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**Collection:** Laux, David N.: Files  
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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** LAUX, DAVID: FILES

**Withdrawer**

CAS 6/10/2010

**File Folder** CHINA-FOREIGN RELATIONS-HONG KONG (3/22/84-4/12/84)

**FOIA**

M09-299/1

**Box Number** 13

COLLINGS

22

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92513	CABLE	HONG KONG 05269 <b>R 6/21/2012 M299/1</b>	2	3/22/1984	B1
92514	CABLE	HONG KONG 05240 <b>R 6/21/2012 M299/1</b>	5	3/22/1984	B1
92515	CABLE	LONDON 06783 <b>R 6/21/2012 M299/1</b>	4	3/22/1984	B1
92516	PAPER	RE HONG KONG <b>PAR 12/20/2017 M299/1</b>	5	3/23/1984	B1 B3
92517	PAPER	BEIJING 04769 <b>R 6/21/2012 M299/1</b>	1	3/23/1984	B1
92518	PAPER	HONG KONG 05431 <b>R 6/21/2012 M299/1</b>	1	3/26/1984	B1
92519	CABLE	HONG KONG 05667 <b>R 6/21/2012 M299/1</b>	2	3/28/1984	B1
92520	CABLE	292327Z MAR 84 <b>D 12/20/2017 M299/1</b>	1	3/29/1984	B1 B3
92521	CABLE	032055Z APR 84 <b>D 12/20/2017 M299/1</b>	2	4/3/1984	B1 B3

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

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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

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CAS 6/10/2010

**File Folder** CHINA-FOREIGN RELATIONS-HONG KONG (3/22/84-4/12/84)

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

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92513

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NATIONAL SECURITY COUNCIL  
SECRETARIAT

BY KML NARA DATE 6/21/12

PAGE 01 OF 02 AMCONSUL HONG KONG 5269 DTG: 221009Z MAR 84 PSN: 058210  
EOB281 AN003533 TOR: 082/1906Z CSN: HCE933

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ZEN/AMCONSUL GUANGZHOU POUCH  
ZEN/AMCONSUL SHANGHAI POUCH  
AMEMBASSY LONDON 5069

~~CONFIDENTIAL~~ HONG KONG 05269

EXDIS  
NOFORN  
E.O. 12356: DECL: OADR  
TAGS: PREL, HK, CH  
SUBJECT: PRO-PRC MAGAZINE PROVIDES A PEEK BEHIND THE  
CONFIDENTIALITY VEIL  
REF: A) FBIS HK 201240 MARCH 84; B) HK 3626 (NOTAL);  
C) STATE 082067 (NOTAL); D) HK 5240 (NOTAL)

1. CONFIDENTIAL - ENTIRE TEXT.

2. IN THE LATEST OF A SERIES OF SEMI-OFFICIAL LEAKS,  
THE MARCH 16 ISSUE OF WIDE ANGLE -- A HONG KONG-BASED,  
PRC-AFFILIATED MONTHLY -- CARRIED A MAJOR ARTICLE ON  
THE STATUS AND COURSE OF THE SINO-BRITISH NEGOTIATIONS  
(REF A). THE ARTICLE APPEARS TO BE AN AUTHORITATIVE  
VERSION OF THE CHINESE VIEW OF THE STATE OF PLAY ON  
THE EVE OF ROUND TEN OF THE TALKS (MARCH 16-17). IT  
ALSO TRACKS WELL WITH THE READOUTS THE BRITISH HAVE  
PROVIDED ON THE TALKS (REFS B, C AND D).

3. THE ARTICLE'S PRINCIPAL ASSERTIONS ARE:  
-- THE PACE OF THE TALKS IS QUICKENING AS THE TWO SIDES  
NEAR AGREEMENT;  
-- THE TALKS WILL SOON ENTER PHASE TWO AND THEIR FOCUS  
WILL SHIFT FROM POST-1997 MODALITIES TO ARRANGEMENTS  
FOR THE TRANSITIONAL PERIOD (NOW TO 1997);  
-- PHASE TWO AND PHASE THREE (DRAFTING OF A JOINT STATE-  
MENT OR AGREEMENT) WILL BE RELATIVELY SHORT SO THE  
CHINESE NATIONAL PEOPLE'S CONGRESS AND THE UK PARLIAMENT  
CAN FINALIZE THE PROPOSED AGREEMENT THIS SUMMER;  
-- BOTH SIDES HAVE AGREED ON THE FUTURE CIVIL SERVICE  
PERSONNEL SYSTEM INCLUDING THE EMPLOYMENT OF EXPATRIATES  
UP TO THE DEPUTY SECRETARY LEVEL IN ANY DEPARTMENT; AND,  
-- HONG KONG'S DEFENSE AFTER 1997 WILL BE THE RESPON-  
SIBILITY OF THE CENTRAL GOVERNMENT IN BEIJING.

4. COMMENT:  
A BRITISH PARTICIPANT IN THE TALKS (PROTECT) TOLD US HE

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BELIEVED THE ARTICLE WAS FROM PRC SOURCES. THIS ARTICLE  
OUTLINES IN CLEAR AND UNEQUIVOCAL LANGUAGE CHINA'S  
ATTITUDE ON THE CRITICAL ISSUES OF DEFENSE, THE CIVIL  
SERVICE AND A PRC TIMETABLE FOR THE REMAINDER OF THE  
NEGOTIATIONS. STATING "THE CHINESE SIDE BELIEVES THAT  
THIS (ITS POSITION ON HONG KONG'S DEFENSE) IS AN EX-  
PRESSION OF RECOVERING SOVEREIGNTY OVER HONG KONG AS  
WELL AS A KEY ISSUE ...", THE ARTICLE ACCURATELY PRESAGED  
THE CHINESE RESPONSE AT ROUND TEN TO BRITISH CONCERNS  
OVER STATIONING PLA FORCES IN THE TERRITORY WHICH HAD  
BEEN RAISED AT EARLIER SESSIONS (REF D).  
END COMMENT.  
WILLIAMS  
BT

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92514

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NLRR M299 #92614

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BY KML NARA DATE 6/2/12

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EOB283 AN003603 TOR: 082/1908Z CSN: HCE934

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AMEMBASSY CANBERRA PRIORITY 2183

~~SECRET~~ SECTION 01 OF 03 HONG KONG 05240

EXDIS  
NOFORN  
E.O. 12356: DECL: OADR  
TAGS : PREL, CH, UK, HK  
SUBJECT : FUTURE OF HONG KONG: DISCUSSIONS WITH  
- HKG POLAD  
REF : A) STATE 82067, B) HONG KONG 4783,  
- C) HONG KONG 3626, D) HONG KONG 5068  
-

1. SECRET/NOFORN - ENTIRE TEXT

2. SUMMARY. AT THE TENTH ROUND OF SINO-BRITISH TALKS, THE ATMOSPHERE WAS GOOD AND THE CHINESE SURPRISED THE BRITISH WITH THE MILDNESS OF THEIR REACTION TO THE LEGISLATIVE COUNCIL DEBATE ON HONG KONG'S FUTURE. THE CHINESE WANT TO PUSH FORWARD DURING THE WEEKS AHEAD WITH TALKS ON TRANSITION ARRANGEMENTS, BUT THE BRITISH PREFER TO AWAIT THE OUTCOME OF FOREIGN SECRETARY HOWE'S LATE APRIL VISIT TO BEIJING BEFORE SETTING OFF IN ANY NEW DIRECTIONS IN THE NEGOTIATIONS.  
- THE CHINESE ESSENTIALLY ACCEPTED EARLIER BRITISH PROPOSALS ON SHIPPING, AND SCALED BACK ONLY MODESTLY BRITISH RECOMMENDATIONS THAT POST-1997 HONG KONG ENJOY MAXIMUM AUTONOMY WITH MINIMUM INSTITUTIONAL CHANGE. THE TWO SIDES INCHED CLOSER TO AGREEMENT ON PLA ARRANGEMENTS. LONDON PRESENTED PAPERS ASKING FOR SPECIAL NATIONALITY RIGHTS FOR HONG KONG PEOPLE AND FOR HONG KONG RETENTION OF AIRPORT LANDING RIGHTS, TO INCLUDE A STIPULATED POSITION FOR CATHAY PACIFIC; ON THE CIVILIAN AVIATION PAPER, AT LEAST, THE BRITS EXPECT RESISTANCE.

- THESE PAPERS COMPLETED THE UK PRESENTATIONS ON BASIC POST-1997 MATTERS. AT THE MARCH 26-27 ELEVENTH ROUND, THE BRITISH EXPECT ONLY TO LISTEN TO ADDITIONAL CHINESE RESPONSES. ALTHOUGH THE CAUTIOUS POLAD MCLAREN HESITATES TO SAY SO IN SO MANY WORDS, THE FIRST STAGE OF SINO-BRITISH NEGOTIATIONS ON THE FUTURE OF HONG KONG IS CLEARLY DRAWING TO A CLOSE. FOR THEIR PART, HOWEVER, THE

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PAGE 02 OF 02 AMCONSUL HONG KONG 5240 DTG: 220800Z MAR 84 PSN: 058214

CHINESE--LESS RETICENT THAN THE BRITISH AND MORE  
DRIVEN BY THEIR SELF-PROCLAIMED SEPTEMBER NEGOTIATING  
DEADLINE--LOOK TOWARD AN APRIL PUBLIC ANNOUNCEMENT  
THAT MAJOR PROGRESS HAS BEEN ACHIEVED IN THE TALKS.  
END SUMMARY.

3. ACCORDING TO HKG POLAD ROBIN MCLAREN, THE  
ATMOSPHERE AT THE TENTH ROUND OF UK-PRC  
NEGOTIATIONS ON HONG KONG WAS GOOD, SCARCELY  
MARRED BY A MODEST, ALMOST PRO FORMA PROTEST  
OVER THE HK LEGISLATIVE COUNCIL'S RECENT DEBATE  
(REF B). THE BRITS HAD FEARED A MAJOR BLAST ON  
THIS SUBJECT, BUT IN THE EVENT, MCLAREN FELT,  
THE CHINESE HAD PULLED BACK, PERHAPS INFLUENCED BY  
THE RESTRAINT OF THE LEGCO RPOKESMEN.

4. IMPELLED BY THEIR SELF-IMPOSED SEPTEMBER  
DEADLINE, THE CHINESE CONTINUE TO URGE ALONG THE  
PACE OF THE NEGOTIATIONS. THEY WERE INTENT ON  
ANOTHER MARCH ROUND, AND THE 26TH AND 27TH WERE  
THE ONLY MUTUALLY AVAILABLE DAYS. FROM THE BRITISH  
VIEWPOINT, THIS DOES NOT NECESSARILY PREFIGURE AN  
ADDITIONAL ROUND AT ANY TIME SOON, BUT THE CHINESE  
ARE PUSHING FOR ONE AT SOME TIME PRIOR TO THE LATE  
APRIL BEIJING VISIT ANTICIPATED FOR FOREIGN  
SECRETARY HOWE.

5. THE WIDE ANGLE ARTICLE (REF D) WAS ACCURATE  
FROM A PRC POINT OF VIEW, AND MCLAREN FELT THE  
MAGAZINE HAD BEEN BRIEFED BY A PRC SOURCE. IN  
APRIL THE CHINESE WOULD PROBABLY WANT A PUBLIC  
ANNOUNCEMENT OF MAJOR PROGRESS IN THE NEGOTIATIONS,

AND THEY VERY MUCH WANT TO START DISCUSSING  
TRANSITION MATTERS DURING THE MONTH AHEAD. BUT  
THE BRITISH REMAIN PERSUADED THAT ALTHOUGH AGREEMENT  
PERHAPS IS ATTAINABLE BY SEPTEMBER, NOTHING  
DEFINITIVE CAN BE ACHIEVED PRIOR TO PARLIAMENT'S  
JULY RECESS. ACCORDINGLY THEY ARE DISPOSED TO  
DEFER TRANSITION DISCUSSIONS UNTIL THE HOWE VISIT  
PROVIDES A MORE CONFIDENT SENSE OF WHERE AND HOW  
FAST THE NEGOTIATIONS CAN NEXT MOVE. AT THE  
MARCH 26-27 TALKS, THE BALL WILL BE IN THE PRC  
COURT: THE BRITISH, WITH NO NEW PAPERS TO PRESENT,  
INTEND JUST TO LISTEN TO CHINESE RESPONSES TO  
MATTERS ALREADY ON THE TABLE.

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~~SECRET~~ SECTION 02 OF 03 HONG KONG 05240

EXDIS  
NOFORN  
E. O. 12356: DECL: OADR  
TAGS : PREL, CH, UK, HK  
SUBJECT : FUTURE OF HONG KONG: DISCUSSIONS WITH

6. AT THE TENTH ROUND, THE BRITISH PRESENTED NEW PAPERS ON NATIONALITY AND CIVIL AVIATION, WHILE THE CHINESE RESPONDED TO PAPERS ON CONSTITUTIONAL ARRANGEMENTS AND SHIPPING PRESENTED BY THE BRITS AT THE NINTH ROUND.

7. ON NATIONALITY, THE BRITISH PROPOSED THAT ALL THE RIGHTS NOW ENJOYED BY HONG KONG PEOPLE WHO ARE BRITISH DEPENDENT TERRITORIES SUBJECTS SHOULD CONTINUE AFTER 1997, PRESUMABLY UNDER A DIFFERENT NAME; AND THAT A SPECIAL SUBCATEGORY OF CHINESE CITIZENSHIP BE CREATED FOR HONG KONG PEOPLE GENERALLY. ON CIVIL AVIATION, LONDON PROPOSED THAT HONG KONG RETAIN ITS LANDING RIGHTS AUTHORITY, WITH CATHAY PACIFIC'S PRESENT RIGHTS EXPLICITLY STIPULATED TO CONTINUE. BEIJING DID NOT RESPOND TO EITHER PAPER, BUT THE BRITISH EXPECT DISAGREEMENT OVER CIVIL AVIATION.

8. MCLAREN'S ACCOUNT OF CHINESE VIEWS ON SHIPPING AND CONSTITUTIONAL ARRANGEMENTS PARALLELED THAT GIVEN BY EMBOFF GOMERSALL TO ACTING DAS ANDERSON (REF A). THE BRITISH SHIPPING PROPOSAL IS THAT PRC-HK ARRANGEMENTS WOULD PERFECTLY MIRROR PRESENT-DAY UK-HK ARRANGEMENTS. THE IDEA BEHIND THE "APPROPRIATE TO THE CASE" PHRASE WHICH PUZZLED GOMERSALL IS THAT IF HONG KONG WISHED TO PARTICIPATE IN AGREEMENTS LIMITED TO SOVEREIGN STATES BUT NOT PARTICIPATED IN BY CHINA, THEN HONG KONG WOULD SEEK LEGISLATION OR OTHER REMEDY AS FEASIBLE UNDER THE RULES GOVERNING THE PARTICULAR AGREEMENT.

9. IN THE CONSTITUTIONAL ARENA, THE BRITISH PAPER HAD ASKED FOR "MAXIMUM" AUTONOMY AND A TOTAL FREEZE

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ON INSTITUTIONAL CHANGE AFTER 1997, BUT THE CHINESE, AS GOMERSALL NOTED, SCALED THIS DOWN TO A "HIGH DEGREE" OF AUTONOMY AND THE OBSERVATION THAT AT TIMES ANY GOVERNMENT HAD TO UNDERTAKE MODIFICATION IN ORDER TO MEET CHANGING NEEDS.

10. BACKING AWAY FROM THEIR EARLIER POSITION THAT IT WOULD BE STRONGLY INADVISABLE TO STATION PLA TROOPS IN POST-1997 HONG KONG (REF C), THE BRITISH NEGOTIATORS AT THE TENTH ROUND NOTED WITH PLEASURE THE CHINESE NINTH ROUND PLEDGE TO HANDLE THE MATTER WITH "PRUDENCE AND CIRCUMSPECTION", ADDING THAT THEY FELT IT IMPORTANT THAT BEIJING MAKE THIS PLEDGE PUBLIC AT AN APPROPRIATE TIME AND IN AN APPROPRIATE MANNER. LONDON AGAIN RAISED ITS PROPOSAL FOR A LOCALLY-RAISED SECURITY FORCE IN ADDITION TO THE POLICE; THOUGH THE BRITS MADE IT CLEAR THEY HAD A FORCE OF ONLY MODEST SIZE IN MIND, THE CHINESE SIDE DID NOT RESPOND.

11. AN ADDITIONAL BRITISH PROPOSAL THAT ANY STATIONING OF PLA TROOPS TAKE PLACE ONLY AFTER CONSULTATIONS BETWEEN THE CENTRAL AND HONG KONG SPECIAL AUTONOMOUS REGION (HKSAR) GOVERNMENTS DREW A CHINESE REJOINDER THAT THE BRITISH SHOULD NOT TREAT THE HKSAR GOVERNMENT LIKE AN INDEPENDENT GOVERNMENT. THE BRITS RESPONDED THAT IT WAS QUITE NORMAL IN OTHER COUNTRIES FOR CENTRAL GOVERNMENTS TO CONSULT REGIONAL ONES ON MATTERS CONCERNING THEM.

12. THE CHINESE REITERATED THE POSITION THAT THE CONSTITUTION WOULD BE HONG KONG'S BASIC LAW, AND ASSERTED THAT HONG KONG'S EVOLUTION BETWEEN NOW AND 1997 MUST BE IN ACCORDANCE WITH THREE PRINCIPLES:

- -- FOSTER STABILITY AND PROSPERITY;
- -- FACILITATE TRANSITION; AND
- -- BE IN ACCORDANCE WITH THE CONSTITUTION.

- THE BRITISH HOPE THE THIRD PRINCIPLE, BY ALLOWING THEM TO INSIST THEY MUST KNOW THE CONSTITUTION'S CONTENT EARLY ON, WILL AFFORD THEM A NEGOTIATING LEVER WITH WHICH TO PRY RELATIVELY DETAILED ARRANGEMENTS OUT OF THE RELUCTANT CHINESE.

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~~SECRET~~ SECTION 03 OF 03 HONG KONG 05240

EXDIS  
NOFORN  
E.O. 12356: DECL: OADR  
TAGS : PREL, CH, UK, HK  
SUBJECT : FUTURE OF HONG KONG: DISCUSSIONS WITH  
-13. AS TO THE PRECISE FORM OF THE EVENTUAL  
SINO-UK AGREEMENT, MCLAREN LIMITED HIMSELF TO  
THE VIEW THAT THE CHINESE ARE LIKELY TO WANT  
SOMETHING MUCH SHORTER THAN THE BRITISH WILL  
SEEK. ONLY THE VAGUEST CONVERSATIONS HAVE YET  
BEEN HELD ON THIS SUBJECT AT THE NEGOTIATIONS,  
HE COMMENTED, INASMUCH AS THE BRITISH THEMSELVES  
HAVE NOT YET REACHED A CONCERTED POSITION EVEN  
AFTER MANY INTERNAL DISCUSSIONS.  
WILLIAMS  
BT

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92515

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PAGE 01 OF 02 LONDON 6783  
EOB294 AN005642

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AMEMBASSY WELLINGTON 1982  
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NLRR M299 #92515

BY KML NARA DATE 6/21/12

~~SECRET~~ SECTION 01 OF 02 LONDON 06783

EXDIS

E. O. 12356: DECL: OADR

TAGS: PGOV, HK, CH, UK, PREL

SUBJECT: FUTURE OF HONG KONG: HOWE TO BEIJING

REF: (A) STATE 82067, (B) HONG KONG 4972, (C) LONDON 5255,  
(C) TOKYO 4497

1. SECRET ENTIRE TEXT.

2. SUMMARY: FOREIGN SECRETARY HOWE PLANS TO LIFT THE  
VEIL OF SECRECY FROM THE UK-PRC TALKS OVER HONG KONG'S  
FUTURE DURING HIS HONG KONG VISIT 20-23 APRIL, ACCORD-  
ING TO FCO. HE WILL GO FIRST TO BEIJING 17-20 APRIL  
TO TRY TO OBTAIN CHINESE AGREEMENT TO HIS PUBLIC  
STATEMENT. FCO BRIEFING ON THE 16-17 MARCH TALKS WAS  
SIMILAR TO THAT IN REF A. AFTER THE 26-27 MARCH ROUND,  
A FURTHER ROUND OF TALKS IS SCHEDULED FOR 6-7 APRIL.  
END SUMMARY.

3. HOWE PLANS: FCO SAYS THAT IN HIS HONG KONG STATEMENT,  
HOWE PLANS TO TRACE THE HISTORY OF THE UK-PRC TALKS  
SINCE THATCHER'S SEPTEMBER 1982 VISIT TO BEIJING. HE  
WILL DESCRIBE UK EFFORTS TO SECURE A BRITISH ADMINIS-  
TRATIVE ROLE POST-1997, BUT WILL ACKNOWLEDGE THAT THIS  
IS NOT POSSIBLE. AS AN ALTERNATIVE, HE WILL ENUMERATE  
THE UK-CHINESE UNDERSTANDINGS, RESULTING FROM THE TALKS  
THUS FAR, OF HOW CHINESE ADMINISTRATION WOULD WORK,  
STRESSING CONTINUITY. WHILE IN BEIJING, HOWE WILL TELL  
THE CHINESE OF HIS PLANNED STATEMENT. FCO WOULD LIKE  
THE PRC TO AGREE TO HIS FORMULATION, WHICH WOULD ALLOW  
HIM TO SAY THERE WAS UK-PRC AGREEMENT ON THE PLAN.  
THERE ARE INDICATIONS, HOWEVER, THAT THE CHINESE MAY  
RAISE DIFFICULTIES OVER THE PLANNED BREACH OF  
CONFIDENTIALITY. THEY ARE ALSO LIKELY TO BE DISPLEASED  
BY A PUBLIC STATEMENT OF THE CONDITIONALITY OF THE UK  
POSITION (I. E., THAT THE UK WOULD AGREE TO CHINESE  
SOVEREIGNTY AND ADMINISTRATION ONLY IF CERTAIN CONDITIONS  
WERE FULFILLED). MOREOVER, THE CHINESE MIGHT BE  
RELUCTANT, AT THIS STAGE, TO BE TIED DOWN TO A FORMAL  
PUBLIC STATEMENT.

- IN ADDITION, DESPITE BROAD AGREEMENT IN THE TALKS,

~~SECRET~~

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# NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 02 OF 02 LONDON 6783

DTG: 221948Z MAR 84 PSN: 061944

A FEW POINTS REMAIN UNRESOLVED:

- --DEFENSE: THE STATIONING OF PLA TROOPS IN HONG KONG;
- --THE FUTURE STATUS OF HIGH-LEVEL EXPATRIATE CIVIL SERVANTS (THE UK WANTS TO AVERT AN EXODUS OF HIGHLY QUALIFIED EXPATRIATES BY MAKING IT CLEAR THAT THEIR CAREER PROSPECTS WILL REMAIN UNDER CHINESE SOVEREIGNTY);
- --NATIONALITY (SEE BELOW);
- --OTHER POINTS THE CHINESE MAY YET RAISE.
- DESPITE ANY DIFFICULTIES THE HOWE ANNOUNCEMENT MAY CAUSE, FCO FEELS IT IS IMPORTANT TO SHOW THE HONG KONGERS THAT THEY HAVE A MINISTER FIGHTING FOR THEIR INTERESTS--AND TO PUT TO REST MISGIVINGS THAT FCO IS WILLING TO GIVE HONG KONG AWAY.

4. ONWARD SCENARIO: FCO ANTICIPATES THAT THE HOWE ANNOUNCEMENT WILL GIVE RISE TO WIDESPREAD PUBLIC DISCUSSION IN HONG KONG. MEANWHILE, NEGOTIATIONS WITH THE PRC ON AGENDA ITEMS TWO (ARRANGEMENTS UP UNTIL 1997) AND THREE (TRANSITIONAL ARRANGEMENTS) WILL CONTINUE. THE FULL AGREEMENT WILL BE PUBLICIZED AND INITIALED IN SEPTEMBER, AND DEBATED IN HONG KONG. A MEANS WILL BE FOUND FOR HONG KONGERS TO EXPRESS THEIR VIEWS BEFORE OCTOBER/NOVEMBER DEBATE BY THE BRITISH PARLIAMENT, TO BE FOLLOWED BY FORMAL SIGNING.

5. THE 16-17 MARCH TALKS: THE UK PRESENTED ITS FINAL PAPERS ON NATIONALITY AND AVIATION. THE PRC COMMENTED ON PREVIOUS PAPERS ON CONSTITUTIONAL ARRANGEMENTS AND SHIPPING. NATIONALITY: THE UK PROPOSED A SPECIAL "HONG KONG (CHINA)" CITIZENSHIP CATEGORY, WHICH WOULD BE A SUB-GROUP OF PRC NATIONALITY. IN ADDITION TO HOLDING THIS NATIONALITY, THOSE HONG KONGERS WHO ARE NOW BRITISH DEPENDENT TERRITORIES CITIZENS WOULD RETAIN THEIR SPECIAL RIGHTS, THOUGH POSSIBLY UNDER ANOTHER NAME, AND COULD BE BT

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NATIONAL SECURITY COUNCIL  
SECRETARIAT

PAGE 01 OF 02 LONDON 6783  
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TO SECSTATE WASHDC 5106

INFO AMCONSUL HONG KONG 3027  
AMEMBASSY BEIJING 0935  
AMEMBASSY TOKYO 2056  
AMEMBASSY CANBERRA 4076  
AMEMBASSY WELLINGTON 1983  
AIT TAIPEI

~~SECRET~~ SECTION 02 OF 02 LONDON 06783

EXDIS

E.O. 12356: DECL: OADR  
TAGS: PGOV, HK, CH, UK, PREL  
SUBJECT: FUTURE OF HONG KONG: HOWE TO BEIJING  
ISSUED PASSPORTS BY THE FUTURE UK CONSULATE IN HONG  
KONG. THEY WOULD THUS BE DUAL CITIZENS. FCO ESTIMATES  
THAT BY 1997 THE THREE MILLION IN THIS GROUP WILL HAVE  
GROWN TO FIVE MILLION.  
CONSTITUTIONAL ARRANGEMENTS AND GOVERNMENT STRUCTURE: IN  
ITS PAPER, THE UK HAD SOUGHT THE FOLLOWING PRC GUARANTEES:  
- --NO CENTRAL GOVERNMENT INTERFERENCE IN THE HONG  
- KONG SAR (SPECIAL AUTONOMOUS REGION) WHILE IT IS GOV-  
- ERNED BY THE BASIC LAW;  
- --LEGISLATIVE AUTONOMY EXCEPT IN EXTERNAL RELATIONS  
- AND DEFENSE; NEW LAWS REPORTED TO THE NPC  
- STANDING COMMITTEE;  
- --KEY GOVERNMENT OFFICIALS TO BE EITHER ELECTED OR  
- SELECTED LOCALLY, THEN NOMINATED BY THE SAR TO THE  
- CENTRAL GOVERNMENT WHICH WOULD APPOINT THEM;  
- --THE BASIC LAW--TO INCLUDE ALL KEY ELEMENTS OF THE  
- PRE-1997 SYSTEM--TO REMAIN IN FORCE FOR AT LEAST  
- 50 YEARS;  
- --SEPARATE EXECUTIVE, LEGISLATIVE AND JUDICIAL  
- BRANCHES OF GOVERNMENT;  
- --GOVERNMENT TO BE STAFFED BY LOCAL INHABITANTS;  
- --EXECUTIVE AND LEGISLATIVE OFFICIALS TO BE CHOSEN  
- BY AN ELECTIVE PROCESS;  
- --REGIONAL COUNCILS AND DISTRICT BOARDS TO CONTINUE  
- IN OPERATION;  
- --THE CENTRAL SECRETARIAT TO CONTINUE IN OPERATION.  
- CHINA DECLINED TO DISCUSS THESE ITEMS, SAYING THE  
BASIC LAW WAS NOT YET DRAFTED. THE PRC SAID IT EN-  
VISIONED A SYSTEM THAT WOULD INCORPORATE THESE ELEMENTS,  
BUT THAT IT COULD NOT ISSUE A BLANKET GUARANTEE. THE  
UK PROPOSED DISCUSSION OF THESE ITEMS UNDER AGENDA ITEM  
TWO. FCO'S GOAL IN AGENDA ITEM TWO WILL BE TO EXERT  
MAXIMUM INFLUENCE OVER THE DRAFTING OF THE BASIC LAW.  
FCO IS DETERMINED, HOWEVER, NOT TO ALLOW THE CHINESE  
TO VETO ANY PRE-1997 ARRANGEMENTS.  
SHIPPING: CHINA AGREED TO A CONTINUING SYSTEM OF  
CONTAINER PORTS ON GOVERNMENT-OWNED LAND RENTED TO

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NATIONAL SECURITY COUNCIL  
SECRETARIAT

PAGE 02 OF 02 LONDON 6783

DTG: 221948Z MAR 84 PSN: 061947

PRIVATE OPERATORS. THE NEW ENTITY OF "HONG KONG, CHINA" WOULD HAVE ITS OWN REGISTRY AND ITS OWN CARRIERS, AND COULD RECEIVE SHIPS FROM ANY PORT. IT WOULD PARTICIPATE IN EXISTING CONVENTIONS IN ITS OWN RIGHT: DEFENSE: THE UK REITERATED ITS "ADVICE" THAT CHINA SHOULD NOT STATION PLA TROOPS IN HONG KONG. THE BRITISH PROPOSED THAT THE HONG KONG SAR SHOULD SET UP ITS OWN INTERNAL SECURITY FORCE, WHICH WOULD GRADUALLY REPLACE UK TROOPS, THUS ELIMINATING ANY NEED FOR PLA FORCES. OFFICIALLY, CHINA DENIED THAT THE UK COULD HAVE ANY SAY ON THIS QUESTION, BUT DID SAY IT WOULD BE "PRUDENT AND CIRCUMSPECT." LATER, OVER DINNER, PRC NEGOTIATORS GAVE A FAVORABLE RESPONSE TO THE UK PLAN.

6. LEGCO DEBATE: ON BALANCE, FCO FOUND THE DEBATE USEFUL. THOUGH THE CHINESE GRUMBLED AT THE TALKS ABOUT "THREE-LEGGED STOOLS" AND "PUBLIC OPINION CARDS," FCO FOUND NCNA CHIEF XU'S PUBLIC COMMENTS HELPFUL.

7. ROLE OF JAPANESE: THE UK HAS NOT PRESENTED CONCRETE TALKING POINTS TO ANYONE BUT THE US SO FAR. IN RESPONSE TO AN OFFER LAST WEEK BY THE JAPANESE TO ASSIST, FCO DISCOURAGED JAPAN FROM SEEKING A SPECIAL OPPORTUNITY TO DISCUSS HONG KONG WITH THE PRC, BUT ASKED THAT JAPAN EXPRESS ITS INTEREST, SHOULD THE SUBJECT ARISE. ONCE A UK-PRC AGREEMENT IS REACHED, FCO MAY ASK OTHER EEC COUNTRIES, AS WELL AS THE US, JAPAN AND CANADA, TO WEIGH IN WITH THE CHINESE. PRICE  
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R/e = HK

## Hong Kong: Growing Despite Uncertainty

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

The Hong Kong economy in 1983 was a study in contradictions. An export surge brought about an upturn in real economic growth from the depressed level of 1982. The financial markets, however, spent much of the year in disarray as investor confidence waned in the face of a Chinese takeover in 1997.

At the moment, economic prospects for 1984 are excellent. Manufacturers' order books are already filled through July, and foreign demand continues to increase. The financial markets have been stable since last October, but an underlying air of uncertainty remains. Domestic investment in plant and equipment has fallen over the past few years, a poor sign for long-term growth. Any of several possible events—including a breakdown in Sino-British talks or a Chinese misstatement of their intentions, however, could reignite the financial problems experienced last year.

### Emerging in Stride

Hong Kong emerged from 1983 in excellent economic condition. The economy achieved a healthy 5.9-percent real growth—twice the level predicted by government officials early in the year. Exports again provided the engine of growth, rising 15 percent in real terms. The surge left Hong Kong manufacturers with order books filled through July. The yearend unemployment rate of about 4 percent remained even with the December 1982 figure but down from the peak of 5.1 percent registered in the first quarter of 1983. The local stock market closed the year on a strong note, and there is evidence that the capital flight experienced earlier in the year has ceased. The Hong Kong dollar appears stable once again.

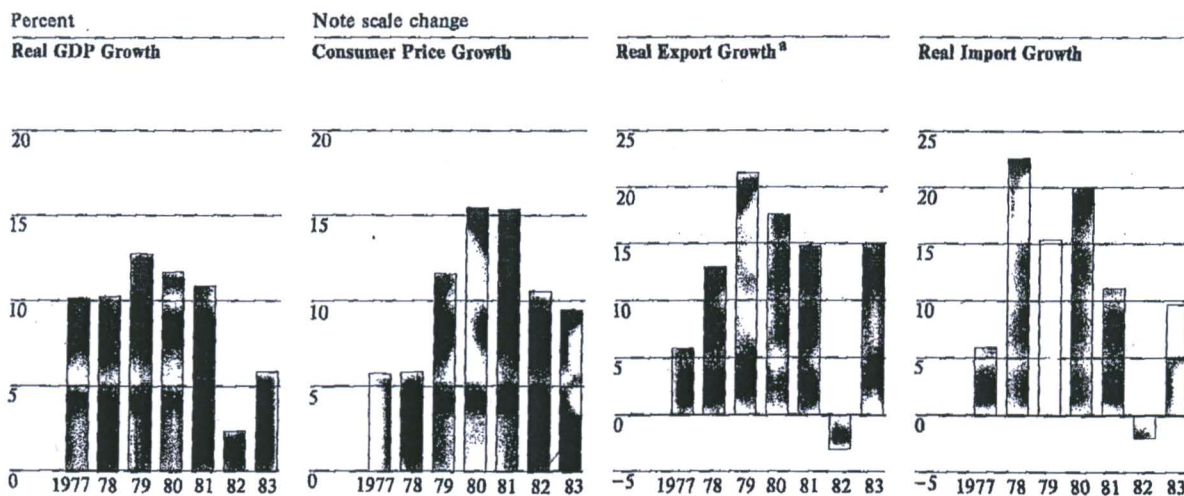
The strength shown at yearend belied the turmoil experienced during the year. Several of the Colony's largest firms—those most heavily involved in the depressed property market—filed for bankruptcy, taking a number of small creditors with them and sending large creditors looking for financing of their own. Two major conglomerates—Eda and Carrian—went under with outstanding debts totaling more than \$2 billion. Hong Kong Land, the Colony's largest property company, posted its first loss in years and was forced to arrange a \$230 million standby credit to meet its short-term obligations; its total debt outstanding is estimated at about \$2 billion.<sup>1</sup> Nor were the property companies the only ones hard hit. Several of Hong Kong's largest textile producers are still dangerously close to bankruptcy, despite the recent closing down of a host of medium and small textile plants.

Concern over "the 1997 issue"—the date of Hong Kong's reversion to Chinese control—caused periodic panic in the financial markets. A nervous movement of funds out of the Hong Kong dollar—one of the world's more stable currencies between 1978-81—weakened the currency in early 1983 and pushed it through the psychological barrier of HK \$7/US \$1 in May. Despite open market intervention by both the Hong Kong Government and the Bank of China (BOC), the Hong Kong dollar dropped to a record HK \$9.6/US \$1 during September, sending the inflation rate back into the double-digit range. The stock market also responded to investor uncertainty, fluctuating sharply throughout the year. Between July and October the market lost 40 percent of its value.

<sup>1</sup> All values are in US dollars.



## Hong Kong: Economic Indicators, 1977-83



<sup>a</sup> Including reexports.

302392 3-84

### Coping With Uncertainty

Problems in the financial markets forced the Hong Kong Government to move away from its traditional laissez faire philosophy. In October the government abandoned freely fluctuating exchange rates, after the Hong Kong dollar plunge set off panic buying in which local residents rushed to exchange currency for goods. Now the exchange rate is effectively pegged at HK \$ 7.8/US \$1, and interest rates are allowed to fluctuate in response to market pressures. When first instituted, speculators doubted the government's willingness to risk slowing the economy by permitting sharp interest rate increases. As a result, they continued to unload Hong Kong dollars in anticipation of a devaluation. When the government proved willing to accept overnight interest rates as high as 40 percent, the pressure subsided, and capital has been moving back into Hong Kong dollars.

The government was forced, for the first time, to take over a failing financial institution—Hang Lung Bank. There is no central bank in Hong

Kong, and hence no lender of last resort. Traditionally, the Colony's large commercial banks have filled this void. In the prevailing air of uncertainty, however, even the large commercial banks were unwilling to come to Hang Lung's aid, forcing the government's hand.

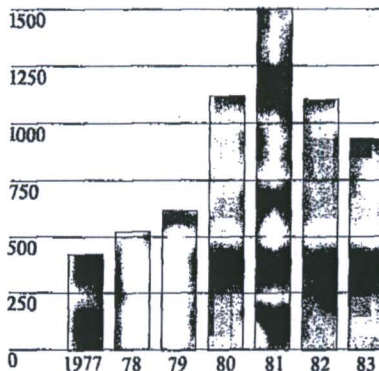
In fiscal matters the Colony has also made adjustments. For the first time ever, the government allowed the domestic budget to remain in deficit for two consecutive years; a third deficit is now expected. The fiscal year 1983 budget (April 1983–March 1984) will be about \$450 million in the red compared with \$600 million during Fiscal Year 1982. Expenditures on public housing and transportation remained high while revenues tapered off. Inflows from land sales—the largest revenue earner in the late 1970s—remained depressed, as did tax revenues. Government attempts to counter the declines included sharp increases in alcohol, tobacco, and airport taxes. The maximum average rate of tax payable on earnings from any source was hiked from 15 to 17 percent.



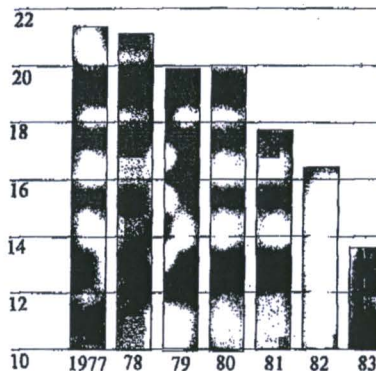
## Hong Kong: Financial Market Instability Indicators, 1977-83

Note scale change

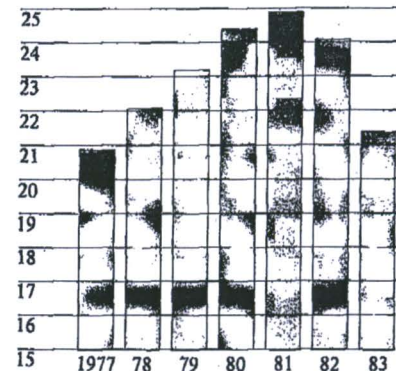
Average Share Price on Stock Market  
Index: July 1964=100



Average Exchange Rate  
US cents per HK\$



Domestic Investment as a Share of GDP  
Percent



302391 3-84

The government also has been forced to become more responsive to local sentiment. In the past, Hong Kong's local populace has generally accepted whatever economic legislation the authorities imposed. Last October, however, despite an increasing deficit, the government bowed to local pressure and removed a 10-percent tax on interest earned on Hong Kong dollar deposits. More recently, a proposed increase in licensing fees on taxicabs was rescinded after the drivers took to the streets in protest. The work stoppage precipitated the worst rioting since 1967.

### Help From the Mainland

China became increasingly involved in Hong Kong's economic affairs in 1983. Early signs of China's willingness to throw its economic weight behind the Colony came when Beijing made several unsuccessful attempts to support the weakening currency. Beijing also moved to increase its industrial presence by establishing the Everbright Corporation, a "nongovernmental company" with

status equivalent to that of a state ministry. Initially contrived to facilitate China's acquisition of Western technology, more recent indications are that the company will play a major role in supporting the Hong Kong economy. Since its establishment in August 1983, the company has been active in both the local stock and real estate markets. In the latter, Everbright's recent \$130 million purchase of a residential complex was one of the largest the failing property market has seen in a year.

Other instances in which Beijing proved willing to prop up Hong Kong's industrial sector include:

- Establishment last year of China's first industrial joint venture in Hong Kong—a woolen finishing and dyeing factory. Discussions are under way for two other possible projects—a brewery and a cement plant.



- Directives to authorities in Shanghai, the major Chinese commercial center, to become more economically involved in Hong Kong.
- Increased lines of credit by the Hong Kong branch of the BOC and its affiliates to business and housing.  
[redacted] BOC is becoming a major competitor for both Hong Kong and China business.
- The registration of China's largest trading company in Hong Kong—China Resources Company (CRC)—as a private limited liability company under Hong Kong law. The official explanation for the change was that it enabled the company to operate more freely in Hong Kong. Locally, however, the move was viewed as an attempt to demonstrate China's willingness to operate under Hong Kong's legal system. [redacted]

#### The Coming Year

On purely economic grounds, the Colony's prospects for 1984 are excellent; we expect real growth of about 8 percent. Exports to date have been spurred largely by purchases by the United States, up 25 percent in real terms last year. Continued economic recovery in Europe and Japan should lend an additional boost in 1984; Hong Kong goods remain a bargain at the current exchange rate. Success in the export market will continue to stimulate domestic retail sales and, at the same time, guarantee growth for the Colony's important commercial sector. With the exchange rate holding firm, consumer price increases should not exceed 8 percent, the lowest rate in five years. [redacted]

The financial markets have performed well so far in 1984. Stock prices remain near their two-year high. Moreover, rumors of capital flight and possible currency devaluation have been deflated by falling interest rates and continued heavy purchases of Hong Kong dollars. Recently, in fact, the government has been under pressure to revalue. Nevertheless, an air of uncertainty remains, and we expect to see periodic downward pressure on both the foreign exchange rate and local stock prices before

the year is out. A currency realignment in 1984, however, is unlikely. The government fears that any attempt to adjust the exchange rate could set off a new, perhaps uncontrollable, round of speculation. [redacted]

How the financial markets perform in 1984 depends to a large degree on the success the government has in clearing several upcoming hurdles. Each round of British-Chinese talks on the 1997 issue, for example, will provide a potential catalyst for instability. Beijing and London are aware of how closely progress on the talks is followed in Hong Kong and have taken measures to ensure that each round ends on a favorable note. So far, however, progress has been made only on the most straightforward issues. Now that more contentious issues are coming up for consideration, it may become increasingly difficult to conclude each round with positive statements. [redacted]

In September the Colony could face an additional crisis. Beijing has stated that it will unilaterally spell out a plan for Hong Kong's future at that time if the Sino-UK negotiations have failed to reach any conclusion. By establishing the September 1984 deadline, Beijing hoped to push London into an early settlement. It is becoming increasingly apparent, however, that any detailed bilateral agreement will take much longer. As the September deadline approaches, we believe that the Colony is likely to grow more uneasy and that any misstatement by local, UK, or Chinese officials could have negative spillover effects on local markets. To remove the specter, Beijing will probably attempt to get British cooperation in making a joint statement concerning progress made so far. Failing that, the Chinese may claim that sufficient progress has been made to warrant forgoing any unilateral declaration. If the talks proceed without major problems up to the September deadline, there is a good chance that an innocuous statement by the Chinese will be interpreted favorably in the Colony's financial markets. [redacted]

Over the longer run, we believe that continuing, and potentially destabilizing, problems will have a negative impact on the economy. Real investment in fixed assets fell 6 percent last year after a decline of 1 percent in 1982. Real imports of capital goods were down 10 percent in 1983. Without a surge in investment spending, the Colony may lose much of the dynamic character that brought record growth during the past two decades. Indeed, Financial Secretary Bremridge recently warned that, without an investment increase this year, Hong Kong's growth rate may fall several percentage points below its potential as early as 1985.



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EXDIS  
DEPT PASS TO TREASURY  
E. O. 12356: DECL: OADR  
TAGS: PREL, CH, UK, HK  
SUBJECT: FUTURE OF HONG KONG  
REF: A) STATE 63393, B) HONG KONG 04150

1. (SECRET - ENTIRE TEXT.)

2. HONG KONG WAS NOT RAISED IN MARCH 19-21 FOURTH JOINT ECONOMIC COMMITTEE SESSION. HOWEVER, ON THE MARGINS DAS BROWN BRIEFLY DISCUSSED THE MATTER WITH MFA DEPUTY DIRECTOR ZHANG WENPU WHO WAS A MEMBER OF THE SENIOR CHINESE DELEGATION. NOTING THAT THE LATEST ROUND OF SINO-BRITISH TALKS WAS UNDERWAY BROWN SAID THAT WE HAD MAJOR FINANCIAL INTERESTS IN HONG KONG AND WERE INTERESTED IN A SETTLEMENT WHICH WOULD PRESERVE HONG KONG'S STABILITY AND PROSPERITY. WE WERE THEREFORE HEARTENED TO HEAR THAT THE CHINESE AND BRITISH SEEMED TO BE WORKING TOWARD ARRANGEMENTS THAT WOULD MAINTAIN HONG KONG'S BASIC FINANCIAL, ECONOMIC, LEGAL AND SOCIAL SYSTEM. IF SUCH ARRANGEMENTS COULD BE ACHIEVED, SAID BROWN, THEY WOULD CONTRIBUTE SIGNIFICANTLY TO THE CONFIDENCE OF U. S. INVESTORS AND TRADERS ABOUT HONG KONG'S FUTURE. ZHANG TOOK THE POINT WITHOUT ANY NEGATIVE COMMENT.

3. NOTE: A FEW DAYS EARLIER AT A MEETING IN WELLINGTON, NEW ZEALAND, BROWN HAD LEARNED FROM AUSTRALIAN DFA FIRST ASSISTANT SECRETARY ROB LAURIE THAT THE AUSTRALIANS HAD MADE A SIMILAR PITCH TO THE CHINESE DURING PRIME MINISTER HAWKE'S RECENT VISIT TO THE PRC. LAURIE SAID THAT CHINESE HAD EVINCED NO DIFFICULTY WITH THE AUSTRALIAN PRESENTATION. HUMMEL  
BT

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BY KML NARA DATE 6/21/12

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*H.K. Future*

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INFO AMEMBASSY BEIJING IMMEDIATE 9496  
AMEMBASSY LONDON IMMEDIATE 5075

~~CONFIDENTIAL~~ HONG KONG 05431

E. O. 12356: DECL: OADR  
TAGS: PREL, CH, UK, HK  
SUBJECT: PRC CADRE PREDICTS CONCLUSION OF 2ND ROUND OF  
TALKS ON HONG KONG  
REF: LONDON 6783

1. ~~CONFIDENTIAL~~ - ENTIRE TEXT.

2. AN NCNA CADRE, WHO HAS BEEN CLOSELY INVOLVED IN THE UK-PRC NEGOTIATIONS ON HONG KONG, TOLD A CONGENOFF ON MARCH 26 THAT THE ONGOING 11TH NEGOTIATING SESSION WOULD BE THE LAST IN THE SECOND ROUND IF ALL WENT AS PLANNED. THE PRC CADRE WENT ON TO SAY THAT THE UPCOMING VISIT OF UK FOREIGN SECRETARY SIR GEOFFREY HOWE COULD BE CONSIDERED THE FORMAL ENDING OF PHASE TWO AND THE BEGINNING OF PHASE THREE. PHASE THREE OF THE TALKS WILL DEAL WITH PRE-1997 TRANSITIONAL MATTERS, THE CADRE STATED. HE CAUTIONED, HOWEVER, THAT HE DID NOT KNOW WHAT WAS TAKING PLACE IN THE ONGOING SESSION IN BEIJING. WHETHER AN ANNOUNCEMENT OF THE CONCLUSION OF ROUND TWO IS MADE ON MARCH 27 WILL, OF COURSE, DEPEND ON THE AVOIDANCE OF ANY LAST MINUTE PROBLEMS, THE CADRE STATED.  
WILLIAMS  
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BY KML NARA DATE 10/21/12

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INFO AMEMBASSY BEIJING 9567  
AMEMBASSY LONDON 5084

~~CONFIDENTIAL~~ HONG KONG 05667

EXDIS  
E.O. 12356: DECL: OADR  
TAGS: PREL, HK, CH, UK  
SUBJECT: ROUND ELEVEN: PRELUDE TO A MONTH OF HECTIC  
ACTIVITY IN SINO-BRITISH TALKS  
REF: A) HK 4783, B) LONDON 6783

1. CONFIDENTIAL - ENTIRE TEXT.

2. DESCRIBED BY CHIEF NEGOTIATOR/BRITISH AMBASSADOR TO  
BEIJING SIR RICHARD EVANS AS A "GOOD, BUSINESS-LIKE  
SESSION", ROUND ELEVEN OF THE SINO-BRITISH "USEFUL AND  
CONSTRUCTIVE" TALKS (MARCH 26-27) CONCLUDED WITH AGREE-  
MENT TO RECONVENE APRIL 11-12. DESPITE SOME PREDIC-  
TIONS OF MAJOR DEVELOPMENTS AT THIS ROUND, THE LOCAL  
PRESS TREATED THE EVENT ROUTINELY. LOCAL FOCUS WAS  
MORE ON DISTRICT BOARD DISCUSSIONS OF THE LOBO MOTION  
(REF A) AND THE POSSIBLE SIGNIFICANCE OF BRITISH FOREIGN  
SECRETARY SIR GEOFFREY HOWE'S VISITS TO BEIJING AND  
HONG KONG NEXT MONTH.

3. TAKING A LEAF OUT OF THE BRITISH BOOK ON PRESS RELA-  
TIONS, THE CHINESE NEGOTIATING TEAM MET INFORMALLY WITH  
THE 40-MAN HONG KONG PRESS CONTINGENT COVERING THE  
TALKS PRIOR TO THE TRADITIONAL JOINT NEGOTIATING TEAM  
BANQUET. (NOTE: DURING ROUND TEN, SIR RICHARD AND LADY  
EVANS HAD INVITED THE PRESS CORPS TO THEIR RESIDENCE  
FOR TEA. END NOTE.) CHIEF NEGOTIATOR/ASSISTANT FOREIGN  
MINISTER ZHOU NAN EXUDED OPTIMISM, TELLING THE NEWSMEN  
"YOUR HOMELAND IS BECOMING MORE AND MORE PROSPEROUS  
DAY BY DAY. THE FUTURE OF HONG KONG WILL BE VERY BRIGHT  
AND CLEAR. YOU CAN PUT YOUR HEARTS AT EASE."

4. APRIL WILL BE FULL OF EVENTS LINKED TO THE SINO-  
BRITISH TALKS. IN ADDITION TO THE APRIL 11-12 SESSION,  
GOVERNOR YOUDE AND THE EXECUTIVE COUNCIL UNOFFICIALS WILL  
MAKE THEIR FOURTH LONDON VISIT (APRIL 3-6) AND UK FOREIGN  
SECRETARY HOWE IS UNOFFICIALLY SCHEDULED TO BE IN BEIJING  
AND HERE APRIL 17-23. NONETHELESS, ROUND TWELVE SEEMS  
LIKELY TO PROVE UNEVENTFUL.

5. FAR MORE LIKELY TO PROVOKE CONTROVERSY IS THE RE-

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PAGE 02 OF 02 AMCONSUL HONG KONG 5667 DTG: 280911Z MAR 84 PSN: 075031

PORTED BRITISH INITIATIVE DURING HOWE'S CHINA VISIT ON  
ENDING CONFIDENTIALITY (REF B). IN THE LONE COMMENTARY  
TO APPEAR THUS FAR ON ROUND ELEVEN, HONG KONG'S ENGLISH-  
LANGUAGE BELLWETHER, THE SOUTH CHINA MORNING POST (SCMP),  
CASTIGATED BOTH THE CHINESE AND THE BRITISH FOR MAIN-  
TAINING THE CONFIDENTIALITY VEIL. CALLING THIS APPROACH  
"A GREEN LIGHT FOR GUESSWORK", THE SCMP EDITORIALIZED  
MARCH 28 FOR RELEASE OF SOME, EVEN LIMITED, INFORMATION  
ON THE CONTENT OF THE TALKS. THE SCMP CLAIMED THE CUR-  
RENT GAG RULE ONLY ENCOURAGES GUESSWORK AND SPECULATION  
TO THE "DETRIMENT OF ALL CONCERNED". THE POST ALSO CAME  
OUT STRONGLY IN SUPPORT OF THE DEMAND BY SOME LEGISLATIVE  
COUNCILLORS THAT SIR GEOFFREY VISIT HONG KONG BEFORE  
GOING TO BEIJING. HOWEVER, THE HONG KONG RUMOR MILL  
STILL HAS NOT PICKED UP ON THE IDEA HOWE MAY BE IN BEI-  
JING TO DISCUSS THE REMOVAL OF THE CONFIDENTIALITY  
FETTERS. INTERESTINGLY, A MINOR PRO-PRC DAILY, TIN TIN  
YAT PO, IN ITS MARCH 26 EDITORIAL SPECULATED ABOLITION  
OF THE CONFIDENTIALITY AGREEMENT MIGHT BE HOWE'S OBJEC-  
TIVE, ONLY TO CONCLUDE THE REAL REASON FOR HIS VISIT IS  
TO DISCUSS MAINTAINING BRITISH INTERESTS IN POST-1997  
HONG KONG.  
LEVIN  
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CHINA-FOREIGN RELATIONS-HONG KONG (3/22/84-4/12/84)

*FOIA*

M09-299/1

COLLINGS

*Box Number*

13

22

<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>
92520	CABLE	1	3/29/1984	B1
	292327Z MAR 84			B3

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

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92521	CABLE	2	4/3/1984	B1
	032055Z APR 84			B3

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92522

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PAGE 01 OF 02 LONDON 7662  
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DTG: 031620Z APR 84 PSN: 011723  
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~~SECRET~~ LONDON 07662

EXDIS  
E.O. 12356: DECL: 30 YEARS  
TAGS: PGOV, PREL, CH, UK, HK  
SUBJECT: ELEVENTH ROUND OF TALKS ON HONG KONG  
REF: A) HONG KONG 5667, B) LONDON 6783

DECLASSIFIED

NLRR M299 # 92522

BY KML NARA DATE 6/21/12

1. (SECRET ENTIRE TEXT.)
2. SUMMARY: FCO OFFICIAL SAID TALKS ON AVIATION ISSUE WERE CONSTRUCTIVE BUT POINTED TO DIFFICULTIES ON NATIONALITY ISSUE. HE SAID HOWE MAY MEET DENG IN BEIJING AND ISSUE STATEMENT ON STATUS OF THE NEGOTIATIONS IN HONG KONG. END SUMMARY.
3. AVIATION.  
FCO OFFICIAL TOLD US APRIL 3 THAT CHINESE POSITION ON AVIATION HAD BEEN HELPFUL. HE SAID THE PRC BASICALLY SHARES UK IDEAS, ALTHOUGH THERE MAY BE SOME PROBLEMS ON FLYING RIGHTS. HE SAID HKG WILL HAVE AUTHORITY REGARDING OPERATING LICENSES AND OPERATION OF AIRPORTS AND WILL BE ABLE TO SIGN BILATERAL AND INTERNATIONAL AIR AGREEMENTS.
4. NATIONALITY.  
PRC AGREED THAT THE HKG COULD ISSUE TRAVEL DOCUMENTS FOR ENTERING/EXITING HONG KONG AND SIGN VISA ABOLITION AGREEMENTS WITH OTHER COUNTRIES. MOREOVER, RESIDENTS WOULD BE FREE TO TRAVEL TO AND FROM HONG KONG. HOWEVER, SOURCE SAID THERE WERE DIFFICULTIES IN THE PRC REACTION TO THE UK NATIONALITY PAPER. PRC REJECTED SEPARATE CITIZENSHIP FOR HK RESIDENTS AND CONTINUATION OF BRITISH DEPENDENT TERRITORIES CITIZENSHIP (BDTC) AFTER 1997. PRC AGREED THAT RESIDENTS COULD MAINTAIN THIS STATUS AND USE BRITISH PASSPORTS OUTSIDE HK. PRC INDICATED IT WOULD HAVE DIFFICULTY ACCEPTING TRANSMISSIBILITY OF HK BDTC. SOURCE CONCLUDED THAT THE UK WILL HAVE TO RETURN TO NATIONALITY ISSUE IN A FUTURE ROUND.
5. CONSTITUTIONAL MATTERS.  
THE PRC OFFICIALS REASSERTED THEIR ROUND TEN POSITION.
6. HOWE VISIT.  
SOURCE SAID PURPOSE OF THE TRIP TO BEIJING LATER

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NATIONAL SECURITY COUNCIL  
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PAGE 02 OF 02 LONDON 7562

DTG: 031620Z APR 84 PSN: 011723

THIS MONTH WILL BE TO CONVINCE THE PRC THAT BRITAIN  
IS NEGOTIATING IN GOOD FAITH CLEAR UP MORE OF THE  
OUTSTANDING ISSUES, AND REACH THE POINT WHERE THEY  
CAN BEGIN NEGOTIATING THE ACTUAL AGREEMENT. HE  
NOTED THAT HOWE MAY MEET DENG DURING THE VISIT.  
HE ALSO REITERATED THAT HOWE PLANS TO MAKE A STATE-  
MENT ON THE TALKS IN HONG KONG. PRICE  
BT

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92523	CABLE	1	4/4/1984	B1
	040059Z APR 84			B3

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92524 CABLE

1

4/5/1984

B1

051320Z APR 84

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

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92525	CABLE	1	4/5/1984	B1
	051319Z APR 84			B3

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

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92526	CABLE	1	4/6/1984	B1
	061935Z APR 84			B3

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

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~~SECRET~~ HONG KONG 06414

EXDIS  
E. O. 12356: DECL: OADR  
TAGS: PREL, CH, UK, HK  
SUBJ: FUTURE OF HONG KONG: U. S. INTERESTS

DECLASSIFIED

NLRR M299 # 92527

BY KNL NARA DATE 6/21/12

1. SECRET - ENTIRE TEXT

2. I RECOMMEND THAT EITHER THE PRESIDENT OR THE SECRETARY RAISE THE HONG KONG ISSUE IN THEIR FORTH-COMING DISCUSSIONS WITH THE CHINESE LEADERSHIP. THE OBJECTIVE WOULD BE TO UNDERLINE THE IMPORTANCE WE ATTACH TO A SUCCESSFUL RESOLUTION OF THE ISSUE WHILE AVOIDING INTERJECTING OURSELVES INTO IT. THIS COULD BE REALIZED BY COUCHING THE PRESENTATION IN TERMS OF OUR PUBLIC POSTURE. I SEE NO DANGER, FOR EXAMPLE, IN THE PRESIDENT OR SECRETARY SAYING THAT WE HAVE MAJOR INTERESTS IN HONG KONG AND THEREFORE SHARE UK AND CHINESE INTEREST IN A SETTLEMENT WHICH PRESERVES THE TERRITORY'S PROSPERITY AND STABILITY. WE COULD THEN SAY THAT WE ARE ENCOURAGED THAT THE TWO PARTIES SEEM TO BE WORKING TOWARD AN ARRANGEMENT THAT WOULD PRESERVE HONG KONG'S BASIC ECONOMIC, LEGAL, FINANCIAL AND SOCIAL SYSTEMS, ADDING THAT ACHIEVEMENT OF THAT OBJECTIVE WOULD SIGNIFICANTLY REASSURE AMERICAN INVESTORS AND TRADERS ABOUT HONG KONG'S FUTURE.

3. I NOTE THAT ABE RAISED THE HONG KONG ISSUE DURING THE RECENT NAKASONE VISIT TO THE PRC. OUR INTERESTS HERE ARE CONSIDERABLY GREATER THAN JAPAN'S AND WE ARE RIGHTFULLY PERCEIVED AS PLAYING A FAR MORE IMPORTANT LEADERSHIP ROLE IN THE REGION THAN THE JAPANESE. FOR US TO REMAIN SILENT IN THE WAKE OF ABE'S PRESENTATION COULD BE READILY MISCONSTRUED BY THE CHINESE AS INDIFFERENCE. MOREOVER, THERE IS A POSSIBILITY THAT A CAREFULLY TUNED REFERENCE TO HONG KONG BY OUR HIGHEST LEADERS COULD ABET CHINESE ADVOCATES OF GREATER FLEXIBILITY TOWARD THE PROBLEM.

LEVIN  
BT

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~~SECRET~~

92528

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NATIONAL SECURITY COUNCIL  
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PAGE 01 OF 02 AMCONSUL HONG KONG 6415 DTG: 091119Z APR 84 PSN: 027692  
EOB254 AN007277 TOR: 101/0942Z CSN: HCE620

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BY KML NARA DATE 6/21/12

~~SECRET~~ SECTION 01 OF 03 HONG KONG 06415

EXDIS  
NOFORN

E.O. 12356: DECL: OADR  
TAGS: PREL, CH, UK, HK  
SUBJ: FUTURE OF HONG KONG: DISCUSSIONS WITH HKG POLAD  
REF.: LONDON 7662 (NOTAL)

1. SECRET/EXDIS/NOFORN - ENTIRE TEXT  
- SUMMARY:  
- FOLLOWING A RUNDOWN OF THE LATEST ROUND OF  
THE UK-PRC NEGOTIATIONS WHICH REGISTERED PROGRESS ON  
CIVIL AVIATION, BUT REVEALED DIFFERENCES ON NATIONALITY  
AND CONSTITUTIONAL ISSUES, HK POLAD PROVIDED SOME  
GENERAL OBSERVATIONR ON THE TALKS. THOUGH DISCUSSION  
OF THE FIRST AGENDA ITEM -- POST-1997 ARRANGEMENTS --  
HAS BEEN COMPLETED, THIS DOES NOT AT ALL MEAN THAT  
AGREEMENT HAS BEEN REACHED. WHAT HAS HAPPENED IS THAT  
THE BRITISH HAVE COMPLETED THEIR SUBMISSION OF  
WORKING PAPERS ON MAJOR POST-1997 ARRANGEMENTS AND THE  
CHINESE HAVE COMMENTED IN VARYING DEGREES OF  
SPECIFICITY ON MOST, BUT NOT ALL OF  
THE ITEMS. THE BRITISH GAME PLAN IS TO PUSH ON WITH  
THE NEXT TWO AGENDA ITEMS -- THE TRANSITION TO 1997  
AND THE TRANSFERAL OF SOVEREIGNTY -- AND WHEN  
DISCUSSION OF THESE IS COMPLETED TO REVIEW WITH THE  
CHINESE THE ENTIRE LOT WITH THE OBJECTIVE OF HAMMERING  
OUT A DRAFT AGREEMENT. THE BRITS WILL DO THEIR BEST  
TO MEET THE PRC SEPTEMBER DEADLINE, BUT SINCE MUCH  
REMAINS TO BE DONE, IT MAY NOT BE POSSIBLE TO DO SO.  
ONE OF THE PROBLEMS STILL TO BE RESOLVED IS THE BRITISH  
PUSH FOR AN AGREEMENT IN DETAIL AND THE CHINESE FOR  
ONE LIMITED TO BROAD PRINCIPLES. IN HIS VISIT TO THE  
PRC, HOWE WILL SEEK TO CONVINCE THE CHINESE OF THE  
ESSENTIALITY OF A DETAILED AGREEMENT TO HONG KONG AND  
PARLIAMENTARY APPROVAL OF THE SETTLEMENT.  
-  
END SUMMARY.

2. HK POLAD ROBIN MCLAREN'S APRIL 6 RUNDOWN ON THE  
ELEVENTH ROUND OF THE UK-PRC NEGOTIATIONS TRACKED WITH  
THAT ALREADY REPORTED BY EMBASSY LONDON (REFTL), BUT  
ADDED SOME DETAILS AND OBSERVATIONS.

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NATIONAL SECURITY COUNCIL  
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PAGE 02 OF 02 AMCONSUL HONG KONG 6415 DTG: 091119Z APR 84 PSN: 027692

3. CIVIL AVIATION

THE CHINESE AGREED THAT THE TERRITORY'S EXISTING REPRESENTATION IN INTERNATIONAL AVIATION CIRCLES AND AUTONOMY IN AVIATION MATTERS WOULD BE PRESERVED FOLLOWING 1997. THE HKG WOULD CONTINUE TO HAVE THE RIGHT TO CONCLUDE AIR TRAFFIC AGREEMENTS WITH THIRD COUNTRIES, BUT SUBJECT TO PRC APPROVAL. THE BRITS WERE UNCLEAR AS TO THE MEANING OF THE LATTER. DID THE PRC INTEND TO PASS ON EACH AGREEMENT REACHED BY THE HKG OR WAS IT ONLY ASSERTING A PRINCIPLE AND IN PRACTICE WOULD LEAVE THE HKG PRETTY MUCH ALONE ON AIR AGREEMENTS. CLARIFICATION WOULD BE SOUGHT. THE BRITS WERE RELIEVED THAT THE CHINESE MADE NO MENTION OF A CAAC ROLE IN HONG KONG'S AVIATION PICTURE AND THAT THEY AGREED THAT CATHAY PACIFIC WOULD CONTINUE TO HAVE A SPECIAL STATUS AS HK'S AIRLINE.

4. NATIONALITY

THE CHINESE WERE MAKING NO DISTINCTION BETWEEN NATIONALITY AND CITIZENSHIP. THEIR POSITION WAS THAT EVERY CHINESE NATIONAL OF HONG KONG WOULD BE A PRC CITIZEN. THEY WERE WILLING, HOWEVER, TO ISSUE DISTINCTIVE TRAVEL DOCUMENTS TO CHINESE RESIDENTS OF HONG KONG WHICH WOULD ALLOW FREE TRAVEL INTO AND OUT OF THE TERRITORY. THE BRITS SEEK TO ALLOW TH APPROXIMATELY THREE MILLION BRITISH DEPENDENT TERRITORY (BDTC) TO RETAIN THEIR CITIZENSHIP AND TO PERMIT THIS STATUS TO BE TRANSMITTED TO THE NEXT GENERATION. THE CHINESE APPEAR WILLING TO GO ALONG PART WAY. THEY WILL ACCEPT BDTC STATUS PROVIDED THE NAME IS SUITABLY CHANGED TO SOMETHING OTHER THAN BRITISH DEPENDENT TERRITORY, BUT THEY ARE RESISTING THE TRANSMISSION ASPECT. THE BRITS HOPE TO PERSUADE THE

CHINESE TO SHOW SOME TRADITIONAL PATIENCE SINCE TIME WOULD SOLVE THE PROBLEM. AS MCLAREN EXPLAINED, UNDER BRITISH LAW BDTC COULD BE PASSED ON ONLY FOR ONE GENERATION. AFTER HONG KONG REVERTED TO THE CHINESE, THOSE FROM HERE WOULD HAVE NO RIGHT TO PASS THE BDTC  
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AMEMBASSY CANBERRA PRIORITY 2233

~~SECRET~~ SECTION 02 OF 03 HONG KONG 06415

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E.O. 12356: DECL: OADR  
TAGS: PREL, CH, UK, HK  
SUBJ: FUTURE OF HONG KONG: DISCUSSIONS WITH HKG POLAD  
OR EQUIVALENT STATUS ON TO THEIR CHILDREN. MCLAREN  
WAS NOT CLEAR WHETHER CHINESE RECOGNITION OF SOMETHING  
EQUIVALENT TO BDTC STATUS WOULD BE CONFINED TO AN  
INTERNATIONAL TRAVEL CONTEXT OR HAVE GREATER  
SIGNIFICANCE.

5. CONSTITUTION ISSUES

IN COMMENTING ON AN EARLIER BRITISH PRESENTATION, THE  
CHINESE AGREED THAT THERE WOULD BE SEPARATE  
EXECUTIVE, LEGISLATIVE AND JUDICIAL BRANCHES, BUT SAID  
THEY COULD NOT GO INTO THE DETAILS SINCE SPECIFIC  
ARRANGMENTS WOULD HAVE TO WAIT UPON COMPLETION OF  
THEIR BASIC LAW FOR HONG KONG.

6. NEXT SESSION: NEW STAGE

MCLAREN EXPLAINED THAT WITH THE COMPLETION OF STAGE ONE  
OF THE TALKS (POST-1997), THE NEXT SESSION WOULD GET  
INTO STAGE TWO (THE TRANSITION TO 1997). THIS TIME  
THE CHINESE WOULD TAKE THE INITIATIVE IN PRESENTING A  
WORKING PAPER. THE BRITS WERE SPECULATING THAT THE  
CHINESE WOULD PROPOSE SOME SORT OF CONSULTATIVE ARRANGE-  
MENT WHICH WOULD PERMIT THEM A SAY IN HOW THINGS ARE  
TO RUN IN THE INTERIM TO 1997.

7. GENERAL OBSERVATIONS:

MCLAREN CAUTIONED THAT IT WOULD BE WRONG TO ASSUME  
THAT COMPLETION OF THE FIRST STAGE MEANT AGREEMENT ON  
POST-1997 ARRANGEMENTS. ALL IT MEANT WAS THAT THE  
BRITISH HAD COMPLETED THEIR PRESENTATION OF WORKING  
PAPERS ON THE MAJOR POST-1997 ISSUES AND THAT THE CHINESE  
HAD COMMENTED IN VARIOUS DEGREES OF SPECIFICITY ON MOST,  
BUT NOT ALL OF THEM. THE BRITISH GAME PLAN IS TO MOVE  
ON TO THE NEXT TWO AGENDA ISSUES (THE TRANSITION TO  
1997 AND THE TRANSFER OF SOVEREIGNTY), AND WHEN  
DISCUSSION OF THESE IS COMPLETED, TO REVIEW THE LOT WITH

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THE OBJECTIVE OF HAMMERING OUT A DRAFT AGREEMENT. THERE REMAINS A BASIC DIFFERENCE IN APPROACH, WITH THE BRITISH SEEKING AN AGREEMENT IN DETAIL AND THE CHINESE ONE LIMITED TO BROAD PRINCIPLES. THE BRITS HOPE TO CONVINCE THE CHINESE THAT DETAILS ARE ESSENTIAL TO HONG KONG'S CONFIDENCE. THEY ALSO WILL HOPE TO OVERCOME CHINESE RELUCTANCE TO ALLOW A BRITISH SAY ON POST- 1997 AFFAIRS. THE CHINESE ARE ON RECORD AS DISMISSING SUCH A UK ROLE ON GROUNDS THAT ONCE SOVEREIGNTY IS RESTORED TO THEM, THEY WOULD BE EXCLUSIVELY RESPONSIBLE FOR WHAT HAPPENED HERE. ENCOURAGINGLY, THE CHINESE HAVE NOT REITERATED THIS POSITION IN RECENT MEETINGS, ALTHOUGH THEIR COMMENTS ON CONSTITUTIONAL ARRANGEMENTS REFLECT IT TO A DEGREE. THE BRITS ARE ALSO ENCOURAGED BY THE FACT THAT DESPITE THIS STAND, THE CHINESE HAVE INDEED BEEN LISTENING TO AND COMMENTING ON BRITISH PRESENTATIONS ON POST-1997 ARRANGEMENTS. IN THIS CONTEXT, MCLAREN DREW ATTENTION TO THE STILL UNCLEAR RELATIONSHIP BETWEEN CHINA'S CONTEMPLATED BASIC LAW FOR HONG KONG AND THE SETTLEMENT BETWEEN THE UK AND PRC.

8. THOUGH MUCH REMAINS TO BE DONE, THE BRITS WILL TRY THEIR BEST TO WRAP UP AN AGREEMENT IN TIME FOR THE CHINESE SEPTEMBER DEADLINE. MCLAREN DIDN'T SEE THE CHINESE GETTING ANY ADVANTAGE OUT OF A UNILATERAL REITERATION OF THEIR STAND ON HONG KONG. THE PRESSURE OF THE DEADLINE MIGHT MAKE THEM MORE ACCOMMODATING.

9. HOWE'S VISIT TO THE PRC

MCLAREN NOTED THAT THE BRITS HADN'T FIRMED UP THEIR STRATEGY FOR HOWE'S VISIT. THE NEGOTIATIONS WOULD BE REVIEWED AND HOWE WOULD PRESS THE CASE FOR A DETAILED SETTLEMENT, NOTING ITS ESSENTIALITY TO HONG KONG'S CONFIDENCE AND TO PARLIAMENTARY APPROVAL. HE WOULD

BE SEEING FOREIGN MINISTER WU AND APPOINTMENTS HAVE BEEN REQUESTED WITH DENG XIAOPING, ZHAO ZIYANG AND JI PENGFEI. HOWE WOULD NOT HAVE A PRESS CONFERENCE IN BEIJING, RESERVING IT FOR HONG KONG. THE BRITS WISHED TO AVOID A REPETITION OF THE CIRCUMSTANCES PRODUCING THATCHER'S CONTROVERSIAL PRESS CONFERENCE IN THE PRC. THEY ALSO WANTED TO PLACATE ELEMENTS HERE  
BT

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~~SECRET~~ SECTION 03 OF 03 HONG KONG 06415

EXDIS  
NOFORN  
E. O. 12356: DECL: OADR  
TAGS: PREL, CH, UK, HK  
SUBJ: FUTURE OF HONG KONG: DISCUSSIONS WITH HKG POLAD  
WHO HAD UNSUCCESSFULLY PLUMPED FOR HOWE TO VISIT HERE  
FOR A SOUNDING OF LOCAL OPINION PRIOR TO VISITING THE  
PRC. CONTRARY TO PRESS SPECULATION, HOWE WOULD NOT  
BREACH THE CONFIDENTIALITY OF THE NEGOTIATIONS, BUT  
HE MIGHT OUTLINE IN GREATER DETAILS BRITISH EXPECTAT-  
TIONS IN REGARD TO A SETTLEMENT.

LEVIN  
BT

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EXDIS  
FOR ASSISTANT SECRETARY WOLFOWITZ FROM AMB. HUMMEL  
E. O. 12356: DECL: OADR  
TAGS: PREL, CH, UK, HK  
SUBJECT: STATEMENT ON HONG KONG  
REF: HONG KONG 6414

1. CONFIDENTIAL - ENTIRE TEXT.

2. I THINK BURT LEVIN'S SUGGESTION THAT THE SECRETARY  
UNDERLINE TO THE CHINESE THE IMPORTANCE WE ATTACH TO  
THE SUCCESSFUL OUTCOME OF THE HONG KONG TALKS IS A VERY  
SOUND ONE, AND I SUPPORT IT. I HOPE APPROPRIATE  
PROVISIONS CAN BE MADE FOR INCLUSION OF TALKING POINTS  
IN THE SECRETARY'S BRIEFING MATERIALS. HUMMEL  
BT

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NLRR M299 #92529

BY KML NARA DATE 6/24/12

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NATIONAL SECURITY COUNCIL  
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92530 37

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WHOSE COMMONWEALTH LEGAL TRAINING, OVERSEAS CONNECTIONS AND SIX-FIGURE SALARIES VIRTUALLY GUARANTEE THEY CAN RELOCATE ABROAD.

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CINCPAC HONOLULU HI//POLAD//

ZEN/AMCONSUL GUANGZHOU POUCH

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LIMITED OFFICIAL USE SECTION 01 OF 03 HONG KONG 06653

E.O. 12356: N/A

TAGS: HK, PGOV, CH

SUBJECT: HK'S FUTURE: LOCALIZING THE LEGAL SYSTEM

REF: A) 83 HK 21771; B) 83 HK 17798; C) HK 4195 (NOTAL)

1. SUMMARY:

MAINTAINING AN INDEPENDENT JUDICIAL SYSTEM IS WIDELY SEEN AS AN ESSENTIAL ELEMENT TO GUARANTEE HONG KONG CAN CONTINUE TO FUNCTION UNDER PRC SOVEREIGNTY AS IT HAS UP TO NOW. BUT TODAY THE SYSTEM REMAINS LARGELY IN THE HANDS OF EXPATRIATES SO THAT EFFORTS MUST BE MADE TO BRING THE SYSTEM MORE INTO THE MAINSTREAM OF "LOCALIZATION". THE HONG KONG GOVERNMENT (HKG) AND RESIDENT LEGAL EXPERTS ARE EMPHASIZING GUARANTEE OF AN INDEPENDENT JUDICIARY, THE TRANSLATION OF HONG KONG'S LAWS INTO CHINESE AND CONTINUED PROFESSIONAL STAFFING, AS KEY ELEMENTS TO BE ACCOMPLISHED IN THE TRANSITION PERIOD BEFORE 1997.

END SUMMARY.

2. THE CONTINUING IMPARTIALITY OF HONG KONG'S LEGAL SYSTEM IS A MATTER OF CONCERN TO BOTH LOCAL CITIZENS AND EXPATRIATE BUSINESSMEN FACED WITH THE PROSPECT OF PRC SOVEREIGNTY IN 1997. CHINA APPARENTLY IS AWARE OF THESE CONCERNS AND HAS INCLUDED TWO LEGAL-RELATED PROPOSALS IN ITS TWELVE-POINT PLAN FOR HONG KONG'S FUTURE (REF A). THE TWO POINTS PROMISE HONG KONG WILL BE ALLOWED TO RETAIN ITS CURRENT LEGAL SYSTEM (EXCEPT FOR THOSE LAWS WHICH IMPINGE ON CHINESE SOVEREIGNTY) AND THE CITY WILL HAVE ITS OWN FINAL COURT OF APPEAL. VICE DIRECTOR OF HONG KONG'S XINHUA NEWS AGENCY CHEN DAMING REINFORCED THESE TWO POINTS WITH A STATEMENT ASSURING BRITISH LAWYERS THEY WILL BE ALLOWED TO PRACTICE HERE AFTER 1997 SINCE A LARGE-SCALE PULLOUT OF EXPATRIATE MAGISTRATES AND LAWYERS AFTER THE RETURN OF SOVEREIGNTY WOULD CRIPPLE IF NOT KILL HONG KONG'S LEGAL SYSTEM. FURTHERMORE THE RANKS OF SUCH AN EXODUS COULD EASILY BE SWELLED BY LOCAL ATTORNEYS,

3. LOCAL CONCERN OVER THE FUTURE OF THE LEGAL SYSTEM HAS CENTERED ON THREE AREAS -- GUARANTEED INDEPENDENCE OF THE JUDICIARY, THE TRANSLATION OF LAWS INTO CHINESE AND STAFFING CONCERNS. IN A SENSE THE PRC HAS PROMISED TO PERMIT THE EXISTING LEGAL SYSTEM TO REMAIN THOUGH HOW IT WILL DO SO REMAINS SUBJECT TO THE OUTCOME OF THE SINO-BRITISH TALKS AND THE DRAFTING OF THE MINI-CONSTITUTION. IN ADDITION, THERE ARE TWO MAIN THRUSTS FOR JUDICIAL INDEPENDENCE TO BE ACCOMPLISHED IN THE INTERVENING PERIOD:

-- CREATION OF A FINAL COURT OF APPEAL IN HONG KONG (IT IS CURRENTLY LONDON'S PRIVY COUNCIL); AND  
-- MODIFICATION OF THE EMPLOYMENT STATUS OF MAGISTRATES (CURRENTLY CONSIDERED CIVIL SERVANTS) AND JUDGES WHO ARE APPOINTED FOR LIFE BY THE CROWN.

BRITAIN HAS LONG TALKED ABOUT A NEW LOCAL COURT AND LAST JULY PROPOSED TO CREATE A FIVE-JUDGE COURT OF APPEAL TO SUPPLEMENT THE EXISTING SUPREME COURT / DISTRICT COURT / MAGISTRATES' COURT SYSTEM. BUT IN MARCH THE HKG QUIETLY WITHDREW ITS PROPOSAL IN THE FACE OF SUBSTANTIAL OPPOSITION TO THE PROPOSAL FROM THE HK BAR ASSOCIATION. THE HONG KONG ASSOCIATION, WHICH REPRESENTS THE TWO HUNDRED-ODD BARRISTERS ACCREDITED TO PRACTICE IN THE TERRITORY, ARGUED THE NEW COURT WOULD INCREASE THE VOLUME OF LOCAL LITIGATION WITHOUT MAKING THIS COURT THE FINAL COURT OF APPEAL. SO LONG AS FINAL AUTHORITY REMAINED WITH THE PRIVY COUNCIL, NOTHING WOULD REALLY BE GAINED, THEY ARGUED. THE HKG APPARENTLY AGREED. IT WITHDREW THE PROPOSAL AND TO DATE HAS NOT

INDICATED ANY OTHER PROPOSALS TO MEET THESE OBJECTIVES. MOST LEGAL OBSERVERS, HOWEVER, BELIEVE LONDON WILL EVENTUALLY DEPRIVE THE PRIVY COUNCIL OF ITS RIGHT OF REVIEW AND VEST THAT POWER IN A NEW LOCAL BODY.

4. ALONG WITH DISCUSSION OF A NEW HIGH COURT, LOCAL BT

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NLRR M299 #92530

BY KML NARA DATE 6/21/12

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LIMITED OFFICIAL USE SECTION 02 OF 03 HONG KONG 06653

E.O. 12356: N/A

TAGS: HK, PGOV, CH

SUBJECT: HK'S FUTURE: LOCALIZING THE LEGAL SYSTEM  
LEGAL EXPERTS HAVE BEEN LOBBYING FOR A CHANGE IN THE STATUS OF HONG KONG'S MAGISTRATES. MAGISTRATES ARE CURRENTLY APPOINTED BY THE GOVERNOR (UPON RECOMMENDATION OF THE LEGAL COMMISSION) FOR THREE-YEAR TERMS. THEY ARE CONSIDERED CIVIL SERVANTS AND AS SUCH ARE SUBJECT TO THE CONDITIONS OF EMPLOYMENT APPLIED TO ALL OTHER GOVERNMENT WORKERS. AS A CONSEQUENCE, THEIR CONTRACTS CAN BE TERMINATED WITHOUT EXPLANATION ON THREE-MONTHS NOTICE. MEMBERS OF THE LOCAL LEGAL COMMUNITY ARE SEEKING TO SEPARATE THE MAGISTRATES FROM THE REST OF THE CIVIL SERVICE AND TO MODIFY THEIR CONTRACT SYSTEM TO GUARANTEE CONTINUITY AND GUARD AGAINST ARBITRARY REMOVAL. TO DATE THE HKG HAS NOT PUBLICLY COMMENTED ON THESE PROPOSALS, BUT FACED WITH THE INCREASING DIFFICULTY OF HIRING LOCAL JUDGES WILL PROBABLY HAVE TO MAKE SOME ADJUSTMENT IN THE REGULATIONS.

5. STAFFING THE LOCAL LEGAL SYSTEM PRESENTS A PARTICULARLY DIFFICULT PROBLEM. AT PRESENT HONG KONG'S LEGAL CIRCLES ARE DOMINATED BY EXPATRIATES DUE BOTH TO THE SMALL NUMBER OF NEW LAWYERS TRAINED HERE EACH YEAR AND TO THE SUBSTANTIALLY GREATER SALARIES AVAILABLE IN PRIVATE PRACTICE. AMONG HONG KONG'S MAGISTRATES, FOR INSTANCE, ONLY THREE OF 57 ARE LOCAL CHINESE. AND, ONLY TWO OF THE EXPATRIATES CAN SPEAK CANTONESE. IN THE ATTORNEY GENERAL'S OFFICE, 36 LAWYERS ARE LOCALLY-BORN WHILE 120 ARE FROM ABROAD. A NOVEMBER RECRUITMENT DRIVE BY THE ATTORNEY GENERAL'S OFFICE TURNED UP NO LOCALS WILLING AND ABLE TO ACCEPT POSITIONS. INSTEAD 21 EXPATRIATES, MAINLY FROM AUSTRALIA, WERE RECRUITED.

6. THE HKG HAS ALREADY BEGUN A NUMBER OF CHANGES TO INDUCE LOCAL RECRUITMENT. PRIOR TO 1979 MAGISTRATES WERE REQUIRED TO HAVE 10 YEARS EXPERIENCE AS BARRISTERS OR SOLICITORS AND BE AT LEAST 40 YEARS OLD. THIS

ARRANGEMENT WAS CHANGED TO 35 YEARS OF AGE IN 1979, AND THE HKG IS NOW PROPOSING THE EXPERIENCE TIME-PERIOD BE REDUCED TO FIVE OR SEVEN YEARS EXPERIENCE IF THE CANDIDATE CAN SPEAK CANTONESE. A MOVE IS ALSO UNDERWAY TO EQUALIZE LOCAL AND EXPATRIATE MAGISTRATES' BENEFITS IN ORDER TO ATTRACT MORE HONG KONG RESIDENTS TO THE SERVICE. AT PRESENT EXPATS UNDER 40 RECEIVE 42 DAYS ANNUAL LEAVE OR 59 DAYS IF THEY ARE OVER AGE 40. THEY ALSO GET 45 DAYS PAID OVERSEAS LEAVE AFTER EVERY 30 MONTHS ON THE JOB. LOCALS, IN CONTRAST, ARE ELIGIBLE FOR ONLY 18 DAYS OF ANNUAL LEAVE FOR THEIR FIRST TEN YEARS OF EMPLOYMENT, REGARDLESS OF AGE, AND 27 DAYS AFTERWARDS.

7. MOVES ARE ALSO UNDERWAY TO INCREASE THE NUMBER OF TRAINED LOCAL LAWYERS. AT PRESENT HONG KONG UNIVERSITY GRADUATES SOME 90 LAWYERS EACH YEAR; THE HKG HOPES TO INCREASE THIS TO 150 IN THE NEAR FUTURE. IN ADDITION THE GOVERNMENT CURRENTLY HAS SOME 103 CIVIL SERVANTS ON SCHOLARSHIPS IN LAW SCHOOL. THIS GROUP, RECRUITED FROM THE RANKS OF GOVERNMENT SERVICE, IS COMMITTED TO WORK THREE YEARS FOR THE HKG UPON GRADUATION OR FACE THE PROSPECT OF REIMBURSING THE PROGRAM FOR THE COSTS INCURRED. (THE SUCCESS OF THE LATTER STEP IS QUESTIONABLE SINCE PRIVATE FIRMS HAVE IN THE PAST SIPHONED OFF MORE THAN HALF OF THE GRADUATES FROM THIS PROGRAM WITH 36 OF 67 PAST CANDIDATES CHOOSING TO BUY THEIR WAY OUT OF THE DEAL BECAUSE OF THE LUCRATIVE PRIVATE OPTION.)

8. THE TRANSLATION OF HONG KONG'S 504 LEGAL STATUTES (COMPRISING 26 VOLUMES) INTO CHINESE IS ANOTHER ASPECT OF THE PUSH FOR LOCALIZATION. ALTHOUGH A BRANCH OF

THE HKG TASKED TO TRANSLATE LAW HAS BEEN IN EXISTENCE FOR NEARLY 12 YEARS, TRANSLATION OF ONLY 45 STATUTES HAS BEEN COMPLETED SO FAR (REF B). LOCAL ATTORNEYS BACKED BY THE ATTORNEY GENERAL HAVE ARGUED THIS EFFORT MUST BE GREATLY ACCELERATED IN ORDER FOR HONG KONG TO HAVE A COMPREHENSIBLE AND COMPLETE SET OF LEGAL STATUTES WHEN THE PRC REGAINS THE TERRITORY. ACCORDING TO LOCAL PRESS REPORTS, THE PRC HAS ALSO DECIDED TO BECOME INVOLVED AND HAS ESTABLISHED A TRANSLATION PROGRAM UNDER THE ACADEMY OF SOCIAL SCIENCES. A WORKING GROUP, REPORTEDLY INCLUDING UNNAMED LEGAL EXPERTS FROM HONG KONG, WILL ATTEMPT TO TRANSLATE ALL OF THE TERRITORY

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E. O. 12356: N/A

TAGS: HK, PGOV, CH

SUBJECT: HK'S FUTURE: LOCALIZING THE LEGAL SYSTEM  
TORY'S STATUTORY REGULATIONS. WHILE THIS EFFORT WILL  
PRESUMABLY BENEFIT HONG KONG'S LEGAL SYSTEM, IT IS  
PURPORTEDLY AIMED AT FURTHERING UNDERSTANDING OF LOCAL  
PRACTICE AND PROCEDURE AMONG PRC OFFICIALS AND AT PRO-  
VIDING A REFERENCE POINT FOR THE DRAFTING OF THE PRO-  
POSED MINI-CONSTITUTION (REF C).

9. COMMENT:  
PROGRESS ON LOCALIZATION OF THE LEGAL SYSTEM HAS BEEN  
SLOW LARGELY BECAUSE THE LEGAL AREA IS SUCH A SIGNIFI-  
CANT AND SENSITIVE AREA OF PROSPECTIVE CHANGE. THE  
DIFFICULTIES OF INTER-FACING EXISTING LOCAL ARRANGE-  
MENTS WITH THE FUNDAMENTALLY DIFFERENT LEGAL CONCEPTS  
IN BEIJING ARE PARTICULARLY COMPLEX. THE MATTER ALSO  
IMPACTS ON THE SINO-BRITISH TALKS. MOREOVER, PRESERV-  
ING THE LOCAL LEGAL SYSTEM INVOLVES MAINTAINING THE  
NUANCES AND THE UNWRITTEN CHARACTER OF MUCH OF HONG  
KONG'S COMMON LAW PRACTICE TO ENSURE THE SYSTEM FUNC-  
TIONS SMOOTHLY AS WELL AS WITH SOME CONTINUITY. THUS,  
THOUGH LOCALIZATION MUST BE THE MAJOR THRUST OF CHANGE,  
THERE ARE A NUMBER OF FACTORS WHICH WILL SLOW THE  
PROCESS.

END COMMENT.

LEVIN

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~~SECRET~~ SECTION 01 OF 02 HONG KONG 06652

LIMDIS

E.O. 12356: DECL: OADR

TAGS: PREL, PGOV, CH, HK, UK

SUBJECT: PRC EXPECTATIONS ON VISIT OF UK FOREIGN MINISTER

1. SECRET - ENTIRE TEXT.

2. SUMMARY:

CONGENOFF WAS TOLD BY NCNA CHIEF REPORTER SZETO KEUNG (STRICTLY PROTECT) THE PRC EXPECTS IMPORTANT RESULTS FROM THE UPCOMING VISIT OF BRITISH FOREIGN MINISTER SIR GEOFFREY HOWE. RESPONDING TO QUESTIONS ABOUT THE IMPLICATIONS OF THE TRIP, SZETO SAID THE CHINESE LEADERSHIP EXPECTS HOWE TO BRING WITH HIM BRITAIN'S PLANS FOR THE FORMULATION OF A FINAL AGREEMENT ON THE SINO-BRITISH TALKS. SPECIFICALLY, HE SAID, HOWE SHOULD BE ABLE TO TELL THE CHINESE WHAT THE UK PARLIAMENT EXPECTS, WHAT THE FORM AND CONTENT OF THE PROPOSED AGREEMENT SHOULD TAKE AND WHAT PLANS THE UK HAS FOR CONCLUDING THE AGREEMENT. HE ALSO SAID HOWE IS LIKELY TO DISCUSS BRITISH VIEWS OF THE TALKS AND THEIR PROGRESS WHEN HE MEETS THE PRESS IN HONG KONG, NOTING THE UK HAS BEEN HAVING PROBLEMS REASSURING COMMUNITY LEADERS THE BRITISH ARE FULLY REPRESENTING LOCAL CONCERNS.

END SUMMARY.

3. NCNA CHIEF REPORTER SZETO KEUNG, A BACK-UP MAN FOR BEIJING'S SIDE IN THE SINO-BRITISH TALKS, TOLD CONGENOFF (APRIL 11) THERE WOULD BE A MAJOR UPGRADING OF THE TALKS DURING THE APRIL 15-18 VISIT OF UK FOREIGN MINISTER SIR GEOFFREY HOWE TO BEIJING. SZETO STATED THERE HAD BEEN SOME EARLIER DISCUSSION WITH THE BRITISH OVER THE FORM OF THE AGREEMENT -- WHETHER IT SHOULD BE AN "INTERNATIONAL" ONE WHICH PRESUMABLY HAD MORE THAN JUST INTERNAL SIGNIFICANCE FOR HK. HE SAID HOWE SHOULD ALSO BE PREPARED TO RESOLVE THE PROBLEM OF HOW DETAILED THE AGREEMENT SHOULD BE, WITH THE CHINESE UP TO NOW STILL PREFERRING A MORE GENERAL STATEMENT OF PRINCIPLES RATHER THAN TO DEFINE THE POST-1997 SITUATION IN GREAT DETAIL AS THE BRITISH DESIRED. IN THIS SENSE, HE SAID, IT WAS IMPORTANT TO KNOW EXACTLY WHAT PARLIAMENT EXPECTED AND HOW PARLIAMENTARY APPROVAL WOULD BE OBTAINED.

4. SZETO DECLARED THE TALKS HAVE CURRENTLY REACHED A STAGE WHERE THERE IS NOT VERY MUCH MORE TO BE COVERED FROM THE CHINESE SIDE. THE NEXT PHASE -- DISCUSSION OF THE PRE-1997 MODALITIES -- SHOULD NOT TAKE LONG THUS LEAVING ONLY THE MANNER OF DETERMINING THE PARTIES' ACCEPTANCE OF THE AGREEMENT. (HE SPOKE ONLY OF PARLIAMENT AND NPC ACTIONS IN THIS CONTEXT, THOUGH SEPARATELY HE ACKNOWLEDGED LOCAL CONCERNS ABOUT HOW THE TALKS WERE PROCEEDING AND ABOUT WHAT UNDERSTANDINGS HAD BEEN REACHED BETWEEN THE UK AND THE PRC.) SZETO DID NOT INDICATE ANY REASON TO EXPECT DELAYS OR DIFFICULTY IN MEETING CHINA'S LONG-STANDING DEADLINE FOR A JOINT AGREEMENT BY SEPTEMBER TO PRECLUDE A UNILATERAL CHINESE ANNOUNCEMENT OF BEIJING'S INTENTIONS.

5. SZETO SAID HE EXPECTED HOWE WOULD ALSO INDICATE TO THE CHINESE WHAT HE PLANNED TO DO HERE DURING HIS POST-CHINA-TRIP VISIT AND HIS HK PRESS CONFERENCE. THE REPORTER MENTIONED THE DIFFICULTY THE UK WAS HAVING IN REASSURING THE MEMBERS OF THE EXECUTIVE AND LEGISLATIVE COUNCILS (EXCO AND LEGCO) ABOUT WHAT WAS TAKING PLACE AND ACKNOWLEDGED THE MORE GENERAL UNCERTAINTY HERE OVER WHAT HAD BEEN AGREED UPON IN THE TALKS. SZETO INDICATED HE THEREFORE EXPECTED HOWE TO DISCUSS IN GENERAL TERMS WHAT UNDERSTANDINGS HAD BEEN REACHED. IN THIS SENSE, HE SAID, THE RECENT EXCO TRIP TO LONDON (APRIL 3-6) WAS DESIGNED TO GIVE THE MEMBERS A PREVIEW OF HOWE'S PRESENTATION. CONGENOFF SKETCHED A PRESENTATION IN WHICH HOWE IDENTIFIED TO FIVE REPORTEDLY KNOWN PERSONS OF THE KASHMIR LIBERATION ARMY INVOLVED IN THE MURDER OF

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NLRR M299 #92531

BY KML NARA DATE 6/21/12

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~~SECRET~~ SECTION 02 OF 02 HONG KONG 06652

LIMDIS  
E.O. 12356: DECL: OADR  
TAGS: PREL, PGOV, CH, HK, UK  
SUBJECT: PRC EXPECTATIONS ON VISIT OF UK FOREIGN MINISTER  
KNOWN WELL IN ADVANCE WHAT HOWE WILL TALK ABOUT. SZETO'S  
SPECIFIC IDENTIFICATION OF THE TOPICS WHICH HOWE WILL  
DISCUSS IMPLIES HIS PRESENTATION MAY EVEN BE BASED ON  
SOME TASKING DEVELOPED DURING THE COURSE OF RECENT  
ROUNDS OF THE TALKS. FROM HIS COMMENTS, IT ALSO APPEARS  
THE CHINESE MAY ALREADY KNOW THE GENERAL OUTLINE OF  
HOWE'S INTENT WITH REGARD TO HIS HONG KONG STOP. SPEC-  
ULATION HERE HAS BEEN RIFE HOWE WOULD SEEK TO BREAK THE  
VEIL OF CONFIDENTIALITY AND TRY TO REASSURE LOCAL  
LEADERS AND THE POPULATION AT LARGE HOW THE BRITISH  
HAVE BEEN WORKING TO PROTECT HK INTERESTS IN PRESERVING  
THE EXISTING "SYSTEMS". HONG KONG NCNA DIRECTOR XU  
JIATUN RECENTLY TOLD THE PRESS IT WOULD BE UP TO  
BRITAIN TO UNFOLD THE CONTENTS OF THE TALKS TO LOCAL  
AUDIENCES FOLLOWING SIR GEOFFREY'S TRIP. SZETO'S COM-  
MENTS WERE ALL UPBEAT AND SUGGEST THE CHINESE DO NOT  
EXPECT ANY PROBLEMS IN MEETING THEIR SEPTEMBER DEADLINE.  
ALL OF OUR CONVERSATIONS WITH HKG PERSONNEL AND READ-  
OUTS FROM FCO IN LONDON, HOWEVER, ARE LESS SANGUINE  
ABOUT THIS QUESTION OF TIMING.  
END COMMENT.  
LEVIN  
BT

~~SECRET~~