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Ronald Reagan Library

Collection Name LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (3/1/84-3/21/84)

FOIA

M09-299/1

Box Number 13

COLLINGS

21

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92501	REPORT	RE HONG KONG PAR 12/20/2017 M299/1	5	3/1/1984	B1 B3
92502	CABLE	011457Z MAR 84 D 12/20/2017 M299/1	1	3/1/1984	B1 B3
92503	CABLE	HONG KONG 04042 R 6/21/2012 M299/1	2	3/5/1984	B1
92504	CABLE	LONDON 05255 R 6/21/2012 M299/1	3	3/6/1984	B1
92505	CABLE	TOKYO 04497 R 6/21/2012 M299/1	1	3/7/1984	B1
92506	CABLE	130924Z MAR 84 D 12/20/2017 M299/1	2	3/13/1984	B1 B3
92507	CABLE	HONG KONG 04929 PAR 6/25/2013 M299/1	5	3/19/1984	B1
92508	CABLE	HONG KONG 04930 R 6/21/2012 M299/1	6	3/19/1984	B1
92509	CABLE	HONG KONG 04926 R 6/21/2012 M299/1	4	3/19/1984	B1

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

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92511	CABLE	212332Z MAR 84 D 12/20/2017 M299/1	1	3/21/1984	B1	B3
92512	CABLE	STATE 082067 R 6/21/2012 M299/1	2	3/21/1984	B1	

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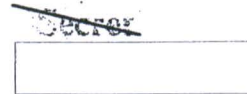
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Directorate of
Intelligence



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LNUX

The Hong Kong Talks: Possible Outcomes



An Intelligence Assessment

DECLASSIFIED IN PART

NLRR M299/1 #92501

BY RW NARA DATE 12/20/17

~~Secret~~

EA 84-10062
March 1984

Copy 008

~~SECRET~~

The Hong Kong Talks: Possible Outcomes

Key Judgments

*Information available
as of 15 February 1984
was used in this report.*

After a year or more of fruitless talks, the British and Chinese have finally begun discussing the practical problems of transferring authority over Hong Kong from Great Britain to China. The British have conditionally conceded sovereignty—subject to Parliamentary approval—and even dropped their insistence on retaining a formal role in Hong Kong's post-1997 administration. But London still hopes to gain an unofficial advisory role and to conclude a treaty that will ensure that Beijing lives up to its promises to keep Hong Kong's socioeconomic system intact. Much hard bargaining remains.

Both the British and Chinese have important incentives for reaching an amicable settlement. Beijing wants to:

- Inherit Hong Kong as a going economic concern to assist China's modernization.
- Rectify a deeply resented historical grievance at minimum cost.
- Show its tolerance for Hong Kong's capitalist system to induce Taiwan to engage in reunification talks.
- Demonstrate progress toward reunifying the country.
- Prevent problems over Hong Kong from discouraging Western investment in China.

The British in turn recognize that a Chinese takeover in 1997 is inevitable and that an orderly transition that maintains local confidence and avoids turmoil is desirable. London is anxious to reach an agreement that allows it to withdraw with honor, while protecting the interests of the roughly 5.5 million residents of Hong Kong. It also wants to protect Britain's political and economic relations with China, as well as with Hong Kong.

As a result, we believe the chances are better than even that the British and the Chinese will reach an interim agreement in the next year or two. Such an accord would buy time for the two sides to negotiate the complex technical aspects of a comprehensive agreement, which the British Parliament must then ratify. The initial reaction in Hong Kong to such an interim agreement probably would be favorable.

The talks, however, could drag on, or even break down. Under these circumstances, Hong Kong's economy would suffer. Emigration and capital flight would grow, perhaps dramatically, increasing the burden on Beijing and London to maintain Hong Kong's economy. Relations between the two also would become frayed, making it that much more difficult to overcome the obstacles to a settlement.

In the most extreme and least likely case, a collapse of the talks could trigger unrest serious enough to provoke direct Chinese military intervention.

Alternatively, the British could cave in to China's demands, or even declare their intention to pull out of Hong Kong well before 1997. Either action would set off shock waves in Hong Kong. Business confidence would plummet and emigration would increase sharply—leaving Beijing with serious economic problems to sort out, even if the British sought to help calm local fears.

US interests would be best served by an interim accord. If the talks break down, severe strains in Sino-British relations could adversely affect China's attitude toward other Western states. The collapse of negotiations would also affect some US companies, which have an estimated \$3-4 billion invested in Hong Kong. The United States, along with other Western states, would also face the problem of how to deal with the potential flood of immigrants.

The Hong Kong Talks: Possible Outcomes

The Sino-British talks over Hong Kong have only recently begun to make progress on substantive matters. The British initially refused to acknowledge Chinese sovereignty, hoping to retain a formal British role in Hong Kong after 1997. But under persistent Chinese pressure, London finally acceded conditionally last summer to China's demand that Chinese sovereignty over the colony be recognized. After Hong Kong's business community began to show signs of panic last fall, the British made further concessions. In October the British dropped their insistence on a formal British presence in Hong Kong after 1997 and indicated their willingness to negotiate on the basis of the Chinese plan for Hong Kong.

The Chinese initially doubted Prime Minister Thatcher's sincerity. This doubt strengthened after she publicly reiterated, in late October, London's interest in maintaining a link to Hong Kong after 1997. An unproductive session followed in November. British reassurances finally allowed the two sides to begin discussing substantive issues in December.

The British have prepared a series of briefing papers to "educate" the Chinese on Hong Kong's administration. These are now being used as a basis for discussions. Thus far, the Chinese have agreed to retain British expatriate administrators (although they could not agree at what level these officials should serve), maintain an independent judiciary, and implement a uniform land leasing system for Hong Kong.

Incentives for a Settlement

Both sides have important political and economic reasons for reaching a mutually satisfactory settlement. As the eventual inheritor of Hong Kong, China has the most at stake. Beijing wants to keep Hong Kong's economy viable because of the important role the colony plays in China's modernization program. Not only does China earn about one-third of its foreign exchange in Hong Kong, but the colony is an important source of financial and technical assistance.

Scope Note

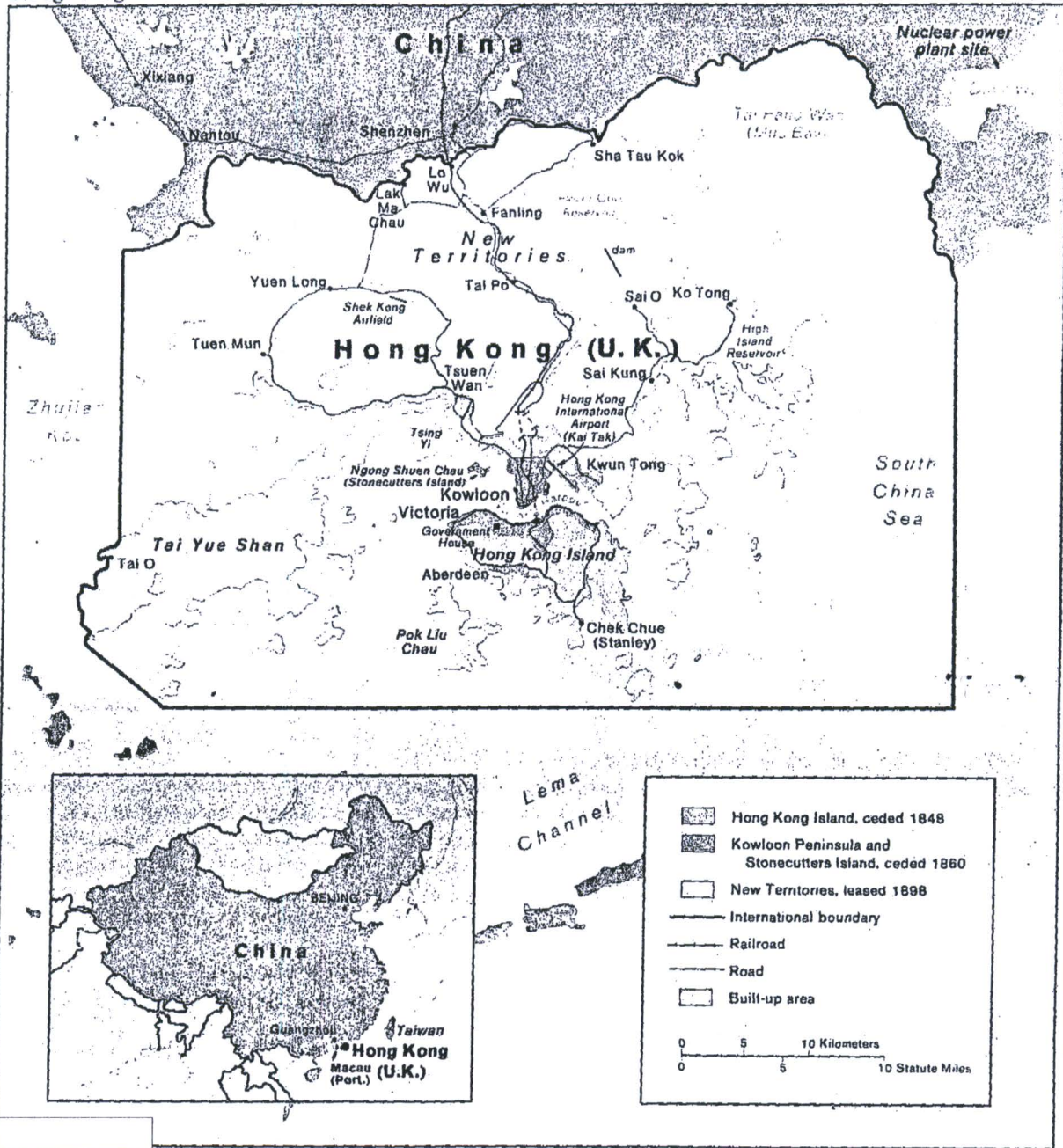
This assessment speculates on the directions the Sino-British talks on Hong Kong could take over the next few years. Six possible scenarios are offered along with the likely consequences for each. Although not intended as a precise estimate, the scenarios are presented in rough order of probability. In the introduction the background to the talks is discussed, including the incentives and prospects for a settlement. (C-NE)

In developing these scenarios, we assume certain factors will remain constant: that no radical change in government will occur in either London or Beijing except where noted in the scenarios; that the international market for Hong Kong's exports will remain strong; that human and capital flight from Hong Kong will not reach serious proportions unless the talks turn sour. (C-NE)

Hong Kong business interests account for an estimated one-third to one-half of foreign investment in China and about 90 percent of the investments in the special economic zones. They are also important middlemen in China's trade with Western companies. (C)

Beijing has gone to considerable lengths to reassure Hong Kong's business leaders and the rest of the population about China's intentions. Deng Xiaoping and other Chinese leaders have repeatedly promised to leave the city's social and economic system alone—for at least 50 years after 1997. Beijing also has intervened several times over the past year to prop up the Hong Kong dollar and has expanded its loans and investments in the city to demonstrate its commitment to the local economy's continued vitality.

Hong Kong



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FOR D STAFF

E.O. 12356: DECL: OADR

TAGS: OVIP (DAM, KENNETH W.), PREL, SREF, HK, CH, US

SUBJ: DEPUTY SECRETARY'S MEETING WITH HONG KONG GOVERNOR

1. (C - ENTIRE TEXT)

2. DEPUTY SECRETARY, ACCOMPANIED BY CONSUL GENERAL AND POL CHIEF, CALLED ON HONG KONG GOVERNOR EDWARD YOUDE, WHO WAS ACCOMPANIED BY HIS POLITICAL ADVISOR ROBIN MCLAREN, TO DISCUSS THE HONG KONG SITUATION. THE DEPUTY SECRETARY SAID HE HAD GAINED THE IMPRESSION FROM VISITING A NUMBER OF THE ASEAN COUNTRIES THAT THE ECONOMIC SITUATION IN THE REGION HAS BEGUN TO PICK UP. INDONESIA APPEARED TO BE SOMETHING OF AN EXCEPTION.

3. GOVERNOR YOUDE OBSERVED THAT HONG KONG HAD BEEN FORTUNATE TO GET INTO THE RECESSION RATHER LATE AND TO COME OUT OF IT QUICKLY. LAST YEAR'S FOURTEEN PERCENT REAL GROWTH IN EXPORTS HELPED TO RESTORE A MEASURE OF CONFIDENCE. THE PROPERTY MARKET WAS STILL NOT WELL BUT IT TOO WAS BEGINNING TO SHOW SIGNS OF REVIVAL. LOCAL DEVELOPERS SEEM TO THINK REAL ESTATE PRICES HAVE BOTTOMED OUT. THE BANKS HAVE HAD SOME PROBLEMS BUT THERE WERE FEWER COLLAPSES THAN EXPECTED. AN OVERHANG OF AVAILABLE PROPERTY WILL PERSIST FOR THE NEXT TWO OR THREE YEARS, BUT THIS WOULD BE IN KEEPING WITH THE WORLD SITUATION. THE GOVERNOR SAID THAT THE 1984 BUDGET PROJECTED A DEFICIT OF HK DOLLARS 3 BILLION. THIS WOULD AMOUNT TO ONLY ONE PERCENT OF THE GDP AND WOULD REPRESENT A MUCH SMALLER DEFICIT THAN 1983 REGISTERED. THE HKG FEELS UPBEAT ABOUT THE ECONOMY. POLITICALLY, HOWEVER, EVERYTHING IS HANGING ON THE OUTCOME OF THE UK-PRC TALKS.

4. THE GOVERNOR EXPRESSED THE BELIEF THAT SATISFACTORY ARRANGEMENTS FOR THE FUTURE ARE "DOABLE". HE BELIEVES THE CHINESE ARE WELL AWARE OF THE VALUE OF HONG KONG AND UNDERSTAND THAT ITS FUTURE DEPENDS ON PRESERVING LOCAL CONFIDENCE. THOUGH ENCOURAGED BY THE PRC'S EVIDENT DESIRE TO WORK WITH THE UK IN PUTTING TOGETHER AN AGREEMENT, HE HOPED THE CHINESE WOULD DEVELOP A GREATER UNDERSTANDING THAT CONFIDENCE IS SOMETHING THAT CANNOT JUST BE DECREED.

5. THE GOVERNOR CITED HONG KONG'S ADVANTAGES TO THE CHINESE AS GROUNDS FOR OPTIMISM ABOUT CHANCES THAT THE PRC WILL CONTINUE TO ALLOW THE TERRITORY TO FLOURISH. THESE INCLUDED FOREIGN EXCHANGE EARNINGS FROM SALES OF FOOD, WATER, AND SEMI-FINISHED GOODS TO HONG KONG

AND FROM HONG KONG'S USE AS A TRANS-SHIPMENT FACILITY. THERE WAS NO OTHER PORT FOR ALL OF SOUTHERN CHINA WHICH COULD COMPARE WITH HONG KONG AS A DEEP-WATER HARBOR AND AS A CONTAINER FACILITY. HONG KONG SERVES AS A PLACE WHERE THE PRC CAN CONCLUDE CONTRACTS WITH FOREIGN ENTITIES UNDER READILY UNDERSTANDABLE LAWS. THE PRC ALSO DIRECTLY BENEFITS FROM ITS AIRLINE FLIGHTS BETWEEN HONG KONG AND CHINA. THE POLAD DREW ATTENTION TO HONG KONG'S POTENTIAL ROLE AS A MODEL FOR A SETTLEMENT OF THE TAIWAN ISSUE. THE GOVERNOR WAS ALSO OPTIMISTIC THAT THE REGIONAL CONTEXT OF THE HONG KONG ISSUE WOULD BECOME INCREASINGLY IMPORTANT AND THAT THE CHINESE WOULD ATTACH GREATER WEIGHT TO THE INTERNATIONAL ASPECTS OF THE ISSUE.

6. THE GOVERNOR SAID THERE WAS LITTLE DIFFERENCE IN THE VIEWS OF VARIOUS ELEMENTS OF SOCIETY CONCERNING WHAT IS NEEDED FOR HONG KONG. THERE IS AN OVERWHELMING CONSENSUS IN FAVOR OF MAINTAINING THE STATUS QUO AND THE ADVANTAGES IT HAS CONVEYED TO ALL. LOCAL OPINION CLEARLY WANTED TO SEE EXISTING FREEDOMS AND LIBERTIES PRESERVED.

7. THE DEPUTY SECRETARY ASKED ABOUT THE REFUGEE SITUATION, NOTING THE POSSIBILITY OF MORE ETHNIC CHINESE REFUGEES FROM INDOCHINA, PARTICULARLY KAMPUCHEA. THE GOVERNOR EXPLAINED THAT GIVEN HONG KONG'S POLICY OF RETURNING ILLEGAL CHINESE IMMIGRANTS TO CHINA AND THE EXTENT OF POPULATION PRESSURES ON AVAILABLE RESOURCES, IT WOULD BE IMPOSSIBLE TO MAINTAIN A HAVEN PERMANENTLY FOR INDOCHINESE REFUGEES. HE EXPRESSED CONCERN ABOUT A RESIDUAL POPULATION OF VIETNAMESE REFUGEES WHICH HAD BEEN IN CAMPS HERE FOR SEVERAL YEARS. DEPUTY SECRETARY DAM NOTED THE U.S. CONTINUED TO TAKE REFUGEES AND HAD

TAKEN IN OVER 650,000 TO THIS POINT.

8. ASKED ABOUT THE GROWTH OF FOREIGN INVESTMENT HERE, THE GOVERNOR NOTED U.S. INVESTMENT SEEMED STILL TO BE HIGH BUT THERE WERE ALSO SIGNS OF INCREASED JAPANESE INVESTMENTS. THE POLITICAL ADVISOR IDENTIFIED A NEW YKK FACTORY HERE AND AN EXPANSION OF JAPANESE DEPARTMENT STORES. THE GOVERNOR NOTED THAT

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FOR D STAFF
E. O. 12356: DECL: OADR
TAGS: OVIP (DAM, KENNETH W.), PREL, SREF, HK, CH, US
SUBJ: DEPUTY SECRETARY'S MEETING WITH HONG KONG GOVERNOR
WHENEVER THE HKG RAISED WITH THE JAPANESE THE
QUESTION OF ITS HIGHLY UNFAVORABLE TRADE BALANCE AND
JAPAN'S LOW LEVEL OF PURCHASES FROM HONG KONG, THE
STOCK JAPANESE ANSWER WAS THAT "JAPANESE CITIZENS
PREFER TO BUY JAPANESE PRODUCTS".

9. THE DEPUTY SECRETARY EXPRESSED HIS UNDERSTANDING
OF THE NEED FOR THE U. S. TO BE SUPPORTIVE BUT NOT
INVOLVED IN THE CURRENT SINO-BRITISH TALKS. THE
U. S. WAS GRATEFUL FOR BEING KEPT INFORMED ON THE
DEVELOPMENTS OF THE TALKS AND WAS PREPARED TO BE
HELPFUL IF AND WHEN NECESSARY. THE GOVERNOR EXPRESSED
APPRECIATION FOR THIS SUPPORT AND FOR THE KNOWLEDGE
THAT IF THE BRITISH ASKED FOR OUR ASSISTANCE, THEY
WOULD HAVE A FAIR HEARING.

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BY KML NARA DATE 6/21/12

EXDIS
E. O. 12356: DECL: OADR
TAGS: PGOV, HK, CH, UK, PREL
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE
REF: A) STATE 63393 B) HONG KONG 3626 C) LONDON 4010

1. SECRET ENTIRE TEXT.

2. SUMMARY: FCO'S READ-OUT OF THE 22-23 FEBRUARY ROUND OF UK-PRC TALKS ON HONG KONG CLOSELY PARALLELED THOSE IN REFS A AND B. THE CHINESE EMBASSY IN LONDON PERCEIVES THE BRITISH PARLIAMENT AS GENUINELY CONCERNED ONLY WITH NARROW UK ECONOMIC INTERESTS IN HONG KONG; IT THUS REGARDS HMG'S EXPRESSED CONCERN FOR HONG KONGERS AS A NEGOTIATING PLOY. END SUMMARY.

3. THE UK-PRC TALKS: ALL BUT TWO UK DISCUSSION PAPERS HAVE NOW BEEN SUBMITTED TO THE PRC. FCO EXPECTS CHINESE COMMENTS ON ITS SHIPPING AND CONSTITUTION/GOVERNMENT PAPERS AT THE NEXT ROUND. PAPERS ON NATIONALITY AND CIVIL AVIATION ARE UNLIKELY TO BE READY BEFORE MID-MARCH. AFTER THE 16-17 MARCH ROUND, FCO ANTICIPATES A SECOND SESSION THIS MONTH, THOUGH NO DATE HAS BEEN SET. THERE FOLLOW SELECTED POINTS MENTIONED BY FCO, WHICH SUPPLEMENT THE REPORTS IN REFS A AND B.

--UK CIVIL SERVANTS: IN ATTEMPTING TO EVALUATE HOW THE CHINESE VIEW THE ADVISORY STATUS ENVISIONED FOR SENIOR BRITISH CIVIL SERVANTS, FCO WOULD BE INTERESTED IN THE US INTERPRETATION OF WHAT THIS MEANS TO THE CHINESE. FCO NOTED THAT SOME CHINESE LEADERS EXERCISED CONSIDERABLE WEIGHT AS MEMBERS OF THE CENTRAL ADVISORY COMMISSION.

--NATIONALITY: THE UK HOPES TO SEE A SPECIAL "HONG KONG, CHINA" CITIZENSHIP STATUS. THIS COULD BE HELD BY BOTH ETHNIC CHINESE AND BRITISH HONG KONGERS. THE LATTER COULD AT THE SAME TIME RETAIN THEIR BRITISH PASSPORTS (THOUGH THIS MIGHT PRESENT A PROBLEM FOR THE PRC, WHICH DOES NOT RECOGNIZE DUAL NATIONALITY.)

--BASIC LAW: FCO ANTICIPATES THAT THE TERMS OF ANY UK-PRC AGREEMENT WILL BE INCORPORATED INTO THE HONG KONG BASIC LAW.

--TEST OF ACCEPTABILITY: FCO SEES PROBLEMS IN

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PAGE 02 OF 02 LONDON 5255

DTG: 061706Z MAR 84 PSN: 022567

ESTABLISHING A SATISFACTORY TEST OF WHETHER THE UK-PRC AGREEMENT IS ACCEPTABLE TO THE HONG KONG PEOPLE. FCO DOES NOT CONSIDER EXCO/LEGCO COMPETENT TO ARTICULATE THE PEOPLE'S VIEWS. MOREOVER, ANY REFERENDUM WOULD PRESENT A PROBLEM, AS IT WOULD BE DIFFICULT TO OFFER GENUINE ALTERNATIVES TO THE POPULACE. THE ZIMBABWE PRECEDENT IS BEING STUDIED CAREFULLY.

LEGCO DEBATE: THOUGH FCO IS NERVOUS ABOUT POTENTIAL BREACHES OF CONFIDENTIALITY, IT SEES THE DEBATE AS POTENTIALLY USEFUL IN DEMONSTRATING TO THE CHINESE HONG KONGERS' TRUE VIEWS.

THE SEPTEMBER DEADLINE: FCO BELIEVES THAT MEANINGFUL NEGOTIATIONS ON MATTERS OF PRINCIPLE CAN ONLY TAKE PLACE PRIOR TO SEPTEMBER. AFTER THAT, A JOINT UK-PRC ADVISORY BODY COULD CONTINUE TO SORT OUT DETAILS, SUCH AS THE 300-ODD TREATIES THAT INVOLVE HONG KONG, AND THE TERRITORY'S ROLE IN REGIONAL OR INTERNATIONAL BODIES.

POST 1997 GUARANTEES: WE ASKED FCO TO COMMENT ON PARLIAMENTARY SUGGESTIONS OF A UK-PRC CONSULTATIVE BODY TO GUARANTEE A SETTLEMENT. FCO THINKS IT UNLIKELY THE PRC WOULD AGREE TO ANY FORMAL UK AUTHORITY POST-1997, OR EVEN TO A UN GUARANTORY ROLE.

US ROLE: IN DISCUSSING THE TALKING POINTS FOR SECRETARY REGAN (REF A, PARA 8), OUR FCO BRIEFER FELT IT WOULD BE HELPFUL FOR THE CHINESE TO GET A MESSAGE THAT LOSSES OF POTENTIAL INVESTMENT NOT ONLY IN HONG KONG BUT IN CHINA ITSELF, MIGHT FOLLOW A COLLAPSE OF THE CHINESE GUARANTEES.

4. CHINESE EMBASSY VIEWS: WE MET RECENTLY WITH POLITICAL COUNSELOR ZHENG YAOWEN, WHO WAS A MEMBER OF THE CHINESE NEGOTIATING TEAM PRIOR TO HIS EARLY 1983 POSTING TO LONDON. THIS IS ZHENG'S FOURTH LONDON TOUR IN 30 YEARS. WE HAVE ALSO MET SEPARATELY WITH FIRST

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EXDIS

E.O. 12356: DECL: OADR
TAGS: PGOV, HK, CH, UK, PREL
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE
SECRETARY CHEN ZI-YING.

- ZHENG CHARACTERIZED CHINA'S PUBLIC POSITIONS ON HONG KONG'S FUTURE AS "SUGGESTIONS" DESIGNED TO ELICIT PUBLIC OPINION. THE CHINESE WERE PREPARED TO BE FLEXIBLE ON DETAILS, THOUGH BASIC POINTS WERE UNLIKELY TO CHANGE. CHINESE GOVERNMENT OFFICIALS HAVE BEEN DISCUSSING OPTIONS FOR HONG KONG'S FUTURE SINCE THE 1950S. IN CHEN'S VIEW, CHINA COULD NOT GO BACK ON ITS PUBLIC ASSURANCES TO THE HONG KONGERS WITHOUT AN UN-ACCEPTABLE LOSS OF FACE IN WORLD OPINION. THE BRITISH AND OTHERS SHOULD TRUST IN THIS GUARANTEE.

- THE CHINESE HAVE MET WITH A NUMBER OF MP'S HERE AND BELIEVE PARLIAMENT WILL SUPPORT A SETTLEMENT AS LONG AS BRITAIN'S ECONOMIC INTERESTS ARE SAFEGUARDED. THESE TWO PRC DIPLOMATS SEEMED UNAWARE THAT BRITISH PUBLIC OPINION WOULD REQUIRE PARLIAMENT TO SAFEGUARD THE INTERESTS OF THE HONG KONGERS THEMSELVES. ACCORDING TO ZHENG, ALL HONG KONGERS WHO HAVE TALKED TO THE PRC HAVE EXPRESSED A DESIRE TO BE PART OF CHINA--THOUGH ZHENG ADMITTED THEY MIGHT BE TELLING THE BRITISH A DIFFERENT STORY.

- THOUGH ZHENG DECLINED TO COMMENT ON THE SUBSTANCE OF THE UK-PRC NEGOTIATIONS, HE SAID THE PRESS HAD "GOT IT RIGHT" (I.E., THE BRITISH HAVE CONCEDED CHINESE SOVEREIGNTY AND ADMINISTRATION). STREATOR
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EXDIS
E.O. 12356: OADR
TAGS: PREL, CH, UK, HK
SUBJECT: (U) FUTURE OF HONG KONG
REF: STATE 63393

1. WE NOTE FROM REFTEL THE SUGGESTION BY BRITISH DCM IN WASHINGTON DEREK BROWN THAT SECRETARY REGAN RAISE WITH THE CHINESE IN MARCH THE IMPORTANCE THAT USG ATTACHES TO THE STABILITY AND PROSPERITY OF HONG KONG. WHILE WE ARE NOT IN A POSITION TO COMMENT ON THE ADVISABILITY OF AGREEING TO THIS REQUEST, IT OCCURS TO US THAT THE UK MIGHT BE WELL ADVISED TO APPROACH THE GOJ IN REGARD TO THE POSSIBILITY OF PRIME MINISTER NAKASONE OR FOREIGN MINISTER ABE RAISING HONG KONG DURING THEIR MARCH 23-27 VISIT TO BEIJING. WE DO NOT KNOW IF THE JAPANESE WOULD RESPOND POSITIVELY TO SUCH A SUGGESTION, BUT JAPAN HAS SUBSTANTIAL INVESTMENTS AT RISK IN HONG KONG AND MORE OF A DIRECT INTEREST THAN THE US IN A SMOOTH POLITICAL TRANSITION IN 1997. MOREOVER, THE ABSENCE OF THE TAIWAN ISSUE AND THE OVERALL EXCELLENT STATE OF JAPAN-CHINA RELATIONS MAY MAKE BEIJING RECEPTIVE TO A GOJ EXPRESSION OF CONCERN ON THIS ISSUE.
MANSFIELD
BT

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FOR EAP/EX

E.O. 12356: N/A

TAGS: AMGT

SUBJECT: CASHIER SUPPORT IN BEIJING

REF: DUDLEY/MILLER TELCON OF 3/14/84

POST WOULD BE HAPPY TO OFFER SERVICES OF TOMMY TSE (TSE, CHI CHUEN), POST CASHIER, IN BEIJING AND SHANGHAI DURING PRESIDENTIAL VISIT. TOMMY WOULD TRAVEL UNDER HONG KONG TRAVEL DOCUMENT THAT DOES NOT REQUIRE PRC VISA, BUT HE SHOULD BE INCLUDED ON ANY LIST OF PEOPLE PARTICIPATING IN VISIT. PLEASE ADVISE DATES ASAP FOR PLANNING PURPOSES. LEVIN
BT

China H.K.

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~~SECRET~~ SECTION 01 OF 03 HONG KONG 04929

NODIS

C O R R E C T E D C O P Y (SECTIONS 01 OF 03 VICE 01 OF 04)
E.O. 12356: DECL: OADR
TAGS: PINS, HK, MY, UK
SUBJECT: THE CARRIAN CASE ON THE EVE OF THE JALIL TRIAL
REF: A) 83 HK 22241, B) HK 321, C) HK 834

1. ~~SECRET~~/NOFORN - ENTIRE TEXT.

2. SUMMARY:

EVIDENCE ACCUMULATES THAT IF THE FULL SAGA OF THE FALLEN CARRIAN EMPIRE BECOMES PUBLIC, A WIDE RANGE OF PROMINENT HONG KONG AND MALAYSIAN BUSINESSMEN AND GOVERNMENT OFFICIALS WILL LIKELY BE ADVERSELY IMPLICATED. THE EXTENT TO WHICH THE CONSEQUENT POLITICAL SENSITIVITIES IN HONG KONG AND LONDON MAY LEAD TO ATTEMPTS TO LIMIT FULL DISCLOSURE IS HARD TO ASCERTAIN AT THIS STAGE, BUT SHOULD COME CLEARER DURING THE COURSE OF TWO FORTHCOMING HONG KONG COURT TRIALS. THE FIRST OF THESE, THE TRIAL OF THE MALAYSIAN CHINESE ACCUSED OF KILLING BANK BUMIPUTRA AUDITOR JALIL IBRAHIM LAST JULY, IS SET TO BEGIN MARCH 19 AND MAY BE ACCOMPANIED BY SPECTACULAR REVELATIONS CONCERNING THE INVOLVEMENT OF THE HONG KONG FINANCIAL COMMUNITY (SEE SEPTEL). THE SECOND, THE TRIAL OF CARRIAN EMPIRE-BUILDER GEORGE TAN, NOW APPEARS SET FOR SEPTEMBER. THIS MESSAGE PULLS TOGETHER THE POLITICAL ELEMENTS OF THE CARRIAN CASE AND SETS FORTH CROSS-CURRENTS REACHING US ON THE EVE OF THE JALIL TRIAL.
END SUMMARY.

3. NOTWITHSTANDING EARLIER REPORTS THAT GEORGE TAN WOULD BE BROUGHT TO TRIAL IN FEBRUARY 1984 ON TWO FRAUD COUNTS, THE PROSECUTORS ON JANUARY 10 FILED FOR AND WERE GRANTED A DELAY UNTIL SEPTEMBER. DEPUTY POLAD RICHARD MARGOLIS (STRICTLY PROTECT) ASSURED CONGENOFF AT THE TIME THAT PROSECUTOR'S REASON FOR DELAY GENUINELY RESULTED FROM THE SHEER COMPLEXITY OF THE CASE AND DID NOT STEM FROM POLITICAL CAUTION OR SENSITIVITY ON THE PART OF THE HKG. WE SEPARATELY LEARNED FROM SEVERAL SOURCES THAT THE ACCOUNTANTS' INVOLVEMENT WAS INDEED EXTREMELY HEAVY, WITH FEES ALREADY RUNNING INTO THE MILLIONS OF HONG KONG DOLLARS.

4. HOWEVER, OTHER COMMENTS IMPLIED THAT FACTORS OTHER

Directly HK

13526

E.O. 12958

As Amended

Sec. 3.3(b)(1),

3.3(b)(6)

SECRET

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PAGE 02 OF 02 AMCONSUL HONG KONG 4929 DTG: 190515Z MAR 84 PSN: 049959

THAN THE NEED FOR THOROUGH CASE PREPARATION MIGHT BE MAKING THEMSELVES FELT. FINANCIAL SECRETARY SIR JOHN BREMRIDGE (STRICTLY PROTECT) TOLD CONGENOFFS COLLAPSE OF TAN'S CARRIAN EMPIRE WOULD HAVE FAR-REACHING EFFECTS IN BOTH HONG KONG AND MALAYSIA (REF C). A RANKING MEMBER OF THE QUEEN'S COUNSEL OFFICE INDICATED THE COURTS INTEND TO PROSECUTE "HIGH-LEVEL OFFICIALS" IN THE BANKS AND OTHER INVOLVED ORGANIZATIONS, ALTHOUGH THEY WOULD NOT REACH DOWN BEYOND THE TOP ONE OR TWO INDIVIDUALS IN EACH INSTITUTION. WHILE THESE SOURCES DID NOT NAME NAMES, RESPECTED HONG KONG BANKING FIGURES TELL US OF WIDE-SPREAD BELIEF THAT HONG KONG AND SHANGHAI BANK CHAIRMAN MICHAEL SANDBERG IS INDIRECTLY LINKED WITH TAN THROUGH HAVING APPROVED MASSIVE BANK LOANS TO CARRIAN AND IS LIKELY TO PROVE DIRECTLY IMPLICATED AS A RECIPIENT OF GEORGE TAN FAVORS. RECUR-ITIES AND COMMODITIES COMMISSIONER ROBERT FELL (STRICTLY PROTECT) SAYS SANDBERG WAS COMPLETELY TAKEN IN BY TAN AND IT IS COMMON KNOWLEDGE SANDBERG BACKED TAN'S EXPANSIVE PLANS IN HONG KONG. SANDBERG, IN ADDITION TO BEING A PILLAR OF THE LOCAL EXPATRIATE BUSINESS COMMUNITY, IS A MEMBER OF THE HKG'S EXECUTIVE COUNCIL.

5. IN THIS CONNECTION, THE FAR EASTERN ECONOMIC REVIEW, IN ITS JANUARY 19 INTELLIGENCE SECTION, LINKED THE HASTY DEPARTURE OF WARDLEY BANK SENIOR DIRECTOR MARTIN SABINE WITH THE CARRIAN ISSUE. OVERSEAS TRUST BANK (OTB) GENERAL MANAGER DOMINIC CHEUNG (STRICTLY PROTECT) TOLD CONGENOFF HE BELIEVED THE EVIDENCE SUPPORTING THE ALLEGATION WAS INCONTROVERTIBLE. WARDLEY'S, A HONG KONG AND SHANGHAI BANK SUBSIDIARY, WAS THE BANK WHICH ADVISED BOTH CARRIAN AND THE EQUALLY DEFUNCT EDA INVESTMENT COMPANY. THE TWO COMPANIES WERE LINKED IN A NUMBER OF PROJECTS. EDA'S FUNDER DEPARTED HONG KONG LAST YEAR BEFORE THE ROOF FELL IN ON HIS COMPANY AND THE BANCO DO PACIFICO IN MACAU WHICH HE ALSO CONTROLLED.

6. [REDACTED] OUTSIDE THE HONG KONG CIRCLE, IT HAS LONG BEEN RUMORED THAT MINISTERIAL-LEVEL FIGURES IN THE MALAYSIAN GOVERNMENT -- NOTABLY THE FINANCE MINISTER -- WERE DIRECTLY IN-
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13526
E.O. 12958
~~As Amended~~
Sec. 3.3(b)(1),
3.3(b)(6)

~~SECRET~~

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NODIS

C O R R E C T E D C O P Y (SECTION 02 OF 03 VICE SECTION 02 OF 04)
E. O. 12356: DECL: OADR
TAGS: PINS, HK, MY, UK
SUBJECT: THE CARRIAN CASE ON THE EVE OF THE JALIL TRIAL
-- NOTABLY THE FINANCE MINISTER -- WERE DIRECTLY INVOLVED IN THE CARRIAN CASE. HK SOLICITOR GENERAL RAY ASTIN (STRICTLY PROTECT) RECENTLY TOLD A CONGENOFF THAT INVOLVEMENT OF THE "HIGHEST LEVELS OF THE MALAYSIAN GOVERNMENT" COULD NOT BE RULED OUT. JANUARY [REDACTED] REPORTING [REDACTED] INDICATED THE PM'S POSSIBLE INVOLVEMENT [REDACTED] (POSSIBLY SUSPECT, HOWEVER, OWING TO [REDACTED] OPPOSITION TO MAHATHIR) REPORTING THE TRANSMISSION OF DOCUMENTS IMPLICATING MAHATHIR TO HK AUTHORITIES. OTB'S CHEUNG TOLD CONGENOFF HIS MALAYSIAN BANKING COLLEAGUES HAD ALSO IMPLICATED MAHATHIR BUT DID NOT INDICATE THE NATURE OF HIS CULPABILITY. (EARLIER, SECURITIES AND COMMODITIES DEPUTY COMMISSIONER DEREK MURPHY (STRICTLY PROTECT), STATED THERE WAS NO EVIDENCE PRIME MINISTER MAHATHIR WAS PERSONALLY IMPLICATED IN THE CARRIAN CASE, BUT HIS ASSESSMENT AT THAT TIME WAS LARGELY BASED ON REVIEW OF DOCUMENTS SEIZED IN THE CARRIAN OFFICES HERE IN SEPTEMBER AND ON SUBSEQUENT EFFORTS BY LOCAL INVESTIGATORS.)

7. THE RECENT ELECTION OF THE SULTAN OF JOHORE, MAHMOOD ISKANDAR, AS KING OF MALAYSIA -- EFFECTIVE IN THE SPRING -- MAY ADD A NEW COMPLEXITY TO THE MALAYSIAN CONNECTION. BANKERS HERE HAVE SAID THAT THE JOHORE RULER WAS A BACKER OF MAHATHIR'S RIVAL FOR UMNO PARTY LEADERSHIP, FINANCE MINISTER RAZALEIGH, AND THAT THE TWO WERE INTRICATELY INVOLVED IN PROMOTING BANK BUMIPUTRA'S LOANS TO THE CARRIAN EMPIRE. A SEPARATE [REDACTED] REPORT [REDACTED]

SAYING RAZALEIGH WAS NOT CONNECTED TO THE CARRIAN-BUMIPUTRA LOANS HAS BEEN SUBSEQUENTLY DISOWNED BY THE OFFICIAL IN A WAY WHICH SUGGESTS HE TOO NOW BELIEVES RAZALEIGH IS INVOLVED. (END [REDACTED])

8. COMMENT:
EVEN IF THE NEED FOR THOROUGH CASE PREPARATION OF ITSELF NECESSITATED THE DELAY IN THE TAN TRIAL FROM FEBRUARY TO SEPTEMBER, WE CANNOT ESCAPE NOTICING THAT IMPORTANT POLITICAL CONSIDERATIONS HAVE ALSO BEEN SERVED. IF OUR

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UNDERSTANDING OF THE MALAYSIAN SCENE IS CORRECT, THE INNER PARTY RIVALRIES BETWEEN MAHATHIR AND RAZALEIGH COULD BE IMPORTANTLY AFFECTED IF ANY PART OF THE CARRIAN ISSUE INVOLVING MALAYSIA WENT PUBLIC BEFORE THE PARTY'S SPRING ELECTIONS. AND WITH THE PRC AND UK PERHAPS STRIVING TOWARD AGREEMENT ON FUNDAMENTAL PRINCIPLES FOR HK'S FUTURE PRIOR TO PARLIAMENT'S JULY ADJOURNMENT, IT COULD BE UNFORTUITOUS IF UNSAVORY REVELATIONS CONCERNING SENIOR HK FIGURES LENT AMMUNITION TO ANY BEIJING HARD-LINERS ON POST-1997 HONG KONG ARRABGEMENTS.

9. THE PROSECUTOR'S INITIAL INTENT WAS TO LET THE CHIPS FALL WHERE THEY MAY IN THE CARRIAN CASE. WHILE IT IS STILL TOO SOON TO DETERMINE WHETHER HIS PURPOSE WILL BE TOTALLY FRUTRATED, THE BRITISH SEEM INCREASINGLY AWARE OF THE SERIOUS POTENTIAL COMPLICATIONS ENTAILED IN FOLLOWING THIS ROUTE WITH CARRIAN. A REVIEW OF THE CASE'S POLITICAL CONSIDERATIONS IS REPORTEDLY ALREADY IN LONDON'S HANDS (REF B) AND MAY ALREADY BE AFFECTING PROSECUTION DECISIONS. FOR EXAMPLE, DEPUTY POLAD MARGOLIS WHO ASSURED US THAT THE TRIAL DELAY WAS FOR NON-POLITICAL REASONS, ALSO TOLD US THAT HE AND SOME OF HIS COLLEAGUES HAVE BECOME SUSPICIOUS THAT TAN WILL NOT BE TRIED AT ALL. DEVELOPMENTS IN THE JALIL CASE, SET TO OPEN THIS WEEK, WILL LIKELY SHED FURTHER LIGHT ON THE POLITICAL ASPECTS OF THE CARRIAN AFFAIR AND THE EXTENT TO WHICH EFFORTS WILL BE MADE TO LIMIT THE POLITICAL AND FINANCIAL FALLOUT. AN INTERESTING BEHIND-THE-SCENES TUG OF WAR MAY LIE AHEAD. ON THE ONE HAND, HMG AND HKG HAVE A STRONG COMMITMENT TO ESTABLISHED JUDICIAL PROCEDURE (INCLUDING ITS CONTINUATION IN HK AFTER 1997) AND MUST ALSO REFLECT THAT ANY EFFORT TO LIMIT DISCLOSURE MIGHT FAIL, RESULTING IN A CALAMITOUS BACKFIRE. ON THE OTHER, FULL DISCLOSURE COULD ALSO HAVE SEVERE IMPACT BOTH HERE AND IN MALAYSIA. ONE POSSIBILITY IS AN ATTEMPT TO FOCUS TAN'S TRIAL ON THE SIMPLE FRAUD CHARGES NOW ARRAYED AGAINST HIM -- BUT WE WOULD NOT COUNT ON HKG'S ABILITY TO HOLD THE LINE THERE.

END COMMENT.

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NODIS

E.O. 12356: DECL: OADR
TAGS: PINS, HK, MY, UK
SUBJECT: THE CARRIAN CASE ON THE EVE OF THE JALIL TRIAL

10. WE WOULD BE INTERESTED IN ANY INFORMATION EMBASSY
LONDON CAN DEVELOP ON HOW THIS POTENTIALLY EXPLOSIVE
ISSUE IS BEING HANDLED.

11. REQUEST DEPARTMENT REPEAT TO KUALA LUMPUR, LONDON
AND BEIJING.
WILLIAMS
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NODIS

E.O. 12356: DECL: OADR

TAGS: PREL, EFIN, HK, MY

SUBJECT: CARRIAN COLLAPSE: DUAL SCANDALS TO BREAK SOON

REF: A) 83 HK 22241, B) HK 321, C) HK 834, D) HK 4929

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: A RANKING HKG OFFICIAL TELLS US THE CARRIAN CASE WILL SOON BREAK INTO THE HEADLINES AGAIN. THE MURDER TRIAL OF MALAYSIAN CHINESE MAK FOON-THAN, ACCUSED OF KILLING BANK BUMIPUTRA AUDITOR JALIL IBRAHIM LAST JULY, WILL RECONVENE ON MARCH 19, ACCOMPANIED BY A RESUMPTION OF PRESS SCRUTINY OF THIS MATTER.

3. AT THE SAME TIME, THE OFFICIAL EXPECTS ANOTHER -- UNSPECIFIED -- ASPECT OF THE CARRIAN CASE TO MAKE HEADLINES WITHIN TEN DAYS, AN EVENT THAT "WILL ROCK THE ENTIRE HONG KONG FINANCIAL COMMUNITY." HE USED THE WORDS "ARREST AND PROSECUTION" TO DESCRIBE THE FORTHCOMING EVENT, AND SAID THE HKG WAS SUFFICIENTLY CONCERNED ABOUT ITS REPERCUSSIONS TO BE CONSIDERING HOW TO MINIMIZE ITS IMPACT ON THE STOCK MARKET. GIVEN THE DEPTH OF THE HKG'S CONCERN IN THIS MATTER, OUR GUESS WOULD BE THAT IT MAY INVOLVE THE HONG KONG AND SHANGHAI BANKING CORPORATION OR ONE OF ITS AFFILIATES (SEE REF D). END SUMMARY.

4. IN MID-FEBRUARY, A SENIOR HKG OFFICIAL TOLD CONGENOFFS THAT "POLITICAL SENSITIVITIES" WERE AFFECTING THE TIMING OF THE JALIL MURDER CASE, WHICH WAS LIKELY TO BE MUCH MORE DAMAGING TO MALAYSIAN POLITICAL LEADERS THAN WAS THE GEORGE TAN TRIAL. ON MARCH 14, CONGENOFF DISCUSSED DEVELOPMENTS IN THE CARRIAN CASE WITH A SECOND SENIOR HKG OFFICIAL WHO HAS GIVEN US INFORMATION ON THIS SUBJECT IN THE PAST (REFS A AND B). HE NOTED THAT THE TRIAL OF MAK-FOON-THAN HAD OPENED ON MARCH 12, ONLY TO BE IMMEDIATELY RECESSED FOR ONE WEEK SO THE NEWLY-APPOINTED DEFENSE COUNSEL WOULD HAVE TIME TO PREPARE HIS CASE. MAK'S PREVIOUSLY-ASSIGNED COUNSEL HAD BEEN TAKEN OFF THE CASE AT THE DIRECTION OF THE HKG'S DIRECTOR OF LEGAL AID. THE HKG OFFICIAL SAID HE WAS NOT PRIVY TO THE DETAILS OF THE HANDLING OF THE CASE, BUT SAID THERE WERE SOME VERY UNUSUAL ASPECTS TO THE CHANGE IN DEFENSE COUNSEL.

~~CONFIDENTIAL~~

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5. IN THE MEANTIME, MAK HAD WITHDRAWN A PROCEDURAL MOTION HE HAD FILED WHICH HAD CAUSED THE CASE TO BE SCHEDULED FOR TRIAL IN MAY. THE CHIEF JUSTICE, SIR DENYS ROBERTS, HAD THEN PERSONALLY INTERVENED TO INSIST THAT MAK'S TRIAL BE SCHEDULED AT AN EARLY DATE, SINCE HE HAD BEEN IN JAIL FOR ALMOST EIGHT MONTHS WITHOUT ANY KIND OF FORMAL HEARING. (THE OFFICIAL NOTED THAT PERSONAL INVOLVEMENT OF THE CHIEF JUSTICE WAS UNUSUAL.)

6. WHEN THE TRIAL RESUMES ON MARCH 19, THE HKG OFFICIAL SAID, THE PROCEEDINGS WOULD ATTRACT A GREAT DEAL OF INTEREST. THE OFFICIAL SAID INTEREST IN THE SUBJECT ON THE PART OF HONG KONG JOURNALISTS REMAINED VERY HIGH, AND AS SOON AS THE TRIAL GOT UNDERWAY, A FLOOD OF REPORTING COULD BE EXPECTED.

7. IT WAS QUITE LIKELY, THE OFFICIAL SAID, THAT AT LEAST PARTS OF THE TRIAL WOULD BE CONDUCTED IN CAMERA, WITH NO PRESS OR PUBLIC IN ATTENDANCE. THERE WAS SOME DISCUSSION OF CLOSING THE ENTIRE TRIAL, BUT THAT SEEMED A DUBIOUS POSSIBILITY IN A MURDER CASE. (SEE PARA 10).

8. THE OFFICIAL SAID PROSECUTORS HOLD A SIGNED CONFESSION BY MAK IN WHICH HE MAKES SOME VERY SENSATIONAL ALLEGATIONS CONCERNING INTERNATIONAL CONNECTIONS OF THE CASE. (WE READ THIS TO BE A PROBABLE REFERENCE TO INVOLVEMENT BY SENIOR MALAYSIAN FIGURES.) THE INITIAL STAGES OF THE COURT PROCEEDINGS WILL CONSIST OF A

VOIR DIRE PROCEEDING IN WHICH THE DEFENSE WILL CHALLENGE THE CONFESSION. (THIS PORTION OF THE TRIAL IN ANY CASE WILL BE HELD WITHOUT THE PRESENCE OF JURY, PRESS AND PUBLIC.) IN ADDITION, THE PROSECUTION HAS A KEY WITNESS WHO IS BEING HELD AT AN UNDISCLOSED LOCATION BECAUSE HE AND THE HKG FEAR FOR HIS LIFE IF HIS WHEREABOUTS BECOME KNOWN.

9. CONGENOFF ASKED WHETHER THERE WERE PEOPLE IN THE HKG WHO DID NOT WANT TO SEE ALL THE TRUTH REVEALED IN THIS CASE. THE OFFICIAL RESPONDED THAT HE THOUGHT HONG KONG'S OFFICIALDOM WAS MORE INTERESTED IN SEEING THE FACTS COME OUT (SEE REF C). HE WENT ON TO SAY, BT

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~~CONFIDENTIAL~~ SECTION 02 OF 03 HONG KONG 04930

NODIS
E. O. 12356: DECL: OADR
TAGS: PREL, EFIN, HK, MY
SUBJECT: CARRIAN COLLAPSE: DUAL SCANDALS TO BREAK SOON
HOWEVER, THAT THE GOVERNOR IS FIRST AND FOREMOST A
BRITISH DIPLOMAT, AND HMG HAD TO CONSIDER ITS CLEAR
INTERNATIONAL POLITICAL INTERESTS THAT THE HKG--WHICH
DOES NOT HAVE RESPONSIBILITY FOR ITS OWN DEFENSE OR
FOREIGN RELATIONS--DID NOT NECESSARILY SHARE. (WE
TAKE THIS AS CLEAR REFERENCE TO BRITISH RELATIONS WITH
MALAYSIA.) THE OFFICIAL SAID IT WAS CONCEIVABLE THAT
THE GOVERNOR, ON INSTRUCTIONS FROM LONDON, COULD HAVE
HAD A QUIET WORD WITH THE ATTORNEY GENERAL -- A BRITISH
LAWYER AND FORMER MINISTRY OF DEFENSE OFFICIAL WHO IS
NEW TO HONG KONG -- ABOUT THE HANDLING OF THIS CASE.
(IN THE HONG KONG LEGAL SYSTEM, THE AG IS RESPONSIBLE
ONLY TO THE GOVERNOR, AND HAS COMPLETE AUTHORITY OVER
ALL ASPECTS OF THE PROSECUTION OF THE CASE. THERE IS
NO INDEPENDENT PROSECUTOR.

10. SUBSEQUENT TO OUR CONVERSATION WITH THE OFFICIAL,
IT WAS ANNOUNCED THAT THE COURT OF APPEAL HAD REJECTED
AN APPLICATION THAT THE ENTIRE MAK TRIAL BE CONDUCTED
IN CAMERA. THE APPLICATION WAS FILED BY TWO HONG KONG
LAW FIRMS ON BEHALF OF CLIENTS WHOSE IDENTITY WAS NOT
DISCLOSED, BUT WHO WERE IDENTIFIED IN THE MARCH 17 SOUTH
CHINA MORNING POST AS THE FORMER HEAD OF THE CARRIAN
EMPIRE, GEORGE TAN, AND HIS DEPUTY, BENTLEY HO, WHOSE
TRIALS ARE SCHEDULED FOR SEPTEMBER (REF D). THE
ATTORNEY GENERAL PERSONALLY APPEARED AT THE COURT OF
APPEAL HEARING (WHICH WAS ITSELF CLOSED TO THE PUBLIC),
ONLY THE SECOND TIME HE HAS APPEARED IN COURT IN HIS
NINE MONTHS IN HONG KONG. HE WAS ACCOMPANIED BY A
FORMER SOLICITOR GENERAL OF ENGLAND, SIR IAN PERCIVAL,
WHO IS "VISITING HONG KONG" AND WHO WAS HASTILY ADMITTED
TO THE HONG KONG BAR ON WEDNESDAY. A NUMBER OF OTHER
HONG KONG LAWYERS WERE ALSO IN ATTENDANCE, REPRESENTING
INTERESTED THIRD PARTIES WHOSE IDENTITIES WERE NOT
DISCLOSED.

11. ONE OF THE LAWYERS WAS MARTIN LEE, QC (STRICTLY
PROTECT), WHO DESCRIBED HIMSELF IN A CONVERSATION WITH
CONGENOFF AS GEORGE TAN'S PRINCIPAL LAWYER. LEE
CLAIMED HE BELIEVED THE MAK CASE WOULD BE AN OPEN-AND-
SHUT CASE, WITH LITTLE OR NO INVOLVEMENT WITH FRAUD
CHARGES STEMMING FROM THE COLLAPSE OF TAN'S CARRIAN
GROUP. WITH REGARD TO THE EARLIER PROCEDURAL MOVES IN

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PAGE 02 OF 02 AMCONSUL HONG KONG 4930 DTG: 190543Z MAR 84 PSN: 049969

THE MAK CASE, LEE SAID THAT NORMALLY IN A MURDER CASE, A COMMITTAL HEARING (SIMILAR TO A GRAND JURY HEARING) WOULD HAVE BEEN HELD TO DECIDE IF THE STATE HAS A PRIMA FACIE CASE. THE HKG AVOIDED HOLDING SUCH A HEARING BY HAVING THE ATTORNEY GENERAL SIGN THE COMMITTAL ORDER. MAK APPEALED THIS PROCEDURE, AND AS A RESULT THE TRIAL WAS SET FOR MAY. WHEN HE WITHDREW THE APPEAL, THE TRIAL WAS RESCHEDULED FOR MARCH 12.

12. ON ANOTHER ISSUE, IN DISCUSSING THE RAMIFICATIONS OF THE CARRIAN SCANDAL ON HONG KONG'S FINANCIAL COMMUNITY, THE OFFICIAL SAID AN EVENT TIED TO THE CARRIAN COLLAPSE WOULD OCCUR WITHIN TEN DAYS THAT "WILL ROCK THE ENTIRE HONG KONG FINANCIAL COMMUNITY." USING THE WORDS "ARREST AND PROSECUTION" AT ONE POINT TO DESCRIBE THE EVENT, THE OFFICIAL SAID THE HKG WAS SUFFICIENTLY CONCERNED ABOUT THE IMPACT OF THE EVENT TO HAVE CONSIDERED HOW TO MINIMIZE ITS IMPACT ON THE STOCK MARKET. HE WOULD NOT GIVE ANY FURTHER DETAILS.

13. COMMENT: THERE IS CLEARLY A GREAT DEAL OF INTEREST IN THIS CASE ON THE PART OF THE HONG KONG GOVERNMENT AND OTHER PARTIES. PUBLIC CURIOSITY ABOUT THE CASE IS ALSO VERY HIGH, AND WE CAN EXPECT PRESS COVERAGE TO GROW SHARPLY ONCE THE TRIAL IS UNDERWAY. IN THESE CIRCUMSTANCES, THE ALLEGED MALAYSIAN CONNECTION WILL COME UNDER CLOSE SCRUTINY. PUBLIC ATTENTION WILL MAKE MANAGEMENT OF THIS ISSUE PROGRESSIVELY MORE DIFFICULT FOR THE BRITISH. MOREOVER, THIS OFFICIAL REPEATED A VIEW WE HAVE HEARD FROM HIM AND OTHER SENIOR ECONOMIC OFFICIALS IN THE PAST--THAT THE HKG'S FINANCIAL POLICYMAKERS ARE VERY INTERESTED IN HAVING FULL DISCLOSURE OF THE FACTS

SURROUNDING THE CARRIAN/BANK BUMIPUTRA CASES. GIVEN THE EXISTENCE OF THIS INTERNAL LOBBY, ANY ATTEMPT BY THE BRITISH TO COVER UP KEY ASPECTS OF THE CASE IS LIKELY TO SURFACE QUICKLY IN HONG KONG'S OPEN AND FREEWHEELING RUMOR MARKET.

14. WITH REGARD TO THE SECOND SCANDAL WHICH THE OFFICIAL CLAIMS IS ABOUT TO BREAK, WE CAN ONLY SPECULATE AS TO WHO MIGHT BE INVOLVED. IN OUR VIEW, THE HKG'S CONCERN

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PAGE 02 OF 02 AMCONSUL HONG KONG 4930 DTG: 190543Z MAR 84 PSN: 049969

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NODIS
E. O. 12356: DECL: OADR
TAGS: PREL, EFIN, HK, MY
SUBJECT: CARRIAN COLLAPSE: DUAL SCANDALS TO BREAK SOON
OVER THE IMPACT OF THE EVENT AND THE KNOWN PARTICIPANTS
IN VARIOUS ASPECTS OF THE CARRIAN CASE POINT TO A
LOGICAL TARGET--THE HONG KONG AND SHANGHAI BANKING
CORPORATION OR ITS SUBSIDIARIES (SEE REF D).

15. SUGGEST DEPARTMENT REPEAT TO LONDON, KUALA
LUMPUR, AND BEIJING.
WILLIAMS
BT

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EXDIS
WNINTEL/NOFORN/NOCONTRACT/ORCON
E. O. 12356: DECL; OADR
TAGS: PINT, PREL, CH, HK, UK
SUBJECT: NCNA'S ROLE IN HONG KONG POLITICS

1. SECRET - ENTIRE TEXT.

2. SUMMARY:
THE APPOINTMENT OF A MEMBER OF THE CHINESE COMMUNIST PARTY CENTRAL COMMITTEE TO HEAD CHINA'S NEW CHINA NEWS AGENCY OFFICE IN HONG KONG IN THE SUMMER OF 1983 MARKED AN UNPRECEDENTED ELEVATION OF BEIJING'S REPRESENTATION IN HONG KONG. IT ALSO CREATED AN EXPECTATION THE XINHUA ORGANIZATION WOULD BECOME MORE ACTIVELY INVOLVED IN LOCAL POLITICS, AND THE AGENCY WAS QUICK TO GIVE EVIDENCE OF THESE AMBITIONS. BUT ONCE IT BECAME CLEAR THE SINO-BRITISH TALKS WERE DEADLOCKED, THE MEDIA CONFRONTATIONS BETWEEN THE TWO SIDES WERE CONTRIBUTING TO HK JITTERS AND THE RESULTS OF THE SEPTEMBER 26 PANIC WERE DIGESTED. BEIJING SEEMS TO HAVE RE-EVALUATED ITS XINHUA OPERATIONS.

3. NOW MORE CIRCUMSPECT, THE NCNA OPERATION NONETHELESS CONTINUES ITS EFFORTS TO INFLUENCE LOCAL OPINION AND TO REINFORCE THE SINCERITY OF BEIJING'S PROMISES FOR THE TERRITORY'S FUTURE. IN A MORE DIRECT SENSE, BEIJING HAS REFUSED TO INTERPOSE ITSELF BETWEEN THE HONG KONG PEOPLE AND THE LOCAL GOVERNMENT. IN THE CASE OF THE FEBRUARY TAXI DRIVERS STRIKE AND IN A RECENT PETITION OF GRIEVANCES AGAINST THE HKG'S HOUSING POLICY, NCNA TOOK A HANDS-OFF STANCE AND STEERED THE APPELLANTS DIRECTLY BACK TO THE HKG FOR REDRESS OF THEIR PROBLEMS. THIS POSITION HAS HELPED NEGATE FEARS THE LOCAL NCNA OFFICE WOULD TAKE ON THE TRAPPINGS OF A SECOND GOVERNMENT. BUT THE AGENCY CONTINUES TO ENHANCE ITS ROLE AS THE PRINCIPAL CHANNEL FOR LOCAL VIEWS ON THE FUTURE, LEAVING THE FORM IF NOT THE SUBSTANCE INTACT ON THE QUESTION OF WHO IS TO SPEAK FOR THE PEOPLE OF HK. FROM ALL INDICATIONS, THERE APPEARS TO BE A MAJOR MEETING OF LOCAL NCNA CADRE IN BEIJING AT THIS TIME. WHETHER THIS WILL ENTAIL ANY NEW DIRECTIONS FOR NCNA REMAINS

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TO BE SEEN, BUT THE CURRENT MIX OF CONTACTS AND PROPAGANDIZING SEEMS TO HAVE SETTLED INTO A USEFUL AND CONSTRUCTIVE ROUTINE FOR BEIJING'S REPRESENTATIVES HERE.
END SUMMARY
-

4. TRADITIONALLY, HONG KONG'S NEW CHINA NEWS AGENCY (NCNA) OFFICE HAD CARRIED ON ITS ROLE AS UNOFFICIAL REPRESENTATIVE OF THE PRC WITH LITTLE FANFARE AND WITH A GREAT DEAL OF CIRCUMSPECTION. PRIOR TO 1982 AND THE EMERGENCE OF THE 1997 ISSUE BETWEEN BRITAIN AND CHINA, NCNA CONTACTS WITH OUTSIDERS FOLLOWED USUAL UNITED FRONT PATTERNS, AND XINHUA APPEARED ACTIVE PUBLICLY LARGELY ON OCCASIONS RELATED TO FORMAL PRC CONVOCATIONS. ITS MEDIA ARM PROVIDED BEIJING-ISSUED COPY ON EVENTS IN CHINA AND ITS FOREIGN POLICY VIEWS, BUT RARELY COMMENTED ON LOCAL STORIES. NONETHELESS, ITS LOCAL REPORTERS DID PROVIDE STORIES TO NCNA HEADQUARTERS WHICH OCCASIONALLY SAW PRINT IN THE NATIONAL MEDIA. POLITICALLY, NCNA WOULD ON OCCASION MAKE KNOWN ITS "VIEW" ON A MATTER OF LOCAL INTEREST, BUT SUCH VIEWS WERE INFREQUENTLY PRESENTED AND PREDICTABLE, USUALLY SIDING WITH POINTS OF VIEW ARTICULATED BY LESSER PRC-AFFILIATED ORGANS SUCH AS LOCAL TRADE UNION OR MERCHANDISING/BANKING INTERESTS.
-

5. IT HAS LONG BEEN KNOWN IN INFORMED CIRCLES THE HKG CONSULTS WITH NCNA WHENEVER IT HAS A MAJOR PLAN INVOLVING THE TERRITORY, WHETHER IT IS IN THE REALM OF POLITICAL ACTIONS SUCH AS GREATER DEMOCRATIZATION OF THE GOVERNMENT OR IN PUBLIC WORKS PROJECTS. THERE IS A REGULAR LIAISON BETWEEN THE LOCAL NCNA OFFICE AND THE HONG KONG GOVERNMENT. VICE EDITOR TAN GAN CALLS ON THE POLITICAL ADVISORS OFFICE TO DISCUSS ISSUES OF CONCERN TO BEIJING AND VICE VERSA (83 HK 8740). (HE ALSO OFFICIALLY REPRESENTS NCNA AT THE AIRPORT FOR THE GOVERNOR'S COMINGS AND GOINGS, AN ACTION THE HKG FINDS IRRITATING BECAUSE OF TAN'S RELATIVELY LOW RANK.) WE HAVE NO EVIDENCE, HOWEVER, OF ANY SPECIFIC AREAS WHERE HKG PLANS HAVE BEEN DIRECTLY AFFECTED OR INHIBITED BY NCNA PRESENTED VIEWS.
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6. WITH THE ADVENT OF THE SINO-BRITISH TALKS ON HONG
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EXDIS
WNINTEL/NOFORN/NOCONTRACT/ORCON
E. O. 12356: DECL: OADR
TAGS: PINT, PREL, CH, HK, UK
SUBJECT: NCNA'S ROLE IN HONG KONG POLITICS
KONG'S FUTURE, THE LOCAL NCNA OFFICE BECAME A MUCH MORE
IMPORTANT OFFICE IN ITS OWN RIGHT AND BEIJING DEBATED
LONG AND HARD ABOUT HOW IT WANTED TO OPERATE HERE.
FACTIONAL REGIONAL POLITICS HAD TO BE CONSIDERED. THE
HK OFFICE HAD LONG BEEN A FIEFDOM OF THE GUANGDONG
PARTY APPARATUS AND ALSO HAD A MINORITY ELEMENT OF
FORMER LOCAL REVOLUTIONARIES AFFILIATED WITH THE EAST
RIVER COLUMN (83 HK 22559). IN THE POTENTIALLY SENSI-
TIVE WORLD OF 1997 POLITICS, BEIJING WANTED TO BE SURE
IT HAD ITS OWN SAY AND NOT TO LEAVE MATTERS IN THE
HANDS OF THOSE WITH MORE LIMITED PERSPECTIVES. THUS,
KE HUA, THEN BEIJING'S AMBASSADOR IN LONDON, AND AN
EARLY DESIGNEE FOR THE HONG KONG POST WAS SHUNTED
ASIDE (83 HK 3186). KE, A GUANGDONG CADRE, APPARENTLY
WAS PRESUMED TO BE TOO CLOSELY IDENTIFIABLE WITH THE
ENTRENCHED LOCAL INTERESTS. INSTEAD, BEIJING CENTERED
ON XU JIATUN, A PARTY CENTRAL COMMITTEE MEMBER AND
HEAD OF THE PARTY AND GOVERNMENT APPARATUS IN JIANGSU
PROVINCE (83 HK 7441). THIS WAS NOT, HOWEVER, TO BE
A CLEAR-CUT VICTORY FOR THE CENTER SINCE SEVERAL OF
XU'S DEPUTIES, MOST NOTABLY SECOND DIRECTOR LI JUSHENG
AND NEWLY APPOINTED VICE DIRECTOR CHEN DAMING WERE
GUANGDONG AREA AFFILIATES, DESPITE THEIR SERVICE IN
CENTRAL ORGANS. (LI IS THE MOST IMPORTANT AS A LONG-
TIME XINHUA HONG KONG CADRE. HE WAS SECOND-IN-CHARGE
TO THE PREVIOUS TWO NCNA DIRECTORS AND NOW IS THE
NUMBER TWO MAN ON BEIJING'S NEGOTIATING TEAM.)

7. XU'S COMING (83 HK 8115 AND 83 HK 8739) WAS MET
WITH SOME ALARM IN LOCAL CIRCLES WHERE THEY SAW PAR-
ALLELS BETWEEN XU'S GOVERNORSHIP IN JIANGSU AND HIS
PROJECTED ROLE FOR HONG KONG. RESEARCHERS NOTED XU'S
POST-1949 RESPONSIBILITY TO RUN FUZHOU MUNICIPALITY
AND TO BRING IT TO HEEL IN THE FACE OF NATIONALIST
FORCES ACROSS THE TAIWAN STRAIT. THEY SAW THE TERRI-
TORY BECOMING A PAWN IN CHINA'S REUNIFICATION EFFORTS
TOWARD TAIWAN AND CHINESE POLICIES TOWARD HK IN THE

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PRE-1997 PERIOD BEING ONES OF INTEGRATION OF HK INTO THE PRC MAINSTREAM. WITH THIS RATHER OMINOUS EXPECTATION, XU'S SUMMER 1983 ARRIVAL IN HONG KONG WAS CLOSELY WATCHED (83 HK 11763). HE CAME WITH A SWAGGER, DARK GLASSES WHICH HE NEVER REMOVED INDOORS OR OUT, AND THE APPEARANCE OF A MAN WITH A MISSION. AT HIS WELCOMING RECEPTION ON JULY 19, XU DEPARTED FROM TRADITIONAL PROTOCOLS FOR HIS TOAST AND REFERRED TO ENHANCED COOPERATION AMONG CHINA'S "FRIENDS" AT THE RECEPTION WHICH WOULD MAKE FOR "GREATER CONTRIBUTIONS" TO "CHINA'S UNIFICATION" (83 HK 12931). HIS REFERENCES TO THE SINO-BRITISH TALKS AND CHINA'S INTERESTS IN STABILITY AND PROSPERITY WERE MORE IN KEEPING WITH EARLIER PRC STATEMENTS AND WERE DECIDEDLY UPBEAT. THEY REFLECTED BEIJING'S APPARENT INTENTION TO PUT ITS BEST FOOT FORWARD ON COOPERATIVE DISCUSSIONS AND A SINCERE INTEREST IN THE FUTURE OF LOCAL RESIDENTS.

8. INDICATIVE OF THE NEW ROLE, NCNA'S STAFF OF VICE DIRECTORS EXPANDED FROM 7 TO 10 AND THEY INDIVIDUALLY COVERED A WIDE RANGE OF SPECIALIZED ACTIVITIES (83 HK 9181 AND 83 HK 13384). IN THE FOLLOWING MONTHS, XU AND HIS COLLEAGUES ENGAGED IN A HECTIC ROUND OF MEETINGS AND PUBLIC APPEARANCES. HIS STAFF MEMBERS TOLD US OF HIS DAILY MEETINGS AND AFTER-DINNER SESSIONS AT THE NCNA OFFICES WITH LEADING HK FIGURES (83 HK 13086). HE MADE HIGHLY PUBLICIZED TRIPS TO VARIOUS PARTS OF THE TERRITORY AND HIS TRIP TO THE WALLED CITY -- A SORT OF NO-MAN'S LAND LEFT IN AN AMBIVALENT POSITION OUTSIDE BRITISH CONTROL BY TREATY ARRANGEMENTS -- AND HIS NEW TERRITORIES TRIP, IN WHICH HE WAS PHOTOGRAPHED HOLDING A BABY IN HIS ARMS, PROJECTED THE IMAGE OF A MAN LOOKING TO BE IN CHARGE (83 HK 14468). HIS POPULAR STREET-SIDE NAME, "THE CHINESE GOVERNOR", SEEMED TO BE DAILY MORE VIABLE AND HKG OFFICIALS WERE REACTING WITH SOME ALARM AS WELL AS WITH DISTASTE TO THIS NEW ACTIVISM FROM NCNA. IN ITS MEDIA ROLE, THE XINHUA AGENCY WAS LEADING PRC-AFFILIATED PRESS INTO INCREASINGLY CONFRONTATIONAL DEBATES WITH PRO-BRITISH ORGANS AND THEIR VIEWS. REJECTION OF EFFORTS TO INTRODUCE A SEPARATE HONG KONG VOICE INTO THE SINO-BT

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TAGS: CASC
SUBJECT: GLOMAR JAVA SEA: DEATH: RECOVER OF REMAINS
REF: STATE 82056

1. THE FOLLOWING ARE RESPONSES TO SPECIFIC INQUIRIES
AS LISTED REFTEL:

A. GLOBAL MARINE IS UNDERWRITING COSTS OF SHIPPING
REMAINS TO POINT DESIGNATED BY NEXT-OF-KIN. GLOBAL
MARINE IS ALSO PAYING THE COSTS OF HAVING HONG KONG
GOVERNMENT PERFORM AUTOPSIES AND IDENTIFY REMAINS.
B. THE FORENSIC TEAM IS COMPOSED OF THE CHIEF
FORENSIC PATHOLOGIST IN HONG KONG AND SELECTED MEMBERS
OF HIS STAFF. AN AMERICAN FORENSIC DENTIST HAS BEEN
BROUGHT AS CONSULTANT FROM THE UNITED STATES BY
GLOBAL MARINE. THERE IS ALSO A CONSULTANT PATHOLOGIST
FROM THE PRC. THEY ARE BEING INCLUDED AS AN INTEGRAL
PART OF THE FORENSIC TEAM AND BROUGHT COMPLETE
DOCUMENTATION OF THEIR CREDENTIALS TO PRESENT TO
HONG KONG AUTHORITIES IN ORDER TO BE ACCEPTED BY THEM.
C. POST HAS BEEN PROVIDING INFORMATION TO OTHER
GOVERNMENTS INDIRECTLY BY CABLES SUCH AS THESE AND,
ON OCCASION, BY DIRECT CONTACT WITH CONSULAR
OFFICIALS FOR AUSTRALIA, CANADA, PHILIPPINES, SINGAPORE,
AND U.K. HERE IN HONG KONG AS MATTERS OF MUTUAL CONCERN
AROSE. GLOBAL MARINE HAS NOT BEEN IN DIRECT CONTACT
WITH OTHER GOVERNMENTS.

D. IF THERE ARE ANY UNIDENTIFIABLE BODIES, THE DECISION
ON DISPOSITION WILL BE MADE BY HONG KONG GOVERNMENT
AUTHORITIES UNDER WHOSE JURISDICTION THE REMAINS ARE
NOW KEPT. FYI: IT IS HIGHLY UNLIKELY THIS WILL OCCUR, AS
FORENSIC TEAM IS WORKING WITH FAIRLY COMPLETE DOSSIERS
ON THE CREW, AND MOST REMAINS WERE RECOVERED AS INTACT
UNITS COMPLETE WITH CLOTHING AND JEWELRY.

E. HONG KONG MORTUARY RETURN IS THE MORTUARY RECORD
ENTERED BY THE CORONER OF HONG KONG UPON COMPLETION OF
AN AUTOPSY BY ONE OR MORE FORENSIC PATHOLOGISTS CERTIFIED
TO PRACTICE IN HONG KONG. ENTRIES ON THE EXTRACT OF
MORTUARY RETURN--WHICH IS THE OFFICIAL DOCUMENT
ACCOMPANYING ANY SHIPMENT OF REMAINS OUTSIDE THE COLONY
WHEN A DEATH CERTIFICATE CANNOT BE ISSUED--CONTAINS NAME

OF MORTUARY WHERE AUTOPSY WAS CONDUCTED, DATE OF ENTRY
INTO THE MORTUARY RECORD, CASE NO. IN THE MORTUARY RECORD,
AND FOLLOWING DATA ON DECEASED: NAME, SEX, AGE, LAST
KNOWN ADDRESS, PROFESSION, WHEN AND WHERE DEATH TOOK
PLACE, CAUSE OF DEATH (PRIMARY, ANTECEDENT, AND OTHER
SIGNIFICANT CONDITIONS). IT ALSO INCLUDES THE AUTHORITY
UNDER WHOM THE AUTOPSY WAS PERFORMED, CREMATION OR
BURIAL ORDER (IF SUCH REQUESTED), INDICATION OF WHETHER
AUTOPSY WAS DONE AND WHETHER DEATH REPORT WAS REQUESTED.
THE EXTRACT IS ISSUED BY THE HONG KONG GOVERNMENT BIRTHS
AND DEATHS REGISTRATION OFFICE; I.E. THE SAME OFFICE
WHICH ISSUES THE DEATH CERTIFICATES FOR THOSE WHO ACTUALLY
DIE IN HONG KONG. THE EXTRACT IS USED ALONE WHEN THE
DEATH IS CERTIFIED HERE BUT OCCURRED OUTSIDE HONG KONG
TERRITORY.

2. SINCE WE HAVE ROUTINELY ISSUED REPORTS OF DEATH
ON THE BASIS OF A COMPLETED EXTRACT OF MORTUARY RETURN
SHOWING THE CAUSE OF DEATH CERTIFIED BY THE CORONER
OF THE HONG KONG GOVERNMENT MORTUARY, WE BELIEVE IT WOULD
BE MOST APPROPRIATE FOR US TO ISSUE REPORTS OF DEATH
FOR THOSE AMERICANS IDENTIFIED HERE IN HONG KONG EVEN
THOUGH THEY ACTUALLY DIED IN GUANGZHOU'S CONSULAR
DISTRICT, UNLESS THE DEPARTMENT HAS AN OBJECTION TO
OUR DOING SO.

3. THE REAL QUESTION REMAINING IS ISSUANCE OF
PRESUMPTIVE REPORTS OF DEATH. THIS, OF COURSE, WILL
HAVE TO AWAIT AN ANNOUNCEMENT OF PRESUMPTIVE DEATH BY
THE US COAST GUARD MARINE BOARD. HOWEVER, IF AND WHEN
SUCH AN ANNOUNCEMENT IS MADE, IT WOULD SEEM MOST
APPROPRIATE FOR GUANGZHOU TO ISSUE THOSE DEATH REPORTS
SINCE THE DEATHS OCCURRED IN THEIR DISTRICT. YOUR INFO
IN REFTEL THAT COAST GUARD WILL ISSUE A LETTER OF
PRESUMPTIVE DEATH IS SOMEWHAT DIFFERENT FROM WHAT WE
UNDERSTOOD COAST GUARD REPRESENTATIVES TO SAY WHEN THEY
WERE IN HONG KONG AND GUANGZHOU. ANY CLARIFICATION
OF THIS POINT WOULD BE APPRECIATED. WILLIAMS
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BY KML NARA DATE 6/21/12

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EXDIS
E. O. 12356: DECL: OADR
TAGS: PREL, HK, CH, UK
SUBJECT: TENTH ROUND OF UK-PRC TALKS - BRITISH EMBASSY
BRIEFING

REF: HONG KONG 04972

BEIJING PASS SECRETARY REGAN'S PARTY FOR DAS BROWN

1.
C - ENTIRE TEXT

2.
UK EMBOFF STEPHEN GOMERSALL CALLED ON ACTING DAS ANDERSON MARCH 20 TO PROVIDE A BRIEFING ON THE TENTH ROUND OF UK-PRC NEGOTIATIONS ON THE FUTURE OF HONG KONG. GOMERSALL SAID HE WAS COMING IN NOW BECAUSE OF SECRETARY REGAN'S PRESENCE IN BEIJING. NOTING THAT THERE HAD BEEN PRESS SPECULATION ABOUT THE FACT THAT THE NEXT MEETING, SCHEDULED FOR MARCH 26-27, REPRESENTED AN ACCELERATION OF THE PACE OF THE TALKS, GOMERSALL SAID NOT TOO MUCH SHOULD BE READ INTO THIS. HE POINTED OUT THAT THE SITE IN BEIJING WOULD ALSO BE DIFFERENT, BUT SAID THIS WAS A SIMPLE MATTER OF THE USUAL GUESTHOUSE BEING RENOVATED.

3.
GOMERSALL SAID THAT THE ATMOSPHERE AT THIS ROUND OF TALKS WAS GENERALLY GOOD. THE TWO MAIN TOPICS COVERED WERE CONSTITUTIONAL ISSUES AND SHIPPING. ON THE CRITICAL ISSUE OF CONSTITUTIONAL ARRANGEMENTS, THE CHINESE REAFFIRMED THAT THE SPECIAL ADMINISTRATIVE REGION WOULD HAVE A HIGH DEGREE OF AUTONOMY, BUT WOULD BE UNDER THE DIRECT AUTHORITY OF THE CENTRAL GOVERNMENT; IT WOULD NOT BE TREATED AS AN INDEPENDENT POLITICAL ENTITY. THE BASIC LAW WOULD DEFINE THE COMPOSITION AND FUNCTIONS OF THE GOVERNMENT, BUT THE POWERS OF THE GOVERNMENT HAD NOT YET BEEN DECIDED. EXISTING INSTITUTIONS MAY BE MODIFIED AFTER 1997 "TO MEET CHANGING NEEDS". (ASKED IF THIS REPRESENTED A NEW FORMULATION, GOMERSALL SAID HE DID NOT THINK SO.) THE SPECIAL ADMINISTRATIVE REGION WOULD BE ABLE TO MAKE

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ADJUSTMENTS IN ITS INSTITUTIONS PROVIDED THEY DID NOT VIOLATE THE BASIC LAW.



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4. THE CHINESE SAID THEY PLAN TO EXERCISE THE RIGHT TO STATION TROOPS IN HONG KONG "PRUDENTLY AND CIRCUMSPECTLY," AND GOMERSALL NOTED THAT IT WAS NOT CLEAR WHETHER OR NOT THE PRC ACTUALLY PLANNED TO DO SO. ARRANGEMENTS FOR THE MAINTENANCE OF INTERNAL ORDER WILL BE DISCUSSED WITH THE UK. THE RIGHTS AND FREEDOMS OF HONG KONG RESIDENTS WILL BE SAFEGUARDED PROVIDED THEY DID NOT OVERSTEP THE BASIC LAW OR HARM THE RIGHTS OF OTHER INDIVIDUALS. (GOMERSALL NOTED IN PASSING THAT DISCUSSION OF CONSTITUTIONAL ISSUES POST-1997 WAS VERY DIFFICULT AND THE CHINESE WERE HARD TO DRAW OUT, BUT THEY WERE EAGER TO DISCUSS ARRANGEMENTS PRE-1997.)

5. ON SHIPPING MATTERS GOMERSALL SAID THE PRC LINE IS GENERALLY IN ACCORD WITH UK VIEWS. HONG KONG WILL REMAIN A FREE PORT AND FREE TRADE CENTER. THE BASIC SYSTEM OF MANAGEMENT AND COMMERCIAL RELATIONS WILL REMAIN IN EFFECT, BUT NO ELEMENT IMPLYING CONTINUED COLONIALISM WILL BE PERMITTED. HONG KONG CAN CONTINUE TO PARTICIPATE IN MARITIME AGREEMENTS APPLYING TO THE UK AND CHINA, AND PROVIDING CHINA'S SOVEREIGNTY IS NOT IMPAIRED, IT CAN PARTICIPATE IN AGREEMENTS TO WHICH THE UK IS A PARTY BUT CHINA IS NOT. IT WOULD THEN PARTICIPATE AS HONG KONG (CHINA). THE CHINESE RATHER OBSCURELY SAID THAT WHEN AN AGREEMENT IS LIMITED TO SOVEREIGN STATES HONG KONG SHOULD SEEK A SOLUTION "APPROPRIATE TO THE CASE." THIS WAS FOLLOWED BY THE STATEMENT THAT HONG KONG COULD CONTINUE TO PARTICIPATE IN INTERNATIONAL MARITIME AGREEMENTS AND

CONFERENCES, TAKING PART AS A MEMBER OF THE PRC DELEGATION WHEN ATTENDANCE IS LIMITED TO SOVEREIGN STATES BUT PRESENTING ITS OWN VIEWS.

6. IN ADDITION TO COVERING THE ABOVE TWO TOPICS GOMERSALL ALSO NOTED THAT THE UK TABLED PAPERS ON CIVIL AVIATION AND NATIO ALITY AT THIS SESSION AND RECEIVED CHINESE COMMENTS ON PREVIOUSLY PROVIDED PAPERS ON DEFENSE, CULTURAL AND EDUCATIONAL AFFAIRS.

7. IN AN EARLIER MEETING, GOMERSALL PROVIDED ANDERSON WITH INFORMATION ON THE PRC POSITION REGARDING CONTINUED HONG KONG PARTICIPATION IN INTERNATIONAL ECONOMIC ORGANIZATIONS IN RESPONSE TO A REQUEST FROM DAS BILL BROWN. GOMERSALL SAID THAT THE PRC HAD INDICATED HONG KONG COULD CONTINUE TO PARTICIPATE IN ALL INTERNATIONAL ECONOMIC ORGANIZATIONS OF WHICH IT IS CURRENTLY A MEMBER, SUCH AS GATT. THE PRC HAS ALSO CONFIRMED CONTINUED HONG KONG MEMBERSHIP IN THE ADB. IN INTERNATIONAL ORGANIZATIONS IN WHICH REPRESENTATION IS BY STATES ONLY, HONG KONG COULD PARTICIPATE AS A MEMBER OF THE PRC DELEGATION, DESIGNATED AS HONG KONG, CHINA. THE PATTERN DESCRIBED IN THE MARITIME DISCUSSIONS THUS SEEMS TO APPLY GENERALLY TO INTERNATIONAL ECONOMIC BODIES.

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