



la

10 DOWNING STREET

From the Private Secretary

13 September, 1982.

Thank you for your letter of 19 September setting out the views of the Catholic Institute for International Relations on the question of the future of Hong Kong. I shall bring this to the attention of the Prime Minister.

A. I. COLES

Miss Mildred Nevile

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10 DOWNING STREET

Prime Minister

I have acknowledged

A.S.C. 13/a.

A handwritten signature in blue ink, consisting of several stylized, connected strokes.

General Secretary Miss Mildred Nevile

210/9
CIIR

19 September 1982

The Prime Minister
The Rt Hon Margaret Thatcher
10 Downing Street
London, SW1.

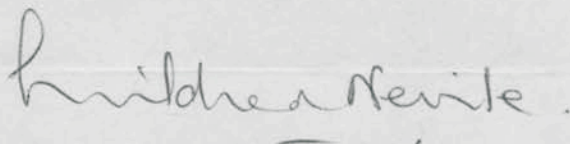
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Dear Prime Minister,

We are most concerned that in your forthcoming discussions with the Chinese authorities and the Hong Kong Government, full account should be taken of the rights and reasonable expectations of the people of Hong Kong, whose present situation is, we believe, increasingly invidious to them and difficult for a British government committed to democracy to defend. While we recognise the complexity of the issues involved in deciding the future of Hong Kong, we believe that a solution which visibly excludes consultation with the people most concerned will be seen to be unjust.

I enclose a document which CIIR has just published on this matter, which involves in the most direct way Britain's constitutional responsibility.

Yours sincerely,



Mildred Nevile
General Secretary

Comment

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The Future of Hong Kong

Hong Kong and Britain

Hong Kong is by far the most important remaining British dependency. Its population of 5 million constitutes over 90 per cent of the people in territories outside the United Kingdom over whom Britain still exercises some form of direct authority. 2,600,000 of the people of Hong Kong are also Citizens of the United Kingdom and Colonies and almost all will become British Dependent Territories' Citizens under the British Nationality Act on 1 January 1983.

Hong Kong is also by far the most prosperous Crown dependency. In the space of 140 years what was, in Lord Palmerston's words, 'a barren island, with hardly a house upon it', has become one of the world's foremost trading nations, a leading exporter of garments, watches and other light industrial goods, the second most important financial centre in Asia, a top shipping power.

At the same time Hong Kong's future has never been more uncertain. The territory is composed of Hong Kong island, ceded by the Chinese government in perpetuity to the British Crown by the treaty of Nanking in 1843, the promontory of Kowloon, added to the Crown by the treaty of Peking in 1861, and the New Territories, leased to Britain in 1898. The Chinese government contests all three agreements on the ground that they were signed under duress. On 30 June 1997 the lease on the New Territories — which constitute 89 per cent of the land area of the colony — comes to an end. It is generally assumed that, without the New Territories, the economy of Hong Kong and Kowloon would be unviable and that the territory's fragile economic advantage, which depends uniquely upon business confidence and Hong Kong's offshore status, would be threatened if the People's Republic of China reassumed sovereignty over the New Territories or over Hong Kong as a whole.

This *Comment* examines the issues raised by the 1997 deadline, in particular Britain's responsibility to the people of the territory, over whom it has exercised sovereignty

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since 1841. In order to concentrate on this question of rights and responsibilities, the *Comment* deliberately does not examine the important issues of justice within Hong Kong, notably the severe lack of social provision in the territory.

Economic and political history

Hong Kong and Kowloon were acquired by Britain after the Anglo-Chinese wars of 1839-40 and 1856-58. In both instances the British had employed their military power to force China to grant unhindered access to Chinese markets for British and other foreign merchants. The trade centred on sales of Indian opium in China, and during most of the 19th century this traffic accounted for the bulk of Hong Kong's revenue.

Hong Kong was declared a free port from the beginning. Merchants paid no taxes on trade, and the government financed its very limited budget from house rates, land sales, subsidies from London and a tonnage tax on ships entering the port. Before 1840 the territory was scarcely inhabited, but it soon attracted merchants of many nationalities and large numbers of Chinese workers from the mainland. Between 1845 and 1898 the population rose steadily from 23,000 to 245,000, and then to 300,000 in 1901 after the acquisition of the New Territories. The vast majority were Cantonese-speaking Chinese.

The British government did not consider Hong Kong to be a political or strategic possession. It has always been administered primarily as a trading centre, and as a result its foreign and economic relations have been governed by British policy towards China. Thus, although Britain exercised full authority over the territory, the British government always acknowledged that the Chinese authorities had claims over Chinese workers in the territory and considered it necessary to consult Chinese officials on matters affecting the Chinese community.

The Governor of Hong Kong enjoyed extraordinarily wide powers even by the standards of the 19th century, and today still retains almost absolute executive powers. He exercised his powers with the support of a small number of officials, although it soon became the practice to consult eminent European and, later, Chinese opinion. Two bodies were established to formalise this procedure, the Executive Council and the Legislative Council, each composed of officials and a smaller number of 'unofficial'

members appointed by the Governor. By the time the first Chinese member was appointed to the Legislative Council in 1880, the custom had been established that officials should vote in favour of government policy, thus guaranteeing a government majority. Neither body has ever had elected members.

The first body to include elected members was the Sanitary Board, set up in 1887: 2 of its 10 members were elected on a restrictive franchise based on property, education and wealth. The Board, renamed the Urban Council in 1936, remained until 1982 the only body providing an element of popular participation in government: its responsibility is limited to the administration of spending on parks, playgrounds, cultural activities, etc.

Though they were denied political representation, the Chinese were not prevented from trading, and from the beginning they played an active role in the territory's economic development. As early as 1855 over 80 per cent of those paying rates of between £10 and £49 were Chinese. In 1874 Chinese merchants, supported by the Imperial government, established their own steam-ship company.

By the end of the 19th century Hong Kong was the largest port in the British Empire outside the United Kingdom, though it remained essentially an entrepot for the China trade. In 1900 it handled 40 per cent by value of China's exports and 42 per cent of its imports, and was also the centre of a thriving passenger trade. The growth of the port stimulated industry as well as Hong Kong's banking and communications facilities. From 1911 the Chinese revolution also encouraged growth and diversification by drawing to the territory wealthy as well as impoverished refugees, with investment funds and expertise.

The revolution also brought new political ideas to the colony. A seamen's strike in 1922 was followed in 1925-26 by a general strike and boycott of trade lasting several months. Like later riots, in 1956 between Kuomintang supporters of Chiang Kai Shek and communists and in 1967 during the Cultural Revolution, these incidents demonstrated the strength of nationalist and anti-colonial feeling among the Chinese population and were vigorously repressed by the British administration. Troops were called in and, in 1922, 1925 and 1956, fired on crowds.

During the Second World War Hong Kong was occupied by the Japanese. The destruction resulting from the war, and the new waves of refugees and army deserters fleeing from China as the civil war reached its climax, exacerbated the colony's social problems. The population rose from 1.6 million in 1946 to 2.3 million in 1956. Immigration controls were introduced and the government began building the vast housing estates which are today a central feature of Hong Kong's geography. Since the war an increasing proportion of government revenue has been devoted to housing, social services and education. Under the governorship of Sir Murray MacLehose (1971-82), the administration embarked on an ambitious programme to improve social conditions and housing, financed by a boom in trade and property. Definite progress was made in some areas, but glaring inadequacies remain in health provision, working conditions, social security and education. Above all the housing crisis remains dramatic: the official building programme has failed to meet its targets, rents and costs have soared because of the property boom, and the arrival of large numbers of refugees from Vietnam and immigrants from China has largely nullified any progress that might otherwise have been made.

The post-war history of Hong Kong, however, is dominated by the rise of industry, which by 1970 employed over half a million people in over 17,000 enterprises. From 1962 industrial exports increased by about 20 per cent per year. Garments, electronics, textile products, toys and watches accounted for over 70 per cent of the total exports of the territory. Industry was strikingly dependent upon the clothing sector, which alone produced nearly half of the territory's exports and employed about a third of the industrial workforce, mainly in small factories which subcontracted work from relatively few large-scale businesses, most of which were in American, British or Japanese hands, and which controlled the territory's international trade. Dependence in other industrial sectors is still greater.

While Hong Kong's industry is best known abroad for its sweatshop conditions and the energy of its small entrepreneurs, the most significant characteristic of its economy is its responsiveness to the markets it serves. After 1948 Hong Kong in effect became an industrial rather than a trading entrepot, importing almost all its raw materials, mainly from China and Japan, and exporting

finished products to the huge markets of the United States and Europe. Its international competitiveness is due almost entirely to its ability to respond to world demand, and to the excellence of its financial and communications facilities.

Hong Kong has no real commercial autonomy, however. It is acutely vulnerable to changes in world trading conditions. This is one reason why the question of the territory's reversion to China is perceived to be crucial.

The significance of 1997

It is generally accepted that without the New Territories Hong Kong and Kowloon would be economically unviable and militarily indefensible. The People's Republic of China already supplies the territory with much of its food — rice (50 per cent), vegetables (40 per cent), meat and fish (over 70 per cent) — 30 per cent of its oil and much of its water. Although Britain maintains a garrison of 7,000 troops in Hong Kong, this is not intended to repulse the Chinese army, but merely serves to control illegal immigration from China and to support the police in the event of serious disorder within the territory.

Since 1948 the Chinese government (like the Kuomintang government before it) has consistently repudiated the treaties of Nanking and Peking as 'unequal'. It regards Hong Kong as an internal matter for China alone to resolve as and when it sees fit. In 1972 China argued that it is not appropriate for the case of Hong Kong (or that of Macao) to be considered by the United Nations Committee on Decolonisation because both are Chinese territories with predominantly Chinese populations and as such not liable to become independent states.

British laws and the Crown's claim to Hong Kong derive from these treaties and from the lease agreement of 1898. The lease expires on 30 June 1997, when the New Territories, which constitute 89 per cent of the land area at present administered by Britain, are due to revert to China. There is therefore a *prima facie* dispute over international law between the Chinese and British governments, which, if agreement is not reached before 1997, Britain is in no position to contest. Should China so decide, Hong Kong island and Kowloon, as well as the New Territories, would almost certainly have to be surrendered by Britain. This has created an anomalous

situation in which the power of decision over Hong Kong's future apparently lies with a state which does not at present exercise sovereignty over the territory.

In effect, this means that Britain is not in a position to initiate negotiations over the future status of Hong Kong. The initiative lies with China. However, since the Chinese government has refused to state the terms under which it expects to reclaim the territory, or see it administered, both governments have maintained an almost total discretion about the evolution of negotiations.

This uncertainty has naturally created increasing concern among the five million people of Hong Kong who are directly affected. In business terms, 1997 is not a long way away. Hong Kong's growth and commercial prosperity depend upon very high levels of local and foreign investment. In recent years, an abnormally high proportion of the territory's financial resources has been devoted to land speculation, at the expense of manufacturing (whose share of national product has fallen from 30 per cent to 25 per cent since 1970). If it is to remain internationally competitive, Hong Kong must continue to raise part of the capital for major infrastructural and industrial projects abroad. Since the normal period for repayment of international commercial loans extends from 10 to 15 years, it will become increasingly difficult, and eventually impossible, to secure foreign investments and guarantee repayment to foreign creditors until Hong Kong's future has been settled; and the local investment climate is highly responsive to international confidence. Moreover, since land belongs to the Crown, existing leases on property in the New Territories will expire in 1997, and the government cannot lawfully extend new leases beyond that date.

The British government has attempted to reassure the business community. It has guaranteed a HK\$26 billion investment for new power stations and facilities for which repayment continues until 2002, and extension of the costly new underground system is also going ahead. Nevertheless business confidence remains fragile, as was demonstrated in August 1982 when a downturn in economic indicators coincided with reports of Chinese intentions for Hong Kong to cause a sudden fall in shares on the Hong Kong stock exchange.

The status of Hong Kong's people

The failure of the British government to provide political

guarantees to Hong Kong's British subjects has further exacerbated anxiety. In January 1983, the new British Nationality Act comes into force. Its provisions further restrict the Crown's obligations towards the residents of Hong Kong. The situation of resident Chinese aliens (immigrants from the mainland and elsewhere) remains unchanged, but the Act abolishes the citizenship of the United Kingdom and Colonies held by 2,600,000 inhabitants of the Territory and replaces it by three new citizenships. The first of these, British Citizenship, confers right of abode in the United Kingdom and will be acquired only by a small number of inhabitants of British descent. The third, British Overseas Citizenship, applies to United Kingdom passport holders from former dependencies and affects very few people in Hong Kong. The great majority will acquire the second: British Dependent Territories' Citizenship.

This is a general category for all the peoples of the remaining British dependencies: Hong Kong, Bermuda, the British Antarctic Territories, etc. Though called a citizenship, it is a status without rights, not clearly attached to any territory. It does not confer right of abode, which, in the case of Hong Kong, will depend on the territory's own Immigration Ordinances. (British Dependent Territories' Citizens who come to live in the United Kingdom at any time — for which they will have to satisfy immigration restrictions — will be entitled to register as full British Citizens after five years' residence in Britain, provided that they were free of conditions on their stay under immigration law at least one year before applying).

The issue raised by the Nationality Act is not the right of people from Hong Kong to settle in Britain, which the majority have never sought. People in Hong Kong are, however, anxious that the new status should be seen abroad as truly and fully British. The British government claims that the status is acceptable because (unlike British Overseas Citizenship) Dependent Territories' Citizenship will be transmissible to wives and children. Chinese law accords full citizenship, almost without exception, to descendants of a Chinese parent, wherever they live, and the people of Hong Kong will therefore not become stateless in law. In response to anxiety in Hong Kong, the government also agreed to rename the status 'British Dependent Territories' Citizenship' instead of 'Citizenship of the British Dependent Territories', and Lord Trefgarne,

the Foreign Office minister in the Lords, gave an assurance that the United Kingdom would continue to give consular protection to its holders.

In the one area of crucial significance to the people of Hong Kong, however — in their relations with China — the Act offers no protection at all. Under Chinese law, Hong Kong is Chinese territory and its citizens are Chinese citizens. Since the British authorities tacitly also treat Hong Kong Chinese as if they are dual nationals, this means that the United Kingdom government extends consular protection to British Hong Kong citizens except in China where, as Chinese citizens, they are answerable to the Chinese authorities. The case of Lau San Ching who was arrested in China in December 1981 while visiting the families of dissidents, illustrates the issue. A Hong Kong resident born in the territory and therefore British, his case was not taken up, nor was he visited in detention by the British consular authorities. The position was confirmed by a parliamentary answer in 1982. In effect, Britain already acknowledges that its authority over the people of Hong Kong is shared. At present, this has little practical significance for Hong Kong British subjects (except when they visit China). However, if China repossessed Hong Kong, it means that, since China considers and Britain apparently accepts that they are *de facto* Chinese citizens already, they could not expect consular protection from the United Kingdom.

It is probably true that under international law British Dependent Territories' Citizens are in fact British nationals and that in a crisis — following any large scale exodus from Hong Kong, for example — Britain would be held responsible for them. Nevertheless the Act has removed any legal commitment by Britain and removed from Hong Kong British Dependent Territories' Citizens all faculty of choice; if and when a crisis occurs, the matter will be left to a purely political decision. It is not surprising that many residents have interpreted the timing and wording of the Act as further evidence of Britain's determination to abandon Hong Kong and its population to the Communist government.

China

In fact, Chinese government policy may not be so uncompromising, and the aspirations of Hong Kong citizens are certainly not uniform. Many of China's interests weigh in favour of maintaining the present status

of Hong Kong, and the vast majority of Hong Kong citizens continue to recognise China as their homeland.

China's economic interests in Hong Kong are numerous and important, and directly affect both its development strategy and foreign policy. In the last few years, since Vice-Chairman Deng Xiao Ping assumed effective power, Hong Kong's economic relations with China have largely regained the primary position they occupied historically. The growth in trade between the two has facilitated China's re-entry into the world market, and has protected Hong Kong's economy from the world recession which has severely reduced European and North American demand for many of its exports, notably clothing. Re-exports of Chinese products rose by 500 per cent in 1978 alone, and until 1982 continued to rise by 200 per cent a year, largely compensating for a slowdown in the colony's industrial growth. In 1980 Chinese exports to Hong Kong earned the mainland at least US\$4.4 billion in hard currency, and the Republic has a substantial balance of trade surplus. Hong Kong is also the source of 60 per cent of China's earnings from tourism; 90 per cent of visitors to China in 1980 were Hong Kong residents, who contributed US\$640 million to the Chinese economy. A considerable proportion of the US\$600 million remitted by Chinese living abroad also passes through Hong Kong banks, and there is in addition a vast and ancient contraband trade from Hong Kong across the Chinese border. In all, Hong Kong probably contributes well over US\$6 billion to China's hard currency earnings — nearly one-third of the total. It is estimated that branches of the Bank of China and of its subsidiaries, which have long been established in the territory, hold up to 30 or 40 per cent of Hong Kong's total dollar deposits. China has also been investing large sums in Hong Kong real estate. These investments are valued at somewhere between US\$700 million and US\$2 billion.

Cross-border investments have also been increasing. Chinese partners are involved in Hong Kong electronics and shipping projects, while all but a handful of the many ventures involving foreign interests started in China since 1978 include Hong Kong participation. In fact, it is through intermediaries in Hong Kong that international trade with China has increasingly been negotiated. When China's frontiers were re-opened to foreign investment, it was in Hong Kong that interested investors set up offices: over 41 new banks and numerous other lending institutions were

registered between 1978 and 1981. Hong Kong offers precisely the skills China needs: managers, sophisticated financial acumen, marketing and advertising expertise, experience of the capitalist system and knowledge of Chinese.

China's interests are not only economic, however; despite their importance for the Peking government, Hong Kong's trade and financial advantages to China may even be outweighed by foreign policy considerations. In particular, Hong Kong is unlikely to be treated in isolation from the question of Taiwan. Many argue that this in itself predisposes the Chinese government to avoid unilateral occupation of the territory, for China's handling of Hong Kong is certain to be seen as a precedent by Chinese in Taiwan and elsewhere in the diaspora.

Hong Kong is also a delicate issue within the larger context of China's international credibility as a reliable economic partner. If the Chinese government proves its ability to reassume sovereignty over Hong Kong without destroying business confidence, or successfully renegotiates Britain's presence without losing face, its international standing, and its ability to raise foreign finance for the four modernisations policy will be enhanced.

Finally, China's attitude to the 'unequal' treaties of Nanking and Peking is influenced by its diplomatic relations with the USSR. The militarised frontier between the two countries was established in the 19th century by treaties which China argues were similarly unequal; and any concessions to Britain could be seen as a precedent in relation to the Soviet Union.

Hong Kong

The attitudes of people in Hong Kong to the future status of the territory, and its possible return to China, remain opaque. This is principally because, in the absence of democratically elected political institutions to represent local opinion, it is very difficult to know with any certainty what people in Hong Kong are thinking. It remains true that neither the Executive nor the Legislative Council yet contains any elected members, though the ratio of unofficial to official members has increased during the past century. In the circumstances, it is ironical that, ever since 1855, when it was first suggested, by the then Governor, that the people of Hong Kong should be given political

rights, the British authorities have always refused, on the ground that China would object. As it stands, this claim may be unjustified: twice in parliament British ministers have admitted that China has never made representations to Britain about democratic reform in Hong Kong.

The Hong Kong government claims that unofficial members influence decisions, and that policy is formed by a diffuse process of consultation. However, the Governor retains executive power and enjoys a fixed majority on both the Legislative and Executive Councils. Moreover 'unofficial' members are chosen by the Governor and, with rare exceptions, belong to Hong Kong's powerful and conservative plutocracy. The consensus is thus confined to a small financial and administrative elite whose interests do not necessarily coincide with those of the majority of the population. The introduction of a new tier of district boards including elected members has made little difference to this situation. Their function is to improve communication between local committees and the administration, and they too are composed of officials, appointed unofficial members and a minority of elected members. They will be purely consultative, will not deal with essential policy, and can be dissolved by the administration.

Since 1948, the Chinese government has carefully avoided any interference in Hong Kong's affairs (except following the disturbances in 1956, 1966 and 1967); but its presence and events on the mainland deeply influence political attitudes at all levels. While almost all Hong Kong Chinese recognise an allegiance to the Chinese nation, the Chinese community of Hong Kong is divided between one group with a degree of sympathy for the government of Peking, another which supports the Nationalist government in Taiwan, and an increasingly identifiable and growing body of opinion, as yet mainly middle class and young, which is critical of both, and of the Hong Kong government as well, and has a sense of belonging, culturally if not politically, to Hong Kong.

This pattern of allegiance is reflected in the territory's associational life, which, in the absence of formal political structures, has acquired a relatively politicised character. The trade unions, for example, are divided between the Federation of Trade Unions (FTU) which is pro-Peking, the pro-Taiwan Trades Union Congress, and a third independent confederation. In the last two decades, a

number of new organisations have also come into existence, again led mainly by members of the new critical middle class. Deeply involved in community affairs and in social welfare issues, they have influenced public attitudes and stimulated criticism of the government's policies and administrative efficiency. Their approach assumes that Hong Kong citizens have the right to expect their government to be accountable — an attitude which runs counter to Hong Kong's colonial political traditions, and subverts both the current British and Chinese approaches to government. In 1979, the government set up a confidential committee, the Standing Committee on Pressure Groups (SCOPG), which secretly monitored the activities of these organisations. Several foreign critics, missionaries and employees of such organisations have also been refused extensions to their work permits.

The future

Already some 70 per cent of the population of Hong Kong is under 35 years of age and, as time passes, a growing number of adults will have been born, socialised and educated in the territory. Their values will not have been conditioned by experience of the revolution in China, and their social and economic expectations may well lead to a demand for political rights. If the British continue to administer the territory for any considerable period, the present political system will undoubtedly face increasing challenge. The timid introduction of local elections indicates that the British administration is aware of popular dissatisfaction with the existing political structures, and sensitive to international criticism. Nevertheless, the administration still refuses to move towards any form of elected government. As new and better educated generations reach voting age, they are likely to demand, not only the same professional opportunities and salaries as expatriate employees and officials, but political representation. The British government has no good reason to refuse such a demand.

The entrepreneurial, technical and managerial skills of this educated middle class are Hong Kong's most useful asset to China. It is also this group which feels it has most to lose under China's political system and is most able to find work abroad if there is a takeover from the mainland. Many therefore believe that Peking will attempt to accommodate its interests, particularly in view of the wide disparity in economic expectations between China, where average incomes are expected to reach about US\$800 in

the year 2000, and Hong Kong, where per capita income is already US\$4,000 and will continue to grow. It has been suggested that Britain may be offered a leaseback for 20 or 50 years, or that Britain might be permitted to manage the territory for a further period if it agreed to withdraw troops and accorded representatives of the Chinese government some formal share in the process of government. Others foresee the gradual or abrupt integration of Hong Kong within the Special Economic Zone at Shen Zhen across the Chinese border. Such arrangements might preserve some measure of economic autonomy for the territory and therefore satisfy the desire of both the Chinese government and Hong Kong's business community to protect the confidence of investors.

It has also been suggested that the Portuguese enclave of Macau might serve as a model for Hong Kong. Portugal's offer to surrender this tiny territory has been ignored by the Chinese government, and Macau continues to be administered by a Governor appointed in Lisbon. In Macau, the Legislative Assembly has been partially elected since 1976, although the introduction of a parliamentary democratic system of government is not expected, officially because China would disapprove.

Finally, the statements made by Chinese leaders in advance of Mrs Thatcher's visit to Hong Kong in September 1982 have been interpreted as indicating that the Chinese authorities intend to reclaim sovereignty over all Hong Kong in 1997, but expect to administer the territory according to the provisions of clause 30 of the new Chinese constitution, which allows for a measure of autonomy, at least formally, in the management of economic and social affairs.

An increasing number of academics, specialists and pressure groups are now publicly exploring the economic and legal implications of the various options. Those which conflict directly with China's interests are generally excluded as unrealistic and tending to minimise the links that Chinese people acknowledge towards the mainland; the choice of independence, for example, is not seriously canvassed at present. It is significant, however, that most hypotheses, even those which seek to maximise China's interests, preserve an element of political as well as economic autonomy for the territory.

Several opinion polls of Hong Kong residents (the first of their kind) have recently shown that there is

considerable support for such an approach: the great majority of respondents expressed a clear desire to preserve the identity of Hong Kong and did not welcome forms of settlement which would reduce their present cultural, economic and political autonomy, including transfer of sovereignty to the Chinese state. This opinion was most strongly expressed by the young and by the educated middle class.

Conclusion

In fact, the problem of Hong Kong's future is essentially political rather than economic. Although complex, the territory's economic integration into China would not pose insuperable problems to the Hong Kong business community, provided their activities were not too heavily — or inefficiently — controlled and taxed by the Chinese state. Large international companies would be only too glad to invest in China if China could guarantee that trading and investment conditions will remain stable, and many of the most powerful Chinese entrepreneurs in Hong Kong are already engaged in long term co-operation with China. From their point of view, such relations with the mainland are natural, profitable and offer some political insurance. In the longer term, indeed, many argue that closer economic integration with China is a necessity if Hong Kong's prosperity and growth is not to be jeopardised. The local market alone is too small to support heavy manufacturing industry and the light industrial exports of the territory will come under increasing competition from other developing countries, where labour costs are already significantly lower.

Both the Chinese and British governments have nevertheless consistently minimised the political dimension to the issue. Fundamentally this turns upon what rights and status the citizens of Hong Kong should be granted following any transfer of authority or sovereignty over the territory after expiry or re-negotiation of the British lease on the New Territories. The British government is under no legal obligation even to consult the people of Hong Kong before negotiating with the Chinese government, and neither government has made any precise commitment to the people of Hong Kong which guarantees that they will retain, or have any say over, their political, economic or social rights in the future. Indeed, the British government has stated that in deference to China's interests it has no intention of introducing electoral reforms which will give Hong Kong

citizens any real power to govern their affairs, and by means of the Nationality Act it has denied to British Dependent Territories' Citizens any freedom to choose between the British or Chinese systems. At present the five million people of Hong Kong have good reason to feel they are pawns, without access to the negotiating process that will decide their future.

The recent polls have certainly carried the debate forward: but they cannot be equated with a vote. They express desires rather than responsible intentions because no consequences follow from them; and they do not present in precise terms the range of alternatives which are realistically achievable. One cannot therefore say that the people of Hong Kong have expressed any clear preference either in favour of rejoining China or in relation to their present dependent status under the British Crown. The political structures which exist in the territory do not permit them to do so, and the administration has made so far no attempt to consult the population as a whole. Moreover it is difficult for the majority of Chinese people in Hong Kong to discuss the issue in a clear fashion. On the one hand, they acknowledge loyalty to China, but are ambivalent towards its government; on the other, they are reluctant to appear supportive of British colonial rule. This uncertainty, added to the refusal of the British and Chinese governments to indicate the direction or progress of negotiations, puts them in an impossible position. While those sections of the population whose interests are mostly likely to be taken into account by government — the educated middle class and the business sector — are able to make their views known, the majority of Hong Kong citizens, deprived of a voice by the political structures of the colony, are not.

It would be foolhardy to assume, because this is so, that the silent majority in Hong Kong is opposed to reintegration with China or supports extension of the British mandate, or favours any one of the transition solutions which are being canvassed in Hong Kong, in China and elsewhere. It would be equally foolhardy, to assume that, because good relations now exist between the British and Chinese governments, the problem will be resolved amicably and without fuss. It is true that diplomatic relations between the two nations have rarely been so unruffled, and that it is perfectly feasible for the two governments to reach an agreement which reconciled their economic interests without seriously prejudicing the interests or rights of foreign businesses or even those of

major Hong Kong Chinese entrepreneurs. The present balance of power in China, however, is not necessarily stable, and the Falklands war has shown how quickly and dangerously disputes over territory can become intractable and violent.

It is finally up to the people of Hong Kong to insist on making their views known to the British government and to search for solutions which reconcile their aspirations with those of China, and there are signs that they are beginning to do so. It nonetheless remains true that the apparent willingness of the British and Chinese governments to negotiate the territory's future without responsible consultation of the people who are most concerned — however convenient it may be for the present — is *prima facie* an injustice. As the existing sovereign authority, committed to democratic principles, the British government has a particular duty to take account of the views of all the citizens of the territory, and to represent those interests during negotiations with the government of China. It cannot do so without formally consulting the population and initiating public discussion of the issues involved. Having governed Hong Kong for over 140 years, Britain has a responsibility to ensure that any transfer of sovereignty which ends the territory's colonial status protects and guarantees the rights and interests of those who live there.

September 1982

Comment is published five times a year by the Catholic Institute for International Relations, as a Christian contribution to knowledge and debate about public affairs, especially as they concern the developing world.

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