

# ASIEN

DEUTSCHE ZEITSCHRIFT FÜR POLITIK, WIRTSCHAFT UND KULTUR

**Artikel:**

Werner Klatt  
Hong Kong, China and Britain

Tzong-biau Lin  
Hong Kong's Economic Situation and Outlook for 1983

Manfred Pohl  
Das Kabinett Nakasone

Frank Schwarzbeck  
Frankreichs Überseeterritorien im Südpazifik

**Dokumentationen:**

Security in the Pacific (B.E. Talboys)  
Der Streik der Zhongguo Renmin Universität (Uwe Richter)

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## HONG KONG, CHINA AND BRITAIN

Werner Klatt

When the lease agreement between China and Britain expires on 30 June 1997, Hong Kong will cease to exist as a British Crown colony. On that date, at the latest, China will not only claim the "New Territories" (Xinjie), leased under the "Convention respecting an extension of the Hong Kong Territory", which was signed on 9 June 1898. Kowloon (Jiu-long) and the Stonecutter Island as well as Victoria Island (Xianggang), which were leased under 'unequal treaties' in 1860 and 1842 respectively, are bound also to revert to China, since these two early British acquisitions have no prospect of surviving the separation from the hinterland of the New Territories.

Thus, at the most, 14 years are left for an arrangement which will change dramatically the geographical, political and economic landscape of a small, but important, speck in the Western Pacific basin area. To some this date may seem to lie a good long time ahead; to others it will appear to be a date too near for comfort. This is true all the more since history is no longer progressing at the pace of the tea clippers, but at the speed of earth satellites if not laser-beams. This applies not only to the highly industrialised countries of America, Europe and the Far East, but also to less developed countries, such as the People's Republic of China, where things are moving fast these days. As the centre of world politics is shifting from the Atlantic to the Pacific, the transfer of sovereignty over Hong Kong from Britain to the PRC will not be a mere local event but one of international significance. It thus deserves not only the attention of those directly involved but that of the world community at large.

So as to get a measure of the time span between now and the end of the lease, at the latest, let us look back 14 years and see what China was like in mid-1969 - both domestically and within the context of its relations with Britain and her Crown colony - before considering the period of equal length which lies ahead. Internally, the PRC was at mid-point between the opening of the Ninth Party Congress, which officially terminated the turbulent period of the "cultural revolution", and its twentieth birthday, when the Party confirmed its determination to replace strife by reconciliation and unity. We know, of course, from more recent public statements that the period of struggle between

conflicting political lines was far from over and that turbulence and terror continued under different names and in different forms until Mao's demise and beyond. At the time in question, Lin Biao was the nation's most favoured son and not only Mao's "closest comrade-in-arms", but also his heir elect; the moment still lay ahead when he was to be unmasked as the "arch-plotter" against his master, destined to lose his life when his machinations were exposed to concentrate on damning the enemies of the cultural revolution. Most prominent among them was "China's Krushchev", Liu Shaoqi, who had once been China's head of state and Mao's original heir apparent, but who was now a self-confessed sinner against the aims of the revolution; also included was the "number two capitalist-roader" Deng Xiaoping, once the Secretary General of the Party's central committee and Zhou Enlai's deputy.

At the time we are looking at, the lines of command were far from clear. Between 1966 and 1968 revolutionary committees had been set up at almost all levels. Now, they were being supplemented, if not replaced, by revitalised Party committees. With the support of the armed forces, the worst excesses of the revolutionary cadres were being curbed. Many of these cadres had been sent down to the countryside (hsia-fang). To the distress of the peasants, they shared the meagre rations of the rural population without being qualified to make in exchange any constructive contributions to the farm economy. Luckily 1969 was a good year in the grain areas. Dazhai, which has recently been discredited as a fraud, was still presented, though, as the model to be imitated throughout the countryside. Other sectors of the domestic economy were hardly mentioned in official statements, except for the opening of the rail link across the Yangtze river at Nanking in 1968, which provided the first firm connection between north and south China. Self-reliance thus changed from having been a regional issue to becoming one of national significance.

In the short span of two years, the PRC had changed from a country in nation-wide turmoil to one of apparent tranquility. The "young generals" of the cultural revolution had been put in their place. The Soviet mission in Peking was no longer under threat from the red guards, and the ruins of the British mission, which had been burnt down in the autums of 1967, were being cleared away; but so well-known a member of the international community as Anthony Grey, Reuter's man in Peking, was still under house arrest in mid-1969 and was released only in October of that year. In Hong Kong calm had returned to the streets, were

rioters had been encouraged by Canton radio only recently to struggle, until final victory, against British imperialism. If a state of relative normality had apparently come back to the PRC and its relations with the outside world, this was only partially true. In any event, new internal ideological and political dissent was to lead to conflicts within the Party and in the armed forces. Abroad, an all-time high of mutual abuse was soon reached between the two communist super-powers after open armed clashes had occurred in March 1969 between Russians and Chinese, who faced each other across the disputed border on Zhenbao island (on the Ussuri river). In mid-1969, a Sino-Soviet navigation commission tried in vain to cool a highly inflammable situation. Thus times of uncertainty followed a period of temporary calm until eventually, after Mao's death, a state of relative stability was achieved by his successors. In the intervening years, the situation has remained highly volatile - both at home and abroad.

The state of affairs as it prevailed some 14 years ago is not being recalled here so as to rub salt into wounds which have not yet healed, but rather to show the degree of change possible within short periods of time. Who would have thought in mid-1969 that not only Mao and Zhou, but also Liu and Lin would be no more among the living; that Hua Guofeng, the man whom Mao was said to have eventually entrusted with ruling the country after his death, would be removed from the highest offices of political and administrative power; and that the "number two capitalist-roader" would become the leader of a nation grown meanwhile to about 1,000 million? These changes have to be borne in mind when China's present and future are being considered.

To fathom the immensity of the changes which have been possible in so short a time, a brief glance at China's present status at home and abroad seems in order. Politically, in spite of complaints about incompetence and corruption, China's political and governmental leadership is more stable and effective at present than at any time since the year 1957, when the short-lived liberal period of the "hundred flowers" was opened and terminated; the year when the first five-year plan came to an end and preparations were being made for the "great leap forward". These events still show in some of today's political and economic ruins. The ruins created during the cultural revolution are even more difficult to remove. It took four years after Mao's death and the arrest of the "gang of four" to dismantle the political

structure left behind by the "great helmsman" and to lay the foundations for the legitimacy of Mao's ultimate successor. Careful decisions on delicate issues had to be made. Hong Kong was one of them.

The third plenary session of the eleventh Central Committee of the Party, held at the end of 1978, marked the turning point - away from the past "ten disastrous years" towards a period of modernisation in all areas of life - at home as well as abroad. Hua as a leader of compromise was compromised decisively. His ambitious political and economic plans were amended, if not discarded, but an interim period - first scheduled to last three years, then five and now even longer - had to be put between the past and the future. By now, there is no area of public and private life in China that has not been affected by the changes which have taken place. Even the romanisation of Chinese words and names was changed officially from the Wade-Giles system to the pinyin method.

Of the many changes made in the last few years, only a few which are relevant to our theme will be highlighted here. These deserve to be spelt out in some detail, since China is still very much in a state of flux. On the domestic political scene, Deng Xiaoping's position seemed secure once he had selected, for the highest posts in the Party's Politbureau and the government hierarchy, two of his most trusted disciples, Hu Yaobang and Zhao Ziyang respectively. However, not everything went his way. As of now, he has not succeeded in overcoming the resistance to his policies of some of China's most influential civilian and military leaders, of whom more than was expected have retained their posts. "Great order under Heaven" remains elusive. China continues to be governed by a gerontocracy whose leading members firmly hold on to their positions of power. They believe in the four basic political principles of keeping to the socialist road, the dictatorship of the proletariat, the leadership of the communist Party and Marxism-Leninism-Mao Zedong Thought. They do not share their dual goals of rapid political and economic growth and eventual social equality with those who expressed their views in big character wallposters - as short-lived an affair as the period of the hundred flowers. Conformity is expected of everybody and freedom is by license, not by right.

There have been considerable achievements in the last few years, even if this may not seem so to those who were over-impressed by the claims of the 1960s and 1970s. The apparatus of Party and government have been cleansed of some, though by no means all, cadres who were merely in

their posts as products of the cultural revolution. Being red no longer takes preference over being expert. The educational system has been overhauled at all levels, promising a crop of trained personnel in the years to come. Civil and criminal law have been codified and lawyers are being trained fast, though not fast enough to meet all requirements. Regulations governing the rights and duties of foreign firms have been tidied up, including those related to joint ventures. Social services, in particular those regarding health and provisions for old age, have been improved, though in the rural areas households can rely only on the "five guarantees", i.e. a modicum of food, clothing, housing, medical care and burial provisions.

Due to restrictions on urban development and to rustification of urban youth, China is now more agrarian - side by side with being more industrialised - than it was in mid-1969. This may seem paradoxical, but it is true nonetheless, and it is an important factor when it comes to the shaping of China's future. The economic growth rate is impressive, though more modest than was anticipated by Hua who thought that big was beautiful. His plans have been abandoned. Neither is anything heard any more of the Dazhai model, a local idiosyncrasy, if not a fraud. In industry, the emphasis has been shifted in favour of consumer goods, which nowadays rank at times ahead of producer goods. In farming, a notable shift from grain to commercial non-food crops and animal products has taken place. Overall, the annual growth rate - as expressed in terms of gross national product - has declined from 7 per cent in 1979/80 to a mere 3-4 per cent now, but better results can be expected in the years to come, provided the settlement between China and Britain is not delayed unduly.

Urban and rural consumers have benefited from the changes in economic priorities which have been introduced in the last few years. This applies to the level of food intake, and even more to the supply of household hardware. The distribution of income and consumption is more evenly spread than in many countries at a similar state of development. This is hardly surprising when it is borne in mind that for about three decades basic essentials have been rationed. Housing, health services and education are also allocated according to need and not according to financial means, though money and influence can buy supplementary goods and services. In the rural areas, which still cater for four-fifths of the population, income disparities are small within small units, such as production teams and brigades, but there are substantial differences between rich and poor

regions. The preference given to the consumer has been possible only at the expense of capital investment and expenditure on the armed forces, and this has introduced a de-stabilising element into the present system of priorities. For the time being, only highly selected projects in industrial infra-structure and military hardware are being given the go-ahead. In the wider international context, China does not wish to make itself dependent on alliances, though the narrow concept of unqualified self-reliance has been abandoned. Thus foreign trade has grown - in real terms - at about twice the rate of the domestic economy. Imports and exports are now more or less in balance, and this is also true of China's trade with Europe and with Japan - China's largest trading partner by far. The United States and Hong Kong rank second and third at a respectable distance behind Japan. Britain's trade with China is exceeded to a substantial extent by that of West Germany, France and Italy - though the picture is somewhat distorted by the intermediate role played by Hong Kong.

Hong Kong is a great deal more important than a mere statistical presentation suggests. In fact, its role and its importance to Britain and to China has got to be set within the wider context of China's internal situation and its relation with the rest of the world. Unlike the PRC, one of the centrally controlled societies, Hong Kong is the least controlled of them all. It must be counted among the economic miracles of the Far East. Global figures can be misleading, but an average gross national product per capita of over US\$ 4,500 - or about fifteen times the corresponding figure for the PRC - is telling indeed. Outside Japan, no other area in the Far East compares with it - with the exception of Singapore in South East Asia, where the value of the economic performance is slightly larger. The long-term annual growth rate lies at about 10 per cent (6 per cent in 1982), and it will remain high provided that the announcement of a settlement between Britain and China is not delayed unduly. Much of the record of the last decade must be attributed to the impressive contribution which the large number of recent immigrants from Guangdong and Fujian have made. Visible and invisible trade are Hong Kong's chief earners of income. As one of the most ideal natural harbours and one of the three main financial centres of the world, Hong Kong is indeed an ideal place to practise what Sir Philip Haddon-Cave, Hong Kong's Chief Secretary of both the Executive Council and the Legislative Council, has described as "positive non-intervention" and what Professor

Milton Friedman regards as the ideal model of the market economy. The difference from the pattern which applies to the PRC could hardly be greater. There are flaws, though - particularly in the political arena. As Graham Jenkins, the author of the introductory section of the latest official annual review, says, "Hong Kong is not a democracy", though it is "a place where a British administrator jumps every time a Chinese complains". The most important statement, though, is the review's first heading: "People - Hong Kong's greatest asset." These people have not the right to form political parties or trade unions; neither would the PRC welcome such organisations. The only elections permitted are those to the unimportant urban councils and district boards. Without any question, economics are in command.

We need not consider here in any detail the position of Britain - except in the context of her relations with the PRC and with Hong Kong. These are primarily determined by trading considerations, even if political aspects may seem to be dominant at times. It will therefore come as a surprise to see that Britain ranks low in her dealings with both Hong Kong and China. In Hong Kong's imports, Britain ranks sixth, providing a mere one-fifth of what both Japan and the PRC export to Hong Kong. In regard to exports and re-exports from Hong Kong, Britain ranks a poor third after the United States and the PRC. This is a situation which must be worrying to both British and Hong Kong manufacturing and trading firms. The position is similarly disturbing with regard to Britain's trading relations with the PRC. The situation is a reflection of the general malaise of which those who live in Britain are all too acutely aware and which it will not be easy to cure before decisive actions have been taken, affecting Britain, Hong Kong and China and their relations towards each other. There is a danger here which should not be overlooked. Having gone through a long period of imperial decline, Britain has suffered a longer and deeper economic recession than other industrial countries. This state of affairs has given momentum to a nationalistic upsurge which reached its climax after the re-capture, from the invading Argentine forces, of the Falkland Islands.

It would be folly to draw any conclusions from this in regard to the future of Hong Kong. The two situations are not comparable in any way, and no conclusions drawn from one can be applied to the other. The Islands in the South Atlantic and their population of less than 2,000 British subjects were exposed to the intentions of the military Junta in

Buenos Aires who underestimated the determination of the British Prime Minister and the potential of the British Navy to regain control over them. By contrast, the New Territories and the rest of Hong Kong are, in the words of Peter Wesley-Smith, the historian of the 'Unequal Treaty 1898-1997', "vulnerable at law, as well as in fact, to Chinese demands for abrogation". It needs hardly be added that the 5 million inhabitants of the Crown colony are Chinese, one half of whom, though British passport-holders, can no longer count on the right of unhindered entry into Britain. Their choice of abode is thus much more restricted than that of the inhabitants of the Falkland Islands. Considerable uncertainties and complications will thus have to be faced in the not too distant future.

Having looked back to 1969 and having reviewed, all too briefly, the present situation, it is now time to look ahead over the next 14 years. Then, if not before, the lease will fall due for a major part of Hong Kong. At that time, China herself will be near the end of the time set for entering the next century with a predetermined population and an ambitious domestic programme, which is meant to change the balance of power in China's favour in the Western Pacific, if not in the world. What is at stake is not only the fate of the New Territories, which were leased for 99 years in the Convention of 1898 which is expiring on 30 June 1997, but also that of the island of Hong Kong and of the Kowloon peninsula, which were ceded to Britain "in perpetuity" in 1842 and 1860 respectively. The problems involved are intricate and their solution will be delicate in the extreme. In essence, the British view has tended to be legalistic, whilst Chinese authorities have looked at it as a political question. Not only the present regime in Beijing, but also the leadership of the GMD (KMT), in pre-revolutionary China and later on the island of Taiwan, have always regarded the treaties as "unequal", i.e. as signed under duress and therefore not enforceable in international law. This is debatable, since there was no precedent at the time of the leasing agreement of 1898. International lawyers were thus treading new ground.

One does not have to be a legal expert to be surprised at the lack of precision in the document which formed the basis of the lease. In the words of Peter Wesley-Smith, in his study on the Unequal Treaty 1898-1997, "a little more homework on the New Territories lease might have produced a document less open to misinterpretation and less pregnant with future difficulties". The document's *raison d'être* was

stated in the preamble of the Convention: "it has for many years been recognised that an extension of Hong Kong territory is necessary for the proper defence and protection of the Colony". Aspects other than that of defence were treated in a rather cursory manner. As a result, disagreements were caused between the contracting parties. Though the validity of the treaty was not challenged at the time, its interpretation led to a number of disputes. From the outset, the official Qing dynasty interpretation was that the inhabitants of the New Territories remained Chinese subjects, who were expected to pay tax on any land owned by them to the Chinese authorities as ground landlords. The British law officers did not see it that way. As Sir Henry Blake, who was then Governor of the Crown colony, put it in a despatch to Joseph Chamberlain, the Colonial Secretary, on 7 April 1899: "Whether leased, lent or ceded, as soon as the British flag is hoisted, it becomes for the time as effectually British territory as Government House, Hong Kong".

According to the Covenant, the Chinese authorities operating within the walled city of Kowloon were supposed to continue to exercise jurisdiction "except in so far as may be inconsistent with the military requirements for the defence of Hong Kong." Yet, soon the small Chinese garrison was to leave the walled city. As the question of the nationality of the inhabitants was left open, there were also extradition disputes. British and Chinese officials were also at odds when it came to questions such as fishing and mining rights in the New Territories and the surrounding waters. Thus, since the prime consideration was defending Hong Kong, ambiguities about the rights and obligations of the contracting parties abounded. In the circumstances, one is probably on safer ground to consider the question of the lease, and all that goes with it, as something to be looked at in political rather than in purely legal terms. These are unlikely, in any event, to be accepted by the Chinese authorities - any Chinese authorities - since the contracting parties were in unequal bargaining positions at the time. Whilst sovereignty was never in question in the Chinese mind, other aspects which are covered by the Convention may be subject to negotiation between the parties concerned.

It is broadly accepted conventional wisdom that all parties are benefiting equally from the status quo, but this is understandably challenged by those who wish to change it. In view of the delicacy of the situation, it is imperative that discretion and confidentiality govern the negotiations



aimed at a solution acceptable to the interested parties. It has to be recognised, however, that, unlike the time when the treaties were signed, the present age is one of mass communications rather than of slow sailing ships carrying messages to distant imperial courts. This means two things: first, if the public is excluded from participation, rumour takes over from fact, and this can be fatal both to large businesses and to individual people. In a volatile situation, the Hang Seng (stock exchange) index in Hong Kong may fall by 20 per cent within minutes of a piece of gossip being uttered on the other side of the world. In fact, time itself has a seriously eroding effect on confidence in the Colony. Thus, at the beginning of 1982 - when the lease of the New Territories still had a run of 15 years - the stock market index stood at 1,400. At the end of the year, when the life span of the lease had been reduced from the magical 15 years to a mere 14 years, the index had fallen by a half. Secondly, and equally important, the 5 million or so inhabitants of Hong Kong, Kowloon and the New Territories, are no longer mere objects in the hands of two imperial contracting powers, but they are subjects in their own right. They will expect to be heard when their fate and that of their children is under consideration.

The negotiators of 1898 and their masters, Lord Salisbury, the Prime Minister, his nephew Arthur Balfour at the Foreign Office, and Joseph Chamberlain, the Colonial Secretary at the time, can be forgiven for not having foreseen the consequences of their actions nearly a hundred years after they approved the Convention. If we ourselves cannot anticipate the ways of the 21st century (less than 20 years hence), can we blame them for not having foreseen the impact of combustion engine, aircraft, wireless, earth satellite and hydrogen bomb? After all, in their time the German engineer Lilienthal had only just proved that trying to fly - like Icarus - could only end in certain death. The descendants of those who sailed the tea clippers will require the tact and wisdom of the world's greatest statesmen if they are to unravel the complications left behind by their ancestors.

The beginnings of this process have not been auspicious. To be sure, the first formal encounters in 1979 between the then Governor of Hong Kong, Sir Murray MacLehose (now Lord MacLehose) - Britain's most experienced China-specialist - and Deng Xiaoping - the PRC's most successful operator by far - yielded the promising advice from Beijing that Hong Kong's investors should "put their hearts at ease";

but as Lord Carrington, Britain's Foreign Secretary at the time, pointed out: it was not their hearts they were worried about. In those days, the Chinese media conveyed a most complimentary picture of Hong Kong to their clients. The Colony was featured not only as an attractive centre of tourism, but also as an impressive example of modern development. However, this presentation was not to last for long. By the end of that year, some 200,000 Chinese citizens had drawn their own conclusion from this inviting picture and had changed their work places in Guangdong and Fujian for the squatter districts of Hong Kong. By the beginning of the following year, the wave of liberalism, which had produced the democracy wall and the Beijing Street Voices (movingly recorded by David Goodman), had given way to the frosty winds of the new realism which accompanied the four modernisations. Austerity took precedence at home over any softer options, and exuberant praise was no longer allowed in any reports about the outside world. Hong Kong now appeared in a new light: the glitter in the accounts given between 1977 and 1979 gave way to stories about the sordid side of life in the Colony.

The next Sino-British encounter was no happy occasion. It is true that the British and Chinese Prime Ministers, Margaret Thatcher and Zhao Ziyang, agreed on Hong Kong's "stability and prosperity" as their common goals. There were discords nevertheless. The British insistence on the sanctity of international agreements, irrespective of the circumstances under which they were reached, and China's insistence on sovereignty over Hong Kong, as a precondition of negotiations, were no hopeful signs of ultimate success, even if these reservations were meant as no more than opening gambits. On the basis of these positions, there does not seem to be any prospect of an easy settlement acceptable to both sides. In the absence of any signs of a ready solution, any number of possible alternatives have been put forward. The London Economist suggested (on 12 March 1983) as possibilities: a British Vatican; a joint Sino-British condominium; and a leaseback arrangement. The Chairman of the "Hong Kong Observers", a pressure group which aims at making the colonial government responsive to the Hong Kong community, suggested (in International Affairs, London, Summer 1982) five possible alternatives: Hong Kong's independence; its return to the PRC on Chinese terms; permanent retention of the status quo; Britain's return of the Colony to China, forcing China's hands; and Hong Kong's conversion into a special economic zone, managed as at present, but on a temporary basis.

Whatever the choice, time is not on the side of the negotiators. Any prolonged negotiations shorten the odds against a settlement acceptable to all concerned. In the end, a unilateral declaration by either Britain or China might become the only possible solution short of turning Hong Kong from the asset which it is at present into a liability for those who ultimately accept sole responsibility. Even now, the desirability of the territory as a piece of real estate, a cheap workshop, an international commercial and financial centre, and the home of over five million securely placed overseas Chinese is being eroded day by day. Speed of success in the negotiating process is therefore of the essence. As some of those who are engaged in current negotiations may no longer be in their seats of authority when the final day of settlement dawns, some of the chief elements of such a settlement deserve to be recorded. As China will be an equal partner this time, this fact will have to be taken in board at all times. Being still affected by the setbacks suffered during the "ten disastrous years", the Chinese leadership is bound to be sensitive to past and present weaknesses but all the more appreciative of any magnanimity shown by the negotiating partner.

Whilst the interests which are at stake will certainly not be ignored, the Chinese are known to value the style as much as the content of negotiations. It is true that any erosion of Hong Kong's "prosperity and stability" would not be in the interest of the PRC, since it derives well over one-third of its foreign exchange earnings from operations which take place there. Even so, it is equally true that no settlements will be bought at the expense of principles long held by Chinese of all persuasions. Self-reliance has not been abandoned for good, and it may be reinstated as a mainstay of foreign policy, even if this would be a costly decision. Like China, Britain could do without Hong Kong in the final analysis. The annual loss of some £100 million of earnings, in and through Hong Kong, would be regretted - particularly in the present situation of economic retrenchment - but though painful to British pride, it would not be fatal to Britain's economic interests.

As matters stand, the initiative rests mainly with the PRC. China is bound to insist on sovereignty over Hong Kong, including Kowloon and Victoria Island. This claim would cover control over financial and legal matters, law and order, citizenship of Hong Kong's residents, their official language of communication, and their movements into and out of the territory. Any sharing of power with Britain in the form of Condominium does not seem probable; neither

is a non-Chinese Governor likely to be acceptable. What does appear to be a possibility is the creation of a special economic zone with rights and duties similar to those which apply at present across the border in the neighbouring territory of Shenzhen. Certainly, for a long time to come China will need locations where East and West can meet on equal terms; where foreign investors will feel welcome; where foreign exchange can be earned; and where technical and managerial advice can be sought and given. How far such an arrangement would be acceptable to Chinese investors from overseas, and how far it would have a disruptive influence on neighbouring provinces of the PRC, it is not easy to predict. In either respect, current developments give cause for concern.

In considering how to speed up matters, it is worth bearing in mind that American, Japanese and West European interests are as much affected by the final outcome as are those of Britain. Thus the governments, banks and trading firms of these countries might well be encouraged to play a more active role than they seem to have done so far in the search for a satisfactory solution. Whilst the United Nations does not provide a forum acceptable to either China or Britain, this does not rule out the good offices of third parties that have an interest in "prosperity and stability" in the Western Pacific. In the end, it will of course be the inhabitants of Hong Kong who will gain the most or pay the highest price, depending upon the type of settlement reached and the time taken to reach it. Their voice should therefore be heard. The new British Nationality Act, which has been in force since the beginning of 1983, has already changed the status of over 2½ million inhabitants in Hong Kong from British subjects to "citizens of the British dependent territory of Hong Kong". They will be the prime beneficiaries or victims of the Sino-British accord, depending on its terms. They and the many refugees, even those who had no political reasons for crossing the border from China to Hong Kong, do not look forward to a drastic change of status from the one to which they have become accustomed. If a limited opinion poll, instigated last year by the "Hong Kong Observers", can be relied upon, over 90 per cent of those who took part would be satisfied with the status quo. This probably reflects the wishful thinking of a population unaccustomed to political judgment. Even so, nearly two-thirds expressed themselves satisfied with a combination of Chinese sovereignty and a British presence. This would seem the best solution they can hope for, but it is unlikely to materialise. Reality may well provide even less

than a second-best. The greater the delay of a settlement, the less likely will the conditions favour the people of Hong Kong, most of whom will be unable to find a new home elsewhere. What must be avoided at all costs is yet another gathering of shaky vessels in the South China Sea, seeking refuge in distant foreign lands.

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