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

## Ronald Reagan Library

**Collection Name** LAUX, DAVID: FILES

**Withdrawer**

CAS 6/14/2010

**File Folder** CABLES-HONG KONG (10/18/83-7/3/85)

**FOIA**

M09-299/1

**Box Number** 37

COLLINGS

38

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
92754	CABLE	HONG KONG 18742 <i>R</i> 6/21/2012 <i>M299/1</i>	4	10/18/1983	B1
92755	CABLE	142312Z NOV 83 <i>D</i> 12/20/2017 <i>M299/1</i>	1	11/14/1983	B1 B3
92756	CABLE	272101Z JUL 84 <i>D</i> 12/20/2017 <i>M299/1</i>	1	7/27/1984	B1 B3
92757	CABLE	LONDON 16887 <i>R</i> 6/21/2012 <i>M299/1</i>	5	7/27/1984	B1
92759	CABLE	130705Z JUN 85	2	6/13/1985	B1 B2 B3
92760	CABLE	130107Z JUN 85 <i>D</i> 12/20/2017 <i>M299/1</i>	2	6/13/1985	B1 B3
92762	CABLE	STATE 188194 <i>R</i> 6/21/2012 <i>M299/1</i>	1	6/19/1985	B1
92764	CABLE	HONG KONG 10904 <i>R</i> 6/21/2012 <i>M299/1</i>	3	6/21/1985	B1
92766	CABLE	HONG KONG 10798 <i>R</i> 6/21/2012 <i>M299/1</i>	1	6/21/1985	B1
92767	CABLE	SEOUL 06406 <i>R</i> 6/21/2012 <i>M299/1</i>	1	6/24/1985	B1

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

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92770	CABLE	HONG KONG 11089 <i>R</i> 6/21/2012 <i>M299/1</i>	1	6/25/1985	B1
92771	CABLE	STATE 195189	2	6/26/1985	B6 B7(C)
92772	CABLE	HONG KONG 11271 <i>R</i> 6/21/2012 <i>M299/1</i>	2	6/28/1985	B1
92774	CABLE	281916Z JUN 85 <i>D</i> 12/20/2017 <i>M299/1</i>	1	6/28/1985	B1 B3
92776	CABLE	032351Z JUL 85 <i>D</i> 12/20/2017 <i>M299/1</i>	3	7/3/1985	B1 B3

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PAGE 01 OF 02 AMCONSUL HONG KONG 8742 DTG: 181126Z OCT 83 PSN: 054555  
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LIMITED OFFICIAL USE SECTION 01 OF 02 HONG KONG 18742  
E.O. 12356: N/A  
TAGS : ECON, EFIN, CH, HK  
SUBJECT : REACTIONS TO HONG KONG GOVERNMENT'S STABILIZATION EFFORTS MIXED, IMPACT UNCLEAR  
REF : HONG KONG 18636

SUMMARY:  
-

1. THE HONG KONG GOVERNMENT'S (HKG) NEW ARRANGEMENT FOR THE ISSUE AND REDEMPTION OF H.K. DOLLAR BANK NOTES HAS MET WITH A MIXED BUT GENERALLY FAVORABLE REACTION. HOWEVER, FOREIGN EXCHANGE MARKETS REMAINED UNSETTLED FOLLOWING THE GOVERNMENT'S ANNOUNCEMENT. LOCAL BUSINESSMEN ARE WARY AS THE IMPACT OF THE HKG'S LINKING OF H.K. DOLLAR NOTE ISSUANCE TO A FIXED EXCHANGE RATE BASED ON THE US DOLLAR REMAINS UNCLEAR. SUCCESS OF THE HKG'S MOVE TO STABILIZE THE HONG KONG DOLLAR DEPENDS ON THE CONFIDENCE FACTOR. THE CHANGES THAT HAVE BEEN ANNOUNCED WOULD NOT BE SUFFICIENT TO PROTECT THE DOLLAR IN THE WAKE OF BAD NEWS FROM THE UK/PRC TALKS AND ANOTHER PANICKY REACTION BY HOLDERS OF HONG KONG DOLLARS. END SUMMARY

BACKGROUND

2. ON OCTOBER 15, THE HKG ANNOUNCED TWO POLICY CHANGES DESIGNED TO STRENGTHEN THE HONG KONG DOLLAR. THE GOVERNMENT ABOLISHED THE LOCAL TAX ON INTEREST ON BANK DEPOSITS, REMOVING ONE INCENTIVE LOCAL DEPOSITORS HAVE HAD TO MOVE THEIR FUNDS OUT OF HONG KONG. MORE IMPORTANTLY, THE GOVERNMENT ANNOUNCED THAT ISSUANCE AND REDEMPTION OF HONG KONG CURRENCY WILL BE FIXED AT A RATE OF 7.8 H.K. DOLLARS TO THE U.S. DOLLAR.

3. THE 7.8 FIXED PARITY RATE WILL ONLY BE OFFERED BY

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THE GOVERNMENT'S EXCHANGE FUND TO THE TWO NOTE-ISSUING BANKS, HONG KONG SHANGHAI BANK (HKSBI) AND CHARTERED BANK. UNDER THE PRESENT SYSTEM, THESE TWO BANKS ARE REQUIRED TO PURCHASE CERTIFICATES OF INDEBTEDNESS (CI'S) FROM THE EXCHANGE FUND TO COVER THEIR NOTE ISSUES. PREVIOUSLY, THE BANKS WERE FREE TO MAKE PAYMENT IN ANY CURRENCY. HENCEFORTH CI'S WILL BE ISSUED AND REDEEMED ONLY AGAINST PAYMENT OF U. S. DOLLARS AT THE FIXED EXCHANGE RATE OF ONE U. S. DOLLAR EQUALS 7.8 H. K. DOLLARS.

PUBLIC REACTIONS

4. PRESS REACTION ON OCTOBER 18 TO THE EFFORT TO STABILIZE THE EXCHANGE RATE AT 7.8 WAS MIXED. MOST COMMENTATORS NOTED THAT THE GOVERNMENT'S MOVE TO USE THE EXCHANGE FUND TO PROP UP THE DOLLAR HAD CONFUSED AND PERPLEXED THE FOREX MARKET. THE PRO-GOVERNMENT SOUTH CHINA MORNING POST, THE MIDDLE OF THE ROAD FINANCIAL DAILY, AND THE HONG KONG STANDARD ALL LED WITH STORIES ON CONFUSION IN THE FOREIGN EXCHANGE MARKETS AND WHAT WAS DESCRIBED AS A DEVELOPING TWO-TIER MARKET FOR THE H. K. DOLLAR. MING PAO COMMENDED THE GOVERNMENT'S ACTION AND SAID IT WAS AN EFFECTIVE MOVE TO STABILIZE THE CURRENCY. THE LEFT WING PRESS WAS GENERALLY POSITIVE. WEN WEI BAO SAID THE ACTION TO SHORE UP THE EXCHANGE RATE HAD BEEN EFFECTIVE AS BOTH THE STOCK MARKET AND THE EXCHANGE INDEX WERE UP. TA KUNG PAO CALLED ON THE GOVERNMENT TO TAKE FURTHER ACTION TO ATTACK SPECULATORS WHO, IT SAID, WERE RESPONSIBLE FOR DISTURBANCES IN THE FOREIGN EXCHANGE MARKET.

5. FINANCIAL SECRETARY BREMERIDGE ACKNOWLEDGED ON OCTOBER 17 THAT THERE "HAS BEEN SOME DEGREE OF CONFUSION ABOUT THE WORKING OUT OF THE NEW ARRANGEMENTS." HOWEVER, HE MAINTAINED THAT THE MARKET RATE FOR THE HK DOLLAR WOULD APPROACH THE GOVERNMENT RATE AS THE PUBLIC BEGINS TO UNDERSTAND THE NEW SYSTEM.

6. BANKERS AND BUSINESSMEN WERE GENERALLY POSITIVE IN THEIR INITIAL ASSESSMENTS OF THE GOVERNMENT'S MOVES. HOWEVER, MOST FELT THAT THE TECHNICAL ASPECTS OF THE GOVERNMENT'S EXCHANGE RATE POLICY WERE CONFUSING EVEN TO BANKERS. CONSULATE CONTACTS IN THE BUSINESS

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LIMITED OFFICIAL USE SECTION 02 OF 02 HONG KONG 18742  
E. O. 12356: N/A  
TAGS : ECON, EFIN, CH, HK  
SUBJECT : REACTIONS TO HONG KONG GOVERNMENT'S STABILIZING  
COMMUNITY APPLAUED THE GOVERNMENT'S DECISION TO TAKE  
ACTION AND AGREED THAT THE INTERVENTION HAS HAD A  
BENEFICIAL SHORT-TERM PSYCHOLOGICAL EFFECT. THEY ARE  
UNSURE OF THE REAL LONG-TERM IMPACT THE INDIRECT  
FIXING OF THE EXCHANGE RATE TO THE US DOLLAR WILL  
HAVE ON HONG KONG. THE CONTINUING UNCERTAINTY OVER  
THE FUTURE OF HONG KONG IS SEEN BY MOST AS THE  
LEADING FACTOR INFLUENCING THE VALUE OF THE HK DOLLAR  
OVER THE LONG TERM.

7. THE H. K. DOLLAR STRENGTHENED ON OCTOBER 18 AFTER  
SELLING BELOW THE GOVERNMENT'S 7.8 RATE ON MONDAY.  
THE H. K. DOLLAR CLOSED AT 7.83/7.93 UP FROM THE  
PREVIOUS DAY'S CLOSE OF 7.85/8.00. IT TRADED IN A  
RANGE OF 7.76/7.86 TO 7.84/7.94, A MUCH SMALLER  
SPREAD THAN THE PREVIOUS DAY'S HIGH OF 7.79/7.80 AND  
LOW OF 8.07/8.10. THE TRADE-WEIGHTED EFFECTIVE  
EXCHANGE RATE INDEX CLOSED AT 66.3, 0.4 POINTS ABOVE  
THE PREVIOUS DAY'S CLOSE OF 65.9. THE STOCK MARKET  
CONTINUED TO MOVE UP ON HEALTHY VOLUME CLOSING AT  
790.04, 18.49 POINTS ABOVE THE OCTOBER 17 CLOSE.

CORRECTION:

8. REFTTEL REPORTED THAT THE TWO NOTE ISSUING BANKS  
WOULD GUARANTEE A RATE OF 7.8 TO ALL OTHER BANKS.  
THIS WAS INCORRECT. THE GUARANTEED RATE IS AVAILABLE  
ONLY FOR ACTUAL BANK NOTES AND COINS. ALL OTHER  
TRANSACTIONS MUST TAKE PLACE AT A RATE DETERMINED BY  
THE MARKET. IN ADDITION, ANY BANK WHICH WISHES TO  
PURCHASE ACTUAL BANK NOTES MUST USE U. S. DOLLARS TO  
DO SO. EVEN IF A NON-NOTE ISSUING BANK HAS A  
HONG-KONG-DOLLAR ACCOUNT WITH HKSMB OR CHARTERED, THEY

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CANNOT WITHDRAW IT IN THE FORM OF NOTES.  
CORPORATIONS AND INDIVIDUALS, HOWEVER, MAY WITHDRAW  
NOTES.

COMMENT:

9. THIS SITUATION OBVIOUSLY PLACES BANKS IN A VERY  
DIFFICULT POSITION. MOST BANKS ARE NET BUYERS OF  
BANK NOTES. UNDER THE NEW RULES THEY NOW MUST FIRST  
PURCHASE U. S. DOLLARS ON THE INTER-BANK MARKET,  
PROBABLY AT A RATE WEAKER THAN 7.8, AND THEN USE U. S.  
DOLLARS TO PURCHASE BANK NOTES FROM HKSMB OR CHARTERED  
AT THE 7.8 RATE, THEREBY INCURRING SUBSTANTIAL  
LOSSES. SOME U. S. BANKS BELIEVE HKG INTENTIONALLY  
SET UP THE NEW PROGRAM TO FORCE FOREIGN BANKS TO  
EFFECTIVELY SUPPORT THE CURRENCY BY INCURRING SUCH  
LOSSES. NATURALLY ENOUGH, THE BANKS ARE UNWILLING TO  
DO SO AND POINT OUT THAT LOSSES CAN BE AVOIDED BY  
TRANSFERING ACCOUNTS TO HKSMB OR CHARTERED AND  
DIRECTING ALL CORPORATE AND INDIVIDUAL CUSTOMERS TO  
APPLY THERE FOR BANK NOTES. SUCH A SITUATION IS  
LIKELY TO BECOME EXCEPTIONALLY CUMBERSOME.

10. AS MENTIONED IN REFTTEL, THE GOVERNMENT'S ACTIONS  
APPEAR TO HAVE BEEN TAKEN PRIMARILY FOR THEIR  
PSYCHOLOGICAL EFFECT, SINCE THEIR PRACTICAL IMPACT ON  
THE BANKING SYSTEM IS LIMITED. BAD NEWS FROM THE  
SINO-UK TALKS OR OTHER AREAS WOULD PROBABLY CAUSE  
MANY TO TRY TO BUY H.K. DOLLARS AT TODAY'S RELATIVELY  
ATTRACTIVE RATES. FOR REASONS OF CONFIDENCE, IT IS  
IMPORTANT THAT THE MARKET RATE REMAIN CLOSE TO 7.8 IN  
THE EARLY STAGES OF THE PROGRAM AND THE GOVERNMENT  
RECOGNIZES THIS. ON MONDAY, THE RATE WAS WEAKER THAN  
THE GOVERNMENT EXPECTED. NEVERTHELESS, GOVERNMENT

OFFICIALS EXPRESSED CONFIDENCE IT WOULD MOVE CLOSER  
TO 7.80 AND ON TUESDAY IT SUPPORTED THOSE EXPRESSIONS  
OF CONFIDENCE WITH INTERVENTION. ANY WEAKENING OF  
THE RATE NOW COULD QUICKLY UNDERMINE THE  
PSYCHOLOGICAL ADVANTAGE WHICH THE GOVERNMENT HAS  
ACHIEVED.

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92755	CABLE  142312Z NOV 83	1	11/14/1983	B1  B3

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92756	CABLE  272101Z JUL 84	1	7/27/1984	B1  B3

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~~SECRET~~ SECTION 01 OF 03 LONDON 16887

NODIS  
E. O. 12356: DECL: OADR  
TAGS: PREL, CH, HK, UK  
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE  
REF: LONDON 15734

AK

1. SECRET - ENTIRE TEXT.

2. SUMMARY: THE BRITISH BELIEVE THE CHINESE MADE A SPECIAL EFFORT TO BE MORE FORTHCOMING AT ROUND NINETEEN (JULY 24-25) OF THE TALKS ON HONG KONG AND AT RECENT WORKING GROUP SESSIONS, IN AN EFFORT TO IMPROVE THE BILATERAL ATMOSPHERE PRIOR TO THE HOWE VISIT JULY 27-31. DESPITE THIS, LITTLE CONCRETE PROGRESS WAS MADE AT THE PLENARY SESSIONS. AFTER BRITISH URGING, THE CHINESE TABLED A REVISED DRAFT AGREEMENT - BUT NONE OF ITS CHANGES SATISFIED BRITISH CONCERNS. THE UK TABLED A NEW PROPOSAL ON LAND LEASES; THE CHINESE WERE CAUTIOUSLY FAVORABLE BUT POSED DIFFICULT CONDITIONS. PLENARY SESSIONS RESUME 8-9 AUGUST. THE FCO SAID HOWE AND LUCE DISCUSSIONS WITH EXCO MEMBERS IN HONG KONG ELICITED GENERAL SUPPORT FOR THE HMG DECISION TO HOLD FIRM AGAINST A HONG KONG-BASED JOINT COMMISSION.

3. IN BEIJING, HOWE WILL HAVE TWO MEETINGS WITH FOREIGN MINISTER WU ON JULY 28 AND ANOTHER THE MORNING OF JULY 29. THE AFTERNOON IS RESERVED FOR MEETINGS WITH "OTHER OFFICIALS" (PROBABLY DENG). HOWE WILL TRANSMIT A MESSAGE FROM PRIME MINISTER THATCHER TO PREMIER ZHAO, PROPOSING THAT THE ISSUE OF THE LOCUS OF THE JOINT COMMISSION BE TEMPORARILY SET ASIDE SO THAT ITS COMPOSITION AND FUNCTIONS CAN BE IRONED OUT FIRST. HOWE WILL HINT THAT, IF ALL OTHER ISSUES ARE SATISFACTORILY RESOLVED, BRITAIN MAY EVENTUALLY COMPROMISE ON THE QUESTION OF LOCATION. HOWE WILL ALSO GIVE THE CHINESE A BRITISH DRAFT PROTOCOL ON THE PRE-1997 RUNNING OF HONG KONG. END SUMMARY.

4. THE CHINESE DRAFT: AFTER MONTHS OF BRITISH URGING, DURING WHICH ZHOU NAN HAD PROTESTED THAT CHINESE LEGAL EXPERTS WERE WORKING DAY AND NIGHT ON A NEW DRAFT, THE PRC BROUGHT FORTH ITS "FINAL" REVISED JOINT DECLARATION. THE FCO CALLED THE

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DTG: 271749Z JUL 84 PSN: 056288

DOCUMENT "ABSOLUTELY PATHETIC," SHOWING NO UNDERSTANDING OF WHAT THE BRITISH HAD BEEN SAYING. IT CONTAINED FEWER THAN TWENTY CHANGES FROM THE PREVIOUS DRAFT, NONE OF WHICH MET BRITISH CONCERNS, AND SOME OF WHICH MADE THINGS WORSE. ITS CHIEF FAILURE WAS THAT IT WAS NOT LEGALLY BINDING. (IN AN INTERESTING SIDELIGHT ON THIS THEME, THE FCO REFERRED TO THE US-PRC SHANGHAI AGREEMENT, WITH ITS PARALLEL DECLARATIONS WHICH CHINA FEELS ARE BINDING ON BOTH PARTIES. CHINA HAS BEEN REFERRING TO THIS TO SHOW THAT THE DECLARATORY FORMAT IS BINDING.) IN THE UK VIEW, IN ORDER TO BE LEGALLY BINDING THE AGREEMENT WOULD HAVE TO CONTAIN A CLAUSE SUCH AS: "THE PRECEDING DECLARATIONS HAVE BEEN AGREED BETWEEN THE TWO GOVERNMENTS," OR, "THE FUTURE OF HONG KONG WILL BE GOVERNED BY THE TWO DECLARATIONS." WHILE CHINA HAS NEVER EXPLICITLY REJECTED THE PRINCIPLE OF A BINDING AGREEMENT, IT HAS CONSISTENTLY RESISTED UK ATTEMPTS TO INSERT SUCH A CLAUSE. THE FCO BELIEVES THE CHINESE DELAYED TABLING THEIR DRAFT UNTIL JUST BEFORE THE HOWE VISIT IN THE HOPE THAT THIS WOULD STAVE OFF BRITISH CRITICISM. HOWEVER, HOWE WILL CRITICIZE IT DURING HIS BEIJING TALKS.

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5. NATIONALITY: THE UK TABLED A REVISED ANNEX ON NATIONALITY THAT SOUGHT TO ACCOMMODATE THE CHINESE, ESPECIALLY ON THE DIFFICULT ISSUE OF DUAL NATIONALITY. IT ENVISIONS THAT THE CHINESE WOULD MAINTAIN THEIR POSITION ON CITIZENSHIP, BUT WOULD NOT PREVENT HONG KONG BRITISH DEPENDENT TERRITORIES CITIZENS FROM HOLDING UK PASSPORTS, AND WOULD MAINTAIN THE TRANSMISSIBILITY OF THIS RIGHT. THE CHINESE AGREED TO REFER THE ANNEX TO THE WORKING GROUP FOR FURTHER DISCUSSION.

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6. LAND LEASES: THE UK TABLED A NEW PROPOSAL, UNDER WHICH THE TWO SIDES WOULD AGREE UPON AN OVERALL LIMIT OF ACREAGE THAT COULD BE LEASED OUT PRIOR TO 1997. HONG KONG, KOWLOON, AND THE NEW TERRITORIES WOULD FALL UNDER A UNIFORM SYSTEM OF 75-YEAR LEASES. THE PREMIUM AND PRE-1997 RENTS WOULD BE PAID TO THE HONG KONG GOVERNMENT. AFTER 1997, AN ENHANCED RENT EQUIVALENT TO 3 PERCENT OF THE PROPERTY'S RATEABLE

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~~SECRET~~ SECTION 02 OF 03 LONDON 16887

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E. O. 12356: DECL: OADR  
TAGS: PREL, CH, HK, UK  
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE  
VALUE WOULD GO TO THE SPECIAL AUTONOMOUS REGION  
GOVERNMENT. UNDER THE NEW UK PROPOSAL, A LAND  
AUTHORITY WOULD BE CREATED IMMEDIATELY, TO BEGIN  
ISSUING LEASES UNDER THE NEW SYSTEM. THE CHINESE SAID  
THIS ARRANGEMENT MIGHT WORK PROVIDED THE UK AGREED  
TO ESTABLISH TWO SPECIAL COMMITTEES: ONE TO  
SUPERVISE THE CAPITAL DEVELOPMENT FUND, AND THE OTHER  
TO DETERMINE THE NUMBER OF LAND LEASES TO BE ISSUED  
IN A PARTICULAR YEAR. THE COMMITTEES WOULD BE STAFFED  
BY HONG KONG PEOPLE, HALF OF THEM NOMINATED BY  
CHINA AND HALF BY THE UK. THEY WOULD BEGIN WORK  
IMMEDIATELY. THE UK GAVE NO REPLY TO THIS SUGGESTION.  
HOWEVER, FCO VIEWS IT AS YET ANOTHER CHINESE ATTEMPT  
TO GET A FINGER INTO THE PRE-1997 POT.

7. PRE-1997 PROTOCOL: THE CHINESE COMPLAINED THAT  
THE UK HAD NOT YET OFFERED A COUNTER-PROPOSAL TO THE  
CHINESE SUGGESTION OF A JOINT COMMISSION, AND WARNED THAT  
THIS COULD CAUSE "CONFRONTATION" DURING THE HOWE  
VISIT. FCO TOLD US HOWE WOULD BRING A UK PROPOSAL  
WITH HIM, CALLING FOR A JOINT COMMISSION NOT BASED  
IN HONG KONG, WITH SUB-GROUPS TO ADDRESS PARTICULAR  
SUBJECTS. THE COMMISSION WOULD MERELY PROVIDE  
INFORMATION AND WOULD HAVE NO EXECUTIVE POWERS. HOWE  
WILL ASK THE CHINESE TO SET ASIDE, TEMPORARILY, THE  
QUESTION OF THE COMMISSION'S LOCATION. HE WILL NOTE  
THAT THIS PROBLEM HAS HELD UP FOUR OR FIVE ROUNDS  
OF PLENARY SESSIONS, AND WILL ASK THAT DISCUSSION  
PROGRESS TO OTHER MATTERS SO THAT AN AGREEMENT CAN  
BE REACHED BY THE SEPTEMBER DEADLINE. THOUGH  
THE UK CANNOT "AT THIS STAGE" AGREE TO A HONG KONG-  
BASED GROUP, HOWE WILL SAY THAT THE BRITISH WOULD  
NOT WANT THE TALKS TO BREAK DOWN OVER THIS ISSUE. THIS  
IS MEANT AS A CLEAR HINT THAT, AT A LATER STAGE, IF  
ALL GOES WELL, THE BRITISH WILL COMPROMISE. FCO  
FORESAW "A VERY DIFFICULT SITUATION" IF THE CHINESE  
REFUSED TO ACCEPT HOWE'S SUGGESTION. SHOULD THIS  
HAPPEN, THE BRITISH MAY RETURN TO THE CONDITIONALITY  
THAT WAS USED TO GET AROUND THE SOVEREIGNTY ISSUE AT  
THE OUTSET OF THE NEGOTIATIONS.

8. LANDING RIGHTS: THOUGH THERE HAS BEEN NO

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PAGE 02 OF 02 LONDON 6887

DTG: 271749Z JUL 84 PSN: 056294

AGREEMENT TO A FORMAL WORKING GROUP ON THIS ISSUE, A BRITISH EXPERT HAS BEEN HOLDING TALKS WITH PRC EXPERTS. GOOD PROGRESS IS BEING MADE; WHEN AGREEMENT IS REACHED, THE EXPERTS WILL REFER THE MATTER BACK TO THE WORKING GROUP.

--

9. THE AGREEMENT: ACCORDING TO FCO, THE BRITISH DRAFT AGREEMENT CONTAINS A STATEMENT OF GENERAL PRINCIPLES, INCLUDING CHINA'S TWELVE-POINT PLAN FOR HONG KONG AND A BRITISH STATEMENT THAT THE UK WILL RELINQUISH SOVEREIGNTY; A CLAUSE MAKING THE PRINCIPLES BINDING ON BOTH SIDES AND A STATEMENT THAT THE PRINCIPLES ARE TO BE REFLECTED IN HONG KONG'S BASIC LAW; AND SELECTED ELEMENTS FROM THE AGREED ANNEXES. THE CHINESE DRAFT HAS LESS DETAIL, ESPECIALLY REGARDING POST-1997 ARRANGEMENTS; CONTAINS NO BINDING CLAUSE; AND CONTAINS NO COMMITMENT TO INCORPORATE THE TERMS OF THE AGREEMENT INTO A BASIC LAW. SUMMARIZING FOR US THE CHIEF ISSUES YET TO BE RESOLVED TO REACH AGREEMENT, FCO LISTED: NATIONALITY, CONSTITUTIONAL ARRANGEMENTS, LAND, CIVIL SERVICE, AND CIVIL AVIATION. ALL ARE EXPECTED TO BE ADDRESSED IN HOWE'S BEIJING TALKS.

--

10. WORKING GROUP: THE WORKING GROUP, NOW IN RECESS UNTIL AUGUST 20, HAS AGREED UPON COMMON TEXTS FOR SIX ANNEXES: MONETARY; FINANCIAL; INTERNAL AND EXTERNAL ECONOMIC; SHIPPING; EXTERNAL RELATIONS; AND CULTURE AND EDUCATION. AGREEMENT IS NEAR ON THE LEGAL ANNEX. DISCUSSIONS HAVE BEGUN ON THE RIGHTS OF INDIVIDUALS. FCO NOTED A MARKED CHANGE IN THE CHINESE MANNER AS HOWE'S VISIT APPROACHED. WHILE THE NEGOTIATORS WERE STILL ON A TIGHT REIN, THEY

BECAME MUCH MORE ACCOMMODATING IN DISCUSSIONS.

--

11. U.S. CONGRESSIONAL RESOLUTION: ACCORDING TO FCO, HMG HAS BEEN RELUCTANT TO LOBBY AGAINST THE PROPOSED CONGRESSIONAL RESOLUTION ON HONG KONG, SINCE THE BRITISH ARE IN BROAD SYMPATHY WITH ITS CONTENT. HOWEVER, FCO BELIEVES THAT THE PRESENT IS AN AWKWARD TIME FOR THE RESOLUTION TO BE PASSED. CONGRESSMAN SOLARZ RECENTLY DISCUSSED THIS WITH UK EMBASSY

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TO SECSTATE WASHDC IMMEDIATE 0228

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NODIS  
E. O. 12356: DECL: OADR  
TAGS: PREL, CH, HK, UK  
SUBJECT: FUTURE OF HONG KONG: LONDON UPDATE  
WASHINGTON, AND AGREED TO TRY TO HAVE THE RESOLUTION  
POSTPONED.  
--

12. PUBLIC MOOD: THE HONG KONG GREEN PAPER AND THE  
LUCE AND HOWE TRIPS HAVE GIVEN RISE TO A SPATE OF  
PARLIAMENTARY AND MEDIA COMMENT ON THE HONG KONG  
SITUATION. MOST OF IT HAS BEEN GENERALLY  
SUPPORTIVE OF THE GOVERNMENT'S POSITION,  
ACKNOWLEDGING THAT THE NEED TO REACH AN AGREEMENT  
WITH CHINA AND TO AVOID DESTABILIZATION IN HONG  
KONG MAY HAVE JUSTIFIED THE GOVERNMENT'S RELUCTANCE  
TO INSTITUTE WESTMINSTER-STYLE DEMOCRACY IN HONG  
KONG. MOST COMMENTATORS URGE HOWE TO BE FIRM IN  
HIS TALKS WITH THE CHINESE. SOME COMPLAIN OF  
DENG'S STRONG-ARM TACTICS, POINTING OUT THAT IT IS  
IN CHINA'S OWN BEST INTEREST TO BE REASONABLE.  
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HONG KONG PASS TO CUSTOMS REPRESENTATIVE

E. O. 12356: N/A  
TAGS: ETRD, EIND, HK  
SUBJECT: TEXTILES: POSSIBLE TRANSSHIPMENT OF INDONESIAN  
GOODS THROUGH HONG KONG

1. TRADE SOURCES HAVE ALERTED US TO THE POSSIBILITY THAT  
INDONESIAN TEXTILE PRODUCTS ARE BEING ILLEGALLY TRANS-  
SHIPPED THROUGH HONG KONG. WHILE WE HAVE BEEN INFORMED  
THAT IN THE PAST HONG KONG GOODS HAVE BEEN TRANSSHIPPED  
THROUGH INDONESIA, THE ALLEGED SCHEME SEEMS PLAUSIBLE  
DUE TO THE ESTABLISHMENT OF SEVERAL NEW QUOTAS IN THE  
PAST YEAR AND GOI QUOTA ALLOCATION PROBLEMS. EARLY  
EMBARGOES MAY BE THE INCENTIVE FOR INDONESIAN EXPORTERS AND  
U. S. IMPORTERS TO RESORT TO ILLEGAL ACTIVITIES. CURRENT  
PRODUCTS UNDER EMBARGO ARE: CATEGORIES 331, 631 (WORK  
GLOVES), 334, 338, 339, 341, 315 AND 320 (PRINTCLOTH).  
OTHER CATEGORIES UNDER RESTRAINT ARE: 317, 369 (SHOP  
TOWELS), 639, 640, 335, 340, 347/348, 604-A, 613-C, 614-P,  
648, 645/646, 336 AND 337.

2. WE WOULD APPRECIATE OFFICIAL HONG KONG STATISTICS ON  
IMPORTS FROM INDONESIA AND RE-EXPORTS TO THE U. S. AND  
OTHER COUNTRIES. WE WOULD ALSO APPRECIATE ANY INFORMATION  
THE SCR CAN DEVELOP ON INDONESIAN TRANSSHIPMENTS. A U. S.  
DELEGATION WILL BE TRAVELING TO JAKARTA THE WEEK OF JUNE 23  
FOR RENEGOTIATION OF THE BILATERAL TEXTILE AGREEMENT, AND  
ANY INFORMATION PROVIDED TO THE DELEGATION WOULD BE MOST  
HELPFUL. ED GOFF OF TEXDEL WILL VISIT CONGEN ENROUTE TO  
JAKARTA. SHULTZ  
BT

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NLRR M299 #92762

3Y KML NARA DATE 6/21/12

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PAGE 01 AMCONSUL HONG KONG 0904 DTG: 211020Z JUN 85 PSN: 002995  
EOB119 AN006881 TOR: 172/1042Z CSN: HCE943

SUGGESTED RE-DEFINITIONS OF THE PRIORITIES WOULD AFFECT THE POOL OF ELIGIBLE PERSONS.

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A. P-4C NOTE B. SINCE THE MODIFICATION OF NOTE B TO INCLUDE "SONS AND DAUGHTERS" UNHCR HONG KONG HAS BEGUN SUBMITTING TO US CASES PREVIOUSLY CLASSIFIED AS P-6. UNHCR HONG KONG ESTIMATES THAT FIVE PERCENT (APPROXIMATELY 250 PERSONS) WILL BE RECLASSIFIED. THIS IS WELL BELOW THE NUMBER WE UNDERSTAND OTHER POSTS HAVE LOCATED AND WILL NOT MAKE A SIGNIFICANT DIFFERENCE TO OUR PROGRAM.

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B. ELIMINATING THE AGE RESTRICTION IN P-5. WE CANNOT ESTIMATE HOW MANY PERSONS WOULD BECOME ELIGIBLE FOR OUR PROGRAM BY ELIMINATING THE P-5 AGE RESTRICTION BECAUSE WE DO NOT HAVE RECORDS ON ALL REFUGEES IN HONG KONG AND UNCHR HONG KONG DOES NOT KNOW HOW MANY PERSONS NOW IN P-6 CLAIM RELATIVES IN THE U.S. MORE REMOTE THAN SIBLING. WE BELIEVE THAT ELIMINATING THE AGE RESTRICTION WOULD LEAD TO MANY CLAIMS OF AUNTS UNCLES AND COUSINS IN THE U.S. THAT WOULD BE EXTREMELY DIFFICULT TO VERIFY. WE NOTE THAT NEITHER VERIFICATION FROM REFUGEE RECORDS NOR VERIFICATION BY CIVIL DOCUMENTS WOULD BE POSSIBLE. THERE WOULD BE MANY FALSE CLAIMS.

TO SECSTATE WASHDC IMMEDIATE 1106

INFO AMEMBASSY BANGKOK 4117  
AMEMBASSY JAKARTA 8213  
AMEMBASSY KUALA LUMPUR 7777  
AMEMBASSY MANILA 7914  
AMEMBASSY SINGAPORE 1256

C. EXPANDING P-4D. IN HONG KONG IT IS ONLY THE CATHOLICS WHO WOULD BENEFIT FROM THE EXPANSION OF P-4D TO INCLUDE THE CATEGORIES IN THE WORLD-WIDE GUIDELINES. WE ESTIMATE THAT AS MANY AS 1000 OF OUR NEW P-6 CASES ARE CATHOLICS. WE WOULD NOT EXPECT SERIOUS PROBLEMS OF VERIFICATION AS WITH P-5 CASES. NOR WOULD WE EXPECT THAT MANY WOULD BE FOUND INELIGIBLE UNDER SECTION 101(A) (42) AS WITH P-4C NOTE B CASES. WE WISH TO REMIND THE DEPARTMENT THAT AT PRESENT THERE ARE 600 NEWLY CONVERTED PROTESTANTS IN THE CLOSED CAMPS HERE. PREFERENTIAL TREATMENT OF CATHOLICS WOULD AROUSE INDIGNATION AMONG THE PROTESTANTS AND THEIR SUPPORTERS.

~~CONFIDENTIAL~~ SECTION 01 OF 03 HONG KONG 10904

DEPARTMENT FOR RP

E.O. 12356: DECL: OADR  
TAGS: PREF, HK  
SUBJ: INDOCHINESE REFUGEES: PROGRAM POLICY ISSUES -  
- POST COMMENTS

REF.: STATE 175269

5. SUBPARAGRAPHS C AND D OF PARA 17 OF REFTEL SOLICIT OUR OPINION AS TO ADJUSTMENTS THAT MIGHT BE MADE TO THE EXISTING PRIORITY SYSTEM TO INCREASE APPROVALS AND AS TO OUR ABILITY TO ADMIT MORE REFUGEES UNDER LIBERALIZED PROCESSING REGULATIONS. WE BELIEVE THAT MANY CASES THAT WOULD BE PRESENTED UNDER THE SUGGESTED REVISIONS OF THE PRIORITIES OR UNDER AN UNRESTRICTED P-6 PROGRAM WOULD BE FOUND INELIGIBLE UNDER SECTION 101(A) (42). WITH THE EXCEPTION OF P-6 CATHOLICS, WE SIMPLY DO NOT HAVE A LARGE POOL OF READILY APPROVABLE CASES. NONE OF THE SUGGESTED BT

1. CONFIDENTIAL - ENTIRE TEXT

2. SUMMARY. THE SUGGESTED REVISIONS OF PRIORITIES WOULD NOT SIGNIFICANTLY REDUCE HONG KONG'S FIRST ASYLUM POPULATION. HONG KONG'S PRINCIPAL PROBLEM IS THE LARGE AMOUNT OF DENIED AND INELIGIBLE CASES. IN THE EYES OF MANY HKG OFFICIALS THE ONLY DURABLE SOLUTION TO THIS PROBLEM WOULD BE THE INSTITUTION OF A PROGRAM TO SCREEN OUT AND DEPORT NON-REFUGEES. THIS WOULD MAKE IT EASIER TO SOLVE THE PROBLEM OF THE RESIDUAL POPULATION AND EFFECTIVELY DETER OTHERS FROM COMING HERE. UNDER THESE CIRCUMSTANCES, THE HKG WOULD LIKELY PERMIT THE LOCAL RESETTLEMENT OF MOST OF THE EXISTING POPULATION. ON OUR PART, WE SHOULD DO WHAT'S NECESSARY TO ENCOURAGE THE USE OF REGULAR IMMIGRATION CHANNELS RATHER THAN THE REFUGEE ACT FOR PERSONS IN HONG KONG WITH CLOSE RELATIVES IN THE U.S. END SUMMARY.

3. THERE ARE 11000 REFUGEES IN HONG KONG. OF THIS NUMBER 2740 ARE IN THE U.S. PROGRAM OR ARE ELIGIBLE FOR IT. THIS INCLUDES PERSONS PRESENTLY IN THE PROGRAM, PERSONS WE EXPECT TO BE PRESENTED, AND DENIED CASES RECOMMENDED FOR READJUDICATION. THERE ARE ALSO 4700 "NEW" P-6 PERSONS. THE REMAINING 3560 PERSONS HAVE BEEN DENIED REFUGEE STATUS OR ARE OTHERWISE INELIGIBLE, FOR EXAMPLE, FOR REFUSING OFFERS OF RESETTLEMENT. THE DENIED CASES INCLUDE MANY PERSONS IN P-3 AND P-5.

4. PARAGRAPH 17 OF REFTEL REQUESTS OUR JUDGMENT OF HOW THE

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BY KML NARA DATE 6/21/12

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TO SECSTATE WASHDC IMMEDIATE 1108

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AMEMBASSY SINGAPORE 1258

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DEPARTMENT FOR RP

E. O. 12356: DECL: OADR  
TAGS: PREF, HK  
SUBJ: INDOCHINESE REFUGEES: PROGRAM POLICY ISSUES -

THE ONLY MEANS OF GETTING TO THE U. S. WILL BE AS IMMIGRANTS UNDER THE IMMIGRATION SECTIONS OF THE INA. EVEN FOR NEW ARRIVALS WHO ARE ELIGIBLE UNDER THE PRIORITIES, WE ARE INCREASINGLY CONVINCED THAT MANY OF THEM ARE PROPERLY IMMIGRANTS AND NOT REFUGEES. WE STRONGLY ENDORSE THE SUGGESTION THAT RELATIVES IN THE U. S. WHO ARE ELIGIBLE FOR CITIZENSHIP SHOULD BE ENCOURAGED TO SEEK NATURALIZATION AND THEN TO FILE PETITIONS ON BEHALF OF REFUGEES IN HONG KONG.  
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INTERFERE WITH ANY EFFORT BY THE HKG TO EXPLORE THE POSSIBILITY OF SAFEGUARDED INVOLUNTARY REPATRIATION.

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DEPARTMENT FOR RP

E.O. 12356: DECL: OADR  
TAGS: PREF, HK  
SUBJ: INDOCHINESE REFUGEES: PROGRAM POLICY ISSUES -

REVISIONS ADDRESSES WHAT, FOR US, IS THE PROBLEM OF THE RESIDUAL POPULATION, NAMELY, WHAT TO DO WITH THE DENIED CASES AND THOSE THAT ARE NOT ELIGIBLE BECAUSE OF NON-PRIORITY REASONS, SUCH AS PREVIOUS RESETTLEMENT IN CHINA (AS IN THE CASE OF THE REFUGEES IN MACAU) OR HAVING REFUSED OFFERS OF RESETTLEMENT. WE DO NOT BELIEVE THAT REVISIONS OF THE PRIORITIES ARE AN ANSWER TO THE PROBLEM.

6. RESTRICTING FIRST ASYLUM. PARA 6 OF REFTTEL SAYS THAT U.S. REFUGEE POLICY MUST "MAINTAIN FIRST ASYLUM STABILITY." THAT SOUNDS FINE, BUT OUR SCREENING OUT OF NON-REFUGEES AND OTHER INELIGIBLES BUILDS UP RESIDUAL POPULATIONS WHICH THREATEN TO UNDERMINE THAT OBJECTIVE. OPENING OUR DOORS WIDER, AN IMPROBABILITY GIVEN THE PREVAILING DOMESTIC CLIMATE, WOULD PULL MORE OUT RATHER THAN SOLVE THE PROBLEM.

7. THOUGH THE HKG IS RESTIVE, THERE'S NO SIGN OF ANY INTENTION ON ITS PART TO CURTAIL FIRST ASYLUM. FROM TIME TO TIME THE HKG HAS TOYED WITH THE IDEA OF IMPLEMENTING A FORCED REPATRIATION POLICY, SOMETHING IT DID FOR MORE THAN 20 YEARS WITH CHINESE SEEKING HAVEN HERE. SHOULD THE CLOSED CAMPS ERUPT INTO VIOLENCE AS THE RESULT OF THE INCREASING DESPAIR OF INMATES WHO SEE NO HOPE OF RESETTLEMENT, THE HKG WOULD INTENSIFY ITS EFFORTS TO OBTAIN UK APPROVAL FOR A POLICY OF FORCED REPATRIATION. THIS WOULD, OF COURSE, REQUIRE THE ASSENT OF THE SRV. THOUGH THERE'S NO SIGN THAT SUCH ASSENT WOULD BE FORTHCOMING, SOME HKG OFFICIALS ARGUE THAT IT COULD INDUCE THE SRV TO COOPERATE BY OFFERING INCREASED COMMERCIAL CONTACTS. THIS STRIKES US AS OVERLY OPTIMISTIC, BUT UNLESS WE ARE PREPARED TO SIGNIFICANTLY RELIEVE HONG KONG OF ITS BURDEN BY ACCEPTING NON-REFUGEES, IT WOULD SEEM ADVISABLE NOT TO

8. LOCAL INTEGRATION. THE HKG BELIEVES, AND WE AGREE, THAT FOR MANY OF THE PERSONS NOW IN FIRST ASYLUM IN HONG KONG LOCAL RESETTLEMENT IS THE LIKELY OUTCOME OF THE FLIGHT FROM VIETNAM. AS AN ECONOMIC AND SOCIAL MATTER, HONG KONG COULD EASILY ABSORB THE REFUGEES BUT THE HKG IS NOT PREPARED TO DO SO WITHOUT A COMPENSATING RESTRICTION ON FIRST ASYLUM SINCE IT FEARS THAT LOCAL RESETTLEMENT WOULD PROMPT A RENEWED INFLUX OF REFUGEES. EVEN PARTIAL LOCAL INTEGRATION, AS PART OF A DIVISION OF THE REMAINING REFUGEES AMONG HONG KONG AND RESETTLEMENT COUNTRIES, INCLUDING THE UK, WOULD BE DIFFICULT WITHOUT RESTRICTING FIRST ASYLUM.

9. THE PRESENT OPEN CAMP POPULATION IS 5273. THE OPEN CAMPS ARE SQUALID. NO PURPOSE IS SERVED IN KEEPING THEM IN THEIR PRESENT STATE. JUBILEE IN PARTICULAR IS POOR AND SHOULD BE CLOSED. THE HKG SHOULD ASSIST PERSONS LIVING IN OPEN CAMPS TO FIND HOUSING OUTSIDE THE CAMPS. THE PRESENT CAMP SCHOOLS SHOULD BE UPGRADED TO THE POINT WHERE THEY CAN BE ACCREDITED. TO THE EXTENT POSSIBLE REFUGEE SOCIAL SERVICES, SUCH AS MEDICAL CARE, SHOULD BE TRANSFERRED TO THE REGULAR SOCIAL SERVICE ORGANIZATIONS. REFUGEES SHOULD ALSO BE REQUIRED TO PAY FOR THE SERVICES THEY RECEIVE THE GOAL SHOULD BE TO INTEGRATE THEM AS MUCH AS POSSIBLE INTO HONG KONG AGAINST THE DAY WHEN THEIR STATUS HERE WILL BE CHANGED FROM REFUGEE TO RESIDENT.

10. DE FACTO LOCAL INTEGRATION, UNFORTUNATELY, IS NOT FEASIBLE FOR CLOSED CAMP REFUGEES. THE HKG WISHES TO

KEEP ALIVE THE HOPE OF THIRD COUNTRY RESETTLEMENT AMONG THEM AS A MEANS TO SOCIALLY CONTROL THE POPULATION. THE U.S. PROGRAM NOW FINDS THE HIGHEST NUMBER OF ELIGIBLE REFUGEES AMONG THE SOUTHERNERS IN THE CLOSED CAMPS. RESETTLEMENT CONTINUES FROM THE NORTHERNERS' CAMP, BUT AT A SLOW PACE. THERE IS A SERIOUS RISK OF VIOLENCE IN THE CLOSED CAMPS BUT WE CAN OFFER NO SUGGESTIONS TO ALLEVIATE IT IN THE SHORT TERM.

11. ALTERNATIVES TO RESETTLEMENT UNDER THE REFUGEE ACT. THE TIME IS APPROACHING WHEN THE U.S. PROGRAM IN HONG KONG WILL HAVE NO PENDING CASES. THERE WILL BE ONLY NEW AND DENIED CASES. AMONG THE DENIED PERSONS WILL BE MANY WITH CLOSE RELATIVES IN THE U.S. FOR THESE PERSONS, BT

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~~CONFIDENTIAL~~ HONG KONG 10798

LIMDIS

E. O. 12356: DECL: OADR  
TAGS: OVIP (SHULTZ, GEORGE P.), HK  
SUBJECT: SECRETARY'S VISIT: SECURITY ALERT

1. CONFIDENTIAL - ENTIRE TEXT.
2. HONG KONG GOVERNMENT HAS ADVISED US THAT THE PRIME MINISTER OF TURKEY WILL BE VISITING HONG KONG AT THE SAME TIME AS THE SECRETARY'S VISIT. HE WILL NOT, REPEAT NOT BE STAYING IN THE SAME HOTEL AS THE SECDEL.
3. GIVEN THE PRONOUNCED SECURITY THREAT AGAINST SENIOR TURKISH OFFICIALS, SPECIAL BRANCH WILL BE PROVIDING EXTRA-HEAVY SECURITY COVERAGE OF THE TURKISH PM. GIVEN THE DISTANCE TO BE MAINTAINED BETWEEN THE TWO VISITING PARTIES, SPECIAL BRANCH DOES NOT FEEL ADDITIONAL MEASURES ARE NECESSARY FOR THE SECDEL. THE USUAL HIGH LEVEL OF PROTECTION WILL, OF COURSE, BE PROVIDED. LEVIN  
BT

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NLRR M299 # 92766

BY KML NARA DATE 6/21/12

~~CONFIDENTIAL~~

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NATIONAL SECURITY COUNCIL  
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EXDIS

E. O. 12356: DECL: OADR  
TAGS: OVIP, KS, HK, CH  
SUBJECT: CONFIDENTIAL VISIT OF ROK MOFA OFFICIAL TO  
HONG KONG

1. SECRET - ENTIRE TEXT.

2. P.M. JUNE 24 KWON PYONG-HYON, MOFA DEPUTY DIRECTOR GENERAL FOR ASIAN AFFAIRS (PLEASE STRICTLY PROTECT) INFORMED POLCOUNS HE IS LEAVING LATER SAME DAY FOR HONG KONG ON A "MOST CONFIDENTIAL MATTER." (HE DID NOT SAY BUT WE ASSUME HIS TRAVEL IS IN CONNECTION WITH NEGOTIATIONS NOW UNDERWAY IN HONG KONG CONCERNING LIABILITY FOR A COLLISION AT SEA BETWEEN A PRC VESSEL AND AN ROK FISHING BOAT.) KWON SAID HE WOULD VERY MUCH APPRECIATE THE OPPORTUNITY TO CALL ON CONSUL GENERAL LEVIN AND DEPUTY PRINCIPAL OFFICER WILLIAMS. MOST CONVENIENT TIME FOR KWON WILL BE P.M. WEDNESDAY JUNE 26. HE WILL CALL THE CG'S OFFICE ON ARRIVAL. POLCOUNS ENCOURAGED KWON TO DO SO.

3. KWON--A THOROUGHLY PROFESSIONAL ROK DIPLOMAT--IS ALREADY AWARE OF DPO WILLIAMS UPCOMING VISIT TO SEOUL AND VERY PLEASSED AT THAT PROSPECT.

4. KWON EMPHASIZED THE EXTREME SENSITIVITY OF HIS MISSION ("WE ARE NOT EVEN TELLING THE JAPANESE") AND POLCOUNS PROMISED WE WOULD KEEP THE INFO IN STRICTEST CONFIDENCE. WALKER  
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NLRR M299 #92767

BY KML NARA DATE 6/21/12

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TO SECSTATE WASHDC IMMEDIATE 1158

INFO AMEMBASSY SEOUL IMMEDIATE 8061  
AMEMBASSY BEIJING PRIORITY 4242  
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AIT TAIPEI PRIORITY

~~SECRET~~ HONG KONG 11089

EXDIS

E. O. 12356: DECL: OADR  
TAGS: PREL, KS, CH  
SUBJECT: CONVERSATION WITH ROK MOFA OFFICIAL

1. MOFA DEPUTY DIRECTOR GENERAL FOR ASIAN AFFAIRS KWON PYONG-HYON AND CONSUL GENERAL KIM CHONG-HOON EXPRESSED CONFIDENCE TODAY THAT NEGOTIATIONS ON LIABILITY FOR THE RECENT COLLISION BETWEEN PRC AND ROK VESSELS WOULD BE SUCCESSFULLY CONCLUDED IN 3 TO 4 DAYS. IN A CALL ON CG AND DPO, KWON SAID THE POLITICAL IMPORTANCE TO SEOUL OF CONSOLIDATING IMPROVEMENTS IN PRC-ROK RELATIONS OUTWEIGHED THE DESIRABILITY OF OBTAINING COMPENSATION AT LEVELS COMPARABLE TO THOSE OBTAINED FOLLOWING EARLIER SIMILAR INCIDENTS INVOLVING JAPANESE AND AMERICAN VESSELS. AN INITIAL KOREAN PROPOSAL HAD BEEN MET WITH A CHINESE COUNTEROFFER OF HALF THE AMOUNT, AND THE GAP WOULD BE NEGOTIATED OUT. WHILE KWON AND KIM DID NOT MENTION FORMALLY PARTICIPATING IN THE NEGOTIATIONS, THEY LEFT LITTLE DOUBT THAT THEY WERE RUNNING THEM BEHIND THE SCENES.

2. KWON EMPHASIZED THE EXTREME SENSITIVITY OF HIS MISSION AND SAID THAT EVEN MORE IMPORTANT THAN HIS PRESENCE FOR THE SHIP COLLISION NEGOTIATIONS WAS A SCHEDULED CONVERSATION WITH XINHUA'S SZETO KEUNG TO EXPLORE THE PRESENT STATE AND FUTURE PROSPECTS FOR ROK-PRC RELATIONS. WE RESPONDED TO THEIR REQUEST FOR ADVICE BY REPEATING OUR EARLIER SUGGESTION THAT THE ROK MOVE AT A MEASURED PACE TO AVOID DISRUPTING A PROMISING TREND. SEPTTEL WILL REPORT ON A LENGTHY CONVERSATION TODAY BETWEEN POLCOUNS AND SZETO SETTING FORTH THE LATTER'S PERSPECTIVE ON THESE SUBJECTS. LEVIN  
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TO SECSTATE WASHDC PRIORITY 1224

INFO AMEMBASSY BEIJING 4265  
AMEMBASSY TOKYO 2435  
AIT TAIPEI  
AMEMBASSY SEOUL 8073

~~SECRET~~ HONG KONG 11271

EXDIS

E. O. 12356: DECL: OADR  
TAGS: PREL, KS, CH  
SUBJ: ROK-PRC HONG KONG CONTACTS

REF: HONG KONG 11089

1. (SECRET--ENTIRE TEXT.)

2. SUMMARY. ACCORDING TO THE ROK CONSULATE GENERAL, "PRIVATE" NEGOTIATIONS BETWEEN SOUTH KOREAN AND CHINESE SHIPPING COMPANIES REGARDING THE SINKING LAST APRIL OF A SOUTH KOREAN FISHING BOAT ARE PROCEEDING SMOOTHLY. MEANWHILE, THE ROKG HAS PROPOSED TO PRC AUTHORITIES THE POSSIBILITY OF A GOVERNMENT-TO-GOVERNMENT AGREEMENT ON "EMERGENCY RESCUE COOPERATION" TO HANDLE ANY SIMILAR INCIDENTS IN THE FUTURE. END SUMMARY.

3. ROK DEPUTY CONSUL GENERAL JAE ROK SUNG (PROTECT) PROVIDED AN UPDATE JUNE 28 TO CONGENOFF REGARDING THE CONTINUING NEGOTIATIONS IN HONG KONG BETWEEN SOUTH KOREAN AND CHINESE SHIPPING COMPANIES OVER THE MID-APRIL SINKING OF A SOUTH KOREAN FISHING BOAT. STRESSING THAT THE ROK CONGEN AND THE PRC XINHUA OFFICE PLAY ABSOLUTELY NO ROLE IN THESE "PRIVATE" NEGOTIATIONS, SUNG CLAIMED THE NEGOTIATIONS MAY CONCLUDE SATISFACTORILY IN A FEW DAYS. THE CHINESE SIDE HAS ALREADY AGREED TO PAY COMPENSATION, ACCORDING TO SUNG, AND HAS BEEN "EXTREMELY FORTHCOMING" REGARDING COMPENSATION TO THE FAMILIES OF THE DROWNED KOREAN FISHERMEN. THE MAIN OBSTACLE, SUNG CLAIMED, HAS BEEN THE SOUTH KOREAN SHIPPING COMPANY'S ATTEMPTS TO EXACT "TOO HIGH A PRICE" FOR THE FISHING BOAT, WHICH THE CHINESE SIDE HAS CORRECTLY POINTED OUT WAS AN EXTREMELY OLD PIECE OF EQUIPMENT. SUNG HOPES FOR AGREEMENT IN THE NEXT FEW DAYS, BUT ADDED THE NEGOTIATIONS MIGHT BE "POSTPONED" IF THE KOREAN SHIPPING COMPANY CONTINUES TO HOLD OUT. IN THIS LATTER CONNECTION, SUNG DENIED RECENT KOREAN PRESS REPORTS CLAIMING ADDITIONAL NEGOTIATING ROUNDS

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PAGE 02 OF 02 AMCONSUL HONG KONG 1271 DTG: 281009Z JUN 85 PSN: 019042  
MIGHT BE HELD IN SHANGHAI AND SEOUL.

EXDIS

4. ASKED FOR AN EXPLANATION WHY IT TOOK SO LONG TO ARRANGE THESE HONG KONG NEGOTIATIONS AND THEN WHY THE NEGOTIATIONS THEMSELVES HAVE NOW EXTENDED FOR MORE THAN A WEEK, SUNG (NOT ENTIRELY CONVINCINGLY) LAID ALL BLAME WITH THE SOUTH KOREAN SHIPPING COMPANY. UNFAMILIAR WITH THESE KINDS OF CASES, THE SOUTH KOREAN LAWYERS HAD TAKEN A LONG TIME TO PUT THEIR CASE TOGETHER, SUNG CLAIMED. THEN, ONCE THE NEGOTIATIONS BEGAN, THE SOUTH KOREAN SIDE HELD OUT FOR AN EXTREMELY HANDSOME SETTLEMENT.

EXDIS

5. CONGENOFF ASKED WHETHER THE SHIPPING COMPANIES WERE ALSO NEGOTIATING ARRANGEMENTS TO PREVENT SIMILAR INCIDENTS IN THE FUTURE. SUNG REPLIED THAT THE "PRIVATE" NEGOTIATIONS HAVE NOT ADDRESSED THIS SUBJECT, BUT THE ROKG HAS PROPOSED TO THE PRC THE POSSIBILITY OF A GOVERNMENT-TO-GOVERNMENT AGREEMENT REGARDING "EMERGENCY RESCUE COOPERATION." THE PRC SIDE HAS NOT YET RESPONDED TO THIS ROKG PROPOSAL, SUNG SAID.

EXDIS

6. COMMENT. ALTHOUGH SUNG DID NOT MENTION IT, WE JUDGE IT LIKELY THAT ROK MOFA ASIAN AFFAIRS DEPUTY DIRECTOR GENERAL KWON PYONG-HYON RAISED THIS "EMERGENCY RESCUE" PROPOSAL WITH XINHUA'S SZETO KEUNG AT THEIR SECRET MEETING (REFTEL). AS SZETO HAS SUBSEQUENTLY RECONFIRMED TO US, HE IS THE ONLY AUTHORIZED POINT OF CONTACT FOR OFFICIAL ROK-PRC DISCUSSIONS. END COMMENT.

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E. O. 12356: N/A  
TAGS: OVIP (SHULTZ, GEORGE P.), HK  
SUBJECT: SECSTATE VISIT - BIOS FOR MRS. SHULTZ

REF: STATE 196668

1. THE FOLLOWING IS BIOGRAPHIC INFORMATION REQUESTED  
IN REFTEL.

2. MRS. BURTON (LILY) LEVIN. BORN 1930, BEIJING, CHINA.  
WIFE OF THE CURRENT CONSUL GENERAL, MRS. LEVIN'S HOME  
STATE IS MASSACHUSETTS. SPECIAL INTERESTS: COOKING  
(RECENTLY PUBLISHED A CHINESE COOKBOOK, "LILY'S WAY");  
TENNIS, ART. THIRD TOUR IN HONG KONG.

3. MS. SUSAN ANDERSON, BORN 1952, HOME STATE CALIFORNIA.  
JOINED THE STATE DEPARTMENT IN 1980. STUDIED MANDARIN  
CHINESE AT THE FOREIGN SERVICE LANGUAGE SCHOOL IN  
TAIPEI, IS CURRENTLY SERVING AS A POLITICAL OFFICER.  
INTERESTS: CHINESE ANTIQUE CERAMICS, PAINTINGS AND  
FURNITURE; SAILING, TENNIS, WINDSURFING. LEVIN  
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