

EIRFeature

Hongkong returns to China, while ‘the monkeys shriek’

by Mary Burdman

Beside the wreckage of a sunken ship, countless vessels have sailed by;
before a withered tree, thousands of plants flourish.

Amid the incessant shrieking of monkeys from the shore, the small boat
has already passed thousands of mountains.

These famous T’ang dynasty verses were quoted by Chinese Foreign Minister Qian Qichen, in a speech to the new members of the Hongkong Special Administration Region Provisional Legislative Council, on Dec. 21, 1996.

The “shrieking monkeys” of the world (most of them swinging around London) were not able to deter the government of China from recovering Hongkong from the current-day British Empire—financially and politically, still the most powerful single entity on earth. China’s leaders, especially the late Deng Xiaoping, were determined to bring the former British Crown Colony back into the Chinese nation. The primary issue was that of national sovereignty, but other vital issues were at stake. Emerging from the upheavals of the Cultural Revolution, the Sino-Soviet split, decades of tensions with the United States, and many regional wars, the leaders of China realized that their huge and ancient nation could not develop, without stability and peace. Not only China, but all developing nations, urgently need a new, just, and rational international political and economic order to survive. To achieve this, it was essential, as Deng repeatedly stated, to find new, peaceful solutions for the “problems left over from the past,” such as Hongkong.

China’s policy

At the Asian-African Conference held in Bandung, Indonesia in April 1955 (the founding conference of the Non-Aligned Movement), China’s Prime Minister Zhou Enlai endorsed the “five principles of peaceful coexistence.” In 1973, Deng Xiaoping, speaking at the United Nations, stressed the importance of these five principles, and called for debt cancellation and economic cooperation among Third



Schiller Institute delegation participates in a celebration of the return of Hongkong to China, in Los Angeles, on June 27. The question of Hongkong is definitely not about the end of “democracy.” “The truth about Hongkong is that one of the many crimes of the British Empire is coming to an end,” said Schiller Institute founder Helga Zepp LaRouche, in a statement released on July 29.

World nations to enable their development.

This remained a fundamental principle of Deng’s policies, reiterated in his discussions with developing sector and industrialized nations’ leaders. In a discussion with Indian Prime Minister Rajiv Gandhi in December 1988, Deng stated, The “North-South question . . . is only a question of development. . . . We should look at this problem in terms of the development of mankind as a whole.” There can be no “Asia-Pacific century,” unless Asia’s two Third World giants, India and China, are developed, he said. “Two things have to be done at the same time. One is to establish a new international political order; the other is to establish a new international economic order.” China understands the urgency of the question, Deng said, particularly “because of mistakes made in the past, especially during the ‘cultural revolution,’ we have wasted about 20 years when we could have been building the country.”

It was on the basis of adherence to this policy, that China ultimately recovered Hongkong. Britain did not want to yield its last, rich colony, but ultimately, it had no choice. The remarkable story of the Chinese-British negotiations and conflicts, shows not only how deftly the Chinese government handled the termagant Margaret Thatcher—the “Iron Lady,” who led the West into the disastrous geopolitical war against Iraq in 1991—but also exposes intramural wars within the British establishment, over how best to reach long-range goals in relation to China. Here, remains a problem: On the one hand, are the brawlers, such as Thatcher, and the last imperial governor of Hongkong, Chris Patten; on the other,

and much more insidious, are the Foreign Office and British intelligence “mandarins,” such as Sir Percy Cradock and Sir Robin McLaren, those representatives of the inner establishment of the Empire, whose policy is to gain long-term influence *inside* China through financial, political, and ideological influence.

This is not a new issue within the Empire: In the last century, “mandarins” such as Sir Robert Hart, the British, long-term head of China’s imperial customs, was constantly decrying the excesses of the hyper-active “forward school” in London or in India, and the harm they were doing to such work as his attempt to penetrate the inner workings of China’s economy.

China’s leaders will have to remain vigilant. They have made a great historic gain; not only have the people and city of Hongkong rejoined China, but this process has also demonstrated how it is possible to justly resolve century-old conflicts.

Deng Xiaoping might also have greatly enjoyed his opportunity to tell Thatcher, how China was doing itself, and Great Britain, the great favor of relieving them of the burden of being colonialists. Whether they appreciated the favor, is another question.

The mandarins

The British “mandarins,” however, have not given up their longer-term policies of penetration. Throughout the past two centuries, Britain’s long-term strategy has been to play the



Deng Xiaoping (left) meeting British Prime Minister Margaret Thatcher, on Sept. 24, 1982. China would do the British the favor of relieving them of the burden of being colonialists, Deng said. The “Iron Lady” met her match in Deng, she admitted in her memoirs.

dominant role in East Asia. Britain is the largest investor in China; British investment is twice that of Germany and three to four times that of France and Italy. It is also China's seventh-largest trading partner. More important, is the centuries of experience of British firms in China. Such old imperial enterprises as Hongkong and Shanghai Banking Corporation Ltd., Swire Company, Standard Chartered Bank, and Cable and Wireless are prominent in both China and Hongkong today. As the English-language *Hongkong Standard* wrote on June 30: “There are almost a thousand British corporations and individuals involved in trade, finance, banking, and other areas of economic endeavor. Their continued involvement in Hongkong's growth will be important to Britain's access to [China], the world's largest economy. Hopefully Britain will understand and appreciate where its true interests lie and will act accordingly. . . . The emphasis will have to be on economic relations, the one area where both can make immeasurable gains.”

British Labour Prime Minister Tony Blair, and his nasty foreign secretary, Robin Cook, are playing a double game. While Blair, who led the absurd, three-person “boycott” including himself, Cook, and U.S. Secretary of State Madeleine Albright, of the Chinese ceremonies marking the return of Hongkong on July 1, had harsh words for China, he had a second, more insidious message: “We have to look to the future. . . . There is nothing else we can do,” he said. “If we have to act, then the people of Hongkong will expect us to mobilize international opinion. China must know that Hongkong will be destroyed if they try to undermine the Joint Declaration.”

But, at his meeting with Chinese President Jiang Zemin, Blair also said: “We want a strong relationship with China based on the twenty-first century, putting the battles and struggles of the past behind us, because we want a new relationship for a new world.” Blair pointed to the importance of Britain

as a signatory on the Joint Declaration and the impact on Britain's own position and international opinion, if the Declaration were not adhered to.

Economic future for Hongkong

The greatest guarantee of Hongkong's real security, will be the rapid integration of the former colony into the vast, rapidly expanding economy of China. Since 1949, Hongkong has been a “window to the West” for China; but, in recent decades, Hongkong's economic role has been ever-more determined by China's, now undergoing the most intensive infrastructure, industrial, and scientific development in its history.

China's limited port capacities, both sea and inland, have long been a severe problem. Medium- and long-term national plans are to expand the capacity of existing ports, as well as to build new ones, but, until that can be accomplished, Hongkong has a key role to play.

Despite its inauspicious beginnings as a haven for British opium smugglers, and later as the financial and logistics base for their “legitimized” drug operations, for the last five years, as the Chinese economy has opened up, Hongkong has become the largest container port in the world. It handled 13.4 million containers last year, 70% of which were from or bound for inland China.

China's Minister of Railways, Han Zhubin, in an interview with China's news agency Xinhua on June 16, described plans for expansion. Since 1962, three express cargo trains have been running between Hongkong and inland China; after 1997, these express trains will still be the most advanced cargo trains in the inland areas, Han said. For passengers, the first Guangzhou-Kowloon train was launched on April 4, 1979. Now, seven trains from inland China reach Hongkong. In mid-May, the great engineering project of the new Beijing-

Kowloon railroad was completed, through a belt in which 117 million people live, greatly increasing China's north-south rail capacity. This, and the Shanghai-Kowloon rail lines, have shortened the distance between Hongkong and China's big cities, including Beijing, Shanghai, Tianjin, Nanchang, and Zhengzhou, Han said.

In southwest China, the Kunming-Nanning railroad is just being completed, also expanding the importance of Hongkong as an international port.

The Ministry of Railways is committed to better operation of container-transport trains between inland China and Hongkong, Han said. The ministry has already, in cooperation with the Kowloon-Canton Railway Corporation, started through-train container transport service from Zhengzhou, Wuhan, and Chengdu to Hongkong. Kunming, Guizhou, and Chongqing, far in the interior, will also open through-trains to transport containers to Hongkong. Regular cargo service, including for food and produce, will also be expanded.

River and road transport will also expand Hongkong's capacity as a transport hub. Not only can Hongkong, as a Special Administrative Region (SAR), independently develop shipping ties with other countries or regions, but the completion of projects such as the Guangzhou-Shenzhen Expressway, the Shenzhen-Shantou Expressway, and river harbors along the Pearl River will expand Hongkong's role as an entrepôt for the rest of China. Huang Zhendong, Chinese minister of communications, stated on June 19 that China's inland international harbors handled a combined 8 million containers last year. More large-sized transport facilities are under discussion.

Every day, over 24,000 vehicles, 91% of which are trucks, cross the border between Hongkong SAR and China. In 1996, Xinhua reported, nearly 1.2 million tons of goods from the inland areas were transported to Hongkong via rail, while 800,000 tons of cargo were shipped to the inland areas from Hongkong. The number of passengers that crossed the border by train reached 48 million in 1996, some 5 million more than in the previous year.

Now, the rapidly developing infrastructure of the Shenzhen Special Economic Zone will be even more closely integrated with Hongkong, and relieve the bottleneck on Hongkong's own facilities.

And, in a message that should be noted in the financial circles in the City of London, in his inaugural speech delivered on July 1, Hongkong SAR's new Chief Executive Tung Chee-hwa said that among the first steps of the government would be to "draw up a comprehensive plan to improve the quality of education," and to relieve the severe housing shortage. "The crux of the housing problem is inadequate supply, causing prices to soar and creating opportunities for speculators," Tung said. "We will draw up a ten-year housing plan; extend the mass transit system and [carry out] infrastructure development. . . . We will devise a range of anti-speculation measures and monitor the market closely. We will take resolute action when it becomes necessary to do so."

Ruled by the Crown

Any who might have illusions, that all the fuss kicked up recently about "democracy" in Hongkong, has any veracity, should study the history of the British colony.

Being a Crown Colony, meant that Hongkong was run on the basis of an Order in Council—that is, the Queen's Privy Council, the most powerful single organ in the current British financial and political empire—by a governor *appointed* by the monarch. All land in Hongkong, until June 30, 1997, was *owned* by the Crown; under this feudal system, builders could only lease, or sub-lease, not own, land in Hongkong. Britain itself, of course, still has a similar feudal system; it has never enjoyed a land reform. Huge tracts of land in city and country are still owned by the Crown or aristocracy, and only leased by farmers, villagers, and city tenants.

While China has, since 1949, regarded all ethnic Chinese living in Hongkong as Chinese nationals (unless they were born overseas), the British legal position was that they were British nationals—within strict limits. Since 1962, no "citizen" of a British dependent territory has had the right to live in Great Britain; they had special "dependent" passports. The 1981 Nationality Act created a new category: British Dependent Territories Citizen, who only had a right to an abode in one particular British territory.

The inner workings of the "latter days" of British Hongkong have been well documented, especially by the mandarins Sir Percy Cradock and Sir Robin McLaren. Cradock published his memoirs, *Experiences of China*, in 1994. He was Thatcher's foreign policy adviser (1984-92), chairman of the Joint Intelligence Committee, and became a Privy Councillor in 1993. He was ambassador to China during 1978-84. London's Royal Institute for International Affairs has just published a paper, "Britain's Record in Hongkong," by McLaren, also an ambassador to China (1991-94), a key representative of the British in the negotiations over Hongkong, and a senior official at the Foreign and Commonwealth Office.

On colonial "democracy," McLaren wrote: "It is undeniable that representative government came late to Hongkong. The Legislative Council (Legco), was still wholly appointed at the time the Joint Declaration negotiations took place, and the first, indirect elections were not held until 1985." The colonial government was run by the Crown-appointed governor, with the "advice and consent of the Legislative Council," and Executive Council. "Membership of the two councils was laid down in Royal Instructions to the Governor"; they were British officials. In a city 98% Chinese, the "local," i.e., Chinese, members of the Legco were always known as the "unofficials."

From the opium wars

Throughout the nineteenth and first half of the twentieth century, Hongkong was of relatively minor importance, little more than a stuffy, "very British" colonial backwater on the south China coast. The real center of British, and other colonial power, was Shanghai, the industrial and financial center of all East Asia, the huge port where the Yangtze River,

China's vast inland waterway, met the Pacific sea routes. Only after 1949, when foreigners were booted out of their concessions in Shanghai, did Hongkong begin to assume real importance as a port and a financial center.

The British Empire acquired Hongkong Island as a permanent colony as the result of the first Opium War of 1840—Britain's bloody enforcement of its need to balance the East India Company's books by selling opium to China, the only "profitable" venture of this trading empire. (Britain produced nothing that any other nation wanted to buy; opium was its great "success.") Following the Second Opium War of 1856, launched by Anglo-French forces, China had to cede the tip of Kowloon peninsula, also "in perpetuity." In 1898, as other world powers were staking out spheres of influence in China, Britain forced the Qing government to sign a treaty, the Convention for the Extension of Hongkong, to grant a 99-year lease to a large stretch of land on Kowloon and over 200 islets, called the "New Territories." These were the "three unequal treaties."

McLaren noted that, at the end of World War II, U.S. President Franklin Roosevelt "would have preferred to see Hongkong made over to Chiang Kai-shek, once the Japanese had been ousted. That would also have been Chiang's preference, and he had no doubt been encouraged to believe that Hongkong would be returned by Britain's willingness, in the Sino-British Treaty of 1943, to confirm its abandonment of the right to extraterritoriality and to maintaining concessions in China. Winston Churchill, however, had no intention of giving up Hongkong."

The British colonial administrators imprisoned by the Japanese after 1941, were determined to re-take Hongkong. When the Japanese capitulated in August 1945, their forces were still in possession of huge areas in Southeast and East Asia. Gen. Douglas MacArthur had forbidden Britain to accept the surrender of Japanese forces anywhere, until the final surrender document was signed in Tokyo Bay on Sept. 2, 1945. But, in Hongkong, an interned British colonial official slipped out of a Japanese prison camp, retrieved a British flag he had hidden in 1941, and ran it up. A British naval task force sped to Hongkong, to take the Japanese surrender on Aug. 29—violating MacArthur's orders. The Chinese forces would not take the territory of an ally; Hongkong was again British.

Since the founding of the People's Republic of China in 1949, Chinese policy has been to consider Hongkong part of China's territory. The People's Republic did not recognize the three "unequal treaties" as valid; its policy was that the issue of Hongkong should be settled through negotiations when "conditions were ripe"; until then, the status quo should hold.

China's policy remained, during the complex situation following World War II, to recover Hongkong, as the People's Republic's statesman, Zhou Enlai, repeatedly stated. Already in 1958, McLaren wrote, Zhou Enlai warned in a conversation with a British visitor to Beijing, that a plot was being hatched to turn Hongkong into a self-governing territory like Singa-

pore. He wanted the British government to know that China would consider any such development, a very unfriendly act.

In March 1963, the Beijing *Zhongguo Qingnian Bao* (*China News Daily*) reported, "faced with overseas criticism of China's Hongkong and Macao policy (such as, that 'a socialist country actually tolerates colonialism')," China published for the first time in the *People's Daily* the statement that: " 'Hongkong and Macao are leftover historical problems from a series of unequal treaties forced on China by imperialism.' As to such problems, 'our consistent stand is that, when the terms are ripe, we will solve them peacefully through negotiation. But until they are solved, we will maintain the status quo.' "

China remained isolated. Although the Soviet Union, India, Pakistan, Indonesia, and other independent developing nations recognized the Beijing government after 1950, Western nations did not. Britain, followed by the Netherlands in 1954, established relations, but only at the *chargé d'affaires* level; they maintained ties with Taiwan.

It was French President Charles de Gaulle who broke the situation open. In January 1964, stating the importance of dealing with the nation of China in world affairs, especially over the crisis in Vietnam, he sent a full ambassador to Beijing. It is one of the tragedies of recent history, that de Gaulle had wanted to discuss this policy toward China with U.S. President John

Cricket and the British Empire

One essential matter for understanding the workings of the British mind, are the "rules of the game" of cricket. The very highest level of "mandarins" constantly use images from this most British of games, one of endless "rules" and "precedents," not of action and motion. The greatest of British social values is to "keep the playing field level"; Sir Percy Cradock expressed his outrage at the national leaders of China, that they had insisted that the British "should give the game away before we ever got on to the pitch."

Cricket play is dominated by its bible, called the *Wisden*, which is an annual chronicle of all cricket matches played around the world. It contains not only the scores, but also the rules of the game, controversies, and so forth. This behemoth ranges in length from more than 1,000 to 2,000 pages. Cricket rules are so extensive, and so enormously complex, that no one save a lawyer or an umpire can possibly begin to remember them. Every cricket match requires two umpires working simultaneously.

The rules are called the "laws" of cricket. Although it originated as a folk game, it was taken over by the aristocracy and gentry in the seventeenth century, and only after

Kennedy, whom he had warned about the dangers of falling into a morass in Vietnam. This discussion never took place: Kennedy was assassinated before it could happen.

In 1972, Britain and Japan also sent ambassadors to Beijing, but the United States did not establish full diplomatic relations with China until 1979.

Regaining Hongkong

In 1972, the United Nations General Assembly voted to give the permanent seat on the Security Council, until then occupied by Taiwan, to the People's Republic of China. China then sent a letter to the UN Special Committee on Decolonization, stating: "The questions of Hongkong and Macao belong in the category of questions resulting from the series of unequal treaties which the imperialists imposed on China. Hongkong and Macao are part of Chinese territory occupied by the British and Portuguese authorities. The settlement of the questions of Hongkong and Macao is entirely within China's sovereign right. . . . The Chinese government has consistently held that they should be settled in an appropriate way when conditions are ripe."

This ensured that it would not be possible for the British to create a situation in which Hongkong or Macao would be declared "independent," and that decisions on the future of Hongkong were to be dealt with only bilaterally, between

China and Britain. The 27th UN General Assembly supported the Chinese view.

In the same period, the leaders in Beijing were developing their strategy for dealing with London. In May 1974, Mao Zedong met with British Conservative Party leader Edward Heath, and the two agreed to the "peaceful and stable handing over of Hongkong in 1997," the Zhongguo Xinwen She (China News Agency) wrote on the history of Hongkong on June 29.

(Heath, British prime minister during 1970-74, is an interesting figure. In March 1972, under Heath, Britain sent its first full ambassador to China, and ended its diplomatic ties with Taiwan. Heath leads the moderate, anti-Thatcher wing of the Tory Party; his relationship with his successor, Margaret Thatcher, can be described as one of mutual loathing. The British press have commented that his love for Classical music stands in contrast to her intense dislike of it. In the midst of Thatcher's drive for war against Iraq in 1990, Sir Edward was the most prominent member of the British Conservative Party in Parliament to publicly, repeatedly oppose her.)

A new solution to an old problem

When Deng Xiaoping came to power, and the Cultural Revolution's "Gang of Four" was crushed, his policies to modernize and open up China were confirmed in 1978 by the

1830 did professionals and their patrons begin to appear on the scene. After 1870, and until the 1940s, the game was controlled by the gentry. Each summer, in England, there would be two cricket matches between the "Gentlemen" and the "Players"—the "Gentlemen" being the aristocrats and gentry, who, of course, did not play the game for money, while the "Players" were the money-making professionals and other social "riff-raff." When these two games were played at the Lord's—the most exclusive of English cricket clubs, located in the London suburbs—the "Players" were only allowed to enter the ground through one designated gate, while the "Gentlemen" had the privilege of entering through the other. Mixing up the gates was never allowed.

In 1744, many new "laws" were introduced, drawn up by the London Club, whose president was the Prince of Wales, and a committee consisting of noblemen from London, Middlesex, Kent, Hampshire, Surrey, and Sussex.

An affliction of the Commonwealth

Cricket has been made an affliction of the British Commonwealth. Former colonies have the privilege of engaging in "Test Matches" between the best 11 players of two countries. Currently, England, Australia, the West Indies, New Zealand, India, Pakistan, Sri Lanka, Zimbabwe, and South Africa are allowed to play "test matches"; Bangla-

desh has only just now qualified to join this "elite" group.

A test match is a five-day affair, with five test matches usually played between two countries at one go, called a "rubber." On each day, under normal conditions, the game is played for six hours: two hours before lunch, two hours between lunch and tea, and two hours between tea and when the "stumps are drawn." During the two-hour sessions, "drinks" are brought in twice on a trolley by the "twelfth man" of each side.

A game *can* be won or lost during the five days—but not necessarily! In the second case, there will be a draw, or a drawn test match. Whoever wins more test matches, out of the five played, wins the "rubber." Notably, more games are drawn than won or lost.

The most extreme example of such aimless "play"—but always by the rules!—was what is known to cricket historians as the "timeless" Test. This Test was scheduled to be played to an end, but *could not be finished* and had to be recorded as "abandoned." The "timeless" Test was played at Durban, South Africa, in 1938. The game started on a Friday morning. On the tenth day of play, the players finally came off, because of rain. While there could have been an 11th, and indeed a 12th day of play, the charade had to end, because the players' boat, *Athlone Castle*, was leaving for England and could not delay its departure any longer.—*Ramtanu Maitra*



Hongkong Island's waterfront from Victoria Peak. Hongkong's Chief Executive Tung Chee-hwa said that among the first steps of his government would be to "draw up a comprehensive plan to improve the quality of education," relieve the severe housing shortage, and curb speculation.

Third Plenary Session of the 11th Chinese Communist Party Central Committee. Hongkong had an immediate role: Since 1979, Hongkong has provided 60% of the direct investment into China.

Deng also began initiatives in international relations, particularly with the most-important, yet very sensitive question of relations with the United States. Deng "started to consider the use of the new concept, of allowing two social systems in one country, which he put forward for solving the Taiwan issue during the negotiations for the establishment of diplomatic relations between China and the United States in 1978, to solve the Hongkong issue," China News Agency wrote.

One additional reason for the ultimate Chinese success on Hongkong, was the fact that it was the British who had to initiate the talks, indicating to Beijing what it had been waiting for: "Conditions were ripe," because of Britain's own colonial policy.

"All land in Hongkong was—and will be until 30 June 1997—owned by the Crown and leased to those who used it," Sir Robin McLaren wrote. On Hongkong Island, leases were given for 99 years, but on the New Territories, where most of the building was going on, all leases had to be written to expire a few days before 30 June 1997—under the Crown's own 1898 Order in Council. Standard mortgages ran for 15 years, making 1982 the last possible year in which new 15-year leases could be issued.

The British, as Sir Percy Cradock wrote, wanted to "blur the 1997 deadline," by a new Order in Council, which would allow new sub-leases, valid so long as the Crown administered the territory. That would be left "open," i.e., the terminal date in 1997 would simply not appear in the new Order.

Sir Murray MacLehose, Hongkong governor at the time, was sent to Beijing in March 1979, to begin the British ap-

proach. The Chinese were ready for him. Instead of the usual procedure, in which Sir Murray would have met lower-level officials, in preparation for his reception by Deng Xiaoping, he was ushered into Deng's presence immediately. Deng took the initiative, and raised the question of Hongkong's future. He "advised" against any reference to "British administration," and, in response to Sir Murray's "technical" inquiries on the terminal date, Deng would only assure him that investors should "set their hearts at ease." Deng emphasized the importance of Hongkong to China's modernization plans, but said that any solution had to have as a prerequisite, that Hongkong was part of China, although with special status.

Deng's view made it clear that, for China, "political goals came before market forces, and that any solution was likely to require a recognition of Chinese sovereignty," Cradock noted of the meeting.

Changing the rules of the game

The Chinese education of the British in matters of diplomacy continued. When Thatcher's foreign secretary, Lord Peter Carrington, went to Beijing in April 1981, Deng was not forthcoming during their meeting; he only suggested that the British should study Taiwan.

But, one year later, Deng ran a wonderful diplomatic coup against Thatcher. In April 1982, he "opened up," to none other than her nemesis, former Prime Minister Heath, who was visiting Beijing. Deng proposed to Heath what ultimately became the resolution of the Hongkong situation: that Britain accept a solution for Hongkong, with a proposed nine-point plan for peaceful reunification, with Taiwan as a model. China would regain sovereignty, but Hongkong would become a Special Administrative Region, and remain a free port and international financial center.

Thatcher, however, refused to listen to Deng's message. She was then in the midst of a war to recover control of another British colony: the Malvinas Islands off the coast of Argentina ("the Falklands," in British terms), which had been taken militarily by Argentina—a position supported by the Chinese. Flush with her victory, Thatcher went to China in September 1982. By that time, she was in full flight forward. "Fresh from the Falklands experience," Sir Percy Cradock wrote, Thatcher kept looking for possibilities to deny China sovereignty: Could Hongkong Island survive on its own; could the United Nations be involved; what could the British military do? This was all fantasy. The Japanese forces had overrun Hongkong in three days in 1941; Hongkong was totally dependent on the mainland for every vital supply.

But, Thatcher kept insisting that the three unequal treaties were valid, and Chinese sovereignty would mean capital flight from Hongkong, and economic and financial collapse. Her only so-called concession was that, on condition that Britain continue to administer Hongkong, the British would "consider" China's claim to sovereignty.

But Thatcher had met her match. In their meeting on Sept. 24, 1982, Deng told Thatcher:

"Our basic position on Hongkong is clear. There are three major issues involved. One is sovereignty. Another is the way in which China will administer Hongkong after 1997. And still another is the need for the Chinese and British governments to hold appropriate discussion on ways to avoid major disturbances in Hongkong during the 15 years between now and 1997.

"On the question of sovereignty, China has no room to maneuver. To be frank, the question is not open to discussion. The time is ripe for making it unequivocally clear that China will recover Hongkong in 1997. . . . It must be on that understanding that China and the U.K. hold talks on the ways and means of settling the Hongkong question.

"If China failed to recover Hongkong in 1997, when the People's Republic will have been established for 48 years, no Chinese leaders or government would be able to justify themselves for that failure before the Chinese people or before the people of the world." To fail to do this, would make the Beijing government the equivalent of the Qing regime, which would have to abdicate, Deng said.

"In a broad sense, China's announcement of this policy decision will be beneficial to Britain, too," Deng added, "because it will mean that 1997 will mark the end of the era of British colonial rule, and that will be welcomed by world public opinion."

While Deng committed China to maintaining capitalism in Hongkong, he put this in clear perspective. "The main concern of people today, is that if prosperity is not maintained in Hongkong, it might retard China's drive for modernization. In my opinion, while we cannot say it would have no effect whatever on China's modernization, it would be a mistake to say the effect would be very great. If China had decided to base the success of its modernization drive on prosperity in

Hongkong, the policy decision would have been wrong. People are also concerned about the possible withdrawal of foreign capital from Hongkong. But so long as our policies are appropriate, capital that leaves Hongkong will return. . . .

"I also want to tell Madam, that when the Chinese government made this policy decision, it took all eventualities into account. We even considered the possibility of something we would hate to see happen—what we should do if serious disturbances occurred in Hongkong during the 15-year transition period. The Chinese government would then be compelled to reconsider the timing and manner of the recovery. If the announcement of the recovery of Hongkong has, as Madam put it, a 'disastrous effect,' we shall face that disaster squarely and make a new policy decision. . . .

"I am concerned that there may be major disturbances in this period, man-made disturbances. These could be created not just by foreigners, but also by Chinese—but chiefly by Britons. It is very easy to create disturbances. . . . The governments of the two countries should not only refrain from doing anything that would impair the prosperity of Hongkong, but they should also ensure that entrepreneurs and people in all other lines of work refrain as well. . . .

"The prerequisite is the understanding that China will recover Hongkong in 1997."

Thatcher takes a tumble

The "Iron Lady" was shocked. She retorted, Cradock reported, that any serious disturbances would not be of Britain's making; but, if China intervened, the world would know what to think.

But her armor was cracked. Leaving the Great Hall of the People after this discussion, Thatcher slipped and fell down the steps.

Her banquet for the Chinese side that evening was a failure; she had insisted on bringing British regimental silver to decorate the tables, but these remnants of British military prowess were lost among the Chinese decorations.

Thatcher could do nothing but give vent to her anger. At a press conference back in Hongkong, she insisted that the three treaties were all valid in international law. Nastily, she said, if a country would not stand by one treaty, it would not stand by another.

For the next six months, the talks remained at a standstill, because Thatcher would not yield on the issue of sovereignty. But Deng, and ever-worsening crises in the financial system, had not done with her yet.

In autumn 1982, McLaren wrote, the situation in Hongkong was "one of considerable nervousness." The exchange value of the Hongkong dollar and the Hang Seng stock exchange index were affected. While Chinese leaders were discussing their policies, including on Hongkong, the British "felt unable to go on the offensive themselves. . . . To have engaged in a propaganda war would hardly have made the task of persuading the Chinese of the need for British administration easier, nor would it have improved business confidence."

Eastern China



Then, in November 1982, the Chinese dealt their next blow: the formulation of their proposal for post-June 1997, of “Hongkong people running Hongkong.” This policy — rather different from having the Queen run Hongkong — was something which, Cradock had to admit, had “considerable international appeal.”

Her advisers clearly nervous about the effects Hongkong financial instability would have, Thatcher finally yielded. In March 1983, she sent Beijing a letter stating that she “would be prepared to recommend to Parliament,” the discussion of Chinese sovereignty in Hongkong. Of getting Thatcher to back down, Cradock — who knows China very well — wrote, “It was as well I did so. Some explosive ideas were being canvassed in the frustration of the time: a public statement by the PM; a UN-supervised referendum on Hongkong; bringing Hongkong Island and Kowloon, nearer independence.” Thatcher even called in Defense Minister Michael Heseltine.

As a fall-back position, Thatcher clung to the illusion that the Chinese would allow British “administration” even after sovereignty was returned to China. But this was to no avail. The Chinese counterattacked, and, again, financial fragility intervened. As McLaren wrote: “There was a wider . . . dimension which placed severe constraints on the British government’s freedom of action and affected its negotiating tactics. . . . The British government were responsible for the territory and knew that if business confidence was seriously damaged *the markets could spin out of control, with potentially disastrous consequences*. The start of the talks coincided with a downturn in the economy. . . . In September 1983, when a barrage of Chinese attacks and threats made it

impossible to conceal the fact that the negotiations were on the verge of breakdown, both the Hang Seng index, and, more seriously, the Hongkong dollar came under increasing pressure. . . . The decline gathered momentum in September. . . . There was no support from China. On the contrary, the Chinese argued that the crisis was artificial, manufactured by the British to put pressure on China.” The British Treasury expressed its fears of having to bail out the Hongkong dollar; the slide was only stopped in mid-October, when the intervention was made to link the Hongkong currency to the U.S. dollar, an arrangement still in effect.

Cradock, who was leading the negotiations in Beijing that summer, wrote that British insistence on “British administration, British law, and British freedoms” for Hongkong, had led to the crisis. Chinese chief negotiator Yao Guang utterly rejected the “dream of British administration.” If there were no agreement by September 1984, Yao said, China would announce its plans for Hongkong, and if there were disturbances in Hongkong, China might have to intervene earlier. As the currency and Hang Seng fell, Cradock wrote, he became convinced that “Deng was not bluffing and would let the Hongkong economy go to the wall if he had to.”

Deng took no further chances. The Chinese negotiators announced that they wanted to set up a Joint Commission, to be stationed in Hongkong to oversee the last years before 1997. The British were opposed, but it was Deng’s idea. “One virtue he saw in it,” Cradock wrote, “was that it might deter the British from removing the family silver from Hongkong before they themselves left.” While Cradock attempted to dismiss this as a “primitive suspicion,” the Chinese were right: Jardine Matheson, the biggest opium smuggler of them all, and “*the establishment*” of colonial Hongkong, moved its headquarters to Bermuda in March 1984 to escape the Chinese government.

The ‘bottom line’

In July 1984, British Foreign Secretary Sir Geoffrey Howe went to Beijing, where he was delivered what Cradock called the “Chinese bottom line.”

Deng told him: “We will be paying close attention to developments during the remaining 13 years. . . .

“We hope that the position of the Hongkong dollar will not be shaken. . . . At present the currency has good credit, because it is backed by substantial reserves. . . . This state of affairs must not change.” The British Hongkong government would be allowed to sell its Crown lands, “but we hope,” Deng said, “it will use that income for capital construction and the development of land. . . .

“We hope that the British Hongkong government will persuade people in the relevant departments not to let British capital take the lead in withdrawing from Hongkong. . . .

But after these warnings, Deng was genial: “I am confident,” he told Howe, “that the ‘one country, two systems’ formula will work. This will produce a favorable reaction internationally and will serve as an example for other nations in

settling the disputes history has bequeathed on them. When we developed the concept of 'one country, two systems,' we also considered what methods could be used to resolve international disputes. There are so many issues all over the globe that are tangled in knots and very difficult to solve. It is possible, I think, that some of them might be disentangled by this method. Our sole purpose has been to find mutually acceptable solutions to disputes. In the past, many have flared up and led to armed conflicts. If fair and reasonable measures are taken, they will help eliminate flash points and stabilize the world situation."

Deng's stern warnings had their effect. When the Chinese and British signed their Joint Declaration in December 1984, the Joint Liaison group was established, based in Hongkong starting on July 1, 1988; it will be abolished on Jan. 1, 2000. The Chinese Hongkong Special Administrative Region retains the equivalent of over \$40 billion in reserves. During the 50-year transition period, these funds must be spent within Hongkong, but the "family silver" remained Chinese.

Deng had little mercy for Thatcher. After the agreements were reached, he sent her a message, via Howe. Deng "congratulated Mrs. Thatcher on bringing to an end British colonial rule, just as General de Gaulle had brought to a close French colonial rule." It would be most interesting, to know how the "Iron Lady" took that one.

The 'democracy' farce

The British were not done, however. During the next years, the British kept trying to re-interpret the Joint Declaration, trying to replace "a high degree of autonomy" with "maximum autonomy." Press and politicians kept up an international fuss about China's policy of stationing troops in Hongkong, and even attempted to finesse the issue of sovereignty, by insisting that Britain should be represented in Hongkong not by a consul-general, as other nations were, but by a "British commissioner"—a scheme which could have brought Hongkong into the British Commonwealth, through the back door.

None of these ploys succeeded, but, in July 1992, in came Chris Patten, as Hongkong's last colonial governor and representative of "British democracy." On Oct. 7, 1992, Patten unilaterally put forward his so-called Hongkong "constitutional reform package," including "wider elections" than had been agreed to, without previous negotiation with China, and despite requests from Beijing that he not make so provocative an announcement. Patten based his action on the claim that in what he called the "post-Tiananmen 1990s," Britain could not negotiate such matters with China. This latter-day democracy was, in British colonial tradition, hardly broad. The Legco was still fully appointed by the Crown Colony government until 1985; and then, only 24 of 56 Legco seats were even *indirectly* "elected" by various Hongkong institutions. Direct election of only 18 seats did not occur until 1991. While the Chinese Congress agreed to 20 directly elected seats in 1997, Patten's great "reform" only provided for 10 more directly elected seats!

In early 1990, the Chinese National People's Congress had accepted the British proposal, that if the composition of the last Legco under British rule, to be set up in 1995, conformed to Hongkong's Basic Law, its members could become members of the first Legislative Council of the Hongkong SAR in July 1997—the much-noted "through train." But, Patten's tactics, which included increasing the number of Legco members who held foreign nationality, wrecked this.

The Joint Declaration only stipulates that the "legislature of the Hongkong SAR shall be constituted by elections"; the time for these elections was unspecified, but the SAR government has already pledged to hold them within a year.

Unwilling to accept Patten's Legco as legitimate, the Chinese government decided to create a Provisional Legislative Council, an action Patten claimed was a "bizarre farce." But what was the colonial Legco? "A political structure serving colonial rule," Xinhua noted on Dec. 21. Its election was wholly directed by the Hongkong governor, the deputy of the British Queen.

It is worthwhile to compare Chinese and British methods of governing Hongkong.

In January 1996, the Preparatory Committee for the Hongkong SAR was established, consisting of 150 members, of whom 94 were from Hongkong. The Preparatory Committee decided to form a Provisional Legislative Council, and to do this, in November 1996, chose an electoral body of over 400 people, the Selection Committee, from more than 5,000 Hongkong candidates. The Selection Committee was in charge of selecting the first chief executive and the Provisional Legislative Council.

On Dec. 11, the Selection Committee elected Tung Chee-hwa as chief executive; ten days later, the Selection Committee elected 60 members of the Provisional Legislative Council of the Hongkong SAR. Thirty-four members of the serving Legco put their names forward for election; 33 were elected.

It was over this procedure, that British Foreign Secretary Malcolm Rifkind threatened to bring the "issue" of the Provisional Legislative Council to "the International Court of Justice.

In an interview with the Taiwan newspaper *Chung-Kuo Shih-Pao* on June 15, Zhou Nan, director of the Hongkong branch of Xinhua and a leader of Chinese negotiations for Hongkong, said: "Britain, the old-line colonialist, [was] originally unwilling to return Hongkong. . . . But Comrade Deng Xiaoping did not listen to such nonsense. . . . China would not compromise on the issue of sovereignty. . . . The reason why we can peacefully resolve the Hongkong issue is nothing but our adherence to 'one country, two systems,' [and] that our national strength has grown. . . . In her memoirs, Margaret Thatcher admitted: Due to a great disparity in actual strength and because the Chinese side did not compromise, Hongkong, for the sake of principle, can no longer be Britain's. Margaret Thatcher did not indicate which side was strong and which side was weak, but the answer was obvious for all to see."

The British empire has taken one good defeat.