF ASKING FOR FOREIGN CURRENCIES AS THE MEDIUM OF EXCHANGE. WE HAVE ALSO HEARD THAT THE HONG KONG-SHANGHAI BANK (HONG KONG'S QUASI CENTRAL BANK) HAS BEEN BORROWING HONG KONG DOLLARS IN THE INTER-BANK MARKET AT 18 PERCENT, POSSIBLY TO MAKE IT MORE DIFFICULT FOR SPECULATORS TO BORROW HONG KONG DOLLARS IN ORDER TO PURCHASE U. S. DOLLARS.

4. COMMENT: WE PERCEIVE THAT FOR THE NEXT FEW DAYS FOREIGN EXCHANGE TRADERS WILL REMAIN ON THE SIDELINES UNTIL THEY CAN BETTER ASSESS THE EFFECT AND SUBSTANCE OF HKG'S ANNOUNCED PLANS FOR MORE ACTIVE SUPPORT OF THE HK DOLLAR. THE ATTEMPT TO ENFORCE THE EXISTING BUT HERETOFORE UNENFORCED REGULATION THAT DOMESTIC TRADE MUST BE IN HONG KONG DOLLARS MAY BE EFFECTIVE IN DISCOURAGING THE PRACTICE OF ASKING FOR FOREIGN CURRENCIES WHEN FLUCTUATIONS IN THE HONG KONG DOLLAR ARE MODERATE. HOWEVER, BECAUSE OF THE LARGE NUMBER OF FINANCIAL INSTITUTIONS AND THE LARGE NUMBER OF SMALL FIRMS IN HONG KONG, THIS REGULATION WILL BE DIFFICULT TO ENFORCE, ESPECIALLY DURING A CRISIS.
LEVIN
BT

~~CONFIDENTIAL~~

Central Intelligence Agency



Washington, D. C. 20505.

EO 13526 3.3(b)(1)>25Yrs
EO 13526 3.3(b)(6)>25Yrs
EO 13526 3.5(c)

File = HK

DIRECTORATE OF INTELLIGENCE

29 September 1983

HONG KONG: THE TALKS BEGIN IN EARNEST

Summary

Despite concerns in London and Beijing over the health of the Hong Kong economy, neither side appears prepared to make major concessions that would lead to an early breakthrough in the talks on the colony's future. In our view, it will be especially difficult to bridge the gap between Britain's insistence on retaining a role indefinitely in managing Hong Kong (to build public confidence in a settlement) and China's plan to convert Hong Kong into a special region administered by local Chinese. The fundamental difference between the two sides is what guarantees are necessary to alleviate concerns in Hong Kong and abroad that China will radically alter the colony's way of life once it regains sovereignty.

The stalemate has generated considerable uneasiness in Hong Kong. The possibility of another more serious downturn in the economy remains high. Indeed, we believe that unless the British and Chinese demonstrate some progress, the local currency will probably continue to slide, the stock market will become more unstable, and the flight of people and capital will continue. Even with progress in the talks, the same events could occur if

This memorandum was produced by [] of the China Division of the Office of East Asian Analysis. Questions and comments are welcome and may be addressed to the author []

EA M 83-10193

SECRET

DECLASSIFIED IN PART

NLRR M299/1 #92470

BY RW NARA DATE 12/20/17

20

~~SECRET~~

[REDACTED]

the people of Hong Kong continue to perceive the prospect of a Chinese takeover as threatening. [REDACTED]

Procedural Progress

The only real progress in the talks has been procedural, not substantive.

[REDACTED]

[REDACTED]

[REDACTED] The decline in the value of the Hong Kong dollar and local stock market that began in May accelerated in early June just as the agenda issue came up, resulting in substantial losses for Beijing in the Hong Kong dollar market. In setting aside the sovereignty issue, the Chinese almost certainly concluded that ultimately they will regain sovereignty and that the need for progress in the talks to bolster confidence in Hong Kong outweighed the diminishing returns from continuing to press the British on this point. Deng explained to the Hong Kong delegates to the National People's Congress on 25 June that once the issue of how Hong Kong is to be governed is settled, the issue of sovereignty will be readily solved.

[REDACTED]

Atmospherics

The talks have created a pessimistic atmosphere in Hong Kong that threatens to create a self-fulfilling prophesy. The longer progress remains elusive in the talks, the more likely that confidence in the colony's future will slip. For example, the Hong Kong dollar and stock market fell drastically in late September after the 22-23 September round of talks made no apparent progress. Visa applications for emigrants and actual departures are both up. Even after the resumption of talks in July generated new hope for progress, a prominent local columnist wrote that the problem for most people is not when to decide to stay, but when to decide to run.

[REDACTED]

Beijing's efforts to build confidence in the colony have been counterproductive. The lack of clarity in China's plans for Hong Kong has further weakened the value of Beijing's attempts to reassure the colony's residents of China's good intentions. Beijing is attempting to bolster Hong Kong's sagging economy by

~~SECRET~~ [REDACTED]

21
~~SECRET~~

increasing its investments and involvement in the colony. But continued large-scale Chinese economic involvement is likely to create fears that Beijing is trying to buy its way into Hong Kong, adding to the confidence problem. China's new senior representative in the colony, Xu Jiatun, has also contributed to Beijing's image problem because he has been perceived locally as a high-level cadre from Beijing who has little understanding of how Hong Kong works. []

Critical Issues in the Talks

Each issue in the talks could be solved in several ways and more than one agreement may be necessary to resolve Hong Kong's future. The following is a speculative guide to what a Sino-British settlement on Hong Kong might entail:

Administrative Authority:

Both sides recognize that any solution must be based on China regaining sovereignty over Hong Kong. The British view their continued involvement in Hong Kong's post-1997 management as essential to maintaining confidence. At present, the Chinese seem willing to allow the British to remain in Hong Kong as advisors or even members of a Beijing approved local leadership after 1997. The Chinese will probably insist that the city's chief executive be an ethnic Chinese. Beijing will want to appoint or at least be able to veto the selection of a chief executive, fearing that local elections could weaken its grip in Hong Kong. If Hong Kong's economy takes another turn for the worse, the British may try to exploit Beijing's fears to negotiate a stronger management role. At this point, however, there seems little chance the Chinese would accept a British offer to manage the city under Chinese sovereignty and only a slightly better chance that Beijing would agree to joint management. []

~~SECRET~~

22
~~SECRET~~

Transition Period

The Chinese will press for a gradual transition of management from the British to local Chinese to begin soon after an agreement is reached. One independent Chinese language newspaper in Hong Kong reported in April that the Chinese had proposed that in seven or eight years local Chinese should assume positions as principle deputies in all Hong Kong government departments. By 1993, the paper's source reported, the Chinese would want these people promoted to senior positions as a last step before a transfer of executive power in 1997.

The two sides could agree to set up a joint commission to oversee the transition, and deal with the unforeseen problems not addressed in the initial agreement. Another solution might be to extend formally the joint-rule transition period beyond 1997 to bolster confidence that Hong Kong's way of life will not change even under Chinese sovereignty.

Guarantees

British and Chinese differences over what guarantees are necessary to maintain Hong Kong's stability and prosperity will be among the most difficult issues to solve. The British believe they have a responsibility to alleviate the concerns in Hong Kong and abroad that China will fundamentally alter Hong Kong's way of life once it regains sovereignty. Beijing is not likely to agree to a settlement which allows Britain to retain a policy making role in Hong Kong. The Chinese could agree to consult with the British on important decisions in Hong Kong. Even with British participation in a post-colonial government, Beijing could alter Hong Kong's structure at will. The British might be able to convince the Chinese to include a clause in an agreement stating that Hong Kong's existing way of life will not be altered during a specific period, such as Deng's 50-year proposal, but once China has sovereignty in Hong Kong there would be very little the British could do to halt changes. If the Chinese were to make unilateral and unpopular changes in Hong

~~SECRET~~

23

~~SECRET~~

Kong, however, they would risk charges of bad faith, especially in Taiwan where Beijing hopes the Hong Kong settlement will be seen as a model for reunification.

Legal System

Beijing's understanding of Hong Kong's legal system is particularly poor.

Retention of the legal system is critical to building public confidence.

The Chinese probably have only a limited familiarity with Hong Kong's laws. Only a fraction of the colony's laws have been translated into Chinese and nearly all legal proceedings are conducted in English.

China is planning to establish a judicial research center to study Hong Kong's judicial and legislative systems. Decisions about which laws will actually be carried over under Chinese sovereignty are probably years away.

Creation of a new legislative structure will also be an issue. Beijing will probably be willing to retain a revised version of Hong Kong's legislative council, which is currently made up of Hong Kong's senior administrators and members of the community appointed by the Governor.

As for civil rights, Beijing has expressed a willingness to allow the people of Hong Kong to maintain their current lifestyles. Britain will try to ensure that freedom of speech and press, the right to travel, and the right to own property, are all guaranteed in a Hong Kong settlement. We believe China will probably nominally agree to such guarantees, some of which already exist in China's constitution.

~~SECRET~~

24
~~SECRET~~

Economic Structure

Because of its sizeable financial stake in Hong Kong, China appears willing to maintain the colony's existing economic system. We believe Beijing will agree to British suggestions that the Hong Kong dollar remain a freely convertible international currency. The Chinese will probably agree to continue having the dollar issued by two of the colony's banks.

Both sides should have little difficulty agreeing to maintain Hong Kong's stock market and the colony's tax structure, which favors investment. Hong Kong's laissez-faire economic structure has succeeded because of its lack of controls and because investors have always been confident that the British would not drastically change this system. More so than in any other area, we believe the British will press the Chinese to allow them to retain a role in order to maintain confidence. The British probably hope, in particular, to continue to fill the key position of Financial Secretary beyond 1997. Nevertheless, even with British participation, it is likely to be difficult to convince investors that Beijing will not fiddle with the city's strong capitalist system.

Foreign Affairs

Continuation of Hong Kong's separate status in some international forums will probably be one of the easier issues to handle.

Indications of Progress

Progress in the present talks could be indicated by the inclusion of technical experts and more senior officials on both sides. The Chinese team currently headed by Vice Foreign Minister Yao Guang includes two experts on international law and treaties, but only one member is thought to be familiar with Hong Kong's economic affairs.

Nevertheless, the complexities of Hong Kong's legal and economic structure will almost certainly

~~SECRET~~

25
~~SECRET~~

[redacted]
require the inclusion of technical experts in the talks at some point, perhaps as part of working groups on specific subjects.
[redacted]

If the British delegation was upgraded to include Minister of State Richard Luce, this could signal progress in the talks. Luce, a member of Parliament who has responsibility for Hong Kong at the Foreign Office, would be closer in rank to Yao Guang than Ambassador Craddock. Finally, there has been some speculation in the Hong Kong press that the popular former governor of the colony, Lord MacLehose, will join the talks. [redacted]
[redacted]

~~SECRET~~ [redacted]

File = HK

CHINA ANGRILY RULES OUT HONG KONG INDEPENDENCE

PEKING, OCT 5, REUTER - CHINA TODAY ANGRILY RULED OUT ANY POSSIBILITY OF AN INDEPENDENT HONG KONG, AND ATTACKED BRITISH PRIME MINISTER MARGARET THATCHER FOR SEEKING FRESH PRETEXTS TO PREVENT PEKING REGAINING SOVEREIGNTY OVER THE COLONY.

AN UNSIGNED COMMENTARY CARRIED BY THE OFFICIAL NEW CHINA NEWS AGENCY (NCNA) QUOTED THATCHER AS TELLING U.S. NEWSMEN RECENTLY THAT, BUT FOR THE 19TH CENTURY LEASE UNDER WHICH BRITAIN HOLDS MOST OF HONG KONG, THE COLONY WOULD HAVE BEEN INDEPENDENT YEARS AGO, AND QUESTIONED HER MOTIVES FOR DOING SO.

"IT IS KNOWN TO ALL THAT HONG KONG HAS SINCE ANCIENT TIMES BEEN PART OF CHINESE TERRITORY," NCNA SAID.

"IT WAS ONLY IN 1840 THAT BRITISH COLONIALISTS CROSSED VAST OCEANS AND SEIZED HONG KONG ISLAND AND LATER KOWLOON WITH GUNSHIPS. THE 'NEW TERRITORIES' TOO WERE 'LEASED' UNDER DURESS TO BRITAIN FOR 99 YEARS."

FOR MORE THAN A CENTURY THE CHINESE PEOPLE HAD REJECTED THE LEASE AND TWO TREATIES AS IN EVERY WAY ILLEGAL AND INVALID, THE COMMENTATOR SAID. "HONG KONG DOES NOT FALL INTO THE CATEGORY OF COMMONLY-DEFINED COLONIES. THE QUESTION IS ONLY FOR CHINA TO RESUME THE EXERCISE OF ITS SOVEREIGNTY THERE. THERE IS NO QUESTION OF 'INDEPENDENCE'."

MORE 0140 WM

R030R 15225)LCZCZYRCZC

PN-CHINA-INDEPENDENCE 2 PEKING

WITH THE LEASE ON THE NEW TERRITORIES DUE TO EXPIRE IN 1997, THATCHER WAS TOLD LAST YEAR IN PEKING THAT CHINA INTENDED TO REASSERT SOVEREIGNTY OVER THE ENTIRE TERRITORY THEN.

SOON AFTERWARDS THE TWO SIDES BEGAN TALKS AIMED AT "MAINTAINING THE STABILITY AND PROSPERITY OF HONG KONG", A THRIVING CAPITALIST ENCLAVE AND THE WORLD'S THIRD LARGEST FINANCIAL CENTER.

BUT LITTLE PROGRESS HAS APPARENTLY BEEN MADE DURING THE SUPPOSEDLY SECRET DISCUSSIONS, AND CHINA IS REPORTED TO HAVE SAID THAT FAILING AGREEMENT BY THE END OF 1984 IT WILL MAKE A UNILATERAL STATEMENT ON THE TERRITORY'S FUTURE.

IT HAS SPECIFICALLY RULED OUT ANY ADMINISTRATIVE ROLE FOR BRITAIN AFTER 1997, APPARENTLY SOMETHING THE BRITISH NEGOTIATORS HAVE BEEN HOLDING OUT FOR, DESCRIBING LONDON'S ATTITUDE TO THE QUESTION AS "COLONIALIST".

TODAY'S NCNA COMMENTARY MAKES A SIMILAR ACCUSATION, SAYING THATCHER'S RECENT HONG KONG STATEMENT "AGAIN REVEALED BRITAIN'S INTENTION TO CONTINUE ITS COLONIAL RULE OVER HONG KONG AND TO FIND NEW PRETEXTS TO PREVENT CHINA FROM RESUMING THE EXERCISE OF HER SOVEREIGNTY ..."

SYSTEM II PROFILE

~~SECRET~~

27
ID 8391213

RECEIVED 18 OCT 83 09

TO CLARK

FROM HILL, C

DOCDATE 17 OCT 83

UNCLASSIFIED FROM NAME
OF CLASSIFIED ENCLOSURE(S)

AS 6/10/10

KEYWORDS HONG KONG
NSDD

CHINA P R

SUBJECT DRAFT NSDD ON US POLICY TOWARD HONG KONG

ACTION: PREPARE MEMO FOR MCFARLANE DUE: STATUS S FILES IF

FOR ACTION

FOR CONCURRENCE

FOR INFO

LAUX

SIGUR

KIMMITT

COMMENTS

REF# 8331610

LOG

NSCIFID

(E /)

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

DISPATCH _____ W/ATTCH FILE _____ (C)



92471

S/S 8331610

United States Department of State

Washington, D.C. 20520

8391213

October 17, 1983

83 OCT 17 PM 1:01

SITUATION ROOM

~~SECRET~~MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSESUBJECT: National Security Study Directive on U.S. Policy
Toward Hong Kong

Attached is a draft National Security Study Directive calling for establishment of an Interagency Group for East Asia to prepare a National Security Decision Directive on U.S. policy toward Hong Kong. We believe that a systematic review of our stance on the Hong Kong question is in order given that UK-PRC negotiations on the future of the colony are well underway and fundamental changes in administration of the territory are possible.

Covey

Charles Hill
Executive Secretary

Attachment: As stated

DECLASSIFIED

~~SECRET~~
OADR

NLRR M29a # 92471

BY KML NARA DATE 6/21/12

~~SECRET~~

92472

Draft National Security

Study Directive Number ____

US POLICY TOWARD HONG KONG

Introduction

This National Security Study Directive establishes the Terms of Reference for completing a review of the U.S. political and economic stake in Hong Kong in the framework of our overall China policy and examining policy options available to the US.

Objective of Review

To produce a National Security Decision Directive (NSDD),
Subject: Policy for dealing with the question of Hong Kong's future within the framework of our overall China policy.

Scope:

The review will result in a report for National Security Council consideration that will address, at a minimum, the following topics:

DECLASSIFIED

NLRR M299 #92472

BY KML NARA DATE 11/27/12

-- Political Stake. Define US political stake in Hong Kong, with specific reference to its continued political stability. How important is it to the US that a mutually satisfactory solution to the 1997 issue be reached which addresses the fundamental interests of Beijing? Of London? Is it in our interests to involve ourselves directly in the ongoing talks between the UK and China on the future of Hong Kong? Under what conditions? What impact would such involvement have on our relations with Great Britain? With China? Does the US have sufficient political capital with the PRC or the UK to affect the talks if we wanted to?

Are there indirect means at our disposal which offer promise of influencing the negotiations? Does the exercise of private counsel to influence the British position endanger a policy of noninvolvement in the talks themselves? Are the potential gains of such involvement greater than the potential risks?

What are the implications of the Hong Kong issue for the question of possible reunification of Taiwan with the Chinese mainland? How does this question relate to the issue of US involvement?

31

--Economic Stake. Do we have a stake in preserving the model of development represented by Hong Kong? More directly, what is the US economic, commercial, and financial stake in Hong Kong? What specific harm to US economic interests will occur under various scenarios? What are the unique advantages to American businessmen and bankers who locate in Hong Kong? Can operations be relocated?

Are there economic or commercial means at our disposal by which we can contribute to a more stable and prosperous Hong Kong economy? Should consideration of such issues as our GSP and textile policy toward Hong Kong include an assessment of the political gains of a stronger Hong Kong economy, particularly as it relates to the local confidence factor in the ongoing negotiations with Beijing? To what degree?

-- Administrative Stake: There are currently ten USG agencies with offices in the Hong Kong Consulate General. The US Navy also makes frequent port calls and uses the colony as a major R&R center. What impact would British withdrawal and resumption of Chinese sovereignty have on USG facilities now located in Hong Kong? Would some or all of these agencies choose to move their offices out of a Chinese-administered Hong Kong? At what cost?

32

Once the above issues have been addressed, and suggested policy lines developed, the review should consider the effect of the recommended courses of action on the broader framework of our China policy. The affects of an improving, stable, or deteriorating US-China relationship in the years ahead should be considered as they relate to our proposed Hong Kong policy. The implications for US policy in East Asia should also be addressed.

Administration

The Interagency Group (IG) for East Asia, under the chairmanship of the Department of State, should conduct and manage this policy study with the objective of formulating a National Security Decision Directive (NSDD). The other agencies comprising the group should be the National Security Council, Central Intelligence Agency, US Customs Service, Federal Bureau of Investigation, US Information Agency, Office of the US Trade Representative, JCS and the Departments of Agriculture, Commerce, Defense, Justice and Treasury. The IG should submit a suggested NSDD to the NSC by December 15, 1983.

Dissemination of this NSSD, subsequent study material, and the resulting NSDD should be strictly controlled and distributed on a need-to-know basis.

SYSTEM II PROFILE

~~SECRET~~

33
ID 8391213

RECEIVED 18 OCT 83 09

TO CLARK

FROM HILL, C

DOCDATE 17 OCT 83

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)

6/10/10

KEYWORDS HONG KONG

CHINA P R

NSDD

SUBJECT DRAFT NSDD ON US POLICY TOWARD HONG KONG

ACTION: PREPARE MEMO FOR MCFARLANE

DUE :

STATUS S

FILES IF

FOR ACTION

FOR CONCURRENCE

FOR INFO

LAUX

SIGUR

KIMMITT

COMMENTS

REF# 8331610

LOG

NSCIFID

(E /)

ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

DISPATCH

W/ATTCH FILE

(C)



92473

S/S 8331610

34

United States Department of State

Washington, D.C. 20520 SYSTEM II

91213

October 17, 1983

83 OCT 17 PII: 01

WHITE HOUSE
SITUATION ROOM~~SECRET~~MEMORANDUM FOR MR. WILLIAM P. CLARK
THE WHITE HOUSESUBJECT: National Security Study Directive on U.S. Policy
Toward Hong Kong

Attached is a draft National Security Study Directive calling for establishment of an Interagency Group for East Asia to prepare a National Security Decision Directive on U.S. policy toward Hong Kong. We believe that a systematic review of our stance on the Hong Kong question is in order given that UK-PRC negotiations on the future of the colony are well underway and fundamental changes in administration of the territory are possible.

Covey

Charles Hill
Executive Secretary

Attachment: As stated

DECLASSIFIED

~~SECRET~~
OADR

NLRR M299 #92473

BY KML NARA DATE 6/21/12

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92474	DRAFT NSSD ORIGINAL OF 92472	4	ND	B1

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.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92475	CABLE RE HONG KONG	3	10/19/1983	B1 B3

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.

~~TOP SECRET~~

~~Top Secret~~

42.

DL: Must be destroyed
within one week.

HONG KONG-CHINA-UK: Improved Atmosphere for Talks

Serious economic problems in Hong Kong have led China and the UK to show greater flexibility in their talks on the colony's future.

The countries ended two days of talks in Beijing on Thursday by issuing a joint statement describing the discussions as "useful and constructive." They have agreed to meet again next month.

Press reports indicate that Prime Minister Thatcher, in a recent letter to Premier Zhao, dropped London's insistence on a formal British presence after China regains sovereignty and instead asked only for a substantial British role. The Chinese have subsequently toned down their media attacks on the UK's position.

Last week the Hong Kong Government stabilized the local currency by abandoning the free-floating exchange rate in favor of a fixed rate of 7.8 Hong Kong dollars per US dollar. The colony's two note-issuing banks now are required to back Hong Kong dollars they issue by depositing an equivalent amount of US dollars with the government. The British authorities also lifted the 10-percent withholding tax on interest earned on Hong Kong dollar deposits to encourage increased holdings of local currency.

Comment: Both sides are anxious to prevent a recurrence of the near panic in Hong Kong that followed the talks last month when the local currency's value fell almost 15 percent overnight. By enacting monetary controls, the British hope to end the speculative transactions that heightened the crisis atmosphere. Thatcher's letter, meanwhile, seems designed to placate the Chinese and promote a calmer environment for discussions.

The improved atmosphere may be short lived. The monetary controls are unlikely to do more than stabilize temporarily the value of the local currency so long as the colony's uncertain future continues to cause capital flight.

Moreover, the two sides remain far apart and have not yet begun to discuss the complex details of turning Hong Kong over to Chinese control when the UK's lease expires in 1997. The Chinese are still urging an early British concession on sovereignty, while London seeks to preserve a British role to ease concerns in Hong Kong and abroad that China will radically alter the colony's way of life.

EO 13526 3.5(c)

DECLASSIFIED IN PART

NLRR M299/1 #92476

BY RW NARA DATE 12/22/17

~~TOP SECRET~~

11

~~Top Secret~~

24 October 1983

92476

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92477	CABLE	1	10/25/1983	B1
	251629Z OCT 83			B3

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.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (9/16/83-10/29/83)

FOIA

M09-299/1
COLLINGS

Box Number

13

19

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92478	CABLE	1	10/29/1983	B1
	290043Z OCT 83			B3

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.