

The deal is on the verge of being finalised. No consultation — with either the people of Hongkong or Britain. And it won't work

The Hongkong Syndrome

Walter Easey



parliament gave a few hours over to a puerile debate that constantly retreated behind bland and meaningless reassurances from ministers and a constant re-statement that the contents of the talks in Peking must remain confidential; people in Hongkong have not kicked up much fuss — there hasn't been a single riot for over 18 months — so there is clearly no reason to worry, is there? Well, I think the whole question of what happens in Hongkong from now through to 1997 and beyond is altogether more problematic than has been presented to us. There are some very serious problems, some of which appear to be intractable and the implications of those problems will have effects locally, in China, in Britain and to an extent everywhere in the world.

Problems with the package

The essence of the deal that has emerged, to judge by statements from *Xinhua* (New China News Agency) and leaks to the press is as follows: Britain will cede its claim to sovereignty over all Hongkong in 1997 — the date of the expiry of the 99-year lease on the New Territories. Between now and 1997, limited democratic reforms will be introduced with the aim of directly electing a part of the Legislative Council. A Liaison Group will be set up, sited initially in Guangzhou (Canton) but later sitting in Hongkong to perform liaison and consultation roles but not in any administrative sense. China has agreed to a form of words that 'guarantees' Hongkong's unique economic system and way of life, its familiar legal system, the ownership of property and transfer of goods, quotas, tariffs and negotiating rights with GATT and other bodies, its own customs status, the convertibility of the Hongkong dollar, freedom of movement and educational system. A Green Paper on electoral reform has been published and the whole package will be published in detail to enable widespread consultation and comment before

the deal is initialled and then debated in parliament this autumn. Outstanding issues not yet agreed are said to be nationality and passports, civil aviation rights and the legal status of land in the New Territories.

The Chinese have agreed that no fundamental change to the package will take place for 50 years. They, interestingly, asserted their right to station armed forces in the territory as they see fit and when this was announced, the Stock Market slumped by 50 points in a day. From the Chinese side, provision for the status on offer was made at the 11th National Congress under Article 31 of the Chinese Constitution for the establishment of Special Administrative Zones and this form of association has also been offered to Taiwan.

The problem with the package is that it assumes a large number of other conditions that either will not occur or may very well change and is in any case, *much too late*. Specifically, it assumes that the six million people of Hongkong will accept the package, that the Hongkong economy will continue to thrive and provide full employment, that the PRC are both sincere about their stated wish to see a capitalist enclave on its soil persist and prosper, that there will be a continuation of this policy when the present set of geriatric leaders step aside or die, and that investment by both indigenous and foreign capitalists will continue at the same sort of levels as in the past.

Free market capitalism

Let us start with the stuff that really makes the world go round, which is not love, but *money*. This stuff is flowing *out* of Hongkong in a big way. Because of the way that the colony's financial arrangements are organised — or, more correctly, unorganised — it is impossible to quantify total outflows. There is no check on capital movement other than what can be inferred indirectly from changes in the exchange-rate of the Hongkong dollar against the US and even this index has been shielded by linking the two currencies together during

ONE HUNDRED AND forty five years ago, Britain got into the Hongkong business as the almost accidental by-product of the First Opium War (1839-1842). Britain is presently negotiating its way out of being a landlord on Chinese soil since the Peoples Republic of China (PRC) has somewhat belatedly noticed a flaw in the original lease (*viz.*, that it had been dictated at gunpoint by the gun-wielder — Britain). It was not, and never had been, a valid contract in international or any other kind of law and being a patriotic sort of bunch, they want it back. Thatcher's crew in the Foreign Office are busy facilitating their demand. The wretched Geoffrey Howe shuttles to and fro and although a few details over the position of Cathay Pacific Airways and port regulations still need sorting out, there is very little doubt that in a few weeks, Britain and the PRC will sign a document that cedes British sovereignty back to China and lays down a timetable and programme for eventual full reincorporation of the world's biggest sweatshop into its own rightful mother-country.

The British press has largely ignored the issue (the main exception is the *Guardian*);

the last year with the Hongkong government probably expending very large amounts of its cash reserves holding the figure to HK/US\$7.83 ratio. On a free market, the ratio would be much lower. What we do know is that, say, in the period 1979/81, HK\$13.8 billion left Hongkong for the USA alone. The flow in the other direction was less than a fifth of that amount. (*New York Times* 1 Aug 1982).

Jardine Matheson — the colony's largest trading conglomerate (and one of the world's larger such corporations) pulled out and relocated its headquarters in Bermuda. One of Hongkong's largest securities companies, Sun Hung Kai, concluded a deal with Merrill Lynch (the world's No 1 stockbrokers) whereby its chairman Fung King-hey has a convertible debenture deal that will allow him to export HK\$330 million to the USA overnight whenever he wants to. In fact, the Chinatowns of the West, particularly New York, Toronto, London and Amsterdam are seething with hot Hongkong slush-funds and property prices have risen steeply. There is also considerable investment of Hongkong money outside of the traditional Chinatowns and only recently I discovered through the London *Holborn Gazette* that a local estate brokers has set up a Hongkong office specifically to channel money into the UK for Hongkongers who wish to purchase homes in London. Another estate broker is busy leafletting houses in the London borough of Camden advertising its services and boasting of a long list of potential buyers from Hongkong.

The point of this is that Hongkong's economy has always depended on quick and easy access to investment funds for speculative schemes and much of this has come from local investors. The peculiarity of Hongkong's capitalism has been its dependence on the confidence and availability of locally-generated money and the available evidence is that this has seeped away in substantial amounts and is likely to continue to do so. Local real estate prices remain in a deep slump as sellers forlornly seek reluctant buyers, often taking losses of high levels compared with the prices they paid only a few years ago.

A confidential Merrill Lynch survey of Hongkong's securities written by their Senior Equity Specialist Samuel D Isaly in May 1982, classified *all* Hongkong shares as 'speculative' or 'high risk' and on the settlement they saw as forthcoming between China and Britain over the future observed that: 'We expect that that the 'solution' to Hongkong's status will be a

legal charade, *but we are unable to clearly conceive of its nature.*' (my emphasis WWE)

Well, nor can I. Hongkong's economy has prospered under a virtually unrestricted capitalism of the sort that is extinct in Europe and North America. No restriction on monopolies (they are encouraged and much massaged by the colonial government) nor serious attempt to regulate the stock market by way of prohibiting insider-trading or demonstrably menda-

full reincorporation of the world's biggest sweatshop into its own rightful mother-country

cious share prospectuses, minimal trade union activity, no social security and above all no political activity other than the discreet hand of the Foreign Office in bed with local millionaire activists that have over decades secured a squalid compact whereby Whitehall exerts minimum pressure on the actual details of local activities in return for privileged entry for British goods and a swingeing return in the City for British insurance, shipping and banking interests. This has been very profitable for London — the return on investments has been at least equivalent to that on British investments in South Africa — perhaps in the region of £2,000 million a year in recent years.

A little bit of democracy . . .

But you cannot mess about with the whole unstable house of cards without bringing it to the ground rather quickly. Take democratic reform as a case in point. For a long time, the only word that issued from Whitehall or Government House in Hong-

kong on democracy was that there was no local demand for it — people were happy with a sound and fair colonial administration that guaranteed freedom for enterprising workers and industrialists, the maximum opportunity to create their own, and thus, others' wealth. A Thatcherite paradise of optimising creativity, hard work and a sharp eye for the main chance with no excessive restrictions imposed by pointy-headed professors under the influence of the International Labour Organisation or groups (God forbid) even further to the left.

However, the stark realities of any conceivable democratic reform in Hongkong is that without ballot-rigging or internment, the candidates who will win in any fair elections will be the sort of people who have emerged from the last 15 years of student politics, grass roots organisation amongst the poor and oppressed and those who have emerged from the painful process of de-Maoification and the reappraisal of the Cultural Revolution. They will stand on low-key socialist platforms that stress their Chinese patriotism whilst strongly arguing for *social justice*. This social justice is pretty short in Hongkong today and the sort of concerns about housing, the needs of the elderly, medical care and conditions at the workplace will inevitably inform the demands that they put forward. Those demands can only be met by raising taxes to the affluent and improving both wages, health and safety standards in the factories. This, ultimately, can only be financed from the *rate of profit* (since Britain will not provide any subsidies from this end). It is precisely the high rate of profit that has attracted overseas investment and its fall is precisely what will divert those same very volatile funds into less problematic regions like



South Korea, the Philippines or Taiwan and teams from those countries have already been in Hongkong touting for business.

But the demand for democratic reform is irresistible now and is being guardedly encouraged by the Hongkong government in the hope that a locally-based political machine which they hope (unrealistically, in my view) to inflate as a buffer against steady Chinese encroachment on their freedom to extract every last ounce of the distillate of workers' sweat will work. It will not. The contradiction between the demands of a virtually unrestricted capitalism and social-democratic politics that is firmly based is very difficult to reconcile. The understaffing and corruption of the Factory Inspectorate, the 19th century Company Laws listlessly enforced, the arrogance and indifference of officialdom in every sphere of government is not a simple adjacent accident of the way capitalism in Hongkong works. It is *structural*.

The Chinese dimension

And these will be the areas that the newly elected Legislative Councillors will be called to exert themselves in. To try and fail will discredit the whole scheme. Not to try will discredit themselves. Either failure will probably end in riots with the distinct possibility that they will only be put down by the deployment, not of the crooked and brutal Hongkong police backed up by Ghurka mercenaries, but by the *Peoples Liberation Army*. In this scenario the interim arrangements and the post-1997 position as presently contemplated will simply cease to exist. China will have no choice but to assert its full control.

Internal to China, a number of problems arise that are not capable of simple solution. *If by a miracle*, they can ensure the transition smoothly and Hongkong goes on making lots of money for them, the gap between the incomes of Guangdong Province (the adjacent province to Hongkong) and the rest of China will widen and the Peking leadership will be faced with the age-old problem of regional demands-for greater autonomy against the centralising forces of the army and the politbureau. If it does not succeed in maintaining Hongkong as a profitable enterprise, then they will have the problem of feeding a giant metropolis which has no natural resources and nothing to pay for its food.

Internationally, China is going to have a real problem in convincing the world that its resumption of Hongkong is deeply desired by, and in the interests of, the people of Hongkong. This will be no easy

task because every opinion poll indicates the opposite and this coheres with most of the articles on the subject in the serious Hongkong Chinese press such as *Pai Shing* (The Common People) or *Qishi Niandai* (The Seventies Magazine) as well as conversations and correspondence with friends in the colony. The majority position appears to be that they would be heartily grateful to see the back of the British and let alone to run their affairs but *not* at the price of deliverance to the whims of an administration that will be more responsive to the dictates of the party headquarters in Peking than to the needs of the people of Hongkong. However, the Peking party apparatus is in full swing trying to win the mass of Hongkong opinion over to its point of view and they have a well-organised apparatus to work with. The combination of a pliant pro-Peking trade union sector plus cultural outlets in newspapers, cinemas and schools and a partial base in the students' unions at the main universities gives them numerous opportunities to put their ideas across.

a grievous human tragedy is building up for Hongkong in the next few years

Many will agree and even more acquiesce since opposition to the programme expressed too openly *now* may well be held against you later on.

In Britain, the likeliest outcome of Chinese resumption of Hongkong is that the Chinese community here which is the third biggest ethnic minority in Britain, will emerge from hiding and start to take some part in the political process. They have signally failed to do so so far. Overseas Chinese (*Huagiao*) have understandably refrained from involvement given their experiences in pogroms in California in the 1890s, race riots directed at them in Malaya in the 1960s and outright genocide in the aftermath of the Suharto coup in Indonesia. But this will change and as the possibility of considering their sojourn in the UK as a temporary one finishing in return to retirement in Hongkong or China recedes, then it will be pretty clear fairly soon that if their particular needs as a community are to be met, they will have to join political parties, stand for elections and place their demands on race relations boards, local authorities, police bodies, central government, in short assert themselves as a community right across the board.

Globally, the most important effect will

be felt in Taiwan. //China can pull off a peaceful transition in Hongkong and keep its 'patriotic bourgeoisie' both in place and in considerable affluence, the bourgeoisie that currently supports the Taiwan regime of Chiang Ching-kwo will start to eye the mainland with considerable interest. It is, after all, a huge untapped market potentially open to large sales of the sort of thing that Taiwan produces in great quantities, rice-cookers, transistorised sound systems and even shipping. Being a Special Administrative Zone would put them on the inside track for a market of 1,000 million people who are being urged to get rich by Deng Xiaoping and his adherents.

Whatever happened to the 'Falklands factor'?

Britain's manufacturing elite are rubbing their hands at the prospects of selling aircraft, computers, mining machinery and military hardware to the PRC once all the difficulties posed by Hongkong are removed from the agenda. They have latched on this one fact to explain why their sales of products to the PRC are so poor compared to the French or West Germans. The City can relocate its funds and corps of coupon-clippers in other profit-centres if need be and as far as the politicians are concerned, they have locked the door firmly against our 2½ million fellow British subjects and passport-holders through the British Nationalities Act 1982.

There is a delicate irony in Britain rearranging its old colonial empire to suit its present crisis. We reinforce the Falklands with untold billions (going to Thatcher's allies in the military and construction fields) on the grounds that sovereignty is un-negotiable and the will of the Falklanders is sacrosanct. At the same time, another branch of the Foreign Office is busy negotiating freely a sovereignty for a people that is twice the size of Israel, who have not been consulted, whose wishes will certainly not be sacrosanct and will initial a deal with China *before* either the details have been presented to the people it concerns or to the body that is nominally responsible for the decision - the British parliament.

There is, in my view, a grievous human tragedy building up for Hongkong in the next few years. We may yet see a new generation of boat-people in the South China Sea, except this lot will be waving perfectly useless British passports at the cameras! And we should reflect in shame over the fact that we had the opportunity to notice the forthcoming drama if only we

had taken notice of the censored parts of the Third Report of the Parliamentary Defence and External Affairs Sub-Committee nine years ago (House of Commons Papers 270 1976). The then head of the Hongkong desk at the Foreign Office was being questioned about the future of Hongkong. In the prologue of the Minutes of Evidence to the Sub-Committee it states that 'asterisks indicate that part or all of a question or answer thereto or several consecutive questions and the answers thereto have not been reported'.

(O'Keefe) 'I think that these decisions are

taken because there is faith in the future of Hongkong and the only policy we can now adopt is one of regarding the future of Hongkong as a viable entity. More than that one cannot say. ***. The decisions are taken in the interests of the people of Hongkong. ***. There is no other viable policy.' (p18)

One day, perhaps, there will be parliamentary select committees who do not let this sort of deception pass unchallenged nor acquiesce in the suppression of information that at the very least both the people of Hongkong and those of the nation that has cruelly and cleverly exploited it for 145 years should know so that they could assess

their position and make their calculations. The secrecy of government, the greed of City merchants and the spinelessness of politicians confronted with the professionals of the Foreign Office lie-machine has ensured that a deal which will probably not work has been foisted off on a people who have not been consulted and has been unscrutinised by the parliament that is supposed to make sure that this sort of cynical stitch-up doesn't happen.

Some of us tried to draw attention to this a few years ago. No-one listened. I expect the same will happen today.

Fingerprints

Printing Co-operative/Cywaith Argraffu
Tŷ Penderyn

Pen-y-Wain Lane, Roath, Cardiff.

- Top quality litho printing to SRA2
- TU (NGA) throughout

CARDIFF 482582



Collets PENGUIN BOOKSHOP

We stock a comprehensive range of Penguin books, new & secondhand.
We can order any Penguin book in print within three working days.
We have a reserve list for out of print titles.

52 Charing Cross Road, London WC2H 0BB. Tel: 01 836 2315

Open: Mon-Sat. 10.00-6.00



Collet's

COLLET'S LONDON BOOKSHOP

64-66 Charing Cross Road London WC2

More bargain books from Collets

A selection from our recently expanded Soviet Union and Eastern European books section

Diary of the Twentieth Congress of the CPSU
Vittorio Vidali pbk £4.95

Red Petrograd: Revolution in the Factories, 1917-1918
S. A. Smith hbk £25.00

The Bolsheviks Come To Power
Alexander Rabinowitch pbk £7.25

Soviet Trade Unions: Their Development in the 1970s
Blair A. Ruble hbk £20.00

The Road To Stalingrad
John Erickson pbk £10.00

The Road To Berlin
John Erickson hbk £20.00

Feminism in Russia, 1900-1917
Linda Harriet Edmondson hbk £16.50

The Bolsheviks in Power
A. F. Ilyin-Zhenevsky pbk £4.50

A History of the Czechoslovak Republic, 1918-1948
Ed: Victor S. Mamatey and Radomir Luza pbk £9.65

Shop open: Mon, Tues, Wed 10am - 6.30pm
Thurs 10am - 7pm; Fri 10.30am - 7pm; Sat 10am - 6pm

Telephone 01-836 6306
Send cheques, postal orders or book tokens to the above address

Please allow 50p per book for post and package, or £2 for 5 books or more.