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In Search of a Future

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PREFACE

THIS book is a collection of official documents and semi-official statements of the Chinese, British and Hong Kong governments on the future of Hong Kong; more significant still, it is also a summary of a number of important polls and a representative sample of the views of major groups and the media in Hong Kong on the subject.

The collection mainly covers the period 1982–3, although an attempt is made in the Introduction and the prelude to each section to provide the background material necessary for an understanding of the issues involved and the views expressed. A major focus is the visit to China of the British Prime Minister, Mrs Margaret Thatcher, in September 1982. The differences revealed during this visit between the Chinese and the British governments on the questions of sovereignty and the unequal treaties forced the hitherto politically apathetic Hong Kong community to think about its future. Not only have a number of political groups such as Meeting Point emerged to meet the challenge, but also the student unions and even church groups have begun to reassess their role in the search for an acceptable future for Hong Kong.

The spectrum of discussion covered in this book ranges from the extreme right to the extreme left, though considerably more attention is paid to the better-educated groups whose members identify with Hong Kong, consider Hong Kong as their home, and are ready to work to shape a better future for the community. The author does not hide his empathy for such groups for he, too, is actively involved in one of them, namely, the Hong Kong Observers. However, he does seek to present the views of the parties concerned in an objective manner, introducing the groups in the way desired by them, and hoping thereby to provide readers with a basis on which to form their own opinions and decisions regarding the future of Hong Kong.

The book does not intend to draw any conclusions, for the Sino-British negotiations are still going on. Instead, it is hoped that it will provide a record of events and reactions as well as a stimulus and an

invitation to the local people who have the greatest stake in the matter to participate in shaping Hong Kong's future.

The book was completed at the end of 1983; the emphasis, however, is on the period from September 1982 to the summer of 1983 during which time the Hong Kong community advanced its own ideas rather than merely reacted to the Chinese proposal of self-administration as a Special Administrative Region. Consequent developments up to April 1984 are summarized in the Epilogue.

All material that originally appeared in English is reproduced verbatim. Omissions from the text of the original are indicated by an ellipsis. Material translated from the Chinese has been edited for the benefit of the English reader, especially with regard to translating material from mainland China and the colloquial style adopted by some local Chinese newspapers and magazines. However, efforts have been made to keep this editing to a minimum.

Finally, the author wishes to thank Miss Elaine Kurtenbach, tutor in the Department of Government and Public Administration at the Chinese University of Hong Kong, for assisting in the editing of the book, and Miss Pollyanna So of the Contemporary Asian Studies Centre of the same University for her typing and clerical assistance. Grateful thanks, too, must go to all those who have contributed to the discussions on the future of Hong Kong and who have kindly allowed their views to be included in this work. Last but not least, the author is also grateful to Mrs Gail Pirkis of Oxford University Press for her invitation to write this book and for her professional assistance in its publication.

JOSEPH Y.S. CHENG
April 1984.

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INTRODUCTION: THE FUTURE OF HONG KONG — A HONG KONG BELONGER'S VIEW

TODAY, hardly anyone in Hong Kong can dodge the nettlesome question of Hong Kong's future and the New Territories lease.[1] The devaluation of the Hong Kong dollar and the exodus of capital and talents have made headlines in the world's leading newspapers and magazines, now that the status of Hong Kong as a manufacturing base and an international trade and financial centre has won global recognition.

The arrival of the new Governor, Sir Edward Youde, in Hong Kong in May 1982 indicated that Beijing and London were about to negotiate on Hong Kong's future. The British government chose its top China expert in the Foreign Office as the territory's new chief executive to assist active preparation for the impending negotiations, and attention was focused on the visit of the British Prime Minister, Margaret Thatcher, to China in September 1982.

During her visit, Mrs Thatcher reached an agreement with the Chinese leaders to 'enter into talks through diplomatic channels with the common aim of maintaining the stability and prosperity of Hong Kong'. That, of course, was good news.

Nonetheless, Britain and China revealed serious differences on the questions of the 'unequal treaties' and sovereignty over Hong Kong, Kowloon and the New Territories.[2] The Chinese resolutely stated their intention to regain sovereignty over all three areas and reiterated their view that the documents signed by the Qing dynasty government and the British authorities relinquishing Hong Kong and Kowloon and leasing the New Territories were unequal treaties that China would not recognize. Britain, on the other hand, insisted that the treaties were legal and valid.

The Chinese leaders' position of 'recover sovereignty and preserve prosperity' and their subsequently leaked proposal for 'self-administration' gave the people of Hong Kong a major jolt. Most residents were at last obliged to recognize that the status quo could not

be preserved indefinitely, that British control of Hong Kong must one day end, though hopefully not in 1997. In fact, most people in Hong Kong would like to have a longer period of transition.

From the Chinese point of view, it is right and natural that at some time in the distant future Hong Kong will once again become part of China; the pacts signed by the Qing and British governments *are* unequal treaties. But this is not to say that China and Britain cannot reach an agreement. In fact, before Mrs Thatcher's visit to Beijing, most people in Hong Kong were fairly optimistic that a satisfactory settlement between China and Britain on Hong Kong's future would be attained, and a number of proposals have been presented by local pressure groups, academics, journalists, businessmen, and others.

On 7 October 1979, Hua Guofeng, then Chinese Premier, held a press conference for Western correspondents before his visit to Western Europe. When asked if he could guarantee the maintenance of the status quo in Hong Kong until after the year 2000, he replied that the position of the Chinese government was already 'very clear'. He went on to say, 'At present, our relationship with both the United Kingdom and the British authority in Hong Kong is quite good. We think that, through negotiations, a satisfactory way can be sought to settle the question of Hong Kong, Kowloon and the New Territories. But I can say, no matter how the question is resolved, we would take into consideration the interest of the investors there.'[3]

This position does not basically conflict with China's previous stance, though its focus is obviously quite different. The position held by the Chinese government prior to that time was most authoritatively stated in the letter sent by Huang Hua, then the Chinese permanent representative at the United Nations, to the United Nations Special Committee on Colonialism on 8 March 1972. The letter indicated that:

> The questions of Hong Kong and Macau belong to the category of questions resulting from the series of unequal treaties which the imperialists imposed on China. Hong Kong and Macau are part of Chinese territory occupied by the British and Portuguese authorities. The settlement of the questions of Hong Kong and Macau is entirely within China's sovereign right and do [*sic*] not at all fall under the ordinary category of colonial territories. Consequently they should not be included in the list of colonial territories covered by the declaration on the granting of independence to colonial countries and people. With regard to the questions of Hong Kong and Macau, the Chinese government has consistently held that they should be settled in an appropriate way when conditions are ripe . . .[4]

Hua Guofeng's position at the press conference held in October 1979,

however, suggested that there had been three significant changes in the Chinese government's attitude towards Hong Kong since 1972. First, he pointed out that 'through negotiations, a satisfactory way can be sought', indicating that China no longer insisted that the settlement of Hong Kong's future was entirely within its sovereign right. Second, the pledge to take into consideration the 'interest of the investors' in Hong Kong indicated that apart from China's own interests, those of other concerned parties would also be considered in settling the question of Hong Kong. Finally, the legality of the British authority in Hong Kong was recognized; and this recognition took concrete shape in the exchange of official notes and visits.

The Chinese leaders, however, realize that in order to settle the question of Hong Kong, it is impossible to ignore the New Territories lease, which was part of the unequal treaties imposed upon the Manchu emperor by the British government. Recognition of the lease, not to mention an extension of it, is contrary to the Chinese government's declared goal to terminate all unequal treaties, an important aim of the Chinese Communist Revolution. Chinese Communists believe that in this regard they are responsible for the history of the whole Chinese nation. It is difficult to imagine that any Chinese leader will sacrifice this principle of nationality for economic advantage.[5] Reunification with Taiwan also enters into the picture. The Chinese leadership probably realizes now that time is not on its side, and it is eager to use Hong Kong as an example for the Taiwanese and the Guomindang regime. This incidentally implies that complete retention of the British administration will be impossible, as the Chinese government has to demonstrate its ability to govern a place like Hong Kong while maintaining its stability and prosperity.

From the British government's point of view, the New Territories lease is based on the second Convention of Peking concluded in 1898, which, together with the Treaty of Nanking in 1842 that ceded Hong Kong Island and the first Convention of Peking in 1860 that ceded the Kowloon peninsula, provide the legal justification for British rule over Hong Kong. The British government cannot ignore the existence of the New Territories lease, for the legitimacy of British rule depends on recognition of and respect for every clause stated in the Treaty of Nanking and the first and second Conventions of Peking. This explains Mrs Thatcher's stand during her visit to China. Theoretically the British government can choose to return to China only the New Territories and continue its rule over Hong Kong and Kowloon after 30 June 1997 when the lease expires; in practice, however, according to the development plans of the Hong Kong government, over half of the total

population and a large portion of manufacturing industry in Hong Kong will be in the New Territories by 1997. It is therefore simply impossible to move the Hong Kong–Guangdong border southward to Boundary Street in Kowloon.

This legal contradiction has been the main obstacle to a negotiated settlement between China and Britain over the future of Hong Kong. The Chinese government's problem is how to arrive at a pragmatic settlement acceptable to all parties so as to maintain the stability and prosperity of Hong Kong. So far it has promised almost all that the people of Hong Kong want. In an interview with the influential Beijing magazine, *Liao Wang*, in January 1984, the State Councillor with special responsibility for Hong Kong, Ji Pengfei, issued the most detailed blueprint to date regarding China's plan for the future of Hong Kong, guaranteeing Hong Kong's existing social and economic system up to the middle of the next century. The blueprint basically reaffirmed China's position, leaked or announced, since Mrs Thatcher's visit to China.

The crux of the plan lies in making Hong Kong a Special Administrative Region (SAR) as provided by Article 31 of the Chinese Constitution promulgated in December 1982.[6] After 1997, the new administration in Hong Kong will be run by officials drawn from the local population rather than cadres from China. The key officials will be chosen after consultation with or election by the Hong Kong population and will be appointed by the Chinese government. The territory's defence and foreign policy will be in the hands of Beijing; but the local government will retain the power to conclude agreements with other countries and international organizations on economic and cultural matters. It will also be able to issue its own entry and exit visas. The existing legal system will remain basically unchanged, and Hong Kong will have its own final court of appeal. As a Special Administrative Region, Hong Kong will continue to enjoy financial autonomy, form its own economic policies, keep its free port status and retain its position in international financial and trade markets. Hong Kong's foreign exchange, stock and gold markets will continue to operate, and the Hong Kong dollar will stay in circulation and be freely exchangeable. The economic interests of Britain and other countries will also be guaranteed by law.

Irrespective of the different perceptions of the Chinese leadership's sincerity, these unilateral guarantees are still perceived to be inadequate, because there is as yet no provision for concrete mechanisms to safeguard Hong Kong's autonomy after 1997 so as to avoid external intervention.

With China dictating the terms and refusing to compromise on the question of sovereignty and unequal treaties, the British government may well have started to prepare for the worst. Whitehall has already begun to minimize its responsibility and commitments towards Hong Kong while trying to make full use of its colony to reap the greatest possible economic benefit. The highly controversial British Nationality Act that came into force on 1 January 1983 is a good example of the minimization of British responsibility towards the territory. Under the Act, Hong Kong's 2.6 million Chinese registered as British subjects are no longer thus designated and instead become 'citizens of the British dependent territory of Hong Kong'. This means that when Hong Kong ceases to be a British dependent territory, these people will become stateless. Various major projects such as the new airport have also been shelved or delayed; this procrastination will adversely affect Hong Kong's development and erode its competitive edge over its economic rivals in the ensuing years. To maximize benefits, Britain hopes to construct a China–Hong Kong–Britain joint co-operation model in which Hong Kong will serve as a link promoting economic exchanges between China and Britain. For example, China Light and Power of Hong Kong has bought a power plant from Britain to supply electricity to Guangdong in exchange for coal from China, and the British government has guaranteed the US$600 million loan for the purchase of the plant.

Under present circumstances, the interests and rights of the people of Hong Kong are not well protected. Despite the Chinese government's assurances, Hong Kong citizens generally feel uncertain about their future as change appears inevitable, and this is reflected in surveys included in this book. A majority of the middle class would prefer to emigrate, given the opportunity. Many of them would at least like to send their children to study abroad and encourage them to settle down so that the next generation will not be affected by the current uncertainties. Many Hong Kong residents have also begun to invest in real estate in the United States, Canada and Australia. There are no statistics available on the extent of this investment; but, judging by the pages of overseas real estate advertisements in the local newspapers, one may easily conclude that such investments have become popular. Even a small country like the Dominican Republic has recently set up an office in Hong Kong to sell property, and it automatically grants any real estate owner the right of permanent residence. After half a year's residence the owner can become a citizen; furthermore, he or she can hold a Dominican passport and another issued, say, by the British government concurrently. Such terms seem to suggest that the buyers

are more concerned with the right of permanent residence in a foreign country than with property investment.

This desire for the right of permanent residence in a foreign country does not generally stem from dissatisfaction with living standards in Hong Kong. Those Hong Kong citizens who have travelled abroad appreciate that living standards in Hong Kong compare quite favourably with those of advanced countries, though housing and transport continue to be local headaches. Rather, the main reason for emigration, or the intention to do so, of so many middle-class people is simply a lack of confidence in the future of Hong Kong — despite their awareness that the financial and psychological costs of emigration are often very high.

Partly due to this pessimism, most citizens do not have much interest in public affairs. Many feel that Britain and the British authorities in Hong Kong are already preparing for the worst; in the meantime they are only making use of Hong Kong and will not make commitments for the future. Under the circumstances, it is natural that many citizens do not possess a sense of belonging, and do not feel that they are part of the community, enjoying a citizen's rights and sharing a citizen's responsibilities.

Negotiations between China and Britain on the future of Hong Kong are now being conducted in secrecy. The citizens of Hong Kong will not be informed of the progress of the negotiations until an agreement has been reached, for the governments involved believe that, if the negotiations were made public, the complicated process would merely arouse unnecessary speculation and worry in the community. Since Hong Kong does not have any elections (except those for the relatively less important Urban Council and District Boards), Hong Kong's citizens cannot elect their own representatives to participate in the negotiations and to articulate and safeguard their interests. Even if they were to elect representatives, it seems unlikely at present that China and Britain would accept their legal status and allow them to participate. Hence, though China and Britain may come to a settlement smoothly through negotiations, the people of Hong Kong will only be informed when all details of the agreement have been finalized. Many people in Hong Kong doubt that, in addition to looking after their own interests, China and Britain will also seriously consider the interests of the local population.

On 24 February 1984, the Senior Unofficial member of the Legislative Council, Roger Lobo, announced that the Unofficial members of the Council would introduce a motion in its meeting on 14

March, stating that the Legislative Council 'deems it essential that any proposals for the future of Hong Kong should be debated in this Council before any agreement is reached'. Lobo's announcement aroused strong opposition from the Chinese authorities who believed that the motion had been orchestrated by the British government and was another attempt to create a 'three-legged stool'. The general belief was that if Britain had not been behind the motion, then it had at least condoned it. The debate in the Legislative Council will enable the Thatcher government to demonstrate to the House of Commons that the people of Hong Kong accept the Sino-British settlement on Hong Kong's future. The local community generally favoured the debate as an opportunity to articulate its views, but there were strong reservations regarding the representativeness and accountability of the Unofficial members appointed by the Hong Kong government. At any rate, few believed that the general outline of the settlement would be altered by a debate in the Legislative Council.

Whilst the average citizen has little say in the future of Hong Kong, the views of investors in the territory do carry a certain weight. In the communications between Chinese officials and senior Hong Kong government officials, as well as the British officials of the Foreign and Commonwealth Office, in the reports sent back to Beijing from Chinese organs in Hong Kong such as the Hong Kong branch office of the New China News Agency and the Bank of China, and in Chinese officials' contacts with leading businessmen from Hong Kong and elsewhere, the concern of investors regarding the uncertain future of Hong Kong has been clearly transmitted to the Chinese leadership.

In the past two years, there have been strong indications that the Chinese authorities have come to realize two important points concerning the settlement of Hong Kong's future. In the first place, they are beginning to understand that 1997 is not that far away in terms of investment and that the willingness of investors to do business in Hong Kong will be seriously weakened if a clear-cut settlement cannot be reached in the mid-1980s. Already there are signs of hesitation among a significant part of the Hong Kong business community to engage in major projects. Every major overseas investment plan of large Hong Kong-based corporations further erodes confidence because it is generally interpreted as a move away from the territory. Furthermore, some bankers are refusing to engage in 15-year mortgages on property situated in the New Territories. Secondly, the Chinese leaders have also become aware that their vague verbal assurances, such as Deng Xiaoping's celebrated statement telling investors in Hong Kong 'to put

their hearts at ease', are not adequate, and that what is needed from the businessman's point of view is a legal document between the Chinese and the British governments with international binding force.

This understanding on the part of the Chinese leadership was probably the motivating force behind the developments in 1982 which culminated in the Sino-British agreement to begin formal diplomatic negotiations on the future of Hong Kong. The Chinese leaders hoped that a formal Sino-British agreement on Hong Kong's future, together with Article 31 of the Chinese Constitution and a basic law governing the authority of the Hong Kong administration after 1997, would provide the legal guarantee desired.

In theory, there are five alternatives for the settlement of the future of Hong Kong:

(a) Hong Kong becomes an independent state;
(b) the Chinese government takes back Hong Kong before or after 1997, and the territory becomes part of China or a Special Administrative Region inside China;
(c) the British give up Hong Kong and China is forced to take back the territory; Hong Kong again becomes part of China or a Special Administrative Region inside China;
(d) the status quo of Hong Kong is maintained permanently and the New Territories lease is simply forgotten or extended indefinitely; or
(e) legal sovereignty over Hong Kong is formally recovered by China through a treaty negotiated between Beijing and London, both sides agreeing in the same treaty that Hong Kong will continue to be administered by the British on a temporary basis.

The possibility of Hong Kong gaining independence is highly unlikely, this being contrary to the Chinese government's basic stand concerning Hong Kong. The Chinese government has consistently stated that Hong Kong is a part of China, and that the anomalous position that has arisen as a result of historical events should be resolved when conditions are ripe (modified, more recently, to read 'through negotiations, a good way to solve the problem can be found'). Any formula arrived at therefore must not go against this basic premise; and Hong Kong citizens are fully aware of the attitude of the Chinese government on this point. In fact a large part of the population has never thought of independence, nor of organizing an independence movement.

Since the Chinese government insists that Hong Kong is a part of China, any form of plebiscite or referendum for Hong Kong citizens and any proposals that Hong Kong become a territory under the

trusteeship of the United Nations, or other similar suggestions, would not be acceptable to the Chinese authorities. Such proposals not only go against Beijing's stand that Hong Kong is a part of China, but Chinese leaders also fear that such arrangements might establish a precedent and encourage people in Taiwan and Tibet to raise similar demands. Furthermore, if Hong Kong becomes independent, the territory could serve as a potential host for hostile foreign influences on China's doorstep, a danger which the Chinese authorities would certainly like to avoid. It is worth noting, too, that the British government also agrees that independence for Hong Kong is out of the question and that the settlement of the future of Hong Kong is a strictly bilateral issue between China and Britain. At a press conference in Hong Kong at the end of February 1984, Richard Luce, Minister of State with Special Responsibility for Hong Kong, dodged questions about an earlier proposal for a referendum and admitted that 'there are no hard and fast plans' to ensure the acceptability of the Sino-British agreement to the people of Hong Kong.

At present the people of Hong Kong are naturally unwilling to see Hong Kong returned to China before 1997 or even in 1997. Theoretically, since the Chinese government does not recognize the New Territories lease or the other unequal treaties, the year 1997 is meaningless. However, the Chinese authorities do not intend to take back the New Territories or the whole of Hong Kong for the time being because the territory's present status is economically valuable to China, especially in view of the top priority assigned to the Four Modernizations[7] by the Chinese leaders. To maintain stability and prosperity in Hong Kong, there must be no abrupt change, and British co-operation is needed during the transitional stage — hence Beijing's willingness to negotiate with London.

The Chinese government's plan of allowing Hong Kong to become an autonomous Special Administrative Region retaining its socio-economic system is premised on its insistence that sovereignty over Hong Kong belongs to China, and that the unequal treaties cannot be recognized. The powers-that-be in Beijing believe that the recovery of Hong Kong is the only means of wiping out the national humiliation brought about by the cession of the territory by the Qing dynasty government. The status quo of Hong Kong therefore cannot be maintained permanently, and the New Territories lease cannot be simply forgotten or extended indefinitely.

To the great disappointment of the local community, the Chinese leaders also insist that sovereignty without administrative power is meaningless. Most people in Hong Kong agree that sovereignty of the

territory belongs to China and that the treaties concluded between the Qing dynasty government and the British imperial authorities relinquishing Hong Kong and Kowloon and leasing the New Territories are unequal treaties. However, they hope that a formula can be found so that British administration will be retained during a transition period which will extend beyond 1997. The Chinese leaders, however, probably consider that retention of the British administration would contradict their plan to use Hong Kong as an example for Taiwan, as it would demonstrate the Chinese government's inability to maintain the stability and prosperity of Hong Kong without outside help.

In view of the current Sino-British negotiations on Hong Kong's future and Mrs Thatcher's declaration of 'Britain's moral responsibility and duty to the people of Hong Kong', it is unlikely that her government would abandon Hong Kong abruptly, forcing China to take over the Colony. The victory of the Conservatives in the general election in June 1983 meant that the Chinese leaders would have to negotiate with the Thatcher government, given that Beijing would like to reach a settlement by the mid-1980s. Now that Opposition Leader Neil Kinnock has made known his stand on the issue of Hong Kong's future, it is highly unlikely that the 1980s will see a Labour government coming to power in Britain with a commitment to end the colonial status of Hong Kong immediately or before 1997.

Nonetheless, if a Sino-British agreement cannot be reached and the terms stipulated by Beijing are such that London is forced to indicate its intention to give up the territory before China is prepared to take over, Hong Kong's political stability and economic prosperity would be seriously affected. Under such circumstances, there would be only two options for the Chinese government: to take back Hong Kong before it is ready to do so, or to negotiate with the British government and attempt to present a proposal that is acceptable to Whitehall. The former would be a great loss to both China and Hong Kong. As for the latter, since in this case the British authorities would be voluntarily giving up the substantial economic benefits acquired from the Colony, it would be difficult for the Chinese government to persuade its British counterpart to change its mind. The only convincing argument left would perhaps be Britain's honour and her duty in the decolonization process, and consideration for long-term Sino-British relations. So far, the Chinese government has openly rejected any British moral responsibility and commitment to the people of Hong Kong, but the Chinese officials concerned keep on informing all visitors that British interests in Hong Kong will be looked after. As Deng Xiaoping

suggested, the present Sino-British negotiations are about 'how co-operation can be carried out in the transitional period from the present to 1997', so the Chinese leaders intend to offer the British government economic benefits in exchange for such co-operation in the general phasing out of the British administration in Hong Kong. The Chinese leaders also promised that the existing systems in Hong Kong would be maintained for another fifty years after 1997.

If China and Britain adopt relatively flexible positions, it should be possible for them to resolve their differences over sovereignty and the treaties by agreeing to the following:

(a) All treaties signed by the Manchu government with other governments that ceded or leased Chinese territory are unequal treaties which the government of the People's Republic of China (PRC) refuses to recognize. The British government understands and respects this position.

(b) The PRC government reiterates its stand that Hong Kong, Kowloon and the New Territories are Chinese territory over which it alone has sovereignty. China will negotiate with Britain for the return of sovereignty. The British government accepts the position of the Chinese government.

(c) Due to special historical reasons, the British government has in the past and at present administers Hong Kong, Kowloon and the New Territories. Beijing recognizes that the British administration of Hong Kong, Kowloon and the New Territories has contributed to their development and indirectly to the modernization of China. Both governments consider this situation to be an important foundation for the future development of their relationship.

In the first clause, the British government gives ground. By accepting the Chinese government's position, it indirectly acknowledges that the Treaty of Nanking and first and second Conventions of Peking are unequal treaties and refrains from violating China's historical mission to abolish all such treaties. But the agreement preserves British face by not pinpointing the British government. For Britain it is relatively easy to 'understand and respect' China's position; according to international law, 'understand and respect' does not amount to 'agree with' or 'recognize'. When Japan and China established diplomatic relations in September 1972, their joint communiqué merely noted that Japan 'fully understood' China's 'three principles for the establishment of Sino-Japanese relations'.

In the second clause, Britain also yields. But since in practice London has willingly accepted the independence of its colonies since the Second World War, it has no reason to insist on controlling Hong Kong for