

Ronald Reagan Presidential Library
Digital Library Collections

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

Collection: Laux, David N.: Files
Folder Title: China – Foreign Relations – Hong
Kong (04/13/1984-06/14/1984)
Box: RAC Box 13

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

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

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

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

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name LAUX, DAVID: FILES

Withdrawer

CAS 6/11/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (4/13/84-6/14/84)

FOIA

M09-299/1

Box Number 13

COLLINGS

23

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions	
92533	CABLE	132321Z APR 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	4/13/1984	B1	B3
92534	CABLE	162344Z APR 84 <i>D</i> 12/20/2017 <i>M299/1</i>	2	4/16/1984	B1	B3
92535	CABLE	HONG KONG 07023 <i>R</i> 6/21/2012 <i>M299/1</i>	1	4/17/1984	B1	
92536	CABLE	181126Z APR 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	4/18/1984	B1	B3
92537	CABLE	STATE 114237 <i>R</i> 6/21/2012 <i>M299/1</i>	4	4/19/1984	B1	
92538	CABLE	HONG KONG 07342 <i>R</i> 6/21/2012 <i>M299/1</i>	2	4/23/1984	B1	
92539	CABLE	080359Z MAY 84 <i>D</i> 12/20/2017 <i>M299/1</i>	3	5/8/1984	B1	B3
92540	CABLE	081837Z MAY 84 <i>D</i> 12/20/2017 <i>M299/1</i>	2	5/8/1984	B1	B3
92541	CABLE	HONG KONG 10255 <i>R</i> 6/21/2012 <i>M299/1</i>	1	6/1/1984	B1	

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name LAUX, DAVID: FILES

Withdrawer

CAS 6/11/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (4/13/84-6/14/84)

FOIA

M09-299/1

Box Number 13

COLLINGS

23

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92542	CABLE	LONDON 12899 <i>R 6/21/2012 M299/1</i>	2	6/7/1984	B1
92543	CABLE	071056Z JUN 84 <i>R 6/21/2012 M299/1</i>	4	6/7/1984	B1
92544	CABLE	HONG KONG 11175 <i>R 6/21/2012 M299/1</i>	10	6/14/1984	B1

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/11/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (4/13/84-6/14/84)

FOIA

M09-299/1

COLLINGS

Box Number

13

23

<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>
92533	CABLE 132321Z APR 84	1	4/13/1984	B1 B3

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/11/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (4/13/84-6/14/84)

FOIA

M09-299/1
COLLINGS

Box Number

13

23

<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>
92534	CABLE	2	4/16/1984	B1
	162344Z APR 84			B3

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

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

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

~~SECRET~~

92535

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01
EOB956

AMCONSUL HONG KONG 7023
AN201941

DTG: 171052Z APR 84
TOR: 108/1812Z

PSN: 047854
CSN: HCE032

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LEVN-01 LAUX-01 SOMM-01
ROBN-01 MINN-01 MAT-01 COBB-01 /010 A4

WHTS ASSIGNED DISTRIBUTION:
SIT: PUBS
EOB:

PRIORITY
STU4252
DE RUMJNG #7023 1081053
P 171052Z APR 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 2926
AMEMBASSY LONDON PRIORITY 5147

INFO AMEMBASSY BEIJING PRIORITY 9876
AIT TAIPEI PRIORITY
AMEMBASSY TOKYO PRIORITY 0449
AMEMBASSY CANBERRA PRIORITY 2242

~~SECRET~~ HONG KONG 07023

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

1. SECRET/EXDIS/NOFORN - ENTIRE TEXT
2. EXCO MEMBER TODAY INFORMED US THAT AT THE JUST-CONCLUDED 12TH ROUND, THE BRITISH HAD PRESENTED TO THE CHINESE A DETAILED DRAFT AGREEMENT, CONTAINING 14 ANNEXES, FOR SETTLEMENT OF THE HONG KONG ISSUE. THE DRAFT WAS HAMMERED OUT IN A RELATIVELY SHORT TIME FOLLOWING EXCO CONSULTATIONS LAST WEEK IN LONDON WITH PRIME MINISTER THATCHER AND FOREIGN SECRETARY HOWE, AT WHICH TIME IT WAS DECIDED TO TAKE THIS APPROACH. THE CHINESE IMMEDIATE REACTION WAS THAT THE BRITISH DRAFT WAS BASICALLY UNACCEPTABLE SINCE IT CONFLICTED WITH THE CHINESE DESIRE TO CONFINE THE AGREEMENT TO BROAD PRINCIPLES. THE CHINESE FURTHER STATED THAT THEY FAVORED A "SHANGHAI COMMUNIQUE FORMULA" FOR THE PROSPECTIVE AGREEMENT RATHER THAN A DETAILED, LEGALISTIC DOCUMENT. NEVERTHELESS, THE CHINESE DID ACCEPT THE DRAFT FOR "FURTHER STUDY".
3. THOUGH UPSET AT THE CHINESE REACTION, THE EXCO MEMBER WAS SLIGHTLY CHEERED BY A MESSAGE THAT HAD ARRIVED THIS MORNING FROM GOVERNOR YOUDE IN BEIJING STATING THAT THE MEETINGS BETWEEN FOREIGN MINISTERS WU AND HOWE HAD GONE WELL. THE EXCO MEMBERS ARE EXPECTANTLY AWAITING A SCHEDULED BRIEFING BY HOWE FOLLOWING HIS ARRIVAL HERE.
4. WE WILL SEEK A FULLER READING ON THE 12TH ROUND AND ON THE HOWE VISIT FROM POLAD MCLAREN, BUT THIS WILL COME AT THE EARLIEST SOMETIME NEXT WEEK, SINCE MCLAREN IS TIED UP WITH THE HOWE VISIT.

LEVIN
BT

DECLASSIFIED

NLRR m299 #92535

BY kml NARA DATE 6/21/12

~~SECRET~~

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/11/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (4/13/84-6/14/84)

FOIA

M09-299/1

COLLINGS

Box Number

13

23

<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>
-----------	---	------------------------------	-----------------	---------------------------------

92536 CABLE

1 4/18/1984

B1

181126Z APR 84

B3

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

DECLASSIFIED

SECRET

92537

NLRR M299 #92537

NATIONAL SECURITY COUNCIL
SECRETARIAT

BY KML NARA DATE 6/21/12

PAGE 01 OF 04 SECSTATE WASHDC 4237 DTG: 190035Z APR 84 PSN: 053604
EOB963 AN003867 TOR: 110/1432Z CSN: HCE088

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LEVN-01 LAUX-01 SOMM-01
ROBN-01 MINN-01 MAT-01 COBB-01 /010 A2

WHTS ASSIGNED DISTRIBUTION:
SIT: VP PUBS SIT EOB
EOB:

OP IMMED /ROUTINE
DE RUEHC #4237 1100534
O R 190035Z APR 84
FM SECSTATE WASHDC

TO AMCONSUL HONG KONG IMMEDIATE 0000
AMEMBASSY LONDON IMMEDIATE 0000

INFO AMEMBASSY BEIJING 0000
AMEMBASSY TOKYO 0000
AMEMBASSY CANBERRA 0000
AIT TAIPEI FROM AIT WASHDC 0000

~~SECRET~~ STATE 114237

EXDIS
E. O. 12356: DECL: OADR
TAGS: PREL, CH, HK, UK
SUBJECT: UK EMBASSY READOUT ON LAST TWO ROUNDS OF
TALKS ONHONG KONG'S FUTURE

REFTELS: A) HONG KONG 6415, B) LONDON 7662

1. (S) ENTIRE TEXT.

2. SUMMARY: ON APRIL 16 UK DCM DEREK THOMAS CALLED ON EAP DAS WILLIAM BROWN TO PRESENT A READOUT ON THE ELEVENTH AND TWELFTH ROUNDS OF TALKS IN BEIJING ON HONG KONG'S FUTURE. THOMAS CHARACTERIZED BOTH ROUNDS AS CONDUCTED IN A "GENERALLY GOOD ATMOSPHERE," WITH THE EARLIER ROUND MORE TECHNICAL AND THE LATER ROUND MORE SUBSTANTIVE. ALTHOUGH THE ATMOSPHERE WAS STILL "GOOD," THE TWELFTH ROUND PROVED "MORE DIFFICULT" THAN THE ELEVENTH, AS THE CHINESE MOVED TO "AGENDA TWO," THE TRANSITION PERIOD LEADING UP TO 1997. THE CHINESE DEFINED THE BRITISH ROLE DURING THIS PERIOD AS GUARANTOR OF HONG KONG'S ECONOMIC AND SOCIAL STABILITY. TO THIS END THEY HAVE PROPOSED THAT A PERMANENT "SINO-BRITISH JOINT GROUP" BE FORMED, TO SERVE AS A LIAISON BODY TO

ENSURE IMPLEMENTATION OF THE AGREEMENT AND A SMOOTH TRANSFER OF GOVERNMENT. THOMAS EXPRESSED HIS CONCERN THAT CHINESE INSISTENCE ON "CONSULTATIVE ARRANGEMENTS" COULD BECOME A DEMAND FOR AN EFFECTIVE SAY ON ARRANGEMENTS DURING THE TRANSITION PERIOD TO 1997.

3. FOLLOWING HIS PRESENTATION, THOMAS PROMISED TO GIVE US A READOUT LATER THIS WEEK ON FOREIGN MINISTER HOWE'S CHINA TRIP AND RAISED DOUBT THAT ANY AGREEMENT WOULD BE REACHED BEFORE PARLIAMENT ADJOURNS FOR THREE MONTHS IN JULY. ON BEHALF OF HIS GOVERNMENT, THOMAS PASSED THREE TALKING POINTS FOR POSSIBLE USE DURING THE PRESIDENT'S TRIP TO CHINA LATER THIS MONTH. BROWN TOOK NOTE OF THOMAS' REQUEST THAT WE USE THE TALKING POINTS.
COMMENT: WE ARE INCLUDING MODIFIED TALKING POINTS (ALONG

SECRET

~~SECRET~~

NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 02 OF 04 SECSTATE WASHDC 4237

DTG: 190035Z APR 84 PSN: 053604

THE LINES OF THOSE BROWN USED IN BEIJING DURING THE JEC) ON THIS ISSUE IN THE SECRETARY'S BRIEFING PAPER FOR POSSIBLE USE DURING THE WU MEETING APRIL 28. END COMMENT AND SUMMARY.

4. ON APRIL 16 UK DCM DEREK THOMAS AND FIRST SECRETARY STEPHEN GOMMERSALL CALLED ON EAP SENIOR DAS WILLIAM BROWN. EAP/C HONG KONG OFFICER STEVE YOUNG WAS NOTETAKER. OPERATING ON INSTRUCTIONS FROM LONDON, THOMAS READ FROM THREE PAGES OF MATERIAL DETAILING THE ELEVENTH (MARCH 26-7) AND TWELFTH (APRIL 11-12) ROUNDS OF US-PRC TALKS ON THE FUTURE OF HONG KONG. BEFORE BEGINNING HIS FORMAL PRESENTATION, THOMAS CHARACTERIZED BOTH ROUNDS AS CONDUCTED IN A "GENERALLY GOOD ATMOSPHERE," WITH THE EARLIER ROUND MORE TECHNICAL AND THE LATER ROUND MORE SUBSTANTIVE.

-- ELEVENTH ROUND

5. THOMAS PRESENTED DETAILS ON THE ELEVENTH ROUND'S TECHNICAL DISCUSSION OF CIVIL AVIATION, NATIONALITY AND CONSTITUTIONAL ARRANGEMENTS IN THE SAR WHICH GENERALLY FOLLOWED ALONG THE LINES OF REFTELS. HE CHARACTERIZED THE CHINESE COMMENTS ON CIVAIR AS "GENERALLY HELPFUL" BUT POINTED OUT THAT IN BOTH THE ELEVENTH AND TWELFTH ROUNDS CHINESE EMPHASIS ON THE PRINCIPLE OF SOVEREIGNTY IN THIS AREA CONTRASTED TO UK INTEREST IN INCLUDING CIVAIR UNDER THE RUBRIC OF THE SAR'S ECONOMIC AUTONOMY AFTER 1997. ON NATIONALITY THE CHINESE WERE "MORE DIFFICULT" BUT THEY DID NOT RULE OUT FURTHER DISCUSSIONS ON THIS ISSUE. ON CONSTITUTIONAL ARRANGEMENTS, THE CHINESE SPOKE OF GRANTING THE SAR A "HIGH DEGREE OF AUTONOMY" WITHIN THE

"BASIC LAW," AND INDICATED A WILLINGNESS TO GRANT THE SAR ALL ELEMENTS NECESSARY TO DISCHARGE ITS FUNCTIONS -- MEANING A SEPARATE CHIEF EXECUTIVE, LEGISLATURE AND JUDICIARY. THE CHINESE DID INDICATE EXISTING INSTITUTIONS MIGHT HAVE TO BE MODIFIED AFTER 1997 TO MEET FUTURE NEEDS. ACCORDING TO THOMAS IT WAS THE CHINESE INTENTION FOLLOWING THE ELEVENTH ROUND TO DRAW THE UK INTO TRANSITION NEGOTIATIONS.

-- TWELFTH ROUND -TRANSITION PERIOD

6. ALTHOUGH THE ATMOSPHERE WAS STILL "GOOD," THIS ROUND PROVED "MORE DIFFICULT" THAN THE ELEVENTH. THE CHINESE MOVED TO "AGENDA TWO," THE TRANSITION PERIOD, BUT RETURNED TO A NUMBER OF SPECIFIC TOPICS AS WELL. DURING THIS TRANSITION PERIOD THE CHINESE ACKNOWLEDGED THAT THE BRITISH WOULD BE RESPONSIBLE FOR THE ECONOMIC AND SOCIAL STABILITY OF THE TERRITORY BUT EXPECTED THE TWO SIDES TO COOPERATE CLOSELY. THE CHINESE SPECIFICALLY ASKED THAT THE BRITISH ENSURE THAT:

- A) THE SAR REMAIN A SEPARATE TARIFF AREA AND A BENEFICIARY OF GATT;
- B) CHINA (AND SPECIFICALLY THE BANK OF CHINA) BE KEPT FULLY INFORMED OF KEY FINANCIAL ARRANGEMENTS;
- C) OTHER MEASURES SHOULD BE "PRUDENTLY HANDLED."

7. TO THIS END THE CHINESE PROPOSED THAT A PERMANENT "SINO-BRITISH JOINT GROUP" BE FORMED, TO SERVE AS A LIAISON BODY TO ENSURE IMPLEMENTATION OF THE AGREEMENT AND A SMOOTH TRANSFER OF GOVERNMENT. THE GROUP WOULD BE SUPPLEMENTED BY APPROPRIATE SUB-GROUPS AS NECESSARY.

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 03 OF 04 SECSTATE WASHDC 4237

DTG: 190035Z APR 84 PSN: 053604

8. THE CHINESE DIVIDE THE TRANSITION PERIOD INTO TWO DISTINCT PHASES. IN THE FIRST (TO 1993) THE UK WOULD CREATE THE CONDITIONS FOR AN ORDERLY TRANSFER, WHILE IN THE SECOND (1993-97) THERE WOULD TAKE PLACE A REFORM OF THE ADMINISTRATIVE MACHINERY OF HONG KONG TO CONFORM TO THE (AS YET UNDEFINED) "BASIC LAW."

9. LAND: THE CHINESE CONSIDER THE LAND QUESTION TO FALL WITHIN THE GENERAL HEADING OF AGENDA TWO - TRANSITION MATTERS. BEIJING ENCOURAGES THE HKG TO CONTINUE GRANTING LEASES RIGHT THROUGH THE TRANSITION PERIOD ON THE PREMISE THAT THE UK ACCEPTS THE PRINCIPLE OF CHINESE SOVEREIGNTY

AFTER 1997. THERE WOULD REMAIN A NEED FOR CONSULTATIONS ON 1) THE NUMBER OF ANNUAL LEASES GRANTED AND 2) THE APPORTIONMENT OF REVENUES FROM SUCH LEASES.

-- TWELFTH ROUND - SPECIFIC ISSUES

10. FOREIGN REPRESENTATION: THE CHINESE TOLD THE BRITS FOREIGN REPRESENTATION AFTER 1997 CAN CONTINUE ESSENTIALLY AS IT NOW STANDS. THE CHINESE HOPE THE BRITISH WILL PLAY AN ACTIVE ROLE IN THE DEVELOPMENT OF THE SAR FOLLOWING 1997, THOUGH THERE IS A DIVERGENCE OF VIEWS ON HOW TO DO THIS.

11. CIVAIR: THE CHINESE REITERATED THEIR EARLIER STAND THAT THE SAR WAS TO HAVE CONSIDERABLE AUTONOMY BUT THAT THIS QUESTION WAS BOUND UP IN THE SOVEREIGNTY ISSUE. IN PRINCIPLE THE SAR COULD NEGOTIATE, SIGN AND RENEW CIVAIR AGREEMENTS, BUT ONLY ON A BASIS OF CASE-BY-CASE APPRAISAL RATHER THAN UNDER ANY STANDING AUTHORITY. THE BRITISH CONSIDER THIS ANOTHER ISSUE ON WHICH FURTHER DISCUSSION WILL BE NECESSARY. AS IN THE PRECEDING ROUND, THE BRITISH WERE DISAPPOINTED THAT THE CHINESE VIEWED THIS ISSUE AS FALLING WITHIN THE SCOPE OF THE SOVEREIGNTY ISSUE RATHER THAN BEING TREATED AS AN ELEMENT OF THE ECONOMIC AUTONOMY OF THE SAR FOLLOWING 1997.

12. SHIPPING: DISCUSSIONS ON THIS TOPIC WERE "SMOOTHER" THAN THE CIVAIR EXCHANGES, WITH AN AGREEMENT IN PRINCIPLE AS TO THE SAR'S FUTURE MEANS OF ENTERING AGREEMENTS. BUT NO "HOW TO" AGREEMENT HAS BEEN HAMMERED OUT.

-- TWELFTH ROUND - GENERAL BRITISH OVERVIEW

13. THE BRITISH WELCOMED THE FEATURES ON SHIPPING AND LAND BUT SAW CONTINUING PROBLEMS WITH THE CHINESE STAND ON CIVAIR OPERATIONS, SINCE CHINA REJECTED THE PRINCIPLE THAT CIVAIR SHOULD FALL WITHIN THE SCOPE OF ECONOMIC AUTONOMY AS THE BRITS WANTED. THE CONSULTATIVE ARRANGEMENTS PROPOSED BY BEIJING COULD, IN THE BRITISH VIEW, BECOME A DEMAND FOR AN EFFECTIVE SAY ON ARRANGEMENTS IN HONG KONG UP TO 1997. THIS COULD WEAKEN THE CONFIDENCE OF THE PEOPLE OF HK IN ANY AGREEMENT REACHED BETWEEN LONDON AND BEIJING.

14. BROWN THANKED THOMAS FOR HIS INFORMATION AND ASKED WHAT HE EXPECTED TO COME FROM FOREIGN MINISTER HOWE'S CURRENT VISIT TO CHINA. THOMAS PROMISED US A READOUT "BEFORE THE PRESIDENT'S TRIP" AND POINTED OUT THAT HOWE WOULD "BE UNDER PRESSURE" TO BE FORTHCOMING (PARTICULARLY FROM THE PRESS) WHEN HE TRAVELS TO HONG KONG FROM BEIJING

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 04 OF 04 SECSTATE WASHDC 4237

DTG: 190035Z APR 84 PSN: 053604

LATER THIS WEEK.

15. IN ANSWER TO BROWN'S QUESTION ABOUT THE TIMING OF AN AGREEMENT, THOMAS REITERATED BRITISH SKEPTICISM THAT ANYTHING COULD BE READY BEFORE PARLIAMENT ADJOURNS IN JULY FOR THREE MONTHS. THOMAS OFFERED HIS IMPRESSION THAT THE CHINESE HAVE LEFT THEMSELVES ROOM TO MANEUVER ON THE QUESTION OF A SEPTEMBER ANNOUNCEMENT. GOMMERSALL ADDED THERE WAS "A LOT OF DETAIL TO BE WORKED OUT" AND THAT LONDON WAS THINKING IN TERMS OF A "WHITE PAPER."

16. FINALLY, THOMAS PASSED A NON-PAPER INCLUDING THREE TALKING POINTS FOR POSSIBLE USE IF THE HONG KONG ISSUE IS RAISED DURING THE PRESIDENT'S VISIT TO CHINA. BROWN RESPONDED TO PROBES OF US INTENTIONS DURING THE VISIT BY PROMISING TO TAKE NOTE OF THE BRITISH REQUEST.

THE THREE TALKING POINTS FOLLOW:

A) HONG KONG IS A KEY POINT IN THE WORLD AND PACIFIC REGION FINANCIAL SYSTEMS. AMERICA HAS A PARTICULARLY STRONG INTEREST IN HONG KONG REMAINING STABLE AND PROSPEROUS;

B) THE KEY TO CONTINUING STABILITY/PROSPERITY WOULD APPEAR TO LIE IN RETAINING THE MAXIMUM DEGREE OF CONTINUITY IN HONG KONG'S SYSTEMS, PARTICULARLY IN THE ECONOMIC, LEGAL, FINANCIAL AND SOCIAL FIELDS;

C) AN AGREEMENT BETWEEN BRITAIN AND CHINA WHICH INSPIRED CONFIDENCE IN HONG KONG AND INTERNATIONALLY WOULD BE IN EVERYONE'S INTEREST AND SHOULD BE THE GOAL. END TALKING POINTS.

17. COMMENT: WE AWAIT READOUTS FROM LONDON AND HONG KONG ON THE TWELFTH ROUND, WHICH ENDED LAST THURSDAY. THE SHIFT TO TRANSITION MATTERS IS NOT UNEXPECTED, AND REFLECTS BEIJING'S INTEREST IN PUSHING FOR AN EARLY AGREEMENT WITH THE UK. FROM THE BRITISH STANDPOINT DISCUSSION OF AGENDA TWO IS JUST BEGINNING AND WILL NOT PRECLUDE ON-GOING DISCUSSIONS OF SALIENT POST-1997

TOPICS. THE HOWE VISIT SHOULD REVEAL JUST HOW FLEXIBLE THE CHINESE ARE ON THE TIMING AND SCOPE OF AN AGREEMENT. THE IRONY OF CHINESE NEGOTIATORS' REPEATED REFERENCE TO THE "BASIC LAW" IS THAT IT WILL EVIDENTLY BE PROMULGATED ONLY AFTER AN AGREEMENT BETWEEN LONDON AND BEIJING IS REACHED, CREATING SOMETHING OF A "CATCH-22" ON DETAILS OF POST-1997 ADMINISTRATION IN THE SAR. THOMAS ACKNOWLEDGED AS HE WALKED OUT OF THE BUILDING THAT THE KEY INTANGIBLE, LOCAL HK REACTION, WILL ONLY BEGIN TO BE MOVE TO CENTER-STAGE AFTER AN AGREEMENT IS ANNOUNCED.

18. WE ARE INCLUDING MODIFIED TALKING POINTS (ALONG THE LINES OF THOSE BROWN USED IN BEIJING DURING THE JEC) ON THIS ISSUE IN THE SECRETARY'S BRIEFING PAPER FOR POSSIBLE USE DURING THE WU MEETING APRIL 28. END COMMENT. SHULTZ
BT

~~SECRET~~

~~CONFIDENTIAL~~

92538

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 AMCONSUL HONG KONG 7342 DTG: 230953Z APR 84 PSN: 063182
EOB544 AN006486 TOR: 114/13382 CSN: HCE356

DISTRIBUTION: CHLD-01 SIGU-01 LEVN-01 LAUX-01 ROBN-01 MINN-01
/006 A3

WHTS ASSIGNED DISTRIBUTION:

SIT:

EOB:

ROUTINE

UTS3580

DE RUMJNG #7342/01 1140956

R 230953Z APR 84

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 3033

AMEMBASSY TOKYO 0481

INFO AMEMBASSY BEIJING 9966

AMEMBASSY LONDON 5161

AIT TAIPEI

ZEN/AMCONSUL GUANGZHOU POUCH

ZEN/AMCONSUL SHANGHAI POUCH

~~CONFIDENTIAL~~ SECTION 01 OF 02 HONG KONG 07342

E.O. 12356: N/A

TAGS: EFIN, HK, JA

SUBJECT: JAPANESE INVESTMENT IN HONG KONG: NOT

-- MORIBUND YET

REF: HONG KONG 5096

1. C ENTIRE TEXT.

2. SUMMARY: IN THE WAKE OF REFTEL REPORT BY A JAPANESE CONGEN OFFICIAL INDICATING A DOWNTURN IN JAPANESE INVESTMENT IN HONG KONG, WE HAVE CANVASSED A WIDE RANGE OF SOURCES HERE IN AN EFFORT TO CONFIRM (OR DENY) HIS VIEWS. THE RESULTS INDICATE THAT THE JAPANESE INVESTMENT PICTURE HERE IS A MIXED BAG, WITH INCREASES IN SOME AREAS BUT STAGNATION IN OTHERS. IN ANY CASE, THE OFFICIAL'S STATEMENT (REFTEL) THAT JAPANESE LONG-TERM INVESTMENT IN HONG KONG HAS "ALMOST ENTIRELY CEASED" APPEARS TO BE AN EXAGGERATION. END SUMMARY.

3. THE ASSERTION BY A NEWLY ARRIVED JAPANESE CONGEN OFFICIAL THAT LONG-TERM JAPANESE INVESTMENT IN HONG KONG HAS ALMOST ENTIRELY CEASED LED US TO EXPLORE THIS QUESTION WITH A RANGE OF OUR CONTACTS HERE. ONE LOCAL BUSINESSMAN ASSOCIATED WITH A MAJOR HONG KONG TRADING FIRM GAVE INFORMATION THAT CORROBORATED THE OFFICIAL'S VIEW. THE BUSINESSMAN SAID HIS FIRM, WHICH REPRESENTS AND ADVISES A NUMBER OF JAPANESE COMPANIES, HAS BEEN UNSUCCESSFUL IN CONVINCING THE JAPANESE TO KEEP A PORTION OF THEIR INVESTMENTS IN HONG KONG. HE SAID HIS JAPANESE CONTACTS HAVE TOLD HIM THEY WERE NOT CONFIDENT ABOUT THE HONG KONG SITUATION AND CHINA'S INVOLVEMENT HERE. HE SUGGESTED THAT PORTFOLIO INVESTMENT ALREADY HERE WAS BEING REDUCED, AND ALLEGED THAT NO MONEY WAS COMING IN TO PURCHASE OFFICE OR FACTORY SPACE. IN THIS REGARD, HE CHARACTERIZED THE BANK OF TOKYO AND NOMURA INTERNATIONAL PURCHASES OF OFFICE SPACE LAST YEAR AS "THE END" OF THE JAPANESE PURCHASE EFFORT.

4. OTHER CONTACTS, HOWEVER, CITED RECENT JAPANESE DECISIONS TO INVEST IN HONG KONG. SEVERAL POINTED TO A MAJOR INVESTMENT BY YKK (THE LARGE ZIPPER-AND-FASTENER

MANUFACTURER) IN A NEW PLANT IN THE NEW TERRITORIES THAT OPENED LAST MONTH, (ALTHOUGH THE INVESTMENT DECISION AND START OF CONSTRUCTION ON THAT FACILITY WERE PROBABLY BEFORE THE CURRENT WAVE OF UNCERTAINTY BEGAN LAST FALL.) OTHER NEW INVESTMENTS INCLUDE:
-- A CONCRETE PILING MANUFACTURING PLANT TO BE BUILT BY DAIDO CONCRETE CO.
-- A DEPARTMENT STORE IN THE YAOHAN CHAIN DUE TO OPEN IN OCTOBER.
-- ANOTHER DEPARTMENT STORE CHAIN, SOGO, WILL CONSTRUCT A DEPARTMENT STORE/OFFICE BUILDING ABOVE A NEW SUBWAY TERMINAL.

5. THE OFFICIAL OF THE HONG KONG DEPARTMENT OF INDUSTRY RESPONSIBLE FOR ASSISTING JAPANESE INVESTMENT HERE TOLD US HE BELIEVED JAPANESE INTEREST IN INVESTING IN HONG KONG WAS CONTINUING, ALTHOUGH IT WAS DIFFICULT TO QUANTIFY. ASKED FOR CONCRETE EXAMPLES, HE POINTED TO SOME OF THE EXAMPLES LISTED ABOVE, AND ALSO MENTIONED PLANT EXPANSIONS BY SEVERAL WELL-ESTABLISHED JAPANESE COMPANIES. HE SAID HE COULD NOT GIVE US THE NAMES OF THE LATTER BECAUSE THE COMPANIES INVOLVED HAD ASKED THAT THEIR PROPRIETARY INFORMATION REMAIN CONFIDENTIAL.

6. IN ADDITION, WE SPOKE TO THE JAPANESE CONGEN OFFICIAL WHO IS RESPONSIBLE FOR TRADE AND INVESTMENT RELATIONS WITH HONG KONG. (THE OFFICIAL'S NAME IS MASANORI UTSUGI (PROTECT): HIS HOME MINISTRY IS MITI AND HE HAS BEEN IN HONG KONG ALMOST TWO YEARS.) UTSUGI TOLD US HIS IMPRESSION WAS THAT THERE WAS CONTINUING JAPANESE INTEREST IN INVESTING IN HONG KONG. HE REPORTED THAT THE HEAD OF HONG KONG'S OFFICE IN TOKYO (A JAPANESE NATIONAL) HAD TOLD HIM INVESTMENT INQUIRIES FROM JAPANESE FIRMS HAD BEEN RISING RECENTLY.

7. INTERESTINGLY, UTSUGI DREW A DISTINCTION BETWEEN

SMALL AND MEDIUM-SIZE JAPANESE FIRMS -- WHICH HE SAID WERE ACTIVELY INVESTING HERE -- AND LARGE COMPANIES, WHICH "ALREADY HAVE MAJOR INVESTMENTS IN HONG KONG." HE SAID MANY OF THE LATTER ARE PLANNING TO UPGRADE OR EXPAND THEIR EXISTING PLANTS, BUT NOT ESTABLISH NEW ONES.

8. COMMENT: UTSUGI'S CAREFULLY PHRASED FORMULATION ABOUT THE LARGER FIRMS STRUCK US AS INTERESTING. IT IS CERTAINLY POSSIBLE THAT THESE FIRMS -- WHICH ALREADY BT

DECLASSIFIED

NLRRM299 #92538

BY KML NARA DATE 6/21/12

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01
EOB540

AMCONSUL HONG KONG 7342
AN006485

DTG: 230953Z APR 84 PSN: 063186
TOR: 114/1339Z CSN: HCE357

DISTRIBUTION: CHLD-01 SIGU-01 LEVN-01 LAUX-01 ROBN-01 MINN-01
/006 A3

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

ROUTINE
STU7560
DE RUMJNG #7342/02 1140957
R 230953Z APR 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 3034
AMEMBASSY TOKYO 0482

INFO AMEMBASSY BEIJING 9967
AMEMBASSY LONDON 5162
AIT TAIPEI
ZEN/AMCONSUL GUANGZHOU POUCH
ZEN/AMCONSUL SHANGHAI POUCH

~~CONFIDENTIAL~~ SECTION 02 OF 02 HONG KONG 07342

E. O. 12356: N/A
TAGS: EFIN, HK, JA
SUBJECT: JAPANESE INVESTMENT IN HONG KONG: NOT
HAVE A RELATIVELY LARGE EXPOSURE HERE -- ARE RELUCTANT
TO INCREASE THAT EXPOSURE IN A MAJOR WAY UNTIL THE
POLITICAL OUTLOOK HERE IS CLARIFIED. NEVERTHELESS, IF
THEY ARE CONTINUING TO UPGRADE THEIR EXISTING FACILITIES
AS UTSUGI NOTED, THAT ALREADY CONSTITUTES ADDITIONAL
INVESTMENT IN THE FUTURE. COUPLED WITH SOME SUBSTANTIAL
INVESTMENT DECISIONS BY "MEDIUM-SIZED FIRMS" SUCH AS
THE DEPARTMENT STORE CHAINS AND THE CEMENT FIRM, THESE
WOULD INDICATE THAT JAPANESE INVESTMENT HERE IN A NUMBER
OF SECTORS IS CONTINUING. THE PACE OF THAT INVESTMENT
MAY BE SLOWER NOW THAN IN THE GO-GO DAYS OF RAPID GROWTH
IN HONG KONG, AND THAT SLOWER PACE MAY INDEED HAVE
CONFRONTED THE GOJ WITH SOME HARD CHOICES ABOUT ITS
POSITION ON HONG KONG'S FUTURE (REFTEL), BUT WE BELIEVE
IT IS PROBABLY TOO SOON TO HOIST STORM SIGNALS ABOUT
JAPANESE INVESTMENT HERE OR LACK THEREOF.

9. FOR TOKYO: WE WOULD WELCOME ANY INFORMATION YOU CAN
DEVELOP ON THIS SUBJECT.
LEVIN
BT

DECLASSIFIED

NLRR M299 #92538A

BY KML NARA DATE 6/21/12

~~CONFIDENTIAL~~

12
~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01
EOB405

SECSTATE WASHDC 8656
AN002319

DTG: 021713Z MAY 84 PSN: 010037
TOR: 123/2158Z CSN: HCE172

DISTRIBUTION: CHLD-01 SIGU-01 LAUX-01 /003 A4

WHTS ASSIGNED DISTRIBUTION:

SIT:

EOB:

OP IMMED
DE RUEHC #8656 1231844
O 021713Z MAY 84
FM SECSTATE WASHDC

TO AMCONSUL HONG KONG IMMEDIATE 6727

INFO AMEMBASSY SEOUL IMMEDIATE 0780

~~SECRET~~ STATE 128656

EXDIS, SEOUL FOR ASSISTANT SECRETARY WOLFOWITZ
E. O. 12356 DECL: OADR
TAGS: OVIP, (BUSH, GEORGE), HK
SUBJECT: TRAVEL OF VICE PRESIDENT

HK

REF: HONG KONG 07807

1. ~~(S)~~ - ENTIRE TEXT.
2. WE HAVE BEEN IN TOUCH WITH THE VICE PRESIDENT'S OFFICE CONCERNING YOUR SUGGESTION HE MAKE A STOPOVER IN HONG KONG DURING HIS MAY 10 TRAVEL TO JAKARTA.
3. GIVEN DISTANCE INVOLVED, VICE PRESIDENT MUST TRAVEL DIRECTLY IN ORDER TO ARRIVE IN JAKARTA NOT TOO LATE IN THE DAY. WE HAVE THEREFORE REGRETFULLY CONCLUDED THAT EVEN A LAYOVER OF A FEW HOURS IS NOT POSSIBLE.

3. REGARDS.

DAM
BT

DECLASSIFIED

Dept of State Guidelines, July 21, 1997

as

6/11/10

~~SECRET~~

UNCLASSIFIED

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 AMCONSUL HONG KONG 8273 DTG: 071015Z MAY 84 PSN: 020611
EOB646 AN005451 TOR: 128/1026Z CSN: HCE859 LEVIN
BT

DISTRIBUTION: CHLD-01 SIGU-01 LEVN-01 LAUX-01 ROBN-01 MINN-01
/006 A2

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

OP IMMED
STU1263
DE RUMJNG #8273 1281015
O 071015Z MAY 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC IMMEDIATE 3317

INFO AMEMBASSY BEIJING 0159
AMEMBASSY TOKYO 0533
AMEMBASSY LONDON 5180
ZEN/AMCONSUL GUANGZHOU POUCH
ZEN/AMCONSUL SHANGHAI POUCH
CINCPAC HONOLULU HI
AIT TAIPEI

UNCLAS HONG KONG 08273

CINCPAC FOR POLAD
E.O. 12356: N/A
TAGS: EQON, EFIN, HK
SUBJ: HK STOCK MARKET DECLINES SHARPLY
REF.: A) HONG KONG 8040, B) HONG KONG 8081

1. AS NOTED REF B, THE STOCK MARKET HERE HAS BEEN VERY WEAK SINCE SIR GEOFFREY HOWE'S ANNOUNCEMENT THAT "IT WOULD BE UNREALISTIC" TO ASSUME THERE WOULD BE A CONTINUING BRITISH PRESENCE HERE AFTER 1997.

2. THE MARKET CONTINUED TO FALL STEADILY LAST WEEK, EXHIBITING A NERVOUSNESS THAT SOME LOCAL COMMENTATORS ATTRIBUTED TO FEAR OF AN INCREASE IN THE HONG KONG PRIME RATE OVER THE WEEKEND. IN THE EVENT, THE BANKS DID NOT RPT NOT RAISE THE PRIME, BUT THE MARKET FELL HEAVILY TODAY (MONDAY) ANYWAY. AT TODAY'S CLOSE, THE HANG SENG INDEX WAS OFF 51 POINTS AT 953.70, WELL BELOW WHAT SOME COMMENTATORS REGARD AS THE "PSYCHOLOGICAL" BARRIER OF 1000, AND 162 POINTS OR ALMOST 15 PERCENT BELOW ITS LEVEL JUST PRIOR TO THE HOWE STATEMENT.

3. THE HONG KONG DOLLAR WEAKENED, BUT ONLY SLIGHTLY, ON THE FOREIGN EXCHANGE MARKET. IN A PREDICTABLE CORRELARY MOVEMENT, INTERBANK HONG KONG DOLLAR INTEREST RATES ROSE SLIGHTLY.

4. IT IS DIFFICULT TO ASSESS WITH ANY DEGREE OF SURETY THE CAUSALITY OF ANY MOVEMENTS IN MARKETS HERE. HOWEVER, A LIKELY FACTOR IN TODAY'S DROP IS REPORTS IN THE WEEKEND'S NEWSPAPERS QUOTING A RETURNING HK DELEGATION AS SAYING PRC OFFICIALS TOLD THEM CHINA MIGHT WELL SEND THE PLA TO HONG KONG AFTER 1997 "TO STRENGTHEN ITS SOVEREIGNTY IN THE TERRITORY."

5. WE WILL BE WATCHING FOR ANY REPERCUSSIONS OF THE STOCK MARKET'S DECLINE ON OTHER MARKETS, AND WILL REPORT ACCORDINGLY.

UNCLASSIFIED

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/11/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (4/13/84-6/14/84)

FOIA

M09-299/1

COLLINGS

Box Number

13

23

<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>
92539	CABLE	3	5/8/1984	B1
	080359Z MAY 84			B3

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

LAUX, DAVID: FILES

Withdrawer

CAS 6/11/2010

File Folder

CHINA-FOREIGN RELATIONS-HONG KONG (4/13/84-6/14/84)

FOIA

M09-299/1

COLLINGS

Box Number

13

23

<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>
92540	CABLE	2	5/8/1984	B1
	081837Z MAY 84			B3

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

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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

UNCLASSIFIED

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 AMCONSUL HONG KONG 8496 DTG: 091018Z MAY 84 PSN: 025803
EOB694 AN007479 TOR: 130/1033Z CSN: HCE717

DISTRIBUTION: CHLD-01 SIGU-01 LEVN-01 LAUX-01 ROBN-01 MINN-01
/006 A2

WHTS ASSIGNED DISTRIBUTION:

SIT:

EOB:

OP IMMED
STU8005
DE RUMJNG #8496 1301019
O 091018Z MAY 84
FM AMCONSUL HONG KONG

H.K.

TO SECSTATE WASHDC IMMEDIATE 3374

INFO AMEMBASSY BEIJING 0213
AMEMBASSY LONDON 5186
AMEMBASSY TOKYO 0544
AMCONSUL GUANGZHOU 3795
AMCONSUL SHANGHAI 3024
AIT TAIPEI
CINCPAC HONOLULU HI

UNCLAS HONG KONG 08496

CINCPAC FOR POLAD
E. O. 12356: N/A
TAGS: ECON, EFIN, HK
SUBJECT: MARKET JITTERS PERSIST
REF: HONG KONG 8273

1. THE 1997 BLUES AFFLICTING HONG KONG'S STOCK MARKET HAVE NOT ABATED. WHILE THE HANG SENG INDEX ROSE 15 POINTS ON MAY 8, IT DROPPED ALMOST 30 POINTS (ABOUT 3 PER CENT) IN TRADING ON MAY 9.
 2. AN AMERICAN CONTACT ACTIVE IN THE LOCAL SECURITIES MARKET CONFIRMED THAT MARKET PARTICIPANTS WERE VERY WARY AT THE MOMENT. HE NOTED THAT BRITISH INSTITUTIONAL INVESTORS, IN PARTICULAR, SEEMED TO BE ACTIVE ON THE SELLING SIDE IN RECENT DAYS.
 3. ON THE OTHER HAND, THE STOCK MARKET'S PLUNGE HAS NOT HAD ANY APPARENT NEGATIVE RAMIFICATIONS ON OTHER FINANCIAL MARKETS. THE HONG KONG DOLLAR FIRMED SLIGHTLY IN TRADING TODAY, AND INTEREST RATES WERE SLIGHTLY LOWER.
 4. COMMENT: AS OF THE MOMENT, THE JITTERS OF PARTICIPANTS IN THE SECURITIES MARKETS HAVE NOT AFFECTED THE FOREIGN EXCHANGE MARKET. MOVEMENTS IN THE FOREIGN EXCHANGE MARKETS IN THE LAST FEW DAYS HAVE GIVEN EVERY APPEARANCE OF BEING MORE RELATED TO THE STRENGTH OF THE U. S. DOLLAR AGAINST THIRD CURRENCIES THAN TO ANY FUNDAMENTAL WEAKNESS OF THE HONG KONG DOLLAR. WE NOTE THAT A NUMBER OF OTHER ASIAN STOCK MARKETS HAVE FALLEN IN RECENT DAYS, AS WELL. IN ANY CASE, THE OUTLOOK FOR THE HONG KONG STOCK MARKET IS FOR CONTINUED VOLATILITY.
- LEVIN
BT

UNCLASSIFIED

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 01 AMCONSUL HONG KONG 8483 DTG: 090934Z MAY 84 PSN: 027395
EOB541 AN008345 TOR: 130/2112Z CSN: HCE097

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 RAY-01 LEVN-01 LAUX-01
/006 A3

WHTS ASSIGNED DISTRIBUTION:

SIT:

EOB:

OP IMMED
VSK720 632 STU8227
DE RUMJNG #8483 1300936
R 090934Z MAY 84
FM AMCONSUL HONG KONG

HR

TO USMISSION USUN NEW YORK IMMEDIATE 1344

INFO SECSTATE WASHDC IMMEDIATE 3369

~~CONFIDENTIAL~~

LIMITED OFFICIAL USE HONG KONG 08483
DEPARTMENT FOR AMB. HARVEY FELDMAN, 10A/UNA
E.O. 12356: DECL: OADR
TAGS: OVIP (KIRKPATRICK, JEANE J.)
SUBJECT: ADMINISTRATIVE ARRANGEMENTS FOR HONG KONG
PORTION OF KIRKPATRICK VISIT
REF: A) USUN NY 992, B) USUN NY 993

1. LOU-ENTIRE TEXT

2. POST IS ARRANGING EXPEDITED ARRIVAL PROCEDURES FOR THE KIRKPATRICK PARTY AT KAI TAK AIRPORT. PARTY WILL DEPLANE, BOARD WAITING VEHICLES AND PROCEED IMMEDIATELY TO THE HOTEL. CONSUL GENERAL LEVIN WILL BE ON HAND TO GREET AMB. KIRKPATRICK AND HER PARTY. GUESTS WILL BE PREREGISTERED AT THE HOTEL SO CAN PROCEED UPON ARRIVAL DIRECTLY TO THEIR ASSIGNED ROOMS. ADMIN OFFICER WILL BE AT THE AIRPORT TO COLLECT PASSPORTS, HANDLE ENTRY FORMALITIES AND RETURN THE PASSPORTS TO THE GUESTS AT THE HOTEL. BAGGAGE WILL ALSO BE DELIVERED TO HOTEL ROOMS.

3. ROOM ASSIGNMENTS ARE AS FOLLOWS:

AMB. AND DR. KIRKPATRICK	1502
MR. JAMES JENKINS	1508
MR. AND MRS. MEYERHOFF	1501
MS. NANCY REYNOLDS	1510
AMB. HARVEY FELDMAN	1512
MR. JOEL BLOCKER	1514
MR. ROBERT MOLLER	1516
MS. SHANNON SORZANO	1518
MR. DEAN WELTY	1520
MS. WINIFRED PETERSON	1504
MR. KARL KONCZEK	1522
MR. LEAMOND DEAN	1524
MR. FREDERICK BYROB	1500
MR. VALERIO CARO	1525
MR. DONALD CHARLSON	1527
MR. HAROLD COUNTRYMAN	1509
MR. ALBERT DIPLACIDI	1515
MR. ALAN NATHANSON	1506
MR. RICHARD WEBER	1511
MS. ELIZABETH WOOD	1517
MS. JODY WYCHE	1519

4. MS. PETERSON HAS BEEN ASSIGNED A ROOM DIRECTLY ADJACENT TO THE KIRKPATRICK SUITE. A TYPEWRITER AND STATIONERY

SUPPLIES WILL BE PROVIDED.

5. A CAR WILL BE AVAILABLE THROUGHOUT THE DAY ON SUNDAY FOR USE BY THE KIRKPATRICKS. A SECOND CAR WILL ALSO STAND BY FOR MR. JENKINS AND THE MEYERHOFFS. SINCE THE HOTEL IS LOCATED IN THE HEART OF THE TOURIST AREA, THE PARTY WILL PROBABLY WISH TO DO MOST OF THEIR SHOPPING/EXPLORING ON FOOT.

6. TWO CARS AND A MINIBUS WILL TRANSPORT THE KIRKPATRICK PARTY TO THE CONSUL GENERAL'S RESIDENCE AT 18:40 ON SUNDAY EVENING FOR A CHINESE BUFFET DINNER. SINCE EVERYONE WILL BE GETTING OVER JETLAG, THE CONSUL GENERAL HAS DECIDED TO KEEP THE DINNER A VERY CASUAL, IN-HOUSE AFFAIR. IN ADDITION TO THE 14 MEMBERS OF THE KIRKPATRICK PARTY, OTHER GUESTS WILL INCLUDE MR. AND MRS. RICHARD WILLIAMS (DPO), MR. AND MRS. DENNIS HARTER (CHIEF, POLITICAL SECTION), MR. AND MRS. RICHARD MUELLER (CHIEF, ECONOMIC SECTION), MR. AL DORN (CHIEF, EXECUTIVE OFFICE), AND MR. KEN PITTLERLE (CONTROL OFFICER). THE CARS AND MINIBUS WILL RETURN THE PARTY TO THEIR HOTEL AFTER THE DINNER.

7. THE TELEPHONE NUMBER OF THE SHERATON IN (3) 691111.

8. FOLLOWING CONVERSATION WITH ROBERT MACCALLUM, POST HAS ACTED ON THE ASSUMPTION THAT PRESIDENTIAL ASSISTANT JAMES JENKINS WILL BE TRAVELLING WITH THE KIRKPATRICK PARTY. ACTION REQUESTED: PLEASE CONFIRM THAT MR. JENKINS WILL BE COMING AND SUPPLY US WITH HIS PASSPORT INFORMATION.

9. WE LOOK FORWARD TO THE ARRIVAL OF AMB. KIRKPATRICK AND HER PARTY. PLEASE LET US KNOW IF THERE IS ANYTHING ELSE WE CAN DO TO MAKE THE GROUP'S SHORT STAY IN HONG KONG A PLEASANT ONE.
LEVIN

BT

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

9254

PAGE 01
EOB239

AMCONSUL HONG KONG 0255
AN003999

DTG: 010807Z JUN 84 PSN: 009897
TOR: 155/0909Z CSN: EHA778

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LAUX-01 SOMM-01 MAT-01
COBB-01 /007 A2

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

OP IMMED
DE RUMJNG #0255 1530807
R 010807Z JUN 84
FM AMCONSUL HONG KONG

ZDK RETRANS

TO SECSTATE WASHDC 3876

INFO AMEMBASSY BEIJING 0609
AMEMBASSY LONDON 5242

DECLASSIFIED

~~CONFIDENTIAL~~ HONG KONG 10255

NLRR M299 # 92541

EXDIS
E.O. 12356: DECL: OADR
TAGS: PREL, HK, CH, UK
SUBJECT: HK'S FUTURE: ROUND 15

BY KML NARA DATE 10/24/12

1. CONFIDENTIAL - ENTIRE TEXT.

2. WITH MINIMAL FANFARE, THE FIFTEENTH ROUND OF THE SECOND PHASE OF THE SINO-BRITISH NEGOTIATIONS ON HONG KONG'S FUTURE CONCLUDED IN BEIJING MAY 31. TO THE SURPRISE OF NONE, THE TWO SIDES DESCRIBED THEIR DISCUSSIONS AS "USEFUL AND CONSTRUCTIVE", AND ANNOUNCED ROUND 16 WILL TAKE PLACE JUNE 12-13.

3. COMMENT:
WHILE NOT QUITE JADED ENOUGH TO TOTALLY IGNORE NEWS COVERAGE OF THE NEGOTIATIONS, LOCAL RESIDENTS HAVE LONG SINCE RECOGNIZED PRECIOUS LITTLE IN THE WAY OF SUBSTANTIVE DETAIL WILL EMERGE PUBLICLY IN THE COURSE OF THESE TALKS. HOWEVER, BEHIND THE CONFIDENTIALITY VEIL, DEVELOPMENTS IN THIS ROUND APPARENTLY MASKED A SERIOUS DISAGREEMENT OVER NEGOTIATING STRATEGY ON THE BRITISH SIDE. ACCORDING TO A WELL-PLACED HKG SOURCE (PROTECT), THE BRITISH TABLED A PAPER MAY 31, TENTATIVELY ACCEPTING WITH MODIFICATIONS THE CHINESE PROPOSAL FOR THE CREATION OF A JOINT SINO-BRITISH CONSULTATIVE COUNCIL TO ADVISE THE HKG IN THE RUN-UP TO 1997. OUR SOURCE SAID THE EXECUTIVE COUNCIL UNOFFICIALS, UNDER THE STRONG LEADERSHIP OF SIR S. Y. CHUNG, HAD VOICED VEHEMENT OPPOSITION TO BRITAIN'S ENDORSEMENT IN PRINCIPLE OF THIS IDEA, BUT HAD BEEN OVER-ruled BY LONDON.
END COMMENT.
WILLIAMS
BT

~~CONFIDENTIAL~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OF 02 LONDON 2899
EOB808 AN008497

DTG: 071740Z JUN 84 PSN: 023021
TOR: 160/2007Z CSN: HCE061

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LEVN-01 LAUX-01 SOMM-01
ROBN-01 MINN-01 MAT-01 COBB-01 /010 A3

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

ROUTINE
UTS1134
DE RUEHLD #2899/02 1591747
R 071740Z JUN 84
FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8211

INFO AMEMBASSY BEIJING 0987
AMEMBASSY CANBERRA 4144
AMCONSUL HONG KONG 3083
AIT TAIPEI
AMEMBASSY TOKYO 2254
AMEMBASSY WELLINGTON 2030

~~SECRET~~ SECTION 02 OF 03 LONDON 12899

EXDIS
E.O. 12356: DECL: OADR
TAGS: PREL, HK, CH, UK
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE

ENGLISH TO REMAIN THE TERRITORY'S OFFICIAL LANGUAGE
AFTER 1997, TO AVOID BUSINESS DISRUPTION. HE ALSO
HIGHLIGHTED THE NEED FOR A SPECIAL TRAVEL/RESIDENCE
DOCUMENT FOR HONG KONGERS.
BUSINESS VIEWS:

4. (C) "ONCE BITTEN, TWICE SHY" WAS HOW ONE BUSINESS
CONTACT DESCRIBED HIS COLLEAGUES' ATTITUDE TOWARD THE
PRC. REFERRING TO THE LESSONS OF SHANGHAI, HE NOTED
THAT EVEN WHEN THE CHINESE OFFERED TO LET FOREIGN
BUSINESSES SUBMIT CLAIMS IN THE 1970'S FOR PROPERTY SEIZED
IN SHANGHAI, THEY DID NOT SET UP PRACTICAL PROCEDURES
THAT WOULD ALLOW REALISTIC CLAIMS TO BE MADE. FULFILLING
THE LETTER OF THE LAW IN ORDER TO CLEAR THEIR RECORD
FOR ADMISSION INTO THE IMF AND THE ASIAN DEVELOPMENT
BANK, THEY WEASLED OUT ON THE SUBSTANCE. BRITISH
BUSINESS LEADERS WHO HAVE DEALINGS IN THE PRC SAY THE
CHINESE SYSTEM IS OVERBUREAUCRATIZED AND CUMBERSOME.
THEY ARE NOT OPTIMISTIC THAT CHINA WILL BE ABLE TO
PROVIDE THE KIND OF FREE COMMERCIAL ENVIRONMENT THAT
HAS MADE HONG KONG A SUCCESS. IN THE ABSENCE OF A
BRITISH FRAMEWORK, SOME FORESEE A GRADUAL DECLINE IN HONG
KONG TOWARD A SITUATION LIKE THAT OF OTHER SOUTHEAST
ASIAN COUNTRIES. IT WILL STILL BE POSSIBLE TO CONDUCT
BUSINESS, BUT THIRD-WORLD CONDITIONS WILL PREVAIL.

5. (C) FROM A BUSINESS POINT OF VIEW, THE KEY ELEMENTS
OF THE U.K. FRAMEWORK ARE THE RULE OF LAW, THE
INDEPENDENT JUDICIARY, AND THE BRITISH STYLE OF ADMINISTRA-
TION. SHOULD ELEMENTS OF CRIME AND CORRUPTION SEEP IN,
BUSINESS WOULD BE PUT OFF.

6. (C) FROM A PERSONAL POINT OF VIEW, OUR BUSINESS
CONTACTS EXPECT THAT HONG KONG'S UPPER-CRUST ELITE,

~~SECRET~~

DECLASSIFIED

NLRR M299 # 92542

BY JCML NARA DATE 6/21/12

23
~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 02 OF 02 LONDON 2899

DTG: 071740Z JUN 84 PSN: 023021

WHO ALREADY HAVE THE DOCUMENTS AND OVERSEAS CONTACTS TO MOVE FREELY, WILL REMAIN UNTIL CLOSE TO 1997. BUT THE NEXT LEVEL DOWN - THE PROFESSIONAL PEOPLE WITH LESS OF A CUSHION - ARE EXPECTED TO ATTEMPT TO LEAVE RATHER THAN SUBJECT THEIR CHILDREN'S FUTURE TO THE WHIMS OF CHINESE REGIMES IN YEARS TO COME. THE HARSHER ASPECTS OF CHINESE JUSTICE, SUCH AS EXECUTIONS FOR SHOPLIFTING, ARE A SOURCE OF UNEASE, AS IS THE AGE OF CHINA'S PRESENT LEADERS, WHOSE SUCCESSORS MAY OR MAY NOT CARRY OUT POLICIES ESTABLISHED NOW.

7. (C) HANDOVER: U.K. BUSINESSMEN FAVOR AN ACCELERATED HANDOVER OF RESPONSIBILITIES TO HONG KONG CHINESE, SO THAT TRAINING CAN BEGIN. HONG KONGERS SHOULD START PREPARING NOW TO DEAL WITH BEIJING AS THEY WILL HAVE TO DO AFTER 1997.

8. (C) HMG PRAISED: ONE BUSINESS CONTACT SAID FCO HAD EXERCISED "ENORMOUS SKILL" DURING THE NEGOTIATIONS WITH THE PRC, ESPECIALLY IN THE CARE IT HAD TAKEN TO INCLUDE PROMINENT HONG KONGERS IN THE CONSULTATION PROCESS. THOUGH THIS CONTACT SAW THE HANDOVER OF HONG KONG TO THE "CAPRICIOUS, OPPRESSIVE, THUGGISH, MARXIST-LENINIST PRC REGIME" AS A GREAT TRAGEDY FOR ALL CONCERNED, HE FELT IT WOULD HAVE BEEN IMMORAL FOR BRITAIN TO OFFER ANY FALSE HOPES BY PRETENDING IT
BT

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~

~~SECRET~~

92543

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OF 02 AMCONSUL HONG KONG 0646 DTG: 071056Z JUN 84 PSN: 019705
EOB102 AN006894 TOR: 159/1440Z CSN: HCE529

DISTRIBUTION: CHLD-01 SIGU-01 LAUX-01 /003 A1

WHTS ASSIGNED DISTRIBUTION:

SIT:

EOB:

PRIORITY
STU1302
DE RUMJG #0646/01 1591059
P 071056Z JUN 84
FM AMCONSUL HONG KONG

DECLASSIFIED

NLRR M299 #92543

BY KML NARA DATE 6/24/12

TO SECSTATE WASHDC PRIORITY 3986
AMEMBASSY BEIJING PRIORITY 0716

INFO AMEMBASSY CANBERRA 2303
AIT TAIPEI
AMEMBASSY LONDON PRIORITY 5249
AMEMBASSY TOKYO 0677
AMEMBASSY WELLINGTON 1816

~~SECRET~~ SECTION 01 OF 02 HONG KONG 10646

EXDIS
NOFORN

E.O. 12356: DECL: OADR

TAGS: PREL, CH, UK, HK

SUBJ: FUTURE OF HONG KONG: DISCUSSION WITH HKG POLAD

1. SECRET/EXDIS/NOFORN - ENTIRE TEXT

2. SUMMARY:

HK POLAD ROBIN MCLAREN CHARACTERIZED THE LATEST ROUND OF SINO-BRITISH NEGOTIATIONS ON HONG KONG AS "NOT VERY PRODUCTIVE". ALTHOUGH THE BRITISH MODIFIED THEIR POSITION REGARDING A JOINT PRC-UK COMMISSION ON THE PRE-1997 TRANSITION PERIOD, THE TWO SIDES ARE STILL WELL SHORT OF AGREEMENT ON THE SUBJECT AND ON THE UNDERLYING ISSUE OF CHINA'S ROLE OR NON-ROLE IN HONG KONG OVER THE NEXT 13 YEARS. NOR WERE THE BRITISH SUCCESSFUL IN OBTAINING CHINESE ASSENT TO THE FORMATION OF A DRAFTING COMMITTEE TO WORK FULL-TIME FROM MID-JUNE ONWARD IN AN EFFORT TO ARRIVE AT AGREED DETAILED LANGUAGE BY THE TIME OF CHINA'S SEPTEMBER NEGOTIATING DEADLINE. MCLAREN EXPRESSED CONFIDENCE THAT THE DEADLINE WOULD BE MET, EVEN AS HE POINTED TO THE LARGE AREAS WHERE AGREEMENT HAD YET TO BE FOUND AND COMMENTED THAT IT LOOKED AS THOUGH NEITHER SIDE WOULD HAVE MUCH TO SAY AT THE JUNE 12-13 ROUND.

END SUMMARY.

3. THE BRITISH DID MOST OF THE TALKING THIS TIME, SAID MCLAREN, AND THE BULK OF THE FIRST DAY'S TALKS INVOLVED THREE SUBJECTS. THE FIRST WAS THE OVERALL FORMAT AND GENERAL CONTENT OF THE EMERGING AGREEMENT. AT THE APRIL 11-12 ROUND JUST PRIOR TO FOREIGN SECRETARY HOWE'S VISIT, THE CHINESE HAD INDICATED THAT THE AGREEMENT SHOULD TAKE THE FORM OF A JOINT DECLARATION ACCOMPANIED BY AN EXCHANGE OF NOTES DEALING WITH POST-1997 ARRANGEMENTS AND A PROTOCOL DEALING WITH PRE-1997 ARRANGEMENTS. AT THAT TIME, HOWEVER, ONLY THOSE HEADINGS WERE PROVIDED, AND IT WAS NOT UNTIL THE APRIL 27-28 POST-HOWE ROUND

~~SECRET~~

25
~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 0646 DTG: 071056Z JUN 84 PSN: 019705

THAT THE CHINESE PROVIDED DRAFT TEXTS. AT THIS ROUND THE BRITISH ACCORDINGLY COMMENTED ON THE CHINESE DRAFTS, CITING OMISSIONS AND POOR DRAFTING MORE THAN SUBSTANTIVE DISAGREEMENT, MCLAREN IMPLIED.

4. THE NEXT TOPIC WAS HOW TO PROCEED IN ORDER TO FINISH UP BY THE END OF SEPTEMBER. CONVINCED THAT DETAILED PROVISIONS ON POST-1997 ARRANGEMENTS ARE ESSENTIAL TO THE SALEABILITY OF THE AGREEMENT IN HONG KONG, THE BRITISH PROPOSED THAT IMMEDIATELY FOLLOWING THE JUNE 12-13 ROUND A PRC-UK NEGOTIATING SUBGROUP REMAIN IN PERMANENT SESSION TO WORK ON THE NOTES TO BE EXCHANGED ON THE POST-TERMINATION SET-UP. THE CHINESE COUNTERED THAT THE SUBGROUP SHOULD ALSO WORK ON THE JOINT DECLARATION AND THE PRE-1997 TRANSITION PROTOCOL, BUT THE BRITISH WERE TOO UNCOMFORTABLE WITH THE QUESTION OF CHINA'S TRANSITIONAL ROLE (SEE BELOW) TO AGREE AND THE DISCUSSION WAS INCONCLUSIVE. THE MATTER WILL BE RESOLVED IN TIME, MCLAREN OBSERVED, BUT MEANWHILE THE WEEKS ARE SLIPPING AWAY.

5. THE LAST TOPIC ON DAY ONE WAS LAND LEASES. AT THE JANUARY 25-26 ROUND THE BRITISH HAD PROPOSED THAT THE HKG BE PERMITTED TO GRANT LEASES EXTENDING PAST 1997, ESSENTIALLY CONTINUING THE PRESENT SYSTEM UNDER WHICH LEASE REVENUES ENTER A CAPITAL DEVELOPMENT FUND UTILIZED FOR DEVELOPMENT PROJECTS IN HONG KONG. THE PROPOSAL FAILED TO ALLAY CHINESE APPREHENSION THAT BRITAIN MIGHT SOMEHOW MILK THE FUND PRIOR TO 1997, AND SO IN APRIL THE CHINESE PROPOSED THAT THEIR AGREEMENT SHOULD BE OBTAINED AS TO HOW MANY LEASES COULD BE GRANTED, AND THAT LEASE MONIES BE SEGREGATED INTO PRE- AND POST-1997

SEGMENTS, WITH THE LATTER DEPOSITED TO AN INTEREST-BEARING FUND FOR EVENTUAL TRANSFER TO THE HONG KONG SPECIAL AUTONOMOUS REGION GOVERNMENT. WITH THE BRITISH POINTING TO TECHNICAL DIFFICULTIES IN IMPLEMENTING THE CHINESE PLAN, THE TWO SIDES LENGTHILY REHASHED THEIR RESPECTIVE POSITIONS, AND AGAIN NO
BT

~~SECRET~~

26

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OF 02 AMCONSUL HONG KONG 0646 DTG: 071056Z JUN 84 PSN: 019717
EOB103 AN006893 TOR: 159/1442Z CSN: HCE530

DISTRIBUTION: CHLD-01 SIGU-01 LAUX-01 /003 A1

WHTS ASSIGNED DISTRIBUTION:
SIT: PUBS
EOB:

PRIORITY
UTS0217
DE RUMJNG #0646/02 1591100
P 071056Z JUN 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 3987
AMEMBASSY BEIJING PRIORITY 0717

INFO AMEMBASSY CANBERRA 2304
AIT TAIPEI
AMEMBASSY LONDON PRIORITY 5250
AMEMBASSY TOKYO 0678
AMEMBASSY WELLINGTON 1817

~~SECRET~~ SECTION 02 OF 02 HONG KONG 10646

EXDIS
NOFORN
E.O. 12356: DECL: OADR
TAGS: PREL, CH, UK, HK
SUBJ: FUTURE OF HONG KONG: DISCUSSION WITH HKG POLAD
AGREEMENT WAS REACHED.

6. THE SECOND DAY'S DISCUSSION WAS LARGELY OF A SINO-BRITISH TRANSITION COMMISSION. SEEKING TO MINIMIZE CHINESE INVOLVEMENT ONCE AN AGREEMENT WAS REACHED, THE BRITISH HAD EARLY ADVOCATED THAT TRANSITION CONCERNS DURING THE INTERVENING YEARS SIMPLY BE HANDLED BY BEIJING MEETINGS BETWEEN THE BRITISH AMBASSADOR AND THE APPROPRIATE MOFA ASSISTANT FOREIGN MINISTER ON AN AS-NEEDED BASIS. NEXT DENG XIAOPING HAD STRONGLY INSISTED TO SIR GEOFFREY HOWE THAT A JOINT SINO-BRITISH COMMISSION BE ESTABLISHED IN HONG KONG. SUBSEQUENTLY, ACCORDING TO AN FCO BRIEFING OF EMBASSY LONDON, DENG BACKED AWAY FROM THIS INSISTENCE AND CONCEDED THAT THE COMMISSION'S VENUE MIGHT ROTATE BETWEEN LONDON AND BEIJING.

7. THIS TIME ZHOU NAN LIBERALLY QUOTED DENG'S STATEMENTS TO HOWE WHILE AFFIRMING THAT THE COMMISSION THOUGH CONSTITUTED IN HONG KONG MIGHT ALSO MEET IN BEIJING OR LONDON. THE BRITISH EXPRESSED WILLINGNESS TO PARTICIPATE IN A GROUPING WHICH COULD MEET IN ANY OF THE THREE CITIES. AT THE SAME TIME THEY HELD THAT ON CERTAIN MATTERS -- E.G., MAINTAINING HONG KONG PARTICIPATION IN GATT -- THE CHINESE WOULD BE CONSULTED, BUT ON OTHERS -- E.G., THE PROGRESS OF REPRESENTATIVE GOVERNMENT IN HONG KONG -- THEY WOULD ONLY BE INFORMED.

8. IT WENT WITH THIS THAT THE BRITISH, WHO ASSERT THAT COME WHAT MAY THE TRANSITION GOVERNANCE OF HONG KONG IS THEIRS AND THEIRS ALONE, CONTEND THAT THE POINT OF DEPARTURE FOR POST-1997 CONTINUITY SHOULD BE THE SITUATION EXISTING ON JUNE 30, 1997. BUT THE CHINESE HOLD THAT IT SHOULD BE THE DATE ON WHICH THE AGREEMENT IS SIGNED, COMMENTING THAT OTHERWISE THEY WOULD BE GIVING THE BRITISH A "BLANK CHECK",

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 0646 DTG: 071056Z JUN 84 PSN: 019717

UTILIZING THE ENGLISH PHRASE. MCLAREN FREELY CONCEDES THEY HAVE A POINT, AND DOES NOT AT THIS STAGE SEE THE ANSWER. HE IS CONCERNED OVER THE DEGREE OF INVOLVEMENT WHICH THE CHINESE APPEAR TO WANT, IN SUCH AREAS AS THE EXCHANGE FUND AND LAND POLICY. HE SEES THEM AS MOTIVATED PRIMARILY BY A DEEP MISTRUST OF BRITISH INTENTIONS, AND SECONDARILY BY A FELT NEED TO UNDERSTAND THE WORKINGS OF HONG KONG.

9. BEYOND A BRIEF UK STATEMENT THAT THEIR VIEWS HAD NOT CHANGED, THE QUESTION OF CHINESE TROOPS IN THE NEW TERRITORIES WENT UNMENTIONED AT THIS ROUND. MCLAREN OBSERVED, HOWEVER, THAT CLEARLY THERE WAS DISAGREEMENT ON THE SUBJECT AT HIGH LEVELS OF THE CHINESE GOVERNMENT. THE LATEST EVIDENCE WAS THE JUNE 5 STATEMENT BY DEFENSE MINISTER ZHANG AIPING, WHICH DIFFERED IN SUBSTANCE FROM DENG'S OUTSPOKEN REMARKS OF MAY 24.

10. MCLAREN REPORTED LITTLE PROGRESS AT THIS ROUND, SAW LITTLE FOR EITHER SIDE TO DISCUSS AT THE NEXT ROUND, AND POINTED TO THE EXTENSIVE GROUND REMAINING TO BE COVERED BY THE END OF SEPTEMBER. RATHER SURPRISINGLY, THEREFORE, HE EXPRESSED CONFIDENCE THAT THE SEPTEMBER DEADLINE WOULD BE MET. ARGUABLY HIS CONFIDENCE MIGHT STEM FROM A BRITISH DECISION TO CAVE TO THE CHINESE WHERE NECESSARY, A VIEW SOMEWHAT SUPPORTED BY A UMELCO MEMBER'S COMMENT TO US THAT ON THIS LAST VISIT MRS. THATCHER HAD EMOTIONALLY DISTANCED HERSELF AS IF IN ANTICIPATION OF A NEED FOR EARLY AND DIFFICULT DECISIONS. ON BALANCE, HOWEVER, MCLAREN'S CONFIDENCE SEEMS TO STEM MAINLY FROM A STRENGTHENED CONVICTION OF CHINA'S SERIOUSNESS REGARDING THE DEADLINE. HE IS PERSONALLY

CONVINCED THE CHINESE WANT TO PROCLAIM A HONG KONG ACHIEVEMENT AT THE PRC'S 35TH ANNIVERSARY CELEBRATION ON OCTOBER 1.

-
WILLIAMS
BT

~~SECRET~~

~~SECRET~~

92544

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036246
EOB934 AN000825 TOR: 166/1744Z CSN: HCE811

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LEVN-01 LAUX-01 SOMM-01
ROBN-01 MINN-01 MAT-01 THOM-01 COBB-01
/011 A4

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

ROUTINE
STU7641
DE RUMJNG #1175/01 1660537
R 140522Z JUN 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4127

INFO AMEMBASSY BEIJING 0847
AMEMBASSY LONDON 5264

DECLASSIFIED

NLRR M299 # 92544

BY KML NARA DATE 6/21/12

~~SECRET~~ SECTION 01 OF 06 HONG KONG 11175

EXDIS
NOFORN

E.O. 12356: DECL: OADR
TAGS: PGOV, PREL, CH, HK, UK
SUBJECT: HONG KONG 1997: THE LEGAL QUESTION AND THE FORM
OF HK'S FUTURE GOVERNMENT
REF: A) HK 10752; B) HK 8867; C) HK 8392

1. SECRET/NOFORN - ENTIRE TEXT.

2. SUMMARY/INTRODUCTION:

IT IS COMMONLY RECOGNIZED HONG KONG'S LEGAL SYSTEM IS ONE OF THE BASIC PROTECTORS OF BOTH POLITICAL AND ECONOMIC STABILITY HERE. ITS PRESERVATION AFTER 1997 WOULD GO A LONG WAY TO ENSURING INVESTOR/FINANCIAL-INSTITUTION CONFIDENCE AS WELL AS THE CONFIDENCE OF THE ORDINARY CITIZEN IN THE BASIC PROTECTIONS OF THE LAW AND THE RIGHTS OF INDIVIDUALS. AS ONE LONDON BUSINESS SOURCE HAS SAID "FROM A BUSINESS SENSE THE KEY ELEMENTS OF THE U.K. FRAMEWORK ARE THE RULE OF LAW, THE INDEPENDENT JUDICIARY AND THE BRITISH STYLE OF ADMINISTRATION" (LONDON 12899). BOTH BEIJING AND LONDON HAVE ACKNOWLEDGED THE IMPORTANCE OF MAINTAINING AN INDEPENDENT JUDICIARY IN PUBLIC DISCUSSIONS AS WELL AS IN THE NEGOTIATIONS. NONETHELESS, THERE REMAINS SOME UNCERTAINTY OVER HOW THE INDEPENDENCE OF THE JUDICIARY WOULD BE PRESERVED IN THE ABSENCE OF SOME MORE SPECIFIC UNDERSTANDING OF THE NATURE OF HONG KONG'S FUTURE GOVERNMENTAL SYSTEM. (ALTHOUGH DISCUSSED SEPARATELY IN THE TALKS, WE HAVE INCLUDED COVERAGE OF THE "FORM" OF GOVERNMENT BECAUSE OF THIS RELATIONSHIP.) IN THIS AREA, THERE IS GENERAL AGREEMENT ON THE NEED FOR SEPARATE LEGISLATIVE, JUDICIAL AND EXECUTIVE AUTHORITIES COMPOSED OF AND CHOSEN BY THE HONG KONG PEOPLE. BEYOND THIS, THE CHINESE ARE RELUCTANT TO MAKE FURTHER COMMITMENTS PRIOR TO DRAFTING THE MINI-CONSTITUTION FOR HONG KONG.

3. IN ADDITION TO THE QUESTION OF HOW THE POST-1997 GOVERNMENT WILL BE STRUCTURED, OTHER MAJOR QUESTIONS REMAIN CONCERNING THE NATURE OF THE LAW TO BE ADMINISTERED. CHINA AND HONG KONG, FOR EXAMPLE, CONSIDER THE ROLE OF LAW DIFFERENTLY AND THE INTER-RELATIONSHIP BETWEEN THE TWO REMAINS TO BE WORKED OUT. JURISTS IN

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036246

THE TERRITORY, INCLUDING THOSE FRIENDLY TO CHINA, HAVE ARTICULATED A NUMBER OF PROPOSALS TO ENSURE PRESERVATION OF THE ELEMENTS THEY SEE NECESSARY FOR THE FUTURE, BUT THERE HAS BEEN NO INDICATION WHETHER ANY OF THESE SUGGESTIONS WILL BE PART OF THE FINAL SINO-BRITISH AGREEMENT. AS MATTERS NOW STAND -- ALBEIT WITH SOME CONTINUING DISAGREEMENT OVER EXACTLY HOW MUCH WILL GO INTO THE VARIOUS SECTIONS OF THE FINAL SINO-BRITISH DOCUMENTS LATER THIS YEAR -- IT DOES NOT APPEAR THERE WILL BE MUCH FORMAL EXPLICATION OF THIS ISSUE BEFORE THE DRAFTING OF CHINA'S PLANNED MINI-CONSTITUTION FOR HONG KONG.

END SUMMARY/INTRODUCTION

THE PUBLIC AND PRIVATE RECORD

4. THE QUESTION OF HONG KONG'S FUTURE LEGAL SYSTEM WAS EARLY ON RECOGNIZED AS AN ISSUE UNDERLYING MUCH OF HONG KONG'S POLITICAL, SOCIAL AND ECONOMIC STRUCTURE AND THUS A FUNDAMENTAL ISSUE TO BE APPROACHED IN THE BILATERAL TALKS. PRIOR TO THE START OF SUBSTANTIVE TALKS, THE CHINESE HAD WORKED OUT A TWELVE POINT PROPOSAL WHICH BECAME THE BASIC OUTLINE OF THEIR PRINCIPLES FOR HK'S FUTURE (83 HK 21771). ON THE LEGAL SYSTEM, THE CHINESE SAID HK COULD KEEP THE EXISTING SYSTEM EXCEPT FOR THOSE LAWS WHICH CONTRADICT CHINESE SOVEREIGNTY. THEY ADDED A SEPARATE POINT ON THE ESTABLISHMENT OF A FINAL COURT OF APPEAL IN HONG KONG WITH NO PRC RIGHT TO REVIEW COURT DECISIONS. THE BRITISH BEGAN PASSING ISSUE PAPERS TO THE CHINESE IN ROUND SIX OF THE SECOND PHASE OF THE NEGOTIATIONS (NOVEMBER 14-15, 1983) STARTING WITH THE PROPOSALS THEY FELT BEIJING COULD EASILY AGREE TO. THE LEGAL PAPER WAS PASSED ON THAT FIRST OCCASION. ACCORDING TO THE FCO BRIEFING TO A U.S. EMBOFF IN LONDON, THE UK PRESENTATION ON LEGAL AFFAIRS WAS SUCCINCT. IT CALLED FOR HONG KONG'S BASIC LAWS AND JUDICIAL SYSTEM TO REMAIN UNCHANGED, WITH THE EXCEPTION OF THE FINAL COURT OF APPEAL WHICH WOULD BE ESTABLISHED IN HONG KONG. THE PAPER FURTHER SUGGESTED HONG KONG'S LAWS WOULD CONTINUE SEPARATE FROM THE LAWS OF THE PRC AND ARGUED FOR ESTABLISHMENT OF AN INDEPENDENT

BT

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036257
EOB938 AN000823 TOR: 166/1750Z CSN: HCE815

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LEVN-01 LAUX-01 SOMM-01
ROBN-01 MINN-01 MAT-01 THOM-01 COBB-01
/011 A4

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

ROUTINE
UTS9646
DE RUMJNG #1175/03 1660538
R 140522Z JUN 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4129

INFO AMEMBASSY BEIJING 0849
AMEMBASSY LONDON 5266

~~SECRET~~ SECTION 03 OF 06 HONG KONG 11175

EXDIS
NOFORN

E. O. 12356: DECL: OADR
TAGS: PGOV, PREL, CH, HK, UK
SUBJECT: HONG KONG 1997: THE LEGAL QUESTION AND THE FORM
TIONS NOT JUST TO REMAIN STATIC (HK 5240). HE THEREFORE
REFUSED TO DISCUSS THESE OTHER QUESTIONS ON HK'S FUTURE
CONSTITUTIONAL STRUCTURE AND ITS INTER-RELATIONSHIP WITH
OTHER AREAS OF MUTUAL CONCERN, I. E., THE LEGAL QUESTION,
CONTINUITY OF THE CIVIL SERVICE, ETC.

9. CHINA REITERATED ITS BASIC POSITION ON THE CONSTI-
TUTIONAL STRUCTURE AT ROUND ELEVEN (MARCH 26-27), ACCEPT-
ING THE IDEA OF THREE BRANCHES OF GOVERNMENT. BUT AGAIN
ZHOU NAN REFUSED TO BE DRAWN INTO DETAILS AS HE ARGUED
THIS WAS A MATTER TO BE HANDLED IN HK'S BASIC LAW --
MINI-CONSTITUTION. FOR THE CHINESE, THE CONSTITUTION
COULD ONLY BE STARTED ONCE THE AGREEMENT WITH THE BRITISH
HAD BEEN CONCLUDED (LONDON 7662 AND HK 6415). IN ROUND
TWELVE, JUST PRIOR TO SIR GEOFFREY HOWE'S VISIT, THE
CHINESE THREW A MONKEY-WRENCH INTO BRITISH PLANNING BY
PROPOSING THE CREATION OF A JOINT COMMISSION WHICH WOULD
GENERALLY CONSULT ON MATTERS AFFECTING THE LONG-TERM
FUTURE OF THE TERRITORY BETWEEN THE TIME THE AGREEMENT
WAS SIGNED AND 1997. DENG XIAOPING REINFORCED THESE
VIEWS DURING HIS MEETING WITH SIR GEOFFREY, AND THE
CHINESE NEGOTIATORS REITERATED THEM IN THE THREE SESSIONS
FOLLOWING THE HOWE VISIT BUT WITH THE ADDED INTERPRETA-
TION OF BRITISH ACQUIESCENCE (STATE 120853; LONDON 9490;
STATE 114237; HK 7023; LONDON 9985; HK 8115; HK 10646).

10. THE GOALS OF NEGOTIATIONS ON THIS ISSUE AS WELL AS
OTHERS (REFTELS) WERE GRADUALLY OBSCURED BY DISAGREEMENTS
ON THE RELATIVE NEED FOR DETAILS IN THE FINAL SINO-
BRITISH AGREEMENT. BRITISH CONCERNS FOR SETTING OUT A
DETAILED ARRANGEMENT FOR HONG KONG'S FUTURE POLITICAL
SYSTEM HAS LED THE HKG TO WORK OUT A "GREEN PAPER" OUT-
LINING THE GROWTH OF REPRESENTATIVE GOVERNMENT OVER THE
COMING YEARS (LONDON 12899). THIS EFFORT, TO BE RE-
LEASED IN JULY, WILL PRESENT THE CHINESE WITH A DETAILED
PLAN FOR INSTITUTIONAL AND ELECTORAL REFORM WITHOUT PRIOR
CONSULTATION, DESPITE BEIJING'S PLAN TO DEVELOP THE

~~SECRET~~

31
~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036257

CONSULTATIVE SYSTEM MENTIONED ABOVE AS A WAY OF PREVENTING LOCAL DECISIONS FROM PREDETERMINING WHAT MIGHT HAPPEN AFTER 1997. DESPITE CONTINUING DISAGREEMENT OVER THE ELEMENTS REQUIRED FOR THE POST-1997 POLITICAL/LEGAL STRUCTURE, SIR GEOFFREY'S APRIL 20 HONG KONG PRESS CONFERENCE MADE REFERENCE TO A "HIGH DEGREE" OF AUTONOMY FOR HK, INDICATING UK ACCEPTANCE OF THIS PART OF CHINA'S PRESENTATION ON THE STRUCTURE AND NATURE OF THE FUTURE HKG.

THE COMPLEXITIES OF HONG KONG'S LEGAL SYSTEM

11. CHINESE OFFICIALS HAVE TOLD HK VISITORS TO BEIJING THE TERRITORY WILL RETAIN ITS PRESENT LEGAL SYSTEM AND CURRENT LAWS EXCEPT FOR THOSE WHICH CONTRADICT CHINESE SOVEREIGNTY (83 HK 21771). BUT HONG KONG'S LEGAL SYSTEM IS BASED ON COMMON LAW PRINCIPLES WHICH ARE A VAST, EVOLVING AND TOTALLY ALIEN SET OF PRECEDENTS FOR CHINA. IN CIVIL AND COMMERCIAL LAW, ONLY A SMALL PORTION OF THE LAW HAS BEEN CODIFIED INTO STATUTES. THUS, A CHINESE INTENTION TO PERMIT HONG KONG TO RETAIN ITS PRESENT SYSTEM WILL MEAN A PERPETUATION OF AN IDENTIFIABLY "BRITISH" LEGAL FORMULATION WHICH COULD CONTINUE TO EVOLVE IN DISTINCTLY NON-CHINESE WAYS FOLLOWING 1997. (AS AN ISSUE RELATED TO CHINA'S "SOVEREIGNTY", THIS COULD BE A PROBLEM.) THERE IS ALSO THE QUESTION OF THE STATUTORY LAWS OF HONG KONG. SOME TWENTY VOLUMES CURRENTLY EXIST, AND ONLY 45 OF SOME 504 STATUTES HAVE BEEN TRANSLATED INTO CHINESE OVER THE PAST TWELVE YEARS. BEIJING'S COMMITMENT TO BEGIN TRANSLATION OF THESE ELEMENTS OF HONG KONG'S LEGAL SYSTEM STRONGLY INDICATES CHINA'S INTENTION TO PRESERVE THEM BEYOND 1997 (HK 6653). SHOULD THIS BE THE ONLY ELEMENT PRESERVED, HOWEVER, THE RESULTING LEGAL CODE WOULD BE A SUPERFICIAL BODY OF LAW MINUS ITS BASIC CONTEXT -- COMMON LAW -- AND THEREFORE OF MUCH LESS USE IN AN INTERNATIONAL BUSINESS CLIMATE. IF CHINA'S PURPOSE IS TO FURTHER SINIFICATION OF THE LAWS, THEN THIS TOO IS LIKELY TO PRODUCE LITTLE LINKAGE WITH THE TRADITIONS OF COMMON LAW AFTER 1997.

12. CONTINUED USE OF COMMON LAW ALSO INVOLVES RELIANCE ON THE ENGLISH LANGUAGE. PRESENTLY, VERY FEW OF THE
BT

~~SECRET~~

37

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036263
EOB945 AN000822 TOR: 166/1752Z CSN: HCE816

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LEVN-01 LAUX-01 SOMM-01
ROBN-01 MINN-01 MAT-01 THOM-01 COBB-01
/011 A4

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

ROUTINE
UTS9654
DE RUMJNG #1175/04 1660539
R 140522Z JUN 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4130

INFO AMEMBASSY BEIJING 0850
AMEMBASSY LONDON 5267

~~SECRET~~ SECTION 04 OF 06 HONG KONG 11175

EXDIS
NOFORN

E.O. 12356: DECL: OADR

TAGS: PGOV, PREL, CH, HK, UK

SUBJECT: HONG KONG 1997: THE LEGAL QUESTION AND THE FORM
JUDGES ARE CAPABLE OF OPERATING IN CANTONESE AND CASES
ARE CONDUCTED IN ENGLISH. SWITCHING TO CHINESE, EITHER
MANDARIN OR CANTONESE, WOULD MEET CHINESE CONCERNS ABOUT
SOVEREIGNTY AND ELIMINATION OF RESIDUAL BRITISH INFLU-
ENCE. BUT, IT WOULD NOT MAKE THE COURT SYSTEM WORK VERY
EFFECTIVELY UNLESS THERE WAS TO BE AN APPLICATION OF ONLY
CHINESE LAW. MOREOVER, TRAINING LAWYERS AND JUDGES IN A
COMMON LAW SYSTEM WILL REQUIRE CONTINUED USE OF THE
ENGLISH LANGUAGE, SINCE THE ESSENCE OF THIS TRAINING IS
EXAMINATION OF PRIOR COURT DECISIONS WHICH HAVE EVOLVED
INTO THE PRESENT LAW.

13. AS NOTED BY LOCAL LEGAL GROUPS, THE INDEPENDENCE OF
THE JUDICIARY IS ALSO A SIGNIFICANT ISSUE TO BE RE-
SOLVED. WHILE THERE APPEARS TO HAVE BEEN AGREEMENT
BETWEEN BRITAIN AND CHINA ON THE NEED FOR AN INDEPENDENT
JUDICIARY, THE ABSENCE OF DISCUSSION OF DETAILS HAS LEFT
OPEN THE QUESTION OF HOW ONE HANDLES TERMS OF APPOINT-
MENT, LENGTH OF SERVICE, REMOVAL PROCESSES AND CRITERIA
FOR REMOVAL. LOCAL LEGAL ORGANIZATIONS HAVE BEEN QUICK
TO POINT OUT THESE CONCERNS BUT THE CHINESE WHILE
LISTENING HAVE RETREATED BEHIND THE WALL OF FUTURE
DRAFTING OF THE MINI-CONSTITUTION TO AVOID COMMENT.

14. IN LOOKING AT HK'S BRITISH-DERIVED LEGAL TRADITIONS,
THERE IS A FUNDAMENTAL ADVERSARIAL NATURE TO THE LEGAL
SYSTEM WHICH DOES NOT EXIST IN CHINESE LAW OR PRACTICE.
COMMON LAW IN THIS RESPECT IS UNIQUE IN ITS ADVERSARIAL
SYSTEM IN WHICH TWO PARTIES GO BEFORE A DISINTERESTED,
NEUTRAL AND INDEPENDENT COURT THEREBY PERPETUATING
ATTENTION TO INDIVIDUAL RIGHTS AND FREEDOMS. THE CHINESE
SYSTEM HAS NO IDEA OF AN EQUAL ADVERSARY, PARTICULARLY
WHERE THE STATE IS INVOLVED. THUS IT IS LIKELY TO RE-
QUIRE CONSIDERABLE TIME BEFORE INDIVIDUALS AND BUSINESS-
MEN HERE FEEL CONFIDENT THE LOCAL COURTS UNDER PRC SOV-
EREIGNTY WILL CONTINUE TO ACT AS INDEPENDENTLY AS THEY
DO NOW.

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036263

15. ANOTHER ISSUE AFFECTING THE FUTURE OF THE LEGAL SYSTEM IS THE CHINESE ASSUMPTION ALL POWERS NOT SPECIFICALLY DELEGATED TO THE PEOPLE OR SUBSIDIARY ORGANS BELONG TO THE STATE OR THE CENTRAL AUTHORITIES. WHILE BRITISH COMMON LAW ORIGINALLY ACCEPTED THIS STANCE AND EVOLVED BY IMPOSING LIMITATIONS ON THE SOVEREIGN'S DIVINE RIGHT TO RULE, TODAY IT IS THE LAW ITSELF WHICH REIGNS SUPREME WITH THE STATE POSSESSING NO POWER TO ACT BEYOND THE ROLE ALREADY DEFINED FOR IT. IN CONTRAST THE CHINESE LEGAL SYSTEM DRAWS ITS POWER NOT FROM THE LAW, BUT FROM THE EXERCISE OF POLITICAL POWER. A FUNDAMENTAL CONFLICT EXISTS BETWEEN A SYSTEM WHICH GRANTS POLITICAL RIGHTS NOT DELINEATED IN LAW TO THE INDIVIDUAL AND ONE WHICH IMBUES THE STATE WITH ABSOLUTE POWER UNLESS SPECIFICALLY CEDED TO THE CITIZENRY. IDEOLOGICALLY IT MAY BE DIFFICULT FOR THE CHINESE LEADERSHIP TO ACCEPT THE EXISTENCE OF AN ALTERNATIVE LEGAL SYSTEM FAVORING THE INDIVIDUAL EVEN IF HONG KONG SUCCESSFULLY LOCALIZES ITS LEGAL SYSTEM. CARRIED OVER TO THE BROADER SAR TO BEIJING RELATIONSHIP, IT ALSO INDICATES A MAJOR PROBLEM IN DRAFTING THE BASIC LAW. IT MAY BE QUITE DIFFICULT FOR CHINA TO ACCEPT THE IDEA ONLY THOSE POWERS SPECIFIED AS BELONGING TO THE CENTRAL AUTHORITIES WOULD PERTAIN, LEAVING THE UNSPECIFIED REMAINDER RESIDING IN THE SAR. MEMBERS OF THE "HONG KONG OBSERVERS" WHO RAISED THIS ISSUE IN BEIJING DURING THEIR VISIT LAST YEAR FOUND LITTLE CHINESE COMPREHENSION OF THE DISTINCTION BETWEEN THE TWO LEGAL SYSTEMS. THE LEGAL EXPERT AMONG THE LOCAL GROUP CAME AWAY QUITE CONCERNED ABOUT THE PRC'S ABILITY TO HANDLE THIS DIVERGENCY OF VIEWS (83 HK 22729).

16. REFLECTING LOCAL UNDERSTANDING OF THESE PROBLEMS, HK'S LEGAL PROFESSION HAS BEEN ACTIVELY PROMOTING THE PRESERVATION OF THE HK SYSTEM. MOREOVER, THE HONG KONG AFFAIRS SOCIETY, A NEW ISSUE GROUP HERE, ORGANIZED A JUNE 3 SYMPOSIUM TO ANNOUNCE ITS VIEWS AND DISCUSS THE BASIC LAW AND CONTINUITY OF THE LEGAL SYSTEM. THE SOCIETY PRESENTED A POSITION PAPER ON THE "BASIC LAW" CALLING FOR A SEPARATE LEGISLATIVE, JUDICIAL AND EXECUTIVE BRANCHES OF GOVERNMENT AND A DEFINED RELATIONSHIP BETWEEN THE CENTRAL AND SPECIAL ADMINISTRATIVE REGION (SAR) AUTHORITIES. THE GROUP SAID THERE SHOULD BE NO

BT

~~SECRET~~

34

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036267
EOB946 AN000821 TOR: 166/1754Z CSN: HCE817

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LEVN-01 LAUX-01 SOMM-01
ROBN-01 MINN-01 MAT-01 THOM-01 COBB-01
/011 A4

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

ROUTINE
STU7660
DE RUMJNG #1175/05 1660540
R 140522Z JUN 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4131

INFO AMEMBASSY BEIJING 0851
AMEMBASSY LONDON 5268

~~SECRET~~ SECTION 05 OF 06 HONG KONG 11175

EXDIS
NOFORN

E. O. 12356: DECL: OADR
TAGS: PGOV, PREL, CH, HK, UK
SUBJECT: HONG KONG 1997: THE LEGAL QUESTION AND THE FORM
CHINESE LAWS IN EFFECT IN HONG KONG UNLESS THEY HAD
BEEN ADOPTED BY THE LOCAL SAR LEGISLATURE AND ARGUED
ALL POWERS NOT SPECIFICALLY GRANTED TO THE BEIJING
AUTHORITIES SHOULD BE RESERVED FOR THE HONG KONG PEOPLE
AND THEIR GOVERNMENT. (ONLY DEFENSE AND FOREIGN AFFAIRS
WOULD BE STRICTLY ASSIGNED TO THE BEIJING AUTHORITIES.)
ALTHOUGH IT ACKNOWLEDGED THE NATIONAL PEOPLE'S CONGRESS
(NPC) AS THE HIGHEST AUTHORITY CONCERNING POWER RELATION-
SHIPS BETWEEN HK AND THE CENTRAL AUTHORITIES, THE
SOCIETY DECLARED THE HK JUDICIARY SHOULD HAVE THE POWER
TO DEAL WITH INTERNAL MATTERS AFFECTING HONG KONG.
(THIS POSITION IS SIMILAR TO THE ONE ADOPTED BY THE
PRESSURE GROUP "MEETING POINT" IN ITS DRAFT CONSTITUTION
FOR HONG KONG -- SEE HK 10593.)

17. AT THE SYMPOSIUM, ATTORNEY GENERAL MICHAEL THOMAS
SAID MUCH OF THE COMMON LAW WHICH HONG KONG CURRENTLY
RELIES ON SHOULD BE WRITTEN DOWN BY THE LEGISLATURE AS
PART OF THE CODIFIED LAW. HE FURTHER CALLED FOR RETAIN-
ING AS MANY OF THE CURRENT CROP OF JUDGES AS POSSIBLE
TO MAINTAIN CONTINUITY, KEEPING ENGLISH AS A LANGUAGE
FOR THE COURTS -- AS WELL AS ADDING CHINESE, AND SAID THE
FINAL SINO-BRITISH AGREEMENT SHOULD BE A BINDING LEGAL
DOCUMENT TO GIVE THE PEOPLE CONFIDENCE. AT THE SAME TIME,
A PROMINENT LOCAL SOLICITOR, JOSEPH C. T. LEE, TOLD THE
SEMINAR IT WAS ESSENTIAL TO DELINEATE THE BODY OF LAW
WHICH WILL REMAIN IN EFFECT AFTER 1997 AND PARTICULARLY
TO IDENTIFY HOW THE COMMON LAW TRADITION WOULD BE SUS-
TAINED AS A BODY OF CONTINUING PRECEDENT FOR COURT DE-
CISIONS. LEFT-LEANING SOLICITOR LIU YIU-CHU (AKA DOROTHY
LIU) TOLD THE SOCIETY'S AUDIENCE THERE SHOULD BE A "CON-
STITUTIONAL COURT" SET UP TO HANDLE THE QUESTIONS ARISING
FROM INTERPRETATION AND IMPLEMENTATION OF THE BASIC LAW
BY BEIJING AND HONG KONG. WHILE SHE ACCEPTED THE NEED
FOR A WELL-DEFINED BASIC LAW, SHE SUGGESTED THERE MUST BE
A GREAT DEAL OF FLEXIBILITY IN THE LAW TO ENABLE IT TO
ADJUST TO HONG KONG'S EVOLUTION AND TO FURTHER UNDERSTAND-
ING OF THE INTER-RELATIONSHIP OF THE TWO DIFFERENT SYSTEMS.

~~SECRET~~

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036267

NOTING THE SPECIAL CIRCUMSTANCES EXISTING BETWEEN DENMARK AND GREENLAND, LIU SUGGESTED A SIMILAR COURT REVIEW SYSTEM COULD BE ESTABLISHED BUT WITH TWO OF THE THREE PROPOSED JUDGES COMING FROM HONG KONG. (QUEEN'S COUNSEL MARTIN LEE, WHO HIMSELF ARGUED AT THE SYMPOSIUM FOR THE INDEPENDENCE OF THE JUDICIARY AND THE CREATION OF AN INDEPENDENT APPEALS COURT IN HONG KONG SUBSEQUENTLY QUESTIONED THE NECESSITY OF GOING THIS FAR AND DEFINING A COURT WHICH WOULD IN AFFECT HAVE SIMILAR POWERS TO HONG KONG'S EXISTING HIGH COURT.) THE WIDESPREAD JUNE 4 MEDIA COVERAGE GIVEN TO THE SYMPOSIUM INDICATES THE DEPTH OF INTEREST SUCH ISSUES HAVE FOR THE PEOPLE OF HONG KONG.

COMMENT

18. OUR PRIVATE CONVERSATIONS ON THE LEGAL ISSUE WITH VARIOUS OFFICIAL AND NON-OFFICIAL SOURCES SUGGEST THERE ARE MAJOR UNANSWERABLE ISSUES WHICH COULD AFFECT THE ULTIMATE STABILITY OF THE LEGAL SYSTEM. THERE CLEARLY HAS BEEN NO FUNDAMENTAL AGREEMENT OR NECESSARILY EVEN UNDERSTANDING BY THE PRC OF THE PROBLEM OF DEFINED AND RESIDUAL POWERS. LOCAL XINHUA OFFICIALS CONNECTED WITH THE TALKS PROFESS A COMPREHENSION OF THE ISSUE, BUT THEY ARE UNWILLING TO SUGGEST THE INTERPRETATION FAVORABLE TO HK IS POSSIBLE, IMPLYING PERHAPS THERE HAS ALREADY BEEN SOME DISAGREEMENT EXPRESSED IN BEIJING ON THIS SCORE. ON THE OTHER HAND, THERE HAS BEEN A REMARKABLE FLEXIBILITY WITH REGARD TO THE INSTRUMENTS OF THE LAW. THE CHINESE OFFICIALS HERE ACCEPT THE IDEA OF AN INDEPENDENT COURT SYSTEM, AN INDEPENDENT JUDICIAL REVIEW PROCESS INDIGENOUS TO HONG KONG, AND CONTINUING USE OF EXPATRIATE JUDGES AND THE ENGLISH LANGUAGE. THESE POSITIONS ALSO HAVE FOUND THEIR WAY INTO PRC NEGOTIATION COMMITMENTS TO THE BRITISH.

19. A LOCAL XINHUA OFFICIAL CLOSE TO THE TALKS TOLD

CONGENOFF THE IDEA OF THE POST-1997 HKG HIRING BRITISH JUDGES TO STAFF ITS HIGHEST COURTS WOULD BE LOGICAL AND ACCEPTABLE EVEN THOUGH IT WOULD IMPLY A CERTAIN RESIDUAL BRITISH "PRESENCE" HERE. ANOTHER IN THE CHINESE PEOPLE'S POLITICAL CONSULTATIVE CONFERENCE (CPPCC) WAS IMPRESSED BY MARTIN LEE'S PROPOSALS TO CREATE HONG KONG'S INDE-

BT

~~SECRET~~

36
~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036269
EOB947 AN000820 TOR: 166/1755Z CSN: HCE818

DISTRIBUTION: CHLD-01 STEI-01 SIGU-01 LEVN-01 LAUX-01 SOMM-01
ROBN-01 MINN-01 MAT-01 THOM-01 COBB-01
/011 A4

WHTS ASSIGNED DISTRIBUTION:

SIT:

EOB:

ROUTINE
UTS9667
DE RUMJNG #1175/06 1660541
R 140522Z JUN 84
FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4132

INFO AMEMBASSY BEIJING 0852
AMEMBASSY LONDON 5269

~~SECRET~~ SECTION 06 OF 06 HONG KONG 11175

EXDIS
NOFORN

E.O. 12356: DECL: OADR

TAGS: PGOV, PREL, CH, HK, UK

SUBJECT: HONG KONG 1997: THE LEGAL QUESTION AND THE FORM
PENDENT REVIEW COURT NOW, GIVING THE COURT TIME TO
ESTABLISH ITS CREDIBILITY AND BUILD CONTINUITY UP TO
AND THROUGH 1997. (ALTHOUGH WE CANNOT BE SURE HE DID
SO, THE DELEGATE PLANNED TO ADVANCE THIS PROPOSAL DURING
THE RECENT CPPCC SESSION IN BEIJING.) THE HIGHLY RE-
SPECTED CHINESE UNIVERSITY VICE CHANCELLOR MA LIN, AT
A PRIVATE GATHERING, WHICH INCLUDED BOTH LOCAL HKG
LEADERS AND NCNA OFFICIALS, EMPHASIZED THE IMPORTANCE
THE HK PEOPLE ATTACH TO THE RULE OF LAW. HE CONTRASTED
THIS WITH THE RULE OF MAN WHICH HAS SO LONG PREVAILED
IN CHINA. HIS AUDIENCE SECONDED THIS OBSERVATION WHICH
PARTICULARLY IMPRESSED THE VICE DIRECTOR OF NCNA, LI
CHUWEN. LI ACKNOWLEDGED THE VIEW WAS COGENT FOR CURRENT
CHINESE CONSIDERATION.

20. BASED ON THESE OBSERVATIONS AND CONVERSATIONS, WE
BELIEVE THE CHINESE ULTIMATELY WILL AGREE TO MAINTAINING
THE "SYSTEM" MUCH AS IT IS NOW WITH THE EXISTING LAWS
-- MINUS THEIR COLONIAL OVERTONES -- AND THEIR COMMON
LAW PRECEDENT INTACT. THE CREATION OF A NEW LOCAL COURT
OF HIGHEST APPEAL UNDER THIS ARRANGEMENT WOULD BECOME
THE FOCAL POINT OF FUTURE COMMON LAW PRECEDENT FOR HK.
HOW MUCH POST-1997 COMMON LAW PRECEDENT FROM OUTSIDE HK
WILL BE INFUSED ONCE THE PRC BECOMES SOVEREIGN REMAINS
A QUESTION AT THIS TIME, BUT WE SUSPECT THIS ELEMENT
MIGHT BE RESTRICTED IF NOT ELIMINATED. SINCE WE DO NOT
BELIEVE BEIJING WILL IMPOSE ITS OWN LAWS HERE, THERE
WILL BE CONSIDERABLE ROOM FOR CASES AFFECTING BEIJING
AND THE SAR TO DEVELOP CONFLICTING INTERPRETATIONS OF
SETTLEMENT OR APPLICABILITY OF LAWS. IT MAY BE NECES-
SARY, THEREFORE, FOR CHINA AND THE SAR TO ESTABLISH SOME
KIND OF COMMISSION OR COURT WHICH ADJUDICATES THESE
ISSUES. CHINA'S PROGRESS IN DEVELOPING ITS OWN LEGAL
CODES AND ITS EFFORTS TO WORK OUT COMMERCIAL DISPUTES
BY CONSULTATIONS WITH LEGAL EXPERTS AND BUSINESSMEN HERE
IS A GOOD SIGN BEIJING IS AWARE OF THE DIFFICULTIES AND
THE NEED TO RESOLVE THEM. UNFORTUNATELY, HOWEVER, THESE
ISSUES ARE FAR LESS CRUCIAL THAN THE UNANSWERED QUESTION

~~SECRET~~

37

~~SECRET~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 1175 DTG: 140522Z JUN 84 PSN: 036269

OF DEFINED AND RESIDUAL AUTHORITY. ULTIMATELY, THE HK
PEOPLE WILL HAVE TO LOOK TO THIS ELEMENT OF THE PRO-
TECTION OF THE LAWS TO DETERMINE JUST HOW SAFE THEY WILL
BE FROM PRC INTERFERENCE IN HK'S CONSTITUTIONAL AND LEGAL
STRUCTURE.
END COMMENT.
WILLIAMS
BT

EXDIS

EXDIS

EXDIS

EXDIS

~~SECRET~~