GUARDIAN 9/V/91

1997, and the cash beyond

SOMETHING normal happened in an abnormal part of the world yesterday. Hong Kong's underground railway (which makes London drool with envy) wanted to raise a long-term loan on the markets: one stretching beyond 1997 and the territory's return to Chinese control. There was every indication from Japan that the 36 million or so US dollars required would be raised without fuss. Good.

Hong Kong is a crisis waiting to happen — the only scheduled world drama in which Britain, perforce, is a direct player. Officially that crisis doesn't come for six years. But unofficially, of course, it is beginning now. Consider: where was Douglas Hurd on April 13 when John Major hatched his plan for Kurdish save havens? The Foreign Secretary, his priorities clear, was far away in Beijing, struggling to persuade the Chinese leadership to let the colony build a new airport. In commonsense, there is no debate. Kai Tak airport makes Gatwick in August look calm. The new Chek Lap Kok is the sine qua non of continued prosperity. But Beijing thinks otherwise. Chek Lap Kok has become a point of principle, and the airport project a symbol of control. It is still stalled: and tension grows.

There's scope for compromise. The Chinese were originally objecting to a scheme which stripped the Hong Kong government of too much of its cash reserve at the hand-over date. You could fix that: and a seat on the airport board. But the nub is rather different. Effectively, the Chinese are demanding to "scrutinise" all major economic decisions spanning 1997. They already exercise such political power. Here, gathering portent every day, comes its economic equivalent.

The issue could not be more fiendishly complex. It doesn't unite Hong Kong. It splits it. There is bitter criticism of the Hong Kong government for not involving Beijing with the airport far earlier. There is deep suspicion of the FO role in trying to hack out a compromise: will they settle for fudgy words rather than dig in and cancel Chek Lap Kok? But then, even the people who would scrap the airport in defiance fear the consequences for business confidence. All the arguments, as ever, are circular. There is profound apprehension about Chinese rule and Chinese intentions. But do you improve the chances by excluding Beijing from tables where it has a relevant interest? 1997 is only a date. In fact, whatever transpires will gradually evolve long before that. British legal control is one thing; actual authority must be a wasting asset. Meanwhile, the balance of influence and impotence is excruciatingly hard to chart. In one sense, the Chinese have all the cards. Special Autonomous Region or not, after 1997, Beijing has the ability to wreck the Hong Kong miracle. Either deliberately, because they choose to: or by accident, because they stifle it in the long halls of bureaucracy. But no one knows the true intention: nor can predict who will rule China six years hence.

So what should Douglas Hurd do when the airport talks return to haunt him? First, have a bottom line. Be prepared to mothball Chek Lap Kok rather than give away too much in the fine print. But then, recognise reality. The reality is that a twenty-first century Hong Kong must have a new airport. That means starting all over again with a plan and a financing schedule that includes the Chinese as participants and investors from the word go. Meanwhile, in tandem, the British and their governor have to find a way of sidling towards the edge of the stage. After 1997, they'll be gone. At present the shadow of the governor seems to offer reassurance and, in a tangle of protocol, provides an excuse for the Beijing administration and the people who will have to run Hong Kong not to talk to each other. That can't wash forever. We have to begin to learn which of the emperors has no clothes. The hope, reinforced yesterday by the new MTRC loan, is that Hong Kong's economic dynamism will supply answers where the politicians falter. There is achievement there, to protect. If the world feels buoyant enough to invest in Hong Kong, far beyond 1997, then all three sides on the ground in a paranoid triangle may slowly come to understand that there is a wider dimension to the colony beyond the static model of their manoeuvres. That won't prevent crises; and maybe tragedy. But it is the vital context of transition. The case for Hong Kong is the case Hong Kong itself makes.