

CHINA AND HONG KONG: NOTE OF A MEETING AT
THE STATE DEPARTMENT ON 4 NOVEMBER 1982

Present:

Mr A E Donald CMG
AUSS, FCO

Mr John Holdridge
Assistant Secretary

Mr S J Gomersall

Mr Paul Wolfowitz
Assistant Secretary-designate

Mr Tom Shoesmith
Deputy Assistant Secretary

Mr Bill Rope
Director for China

PERSONALITIES

1. Mr Holdridge referred to reports that Huang Hua was on his way out, possibly to be replaced by Wu Xueqian. It was thought that Han Xu might become First Vice Foreign Minister. Experiences with Han Xu had been favourable. Zhang Wenjin was likely to become Ambassador to Washington.

TACTICS OF NEGOTIATING WITH THE CHINESE

2. Mr Rope handed over an American paper (attached). Mr Donald said that in our experience of negotiating with the Chinese (eg over the up-grading of our diplomatic mission in Peking) we had found the Chinese had opened with a very hard position and given nothing until they had formed a full picture of the position of the other side. Mr Holdridge agreed. He described a number of devices which had been useful in their recent negotiations: the informal lunch at which ideas could be exchanged in circumstances where the Chinese interlocutors could talk off the record; the Americans had identified a key member of the Chinese Embassy (Ji Chaotzu, whose posting to Washington had taken place at the right time) and had seen him at critical moments in private over a drink. They had been able to speak frankly with him and exchange important hints about the political constraints and background in both countries. There had been

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long intervals when the talks had been marking time because the instructions were still being debated within the Chinese leadership. Another key moment had been a private conversation between Holdridge and Han Xu in Peking in the margins of President Bush's visit. The deadline enforced by the need to notify Congress of the proposal for continued co-production of the F5E had been an important element. Although the Chinese had known about it from the beginning, they had assumed that it was flexible and the Americans could be engaged in perpetual negotiation. Gradually the Americans had been able to bring them to realise that it was in fact immovable beyond 19 August. Only as that dawned, did the Chinese begin to modify their position and really negotiate. Another common Chinese tactic was to create uncertainty as to whether certain concessions had been made or were linked to other concessions by their partners.

HONG KONG

3. Mr Donald said that he would not be able to say much at this meeting about the Prime Minister's recent talks in Peking, but could perhaps go over some of the background. (Mr Holdridge promised complete confidentiality.) The essential Chinese position on sovereignty, of which there had been a classic re-statement to the UN in 1972, had not changed over the years. However, because the Chinese had in practice scrupulously respected the treaties de facto and the British had avoided provocation in day-to-day relations, this had not been a problem for the running of Hong Kong. In 1979, when the Governor visited Peking, and during Lord Carrington's visit in 1981, they had used the formula of telling investors to 'put their hearts at ease'. At some time in 1981, perhaps around the time of the National People's Congress, they seemed to have had a fundamental think about their policy towards Taiwan, Hong Kong and Macao. In January 1982, they had given us the first indication that they did not wish to shelve the problem until 1997. Although the Chinese had said that they had not yet formulated a concrete policy, they had introduced the two principles of safeguarding Chinese sovereignty and maintaining the prosperity of Hong Kong.

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They had also drawn attention at the same time to the nine principles of Ye Jianying for the settlement of the Taiwan problem, and their policy on special economic zones. Subsequently they had summoned a number of Hong Kong Chinese to Peking for 'consultations' but the visitors seemed to have been inhibited from speaking frankly to the leadership about the fundamental basis for prosperity in Hong Kong. Turning to Mrs Thatcher's visit to China, Mr Donald said that just as the talks on Hong Kong were going to begin in Peking, Zhao had made a public comment that China intended to recover sovereignty. After the talks in Peking, Mrs Thatcher had said nothing to the press beyond the agreed statement. In Hong Kong she had however explained, in answer to press questioning, that while it was impossible for an honourable country unilaterally to abrogate its treaties, treaties could be varied by agreement after consultation between the parties. Unfortunately, the press had written this up as an intention to stick by the treaties indefinitely, and when challenged in Peking by the press, the Chinese had inevitably reacted by a stiff restatement of their position on sovereignty. This had created an impression of confrontation. The talks themselves had in fact been measured and friendly.

4. Mr Holdridge commented on the risk of a flight of capital from Hong Kong: perhaps the drop in the Hang Seng index after Mrs Thatcher's visit had been helpful in educating the Chinese as to the sensitivity of Hong Kong. Mr Donald said that a recent reported statement of Wang Guong, Head of NCNA, might be an indication of a desire to calm the Hong Kong market.

5. Mr Shoesmith said that what it took to maintain confidence in Hong Kong was an assurance that the Chinese would not 'muck things up'. But most businessmen in Hong Kong were from the mainland and had vivid experiences of Chinese Governments doing just that. The difficulty was that no-one in Peking was going to stick his neck out and say that a solution required the British administration to continue. He thought that it was necessary to get more Hong Kong Chinese to go to Peking to express their

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concern, and to give the Chinese more time to reflect on the consequences of taking a hard line. He asked whether we did not regret the timing. Mr Donald explained that because of the lease problem, opinion in Hong Kong had become somewhat nervous over the past few years, and that it would have made relations between Britain and Hong Kong difficult if the British Government had sat on its hands. Additionally, the Chinese had invited the Prime Minister to visit Peking after Hua Guofeng's visit to the UK in 1979. A British Prime Minister could not go to Peking without discussing Hong Kong, but nor could the visit have been postponed without having an ill effect on confidence in Hong Kong. Moreover, Mrs Thatcher was the first British Prime Minister to visit China. Since the Chinese themselves had shown signs of wanting to grasp the nettle, we had considered it right to go ahead.

6. On the way out of the meeting, Mr Rope added his own view (unprompted) that, whereas American intercession would probably be unhelpful because of America's association with Taiwan, he was hopeful for an improvement in Chinese relations with the United States and the West in 1983. He did not believe that the current Russian leadership would have the flexibility to make concessions necessary to change Sino-Soviet relations fundamentally. That, combined with Mr Shultz's visit to China, would possibly strengthen the position of those in Peking who wished to promote co-operation with the West.

THE NEGOTIATIONS OVER TAIWAN

7. During the conversation the Americans gave an account of the negotiations over Taiwan as they now appeared. Mr Holdridge said that in the spring of 1981 they had told Deng Xiaoping that they could postpone the upgrading of Taiwan's fighter aircraft until later in 1982. By this they had meant that they envisaged doing it after the 12th Party Congress at which Deng would have consolidated his position. This had seemed acceptable to Deng at the time. During Haig's visit in July 1981 he had been relaxed about the arms sales question. However, something

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had happened in October 1981 which had fundamentally changed the Chinese position. (Mr Rope said privately later that the Chinese would have been justified in concluding in September/October 1981 that the Americans were going to sell the FX to Taiwan.) The meeting with Huang Hua at Cancun had been the first presentation of China's demand on Taiwan. During his visit in January, Mr Holdridge had concluded that things could be settled. However, at a very bad session in early March they had been left concluding that maybe relations were irretrievable. It was shortly after this that Ji Chaotsu had been sent to Washington and private contacts with him had indicated that, if the United States did not push too hard for a while, matters might improve. In April the Chinese had raised the question of their doubt about President Reagan's commitment to the China relationship. From this had emerged the idea of the letters, and of sending Vice President Bush as an emissary. Unfortunately, Mr Bush had produced the last of these letters in full public view, and the Americans had had to go public on all three. In retrospect this had been a good thing and helpful in handling the US Right-wing subsequently. During the visit with Mr Bush, Mr Holdridge had had a private session with Han Xu at which he had made it crystal clear that the final outcome had to be compatible with the Taiwan Relations Act. Eventually the Chinese had hauled this on board, and in July they had finally said that they would not insist on a cut-off of arms supplies. The negotiations thereafter had been focussed on the point of linkage between a reduction of arms sales and peaceful reunification. The deadline over notification had been instrumental in bringing this about. It was unimportant that subsequently the Chinese had denied this linkage. What mattered was the agreed text. The fact that they resisted so hard on this point showed that the Chinese knew what use the Americans would make of this language.

Distribution:

PS/PUS
✓ Mr Giffard
Mr Donald
Mr Clift
Mr Elliott

Sir P Cradock, Peking
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Sir O Wright, Washington
Mr Gomersall, Washington

SECRET



Foreign and Commonwealth Office

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10 November 1982

John

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Future of Hong Kong

You will have seen the report of Sir Oliver Wright's recent discussions with Secretary of State Bush and Vice President Bush on Hong Kong (Washington telegram No 3602 of 8 November). Alan Donald, who helped at these briefings, took the opportunity to talk to the senior officials on the East Asia side of the State Department about American experience with the Chinese.

I attach the note of the meeting which took place at the State Department on 4 November between Alan Donald and John Holdridge, the Assistant Secretary for East Asian Affairs. Holdridge was personally involved in the negotiations with the Chinese over arms sales to Taiwan and his remarks on Chinese negotiating techniques are therefore of special interest.

The Americans also gave Donald their most recent analysis of the Chinese negotiating style (a copy is attached to the record of the meeting). It distils their previous studies and reflects American experience over a substantial period of time. The Prime Minister may like to see this before her meeting with Dr Kissinger at the end of this week.

*Prime Minister
This is interesting
but we had
perhaps better
not tell
Kissinger that
we have it.*

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Yes sir,

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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SUBJECT: CHINA'S NEGOTIATING STYLE

1. SECRET - ENTIRE TEXT

2. THIS MESSAGE TRANSMITS AN ANALYSIS OF CHINA'S NEGOTIATING STYLE THAT WE THINK IS OF EXCEPTIONAL MERIT. IT IS A DISTILLATION OF PREVIOUS STUDIES AND OUR OWN EXPERIENCE OVER A SUBSTANTIAL PERIOD OF TIME. IT WAS DRAFTED BY AN EXPERIENCED EMBASSY ANALYST (CHARLES MARTIN) WHOSE CONCLUSIONS WE SUPPORT.

3. NEGOTIATING WITH THE CHINESE CAN BE AN EXASPERATING ORDEAL, BUT OUR OWN EXPERIENCE AS WELL AS THAT OF THE BRITISH AND JAPANESE SHOWS THAT TENACITY OFTEN PAYS OFF. ALTHOUGH CHINA'S ORIGINAL POSITIONS OFTEN ARE EXTREME, ITS ULTIMATE OBJECTIVES ARE SELDOM UNREALISTIC. STUDIES OF HIGH-LEVEL BILATERAL NEGOTIATIONS THAT BEIJING HAS CONDUCTED OVER THE PAST SEVERAL YEARS REVEAL CERTAIN RECURRING TRAITS THAT COMPRISE A DISTINCT NEGOTIATING STYLE.

4. TO THE CHINESE MUCH OF THE BARGAINING PROCESS IS NOT A SEARCH FOR COMPROMISE, BUT AN OPPORTUNITY TO ASSESS THE RESOLVE OF THE OPPOSITE SIDE AND TO SEARCH FOR WEAK POINTS. FOR THIS REASON, THROUGHOUT MUCH OF A NEGOTIATION, BEIJING TENDS TO HOLD FIRM TO ITS OWN POSITION WHILE EMPLOYING A VARIETY OF MANEUVERS TO DRAW OUT, SOFTEN UP, AND EXACT CONCESSIONS FROM THE OTHER SIDE.

5. THE CHINESE OFTEN SET FORTH A "PRINCIPLED POSITION" AT THE BEGINNING OF NEGOTIATIONS, RELEGATING TO SECONDARY IMPORTANCE THE CONCRETE ARRANGEMENTS BY WHICH THE "PRINCIPLES" ARE TO BE IMPLEMENTED. THEIR OBJECTIVE IS TO PROJECT AN IMAGE OF UNCOMPROMISING RESOLVE AND PLACE THE ONUS ON THE OPPOSITE SIDE TO COME FORWARD WITH CONCESSIONS THAT WILL BREAK THE IMPASSE. THE CHINESE LIKE TO REMIND FOREIGNERS THAT THEY ARE PATIENT PEOPLE, A TWIST EXTENDED TO LEND CREDIBILITY TO THE FIRMNESS OF THEIR POSITION.

6. BEIJING'S NEGOTIATORS SOMETIMES CAMOUFLAGE THEIR RIGIDITY AND TRY TO PROBE THE OTHER SIDE'S FLEXIBILITY BY INTERMITTENT CORDIALITY AND HINTS OF CONCESSION ON THEIR OWN PART. THESE SHOULD NOT BE TAKEN AT FACE VALUE BECAUSE THEY ARE OFTEN FOLLOWED BY A RETURN TO A HARD LINE.

7. THE NEGOTIATORS SELDOM HAVE ANY SIGNIFICANT AUTHORITY. ALTHOUGH THEY WILL SOMETIMES PUT FORTH IDEAS AS PERSONAL ONES, IT CAN BE ASSUMED THAT IN ALMOST EVERY CASE THESE IDEAS HAVE RECEIVED HIGH LEVEL AUTHORIZATION.

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8. THE CHINESE USUALLY ONLY BEGIN TO MAKE SIGNIFICANT CONCESSIONS LATE OR AT THE VERY END OF THE BARGAINING PROCESS. THE FIRST SIGNS OF MOVEMENT IN BEIJING'S POSITION MAY WELL APPEAR ON QUESTIONS OF PRINCIPLE. CASE STUDIES OF CHINA'S NEGOTIATING STYLE HAVE SHOWN THAT ITS "PRINCIPLES" MAY BE LITTLE MORE THAN AN INITIAL BARGAINING POSITION AND WHAT CONSTITUTES "ACCEPTANCE" OF THEM IS ALSO SUBJECT TO NEGOTIATION. THIS DOES NOT MEAN THAT AT TIMES BEIJING WILL NOT HOLD FIRM TO ITS POSITION, BUT THAT "PRINCIPLES" PER SE SHOULD NOT BE REGARDED AS NON-NEGOTIABLE.

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9. THE CHINESE SEEK TO PUT THE OTHER SIDE ON THE DEFENSIVE BY SEIZING ON EVENTS OR REMARKS THAT THEY CAN INTERPRET AS CALLING INTO QUESTION THE GOOD FAITH OF THE OTHER PARTY, OFTEN IN ABUSIVE LANGUAGE. THE CHINESE LIKE TO ASSUME THE ROLE OF THE ABUSED PARTY IN ORDER TO ELICIT FROM THE OTHER PARTY TANGIBLE CONCESSIONS TO PROVE THEIR GOOD INTENTIONS.

10. WHEN A CONCESSION REDOUNDS TO BEIJING'S BENEFIT, CHINA WILL WANT TO INVEST IT WITH AS MUCH OFFICIAL STANDING AS POSSIBLE WHILE BELITTLING ITS SIGNIFICANCE. FREQUENTLY THIS MEANS INCORPORATING IT INTO A JOINT COMMUNIQUE OR TREATY. PERSISTENT OBJECTIONS FROM THE OTHER SIDE HAVE MOVED THE CHINESE TO AGREE TO WORDING THAT DILUTES THE POINT'S AUTHORITATIVENESS. SUCH AN ARRANGEMENT WAS CRUCIAL TO THE SUCCESSFUL CONCLUSION OF TWO IMPORTANT SINO-JAPANESE NEGOTIATIONS. THE CHINESE HAVE ALSO FREQUENTLY SHOWN A WILLINGNESS TO GO ALONG WITH SECRET SIDE AGREEMENTS AS A MEANS OF CIRCUMVENTING DIFFERENCES. SUCH DECLARATIONS HAVE BEEN ORAL AS WELL AS WRITTEN.

11. THERE HAVE BEEN TIMES IN DEALING WITH THE CHINESE WHEN FINAL AGREEMENT HAS BEEN MORE APPARENT THAN REAL. VERBAL AND EVEN WRITTEN CONCESSIONS MADE BY THE CHINESE IN THE COURSE OF THE TALKS ARE NO GUARANTEE THAT THEY WILL NOT BE PARTIALLY RETRACTED OR ENCUMBERED BY NEW DIFFICULTIES AT A LATER POINT. AMERICAN NEGOTIATORS HAVE OFTEN EXPERIENCED LAST DITCH EFFORTS ON THE PART OF THE CHINESE TO EXACT CONCESSIONS.

12. THE CHINESE VIEW THE 11TH HOUR AS CRITICAL. FINAL CHINESE CONCESSIONS OFTEN COME AT THIS POINT IN THE NEGOTIATING PROCESS, SOMETIMES ONLY HOURS BEFORE THE SCHEDULED DEPARTURE OF THE OTHER SIDE. THE SHANGHAI COMMUNIQUE WAS AGREED TO JUST BEFORE PRESIDENT NIXON WAS DUE TO LEAVE CHINA. THE JAPANESE 1974 CIVIL AVIATION AGREEMENT WITH THE CHINESE WAS CONCLUDED AS A RESULT OF BEIJING'S LAST MINUTE FLEXIBILITY ONLY TWO HOURS BEFORE FOREIGN MINISTER OHIRA'S DEPARTURE. FINALLY, IN OUR CONSULAR TREATY NEGOTIATIONS WITH THE CHINESE LAST YEAR, THE CHINESE MADE MANY IMPORTANT CONCESSIONS WITHIN DAYS BEFORE THE PROSPECTIVE SIGNING.

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13. IF THE CHINESE SEE A STRONG ENOUGH POLITICAL IMPERATIVE TO REACH FINAL AGREEMENT, BUT CANNOT ACHIEVE MUTUALLY AGREED CONCRETE CLARIFICATION, THEY ARE OFTEN WILLING TO ACCEPT AMBIGUOUS LANGUAGE THAT CAN BE INTERPRETED WITH DIFFERENT NUANCES AS IN THE SHANGHAI COMMUNIQUE.

14. THE BOTTOM LINE FOR THE CHINESE IN ANY NEGOTIATION IS, OF COURSE, DETERMINED BY THE HIGHEST GOVERNMENTAL LEVEL IN KEEPING WITH THE LEADERSHIP'S READING OF CHINA'S INTERESTS, THE COSTS OF FAILURE, AND DOMESTIC POLITICAL RAMIFICATIONS. LAST MINUTE INTERVENTIONS BY DENG XIAOPING IN NEGOTIATIONS WITH BOTH JAPAN AND THE U.S. HAVE SALVAGED AGREEMENTS.

15. IF CHINA WANTS WHAT THE OTHER SIDE HAS TO OFFER THEN IT WILL IN THE END SHOW FLEXIBILITY. BUT AS STATED ABOVE THIS DOES NOT MEAN THAT BEIJING WILL NOT SOMETIMES HOLD TENACIOUSLY TO ITS POSITIONS AND ACCEPT A FAILURE IN THE TALKS. THE CHINESE AND THE SOVIETS HAVE BEEN TALKING FOR OVER TWENTY YEARS ON WHETHER OR NOT A BORDER DISPUTE EXISTS BETWEEN THEM AND ON NORMALIZATION OF POLITICAL RELATIONS. THESE TALKS HAVE BEEN STERILE AS MOSCOW REFUSES TO OFFER ANYTHING SUBSTANTIAL IN THE WAY OF MEETING CHINA'S PRINCIPLES.

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Future of Hay Key Pt 4