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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 6/11/2010

**File Folder** CHINA-FOREIGN RELATIONS-HONG KONG (6/15/84-7/5/84)

**FOIA**

M09-299/1

**Box Number** 13

COLLINGS

24

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92545	CABLE	STATE 175307 <i>R 6/21/2012 M299/1</i>	2	6/15/1984	B1
92546	CABLE	LONDON 13784 (INCOMPLETE CABLE) <i>R 6/21/2012 M299/1</i>	3	6/19/1984	B1
92547	CABLE	HONG KONG 11357 <i>R 6/21/2012 M299/1</i>	4	6/19/1984	B1
92548	CABLE	HONG KONG 11765 <i>R 6/21/2012 M299/1</i>	2	6/22/1984	B1
92549	CABLE	261350Z JUN 84 <i>D 12/20/2017 M299/1</i>	2	6/26/1984	B1 B3
92550	CABLE	261719Z JUN 84 <i>D 12/20/2017 M299/1</i>	1	6/26/1984	B1 B3
92551	CABLE	262146Z JUN 84 <i>D 12/20/2017 M299/1</i>	1	6/26/1984	B1 B3
92552	MEMO	LOU SARRIS TO MR. WOLFOWITZ RE HONG KONG <i>R 6/21/2012 M299/1</i>	1	6/29/1984	B1
92553	PAPER	RE HONG KONG <i>R 12/20/2017 M299/1</i>	4	6/27/1984	B1 B3

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

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

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

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

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

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M09-299/1

**Box Number** 13

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92556	PAPER	RE HONG KONG <b>PAR 12/20/2017 M299/1</b>	6	7/5/1984	B1 B3
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- B-1 National security classified information [(b)(1) of the FOIA]
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92545

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PAGE 01 OF 02 SECSTATE WASHDC 5307 DTG: 150158Z JUN 84 PSN: 037420  
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~~SECRET~~ STATE 175307

NODIS  
NOFORN

E.O. 12356: DECL: OADR  
TAGS: PREL, CH, UK, HK  
SUBJECT: FUTURE OF HONG KONG: ROUND FIFTEEN BRIEFING BY  
BRITISH EMBASSY  
REF: (A) LONDON 12661 (NOTAL), (B) HONG KONG 10646  
(C) LONDON 12899

1. SECRET/NODIS/NOFORN ENTIRE TEXT.

2. SUMMARY. THE BRITISH EMBASSY PROVIDED EAP/C WITH A READOUT OF THE MAY 30-31 TALKS WHICH PROCEEDED ALONG THE SAME LINES AS FCO'S BRIEFING TO LONDON (REF A) AND COVERED NO NEW GROUND. BRITISH EMBASSY BRIEFER NOTED THAT CHINESE INTRANSIGENCE, EVEN ON PROCEDURAL MATTERS, WAS DISCOURAGING. THE TALKS, TYPICALLY CHARACTERIZED AS USEFUL AND CONSTRUCTIVE, COVERED THE PROPOSED WORKING GROUP TO MEET IN CONTINUOUS SESSION (REF A NOTES IT IS PROPOSED TO FORM IN MID-JUNE), THE PROPOSED PRE-1997 PERIPATETIC GROUP, THE UK RESPONSE TO THE CHINESE DRAFT AGREEMENT TABLED AT ROUND FOURTEEN, THE STATIONING OF PLA TROOPS IN HONG KONG AND LAND ARRANGEMENTS. BRITISH BRIEFER DID NOT MENTION THE ISSUE OF CIVIL SERVANTS AS REF A REPORTS WAS COVERED BY FCO BRIEFING. END SUMMARY.

3. WORKING GROUP: AS REF A REPORTS, CONTINUOUS SESSION WOULD BEGIN IN MID-JUNE. THE BRIEFER NOTED THAT THE UK AND PRC DISAGREE OVER PROCEDURE. THE BRITISH PREFERRING TO NAIL DOWN THE ANNEXES BEFORE DISCUSSING THE OVERALL AGREEMENT, AND THE CHINESE, AS USUAL, PREFERRING TO ESTABLISH THE GENERAL LANGUAGE OF THE UK-PRC AGREEMENT FIRST.

4. "PERIPATETIC JOINT GROUP." THE BRIEFER TOLD US THAT THE UK COULD ACCEPT A PERIPATETIC GROUP TO DISCUSS MATTERS ARISING FROM NEGOTIATION OF THE BASIC AGREEMENT WITH THE GOAL OF EFFECTING A SMOOTH TRANSFER OF GOVERNMENT. WE WERE TOLD THAT LONDON CONTINUES TO OBJECT TO A HONG KONG-BASED BODY FOR THE SAME REASONS NOTED REF A, I. E.

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BY KML NARA DATE 6/21/12

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THE EXISTENCE OF SUCH A GROUP IN HONG KONG WOULD RENDER  
THE HKG IMPOTENT.

5. EXCHANGE OF DRAFTS. OUR BRIEFER REPEATED READOUT GIVEN  
IN PARA 6 REF A, VIRTUALLY VERBAT, M. THE UK PRESENTED A  
DETAILED CRITIQUE OF THE CHINESE DRAFT AGREEMENT AND  
EXCHANGE OF NOTES AND INTRODUCED TWO REVISED ANNEXES  
(LEGAL SYSTEM AND EXTERNAL ECONOMIC RELATIONS), NOTING  
THAT GREATER CLARITY AND DETAIL WERE REQUIRED. THE CHINESE  
REPORTEDLY RESPONDED BY STATING THAT EXCESS DETAIL WAS  
UNNECESSARY AND IMPOSED LIMITATIONS ON HONG KONG'S AUTONOMY.

6. PLA TROOPS. OUR BRIEFER TOLD US THAT THE BRITISH  
RAISED THIS POINT AND WERE TOLD THAT DENG'S STATED POSITION  
WAS UNCHANGED.

7. LAND. WE WERE TOLD THAT THE BRITISH MAINTAINED THEIR  
EARLIER POSITION.

8. COMMENT. OUR BRIEFER WAS A STAND-IN FOR BRITISH  
EMBOFF WHO HAS THE HONG KONG BRIEF BUT IS ON VACATION.  
AS A REPLACEMENT WITH NO BACKGROUND IN THE HISTORY OF THE  
TALKS TO DATE HE IS OBVIOUSLY LESS ABLE TO PROVIDE THE  
FULL FLAVOR OF THE TALKS BASED SOLELY ON REPORTS FROM  
LONDON.

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92546

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PAGE 01 OF 02 LONDON 3784  
EOB098 AN004934

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TOR: 172/1355Z CSN: HCE789

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NLRR M299 #92546

TO SECSTATE WASHDC 8689

BY KML NARA DATE 6/21/12

~~SECRET~~ SECTION 02 OF 03 LONDON 13784

EXDIS  
E.O. 12356: DECL: OADR  
TAGS: PREL, HK, CH, UK  
SUBJECT: FUTURE OF HONG KONG; LONDON UPDATE  
TO STABILIZE THE HONG KONG DOLLAR. THE U.K. REFUSED.  
EVEN HMG ITSELF IS NOT PRIVY TO THIS INFORMATION. FCO  
BELIEVES THE CHINESE ARE AFRAID THE U.K. WILL ABSCOND  
WITH THE MONEY.

6. LAND: IN REPLY TO ZHOU NAN'S COMMENT DURING ROUND  
FIFTEEN (REF D, PARA 8), THE U.K. RESTATED ITS PREVIOUS  
POSITION, EXPLAINING THAT DECISIONS ON LEASE ISSUANCE  
HAD TO TAKE ACCOUNT OF COMMERCIAL CONSIDERATIONS AND  
THE STATE OF THE PROPERTY MARKET, AND SHOULD NOT BE  
TIED TO A BUREAUCRATIC POLICY. AS BEFORE, THE U.K.  
REJECTED ANY NEED FOR A NEW FUND TO DUPLICATE THE  
FUNCTION ALREADY BEING PERFORMED BY THE CAPITAL DEVELOP-  
MENT FUND.

7. EVACUATION PLANS: FCO (PROTECT) SAID THAT RECENT  
NEWSPAPER REPORTS THAT HMG WAS COMPILING LISTS OF  
POTENTIAL EVACUEES FROM HONG KONG WERE "HALF RIGHT,  
HALF WRONG" AND OBVIOUSLY STEMMED FROM "A POLITICAL  
LEAK, POSSIBLY LUCE." THERE ARE NO LISTS PER SE, BUT  
HMG DEPARTMENTS ARE CONSIDERING HOW TO TREAT THE VARIOUS  
CATEGORIES OF HONG KONG CIVIL SERVANTS. AT A CERTAIN  
STAGE HMG "WILL HAVE TO GIVE CERTAIN UNDERTAKINGS"  
REGARDING THE INTERESTS OF CIVIL SERVANTS. EMBASSY  
COMMENT: IT APPEARS THAT THE FCO LEAK, IF SUCH IT WAS,  
WAS INTENDED TO GIVE AN UNOFFICIAL INDICATION TO  
CIVIL SERVANTS THAT THEIR INTERESTS WERE BEING CONSIDERED,  
IN THE HOPE THAT THIS WOULD STAVE OFF INDIVIDUAL DECISIONS  
TO "LEAVE WHILE THERE IS STILL TIME." END  
COMMENT.

--  
BUSINESS VIEWS:

8. CONFIDENCE AND CONTINUITY: U.K. BUSINESS LEADERS SEE  
A CRUCIAL NEED FOR CHINA TO CONVINCE YOUNG CHINESE  
PROFESSIONALS THAT IT IS WORTH STAYING IN HONG KONG, AND  
THAT THEY WILL RETAIN THE FREEDOM TO EDUCATE THEIR  
CHILDREN ABROAD, TO TRAVEL, TO MOVE THEIR OWN RESOURCES  
AS THEY CHOOSE, ETC. CHINESE VERBAL ASSURANCES MAY NOT  
BE ENOUGH; THERE SHOULD BE A WRITTEN CODICIL TO THE  
UK-PRC AGREEMENT. MOST YOUNG HONG KONG PROFESSIONALS  
ARE WAITING TO SEE HOW THE UK-PRC AGREEMENT COMES OUT;  
FEW HAVE LEFT THUS FAR.

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9. OUR CONTACTS ALSO SAW A NEED FOR THE UK-PRC TREATY TO SPELL OUT DETAILS OF THE CONDITIONS IN WHICH POST-1997 BUSINESS WOULD OPERATE. ONLY THIS KIND OF LEGAL UNDERPINNING WOULD PERMIT BUSINESSES TO RISK CONTINUED EXPOSURE AND EXPANSION IN HONG KONG.

10. REASSURING CHINESE PROPAGANDA OVER THE PAST YEAR, PLUS CHINESE INVESTMENT IN HONG KONG, HAVE DONE MUCH TO BOLSTER CONFIDENCE, IN THE VIEW OF OUR CONTACTS. THEY BELIEVE HONG KONG IS LIKELY TO GO ON DEVELOPING; THE OPPORTUNITIES ARE THERE. THEIR OWN RECENT BUSINESS DECISIONS, WHICH INCLUDED TAKEOVERS OF ADDITIONAL HONG KONG-BASED ASSETS, HAVE BEEN BASED ON THIS ASSUMPTION.

11. CHINESE IMPLEMENTATION: OUR BUSINESS CONTACTS BELIEVE THE PRESENT GENERATION OF CHINESE LEADERS INTENDS TO CARRY OUT ITS STATED PLANS, BUT THEY QUESTION WHETHER THE CHINESE UNDERSTAND BUSINESS NEEDS SUFFICIENTLY FOR CONTINUED PROSPERITY. AS AN EXAMPLE, THEY CITED CHINESE FAILURE TO PERMIT INCENTIVE PAY IN THE SPECIAL ECONOMIC ZONES, WHICH WAS LEADING SOME FOREIGN FIRMS TO LOCATE IN CANTON OR ELSEWHERE. IN ANOTHER EXAMPLE, LOCAL CHINESE GOVERNMENT OFFICIALS IN SHANGHAI COULD ONLY MAKE DECISIONS CONCERNING TRANSACTIONS OF UP TO 100 MILLION DOLLARS. ALL OTHER DECISIONS HAD TO BE ROUTED THROUGH THE CUMBERSOME BEIJING BUREAUCRACY. THE GOVERNMENT-IMPOSED FACTORY QUOTA SYSTEM WAS PUTTING AN ARTIFICIAL CAP ON PRODUCTIVITY; OUR CONTACTS DESCRIBED ONE FACTORY WHERE ALL THE WORKERS HAD GONE HOME AT NOON BECAUSE THEY HAD COMPLETED THEIR DAILY NORM.

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12. POLLUTION: THE POLITICAL DIFFICULTIES POSED BY HONG KONG'S LIFESTYLE RUBBING UP AGAINST MAINLAND AUSTERITY COULD FORCE THE CHINESE LEADERSHIP TO IMPOSE RESTRICTIONS, IN THE VIEW OF OUR BUSINESS CONTACTS. THEY FORESAW POTENTIAL PROBLEMS IF SOLDIERS UNDER THE COMMAND OF THE GUANGDONG MILITARY DISTRICT (WHOSE GENERAL RECENTLY TOLD OUR CONTACTS THAT HONG KONG WAS IN "HIS" TERRITORY) WERE POSTED TO HONG KONG. OTHER  
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PAGE 01  
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LONDON 3784  
AN004933

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~~SECRET~~ SECTION 03 OF 03 LONDON 13784

EXDIS  
E. O. 12356: DECL: OADR  
TAGS: PREL, HK, CH, UK  
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE  
PROBLEMS COULD SPRING UP IF SHANGHAI AND OTHER DISTRICTS  
BEGAN DEMANDING HONG KONG-STYLE AUTONOMY. TOO MUCH  
PRESSURE COULD FORCE BEIJING TO CLAMP DOWN ON HONG KONG  
IN ORDER TO KEEP THE POISON FROM SPREADING.

13. ANTI-BRITISH BACKLASH: OUR CONTACTS FELT THAT  
FCO HAD PLAYED ITS FEW CARDS AS WELL AS COULD BE  
EXPECTED, BUT WARNED THAT EVEN THE BEST OF ALL POSSIBLE  
AGREEMENTS WOULDN'T SATISFY EVERYONE. WITH BRITAIN'S  
REPUTATION FOR DIPLOMATIC SKILL, A FAILURE TO GET A  
PERFECT DEAL MIGHT LEAD TO ACCUSATIONS OF BRITISH  
DUPLICITY, WHICH IN TURN COULD RESULT IN ANTI-BRITISH  
BACKLASH IN HONG KONG. NEVERTHELESS, OUR CONTACTS WERE  
CAUTIOUSLY OPTIMISTIC THAT THE WORST EXTREMES COULD  
BE AVOIDED.

14. DISTRIBUTION NOTE: TO KEEP GOOD FAITH WITH FCO,  
WHICH HAS AGREED TO CONTINUE ITS BRIEFINGS ON THE  
CONDITION THAT THEY BE REPORTED ONLY TO WASHINGTON, WE  
WILL ADDRESS THESE CABLES ONLY TO THE DEPARTMENT.  
HOWEVER, WE REQUEST THAT THE DEPARTMENT REPEAT THEM IN  
FULL TO OUR USUAL ADDRESSEES WITH AN UPGRADED  
CLASSIFICATION. PRICE  
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NATIONAL SECURITY COUNCIL  
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92547

PAGE 01 OF 02 AMCONSUL HONG KONG 1357 DTG: 190537Z JUN 84 PSN: 047385  
EOB365 AN004210 TOR: 171/1646Z CSN: HCE477

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NLRR M299 # 92547

BY KML NARA DATE 6/21/12

~~SECRET~~ SECTION 01 OF 02 HONG KONG 11357

EXDIS  
NOFORN

E. O. 12356: DECL: OADR  
TAGS : PREL, CHK UK, HK  
SUBJECT : FUTURE OF HONG KONG: DISCUSSION WITH HKG  
- POLAD  
REF : HONG KONG 11211

1. SECRET/EXDIS/NOFORN - ENTIRE TEXT

2. SUMMARY. HKG POLITICAL ADVISER ROBIN MCLAREN TELLS US THE MOST SIGNIFICANT ACCOMPLISHMENT AT ROUND 16 OF THE SINO-BRITISH NEGOTIATIONS WAS THE ESTABLISHMENT OF THE WORKING GROUP (REF) WHICH IS EXPECTED TO REMAIN IN SESSION ALMOST UNINTERRUPTEDLY UNTIL SEPTEMBER. IT WILL INITIALLY TAKE UP THE DRAFT OVERALL JOINT DECLARATION FOR A WEEK, THEN TURN TO POST-1997 ARRANGEMENTS FOR AN ESTIMATED FOUR WEEKS, AND FINALLY TACKLE PRE-1997 TRANSITION ARRANGEMENTS.  
- APART FROM THE WORKING GROUP MATTER, ALL THAT HAPPENED AT THE JUNE 12-13 ROUND WAS A POLITE REITERATION OF THE TWO SIDES' PREVIOUSLY-STATED POSITIONS ON LAND AND PRE-1997 ARRANGEMENTS. THE POSITIONS ON THESE AND OTHER TOPICS REMAIN FAR APART, NEITHER SIDE SHOWS ANY SIGN OF MOVEMENT, AND MCLAREN SAYS IT IS TOTALLY UNCLEAR WHAT WILL BE DISCUSSED AT ROUND 17 ON JUNE 27-28. YET HE SEEMS CONFIDENT THAT A SEPTEMBER AGREEMENT WILL BE REACHED, SUPPORTING A JUDGMENT THAT THE BRITISH HAVE ALREADY TACITLY RESIGNED THEMSELVES TO SETTLING FOR WHATEVER THEY CAN GET. END SUMMARY.

3. THE ESTABLISHMENT OF THE WORKING GROUP WAS WORKED OUT BETWEEN HEADS OF DELEGATION BEFORE AND BETWEEN NEGOTIATING SESSIONS, SAID MCLAREN. NOT EMPOWERED WITH FULL NEGOTIATING AUTHORITY, THE GROUP WILL IN THE BRITISH VIEW ESSENTIALLY BE TASKED WITH DRAFTING LANGUAGE IN AREAS WHERE AGREEMENT APPEARS NEAR. ACCORDINGLY THE UK SIDE INITIALLY PROPOSED THAT THE GROUP DEAL ONLY WITH THE ANNEXES COVERING POST-1997

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ARRANGEMENTS. THE CHINESE COUNTERED THAT IT SHOULD HANDLE ALL SUBJECTS, STARTING WITH THE JOINT DECLARATION ANNOUNCING OVERALL AGREEMENT AND COVERING SOVEREIGNTY TRANSFER, MOVING NEXT TO THE POST-1997 ANNEXES, AND FINALLY TURNING TO THE PRE-1997 PROTOCOL. APPARENTLY THE CHINESE ENVISAGED THE GROUP AS HAVING MORE NEGOTIATING AUTHORITY THAN THE BRITISH DID, BECAUSE MOVEMENT FROM ONE NEGOTIATING SUBJECT TO THE NEXT WAS TO TAKE PLACE ONLY WHEN FINAL AGREEMENT ON THE FIRST SUBJECT HAD BEEN REACHED.

4. THE BRITISH ACCEPTED THE CHINESE PROPOSAL TO INSCRIBE ALL THREE TOPICS ON THE WORKING GROUP'S AGENDA, AND IN RETURN THE CHINESE ACCEPTED CERTAIN LIMITATIONS ON WORKING GROUP ACTIONS. THE INITIAL ATTENTION TO THE OUTLINE DECLARATION WITH THE SOVEREIGNTY PROVISIONS IS NOT TO TAKE UP MORE THAN A WEEK, FOLLOWING WHICH UNAGREED POINTS WILL BE REFERRED BACK TO THE PLENARY. MCLAREN PROVIDED A CLUE AS TO ONE AREA OF DISAGREEMENT WHEN HE SUBSEQUENTLY COMMENTED THAT IT TROUBLED THE BRITISH THAT THE CHINESE DRAFT DECLARATION CONTAINED PROVISIONS ON TRANSFER OF SOVEREIGNTY WHICH WOULD BE BINDING ON THE BRITISH BUT NOTHING WHICH WOULD BE "EQUIVALENTLY" BINDING ON THE CHINESE.

5. NEXT THE GROUP WILL TURN TO POST-1997 ARRANGEMENTS, UTILIZING AS A BASIS TWO DOCUMENTS ALREADY ON THE TABLE, THE BRITISH DRAFT ANNEXES AND THE LESS-DETAILED CHINESE DRAFT NOTE. THE BRITISH WILL PRESS FOR THE INCLUSION OF ADDITIONAL DETAIL, PUTTING FORTH BOTH POINTS TO WHICH THE CHINESE DID NOT OBJECT AT THE TIME OF INITIAL BRITISH PRESENTATION AND POINTS TO WHICH

THE BRITISH CANNOT SEE WHY THEY SHOULD OBJECT.

6. LASTLY THE WORKING GROUP WOULD DRAFT LANGUAGE ON PRE-1997 TRANSITION ARRANGEMENTS. HOWEVER, MCLAREN SEES NO EARLY PROSPECT OF THE PLENARY'S REFERRING ANYTHING ON THIS SUBJECT TO THE WORKING GROUP, BECAUSE THE TWO SIDES' POSITIONS ARE STILL "MILES APART."

7. THE POLAD WAS PLEASED THAT THE CHINESE HAD RADILY  
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PAGE 01 OF 02 AMCONSUL HONG KONG 1357 DTG: 190537Z JUN 84 PSN: 047393  
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~~SECRET~~ SECTION 02 OF 02 HONG KONG 11357

EXDIS  
NOFORN

E. O. 12356: DECL: OADR  
TAGS : PREL, CHK UK, HK  
SUBJECT : FUTURE OF HONG KONG: DISCUSSION WITH HKG  
AGREED THAT OF THE 5-MAN BRITISH WORKING GROUP TEAM,  
TWO (MCLAREN HIMSELF AND LEGAL SPECIALIST GERALD  
NAZARETH) COULD BE FROM HONG HONG; BEIJING DID HOWEVER  
STIPULATE THAT THE ATTENDANT PUBLICITY SHOULD AVOID  
RESURRECTING THE REJECTED "3-LEGGED STOOL" CONCEPT.  
HE ALSO NOTED THAT THE FIFTH BRITISH MEMBER, FCO LEGAL  
ADVISER BURROWS, IS EXPECTED IN BEIJING ONLY FOR THE  
FIRST WEEK OF WORKING GROUP DELIBERATIONS. CHINESE  
TEAM LEADER KE ZAISHUO HAS NOT BEEN FORTHCOMING IN THE  
TALKS TO DATE, AND ALL THE BRITISH KNOW OF HIM IS THAT  
HE WAS LABELED A RIGHTIST IN THE 1950'S AND WAS IN  
TROUBLE AGAIN DURING THE CULTURAL REVOLUTION.

8. AT THE ROUND 16 NEGOTIATING SESSIONS PROPER, THE  
TWO SIDES DID NO MORE THAN TO REITERATE WITHOUT CHANGE  
THEIR PREVIOUSLY-STATED POSITIONS ON LAND AND ON  
PRE-1997 TRANSITION ARRANGEMENTS. MCLAREN DESCRIBED  
THE ATMOSPHERE AS REASONABLE AND SAID THE CHINESE  
WERE AT PAINS TO STATE THEIR POSITIONS MODERATELY.  
BUT THERE WAS NO SIGN OF FLESIBILITY.

9. ASKED WHICH POST-1997 ARRANGEMENTS WERE STILL SO  
FAR FROM AGREEMENT AS TO REQUIRE PLENARY AS OPPOSED  
TO WORKING GROUP ATTENTION, MCLAREN INSTANCED NATION-  
ALITY, GOVERNMENT AND CONSTITUTIONAL STRUCTURE, PUBLIC  
SERVANTS, CIVIL AVIATION, AND LAND "AMONG OTHERS."  
HE SAID THAT NO AGREEMENT HAS BEEN REACHED ON THE  
AGENDAS FOR UPCOMING PLENARY SESSIONS, OBSERVED THAT  
THE TWO SIDES PROBABLY WOULD NOT REACH AGREEMENT ON  
"CRUCIAL" TRANSITION QUESTIONS UNTIL THE "VERY END",  
AND IN THIS CONNECTION POINTEDLY NOTED THAT THE  
CHINESE HAVE YET TO RESPOND TO AN INTERNAL SECURITY  
PROPOSAL TABLED BY THE BRITISH.

10. WHEN I ASKED MCLAREN HOW--IN THE FACE OF SO MUCH

~~SECRET~~

~~SECRET~~

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PAGE 02 OF 02 AMCONSUL HONG KONG 1357 DTG: 190537Z JUN 84 PSN: 047393

EXDIS  
EXDIS  
EXDIS  
EXDIS

APPARENT DISAGREEMENT AND INFLEXIBILITY--HE COULD SEEM SO CONFIDENT OF SEPTEMBER AGREEMENT, HE RETREATED TO SAYING HE "HOPED" AGREEMENT COULD BE REACHED. MORE REVEALING THAN THIS, HOWEVER, WAS HIS REFERENCE TO FOREIGN SECRETARY HOWE'S COMMITMENT TO DENG XIAOPING TO STRIVE TO INITIAL AGREEMENT BY SEPTEMBER AND SIGN BY THE END OF THE YEAR. IN SEPTEMBER, SAID MCLAREN, THE APPROPRIATE MINISTERS IN LONDON WILL HAVE TO DECIDE WHETHER THEY CAN INITIAL, SINCE THEY WILL KNOW THERE IS LITTLE CHANCE OF SIGNIFICANT SUBSEQUENT CHANGE IN THE SIGNED VERSION. THE ONLY LOGICAL CONCLUSIONS I CAN REACH FROM ALL THIS ARE THAT THE DIPLOMATS FEEL UNDER ORDERS TO TAKE THE BEST THEY CAN GET BY SEPTEMBER, AND THAT THE LIKELIHOOD OF THE BUSY MINISTERS IN FAR-OFF LONDON REJECTING THE PREFERRED AGREEMENT ARE VIRTUALLY NIL. WHETHER THAT COURSE OF EVENTS AUGURS WELL FOR THE FUTURE OF HONG KONG DEPENDS ON A NUMBER OF FACTORS, NOT LEAST OF WHICH IS THE DEGREE OF FORTHCOMINGNESS THE CHINESE DEMONSTRATE DURING THE SUMMER AHEAD.  
WILLIAMS  
BT

~~SECRET~~



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~~SECRET~~

92548

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NLRRM299 #92548

NATIONAL SECURITY COUNCIL  
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BY KML NARA DATE 6/21/12

PAGE 01 OF 02  
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AMCONSUL HONG KONG 1765  
AN007182

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~~SECRET~~ HONG KONG 11765

EXDIS

E.O. 12356: DECL: OADR

TAGS: PREL, HK, CH

SUBJECT: SINO-BRITISH WORKING GROUP GOES OPERATIONAL  
REF: A) HK 11211; B) HK 11357 (NOTAL)

1. (U) THE JOINT WORKING GROUP, WHOSE FORMATION WAS ANNOUNCED AT THE CONCLUSION OF ROUND 16 OF THE SINO-BRITISH TALKS ON THE 1997 QUESTION (REF A), MET FOR THE FIRST TIME JUNE 21. BRITISH MEMBERS WHO HAD GATHERED EARLIER IN HONG KONG FOR INTERNAL REVIEW OF THE ISSUES WERE PLEASED WITH THE INTERNATIONAL CLUB VENUE. COMPOSITION OF THE CHINESE TEAM WAS MADE PUBLIC AT A BRIEF PHOTO SESSION BEFORE THE INITIAL MEETING. THE GROUP IS HEAVILY WEIGHTED WITH "LEGAL EXPERTS" LENDING CREDENCE TO THE IDEA THE GROUP IS TASKED WITH DRAFTING A FINAL VERSION OF THE SINO-BRITISH AGREEMENT ON HONG KONG'S FUTURE.

2. (U) THE SIX-MAN CHINESE TEAM (ONE MORE THAN THE BRITISH) INCLUDES:  
-- AMBASSADOR KE ZAISHUO, A MEMBER OF THE CHINESE NEGOTIATING TEAM AND A COUNSELOR TO THE MFA'S WEST EUROPEAN AFFAIRS DEPARTMENT. KE IS THE FORMER DEPUTY DIRECTOR OF THE MFA'S DEPARTMENT OF INTERNATIONAL ORGANIZATIONS, TREATIES AND LAWS AND OF THE DEPARTMENT OF INTERNATIONAL ORGANIZATIONS AND CONFERENCES;  
-- WU JIANFU, AN ADVISOR TO THE MFA'S DEPARTMENT OF INTERNATIONAL ORGANIZATIONS, TREATIES AND LAWS;  
-- SHI JIUYONG, AN ADVISOR TO THE MFA'S DEPARTMENT OF INTERNATIONAL ORGANIZATIONS, TREATIES AND LAWS;  
-- ZHANG YU, DEPUTY DIVISIONAL CHIEF OF THE MFA'S DEPARTMENT OF INTERNATIONAL ORGANIZATIONS, TREATIES AND LAWS;  
-- JIANG WEIPING, A COUNSELOR IN THE MFA'S DEPARTMENT OF WESTERN EUROPEAN AFFAIRS; AND,  
-- ZHANG XIANGLIN, A VICE DIRECTOR OF THE RESEARCH OFFICE OF XINHUA'S HONG KONG BRANCH.  
KE TOLD REPORTERS THE NUMBER OF CHINESE TEAM MEMBERS WAS NOT FIXED, OCCASIONALLY MEMBERS WOULD SKIP MEETINGS DUE TO "OTHER COMMITMENTS" AND OTHER PERSONNEL COULD BE ADDED FOR DIFFERENT PURPOSES.

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NATIONAL SECURITY COUNCIL  
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PAGE 02 OF 02 AMCONSUL HONG KONG 1765 DTG: 220950Z JUN 84 PSN: 055149

3. (S) COMMENT:

AS REPORTED IN REF B, THE FOREIGN AND COMMONWEALTH OFFICE'S LEGAL ADVISOR, FRED BURROWS, IS SCHEDULED TO PARTICIPATE IN THE TALKS FOR A WEEK TO TEN DAYS WHILE DISCUSSION FOCUSES ON THE TERMS OF THE FINAL AGREEMENT. BURROWS' PRIMARY MISSION IS TO ENSURE BRITISH SENSITIVITIES ON THE SOVEREIGNTY QUESTION ARE CONSIDERED IN THE WORDING OF THE FINAL AGREEMENT. BURROWS ACCOMPANIED SIR GEOFFREY HOWE IN HIS MID-APRIL BEIJING VISIT FOR PRELIMINARY DISCUSSIONS ON THE TECHNICALITIES INVOLVED IN THE "TRANSFER" OF SOVEREIGNTY. THIS DISCUSSION, ACCORDING TO WELL-INFORMED HKG SOURCE, POINTED UP A MAJOR DIFFERENCE IN THE TWO SIDES' POSITION. THE CHINESE CONTINUED TO CONTEND THE "UNEQUAL" TREATIES ARE INVALID, SO CHINA CAN AND WILL RESUME SOVEREIGN CONTROL WHENEVER IT WISHES. BRITAIN, ON THE OTHER HAND, REGARDS THE TREATIES AS SACROSANCT, INTERNATIONAL AGREEMENTS WHICH PARLIAMENT MUST ABROGATE. OUR SOURCE TOLD US BURROWS' APRIL VISIT WAS LESS THAN A TOTAL SUCCESS BECAUSE OF THESE DIFFERENCES. BUT AT LEAST BURROWS, DESCRIBED AS "LEGALISTIC", CAME AWAY WITH A BETTER UNDERSTANDING OF JUST HOW STICKY THE CHINESE CAN BE.

END COMMENT.  
WILLIAMS  
BT

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92549 CABLE

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United States Department of State

Washington, D.C. 20520

92552

June 29, 1984

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HK

TO: EAP - Mr. Wolfowitz  
FROM: INR/EAP - Lou Sarris  
SUBJECT: Chinese Policy Shifts on Hong Kong

The fundamentals of China's position on the future of Hong Kong have remained consistent over the past two years. Beijing has insisted from the start on the transfer of sovereignty, and has continued to voice support for self-government for the local people as well as the maintenance of the present legal and economic systems. However, as the Chinese have been forced to be more specific about post-1997 arrangements in the course of their talks with the British, Beijing's amplification now make Hong Kong's future appear less autonomous. Below are some examples of this evolution:

1. Until this spring, the Chinese did not indicate in any way that they intended to play a role in administering Hong Kong prior to 1997. At present, Beijing is asking that a Sino-British "liaison office" be established to oversee the transitional period.
2. Prior to this spring, the Chinese did not raise the issue of the stationing of PLA troops in the colony after 1997. Now, Beijing is asserting that it intends to send a contingent of troops once sovereignty reverts.
3. In early 1983, Deng Xiaoping and other Chinese leaders said that Hong Kong would remain capitalist for at least 50 years after 1997. Now, however, they are reluctant to write such a pat commitment into an agreement with the British.
4. China has become less receptive to Hong Kong views. Last week, Deng Xiaoping brushed off Executive Council members who went to Beijing to present their views. This contrasts sharply with Premier Zhao's solicitous letter to Hong Kong students last March in which he warmly thanked them for their ideas. The students advocated a democratic and autonomous Hong Kong.

cc: INR/CA - Mr. Bellocchi

Drafted: INR/EAP/CH:CMartin;rp

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NLRR M299 #92552

BY KML NARA DATE 6/21/12

~~SECRET/EXDIS~~  
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Prepared for  
Secretary's  
visit to  
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92553  
HK

18

BUREAU OF INTELLIGENCE AND RESEARCH: ISSUES PAPER

Sino-British Talks: Down to the Wire

The Sino-British talks on the future of Hong Kong have reached a critical stage. The two sides have agreed to accelerate the negotiations in an effort to meet a September deadline, but still remain far apart on substantive issues and are feeling the pressure of an increasingly restive Hong Kong public. In recent weeks, China has toughened its position on a number of points in the talks and coupled this with a campaign of leaks which has further complicated the situation. Beijing is now insisting on a visible role for itself in Hong Kong affairs prior to 1997, has declared that it intends to station PLA troops in the territory after 1997, and has sharply rebuffed efforts by local Chinese leaders from Hong Kong to put forth their views in Beijing. All of this has taken a further toll on public confidence in the colony and is adding to the decline in investor confidence.

It is not clear why the Chinese have adopted this hard-nosed tack. One possibility is that it is largely a negotiating ploy--part of an effort to soften the British up. The UK is asking for very detailed language in the annexes to the agreement, spelling out the prerogatives of a post-1997 Hong Kong government along with the rights of the territory's residents. The Chinese want a far more general statement. While we suspect that China will moderate its position somewhat as September draws closer, Beijing may show far less flexibility than the British would hope.

Meanwhile, the Hong Kong issue now seems to have become something of a political football within the Chinese leadership. Deng Xiaoping's unprecedented public denunciation of two senior colleagues last month for their statement that China would not station the PLA in Hong Kong clearly highlights leadership sensitivities. And subsequent Chinese statements on the troop question have at best been conflicting.

However, the Chinese appear to be more preoccupied with the pre-1997 period. Indeed, nationalistic elements within China seem to be raising suspicions that London plans to use the remaining thirteen years of the HK lease to siphon off the colony's financial resources and establish a democratic system that will severely circumscribe Beijing's options. Hence, China has demanded, inter alia, the creation of a Sino-British joint commission based in Hong Kong to oversee colonial affairs prior to 1997, and has unilaterally announced that it intends to station an additional committee in Hong Kong which will consult with the British on drafting a post-1997 constitution. Deng himself reportedly told Hong Kong delegates to China's parliament last month that the colony could become seriously unstable during the next thirteen years. Such worries seem to

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BY LW NARA DATE 10/20/17



- 2 -

have taken precedence over China's efforts earlier this year to keep business confidence high by reassuring the Hong Kong public about its commitment to maintain the status quo.

We believe that to some extent British actions have fueled Chinese concern. It is well-known that London is in the midst of drafting a blueprint for the democratization of Hong Kong which it plans to release within weeks for public discussion in Parliament and the colony itself. Adding to the problem, Hong Kong's public has become increasingly politically aroused, concerned that its interests and views are not being adequately represented in the negotiations. The recent visits to Beijing by Legislative Council members and local businessmen are indicative of this heightened activism.

London welcomes some pressure on Beijing from the grass roots but recognizes that such a tactic has considerable potential to get out of hand and ultimately could make it difficult for the British to gain Parliamentary ratification of an agreement. Meanwhile, intelligence reporting indicates that Beijing is convinced that the Hong Kong government is encouraging its Legislative Council to become more politically outspoken on the colony's future. What China regards as British collusion with the Hong Kong establishment spurs Beijing to become more deeply involved in the pre-1997 period and the cycle feeds on itself.

While these mounting suspicions are raising the stakes for the British, London nevertheless seems determined to achieve a September accord. Our evidence suggests that the UK has probably made a decision at the highest level not to risk the overall health of Sino-British relations in defense of Hong Kong's long-term future. In discussing the negotiations with US officials, the British have implied this, and, if this is true, it explains in large part the considerable ground which they have yielded to China in the talks in recent months. Hong Kong's Political Advisor Robin McClaren recently indicated to our Consul General that there was strong pressure from London to conclude an agreement by September. Another source has told us that Prime Minister Thatcher and Foreign Minister Howe are directly involved in wording the documents under negotiation.

We doubt that the British will commit themselves to an accord which would risk a severe backlash in Hong Kong or Parliament, but London's present posture makes it likely that a September agreement will contain few binding guarantees for Hong Kong. Such an agreement will almost certainly add to concern among the Hong Kong populace that their interests are being sacrificed.

An alternate scenario would be for Beijing in the next two months to pull back substantially from its present hard-line position. This would entail accepting a much more modest role



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in the pre-1997 period as well as deciding to make clearly binding, specific commitments about Hong Kong's governance once sovereignty reverts. Such a document would help arrest the decline in confidence that has beset the colony in recent months. The current atmosphere in Beijing, however, does not seem conducive to such a quick turnabout, especially since Deng himself feels compelled to weigh in on behalf of the hard-liners. At this juncture, perhaps the most that can be hoped for is a September agreement which leaves sufficient leeway for China to spell out at a later date its commitment to Hong Kong's autonomy.

Barring a highly favorable turn in the negotiations, we believe that political activity on the part of the Hong Kong public will gradually increase and that this in turn will continue to feed pressures in Beijing for a tighter reign on pre-1997 affairs. This may mean that Hong Kong over the next few years will become a much more politically charged environment, with Beijing and the local populace trying to improve their advantages and at the same time avoid serious destabilization. For their part, the British will be most concerned with keeping extremist tendencies within the colony in check.

Hence, we foresee business confidence eroding at a somewhat faster pace over the next year, despite the healthy rate of economic growth which the colony is currently experiencing. Foreign investment in Hong Kong, including \$4-5 billion from the US, will also decline at an accelerated rate and not be replaced by local capital investment. While US commercial opportunities in Hong Kong will narrow, a more unsettled political scene would undermine Beijing's efforts to add the Hong Kong model to its inducements to Taipei to enter into expanded contacts across the Straits and even discredit China's current moderate approach to reunification.

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6/27/84 x1342

Approved: INR/CA:NHBellocchi



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~~SECRET~~ SECTION 01 OF 03 HONG KONG 12559

EXDIS  
E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, CH, HK, UK  
SUBJECT: SINO-BRITISH TALKS ON HONG KONG'S FUTURE

1. SECRET - ENTIRE TEXT.

2. SUMMARY:  
ROUND SEVENTEEN AND THE INITIAL WEEK OF WORKING GROUP CONSULTATIONS ON "LANGUAGE" FOR THE FINAL SINO-BRITISH AGREEMENT ON HK ACHIEVED NO POSITIVE RESULTS. THE CHINESE WERE APPARENTLY UNDER INSTRUCTIONS TO WAIT FOR BRITISH CONCESSIONS AND CONSTANTLY REJECTED UK PRESENTATIONS AS BEING TOO DETAILED FOR INCLUSION IN EITHER THE BASIC AGREEMENT OR ITS ANNEXES. NONETHELESS, THE ATMOSPHERICS IN THE MAIN ROUND OF TALKS CONTINUED TO BE PLEASANT AND WITHOUT ACRIMONY. OUR READOUT FROM THE ACTING POLAD SUGGESTS THE BRITISH ARE GRADUALLY COMING TO THE CONCLUSION THERE IS TOO BIG A GAP TO BE BRIDGED WITHOUT SOME MAJOR SHIFTS BY THE CHINESE. THE CURRENT LONDON STRATEGY SESSION INCLUDING THE CHIEF HK AND BEIJING PARTICIPANTS IN THE UK'S NEGOTIATING TEAM IS LIKELY TO BE A CRUCIAL ONE. IT COULD DETERMINE WHETHER THE BRITISH WILL HOLD FIRM OR OFFER NEW FORMULATIONS TO MOVE THE TALKS AHEAD. THE ACTING POLAD BELIEVES THE BRITISH HAVE FINALLY REALIZED THEY CANNOT MAKE FURTHER CONCESSIONS AND WILL INDEED STAND ON THEIR PRINCIPLES FOR A DETAILED AGREEMENT. BUT, THERE IS ALREADY SOME CONCERN LOCALLY AMONG EXECUTIVE COUNCIL MEMBERS WHO WERE EXCLUDED FROM THE GOVERNOR'S LONDON TRIP ON THIS OCCASION AND A GROWING UNEASINESS ABOUT THE POSSIBILITY OF ANOTHER UK CONCESSION.  
END SUMMARY.

3. ACTING POLITICAL ADVISOR RICHARD MARGOLIS (STRICTLY PROTECT) MET WITH CONGENOFF TO DISCUSS THE MOST RECENT ROUND OF SINO-BRITISH TALKS (JUNE 27-28). ROUND 17 MARKED A SLIGHT SHIFT IN CHINESE TACTICS. ZHOU NAN ADOPTED A "SEDUCTIVE" POSTURE RATHER THAN "BROWBEATING" THE BRITISH DELEGATION. FOR EXAMPLE, ZHOU WENT OVER EACH OF THE SUBJECTS DISCUSSED IN PREVIOUS ROUNDS AND TRIED TO IDENTIFY AREAS OF DIFFERENCE. WHERE DIFFERENCES OCCURRED, ZHOU SOUGHT TO DESCRIBE THESE AS MINIMAL ISSUES OR MERELY

HK

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NATIONAL SECURITY COUNCIL  
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A QUESTION OF TERMINOLOGY. HE WAS QUICK TO HIGHLIGHT AREAS WHERE THERE WAS SUBSTANTIAL AGREEMENT, BUT IN FACT THERE WAS NO REAL CHANGE AND CERTAINLY NO GIVE IN THE CHINESE POSITION. DURING ROUND SEVENTEEN THE CHINESE DISMISSED BRITISH REPRESENTATIONS ON A VARIETY OF ISSUES ON THE GROUNDS SUCH "DETAIL" WAS UNNECESSARY.

4. THERE WAS NO NEWLY ACHIEVED AGREEMENT ON ANY OF THE VARIOUS SUBJECTS DISCUSSED, EVEN THOUGH THE TWO SIDES WENT OVER SOME OF THE TOPICAL AREAS TO BE COVERED IN THE ANNEXES. AS A WAY OF SEEKING PARAMETERS TO CHINESE FLEXIBILITY, THE BRITISH RAISED BOTH THE LEGAL AND FINANCIAL ISSUES. (LONDON CONSIDERED THESE TWO AREAS MOST LIKELY TO PRESENT LITTLE DIFFICULTY FOR THE CHINESE SIDE.) WHILE THE CHINESE LISTENED TO THE BRITISH PRESENTATION AND DID NOT RAISE SPECIFIC OBJECTION, THE CHINESE ADOPTED A DETERMINED STANCE, ARGUING THAT THE BRITISH WERE PROPOSING FAR TOO MANY UNNECESSARY DETAILS. MARGOLIS CITED AS AN EXAMPLE EFFORTS MADE TO DEFINE BASIC RIGHTS UNDER THE LEGAL SYSTEM, I.E., THE RIGHT TO INDIVIDUAL COUNSEL, THE RIGHT TO PRIVATE MEETINGS WITH COUNSEL, INDEPENDENT REPRESENTATION, ETC. THE CHINESE ARGUED ALL OF THESE DEFINITIONS ONLY SERVE TO LIMIT RATHER THAN PROVIDE BROAD DEFENSE OF INDIVIDUAL RIGHTS. THEREFORE, THE CHINESE CLAIMED, THEIR BASIC PRINCIPLE, GUARANTEEING CONTINUED EXISTENCE OF THE PRESENT LEGAL SYSTEM, WAS PREFERABLE AS A WAY OF PROVIDING GREATER PRESERVATION OF INDIVIDUAL RIGHTS. MARGOLIS ADDED THE CHINESE CONCEPT OF STATE AUTHORITY HAS NOW BECOME A MAJOR PROBLEM. THE CHINESE DO NOT WISH TO ESTABLISH ANY CONCEPT OF BRITISH TRANSFER OF AUTHORITY/RIGHTS TO THE HONG KONG SPECIAL ADMINISTRATIVE REGION (SAR) GOVERNMENT. THEY WANT ALL RIGHTS TURNED OVER TO BEIJING WHICH IN TURN WOULD HAND THEM TO THE SAR AUTHORITIES. THIS POSITION IS PARALLELED BY CHINESE INSISTENCE ALL RIGHTS NOT SPECIFICALLY PROVIDED FOR IN THE BASIC AGREEMENT AND THE MINI-CONSTITUTION WOULD REMAIN WITH THE STATE NOT THE HK PEOPLE. (CHINESE POSTULATION OF THIS ARGUMENT NOW MEANS THE LEGAL ISSUE IS FAR MORE COMPLEX

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~~SECRET~~ SECTION 02 OF 03 HONG KONG 12559

EXDIS  
E.O. 12356: DECL: OADR  
TAGS: PGOV, PREL, CH, HK, UK  
SUBJECT: SINO-BRITISH TALKS ON HONG KONG'S FUTURE  
THAN THE BRITISH HAD IMAGINED. SEE HK 11175 FOR OUR  
EARLIER PROJECTION OF THIS PROBLEM.)

5. PARALLEL TO THE TALKS, THE WORKING GROUP SESSION  
HEADED BY DAVID WILSON AND KE ZAISHUO CONCLUDED ITS  
FIRST WEEK'S DISCUSSIONS WITHOUT RESULTS. DURING THIS  
PERIOD, THE WORKING GROUP HAD BEEN SPECIFICALLY TASKED  
TO FOCUS ON MUTUALLY ACCEPTABLE TERMS FOR THE BASIC  
AGREEMENT. IT WAS CLEAR TO THE BRITISH KE ZAISHUO'S  
INSTRUCTIONS WERE TO WAIT AND SEE WHAT SIR RICHARD EVANS  
WOULD DO. ALTHOUGH THE CHINESE WERE LOOKING FOR ADDI-  
TIONAL CONCESSIONS, NONE WERE FORTHCOMING. WHEN THE  
BRITISH RAISED QUESTIONS ABOUT SPECIFIC SECTIONS OR  
INDIVIDUAL POINTS IN THEM, KE'S NORMAL RESPONSE WAS TO  
REJECT THE BRITISH "DETAILS" AS UNNECESSARY.

6. ACCORDING TO MARGOLIS, THE CHINESE CONTINUE TO IN-  
SIST ON A BASIC AGREEMENT WHICH INCLUDES NOTHING MORE  
THAN CHINA'S 12 POINTS, AND BRITAIN'S ACKNOWLEDGMENT OF  
CHINESE SOVEREIGNTY/ADMINISTRATIVE CONTROL AND THE MAG-  
NANIMITY OF THE CHINESE PROPOSALS FOR HONG KONG. COUPLED  
WITH THIS FIRST STAGE AGREEMENT WOULD BE A SERIES OF  
ANNEXES COVERING THE MAJOR TOPICS RAISED DURING THE  
TALKS, I.E., THE CIVIL SERVICE, THE JUDICIAL SYSTEM,  
SECURITY, LAND, ETC. SUBSEQUENT TO THAT 2-PART BASIC  
AGREEMENT WOULD BE A PROTOCOL DESIGNED TO ARRANGE FOR  
THE CREATION AND DEFINITION OF POWERS OF THE JOINT SINO-  
BRITISH COMMISSION PLANNED TO OPERATE BETWEEN THE SIGNING  
OF THE AGREEMENT AND 1997. THE THIRD ELEMENT WOULD BE AN  
EXCHANGE OF NOTES WHICH WOULD ESTABLISH THE FORMAL TRANS-  
FER OF AUTHORITY AND MEANS FOR THE CARRYING OUT OF THE  
DETAILS OF THE BASIC AGREEMENT. THE BRITISH, HOWEVER,  
CONTINUE TO PROPOSE A BASIC AGREEMENT WHICH CONSISTS OF  
TWO LINKED ELEMENTS. THERE WOULD BE TWO SEPARATE STATE-  
MENTS WITH THE CHINESE ONE DEFINING THE BASIC 12 POINTS  
AND THE BRITISH ONE COVERING THE MORE DETAILED UNDER-  
STANDINGS WHICH THE UK FEELS ARE ESSENTIAL FOR STABILITY  
AND PROSPERITY IN HONG KONG. THERE WOULD HAVE TO BE A  
LINK IN WHICH THE CHINESE ACKNOWLEDGED THE APPLICABILITY

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OF THE BRITISH INTERPRETATIONS FOR THIS FORMULATION TO  
WORK. IT HAS UP TO NOW BEEN REJECTED BY THE CHINESE.

EXDIS  
EXDIS  
EXDIS  
7. THE SUDDEN TRIP TO LONDON BY GOVERNOR YOUDE AND CHIEF  
NEGOTIATOR SIR RICHARD EVANS IS CLEARLY THE RESULT OF THE  
LACK OF SUCCESS DURING THIS MOST RECENT ROUND AND THE  
FIRST WEEK OF THE WORKING GROUP SESSIONS. MARGOLIS  
CLAIMED IT WAS ESSENTIAL TO HAVE SERIOUS STRATEGY SES-  
SIONS IN LONDON TO DETERMINE EXACTLY WHAT POSITION THE  
BRITISH WOULD TAKE IN THE JULY 11-12 ROUND 18 MEETINGS.  
(ALTHOUGH THE HONG KONG GOVERNMENT'S LEGAL EXPERT  
NAZARETH REMAINS A MEMBER OF THE DELEGATION, FCO'S LEGAL  
EXPERT, FRED BURROWS, HAS ALREADY RETURNED AND WILL NOT  
BE PARTICIPATING IN SUBSEQUENT ROUNDS EVEN THOUGH THEY  
MAY FOCUS ON THE SOVEREIGNTY QUESTION. LINKED WITH THE  
LONDON MEETINGS, POLITICAL ADVISOR ROBIN MCLAREN WILL  
RETURN TO HONG KONG THIS COMING WEEKEND PREPARATORY TO  
A BRIEFING OF EXCO MEMBERS ON MONDAY, JULY 9. MCLAREN'S  
DUTIES WILL BE TO INFORM EXCO OF THE "PROGRESS" WHICH  
HAS BEEN ACHIEVED IN THE WORKING GROUP SESSIONS. MAR-  
GOLIS LAUGHED AT HIS OWN CHOICE OF THE WORD "PROGRESS",  
SAYING HE HAD SEEN NO INDICATION THAT THE CHINESE HAD ANY  
INTENTIONS OF MOVING AT THIS STAGE IN THE TALKS.)

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8. ALTHOUGH MARGOLIS DID NOT INDICATE A POSSIBLE LINE  
OF BRITISH APPROACH TO THE UPCOMING ROUND, HE APPEARED  
MORE UPBEAT IN HIS CONSIDERATION OF LONDON'S THINKING  
THAN WOULD OTHERWISE BE WARRANTED BY THE RESULTS OF THE  
LATEST NEGOTIATIONS. MARGOLIS NOW BELIEVES -- AS HE  
CLEARLY DID NOT BEFORE -- THE BRITISH GOVERNMENT HAS  
RECOGNIZED IT COULD NOT CONTINUE TO CONCEDE POINTS TO  
THE CHINESE INDEFINITELY. MOREOVER, HE DECLARED THE  
BRITISH GOVERNMENT HAS COME TO RECOGNIZE THAT WHAT  
HAPPENS IN HONG KONG HAS A POLITICAL IMPACT IN THE UK  
WHICH COULD AFFECT THE STABILITY OF THE CONSERVATIVE  
GOVERNMENT. WHILE HE DID NOT CONSIDER THIS TO BE THE  
DIRECT RESULT OF EITHER THE UMEICO VISIT TO LONDON  
(HK 8963) OR DEREK DAVIES' JUNE OPEN LETTER TO SIR  
GEOFFREY HOWE (HK 11319), MARGOLIS FELT THE BRITISH  
GOVERNMENT AUTHORITIES OVER TIME HAD COME TO REALIZE  
LITTLE MATTERS "LIKE THE FALKLANDS" COULD HAVE A POWER-  
FUL IMPACT AT HOME. THE BRITISH PARLIAMENT, HE SAID,  
IS NOT LIKELY TO APPROVE ANY AGREEMENT WHICH IS NOT,  
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~~SECRET~~ SECTION 03 OF 03 HONG KONG 12559

EXDIS

E. O. 12356: DECL: OADR  
TAGS: PGOV, PREL, CH, HK, UK  
SUBJECT: SINO-BRITISH TALKS ON HONG KONG'S FUTURE  
AT A MINIMUM, SEEN AS ACCEPTABLE TO HONG KONG'S EXECU-  
TIVE AND LEGISLATIVE COUNCILS. FOR THE MOMENT, HE FELT  
EXCO AND LEGCO ENTERTAIN SERIOUS DOUBTS ABOUT THE  
EFFICACY OF THE CHINESE PROPOSALS AND THE DETERMINATION  
OF THE BRITISH GOVERNMENT TO STAND UP TO THE CHINESE.  
MARGOLIS BELIEVES THE GOVERNOR'S ROLE IN THE COMING  
MONTHS WILL BE CRUCIAL. MARGOLIS DECLARED THE GOVERNOR  
HAS "KEPT HIS POWDER DRY" WITH EXCO AND HAS REFRAINED  
FROM PRESSURING THEM TO ACCEDE TO ANY OF THE EARLIER  
BRITISH POSITIONS. (THAT, HE IMPLIED, HAD MORE OR LESS  
BEEN LONDON'S ROLE.)

9. SECONDLY, MARGOLIS SAID THERE WAS A DEEP AWARENESS  
WITHIN THE HKG THAT ITS ROLE NOW, AND IN THE FUTURE,  
WOULD HAVE AN IMPORTANT IMPACT ON THE 1997 ISSUE. IN  
THIS REGARD HE REFERRED SPECIFICALLY TO CHINA'S PROPOSAL  
FOR A JOINT COMMISSION TO COORDINATE AND CONSULT ON  
MATTERS BETWEEN NOW AND 1997. ROUND 17 DISCUSSIONS IN  
THIS AREA HAD NOT BEEN WELL FOCUSED. THE CHINESE WERE  
STILL INSISTING ON A DEFINED ROLE WHICH WOULD PROVIDE  
FOR A VIRTUAL CONDOMINIUM WHILE AT THE SAME TIME ARGUING  
THEY WOULD NEVER EXERCISE SUCH AUTHORITY. (THIS PROPOS-  
AL, AS NOTED ABOVE, WOULD BE PART OF THE "PROTOCOL" OF  
THE FINAL AGREEMENT UNDER THE CHINESE PLAN.) THE HONG  
KONG GOVERNMENT, ON THE OTHER HAND, SEES THE UTILITY OF  
SOME SORT OF JOINT COORDINATION WITH THE CHINESE AS A  
MEANS OF PROJECTING ITS OWN ROLE AND CONCEPTIONS OF THE  
FUTURE INTO CHINESE THINKING. DESPITE THEIR PROTESTA-  
TIONS TO THE CONTRARY, MARGOLIS FEARS THE CHINESE DO  
WANT A VETO RIGHT OVER HKG POLICY. THUS, HE FULLY  
SUPPORTS THE HONG KONG GOVERNMENT'S PLANS TO LOCK IN  
AS MUCH AS POSSIBLE OF THE FUTURE POLITICAL SYSTEM  
BEFOREHAND SO IT WILL BE HARDER FOR CHINA TO ALTER IT  
IN 1997. ACCORDING TO MARGOLIS HKG PLANS FOR DEMOCRATI-  
ZATION AND AN INCREASE IN REPRESENTATION HAVE BEEN  
DEVELOPED WITHOUT ANY DIRECT CHINESE PARTICIPATION. (THE  
HKG PLANS TO RELEASE A GREEN PAPER ON THIS SUBJECT LATER  
THIS MONTH.)

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10. COMMENT:  
MARGOLIS' READOUT OF ROUND 17 AND THE RESULTS OF THE  
WORKING GROUP ARE NOT ENCOURAGING IN PRACTICAL TERMS.  
IT SUGGESTS THERE HAVE BEEN NO MOVES TO BRIDGE THE  
EXISTING GAPS BY EITHER SIDE. ON THE OTHER HAND, IT IS  
CLEAR THAT MARGOLIS, WHO HAS TRADITIONALLY BEEN VERY  
PESSIMISTIC ABOUT BRITAIN'S ABILITY TO STAND UP TO THE  
CHINESE, HAS SOMEHOW BECOME CONVINCED THIS BACKBONE NOW  
EXISTS. WHETHER THIS IS DUE IN PART TO HIS MORE OFFI-  
CIAL ROLE AS BRIEFER ON THE TALKS OR TO SINCERE CONVIC-  
TION IS, OF COURSE, IMPOSSIBLE TO FULLY DETERMINE; BUT  
ONE GETS THE DISTINCT IMPRESSION THAT FOR THE FIRST TIME  
IN A LONG TIME MARGOLIS IS SINCERELY POSITIVE ABOUT  
BRITISH ATTITUDES ON 1997. HE EVEN WENT SO FAR AS TO  
SUGGEST THE BRITISH MIGHT TELL THE CHINESE THE SEPTEMBER  
DEADLINE COULD NOT BE MET. THERE IS ALSO SOME ADDITIONAL  
CONCERN DEVELOPING ON THE EXCO FRONT. SIR S. Y. CHUNG  
HAS EXPRESSED WIDELY HELD DISPLEASURE AT EXCO'S NOT  
BEING INCLUDED IN THE CURRENT LONDON VISIT OF THE  
GOVERNOR AND SIR RICHARD EVANS. THE LOCAL LEADERSHIP  
IS NOT LIKELY TO BE PLEASED AT REPORTS OF CHINESE STONE-  
WALLING AND WILL BE QUICK TO ASK FOR ASSURANCES THE  
BRITISH DO NOT INTEND TO BACK DOWN JUST TO MEET PRC  
PRESSURES AND DEADLINES.  
END COMMENT.  
LEVIN  
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Central Intelligence Agency



Washington, D.C. 20505

HK

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EO 13526 3.5(c)

DIRECTORATE OF INTELLIGENCE

5 July 1984

Hong Kong: Approaching the September Deadline

Summary

Britain and China anticipate reaching an agreement on Hong Kong's future by September. To date, Beijing has not indicated a willingness to accept the kind of detailed agreement guaranteeing Hong Kong's autonomy that many of the colony's spokesmen insist is necessary to maintain confidence. Although London could still make an eleventh hour attempt to get a better deal, the British right now appear willing to settle for an agreement that would be primarily based on China's plan for incorporating Hong Kong as a special administrative region.\*

Consequently, we expect anxiety to increase when the extent of Britain's concessions to China

\*Beijing has proposed that after 1997, Hong Kong will become an autonomous, self-administered territory of China. China has promised to maintain Hong Kong's existing way of life, but has provided few specific details. For example, the only description the Chinese have given the British regarding Hong Kong's post-1997 administration is that the local government will be composed of executive, legislative, and judicial branches.

This memorandum was prepared by [redacted] China Division, Office of East Asian Analysis. It was coordinated with OCR and EURA. Comments and questions are welcome and should be addressed to Chief, OEA/CH/Foreign Affairs Branch, [redacted]

EA M 84-10140

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BY RW NARA DATE 12/20/17

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become known. The British Parliament's consideration of the agreement will evoke petitions and debates in Hong Kong that are likely to raise political tension in the colony. [ ]

We see the possibility of serious instability increasing. Violence could break out, but other forms of instability, such as financial decline and increased emigration seem more likely. Signs of decline in Hong Kong's social order are already apparent, including a growth in corruption. [ ]

#### Hong Kong: Approaching the September Deadline

It appears increasingly likely that China and the United Kingdom will reach an agreement on Hong Kong's future this year, probably by Beijing's September deadline. [ ] the agreement probably will be fairly general and based on China's 12-point plan for Hong Kong, which pledges to maintain the territory's existing social and economic system for 50 years after China regains sovereignty in 1997. The two sides have exchanged draft agreements and established working groups in mid-June to meet continuously to work out the arrangements. [ ]

The British realize they have little leverage with the Chinese and are anxious to have a face-saving agreement to submit to Parliament when it reconvenes this fall. London has bowed to Chinese pressure and conceded several key points:

- Late last year the British accepted China's sovereignty and administration in Hong Kong, and agreed to negotiate on the basis of China's plan for the territory.
- During his visit to Beijing in April, Foreign Secretary Howe agreed to a timetable in accord with China's deadline, which calls for a draft agreement to be reached by September, a debate in the British Parliament in autumn, and signing by year end.
- In late May the British accepted Beijing's proposal to establish a joint liaison group, after an agreement is signed, to oversee Hong Kong developments prior to 1997. [ ]

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\* During his September 1982 discussions with Prime Minister Thatcher in Beijing, Deng Xiaoping set a two year limit on the talks to keep the British from dragging their feet. [ ]



The two sides still remain far apart on the contents of an agreement and it is possible that the talks would be extended beyond September. [ ]

The British want a detailed accord that commits China to maintain Hong Kong's existing social and economic structure, spells out how Hong Kong will be administered after 1997, and guarantees the rights of Hong Kong's residents. But Beijing does not want to tie its hands regarding future administration of the territory and still wants a much more general agreement. Because China is unsure how it will manage Hong Kong and is loathe to accept commitments that would curb its sovereign rights, Beijing has sustained a hard line approach. In late May, for example, Deng Xiaoping disregarded British advice and publicly declared that China would station troops in Hong Kong after 1997. [ ]

Although Prime Minister Thatcher could decide to make an eleventh hour attempt to get a better deal, at present the UK appears likely to accept China's terms. Officials in the Foreign Office, led by former British Ambassador to Beijing Percy Craddock, have successfully advocated a nonconfrontational approach, and Prime Minister Thatcher has gone along. Since Howe's visit in April, the British no longer seem anxious to negotiate for as long as it takes to get the assurances and details they want in an agreement. Instead, they now appear to be trying to get the best deal possible by the September deadline. [ ]

### Hong Kong's Growing Apprehension

Many Hong Kong residents are alarmed by the prospect of a Chinese takeover and increasingly frustrated by their inability to have any input regarding their fate with either London or Beijing. The numerous refugees from the PRC and their families living in Hong Kong are particularly suspicious of China's intentions. Local anxiety has also been high because most residents are unable to emigrate. Part of these concerns center on Hong Kong's vulnerability to political change or infighting in Beijing. Deng Xiaoping strongly reinforced these concerns in late May when he issued an unprecedented public rebuke of former ministers Huang Hua and Geng Biao for differing with him on the question of Chinese troops being stationed in Hong Kong. [ ]

Hong Kong's residents have become increasingly apprehensive that Britain will not insist on the assurances they seek. At the time of Prime Minister Thatcher's visit to Beijing and Hong Kong in September 1982, many had hoped that the UK would be able to retain a formal role in Hong Kong after 1997, perhaps by renewing the New Territories lease. After China rebuffed this option, there was hope that Britain would continue to play an informal role after 1997. The stalemate in the talks over this and other issues last fall caused serious instability. The stock market fell dramatically and the dollar dropped as far as 9.6 to the US



dollar before the government fixed the rate at 7.8 to the US dollar. Foreign Secretary Howe's 20 April announcement of British withdrawal in 1997 and several press leaks revealing British acquiescence to Chinese demands have undercut the expectation that Britain would insist on guarantees concerning Hong Kong's future autonomy. [redacted]

Only after the Howe visit did Hong Kong's residents begin to strongly express their frustration over having no say in the deliberations. Aware that the talks are nearing an end, local groups in the colony have begun to speak out with unprecedented frankness. [redacted]

Most notably, unofficial members of Hong Kong's Executive and Legislative Councils, referred to as Umelco, recently sent lobbying missions to both London and Beijing to press for better terms in the agreement. During their May trip to London, Umelco raised such possibilities as: Parliament withholding ratification of an agreement until the details of a basic law to govern Hong Kong after 1997 are known, Britain insisting upon retaining some residual status in Hong Kong after 1997, and the UK making resettlement arrangements for those who wish to emigrate. [redacted]

While in Beijing, during June, Umelco tried to convince the Chinese leadership how worried Hong Kong is about its future. They specifically pointed out Hong Kong's concerns that China's policies on Hong Kong may be altered by future leaders. [redacted]

But in both London and Beijing Umelco was rebuffed. Several members of the British Parliament criticized Umelco for being unhelpful during a Parliamentary debate on Hong Kong on 16 May. Even Hong Kong's former Governor, Lord MacLehose, termed their visit to London as ill-timed and ill-conceived. [redacted]

Deng Xiaoping bluntly reminded the Umelco delegation that China had already decided its policies for the territory. China subsequently tried to soften the negative reaction in Hong Kong by replaying Deng's assurances that Hong Kong will remain autonomous. [redacted]

Additional local appeals to both London and Beijing for better terms are likely, especially this fall, but Hong Kong probably will continue to receive little sympathy from either capital. We believe the British--Parliament in particular--are anxious to extricate themselves from the Hong Kong problem. The UK wants to avoid a panic in Hong Kong, but the almost entirely ethnic Chinese population of Hong Kong has few strong supporters in London. Likewise, Beijing does not welcome criticism of its plans to run Hong Kong as a special autonomous region of China. Nor will Beijing appreciate Britain's plans to soon give Hong Kong more democracy. China fears that if democracy is allowed to take root in Hong Kong, strong opposition elements would develop greatly complicating its reversion efforts. Hong Kong meanwhile remains virtually devoid of any cohesive organization around

which the citizens can rally. The British colonial legacy and Hong Kong's traditional apathetic approach toward politics have left the local population with little leverage. [ ]

### Signs of Decline

In our judgment growing pessimism during the past few months has contributed to several potentially destabilizing developments in Hong Kong:

- The US Consulate in Hong Kong has reported that business and professional leaders are taking an increasingly active interest in emigrating. The 28 March announcement that Jardine Matheson, one of Hong Kong's oldest and largest companies, was moving its headquarters to Bermuda, reinforced this trend.
  - Hong Kong's civil service is becoming more demoralized. Senior and middle level officials are showing an increased inclination to leave. The third ranking individual in Hong Kong's Immigration Department emigrated to Canada in April.
  - The US Consulate has also reported that corruption in the government and the private sector is on the increase.
  - Antiforeign sentiments are growing, according to long-time expatriate residents of the colony.
- [ ]

### Prospects for Instability this Autumn

Hong Kong's strong manufacturing sector presently is enjoying a booming export market--one encouraging indicator that a September agreement could be less traumatic than we presently perceive. But much would depend on China showing new sensitivity to the confidence problem, as it hammers out the details of a final agreement. At present, however, Chinese leaders are continuing to exude confidence about their ability to manage Hong Kong and are loathe to accept restrictions on what they see as a major victory in restoring China's sovereign rights. Though low level officials and media comment offer vague assurances about Chinese intentions, Deng Xiaoping continues to press a hard line to gain maximum concessions from the British and to silence potential opposition in Hong Kong. [ ]

It now appears probable, therefore, that the agreement this fall will have an unsettling effect on Hong Kong, particularly



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once the extent of Britain's acquiescence to China's demands becomes apparent during the subsequent debate in the British Parliament. We believe that the possibility of serious unrest occurring in Hong Kong this fall cannot be ruled out. Violence could be instigated by the triads (Hong Kong's criminal gangs), which took advantage of a peaceful demonstration last January during a taxi strike to spark incidents and loot in Hong Kong's main shopping district. Protest rallies and demonstrations that are likely to occur in Hong Kong during the Parliamentary debate this fall could get out of hand given the frustrations involved. [REDACTED]

We believe other forms of instability are more likely, however. New episodes of rapid financial declines, capital flight, and increased emigration could occur. Hong Kong proved last fall that it can talk itself into a near economic panic. The stock market in particular is known for its volatility and is capable of dropping drastically. The Hong Kong dollar, currently pegged to the US dollar, is also vulnerable. If those holding Hong Kong dollars began to sell them off rapidly for other currencies, interest rates probably would rise quickly, forcing the Hong Kong government to consider another devaluation. British efforts to calm a panic might be fruitless. [REDACTED]

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BY KML NARA DATE 6/21/12

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~~SECRET~~ SECTION 01 OF 02 LONDON 14907

EXDIS  
E. O. 12356: DECL: OADR  
TAGS: PREL, HK, CH, UK  
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE  
REF: LONDON 13784

1. SECRET - ENTIRE TEXT.

2. SUMMARY. THE CHINESE ARE ADOPTING A TOUGHER STANCE IN THE NEGOTIATIONS OVER HONG KONG'S FUTURE, ACCORDING TO FCO. IN TWO BRIEF TWO-HOUR SESSIONS 27-28 JUNE, LITTLE WAS ACCOMPLISHED AT ROUND SEVENTEEN. IN CONTRAST, FCO FOUND THE INTENSIVE WORKING-GROUP SESSIONS "REASONABLY PROMISING." FORMAL TALKS RESUME 11-12 JULY. DETAILS FOLLOW.  
FCO CONFIRMED THAT SIR EDWARD YAUDE AND SIR RICHARD EVANS WOULD BE IN LONDON THE WEEK OF 2-6 JULY FOR CONSULTATIONS. END SUMMARY.

3. JOINT LIAISON GROUP: ZHOU NAN ADOPTED A MORE REASONABLE TONE AT THIS ROUND, BUT PUSHED AGAIN FOR A HONG KONG-BASED JOINT GROUP, SAYING CHINA'S TOP LEADERS WERE DEEPLY AND PERSONALLY COMMITTED TO IT. THE CHINESE WANT U.K. AND PRC GROUP HEADS OF AMBASSADORIAL RANK, EACH SUPPORTED BY A SMALL PERMANENT STAFF. THE GROUP WOULD NOT BE IN "PERMANENT SESSION," HOWEVER. IT WOULD "GATHER INFORMATION" REGARDING THE TERRITORY. (THE BRITISH SEE THIS AS A WAY FOR CHINA TO MEDDLE IN THE EXCHANGE FUND, HIRING OF CIVIL SERVANTS, ETC.)

--  
EVANS REITERATED U.K. INSISTENCE ON A PERIPATETIC GROUP, SAYING THE BRITISH HAD ALREADY MADE A MAJOR CONCESSION IN AGREEING TO THE GROUP AT ALL, SINCE THEY HAD ORIGINALLY WANTED UK-PRC CONTACTS TO CONTINUE ONLY IN BEIJING VIA DIPLOMATIC CHANNELS. HE SAID BEIJING SHOULD MAKE A CONCESSION IN RETURN.

4. DRAFT AGREEMENT: THE U.K. SUBMITTED THE REVISED DRAFT AGREEMENT WHICH IT HAD PREVIOUSLY TABLED AT THE WORKING GROUP SESSION (BELOW).

5. ITEM 1: THE CHINESE CLAIMED ALL QUESTIONS HAD BEEN RESOLVED ON THE RUNNING OF HONG KONG POST-1997. THE U.K. DISAGREED, SAYING PROBLEMS STILL REMAINED (FCO LISTED NATIONALITY, CIVIL AVIATION, CONSTITUTIONAL ARRANGEMENTS, RANK OF EXPATRIATE CIVIL SERVANTS, AND DEFENSE AS THE OUTSTANDING ISSUES).

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6. WORKING GROUP. AT THE OPENING SESSION ON 21 JUNE, THE U.K. DEFENDED ITS DRAFT AGREEMENT SOLICITING CHINESE COMMENTS. THE PRC CRITICIZED U.K. LANGUAGE ON THE SOVEREIGNTY QUESTION, THE FAILURE TO MENTION THE UNEQUAL NATURE OF THE PREVIOUS TREATIES CONCERNING HONG KONG, AND THE EXCESSIVELY BINDING DETAILS. THE U.K. CRITICIZED THE CHINESE DRAFT AS LACKING IN DETAIL, NOT SUFFICIENTLY BINDING, AND LACKING A FIRM LINK TO THE SUPPLEMENTARY ANNEXES. THE FOLLOWING MONDAY, JUL 25, THE U.K. TABLED A REVISED DRAFT WHICH ADOPTED THE DECLARATORY FORMAT USED BY THE PRC. THE INITIAL UNINSTRUCTED CHINESE REACTION WAS POSITIVE. BUT THE NEXT DAY THE CHINESE DENOUNCED THE DOCUMENT AS "RUBBISH," PICKING AT MINOR POINTS CONCERNING SOVEREIGNTY AND EXCESSIVE DETAIL. THE BRITISH CALLED ON THE CHINESE TO BE MORE FORTHCOMING, AND TO SUBMIT A NEW DRAFT THAT TOOK ACCOUNT OF U.K. CRITICISMS. THE WORKING GROUP BROKE DURING THE PLENARY, THEN RESUMED WORK ON JUNE 29, THE FINAL DAY FOR DISCUSSION OF THE AGREEMENT PROPER. DISCUSSION OF THE ANNEXES BEGAN JUNE

30.

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7. UMELCO IN BEIJING. AFTER EXAMINING THE FULL RECORDS OF THE UMELCO TRIP, FCO JUDGED THE DISCUSSIONS MORE SENSIBLE THAN DENG'S PUBLIC APPEARANCES WOULD HAVE LED ONE TO BELIEVE. NOTHING WAS SOLVED, THOUGH JI PENGFEI HAD BEEN MORE FORTHCOMING THAN DENG. ON THE GROUP'S DEMANDS, DENG HAD AGREED TO A DETAILED AND BINDING UK-PRC AGREEMENT. JI HAD SAID CHINA MIGHT AGREE TO PARTICIPATION BY HONG KONG PEOPLE IN A HONG KONG-BASED DRAFTING COMMITTEE ON THE BASIC LAW. THERE WAS NO CONCRETE REPLY TO THE CALL FOR A COMMITTEE OF OVERSEAS AND MAINLAND CHINESE TO MONITOR IMPLEMENTATION OF THE AGREEMENT.

8. IN SUMMING UP THE SITUATION, FCO COMMENTED, "IF THEY DON'T COME UP WITH WHAT WE NEED WE WON'T SIGN." FCO  
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~~SECRET~~ SECTION 02 OF 02 LONDON 14907

EXDIS  
E.O. 12356: DECL: OADR  
TAGS: PREL, HK, CH, UK  
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE  
BELIEVES THE CHINESE WOULD RATHER MAKE SOME CONCESSIONS  
TO OBTAIN U.K. AGREEMENT THAN INHERIT A DEBILITATED  
HONG KONG AS A RESULT OF FAILED NEGOTIATIONS.

9. DEPARTMENT PLEASE REPEAT TO HONG KONG, BEIJING, TAIPEI,  
CANBERRA, TOKYO AND WELLINGTON. PRICE  
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