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SECRET

GR 340
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FM PEKING 230745Z NOV 82
TO PRIORITY F C O
TELNO 786 OF 23 NOVEMBER
AND RPTD INFO PRIORITY HONG KONG.

A.J.C. 24/11

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HONG KONG TELNO 1357: FUTURE OF HONG KONG

1. SINCE THE STATE CONSTITUTION WILL BE THE MAIN ITEM FOR DISCUSSION AT THE FORTHCOMING NPC SESSION IT IS POSSIBLE THAT SOME AMENDMENT MAY BE MADE TO ARTICLE 30, WHICH IS WIDELY ASSUMED TO BE THE PROVISION IN THE CONSTITUTION FOR FUTURE ARRANGEMENTS FOR TAIWAN, HONG KONG AND MACAO. ARTICLE 30 READS IN DRAFT AS FOLLOWS:

'THE STATE MAY, WHERE NECESSARY, ESTABLISH SPECIAL ADMINISTRATIVE REGIONS. THE RULES AND REGULATIONS IN FORCE IN SPECIAL ADMINISTRATIVE REGIONS WILL BE STIPULATED BY LAW ACCORDING TO SPECIFIC CONDITIONS'.

2. THEIR CONSULTATION OF HONG KONG OPINION SINCE APRIL MAY HAVE PERSUADED THE CHINESE THAT THIS VAGUE WORDING OFFERS LITTLE REASSURANCE TO INVESTORS AND THAT A MORE EXPLICIT GUARANTEE IS NEEDED. THEY MIGHT WISH TO CLARIFY THAT THE SPECIAL ADMINISTRATIVE REGIONS COULD DIFFER FROM THE EXISTING SPECIAL ECONOMIC ZONES AND THAT THEY COULD BE IN EFFECT 'CAPITALIST ENCLAVES'. SOMETHING OF THIS SORT WAS SUGGESTED IN THE INTERNATIONAL HERALD TRIBUNE ARTICLE OF 17 NOVEMBER (MY TELNO 127 TO HONG KONG AND HONG KONG TELNO 570 OF ME). THE CHINESE CLEARLY SEE THE ASSURANCE THAT CAPITALISM COULD CONTINUE AS AN IMPORTANT POINT. YOU WILL RECALL THAT A PEOPLE'S DAILY EDITORIAL OF 6 NOVEMBER (MY TELNO 724) STATED THAT IT WAS THE PARTY'S POLICY THAT THERE WOULD BE NO CHANGE IN THE SOCIAL SYSTEMS OF TAIWAN, HONG KONG AND MACAO AFTER REUNIFICATION.

3. SO I WOULD NOT RULE OUT AN AMPLIFICATION OF ARTICLE 30. BUT I AM INCLINED TO DOUBT THAT HONG KONG BE SINGLED OUT FOR PARTICULAR MENTION. IF IT IS MENTIONED BY NAME AT ALL, I WOULD EXPECT IT TO BE LISTED IN THE FAMILIAR 'TAIWAN, HONG KONG AND MACAO' STYLE. IN THIS CASE I THINK IT WOULD BE UNNECESSARY AND UNDESIRABLE FOR US TO COMMENT.

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4. IN THE (AS I SEE IT) UNLIKELY EVENT THAT HONG KONG IS SINGLED OUT, THEN I THINK THE GOVERNOR'S SUGGESTION IN PARAGRAPH 2 OF HIS TUR IS RIGHT. WE MIGHT PERHAPS ADD TO OUR PUBLIC REACTION THE OBSERVATION THAT THE CHINESE ANNOUNCEMENT DID NOT APPEAR TO GO BEYOND WHAT THEY HAD SAID BEFORE.

CRADOCK

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