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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** LAUX, DAVID: FILES

**Withdrawer**

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**File Folder** CHINA-FOREIGN RELATIONS-HONG KONG (4/2/85-12/5/86)

**FOIA**

M09-299/1

**Box Number** 14

COLLINGS

33

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92687	CABLE	140121Z MAY 85 <b>D 12/20/2017 M299/1</b>	4	5/14/1985	B1 B3
92688	PAPER	RE HONG KONG <b>PAR 12/20/2017 M299/1</b>	1	8/5/1985	B1 B3
92689	PAPER	RE HONG KONG (PP. 12-13 ONLY) <b>PAR 12/20/2017 M299/1</b>	2	3/19/1986	B1 B3
92690	PAPER	RE HONG KONG <b>PAR 12/20/2017 M299/1</b>	4	5/1/1986	B1 B3
92691	CABLE	HONG KONG 17870 <b>R 6/21/2012 M299/1</b>	1	10/29/1986	B1
92692	CABLE	HONG KONG 19928 <b>R 6/21/2012 M299/1</b>	2	12/5/1986	B1
92693	CABLE	HONG KONG 18339 <b>R 6/21/2012 M299/1</b>	1	11/6/1986	B1
92694	CABLE	HONG KONG 17656 <b>R 6/21/2012 M299/1</b>	1	10/24/1986	B1

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

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- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
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*Subject*  
*File = Hong Kong*

NATIONAL SECURITY COUNCIL

ACTION

April 2, 1985

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: DAVID N. LAUX *DL*

SUBJECT: Presidential Letter to the Hong Kong American Club

State has sent in a request (Tab II) that the President send a congratulatory letter to the American Club of Hong Kong on its 60th Anniversary, July 6th. The original request came from the U.S. Consulate in Hong Kong.

The original draft letter has been revised by State and further edited by the speechwriters and the NSC staff -- with some sensitivity to the U.S. position with respect to Hong Kong's status, now that the United Kingdom and China have signed and agreement defining its future after 1997.

The current letter (Tab A) is a good one, we recommend that the President sign it.

Gaston Sigur <sup>GS</sup> concurs. Speechwriters concur with text.

RECOMMENDATION

That you sign the memo to the President at Tab I recommending he sign the letter to the American Club of Hong Kong.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Attachments

- Tab I Memorandum to the President
- Tab A President's Letter to the American Club of Hong Kong
- Tab II State Memo

## THE WHITE HOUSE

WASHINGTON

2

## MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT C. McFARLANE

SUBJECT: Presidential Letter to the Hong Kong American Club

Issue

State has requested that you send a congratulatory letter to the American Club of Hong Kong on its 60th anniversary, July 6th.

Facts

The original draft, from our Consulate in Hong Kong, has been revised by State, the NSC staff, and the speechwriters to take into account our position with respect to the Agreement signed between the United Kingdom and China determining Hong Kong's status after 1997.

Discussion

The current letter (Tab A) is a good one and I recommend that you sign it.

RecommendationOKNo

\_\_\_\_\_

\_\_\_\_\_

That you sign the letter to the American Club of Hong Kong at Tab A.

## Attachments:

Tab A Your Letter to the American Club of Hong Kong

Prepared by:  
David N. Laux

3

THE WHITE HOUSE

WASHINGTON

Dear Members of the American Club:

I am happy to congratulate the American Club on your 60th anniversary and on your move to new and expanded facilities. I have noted that the move takes place on July 4, Independence Day. This would seem appropriate because the founders of your Club, like the founders of our country, demonstrated great vision and conviction.

The American Club is now 60 years old, and it is one of the most venerable American institutions in Hong Kong. With your relocation and expansion, you have shown that the energy which characterized the founding of the Club remains undiminished. That energy has helped lead to America's emergence as a major influence on the economic and cultural life of the territory. It has contributed to the continuing stability of Hong Kong's free enterprise system, and to the prosperity of its people. For this you deserve not only the splendid new facilities awaiting you; you deserve also the gratitude of all who share an interest in Hong Kong's future successes.

Nancy and I extend our best wishes to all of you.

Sincerely,

The Hong Kong American Club  
12th Floor, St. George's Building  
Hong Kong, Central

United States Department of State 4

Washington, D.C. 20520

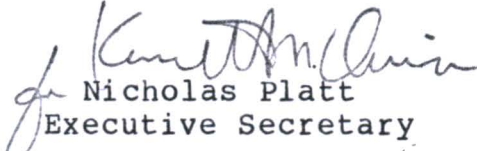
March 23, 1985

MEMORANDUM FOR MR. ROBERT C. MCFARLANE  
THE WHITE HOUSE

Subject: Presidential Letter to the Hong Kong American Club

The Hong Kong American Club will move to new and expanded facilities on July 4, 1985 and will celebrate its sixtieth anniversary on July 6, 1985. The American Club is one of the most important American institutions in the territory. It has long played a key role in the expansion of the American economic presence in Hong Kong. When the Club embarked on a costly expansion project in 1983, the territory's business community saw it as an American vote of confidence in Hong Kong's future.

We would like to show that we support the activities of the American Club and that we share its confidence in the future of Hong Kong. For this reason, we recommend that the President sign the attached draft letter of congratulations to the Club.

  
Nicholas Platt  
Executive Secretary

Attachment:

Suggested letter

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*Box Number*  
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<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
92687	CABLE 140121Z MAY 85	4	5/14/1985	B1 B3

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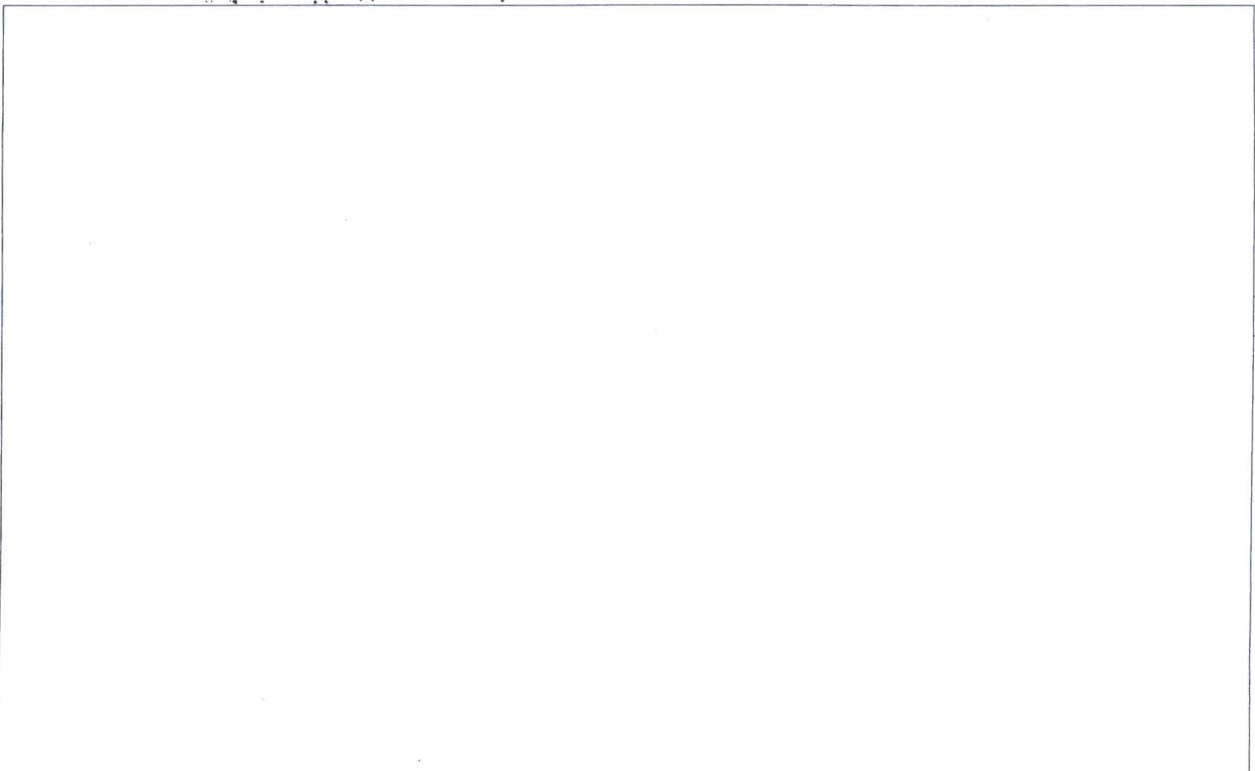
NLRRM2921 #92688  
BY RW NARA DATE 12/20/17

File - Hong Kong  
5-12 Aug 1985

Staff Note - [redacted]

**Hong Kong: New Consultative Committee**

Consulate Hong Kong reports that Hong Kong's Basic Law Drafting Committee (BLDC) will announce the membership of the Consultative Committee next month. The Consultative Committee will consist of approximately 150 members who will advise the BLDC in drafting the guidelines under which Hong Kong will be governed after 1997. The number of members appears to have been increased from previous estimates of about 80 to allow for fairer representation of the widest possible cross-section of Hong Kong society. [redacted]



**COMMENT:** It is unclear at this time what role the Consultative Committee will play in the drafting process of Hong Kong's basic law. If the Consultative Committee is allowed to openly critique the draft, however, it would probably reduce the rumor mongering that plagued the confidential Sino-UK negotiations last year. Beijing probably will continue to work behind the scenes to hold sway over various groups in the territory while maintaining the appearance of full "democratic" participation. [redacted]

[redacted] Hong Kong 14801, 13 Aug 85, C; B&A, [redacted]

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13526  
E.O. 12958  
1.4(b)  
3.3 b(1)(6)  
3.5c

File - Hong Kong  
92681

**Special Analysis**

**CHINA-  
HONG KONG:**

**Building for 1997**

**Since the signing of the Hong Kong accord in December 1984, authority there has begun to shift gradually to the Chinese as their influence in the territory expands.**

[REDACTED]

**The Hong Kong populace seems increasingly to accept Beijing's new role, but the business community continues to hedge its bets. The real test of China's ability to maintain business confidence is still some years off.**


Beijing is sending more personnel into Hong Kong, using [REDACTED] trade unions, the New China News Agency, and NCNA-supported schools to build influence. The Chinese also are more often using the leftist press to try to shape public opinion, while trying to intimidate and co-opt Hong Kong's independent media. To coordinate this effort, Beijing last year reorganized the NCNA—its principal unofficial representative in Hong Kong—along the lines of government departments, giving it the appearance of a shadow government and an alternative to the British authorities. [REDACTED]

[REDACTED]


continued

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BY RW NARA DATE 12/20/17

[REDACTED]




Power in the colony has begun to shift to Beijing's local representatives—at the expense of the British administration—even though Xu Jiatun, director of the NCNA in Hong Kong, denies that the news agency will become a "second power nucleus" in the territory. One magazine publisher recently told US officials that the NCNA office in Hong Kong is systematically cultivating local newspaper editors and reporters by offering them home mortgage loans through local Chinese banks. Senior NCNA officials also selected 23 prominent Hong Kong businessmen and professionals for the 59-member drafting committee; they will cooperate closely with Beijing in developing the new constitution.




### **Looking Ahead**

China's actions in Hong Kong continue to be tempered by several factors, including Beijing's interest in cultivating local and international business investment in China. So far this approach has been fairly successful. Hong Kong businesses—many of which are interested in building political equity with Beijing—currently account for approximately 60 percent of all investment in China and 70 percent of all joint venture projects there. Most Hong Kong businessmen nonetheless still hedge their bets by investing some profits abroad.



The real test of China's success in gaining business confidence is likely to occur in the early to mid-1990s. As time grows short, many companies will face difficult decisions on whether to extend their leases beyond 1997, and, more important, whether to risk reinvesting in the territory or to protect their assets by transferring them abroad. Those decisions will undoubtedly be strongly influenced at that point by the success or failure of economic reforms in mainland China.



Alan Scott

12  
File

— headed special team for  
1987 political reforms review.

— blueprinting future reforms.

— shoots from the hip.

— raised taxi fares, sparked  
riot.

— boosting investor confidence

— Born '34 - Fiji (58-71)

71 → HK

72 → ↓

— 1976 Legco member

— tennis, music, athletics.

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Washington, D.C. 20002 U.S.A.  
(202) 546-4400 Cable: HERITAGE, WASHDC  
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**The Heritage Foundation**



*- Hong Kong*

**Asian Studies Center**

April 8, 1986

Mr. David Laux  
National Security Council  
Room 302, OEOP  
Washington, D.C. 20506

Dear Mr. Laux:

On behalf of the Asian Studies Center of The Heritage Foundation, I cordially invite you to a luncheon/discussion on April 29 with the Honorable Alan Scott, Deputy Chief Secretary of the Hong Kong government. Mr. Scott is responsible for overseeing political developments in Hong Kong prior to the 1997 resumption of Chinese control.

The luncheon will be held from 12:30 pm to 2:00 pm in the Shelby Cullom Davis Policy Center on the seventh floor of The Heritage Foundation, 214 Massachusetts Avenue, Northeast.

Please reply to Debby Frantz 546-4400 (ext. 451) by noon Thursday, April 24.

I hope that you will be able to join me for this discussion with one of Hong Kong's key government officials.

Sincerely,

*Martin L. Lasater*

Martin L. Lasater  
Director

Yes

Dr. Edwin J. Feulner, Jr.  
President  
Hon. Richard V. Allen  
Chairman, Advisory Council  
of the Asian Studies Center

Martin L. Lasater  
Director, Asian Studies  
Center

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[Redacted]

14

HK

605

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# China in Hong Kong: Building for 1997

[Redacted]

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EO 13526 3.3(b)(6)>25Yrs  
EO 13526 3.5(c)

An Intelligence Assessment

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NLRR m29911#9269D

BY RW NARA DATE 12/20/17

~~Secret~~

EA 86-10018  
May 1986

Copy 014

China in Hong Kong:  
Building for 1997

**Key Judgments**

*Information available  
as of 14 April 1986  
was used in this report.*

We believe the Chinese are steadily expanding their influence in Hong Kong and that their authority will grow as they begin to assert themselves over the next few years. We judge that the Chinese will continue to be generally successful over the near term in reassuring local and international business firms that their interests will be protected.

Beijing has shown itself more adept so far at managing the transition than had expected and is becoming more knowledgeable about the territory.


As a result, US companies—which have \$4-5 billion invested there—will continue to see Hong Kong as an attractive place to do business. In fact, Hong Kong will probably become increasingly important to US firms over the next few years, both as a market—especially for US agricultural products—and as a center for facilitating US trade and investment in China. Bilateral trade in 1985 reached \$12 billion. Hong Kong, moreover, probably will remain available as a port of call for the US Navy at least until 1997, when the British formally relinquish control.

In our view, Hong Kong's growing importance to China's modernization program—both as a trading partner and as a source of investment capital—offers local interest groups their greatest leverage over the longer run for influencing Chinese policy toward the territory. China's ability to sustain the confidence of the local professional and business classes—essential to Hong Kong's continued prosperity—will become increasingly critical by the early to middle 1990s. Many Hong Kong businessmen, who make their investment decisions on a five-year basis, will then be reassessing whether to reinvest or to transfer their assets elsewhere.

Several factors, in our judgment, will influence business confidence as Hong Kong moves toward the transition. Most important will be whether Beijing remains eager to attract foreign capital for its modernization program. If it does, then the Chinese will probably be highly sensitive to international business concerns over the stability of Hong Kong. This sensitivity probably will be reflected in Beijing's handling of several matters that will directly affect Hong Kong over the next few years. Key benchmarks will include:

- 1987—when London has promised to consult Beijing before introducing any further democratic reforms, giving the Chinese potential veto power.



- July 1988—the Sino-British Joint Liaison Group, established to deal with a range of issues left unsettled by the Hong Kong accord, will move its base of operations to Hong Kong, giving its Chinese members an opportunity to interfere more directly in the running of the territory if Beijing so chooses.
- 1990—target date for completion of the Basic Law for Hong Kong. Beijing could press the British to implement aspects of the Basic Law at that point. 

~~SECRET~~

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Cooperation, Lingering Suspicions	1
China's Expanding Influence	3
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18

NATIONAL SECURITY COUNCIL  
SECRETARIAT

PAGE 01

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<SECT>SECTION: 01 OF 01<SSN> 0958<TOR> 861205001732 MSG000155434651

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<SUBJ>SUBJECT: HONG KONG GOVERNOR YOUDE DIES IN BEIJING

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LIMITED OFFICIAL USE BEIJING 30958  
WHITE HOUSE FOR VICE PRESIDENT'S OFFICE  
E. O. 12356: N/A

TAGS: PREL, PGOV, HK, CH  
SUBJECT: HONG KONG GOVERNOR YOUDE DIES IN BEIJING  
REF.: ANDERSON-TOMSEN TELCON OF DECEMBER 5

*File = Hong Kong*

1. U.K. EMBASSY FIRST SECRETARY INSALL CONFIRMED ON DECEMBER 5 THAT HONG KONG GOVERNOR SIR EDWARD YOUDE DIED IN HIS SLEEP ON THE PREVIOUS NIGHT AT THE RESIDENCE OF THE BRITISH AMBASSADOR IN BEIJING. ACCORDING TO U.K. EMBASSY, CAUSE OF DEATH HAS NOT YET BEEN DETERMINED, BUT ACCORDING TO ANOTHER BRITISH EMBOFF, YOUDE HAD HAD HEART SURGERY ABOUT FOUR YEARS AGO.

2. GOVERNOR YOUDE HAD BEEN IN BEIJING THIS WEEK FOR CEREMONIES TO OPEN THE OFFICE OF THE HONG KONG TRADE DEVELOPMENT COUNCIL AND THE LATEST MEETING OF THE HONG KONG LIAISON GROUP. PRC ASSISTANT FOREIGN MINISTER TANG LONGBIN TOLD POLCOUNS THAT THE GOVERNOR HAD SHOWN NO SIGN OF ILL HEALTH AT A BANQUET LAST EVENING HOSTED BY VICE MINISTER ZHOU NAN. TANG SAID THAT THE CHINESE WERE WORKING CLOSELY WITH THE BRITISH TO TAKE CARE OF ALL THE NECESSARY ARRANGEMENTS FOLLOWING THIS TRAGIC EVENT.

3. IN THE AMBASSADOR'S ABSENCE (IN TIANJIN), DCM TOMSEN PHONED THE U.K. EMBASSY TO CONVEY CONDOLENCES OVER GOVERNOR YOUDE'S TRAGIC DEATH. AS AMBASSADOR EVANS WAS OUT, DCM CONVEYED THIS MESSAGE TO U.K. MINISTER PETER THOMSON. DCM ALSO STATED THAT THE AMERICAN EMBASSY WAS PREPARED TO HELP IN ANY WAY IT COULD DURING THIS DIFFICULT PERIOD. MINISTER THOMSON RESPONDED BY WARMLY THANKING DCM FOR THE OFFER TO HELP AND STATED THAT HE WOULD CONVEY OUR CONDOLENCES TO SIR RICHARD. HE SAID THAT THE U.K. EMBASSY, WITH CHINESE ASSISTANCE, WAS HANDLING ALL OF THE "IMMEDIATE AND PRACTICAL ARRANGEMENTS." LADY YOUDE WAS COMING BACK FROM XIAN LATER TODAY-- FURTHER STEPS WOULD NEED TO BE COORDINATED WITH HER. HE SAID THE CHINESE WERE BEING MOST COOPERATIVE. IN AN ASIDE, HE STATED THAT THIS TRAGIC EVENT WOULD PROBABLY RAISE MORE PROBLEMS IN LONDON AND IN HONG KONG THAN HERE (PRESUMABLY BECAUSE OF GOVERNOR YOUDE'S CENTRAL ROLE IN MANY OF THE DETAILS RELATING TO THE HONG KONG AGREEMENT). THOMSON AGAIN THANKED DCM FOR THE CALL AND ASSURED HIM THAT HE WOULD CONVEY

OUR CONDOLENCES.

LORD  
BT  
#0958

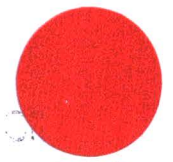
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E. O. 12356: DECL: OADR  
TAGS: PGOV, HK  
SUBJECT: HONG KONG GOVERNMENT NAMES NEW CHIEF SECRETARY

1. (C--ENTIRE TEXT.)
  2. THE HONG KONG GOVERNMENT ANNOUNCED ON OCTOBER 28 THAT DAVID FORD, NOW SECRETARY FOR THE CIVIL SERVICE, WILL BECOME CHIEF SECRETARY IN JUNE, 1987, SUCCEEDING SIR DAVID AKERS-JONES. THE CHOICE OF FORD ENDED WEEKS OF SPECULATION ON AKERS-JONES' SUCCESSOR AND SCOTCHED RUMORS THAT AN ETHNIC CHINESE WOULD BE THE NEXT CHIEF SECRETARY. PRIOR TO HEADING THE CIVIL SERVICE BRANCH, THE 51-YEAR-OLD FORD HELD A NUMBER OF OTHER HIGH-LEVEL HONG KONG GOVERNMENT POSTS, INCLUDING SECRETARY FOR HOUSING AND COMMISSIONER IN LONDON. FORD IS REGARDED HERE AS A TIRELESS WORKER FOR HONG KONG'S INTERESTS. COLLEAGUES IN THE HONG KONG GOVERNMENT CONSIDER HIM CAPABLE, VERY INTELLIGENT, AND A GOOD MANAGER. HE HAS NOT HAD A HIGH PUBLIC PROFILE.
  3. COMMENT: THE CHOICE OF FORD IS DESIGNED TO ENHANCE THE STABILITY OF THE HONG KONG GOVERNMENT IN THE YEARS LEADING UP TO THE 1997 TRANSITION. FORD PRESUMABLY WILL SERVE AS CHIEF SECRETARY UNTIL HE IS 60 (1995) PROVIDING CONTINUITY DURING THE INSTALLATION OF A NEW GOVERNOR IN 1989. FORD IS RESPECTED BY HONG KONG GOVERNMENT TOP-ECHELON CIVIL SERVANTS, MANY OF WHOM ARE NOT ENAMORED OF AKERS-JONES' FRIENDLY BUT SOMETIMES INEFFICIENT STYLE. ONE HKG SOURCE, NOTING THAT ONE OF THE CHIEF SECRETARY'S PRIMARY RESPONSIBILITIES IS CHAIRING INTERDEPARTMENTAL MEETINGS, TOLD US THAT AKERS-JONES "SEEMS TO HAVE DIFFICULTY CONCLUDING HIS MEETINGS IN LESS THAN FIVE HOURS." FORD, OUR SOURCE INDICATED, WILL BE MUCH CRISPER.
- KOBLER  
BT

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NLRR M299 # 92692

NATIONAL SECURITY COUNCIL SECRETARIAT

BY KML NARA DATE 6/21/12

PAGE 01 OF 02

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<SUBJ>SUBJECT: HONG KONG REACTION TO GOVERNOR YOUDE'S DEATH

CONFIDENTIAL SECTION 01 OF 02 HONG KONG 19928

E.O. 12356: DECL:OADR
TAGS: PREL, PGOV, HK, CH, UK
SUBJECT: HONG KONG REACTION TO GOVERNOR YOUDE'S DEATH
REF: (A) BEIJING 30958, (B) HONG KONG 19891

1. CONFIDENTIAL - ENTIRE TEXT.

>BEGIN SUMMARY<

2. BEGIN SUMMARY: THE SUDDEN DEATH OF HONG KONG'S 62 YEAR OLD GOVERNOR SIR EDWARD YOUDE SHOCKED THE TERRITORY, BUT THE CONSENSUS AMONG OUR CONTACTS HERE IS THAT YOUDE'S DEATH WILL HAVE NO SERIOUS SHORT OR LONG-TERM EFFECTS ON HONG KONG'S STABILITY AND PROSPERITY OR ON AMERICAN INTERESTS. THOUGH GOVERNOR YOUDE'S ADMINISTRATIVE AND DIPLOMATIC SKILLS WERE WIDELY ADMIRRED, THE EXPECTATION IS THAT LONDON WILL NAME AN ABLE REPLACEMENT TO CARRY ON IN HIS FOOTSTEPS. SPECULATION ON A POSSIBLE SUCCESSOR HAS CENTERED ON BRITISH DIPLOMAT DAVID WILSON, CURRENTLY THE HEAD OF THE BRITISH JOINT LIAISON GROUP TEAM. END SUMMARY.

>END SUMMARY<

3. THE SUDDEN PASSING OF HONG KONG GOVERNOR SIR EDWARD YOUDE CAME AS A GREAT SHOCK HERE IN HONG KONG. YOUDE, THOUGH INITIALLY PALING IN COMPARISON TO HIS PREDECESSOR LORD MACLEHOSE, GAINED IN STATURE

AS HE GUIDED HONG KONG THROUGH THE TURBULENT SINO-BRITISH NEGOTIATIONS AND INTO THE TRANSITION PERIOD. CHINESE OFFICIALS HERE, HONG KONG GOVERNMENT CIVIL SERVANTS, AND EVEN THE MAN IN THE STREET CAME TO RESPECT YOUDE'S QUIETLY COMPETENT MANNER, HIS INNATE TOUGHNESS, AND HIS IMMENSE PERSONAL INTEGRITY. A NEW CHINA NEWS AGENCY SOURCE HERE SUMMED UP SIR EDWARD AS "A LONG-TIME FRIEND OF CHINA, A VERY CAPABLE MAN RESPONSIBLE FOR THE POSITIVE DEVELOPMENT OF SINO-BRITISH RELATIONS AND FOR THE CONTINUED PROSPERITY AND STABILITY OF HONG KONG".

HONG KONG IMPACT

4. THOUGH ALL HERE READILY AGREED THAT YOUDE'S DEATH IS A BLOW, FEW EXPECT HIS PASSING TO HAVE ANY SERIOUS IMPACT ON THE POLITICAL AND ECONOMIC CLIMATE HERE. ONE WELL-PLACED CIVIL SERVANT NOTED THAT BECAUSE GOVERNOR YOUDE HAD DONE SUCH A FINE JOB, A FIRM FOUNDATION CAPABLE OF WITHSTANDING SUCH A SHOCK HAD BEEN LAID. A SOURCE IN THE HONG KONG GOVERNMENT POLITICAL ADVISER'S OFFICE ECHOED THESE THOUGHTS STATING THAT THE VERY COMPETENT HONG KONG GOVERNMENT CIVIL SERVICE WOULD CONTINUE TO FUNCTION AND FUNCTION WELL, AND THAT THINGS WOULD CONTINUE TO MOVE FORWARD. NCNA SOURCES TOOK A VERY CAUTIOUS LINE, STATING THAT AS YET NCNA HAS NOT HAD ENOUGH TIME TO STUDY THE IMPACT OF YOUDE'S DEATH.

5. THE HONG KONG STOCK MARKET HANG SENG INDEX DROPPED 60 POINTS IN EARLY HOUR TRADING DECEMBER 5, BUT RECOVERED SOMEWHAT BEFORE TRADING WAS SUSPENDED BEFORE NOON. VOLUME WAS LOW. A WIDE RANGE OF OUR BUSINESS CONTACTS, INCLUDING AMERICAN BUSINESS COMMUNITY REPRESENTATIVES, HOWEVER, EXPRESSED CONFIDENCE THAT ANY PLUNGE WOULD BE SHORT-LIVED AND THAT THE HONG KONG ECONOMY WOULD SUFFER NO LONG-TERM ILL EFFECTS.

YOUDE'S SUCCESSOR

6. SPECULATION CENTERED IMMEDIATELY ON A SUCCESSOR; MOST HERE TIP DAVID WILSON, THE PRESENT HEAD OF THE BRITISH TEAM IN THE JOINT LIAISON GROUP. WILSON, A FORMER HKG POLITICAL ADVISER AND A KEY FIGURE IN THE SINO-BRITISH HONG KONG NEGOTIATIONS, IS A BRITISH CAREER DIPLOMAT WELL AND FAVORABLY KNOWN TO THE CHINESE. FURTHER, BECAUSE WILSON IS INTIMATELY INVOLVED IN HONG KONG PROBLEMS BY VIRTUE OF HIS SERVICE WITH THE JOINT LIAISON GROUP, HE WOULD BE

CONFIDENTIAL SECTION 02 OF 02 HONG KONG 19928

E.O. 12356: DECL:OADR
TAGS: PREL, PGOV, HK, CH, UK
SUBJECT: HONG KONG REACTION TO GOVERNOR YOUDE'S DEATH
ABLE TO STEP INTO THE ROLE OF GOVERNOR WITH A MINIMUM OF DISRUPTION. VIRTUALLY THE ONLY FACTOR WORKING AGAINST WILSON, IN MOST KNOWLEDGEABLE OBSERVERS' MINDS, IS HIS RELATIVE YOUTH (AGE 45). THE ONLY

OTHER OBVIOUS CHOICE, EXCLUDING THE APPOINTMENT OF A POLITICAL CANDIDATE, WOULD BE SIR RICHARD EVANS, LONDON'S AMBASSADOR TO BEIJING.

7. THE NEXT GOVERNOR WILL NECESSARILY BE SOMEONE WHO ENJOYS OR CAN EASILY GAIN THE CONFIDENCE OF THE BRITISH, CHINESE AND HONG KONG GOVERNMENTS. BOTH TRADE DEPARTMENT CIVIL SERVANTS AND AMERICAN CHAMBER REPRESENTATIVES HERE HAVE POINTED OUT, HOWEVER, THAT SIR EDWARD PROVIDED A UNIQUE UNDERSTANDING OF U.S. INTERESTS WHICH AIDED HKG LOBBYING EFFORTS BOTH HERE AND IN THE U.S., AND MADE THE GOVERNOR A SYMPATHETIC LISTENER TO ANY CONCERNS VOICED BY THE AMERICAN BUSINESS COMMUNITY.

CONSUL GENERAL'S STATEMENT

8. CONSUL GENERAL ANDERSON ISSUED THE FOLLOWING PRESS STATEMENT ON THE MORNING OF DECEMBER 5:

BEGIN TEXT. I WAS PROFOUNDLY SHOCKED AND SADDENED BY THE NEWS THAT SIR EDWARD YOUDE HAD PASSED AWAY LAST NIGHT. I WISH TO EXTEND MY SINCERE CONDOLENCES TO SIR EDWARD'S FAMILY, COLLEAGUES, AND THE PEOPLE OF HONG KONG. I AM

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CONFIDENT THAT THE SUPERB EXAMPLE OF LEADERSHIP PROVIDED BY SIR EDWARD WILL BE CONTINUED BY HIS SUCCESSOR. END TEXT.

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THE CONSUL GENERAL'S STATEMENT WAS IMMEDIATELY REPORTED BY LOCAL RADIO AND T.V. CG ANDERSON ALSO PHONED HKG CHIEF OF PROTOCOL, SIR MARK HEATH TO EXPRESS CONDOLENCES, AND SIGNED THE HKG'S CONDOLENCE BOOK.

-  
9. COMMENT. WE AGREE WITH OUR CONTACTS' JUDGEMENT THAT HONG KONG WILL WEATHER THE SHOCK OF YOUDE'S SUDDEN DEATH, WITH NO LASTING EFFECTS ON POLITICAL AND ECONOMIC STABILITY. ONE OF YOUDE'S GREATEST CONTRIBUTIONS WAS TO LAY A FOUNDATION FOR BRITISH AND HONG KONG GOVERNMENT POLICY CONTINUITY. ALL THREE CONCERNED PARTIES, THE BRITISH, THE CHINESE, AND THE HONG KONG GOVERNMENT WILL ATTEMPT TO EMPHASIZE CONTINUITY OF THEIR RESPECTIVE POLICIES IN THE COMING WEEKS.

-  
10. IN ONE SENSE, YOUDE'S DEATH CAME DURING A POLITICAL LULL, BEFORE THE ANTICIPATED STRUGGLE TO THRASH OUT THE NEXT STEPS IN POLITICAL REFORM (DEMOCRATIZATION) NEXT SPRING. THOUGH YOUDE REPORTEDLY WAS AN ADVOCATE OF INTRODUCING GREATER DEMOCRACY INTO HONG KONG GOVERNMENT, HIS ABSENCE WILL NOT BE A DETERMINING FACTOR IN THE OUTCOME OF THE REVIEW. THE HKG HAS ALREADY ANNOUNCED ITS FICAW RECOMMENDATIONS WILL BE BASED ON PUBLIC OPINION.

-  
11. IN ANOTHER SENSE, YOUDE WILL BE MISSED. HIS TERM AS GOVERNOR HAD RECENTLY BEEN EXTENDED TO 1989 TO PROVIDE CONTINUITY AND EXPERIENCE AT THE HELM. WE ANTICIPATE, HOWEVER, LITTLE CHANGE IN HONG KONG'S SHORT-TERM OR LONG-TERM POLICIES OR PROSPECTS, AND EXCEPT AS NOTED ABOVE, PRACTICALLY NO IMPACT ON AMERICAN INTERESTS HERE, AS A RESULT OF THE CHANGE IN LEADERSHIP.  
ANDERSON

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LIMITED OFFICIAL USE HONG KONG 18339

E. O. 12356: N/A  
TAGS: PGOV, PREL, CH, HK  
SUBJECT: CHINA SETS UP NEW THINK TANK ON HONG KONG

1. SUMMARY: THE HONG KONG AND MACAU AFFAIRS OFFICE UNDER THE STATE COUNCIL HAS SET UP A NEW THINK TANK TO PROVIDE CHINESE LEADERS WITH INFORMATION AND ADVICE FOR WORKING OUT POLICY DECISIONS ON HONG KONG AND MACAU AFFAIRS. THE INSTITUTE IS HEADED PRIMARILY BY VETERAN ECONOMISTS, REFLECTING THE IMPORTANCE OF ECONOMIC INTERESTS IN HANDLING LOCAL AFFAIRS. APART FROM THE DESIRE TO ACHIEVE RATIONAL DECISION-MAKING, THE MOVE MANIFESTS BEIJING'S INTENTION TO REDUCE UNCERTAINTIES AND RELIEVE SENSITIVITIES IN HONG KONG DURING THE RUN-UP TO 1997. END SUMMARY.

2. ACCORDING TO RECENT LOCAL PRESS REPORTS, THE HONG KONG AND MACAU AFFAIRS OFFICE UNDER THE STATE COUNCIL HEADED BY JI PENGFEI HAS SET UP ITS OWN THINK TANK TO MONITOR VARIOUS DEVELOPMENTS IN THE TERRITORY. THE PRINCIPAL FUNCTION OF THE NEW ORGANIZATION, KNOWN AS THE "HONG KONG AND MACAU RESEARCH INSTITUTE," WILL BE TO PROVIDE CHINESE LEADERS WITH MUCH-NEEDED BACKGROUND INFORMATION FOR WORKING OUT POLICIES ON HONG KONG AND MACAU ISSUES. THE INSTITUTE IS REPORTEDLY INTERESTED IN A WIDE RANGE OF LOCAL ISSUES, INCLUDING POLITICS, ECONOMIC AND LEGAL AFFAIRS, SOCIAL STRUCTURE, CULTURE AND HISTORY.

3. THE MOST DETAILED INFORMATION WE HAVE SEEN ABOUT THE NEW THINK TANK HAS APPEARED IN THE PRC-OWNED LOCAL WEN WEI PO (WENHUI BAO), WHICH REPORTED THE INSTITUTE WAS SET UP IN OCTOBER 1985 WITH THE APPROVAL OF THE STATE COUNCIL. YONG LONGGUI (0516/7893/2710), 69, A CHINESE MEMBER OF THE HONG KONG BASIC LAW DRAFTING COMMITTEE AND AN ADVISOR TO THE NPC'S FINANCIAL AND ECONOMIC COMMITTEE, SERVES AS THE HONORARY CHAIRMAN OF THE INSTITUTE. CHEN BAoyan (7115/1405/8827), A FORMER OFFICIAL IN THE MINISTRY OF FOREIGN ECONOMIC RELATIONS AND TRADE WHO HAD SERVED IN

HONG KONG'S CHINA RESOURCES (HOLDINGS) CO. LTD. FOR SEVERAL YEARS, IS A DEPUTY DIRECTOR. JI CHONGWEI (1323/1504/1218), A FORMER DEPUTY SECRETARY-GENERAL OF THE CHINA ENTERPRISE MANAGEMENT ASSOCIATION (UNDER THE STATE ECONOMIC COMMISSION) AND CURRENTLY AN EXECUTIVE DIRECTOR OF THE STATE COUNCIL'S CENTER OF ECONOMIC, TECHNICAL AND SOCIAL DEVELOPMENT, WAS APPOINTED AS AN ADVISOR TO THE INSTITUTE. THE WEN WEI PO DID NOT IDENTIFY THE DIRECTOR OF THE THINK TANK.

4. THE HONG KONG AND MACAU INSTITUTE REPORTEDLY HAS EMPLOYED MORE THAN TEN STAFF MEMBERS. ITS MAIN RESPONSIBILITY IS TO SERVE AS A "STAFF OFFICE" (CANMOU BU) TO THE HONG KONG AND MACAU AFFAIRS OFFICE, PROVIDING CHINESE LEADERS RELEVANT INFORMATION AND ADVICE FOR DECISION-MAKING ON HONG KONG AND MACAU ISSUES. IT IS NOT CLEAR WHERE THE INSTITUTE WILL BE PHYSICALLY LOCATED.

5. COMMENT: THE ESTABLISHMENT OF THIS THINK-TANK COMES AT A TIME WHEN THE CHINESE HIERARCHY IS BECOMING INCREASINGLY AWARE OF THE COMPLICATED NATURE OF HONG KONG'S ECONOMIC AND POLITICAL SITUATION. CHINA'S VERY REAL NEED TO IMPROVE ITS UNDERSTANDING OF LOCAL DYNAMICS WAS RECENTLY HIGHLIGHTED BY INTENSE LOCAL DEBATE OVER DAYA BAY AND BY CURRENT DISCUSSION OF PROJECTED POLITICAL REFORMS IN THE TERRITORY. SETTING UP THIS RESEARCH INSTITUTE IS A PROMISING STEP, BOTH TOWARD INCREASING THE SOPHISTICATION OF CHINESE POLICY MANAGEMENT AND IN RELIEVING LOCAL SENSITIVITIES OVER CHINA'S PRESUMED IGNORANCE, BOTH NOW AND AFTER 1997, OF HONG KONG'S UNIQUE CHARACTER. END COMMENT.  
ANDERSON

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E.O. 12356: DECL: OADR  
TAGS: PREL, PGOV, CH, HK, UK  
SUBJECT: QUEEN'S VISIT TO HONG KONG

REF: HONG KONG 17152

1. (C--ENTIRE TEXT.)

2. THE VISIT OF QUEEN ELIZABETH II TO HONG KONG OCTOBER 21-23 PROVED A ROUSING SUCCESS. THE QUEEN STRUCK THE RIGHT NOTE AT THE WELCOMING CEREMONY, PRAISING THE SINO-UK AGREEMENT ON THE FUTURE OF HONG KONG, AND THE ENERGY AND DETERMINATION OF THE PEOPLE OF HONG KONG IN ADAPTING TO THE CHALLENGES OF LIFE HERE. THE QUEEN NOTED THAT HONG KONG HAD PROFITED FROM BOTH CHINESE AND BRITISH TRADITIONS IN THE PAST AND WOULD CONTINUE TO DRAW ON THESE TWO STRAINS TO MEET CHALLENGES IN THE FUTURE.

3. THE QUEEN HAD A FULL SCHEDULE, INCLUDING REVIEWING HER MAJESTY'S OWN GURKHA RIFLES, VISITING SHA TIN RACECOURSE, VIEWING A PUBLIC HOUSING PROJECT, AND HOSTING A STATE DINNER.

4. FROM A PUBLIC RELATIONS STANDPOINT THE VISIT WENT WELL. HER MAJESTY'S PUBLIC APPEARANCES GENERALLY DREW LARGE AND ENTHUSIASTIC CROWDS (A RECORD 60,000 SPECTATORS TURNED OUT FOR THE SHA TIN RACE MEETING AND SET A RECORD AMOUNT) AND PRESS COVERAGE OF THE ROYAL VISIT WAS EXTENSIVE AND UNIFORMLY POSITIVE.

5. THE LONE SUBSTANTIVE ASPECT OF THE VISIT WAS PROVIDED BY SIR GEOFFREY HOWE, BRITISH FOREIGN MINISTER, WHO PRECEDED THE QUEEN TO HONG KONG. HOWE STATED THAT DURING DISCUSSIONS WITH CHINESE PREMIER ZHOU ZIYANG, FOREIGN MINISTER WU XUEQIAN AND STATE COUNCILLOR JI PENG FEI, HE HAD STRESSED THAT THE HONG KONG GOVERNMENT'S (HKG) SCHEDULED REVIEW OF GOVERNMENT REFORM (DEMOCRATIZATION) IN 1987 WOULD TAKE PLACE AND THE HKG

WOULD BE GOVERNED BY PUBLIC OPINION ON ISSUES SUCH AS THE DIRECT ELECTION OF SOME LEGCO MEMBERS. SIR GEOFFREY SAID CHINESE LEADERS HAD EXPRESSED UNDERSTANDING OF THE BRITISH POSITION AND RAISED NO OBJECTIONS.

6. COMMENT: HONG KONG GOVERNMENT OFFICIALS ARE BREATHING A SIGH OF RELIEF THAT THE QUEEN'S VISIT WENT SO SEAMLESSLY AND PROVIDED THE PUBLIC RELATIONS BONANZA ANTICIPATED. AS PREDICTED BY OUR BRITISH COLLEAGUES HERE (REFTEL), THE QUEEN AVOIDED POLITICAL COMMENTARY, BUT GENERALLY THE VISIT WENT AS ONE OFFICIAL PUT IT, "SWIMMINGLY." HER MAJESTY VIEWED A TERRITORY WHERE AT LEAST FOR THE MOMENT, THE ATMOSPHERE IS CALM AND SPIRITS ARE HIGH.  
ANDERSON  
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