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#1a cable	Hong Kong A-401 <i>del. NLS 98-383, 4/30/03</i> S 6 pp. [dup. #79a, NSF, CF, "China, Vol. XII," Box 243; EXEMPTED 1992]	2/16/68	A
#2a report	Research Memorandum REA-53 <i>more info released 3-14-96 NLS 95-68</i> S 13 pp. <i>OPEN 10/26/07 NLS 06-220 (#55a)</i> [dup. #55a, NSF, CF, "China, Vol. XI," Box 242; SANITIZED 1982]	11/16/67	A
#3 memo	Jenkins to Rostow <i>Sanitized 6/7/00 NLS 97-231</i> C 1 p.	10/2/67	A
#4 memo	Jenkins to Rostow <i>Sanitized 6/7/00 NLS 97-231</i> S 1 p. [dup. #72, NSF, CF, "China, Vol. X," Box 241]	7/21/67	A
#4a memo	Jenkins to Rostow <i>Open NLT 97-225 9.21.98</i> S 3 pp. [dup. #72a, NSF, CF, "China, Vol. X," Box 241; EXEMPTED 1979, 1985, AND 1991]	7/21/67	A
#5a memo	Jenkins to Rostow C 2 pp. " " " [dup. #74a, NSF, CF, "China, Vol. X," Box 241; EXEMPTED 1979 & 1991]	7/18/67	A
#6 memo	H.W. Jacobson to Jenkins TS 1 p. <i>Open 10-17-97 NLS 97-232</i>	7/17/67	A
#6a draft	cable to London TS 2 pp. <i>Open 10-17-97 NLS 97-232</i>	undated	A
#6b draft	cable to Hong Kong <i>sanitized 10-17-97 NLS 97-232</i> TS 2 pp. <i>same " NLS 029-004-2 (8/02)</i>	undated	A
#8 memo	Jenkins to Rostow <i>Open 6/7/00 NLS 97-231</i> S 1 p. [dup. #75, NSF, CF, "China, Vol. X," Box 241]	7/12/67	A
#8b report	The Situation in Hong Kong <i>Sanitized 6/5/00 NLS 97-230</i> S 10 pp. [dup. #76, NSF, CF, "China, Vol. X," Box 241; SANITIZED 1980]	7/11/67	A

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February 20, 1968

NOTE FOR MR. ROSTOW

The attached advance copy of an Al Whiting dispatch I found to be of considerable interest in the line of communist negotiations. From my own experience in negotiating with Chinese Communists for nine months in Tientsin, a summer in Geneva, and advising in negotiations for four years at Warsaw, I would very much agree with Whiting's observations. There is carry-over value for Panmunjom, even though the situation is different.

Alfred Jenkins

Attachment

cc: Mr. Jorden

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E.O. 12356, Sec. 3.4
NIJ 92-190
By gww, NARA, Date 6-27-94

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Priority

Department of State

INFO: AmEmbassy LONDON
" TAIPEI

AmConGen HONG KONG

February 16, 1968

Record of Sino-British Border Negotiations

NOFORN/LIMDIS

After considerable delay occasioned by careful checking of the translation, copies of the British minutes covering the Sino-British border negotiations of November 1967 have been made available to the Consulate General. One copy is enclosed; the second is retained at the Consulate for further reference and study. Although much of the negotiations evolved around seemingly picayune points of verbiage, they are of interest as belonging to the growing body of documents (Panmunjom, Geneva, Warsaw, and Sino-Indian Border talks) available for analysis of Chinese Communist negotiating techniques. Some of the more salient aspects of the enclosure are analyzed below.

"It Pays To Be Rude"

In his illuminating analysis of Soviet negotiatory techniques, Dr. Nathan Leites offered the proposition that "it pays to be rude,"

Enclosure:

Copy No. 6, Conversations
at Shum Chun, Nov. 1967
(for Dept only)

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EXEC:ASWaltling:rpt:2/15/68

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By cb/ag NARA, Date 4-30-03

not only for characterizing Soviet negotiatory practice but also as advice for those dealing with the Russians. Certainly, the proposition is borne out in the Sino-British border talks. In one such instance, District Commissioner Kinghorn indulged himself in a purposeful loss of temper after repeatedly hearing the Hong Kong Government accused of "fascist acts" (Sixth Meeting, page 3). He furiously denied the allegation, in the course of which he alluded to his own war service and counterattacked by referring for the first time to the Communist bombing atrocities. Rising to his feet, Kinghorn implicitly threatened to walk out and the Chinese side responded in kind, doors being opened for an exit by all. However, whereas Chou, the apparent political officer on the Chinese side, retorted, "This is 1967, not 1893" (alluding to the forced cession of the New Territories from China to Great Britain), Wong, the main spokesman and a PLA officer, withdrew the word "fascism" and subsequently offered an indirect apology.

Because conventional wisdom places so much emphasis on Chinese face and sensitivities -- qualities we shall treat below -- it might seem that Kinghorn was flying in the face of all reason. Kinghorn chose his ground well, however, and having won his point, quickly moved to bury this particular hatchet. At the initial reference to "fascist acts," he gently rebutted by reference to Britain's role in World War II. Thus his subsequent outburst was not without advance warning. Moreover, immediately upon Wong's express retreat, Kinghorn replied, "I believe we can reach agreement. You are a man of intelligence and integrity." This matched rudeness with diplomacy in the face of both vituperation and sensitivity.

Chinese Sensitivities

Unnecessary or unprovoked slights, as perceived by the Chinese side, did not go unheeded. For instance, just as the first meeting was about to close on a somewhat harmonious note, Kinghorn cautioned that peasants who crossed the Man Kam To bridge after it was reopened should not indulge in "rioting." Both Wong and Chou rose to this as an "insult" and, indeed, may have felt vulnerable to charges of

having "grovelled when the imperialists defamed the Chinese masses" had they not taken Kinghorn up on the point.

Semantic sensitivity similarly occurred when the British, in seeking to avoid referring as "compensation" to payment from crops damaged as a result of the Man Kam To bridge closure, offered payment as "good will" or ex gratia. In virtually all subsequent discussions, the Chinese side alluded to the unacceptability of such terminology and fought hard for the word "compensation," even when the amount had been agreed upon through lengthy haggling.

In general, the Chinese appeared particularly sensitive to any implied slight on Chinese character or behavior. In addition, as with the case of "compensation" versus ex gratia payment, they were willing to delay agreement on their monetary demand for the sake of establishing the principle of British guilt.

Having the Last Word

So dominant was Chinese insistence on having the last word, it might almost be termed a compulsion rather than simply a characteristic. This, combined with Chinese sensitivity, repeatedly produced a "settling of scores," sometimes well after the initial British provocation or thrust. In the aforementioned rebuttal against the use of "fascism," Kinghorn described the British fight in World War II "while you /Wong/ were still a boy." Four meetings and one week later, Wong closed the negotiations with a final summation, the last paragraph of which took issue with Kinghorn's implied jibe: "Finally, Mr. Kinghorn, you once said I am a young man and told me the history of your struggle against fascism. I can tell you that not only have I fought against the Japanese, I have also fought against the Americans in Korea, striking against the fascists of today."

Chinese behavior in this regard, as indeed in the endless debates to score points of principle and to correct sensed slights, is curious, since both sides had agreed that no official record would be kept and no official statement would be released by either side during or after the talks. While the Chinese negotiators may have been hedging against an eventual "leak" by the British, it seems more likely they

were fighting for the benefit of Chinese, both in and out of the room, who might review the record for evidence of too "soft" a struggle with British imperialism. Especially against the background of the Cultural Revolution and the relatively recent (at the time) return of Chen Yi's professional handling of foreign affairs as compared with Red Guard recklessness, it is small wonder Wong behaved at times as though he were on Canton television.

Chinese Civility and Sincerity

Despite the Cultural Revolution and the Hong Kong confrontation, however, Chinese statements and responses were intermittently couched in terms which betokened civility and sincerity. While each session began with a quote or two from Mao, straight propaganda blasts rarely occurred during the course of a meeting. On one occasion a British protest even elicited an embarrassed, albeit implicit, disavowal of militants who had stoned HKG border forces removing the disputed wire fence. At times the Chinese displayed a sense of humor, joshing their counterparts in an almost friendly fashion or parrying light sarcasm in kind. However, Wong objected to one interjection whereby Kinghorn credited him with having "a golden tongue," saying at a subsequent point, "I would like Mr. Kinghorn to avoid being sarcastic in the future" (Ninth Meeting, pages 1 and 8). Unfortunately, this record does not contain the wholly unofficial exchanges which have been characterized by the HKG participants as being relaxed, and at times pleasant.

So far as sincerity is concerned, the Chinese made so many allegations of its absence on the British side as to ruffle even the most imperturbable of the HKG participants. Conversely, there seemed reason to doubt Chinese sincerity early on when the agreement of November 3, to be implemented November 4, was withdrawn within twenty-four hours. This sudden reversal probably resulted from shifts in guidance somewhere between Canton and Peking stemming from changes in the balance between militants and moderates which characterized this period. Certainly no good explanation was ever forthcoming from the Chinese side; instead British prodding on the point usually elicited an evasive answer or embarrassed silence.

However, the rest of the talks, for the most part, moved from point to point without an escalation of Chinese demands or a renegeing of Chinese agreements. The only exception worth noting was the readjustment upward of the amount of compensation demanded as payment for crop losses suffered by the peasants at Man Kam To, from \$40,000 HK on November 3 to \$83,000 on November 11. This accompanied, in timing, the initial reversal on the overall settlement and probably occurred as part of that development. Subsequently the Chinese bargained downward on the amount, settling for approximately \$70,000 HK. Considering the various excuses or "provocations" offered by speculation on the Hong Kong press, and the untimely escape of British Inspector Frank Knight in the course of the negotiations, it is worth noting that the Chinese made relatively little mention of these events and did not violate their agreement on banning photographers and press from the talks.

In Conclusion

absolute pre-requisite -- otherwise must be so arranged.

Both sides in the 1967 Sino-British border talks clearly wanted a settlement. Moreover their respective domestic situations made secrecy mutually advantageous. These two factors differentiate these talks from those held at Panmunjom, or to a degree Warsaw, and therefore some of the characteristics noted above would not be as evident in wholly dissimilar circumstances. Assuming that negotiations are bona fide and substantive, however, the Sino-British talks provide a useful precedent, not only on the Chinese side but also in the way Hong Kong officials chose to play their cards.

On the British side, a proper blend of firmness and flexibility seems to have paid dividends. Kinghorn did not tolerate his counterpart's abuse. However, he refrained from winning debater's points and was content to give way on polemics if he could retain substantive concessions thereby. Although the British fought hard to avoid appearances of imbalanced compromise, they clearly gambled on the Chinese adhering to the original agreement on secrecy. Given the suspicions and anxieties rife in Hong Kong at the time, this was a long chance to take and it was heatedly argued within government councils at the time. The Chinese must have felt sorely tempted to

exploit the meetings to their own propaganda advantage but fortunately their overriding desire for a settlement, in order to damp down militants who could trigger real border trouble, carried the day.

One of the more curious anomalies of these talks is the absence of any agreed record, exchange of minutes, or final communique. Both sides took meticulous notes. Yet, against a tradition of Anglo-Saxon legalism and formalistic contracts, the HKG has found rewarding the fidelity with which the Chinese have attempted to carry out their obligations ensuing from these negotiations. That this should occur at a time of such political instability as swept China in 1967 is of particular note and may provide a useful precedent in future negotiations with the Chinese should secrecy and sensitivities be deeply involved.

MARTIN

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November 20, 1967

MEMORANDUM FOR MR. ROSTOW

SUBJECT: The Hong Kong Confrontation

You may wish to read at least marked portions of this paper on the recent past and the future of Hong Kong, especially those portions starting on page 7.

The Communist confrontation has succeeded in slowing down Hong Kong's formerly rapid rate of economic growth, but no significant disinvestment is expected unless the conflict grows much worse. This does not seem to be likely as of now, particularly since the Cultural Revolution on the mainland has become quieter.

The Communists' intent seems to be to achieve a humiliating settlement of the Macao-type rather than a take-over of the Colony, which produces about one-third of China's hard currency foreign exchange.

Lack of popular support for the Communist efforts has been an outstanding characteristic of the entire period of confrontation. The outlook is for a long-term struggle, within fully manageable terms so far as can now be seen.

So far, no Communist-inspired disturbances in Hong Kong have involved Americans.

Alfred Jenkins

Attachment

cc: Mr. Jorden

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 92-184
By JW, NARA, Date 6-27-94

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U.S. DEPARTMENT OF STATE
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Research
Memorandum

M REA-53, November 16, 1967

~~ROCHE~~
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VANCE *copy*

To : The Secretary
Through: S/S
From : INR - Thomas L. Hughes *Thomas L. Hughes*
Subject: The Confrontation in Hong Kong: Its Past and Its Future

The Sino-British confrontation in Hong Kong has settled into a pattern that may endure for some time. Taking advantage of the relatively static situation to place earlier highlights in perspective, this paper describes the Chinese Communists' tactics, the British countermeasures, and the supporting role played by mainland China. It also examines the Communists' apparent motives, and speculates on their chances for success.

ABSTRACT

The Sino-British confrontation in Hong Kong appears to have passed through four distinct phases. The first phase began with a relatively minor labor-management dispute at a local factory which erupted into three days of rioting in mid-May. During the second phase, the Communists organized struggle committees to coordinate action plans sent delegations to demonstrate at Government House. The Communists escalated their tactics to include work-stoppages during phase three, and resorted to terrorism in phase four. The Hong Kong Government (HKG) expanded its countermeasures parallel to the evolution of the local Communists' campaign, while mainland China's involvement in the dispute alternately rose and fell. The confrontation is currently characterized by Communist propaganda attacks on the HKG, occasional mob attacks on isolated police patrols, and the indiscriminate placing by terrorists of home-made bombs throughout the colony. The British are responding with a public information campaign to counteract the leftists' propaganda and with raids on Communist premises to

This report was produced by the Bureau of Intelligence and Research. Aside from normal substantive exchange with other agencies at the working level, it has not been coordinated elsewhere.

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By 151/SAH NARA Date 10-26-01

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suppress the bombings. Mainland China has toned down its propaganda attacks on the British, coincidentally with an overall relaxation of militancy in its international relations, although civilian residents on the mainland side of the China-Hong Kong border continue to make sporadic attacks on Hong Kong border guards. The confrontation has slowed down the local economy's former rapid rate of growth and made it less attractive for investors, but so far no serious immediate economic damage has been done.

Exhortations to struggle which had been heard on the mainland ever since the beginning of the Cultural Revolution must have encouraged militants within the Communist organization in Hong Kong. The fall of Party Central-South Bureau Chief T'ao Chu, who is believed to have controlled Party activities in Hong Kong, may have led his opponents in Hong Kong to take action. Some of his followers may also have been persuaded to adopt more violent methods in order to prove they were redder than Mao and not tarred with T'ao's brush. (Alternatively, the disarray in the Central-South Bureau caused by T'ao Chu's purge may have provided opportunities for Party extremists in Hong Kong to increase their influence over Party policies.) In any case, after the successful demonstration of Communist power in Macao, pressures for adopting a violent course in Hong Kong became too strong to resist. As in Macao, the objective was not to take over the colony and drive the imperialists out, for that would be too costly to China's economy; rather, the imperialists should be made to acknowledge the power of Mao and be forced to become the acquiescent tools rather than masters of the "people." Also as in the case of Macao, Peking has taken the position that the brunt of the battle must be borne by the local people; it has provided some diplomatic and financial support, but it has sent no arms and has not involved

the PLA, being careful not to commit itself to a line which might engage the regime's prestige against the British. The degree to which Peking may have instigated and/or guided the confrontation in Hong Kong is unclear; at the least it provided financial and moral encouragement; there is evidence that it may have provided tactical guidance as well.

As the confrontation developed it became apparent that the Communists in Hong Kong were divided between those who favored violence and those who believed that violence at that stage was counter-productive and preferred non-violent political action to obtain a wider base of support before resorting to violent tactics. The division was roughly between agitprop and labor cadres on the one hand and banking and business cadres on the other, paralleling similar divisions in Peking.

The British have firmly resisted Communist demands, and the large majority of the colony's Chinese population has refused to support the leftists. The Communists appear determined to continue their struggle for a long period, however, and a prolonged continuation of the confrontation at current levels seems likely. During this time, the Communist effort will be directed principally at building up mass support.

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Evolution of Chinese Communists' Anti-British Campaign

Mainland China's Cultural Revolution first began to make an impression on Hong Kong in July 1966, when senior local Communists returning from visits to China initiated meetings for employees of leftist labor unions, schools, newspapers, film companies, and banks to introduce the movement. In November 1966, mainland Chinese laborers working along the China-Hong Kong border held demonstrations emphasizing the thought of Mao Tse-tung, and in December local leftist labor unions stepped up their efforts to wrest concessions from employers. The Chinese Communists' success in humiliating the Portuguese and increasing their influence in Macau in December and January stimulated the Hong Kong leftists to greater efforts, although they did not attack the HKG until May.

Phase I: Labor Dispute Leads to Riots. On April 28, the management of the Hong Kong Artificial Flower Works fired 87 workers for taking part in a "go-slow" movement initiated during a dispute over working hours and wages. Other workers then went on strike and were in turn dismissed. Workers began picketing the flower factory's Kowloon branch May 3, and a number of these were arrested May 6 for obstructing the movement of the factory's trucks. Following this incident, local Communist newspapers attacked the HKG for "suppressing patriotic Chinese workers," and on May 8, the pro-Communist Federation of Trade Unions (FTU) began organizing struggle committees to support the striking workers. On May 11, a crowd of about 1500 unruly on-lookers gathered at the flower factory to watch the pickets and finally had to be dispersed by riot police. This touched off three days of rioting in the area near the factory by youths apparently unconnected with the labor dispute.

Phase II: Communists Organize for All-out Struggle. The local Communists' next step was to organize struggle committees in all leftist organizations and to send delegations from these committees to demonstrate in front of Government House. On May 13, they issued four demands against the HKG: 1) stop suppressing demonstrators and promise no recurrence; 2) release those arrested; 3) punish those responsible for injuring demonstrators and pay compensation to the victims; and 4) issue an apology and admission of guilt. On May 16, the leftists announced the formation of a "Hong Kong and Kowloon All Circles Anti-Persecution Struggle Committee" to serve as their highest policy-making and coordinating body. Leftist organizations also began soliciting contributions from their employees, business contacts, and from union members to help finance their campaign.

Mainland China lent its support to the Hong Kong leftists May 15 with a Foreign Ministry statement condemning the HKG and reiterating the local Communists' May 13 demands. Rallies were held in several mainland cities.

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hundreds of thousands of demonstrators paraded past the British diplomatic mission in Peking, and Red Guards sacked the British mission in Shanghai May 16. The Chinese Foreign Ministry protested Britain's (HMG) failure to reply to its May 15 demands and withdrew authorization for the British diplomatic office in Shanghai May 22. Mainland Chinese authorities also ignored the HKG's request to purchase additional water after the expiration of the normal contract supply period in June, forcing the HKG to restrict water usage in the colony until the beginning of the next contract period in October.

Encouraged by Peking's May 15 statement of support, Communist demonstrators at Government House became increasingly numerous and provocative. Nearly 4,000 demonstrators turned out on May 20, and for the first time they also paraded through the central business district. The HKG responded that evening by prohibiting all disorderly processions. Communist demonstrators clashed with police May 21 and 22 in downtown Hong Kong, and the HKG enlarged its ban to include all public processions and meetings.

To counteract alarmist Communist propaganda, the HKG also launched an intensive publicity campaign to reassure the public that it intended to maintain law and order and to refute leftist accusations of police brutality. Statements of support received from over 300 non-Communist civic organizations were also publicized. Policemen operated under orders to exercise restraint, and as of May 24, no serious injuries and only one accidental death had occurred. Of the 810 demonstrators arrested by that date, 476 had been speedily tried and sentenced to jail terms of three to eighteen months.

Phase III: Proletariat to the Fore. Rigid police enforcement of the HKG's May 22 ban on demonstrations next led the local Communists to focus their attention on work-stoppages, ranging from token strikes of just several hours duration to a general strike of indefinite length. They called upon employees of public utilities, government offices, sugar refineries, textile mills, dock and port services, and other fields to walk off the job. Leftist unions offered such encouragements as strike pay, rent allowances, free rice, or free medical treatment, and when this failed, they resorted to intimidation. The strikes were largely failures, however, for most workers placed personal economic above political considerations. Employers' threats to dismiss strikers kept most workers on the job or brought them back after a short absence, and jobs vacated by dismissals were quickly filled by new applicants. Policemen were also stationed near company entrances and sent to workers' homes to protect non-strikers against intimidation.

The HKG faced serious violence only twice during this period. On June 8, workers armed with iron bars at the Government Electrical and Mechanical Engineering Workshop and at the Hong Kong and China Gas Company depot in Kowloon resisted police attempts to enforce the HKG's June 1 ban on inflammatory posters. In the ensuing two battles, 545 workers were arrested and three lost

their lives. On June 24, members of the Rubber and Plastic Workers' Union armed with iron bars and sharpened files attacked two detectives outside their union offices. Police reinforcements laid siege to the premises, forced their way in, and arrested fifty people. Three more leftists died as a result of this fight.

With the exception of the All China Federation of Trade Unions' (ACFTU) June 13 HK\$10 million (US\$1.7 million) donation to the local Communists' strike fund, mainland China made little direct contribution to the confrontation during this period. Demonstrators smashed windows and furniture in the ground floor offices of the British diplomatic mission in Peking June 7. The Chinese Foreign Ministry issued a second statement June 13 to "seriously warn" the British that the "Chinese compatriots in Hong Kong" would soon smash and consign to the "dustbin of history" its rule over the colony. The Foreign Ministry issued a note June 26 lodging a "most serious and strongest protest" over the June 23 battle at the Rubber and Plastic Workers' Union, and another note June 29 protesting the alleged overflight of mainland territory by British military aircraft. These notes reiterated, however, Peking's view that the local leftists held primary responsibility for the struggle against the HKG.

The British Foreign Office did not respond to Peking's June 13 and June 26 protests, and sent but a short pro forma reply to the June 29 note in the hope of portraying the Hong Kong dispute as a local affair that need not interfere with normal London-Peking relations. While giving full public support to the HKG's efforts to preserve order in the colony, HMG sought to avoid actions in other spheres which might provoke a mainland Chinese reaction against the colony. HMG also decided to put up with attacks (within limits) on its diplomatic mission in Peking in order to maintain direct official contact with Peking--however minimal--especially in view of the difficulties over Hong Kong. Moreover, HMG believed that the Chinese would impose unacceptable preconditions on the reestablishment of diplomatic relations if Britain broke them off at this time.

Having accomplished very little with sporadic, short-term work-stoppages, the local Communists decided after several weeks to call a general strike of indefinite length. Employees of public transportation companies, public utilities, port facilities, and textile factories were called upon to stop work June 24. The initial response was mixed, ranging from 70-80% of the bus drivers to little or no response at several textile mills, and after a day or so many strikers returned to work to avoid being fired.

The Communists also called for a strike from June 28 to July 1 by dealers of goods imported from mainland China. The most serious area for this strike was food, for 87% of Hong Kong's normal supplies of pork, 65% of its beef, and 60% of its vegetables normally come from the mainland. Over half the food retailers ignored the strike call on its first day, however; progressively more opened for business on the following days, and by the final day of the

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strike only 15% were still closed. Mainland food shipments by rail and water were held up during the strike, but farmers and fishermen within the colony kept the markets supplied.

Phase IV: The Resort to Violence. It was fully apparent by the end of June that the Communists could not accomplish their aims with work stoppages. Mainland China gave the cue for the escalation of the confrontation to its current level in an editorial July 5 in the People's Daily, which said that the British and their "incorrigible hired thugs" should be severely punished. "Those who kill people must pay with their lives," the editorial asserted.

The first violent incident following this article took place in Shataukok, a village which sits astride the eastern end of the China-Hong Kong border. The morning of July 8 a large crowd of Chinese attacked a Hong Kong police post just inside the colony with stones, bottles, and dynamite. The police checked the crowd with tear gas, but then came under rifle and machinegun fire from several positions on both sides of the border. Five policemen were killed and eleven wounded by the time a relief battalion of Gurkha troops arrived and the attackers withdrew.

The next day, Communists within the colony launched their own terrorist attacks against busses and trams not observing the general strike as well as against the police. During the first five days of violence, one tram worker, a policeman, and six rioters were killed and over 800 people arrested. Mob violence tapered off after July 17 and since then has occurred only sporadically, but terrorist hit-and-run bomb attacks against policemen have occurred more frequently. Terrorists have also threatened to assassinate several prominent local non-Communist Chinese, and on August 24 they killed an anti-Communist radio commentator by setting him afire. The terrorists have also indiscriminately planted real and hoax bombs around the city almost every day since early July. Police sometimes investigated over 100 bomb reports in a day, of which no more than 15% were usually genuine bombs, and demolition experts disarmed or detonated most of these safely.

The British responded to Communist terrorism by launching a series of raids beginning July 12 on leftist labor unions, schools, stores, and private homes to arrest leading agitators and capture stores of weapons, documents, and propaganda. The raids drove many Communist leaders into hiding and disrupted the use of their usual headquarters. The HKG sent regular army troops into action for the first time during the confrontation to serve as cordoning parties for many of these raids.

The HKG also issued a number of emergency regulations empowering the police to disperse assemblies, enter private premises, arrest persons spreading rumours or found in places where weapons are stored, and hold persons without trial for up to a year. Since most of the terrorists' bombs were crude objects made with powder from firecrackers or dynamite used by construction firms, fireworks were banned and confiscated September 8 and building explosives were removed to a single government magazine August 19.

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The China-Hong Kong border quieted down after the July 8 battle at Shataukok, although minor incidents of mainlanders stoning Hong Kong border guards occurred almost daily through July and August. Peoples' Liberation Army (PLA) troops often appeared to have stepped in to keep these incidents from getting out of hand, but nevertheless on several occasions border police and Gurkhas found it necessary to use tear gas and phosphorus smoke bombs to repel invading demonstrators.

The most serious border incidents after July 8 occurred August 5 and 10, when mainland Chinese laborers seized weapons from Hong Kong border guards at Mankanto and forced them to agree to the putting up of Communist posters and the removal of barbed wire barriers. The British repudiated these agreements and closed the border (except at Loau and Shataukok) from August 10-25. Border tensions declined sharply toward the end of August, but rose again in mid-October when mainland villagers abducted two policemen and two civilians across the border in four separate incidents. Two other policemen also crossed into Chinese territory under uncertain circumstances September 29 and have not returned to Hong Kong.

Peking took official notice of these border disturbances on only two occasions. The Foreign Ministry issued notes July 9 and August 14 protesting the July 8 Shataukok and the August 5 and 10 Mankanto incidents respectively. The July 9 note made demands similar to those in Peking's May 15 statement, but focussed specifically on Shataukok and made no reference to the earlier demands or to the ongoing struggle within the colony. The August 14 note made no mention of either set of demands, but merely called upon the British to guarantee the safety of the border residents and to respect their right to propagate the thought of Mao Tse-tung.

Peking reacted more strenuously to the HKG's efforts to restrain the local Communist press. The Foreign Ministry issued a note July 11 protesting the arrest of a New China News Agency (NCNA) reporter, and demonstrations in front of the British mission in Peking July 17 protested the later arrest of two more NCNA men. The Communists placed British Reuters correspondent Anthony Grey under house arrest in Peking July 19 after the first NCNA reporter arrested was sentenced to two years in prison. The Foreign Ministry issued another note August 20 protesting the arrest of several Hong Kong journalists and publishers and the suspension of three local leftist newspapers, and giving the HKG 48 hours to release all the arrested journalists and cancel the suspension order. The British ignored the ultimatum, and on August 22 a Red Guard mob sacked and destroyed the British mission in Peking. Chinese Communist diplomats in London further harassed the British August 29 by provoking a clash with police outside their mission, and Red Guards again demonstrated against the British diplomats in Peking August 30. Both governments withdrew authorization for the other's diplomats to leave the country and imposed narrow restrictions on their freedom of movement. British Foreign Secretary George Brown sent a note to Chinese Foreign Minister Ch'en Yi August 30 suggesting discussions to reduce tensions between the two countries, and although Peking only relaxed its restrictions

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slightly to allow several diplomats' children to return to England for school, it issued no new protests when Hong Kong courts sentenced several more Communist journalists to prison during the following weeks.

The Foreign Ministry has issued only one note since August, mildly protesting October 9 the HKG's disruption of China National Day Celebrations in the colony. It made an oral protest to the British Charge October 20, in which it demanded the reopening of the border crossing point at Mankamto which the HKG had closed October 14. Otherwise, Peking has shown a declining interest in the confrontation in Hong Kong coincidentally with an overall relaxation of militancy in its international relations. Symptomatic of this decline of interest is the fact that the mainland's most recent statement of official support for the confrontation came from Canton, at a rally October 28, rather than from Peking.

Although terrorism became the Communists' principal tactic during this phase of the confrontation, strikes were not entirely forgotten. The July 5 People's Daily editorial which suggested the use of violence also said, "The workers' strike constitutes the main battlefield in the present struggle....," and the June 24 general strike call remained in effect. Seamen employed on ocean-going ships were instructed to join the general strike July 17, and fishermen were asked to observe a three-day strike from October 8-10. Too few seamen obeyed the July 17 strike call to cause any significant disruption of Hong Kong's trade, however, and the HKG initiated an information program to reassure shippers that they would experience no abnormal delays in the harbor. The ACFTU also made a second HK\$10 million contribution to the local strike fund July 30.

Turbulence in mainland China not directly related to the local confrontation also caused the HKG some difficulties during this period. Fighting between political factions of the Cultural Revolution in neighboring Kwangtung Province disrupted railroad services and curtailed mainland food shipments to the colony beginning in mid-July.* Mainland suppliers diverted shipments to make greater use of trucks and small coastal ships, but shortages developed, particularly of pork and eggs, which the HKG only partially met with purchases from other nearby sources in East Asia. The colony was also confronted with the possibility of a mass influx of refugees fleeing the mainland, according to reports circulating after mid-October from travellers entering Hong Kong from China. However, a degree of order was reimposed in Kwangtung in mid-September, rail food shipments to Hong Kong rose markedly, and no definite signs of an impending refugee influx materialized along the border.

* The HKG Director of Commerce and Industry stated August 16 that prior to the end of June, 19½% of mainland China's food shipments to Hong Kong came by rail, 64% by river boats and junks, 12% by ocean-going ships, and 4½% by road.

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In September, local Communist leaders began preparing for celebrations in honor of mainland China's October 1 National Day. Some were concerned that continued violence in the colony would discourage attendance at their festivities and give others the impression that there was little local support for either the confrontation or mainland China. Instructions were therefore issued for the cessation of terrorist activities and compliance with HKG restrictions on the celebrations. Although some of the more militant Communists resisted this order for a time, the number of bomb reports and genuine bombs planted in the city declined sharply toward the end of September. Attendance at the National Day celebrations was still less than the Communists' had hoped for, however, thanks in part to the HKG's increasing its police raids on leftist organizations. The terrorists renewed their campaign shortly after the end of the National Day celebrations, and bomb reports rose to the unprecedented level of 150-200 a day following the arrival of the British Minister of State for Commonwealth Affairs, Lord Shepherd, October 13 on a tour of inspection.

The Communists also reintroduced popular economic grievances into their propaganda the beginning of October for the first time since the outbreak of serious conflict in May. Their claims to represent the general public in a struggle for more economic benefits from the HKG rang somewhat false among a population that had suffered considerable inconvenience and danger from leftist-instigated strikes and bombings, however. A "One Dollar Campaign," supposedly intended to raise money for the unemployed and the hungry, was widely dismissed as a leftist attempt to refill their depleted strike chest. HKG reluctance to institute significant economic and social reforms assures the Communists continued exploitation of economic grievances, however, which over a long period of time might win them more popular support.

Economic Aspects of the Confrontation

One of the Communists' principal aims in promoting strikes and terrorism has been to pressure the HKG by disrupting the colony's economy, and they have in fact succeeded in slowing down Hong Kong's former rapid rate of economic growth. The levels of domestic exports, re-exports, and tourism continue to rise, but at sharply reduced rates of growth, and imports have shown a steady decline.* Although the full magnitude is not known, there has also been a

* Although Hong Kong's exports during the first eight months of 1967 rose 16.5% above the level of the same period in 1966, the rate of increase over the previous month fell from 10.3% in May to 2.6% in June, and registered an absolute drop of 6.3% in July. The rate rose again to 5% in September. Re-exports also rose above the level of the same period the previous year, but July and August figures were off 26.3% from the level in June. Re-exports were off 1.8% in August and 30.6% in September from the same months' levels in 1966. Tourism's average monthly growth rate fell from 20.5% over the preceeding year's figures during January through May 1967, to only 7.2% during June through August. A still sharper decline was suffered in September. Hong Kong's imports during the first eight months of 1967 increased 9.7% above the level of the same period in 1966, but declined 1.8% from the preceeding month's level in June, 16.1% in July, and 9.9% in August. Imports were down 28.5% in August and 36.6% in September from the same month's level in 1966.

significant movement of capital out of the colony.* New private investment is at a standstill, and a number of local businessmen are exploring the possibilities of investing in other East Asian countries.

The key to Hong Kong's economy, however, lies in overseas buyers' confidence that the colony's suppliers will continue to meet production and delivery dates, and as yet there are no indications of a significant fall in new orders. Although there will probably be no large new investment projects in Hong Kong while local Communist agitation continues, there will probably be no significant disinvestment unless the conflict grows much worse. Mainland China's resumption of water supplies October 1, increase of food shipments since mid-September, and apparent easing of its ban on using Hong Kong for transshipment of mainland products have been welcomed by the local business community.

The disruption of Hong Kong's economy is a double-edged sword for the Chinese Communists, for mainland China also stands to lose if the decline is too serious. China received an estimated US\$550-620 million of foreign exchange from Hong Kong in 1966, representing 35-40% of the year's total receipts of hard currency. Peking would lose an estimated 50% of this annual income if it took Hong Kong back from the British, or would lose lesser amounts if the confrontation continues on a less serious plane. There are indications that local Communist leaders are fully aware of Hong Kong's economic value to Peking, and are exercising restraint accordingly when planning their campaign.

Chinese Communist Intentions in Hong Kong

Mainland China Not Interested in Seizure. It has become apparent as the confrontation in Hong Kong has evolved that mainland China does not now wish to take over the colony. The ACFTU made two donations to the local strike fund, but China gave no other logistic support; local Communists stole firearms from policemen and dynamite from construction firms and used crude bombs made from materials such as ink bottles and firecracker powder. PLA troops on the China-Hong Kong border frequently stepped in to restrain civilians demonstrating against Hong Kong border guards. Statements from Peking have consistently made the point that primary responsibility for the anti-British struggle lies with the leftists in Hong Kong and portray the confrontation as a long-term affair. Local Communists have stated that Peking does not now want to seize the colony and that the PLA will not intervene because China needs the foreign exchange earned there and the United States might become militarily involved. (Interestingly, no Communist-inspired disturbances have involved Americans, including the many US servicemen who visit the colony on R and R).

* HKG figures on total bank deposits in the colony's banking system reflect the capital flight as well as a public preference for cash. Total deposits fell by US\$195 million during May through July, and currency in circulation rose by US\$121 million.

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Peking's precise position in relation to the Hong Kong incidents is not clear, in large part because of the confusion attending the Cultural Revolution in China and the uncertainty regarding factional alignments on the mainland and their counterparts in Hong Kong. Certainly the Hong Kong activists were inspired by the Cultural Revolution and the doctrines of violence which marked its progress. Equally probable was the inspiration of the success of the activists in Macao. The impetus for initiating the confrontation, therefore, may well have come from among the Hong Kong activists. It is highly unlikely, however, that the general plans for the confrontation were formulated and carried out without the knowledge and approval of Peking. (However, we are not certain which of the factions in Peking may have been consulted).

Labor troubles in Hong Kong became more frequent in late 1966 and early 1967 when the HKG noted a relaxation of mainland China's previous tight control over local labor unions and predicted that labor disputes might soon become even more frequent and disruptive. The dispute with the Dutch Royal Inter-ocean Lines during the winter was settled with the Dutch firm making a Macao-like apology to the union. It is a question whether the confrontation would have started when it did if the artificial flower firm had acceded to the laborers' demands, but it is probable that demands would have been pressed upon other employers and in other ways until at some point the British were forced to take a stand.

How far Peking wanted to push the confrontation is not clear. The frequency of trips to the mainland by Chinese Communist figures in the colony indicates close consultation. Recently there have been reports that cadres in the banking and commercial fields in Hong Kong oppose violence and that they are supported by their superiors in Peking, whereas labor leaders and some publicists follow their agitprop colleagues to the north in advocating more violence. As the advocates of a more moderate policy appeared to be gaining the ascendancy on the mainland, a more cautious policy has become apparent in Hong Kong.

Hong Kong Communists Seek Greater Political Influence. Communist leaders in Hong Kong have repeatedly stated that their goal is to win a "Macao-type" settlement. (Macao leftists succeeded in humiliating the Portuguese in January and are able at any time to enforce their will against local Portuguese authority.) The Hong Kong Communists' initial demands against the HKG, first issued May 13 and seconded by Peking May 15, are in fact quite similar to those previously made in Macao. Communist propaganda has also attacked the presence of US troops on leave and Chinese Nationalist organizations in Hong Kong, and the acquisition of intelligence on mainland conditions by foreigners from Chinese refugees, suggesting that the leftists might later enlarge their demands to include these matters as well (as was the case in Macao).

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The Chinese Communists' failure to accomplish their aims has been due to four main factors: 1) Peking's refusal to bring serious pressure to bear on the British or give substantial aid to the local leftists; 2) the HKG's skill and flexibility in combating the Communists' initiatives; 3) the local Chinese population's refusal to cooperate with the Communists; and 4) the local leftists' disagreements among themselves over tactics. Hong Kong's future depends primarily upon whether or not there are important changes in these four factors.

Mainland China's future attitude toward Hong Kong is especially difficult to predict because of the confusion of the Cultural Revolution and the resulting power struggle in Peking. China is unlikely to take a significant part in the confrontation, however, unless the more militant leadership group in Peking is able to gain control over the mainland. London has long been fully aware that its rule over Hong Kong continues only on the sufferance of Peking and is under no illusions about its ability to remain in the colony if China decides to take it. Nevertheless, HMG is unlikely to accept a Macau-type settlement in which it would have to abandon all but nominal authority, and would probably abandon the colony rather than accept this humiliation. For the immediate future, however, so long as there appears to be no immediate threat of a mainland Chinese takeover, British opposition to the Communists is likely to remain firm. For the present, the local Chinese population will probably also resist leftist pressures so long as neither a mainland nor a local Communist takeover appears likely.

The local leftists could exert greater pressure on the HKG if they increase their terrorism to the point that the colony's economy falls into serious decline. At present, however, their leadership is split between those who favor violence and those who prefer popular-front activities and exploitation of popular economic grievances to develop greater popular support. Both mainland and local Chinese Communists are currently speaking of a long-term struggle, so whatever the tactics used, the HKG appears to be in for a prolonged contest with the leftists.

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~~CONFIDENTIAL~~

October 2, 1967

MEMORANDUM FOR MR. ROSTOW

SUBJECT: Good News for Hong Kong

1.5(c)
3.4(b)(1)

[redacted] Hong Kong [redacted] October 1
National Day celebrations were remarkably restrained and law-abiding. Attendance at these celebrations was well below the level expected, and there were almost no Chinese Communist flags flying from private premises.

The resumption of water supplies on time (October 1) in accordance with Peking's agreement, is quite significant. Hong Kong authorities feared to the last that this might not come about. This doubtless contributed to the continued rise of the Hong Kong stock market today. AP reports that morning sales of HK\$5 million were the highest in more than two years. Bank shares rose more than 60¢ a share.

Alfred Jenkins

Attachments

cc: Mr. Jorden

4

~~SECRET~~

July 21, 1967

Walt:

In considering this problem I have talked with Bundy, Berger, Barnett and [redacted] in one session, and bilaterally with Jacobson and Yager, emphasizing the highly confidential nature of this subject. All agree with the consensus here expressed, but I have not attempted to clear my memo as such with them. I showed it to Francis in draft. He thought it was probably right, and thought he agreed with it, but he wanted to mull it over a day or so.

1.5(c)
3.4(b)(1)

I am attaching a contingency paper prepared in State as of possible interest, but have not mentioned that bulky document in the memo in case you want to send the memo to anyone without it.

Alfred Jenkins

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DECLASSIFIED

E.O. 12958, Sec. 3.6

NLJ 92-225

~~SECRET~~ By id, NARA Date 7-21-98 July 21, 1967

40

MEMORANDUM FOR MR. ROSTOW

SUBJECT: Hong Kong -- Prospects and Planning

1. The British are operating on the assumption that the Chinese do not want to take Hong Kong now because of the \$550 million in foreign exchange which it affords. They know that Peking could take the Colony in less than a week if determined military force were used.

2. Therefore, the British have attempted to clean out the Colony's centers of communist direction, hoping that this will cripple and demoralize the local communists and that Peking's support of them will remain primarily hostile. There is evidence that local communists at this stage are somewhat demoralized and confused, because of (a) British crispness in dealing with the situation; (b) the efficiency and loyalty of the police; (c) limited sympathy with communist objectives on the part of the population; and (d) lukewarm Peking support.

3. As in so many other matters, Peking has been indecisive and ambivalent in its reaction to Hong Kong developments, doubtless reflecting policy differences among the leadership. Peking has, however, kept its options open, and in the climate of the Cultural Revolution its current pragmatism could at any time give way to a chauvinistic, xenophobic lashing out at the vestige of British colonialism. Recent Peking comment has said, in varying phraseology, that Britain must either be humbled or evicted.

4. Even if the British should win this round, Peking would have to give reasonably clear indication that it prefers British control for a time yet, before normalcy could return. Such indication appears unlikely in the present climate. Meanwhile, confidence in the future of Hong Kong has been shaken.

5. Given Peking's curious mood, the future is simply unpredictable. The best guess, however, is for continuing disturbances which will likely cause Hong Kong to shrivel, at first slowly. (Hong Kong could also be saved for quite a while by the mainland's "ceasing apart," but the timing of this quite possible event is unpredictable as yet.) If shrivelling continues for a while it can be expected to accelerate steeply as soon as appreciable flight of capital and people becomes evident. At that point the predominantly Chinese police force, which has performed magnificently up to now, would begin to mend its

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fences with Peking. Peking would find it difficult publicly to accept a large free-will exodus. It might at that point decide to move in, but would probably first test whether menacing moves alone might administer the coup de grace, forcing British capitulation.

6. If the Western presence is to be forced out of Hong Kong, it is in everyone's interest that the exodus be orderly and safe rather than messy and costly. This would seem to be as much in Chinese interests as in the West's. Therefore, rationality might suggest that whenever a change in the status of Hong Kong appeared inevitable, the British should attempt to negotiate with Peking an orderly exodus for the premise that the physical facilities of Hong Kong would thereby be left virtually intact. Rationality, however, is in short supply in Peking. As soon as the British may appear to be on the run the Chinese are likely to demand the moon, and in the process to extract from the situation as much humbling of the British as possible. The Chinese remember that it was the British and their battleships who inaugurated their "109 years of ignominy" with the Opium War. Furthermore, even if there were any prospect of fruitful negotiation, there seems to be at present insufficient focus of power in Peking with which to deal reliably.

7. If there is to be a reasonable period of grace before either a takeover or an accelerated shuffling leading to something like panic, it would be useful at least to have had some understanding within our own government and with Taipei, Tokyo, Seoul and perhaps others, as to capacity and readiness to absorb those who may choose to, and be able to, emigrate before the takeover. It is important, however, that so long as there is any chance of a revival of confidence in Hong Kong we do absolutely nothing which could contribute in the opposite direction. Leaks of any preparing of the way for a takeover could be disastrous at this stage.

8. We should not engage in such planning with others prior to an understanding with the British, and they have been extremely reluctant to talk with us concerning any such plans lest leaks erode confidence in Hong Kong's future.

9. At meet we might query our Ambassador in London and the Consul General in Hong Kong concerning their own estimates of British intentions and their suggestions as to the timing and nature of future bilateral or multi-lateral planning under the several possible contingencies.

10. The Department is already in a dialogue with the Consulate General, ensuring that our E and E plan is in shape.

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11. Another possibility is our reviewing the immigration picture with a view quietly to accelerate processing at least of those categories of people whose safe exodus would serve our interests. The consensus of the select few with whom I have spoken, however, advise against any action other than that in paragraphs 9 and 10, pending a prognosis of Hong Kong's health following the recent police sweeps.

Alfred Jenkins

cc: Mr. Jordan
Mr. Bator

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July 18, 1967

NOTE TO MR. ROSTOW

Walt:

I have completed my talks with others on Hong Kong planning, having seen Bill Bundy today. I am to meet with Francis tomorrow morning, after which I will have a short paper, including recommendations.

Alfred Jenkins

cc: Mr. Jorden

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DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By JDW, NARA, Date 7/25/94

~~CONFIDENTIAL~~ By ica, NARA Date 9-21-98 July 18, 1967

MEMORANDUM FOR MR. ROSTOW

SUBJECT: Conditions in Kwangtung Province

As a matter of policy, the British for years have been very low-pressure in their interrogation of travelers coming to the Colony from Kwangtung Province. In the past week, however, the authorities have begun to press travelers for information, in view of the importance to the Hong Kong situation of accurate intelligence concerning Kwangtung. The following highlights are gleaned from the increased "take" of this more active interrogation policy:

1. Two arrivals from Canton on June 27 reported a serious shortage of food in the city. Others have remarked that stocks were low in many of the city's larger stores and that prices in general were rising rapidly. Many have noted that very little was coming in from the North. One traveler reported that because of food shortage, villagers were being forced to sell their private stocks of provisions to government stores for resale.
2. Three travelers from the village of Foshan said on June 30 that the authorities had instructed factory workers in the town to store food and rice at home, against an expected attack on China by the United States. Many factories had stopped production recently in an effort to save electricity.
3. Many travelers reported that about 2,000 Red Guards from Northern China had recently arrived in Canton. They were unkempt, ill-behaved and without money. Their behavior was said to be completely lawless.
4. There were numerous reports of fights between farmers and alleged pro-Mao or pre-Lin groups, among Red Guards, and among workers. One traveler, in speaking of the unstable situation, said his relatives had observed "Nowadays it seems that anyone can do anything he likes; there seems to be no government control apart from the PLA and even they rarely take action."
5. Over 10,000 people attended a meeting in Canton on June 24, praising the Hong Kong workers' "general strike" and warning the Hong Kong British authorities that Canton and Hong Kong were "very close, like the lips and ears on a face; thus, the Hong Kong British authorities will not be allowed to carry on as they have been doing."

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- 2 -

6. About 1,000 Chinese Communist troops were observed trying to control approximately 10,000 Red Guards at the Canton railway station on June 27, who were attempting to board the train for Hong Kong. The troops used loudhailers to state that any action to be taken against the Hong Kong British authorities would be dictated by "highest authority" and the Red Guards must not act without orders.

7. An announcement over loudspeakers on June 24 in Canton stated that anyone who killed a policeman in Hong Kong would be rewarded.

8. All trains coming into Hong Kong from China are covered with inflammatory posters.

Comment: The danger to Hong Kong from a spillover of the Cultural Revolution seems to be increasing. While Peking has avoided ultimatums to the British, it has given fairly strong psychological and some financial support to anti-British acts in the Colony. So far it would appear that Peking has not decided either to take the Colony (which it could do militarily in from two to seven days), or to call off the local communists with a view to saving the substantial economic benefits which Hong Kong affords. Indecision and lack of an integrated power center in Peking, which have resulted in so much chaos on the mainland, are also having an effect on the Hong Kong situation. Meanwhile, so long as Peking follows or allows such an indecisive middle course with local elements left free to prove their revolutionary fervor, conditions will be such as to cause Hong Kong to shrivel -- gradually at first, but with increasing acceleration. If Peking does not opt for either a takeover or a takeover or a restoration of confidence in Hong Kong's future, accelerated shriveling is likely to bring about conditions wherein Peking may be forced into a takeover.

Alfred Jenkins

cc: Mr. Jordan

~~CONFIDENTIAL~~

UNITED STATES GOVERNMENT

Memorandum

~~TOP SECRET~~

File 6
HK

TO : Mr. Jenkins

DATE: July 17, 1967

FROM : H. W. Jacobson

SUBJECT: Your Talk with Bundy

1. On thinking over our discussion this afternoon, I have some second thoughts about the advisability of going to London with a request to the Ambassador to sound out the British about their intentions regarding Hong Kong.
2. We are now, I understand, involved in delicate discussions with them about remaining east of Suez. If we at this time go to them on the question of their intentions in Hong Kong, they may completely misinterpret the purpose of our inquiry. If they were to conclude that our inquiry was sparked by concern over the risks involved in a continued British presence in Hong Kong, this could adversely affect the east of Suez negotiations. If they concluded our position on the east of Suez question implied our desire to see them remain in Hong Kong, this would undermine the President's desire to influence the British now to plan an orderly departure from Hong Kong.
3. I believe these are questions that require a more thorough examination before sending the message to London.
4. The second telegram too requires more staffing out before it is sent, first between you and Charlie W., and secondly with the desks (Japan, Taiwan, etc). Then, when we get a green light, we must look into the consular and legal aspects of the matter.

Attachments:

2 draft cables

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 97-232
By is, NARA Date 10-3-97



EA:ACA:HWJacobson:mfh

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

~~TOP SECRET~~

TO: Amembassy LONDON

INFO: Amconsul Hong Kong

STATE

EXDIS

DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 97-232
By isa, NARA Date 10-3-97

AMBASSADOR FROM SECRETARY

1. At an early opportunity, I wish you to sound out at high level at Commonwealth Secretariat and/or Foreign Office British intentions in respect to Hong Kong.
2. Shortly after Commonwealth-Foreign Office team visited Hong Kong for on spot evaluation of situation there, we were informed that British contemplated re-evaluation of their relations with Communist China.
3. According to treaty, Hong Kong's New Territories revert to Chinese in 1997. It seems doubtful that British are thinking about continuing to hold beyond that date small part of colony held, according to treaty, in perpetuity while returning bulk to Chinese. It seems equally unlikely that, in light of present trend of de-colonization, that British, in making plans for Hong Kong, can be thinking of retaining control of colony until 1997. We have heard that, at least

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-2-

until recent disturbances, plans were being made on assumption that colony would still remain under British control in 1980.

4. I would appreciate any information you can obtain on either British re-evaluation of relations with ChiComs or their present plans and intentions regarding Hong Kong.

EA:ACA:HWJacobson:mfh

~~TOP SECRET~~

TO: Amconsul HONG KONG

STATE

LIMDIS

RICE FROM BUNDY

1. We have been giving some thought here to possible gradual evacuation of certain Hong Kong residents, not included in limited emergency E and E lists, either for humanitarian reasons or because of their ultimate value to the Free World.
2. People we have in mind include those who have compromised themselves with ChiComs through past association with us, those who have alienated themselves with regime through defection or otherwise, those who could contribute to scientific and intellectual development and whose possible exploitation by ChiComs should be denied, and those who can contribute to the preservation of Chinese culture. You may think of more categories.
3. We are, of course, not thinking about taking them all to the United States but are considering urging and facilitating evacuation of a substantial number to Taiwan, Japan, Singapore.

SANITIZED
Authority NLS 029-001-2-2
By sp, NARA, Date 3/19/02

~~CONFIDENTIAL~~

-2-

4. Meanwhile we would like to have your views on this matter. I suggest that you begin to compile lists of those you would recommend for evacuation in the various categories, excluding at this stage those who qualify for British passports.

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(d)

~~CONFIDENTIAL~~

EA:ACA:HWJacobson:mfh

7

July 17, 1967

To Mr. Moose

Dick:

Bob's responses are all valid enough, but I think we should confine our remark to "there is nothing to the report."

Alfred Jenkins

Attachment

7a
July 17, 1967

MEMORANDUM FOR THE FILES

Mr. Barnett telephoned Mr. Jacobson (ACA) to inform him of a conversation he had with Ian McDonald of the London Times, who telephoned him today.

Mr. Ian McDonald of the London Times staff has just called me to ask for comment on a report from Hong Kong. This report is that the U.S. is contemplating taking over defense responsibilities for Hong Kong. I want you to know what I said to him.

1. I said that I was unaware that the Government of Hong Kong was interested in outside assistance in defending its security.

2. I could say with a high degree of certainty that there was no contractual relation between the U.S. Government and the Government of Hong Kong for its defense, such as we had with Korea, Taiwan, the Philippines or Japan.

3. I said that the relative military capability of Hong Kong and Communist China were such that, at all times, the Government authorities in Hong Kong seemed to be sorting out first the necessity for restraint and decisiveness in coping with internal problems, and second would not seem to regard an overall military confrontation as having any outcome except a fairly rapid success by the superior forces.

4. Next I said (a) that I did not think that it was a favor to the authorities in Hong Kong to create the impression that there was any military relationship with powers outside; (b) that the rights of the government legally and historically could not be transferred or shared with others, and (c) that it seemed to me that the story that he mentioned would be regarded in London, Hong Kong and Washington generally as a rather whimsical invention, not based on realities at all.

5. Finally, I said that although I had not followed it in great detail, I had the impression that the authorities in London and Washington, not considering problems of East of Suez, distinguished very greatly between the problems revolving around their commitments in Singapore and the position that they occupied under treaty and historically in Hong Kong.

/s/

Robert W. Barnett

~~SECRET~~

July 12, 1967

Walt:

Underlying my memo are two CIA in-house documents in response to your request of this morning. The first one had just been prepared for Watch Committee use. The second one was, at my request, as an addendum to the first. We just don't know much more than this at present. At least the first one is being released to the community within the next couple of days.

Alfred Jenkins

Attachments

cc: Mr. Jorden

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DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 97-231
By CB, NARA Date 2-11-00

DECLASSIFIED

72

~~SECRET~~

Authority CIA Hr. 1/26/78
By ju/rmg NARA. Date 8-11-93

July 12, 1967

MEMORANDUM FOR MR. ROSTOW

SUBJECT: Prospects for Hong Kong

1. Peking does not appear to seek, at this time, de jure change in the status of Hong Kong. Most of the troubles in Hong Kong appear to have been instigated at local or, at most, Kwangtung level. Peking "face" has been sufficiently engaged, however, so that the regime certainly would like to humble the British, and over coming months to establish greater de facto control of the colony on the Macao pattern.

2. The British will act more crisply during the next few days against local communists, in the belief that Peking does not want a showdown now and that local communists do not have sufficient support within the colony to stand down the British.

3. The Cultural Revolution appears to be the main motor behind Hong Kong troubles, since it has afforded tremendous pressure on communists to be militantly revolutionary at the Peking, Kwangtung and Hong Kong levels. Rationality would dictate that Peking not seek either to pluck Hong Kong or to allow it gradually to shrivel. Rationality is in short supply these days in Peking, however and in the climate of the Cultural Revolution even a combination of inadvertencies could arise which could escalate into a real confrontation.

4. If the confrontation "went military" the Chinese Communists could, of course, take over promptly. They have some 79,000 troops within 100 miles of Hong Kong, which could be committed within 48 hours. The Hong Kong garrison numbers some 8,000 troops, of which about 2,000 are support. The Chinese Communists have some 130 MIG-15/17's and 38 MIG-19's within an area permitting 30 minutes over the colony. There are also 16 IL-28 light bombers in the area. Hong Kong has three liaison planes and a couple of helicopters. We have no commitment to help defend Hong Kong. In effect, our policy is to take a reading of the situation at the time of crisis.

5. Meanwhile, there are beginning signs which may point to a shriveling process. There have been at least 80 inquiries from Hong Kong firms concerning the possibility of moving in whole or in part to Taiwan, and an unknown number in the direction of South Korea. Flight of capital is difficult to pin down.

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- 2 -

One American bank estimates US\$50 million since the disturbances started, while another estimates US\$200 million. The first figure would be only about 2.3 percent of total bank deposits and cash in the colony. Basically, what is happening so far is that profits are not being plowed back into the colony's enterprises.

Alfred Jenkins

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No Foreign Dissem Background Use Only
No Dissem Abroad/Controlled Dissem

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SANITIZED
E.O. 12958, Sec. 3.6
NLJ 97-230
By CL, NARA Date 9-21-99

11 July 1967
No. 1257/67
Copy No. 19

THE SITUATION IN HONG KONG

~~SECRET~~

(~~SECRET~~)
No Foreign Dissem Background Use Only
No Dissem Abroad Controlled Dissem

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
11 July 1967

INTELLIGENCE MEMORANDUM

The Situation in Hong Kong

Summary

The border clash on 8 July during which five policemen were killed in an exchange of small arms fire with Communist militia makes it clear that the Chinese authorities intend to keep the Hong Kong issue hot. Peking's official treatment of the incident thus far, however, does not indicate that the Chinese Communists are aiming for a showdown with the British at this time. There will probably be more trouble during the weeks ahead. Riots and violent demonstrations inside the Colony appear almost certain and there may be additional border incidents. Given the state of confusion within the Chinese Communist leadership and the pressures generated in the capital, at the provincial level, and within the Communist apparatus in Hong Kong by the latest phase of the "cultural revolution," these could get out of hand and escalate into a direct confrontation over the status of the Colony. The pattern of events during the past several months suggests, however, that Peking is operating on a longer range plan calculated to erode the position of the Hong Kong authorities and thus prepare the ground for an effort by the local Communist apparatus to assume de facto control over Hong Kong in a year or so--on the pattern of the Macao takeover last winter. The resolute stand taken thus far by the British, the demonstrated effectiveness of control measures adopted by the Hong

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Kong authorities, and the lack of "revolutionary" enthusiasm shown by the general population in the Colony, seem unlikely to encourage Peking to move more quickly. The Chinese Communists can be expected to continue--and perhaps to increase--their support of local opposition in Hong Kong but probably will refrain from actions involving the risk of war, or even moves which would disrupt the Colony to such an extent that Peking was denied the vital foreign exchange earned there--approximately one third of China's total earnings in 1966.

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Background

1. The present troubles in Hong Kong can be traced back to a shift in Communist tactics with respect to the Colony which apparently was adopted around the beginning of this year. Prior to that time the Communist apparatus in Hong Kong had been relatively circumspect. Instructions issued in January 1967 by a senior official who had returned from a visit to China the preceding month changed this line. He ordered increased exploitation of industrial disputes in order to indoctrinate the workers with "Maoist thought" and stated specifically that the objective of the new program was to further the "anti-British struggle."

2. There was an increase in industrial unrest during the late winter and early spring, but the British authorities sought to avoid trouble by standing clear of the disputes and leaving them to be settled by labor-management bargaining. On 6 May, however, violence broke out during a factory strike which required police intervention. The Communist press--first in Hong Kong and then on the mainland--reacted with charges that the Hong Kong Government had committed "atrocities" and demanded that those responsible be punished.

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The Initiative for the Disorders

4. It is still not clear whether the strike violence on 6 May and the ensuing riots in the Colony were the result of local Communist initiative or were specifically ordered by Peking. The nine-day delay between the incident on 6 May and the Foreign Ministry statement on 15 May suggests, however, that the campaign originated in Hong Kong. The leaders of the local apparatus almost certainly felt under considerable pressure to demonstrate their militancy--in view of the current demands of the "cultural revolution"--and may have decided that the time was ripe to launch a major campaign based on what appear to have been very general instructions to take a harder line in exploiting labor unrest.

5. It is possible that the local leaders overestimated their own capabilities, underestimated the ability of the British to resist pressure, and presented an optimistic picture to Peking which secured official endorsement and direct involvement of the Chinese Communist regime in support of their plans. Foreign Ministry officials in the capital had been under heavy extremist pressure for months and might therefore have been inclined to put "politics in command" over their normal caution.

The British Reaction and its Effects

6. Undoubtedly encouraged by the Foreign Ministry statement, the Hong Kong apparatus launched a series of "Red Guard" type demonstrations and encouraged strikes designed to cripple public services and promote mass disorder. The Hong Kong Government was operating on the assumption that Peking did not intend to seize the Colony and that in this situation it had much to gain and little to lose by refusing to give an inch. London refused to reply to the Chinese Foreign Ministry demands and issued a statement supporting the Hong Kong authorities. The Hong Kong police stood firm and generally were able to maintain order while employing a minimum of force.

7. Failure of the efforts of local Communists to intimidate the British began to sap their morale and a number of them expressed disappointment over the support they were receiving from Peking. In a conversation on 23 May a number of senior officials in the Hong Kong apparatus revealed growing discouragement. They attributed the resolute stand taken by the British to a "reasonable" judgment that China did not wish to take over Hong Kong at that time. They were reported to believe that Peking did not entirely agree with efforts by the local apparatus to "escalate" the confrontation and privately admitted that the British were following a clever policy in suppressing the demonstrations without creating a host of martyrs--in contrast to the mistakes made by the Portuguese in Macao.

8. By the end of May the Colony had returned to relative calm despite sporadic harassment strikes inspired by the Communists and financed in part by Peking through front organizations. Communist officials in Hong Kong began at this point to say that the struggle against the British could take as long as two years. This situation continued throughout most of June. A "general strike" was called on 24 June but the next day a senior Communist official in the local party organization admitted to his subordinates that the effort had been a failure. One of his deputies commented that the call for a general strike had been "wishful thinking" because "the masses were difficult to mobilize."

Peking's Actions

9. Communist China made a number of gestures in support of the Hong Kong Communists at this time, but they were little more than token encouragement. On 25 June, the day following the abortive general strike, Peking halted deliveries of water to Hong Kong. This was clearly intended to harass the British and to remind them of their dependence on mainland water supplies. The Chinese took this step only after they had delivered all the water they had contracted to supply under the existing agreement, however, and at a time of year when the water situation

in the Colony is normally not critical. Peking is not obligated to sell more water to Hong Kong until October and has ignored a British request--probably designed to probe Chinese intentions--for additional supplies at this time.

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11. The Hong Kong Communists called a four-day "food strike" on 29 June and Peking cooperated by banning shipment of meat and produce to the Colony from the mainland. The strike proved to be ineffective--85 percent of the vendors were back in business by the fourth day--and the ban on food shipments was ended when the strike collapsed on 3 July. Continuation of the ban for a long period would have worked a hardship on the predominately Chinese population of the Colony and Peking was apparently unwilling to do this--or to lose the foreign exchange earnings involved--once the ineffectiveness of the effort by the local organization had been demonstrated.

Current Chinese Attitude

12. The Chinese Communists probably believe that they have committed themselves too far to permit a complete disengagement from the Hong Kong issue and Peking probably believes it necessary to provide sufficient political and financial support to maintain pressure and agitation at roughly the present level. It seems likely, however, that Chinese Communist actions will in the main be determined by the effectiveness of the Hong Kong apparatus in securing support from the local population. An editorial

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in People's Daily on 5 July emphasized the role of the local Communist organization in continuing the struggle. The editorial asserted that the "worker's strike" is the principal weapon in the battle against the British at present and declared that the Hong Kong workers, the "main force," must do a good job in uniting the population behind them.

Recent Incidents

13. If the clash on 8 July at the border village of Sha Tau Kok in the Hong Kong New Territories was ordered by Peking, it should probably be interpreted in this context--as a move to keep the pressure on and to encourage the local Communist organization. The village straddles the frontier--which runs along its main street--and provides an excellent arena for hit-and-run raids in a war of nerves. On 8 July a mob of demonstrators, some of them armed, came over from Communist territory. Police attempting to eject them were fired upon. Five officers were killed and more than eleven were wounded in the unequal exchange which ensued--police revolvers and carbines against infantry weapons in the hands of Communist militia.

14. The incident was almost certainly premeditated and the fact that five Chinese army officers were observed inspecting the area following a smaller demonstration which took place two days earlier suggests that the Communists planned for a fire-fight. During the five hours while the clash was in progress, a Chinese army battalion was moved up piecemeal to the frontier.

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[REDACTED] Information which has subsequently become available raises the possibility that the Sha Tau Kok fire-fight was planned and executed by local hot-heads or perhaps by a provincial faction with an ax to grind. Peking may have learned of the clash only after the fact. Senior Communist officials

in Hong Kong were apparently taken by surprise, and it seems likely that they would have been forewarned if the fighting had been part of a centrally controlled campaign.

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17. On 9 July Communist zealots in Hong Kong provoked a riot in which one policeman and a number of demonstrators were killed. More of the same is probably in prospect. Communist-controlled schools in the Colony are reported to be planning to keep students on hand during the summer vacation to take part in anti-government activity. It seems unlikely, however, that Peking intends at this time to go much beyond support of this kind of activity, possibly accompanied by recurrent harassment along the frontier. Escalation of Chinese military threats to Hong Kong would involve the risk of war, which could develop into a conflict with the US. Use of economic sanctions at Peking's disposal--cutting off water supplies and stopping food shipments--would inflict further damage on the Communist position with the Hong Kong population and could result in the loss of vital foreign exchange earned through trade with the Colony.

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China's Financial Interests

18. Hong Kong is Communist China's largest single export market. It is also China's most important single source of foreign exchange. Last year the Chinese Communists earned over \$550 million in Hong Kong trade, approximately one third of their total earnings of foreign exchange. Chinese exchange earnings from Hong Kong have increased rapidly, almost doubling in the last five years and are still growing. Almost all of this would be lost if Peking took over the Colony, and a significant proportion would go by the board if the Chinese Communists took action short of seizure, which in effect would put Hong Kong out of business. Some direct sales to the Colony would continue but there would be a marked decline in foreign exchange earnings which would be a serious blow to Peking. The Chinese are obliged to buy some kinds of specialized scientific and technical equipment abroad as well as ordinary machinery and chemical fertilizer. A major item of expenditure for the last six years has been for the purchase of grain to meet the requirements of China's expanding population. Peking spent \$375 million in foreign exchange during 1966 to buy grain.

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We do not believe the loss of Hong Kong would be a serious psychological blow to Britain or to the Labor government. There would be a considerable, if short-lived, emotional reaction in some circles, but most Britons would accept it philosophically as an inevitable part of the winding up of Empire to which all political parties long have been at least resigned. Britain's retreat from Asia will be effectively signaled by the announcement--expected this month--of its intention to give up the Singapore/Malaysia bases by the mid 1970s. The loss of Hong Kong would probably add only marginally to the impact of that announcement. Furthermore the failures, for instance, to end Rhodesia's rebellion or impose a constitutional compromise in Arabia already have driven home the fact of British impotence and made Britons increasingly see the remaining overseas holdings as burdens to be got rid of rather than as elements of British strength.

Hong Kong has so far escaped this general pressure for withdrawal primarily because it was felt to cost Britain so little (in foreign exchange cost of the military garrison, only about \$14 million a year). The British, however, already have faced the fact that their position is militarily indefensible and that they can remain only so long as Peking sees their presence to its advantage. One factor in Britain's stiff resistance to Communist pressures in the Colony so far is its judgement that, with or without making concessions, they will stay only so long as Peking wants them there. Even if London felt it might hand on awhile longer by making Macao-type concession in Hong Kong, it might feel that would be more humiliating than a decisive withdrawal.

Although detailed information is lacking, our best current judgment is that, from the standpoint of the British balance of payment, Hong Kong represents a small net asset. The principal items of UK income

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are the trade surplus, income from direct investments, and the portfolio investment of Hong Kong residents in UK securities. Outflows from the UK to Hong Kong consist mainly of tourist expenditures, UK direct investment in Hong Kong, and allocations for the maintenance of UK military forces in Hong Kong. Without specifying the investment inflow from Hong Kong residents in Hong Kong, the debit side of the payments statement only slightly exceeds the credit side. In all probability the investment of Hong Kong residents in UK assets more than offsets the disparity.

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