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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name LAUX, DAVID: FILES

Withdrawer

CAS 6/10/2010

File Folder CHINA-FOREIGN RELATIONS-HONG KONG (10/30/83-2/29/84)

FOIA

M09-299/1

Box Number 13

COLLINGS

20

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92479	CABLE	STATE 309849 R 6/21/2012 M299/1	3	10/30/1983	B1
92480	CABLE	311922Z OCT 83 D 12/20/2017 M299/1	1	10/31/1983	B1 B3
92481	CABLE	HONG KONG 19647 R 6/21/2012 M299/1	2	11/1/1983	B1
92482	CABLE	100037Z NOV 83 D 12/20/2017 M299/1	1	11/10/1983	B1 B3
92483	CABLE	142312Z NOV 83 D 12/20/2017 M299/1	1	11/14/1983	B1 B3
92484	CABLE	STATE 004068 R 6/21/2012 M299/1	2	1/6/1984	B1
92485	CABLE	STATE 005090 R 6/21/2012 M299/1	1	1/7/1984	B1
92486	CABLE	STATE 005112 R 6/21/2012 M299/1	2	1/7/1984	B1
92487	CABLE	092246Z JAN 84 D 12/20/2017 M299/1	1	1/9/1984	B1 B3

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

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

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92488	CABLE	KUALA LUMPUR 00282 <i>R</i> 6/21/2012 <i>M299/1</i>	2	1/11/1984	B1
92489	CABLE	LONDON 00966 <i>R</i> 6/21/2012 <i>M299/1</i>	2	1/13/1984	B1
92490	CABLE	211240Z JAN 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	1/21/1984	B1 B3
92491	CABLE	241150Z JAN 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	1/24/1984	B1 B3
92492	CABLE	HONG KONG 01937 <i>R</i> 6/21/2012 <i>M299/1</i>	4	1/31/1984	B1
92493	CABLE	012138Z FEB 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	2/1/1984	B1 B3
92494	CABLE	041235Z FEB 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	2/4/1984	B1 B3
92495	CABLE	061914Z FEB 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	2/6/1984	B1 B3
92496	CABLE	080112Z FEB 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	2/8/1984	B1 B3
92497	CABLE	092248Z FEB 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	2/9/1984	B1 B3

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92498	CABLE	STATE 044181 <i>R</i> 6/21/2012 <i>M299/1</i>	1	2/14/1984	B1
92499	CABLE	231455Z FEB 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	2/23/1984	B1 B3
92500	CABLE	HONG KONG 03626 <i>R</i> 6/21/2012 <i>M299/1</i>	5	2/28/1984	B1

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92479

NATIONAL SECURITY COUNCIL
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PAGE 01 OF 03 SECSTATE WASHDC 9849 DTG: 300439Z OCT 83 PSN: 000790
EOB266 AN003138 TOR: 303/0915Z CSN: HCE782

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NLRR M299 # 92479

BY KML NARA DATE 6/21/12

PRIORITY /ROUTINE
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P R 300439Z OCT 83
FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY PRIORITY 0000
AMEMBASSY BEIJING PRIORITY 0000
AMCONSUL HONG KONG PRIORITY 0000

INFO AMCONSUL GUANGZHOU 0000
AMCONSUL SHANGHAI 0000
AIT TAIPEI FROM AIT WASHDC 0000

~~CONFIDENTIAL~~ STATE 309849

EXDIS
E. O. 12356: DECL: OADR
TAGS: PREL, UK, CH, HK
SUBJECT: LUCE-WOLFOWITZ DISCUSSION ON HONG KONG

*China
Foreign Policy
China/Hong Kong*

1. BRITISH FCO MINISTER OF STATE RICHARD LUCE CALLED ON EA ASSISTANT SECRETARY WOLFOWITZ OCTOBER 26 TO EXCHANGE VIEWS ON EA ISSUES OF MUTUAL INTEREST. FOLLOWING ARE MAIN POINTS OF DISCUSSION ON HONG KONG. LUCE HAS ASKED THAT WE PROTECT THE CONFIDENTIALITY OF THIS EXCHANGE FOR HE WAS BEING UNUSUALLY CANDID WITH WOLFOWITZ.

2. LUCE DESCRIBED WHAT HE SAW AS THE MAJOR OBSTACLE TO OVERCOME IN RESOLVING THE HONG KONG ISSUE: THE PROBLEM OF "MUTUAL COMPREHENSION OF WHAT COMPRISES STABILITY IN HONG KONG." HE SAID THAT SOME CHINESE KNEW AND UNDERSTOOD WHAT WERE THE UNDERPINNINGS OF HONG KONG'S CONFIDENCE AND PROSPERITY BUT THERE WERE DOUBTS THAT DENG AND OTHERS IN THE LEADERSHIP WERE AS WELL INFORMED.

3. LUCE CHARACTERIZED THE RECENT ROUND OF SINO-UK TALKS ON HONG KONG (OCTOBER 19-20) AS HAVING MADE SOME PROGRESS NOTING THAT THE ATMOSPHERICS WERE CERTAINLY IMPROVED. HE REMARKED THAT THE CHINESE PUBLIC CHARACTERIZATION OF THE TALKS AS "USEFUL AND CONSTRUCTIVE" WAS A SIGNIFICANT CHANGE. LUCE DID ACKNOWLEDGE THAT WHILE THE TONE OF THE TALKS WAS DEFINITELY IMPROVED, THE FUNDAMENTAL DIFFERENCES ON SUBSTANCE REMAINED. CHINESE MISTRUST WAS EVIDENT AND THEY CONTINUED TO HOLD THE NOTION THAT THE BRITISH "MILK" HONG KONG FOR REVENUE.

4. ON THE QUESTION OF SOVEREIGNTY AND ADMINISTRATION, LUCE DID SAY THAT THE BRITISH MAY HAVE BEEN ABLE "TO UNLOCK THE DOOR A BIT" IN THE LAST ROUND. HE MENTIONED A 10 POINT CHINESE PLAN FOR THE INCORPORATION OF HONG KONG BUT ADDED THAT IT DID NOT APPEAR THAT THE CHINESE HAD REALLY THOUGHT IT OUT AND SIMPLY "DIDN'T UNDERSTAND" THE PROBLEMS INVOLVED. THE BRITISH SIDE ALSO POINTED OUT

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PAGE 02 OF 03 SECSTATE WASHDC 9849 DTG: 300439Z OCT 83 PSN: 000790

THAT ANY ULTIMATE SETTLEMENT OF THE ISSUE HAD TO BE SATISFACTORY TO THE PEOPLE OF HONG KONG AND ACCEPTABLE TO PARLIAMENT. LUCE ADDED THAT THERE WOULD BE ANOTHER ROUND OF TALKS IN MID-NOVEMBER.

5. LUCE ASKED WHAT THE CHINESE HAD BEEN SAYING TO US ABOUT HONG KONG. WOLFOWITZ RESPONDED THAT TO THE LIMITED EXTENT THIS SUBJECT HAD COME UP IN OUR RECENT EXCHANGES, WE HAD HEARD MERELY A REPETITION OF THE STANDARD CHINESE FORMULA THAT HONG KONG MUST BE RETURNED TO CHINA BUT THAT IT WOULD BE ALLOWED TO OPERATE SEPARATELY. ON THE QUESTION OF WHETHER THE TOP LEVEL OF THE PRC LEADERSHIP UNDERSTOOD WHAT WAS AT STAKE IN HONG KONG, WOLFOWITZ REPLIED THAT WHILE WE HAVE NO SPECIFIC INFORMATION ON THE DEPTH OF ENGAGEMENT OF DENG AND OTHERS, CHINESE EXPERIENCE IN THE SPECIAL ECONOMIC ZONES SHOULD HAVE SUGGESTED SOME LIMITS TO WHAT THEY CAN DO. DAS BROWN ADDED THAT WU'S MENTION OF HONG KONG AND TAIWAN IN SUCH A MANNER AS IMPLICITLY TO LINK THE TWO ISSUES, WHICH WU SAID WAS SOMETHING THAT CONCERNED THE "HIGHEST LEVELS" IN THE PRC, SUGGESTED THAT DENG AND THE PRAGMATISTS KNEW WHAT WAS AT STAKE. BROWN NOTED THAT THE HONG KONG ISSUE MUST BE MANAGED WELL IF THE CHINESE HAVE ANY HOPE OF GAINING THE CONFIDENCE OF PEOPLE IN TAIWAN. WOLFOWITZ ADDED THAT CHINESE MISMANAGEMENT OF THE HONG KONG ISSUE WOULD NOT ONLY COMPLICATE THE HANDLING OF THE TAIWAN QUESTION BUT WOULD ALSO HAVE REPERCUSSIONS IN THE U.S. LUCE SAID IT WOULD BE USEFUL IF WE COULD MENTION HONG KONG IN OUR GENERAL DISCUSSIONS WITH THE CHINESE AND HELP IN EDUCATING THE CHINESE ON WHAT IS BEHIND THE STABILITY AND PROSPERITY OF HONG KONG.

6. WOLFOWITZ REPLIED THAT THE US HAD TO BE CAREFUL LEST OUR DIFFERENCES WITH THE CHINESE OVER TAIWAN COMPLICATE UK-PRC DISCUSSIONS OF HONG KONG. IT WAS THEREFORE BETTER FOR US NOT TO OFFER THEM ADVICE OTHER THAN TO NOTE OUR INTEREST IN A POSITIVE OUTCOME AND TO NOTE THE DELICACY

OF THAT INTANGIBLE FACTOR CALLED BUSINESS CONFIDENCE. WOLFOWITZ OFFERED THE OPINION THAT AS APPEARANCES ARE VERY IMPORTANT TO THE CHINESE, IT IS OFTEN NECESSARY FOR THEM TO APPEAR STRONGER THAN CIRCUMSTANCES WOULD OTHERWISE SUGGEST. IN OUR VIEW, THE US-CHINA RELATIONSHIP IMPROVED AFTER THE HU NA EPISODE WHEN DESPITE THE PERSONAL INVOLVEMENT OF DENG, THE CHINESE DECIDED THEY DIDN'T WANT TO DESTROY US-CHINA RELATIONS OVER A TENNIS PLAYER. IN ISSUES LIKE THIS, DENG HAD TO APPEAR TO BE SUCCEEDING AND HAD TO APPEAR STRONG. WOLFOWITZ SUBSEQUENTLY DESCRIBED MAIN DEVELOPMENTS DURING THE WEINBERGER AND WU VISITS.

7. LUCE ASKED ABOUT OUR VIEWS ON WHETHER A SUCCESSION PROBLEM WOULD RESULT FROM DENG'S PASSING AND NOTED THAT HE HAD SEEN REPORTS THAT HU YAOBANG HAD BEEN SUBJECT TO CRITICISM FOR ARROGANT ACTIONS. THE FACT THAT STORIES OF THIS TYPE CONTINUE SUGGESTED AN INEVITABLE SUCCESSION PROBLEM. WOLFOWITZ RESPONDED THAT WE SHOULD ANTICIPATE A SUCCESSION PROBLEM IN ANY EVENT AS THE TRANSFER OF POWER IN SYSTEMS SUCH AS CHINA'S IS AN EVENT USUALLY MARKED BY CONFUSION. LUCE ADDED THE VIEW THAT AS "UNFINISHED BUSINESS," DENG SHOULD HAVE SOME INCENTIVE TO SETTLE THE HONG KONG ISSUE QUICKLY.

8. RETURNING TO THE SUBJECT OF HONG KONG, LUCE SAID THAT THERE HAD BEEN NO SUDDEN CHANGE IN BROAD ECONOMIC

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ACTIVITY IN THE COLONY. THE PROPERTY MARKET WAS DEPRESSED BUT THIS WAS AS MUCH THE RESULT OF OVERSPECULATION AS ANYTHING ELSE. AS FAR AS EMIGRATION WAS CONCERNED, A FEW PEOPLE WERE LEAVING BUT NOT IN ALARMING NUMBERS. LUCE THEN APPEALED FOR US TO "DO ANYTHING YOU CAN TO HELP KEEP CONFIDENCE GOING" PARTICULARLY WITHIN THE BUSINESS COMMUNITY.

9. WOLFOWITZ SUGGESTED THAT THERE MAY BE A LESSON IN OUR EXPERIENCE IN THE HUKUANG BOND ISSUE. DESPITE INITIAL CHINESE RESISTANCE, THEY HAD AGREED TO RECEIVE OUR DELEGATION OF LEGAL EXPERTS HEADED BY THE DEPARTMENT'S LEGAL ADVISOR. SUBSEQUENT TO THIS VISIT, THE CHINESE TOOK THE NECESSARY STEP OF ENGAGING A LAW FIRM TO

REPRESENT THEM IN US COURTS (WHILE STILL DENYING THAT THEY WERE ACCOUNTABLE TO U. S. LAW). THE CHINESE MAY HAVE BEEN IMPRESSED BY WHAT THEY REGARDED AS A SINCERE EFFORT ON OUR PART TO HELP THEM APPROACH THE PROBLEM OR THEY MAY HAVE SIMPLY BEEN MOTIVATED BY THE INFORMATION CONVEYED. AT ANY RATE, FOLLOWING THE VISIT, THEY ACTED TO HEAD OFF A LEGAL CRISIS IN THE BOND CASE. WOLFOWITZ SUGGESTED AS THE CHINESE STILL HOLD NOTIONS THAT THE UK MANIPULATES

THE HONG KONG DOLLAR AND CONTINUES TO "MILK" HONG KONG, IT MIGHT BE USEFUL TO SEND SOMEONE OUTSIDE OF THE STRUCTURE OF NEGOTIATIONS TO EDUCATE THE CHINESE ON SOME OF THE BASICS REGARDING HONG KONG'S PROSPERITY. LUCE NOTED HIS INT: REST IN THE IDEA AND SAID HE WOULD DISCUSS IT WITH HIS COLLEAGUES UPON HIS RETURN TO LONDON.

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92480	CABLE 311922Z OCT 83	1	10/31/1983	B1 B3

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

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92481

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PAGE 01 OF 02 AMCONSUL HONG KONG 9647 DTG: 011026Z NOV 83 PSN: 006236
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INFO AMEMBASSY BEIJING 7563
AMEMBASSY LONDON 4806

~~CONFIDENTIAL~~ HONG KONG 19647

EXDIS
E. O. 12356: DECL: OADR
TAGS : PREL, UK, CH, HK
SUBJECT : FUTURE OF HONG KONG: SINO-UK TALKS
REF : A) HONG KONG 19045, B) LONDON 23107

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NLRR M799 # 92481

BY KML NARA DATE 10/21/12

1. CONFIDENTIAL - ENTIRE TEXT.
2. IN A READOUT ON THE OCTOBER 19-20 ROUND OF SINO-BRITISH TALKS, POLITICAL ADVISER ROBIN MCLAREN CONFIRMED THAT HOPEFUL PROGRESS TOOK PLACE IN A SUBSTANTIALLY IMPROVED ATMOSPHERE. HAD NOT BOTH SIDES HAD CALENDAR PROBLEMS, A NEXT ROUND WOULD HAVE BEEN SCHEDULED EVEN EARLIER THAN THE NOVEMBER 14-15 DATES ACTUALLY SELECTED, HE TOLD ME.
3. DURING THE INTERVENING WEEKS, AMBASSADOR CRADOCK AND HIS STAFF WILL ENGAGE IN "INFORMAL CONTACTS" WITH THE CHINESE SIDE, A PREPARATORY STAGE FOR INSTITUTING THE "WORKING GROUP" APPROACH WHICH SURFACED IN PRESS REPORTS FOLLOWING THE FIFTH ROUND (REF B). A PRINCIPAL POINT TO BE WORKED OUT IS HOW TO PERMIT WORKING GROUP DISCUSSIONS AND NEGOTIATIONS TO PROGRESS WITHOUT REQUIRING CONSTANT REFERRAL TO THE PLENARY NEGOTIATING SESSIONS FOR APPROVAL.
4. MCLAREN CLEARLY BELIEVES THE SOVEREIGNTY QUESTION HAS BEEN SUCCESSFULLY FINESSED FOR NOW. HE ATTRIBUTES BEIJING'S POSITIVE RESPONSE TO BRITISH INITIATIVES AS GROWING IN SUBSTANTIAL PART OUT OF CHINESE ALARM OVER THE BLACK SATURDAY EVENTS WHEN THE HONG KONG DOLLAR SLUMPED TO 9.50 TO 1 U. S.
5. CHINESE SUSPICIONS OF PERFIDIOUS ALBION'S ULTERIOR MOTIVES APPARENTLY CONSTITUTE A FACTOR OF SOME SIGNIFICANCE IN THE TALKS. MCLAREN CHARACTERIZES THE CENTRAL BRITISH AIM AS ARRIVING AT A PACKAGE AGREEMENT WHICH CAN BE CREDITABLY PRESENTED TO PARLIAMENT, BUT HE SAYS THE CHINESE FIND IT DIFFICULT TO BELIEVE THAT LONDON IS NOT SIMULTANEOUSLY TRYING FOR POST-1997 ARRANGEMENTS SPECIALLY FAVORABLE TO BRITISH INTERESTS, FOR EXAMPLE A SECURED ROLE FOR THE HONG KONG SHANGHAI BANK.
6. ONE BIT OF EVIDENCE MCLAREN CITED AS DEMONSTRATING POTENTIAL CHINESE FLEXIBILITY WAS AN ALLEGED DENG

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POTENTIAL CHINESE FLEXIBILITY WAS AN ALLEGED DENG ASSURANCE (OF WHICH POST'S ONLY EARLIER KNOWLEDGE WAS JULY 1983 HONG KONG PRESS REPORTS) THAT CHINA WOULD NOT CHANGE HONG KONG'S ADMINISTRATIVE SYSTEM FOR 50 YEARS AFTER 1997. ALTHOUGH MCLAREN DID NOT IN ANY WAY LINK THIS REMARK TO LONDON'S NEGOTIATING GOALS, I FELT IT LEFT AN IMPLICATION THAT THE BRITISH AT THIS PRELIMINARY STAGE ARE PROBABLY THINKING IN TERMS OF A 50-YEAR SOLUTION.
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92483	CABLE 142312Z NOV 83	1	11/14/1983	B1 B3

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92484

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PAGE 01 OF 02 SECSTATE WASHDC 4068 DTG: 062216Z JAN 84 PSN: 039445
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NLRR M299 #92484

BY KML NARA DATE 6/21/12

TO USMISSION GENEVA PRIORITY 2673
AMEMBASSY BANGKOK PRIORITY 2185
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AMEMBASSY KUALA LUMPUR PRIORITY 0574
AMEMBASSY MANILA PRIORITY 8047
AMEMBASSY SINGAPORE PRIORITY 8201

INFO AMCONSUL HONG KONG 4829
AMEMBASSY LONDON 5728

~~CONFIDENTIAL~~ STATE 004068

EXDIS
E.O. 12356: DECL: OADR
TAGS: SREF, UNHCR, KH, VN
SUBJECT: HONG KONG GOVERNMENT POLICY ON REPATRIATION OF
VIETNAMESE

REF: GENEVA 11531 (NOTAL)

1. C - ENTIRE TEXT.

2. U.S. MISSION GENEVA MAY INDICATE TO UNHCR PROTECTION
DIVISION DIRECTOR MOUSALLI THAT U.S. POLICY HAS BEEN TO
SUPPORT TRULY VOLUNTARY REPATRIATION OF REFUGEES WHEN
SUCH REPATRIATION CAN BE SUPERVISED AND MONITORED BY THE
APPROPRIATE INTERNATIONAL ORGANIZATION INCLUDING
VERIFICATION THAT REPATRIATED REFUGEES ARE NOT
PERSECUTED ON THEIR RETURN.

3. IN THE CASE OF POSSIBLE REPATRIATION OF VIETNAMESE
IN HONG KONG WE BELIEVE IT WOULD BE ESSENTIAL FOR UNHCR
TO BE FULLY INVOLVED IN THE PROCESS INCLUDING HAVING
PRIOR ACCESS TO PROSPECTIVE REPATRIATED REFUGEES; THAT
VIETNAM GIVE GUARANTEES TO BOTH THE HONG KONG GOVERNMENT
AND UNHCR THAT NO REPATRIATED REFUGEE WOULD BE
PERSECUTED OR OTHERWISE PUNISHED; AND UNHCR WOULD HAVE
ACCESS IN VIETNAM TO RETURNEES TO VERIFY NON-PERSECUTION.

4. FOR US MISSION GENEVA: THERE MAY BE SOME CONFUSION
ON THE QUESTION OF WHETHER THE HKG PROPOSED PROGRAM IS
ONE OF TRUE VOLUNTARY REPATRIATION OF REGISTERED
REFUGEES OR OF "REFOULEMENT". IF THE HKG HAS IN MIND A
PROCESS THAT WOULD SEND BACK UNILATERALLY VIETNAMESE
BOAT REFUGEES WITHOUT THEIR BEING PRESENTED TO UNHCR FOR
TENTATIVE REGISTRATION, THE UNHCR AND THE INTERNATIONAL
COMMUNITY WOULD STRONGLY APPROVE SUCH AN ACTION FOR
WHICH THE HK GOVERNMENT WOULD ULTIMATELY BE RESPONSIBLE

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PAGE 02 OF 02 SECSTATE WASHDC 4068

DTG: 062216Z JAN 84 PSN: 039445

OR WHICH IS PROHIBITED BY ARTICLE 33 OF THE CONVENTION RELATING TO THE STATUS OF REFUGEES. US MISSION GENEVA SHOULD DETERMINE MORE CLEARLY WHICH APPROACH THE HKG HAS IN MIND.

5. IN ADDITION WE ARE CONCERNED ABOUT THE POSSIBLE IMPACT ON OTHER COUNTRIES IN THE AREA THAT A REPATRIATION PROGRAM MIGHT HAVE ESPECIALLY WITH RESPECT TO THE POSSIBILITY THAT SOME OTHER COUNTRIES MIGHT USE THE PROPOSED HONG KONG PROGRAM AS AN EXCUSE TO IMPLEMENT A LESS THAN FULLY VOLUNTARY PROGRAM AND THEREBY UNDERMINE FIRST ASYLUM. IF THE UNHCR AND THE HONG KONG GOVERNMENT DECIDE TO MOVE FORWARD WITH A VOLUNTARY PROGRAM UNDER THE GUIDELINES OUTLINED IN PARAGRAPH 3 ABOVE, WE BELIEVE IT SHOULD BE DONE IN SUCH A WAY AS NOT TO ACT AS A PRECEDENT OR EXCUSE FOR EFFORTS TO UNDERMINE FIRST ASYLUM OR ON CONDITIONS THAT ARE NOT TRULY VOLUNTARY OR VERIFIABLE. PERHAPS THE PROPOSED HKG PROGRAM COULD BE STARTED FIRST ON A VERY LIMITED LOW KEY BASIS WITHOUT PUBLICITY AS HAS BEEN DONE WITH THE VERY FEW RETURNED VIETNAMESE THAT HAVE ALREADY BEEN PROCESSED FROM HONG KONG.

6. WE WOULD APPRECIATE ANY COMMENTS ON THIS QUESTION FROM POSTS IN THE REGION OF COUNTRIES PROVIDING FIRST ASYLUM. WE BELIEVE WE SHOULD NOT MOVE FORWARD WITH A HONG KONG/UNHCR PROGRAM UNTIL AN ASSESSMENT CAN BE MADE REGARDING ITS IMPACT ON FIRST ASYLUM COUNTRIES AND THEIR POLICIES. POSTS SHOULD BE SENSITIVE TO THE NEED TO PROTECT INFORMATION IN REFTEL AND INITIALLY SHOULD NOT APPROACH HOST GOVERNMENTS BUT PROVIDE THEIR BEST ASSESMENT OF LIKELY IMPACT OF A HONG KONG REPATRIATION PROGRAM.

7. ACCORDINGLY U.S. GENEVA SHOULD PROVIDE MOUSALLI WITH OUR GENERAL POLICY APPROACH OUTLINED ABOVE, INDICATE WE ARE ASSESSING THE POSSIBLE IMPACT ON FIRST ASYLUM COUNTRIES AND SUGGEST THAT NO FINAL DECISION BE MADE

REGARDING A POSSIBLE PROGRAM UNTIL A MORE COMPLETE ANALYSIS CAN BE MADE OF ITS IMPLICATIONS FOR SOUTHEAST ASIA VIETNAMESE REFUGEE PROGRAMS. (RP/ASIA: 0918K) SHULTZ
BT

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EXDIS
E. O. 12356: DECL: OADR
TAGS: SREF, UNHCR, KH, VM
SUBJECT: HONG KONG GOVERNMENT POLICY ON REPATRIATION
OF VIETNAMESE

REF: STATE 4068

1. (C) - ENTIRE TEXT.

2. PARA FOUR, SECOND SENTENCE OF REFTEL READS QTE THE
INTERNATIONAL COMMUNITY WOULD STRONGLY APPROVE SUCH AN
ACTION UNQUOTE. DELETE APPROVE AND INSERT OPPOSE.

SHULTZ
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EXDIS
E. O. 12356: DECL: OADR
TAGS: HK, PGEN
SUBJECT: UK EMBASSY ON FUTURE OF HONG KONG

1. S - ENTIRE TEXT

2. UK EMBASSY MINISTER DEREK THOMAS CALLED ON ASSISTANT SECRETARY WOLFOWITZ JANUARY 6 TO BRIEF HIM ON RECENT CONVERSATIONS ON HONG KONG BY DEPARTING BEIJING AMBASSADOR PERCY CRADDOCK WITH PREMIER ZHAO, FOREIGN MINISTER WU AND STATE COUNSELOR JI PENGFEI. THOMAS SAID THAT CRADDOCK FOUND THE CHINESE LEADERS FLEXIBLE AND GENERALLY POSITIVE. THEY ALSO INFORMED HIM OF FURTHER CHINESE THINKING WHICH CRADDOCK FOUND ENCOURAGING. FOR EXAMPLE, THEY TOLD HIM THAT THE PRC WOULD RETAIN THE CIVIL SERVICE SYSTEM AND INSTITUTE A PARLIAMENTARY GOVERNMENT IN HONG KONG AFTER 1997. ALTHOUGH NOT NEW, THEY SAID THE PRC IS WORKING ON A "MINI-CONSTITUTION". ZHAO REPORTEDLY EXPRESSED CONFIDENCE THAT AN AGREEMENT COULD BE REACHED ON THE FUTURE OF HONG KONG AND ASKED THAT BOTH SIDES CONTINUE TO MAKE PROGRESS.

3. FOLLOWING HIS BRIEFING ON CRADDOCK'S MEETINGS, THOMAS, READING FROM INSTRUCTIONS, SAID "AS FOR ZHAO'S VISIT TO THE U. S. WE DO NOT KNOW WHETHER HONG KONG IS TO BE RAISED BY EITHER SIDE, BUT IF IT IS WE WOULD BE GLAD IF THE AMERICANS COULD FIND A WAY OF MAKING IT CLEAR TO ZHAO THAT AS A MAJOR INVESTOR IN HONG KONG AND WITH AN EYE TO STABILITY IN THE REGION, THE AMERICAN GOVERNMENT HOPES THERE WILL BE NO COLLAPSE IN HONG KONG BROUGHT ABOUT BY PRECIPITATIVE ACTION ON ANYONE'S PART, AND THAT THE TERRITORY WILL REMAIN STABLE AND PROSPEROUS WITH AS MUCH CONTINUITY AS POSSIBLE, PARTICULARLY IN THE ECONOMIC, LEGAL, FINANACIAL AND SOCIAL AREAS. AN AGREEMENT BETWEEN BRITAIN AND CHINA WHICH MET THE WISHES OF THE HONG KONG PEOPLE AND REASSURED INVESTORS WAS IN EVERYONE'S INTEREST AND SHOULD BE THE GOAL."

4. AFTER THOMAS PRESENTATION WOLFOWITZ GAVE HIM A BRIEF, GENERALLY POSITIVE ASSESSMENT OF OUR EXPECTATIONS FOR THE ZHAO VISIT. SHULTZ
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EXDIS
E. O. 12356: DECL: OADH
TAGS: SREF, UNHCR, KH, VN
SUBJECT: HONG KONG GOVERNMENT POLICY ON REPATRIATION
OF VIETNAMESE
1EF: A) STATE 4068, B) GENEVA 11531

1. C- ENTIRE TEXT
2. PER REFTZL A THE GOVERNMENT OF MALAYSIA (GOM) HAS FOR YEARS ENDORSED THE CONCEPT OF REPATRIATION OF VIETNAMESE, AND INDEED FOUND WAYS IN 1978-79 TO FORCEABLY IMPLEMENT FORCED REFUGEE BOAT PUSH OFFS WHICH THE GOM HOPED WOULD CONVEY A STRONG MESSAGE BOTH TO VIETNAM AND POTENTIAL REFUGEES. SINCE THAT TIME, HOWEVER THE GOM HAS TAKEN A MORE LENIENT ATTITUDE REGARDING FIRST ASYLUM REFUGEES AS LONG AS RESETTLEMENT COUNTRIES KEEP UP A STRONG RESETTLEMENT EFFORT, REDUCING THE OVERALL FIRST ASYLUM BURDEN.
3. DURING SEPT. 1983 THE GOM BEGAN TO RELOCATE FROM S. BESI TO P. BIDONG VIETNAMESE REFUGEES WHO HAD FAILED TO BE ACCEPTED BY A RESETTLEMENT COUNTRY. SO FAR ABOUT 300 OF 3,000 TOTAL HAVE BEEN RETURNED TO P. BIDONG. THE GOM INTENDS TO TRAIN THESE PERSONS IN A VARIETY OF VOCATIONAL SKILLS IN HOPES OF MAKING THEM APPEAR MORE ATTRACTIVE TO RESETTLEMENT COUNTRIES. WE BELIEVE HOWEVER FEW WILL FIND RESETTLEMENT UNDER CURRENT ACCEPTANCE CRITERIA AND MAY IN THE FUTURE BECOME PRIME CANDIDATES FOR REPATRIATION. NO DOUBT THE GOM HAS FOCUSED ON THIS POSSIBILITY BUT HAS NOT SEEN THE NEED TO STEP OUT FRONT ON THE ISSUE.
4. THE UNHCR LOCAL REPRESENTATIVE D. BAYANDOR TAKES THE UNHCR LINE THAT WHILE EVERYONE HOPES THERE COULD BE A VOLUNTARY REPATRIATION PROGRAM, PRIVATELY HE CONCEDES THE CURRENT OUTLOOK FOR ONE IN MALAYSIA IS NIL. (NO ONE HAS VOLUNTEERED TO GO BACK). HE CALCULATES THAT ABOUT 3,000 VIETNAMESE REFUGEES, IN MALAYSIA, HAVE BEEN REJECTED BY THIRD COUNTRY

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DELEGATIONS AND ARE SIMPLY WAITING TO SEE WHAT HAPPENS NEXT. HE WENT ON TO REITERATE AN OUTLINE OF REPATRIATION ACCEPTABILITY, ENDORSED BY GENEVA, WHICH INCLUDES THE FOLLOWING GUIDING PRINCIPLES:

- A. VOLUNTARY NATURE
- B. COUNTRIES WILLINGNESS TO ACCEPT RETURNEES
- C. MONITORING THE REPATS RESETTLEMENT BY A UNHCR OBSERVER.

THESE POINTS HE SAID FOLLOW CLOSELY THOSE RECENTLY OUTLINED TO THE UNHCR BY THE U. S. AMBASSADOR TO GENEVA. IN SO FAR AS MALAYSIA IS CONCERNED, BAYANDOR FELT THAT IT WOULD BE UNWISE, IF NOT FOOLISH, TO APPROACH REFUGEES DIRECTLY BY THE UNHCR ABOUT THE POSSIBILITY OF THEIR VOLUNTEERING TO RETURN TO VN, INDICATING THIS APPROACH WOULD PROBABLY START A PANIC WHICH IN TURN WOULD CAUSE THE UNHCR AND GOM ADDITIONAL WORRIES. RATHER, HE HOPES, THOSE WHO ALREADY HAVE RETURNED WILL SPREAD THE WORD TO OTHERS SIMILARLY INCLINED, THAT IT IS NOT SO BAD TO GO HOME.

5. REFCOORD DOUBTS THAT UNDER THE CURRENT ATMOSPHERE ANY REFUGEES IN MALAYSIA WOULD VOLUNTARILY ACCEPT A RETURN TICKET TO VIETNAM AND IS CONVINCED THAT MOST WILL OPT FOR THE WAIT-AND-SEE POSITION RATHER THAN TO STICK A NECK OUT.

6. FYI: BAYANDOR FEELS PERSONALLY THAT CONFIRMED CRIMINALS SUCH AS MURDERERS, RAPISTS, ETC., SHOULD NOT BE GIVEN ANY CHOICE. HE BELIEVES THEY SHOULD BE SENT BACK TO FACE THE CONSEQUENCES.

7. THE BOTTOM LINE FOR THE GOM REMAINS SIMPLE AND DIRECT; "WE DO NOT WANT ANY RESIDUAL REFUGEE POPULATION IN THE COUNTRY. ALL REFUGEES WILL, ONE WAY OR ANOTHER, LEAVE." FORTUNATELY FOR THE REFUGEES

THE GOM HAS YET TO PUT A DEADLINE DATE ON THIS STATEMENT.
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EXDIS
E.O. 12356: DECL: OADR
TAGS: HK, PGEN
SUBJECT: FUTURE OF HONG KONG: NEW HEAD FOR PRC
-- NEGOTIATING TEAM
REF: A) STATE 5112, B) 83 LONDON 26941

1. SECRET - ENTIRE TEXT.

2. ASSISTANT PRC FOREIGN MINISTER ZHOU NAN WILL HEAD THE CHINESE NEGOTIATING TEAM AT THE NEXT ROUND OF TALKS OVER HONG KONG'S FUTURE ON 25-26 JANUARY, ACCORDING TO FCO (STRICTLY PROTECT). IN A MOVE WHICH HAS NOT YET BEEN ANNOUNCED, YAO GUANG IS EXPECTED TO BE TRANSFERRED TO "PARTY RECTIFICATION" WORK. FCO DESCRIBED ZHOU AS BRIGHT, WITH VERY GOOD ENGLISH, CAPABLE OF COMING DOWN HARD ON CERTAIN ISSUES. FCO DOES NOT EXPECT THE CHANGE TO AFFECT THE TALKS SIGNIFICANTLY, AS PRC NEGOTIATORS ARE KEPT ON A TIGHT REIN.

3. CRADOCK FAREWELL CALLS: AT A JANUARY 10 BRIEFING FCO DESCRIBED CRADOCK'S FAREWELL CALLS IN BEIJING ALONG THE LINES OF REF A, SAYING PREMIER ZHAO HAD EXPRESSED GREAT CONFIDENCE THAT THE TWO SIDES WOULD AGREE ON A SETTLEMENT, AND HAD URGED THE U.K. TO GET ON WITH ITS WORKING PAPERS. (THE U.K. HAS NOW HANDED OVER SEVEN PAPERS. THE CHINESE HAVE RESPONDED ON LEGAL, FINANCIAL, MONETARY AND EXTERNAL ECONOMIC QUESTIONS. THEY HAVE NOT YET REACTED TO PAPERS ON INDIVIDUAL RIGHTS, CULTURE AND EDUCATION, AND THE ECONOMIC SYSTEM. A PAPER ON LAND IS COMPLETE AND WILL BE TRANSMITTED SOON, FOLLOWED BY PAPERS ON CIVIL AVIATION AND SHIPPING. THE HIGHLY DIFFICULT SUBJECTS OF DEFENSE AND INTERNAL GOVERNMENT ARE BEING LEFT FOR LAST.)

AT HIS FAREWELL MEETINGS, CRADOCK AGAIN STRESSED

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EXDIS

THE CONDITIONALITY OF THE U.K. NEGOTIATING STANCE, SAYING THE U.K. UNDERSTOOD THE IMPLICATIONS OF THE CHINESE PLAN CONCERNING SOVEREIGNTY AND ADMINISTRATION AND WAS WILLING TO EXPLORE THE PLAN IN DETAIL, BUT HAD NOT FORMALLY ACCEPTED IT. (THIS CONFLICTS WITH OTHER REPORTS WE HAVE SEEN, IMPLYING THAT THE U.K. HAD EXPLICITLY AGREED TO ACCEPT THE CHINESE CONDITION. ACCORDING TO FCO, SOME PRC OFFICIALS APPEAR TO BELIEVE THE U.K. HAS ACCEPTED THE CONDITIONS, DESPITE REPEATED CLARIFICATIONS.)

EXDIS

4. THE SEPTEMBER 1984 DEADLINE: FCO BELIEVES IT WOULD BE IMPOSSIBLE FOR THE TWO SIDES TO COMPLETE A DETAILED AGREEMENT THAT COULD BE SUBMITTED TO PARLIAMENT WITHIN THIS TIME FRAME, BUT HOPES TO REACH A MORE GENERAL AGREEMENT THAT COULD BE RELEASED BY SEPTEMBER. PRICE
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E. O. 12356: N/A
TAGS : OTRA
SUBJECT : TRAVEL OF DOUGLAS MORROWS
REF : STATE 16077

CONSULATE GENERAL WOULD BE PLEASED TO ASSIST IN ANY WAY POSSIBLE WITH THE HONG KONG STOPOVER OF MR. AND MRS. DOUGLAS MORROW. POLITICAL OFFICER HAROLD E. MEINHEIT WILL HANDLE ARRANGEMENTS (OFFICE PHONE: 5-8412275/HOME: 5-239525). (MEINHEIT HAS BEEN ON SEVERAL TREKS IN NEPAL AS WELL AS IN THE HINDU KUSH.) POLITICAL OFFICER DON PAARLBERG, JR., A FORMER PEACE CORPS VOLUNTEER IN NEPAL, WILL ALSO BE ON HAND. WE AWAIT ADDITIONAL INFORMATION AS TO HOW WE CAN BE HELPFUL.
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NOFORN
E. O. 12356: DECL: OADR
TAGS: PREL, CH, UK, HK
SUBJ: FUTURE OF HONG KONG: DISCUSSION WITH HKG POLAD
REF.: HONG KONG 22426

- 1. SECRET/NOFORN - ENTIRE TEXT
- 2. SUMMARY.

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THE LATEST ROUND OF UK-PRC NEGOTIATIONS ON THE HONG KONG ISSUE PRODUCED CONTINUING, ALBEIT UNSPECTACULAR, PROGRESS. MOST OF ROUND WAS TAKEN UP WITH A REVIEW OF PROGRESS TO DATE AND IN RECONCILING MINOR DIFFERENCES ON PROPOSALS EARLIER TABLED BY THE UK. IN A DISPLAY OF CHINESE FLEXIBILITY, VIRTUALLY ALL OF THE DIFFERENCES WERE RECONCILED IN FAVOR OF THE UK. THE CHINESE ARE IN A HURRY TO WRAP UP THE NEGOTIATIONS TO MEET THEIR UNILATERALLY IMPOSED SEPTEMBER DEADLINE, BUT THE BRITS SEE LITTLE CHANCE FOR THIS AND ARE NOT GOING TO BE PUSHED BY CHINESE URGENCY INTO SLAPDASH HANDLING OF THE ISSUES. THE CHINESE PROPOSAL UNVEILED AT THE PREVIOUS ROUND TO STATION TROOPS IN THE NEW TERRITORIES POST-1997 WAS NOT ADDRESSED. DURING FAREWELL CALLS LAST MONTH, CRADOCK TOLD THE CHINESE LEADERS THAT SUCH A MOVE WOULD SERIOUSLY UNDERMINE POPULAR CONFIDENCE IN HONG KONG. THE CHINESE PROMISED TO RECONSIDER THE MATTER CAREFULLY.

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THE BRITISH ARE WORKING ON PAPERS ON GOVERNMENTAL STRUCTURE, DEFENSE AND INTERNAL SECURITY, THE CIVIL SERVICE AND NATIONALITY ISSUES WHICH THEY HOPE TO TABLE SHORTLY. THEY SEE CHINESE FLEXIBILITY TO DATE AS AUGURING WELL FOR ACCEPTANCE OF THEIR POSITION ON THESE FUNDAMENTAL ISSUES.

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END SUMMARY.

3. ACCORDING TO HKG POLITICAL ADVISOR ROBIN MCLAREN, THE RECENTLY CONCLUDED EIGHTH ROUND OF THE UK-PRC NEGOTIATIONS ON HONG KONG WAS MARKED BY CONTINUED, ALBEIT UNSPECTACULAR, PROGRESS. THE UK TABLED ONLY ONE PAPER -- ON LAND POLICY. IT ADVOCATED A UNIFORM

*Foreign Relations
H.K. / China*

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LANDS LEASE SYSTEM FOR ALL HONG KONG TO REPLACE THE PRESENTLY DISTINCTIVE ARRANGEMENTS FOR THE NEW TERRITORIES. THE CHINESE WERE AGREEABLE.

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4. MCLAREN DESCRIBED THE CHINESE AS DISAPPOINTED WITH THE UK'S FAILURE TO COME UP WITH MORE. THEY ARE IN A HURRY TO WRAP UP THE NEGOTIATIONS TO MEET THEIR UNILATERALLY IMPOSED SEPTEMBER DEADLINE, BUT THE BRITISH ARE NOT GOING TO ALLOW CHINESE URGENCY TO PUSH THEM INTO SLAPDASH HANDLING OF THE ISSUES. IT TAKES TIME TO WORK OUT COORDINATED UK POSITIONS AND THE BRITISH SEE LITTLE CHANCE OF REACHING AN AGREEMENT BY SEPTEMBER. THEY THINK IT MIGHT BE POSSIBLE TO COME UP WITH A JOINT STATEMENT IN TIME TO GET THE CHINESE OFF THE HOOK.

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5. MCLAREN SAID THAT MOST OF THE LATEST SESSION WAS DEVOTED TO REVIEWING PAST PROGRESS AND TO RECONCILING MINOR DIFFERENCES ON PREVIOUSLY TABLED UK PAPERS IN THE ECONOMIC, FINANCIAL, LEGAL, CULTURAL AND EDUCATION AREAS. THE BRITS NON-CONFRONTATIONALLY REMINDED THE CHINESE THAT THEIR CONCESSIONS ON SOVEREIGNTY AND ADMINISTRATION WERE CONDITIONAL ON PARLIAMENTARY ACCEPTANCE OF THE ENTIRE PACKAGE. THE CHINESE DID NOT MAKE AN ISSUE OUT OF THIS. THEY MOREOVER ACCEPTED THE BRITISH POSITION ON VIRTUALLY ALL THE POINTS OF DIFFERENCE. AS AN EXAMPLE, THE CHINESE DROPPED THEIR PROPOSAL FOR ELECTION OF JUDGES BY THE LEGISLATURE AND AGREED WITH CONTINUING THE PRESENT SYSTEM OF SELECTION BY AN INDEPENDENT JUDICIARY COMMITTEE. THEY ALSO AGREED WITH OUTSIDE HIRING OF EXPATRIATES TO SERVE IN THE JUDICIARY. THE ISSUE OF A POST-1997 PLA PRESENCE IN THE NEW TERRITORIES DID NOT COME UP IN THE LATEST ROUND. DURING HIS FAREWELL CALLS LAST MONTH, CRADOCK HAD TOLD THE CHINESE LEADERS THAT PLA DEPLOYMENTS IN HONG KONG

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WOULD SERIOUSLY UNDERMINE POPULAR CONFIDENCE. THE CHINESE HAD PROMISED TO RECONSIDER THE MATTER CAREFULLY.

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6. MCLAREN SAID THE BRITS PROVIDED THE CHINESE A PREVIEW OF THE PAPERS THEY ARE WORKING ON FOR SUBSE-
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TAGS: PREL, CH, UK, HK

SUBJ: FUTURE OF HONG KONG: DISCUSSION WITH HKG POLAD
QUENT ROUNDS. THEY INCLUDE THE STRUCTURE OF THE
GOVERNMENT, DEFENSE AND INTERNAL SECURITY, THE
COMPOSITION OF THE CIVIL SERVICE AND NATIONALITY ISSUES.
THE LATTER PROMISES TO BE A THORNY EXERCISE, PARTICULAR-
LY FOR THE BRITS BECAUSE OF THE EMOTIONS IT AROUSES
BOTH HERE AND IN THE UK. THE OVERRIDING BRITISH APPROACH
TO THE NEGOTIATIONS IS TO PRESERVE AS MUCH CONTINUITY
AS POSSIBLE BETWEEN EXISTING AND POST-1997 SYSTEMS.

7. MCLAREN SAID THAT DESPITE OCCASIONAL AND PROBABLY
NOT CAREFULLY CONSIDERED COMMENTS BY SOME CHINESE
OFFICIALS CALLING FOR A MORE REPRESENTATIONAL FORM OF
GOVERNMENT FOR HONG KONG OR ADVOCATING A THREE-WAY
DIVISION OF THE LEGISLATURE INTO PRO-CHINESE, PRO-
BRITISH AND NEUTRAL BLOCS, THE CHINESE TO DATE HAVE NOT
REPEAT NOT PROPOSED EITHER OF THESE MEASURES IN THE
TALKS. THE BRITS WOULD VIGOROUSLY OPPOSE A THREE BLOC
LEGISLATURE AS UNWORKABLE. THEY INTEND TO EXPAND
GRADUALLY THE REPRESENTATIONAL NATURE OF THE HKG IN THE
TRANSITION LEADING TO 1997 AND ARE NOW ENCOURAGED TO
BELIEVE THIS WOULD POSE NO PROBLEMS FOR THE PRC.

8. MCLAREN WAS SURPRISINGLY RESERVED ABOUT THE
APPOINTMENT OF ZHOU NAN TO REPLACE YAO GUANG AS HEAD
OF THE CHINESE NEGOTIATING TEAM. FOLLOWING AN INITIALLY
UNFAVORABLE IMPRESSION OF YAO AS AN UNIMAGINATIVE,
ARCHETYPICAL CHINESE BUREAUCRAT, THE BRITS CAME TO
LIKE AND RESPECT HIS SINCERITY AND NEGOTIATING ABILITIES.
THOUGH ZHOU SPEAKS EXCELLENT ENGLISH AND HAS A REPUTA-
TION FOR PRAGMATISM, THE BRITS WHO HAVE BEEN DEALING
WITH HIM THROUGHOUT THE NEGOTIATIONS SEE HIM AS A BIT
TOO SLIPPERY.

9. COMMENT.
THE BRITS ARE SATISFIED WITH THE WAY THE NEGOTIATIONS
ARE PROCEEDING. THEY ARE PLEASED WITH CHINESE
FLEXIBILITY. ALMOST ALL DIFFERENCES TO DATE ON SPECIFICS
HAVE BEEN RECONCILED IN THE UK'S FAVOR. THE BRITS SEE

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THIS AS AUGURING WELL FOR CHINESE ACCEPTANCE OF THEIR POSITION ON SUCH FUNDAMENTALS AS THE STRUCTURE OF THE POST-1997 GOVERNMENT AND THE RETENTION OF AN EXPATRIATE PRESENCE. THEIR STRATEGY REMAINS TO WORK FOR AN AGREEMENT WHICH PROVIDES THE GREATEST DEGREE OF ASSURANCE POSSIBLE TO THE PEOPLE OF HONG KONG THAT CHINESE PROMISES TO PRESERVE THEIR LIFESTYLE AND THE TERRITORY'S GROUND RULES WILL BE KEPT. TO THIS END, THEY ARE ATTEMPTING WITH GOOD SUCCESS SO FAR TO GET AWAY FROM THE CHINESE PENCHANT FOR DEALING IN PRINCIPLES AND INSTEAD TO LAY DOWN AN AGREEMENT WHICH SPELLS OUT SPECIFICS AND CONCRETE ARRANGEMENTS. ACCORDING TO MCLAREN, THEY ALSO INTEND TO PUSH FOR A SIGNED, WRITTEN AGREEMENT WHICH WOULD HAVE THE FORCE OF A TREATY UNDER INTERNATIONAL LAW. THE BRITS SEE THIS AS A MEANS TO IMPOSE ON THE CHINESE AN INTERNATIONAL OBLIGATION TO LIVE UP TO THE TERMS OF THE AGREEMENT.

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END COMMENT.

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International Business Review

Policy and Legislation

26
David S. P. F.
(editorial)

Volume 3, number 2
February 1984

In This Issue:

- American Business in South Africa
- World Bank Funding
- EC - U.S. Trade
- Special Report: GSP
- Far East Report: Hong Kong

American Business Role in South Africa

The U.S. Chamber's Board of Directors voted February 8 to oppose parts of the Export Administration Act, which would restrict American business activity in South Africa. The Board also directed the Chamber to take an active role on behalf of U.S. firms with respect to other legislative proposals to limit the activities of American business in South Africa.

The Board's action was in response to the growing political debate on the morality of American relations with South Africa. This has resulted in a wide range of legislative proposals at the federal, state, and local levels aimed at discouraging trade and investment activity with that country. The rationale behind these proposals is clear and well intentioned: namely, that South Africa's apartheid system of racial segregation and political exclusion is materially and psychologically reinforced by American business involvement.

Against this view are those who agree that apartheid is repugnant and must be replaced by a system of shared rights, but who further maintain that cutting economic links with South Africa will not advance this process of change. As endorsed by the Chamber, this approach recognizes that change in South Africa must ultimately depend upon the efforts of South Africans themselves. If the United States is to have any influence over the process, it must be through a policy of maximum contact — at government, social, and business levels. American influence, according to the Chamber, should not be exaggerated in that regard, but it is equally important not to underrate the destructive potential of isolation.

Over 200 U.S. corporations have significant investments in South Africa with a total book value in excess of \$2.3

billion or 1 percent of total U.S. direct investment abroad. These affiliates generate at least \$4 billion in South Africa sales and exports. Total U.S. trade with South Africa exceeded \$4 billion in 1982, less than 1 percent of total U.S. international trade.

Title III of the Export Administration Act, as passed by the House in late 1983, and pending Senate action, contains two major sets of provisions, the amendments of Representatives Stephen Solarz (D-N.Y.) and William Gray (D-Pa.)

The Solarz amendment would make the Sullivan Principles of fair employment standards mandatory, prohibit U.S. bank loans to the South African government and would ban the importation of Kruggerands. The Sullivan Principles are a voluntary code of corporate conduct guidelines designed to advance the employment and living standards of blacks employed by U.S. firms in South Africa. Most U.S. firms subscribe to the principles and have earned the reputation for having an influence on the development of educational, employment, and living opportunities for blacks out of proportion to the relative scale of their involvement in the South African economy.

The Chamber has two major concerns with a mandatory set of Sullivan Principles. One, it would specify labor relations regulations that go far beyond what is required in U.S. domestic law. And two, even if the specifics of the labor relations and collective bargaining provisions were modified, they would still amount to a new extraterritorial extension of U.S. laws abroad, with the power to assess criminal and financial penalties, and without clear precedent.

The Gray amendment would limit the ability of firms to expand their investments in South Africa. Specifically, they could invest only earnings derived directly from their South African operations, not funds raised in the United States and elsewhere. Apart from the questionable legality of this proposal, the Chamber maintains that its intended effect of lessening the American business presence is contrary to the interests of South African blacks.

The Senate is expected to consider the Export Administration Act shortly after the Washington Birthday recess. Preliminary soundings of Senate opinion do not indicate much

support for the South African provisions. The Senate version of the bill is limited to export control measures, notably the revamping of the authority under which the United States has applied sanctions such as the Soviet grain embargo, the pipeline restrictions, and the computer seizures.

Consequently, the decisive action is expected to take place in the Conference Committee. House proponents of the title are expected to press hard for adoption of at least some of the provisions in return for their support on non-South Africa provisions of the Act supported by the Senate.

Senator John Heinz (R-Pa.), chairman of the International Finance and Monetary Policy Subcommittee of the Senate Banking Committee, is Senate manager of the legislation. He is expected to support the Senate version strongly, but will be the focal point of pressure to accept some form of the South Africa provisions.

Chamber Backs World Bank Funding

The U.S. Chamber Board also reaffirmed support for the International Development Association (IDA), the World Bank affiliate that makes long-term, interest-free loans to the world's poorest countries. The Chamber endorsed the Administration's request for \$750 million for IDA over a three-year period as a minimum figure, but supported the concept of U.S. participation in a supplemental fund with contributions not to exceed \$200 million annually. This supplemental would enable the World Bank to negotiate agreements with other donors that would restore the IDA replenishment close to existing levels.

U.S. business benefits from U.S. participation in IDA, as concessional assistance not only prepares recipient countries to become viable trading partners, but helps avoid social and political unrest engendered by economic hardship. IDA financing also provides immediate export and procurement opportunities for U.S. firms. Recent IDA policies have sought to promote private sector initiatives and market-oriented philosophies. Since June of 1983 the United States has contributed approximately 34 percent (\$9.6 billion) of IDA funds, with U.S. corporations receiving 14 percent of the total procurement. The United States dominates procurement in energy and transportation sectors.

E.C. Plans Trade Retaliation

No real progress has been made in defusing a U.S.-E.C. dispute over specialty steel. Last July, President Reagan imposed higher tariffs on flat rolled products and quotas on stainless steel, each for a four-year period. The President's action came after the U.S. specialty steel industry won several cases before the International Trade Commission, alleging European use of government subsidies and dumping in the U.S. market.

The U.S. decision to begin the relief program on domestic steel producers is permissible under GATT rules, provided compensation is extended. So far, the E.C. has rejected proposed levels of American compensation (such as tariff

cuts on other products) and announced that retaliating measures affecting over \$137 million in U.S. exports will take effect March 1 if no agreement is reached. The E.C. plans to levy a more than 6 percent tariff increase on U.S. exports of methanol, vinyl acetate, burglar and fire alarms, and place import restrictions on various chemicals, plastics and sporting goods.

At a February 8 luncheon cosponsored by the U.S. Chamber and the Washington Export Council, Norman Tebbit, British Secretary of State for Trade and Industry, said the E.C. "continued to regard (U.S. actions) as unjustifiable, and having failed to secure satisfactory compensation we propose to exercise our rights under the GATT to impose comparable penalties on U.S. exports." The U.S. asserts, however, that the E.C. retaliation measures are excessive, and that the Administration has gone a long way in trying to satisfy E.C. needs.

Consultations between the U.S. and E.C. concerning the retaliatory moves began February 7 before the GATT Council in Geneva.

U.S.-Japan Economic Relations

Senior Japanese and U.S. business leaders agreed recently that vigorous action is required by both countries to resolve nagging bilateral economic problems. Delegates to the Joint Executive Committee meeting of the Advisory Council of Japan-U.S. Economic Relations (affiliated with the U.S. Chamber), and the Tokyo-based, Japan-U.S. Economic Council, meeting in Hawaii February 7, saw trade friction and protectionist sentiment as continuing threats to both the bilateral and world trading system. Despite signs of recovery in the industrialized world, unemployment and other domestic problems during this active political year threaten to further politicize trade problems, the executives noted. The business representatives viewed worldwide unitary tax provisions adopted by more than ten states as a serious disincentive to investment. Recognizing the importance of the current exchange rate misalignments, delegates called for an active effort to remedy imbalances, and praised the agreement reached recently by President Reagan and Prime Minister Nakasone to address the Yen/Dollar issue.

Since last July, the Councils have been analyzing the industrial policies of each country and their impact on international trade. A final report should be completed at the 21st Businessmen's Conference to be held in Tokyo, July 11-13.

Delegates also reviewed recent progress in implementing a plan to expand bilateral trade and investment in the electronics sector. This plan was formulated in discussions organized last November by the Advisory Council between U.S. and Japanese electronics executives. The U.S. Chamber recommends such sector-to-sector negotiations with Japan as a promising approach to improved trade.

Far East Report: Hong Kong

Hong Kong today is perhaps the most free-enterprise, free-trade spot in the world. Its five million people all are, in some ways, entrepreneurs who share a philosophy to "make the money today and there will be no tomorrow." But this attitude may be dissolving.

China's determination to re-establish complete sovereignty over Hong Kong clouds the future. The British have three leases with the Chinese for different parts of Hong Kong, one of which, for the New Territories, expires in 1997. Without the New Territories, Hong Kong is not viable. The Chinese reacted to Prime Minister Thatcher's September 1982 visit to China and her call to begin "negotiations" for the 1997 lease by claiming that the leases were null and void because they had been signed "under duress." Talks continue in Beijing between the British and the Chinese on the fate of Hong Kong.

Views of Tomorrow

The shape of Hong Kong's future depends on the perspective. The foreign resident views the situation from the hill-top, above the anxieties of the native population. On the waterfront the wealthy traders and local financiers are closer to the heart of the colony, and powerful enough to protect their interests regardless of the outcome. The average Chinese resident takes the back alley view; no matter what system or country holds sway, he must stay and work in Hong Kong. Finally, the diplomat can see the city from the air, a "big picture," without personal involvement. Each segment of Hong Kong thus sees the 1997 question from a different vantage point.

But 1997 is the future. Hong Kong is famous for its stress on the present, and for Hong Kong business the present is booming. With a real 6 percent growth in 1983 the colony is well on its way back to its traditional double-digit growth. This follows a slump in 1981 and 1982 caused by the world recession, especially the downturn in the United States, Hong Kong's largest foreign investor and trading partner. Six hundred twenty-five companies have been identified as U.S.-owned in Hong Kong, and 1983 saw scores of companies either expand or begin operations in Hong Kong. American business investment in Hong Kong is conservatively estimated at U.S. \$2.7 billion, about 47 percent of total foreign investment. Japan, with 30 percent, is second. Hong Kong's total two-way trade for 1983 will be very close to the U.S. \$43 billion mark, an extraordinary performance given the size of the colony.

Hong Kong's ability to bounce back, despite uncertainties in its political picture, is due to several factors. First, the entrepreneurial spirit flourishes — decisive action at the right time can and often does create millionaires. Second, Hong Kong's resourceful, adaptable work force allows quick re-

sponse to changing international markets. Third, an orientation to light manufacturing helps ensure that Hong Kong will be among the first to benefit from an upswing in the world economy. An efficient air and shipping system, and a wealth of capital complete the colony's list of strengths.

Protectionism

Given its reliance on international trade and open markets, Hong Kong is particularly vulnerable to the damages of protectionism. Any move by trading partners to close the door to Hong Kong's exports threatens the Colony's economy. To counter any such protectionism Hong Kong has sought to upgrade and diversify the manufacturing sector by focusing on products with higher value added, increasing trade with China, and promoting better understanding of its trade position through the Trade Development Council.

The China Dimension

No discussion of Hong Kong is complete without considering China. Links between the two are growing. Culturally and geographically, Hong Kong and China are closely related. Transportation and communications have mushroomed with regular direct train, bus, truck, car, ferry, hovercraft, sea and air service now in operation. Telex and telephone service are expanding rapidly.

With its unparalleled access to the Chinese mainland, Hong Kong is an excellent base for companies interested in, or already selling in, the China market. Since 1978 PRC trade has jumped from 0.2 percent to 5 percent of total Hong Kong trade. Re-exports (goods produced elsewhere and shipped to Hong Kong for delivery to China) grew even faster, from \$40 million in 1978 to \$1 billion in 1983.

The Future

With its skilled labor force, low corporate tax rates, open market policies unhampered by excessive restrictions, and active trade links with China and the world, Hong Kong remains an attractive investment site for American firms. It has grown into a bustling gateway to the Asia-Pacific Region. While the 1997 sovereignty question may not be as awesome to U.S. business as it is to the local Chinese, the investor will do well to watch the Chinese entrepreneur's investment strategy for the next three to five years, and move accordingly.

This report was prepared by William Jackson, former chief of the Foreign Commercial Service Office in Hong Kong, and now with the U.S. Chamber's International Division, Asia-Pacific Affairs.

Washington International

Export Trading Companies — step-by-step specifics on their formation and operation — will be the subject of a series of conferences cosponsored by the Department of Commerce and various accounting firms. Seminars will emphasize the practical aspects of planning and operating the ETC: business strategy, legal issues, financing, and types of Commerce Department assistance available. An ETC guidebook prepared by Price Waterhouse and the Commerce Department will be distributed to all registrants. Seminars will take place in the following cities on the dates indicated: March 20 — San Francisco; March 22 — Los Angeles; Late March — Baltimore; April 6 — Detroit; April 27 — Pittsburgh; May 4 — Minneapolis; May 23 — New York; June 5 — Chicago. For more information contact the Department of Commerce, Office of Export Trading Company Affairs, 202/377-5131.

The Caribbean Basin Promotion Center, funded by USAID with private industry support, and under the auspices of the Chicago Association of Commerce and Industry, offers specific trade and investment assistance to U.S. companies interested in exploring business opportunities in the Caribbean countries. The Center furnishes the midwestern company or investor with the free services of professional Caribbean investment specialists. Assistance includes locating manufacturing facilities, establishing distribution centers or sales offices, and applying to various organizations for funding of feasibility studies. For information: 312/786-0111, ext. 212.

Small businesses wishing to export and in need of financial assistance should look to the Export-Import Bank. Its charter commits the Bank to set aside an expanding percentage of credits, guarantees and insurance for small business. Eximbank has scheduled seminars in 20 cities on small business export assistance. For information call Marianne Crotty, 202/566-4781.

The research of over 8,500 professionals at Massachusetts Institute of Technology can be made available to your company through MIT's Industrial Liaison Program. Cost of membership in the program is negotiated individually with each company. The program's Industrial Liaison Officers work with the company to determine the "right match" between individuals in the university and the member firm. For more information contact Professor James M. Utterback, Director of Industrial Liaison, MIT, Room E38-400, Cambridge, Mass. 02139, 617/253-2691.

Guidelines to Successful Entry into the Japanese Market is part of a continuing effort by the American Chamber of Commerce in Japan to bring more American companies into the Japanese market. The handbook focuses on the practical aspects of investment in Japan including Japanese government investment incentives, site selection, and tax and financial advice. Reprinted and distributed by the U.S. Department of Commerce, International Trade Administration, Washington, D.C. 20230. Limited copies available from IBR, 202/463-5486.

Bulgarian-U.S. Business Roundtable In an effort to broaden ties with U.S. companies, Bulgaria is organizing a business roundtable conference in Sofia, May 15-17. The conference, which is being organized in conjunction with the Plovdiv Fair, will include working group discussions and visits to end-users and foreign trade companies. Particular areas of interest are metalworking machines, process controls, irrigation equipment, agricultural chemicals and machinery, industrial chemicals, mining equipment, and scientific equipment. Interested companies should contact Bulgarian Commercial Counselor Georgi Musorliev, 121 East 62nd Street, New York, N.Y. 10021, 212/935-4646.

Calendar

February 22: Treasury Secretary Donald Regan will address **Taxes, the Dollar and the U.S. Role in the World Economy** at the opening meeting of the U.S. Chamber's 1984 International Forum breakfast series. The monthly meetings feature high-level policymakers in the international economic arena. Contact: Mark Van Fleet, 202/463-5486.

February 28, March 2, March 8: Seminars in Washington, D.C. (3/8), Chicago (3/2) and San Francisco (2/28) will explain to American manufacturers how to qualify to use the **Japanese Industrial Standard (JIS) Certification Mark** on products they wish to export to Japan. Contact: American National Standards Institute, Lenore Grantz, 212/354-3316.

March 1-2: Secretary of Commerce Malcolm Baldrige will participate in a Washington, D.C. conference on **Basic Industries and High Technology: Policy Choices for the 1980s**. Spon-

sored by Government Research Corporation in cooperation with four industry associations. Contact: Eleanor Evans, 202/857-1400.

March 9: Trade Policy Conference sponsored by the National Bureau of Economic Research, Inc. will summarize the results of extensive research aimed at analyzing U.S. trade policy and the environment in which it is fashioned. Shoreham Hotel, Washington, D.C. Contact: 617/868-3900.

March 13-14: Japan & U.S.: Cooperating in High Tech, San Francisco. Cosponsors: Japan External Trade Organization and The Conference Board. Contact: 212/997-0450.

March 20: New York seminar on how the business sector can share in the commercial activities generated by the World Bank. Sponsor: U.S. Chamber's regional office in New York. Contact: Debra Busker 212/370-1440.

April 10: Association of American Chambers of Commerce in Latin America (AACCLA) 14th Corporate Briefing at U.S. Chamber of Commerce headquarters. Executives from 19 Latin American countries will provide off-the-record forecasts and analyses of current economic, political and social environments — a unique in-depth review of Latin America. For information/reservations contact Lynn Stevens, 202/463-5490.

May 28-June 1: International Business Opportunities Conference, Washington, D.C., cosponsors: the National Governors' Association and the Federation of International American Clubs. Small and medium-sized manufacturers will meet foreign business representatives to explore cooperative ventures: joint enterprises, technology transfer, investment. Discount to early registrants. Contact: 202/624-7805.

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BY KML NARA DATE 6/21/12

NODIS
E.O. 12356: DECL: OADR
TAGS: PREL, CH, US, HK
SUBJECT:
SECRETARY-WU MEETING RE HONG KONG

REF: HONG KONG 2514

1. SECRET - ENTIRE TEXT.

2. NOTES TAKEN BY DEPARTMENT INTERPRETER DURING SECRETARY'S MEETING WITH FOREIGN MINISTER WU INDICATE THAT WU SAID "SI-ZHANG" LEVEL WOULD HAVE TO BE STAFFED BY CHINESE, "FU-SI-ZHANG YI-JI" LEVEL COULD BE STAFFED BY EXPATRIATES. (WE LEAVE TO HONG KONG THE PROPER TRANSLATION OF THE TERM "SI" IN THE LOCAL BUREAUCRATIC CONTEXT. IN THE PRC THAT TERM IS USED IN, FOR EXAMPLE, THE FOREIGN MINISTRY'S MEI-DA-SI, OR DEPARTMENT OF AMERICAN AND OCEANIC AFFAIRS, WHICH IS HEADED BY A DIRECTOR WHOSE RANK EQUATES ROUGHLY TO THAT OF AN ASSISTANT SECRETARY.)

3. OUR INTERPRETER ADDS ONE CAUTIONARY NOTE: CONVERSATION WAS FAIRLY FREE-WHEELING, HER NOTES SKETCHY AND, BY NOW, HER MEMORY INEXACT. SHULTZ
BT

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E. O. 12356: DECL: OADR
TAGS : OVIP (DAM, KENNETH W.), XE, BX, ID, TH, XD,
SUBJECT : DEPUTY SECRETARY DAM'S TRAVEL
REF : A) STATE 45318, B) STATE 45714

1. ~~C~~ - ENTIRE TEXT.

2. CONGEN WELCOMES VISIT OF DEPUTY SECRETARY DAM. CONTROL OFFICER WILL BE POLITICAL COUNSELOR DENNIS HARTER, OFFICE PHONE 5-239011 EXT. 284, HOME PHONE 5-226514. CONTROL OFFICER FOR MRS. DAM WILL BE CONSULAR OFFICER TED GONG, OFFICE PHONE 5-239011 EXT. 374, HOME PHONE 5-920318.

3. CONSUL GENERAL LEVIN WILL MEET PARTY AT AIRPORT. HE AND MRS. LEVIN INVITE DEPSEC AND MRS. DAM TO STAY AT THE RESIDENCE; THEY REGRET THAT THEY LACK ACCOMMODATIONS FOR OTHERS IN PARTY. DPO WILLIAMS INVITES DAS MONJO TO STAY AT HIS APARTMENT. THE LEVINS INVITE DEPSEC AND MRS. DAM AND DAS MONJO TO A SMALL IN-HOUSE DINNER ON THE EVENING OF MARCH 2. IN VIEW OF BREVITY OF VISIT, THE ONLY OTHER APPOINTMENT WE WOULD SUGGEST IS A CALL ON GOVERNOR YOUDE, WHICH CAN BE DONE AT 1530 MARCH 2. THIS CAN BE PRECEDED BY CONGEN BRIEFING IF DESIRED. PLEASE ADVISE WHETHER ABOVE ARRANGEMENTS ARE ACCEPTABLE.

4. WE ARE WORKING ON THE OTHER REQUIREMENTS SET FORTH IN REFTELS AND THESE WILL BE COVERED SEPTTEL.
LEVIN
BT

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~~SECRET~~ SECTION 01 OF 03 HONG KONG 03626

EXDIS
NOFORN
E. O. 12356: DECL: OADR
TAGS: PREL, CH, UK, HK
SUBJ: FUTURE OF HONG KONG: DISCUSSION WITH HKG POLAD
REF.: HONG KONG 1937

1. SECRET/NOFORN - ENTIRE TEXT

2. SUMMARY.

THE LATEST ROUND OF UK-PRC TALKS REGISTERED CONTINUING PROGRESS. WHILE SOME DIFFERENCES SURFACED, THE NEGOTIATING ATMOSPHERE REMAINED GOOD. THE DISCUSSIONS CENTERED ON BRITISH PAPERS ON DEFENSE/INTERNAL SECURITY AND ON THE PUBLIC SERVICE. THE BRITISH PROPOSED RAISING A LOCAL SECURITY FORCE RESPONSIBLE SOLELY TO THE HKG AS A REPLACEMENT FOR THE BRITISH GARRISON WHICH WOULD DEPART IN 1997. THE CHINESE OFFERED NO SUBSTANTIVE COMMENT ON THE PROPOSAL. A BRITISH REMINDER ABOUT THE INADVISABILITY OF STATIONING PLA TROOPS IN POST-1997 HONG KONG PRODUCED THE ONLY DISCORDANT NOTE -- A LECTURE THAT THIS WAS A MATTER FOR THE CHINESE TO DECIDE. THE CHINESE, HOWEVER, REITERATED THEIR INTENTION TO DEAL PRUDENTLY WITH THE ISSUE. ON THE PUBLIC SERVICE, THE CHINESE READILY AGREED WITH A NUMBER OF TECHNICAL POINTS PROPOSED BY THE UK. THEY ALSO AGREED THAT EXPATRIATS WOULD BE RETAINED AFTER 1997, BUT REJECTED THE BRITISH CONTENTION THEY BE ALLOWED TO SERVE UP TO THE SECRETARY LEVEL, INSISTING INSTEAD THEY BE LIMITED TO THE DEPUTY SECRETARY LEVEL.

- THE BRITS PRESENTED A BRIEF, OUTLINE PAPER ON CONSTITUTIONAL ARRANGEMENTS AND ANOTHER ON SHIPPING. THE CHINESE RESERVED COMMENT PENDING FURTHER STUDY.

- MCLAREN SAW ALMOST NO POSSIBILITY OF THE NEGOTIATIONS BEING COMPLETED IN TIME FOR SUBMISSION TO PARLIAMENT PRIOR TO ITS JULY RECESS. HE DID NOT THINK LEGCO'S FORTHCOMING DEBATE ON THE FUTURE OF HONG KONG WOULD CREATE PROBLEMS FOR THE UK AND VIEWED WITH EQUANIMITY THE PRC'S UNHAPPINESS OVER THIS DEVELOPMENT AND THE INEVITABLE LIKELIHOOD THAT THE CHINESE WOULD SEE THIS AS MASTERMINDED BY THE UK FOR THE PURPOSE OF PLAYING THE PUBLIC OPINION CARD.

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NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 3626 DTG: 281100Z FEB 84 PSN: 005528

END SUMMARY.

EXDIS

3. ACCORDING TO HKG POLAD ROBIN MCLAREN, THE LATEST ROUND OF UK-PRC TALKS REGISTERED CONTINUING PROGRESS. WHILE SOME DIFFERENCES SURFACED, THE NEGOTIATING ATMOSPHERE REMAINED GOOD (MCLAREN ASKED THAT HIS BRIEFINGS ON THE TALKS BE HELD CLOSELY AND NOT REPEAT NOT REPLAYED TO FCO).

4. MCLAREN REVEALED THAT IN INFORMAL CONTACTS PRIOR TO THE MEETING THE BRITS HAD PASSED TO THE CHINESE PAPERS DEALING WITH DEFENSE/INTERNAL SECURITY AND WITH THE PUBLIC SERVICE. ON THE FINAL DAY OF THE ROUND THEY TABLED ADDITIONAL PAPERS ON CONSTITUTIONAL ARRANGEMENTS AND SHIPPING. THE CHINESE EXPECTEDLY RESERVED COMMENT ON THE LATTER PAPERS PENDING FURTHER STUDY.

EXDIS

5. THE DEFENSE/INTERNAL SECURITY PRESENTATION WAS BRIEF. IT FEATURED A PROPOSAL TO RAISE A LOCAL SECURITY FORCE TO REPLACE THE BRITISH GARRISON WHICH WOULD DEPART IN 1997. THE NEW FORCE WOULD BE RESPONSIBLE EXCLUSIVELY TO THE HKG. THE CHINESE DID NOT SUBSTANTIVELY COMMENT ON THE PROPOSAL. IN AN EARLIER ROUND THE CHINESE HAD AGREED THAT THE POST-1997 POLICE FORCE WOULD BE RESPONSIBLE TO THE HKG. THEY ALSO HAD AGREED THAT EXPATRIATES COULD REMAIN ON THE FORCE WITH THE QUALIFICATION THAT THE HIGHEST LEVELS WOULD BE RESERVED FOR LOCALS. THE BRITISH HAD NOT ACCEPTED THE QUALIFICATION, LEAVING THE ISSUE OUTSTANDING.

EXDIS

6. MCLAREN DISCLOSED THAT IN THE CONTEXT OF THE SECURITY DISCUSSIONS, THE BRITISH HAD AGAIN REMINDED THE-CHINESE THAT IT WOULD BE STRONGLY INADVISABLE TO STATION PLA TROOPS IN POST-1997 HONG KONG. THOUGH THE REMINDER HAD BEEN PREFACED WITH RECOGNITION OF CHINA'S RIGHT TO DEPLOY TROOPS HERE, IT PROVOKED A CHINESE LECTURE THAT THIS WAS A MATTER FOR CHINA TO DECIDE -- THE ONLY DISCORDANT NOTE IN THE ROUND. THE CHINESE
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EXDIS

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NATIONAL SECURITY COUNCIL
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~~SECRET~~ SECTION 02 OF 03 HONG KONG 03626

EXDIS
NOFORN

E. O. 12356: DECL: OADR
TAGS: PREL, CH, UK, HK

SUBJ: FUTURE OF HONG KONG: DISCUSSION WITH HKG POLAD
TOOK SOME OF THE BITE OUT BY REITERATING THEIR
INTENTION TO DEAL PRUDENTLY WITH THE ISSUE. MCLAREN
CONTINUES TO THINK THAT THE CHINESE NEGOTIATORS ARE
GOING THROUGH THE MOTIONS TO PLEASE PLA ELDERS AND
REMAINS HOPEFUL THAT BEIJING WILL BACK OFF.

7. ON THE PUBLIC SERVICE, THE CHINESE READILY AGREED
TO UK PROPOSALS THAT FOLLOWING 1997, CONDITIONS OF
EMPLOYMENT FOR HK CIVIL SERVANTS WILL REMAIN UNCHANGED
AND THAT THE HKG WOULD CONTINUE TO BE RESPONSIBLE FOR
PENSIONS, INCLUDING PAYMENTS TO THOSE RETIRED PRIOR TO
1997. THE CHINESE ALSO AGREED THAT EXPATRIATES WOULD
BE RETAINED IN THE PUBLIC SERVICE, BUT REJECTED THE
BRITISH CONTENTION THAT THEY BE ALLOWED TO SERVE UP
TO THE SECRETARY LEVEL, COUNTERING INSTEAD WITH A
LIMITATION TO THE DEPUTY SECRETARY LEVEL. THE ISSUE
WAS LEFT IN DISAGREEMENT. MCLAREN NOTED THERE WAS SOME
INTIMATION OF CHINESE FEAR THAT FOREIGNERS SERVING AT
HIGH LEVELS WOULD BE RESPONSIVE TO THE INTERESTS AND
DEMANDS OF THEIR OWN GOVERNMENTS RATHER THAN HONG KONG'S.
THE BRITISH TEAM TOOK PAINS TO EXPLAIN THE CURRENT
INDEPENDENCE FROM LONDON OF THE HONG KONG CIVIL SERVICE.
MCLAREN SPECULATED THAT THE CHINESE MIGHT SEEK TO HAVE
EXPATRIATES TAKE UP HONG KONG NATIONALITY.

8. THE BRITISH PRESENTATION ON CONSTITUTIONAL
ARRANGEMENTS WAS ALSO BRIEF AND LITTLE MORE THAN
AN OUTLINE SINCE THE HEART OF THE BRITISH POSITION
IS THAT THE PRESENT SYSTEM SHOULD BE CONTINUED WITH
MINIMUM CHANGE. THE BRITS PROPOSED THAT THE GOVERNOR
BE ELECTED BY THE LEGCO, WITH EXCO AND LEGCO IN
TURN SELECTED THROUGH AN "ELECTIVE PROCESS." THE
VAGUENESS IS INTENTIONAL AND DESIGNED TO TAKE INTO
ACCOUNT EVOLUTIONARY CHANGES TOWARD A MORE REPRESENTATIONAL
PROCESS OF SELECTING EXCO AND LEGCO
MEMBERS. MCLAREN NOTED THAT THE CHINESE HAD EARLIER
TALKED OF LEGCO ELECTION OF THE GOVERNOR, FOLLOWED
BY BEIJING'S RATIFICATION.

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NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 02 OF 02 AMCONSUL HONG KONG 3626 DTG: 281100Z FEB 84 PSN: 005531

EX
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9. MCLAREN SAID THAT THE BRITS WERE NOW WORKING ON PAPERS ON THE NATIONALITY ISSUE AND CIVIL AVIATION. BOTH PROMISED TO BE TROUBLESOME, THE FORMER BECAUSE OF EMOTIONS STIRRED UP IN HONG KONG BY BRITISH NATIONALITY POLICIES AND THE LATTER BECAUSE IT SEEMED ALMOST CERTAIN THAT THE "NEANDERTHALS" IN CHINESE CIVIL AVIATION WILL RESIST THE UK'S INTENTION TO LEAVE LANDING RIGHTS WITH THE HKG.

EX
DIS

10. PRESS SPECULATION TO THE CONTRARY, MCLAREN SAW LITTLE LIKELIHOOD OF THE NEGOTIATIONS BEING COMPLETED IN TIME FOR SUBMISSION TO PARLIAMENT PRIOR TO ITS JULY RECESS. THE UK AND PRC HAD AGREED TO A THREE ITEM NEGOTIATING AGENDA: 1) POST-1997 ARRANGEMENTS; 2) THE TRANSITION TO 1997; AND 3) THE TRANSFER OF SOVEREIGNTY. THE FIRST ITEM IS STILL UNDER DISCUSSION WITH NO CONCLUSION IN SIGHT. THE SECOND ITEM COULD PROVE TO BE LENGTHY AND CONTENTIOUS. THE BRITS SEE THEMSELVES AS THE SOVEREIGN POWER UNTIL 1997 AND INTEND TO LEAVE THEMSELVES AS FREE A RULING HAND AS POSSIBLE IN THE INTERIM. YET THEY ARE ASKING THE CHINESE TO RETAIN THE ARRANGEMENTS THEY FIND IN PLACE AT THE TIME THEY RESUME SOVEREIGNTY OVER HONG KONG. MCLAREN FORESAW DIFFICULTY IN GETTING THE CHINESE TO ACCEPT SUCH AN OPEN-ENDED SCENARIO.

EX
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11. TURNING AWAY FROM THE NEGOTIATIONS, MCLAREN COMMENTED ON LEGCO'S MOTION TO DEBATE HONG KONG'S FUTURE (REPORTED SEPTEL). HE SAW THE MOVE AS STIMULATED BY A MOTION INTRODUCED IN PARLIAMENT CALLING FOR DEBATE OF THE HONG KONG ISSUE. RESTIVE LEGCO MEMBERS FELT THAT WITH OUTSIDERS SHOWING CONCERN OVER HONG KONG'S FATE, IT WOULD

EX
DIS

BE UNSEEMLY FOR HONG KONG'S OWN LEGISLATORS TO KEEP QUIET ON A MATTER OF INTIMATE CONCERN TO THEMSELVES AND THE REST OF HONG KONG'S PEOPLE. WHILE CONFIRMING CONGEN'S OBSERVATION THAT MANY LEGCO MEMBERS ARE NOT THRILLED OVER THE DIRECTION OF THE NEGOTIATIONS, MCLAREN MINIMIZED THE CHANCES OF THE DEBATE PRODUCING CRITICISM OF THE UK'S
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~~SECRET~~ SECTION 03 OF 03 HONG KONG 03626

EXDIS
NOFORN

E. O. 12356: DECL: OADR

TAGS: PREL, CH, UK, HK

SUBJ: FUTURE OF HONG KONG: DISCUSSION WITH HKG POLAD
COURSE AND UNREALISTIC DEMANDS WITH CONSEQUENT AD-
VERSE IMPACT ON PUBLIC CONFIDENCE. HIS PRESENTA-
TION IMPLIED HKG CONFIDENCE IN ITS ABILITY TO
INFLUENCE LEGCO MEMBERS TO KEEP THE DEBATE WITHIN
REALISTIC BOUNDS. MCLAREN NOTED THAT THE PRC WAS
UPSET OVER LEGCO'S INTENTION TO DEBATE HONG KONG'S
FUTURE AND WOULD INEVITABLY SEE THIS AS MASTER-
MINDED BY THE UK FOR THE PURPOSE OF "PLAYING THE
PUBLIC OPINION CARD". HE SEEMED PLEASED THAT
AFTER LEAVING THE PROPAGANDA FIELD SOLELY TO THE
PRC FOR THESE MANY MONTHS, HK FIGURES WOULD NOW
HAVE A TURN AT BAT.

12. CG ASKED HOW UK INTENDED TO FULFILL ITS PLEDGE
THAT ANY AGREEMENT REACHED WITH PRC MUST BE ACCEPT-
ABLE NOT ONLY TO PARLIAMENT, BUT TO THE PEOPLE OF
HONG KONG. MCLAREN REPLIED THAT THE UK HAD NOT
YET THOUGHT THROUGH THE MEANS TO ACCOMPLISH THIS.
RESORT TO A STRAIGHT-OUT REFERENDUM WOULD BE MOST
UNLIKELY. PERHAPS IT MIGHT BE SOMETHING BETWEEN A
REFERENDUM AND A PUBLIC DEBATE. MCLAREN THOUGHT
THAT EVENTS OVER THE PAST TWO YEARS HAD LOWERED
PUBLIC EXPECTATIONS OF WHAT THE UK COULD GET OUT
OF THE PRC. THIS WOULD BE HELPFUL, BUT THERE WERE
STILL SOME AROUND WHO ENTERTAINED WISHFUL THOUGHTS
ABOUT THE UK'S ABILITY TO PULL PLEASANT SURPRISES
OUT OF A HAT.

LEVIN
BT

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