

THE UNIVERSITY OF HULL

'ONE COUNTRY, TWO SYSTEMS':

**THE USE BY THE PEOPLE'S REPUBLIC OF CHINA OF UNITED FRONT
WORK IN THE 1978-1997 TAKE-OVER OF HONG KONG**

being a Thesis submitted in partial fulfillment of
the requirement for the degree of

Doctor of Philosophy

in the University of Hull

by

Philip Huei-ming Mao, BA. (CMA, Kaoshung, Taiwan),

MA. (Fuhsinkung College, Taipei, Taiwan)

May 2000

ACKNOWLEDGEMENTS

I would like to thank Dr Eric J. Grove for supervising this thesis and my government for providing a scholarship in tuition for my studies in Britain. Without their support, I would not have been able to study in Britain and to finish my degree on time. Also, I am greatly indebted to numerous people for helping and encouraging me. I am mostly indebted to my wife and my son, for they gave me the love which supported my spirit and energy enabling me to finish my thesis. I am grateful to my teachers, Fang Yung-lai, Tsai Po-i, Bian Yu-Yuan, and friends in Taiwan, who have encouraged me and taken care of my family in Taiwan. Consequently, I have been able to concentrate my mind on study and finish my degree. I would like to thank the faculty members of the Politics Department, particularly the Head of Department, Mr T. P. McNeill, Director of the Centre of Security Studies, Professor, Colin S. Gray and colleagues at the University of Hull, who have been indispensable throughout the study.

During my research trip to Hong Kong, in summer 1995 and 1997, many people gave me special assistance and interviews for my thesis. Without their generous assistance and provision of materials, I would not have been able to write my thesis. They are too numerous to mention individually, but I would particularly like thanks Jackson Cho, Kan Chak Yuen, Li Pang-kwong, Anthony B. L. Cheung, Wong Siu-lun, and Yen T.L., for their enormous help and hospitality. Lastly, I am indebted to the staff in the Brynmor Jones Library of the university of Hull, Hong Kong University Library and Hong Kong Chinese University Library whose have been very helpful in guiding me in how to use new technology to find information and have provided many useful collections on my subject. Without their assistance, the quality of this thesis would have been significantly reduced.

TABLE OF CONTENTS

INTRODUCTION	1
CHAPTER ONE: “UNITED FRONT” AND “ONE COUNTRY, TWO SYSTEMS”	3
CHAPTER TWO: UNITED FRONT IN ACTION I: THE SINO-BRITISH JOINT DECLARATION	34
CHAPTER THREE: UNITED FRONT IN ACTION II: THE HONG KONG BASIC LAW	74
CHAPTER FOUR: THE DIRECTION OF THE UNITED FRONT: THE PRC’S HONG KONG AGENCIES	129
CHAPTER FIVE: HONG KONG POLITICS IN THE TRANSITION PERIOD: UNITED FRONT WORK AGAINST DEMOCRATIC REFORM	173
CHAPTER SIX: THE UNITED FRONT’S FOUNDATIONS: ECONOMIC RELATIONS BETWEEN CHINA AND HONG KONG.....	226
CHAPTER SEVEN: MOBILISING THE MASSES: CREATING A UNITED FRONT IN HONG KONG SOCIETY.....	263
CHAPTER EIGHT: CONCLUSION - HONG KONG A VICTORY FOR THE UNITED FRONT.....	311
BIBLIOGRAPHY.....	320

TABLE OF FIGURES

TABLE 4-1: CHINA'S HONG KONG POLICY-MAKING INSTITUTIONS	133
TABLE 4-2: THE ORGANISATION OF HKMAO (1994-97)	139
TABLE 5-1. CHINESE-BRITISH DIFFERENCES ON HONG KONG'S LEGISLATIVE COUNCIL, 1995-1999	195
TABLE 6-1: HONG KONG -CHINA INTERACTION	256
TABLE 6-2: CHINA--HONG KONG INTERACTION	257
TABLE 6-3: THE TRADE STATISTICS BETWEEN PRC AND HONG KONG SINCE 1978-1997	258

INTRODUCTION

Hong Kong was watched by the world when it was reverted to the People Republic of China (PRC) on 1st July 1997. Hong Kong was a British colony that was an important world trading, financial, and transportation center. Under British rule, Hong Kong was capitalist in contrast to the PRC, a socialist country ruled by the Communist Party.

In the 1980s, when the PRC decided to resume sovereignty over Hong Kong in 1997, the Chinese leaders created a new policy toward Hong Kong, called “one country, two systems”. The policy meant that Hong Kong’s system would remain unchanged for fifty years while the PRC would continue to be socialist after 1997.

This thesis seeks to explore the PRC’s development and application of united front work in the take over of Hong Kong. Chapter one examines the twin concepts of united front and “one country two systems” (chapter 1). Chapters 2 and 3 will examine how the Chinese used the united front in their successful handling of the Sino-British negotiations (chapter 2) and the drafting of the Hong Kong Basic Law (chapter3).

Chapter 4 analyses the implementation by the PRC of its Hong Kong policy through its agencies in Hong Kong after reaching the Sino-British agreement of 1984 (chapter4), and how this process affected developments of politics (chapter 5), economics (chapter 6), and Hong Kong society as a whole (chapter 7). Chapter 8 (Conclusions) will assess the overall success of the PRC’s use of united front work in its reunification policy. .

In the transliteration of names and Chinese terms, there are two main systems, *Pinyin*, adopted by the People’s Republic of China (PRC) on 1st January1979, is now used in

mainland China. *Wade-Giles* has been used by many western scholars for a long time, and is still used by the Republic of China (ROC) in Taiwan. Additionally there are accepted Hong Kong transliterations specific to Hong Kong persons and institutions. In order to provide a systematic way of spelling, the following methods will be adopted: for those names which are related to the PRC, the *Pinyin* version will be adopted while for those which are related to Chinese elsewhere, the *Wade-Giles* version will be used. Hong Kong accepted transliterations would be used for Hong Kong people where these differ from standard Wade Giles.

CHAPTER ONE: “UNITED FRONT” AND “ONE COUNTRY, TWO SYSTEMS”

Introduction

In 1978, Deng Xiaoping, effective successor to Mao Zedong, proposed the concept of ‘one country, two systems’ in the hope that all the separate territories of the former Chinese Empire could quickly return to a single national unit within this framework. Its primary purpose was to bring “patriots” into a single united front so as to smooth the process of the unification with Hong Kong, Macao and Taiwan with the Peoples Republic of China (PRC). “One country, two systems” was an essentially utilitarian approach by the PRC leaders towards the problem of the reunification of China. It was a new departure for the PRC to permit the co-existence of two apparently irreconcilable socio-economic systems under its rule. There was, however, an ideological weapon in the PRC’s political arsenal to allow the adoption of a pragmatic policy on national unification. This was the traditional Marxist-Leninist/Maoist concept of the “united front”. The present chapter seeks to explain the history of the united front in China, its theoretical background and its linkage to the “one country, two systems” formula.

The Emergence and Evolution of the United Front

The theory of the united front can be traced back to the 1848 *Manifesto of the Communist Party*, when Karl Marx and Friedrich Engels called on their comrades to appeal to

democratic parties of the world for their support. Marx and Engels urged the workers' parties in their time to unite together under the cause of revolution. Their call for the unity of the world's proletariat can be seen as the first case of the united front in history.¹

In 1950, at the CCP's first national congress on the work of the united front, Mao Zedong spoke of Engels' interpretation of the Manifesto as the guideline and theoretical basis for the CCP's united front work. Engels' teaching, notably retaining the distinctive status of the proletariat, analyzing and dealing with objectives separately, and insisting on proletarian leadership, all had a profound impact on the evolution of the CCP's united front ideas. Marx and Engels insisted that while the Communist Party should "unite" with parties of non-proletarian classes, working with them to fight the shared enemies and opposing the existing social and political systems, it must not give up its critical stance toward these "bedfellows". While the Party should cooperate with the bourgeoisie in achieving its goal, it "must not even for one minute forget to inculcate the workers with the inherent antagonism between the proletariat and the bourgeoisie". In short, the united front must retain its unique proletarian character and critical stance toward its "allies," as well as insist on the proletarian leadership.²

¹ Lu Liangting, *Understanding the United Front* (Shanghai: Shanghai People's Press, 1987) P. 1-2.

² Li Xueming, ed. *The Theory of the United Front* (Sichuan: Academy of Social Sciences, 1988) p. 7.

United Front Work Defined

According to the PRC's *Dictionary of the Party's United Front Work*, the term "united front" means "an alliance formed in a given historical moment by the proletarian party unifying with contemporary revolutionary classes, parties and groups along with any elements it could possibly incorporate to fight its principal-enemy".³ A number of implications can be derived from the above definition.

First, since the united front is formed by the proletarian party, it is an alliance headed by the CCP. And the power of the CCP within the united front is assumed.

Secondly, the words "in a given historical moment" in the definition indicate that the united front is one with different phases each of which will be entered into when circumstances dictate it. In other words, the goals and priorities of the united front would vary according to the different Party line and task in each historical moment.

Thirdly, at each stage, the united front can only have one "arch-rival" or principal enemy. There might be more than one minor enemy in addition to the arch-enemy but the latter remains the target of the united front until the struggle against it succeeds. When that happens the minor enemy of the former stage could become the principal-enemy of the next.

³ Tan Fangzhi, *Dictionary of the Party's United Front Work* (Beijing: Zhanwang Publishing House, 1988) p. 128.

Fourthly, in order to fight its principal-enemy, the united front should form a political alliance with any possible elements—including minor enemies—to gain the upper hand in the struggle.

The united front is a way of building alliances and relationships with sympathetic non-communist groups for the purpose of enhancing the Communist Party's power and popular support, as well as, to neutralize those undecided and to persuade the secondary enemies not to side with the principal enemy until the struggle succeeds in its destruction. At all times the integrity of the Party ensures a correct revolutionary line, whatever the difficulties or setbacks encountered. Although the first, ill fated, united front of the 1920s was forced on the Party by the Soviet Union, force of circumstances forced Mao Zedong during the 1930s to develop the united front into an essential element of Maoist ideology. Mao took the concept as his own. As he put it himself: - "Developed essentially on Chinese initiative, the united front derived from real needs and actual experience more than from theoretical considerations. Gradually, it became an integral part of Chinese Communist thought and practice".⁴ Therefore, to Mao and his followers, the united front was not a temporary political tactic, but an integral part of their operational political doctrine. In 1939 Mao wrote, "The united front, armed struggle, and Party building are the three fundamental problems of our Party in the Chinese revolution".⁵ Ten years later, on the eve of the founding of the People's Republic, he stated that the united front, the

⁴ Lyman P. Van Slyke, *Enemies and Friends: The United Front in Chinese Communist History* (California: Stanford University Press, 1967) P. 3.

⁵ Mao Zedong, "Introducing The Communist," *The Selected Work of Mao Zedong II* (Beijing: Foreign Languages Press, 1962), p. 288.

Red Army, and Marxism-Leninism were the Party's "three principal weapons".⁶

The Stages of United Front

According to the accepted CCP view of its history the united front has gone through three main periods.⁷ The first was "the Neo-Democratic Revolutionary Period," starting from the "First Civil War" in alliance with the Nationalists in 1921 and ending with victory over the Nationalists in the "Third Civil War." in 1949.

The second period was "the Socialist Building and Restructuring Period," starting from 1949 and ending in 1976. After this comes "the New Period of Socialist Modernization", also known simply as "the New Period". The "New Period" stretches from 1976 until the present and includes the "one country, two systems" policy as a form of "wide united front work" for the unification of Taiwan, Hong Kong, Macao and overseas Chinese.⁸

According to the *Handbook on the United Front Work*, the following principles govern the Party's united front work in the New Period:⁹

⁶ Mao Zedong "On the People's Democratic Dictatorship," *The Selected Work of Mao Zedong IV* (Beijing: Foreign Languages Press, 1965), p. 422.

⁷ Zhao Chunyi, *Theory and Practice of the United Front in the New Period* (Jilin: Jilin University, 1986) p. 5-8.

⁸ Wong Bon-zou, *Zhongguo Gongchandang Tongyi Zhanxian Shi* (Shanghai: Shanghai People's Publish, 1991) p. 604-605.

⁹ Li Xueming, ed. *Handbook on the United Front Work* (Sichuan: Academy of Social Sciences, 1988) p. 2.

1. The sustained development of the united front depends on the proletarian party's retention of its ideological, political, and organizational distinctiveness as well as on its leadership in the revolution.
2. Internally, i.e. within the united front, the party should not go all-out to unite other elements while rejecting struggles altogether. Neither should struggle with other elements preclude unity. It is essential to combine unity with struggle.
3. The united front has been established and developed through the Party's long-term revolutionary struggle and under its leadership. It is led by the working class and is a great alliance of the people enforcing "the Worker-Peasant Alliance".
4. The united front has come through historical stages, for example, "the National United Front of Resistance Against Japan" from 1937 to 1945. Throughout, it has been regarded as an important tool to realize socialist modernization.
5. In the new period the united front is a two-pronged campaign: the external "United Front Hegemony" and the internal "Patriotic United Front."
6. The "Patriotic United Front" is a CCP-centered alliance that includes various "democratic" parties and mass organizations. It is a united front joined by all socialist "workers", pro-socialism "patriots", and pro-unification "patriots".

From Taiwan to Hong Kong

To the Chinese, the Opium War was the first war in which China was defeated by Europeans. The Nanjing Treaty also was the first of the 'unequal Treaties' imposed on

China. Hong Kong was the first parcel of Chinese territory to be formally handed over to the British. Though Hong Kong Island, Kowloon and the New Territories were a tiny part of China, their loss was a powerful symbol of the weakness of the Chinese Empire. The Chinese Communist senior leaders saw the take-over of Hong Kong as “the final chapter in their lifelong anti-imperialist struggle - one of the principal objectives of the communist movement”.¹⁰

The PRC’s history in Hong Kong can be divided into three periods, 1949-67, 1968-81, and 1982-97. The first ended with the violent riots sparked by the Cultural Revolution, when Hong Kong security forces suppressed many local trade unions and leftist groups. The second period was one of quiet rebuilding. The latter began with the announcement of a new unit within the PRC to handle reunification matters, the State Council Hong Kong and Macao Affairs Office.¹¹ Throughout all three periods, the CCP operated as an underground political organisation in Hong Kong.

Until the PRC decided to take-over Hong Kong, the Hong Kong issue was below that of Taiwan in importance on reunification matters. For the PRC leaders, Hong Kong was a minor contradiction that could be safely set-aside until a later stage. However, when Hong Kong’s return to China became an issue in the end of 1970s and the PRC leaders decided to take-over Hong Kong, united front work began in earnest in Hong Kong.

To China, the treaties by which the colony was ceded were exacted at gunpoint from a

¹⁰ Steve Tsang, Maximum, “Flexibility, Rigid Framework: China’s Policy Towards Hong Kong and Its Implications”, *Journal of International Affairs*, winter 1996, 49, no. 2. p. 413.

¹¹ John Murray, *The Secret Diplomacy of Imperial Retreat* (London: 1993), p. 59.

dynasty in full decline and were null and void in international terms.¹² The PRC could not and would not yield on this point. In March 1973, Huang Hua, China's ambassador to the United Nations, wrote a letter to the chair of the United Nations Special Committee on Colonialism, which had included Hong Kong and Macao in the list of remaining colonial territories. Huang asked the chair to remove Hong Kong from the committee's list. The letter stated:

“As is known to all, the questions of Hong Kong and Macao belong to the category of questions resulting from the series of unequal treaties left over by history, treaties which the imperialists imposed on China.

Hong Kong and Macao are part of Chinese territory occupied by the British and Portuguese authorities. The settlement of the questions of Hong Kong and Macao is entirely within China's sovereign right and does not at all fall under the ordinary category of colonial territories...”¹³

With regard to the questions of Hong Kong and Macao, the Chinese Government consistently held that they should be settled in an appropriate way when conditions are ripe. The United Nations, it argued, had no right to discuss these questions.¹⁴

In 1973 Deng had not yet firmly established his power as the paramount leader. If Beijing

¹² Even the International Court of Justice and the 1969 Vienna Convention on the Law of Treaties recognise that treaties signed under duress might be vitiated.

¹³ J.A. Cohen and Hungdah Chiu, eds., *People's China and International Law, A Documentary Study*, 2 vols. (Princeton N. J.: Princeton University Press, 1974), 1: 384.

made concessions to Britain on the issue of sovereignty, it would create divisions within the Party, and hand Taiwan a propaganda weapon. Also, Beijing was concerned to maintain the stability and prosperity of Hong Kong for its modernisations, but it was not prepared to sacrifice sovereignty for it.

For Deng, as he consolidated his leadership of the Communist Party in 1977-78, reunification supplied a political complement to his over-arching commitment to economic reform. However, reform was a potentially controversial endeavour that was sure to encounter resistance from the Party's more conservative members; but reunification was a binding force within the Party, a touchstone of patriotism from which dissent was unthinkable. "If Deng could deliver reunification, which even Mao Zedong had not achieved, then his position would be secure, however divisive his economic policies might prove". Hong Kong was a point at which Deng's twin ambitions over-lapped. "A successful resumption of the territory, leaving intact its capacity to channel capital and expertise into the rest of China, would be a triumph for both reunification and the cause of economic reform."¹⁵

Thus, Deng felt both the weight of history and the exigencies of politics pressing down upon him, while there was little prospect of progress on reunification with Taiwan. On the other hand, a demonstrable anxiety arose on the part of Britain to reach some sort of settlement for Hong Kong. Indeed, the British raised the matter repeatedly.¹⁶ Under this

¹⁴ Ibid.

¹⁵ Robert Cottrell, *The End of Hong Kong*, p. 58.

¹⁶ Huang Wen-fong, "How was China's Decision-making Process to take over Hong Kong" *Open*

pressure, between September and December 1981, China's reunification policy underwent a silent but momentous change. Before that period Beijing had treated Taiwan as the priority, and Hong Kong as an issue to be deferred. After that period, from New Year 1982 onwards, a new order was apparent. The reunification of Hong Kong was to be achieved with all possible speed, both for its own sake and in the hope that it would provide an example sufficiently encouraging to embolden Taiwan to follow suit.

The decision in principle to proceed with the repossession of Hong Kong was probably taken around Christmas 1981, in time for it to be transmitted during a special fortnight-long united front national work meeting, convened in Beijing on 21st December 1981. Certainly, a decision on Hong Kong had been taken by the conclusion of that meeting, on 6th January 1982.¹⁷ United front work was clearly a key element in the new policy. Deng himself said that: - "United front is still an important magic weapon, it cannot weaken, but should be strengthened, it cannot shrink, but should broaden in scope...Its aim is to effect the construction of our country to become a modernised socialist power in this century, and to work to promote the return of Taiwan and Hong Kong to the motherland and to complete reunification".¹⁸ Thus, the united front became an important dimension of the effort to unite the PRC with Hong Kong and Taiwan.

Accordingly, the CCP built a united front in Hong Kong in preparation for the resumption

Magazine, January 1997, p. 50-51.

¹⁷ The December 1981-January 1982 meeting was noted in a *New China News Agency* bulletin on 15th January 1982.

¹⁸ Deng Xiaoping, *Deng Xiaoping Wenxuan II* (Beijing: Renmin Chubanshe, 1993) p. 203.

of sovereignty.¹⁹ The aim was a wide grouping of “patriotic” supporters of unification into a “New Era Patriotic United Front”.²⁰ A key factor in constructing this new united front was the “one country, two systems” formula.

The Development of the ‘One Country, Two Systems’ Formula

The origins of the idea of ‘one country, two systems’ could be traced back several years to the Third Plenary session of the 11th Chinese Communist Party (CCP) Central Committee in December 1978. The idea aimed, in the first place, at solving the Taiwan issue.²¹ The Third Plenum, headed by then Vice-Premier Deng Xiaoping, was a vital turning point in the CCP’s development and, during it, the pragmatists made steady headway.²² At that time, China faced huge political and economic problems for which it could find no solutions in Marxism-Leninism or Mao’s Thought as traditionally interpreted. To ensure the survival and development of the Chinese Communist regime, Deng Xiaoping and other Chinese leaders promoted a new strategy with the slogan “seeking truth from facts”. Since then, China’s ideology and its political, economic and foreign policy has changed greatly.

¹⁹ Wang Bonzhu, ed. *Zhongguo Gongchandang Tongyi Zhanxian Shi* (Shanghai: People’s Publish, 1991) p. 593.

²⁰ The Central United Front Ministry, Remembrance Comrade Deng Xiaoping created New Era United Front, *Zhongguo Tongyi Zhanxian*, March 98, 8-10.

²¹ Deng Xiaoping, “An idea of great significance”, *Liaowang*, no. 42, 15th October 1984, p. 9.

²² Frank Ching, *The current political scene in China*, (London: China Quarterly 1979), pp. 691.

According to Mainland Chinese scholars and officials, the formulation of the policy of 'one country, two systems' can be broken down into three distinct stages. The first stage began with the Third Plenum Session of the 11th Central Committee (18-22nd December 1978), when peaceful reunification was urged. The beginning of the second stage was marked by a speech by Yeh Jian-ying, in which more concrete and clearer measures were laid out. The third phase began with the publication of Deng Xiaoping's *Liao-wang* article, when the policy was given its theoretical framework.²³ These stages will now be reviewed in more detail.

The First Stage - The Beginnings

The policy of "peaceful reunification" was first mentioned at the December 1978 Plenary Session of the Party Congress. The resulting communiqué pointed out: "With the normalisation of Sino-US relations, the prospect of having our country's sacred territory of Taiwan return to the embrace of the motherland and achieving the magnificent goal of reunification has already emerged more clearly before us".²⁴ The reunification policy in this meeting stressed consultations and negotiations between Taiwan's ruling Nationalist Party, the Kuomintang (KMT) and the Chinese Communist Party (CCP), on an equal basis. The old policy of "liberation", either "armed" or "peaceful", had apparently been abandoned.

²³ Wei Da-yeh, "The formation and development of 'one country, two systems' ", *Special Collections on 'one country, two systems'*, *Wen Wei Pao* (20th December 1984).

²⁴ The Communiqué of the Third Plenum, *Beijing Review*, no 52 (1978), pp 6-16.

The Third Plenum took place during a period of rapid political change. A serious discussion took place on the major political events that had occurred during the Great Cultural Revolution and on “certain historic questions” left over from an earlier period.²⁵

By 1978 the Chinese Communists had come to characterise the decade beginning in 1966 as a deviation from their historical tradition. They now wished both to liberalise the system internally and to open up to the West.²⁶ This modernisation programme was strongly backed by Deng Xiaoping, who suggested that:

“Probably the most significant factor in the evolution of a foreign trade and investment framework in the PRC has been the pragmatic flexibility with which the country has approved the challenges inherent in that evolution. If we can increase production, it does not matter whether operations are run privately; if a cat catches mice, it does not matter whether it is white or black.”²⁷

At that time, Deng Xiaoping was keen to emphasise the need for “seeking truth from facts”. On 16th September 1978, he said: “Hold high the banner of Mao Zedong Thought and adhere to the principle of seeking truth from facts”²⁸. In December 1978, he said:

²⁵ The Communiqué of the Third Plenum, *Beijing Review*, no 52 (1978), pp 6-16.

²⁶ Lowell Dihmer, “Ideology and Organisation in Post-Mao China.” *Asian Survey* March 1984, p. 349.

²⁷ *Renmin Ribao*, 23th November 1967.

²⁸ Deng Xiaoping, *Selected Works of Deng Xiaoping* (Beijing: Foreign Languages Press, 1984), p. 141-144.

“Emancipate the mind, seek truth from facts and unite as one in looking to the future”.²⁹ Deng stressed “seeking the truth from facts” against the “two whatevers” of Hua Guofeng, then CCP general secretary. The latter slogan was based on the principles that “whatever policies Chairman Mao devised we will resolutely support and whatever directives Chairman Mao laid down, we will forever observe”.³⁰ On the contrary, Deng claimed that “seeking the truth from facts” was the “true way to hold high the banner of Mao Zedong Thought”.³¹ Ultimately, he won the battle and seized power from Hua. Under the regime of Deng Xiaoping the People’s Republic of China (PRC) returned to international society by substantially improving its relationship with Western countries. A mixture of a market economy with communist dictatorship was intended to open China up to the international interaction of trade and investment. On the other hand, Deng also advocated domestic, political and economic ‘deepening in reforms’. This pragmatic approach was a long-term strategy of a ‘non-violent domestic revolution’ to transform China to a new stage of modernity.³²

On 1st January 1979, when China and the United States had established diplomatic relations, the Standing Committee of the National People’s Congress issued a “Letter to the People of Taiwan,” in which it announced “the principles for the peaceful reunification of the motherland”. The letter pointed out that in solving the problems related to

²⁹ Deng Xiaoping, *Selected Works of Deng Xiaoping*, p. 151-165.

³⁰ Hua Guofeng, “Two Whatevers” *Renmin Ribao*, 20th November 1978.

³¹ Deng Xiaoping, *Selected Works of Deng Xiaoping*, p. 155.

³² David Wen-wei Chang and Richard Y. Chuang, *The Politics of Hong Kong’s Reversion to China* (London: Macmillan Press Ltd, 1998), p. 93.

reunification the PRC would respect Taiwan's status quo, adopt reasonable and rational policies and methods, and refrain from causing Taiwan people to suffer losses; and that it hoped that the two sides would establish postal, transport and trade relations as soon as possible. It went on: "We honestly expect the people on Taiwan to be reunited with the motherland soon", and offered the assurance that when reunification was realised, "the status quo and local opinion will be treated with respect".³³ Thus, the focus was on: [1] immediate cessation of the military confrontation between the two sides; [2] negotiations between the CCP and the KMT; [3] establishment of intercommunication between people of the mainland and Taiwan through "three links" and "four exchanges" before negotiation,³⁴ and [4] guaranteeing the status quo of Taiwan and maintaining that the people on Taiwan would lose nothing after unification.³⁵ The idea of 'one country, two systems' was thus beginning to emerge.

At this stage of policy development concerning the future of Taiwan, the PRC drew an ambiguous picture of the problem. A Standing Committee member of the NPC, Chen I-sung, in an interview in Kyoto, revealed "the possibility of its [Taiwan's] being allowed to maintain non-Communist economic life for some time and undergo a 'socialist reform' in

³³ *Collections of vital speeches and documents since the third plenum of the eleventh party congress of communist China*, (Taipei: The Communist China Studies Magazine, 1983), 12.

³⁴ The "three links" refer to direct trade, transportation, and postal services between Taiwan and the mainland; the "four exchanges" include visiting relatives and friends, exchanging tours and visits, and carrying out academic, cultural, sports and technological interchanges.

³⁵ PRC Standing Committee's Message to Compatriots in Taiwan (1st January 1979)," *Beijing Review*, 5th January 1979, pp. 18-19.

stages”.³⁶

In 1980 Deng Xiaoping announced that anti-hegemonism, reunification and the four modernisations were the three major tasks of the 1980s. He said, “We must work for the return of Taiwan to the motherland, for China’s reunification. We will endeavour to attain this goal in the 1980s; it will be an ever-present and important issue on our agenda, though there may be twists and turns in the course of its development.”³⁷

The Second Stage - Maturity

On the eve of Beijing’s National Day in 1981, Yeh Jian-ying, then Chairman of the National People’s Congress, urged that the Nationalists and Communists should enter a third period of co-operation. He put forward nine policies:

[1] that the CCP and the KMT hold peaceful talks on a reciprocal basis.

[2] that the two parties should make arrangements to facilitate the “three links” and the “four exchanges”.

[3] that after unification, Taiwan could enjoy a high degree of autonomy as a special administrative region and retain its armed forces, without interference from the Beijing

³⁶ Kyodo Interviews PRC Official on Taiwan Reunification Work,” *Foreign Broadcast Information Service (FBIS)*, 18th December 1978, pp. A23.

³⁷ Deng Xiaoping, “The Present Situation and the Tasks Before Us,” *Selected Works of Deng Xiaoping (1875-1982)* (Beijing: Foreign Languages Press, 1984), p. 224-258.

government.

[4] that Taiwan's current socio-economic systems, including its way of life and its economic and cultural relations with foreign countries, would remain unchanged.

[5] that Taiwan's elite in various circles would be able to take up posts of leadership in national bodies and participate in running the state.

[6] that in the event of Taiwan's local finances being in difficulty, the central government could subsidise it, according to the circumstances.

[7] that people in Taiwan who wished to settle on the mainland would be guaranteed their freedom of entry and exit.

[8] that industrialists and businessmen of Taiwan would be welcomed and encouraged to invest and engage in various economic undertakings on the mainland, with their legal rights, interests and profits guaranteed.

[9] that the people of Taiwan would be welcome to make proposals and suggestions regarding affairs of state through various channels and in various ways.³⁸

This was the first time that the CCP leader had put forth such a comprehensively peaceful proposal. Such promises had never been heard in the past. It was now stated that "after achieving reunification, Taiwan can become a special administrative region enjoying a high degree of autonomy and will be allowed to retain its troops", and "it will be allowed to maintain unchanged its existing social and economic systems, lifestyle and economic and

³⁸ Yeh Gaining on Reunification with Taiwan," *FBIS*, 30th September 1981, pp. U1-U2.

cultural relations with foreign countries. The ownership of and right to inheritance of private property, houses, land, enterprises and foreign investment will not be encroached upon".³⁹ Taiwan responded by proposing reunification under Dr. Sun Yat-sen's Three Principles of the People (i.e. nationalism, democracy and social well-being) and rejecting all the overtures of Beijing.

When the PRC attempted to launch its unification policy, it said no word about the future of either Hong Kong or Macao. One of China's most senior leaders told a visitor from Hong Kong that Mao had once said, "As far as Hong Kong is concerned, we will worry about it after we have liberated Taiwan".⁴⁰ This policy was explained by the Vice-Foreign Minister of the PRC when interviewed by a representative of a Portuguese news agency in Lisbon, who reported the minister's comments as follows:

"The economic development of the territories of Macao and Hong Kong are of interest not only to the Chinese who live there but also to the People's Republic of China, so as to achieve its modernisation...the development and the relations of his country (the PRC) with Macao and Hong Kong are inseparable from the development of the whole Chinese territory and for this reason are of interest to both parties...the People's Republic of China pays great attention to the life and work of the people of both regions and will thus

³⁹ The "three no-changes" include the social and economic systems, lifestyle, economic, and cultural contacts with other countries. For the text of Yeh Jian-ying's speech, see *Renmin Ribao* (30th September 1981).

⁴⁰ Jurgen Domes, "The impact of Hong Kong on PRC domestic politics' in Jurgen Domes and Yu-ming Shaw (eds.) *Hong Kong: A Chinese and International Concern* (Boulder: Westview Press, 1988) p. 88.

continue to support them, as it is already doing at present through supplies of water and other main essentials.”⁴¹

The British thought that the re-emergence of Deng Xiaoping to power gave an opportunity too good to ignore. Hong Kong, the metaphorical goose that laid the golden egg, had the best chance of getting what it wanted.⁴² The colony might expect a stay of execution after 1997 in return for producing more and bigger golden eggs for the PRC.⁴³ In view of Deng’s age, the British feared that he might not be a force for very long. They saw a window of opportunity for resolving the 1997 issue.⁴⁴

As the British government continued to press for an answer on Hong Kong, and China could not take Taiwan in a short time, it was also clear that Beijing’s ageing leaders, who had a profound sense of history, had also a deep concern as to how they would be depicted by later generations of Chinese. Thus, a decision was taken by the Secretariat of the CCP Central Committee in December 1981, to take over Hong Kong.⁴⁵ As the Chinese Foreign Ministry’s Deputy Minister, Zhang Wen-jin, stated in the Committee: “In the situation in

⁴¹ PRC Vice Foreign Minister Stresses Importance of Hong Kong and Macao,” *Foreign Broadcast Information Service (FBIS)*, 27th November 1984: A14.

⁴² Percy Cradock, *Experiences of China*, p. 165.

⁴³ *Ibid.*

⁴⁴ Joseph Y.S. Cheng, *Hong Kong in Search of a Future*, p. 29.

⁴⁵ Frank Ching, *Hong Kong and China--For Better or For Worse* (New York: the China Council of the Asia Society and the Foreign Policy Association, 1985), p.8.

which Britain has asked China to discuss the issue of Hong Kong, if we do not take over Hong Kong in 1997 we will bring shame to our ancestors, be humiliated by our next generations, bring disgrace to the one billion people in our country and embarrassment to the third world".⁴⁶

Therefore the Communist Party Politburo made the initial and major decision to apply the Taiwan formula to Hong Kong and to reverse the order of priorities. It decided to recover Hong Kong sovereignty in 1997, to ensure that Hong Kong would continue to serve the PRC's economic and political interests, and to devise appropriate arrangements to fulfil these objectives.⁴⁷

Faced with this, Deng decided that the only way out of both the Hong Kong and Taiwan problems was to seek a peaceful resolution by implementing the idea of 'one country, two systems'. He believed that tolerating capitalism in Hong Kong would not affect the upholding of socialism in the PRC and that the 'one country, two systems' policy would benefit, not undermine, Communist Party rule in the PRC.⁴⁸ But Li Xiannian, a senior leader who headed the party's Foreign Affairs Leading Small Group came out in opposition. He felt that permitting a capitalist enclave to continue within the PRC would

⁴⁶ Huang Wenfong, "How was China's decision-making process to take over Hong Kong" *open Magazine*, January 1997, p. 50-51.

⁴⁷ Sima Yi, *Ronyao Quangui Deng Xiaoping de Xianggang Qiantu Tanpan* (Negotiations for Hong Kong's Future for which all the Glories belong to Deng Xiaoping) (Hong Kong, 1984) p. 2.

⁴⁸ *Xianggang Wenti Wenjian Xuanji* (Selected Documents on the Hong Kong Question) (Beijing, 1995) pp. 2-3.

leave the Communist revolution incomplete. He also worried that it might become the first step towards the restoration of capitalism in the PRC. Other leaders also suggested exploring the option of turning Hong Kong into a Communist socialist society. Deng, however, carried his colleagues with him. Then he entrusted the problem to a close colleague and veteran “Hong Kong hand”, Liao Chengzhi. Liao had headed the Communist organisation in Hong Kong before the civil war and had for a long time handled overseas Chinese affairs.⁴⁹ The PRC set up a new office headed by Liao in 1978, the Hong Kong and Macao Affairs Office (HKMAO) under the State Council. Liao and his colleagues began to work out the details of the policy on the basis of the Politburo decision.

It was decided to put off the recovery of sovereignty over Hong Kong until 1st July 1997. This, more than anything else, shows that the leaders in Beijing were not anxious to take back Hong Kong in the short term. They deferred its recovery until the last possible moment. Beijing obviously felt it could not very well delay the recovery of Hong Kong longer than 1997, when Britain’s legal justification for its administration of the colony would expire. Agreeing to extend British rule in Hong Kong beyond 1997, in the minds of Beijing’s leaders, would be to turn themselves into latter-day Li Hongzhangs, the Qing dynasty official who had signed the agreement under which Britain obtained the New Territories on the mainland in addition to Hong Kong itself. However, the Chinese leaders felt that Hong Kong’s economic connections were too important to China to lose and they

⁴⁹ Zhongguo Xinwen She (ed.) *Liaogong zai Renjuian* (the Life of Mr Liao) (Hong Kong, 1984) p. 23.

thus offered the 'one country, two systems' to maintain the stability and prosperity of the colony.

The PRC economic system was incompatible with Hong Kong's, and the imperatives of the PRC's constitution that treated deviation from socialist economy as counter-revolutionary activity, therefore could not be extended to Hong Kong. Hong Kong's integration in the international economy was incompatible with full integration with the Mainland Chinese economy, which was based on numerous economic and fiscal restrictions. Nor could the PRC legal system sustain a market economy.

The PRC's normal views on the role of class struggle, the dominance of the Communist Party, hostility to the bourgeoisie etc. was highly uncomfortable, indeed frightening, to the elite and the proletariat alike in Hong Kong. Hong Kong's system of rights and the rule of law thus had to be safeguarded for practical reasons to allay their fears and reassure them that the Hong Kong economy, and the rest of Hong Kong society, would continue to work as before.

The Third Stage - Consolidation

At the time of Deng Xiaoping's meeting with Britain's Prime Minister Margaret Thatcher in September 1982, he said that the problem regarding the recovery of sovereignty over Hong Kong could be solved by applying the scheme of "one country, two systems". This was the first time Deng Xiaoping publicly put forward this principle, and the mainland

press began using the phrase.⁵⁰ Thus, Hong Kong became the first test case, before Taiwan.

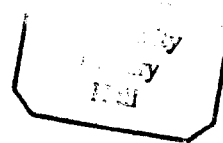
Whilst Mrs. Thatcher was in Beijing it was reported that Communist leaders had informed her that in 1997 China would recover sovereignty over Hong Kong. Thatcher responded that the prosperity of Hong Kong depended mainly on its linkage with the United Kingdom and that the latter wished to retain the Hong Kong region long after 1997. In spite of disagreement on the issue, the major achievement of Thatcher's visit to Beijing was that both parties agreed to discuss the maintenance of Hong Kong's stability and prosperity through diplomatic channels.

During the Fifth Plenary Session of the Fifth National People's Congress in December 1982, Beijing demonstrated its support of the concept of 'one country, two systems' when it added Article 31 of the Communist Chinese State Constitution, which states: "The state may establish special administrative regions when necessary. The systems to be instituted in special administrative regions shall be prescribed by law enacted by the National People's Congress in the light of the specific conditions."⁵¹ This was the first time that any attempt had been made in the Chinese constitution to pave the way for the implementation of 'one country, two systems'.

During June 1983 Deng Xiaoping met Professor Yang Li-yu of Seton Hall University, New Jersey. He continued to place "One Country, Two Systems" in the context of Taiwan. In addition to reiterating the "nine policies" that Yeh Jian-ying had mentioned in

⁵⁰ The Mirror (Hong Kong) no. 63, 10th October 1982, p.15.

⁵¹ *The Constitution of the People's Republic China* (Beijing: Foreign Language Press, 1983) article 31.



September 1981 Deng stressed that:

“After unification of the motherland, the Taiwan Special Administrative Region will have its own independent character and can practice a system different from that on the mainland. It will have its independent jurisdiction and judicial organs and the court of final appeal should be based on Taiwan rather than in Beijing. Taiwan can maintain its own army force, but this should not constitute a threat to the mainland. The mainland will neither station troops nor civilian officials in Taiwan. Taiwan can maintain its party, government and army force. In addition, Taiwanese people will be selected to assume posts in the Central Government... The name ‘Republic of China’, however, would have to be amended to ‘China, Taiwan’, and a special flag would replace the nation’s current flag.”⁵²

In February 1984, when Deng Xiaoping met a delegation from the Centre for Strategic and International Studies of Georgetown University led by Zbigniew Brezinski, Deng formally used the term ‘one country, two systems’ to indicate the solution to the problem of reunification with both Taiwan and Hong Kong. He said: “After reunification, Taiwan can carry on its capitalism while Mainland China carries on its socialism. But it is a united nation with one China, two systems. For the issue of Hong Kong, it is the same, one China,

⁵² Deng Xiaoping, "A design for peaceful reunification between mainland China and Taiwan", in *Building socialism with Chinese characteristics* (Kwangtung: People's Publishing House, December, 1984), p. 17-18.

two systems.”⁵³

After that, Premier Zhao Ziyang’s “Government Work Report” presented to the Second Session of the Sixth National People’s Congress in May 1984 included the first appearance of the term in an official document. The concept was further elaborated and systematised by Deng Xiaoping in his 1984 article in the official journal *Liao-wang*.⁵⁴

“How can we solve the problem [the Hong Kong and Taiwan issues] by peaceful means? For an answer to that it is necessary to take the histories and actual circumstances of Hong Kong and Taiwan into full consideration. The Third Plenary session of the 11th CCP Central Committee restored Chairman Mao’s line, that is, to seek truth from facts. Since then everything has been based on actual circumstances. To respect facts and actual circumstances is to respect the historical reality of Hong Kong and Taiwan. The way to unify Taiwan with the mainland proposed by us is a reasonable one. After reunification Taiwan could continue to practise capitalism while the mainland practises socialism. However, China would be a unified country with two systems. The Hong Kong issue will be solved in the same way, that is, one country, two systems.”⁵⁵

⁵³ Deng Xiaoping, New methods for the stability of the world situation, in *Building socialism with Chinese characteristics*, p.22.

⁵⁴ Deng Xiaoping, A significantly meaningful design: Comrade Deng Xiaoping on ‘one country, two systems’ *Liao-Wang* (Beijing) 15th October 1984, p.8-9.

⁵⁵ Deng Xiaoping, “An Idea of Great Significance”, *Liaowang*, no. 42. 15th October 1984, p.9.

A vital part of this policy was the forging of a united front with “China’s patriotic compatriots in Hong Kong”.⁵⁶ For the CCP it is always vital to assume the leadership of any such united front. However, since each component party or group in the united front is by nature independent and has their own political agendas and ideologies, the CCP has had to take a more flexible approach, so as to find a common ground among the component elements. Rather than advancing its own agenda or revealing its principle at the outset, the CCP is given to fashioning a set of commonly acceptable policies for the united front.⁵⁷ “One country, two systems” provided just such a set of commonly acceptable policies. It was intended to make the idea of joining the mainland acceptable to a broad spectrum of influential members of society in Hong Kong, Taiwan and Macao who would see union as no longer a threat to their economic interests. Indeed such union might be more in their interests than maintaining the status quo. By mobilising such “patriots” a powerful united front might be forged.

Reunification through “One Country, Two Systems”: The Deng Formula

As Deng made clear in his statements on the subject the crux of the matter was the

⁵⁶ Xu Jiatur, “Policy decision and practice: (BBC: SWB, FE/7719, 11th August 1984), p. 3.

⁵⁷ United Front Work Department of the Chinese Communist Party, *Working Manual of the United Front* (Nanjing: Nanjing University Press, 1986) p. 1.,

reunification, “the earnest hope of the Chinese people” no matter how long it would take.⁵⁸ The “one country, two systems” formula was the one and only solution to the then current situation.⁵⁹ “After reunification, Taiwan or Hong Kong could continue to practice capitalism while China stuck to Socialism. But all would be within unified China.⁶⁰ Hence the unity of the motherland is both the precondition and the end of the “one country, two systems” policy.

The “one country, two systems” policy could only be implemented on the essential premise that the main body of China, a huge territory containing a billion people, remained under socialist rule. With this precondition satisfied, capitalism could be allowed in certain areas and scope.⁶¹ Because the main body was very large, the capitalist system being practiced in small areas and scope would not affect the implementation of socialism in China. Rather, the capitalist system being practiced in small areas would be conducive to the development of socialism.

Deng stressed that business as usual for fifty years was in line with the PRC’s strategy of long-term development. The principle of keeping Hong Kong’s capitalist system unchanged for fifty years was based on a sensible calculation of China’s real situation. Hong Kong’s prosperity and stability was in the interests of China. Therefore, the policy of retaining Hong Kong’s capitalist system for fifty years was not initiated on impulse. It was

⁵⁸ *Deng Xiaoping Selected Works* (1992) (Beijing: Foreign Languages Press, 1992) p.30.

⁵⁹ *Ibid.*, p. 59.

⁶⁰ *Ibid.*, p. 49.

⁶¹ *Ibid.*, p. 59.

the product of careful consideration of the reality of China and its future developments.⁶² In fact, “business as usual for fifty years” is nothing but a figurative expression. What Deng meant by this is that everything would probably remain unchanged in Hong Kong even after fifty years. Although things have to remain what they are within the first fifty years there is no need to change things thereafter.⁶³ This was a very attractive prospect to Hong Kong’s business elite.

As far as the United Front was concerned, Deng argued that Hong Kong should be ruled by “patriotic” Hong Kong people. Hong Kong people should make efforts to facilitate the hand-over of Hong Kong government to this “patriotic” elite.⁶⁴ The future Hong Kong SAR administration would be mostly comprised of “patriots”. Of course, other elements might also be introduced into the administration. For example, the new Hong Kong SAR government could invite foreigners to be consultants. What was a patriot in Deng’s eyes? A “patriot” was one who had respect for his own race, supported Hong Kong’s return to the Chinese rule, and would not do anything harmful to Hong Kong’s prosperity and stability. He who had the mentioned characteristics would be a patriot, no matter what he believed in capitalism, feudalism, or even slavery. “We do not ask them to support socialism, but we ask them to love the motherland and Hong Kong.”⁶⁵

Responding to the view that a capitalist Hong Kong would lead to China as a whole taking

⁶² Ibid., p. 102-103.

⁶³ Ibid., p. 267.

⁶⁴ Ibid., p. 61.

⁶⁵ Ibid.

the capitalist road Deng Xiaoping downplayed the danger of wholesale westernisation.⁶⁶ He emphasized that should the socialist system of China, the socialist system with Chinese characteristics, be changed, Hong Kong's continued prosperity and stability would be impossible.⁶⁷ For Deng the "one country, two systems" model meant a co-existence of the two disparate systems that would respect, and not try to replace each other.

Summary

The CCP has thought in united front terms for so long, and it has applied this kind of analysis to various situations so frequently, that the approach has become a habitual, almost instinctive, cast of mind. In Chinese communist history, the Party used different united fronts, fighting different enemies and allying itself with different friends. Under this slogan "united front", the CCP would accept as allies those who accepted all or part of the Party's programme and did not threaten Communist leadership. At various times in its history the CCP has been able to win over non -communist democratic parties and a mixed collection of intellectuals, sympathetic business people, and professionals.

The PRC wanted to practice the "one country, two systems" policy in Hong Kong for essentially pragmatic reasons. In this context the concept provided a framework for effective united front propaganda to satisfy sufficient members of the population of Hong

⁶⁶ Ibid., p. 219.

⁶⁷ Ibid., p. 217.

Kong, as well as those outside the Colony, that a take-over by the PRC was acceptable.⁶⁸ “One country, two systems” also makes the post-1997 Hong Kong government a transitional model for the settlement of the Macao and Taiwan issues. The united front slogan of “one country, two systems” allows for the co-existence within a unitary state of two different systems, one socialist and the other capitalist. Such a possibility alleviates the fear of many people that the capitalist way of life would be destroyed once China would have resumed her sovereignty over the other places.

The formula of “one country, two systems” has been described by one scholar as an “ingenious tool to meet the historic necessity of taking over Hong Kong in 1997 while retaining the utility of Hong Kong to the modernization efforts of China.”⁶⁹ Before 1979 China’s priority was in the take-over of Taiwan not Hong Kong. The PRC changed its policy to take over Hong Kong first for essentially pragmatic reasons. The Communist leadership therefore adapted “one country, two systems” to fit the Hong Kong situation, with the intention of applying it to with Taiwan later. This both required and facilitated the formation of a united front with “patriots” in favour of union with the PRC, identifying as the principal-enemy those who for their various reasons opposed the take over by Beijing. The PRC leadership used “one country, two systems” and the promise of letting Hong

⁶⁸ Wu An-chia, “Can the Hong Kong Settlement serve As a Model for Taiwan?” *The Future of Hong Kong- Toward 1997 and Beyond* (New York: Quorum Books, 1987), p.157-158.

⁶⁹ Kuan Hsin Chi, Is the ‘One Country, Two Systems’ Formula Working? A paper presented to the conference on “*Hong Kong in China: A Year Later*” 29-31st October 1998, organized by East Asian Institute National University of Singapore.

Kong run its own affairs for the fifty years after 1997 to persuade the British to co-operate, to neutralise local opinion in Hong Kong and to mute criticism in the international community. The first aim was to obtain British agreement to the transfer of sovereignty, using united front pressure on Britain to agree to cede sovereignty.

The following chapter will analyse the negotiation process in detail to explain how this was done.

CHAPTER TWO: UNITED FRONT IN ACTION: THE SINO-BRITISH JOINT DECLARATION

Introduction

Negotiation seemed the best way of finding a solution to the Hong Kong problem and removing the fears of the Hong Kong Chinese regarding their future under a Communist regime. To gain its objectives in these negotiations, the PRC used the united front in its relations both with the British Government and the Hong Kong people. In the beginning, the British government was the PRC's principal enemy - as long as it was against China's take-over of Hong Kong. As the negotiations progressed and the British government adopted a policy of greater cooperation with China those Hong Kong people who opposed the take-over of the colony by the Chinese Communists became the PRC's principal enemy.

This chapter considers the Sino-British negotiations. It is in two parts. The process will be examined first to identify how it developed and what were the main issues. Then the focus will shift to an analysis of how the PRC used the united front in its struggle both with the British government, and hostile elements in Hong Kong.

Britain's Initial Approach to the Issue of Hong Kong

The initiative to raise the Hong Kong issue was taken by the British. In 1977, Murray (now Lord) MacLehose, then Governor of Hong Kong, established the Advisory Committee on Diversification, a sixteen-member body set up to suggest ways of safeguarding the colony's economic future. Members of the Committee quickly realised that the issue of the New Territories lease had to be addressed. As the period before the termination of the New Territories lease continued to shorten, concerns about

the future of Hong Kong began to be expressed.¹

To Hong Kong business people, the subject of land leases in the New Territories was becoming pressing, since the area was supposed to revert to China on 30th June 1997 under the terms of the 99-year lease. All land leases in the New Territories were due to expire on 27th June 1997, three days earlier. The length of new commercial leases would shorten as the deadline neared and business people would be unable to recoup their investments before their leases expired. Confidence in Hong Kong would deteriorate.²

As the 1984 White Paper on Hong Kong recorded, the British Foreign Office arrived at the same conclusion. It found that “concern about the future of Hong Kong began to be expressed” by investors during the late 1970s, and that “confidence would begin to erode quickly” within a few years if nothing was done to alleviate “the uncertainty caused by the 1997 deadline”.³ The significance was that as only eighteen years remained before 1997, the time was approaching for banks to consider altering their usual fifteen-year mortgage term. However, it was at least a good two years before the banks actually had to decide, and Hong Kong operated on the basis of five-year money-back investments.

In December 1978 the Chinese government invited MacLehose to visit China. MacLehose wanted to use the occasion to discover the PRC’s real design for Hong

¹ Mark Roberti, *The Fall of Hong Kong: China’s Triumph & Britain’s Betrayal*, (New York: John Wiley & Son, Inc., 1994), p. 3.

² Ibid.

³ *White paper: A draft agreement between the Government of the United Kingdom and the Government of the People’s Republic of China on the Question of Hong Kong* (Hong Kong: Government Printer, September 1984).

Kong's future.⁴ He took the view that his visit was to test China's intentions 'unofficially'.⁵ His idea gained wide support from the Foreign Office.⁶

In March 1979 MacLehose visited China.⁷ When he brought up the question of land leases in the New Territories, Deng refused to be drawn on the subject. Instead, he reiterated the long-standing Chinese position that the Hong Kong issue would be resolved when the time was ripe, whether that time was before 1997, in 1997, or after 1997. It appeared that China had not made up its mind about when Hong Kong should return to the embrace of the motherland. In the meeting Deng said:

"It has been our consistent view that the People's Republic of China has sovereignty over Hong Kong while Hong Kong also has its own special position. A negotiated settlement of the Hong Kong question in the future should be based on the premise that the territory is part of China. However, we will treat Hong Kong as a special region. For a considerable length of time, Hong Kong may continue to practice its capitalist system while we practice our socialist system."⁸

⁴ Percy Cradock, *Experiences of China* (London: John Murray, 1994) p. 160-73; Robert Cottrell, *The End of Hong Kong: The Secret Diplomacy of Imperial Retreat* (London: John Murray, 1993) p. 35-57; and Mark Roberti, *The Fall of Hong Kong: China's Triumph and Britain's Betrayal* (NY: John Wiley & Sons, 1994) p. 15-24.

⁵ Percy Cradock, *Experiences of China*, p. 165.

⁶ Robert Cottrell, *The End of Hong Kong: The Secret Diplomacy of Imperial Retreat* p. 49.

⁷ Ruan Ming, *Deng Xiaoping: Chronicle of an Empire* (Boulder, 1994) pp. 56-9. At that time Deng had not yet firmly established himself as the paramount leader, but he was assiduously consolidating his power and had taken the official position of Vice-premier.

⁸ Han Nianlong (ed.) *Diplomacy of Contemporary China* (Hong Kong, 1990), p. 464.

MacLehose returned to Hong Kong to say that Deng provided reassurances. He reported to the public and said:

“You know the long-standing Chinese position on Hong Kong, that it is part of China and a problem that will be solved when the time is ripe. But the point that was repeatedly stressed to us at all levels was the importance which the Chinese leaders attach to the value of Hong Kong, to the contribution that it could make to the modernisation programmes, to the importance of maintaining investment and confidence in Hong Kong, and of increased Hong Kong investment in China. Indeed Vice-Premier Deng Xiaoping formally requested me to ‘ask investors in Hong Kong to put their hearts at ease’.”⁹

The *South China Morning Post* duly reported on its front page “Deng Xiaoping has asked the governor, Sir Murray MacLehose, to tell investors in Hong Kong to put their hearts at ease”. “It was a most realistic and helpful comment for the record,” said Sir Murray. “In Hong Kong’s experience, a statement such as that made by Mr. Deng, backed as it is by the knowledge that his words carry great weight, is as near as one is likely to get to a guarantee.”¹⁰ *The Post* overlooked, however, that Deng had made it clear to MacLehose that he also intended “when the time is ripe” to regain sovereignty.¹¹

Nevertheless, MacLehose’s visit had put Hong Kong on the Chinese leadership’s political agenda. Deng had thought about Hong Kong and about the reunification of China, but until then he had not put the two together. His mind had only wanted to use

⁹ *Daily Information Bulletin* (Hong Kong) Supplement, 6th April 1979.

¹⁰ *South China Morning Post*, 7th April 1979.

¹¹ This was also overlooked by Michael Yahuda, *Hong Kong: China’s Challenge* (London and New York: Routledge, 1996) p. 64.

Hong Kong to support the PRC's modernisation. Meanwhile, the PRC leaders were not willing to discuss the Hong Kong problem. It might be they judged that they did not know enough about the territory's affairs to formulate a complete Hong Kong policy. When the PRC Foreign Minister Huang Hua went to London in October 1980, and the topic was again sounded out, he rebuffed the approach.¹²

Hong Kong and Britain continued to press the subject. They wanted to remove the uncertainty as to what lay beyond 1997. At that time, Beijing came under political pressure for a solution to the Hong Kong problem, not only from London but also from representatives of the Hong Kong's bourgeoisie, who had political ties to China.¹³ These capitalists knew that sooner or later, Britain would leave Hong Kong. This forced Deng to make a decision. The stage had been set, not for the United Kingdom's continued presence in Hong Kong but for its departure in 1997.¹⁴

The PRC's Decision to take back Hong Kong

At this stage the PRC had no intention to take Hong Kong immediately; its major priority was to achieve the "four modernisations". Since China was just emerging from the turmoil of the Cultural Revolution, the leadership was preoccupied with other priorities. It was busy purging the Communist Party of Maoists, experimenting with the greater use of market forces at the expense of the planned economy, expanding ties with foreign countries and dramatically increasing its role as a trading nation. Deng announced that in the next decades China would concentrate on its programme of the

¹² *Far Eastern Economic Review*, 13th March 1981.

¹³ Philip Bowring and Mary Lee, *Far Easter Economic Review*, 17th September 1982.

¹⁴ Huang Wenfong, "How was China's decision-making process to take over Hong Kong" *Open Magazine*, January 1997, p. 50-51.

four modernisations (industry, agriculture, science and technology, and national defence). Modernisation became the priority of Chinese policy-makers. Chinese leaders were happy to set aside the Hong Kong issue for the time being.¹⁵ China's vice-minister of Foreign Trade, Li Qiang, told MacLehose that Hong Kong had a major role to play in China's modernisation programme. The Chinese intended to improve the relationship with Hong Kong generally, and, in particular, to enhance Hong Kong's contribution to the PRC's programme of "four modernisations". Deng Xiaoping, as a good nationalist, would not make any concessions to Britain on the issue of sovereignty.

The PRC never recognised the legitimacy of British colonial rule over Hong Kong. Its basic policy towards Hong Kong was laid down by Deng Xiaoping. According to Deng, there were three issues.¹⁶ First and foremost was the question of sovereignty that he considered "not a subject that can be discussed".¹⁷ The other two issues concerned the way in which the PRC would administer Hong Kong in order to maintain its prosperity after 1997, and arrangements with the British to ensure a smooth transition to be completed by 1997.¹⁸ Later, the mix was known in Hong Kong as the sixteen-character policy: regaining sovereignty, preserving the original system, practicing self-rule by Hong Kong people, and maintaining stability and prosperity.¹⁹

¹⁵ Frank Ching, "China's Strategy for the take-over of Hong Kong", In the Conference Hong Kong politic and economic situation and Taiwan and Hong Kong relations in the eve of 1997." (Taipei: 15-16th June 1993), p. 6-12--6-17.

¹⁶ Quoted from Steve Tsang "Maximum Flexibility, Rigid Framework: China's Policy Towards Hong Kong and Its Implications" *Journal of International Affairs*, winter 1996, 49, no. 2. pp. 418.

¹⁷ Deng Xiaoping, *Deng Xiaoping Wenxuan* (Beijing: Renmin Chubanshe, 1993) p. 12.

¹⁸ *Ibid.*

¹⁹ David Bonavia, *FEER*, 20th January 1983.

Thus, he devised an ingenious idea to allow the PRC to have its cake (recover sovereignty) and eat it (maintain Hong Kong's economic utility).²⁰ The PRC's authorities maintained that the questions must be settled in the formula of "one country, two systems."

The First Struggle for Sovereignty

In the PRC's view, sovereignty was not open to negotiation, since the territory had always belonged to China. Therefore, in China's view, Britain's strong position regarding Hong Kong was a principal enemy. In order to fight its principal enemy, the united front had to form an alliance with any possible elements to gain the upper hand in the struggle.

When the PRC decided to take over Hong Kong, the first question was the issue of sovereignty. Both Britain and China claimed sovereignty over Hong Kong during the negotiations in the early 1980s. Differences between Britain and China in the interpretation of the meaning of the concept of sovereignty led to conflict before the 1984 agreement. Moreover, the concept of sovereignty linked China's internal politics with international issues in the Hong Kong, Macao, and Taiwan questions, all of which involved reunification with regions in which different political systems had evolved.

In January 1982, Zhao Ziyang, the Chinese Prime Minister, told Humphrey Atkins, Lord Privy Seal, who was responsible for Hong Kong in the Foreign Office, that China would "safeguard" its sovereignty over Hong Kong, and that the "prosperity of Hong Kong would be maintained". Atkins was also advised to consult Yeh's nine-point

²⁰ Cheng Linsheng, *Deng Xiaoping "Yiguo Liangzhi" Sixiang Yanjiu* (Shenyang: Liaoning renmin chubanshe, 1992) pp. 87-88.

statement (see Chapter One) for Taiwan.²¹ This was the first time the Chinese notified the British of this.

Then, Hu Yaobang, general secretary of the party, reported to the Twelfth Party Congress, "Being patriots, we do not tolerate any encroachment to China's national dignity or interests." He said, "Having suffered aggression and oppression for over a century, the Chinese people will never again allow themselves to be humiliated as they were before."²² Deng Xiaoping also spoke at the same congress:

"We Chinese people value our friendship and co-operation with other countries and peoples. We value even more our hard-won independence and sovereign rights. No foreign country can expect China to be its vassal or expect it to swallow any bitter fruit detrimental to its own interests."²³

A few days before British Prime Minister Margaret Thatcher's historic visit to Beijing, the Chinese leaders displayed their position in public. When Margaret Thatcher met Deng Xiaoping in September 1982, Deng stated his position openly and straightforwardly again. On the other side, Thatcher affirmed her position and insisted that Hong Kong's prosperity depended on confidence, which in turn required continued British administration.²⁴ She also insisted that Britain's two treaties ceding Hong Kong and Kowloon in perpetuity were still valid in international law, that they must be honoured unless superseded by new treaties, and that sovereignty was therefore still

²¹ Percy Cradock, *Experiences of China*, p. 170.

²² Hu Yaobang, "Create a New Situation in All Fields of Socialist Modernization—Report to the 12th National Congress of the Communist Party (1st September 1982)," *Beijing Review* 25, no. 37 (13th September 1982): 29-30.

²³ "12th National Party Congress Opens," *Beijing Review* 25, no. 36 (6th September 1982): 5.

²⁴ Margaret Thatcher, *The Downing Street Years*, pp. 260-2.

negotiable. Although she knew that this was not an issue on which she could ultimately win, Thatcher still hoped a tough stand at the start would strengthen her in later bargaining. Her aim was a leaseback of 20 to 50 years. She said that:

“Britain has three treaties. Two of those refer to sovereignty in perpetuity, one of them refers to a lease which ends in 1997...I believe they are valid as international law, and if countries try to abrogate treaties like that, then it is very serious indeed, because if a country will not stand by one treaty it will not stand by another treaty, and that’s why you enter into talks”.²⁵

As a result, the talk involved heated exchanges. Deng showed his position with directness and openness in his statement:

“On the question of sovereignty, China has no room for manoeuvre. To be frank, the question is not open to discussion. If China failed to take Hong Kong back 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. It would mean that the present Chinese government was just like the government of the late Qing Dynasty and that the present Chinese leaders were just like Li Hongzhang! If we failed to take Hong Kong back in 15 years, the people would no longer have any reason to trust us, and any Chinese government would have no alternative but to step down and voluntarily leave the political arena.”²⁶

²⁵ “Prime Minister Thatcher Hold Press Conference,” *Hong Kong Television Broadcast Limited*, 27th September 1982, in FBIS, 28th September 1982, W4, W6.

²⁶ Deng Xiaoping, “Our Basic Position on the Hong Kong Question,” *Beijing Review* 36, no. 41 (4th October 1993): 7-8.

For Deng Xiaoping, the Chinese government's position was clear. Deng insisted that the PRC should exercise no flexibility in the question of sovereignty. While he desired an agreement for co-operation with Britain and valued highly Hong Kong's prosperity and stability, he refused to achieve them by making any concession over sovereignty.²⁷ Deng was determined to use Hong Kong to wipe out China's humiliation by the West in the preceding century. He felt strongly that if the PRC's resumption of sovereignty over Hong Kong should bring about cataclysmic results, then the PRC "would courageously face up to this catastrophe".²⁸ Deng did not believe Hong Kong's prosperity could continue only under British administration, and was confident that the PRC could somehow successfully take it over even without British co-operation.²⁹ Obviously, the terms under which the PRC recovers part of its territory from colonial rule was a highly sensitive issue, on which those wishing to compromise for China's economic benefit were vulnerable to dogmatic and nationalistic elements within the party.

Where national pride was at issue, Deng Xiaoping's 'pragmatist' factions were no less militants than the Maoists had been in their time, and inevitably resisted Thatcher's attempt to force a settlement of the Hong Kong question on her terms. No one in Beijing wanted to be accused of selling China out to the foreigners. Deng's reaction to Thatcher's invocation of the treaties was to refer back to a Qing dynasty official responsible for ceding Chinese territories to foreigners and say: "I, a Chinese

²⁷ Deng Xiaoping, *Deng Xiaoping Wenxuan* (Selected Works of Deng Xiaoping) vol. 3 (Beijing, 1993) p. 12.

²⁸ *Ibid.* p. 14.

²⁹ *Ibid.* p. 60.

Communist leader, play the role of Li Hongzhang? Never!”³⁰ Deng appeared to have reasserted himself against elements that opposed his pragmatic line. His negotiating positions were highly sensitive to the play of China’s own political factionalism; internal factional pressures could influence this negotiation.³¹

The session was “courteous but tough;”³² Thatcher tried to persuade Deng to accept her proposal; she even stressed that she would consider the question of sovereignty if they agreed on an arrangement that was acceptable to the British Parliament and to the people of Hong Kong.³³ Deng Xiaoping’s response was to present Thatcher with a new deadline. He did not accept the British position, particularly the validity of the treaties. He said that he would allow a year or two to reach an agreement with the British but would then announce a unilateral solution should the negotiations prove fruitless.³⁴ He told her: “if Britain and China do not reach agreement by the end of 1984, China will announce its own solution”.³⁵ Later, Margaret Thatcher wrote in “The Downing Street Years”, that “At one point Deng said that the Chinese could walk in and take Hong Kong later today if they wanted to. I retorted that they could indeed do so, I could not stop them, but this would bring about Hong Kong’s collapse.

³⁰ Deng Xiaoping, *Deng Xiaoping Wenxuan* (Selected Works of Deng Xiaoping) vol. 3 (Beijing, 1993) p. 14; Li Hongzhang, the Qing dynasty’s veteran mandarin diplomat who signed the New Territories lease in 1898.

³¹ Derek Davies, How Britain Fell for the Peking Game plan, *Far East Economic Review*, 21st June 1984, p. 44.

³² Quoted from Robert Cottrell, p. 88, and Mark Roberti, p. 49.

³³ Margaret Thatcher, *The Downing Street Years*, p. 260-2.

³⁴ Percy Cradock, *Experiences of China*, p. 180.

³⁵ Han Nianlong (ed.), *Diplomacy of Contemporary China*, pp. 464-5 and Joseph Treen, *Newsweek*, 27th June 1983.

The world would then see what followed a change from British to Chinese rule.”³⁶

The Chinese press also expressed their position on the Hong Kong question and the unequal treaties:

“These treaties, which were forced upon the Chinese people, provide an ironclad proof of British imperialism’s plunder of Chinese territory. The Chinese people have always held that these treaties are illegal and therefore null and void. Even when they were still in a powerless status, the Chinese people waged a protracted, unremitting and heroic struggle against imperialist humiliation and oppression and against the series of unequal treaties forced upon them by imperialism. It was not until the founding of the People’s Republic of China in 1949 that the Chinese people finally won independence and emancipation. Now that Chinese people have stood up, it is only natural that they find these treaties...unacceptable.”³⁷

As a result of Thatcher’s visit, neither China nor Britain was willing to make a concession on sovereignty. However, the main achievements of Thatcher’s visit were to open negotiations over Hong Kong’s future and to allow each side to make known to the other their respective views. And since they shared the common wish to maintain stability and prosperity in Hong Kong, they also agreed to enter talks through diplomatic channels. The two countries also issued an eighty-three-word communiqué, which said: “The two leaders of the two countries held far-reaching talks in a friendly atmosphere on the future of Hong Kong. Both leaders made clear their respective

³⁶ Margaret Thatcher, *The Downing Street Years*, p. 262.

³⁷ “China’s Stand on Hong Kong Issue Is Solemn and Just,” *NCNA*, 30th September 1982, in *FBIS*, 1st October 1982, E1.

positions on the subject.”³⁸ However, when the New China News Agency in Beijing released the communiqué, it added: “The Chinese government's position on the recovery of the whole region of Hong Kong is unequivocal and known to all.”³⁹

Shortly after Thatcher left Beijing, Ambassador Cradock called on Vice-Foreign Minister Zhang Wenjin to work out an agenda for negotiations on Hong Kong. Thus, the so-called first phase of negotiations formally started.⁴⁰ It lasted from October 1982 to June 1983. During that time Cradock made a formal re-submission of the British proposals for Hong Kong on behalf of Thatcher. This formal submission yielded no new ground to China on sovereignty, but merely recommended that a new agreement be reached between Britain and China that preserved British administration over Hong Kong beyond 1997. This administration could be characterised as “transitional” in nature; and if these arrangements appeared acceptable to Hong Kong, then the British government would support a treaty containing a form of words recognising China's sovereignty over the whole territory.⁴¹

The Chinese insisted on the invalidity of all three treaties that governed Hong Kong and they declined to discuss its sovereignty. Nevertheless, the British saw the proposed negotiations strictly in terms of a bargaining process. The Foreign Office still hoped that continued British administration of Hong Kong could be achieved. It took the view that a British concession on sovereignty should be made only in exchange for a Chinese concession on administration.⁴²

³⁸ *New China News Agency*, 24th September 1982.

³⁹ *Ibid.*

⁴⁰ Hong Kong Government, *Draft Agreement on Hong Kong's Future*, p.3.

⁴¹ Hong Kong Daily News, 19th April 1983.

⁴² Robert Cottrell, *The End of Hong Kong*, p. 98.

Throughout this period, Beijing spokesmen reiterated their formulas for the future as “one country, two systems” and “sovereignty with prosperity”. To the obvious question, if prosperity were to prove incompatible with sovereignty, which would come first, the answer was “sovereignty.”⁴³ The deadlock on sovereignty was sustained.

At last, Thatcher accepted the PRC’s precondition of Chinese sovereignty. Both sides were now agreed that “sovereignty” had a place on the agenda, but they disagreed as to whether that place should be first or last. How to fix an agenda? As Deng Xiaoping told Hong Kong deputies to the National People’s Congress, “We must let the British out of an embarrassing situation. It is possible that the negotiations will not begin with ‘regaining sovereignty,’ but with the second question, namely, ‘What do we do after 1997?’ After we have finished discussing this second question, there will be nothing left in the first question worth discussing.”⁴⁴ Following this, the second phase of negotiation formally started in July 1983.

Administration - The Second Confrontation

With the sovereignty question temporarily neutralised, the second phase began to move more quickly. The Chinese Ministry of Foreign Affairs announced in early July 1983 that the formal negotiations would begin in Beijing on 12th July 1983. China referred to this as the “second phase of talks on the future of Hong Kong.”⁴⁵

In this phase, Thatcher’s position was not to retain sovereignty but to relinquish it in exchange for continuing to administer Hong Kong for as long as possible beyond

⁴³ *Beijing Review* 26:16 (19th April 1983).

⁴⁴ *Mirror Magazine* (Hong Kong), 10th July 1983.

⁴⁵ *New China News Agency*, 5th July 1983.

1997.⁴⁶ According to Colin Moynihan, secretary of the Foreign Affairs Committee of the British Conservative Party, the British role in Hong Kong was the key to its economic stability, and that in order to maintain Hong Kong's stability, Britain could not give up its right of administration over Hong Kong.⁴⁷ An article published in *The Economist* asserted that there were only two alternatives for the Chinese leaders: they could either resume sovereignty and suffer a depression in Hong Kong, or ask the British to stay to assure the prosperity of Hong Kong.⁴⁸ Some British scholars also believed that Hong Kong's prosperity, which China wanted to assure, was dependent on an economic "spine" that consisted of 20,000 people who would withdraw their investments in the colony if the status quo were not maintained. They suggested that "the object of British diplomacy should be to secure a new lease of some 15 to 30 years for the territory after 1997". In thirty years, Hong Kong's economy would gradually and naturally merge with China's Special Economic Zone across the border.⁴⁹ This strategy was quite popular amongst the people of Hong Kong, who feared that the Chinese Communists would ruin Hong Kong's future.

At that time, most of the Hong Kong elite encouraged China to accept this suggestion. The PRC in fact had limited choice on the issue of sovereignty over Hong Kong. Beijing's traditional anti-colonial position on Hong Kong and strong Chinese nationalism, made it impossible for Deng Xiaoping and other Chinese leaders to renew the lease of the New Territories or to allow the British to remain in Hong Kong. If Deng had allowed the British to continue their rule in Hong Kong, his authority would

⁴⁶ Geoffrey Howe, *Conflict of Loyalty* (London, 1995) p. 366.

⁴⁷ "Britain's Argument Is Untenable," *Beijing Review* 26, no. 41 (10th October 1983): 10.

⁴⁸ "Hong Kong's Future: That Ring of Confidence is Fading," *The Economist*, 12th March 1983, 52-54.

⁴⁹ Robert Skisdelski and Felix Patrikeeff, "Trumping the China Cards," *The Times*, 21st September 1983, p. 12.

have been greatly weakened.

Therefore, Deng rejected this idea, and insisted that it was impossible to separate sovereignty and administration. The New China News Agency accused the Hong Kong government of manufacturing pro-British public opinion to use as a false front for Britain's own imperialist ambitions. It linked this allegation to China's stand on administration over Hong Kong, arguing that no matter what "public opinion" said, "if there is separation of sovereignty and administrative power, there is no sovereignty, and to do so meant replacing 'an old unequal treaty with a new one'."⁵⁰ Jin Fu, a Chinese expert on international law, argued the British position on the unequal treaties was "null and void according to basic principles of international law concerning treaties." He said that;

"1. According to a basic principle of international law, wars of aggression are unjust and unlawful, 'ex infuria jus non oritur.' Therefore, treaties concluded in connection with the spoils of such wars are invalid. 2. According to a principle of the law of treaties, a treaty is null and void if it is imposed by a contracting party by the threat or use of force against another. 3. According to the relevant provisions of the Law of Treaties, any treaty that violates the peremptory norms of international law is null and void. This is a generally acknowledged principle."⁵¹

Jin also argued that the sovereignty as a legal concept is indivisible in itself. He said that "What is sovereignty? It is the inherent right of a state, which manifests itself internally as supreme authority, namely, the exclusive jurisdiction of a state over its territory and, externally, as the right of independence, namely, the complete independent exercise of right by a state in international relations free from any outside

⁵⁰ *New China News Agency*, 15th September 1983.

⁵¹ Jin Fu, "China's Recovery of Xianggang (Hong Kong) Area Fully Accords with International Law,"

Beijing Review 26, no. 39 (26th September 1983): 15-16.

interference.” And what is administration? “It means administrative power, the power of a state to rule in its territory. It is a concrete expression of sovereignty.” Then he concluded that “The concept of sovereignty naturally embraces administration. Since the two are indivisible, there can be no question of exchanging one for the other.”⁵²

Zhou Nan, the Chinese negotiator of the Foreign Ministry, in an interview with the *Financial Times*, insisted that “China is determined to recover complete sovereignty and administration of Hong Kong. The position of China is unshakable and firm”.⁵³ Therefore the negotiations made little progress.

The pro-Beijing Hong Kong press took up the official PRC line. A long and seductive editorial in *Wen Wei Pao* on 23rd August 1983 buttressed China's case for a British withdrawal by arguing that Britain's contribution to Hong Kong's economic success was in any case greatly overstated, and by claiming that Hong Kong Chinese who resisted the formula “Hong Kong people rule Hong Kong” were “self-abased and lacked confidence in themselves”.⁵⁴ In September 1983, receiving Edward Heath, Deng spoke candidly about his frustration with -- as he saw it -- British intransigence. He told Heath that, if Britain would only agree now to withdraw from Hong Kong in 1997, then the whole business could be concluded in an atmosphere of goodwill, on terms with which Britain, Deng said, would certainly be satisfied.⁵⁵

The Dollar Crisis: The Press campaign intensifies

The effect of this political confrontation exacerbated the slump in Hong Kong's stock

⁵² Ibid.

⁵³ *Financial Times*, 16th September 1983.

⁵⁴ *Wen Wei Pao*, 23rd August 1983.

⁵⁵ Robert Cottrell, *The End of Hong Kong*, p. 117.

and property markets that had been under way since the spring of 1982. By September 1983, the Hong Kong dollar had lost half of its value, dropping from HK\$ 5.9 to HK\$ 9.5 to the US dollar in the previous year. In September 1983 Sir John Bremridge, Hong Kong's Financial Secretary, made a series of comments. He said: "The Hong Kong dollar was being weakened by the uncertainties associated with the 1997 negotiations. "And among the biggest sellers of the currency," he added, "was the Beijing-owned Bank of China itself, which daily exchanged the Hong Kong dollar revenues of Chinese corporations for the US dollars which Beijing preferred to hold in its reserves".⁵⁶

The Chinese interpreted Bremridge's remarks as a counter-accusation. The battle for the Hong Kong dollar thus moved into the open. It became a major item in the campaign by the pro-Beijing Hong Kong media against the British and thus in the construction of an anti-British united front in the colony. The pro-Beijing newspaper *Wen Wei Pao* argued in an editorial that: -

"Mr. Bremridge's purpose in playing the 'economic card' was obvious. On the one hand, he wanted to demonstrate that the British administration was indispensable to the Hong Kong economy, in order to strengthen British bargaining power at the conference table and achieve the goal of the so-called 'extension of administrative power.' On the other hand, he wanted to shirk responsibility for the economic chaos, and shift the blame on to China."⁵⁷

The *Tin Tin Daily News* claimed that "large quantities of Hong Kong dollars were being sold by British financial groups in London and even as far away as New York".⁵⁸ The

⁵⁶ *South China Morning Post*, 16th September 1983.

⁵⁷ *Wen Wei Pao*, 21st September 1983.

⁵⁸ *Tin Tin Daily News*, 17th September 1983.

Hong Kong Daily News said that the British believed there to be “no harm in having a certain amount of chaos, as this might strengthen the British bargaining position.”⁵⁹

Next day, the same paper quoted a local academic, Hsueh Feng-hsuan, as claiming that the fall in the Hong Kong dollar had been deliberately provoked by the authorities, to cause the people of Hong Kong to lose confidence in China.⁶⁰

Mainland newspapers continued to make clear the PRC hard line on sovereignty and administration. The People’s Daily published an article entitled, “The recovery of Hong Kong by China conforms to international law,” a text which it described as an excerpt from a paper by the legal scholar, Jin Fu, to be published in the winter issue of the *Journal of International Affairs*. The British, said Jin, were advocating “the exchange of sovereignty for administrative power.” As to China’s position, “When China says it will recover its sovereignty over Hong Kong, it definitely does not mean regaining its hallowed sovereign rights only in nominal terms while yielding up its administrative power”. The People’s Daily followed by saying: “The whole world knows that most Hong Kong people are Chinese, and only the Chinese government can be their true representative. The British government has no right to represent them... The relationship between the British government and the Chinese residents in Hong Kong is like that between a colonial ruler and its subjects. Therefore, in the present talks, Britain is not qualified to be their representative.”⁶¹

Both sides’ positions were clear and irreconcilable. In the fourth round of talks Sir Percy Cradock pressed the Chinese to permit the issue of a positive-sounding communiqué, in order not to upset further Hong Kong’s financial markets. The Chinese declined. The next morning, anxiety finally spilled over into panic. The

⁵⁹ *Hong Kong Daily News*, 18th September 1983.

⁶⁰ *Hong Kong Daily News*, 19th September 1983.

⁶¹ *Renmin Ribao*, 20th September 1983.

Hong Kong dollar lost 8 per cent of its value at opening, to be quoted at HK\$ 9.50 to the US dollar. However, the PRC government announced that unless they reached an agreement within a year, it would impose a unilateral solution.⁶² China strongly insisted that British administration would end in 1997, even if Hong Kong was ruined financially.

The effect of this depreciation was felt directly in Hong Kong. All of Hong Kong's fuel, almost all of its food and most of its consumer goods were imported. The falling dollar provoked immediate price rises for almost everything. To save the Hong Kong dollar, London's approval was given to a 'peg'. With the help of the Bank of England, the British and Hong Kong governments finally came up with an arrangement to restore public confidence. The US dollar was chosen as the currency against which the Hong Kong dollar would be fixed. A slightly stronger rate, HK\$ 7.80, was fixed and then published.⁶³

This political confrontation resulted in Hong Kong's stock and dollar losing one-third of their respective values. To begin with Britain believed that this would make China recognise the British administration, strengthen British bargaining power and cause the people of Hong Kong to lose confidence in China. However, in the fourth round, the Chinese had not yielded, and as the Hong Kong dollar crisis went unresolved, Hong Kong public opinion was becoming alienated from both sides. British negotiators thought that, if necessary, the Chinese would take Hong Kong as a wasteland. Unless Britain brought something new to yield, the next round of talks might well be the last. Avoiding a breakdown in the negotiations thus became their overriding objective.⁶⁴

Cradock returned to London once again, to propose that the time had come to amend

⁶² *Ming Pao*, 2nd October 1983.

⁶³ Margaret Thatcher, *The Downing Street Years*, p. 489-90.

⁶⁴ Margaret Thatcher, *The Downing Street Years*, p. 490.

Britain's negotiating position on administration. Cradock recommended that Britain should state formally that its own basic position remained unchanged, and that it believed that only continued British administration after 1997 could guarantee Hong Kong's stability and prosperity. However, it should say that it was prepared "on an entirely conditional basis" to explore whatever other arrangements China might have in mind for Hong Kong after 1997. Then, if a solution could be devised on the basis of that Chinese plan, in which Britain had confidence, Britain would back it.⁶⁵ In November 1983 the British formally conceded that they "intended no link of authority between Britain and Hong Kong after 1997".⁶⁶ In this situation, Britain could not continue to resist the Chinese position and made the decision to transfer Hong Kong's sovereignty.

A formal message was drafted for Cradock to relay to the Chinese government. It said that the British government was prepared "to see whether Britain and China could together construct on the basis of proposals put forward by China, arrangements of lasting value for the people of Hong Kong." If this could be achieved, then "the British Government would be prepared to recommend to Parliament a treaty enshrining them, and to do its utmost to assist their implementation".⁶⁷ The *Sunday Times* stated that Mrs. Thatcher had conceded sovereignty over Hong Kong to China and agreed that the administration of the territory would be turned over to China in 1997.⁶⁸

China recognised this as a significant concession. Therefore in the fifth round of negotiations, China agreed to include the words "useful and constructive" to the communiqué describing the talks. In November 1983, a spokesman for the Ministry of

⁶⁵ Robert Cottrell, *The end of Hong Kong*, p. 130.

⁶⁶ Percy Cradock, *Experiences of China* p. 192.

⁶⁷ *Ibid.*, p. 197.

⁶⁸ *The Sunday Times*, 22nd January 1984.

Foreign Affairs said that relations between Britain and China were “normal”.⁶⁹

Later, Ji Pengfei, who had succeeded Liao Chengzhi as head of the Hong Kong and Macao Affairs Office after Liao’s death in June, received a delegation of Hong Kong and Macao industrialists, and told them that China was now confident that the Sino-British talks would reach a “satisfactory” solution by September 1984, the deadline which Deng had first fixed. He told the industrialists that Hong Kong’s separate status after 1997 would be protected, not only by the new clause in the constitution providing for the establishment of “special regions” of China, but also by a “mini-constitution” which would be drafted for Hong Kong alone.⁷⁰

Communist publications ceased their attacks on the former British position, and began instead to focus on expositions of the Chinese plan for “one country, two systems” The PRC thought that the British compromise meant Britain would now co-operate with China. Britain was no longer the principal-enemy.

Smooth Period -The PRC's United Front with Britain

Following this, the situation changed to one in which the British were testing and questioning the Chinese proposals. The Chinese plan for Hong Kong, as its representatives made formally clear, amounted to nothing more than the twelve-point scheme. China wanted the British to endorse a simple declaration of intent, without any technical detail. This scarcely conformed with the British idea of a “satisfactory agreement,” or of “arrangements of lasting value” to Hong Kong, the phrases which Thatcher had used in setting out the circumstances in which she would recommend a new treaty to Parliament. The new set of arguments were about the form of settlement,

⁶⁹ *South China Morning Post*, 17th November 1983.

⁷⁰ *Wen Wei Pao*, 23rd November 1983.

whether it was to be the short statement of principle which China wanted or the long, detailed agreement sought by Britain, which of the two would be acceptable to the people of Hong Kong.

Generally, there was little confidence the Chinese leadership properly understood the mechanics of what they called “capitalism”. They appreciated that the economic successes of Hong Kong were the work of capitalists, but only since investing in Hong Kong themselves were they getting an understanding of investment. Which was like learning to drive without mastering the principle of internal combustion. Above all, to achieve the objects of their territorial ambitions entailed departure from their customary administrative and legal systems.⁷¹ “For the first time, something approaching lively debate sparked into life around the table.”⁷² The result of this debate was a compromise.

The Guardian reported that, according to British sources:

“The draft agreement on the future of Hong Kong that is expected to emerge from the Beijing negotiations in September will not be open to amendments...There is no question of returning to the bargaining table after the talks. The people of Hong Kong will be asked simply to accept or reject the deal.” These were the positive signals. However, The Financial Times of 20th July 1984 reported: “Intractable problems remain in the talks with China over the future of Hong Kong, senior British officials said...One important difference between Britain and China remains Peking’s (Beijing) unwillingness to conclude a detailed agreement...It was emphasised.”⁷³

⁷¹ Dennis Duncanson, *The Anglo-Chinese Negotiations*, in Jurgen Domes and Yu-ming Shaw (ed.) *Hong Kong – A Chinese and International Concern* (Colorado: West-view Press, 1988), p. 33.

⁷² *Ta Kung Pao*, 9th December 1983.

⁷³ *Financial times*, 20th July 1984.

With regard to timing, China had been working from the outset towards its unilateral deadline of September 1984. To meet the deadline, China became more willing to cooperate with the British in reaching agreements on what remained of the so-called matters of detail.⁷⁴ In fact, China was prepared to make a series of offers that would accommodate Britain's main reservations. In particular, China would be willing to accept most of the proposals made by Britain. Howe said in the Legislative Council Chamber: "Very substantial progress has been made. We have agreed, first, [on] the framework and key clauses of an agreement which will preserve Hong Kong's unique economic system and way of life; second, that this agreement and its annexes will all be legally binding".⁷⁵

Thus, the compromise was a short agreement with three annexes; the longest of these, Annex 1, set out China's policy towards Hong Kong after 1997. The British made a significant input by providing ideas and explaining why the Hong Kong system worked. A special department in the Hong Kong government headed by L.M. Davies carried out much of the preparatory work. The British also made comments on the Chinese drafts of the annexes.⁷⁶ Thus, Britain took the initiative to emphasise her 'moral duty' and 'clear responsibility' to the people of Hong Kong.

The Joint Declaration

During the Sino-British negotiations, the Chinese government was sensitive to the issue of sovereignty. The British had hoped to sign a formal treaty, but the Chinese rejected

⁷⁴ Richard Evans, *Deng Xiaoping and the Making of Modern China*, p. 268.

⁷⁵ *South China Morning Post*, 2nd August 1984.

⁷⁶ Steve Tsang, *Hong Kong: An Appointment with China*, p. 105.

that proposal on the grounds that the treaties by which Britain had acquired Hong Kong were invalid, and therefore the Hong Kong issue was a domestic matter that the PRC was entitled to resolve on its own. The PRC insisted that the settlement of the Hong Kong question would not be a 'treaty,' but a 'declaration.' What is the difference between a treaty and a declaration in terms of interpretation in international law? According to J.L. Brierly, an expert on international law at Oxford University, "Contractual engagements between states are called by various names -treaties, conventions, pacts, declarations, protocols. None of these terms has an absolutely fixed meaning; but a treaty suggests that most formal kind of agreement...a declaration is generally used of a law-declaring or law-making agreement".⁷⁷ Because of this difference, the PRC refused to use the word 'treaty' as the term for the 1984 Sino-British agreement. For the PRC, signing a treaty would mean that they recognized the legitimacy of the three former unequal treaties. In the Sino-British Joint Declaration, the PRC especially chose the words "resume the exercise of sovereignty over Hong Kong" and "recover the Hong Kong area," to show that Hong Kong had been its territory. In fact, the declaration avoids the sensitive issue of the legitimacy of the unequal treaties and British colonial rule over Hong Kong.

The contents of the Joint Declaration were the Chinese intentions to recover full sovereignty over the territory and to preserve the status quo. This would be accomplished through the "one country, two systems" and "Hong Kong people ruling Hong Kong" formulas that the Chinese had proposed during the negotiations. Without mentioning the three un-equal treaties that ceded and leased Hong Kong to the British, the Joint Declaration echoes the history of the PRC's policy which describes the Hong Kong problem as a question "left over from history," the settlement of which "is

⁷⁷ J.L. Brierly, *The Law of Nations: An Introduction to the International Law and Peace*, (New York: Oxford University Press, 1963), 317.

conducive to the maintenance of the prosperity and stability of Hong Kong and to the further strengthening and development of the relations between the two countries on a new basis.” Hong Kong’s return to the mainland is called “the common aspiration of the entire Chinese people”, and necessary to “upholding national unity and territorial integrity”.

The Joint Declaration contained a twelve-point list of intentions that constituted the heart of the agreement. “The People’s Republic of China has decided to establish, in accordance with the provisions of Article 31 of the Constitution of the People’s Republic of China, a Hong Kong Special Administrative Region upon resuming the exercise of sovereignty over Hong Kong.” While under the authority of the central government, according to the Joint Declaration, Hong Kong would enjoy a substantial degree of autonomy, including its own executive, legislative and judicial powers. In order to realize the concept of “Hong Kong people ruling Hong Kong,” the government would be composed of local residents, and foreign nationals might hold certain posts. Social and economic systems would not be changed, nor would Hong Kong’s status as a free port and separate customs territory. There would be a free flow of capital and the Hong Kong dollar would remain freely convertible. All of these elements were to be codified in a Basic Law of the Hong Kong SAR, and were to remain unchanged for fifty years.

The Joint Declaration provisions for Hong Kong’s autonomy were broader than many had expected, but how much autonomy? Would the Hong Kong SAR be permitted to make its own laws and not be overruled by the National People’s Congress? Which of the PRC’s laws would apply in Hong Kong? The division of legal authority was less clear than many would have liked, creating an impression that Beijing could easily impose its will in the SAR while complying formally with the Sino-British agreement. Similarly, the central government’s rule in selecting Hong Kong’s chief executive was

not spelled out in detail. Since Beijing retained the formal right to appoint Hong Kong's chief executive after 1997, how likely was it to exercise its veto power to insure that the chief executive was friendly to Beijing?

Regarding of the SAR's political structure, the Joint Declaration had little to say, Hong Kong's government and legislature would be composed of local residents chosen through elections or consultations. But details of these arrangements, including the time frame for the transition to an elected legislature, the nature of the electoral system and the role of political parties, were not explained. These issues would be left to discussions to the Basic Law drafting process, where they would generate considerable debate and controversy.

The PRC's United Front in Hong Kong

Having examined the broad architecture of the negotiations the rest of this chapter will examine the mechanisms of the PRC's negotiating strategy in more detail. According to the united front principle, a clear distinction must be made between an enemy and an ally. The two objects of the united front are the enemy to be fought and the ally united. The cardinal rule of the united front is to make every effort to win over the ally and to isolate the enemy. So, how to unite Hong Kong people against Britain was a priority for the PRC. The PRC government sought to win over the Hong Kong elite and increase its influence in the territory, to strengthen its position in the negotiations with the British.⁷⁸

Once it was clear that the Chinese government was devising a policy on Hong Kong's future, an air of anxiety prevailed in Hong Kong. To improve the situation, the PRC tried to invite a stream of prominent Hong Kong citizens to Beijing in end of 1970s, in

⁷⁸ Steve Tsang, *Hong Kong: An Appointment with China*, p. 94.

order to create a long-established Chinese Communist objective, a 'united front'.⁷⁹ The PRC also intended to discuss the position with various groups in Hong Kong and take account of their views in devising its plans.⁸⁰

The Chinese propaganda machine set out to persuade Hong Kong's citizens that the British had acquired Hong Kong through the so-called "Opium War" and that such colonialism was inherently bad. Some people in the colony therefore felt that they should be proud of being Chinese and should desire the early departure of the British imperialists. On the other hand, the idea of being handed over to a Communist regime whose negative record some had experienced at first hand and which others knew of through relatives and friends, terrified them. Most of them appreciated the great differences between life in Hong Kong and in the PRC.⁸¹

Most Hong Kong citizens agreed with Thatcher's bottom line, a kind of leaseback arrangement, which would provide protection for them. They, however, depended on the British and Hong Kong governments to talk with China. Hong Kong people were depressed by Thatcher failing to deliver good news about her visit China. Immediately, the stock market, the property market and the value of the local currency reflected their fears.⁸²

After Deng met British prime minister Margaret Thatcher, he invited certain Hong Kong tycoons to Beijing to hear his intentions and promises: The PRC was going to resume sovereignty over Hong Kong some time about 1997, but in such a way as to

⁷⁹ For detail see Lyman P. Van Slyke, *Enemies and Friends: The United Front in Chinese Communist History* (Stanford: 1967).

⁸⁰ *Daily Telegraph*, 7th January 1982; and *Far Eastern Economic Review*, 6th June 1982.

⁸¹ Steve Tsang, *Hong Kong: An Appointment with China*, p. 98.

⁸² Hong Kong Government, *Hong Kong 1983* (Hong Kong, 1983) p. 46.

preserve its “stability and prosperity.”⁸³

Thatcher said safeguarding the future interests of the people of Hong Kong was a moral responsibility and duty for the United Kingdom. Thatcher brought up the point of Britain’s moral obligation to the Hong Kong people. She said that: “Above all, I give you this assurance. In conducting those talks [with China], I shall speak not only for Britain, but for Britain’s moral responsibility and duty to Hong Kong.”⁸⁴

The New China News Agency countered Thatcher thus: “It is our belief that the Hong Kong issue is part and parcel of the People’s Republic of China with its one billion people (including the Chinese living in Hong Kong), and, as such, falls within the confines of China’s national sovereignty and interests. Only the People’s Republic of China, being the country with sovereignty over Hong Kong, is entitled to say that it has obligations to Hong Kong”.⁸⁵ The PRC also claimed that only the PRC government had the right to talk about “moral responsibility.”

During the next two or three years, the PRC was encouraging its businessmen to participate in the Hong Kong economy and cultivating more positively Hong Kong capital leaders of industry, who already had political ties to the PRC.⁸⁶ These capitalists knew that sooner or later the PRC would take over Hong Kong. They conceded that sovereignty over the territory belonged to China, and pressed for a redefinition of Hong Kong’s relationship to Mainland China that allowed them to maintain their profitable businesses. Some even saw more future in close

⁸³ *Far East Economic Review*, 16th July 1982.

⁸⁴ *South China Morning Post*, 27th September 1982.

⁸⁵ New China News Agency, “Our Solemn Stand on the Question of Hong Kong”, *Renmin Ribao*, 1st October 1982, p. 2.

⁸⁶ Philip Bowring and Mary Lee, *FEER*, 17th September 1982. Patriotic business people were often those who deal in Chinese commodities or rely on China for raw materials or equipment.

integration with the PRC than in keeping the status quo, since Hong Kong's internal market is too small to support its industry, the world market remained uncertain, and it was by no means certain that Hong Kong would continue to thrive as an independent financial centre.

Hong Kong people rule Hong Kong

To win the support of the Hong Kong people, the PRC released their detailed Hong Kong policy to the media. In November 1982 Liao Chengzhi received a delegation from the Hong Kong Factory Owners' Association and gave a presentation on China's plans for Hong Kong at which the slogan "Hong Kong people rule Hong Kong" was used for the first time on record by a high government official. Liao told the group that China would recover sovereignty over Hong Kong by 1997 at the latest; that Hong Kong would then be ruled by Hong Kong people; judicial and legal systems would remain unchanged, with the court of final appeal located in Hong Kong; that the Hong Kong dollar would be retained; passports would say "China-Hong Kong"; and that the Royal Hong Kong Jockey Club would stay in business, but with the 'royal' tag deleted.⁸⁷ The slogan under which this campaign was being launched, "Hong Kong people rule Hong Kong," cleverly celebrated the removal of British colonialism, while ignoring its replacement by authority from Beijing.⁸⁸ This was attractive to most Hong Kong people, because they wished to maintain their current life-style and personal freedom, which meant that they wished to be responsible for their own administration. Further to this, the month after China announced its policy of "Hong Kong people rule Hong Kong" in November 1982 the Chinese National People's Congress (NPC) also

⁸⁷ *Hong Kong Standard*, 21st November 1982

⁸⁸ Robert Cottrell, *The End of Hong Kong*, p. 100.

passed a new constitution Article 31 providing for the establishment of “special administrative regions when necessary”, which clearly indicated Hong Kong, Taiwan and Macao. China was showing its willingness to bypass the British and their ‘negotiations’ altogether, and to sell its policies directly to the people of Hong Kong. There was a growing feeling among the ‘Old China Hands’ and among some of Thatcher’s closest advisers, that the British position was hopeless. Britain had few cards to play. China was offering Hong Kong residents self-rule, something Britain had never done in one-hundred-and-forty years. The diplomats and cabinet ministers felt there was no alternative but to negotiate on the basis that the colony would be returned to China in 1997. Thatcher and the Hong Kong Executive Council did not see it that way. She believed concessions could be won, and she was not going to give up without a fight.⁸⁹

Then, Liao Chengzhi’s Hong Kong and Macao Affairs Office was in the process of producing its blueprint for Hong Kong. Liao had told a group of New Territories villagers, whom he received in January 1983, that “China is working on a draft formula that has yet to be presented to Britain. The format of Hong Kong people administering Hong Kong can only be implemented after it has been presented and recorded by the National People’s Congress. That is the only requirement.”⁹⁰ It indicated that China might be seeking a solution to the Hong Kong problem by itself.

Cradock and Youde were sufficiently worried to arrange a post-haste return to London for a meeting with Thatcher in March 1983. They would try to avoid China’s abandonment of the planned negotiations with Britain. Cradock had concluded that Britain was facing “the danger that we could be locked out of meaningful discussion,

⁸⁹ Mark Roberti, *The Fall of Hong Kong*, p. 61.

⁹⁰ *Far Eastern Economic Review*, 5th May 1983.

while Hong Kong's fate was decided, and promulgated, in Peking (Beijing)".⁹¹ Cradock suggested a letter from Thatcher to her Chinese counterpart, Zhao Ziyang. It said that if the negotiations yielded "arrangements acceptable to the people of Hong Kong" then the Prime Minister "could be prepared to recommend" to Parliament the transfer of sovereignty.⁹² When Beijing leaked details of the Thatcher letter, it encouraged the press to conclude that a "concession" of sovereignty had now obliquely been made. The British had made a political withdrawal.⁹³ Zhao Ziyang's reply was finally returned to Cradock in May 1983. It was agreed that two rounds of purely procedural talks could take place in late May and June, so that an agenda and the negotiating teams would be in place for the commencement of substantive talks in July 1983.

Neutralising Hostile Local Opinion

From the united front view, the aim of negotiation was to detach Hong Kong from Britain and attach it to the PRC. It was hardly in doubt, however that the majority of people, if they could be given a chance to express a wish, would oppose that aim. Therefore, the tactics of the PRC involved the "neutralisation" of Hong Kong residents as political participants. The best procedure to that end was to insist on bilateral negotiations between sovereign powers over the heads of the people.

Britain pressed for Hong Kong representation on the negotiating team and Beijing agreed to accept the credentials of the governor of Hong Kong, though as a representative of the British government rather than the people of Hong Kong.

⁹¹ Percy Cradock, *Experiences of China*, p. 185.

⁹² Margaret Thatcher, *The Downing Street Years*, p. 489.

⁹³ *New Evening Post* (Hong Kong), 13th May 1983.

A spokesman for the Chinese Foreign Ministry said in Beijing: "The Sino-British talks on the Hong Kong issue are bilateral. Mr. Youde will take part in the talks as a member of the British government delegation. Therefore, he can only represent the British government in the talks."⁹⁴ To further mark their displeasure at Youde's claim, Beijing then refused a visa to Peter Tsao, the civil servant whom Youde had proposed should accompany him as a press aide. Though the refusal was ostensibly based on a passport technicality, the intention was to underline China's opposition to any Hong Kong 'voice' at the talks.⁹⁵

Representatives of the people of Hong Kong were refused entry by the PRC into the negotiations, unlike the tycoons with which Deng Xiaoping was keeping in close touch, as an alarmed local press repeatedly emphasized. But their views and concerns were constantly conveyed to the British team. With Governor Youde's support, Sir Sze-yuen Chung and his colleagues, the unofficial members of the Hong Kong Executive Council, were briefed and consulted regularly in the course of the negotiations. They were appointed as confidential advisers and played a significant role in working out Britain's policy.⁹⁶ Thus Beijing was not entirely successful in its aim.

The Twelve Points – An Indirect Approach

When Thatcher's position was still for continuing to administer Hong Kong the PRC chose an indirect strategy against her. The PRC chose an unconventional channel to tell the British that if no agreement was reached, China would announce its own

⁹⁴ *Wen Wei Pao*, 9th July 1983.

⁹⁵ *Ta Kung Pao*, 10th July 1983 and *Pai Shing*, 16th July 1982, p. 7-8.

⁹⁶ Margaret Thatcher, *The Downing Street Years*, p. 491.

solution. At the end of July 1983, a group of Hong Kong secondary school students returned from Beijing to announce that they had been presented, by unnamed Chinese officials, with a detailed plan for Hong Kong's future. This was the Hong Kong and Macao Affairs Office blueprint in its final form. The text promised that after 1997 the Hong Kong 'special region' would

1. Keep its capitalist system;
2. Remain a free port and financial centre;
3. Retain a convertible currency;
4. Not be run by emissaries from Beijing;
5. Have a mayor elected by local inhabitants, a mayor who should be a 'patriot'.
6. Run its own affairs without central government interference, except in matters of defence and foreign affairs;
7. Have considerable freedom to take part in international activities;
8. Issue its own travel documents;
9. Keep its present legal system, so long as this did not conflict with Chinese sovereignty, and have its own final local court of appeal;
10. Be responsible for its own law and order, to be maintained by the police force;
11. Tolerate political activities, even those of the Nationalists, as long as these did not constitute sabotage;
12. Conduct its own social reforms without impositions from Beijing.⁹⁷

The so-called "Twelve Points" were produced by Liao's HKMAO group, which had considered how to maintain Hong Kong's stability and prosperity, while retaining public confidence and support.⁹⁸ It did, however, disturb the formal negotiations and

⁹⁷ *Wen Wei Pao*, 30th July 1983.

⁹⁸ Huang Wenfong "How was China's decision-making process to take over Hong Kong" *Open Magazine* (Hong Kong), January 1997, p. 50-51.

showed that China retained the right to act unilaterally. It also became the Chinese team's basic brief for formal negotiations with Britain.⁹⁹ Hu Yaobang, the General Secretary of the Chinese Communist Party, gave fresh impetus to China's demands by telling a visiting Japanese delegation on 15th August 1983:

“The talks we are having [with the British] are concerned with the question of how to maintain Hong Kong's prosperity after 1997 as well as the problem of how to proceed during the transitional period from now until 1997. China has a set of systematic policies for maintaining Hong Kong's prosperity.”¹⁰⁰

Isolating the New Principal Enemy

At first the PRC needed as many elements as possible of the people of Hong Kong in its united front against Britain, its principal-enemy. When Britain decided to compromise with China, those elements of the people of Hong Kong who did not support the PRC became the new principal-enemy. There were two examples of this new alignment: the question of the stationing of People's Liberation Army (PLA) forces in Hong Kong and the humiliation of three senior members of the Hong Kong Executive Council - S.Y. Chung, Q.W. Lee and Lydia Dunn.

In the last stages of the negotiations the Chinese had been saying that they might tolerate the non-stationing of People's Liberation Army (PLA) forces in Hong Kong after the resumption of sovereignty in 1997. Indeed, the Chinese Foreign Minister Huang Hua and Defence Minister Geng Biao had previously declared that no troops would be sent to Hong Kong after the resumption of Chinese sovereignty. However,

⁹⁹ Richard Evans, *Deng Xiaoping and the Making of Modern China* (London, 1993), p. 267.

¹⁰⁰ *Wen Wei Pao*, 16th August 1983.

Deng dropped a 'bombshell' in May 1984. Hong Kong reporters were invited to attend the opening of a meeting between Deng and NPC delegates from Hong Kong and Macao. Deng announced that he had something to say to the journalists: "I want to quell a rumour. Huang Hua and Geng Biao have been talking bullshit. What has been said about the question of stationing troops in Hong Kong is not the view of the [Party's] Central Committee. You go and publish this bit of news: Troops will be stationed in Hong Kong. It is part of Chinese territory-- why shouldn't we station troops there?"¹⁰¹

The PRC had unilaterally decided that the right to station troops in its own territory was an integral part of its sovereignty.¹⁰² Given that the PRC believes that "the Party controls the gun" and "the regime comes out of the barrel of a gun" the decision to station PLA forces in the former colony has special significance. These forces could be used against the people of Hong Kong. This was a reiteration of Beijing's principle that if prosperity were to prove incompatible with sovereignty, "sovereignty" would come first.¹⁰³

In early June 1984 a news bulletin announced that three senior members of the Executive Council - S.Y. Chung, banker Q.W. Lee and business executive Lydia Dunn - were to visit China later that month. When Chung met Deng he read from a prepared position paper which explained that residents were worried that low-level cadres responsible for Hong Kong might interfere with the local administration. While they had faith in Chairman Deng and the present leadership, they feared that future leaders might revert to extreme leftist policies and renege on the promise of "one country, two systems." Deng told Chung:

¹⁰¹ *South China Morning Post*, 25th May 1984.

¹⁰² Article 1, Joint Declaration.

¹⁰³ *Beijing Review* 26:16 (19th April 1983).

“What you have said can be reduced to a single sentence. You have no trust in the policies adopted by the People’s Republic of China and the government here. You have said only that you trust me, but those are empty words. This not the proper attitude...If there is no trust, there is little that we can say...Frankly, you do not believe that the Chinese are capable of ruling Hong Kong...On the thirteen-year transition... We are no less worried than you. We therefore suggest the setting up of a joint working group in Hong Kong.”¹⁰⁴

In fact, China did not officially recognise the Hong Kong Government or its two main Councils. Deng humiliated them and dismissed their positions. Chung and his colleagues did not achieve their objectives. Indeed, most influential Hong Kong figures visiting Beijing lost their resolution to speak frankly to the Chinese leaders who did not welcome negative comments about the prospect of a Chinese take-over.¹⁰⁵ Meanwhile, Deng limited the “patriotic compatriots” who would administer the Hong Kong government after 1997. He said that: “China would not require all to favor China socialist system but true patriots ought to love the motherland as well as Hong Kong,”¹⁰⁶ This showed that the Chinese leader thought those in Hong Kong against the PRC take-over were enemies.

What was the reaction of Hong Kong people? According to an independent company, Survey Research Hong Kong Ltd. (SRH), 81 per cent of those interviewed agreed that the draft agreement was good for the people of Hong Kong; 71 per cent believed that its

¹⁰⁴ *Hong Kong Standard*, 29th June 1984.

¹⁰⁵ Kevin Rafferty, *City on the Rocks: Hong Kong’s Uncertain Future* (London: Penguin books, revised and updated, 1989), pp. 438-40.

¹⁰⁶ *Time*, 18th June 1984.

was 'quite good'; only 1 per cent felt that it was bad for the people of Hong Kong.¹⁰⁷ Furthermore, the Assessment Office, established by the Hong Kong government in September 1984, reported in November 1984 on "the views expressed by the people of Hong Kong on every aspect of the draft agreement and the extent of its acceptability". Its judgment was that "the Office has concluded that most of the people of Hong Kong find the draft agreement acceptable."¹⁰⁸

Summary and Analysis

The united front is a way of building alliances and relationships with sympathetic non-Communist groups for the purpose of enhancing the power and popular support of the Communist Party, the neutralisation of those undecided, and persuading secondary enemies not to side with the enemy. This isolates the enemy by winning the majority to the side of the revolution; then, through struggle, the isolated and now vulnerable enemy is destroyed. At all times the integrity of the Party ensures a correct revolutionary line, whatever the difficulties or setbacks encountered.¹⁰⁹ In Chinese Communist Party (CCP) history, the enemies were often changing.

In the late 1920s and early 1930s, the principal enemy was the Kuomintang, then came the Japanese from 1937 to 1945. The CCP allied itself with the KMT. After the war was won, the KMT again became the major enemy and the CCP gathered together as

¹⁰⁷ *Ta Kung Pao*, 21st November 1984.

¹⁰⁸ *Arrangements for Testing the Acceptability in Hong Kong of the Draft Agreement on the Future of the Territory: Report of the Assessment Office and Report of the Independent Monitoring Team* (Hong Kong: Government Printer, 29th November 1984) p. 15.

¹⁰⁹ Mao Tse-tung, "Analysis of the Classes in Chinese Society," 1926, *The Selected Work of Mao Tse-tung* (Beijing: Foreign Languages Press, 1961), p. 18.

wide a coalition as possible to defeat the KMT.¹¹⁰ Within this political environment, enemies could become friends, and friends' enemies, depending on the political goal. At the beginning of the Hong Kong negotiating process, the PRC thought Britain was its principal enemy. In order to defeat its principal enemy, the PRC used the slogans "one country, two systems" and "Hong Kong people rule Hong Kong" to attract the people of Hong Kong against the British, as the "National United Front Against Japan" attracted the whole Chinese against the Japanese. The PRC knew that uniting the Hong Kong people's efforts was a means to achieve the end of the British rule. This new united front, far broader from the PRC's standpoint, was both a goal achieved and a new beginning. It marked an early stage in the development of a set of policies and techniques for enlisting allies and isolating opponents.

To achieve its victory, the PRC used the left-wing press in Hong Kong for the propaganda war. The major Beijing newspapers and the New China News Agency were important adjuncts to the PRC diplomatic effort. When there was disagreement at the formal level, the press was used to attack the British position, often in very strong terms.¹¹¹ When the two sides were making progress, the press was switched off. The use of the press in this manner gave the PRC two significant advantages.¹¹² First, it meant in effect that they had a monopoly of the media as far as new developments were concerned. The British felt that it would not be proper to respond to attacks in the Chinese press in kind. Second, control of the media helped the PRC to influence

¹¹⁰ Lyman P. Van Slyke, *Enemies and Friends: The United Front in Chinese Communist History* (California: Stanford University Press, 1967)..

¹¹¹ See *Ta kung Pao* and *Wen Wei Pao*, during September 1982 to 1984.

¹¹² Ian Scott, *Political Change and the Crisis of Legitimacy in Hong Kong* (London: Oxford University Press, 1989), p. 199.

public in Hong Kong.

The PRC chose a two-pronged strategy against Margaret Thatcher's Hong Kong position. First, the PRC published its "Hong Kong people rule Hong Kong" policy directly to the people of Hong Kong. This demonstrated that the PRC wanted support directly from Hong Kong's people and thus Britain would lose her credibility to negotiate. Second, the PRC told the British that, if no agreement was reached, it would announce its own solution. The PRC went on to issue its Twelve Points blueprint for the future of Hong Kong. In this situation, Britain could not continue to resist the Chinese position and made the decision to transfer Hong Kong's sovereignty. When the two sides made a compromise, the PRC's hostility moved from the British to individual Unofficial Members of the Executive and Legislative Councils who were anxious about the potentially negative consequences of PRC rule of Hong Kong.

The PRC achieved remarkable success in its united front policy. The Joint Declaration enshrined the concepts of "one country, two systems", "a high degree of autonomy" and "Hong Kong people rule Hong Kong" but the means by which these would be implemented remained vague and subject to the wishes of Beijing. The Hong Kong Basic Law had still to be drafted. What was effectively a new phase of the Hong Kong negotiations now began.

CHAPTER THREE: UNITED FRONT IN ACTION II: THE HONG KONG BASIC LAW

Introduction

After the signing of the Joint Declaration, China's main task during the transition was to draft the Basic Law, the mini-constitution under which the future Hong Kong Special Administrative Region would exist. The Basic Law would replace the British Letters Patent and Royal Instructions, which laid down the detailed framework of the colonial government. It would describe how the Joint Declaration would be implemented, the type of political system Hong Kong would have, and the extent of Beijing's control over Hong Kong's affairs. The drafting of the Basic Law tested the PRC's commitment to apply its "one country, two systems" policy.

This chapter will discuss how China organised the Basic Law Drafting Committee and the Basic Law Consultative Committee as its united front arms. It will examine the period of drafting of the Basic Law, identifying the key issues and the main arguments considered by the Drafting Committee. It will also discuss the differences between the Beijing authorities, the Hong Kong business elite and Hong Kong pro-democracy supporters over the drafting of those aspects of the Basic Law that concerned the relationship between a sovereign China and an autonomous Hong Kong. The chapter will also consider how, after the Tiananmen massacre, China made changes to the Basic Law.

Organized United Front Arms--The Basic Law Drafting Committee (BLDC) and Consultative Committee (BLCC)

For the PRC, it is always vital to assume the leadership of any united front. However, since each component party or group in the united front is by nature independent and has its own political agenda, guidelines, and ideology, the PRC adopted a more flexible approach, so as to find a common ground among the component elements. In the beginning of the drafting of the Basic Law, the PRC was more flexible and willing to compromise with the Hong Kong people.

The drafting of the Basic Law was a matter of great importance to both the Hong Kong people and the PRC authorities. As mentioned above, the Hong Kong people were denied by the PRC government any formal role in the Sino-British negotiations. However, the drafting of the Basic Law was purely an internal matter, and this was no business of the British government. The people of Hong Kong were fully aware that taking part in the process of drafting the Basic Law was the only and last chance to protect their own future. The Hong Kong people were concerned to know how the Basic Law would preserve their system and way of life for 50 years. However, the situation produced a contradiction, in that the PRC saw the drafting as the most important chance so far to use a united front to win over the support of the Hong Kong people and to provide legitimacy to the Basic Law.

The PRC realised that the people of Hong Kong saw the Law as a test of its sincerity. For this reason, its leaders wanted to devote considerable resources to drafting the Basic Law, and set a five-year period to complete the draft.¹ To enhance public confidence,

¹ Steve Tsang, *Hong Kong: An Appointment with China*, p. 145.

the PRC arranged for the NPC (NPC) to appoint a committee of specially co-opted Hong Kong members to draft the Basic Law.² After speculation and expectation, the PRC finally announced the composition of the Hong Kong Special Administrative Region Basic Law Drafting Committee on 18th June 1985, which would be responsible for writing a constitution for Hong Kong to come into effect in 1997.

To the PRC, the membership of the BLDC was an opportunity to show China's willingness to let "Hong Kong people rule Hong Kong". The Committee, headed by a Chinese state councillor and Director of Beijing's Hong Kong and Macao Affairs Office, Ji Peng-fei, consisted of fifty-nine people, of whom twenty-three were from Hong Kong.³ Headed by Xu Jiatun, the New China News Agency (NCNA) compiled the list. Xu's approval was required before the individuals in question were invited to serve. The Drafting Committee was carefully considered by the PRC. The Chinese government wanted to have enough Hong Kong members to make their participation appear to be meaningful enough to give it a democratic facade. Xu Jiatun wrote later that the number of Hong Kong members was expanded in response to public demand in the territory for greater participation in the Basic Law drafting process.⁴

Of the twenty-three Hong Kong participants, three were given the added honour of being named Vice-chairpersons of the Committee: the shipping magnate and chairman of the World-wide Shipping group Sir Yue Kong Pao, the industrialist Tse Kai Ann,

² Wen Wei Pao, *Jibenfa de Dangsheng* (The Birth of Basic Law), p. 205.

³ *South China Morning Post*, 19th June 1985.

⁴ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 156.

who was also a member of the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC), and the Chief Manager of the Bank of East Asia, David Li. The Director of the official New China News Agency Hong Kong Branch (NCNA), Xu Jiatun, who was a member of the Chinese Communist Party Central Committee and the publisher of the Pro-China newspaper *Ta Kung Pao*, and Fei Yimin, who was a member of China's NPC Standing Committee, were also Vice-chairmen.⁵

The rest of the Hong Kong members included three more businessmen, three lawyers, two heads of the Christian and Buddhist religions, the Vice-chancellors of the two local universities, the publisher of a newspaper, the President of the Medical Association, a prominent accountant, and the leaders of the largest teachers' union and the main rural association in the New Territories. Martin Lee, the most famous critic of China, who also served on Hong Kong's Legislative Council (Legco), the lawmaking advisory body, was included in the list. Xu Jiatun was confident that including Lee would be preferable to excluding him.⁶ It would be easier to contain his criticisms inside than outside the Drafting Committee's confidential working atmosphere.⁷ In this stage, Xu believed that Martin Lee was worth enlisting to do united front work.

The thirty-six members on the Chinese side included eleven legal experts, ten "well-known people" and fifteen Chinese officials, who came from the Foreign Ministry, the Hong Kong and Macao Affairs Office, and NCNA. Some had participated in the Sino-

⁵ *Wen Wei Pao*, 19th June 1985.

⁶ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 157.

⁷ Steve Tsang, *Hong Kong: An Appointment with China*, p. 146.

British negotiations, either directly or behind the scenes. They were there simply to look after China's interests in their area of expertise. The Hong Kong and Macao Affairs Office was to oversee the drafting to protect China's national interests.⁸ Not surprisingly, Ji Pengfei, Xu Jiatusun and Li Hou, head of the BLDC secretariat, occupied leading positions on the drafting work, so their dominance was unquestionable and they would observe Party discipline.

Not all were content with the Drafting Committee. Many people and groups in Hong Kong were unhappy with the selection but declined to voice their dissatisfaction openly. They said there was too much emphasis on the business and industrial sector, and too little representation from grassroots civic groups. There were also too many elderly members.⁹ The average age was sixty-two. The relatively small percentage of Hong Kong's representation demonstrated that China would not permit so many Hong Kong members as to allow them control over the Committee's decisions. In fact, the twenty-three members from Hong Kong was under 40 per cent, less than the PRC's thirty-six members, which meant that they were not enough to thwart the PRC's wishes. The PRC chose this percentage because it provided only just the two-thirds majority. The Hong Kong members were not to control more than one third of the votes.¹⁰ Some pro-Beijing people like the publisher of *Ta Kung Pao* and the Deputy Head of the

⁸ *Hong Kong Standard*, 19th June 1985.

⁹ Basic Law Makers, *Far Eastern Economic Review* (FEER), 4th July 1985, p. 16.

¹⁰ Wen Wei Pao, *Jibenfa de Dangsheng* (The Birth of Basic Law), p.22-3.

Federation of Trade Unions were under Chinese Communist Party control.¹¹ Moreover, the Hong Kong members' backgrounds and political persuasions were so various that it was more difficult for them to work with each other than it was for PRC cadres.¹² A Hong Kong scholar commented at the time that "As the committee will meet only twice a year, it is believed that the actual drafting work will be performed by a secretariat composed of experts from the Hong Kong and Macao Affairs and the relevant sections of the Ministry of Foreign Affairs" and "the role of the Hong Kong members will mainly be advisory".¹³ From this point of view, we could understand that the PRC had arranged the two-thirds majority needed members to control the drafting process following its rules. Thus, the game of Basic Law drafting work was being played by the PRC to classical united front rules.

In the meantime, Beijing decided to ask the Hong Kong members of the Drafting Committee and two officials from China's official New China News Agency's Hong Kong branch to set up the Basic Law Consultative Committee (BLCC) to collect opinions on the Basic Law.¹⁴ Public consultation was an extremely sensitive political issue, seen by many as an indication of whether Beijing was prepared to listen to the wishes of the Hong Kong public. The Consultative Committee was also to be used to appease those who would have liked to have a part in the drafting process but were not

¹¹ Steve Tsang, *Hong Kong: An Appointment with China*, p. 146.

¹² Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 157.

¹³ Joseph Y.S. Cheng, *Hong Kong in Transition* (Hong Kong: Oxford University Press, 1986), p. 13.

¹⁴ *Wen Wei Pao*, 6th July 1985.

included in the Committee. The BLCC, like the BLDC, was intended to be a major instrument for united front work by the NCNA.

In July 1985, the Drafting Committee agreed that the future Consultative Committee - which would have parallel status with the Drafting Committee and would consist of more than one hundred Hong Kong representatives - would not be an official body and the members would not be appointed by the NPC. It was also decided that the Hong Kong Drafting Committee members should be free to sit on the Consultative Committee if they wanted to and that all views collected by the Consultative Committee should be passed to the Drafting Committee.¹⁵

The decisions drew immediate reaction from some Hong Kong pressure groups, which said that, the Consultative Committee members should get their authorisation from, and be answerable to, the NPC. This was to ensure that the views reflected to the Consultative Committee would not be ignored by the Chinese Government. Another issue causing some concern was the proposed confidentiality of the Drafting Committee meetings. The proposal was clarified to mean that Drafting Committee members were free to express their own views to the news media but could not relate what others had said. Speaking in confidence, some Drafting Committee members said there was considerable dissent among Hong Kong members, with some of them saying that there was no need to form a Consultative Committee. There was also disagreement over whether Drafting Committee members should sit on the Consultative Committee. One member said she was against the idea because at the end of the day, the Drafting

¹⁵ *South China Morning Post*, 6th July 1985.

Committee had to impose judgement on the findings of the Consultative Committee, so that it would be compromising for someone to sit on both Committees.¹⁶

The industrialist T.K. Ann had been appointed Chairman of the preparatory body. He called a meeting in July 1985 and his first task was to arrange funding for the body. Members agreed that they would collect donations.¹⁷ The next step was to draft a constitution for the Consultative Committee. The main concern was that it should consist of genuine Hong Kong representatives and that the whole consultation process should not be dominated by the BLDC. In August 1985 a BLCC draft constitution prepared by six Drafting Committee members was provisionally accepted by the full Drafting Committee in Hong Kong. It was proposed that this would influence the Consultative Committee by means of “democratic consultation,” recommendation and invitation.

One drafting member, the lawyer Liu Yiu Chu, objected to the phrase “democratic consultation,” because, she said, it smacked of the kind of procedure being used in China, had special historical, ideological and political meanings and was not suitable for Hong Kong. In short, it had come to mean a powerful Communist Party “consulting” smaller groups, but always having the final says.¹⁸ Xu Jiatun strongly rebuked her. He said that there was nothing wrong with “democratic consultation,” a phrase which he

¹⁶ *Wen Wei Pao*, 6th July 1985..

¹⁷ According to Xu Jiatun, the donation was from Yue Kong Pao, Li Ka Sheng and Cha Chi Ming, in Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 161.

¹⁸ *Some are More Equal*, *FEER*, 29th August 1985, p.12.

said was coined by the Kuomintang and was not a Communist invention. He also expressed displeasure over criticism of the draft constitution. Xu said that the Hong Kong people did not realise that Britain was transferring sovereignty and administration of Hong Kong to China, not to the people of Hong Kong. So there was no question of self-rule. Whatever right of self-government the Hong Kong people might get, they would have to get it from Beijing.¹⁹ Thus, the Hong Kong people grew increasingly uncomfortable with the way the NCNA and the businessmen seemed to be controlling the BLCC. The meeting failed to agree on the majority needed to amend the BLCC constitution. It decided to publish the draft constitution but refused to designate any further consultation period. But as a face-saving gesture one of the BLDC Vice-chairmen, Sir Yue Kong Pao, said that the Hong Kong people were free to comment on it, and that a final decision would not be taken until the next meeting.

In September 1985, under pressure from grass-roots activists, the Hong Kong drafters agreed to expand the BLCC membership from one hundred and fifty to one hundred and eighty. Xu appointed six Hong Kong drafters to select the one hundred twenty people who would be invited to join the Consultative Committee, and to designate sixty organisations which could choose their own representatives.²⁰ The list of members was released on 25th November 1985, but less than a quarter of the seats was given to labour and grass roots organisations.²¹ Their job was to collect public opinion on the drafts of

¹⁹ Xu Jiatur, *Xu Jiatur Xianggang Huiyilu*, vol. 1, p. 164; 'No More Velvet Glove', *FEER*, 19th September 1985, p. 27.

²⁰ Xu Jiatur, *Xu Jiatur Xianggang Huiyilu*, vol. 1, p. 160-1.

²¹ *Wen Wei Pao*, 25th November 1985.

the Charter. This would confer some legitimacy upon the Basic Law by enabling the Chinese government to say that it had consulted the people of Hong Kong. The Consultative Committee would have no power over what went into the document. Its constitution prohibited it from expressing favour for one option or another. However, the Consultative Committee had two basic functions: firstly, to serve as the bridge between the Hong Kong people and the BLDC; secondly, to serve as a channel to reflect the views of Hong Kong people on the Basic Law and to make recommendations there upon.²²

All one hundred and eighty members of the Consultative Committee met in December 1985. In the meeting to elect the executive board, the NCNA officials announced the names of those they favoured as being loyal to China and Hong Kong. After the election, the winners were asked to stay. Then Y.K. Pao proposed that T.K. Ann be named Chairman of the Consultative Committee, that the NCNA's Mao Junnian be Secretary-general and that five prominent people serve as Vice-chairpersons.²³ When news of the "election" was leaked to the press, Xu defended the method of selecting the office-bearers, claiming that "consultation is one form of election."²⁴ Due to the pressure from the media, the executive board called a formal meeting on 11th December 1985, and held fresh elections. Ironically, all the candidates declined nominations for the remaining posts, and the seven original officers were returned. This proved that few

²² Yu Chi-wen, "Basic Law Consultative Committee: Created for Manipulation of Public Opinion?" *Chiu-shih nien-tai*, no. 192 (January 1986): 46-49.

²³ *Pai Shing*, 16th December 1985.

²⁴ Xu Jiatur, *Xu Jiatur Xianggang Huiyilu*, vol. 1, p. 164.

individuals were prepared to defy China. The issue raised the question of Chinese interference in the setting up of an unofficial body.

These events indicated that the PRC was intent on controlling every facet of the Basic Law drafting. There is no doubt that this drafting process was a very important operation of the PRC State Council's Hong Kong and Macao Affairs Office. Beijing therefore exercised tight and direct control over the proceedings of the BLDC through a combination of institutional, procedural, and personnel measures. As for the actual functioning of the "local public opinion sounding board" of the BLDC, Beijing also exerted considerable influence through the BLCC Executive Committee and Secretariat personnel appointments.²⁵ The most disturbing part of the events was that the businessmen were willing to do Beijing's bidding. Apart from devising the draft constitution, the NCNA is also believed to have been behind a proposal on the composition of the BLCC which was put forward in the name of Vice-chairman Sir Yue Kong Pao. The NCNA also acted as the secretariat in collecting public reactions and it furnished BLDC members with newspaper cuttings, mainly from pro-Beijing papers.²⁶ The guiding hand of the PRC was to ensure that the BLCC behaved responsibly and to ensure that leading BLDC figures would strongly direct the BLCC's leadership. Thus

²⁵ Chan, Ming K., "Democracy Derailed-Realpolitik in the Making of the Hong Kong Basic Law, 1985-90", in Chan Ming K. and David J. Clark (eds.) *The Hong Kong Basic Law-Blueprint for 'Stability and Prosperity' under Chinese Sovereignty?* (Hong Kong: Hong Kong University Press, 1990) p. 7.

²⁶ No More Velvet Glove, *FEER*, 19th September 1985, p. 27.

the BLDC would push the BLCC towards supporting the Basic Law. The intention was clearly that the BLCC should support rather than be independent of the BLDC.²⁷

Thus, Xu Jiatusun's careful attempt to give the BLCC a democratic facade failed, and the Consultative Committee was regarded in some Hong Kong quarters as ultra-conservative.²⁸ It was feared that potential members known to hold dissenting views might be excluded. This worry was reinforced when a Drafting-Committee Vice-chairman, the Hong Kong industrialist Tse Kai Ann, said that only those who agreed with him that the manufacturing sector, exports and tourism were the mainstay of Hong Kong's economy would be invited to sit on the Consultative Committee.²⁹

The Consultative Committee was the PRC's second united front arm during the drafting Basic Law. Xu tried to attract all levels in Hong Kong society to join the consultative work. The committee consisted of Hong Kong people, however they did not have any power to change the Basic Law. To the PRC, the committee could show that the Basic Law was supported by Hong Kong people on one hand, on the other hand, it used the opportunity to pull all social levels to its side. This was a really successful united front work.

²⁷ M.K. Chan, "Democracy Derailed: Real Politick in the Making of the Hong Kong Basic Law, 1985-90", in M.K. Chen and David Clark (eds.) *The Hong Kong Basic Law* (Hong Kong, 1991) p. 8.

²⁸ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, vol. 1, p. 160-61.

²⁹ Basic Differences, *FEER*, 18th July 1985, p. 28.

Difference of Position on the Basic Law Political System

There were many disputes between mainland and Hong Kong drafters during the Basic Law drafting process. In April 1986, several Hong Kong representatives spoke out strongly on what they viewed as important omissions in the draft structure prepared by the BLDC Secretariat under the leadership of Li Hou, Vice-director of the Chinese State Council's Hong Kong and Macao Affairs Office. They prepared an important document about the structure of the Basic Law and circulated it among leading BLDC members. The PRC leaders devised a basic policy for drafting the Basic Law, which was that the local people would conduct the drafting process with the PRC's appointees guiding them. A draft would be produced by the Hong Kong members for submission to Beijing, a draft that the PRC would then send back to Hong Kong for public consultation. The Hong Kong members would then complete the draft work and re-submit the Basic Law to Beijing for formal promulgation.³⁰

Martin Lee, a BLDC member, proposed that the Basic Law's structure should include a section on the relationship between the Basic Law and the Chinese constitution. Although the 1984 Sino-British Joint Declaration on Hong Kong's future stipulated that the SAR would be able to retain its capitalist system for 50 years after 1997, Lee said he felt it was nevertheless important to state clearly in the Basic Law which sections of the Chinese constitution would apply to the SAR. Szeto Wah and Maria Tam, Hong Kong BLDC and Legco members, proposed including the concept of residual power for the SAR in the Basic Law draft structure. Szeto said Hong Kong people were concerned with how much autonomy the SAR would actually have after 1997. Some in Hong

³⁰ Steve Tsang, *Hong Kong: An Appointment with China*, p. 149-50.

Kong had proposed that Beijing leave the running of the SAR to the Hong Kong Government, with Beijing retaining control over the SAR's foreign affairs and defence matters.³¹

Faced with a revolt among the Hong Kong delegates, the Chinese moved rapidly to contain the situation. Finally, they decided to accept most of the suggestions, with the exception of the proposal on residual power, which they said could be included in a memorandum attached to the draft structure. After these major differences were ironed out, the draft structure was unanimously passed in April 1986. Five specialist BLDC sub-groups were also set up to deal with areas identified in the draft structure.³² The most sensitive of these sub-groups was the one dealing with the future political system, which had to draft three chapters (as opposed to the one required from each of the other sub-groups): chapter two on the relationship between the central and Hong Kong governments, chapter seven on external affairs, and chapter nine on the interpretation and amendment of the Basic Law. The convenors assigned members to write reports on the topics to be covered and then began discussing substantive issues.

To the PRC, the most important of these members were the ones responsible for the political system and for working out relations between the central government and the SAR. The BLDC members allocated to these specific task groups were also the senior Communist cadres, Li Hou, Lu Ping, Zhou Nan and Ke Zaishuo, who were Deputy

³¹ Advise and Consent, *FEER*, 1st May 1986, p. 12.

³² *South China Morning Post*, 23rd April 1985.

Ministers.³³ On the other side, the two Hong Kong co-convenors, Dr Rayson Huang and Dr Louis Cha played the more active role. They understood that China would have little room for manoeuvre in relations between the central government and the SAR. Cha had the most difficult and sensitive job; he and his group needed to balance local demands against what Beijing would actually tolerate.³⁴

However, there were many controversial issues about how to make the Basic Law, over which disputes arose in Hong Kong. Pro-democracy liberals headed by Martin Lee and Szeto Wah were appointed to the BLDC and participated in the subgroup on political structure. Their argument was that under the Joint Declaration, the Central People's Government was to be responsible only for defence and foreign affairs and that in local affairs central authorities could not intervene. Otherwise, the principle of 'Hong Kong people ruling Hong Kong' would not be guaranteed. However, the Beijing authorities insisted that because the SAR would still be under Chinese sovereignty, the autonomy expressed in 'Hong Kong people ruling Hong Kong' did not mean that the SAR would be entirely independent of the central government.³⁵

Martin Lee, representing the views of the liberals, explained why a rapid democratisation was necessary after over one hundred years of British colonial rule. He said: "It is not due to the Hong Kong Colonial Government that our freedoms are safeguarded; rather, it is due to the British Government, which is itself a democratic

³³ Wen Wei Pao, *Jibenfa de Dansheng*, p. 231.

³⁴ Steve Tsang, *Hong Kong: An Appointment with China*, p. 151.

³⁵ A Step Towards Autonomy, *FEER*, 1st May 1986, p. 12.

one... And if Hong Kong were not run to the satisfaction of the British people, it could even result in a change of government at home. In short, we owe that protection of our rights and freedoms not to the Hong Kong Government but to a democratically elected British government that acts as a watchdog over local authorities.” Furthermore, he explained why Beijing could not be trusted. “The question is, with the changes come 1997, can we still entrust the preservation of our freedom and rights in the same way to the NPC, which operates under the Communist system? The Chinese Constitution is a marvellous document on paper, yet there are still many people imprisoned in the People of China without any trial. And no question has ever been asked in the NPC about this.”³⁶

Eight Legco members requested that direct elections be introduced immediately. They argued that without democracy, there was no hope that the SAR would be able to defend the rights and freedoms of Hong Kong citizens and protect local interests in situations of conflict with the central government. They also said that without democracy, the policies of ‘one country, two systems’ and ‘Hong Kong people ruling Hong Kong’ would be doomed to fail.³⁷

The Chinese authorities perceived Hong Kong’s current system as efficient and necessary to Hong Kong’s political stability and economic growth. The PRC officials insisted that except in the area of sovereignty the system would not be changed dramatically before and after 1997, and they did not think that rapid democratisation

³⁶ Martin C.M. Lee, “How Much Autonomy?” in William McGurn, ed., *Basic Law, Basic Questions*, p. 39.

³⁷ Kevin Rafferty, *City on the Rocks: Hong Kong’s Uncertain Future* (New York: Viking, 1990) p. 452.

was necessary, because any radical change might result in political unrest. They distrusted Western party politics and objected to the introduction of organised competitive political parties in Hong Kong. Li Hou indicated in discussions that the central government would not like to see Western-style party politics in the SAR.³⁸ Lu Ping stated that it was “better for Hong Kong that party politics do not emerge...One political party comes to power today and another will come to power tomorrow. This is detrimental to Hong Kong’s stability.”³⁹ Therefore, Chinese officials and the mainland drafters favoured an Electoral College, rather than direct elections, for the selection of SAR officials and legislators. Furthermore, the Beijing authorities believed that the British Hong Kong government had managed the region’s economy efficiently and that radical political reform would jeopardise it. An article published in a pro-China newspaper argued:

“Hong Kong’s economy is rather fragile and cannot stand much turbulence. If there is a sudden change in the political system in Hong Kong, accomplished by a violent upheaval in its social structure, the international society will lose faith in Hong Kong and refrain from making investment and engaging in commerce and finance in Hong Kong, and the city will soon suffer from an economic depression. Therefore, the maintenance of Hong Kong’s stability is of special significance in promoting the economic

³⁸ Stanley Leung and C.K. Lau, “Li Hou Discusses Party Politics,” *South China Morning Post*, 3rd June 1986.

³⁹ “Lu Ping Views Hong Kong Law, Election,” *Hsin Wan Pao*, 2nd July 1986.

prosperity of Hong Kong.”⁴⁰

Meanwhile, Deng Xiaoping favoured the model of strong government coupled with a free market economy and insisted that Western-style democracy could not work in Chinese society. He attributed the success of Hong Kong’s economy in part to the colonial political system with its authoritarian government. Deng argued: “Our opinion is that the people who manage Hong Kong affairs should be those Hong Kong people who love both the motherland and Hong Kong. Can general elections guarantee that such people will be selected?”⁴¹ For this reason the Chinese officials of the SAR, although selected locally, would be appointed by the Central People’s Government. Thus, the Chinese authorities supported and shared the views on political reform of Hong Kong’s conservative business community.

The conservative or pro-China elite, including the business and professional communities, generally favoured maintaining the status quo. They believed that Hong Kong’s economic miracle proved that the current system was efficient, and that dramatic changes were not only unnecessary but that democratisation would jeopardise the achievements of the system. Helmut Solmen, a Legco member elected from the business community, argued:

⁴⁰ Xu Bing, “The Necessity and Feasibility of ‘one country, two systems’ from the Perspective of Economic Development,” *Zhongguo Fazhi Pao* [China Legal News], 25th January 1985, in FBIS, 4th February 1985, E3.

⁴¹ *Ta Kung Pao*, 20th September 1987.

“As happened in other countries, professional and full-time politicians will gradually replace the part-time legislators coming from a variety of backgrounds and bringing balanced and objective views to bear on the solution of problems. Hong Kong will be the poorer for it...We shall be sacrificing pragmatic sense and the chance to refine and strengthen our peculiar Hong Kong institutions--which have been so successful in good and bad times--on the altar of expediency to achieve what is probably a misplaced feeling of greater security in facing the future.”⁴²

Ronald Li, former chair of the Hong Kong Stock Exchange, further expressed the view of the conservative business community: “Hong Kong is a colony. It is a dictatorship, although a benevolent one. It is and has been a British colony, and it is going to be a Chinese colony, and as such it will prosper. We do not need elections here.”⁴³ The business community disliked radical reform because they feared that radical change would lead to political unrest and economic decline. For example, when the Sino-British negotiations on Hong Kong were in deadlock, the Hong Kong dollar fell versus the US\$ from HK\$ 5.9 to US\$ 1 in January 1982 to HK\$ 9.55 in September 1983. The drop in value of the Hong Kong dollar really shocked the Hong Kong community.⁴⁴

⁴² Kevin Rafferty, *City on the Rocks: Hong Kong's Uncertain Future*, p. 446-447.

⁴³ *South China Morning Post*, 17th June 1987.

⁴⁴ Philip Bowring, “Down in the Dumps,” *FEER*, 29th September 1983, 146-147; and Teresa Ma, “No News Is Bad News,” *FEER*, 6th October 1983, 18-20.

Also, the business and professional communities were heavily represented on the Executive and Legislative Councils, and they feared that in direct elections they might lose their seats and their influence. They accepted China's "one country, two systems" policy, and tried hard to influence the PRC authorities in the forming of the SAR's political system during the drafting of the Basic Law.

The essential differences were between the pro-democracy liberals on the one hand, and the conservative and Beijing authorities on the other hand, regarding political ideology and governmental system. During the Basic Law drafting period, disputes concerning Beijing's 'one country, two systems,' the forming of the SAR government, the relationship between the central authorities and the SAR, and the democratisation of Hong Kong were all due to this opposition in belief and perception.

The Power to Interpret and Amend the Basic Law

In May 1986, the first questions were posed concerning the relationship between the Beijing government and the SAR. Who would have the authority to interpret the Basic Law and amend it when necessary, and which sections of the Chinese constitution would be applicable to the SAR? During the meeting a mainland drafter said that since the NPC would promulgate the Basic Law it should have the right to interpret the charter. Several Chinese officials, including Ji Peng-fei, had stated publicly that the Standing Committee of the NPC would interpret the Basic Law.

The Joint Declaration said that the Hong Kong Special Administrative Region would have the "right of final adjudication". Most legal experts and political commentators in the colony took this to mean that judges would interpret the Basic Law when trying

cases. Martin Lee pointed out that, under the Joint Declaration, Hong Kong would continue to use British common law after 1997. In common law countries, only the courts should have the power to interpret the laws. Therefore after 1997, Hong Kong courts would have the power to interpret the Basic Law while hearing cases. When there was no case before the courts, the NPC could interpret the Basic Law at the request of the central or Hong Kong government.⁴⁵ The issue was as crucial as getting the political system right. If China's legislature could interpret the Basic Law, the charter would offer no protection and no guarantees to Hong Kong. Whenever Beijing did not like a court ruling, it could simply reinterpret the charter.

The BLDC Secretary-general, Li Hou said that, according to the Chinese constitution, the right to amend the Basic Law should belong to the NPC, and the right to interpret the law should belong to the NPC Standing Committee. Li said a committee would be appointed under the NPC consisting of mainland and Hong Kong people to advise on any amendment or interpretation of the Basic Law, but he stressed that this would be an advisory body and not an organ of power.⁴⁶ Although the Joint Declaration stipulated that the Court of Final Appeal should be in the SAR, Shao Tianren, adviser to the NPC Foreign Affairs Committee, said members agreed that SAR courts should only have the right to interpret the Basic Law in cases which were within the jurisdiction of the SAR's autonomy. However, if the NPC Standing Committee decided that the SAR court's interpretation was inaccurate, it could re-interpret the case, though this would not be retroactive. Martin Lee objected to this as putting restrictions on the SAR courts and

⁴⁵ Where's the Party? *FEER*, 12th June 1986, p.16.

⁴⁶ *South China Morning Post*, 28th August 1985.

affecting the SAR's autonomy. The Chinese leaders should have confidence in the courts, he maintained, and be prepared to pay the price which was necessary for the success of the "one country, two systems" experiment.⁴⁷

On the amendments to the Basic Law, Shao said it was agreed that the general principles in the draft structure of the Basic Law could not be amended. These principles recognised the SAR as an inseparable part of China which should enjoy a high degree of autonomy; provided that the executive and legislative authorities were composed of local inhabitants, accepted that Hong Kong's existing capitalist system and life-style should remain unchanged for 50 years after 1997, and protected the ownership of private property, of enterprises and the right of lawful inheritance.⁴⁸

Finally, most of the subgroup agreed that the Standing Committee of the NPC would have the right to interpret the Basic Law and that the Hong Kong courts should be able to interpret some provisions when adjudicating cases. It agreed that the Basic Law was to be a part of Chinese law and should apply to the whole country. Any Chinese visiting Hong Kong, therefore, would be expected to abide by the Basic Law. Elsewhere in China, any issue relating to Hong Kong had to be decided in compliance with the Basic Law. The sub-group also agreed that any laws enacted by the SAR must be reported to the NPC for the record -- as stipulated in the 1984 Sino-British Joint

⁴⁷ Little by Little, *FEER*, 11th September 1986, p. 24.

⁴⁸ *Ibid.*

Declaration on Hong Kong's future -- before they could come into effect. Any laws which contradicted the Basic Law would be declared invalid.⁴⁹

The Chief Executive and Legislative Council

Arguments arose in June 1986 over grey areas in the accord concerning the political structure of the Basic Law and conflicts between Chinese and Hong Kong laws. Among the unresolved issues the most controversial ones were how to select the SAR Chief Executive who would replace the Governor, and whether there should be direct elections to the legislature.

Pro-democracy people asked for universal suffrage in the election of the Chief Executive and the Legco of the SAR, to prevent the Chief Executive and the government of the SAR being controlled by Beijing. They suggested that the Legco should possess sufficient power to supervise and check executive authority and should "be elected by direct election."⁵⁰ They believed that the Communist leaders in Beijing could not be trusted and only an elected government could safeguard the freedom of the people and the autonomy of the region. Furthermore, Martin Lee and Szeto Wah opposed a strong governor because he could conspire with cadres in Beijing to deprive people of their rights and introduce policies aimed at keeping the population poor and the businessmen rich.

⁴⁹ Ibid., p.16.

⁵⁰ Martin C.M. Lee, "How Much Autonomy?" in William McGurn, ed., *Basic Law, Basic Questions*

Nevertheless, the Chinese proposal was to give the Legislative Council little more power to make laws relating to policy than it already had. The future Governor would be able to run Hong Kong as he saw fit. It seemed that Beijing wanted a powerful Governor because if it controlled him, then it controlled the entire government. For their part, the Hong Kong business people simply wanted to have the future government maintain pro-business policies. They wanted to retain a strong Governor because this was more efficient than a system of checks and balances and would be of more benefit to them. In August 1986 the businesspeople and professionals who comprised one-third of the one-hundred-eighty-member Basic Law Consultative Committee called for the preservation of the present system. Their plan was described thus:

The chief executive--with a role similar to that of the present Governor but not chairing the legislature--to be chosen by an Electoral College for over 600 people, including lawmakers, members of District Boards, the Urban and Regional Councils and representatives of various functional constituencies. A group of advisers responsible only to the chief executive would form the Chief Executive's Council. Members would be official and unofficial, appointed by the chief executive or through a process of nomination. The legislature to be composed of approximately 80 members, with half of the seats held by functional constituencies, a quarter elected by the Electoral College and the rest directly elected.⁵¹

(Hong Kong: Review Publishing Company 1988) p. 42.

⁵¹ Lulu Yu, "Basic Law Body: Businessmen Propose 'Blueprint,'" *South China Morning Post*, 22nd August 1986.

In September 1987 a joint statement rejecting the liberals' demand that directly elected seats be introduced in the 1988 Legco election was issued by eighty-four business organisations, including the pro-China Chinese General Chamber of Commerce, the Federation of Hong Kong Industries, and the Chinese Manufacturers' Association. The statement warned that any political unrest would result in an economic recession, as previous experiences had demonstrated. The statement also suggested that the Legco direct election be introduced after 1990, when the Basic Law was promulgated.⁵²

Deng Xiaoping preferred the conservatives' proposal. He said China would remain socialist and would not turn to capitalism or "wholesale Westernisation." He said:

"The one-house system (the NPC system) conforms most to China's reality. As far as Hong Kong is concerned, will general elections be absolutely beneficial? Hong Kong in the future will be administered by the Hong Kong people. The criteria for those who will administer Hong Kong affairs are that they be patriotic and love Hong Kong. The criteria for patriotism are to love the country and Hong Kong. General elections do not necessarily ensure that such people will be elected."⁵³

⁵² Stanley Leung, "Businesses Oppose Elections," *South China Morning Post*, 29th September 1987.

⁵³ *Wen Wei Pao*, 17th April 1987.

This meant that the PRC leaders expected that Hong Kong's governmental power would pass to persons who could be trusted by Beijing. Li Hou also was in support of the opinions of the conservatives. He said that the executive branch would be required to submit periodic reports to the legislature, answer questions about policy, and seek approval for legislation and public expenditure. The legislature would also be able to impeach the Governor and senior officials in the case of a serious breach of duty.⁵⁴

Moreover, it was made clear that Beijing had the power of veto over the appointment of the Chief Executive, who would have substantial power and would be accountable to the Beijing government as well as to the SAR. Although the method for selecting the Chief Executive had not yet been decided, Chinese officials indicated that they preferred selection by a grand Electoral College of several hundred worthies, with the candidates nominated by a special body, to ensure acceptability.⁵⁵ This agreed exactly with the conservatives' views.

The political subgroup proposed that the SAR political system should be based on the concept of the separation of the powers of the executive and legislature. The powers of the Chief Executive would be to lead and represent the SAR government, nominate the principal officials who would be appointed by Beijing, sign and publish laws, appoint and dismiss civil servants and judges, and handle foreign affairs delegated by the central government. The powers of the legislature, the subgroup initially proposed, would be to enact laws, approve the budget, taxation proposals and public expenditure,

⁵⁴ *Wen Wei Pao*, 30th June 1985.

⁵⁵ *The Law Takes Shape*, *FEER*, 18th December 1986, p. 38.

receive the executive's police reports and question government departments, receive complaints from residents, and impeach the chief executive in case of serious illegality or gross misconduct. Such an impeachment would require a two-thirds majority.

In the political subgroup meeting in June 1987, the Chinese co-convenor Xiao Weiyun proposed the holding of an "executive meeting," modelled on Hong Kong's existing Executive Council, the policy-making body.⁵⁶ Members of the Executive would be nominated by the Chief Executive and appointed by Beijing. They would include senior government officials, members of the legislature and prominent members of the community. Since the Sino-British Joint Declaration stipulated that the Chief Executive and his principal officials were to be appointed by Beijing, the Executive-meeting proposal would complete the process of putting the Executive firmly under Beijing's control.

To further strengthen the Chief Executive's position and to limit the powers of the legislature, the majority of political subgroup members agreed to BLDC Deputy Secretary-general Mao Junnial's proposal that a motion to impeach the Chief Executive could only be passed if approved by 75 per cent of the legislature, thus making impeachment almost impossible. The political subgroup also agreed to restrict further the executive's accountability to the legislature. Most of the members agreed that that would only mean that the Executive would have to execute laws passed by the legislature, make periodic reports to it, answer questions put forward by legislators and obtain the legislature's approval for taxation and public expenditure. In the sixth plenary session held in December 1987 most members agreed that the legislature of the

⁵⁶ Hail to Peking's Chief, *FEER* 13th August 1987, p. 18.

future SAR should be composed of members elected by many different methods, including direct elections.⁵⁷

The BLDC Secretary-general, Li Hou, said that China would not object to Hong Kong introducing direct elections before 1997 if they were provided for in the Basic Law. Although the BLDC appeared to have given the green light to direct elections in the early 1990s, it was also clear that there was a limit to the number of elected members. Many members endorsed the view that there should be no more than 25 per cent directly elected seats in the SAR legislature. A substantial number of BLDC members also supported the idea of having a grand Electoral College consisting of several hundred people to select the first SAR Chief Executive by “consultation.” This grand Electoral College would also “elect” up to 50 per cent of the legislature. Some BLDC members also proposed that principal officials be nominated by the Chief Executive and elected into the legislature by the Electoral College.

In December 1987 the group of eighty-nine had proposed that the last colonial legislature become the first post-1997 legislature. The press named this the “through train” proposal. Lu Ping said that the Chinese side hoped that there would not be a great reshuffle on 1 July among the main officials and legislative organ members in Hong Kong, to avoid adverse effects on the progress of transition. However, the handing over of political power should fully reflect sovereignty. He pointed out that the original Legco members in Hong Kong could all become candidates for the legislative organ of the Special Administrative Region, and argued that, in appointing new officials, the Chief Executive should give first priority to the original main officials, because they

⁵⁷ A Limited Franchise, *FEER*, 24th December 1987, p. 36.

were experienced and familiar with their business. Otherwise, the operation of the government would be adversely affected.⁵⁸

The Relationship between the SAR and Central Government

The tension between China's sovereignty and Hong Kong's autonomy was the most controversial issue in the drafting of the Basic Law. Pro-democracy people argued that the issue of sovereignty had been settled by the 1984 agreement, so that the Basic Law should not stress sovereignty, but emphasise the autonomy of the SAR and its powers.⁵⁹

Wang Shuwen, a mainland legal expert who participated in the drafting of the Basic Law, argued that the 1984 agreement only clarified which country had sovereignty and he maintained that sovereignty of the Central People's Government over Hong Kong must be assured in the Basic Law.⁶⁰ To the PRC, its first object was to recover sovereignty over Hong Kong from Britain, and then grant Hong Kong autonomy. Lu Ping held that in the course of handing over political power, the Preparatory Committee of the Hong Kong Special Administrative Region, established by the Central People's Government, would take charge of the whole matter, to assert sovereignty. Power should be handed over to the Chinese government by the British government. The

⁵⁸ *New China News Agency*, 17th December 1987.

⁵⁹ Wang Shuwn, *Xianggang Tebie Xingzhengqu Jibenfa Daolun* [A Guide to the Basic Law of Hong Kong Special Administrative Region] (Beijing: Zhonggong Zhonhyang Dangxiao Chubanshe, 1990), p. 90.

⁶⁰ Wang Shuwn, *Xianggang Tebie Xingzhengqu Jibenfa Daolun*, p. 90.

Chinese government would then vest the Special Administrative Region with a high degree of autonomy.⁶¹ In this way, Hong Kong's autonomy powers exercised after 1997 would derive from the Central People's Government rather than being inherited directly from British rule.

Wang Shuwen explained that the Basic Law's legal base was the entire Chinese Constitution, not just Article 31, and that the constitution as a whole would be applied to Hong Kong in 1997. Wang, for example, pointed out that the constitution stated that China was a unitary socialist country; that the highest legislature of the country was the NPC; that the highest government of China was the Central People's Government; and that China had only one constitution. Wang further stated that many provisions of the Basic Law were based on China's constitution and that there were four principles for the application of the constitution in the SAR: 1. The constitution as a whole would be applied to Hong Kong. 2. The application must follow the principle of one country, two systems. 3. All of the constitution's provisions about safeguarding national sovereignty, unity, and territorial integrity would apply to Hong Kong, and 4. Provisions in the constitution about socialist policies would not apply.⁶² However, Article 31 and Wang's explanation clearly indicated that China's constitution was above the Basic Law.

Meanwhile, according to the Chinese constitution, the Central People's Government was the "executive body of the highest organ of state power" and "highest organ of state

⁶¹ *Wen Wei Pao*, 15th December 1987.

⁶² Wang Shuwn, *Xianggang Tebie Xingzhengqu Jibenfa Daolun*, p. 68-69.

administration.”⁶³ Therefore, the Central Government should have the power to exercise leadership over all local governments of China, and there should be no exception for the government of the SAR. The autonomy of the SAR should be supervised by the Central Government; otherwise, it would be completely independent from Beijing. The relationship between the Central Government and the SAR must be between a leader and the led, a supervisor and the supervised, and there could be no other relationship.⁶⁴ In this argument, Wang pointed out that the Central Government should lead the government of the SAR. The BLDC subgroup report on the relationship between the SAR and Central Government said that the SAR would be directly under the Central Government, which would be responsible for the SAR’s foreign affairs and defence. China had the right -- which it said it would exercise -- to station troops in the SAR.⁶⁵

With regard to relations between the Central Government and Hong Kong, Deng Xiaoping said that Beijing and Hong Kong should be equal, and Beijing should have no power to intervene in the SAR’s internal affairs. He indicated that the Central Government would not interfere in Hong Kong’s daily management. “But when the interests of the State are being endangered, the central government will not stand aside. We can stand people criticising the Chinese Communist Party or China, but we cannot accept people who want to use democracy to turn Hong Kong into an anti-Communist

⁶³ *Constitution of the People’s Republic of China* (1982), Article 85.

⁶⁴ Wang Shuwn, *Xianggang Tebie Xingzhengqu Jibenfa Daolun*, p. 89.

⁶⁵ *Wen Wei Pao*, 29th November 1986.

base.”⁶⁶ These provisions in the Basic Law would enable the Chinese authorities -- the Central People’s Government, the Standing Committee of the NPC, and the NPC -- to exert considerable influence over the government of the Hong Kong SAR and effective control over its inhabitants, if they were inclined to do so. Any attempt to interfere would derogate from the fundamental premise of “a high degree of autonomy”, and regular or continued interference would erode it altogether.

The Powers of the Courts and the New Electoral System

In the relationship subgroup meeting held in November 1988 Chinese officials agreed to list, in an annex to the draft, seven national laws that would apply to Hong Kong.⁶⁷ The article giving the NPC the power to veto laws passed in Hong Kong was revised to say that the NPC would return unacceptable legislation for amendment. The subgroup also dropped the clause empowering China’s State Council to instruct the Hong Kong government to enact laws relating to defence and foreign affairs, and laws that “give expression to national unity and territorial integrity”.

Discussing the jurisdiction of the Hong Kong courts and their authority to interpret the Basic Law, the Chinese legal experts finally agreed that they would be allowed to hear all cases except those involving “acts of state” (defence, foreign affairs, and executive acts). Although the NPC would retain the right to interpret the Basic Law, the courts

⁶⁶ *Wen Wei Pao*, 17th April 1987.

⁶⁷ These dealt with China’s flag, emblem, capital, national day, nationality law, and territorial waters, as well as diplomatic immunity and the election of Hong Kong deputies to the NPC.

would be allowed to interpret the charter unless the outcome would affect the Central Government. In such cases, the courts would have to adjourn and seek an interpretation from the NPC. It was a small improvement. The courts would be prevented from hearing cases that dealt with “defence, foreign affairs, [and] the executive acts of the Central People’s Government”. This meant that the courts would be powerless to try mainland officials who might have violated the laws of Hong Kong, even the Basic Law. The courts would also be restricted from interpreting portions of the Basic Law dealing with defence, foreign affairs, and “other affairs” that were Beijing’s responsibility.

In November 1988, at the political subgroup meeting, the drafters discussed Louis Cha’s revised proposal, the so-called ‘mainstream model’, for both the SAR legislature and its Chief Executive’s direct election. The ‘mainstream’ model postponed the introduction of a fully directly elected legislature until at least 2012, and the decision to maintain a fully directly elected legislature would depend on the outcome of a referendum to be held once every ten years. Cha suggested that only 27 per cent of the sixty legislative seats be directly elected in 1997. Directly elected seats would increase to 38 per cent in 2003, then to 50 per cent in the year 2017. Additionally, a one-man-one-vote direct election for the entire SAR legislature and the Chief Executive would be decided by a referendum in 2011.⁶⁸ The Hong Kong public was enraged by this highly unusual twist and improper, pre-emptive procedural strike by Cha as BLDC panel co-convenor.

⁶⁸ *South China Morning Post Hong Kong Review 1989* (Hong Kong: South China Morning Post, 1989) p.

Some regarded Cha's manoeuvre as a conspiracy and front for the anti-direct election coalition of Beijing, the Hong Kong businessmen and the Hong Kong leftist organs.⁶⁹

At last the subgroup agreed that a quarter of the legislature would be returned by democratic elections in 1997. A referendum would be held in 2011 to determine if the Governor and the entire legislature should be returned by universal suffrage the following year. The results would have to be approved by the NPC. They agreed that in 1997 Beijing would appoint a sixty-member preparatory committee, made up of people from Hong Kong and the mainland. This committee would then establish an "election committee" comprised of 400 Hong Kong residents, which would choose the first Governor from among several candidates. The membership of the election committee would be doubled to 800 members after the first term.⁷⁰

In January 1989 The BLDC discussed the "revised draft of the draft Basic Law of the Hong Kong SAR (for the solicitation of opinion)" worked out after five months of consultation, during which the views of people from all walks of life in Hong Kong and on the mainland had been extensively solicited. It then put forward fifty-eight amendments, twelve of which were approved. Adopting the method of secret ballot and voting item by item and article by article, the meeting approved the "Draft Basic Law of the Hong Kong SAR of the PRC", the "proposal on setting up the Basic Law committee of the Hong Kong SAR of the NPC Standing Committee" and the "draft resolution on methods for the formation of the first government and legislative council

⁶⁹ *FEER*, 29th June 1989, p. 32; *South China Morning Post*, 2nd October 1989 and 5th November 1989.

⁷⁰ *Maybe Next Century*, *FEER*, 1st December 1988, p. 20.

of the Hong Kong SAR” formulated on behalf of the NPC. They also decided to submit the “draft Basic Law of the Hong Kong SAR of the PRC” to the NPC Standing Committee for examination and decision on promulgation.⁷¹ However, one of the most crucial amendments was put forward by the industrialist Cha Chi Ming. This would require two-thirds of Hong Kong’s legislature, the Governor, and the Standing Committee of the NPC to agree to a referendum before it could be held. The proposal also urged that the referendum be passed by at least one-third of all eligible voters for it to be valid. This would virtually guarantee that there would never be full democracy in Hong Kong. The press called the amended political structure the “Cha-Cha model.”⁷² In February 1989, the draft Basic Law was passed by the Standing Committee of the NPC. When the second draft was published in Hong Kong on February 27, it was seen as a significant improvement. The problem of the “Cha-Cha” system became the main issue, but Li Hou told reporters that the model would definitely be approved if the various political groups in Hong Kong reached a consensus.⁷³ Finally, the “Cha-Cha model” was passed and written into the first drafting of the Basic Law in 1989, and was amended in 1990.

⁷¹ *Remin Ribao*, 16th January 1989.

⁷² *The Kowtow Constitution*, *FEER*, 26th January 1989, p. 10.

⁷³ *Wen Wei Pao*, 27th February 1988.

The Beijing Student Democracy Movement - China Tightens the Basic Law

The PRC senior leaders believed that they had learned from the West, but what they wanted was only to introduce “economic improvement without systemic change.”⁷⁴ They especially did not like ideas about democracy, human rights and freedom. Not surprisingly, the events of 4th June 1989 had become a most serious destabilising force undermining the situation of Hong Kong. This seems to have been the direct opposite of the original intent of the Basic Law, and contrary to the desired effect of the drafting process as a major instrument for Beijing’s united front efforts toward the Hong Kong people.

Since 4th June 1989, China’s leadership has been profoundly suspicious of the outside world and deeply insecure. These insecurities have exacerbated the totalitarian nature of the existing political system. In this system the fundamental operating principle is to maintain the Communist Party in power by whatever means may be required. The Party runs the country. This means that state organisations and laws may not be the source of authority and may be displaced by Party officials. The Party itself is badly split and policies change rapidly and unpredictably.⁷⁵ Thus, in the case of Hong Kong, China made it clear that the ‘one country, two systems’ arrangement would be abandoned by China, if the socialist system on the mainland were to change.⁷⁶

⁷⁴ Franz Michael, “China and the Crisis of Communism”, in George Hicks (ed.) *The Broken Mirror: China after Tiananmen* (Harlow, 1990) p. 449.

⁷⁵ John P. Burns, “China’s Governance: Political Reform in a Turbulent Environment,” *China Quarterly* 119 (1989): 481-518.

⁷⁶ *South China Morning Post*, 2nd May 1990.

The drafting process was significantly affected and interrupted by the political crisis. Not surprisingly, it also shook badly the PRC leadership's previous confidence in the "one country, two systems" policy. The PRC responded to the blow to its confidence by tightening its control over the drafting process and by adding provisions to enhance the PRC's control over the SAR in the Basic Law.⁷⁷ Meanwhile, the Hong Kong political situation changed dramatically. When people in the territory saw tanks rolling into Tiananmen Square and PLA soldiers machine-gunning protesters in Beijing, they felt frustrated and could only watch in agony. Louis Cha resigned from the Basic Law Drafting Committee on 21st May 1989. Next day, Reverend Peter Kwong also announced that he had resigned from the Drafting Committee and the Consultative Committee. On 7th June 1989, Martin Lee and Szeto Wah told the crowd that they would not resume their work on the Basic Law.⁷⁸ In October 1989, the NPC Standing Committee announced that Szeto and Lee must "explain, repent and account for their past activities which are subversive, anti-PRC state and destructive of the Joint Declaration, otherwise they should not be permitted to return to the BLDC to resume active participation."⁷⁹ On 9th June 1989, Chinese state-run television said that Hong Kong and the United States had paid rioters to take part in the violence.⁸⁰ After a few

⁷⁷ Lo Shiu-hing, *The Politics of Democratisation in Hong Kong* (Basing-stoke, 1997) pp. 214-15.

⁷⁸ The Chinese Government expelled political activists Szeto Wah and Martin Lee from the Beijing-appointed Hong Kong BLDC. The order was made by the Standing Committee of the National People's Congress on 31 October.

⁷⁹ *Hong Kong Economic Journal*, 1st November 1989.

⁸⁰ *Remin Ribao*, 10th June 1989.

days, Chinese television showed a videotape of student leader Wur Kaixi having an expensive dinner with Hong Kong journalists at a Beijing hotel. China Central Television also claimed that a Hong Kong trade unionist, who was caught before he could pass \$130,000 to students in Tiananmen Square, had engaged in subversion.

After the 4th June 1989 crackdown, Xu Jiatusun was summoned to Beijing, and in a meeting marked by anti-Western rhetoric he was told that the Chinese government would not compromise with London or the Hong Kong Basic Law drafters because of the June 4 incident. Any changes in policy had to be based on the CCP's long-term strategic interests. Beijing knew it had lost all credibility with Hong Kong residents. There was nothing left to lose by "playing hardball."⁸¹

The cardinal rule of the united front is to make every effort to win over allies and to isolate the enemy. In his 1926 article "Analysis of Chinese Society's Classes," Mao Zedong said: "Who are our enemies? Who are our friends? He who does not know how to distinguish his enemies from his friends cannot be a revolutionary, yet at the same time it is no easy task to distinguish them.... The tactical error committed is precisely the inability to rally one's true friends in order to strike at one's true enemies."⁸² Therefore, at this stage, the Chinese leaders failed to win over the Hong Kong people and isolated themselves from the whole people of Hong Kong.

⁸¹ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, vol. 2, pp. 395-98.

⁸² Mao Zedong, "Analysis of the Classes in Chinese Society," 1926, *The Selected Works of Mao Zedong* (Beijing: Foreign Languages Press, 1961), p. 18.

The last Hong Kong Basic Law relationship subgroup was held in December 1989.⁸³ All confidence had gone and so Beijing had nothing to lose. Chinese drafters said they saw no point in coming to Hong Kong to listen to local views because the local people neither trusted nor respected them. But they said recent events in China should not be used as an excuse for rapid democratisation.⁸⁴ They intended to introduce clauses in the Basic Law to protect Beijing from outside interference and to counter confidence-boosting measures proposed by Britain. Chinese drafters used their ten-to-six majority to push through a new clause requiring the Hong Kong legislature to pass laws prohibiting acts of subversion against the Central Government. There was some other significant tightening in the Basic Law also.

Prohibiting Any Subversion against China

During the June 4 Incident, Hong Kong students joined the demonstrators in Tiananmen Square, while Hong Kong people organised and travelled to Beijing with financial and other material assistance. On the mainland side, news organisations sprang up to extend support to the democratic movement. In the view of the Chinese authorities, these activities constituted subversion against the Central People's Government.⁸⁵ After the Tiananmen massacre in Beijing on 4th June 1989, the Chinese authorities asserted

⁸³ Divided Democrats, *FEER*, 20th July 1989, p. 23.

⁸⁴ Outspoken Official, *FEER*, 31st August 1989, p. 17.

⁸⁵ *South China Morning Post*, 14th June 1989.

emphatically that the inhabitants of the Hong Kong SAR would not be allowed to agitate for political changes or different political philosophies.⁸⁶ After 1997, there would be no demonstrations in Hong Kong calling for the ousting of the Communist Party. The mainland drafters also added a clause prohibiting “political activities of foreign political organisations and groups in Hong Kong, or local political groups from establishing links with foreign political organisations or groups”. This clause would prevent any political organisations from using Hong Kong as a base after 1997.

Hence, Article 23 of the Basic Law required the Hong Kong SAR to enact a law to prohibit any act of “subversion” against the Central People’s Government. This article also required the SAR to enact other laws to prohibit any act of treason, secession, sedition, and theft of state secrets; to prohibit foreign political organisations or bodies from conducting political activities in the Hong Kong SAR; and to prohibit political organisations or bodies in the Hong Kong SAR from establishing ties with foreign political organisations or bodies.⁸⁷ According to the Chinese criminal law, subversion is a “crime of counter-revolution.”⁸⁸ Crimes of counter-revolution are “acts committed with the goal of overthrowing the political power of the dictatorship of the proletariat and the socialist systems”;⁸⁹ in other words, acts committed to negate the fruits of the revolution. Such acts may include “propagandising...through counter-revolutionary

⁸⁶*Universal Declaration of Human Right*, 1984, Article 21(3).

⁸⁷ *Ibid.*, Article 23.

⁸⁸ The Criminal Law of the PRC, Article 92.

⁸⁹ *Ibid.*, Article 90.

slogans or leaflets.”⁹⁰

Therefore, to campaign for the establishment of a central government which would be democratically elected on the basis of universal adult suffrage would constitute subversion, and be punishable in the Hong Kong SAR, since such a move would necessarily involve the rejection and replacement of the “dictatorship of the proletariat.”⁹¹ It is apparent that no reference to the offence of subversion appeared in either the Joint Declaration or in any of the drafts of the Basic Law prepared and published prior to the events of May-June 1989 in Hong Kong.⁹²

Martial Law

More significantly, the Chinese authorities’ further tightening of the rules regarding political behaviour led to additional limitations on Hong Kong’s autonomy by stating that Beijing might declare an ‘emergency’ in times of turmoil and apply martial law to the SAR. Article 18 of the Basic Law now states that in the event that the Standing Committee of the NPC decides that the Hong Kong SAR is in a state of emergency, the Central People’s Government may issue an order applying the relevant national laws in the region. The Standing Committee may make that decision “by reason of turmoil

⁹⁰ Ibid., Article 102.

⁹¹ Nihal Jayawickrama, “One Country, Two Systems” and the Law: Illusion or Reality? Edited in *“One Culture, Many Systems”* (Hong Kong: The Chinese University Press, 1993), p. 46.

⁹² *Hong Kong Standard*, 12th December 1989.

within the Hong Kong Special Administrative Region, which endangers national unity or security and is beyond the control of the government of the Region.”⁹³

The Joint Declaration did not provide for such action. What was stated quite explicitly in that agreement was that “the maintenance of public order in the Hong Kong Special Administrative Region will be the responsibility of the Government of the Hong Kong Special Administrative Region.”⁹⁴ In Annex I, which was an elaboration by the Chinese government of its basic policies regarding Hong Kong, it was confirmed that:

“The maintenance of public order in the Hong Kong Special Administrative Region shall be the responsibility of the Hong Kong Special Administrative Region... The Central Government shall not interfere in the internal affairs of the Hong Kong Special Administrative Region.”⁹⁵

The decision of the NPC to invest its Standing Committee with power to override a decision of the Hong Kong SAR government and invoke Chinese martial law to deal with “turmoil within the Hong Kong SAR”, suggests a clear intention to treat manifestations of dissent within that region in a manner no different from such

⁹³ *Hong Kong Basic Law*, article 18.

⁹⁴ Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People’s Republic of China on the Question of Hong Kong, 26th September 1984, Paragraph 3(11).

⁹⁵ *Ibid.*, Joint Declaration, Paragraph XII.

manifestations elsewhere in China. The Standing Committee's decision may be made independently and in the absence of any request or suggestion from the Hong Kong SAR government. The Standing Committee in making that decision will be applying the test of "turmoil", which is a Chinese concept unknown to the law of Hong Kong. Upon a decision being made that Hong Kong is in a state of emergency the relevant Chinese law (i.e. martial law) will be applied to the Hong Kong SAR. Chinese martial law is enforced through the People's Liberation Army. In fact, Article 14 of the Basic Law provides for that eventuality when it states that military forces stationed by the Central People's Government in the Hong Kong SAR may provide assistance in the maintenance of public order, and in doing so, shall abide by "national laws."⁹⁶

Elimination of the Directly Elected Seats

Following the shock of the Tiananmen incident, the idea of direct elections attracted the public. The "Omelco Consensus" model was issued by pro-British interests. It suggested that of the Legislative Council, 50 per cent should be directly elected, with the functional constituencies contributing the other 50 per cent, from 1995 to 1997. After that, the directly elected share should rise to 67 per cent in 1999 and 100 per cent in 2003. A different plan was put forward by the 'Group of 89', the conservative big business elites among the BLDC/BLCC members, who published a '4:4:2' model which advocated a proportional distribution of directly elected 40 per cent, functional constituencies 40 per cent, and Electoral College-originated seats 20 per cent for the

⁹⁶ *Hong Kong Basic Law*, Article 14.

legislature from 1995 to 2001. This compromise model was acceptable to two-thirds of public opinion in 1989.⁹⁷ However, T.S. Lo, BLCC Vice-chairman, advocated an ultra-conservative political model which proposed a bicameral legislature with only 25 per cent of the seats directly elected by universal suffrage, the rest to be returned by functional constituencies selecting 50 per cent and an Electoral College 25 per cent. This model provoked an angry retort from democratic circles and strong disapproval from the general public. According to a November 1989 public opinion survey on SAR political models conducted by the conservative Hong Kong General Chamber of Commerce, the "T.S. Lo model" of a bicameral legislature obtained the least support -- 2.9 per cent among the four major proposed models. The "4:4:2 model" gained the greatest support at 47 per cent, followed by the "Omelco Consensus model" at 45 per cent. The "Cha-Cha model" received 4.1 per cent support.⁹⁸

In February 1990 the BLDC approved procedures for proposing revisions and voting on proposed revisions to articles of the draft law. Drafters voted on 24 proposed changes to the draft Basic Law, including three amendments proposed by Dorothy Liu, namely that: the number of seats elected by universal suffrage in 1997 should be raised from eighteen to twenty and that the number of foreign nationals allowed to sit in the

⁹⁷ *South China Morning Post*, 2nd October 1989; and *Hong Kong Standard*, 31st October 1989.

⁹⁸ *South China Morning Post Hong Kong Review 1990* (Hong Kong: South China Morning Post, 1990) p.

legislature should be increased from nine to twelve.⁹⁹ Under the Basic Law, the 1995 formula would remain in effect until 1999. Then the number of directly elected legislators would rise to twenty-four in the second term (1999-2002) and to thirty in the third term (2003-2007). Indirectly elected legislators from the functional constituencies would occupy half of the sixty seats in the legislature from 1995 to 2007. The legislature would have ten members returned by the Electoral College in the first term (1995-99); then it would drop to six in the second term and disappear altogether after 2003.¹⁰⁰

However, according to a poll in late February 1990, public opinion in Hong Kong indicated that the majority of local people either did not care any more or were disappointed with the Basic Law final draft.¹⁰¹ Similarly, there was a clear indication of the sharp decline in public enthusiasm in Hong Kong in the two rounds of the BLCC public consultation. In the Basic Law first draft's public consultation, 74,000 submissions of views were received by the BLCC during the five-month consultation period, May-September 1988. Over 66,000 responses were organised by pro-democracy groups. The results indicated that the public wanted a more democratic system. About sixty per cent of respondents said the Governor should be chosen by universal suffrage. Only sixteen per cent approved of the grand Electoral College. Less

⁹⁹ Xiao Wei-yun (ed.) *Yiguo Liangzhi yu Xianggang Tebie Xingzhengqu Jibenfa* (One Country Two Systems and the Basic Law for the Hong Kong Special Administrative Region) (Hong Kong: Culture and Education Publish, 1990) pp. 9-13.

¹⁰⁰ *Hong Kong Basic Law*, Annex II.

¹⁰¹ *South China Morning Post*, 23rd February 1990.

than half of those polled were confident that the draft Basic Law would implement effectively the “one country, two systems” policy. In contrast to this number of responses, less than 7,000 submissions on the Basic Law second draft were received by the BLCC during the extended period of final consultation during March-October 1989.¹⁰²

The PRC’s Achievement and the Basic Law

In drafting the Basic Law, the Chinese drafters had defined as narrowly as possible the powers given to Hong Kong in the Joint Declaration and restricted its ability to exercise the high degree of autonomy promised. Beijing would have the power to apply national laws directly to Hong Kong, to veto local laws passed by the Hong Kong legislature (without giving any reasons), and to force the Special Administrative Region to pass legislation to prohibit “any acts that would undermine or subvert the Central People’s Government”. The local legislature would also have to enact laws to give effect to mainland statutes relating to defence, foreign affairs, and “the expression of national unity and territorial integrity”.

People in Hong Kong had begun to lose confidence in and be distressed by the Basic Law. For many Hong Kong people, the performance of Hong Kong drafters had been disappointing. Some of the drafters seemed to be struggling for the best interests of the people of Hong Kong, whilst many business people seemed willing to do and say

¹⁰² *Hong Kong Economic Journal*, 1st November 1989.

whatever they thought would please China's leaders and get the resulting benefit.¹⁰³

The remaining drafters did very little at all. Some of the Hong Kong members were grossly ignorant of issues outside their area of expertise. A few made proposals that were in violation of the Joint Declaration. They were amateurs with no experience in drafting a constitution.

Some of these people had been loyal to Britain in the colony, and they were loyal to China now. Also, they were authoritarian and self-seeking. The result was that the business people were free to "transform Hong Kong from a British colony run by the rich for the rich to a Chinese colony run by the rich for the rich."¹⁰⁴ After the Tiananmen massacre, when Martin Lee and Szeto Wah resigned their work on the Basic Law, nobody would fight against China for Hong Kong. Therefore, China could do what it wanted. The following points may be made with regard to the PRC's achievement in the Hong Kong Basic Law.

The National People's Congress and the Basic Law

According to the Basic Law's Articles 62 and 67, the Standing Committee of the NPC stands out as the only organ in the whole system of the people's congresses that is

¹⁰³ For Hong Kong businessmen, keeping an Executive system and avoiding a democratic system in Hong Kong was of important benefit to them, because they had enjoyed that kind of elite politics under British rule. Thus, they wanted to follow China's direction to avoid democratic practice in Hong Kong, which would damage their business interests.

¹⁰⁴ Basic Differences, *FEER*, 18th July 1985, p. 28.

equipped by the constitution with the power of interpretation. By virtue of this interpretative power, the Standing Committee must be regarded as the only possible effective guardian of the constitution. In legitimisation cases, the NPC may “authorise” Hong Kong courts to make their own interpretation of those provisions in the Basic Law “which are within the limits of the autonomy of the region.”¹⁰⁵

Hong Kong’s own pre-existing laws (including common law, rules of equity, and ordinances) should continue in force after 1997.¹⁰⁶ Those laws, however, that would contravene the Basic Law, as determined by the NPC, should become invalid and worthless unless revised in accordance with the provisions and procedures stipulated in the Basic Law. All legal documents, certificates, contracts, and rights and obligations prevailing in Hong Kong were to continue in effect insofar as they did not contravene the Basic Law.¹⁰⁷ Only the NPC was to have the power to amend the Basic Law.¹⁰⁸ The NPC in Beijing was thus to be the ultimate fountainhead of the legality of the Basic Law, which would determine the legality of all things in the Hong Kong SAR after 1997.

¹⁰⁵ *The Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China* (Hong Kong: Consultative Committee for the Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China, 4th April 1990), Article 158.

¹⁰⁶ *Ibid.*, Article 8.

¹⁰⁷ *Ibid.*, Article 160.

¹⁰⁸ *Ibid.*, Article 159.

The Exercise of Judicial Power

The Basic Law is as follows: Article 158 of the Basic Law states that the power of interpretation of that law is vested in the Standing Committee of the NPC. While the Standing Committee is required to delegate to the Hong Kong SAR judiciary the power of interpreting those provisions of the Basic Law “which are within the limits of the autonomy of the Region,” the courts of the SAR are required to refer to the Standing Committee whenever the need arises “to interpret the provisions of this law concerning affairs which are the responsibility of the Central People’s Government, or concerning the relationship between the Central Authorities and the Region.”¹⁰⁹ When the Standing Committee makes an interpretation of the provisions concerned, the courts of the SAR, in applying those provisions, are required to follow the interpretation so offered. Additionally, Articles 17 and 160 empower the Standing Committee to examine both existing and subsequent laws and determine whether they contravene the provisions of the Basic Law; in other words, whether they are *ultra vires* the power of the Hong Kong SAR legislature.¹¹⁰

Under the socialist system practised in China, where the legislature is recognised as the highest organ of state power and the courts are enjoined to implement state policy, the power to interpret the constitution and other statutes, as well as the power to annul those

¹⁰⁹ Ibid., Article 158.

¹¹⁰ Ibid., Article 17, 160.

subsidiary laws that contravene the basic statutes, are vested in the Standing Committee of the NPC.¹¹¹

According to the Joint Declaration, the Hong Kong SAR would be vested with “independent judicial power, including that of final adjudication”.¹¹² Judicial power in the Hong Kong SAR was to be “vested in the courts of the Hong Kong Special Administrative Region. The courts shall exercise judicial power independently and free from any interference”. Also, “the power of final judgement of the Hong Kong’s Special Administrative Region should be vested in the court of final appeal in the Hong Kong Special Administrative Region”.¹¹³

China has deviated from the Joint Declaration and used the principles of Chinese socialist law, by vesting the power of interpretation of the Basic Law, not in the judiciary, but in the legislature. The effect of doing so has been not only to destroy the judicial cohesion or integrity of Hong Kong, but also to erode the principle of separation of powers upon which Hong Kong’s governmental system was based.¹¹⁴ Its aim is to secure control by the highest organ of Chinese state power.

¹¹¹ *Constitution of the Communist Party of China*, Adopted by the 12th National Congress on 6th September 1982, Article 67 (1), (4) and (8).

¹¹² Joint Declaration, Paragraph 3 (3).

¹¹³ *Ibid.*, Annex I, Paragraph III.

¹¹⁴ Chen Hun-yi, Discussion Hong Kong Basic Law Policy Article, *The Mirror*, 10th July 1988.

Aborted Democracy

The conservatives' proposal contained three important concepts about the structure of the political system that were later adopted in the Basic Law: "The Chief Executive would be chosen by an Electoral College with hundreds of members; the Exco members would be appointed by the Chief Executive; and finally, the overwhelming majority of members of the Legco would be selected by functional constituencies and by an Electoral College."¹¹⁵ Finally, the Basic Law provided for a sixty member Legislative Council in which only twenty members would be elected by geographical constituencies through direct elections by 1997.¹¹⁶ In 1999 the number of directly elected member would increase to twenty-four, and in 2003 to thirty.¹¹⁷ Any reform of the composition of the Legislative Council in and after 2007 would require the approval of at least forty of its members and the consent of the Chief Executive.

The Chief Executive would be appointed by the Central People's Government. The first appointment would be consequent to a recommendation by a 400-member Selection Committee which, though comprised entirely of Hong Kong residents, would be established by a Preparatory Committee nominated by the Standing Committee of the

¹¹⁵ Enbao Wang, *Hong Kong, 1997: The Politics of Transition* (NY: Lynne Rienner Publishers, 1995) p. 71.

¹¹⁶ Thirty will be elected by functional constituencies, and ten by an election committee.

¹¹⁷ These increases will be secured by corresponding decreases in the number of members to be returned by the election committee.

NPC. In 2002 this recommendation would be made by an enlarged 800-member Election Committee representing selected interests in Hong Kong.¹¹⁸

Under Article 159 of the Basic Law, only a delegation from the Hong Kong SAR to the NPC may submit a bill for the amendment of the Basic Law. They may do so only after they have obtained the consent of two-thirds of the deputies of the SAR to the NPC. In practice, therefore, it is unlikely that any reform will ever take place except in consequence of a policy decision taken by the Central People's Government of the CCP.¹¹⁹ It is to be noted that the selection of the SAR's delegates to the NPC is a matter completely in the hands of the Central Government.

China's Control of the Hong Kong SAR

The tightening of the Basic Law was clear after the 4 June incident. While Article 43 of the Basic Law first draft stated that "The chief executive shall abide by the law and shall be accountable to the legislature", the second draft specified that the Chief Executive was to be accountable to Beijing. Therefore it is certain that the Chief Executive of the SAR would not be accountable to Hong Kong people and would be loyal only to Beijing. Under the Basic Law, the Chief Executive would be more powerful than the legislature. So the Chief Executive could prevent officials from testifying or could dissolve the legislature, but could only *nominate* senior officials;

¹¹⁸ *Hong Kong Basic Law*, Articles 14, 45 and Annex I.

¹¹⁹ *Ibid.*, Article 159.

only Beijing could *appoint* them. (BL Article 48) Moreover, revenue and expenditure bills and government policy could be introduced without the Chief Executive's approval. Furthermore, the legislature would have little power; even to impeach the Chief Executive, the final decision would rest with Beijing and the legislature would have no role in choosing or dismissing officials. It was clear that Beijing's intention was to control Hong Kong affairs tightly after 1997 through the Basic Law.

Thus, the Basic Law provides that the Chief Executive shall be appointed by, may be removed by, and shall be accountable to, the Central People's Government.¹²⁰ This will also appoint the principal officials of the Hong Kong SAR.¹²¹ Laws enacted by the Hong Kong SAR legislature must be reported to the Standing Committee of the NPC for the record, but if the Committee considers that any law is not in conformity with the provisions of the Basic Law in that it deals with matter which is within the responsibility of the Central Authorities, it may return such a law, thereby invalidating it.¹²² The Standing Committee of the NPC may add to the list of laws enumerated in Annex III to the Basic Law, these being Chinese laws which shall apply to Hong Kong.¹²³ The Central People's Government will determine the number of persons from other parts of China who may enter Hong Kong for settlement;¹²⁴ and will grant or

¹²⁰ *Ibid.*, Articles 15, 43 and 45.

¹²¹ *Ibid.*, Article 15.

¹²² *Ibid.*, Article 17.

¹²³ *Ibid.*, Article 18.

¹²⁴ *Ibid.*, Article 22.

refuse permission for foreign warships and foreign state aircraft to enter Hong Kong.¹²⁵

Also, the NPC may amend the Basic Law.¹²⁶

During the Basic Law drafting process, the PRC made sure of a firm fallback position behind which to entrench its absolute power over Hong Kong against spontaneous demands for self-determination from below, which might undermine the Politburo's standing as the sole authority for decision making.

Summary

The two Committees of the BLDC and BLCC were controlled by the Chinese authorities as united front tools. Beijing exercised tight and direct control over the proceedings of the BLDC, which had a majority of mainland members (thirty-six from China and twenty-three from Hong Kong). Beijing then decided to set up the Basic Law Consultative Committee to collect opinions on the Basic Law. The two Committees were intended to be a major instrument for united front work by the PRC. In fact, the Hong Kong business elite was willing to co-operate with the CCP to protect and expand its substantial investments.

During the BLDC drafting process, arguments arose over grey areas concerning the political structure and conflicts between Chinese and Hong Kong laws. The most sensitive of these was "on the relationship between the central and Hong Kong

¹²⁵ Ibid., Article 126 and 129.

¹²⁶ Ibid., Article 159.

governments” and “on the interpretation and amendment of the Basic Law”. However, it was made clear that Beijing had the power of veto over these questions. Thus, the right to amend the Basic Law belonged to the NPC, and the right to interpret the Basic Law belonged to the NPC Standing Committee.

After the Tiananmen Massacre, China tightened its Hong Kong policy. The Chinese government took firm control of the mainland situation, and began a purge of pro-democratic elements, referring to them as “subversive and counter-revolutionary”. The PRC leadership’s tightening rein led to additional limitations on Hong Kong’s autonomy, especially in the modifications to Article 23 and Article 18. Article 23 allowed China to ban “subversion” against the Central People’s Government and Article 18 stated that Beijing could declare an “emergency” in times of turmoil and apply martial law to the SAR. The same law in force on 4th June 1989 in Beijing could be implemented in Hong Kong. In addition, political groups that might set up in Hong Kong after 1997 would be isolated from the international community since they would not be allowed to have ties with foreign political organisations or bodies.

In the PRC view, the Basic Law is an internal matter for China and an expression of national sovereignty and therefore cannot be subject to a Hong Kong veto. China acted in unprecedented manner to the events in China of 4th June 1989 that directly and seriously affected the Basic Law drafting process. Thus the PRC lost the hearts and minds of the great majority of the Hong Kong people, undermining their united front work in Hong Kong.

Despite the crisis of 1989, China’s policies of national integration had laid the ground for Hong Kong’s transition to Chinese rule eight years later. The next chapter will examine the mechanism China used to manage the transition.

CHAPTER FOUR: THE DIRECTION OF THE UNITED FRONT: THE PRC'S HONG KONG AGENCIES

Introduction

In the transition period, Hong Kong's scheduled reversal of sovereignty to China required the transformation of Hong Kong from a British colony to a Special Administrative Region of the People's Republic of China. However, the take-over of Hong Kong was not achieved in one day. The PRC used united front work to increase its influence in Hong Kong throughout the transition period. Central elements of this transformation were the China State Council's HKMAO (HKMAO) and the NCNA, Hong Kong Branch, which was charged with managing the transition on a day-to-day basis in Hong Kong for the Beijing government. In order to create the united front in Hong Kong, the PRC did a great amount of work to attract the Hong Kong and British elite. It is worth discussing this in detail. This chapter explains the command system and organisation of the above instruments of Chinese policy and their united front work in Hong Kong.

The Basis of Policy-making systems

To the PRC leaders, Hong Kong affairs were both a foreign and domestic matter. They were foreign affairs because Hong Kong was still under British administration and the take-over work needed British government co-operation. There were a great number of problems about transition to negotiate with Britain. Meanwhile, Hong Kong was regarded

as Chinese territory with over 90 per cent of the population Chinese; thus, its many different Chinese ministries and departments were concerned with making and implementing Hong Kong policies. Also, Hong Kong affairs involved sovereignty, national dignity and economic interest, all matters of great importance to the PRC.

The Chinese Constitution stipulates that the Chinese Communist Party (CCP) is the leading force in China, with supreme power resting in its Politburo's Standing Committee. All major decisions related to Hong Kong were made by the powerful Politburo's 'Foreign Affairs Leading Group'.¹ (see Table 4-1) This is the main organisation for collecting, collating and co-ordinating the views of the principal Party and government leaders involved in the conduct of foreign relations.² Decision-making at this high level reflected the significance of Hong Kong policy to China in the transition period. This Leading Small Group usually consists of all the senior cadres "with responsibility for different aspects of a comprehensive functional arena".³ During the Sino-British negotiations on Hong Kong, President Li Xiannian headed the Central Foreign Affairs Leading Small Group. Its other chief members included Premier Zhao Ziyang, First Vice-premier Wan Li, State Councillor and HKMAO Director Ji Pengfei, as well as Vice-premier and Foreign Minister Wu Xueqian.⁴

¹ Lau Yui Siu, deputy chief editor of *Dangdai* [Contemporary], interviewed in *South China Morning Post*, 12th October 1992.

² A. D. Barnett, *The Making of Foreign Policy in China* (London, 1985) p. 45.

³ Carol Lee Hamrin, "The Party Leadership System", in Kenneth Lieberthal and David Lampton (eds.) *Bureaucracy, Politics, and Decision Making in Post-Mao China* (Berkeley, 1992) p. 115.

⁴ *Ibid.* p. 44

In 1990 Jiang Zemen became President of the CCP, and handled decisions concerning the overall situation in Hong Kong. He also served as a member of the Politburo's Standing Committee and General Secretary of the Party. Li Peng, Chinese Premier and member of the Politburo, was entrusted with overall charge of Hong Kong-related issues. It can be said that Jiang played a more significant role than Li.⁵ Once a decision was made by the Politburo, it was the State Council's responsibility to implement it. Within the State Council, two ministries were involved with Hong Kong affairs. The HKMAO was responsible for overall administration and its head reported directly to the State Council (more specifically, to the Premier). Under the Foreign Ministry, the West European Division contained an Office for Hong Kong and Macao Affairs, which was responsible for dealing with Britain. In addition to this structure at the central level, the Hong Kong Branch of the NCNA came under HKMAO; the NCNA was to play a significant role in the management of Hong Kong affairs in the transition period.⁶

The Hong Kong Branch of the NCNA was divided into two parts, a press section which actually functioned as a news agency, and the rest which operated as the *de facto* representative office of China in Hong Kong. In this thesis NCNA means the representative office of China. Through the NCNA the Hong Kong Political Adviser, the local representative of the British Foreign Office, communicated with the Chinese government. The Agency reported to the Hong Kong and Macao Office within the Ministry of Foreign Affairs and also to the Foreign Affairs Leading Small Group of the CCP. The Hong Kong

⁵ Christine Loh, "The implementation the Sino-British Joint Declaration" in Donald H. McMillen and Man Si-wai (eds.) *The Other Hong Kong Report 1994*, p. 70.

Branch of the NCNA,⁷ it was a very important organ of Chinese policy in Hong Kong and, hence, of united front work in Hong Kong. The influence of the PRC in Hong Kong in the transition period depended on the NCNA.

However, the most important person in the handling of Hong Kong policy was the paramount leader, Deng Xiaoping. He was deeply involved in all the matters of the territory and retained the final say, as long as he was alive and physically fit.⁸ He took a personal interest, and exercised direct command and control. Deng made all major decisions about Hong Kong; hence this restricted the amount of flexibility senior PRC cadres or diplomats were able to exercise.⁹ In the negotiation process, Deng met all the key British ministers, set the ultimatum and the deadline, first proposed a joint commission and then relented in favour of a looser consultative Joint Liaison Group, and finally agreed to the horse-trading in the last few days that settled the agreement.¹⁰ During the Basic Law drafting process, Deng publicly declared what Hong Kong could or could not have. He did not believe Western democracy was good for Hong Kong and did not want to see Hong Kong destroyed by internal discord among social groups and untested political factions. Deng's significant speeches on Hong Kong affairs were published in 1993, named *Deng*

⁶ Michael Yahuda, *Hong Kong: China's Challenge*, p. 89-93; also see Steve Tsang, *Hong Kong: An Appointment with China*, p. 138-44.

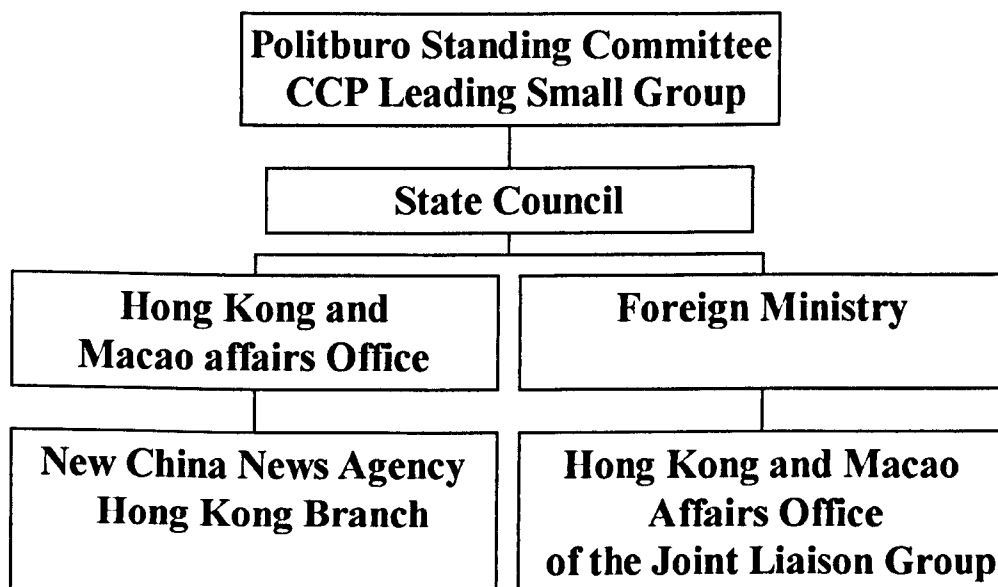
⁷ Michael Yahuda, *Hong Kong: China's Challenge*, p. 90.

⁸ It can be found in *Selected Works of Deng Xiaoping*, vol. III (1982-1992) (Beijing: Foreign Languages Press, 1994) and also in Deng Xiaoping, *On the Question of Hong Kong* (Beijing: Foreign Languages Press, 1993).

⁹ Percy Cradock, *Experiences of China*, p. 193.

*Xiaoping on the Question of Hong Kong.*¹¹ Thus, Hong Kong policy is made and carried out by a network of party and state groups, offices, and committees presided over by those in charge of the CCP's united front work.

Table 4-1: China's Hong Kong Policy-making Institutions



Source: 1. Cited from John P. Burns, *The role of the New China News Agency and China's policy towards Hong Kong*, p.19. He adapted this from Li Guoheng, *Qianshao mianpu* [Guide to the advance guard] (Hong Kong: Franrong chubanshe, 1991).

2. Also cited from Ching Cheong, China's administration over Hong Kong--the New China News Agency and the Hong Kong-Macao Affairs Office, *The other Hong Kong report 1996*, p. 115.

¹⁰ See Percy Cradock, *Experiences of China*, Robert Cottrell, *The End of Hong Kong*, and Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, it was clear that Deng Xiaoping made all the important decisions.

The State Council Hong Kong and Macao Affairs Office

At the central level the State Council HKMAO had primary responsibility for Hong Kong policy, it had been a Ministry-level unit since its creation in 1978. Liao Chengzhi was head of both the State Council Overseas Chinese and HKMAO, both of which carried out united front work with overseas Chinese.

At the height of the Cultural Revolution, radicals in Beijing used the Cultural Revolution Small Group to take power from the Politburo. They abolished the State Council's Foreign Affairs Staff Group and replaced it with a Foreign Affairs Revolutionary Leading Small Group. The radicals attacked former Staff Office cadres and transferred them to various other Departments. Most of the original Hong Kong and Macao group within the Staff Office were transferred to the Western Europe Bureau of the Ministry of Foreign Affairs, which took on more of the work of handling Hong Kong matters. Even as late as 1977, this bureau was still charged with handling Hong Kong and Macao affairs and visits work.¹²

In 1978 China reorganised the bureaucracy which handled Hong Kong and Macao affairs. After the Cultural Revolution, the new leadership ordered a total reorganisation of China's bureaucracy, separating the Party from the government. Beginning in 1977, as the future of Hong Kong beyond 1997 became a major issue, the CCP revamped its institutions for

¹¹ Deng Xiaoping, *Deng Xiaoping on the Question of Hong Kong* (Beijing: Foreign Language Press, 1993).

¹² Zhong Shimei, How does the Chinese Communist Party manage Hong Kong? P. 20-21.

managing Hong Kong policy. That year it established, at first secretly, a new State Council HKMAO.¹³

The HKMAO was organised from members of the former China State Council Foreign Affairs Office Hong Kong and Macao group. It was a central, high-level body for the study and implementation of policy. Its duty was to understand and respond to Hong Kong and Macao's economic and political situation and to public opinion, and to report accordingly to the China State Council; also, to participate in the formulation of policy; and according to that policy, to plan and co-ordinate the relevant Departments. Its main functions included: setting Hong Kong and Macao policy and propaganda; disseminating the Hong Kong and Macao Basic Law; planning matters related to the Hong Kong and Macao "transfer time"; encouraging political, economic, social and cultural exchange between China and the two colonies; helping the Chinese Foreign Ministry to deal with Hong Kong and Macao's foreign affairs; and examining and permitting various localities and Departments to set up and send staff to the colonies, and to advise the State Council regarding vice-ministers' or vice-governors' visits to Hong Kong and Macao.¹⁴

The new Department was headed by Liao Chengzhi. His father, Liao Zhongkai, had been born to a rich Chinese family in California and was assassinated in 1925 for urging the Nationalists to compromise with the newly founded Communist Party. Liao Chengzhi had contacts with, and was influenced by, close family friends in Hong Kong. Under his

¹³ John P. Burns, *The Structure of Communist Party Control in Hong Kong*, *Asian Survey*, Vol. XXX, No. 8, August 1990, P. 751.

¹⁴ Committee of Government Organisation Offices, *China Government Organisation* (Beijing: China Economic Publish, December, 1992), p. 290.

leadership, the HKMAO began re-examining Beijing's policies towards Hong Kong, with the hope of using the colony to promote economic development. Pro-China business people in Hong Kong were given the green light to trade with Taiwan, and mainland-owned companies made high-profile purchases of prime real estate in the British colony. The Chinese government planned to create special economic zones adjacent to Hong Kong and Macao that would run on a semi-capitalist system, offer special investment incentives to attract foreign business people, and be allowed to retain earnings from exports to promote rapid growth. Eventually, these zones would act as a bridge between the two colonies and the mainland.

The HKMAO concluded that to take maximum advantage of Hong Kong, the Chinese government would have to improve relations with the colonial administration. It had never officially recognised the Hong Kong government; to do so would have given British rule legitimacy. Instead, Beijing referred to the Hong Kong Government in official statements as "the local authorities." The HKMAO decided that the Chinese government would maintain its position that the nineteenth-century treaties with Britain were invalid and that Hong Kong was Chinese territory. It would be recovered under the policies being developed for reunification with Taiwan. But in the meantime, to improve relations, the colonial administration could be given "face", if not formal recognition.

According to its official job description, the HKMAO was supposed to:

1. Research and determine the policies of the Chinese government for the restoration of sovereignty over Hong Kong and Macao and to implement the smooth transfer of political power;

2. Carry out the work of drafting the Basic Laws for the Hong Kong and Macao special administrative regions;
3. Plan and deploy various tasks of the transition period for Hong Kong and Macao;
4. Together with the Ministry of Foreign Affairs, jointly to handle foreign affairs work for Hong Kong and Macao, and to participate in the work of the Sino-British and Sino-Portuguese joint liaison groups and land management groups;
5. Determine and carry out social contact between the Mainland and Hong Kong and Macao in the political, economic, cultural, and social arenas; assist various regions and departments to make use of Hong Kong and Macao to serve the four modernisations in the rest of China;
6. Carry out investigations and research, and collect information on political, economic, cultural and social trends in Hong Kong and Macao, and report on them in a timely fashion to the centre [Politburo] and the State Council;
7. With various inland areas and departments, jointly to make good arrangements to receive visits by Hong Kong and Macao people of various circles, *and to carry out united front and propaganda work* (author's italics);
8. With relevant departments, jointly to investigate and approve the organisations and individuals of various regions and departments, stationed in Hong Kong and Macao, and to give their opinion to the State Council whether or not cadres of the rank of vice minister or vice governor and above should

visit Hong Kong.¹⁵

In April 1985 the HKMAO was reorganised and its staff increased from forty to about one hundred. A second reorganisation occurred in 1994.¹⁶ (see Table 4-2) The old first bureau was renamed the Hong Kong Economic Bureau, and was made responsible for Hong Kong and Macao economic matters. The old second bureau's functions were divided between the Hong Kong Political Affairs Bureau and the Hong Kong Social and Cultural Bureau. The Hong Kong Political Affairs Bureau provided staff support to the Sino-British liaison and land commissions, carried out research and made policy recommendations on foreign affairs and political and legal work. The Hong Kong Social and Cultural Bureau supervised culture and education matters, united front work in Hong Kong being its most important function. The old third bureau was retained as the Macao Affairs Department, and the administrative and secretarial bureau was unchanged and handled largely administrative functions and a cadre division to handle the Office's personnel matters. By this time China's main task in Hong Kong had changed from drafting the Hong Kong Basic Law to planning the details of transfer of political power and, according to the CCP Central Committee's Hong Kong policy, guiding and assisting the relevant Departments to deal with Hong Kong and Macao affairs.¹⁷

¹⁵ Guojia jigou bianzhi weiyuanhui bangongshi [General Office of the State Organisation and Establishment Committee] (ed.), *Zhongguo zhengfu jigou* (1990) [China's government organs, 1990] (Beijing: Zhongguojingji chubanshe, 1990), p. 290.

¹⁶ *Hong Kong and Macao Monthly*, May 1994, p. 14.

¹⁷ *Hong Kong and Macao Monthly*, May 1994, p. 15.

Table 4-2: The Organisation of HKMAO (1994-97)

Organisation	Function
Director	overall charge
Deputy Director	with special emphasis on political affairs
Deputy Director	with special emphasis on economics
Political Division	handling political and legal issues
Economic Division	handling economic issues
Culture and Education Division	handling cultural and education issues
Laws and Regulation Division	handling Hong Kong laws and regulations
General Administration Division	internal administration and logistics
Research Centre	co-ordinating research on Hong Kong and Macao

Source: *Hong Kong and Macao Monthly*, May 1994, p. 14.

The Hong Kong and Macao Work Committee

Chinese power in Hong Kong had two arms. One was the NCNA, which was affiliated through the HKMAO to the China State Council; the other one was the Hong Kong and Macao Work Committee (HKMWC), affiliated to the Chinese Communist Party. The Communist Party operated as an underground political organisation in Hong Kong, a legacy from 1949 when the Hong Kong government outlawed all political parties with an affiliation to a foreign government.¹⁸ For reasons of political sensitivity, the Chinese Communist Party remained a secret organisation in Hong Kong. Although the NCNA was the public face of the Party in Hong Kong, the 'real' power centre was the HKMWC.¹⁹ The Work Committee, appointed by the party Central Committee, was led by a secretary, several deputy secretaries, and a secretary general. It also consisted of a number of ordinary members.²⁰ The director of the NCNA was the secretary of the Work Committee. Deputy secretaries of the Work Committee were drawn from among some of the deputy directors of the NCNA and among some of the assistant directors.²¹ Parts of the bureaucracy of the NCNA performed staff functions for the Work Committee. United front work functions were performed by the Co-ordination Department, organisation functions by the NCNA's Personnel Department and propaganda functions by the NCNA department with the same name.

¹⁸ CO537/4824, Grantham to Creech-jones 311, 1st April 1949.

¹⁹ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, vol. 1, p. 1.

²⁰ Deng Feng, "Xianggang Xinhuashe—Gongwei caigande waiyi," *Dangdai* [Contemporary] No. 4 (16th December 1989), p. 19.

²¹ John P. Burns, *The Role of the New China News Agency and China's Policy Towards Hong Kong* (Toronto: Joint Centre for Asia Pacific Studies, 1994), p.30.

It was Beijing's intention that the Party organisation should remain underground even after the transfer of sovereignty, since to come out into the open could cause local anxiety and might send a wrong signal, that is, that China wanted to turn its new acquisition into a socialist economy. Although there are no published figures on the size of the underground organisation, one observer put it as 6000 people in 1983 and around 11,000 in the mid-1990s.²² The increase has been mainly due to the arrival of mainland companies and new immigrants, although maybe a few would be Hong Kong people.

In 1983 the CCP's HKMWC was headed by a secretary, Xu Jiatun, and the NCNA's six vice-directors and three assistants to the Director served as deputy secretaries of the Work Committee. The NCNA's secretary-general held the same post on the Work Committee, and the secretary, deputy secretaries, and secretary-general together formed the Work Committee's Standing Committee, which in 1989 numbered ten members.²³ Also amongst the members of the HKMWC were representatives of major PRC-based commercial organisations, trade unions and other left-wing bodies.²⁴ These included long-established commercial organisations, such as: China Resources, which came directly under the Ministry of Foreign Economic Relations and Trade; China Merchants Steam Navigation Company, representing the Ministry of Communications; The Bank of China Hong Kong Branch and China Travel Service. They all served as ordinary members of the Work

²² Jamie Allen, *Seeing Red-China's Uncompromising Take-over of Hong Kong* (Singapore: B-H Asia, 1997), p. 77.

²³ Deng Feng, *Hong Kong's New China News Agency*, *Contemporary*, no. 4 (16th December 1989), p. 19.

²⁴ Xu Jiatun, *Xu Jiatun Xiaanggang Huiyilu*, vol. 1, p. 35-70.

Committee.²⁵ In addition, the Ministry of Public Security (*Gongan Bu*), which is responsible for the security of PRC offices in Hong Kong, and the Ministry of State Security (*Guojia Anquan Bu*), which is charged with intelligence work, and various branches of military intelligence also operated under cover of the NCNA.²⁶ Under Xu Jiatur, the PRC's different ministries, agencies, provinces and regions set up its own offices or stationed intelligence offices in Hong Kong. However, they belonged to different 'systems' (*xitong*).²⁷ Those who came from different systems in the PRC did not necessarily follow Xu's directions in Hong Kong.²⁸

In the transition to exercising sovereignty over Hong Kong, the Hong Kong and Macao Work Committee was seeking to build its own *nomenclature* system, which included "seven lines and three aspects". The seven lines were:

- 1. Media Line:** Its main organisations were *Ta Kung Pao*, *Wen Wei Pao*, *Xinwan Pao* and the New China News Agency Hong Kong Branch.
- 2. Publishers Line:** Its main organisations were Joint Publishers, Commercial Press, Chinese Publisher, and Student Publisher.
- 3. Movie Studios Line:** Its main organisations were the South Movie Production Company, the Great Wall Company, the Phoenix Company and the New Unity Company.

²⁵ The Rising Red Tide, *FEER*, 1st August 1985, p. 22.

²⁶ Xu Jiatur, *Xu Jiatur Xianggang Huiyilu*, vol. 1, p. 53.

²⁷ Kenneth Lieberthal, *Governing China: From Revolution Through Reform* (New York, 1995) p. 194-5.

²⁸ Xu Jiatur, *Xu Jiatur Xianggang Huiyilu*, vol. 1, p. 53-5.

4. Financial Line: Its main organisations were The Bank of China, The Bank of Nan-yang, The Bank of Canton Provincial, The Bank of Xinhua, and The Bank of Communication.

5. Trade Line: Its main organisations were the China Resources Group, the China Merchants Group, the Hou-yun Company, Hou-mou Company and An-da Company.

6. Transportation Line: Its main organisations were the China Merchants Steam Navigation Company, the Ju-chon Shipping Company and Yun-yang Shipping Company.

7. Chinese Affairs Line: Its main organisations were the China Travel service, the Kim-man Wine Shop and the Ma-li-hau Hotel.

The three aspects were:

1. Trade Union Aspect: Its main body was the Hong Kong Federation of Trade Unions, which exerted control over the powerful 170,000 memberships. It was mainly through the unions and other networks of connections that the Chinese managed to mobilise their support so swiftly and efficiently.

2. Education Aspect: The main schools under its control were Pe-chou High School, Chinese High School, Xin-chou High School, Wen-lin College and Su-ren College. According to one member of Hong Kong's "leftist education circle", writing before transition, "We do not receive funds from the Chinese, nor do we have any organisational relations with them. However, much of our base is related to the Chinese and we come within the leftist circle, so that China can influence us." ²⁹

²⁹ Lu Yuyi, *Leftist School, Both Respect and Fear*, Contemporary, no. 19, 7th April 1990, p. 41.

3. New Territory Aspect: Its main organisations were the New Territory Farmers' Union, Flower Trade Union and Fishermens' Organisation.

New China News Agency Hong Kong Branch and its Directors

Before Xu Jiatus went to Hong Kong to become the NCNA's fifth Director in July 1983, the NCNA did not pay attention to seeking out and cultivating cadres for united front work, and in some periods even united front work itself was lightly regarded.³⁰ Thus, NCNA was just considered to be an extreme left wing organization in Hong Kong. To change this situation, the CCP central committee appointed Xu as the NCNA's new Director to do united front work.

Xu himself adopted a higher profile so that he could voice Beijing's views on the issues affecting the colony. He was, in fact, staking China's claim to Hong Kong, letting the public know that there was another point of view to consider. Journalists called him "the shadow governor".³¹ To outsiders, the change in China's top representative was miraculous and welcome. To insiders, it was superficial. Xu remained a die-hard Communist who executed his orders ruthlessly and worked for the best interests of China, the Party, and his masters in Beijing. Xu did an excellent united front work for China to win over the people of Hong Kong (it will be described in chapter seven).

³⁰ Xu Jiatus, p.19, 40.

³¹ Marti Robert, *The Fall of Hong Kong*, p. 290.

After Xu Jiatun became Director in 1983, the Branch was promoted to ministry and provincial level, the same level as the State Council HKMAO.³² Hence, the Branch reported direct to CCP Central Committee and State Council; day-to-day affairs and departmental problems were reported to the HKMAO and the Foreign Ministry. The Branch also enlarged its functions and organisation, increasing its staff from one hundred to four hundred and its budget from thirty million to three hundred million HK dollars.³³

In September 1984, as Hong Kong's future became clearer, the Branch became more important in assisting China's take-over. In order to develop united front work widely, it was necessary systematically and constantly to re-organise the NCNA. According to past experience, some directors limited united front work within a very narrow scope; some directors did not clearly recognize the targets of united front work. They were told that the main targets of united front work ought to be each Hong Kong government department and every locally powerful clique. According to a directive issued by the United Front Work Department of the Central Committee:

“Contact with and winning over representative political and economic figures from all strata in each locality; contact with and winning over groups and leading figures in all circles (cultural, educational, news, women's affairs, youth, foreign affairs, business, science, religion, technical, social, secret groups, etc.) in each locality; contact with and winning over the gentry and members of each government agency in each locality – all these are targets of

³² Xu Jiantun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 2.

³³ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 60-61.

united front work and fall within its scope.”³⁴

Xu then started to re-organise and enlarge the NCNA. The new organisation’s command hierarchy consisted of a director; four vice-directors; a secretary general; three newly designated assistant directors; and two vice-secretaries-general.³⁵ This reorganisation created a strong command system for Xu and removed some old conservatives. Now Xu was in total control of the Agency and his personal influence begun to be felt in Hong Kong.³⁶ Following the signing of the Joint Declaration, he reorganised the NCNA’s departments partly along the lines of the Hong Kong government. Offices were set up around the colony, shadowing the government’s district offices. Ten departments were created to handle such tasks as administration, propaganda, the economy, and foreign affairs. Their purpose was to monitor the Hong Kong government and provide information to Chinese officials when they needed to negotiate with Britain or speak publicly about the colony’s affairs (these functions to be discussed in more detail later).

Following the 4th June 1989 incident, the wide support shown by Hong Kong’s citizenry for the pro-democracy movement in China angered the CCP Central Committee, which decided that Xu Jaitun could not handle matters satisfactorily from Beijing’s point of view. They decided to let Xu retire and replace him with Zhou Nan. This decision was announced

³⁴ The Organization and Work of United bureaus, A directive issued by the United Front Work Department of the Central Committee on 2nd November 1940.

³⁵ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 77-79.

³⁶ According Xu’s memory, he had some conflict with those old conservatives, before he promoted his faction and increased his influence in the Branch. *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 50-80

by the State Council on 15th January 1990.³⁷ On 1st May 1990 Xu Jaitun fled to America.³⁸

The Hong Kong Basic Law was promulgated in April 1990, whereby China's Hong Kong mission entered a new stage. The NCNA staffs were increased from four hundred to six hundred and a new twenty-four-story building replaced the older centre. The CCP also sent the HKMAO's second office Director, Rong Kong, and the Hong Kong Branch's ex-vice Director, Lee Chu-wen, as the Branch advisors to help Zhou Nan deal with Hong Kong affairs. Subsequently, Wong Pingqing (former Foreign Economic Relations and Trade Ministry Vice Minister), Zhang Kuo-hsiung (former Guangdong Province Organisation Department Director), Chin Wen-chun (former Shen-Zhen County Vice-Secretary), Wu Lan-mu-ran (former member of the Commission for Inspecting Discipline of the CCP Central Committee) and Chu Yu-Chen (former Branch Secretary General) became vice directors, in addition to the original vice directors Zhang Jun-shan and Mao Chiun-lien, to give a total of seven vice-directors. Coming as they did from different departments, they represented different missions and interests; also, the change meant collective leadership in the Branch.³⁹

Meanwhile, China's Hong Kong work entered a new phase. The NCNA Hong Kong Branch, in the transition period wanted not only to make friends with the influential members of high society, but also to develop mass social work to strengthen the grass

³⁷ *Wen Wei Pao*, 8th February 1990.

³⁸ *Contemporary*, no. 25, 19th May 1990, p. 3-10.

³⁹ Ai Kong-ran, "New China News Agency Hong Kong Branch Position Demoted" , *Hsin Pao* , 6th May 1991.

roots movement. Zhou Nan visited all the left-wing organisations when he assumed office in May 1990.⁴⁰ The 4 June incident had reduced Hong Kong residents' confidence in China and the Branch. Therefore, Zhou Nan aimed, through the basic level activity, to reduce the Hong Kong people's fear of China and anxiety about their future. He wanted to strengthen acceptance and support for China's Hong Kong policy in order to ensure a smooth transfer.⁴¹

Zhou Nan lacked Party seniority, but as a leading negotiator with the British he had earned the reputation of being tough and unyielding. He imposed order within the NCNA and in comparison with his predecessor he did not cultivate contacts within Hong Kong. He gained the reputation of being a 'leftist' and of someone who could be guaranteed to identify ulterior purposes behind any British proposal.⁴²

The Organisation of the NCNA

Despite denials by the Chinese government, during the transition period the NCNA became a second centre of power. It was reorganised along the lines of a government department and was perceived by some in Hong Kong as potentially an alternative to the colonial government. The NCNA had already begun setting up a structure described by some observers as a shadow government. It had announced in public that it was a department of

⁴⁰ To see *Wen Wei Pao* and *Ta Kung Pao* from February to May 1990.

⁴¹ *Hong Kong Transfer Time* (Hong Kong: "One Country, Two systems" Economic Study Centre, July 1993), p. 417.

⁴² Micheal Yahuda, *Hong Kong: China's Challenge*, p. 92.

China's State Council, as well as a news agency. In mid-1985 it openly assumed the role of Beijing's representative in Hong Kong. Aside from the news agency, the NCNA set up ten new departments under the leadership of Xu Jiataun. The heads of those departments were equivalent in rank to department heads of a Central Government ministry. The NCNA, one official said, was responsible to the Central Government and to the Chinese Communist Party.⁴³

The task of the Branch's departments was to maintain contact and to do unite front work with all sectors of Hong Kong society and investigate many aspects of Hong Kong affairs, except in the case of some internal affairs departments. All the Branch's activities were carried out openly when Xu was Director. Department heads commonly attended social activities in Hong Kong and did not hide their position in the NCNA.⁴⁴ It was openly announced that it was a news agency as well as a state-run organisation in Hong Kong, and at the same time did some work handed over by China. It had over ten departments, offices, a research office, news agency and three sub-Branched, managed by ministers, vice-ministers, or directors and vice-directors. With the exception of the internal administrative department, the departments had some external organisations in Hong Kong, so that they could be involved in Hong Kong society at all levels. From all of this, we can understand that the NCNA had begun to set up a structure as a shadow government.⁴⁵

The roles of individual departments are outlined below.

⁴³ Emily Lau, *Shadow in the Wings*, *Far Eastern Economic Review*, 9th January 1986, p. 32.

⁴⁴ Xu Jiataun, *Xu Jiataun Xianggang Huiyilu*, vol. 1, p. 40-2.

⁴⁵ Emily Lau, *Shadow in the Wings*, *Far Eastern Economic Review*, 9th January 1986, p. 32.

1. Research Department

This Department, headed by Chen Wai, was responsible for investigating major issues affecting Hong Kong. It also collected, regulated and adjusted information about the colony. It studied, investigated, compared and analysed all aspects of Hong Kong's main issues, then reported to the NCNA decision-makers. The Research Department was divided into two sections. One was the information section, whose major work was to collect and classify newspapers, books, magazines and government publications. Most of this section's staffs were young men. The other section was the research section, which contained many senior, expert researchers who conducted in-depth analyses of Hong Kong's major problems for the Director or China.

In particular, the Department published an "internal reference" every day. Its contents, basically, were collected from the news, editorials and special periodicals of Hong Kong's newspapers (whether left-wing, right-wing or neutral, like *Ta Kung Pao*, the *Hong Kong Times* and *Shing Pao*), and were sent to the NCNA senior level and Hong Kong Chinese organisations. It selected news and editorials concerned with Hong Kong's future, political questions, and economic problems, covering a wide range. This Department sometimes contacted Hong Kong scholars for their views, which were reported to Beijing.

According to Shang Yun-lou, the Research Department not only did study and analysis work, but also trained and educated new and young staff attracted from among Hong

Kong high school graduates. They read information and classified it and, after becoming familiar with the operation, joined the research team or were sent to other Departments.⁴⁶

2. Propaganda Department

Propaganda was headed by Shang Nan-aheng. It was responsible for liaising with the Hong Kong news media, printers and distributors, and news agencies. The Department arranged for news reporters to cover the visits of senior Chinese officers to Hong Kong. It held press conferences and published or announced news. It arranged the posting of Hong Kong reporters to China and of Chinese reporters to Hong Kong; in this respect its work was like that of the Hong Kong News Department. According to Emily Lau, this Department was also responsible for ideology and social trends.⁴⁷

One of its tasks was to control and manage Chinese media and cultural systems in Hong Kong, so that all the left-wing newspapers, publishers, printers and bookshops were controlled by the Department. External organisations under the Department included the Joint Publishing Corporation, formed in 1989 by a merger of San-lan, the Chinese Bookshop and Business Press to become the biggest publisher and bookshop in Hong Kong.⁴⁸ Chinese newspapers such as *Ta Kung Pao*, *Wen Wei Pao*, *Hong Kong Business Pao* and *New Night Pao* were managed by this Department. It had the right to decide which news could be carried; sometimes-important editorials required approval from the Department. According to Kim Yaulu, a former *Wen Wei Pao* editor, China had a writing

⁴⁶ Shang Yun-lou, *Perspective New China News Agency*, p. 128.

⁴⁷ Emily Lau, Red Tide, *FEER*, 1st August 1985, p. 22.

⁴⁸ Emily Lau, *Emily Lau face to Hong Kong* (Hong Kong: November 1991), p. 306-313.

group sent to Hong Kong whose work was to write some critical articles to express China's opinions. Most left-wing newspaper articles were from this writing group.⁴⁹

3. Foreign Affairs Department

The acting head was Yang Yu-yun, who was directly responsible to the Chinese Foreign Ministry. The Department was responsible for handling Beijing's foreign-affairs interests in Hong Kong and liaison with foreign journalists. Since the British government had not allowed China to establish an embassy or consulate in Hong Kong, if Hong Kong wanted to contact China or vice versa, they could do so through the NCNA Foreign Affairs Department. The Chinese Foreign Ministry had sent a senior officer to the Hong Kong NCNA to handle China and Hong Kong's foreign affairs and deal with other countries' embassies and consulates in Hong Kong. The Department's formal contact with the Hong Kong government was through the Political Advisor, who discussed, negotiated or arranged meetings to solve problems.⁵⁰

This Department was an informal representative of China in Hong Kong. It liaised with other countries' embassies in Hong Kong and arranged diplomatic visits to China or foreign news agency interviews in China. According to Xu Jiatus, the Department's major concerns were relations with Britain, America, Japan, Canada, France, Germany and Australia, as well as Southeast Asian countries, because the latter were Hong Kong's neighbours. The NCNA seldom associated publicly with other countries, but it was normally present at their national ceremonies. Sometimes newly arrived diplomats would

⁴⁹ Kim Yaulu, *Contemporary*, 15th October 1992, p. 88.

⁵⁰ *Chen Pao*, 28th December 1984.

ask to visit the Branch. Thus, the Department had many opportunities for contact with other countries' diplomats in Hong Kong.⁵¹

4. Economic Department

The head of this Department was Chen Kaichung. It liaised with Hong Kong-based Branches of Chinese economic organisations. Following China's open door policy, each Chinese province or city had set up a company or office in Hong Kong; even China's Central Department had opened an office there. Informed sources estimated that there were between 2000 and 3000 Chinese companies in Hong Kong in 1989-1992.⁵² Hong Kong government figures showed that there were around 1000 Chinese officials working in Hong Kong.

To begin with, the Department could not cope with the PRC economic organisations in Hong Kong. There were many members, consisting of the key NCNA officials, representatives of major PRC-based commercial organisations, trade unions and other left-wing bodies. These included long-established commercial organisations such as China Resources, The Bank of China Hong Kong Branch, and the China Merchants' Steam Navigation Company. These organisations all had a long history of operation in Hong Kong and a direct line to their bosses in Beijing.⁵³ Moreover, the large number of companies in Hong Kong created a great deal of trouble and, to put them in order, China

⁵¹ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, vol. 1, p. 347-352.

⁵² Ng Sek Hong and David G Lethbridge, *The Business Environment in Hong Kong* (3rd ed.) (Hong Kong: Oxford University Press, 1995), Chapter 6.

⁵³ Emily Lau, The Rising Red Tide, *FEER*, 1st August 1985, P. 22.

sent Wong Pingqing, a former Vice-minister from the External Trade Ministry, to subject them to orderly control.⁵⁴

5. Culture and Education Department

The Department, headed by Wong Sinchiao, was responsible for liaising with people in science, technology, education and health in Hong Kong, and the promotion of exchange and co-operation in these areas between China and Hong Kong. In the final period before transfer, communication between Chinese and Hong Kong universities increased rapidly. Every year, China sent some students to Hong Kong University, Hong Kong Chinese University and the Science and Technology University, to study. The Beijing and Hong Kong Academic Institute, as an affiliated external organisation, helped Chinese universities to recruit students from Hong Kong, Macao and Taiwan and arranged entrance examinations.

Most of the Department staffs were from the Chinese Education and Science Committee, even though Hong Kong employees had experience in education or science and technology. Particular attention was paid to links with Hong Kong students, the Department's staff often keeping in touch with Hong Kong universities' and high schools' student organisations, and sometimes inviting professors to visit China. Thus, the Department had a good relationship with Hong Kong scholars.

6. Co-ordination Department

⁵⁴ *Wen Wei Pao*, 23rd September 1992.

The acting head was Zhou Zherkai. According to Sheng Yunlou, the Co-ordination Department was actually the China United Front Department, but because the term 'united front' was very sensitive in Hong Kong, the name was changed to "co-ordination."⁵⁵ The Department's major work was to liaise with the Hong Kong elite, including the Hong Kong delegates to the Chinese National People's Congress and the Chinese People's Political Consultative Conference, these contacts being prominent business-people, professional experts, religious leaders and women.

To provide the information necessary for united front work, "a many sided, deep, and detailed investigation" of important persons in each of these categories was to be made. A written record was to be compiled, to include name, age, native place, financial activities, history, changes in thought, political activities, habits, character, peculiarities, social relationships.⁵⁶

7. Social Affairs Department

This Department was headed by Lee Wei-ting, and was responsible for liaising with trade unions, charitable organisations, farmers' and fishermen's organisations, social workers' groups, pressure groups and political organisations. It was a very important Department in the NCNA, because it had direct contact at the grassroots level and wide influence over the ordinary people in Hong Kong.

⁵⁵ Shang Yun-lou, *Perspective New China News Agency*, p. 139.

⁵⁶ The United Front Work Department, *The Organisation and Work of United Front Bureau* (2nd November 1940).

The Department had control over the powerful 170,000 membership of the Hong Kong Federation of Trade Unions. It was mainly through the unions and other networks of connections that the Chinese managed to mobilise their support so swiftly and efficiently during the elections in 1992 and 1995. Though some groups were small, they represented special interests. Thus, it could be seen that the Department had not neglected those small groups and the silent majority.

After Zhou Nan took charge of the NCNA, he attached importance to the basic level groups. A long-term project, it was a major task to understand the situation at grassroots level, to listen to people's problems and to satisfy their demands. It was felt that this would promote Hong Kong's prosperity and stability and help to achieve a smooth transfer in 1997. For this reason the Department increased its activity in serving the ordinary people.

8. Arts and Sports Department

Wu Weili headed this Department, which liaised with artists, athletes and others in the sports field, and promoted artistic and sporting links between China and Hong Kong. The Department invited some famous Chinese artists to Hong Kong and arranged an Olympics sports team. This kind of activity was intended to stir up Hong Kong people's nationalism and make them proud of China's capability. For China, this kind of movement was beyond political and ideological trends, for art and sports are common interests. Therefore it was felt that such activity could help to create a spirit of national unity with China. The NCNA

set up this Department indirectly to arouse Hong Kong people's Chinese national pride and make them support China.⁵⁷

9. Taiwan Affairs Department

Headed by Wang Jenyu, its major task was to collect, classify and analyse information on all aspects of the Taiwanese situation. At the same time, it liaised and formed a united front with Taiwanese business people and politicians. The structure of this Department was enlarged in 1992, in line with the NCNA's increased role and function to encourage political and economic exchange and intercourse between China and Taiwan.⁵⁸

According to Xu Jiatun, the NCNA set up a leading work group to strengthen its Taiwanese links and as a Chinese outpost for Taiwanese work. The NCNA's Director took charge of these affairs himself, with one of the vice-directors as his deputy. The Department's task was to cultivate right wing, pro-Taiwan people in Hong Kong, especially at top-level and among the younger generation. In addition, it investigated, studied and analysed Taiwan's current situation, then reported to Beijing promptly, to assist China in formulating an appropriate policy towards Taiwan.⁵⁹

10. Personnel Department and Administration and Finance Department

The Personnel Department was headed by San Shauchu. It was responsible for staff welfare and recruitment. The Department chose staff from China and recruited new staff in

⁵⁷ Shang Yun-lou, *Perspective New China News Agency*, p. 134-135.

⁵⁸ *Hong Kong and Macao Monthly*, No. 15, 15th January 1993, p. 2.

⁵⁹ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 329-330.

Hong Kong.

The Administration and Finance Department was under by Shung Jugen. It was responsible for all administrative affairs, the secretariat, documents, telecommunications, transportation and finance. Its work was complex and extensive.

11. Three Regional Offices: New Territory, Koolong and Hong Kong Island

The New Territories office was headed by Chang Shy-ting, the Koolong office by Chen Fonyin, and the Hong Kong Island office by Wong Luchan. They were set up in September 1985. During the transition period, the NCNA wanted to increase the depth and breadth of its understanding of the Hong Kong regional situation and to know all of the residents' views. The regional offices liaised with people in each locality and developed close relations with them.

The NCNA's Social Affairs Department could not liaise with all the regional groups, so the three regional offices made up for this shortcoming. They also increased the strength of communication with leading people in the regions.⁶⁰

At the same time, they were responsible for much in-depth investigation of all aspects of Hong Kong local affairs. According to one of the NCNA's regional Directors, these included both news and collection of local information.⁶¹ The NCNA's establishment of these local offices for investigation, study and analysis helped China to manage all the

⁶⁰ *Eastern Express*, 4th February 1986.

⁶¹ *Chen Pao*, 11th September 1985.

issues in Hong Kong and to propound its “one country, two systems” policy at local level.⁶²

As effectively provincial-level Party committee, the NCNA contained almost all the organisations, which are typical of a provincial Party committee on the mainland, with some local modifications.⁶³ This diagram (see Table 4-1) shows that the NCNA was promoted by Central Government as a special organisation designed to supervise the relations of the PRC’s Hong Kong affairs with the British Hong Kong government and to improve China’s effectiveness in Hong Kong so as to smooth its process of take-over.

The Role of the New China News Agency

From 1983, the NCNA was to facilitate both the smooth take-over of Hong Kong by China and negotiations with Britain. It was referred to as the “the shadow government”. It was also linked to several important Departments of the Central Committee, including Propaganda, United Front and International Liaison. The Propaganda Department, as its name suggests, sought to uphold Communist ideals and cultural values within China and to determine the message that China presented to the outside world. The United Front Department sought to cultivate relations with other social classes and Chinese overseas. The International Liaison Department had been concerned with relations with other Communist parties in the 1970s and Hong Kong was an important ‘listening post’ for links

⁶² *Pai-shin*, 1st October 1985.

⁶³ Ching Cheong, *China’s Administration over Hong Kong--The New China News Agency and the Hong Kong--Macao Affairs Office, the Other Hong Kong Report 1996*, p. 118.

with parties engaged in other countries.⁶⁴ Therefore the work experience of the NCNA and its allies was extensive and, in some cases, reached to very high levels in Beijing. Three of the NCNA's Department heads had extensive experience in central ministry-level organisations. Of these, two had been vice-ministers of large and powerful ministries. Three others of the Department heads had leadership experience at either the provincial or municipal level.⁶⁵ Additionally, the NCNA provided staff for the Chinese representatives of the Sino-British Joint Liaison Group.

The NCNA's purpose was to monitor the Hong Kong government; to build a coalition of support for China's policies in Hong Kong; to propagate China's policies in Hong Kong; to supervise and control the activities of China's various organs stationed in Hong Kong; to co-ordinate the activities of these organs and, in the process, to recruit successors to staff Hong Kong's post-1997 political institutions.

1. Propaganda supporting China's Hong Kong policies. The NCNA used propaganda as a powerful weapon to criticise or attack British and Hong Kong government policies, making use of all of the leftist media such as *Ta Kung Pao*, *Wen Wei Pao*, *Hong Kong Business Pao* and *New Night Pao*. In 1984, for example, Xu Jaitun criticised the Hong Kong government's "white paper" suggesting direct elections in 1988, for not following the course stated in the Sino-British Joint Declaration. In 1992 the NCNA used the leftist

⁶⁴ Micheal Yahuda, *Hong Kong: China's Challenge*, p. 90.

⁶⁵ John P. Burns, p. 28.

media to make a strong attack on Hong Kong's Governor Chris Patten, for his political reforms.⁶⁶

In addition, the NCNA severely denounced the Hong Kong democratic leaders Martin Lee and Szeto Wah, who attacked the Basic Law and demanded more direct elections. More significantly, these leaders were active in the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China, which Beijing authorities named as a "subversive" organisation,⁶⁷ accusing Lee and Szeto of being "counter-revolutionaries."⁶⁸

To propagate China's policies in Hong Kong, the NCNA not only published most of China's policies and the Chinese leaders' words, but also used the writing group of the NCNA to offer commentaries and editorials from its own perspective. Thus, when the Chinese and British or Hong Kong governments were in dispute about anything, all the leftist media which carried out China's policies wrote commentaries or editorials in support of China's stance and urged the public to accept China's Hong Kong policy. On the other hand, they criticised the British or Hong Kong government's view, even using threats or protests against the other side.

2. Supervision and control of mainland-based organisations. After the 'open door' policy was announced, many mainland-based companies set up organisations in Hong Kong. Although the authorities had given approval to some mainland-based organisations

⁶⁶ Many example could be seen in *Ta Kung Pao* and *Wen Wei Po* between 1984 and 1992. Many commentaries and editorials attacked the Hong Kong government or governor.

⁶⁷ Chen Xitong, "Report on Quelling the turmoil and count-revolutionary rebellion," *Renmin Ribao*, 10th July 1989.

to set up operations in Hong Kong, of the more than 3,000 operating there in 1990, some were without approval. Of the many PRC departments, provinces and areas, as well as its political, military and economic, almost all had an office or company in Hong Kong, using Hong Kong as a beachhead to establish overseas operations. Hence, the HKMAO and the NCNA could not co-ordinate all of the Departments concerned with Hong Kong affairs, which meant China could not maintain consistency of policy, and disorder emerged.⁶⁹

To regain control over the situation, the Chinese authorities appointed Wang Pinqing, former Vice minister of the Ministry of Foreign Economic Relations and Trade (MOFERT), as a Deputy Director of the NCNA to oversee the readjustment of mainland companies operating in Hong Kong in 1990. From this time, the NCNA attempted to supervise China's 1,000 or more enterprises and trading companies in Hong Kong.⁷⁰

For ease of managing all those organisations, to increase exchanges and information, and to enlarge their influence in Hong Kong, in 1991 the NCNA formed a "Hong Kong Chinese Enterprises Association" that sought to group together all mainland-based organisations. The Association comprised nearly 1,000 mainland-based companies, which included all the Hong Kong and Macao Work Committee members, such as the Bank of China Group, the China Resource Group, the China Merchant Group and the China Travel services.⁷¹

⁶⁸ *South China Morning Post*, 17th September 1992.

⁶⁹ Wu Peilun, *Wogoude zhengde jigou gaige* [Organisational reform of our country's government] (Beijing: Jingju ribao chubanshe, 1990), p. 549.

⁷⁰ Elizabeth Cheng, "Under the Carpet," *Far Eastern Economic Review*, 1st November 1990, p. 58.

⁷¹ Chris Yeung, "Business Group to Help Economic Ties," *South China Morning Post*, 1st June 1991.

According to John Burns, the Association served the NCNA's need to maintain control over mainland-based companies. It was able to engage in politically significant lobbying of the Hong Kong government on behalf of China's Hong Kong policies, lobbying that has characterised chamber of commerce-government interaction in the territory.⁷²

3. Collecting information and arranging visits of important people to China. The NCNA had a Research Department responsible for collecting information and investigating major issues affecting Hong Kong. A united front directive said that:

“We have to carry out a general analysis and have a general understanding of each party, group, stratum, friendly army, etc.; and we must carry out a many-sided, deep, and detailed investigation of the figures actually representative of each party, group, stratum, friendly army, agency, circle, and body. A detailed investigation and separate written record is to be made of these persons: name, age, native place, financial activities, history, changes in thought, political activities, habits, character, peculiarities, social relationships, etc. Without this kind of investigation and record, united front work will become empty and unrealistic.”⁷³

Moreover, all the Chinese intelligence Departments, including the Ministry of National Defence, Ministry of Public Security and Ministry of State Security, provided information

⁷²John P. Burns, p. 41.

⁷³The Organization and Work of United bureaus, A directive issued by the United Front Work Department of the Central Committee on 2nd November 1940.

to the NCNA.⁷⁴ Xu Jiatusun also asked all the mainland-based companies to amplify their investigation work. In particular, the Bank of China Group and the China Resources Group set up an Investigation and Research Institute. Thus, the NCNA contributed to Sino-British negotiations,⁷⁵ receiving praise from the Ministry of State Security and Ministry of Foreign Affairs in China.⁷⁶

The NCNA had the right to arrange for important people from Hong Kong to visit China to see the senior Chinese leaders. For example, it arranged visits by prominent Hong Kong business-people, professional experts, important community figures, the Hong Kong delegates to the Chinese NPC and the CPPCC. These meetings were intended to be briefing sessions for the Chinese leaders, as well as demonstrating their concern to learn the views and desires of the local population. This behaviour not only made many friends in Hong Kong, but also won the hearts and confidence of many Hong Kong people.

4. Selecting prominent people for special positions. The CCP appointed Hong Kong residents who had been nominated by the NCNA and chosen by Beijing for membership in the PRC's CPPCC, in its Guangdong counterpart and in the NPC. In 1985 China established the Hong Kong SAR BLDC consisting of fifty-nine people, of whom twenty-three were from Hong Kong and nominated by the NCNA. The NCNA then selected 180

⁷⁴ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, vol. 1, p. 54-55.

⁷⁵ The NCNA collected some information's from Hong Kong and arranged important people to China for united front work. For detail to see *Xu Jiatusun Xianggang Huiyilu*, vol. 1, chapter 3.

⁷⁶ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, vol. 1, p. 55.

members of the Basic Law Consultative Committee.⁷⁷ Moreover, with the transition to 1997, wider and larger groups were established: 186 Beijing-appointed “Hong Kong advisers” were chosen in four batches, that is, in March 1992, March 1993, April 1994, and April 1995; 274 “district advisers” were appointed on 4th March 1994 and then another 263 in January 1995; the “Preliminary Working Committee for the Hong Kong Special Administrative Region Preparatory Committee” (PWC) was established on 22nd June 1993 with fifty-seven members, including twenty-seven from mainland China, and was expanded on 12th May 1994 by thirteen members, with eight from Hong Kong. All the above Hong Kong members were selected by the NCNA.

The Relations among Different Organisations

The relations between the state HKMAO and the NCNA/HKMW network were clearly indicated in the 1988 official description of the work of the HKMAO. It indicated that the HKMAO’s tasks were to

“organise the Hong Kong and Macao Work Committee and relevant Departments, to research and determine policies and proposals, to solve the 1997 Hong Kong and Macao problems...assist the Party Central Committee to manage upper-level united front work; worker and student basic-level mass work; news media, publishing, film, and so forth; patriotic propaganda,

⁷⁷ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, vol. 1, p. 161. Xu said he had asked the NCNA deputy Director Mao Junnian and Co-ordination Department Director Yung Chi to choose 180 members of the BLCC.

cultural and educational enterprise [work]; Party and youth league work and cadre work.”⁷⁸

However, according to “the organisational reform of our country’s government”, the HKMAO job description violated the central Party’s policy of the late 1980s, of separating Party and state functions:

“...relations between the HKMAO and the Work Committee are not smooth. The Work Committee is a provincial-level organisation, which comes directly under the General Office of the Central Committee. The General Office has also given the HKMAO [certain tasks] to manage, [which results in] informally beating around the bush (*raole gewan*). The Work Committee is dispatched to Hong Kong by the Central Committee (*paichu jigou*) while the HKMAO is an organ of the state Council. Much of the work of the Work Committee depends on government Departments in order to be accomplished. [Of course], the major policies on Hong Kong questions are determined by the centre [Politburo]. This is a problem of relations between Party and government.”⁷⁹

⁷⁸ Outline of the Organisation and Organs of the State Council of the People’s Republic of China (Beijing: Gongren Publisher, 1988), p. 341.

⁷⁹ Wu Peilun, *Woguo de zhengfu jigou gaige* [Organisational reform of our country’s government] (Beijing: Jingju ribao chubanshe, 1990), p. 549.

Despite the HKMAO's 1987 submission to the State Organisation and Establishment Committee in preparation for the 1989-1990 reorganisation of the State Council, the 1990 description of the Office's work continued to mention activities such as "united front work and propaganda work," code words for Party work.⁸⁰

This unclear bureaucratic status caused more conflict between the HKMAO and the NCNA/HKMW. When Liao Chen-chi controlled the HKMAO during 1978-1983, it was the NCNA Branch's higher authority. Liao held the rank of Minister, but the Director of the NCNA, Wang Kuang, held the rank of Vice-minister. Consequently, the Branch needed to report to and ask directions from the HKMAO.⁸¹ Then, when Xu Jaitun served as Director of the Branch, it was promoted to ministerial level, and the HKMAO was at the same level under the China State Council. Hence, there emerged a problem of "who leads who?" Ji Peng-fei had been appointed Director of the HKMAO (1983-1990), but he was not familiar with Hong Kong and Macao matters in the way in which Liao Chen-chi had been. Moreover, Xu Jai-tun had a good relationship with senior leaders. Xu was a special case because of his seniority in the Party and, more importantly, because he had access to Premier Zhao and Deng Xiaoping. In the latter case, this was due to his close personal connections with Deng's eldest son, Deng Pufang. Making use of his special access to the top and to Beijing's fluid power relations,⁸² Xu could by-pass the HKMAO and report

⁸⁰ John P. Burns, *The Role of the New China News Agency and China's Policy Towards Hong Kong* (Toronto: Joint Centre for Asia Pacific Studies, 1994), p. 32.

⁸¹ Li Gucheng, *Qianshao mianpu* [Guide to the advance guard] (Hong Kong; Fanrong chubanshe, 1991), p. 97 and 215.

⁸² Steve Tsang, *Hong Kong: An Appointment with China*, p. 140.

directly to the CCP Central Committee.⁸³ He was a strong influence in Hong Kong and Macao affairs. Ji Pengfei, HKMAO's Director, held the high bureaucratic rank of state councillor, and Foreign Minister Wu was a Politburo member.

After Xu Jaitun fled to America in 1990, China changed the relationships between the NCNA Branch, HKMAO and Foreign Ministry, so that each administered its affairs without any co-ordination with the others, and the State Council directly managed Hong Kong and Macao affairs. Thus, the NCNA and HKMAO had to undertake different parts of the work, establishing a new relationship with each other. The HKMAO's main functions were to implement central policy and co-ordinate different Departments;⁸⁴ the Branch's work was to implement China policy and to control the China Department in Hong Kong.⁸⁵

When Xu Jiatun was replaced, the NCNA's roles and functions were readjusted. The new NCNA Director, Zhou Nan, a former Chinese Foreign Ministry first Vice-minister, took over the Director's position from Xu on 15th January 1990. Zhou was promoted to the Central Committee rank, but did not enjoy full provincial (ministerial) status.⁸⁶ In fact, Zhou did not enjoy the same standing, personal connections and consequent influence among the top leadership as his predecessor. At the same time, Lu Ping was promoted to

⁸³ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. p, 12, 15-16.

⁸⁴ Chen Wen-hong, "Personnel Analysis of the Hong Kong and Macao Work" *The Contemporary*, 3rd February 1990, p. 35.

⁸⁵ Yeh Chihchui, "The NCNA Hong Kong Branch Establishes Advisor System" , *Economic Daily*, 4th August 1990.

become the full Minister in charge of the State Council's HKMAO, outranking Zhou Nan. This change ensured tighter control from Beijing and contributed to the smoother running of China's official Hong Kong system.⁸⁷

Hence, the NCNA's main functions were to follow-up China's Hong Kong and Macao policy, and particularly to re-examine and correct the policy with regard to the student democracy movement. This meant that the NCNA's role was reduced and its function in influencing decisions was weak. Zhou Nan's task was to execute China's orders; he was more conservative than Xu and he did not possess the personal access to the Chinese leaders.

In the 1990s the Foreign Minister Qian Qichen, as a Politburo member, handled foreign affairs, Hong Kong and Macao, and Taiwan. He was the most powerful person among the three organisations--the MFA, the HKMAO and the NCNA. According to a retired NCNA senior official:

“As the assistant of Jiang Zemin and Li Peng, Qian helps with Hong Kong. So Jiang and Li are the highest power-holders in respect of Hong Kong. Right now, matters of great importance concerning Hong Kong is[sic] first reported to Qian, then Jiang and Li are asked for advice.”⁸⁸

⁸⁶ Qian Yuanle, *Xinhuashe Tousshi* (Seeing Through the Xinhua News Agency) (Hong Kong, 1987) p. 106.

⁸⁷ John p. Burns, p. 36.

⁸⁸ Cited by Christine Loh, “The implementation of the Sino-British Joint Declaration” in Donald H. McMillen and Man Siwai (eds.) *The Other Hong Kong Report 1994*, p. 70.

Obviously, at the highest levels of leadership, the personal standing of individuals within the Party has been a more accurate guide to effective power and influence than formal official positions in the hierarchy. Liao Chengzhi, for example, who was the first head of the HKMAO that he led from 1978 until his death in 1983, exercised far greater influence than any of his successors.⁸⁹ Liao was an old associate of Mao Zedong and Zhou Enlai. He was closely connected with the Chinese Overseas and he enjoyed close relations with Deng Xiaoping. For the special relations with Hong Kong, he was entrusted with drafting the so-called “Twelve Points” in 1981, which became the basis for the agreement with Britain in 1984.⁹⁰

Summary and Conclusion

In this chapter, it has been demonstrated that China’s Hong Kong policy-making was decided by the CCP Politburo Standing Committee, then executed by the State Council HKMAO and NCNA, Hong Kong Branch.

The NCNA was the official representative of China in Hong Kong and was also a very important organ of Chinese policy in Hong Kong. In 1983 Xu Jiatun replaced Wong Kuang as the NCNA’s Director. At this time, the Branch was promoted to ministry and provincial level. The Branch also enlarged its functions and organisation, increasing its staff from one

⁸⁹ Xu Jiantun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 13-16.

⁹⁰ Michael Yahuda, *Hong Kong: China’s Challenge*, p. 91.

hundred to four hundred, then up to eight hundred, (later to be reduced to five hundred) and its budget from thirty million to three hundred million HK dollars. The NCNA had one Director, six Vice-Directors and ten Departments, and even set up three district offices.

When Xu Jiatur served as Director of the NCNA Hong Kong Branch, it was at the same level as the HKMAO under the China State Council. Hence, there emerged a problem of “who leads who.” Xu had a good relationship with senior leaders; thus, he could by-pass the HKMAO and report directly to the CCP Central Committee. He was a strong influence in Hong Kong affairs. After Xu Jiatur escaped to America in 1990, China changed the relationship between the NCNA and HKMAO. The NCNA became less important than the HKMAO, which meant that the NCNA’s role was reduced and its function in influencing decisions was weakened.

Chinese power in Hong Kong had two arms. One was the NCNA, which was affiliated to the China State Council; the other one was the Hong Kong and Macao Work Committee (HKMWC), affiliated to the Chinese Communist Party. In reality, they were almost the same. For reasons of political sensitivity, the CCP remained a secret organisation in Hong Kong, publicly identified in Hong Kong as the NCNA Hong Kong Branch. HKMWC included all the mainland-based companies and all leftist organisations in Hong Kong. It had seven lines and three aspects.

The NCNA developed very fast. Its roles and functions were wide and its effects countless. The NCNA used the leftist media to support China’s policies in Hong Kong, to criticise British and Hong Kong government policies and attack the democratic leaders. From the economic point of view, the NCNA supervised and controlled mainland-based organisations in Hong Kong. Moreover, it formed a Hong Kong Chinese Enterprises

Association, to engage in politically significant lobbying of the Hong Kong government on behalf of China's Hong Kong policies. In the immediate pre-transfer period, the NCNA offered some special positions to Hong Kong businessmen, professional and group leaders to attract them to supporting China.

For a smooth take-over of Hong Kong, the PRC's united front work was success, as China worked hard to attract the Hong Kong elite citizens. Xu Jiatun did good work in the united front to change the Chinese Communist image in Hong Kong society, and China attracted Hong Kong elite and top-level rich businessmen by giving them various honours and distinctions. It indicated clearly that the Beijing regime expected these leaders to play important roles in supporting China's Hong Kong policy and in the transfer of sovereignty. In this way, it would be easy for China to realise the slogan "Hong Kong people rule Hong Kong". Also, China used united front work to attract the British Foreign Office officials and businessmen against Patten's political reforms.

CHAPTER FIVE: HONG KONG POLITICS IN THE TRANSITION PERIOD: UNITED FRONT WORK AGAINST DEMOCRATIC REFORM

Introduction

Under the Basic Law, Hong Kong would become the Hong Kong Special Administrative Region (SAR) on 1st July 1997, a highly autonomous inalienable part of China under the “one country, two systems” concept. It would be referred to as Hong Kong, China, and for fifty years, until 2047, would retain its capitalist system and way of life. The Hong Kong SAR would enjoy executive, legislative and independent judicial power in accordance with the Basic Law, which would be the highest law in Hong Kong. The Basic Law specifies that socialist systems and policies would not be practised in the SAR and that the system would safeguard the rights and freedoms of its residents.

During the transition to 1997, the policy of the PRC for Hong Kong in the political arena sought as smooth a transition as possible to the political arrangements set out in the Basic Law. The PRC’s central officials wanted an executive-led administration, an only partially elected Legislative Council (Legco), and an advisory Executive Council (Exco) in place in 1997. This was the PRC’s concrete interpretation of the concept of a “high degree of autonomy”, the vague words adopted by the Sino-British Joint Declaration to characterise the relationship between the SAR government and the central government in Beijing. To achieve these objectives, the PRC played a highly significant role in Hong Kong’s political transition. It continued to foster a united

front of “patriotic” forces against those enemies, notably the new British Governor, Chris Patten, whose democratisation policies seemed subversive to the PRC leadership’s interests in the forthcoming SAR.

The White Paper of 1984--A Failure of Political Reform

During the latter phase of the negotiations, as it became clear that Britain would end its administration in Hong Kong in 1997, the British decided on more democratisation in Hong Kong. There were two reasons: On the one hand, Prime Minister Thatcher declared that statements that the British intention to discharge its “moral responsibility” to the people of Hong Kong were more than rhetoric.¹ The Chinese regime was a Communist Party state with a poor record in human rights, and Britain would hand over about six million people to this regime. The British wanted to feel that they were doing right by Hong Kong. Meanwhile, if Britain mismanaged the transition, and public confidence snapped, Hong Kong’s economy would collapse and create a huge problem of refugee relief, for which Britain could not but play the leading role to solve. For their part, the people of Hong Kong demanded democratisation. However, when the Chinese and British negotiated their future, the PRC rejected Hong Kong’s democratic participation; thus the wider population had no representatives to struggle for them. Out of this sense of powerlessness and frustration they turned to the idea of democracy,

¹ After Thatcher visited China, she said, “I shall speak not only for Britain, but for Britain’s moral responsibility and duty to Hong Kong”, *South China Morning Post*, 27th September 1992.

because they did not want to be excluded again from being the master of their own fate.² Some of them saw democratisation as a bulwark to protect their way of life from a Communist take-over.³

Strictly speaking, in 1984 “the British did not fully recognise the true extent of China’s rise as a political factor in Hong Kong.” When the British signed the Joint Declaration, the British and Hong Kong governments thought that they would have a free hand to reform Hong Kong’s political system within the framework defined by the Joint Declaration.⁴ Their attempt to introduce democratisation was a general programme to protect the existing way of life in Hong Kong. Edward Heath, former Prime Minister, debated in the House of Commons the issue of democratising Hong Kong’s political system. He said: “On the development of representative government within Hong Kong ...We must do our utmost to achieve proper, working representative government there by the time the hand-over takes place.”⁵ The Foreign Office Minister Richard Luce declared in the House of Commons that Britain would “build up a firmly based, democratic administration in Hong Kong in the years between now and 1997”.⁶ The

² *The Seventies*, no. 152 September 1982; *Pai Shing*, 1st January 1986, p. 10.

³ *Pai Shing*, 1st January 1983, p. 10.

⁴ Steve Tsang, *Hong Kong: An Appointment with China*, p. 114.

⁵ Quoted in Steve Tsang, *Hong Kong: An Appointment with China*, P. 115; origin from House of Commons, *Parliamentary Debates*, vol. 69, no. 22, 6th December (London, 1984) p. 405.

⁶ House of Commons, *Parliamentary Debates*, vol. 69, no. 23, 6th December (London, 1984), p. 470.

British were confident of establishing safeguards to strengthen Hong Kong's democratisation.

In this circumstance, a system of representative government was first suggested in Hong Kong in July 1984 in the form of a Green Paper, two months before the Joint Declaration was initialled. In this paper, the Hong Kong government intended to give local residents "a fuller and more responsible share in the management of their own affairs".⁷ It stated that the government aimed "to develop progressively a system of government the authority for which is firmly rooted in Hong Kong, which is able to represent authoritatively the views of the people of Hong Kong, and which is more directly accountable to the people of Hong Kong".⁸ The document not only provided for the introduction of a substantial elective element to the legislature, but also for the introduction of a quasi-ministerial system of government. This Green Paper attracted wide support in Hong Kong.

Subsequently, the Hong Kong government published a policy in the form of a White Paper in November of the same year. This White Paper of 1984 suggested a change in the manner of appointment of Exco and Legco members, and announced that it would add twenty-four indirectly elected members to the fifty-six-seat Legislative Council. The first stage of change was planned to be in operation by 1985, with full implementation by 1991. In stage one, an Electoral College comprising elected and

⁷ Steve Tsang, *A Documentary History of Hong Kong: Government and Politics* (Hong Kong, 1995) p. 121-2.

⁸ *Green Paper: The Further Development of Representative Government in Hong Kong* (Hong Kong: Government Printer, 1984), p. 4.

appointed members of district boards and the urban and regional councils - about 430 people in all - would elect representatives to Legco. Another six Legco members would be elected by the functional constituencies, and the governor would appoint thirty-six members, including thirteen civil servants. The first elections would be held four months after the district-board elections, planned for March 1985. It was proposed that by 1988 twelve representatives would be elected by the Electoral College and twelve by the functional constituencies, reducing the number of appointees from thirty-six to sixteen. In 1988 some members of the Legco would be returned by direct election.⁹

Nevertheless, in the Chinese authority's view, Britain was going to relinquish political authority to the PRC. Then they would transfer the power through the Basic Law to the people of Hong Kong to establish a SAR government.¹⁰ This plan would be realised regardless of the local people's wishes.¹¹ In the NCNA's estimation, the British were attempting to use democratisation to ingratiate themselves with the people of Hong Kong in order to build-up a pro-British force ahead of retrocession. In this

⁹ *White Paper: The Further Development of Representative Government in Hong Kong* (Hong Kong: Government Printer, 1984), p. 6.

¹⁰ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu*, p. 169.

¹¹ Ian Scott, "Political Transformation in Hong Kong: From Colony to Colony," in R.Y. W Kwok and A. Y. So (eds.) *The Hong Kong-Guangdong Link: Partnership in Flux* (Hong Kong, 1995) pp. 193-4.

way the British were trying to create a situation that would allow them to continue to run Hong Kong after their formal departure in 1997.¹²

The Chinese reactions to the White Paper were strongly against it. Xu Jiataun held his first press conference as the *de facto* representative of the PRC. He accused the British of violating the Joint Declaration, and said that the White Paper in some areas did not follow the course stated in the Sino-British Joint Declaration. He asked the British to follow the still undrafted Basic Law as the basis for political reform in Hong Kong. He reaffirmed that China did not want to see the realisation of a situation in which the present state of affairs would be greatly changed during the twelve-year transitional period.¹³ Xu's position was supported by the Chinese senior leaders. Lu Ping, Deputy Secretary-general of the Hong Kong Basic Law Drafting Committee, said: "The representative government system and the Basic Law should be made to dovetail...If the representative government and the Basic Law are not made to dovetail, by 1997, we will have to establish an entirely new system."

Then Li Hou, Deputy Director of the Hong Kong and Macao Affairs Office, stated "Hong Kong's present political reform and the Basic Laws should converge, so it is not suitable to make any major changes in Hong Kong's political structure before the Basic Law is officially adopted. If direct elections are held recklessly in 1988, the new political structure may not converge with the Basic Law."¹⁴ The Chinese officials in

¹² Xu Jiataun, *Xu Jiataun Xianggang Huiyilu*, p. 172.

¹³ *Renmin Ribao*, overseas edition, 22nd November 1985.

¹⁴ *Zhongguo Xinwen She*, Hong Kong, 23rd June 1987.

Hong Kong and China grew increasingly worried about Hong Kong's political reforms, partly as a result of pressure by some ultra-conservative businessmen, who urged Beijing not to allow any form of democratisation in the territory. Some businessmen even warned that if certain pressure-group leaders were allowed to get into power, they would leave Hong Kong.¹⁵

Facing the challenge, the British House of Commons debated the issue in 1984. The British Foreign Office indicated that the Joint Declaration stated that the Chinese NPC would promulgate the Basic Law, which would be based on the Joint Declaration and its Annex 1, and that the British were justified in taking the Joint Declaration as the basis for ensuring convergence.¹⁶ According to Cradock, this meant that the Chinese would decide what to put in the Basic Law and the British would converge with it. The British acquiesced in this Chinese interpretation to ensure that "major changes in government during the transitional period would remain in force beyond the hand-over."¹⁷ Therefore, while the British planned for political developments in Hong Kong, they would "keep in mind the fact that the Chinese Government will be considering the future Basic Law for Hong Kong, and the provisions of the Sino-British agreement, which provides for an elected legislature by 1997 and an executive accountable to it."¹⁸

¹⁵ *Far Eastern Economic Review*, Asia 1986 Yearbook. P. 141.

¹⁶ House of Commons, *Parliamentary Debates*, vol. 69, no. 22, 6th December 1984, p. 391.

¹⁷ Percy Cradock, *Experiences of China*, p. 218.

¹⁸ Edward Yude, *The Chairman's Lecture: The Political and Commercial Prospects for Hong Kong* (London, 1985) p. 5.

In the aftermath, the Hong Kong government published its political reform review in the 1987 Green Paper, which tried to obscure the issue and mentioned no objective.¹⁹ Later, the government stressed in a White Paper in 1988 that the pace of the reform of the government system should not be forced to an extent that might introduce instability and uncertainty into the administration of Hong Kong. "Because of the existence of obvious social differences on this problem, direct elections were not held in 1988, but it was agreed that in 1991, a number of Legislative Council members would be elected through direct elections. It was thought this decision would have a good effect on the matter of maintaining convergence with the Basic Law."²⁰

In 1987 the Hong Kong government set up a Survey Office to collect and collate public responses. The Survey Office asked the question about whether direct elections for the Legislative Council should be introduced in 1988, then produced a report of over 1500 pages. According to the report, there were 125,833 individual submissions on the question of whether to introduce direct elections in 1988. 67 per cent (or 84,202) opposed them; included among these were 69,557 form letters, most of which were originally handed out to employees by the management of PRC-owned banks and enterprises in Hong Kong. But this Office did not count as submissions the results of 21 different signature campaigns, for which individuals were asked to sign and write down their identity card numbers after reading various letters. These contained 233,666

¹⁹ *Green Paper: The 1987 Review of Developments in Representative Government* (Hong Kong: Hong Kong Government, 1987)

²⁰ *White Paper: The Development of Representative Government: The Way Forward* (Hong Kong: Government Printer, February, 1988)

signatures, of which 233,371 supported and 295 opposed direct elections in 1988.²¹ The Survey Office excluded the signature campaign submissions, but included the form letters, and concluded that there was overwhelming support for introducing direct elections to the Legislative Council, but not in 1988.

It seemed that the British and Hong Kong governments were deliberately fudging the issue of public support for immediate democratisation.²² In delaying direct elections, the British and Hong Kong governments were seen to have buckled to Beijing pressures that there should be no major changes to Hong Kong's political system before the Basic Law was in place in 1990, under the concept of 'convergence,' which meant that changes in the old colonial system would be designed to accord with the new system set forth by the Basic Law.²³ Thus, the Beijing authorities opposed radical democratisation before 1997. Governor Wilson's Hong Kong government agreed that the reforms before 1997 would converge with the Basic Law. However, the concept of 'convergence' allowed the PRC the right to denounce any of the British and Hong Kong governments' democratic reforms in Hong Kong, and thus it would acquire the Hong Kong government as a 'lame duck'.

²¹ Hong Kong Government, *Public Response to Green Paper: The 1987 Review of Developments in Representative Government--Report of the Survey Office Part I* (Hong Kong: Hong Kong Government, 1987) p. 52.

²² Far Eastern Economic Review, *Asia 1989 Yearbook*, p. 117.

²³ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 177.

“Convergence was a double-edged sword for Hong Kong”, wrote the Hong Kong scholar, Steve Tsang, explaining, “It harmed the credibility of and public confidence in the Hong Kong government and this reduced its vitality in facing the longer-term challenges of retrocession. Meanwhile, to the PRC, convergence provided the best chance to minimise the impact of the Chinese take-over given the attitude of the Chinese leaders.”²⁴

The Memorandum of Understanding

In October 1989, the Hong Kong government announced its plans for the massive airport development costing over HK\$100 billion without consulting the PRC government. It was thought that the project would be completed before the transfer of sovereignty in July 1997 and sufficient financial support would be forthcoming from investors and banks in the private sector. It was not considered necessary to seek Chinese endorsement. However, this view was not shared by those banks and financial houses that were potential providers of loans for the project. Also, the PRC thought that Britain was obliged to consult China on all-important matters straddling 1997 because the Joint Declaration had provided for closer co-operation and intensified consultation especially in the transition period.

The potential providers needed the Chinese government’s endorsement of the Project. Therefore, the two governments entered into negotiation. The British Prime Minister John Major visited Beijing and reached a Memorandum of Understanding (MOU)

²⁴ Steve Tsang, *Hong Kong: An Appointment with China*, p. 130.

concerning the Port and Airport Development Strategy in which both sides agreed “to intensify consultation and cooperation over Hong Kong issues in the approach to 30th June 1997”.²⁵ This demonstrated the PRC was attempting to exercise stronger control over Hong Kong’s internal affairs before 1997. The MOU marked the beginning of a new era in China’s role in Hong Kong political development. The PRC successfully demanded that it would play a more prominent role in Hong Kong’s internal affairs, and was to be consulted more frequently on major issues affecting the post-1997 government. For the first time the MOU allowed the Director of the Hong Kong and Macao Affairs Office, and the Governor of Hong Kong, to hold regular meetings to discuss matters of mutual concern.²⁶ Hence, Hong Kong was entering the second stage of the political transition.

Though the PRC had been exercising a degree of self-restraint and tolerance towards maintaining Hong Kong’s autonomy, the Chinese leadership’s distrust of both the British and Hong Kong politicians led to its increasing involvement in the decisions of the Hong Kong government. The PRC’s concern was whether or not it was practically capable of exercising effective control over Hong Kong, both economically and politically. Indeed, in 1991-1992, the PRC proved unable to control the overall political development in Hong Kong.

In the MOU, the PRC convinced the British to agree to the establishment of a Hong Kong Airport Consultative Committee and thus allow China to formally consolidate its

²⁵ *Sino-British Memorandum of Understanding Concerning the Construction of the New Airport in Hong Kong and Related Questions* (Hong Kong: Hong Kong Government Press, September 1991).

²⁶ *Ibid.*

liaison network with fifty Hong Kong individuals outside the formal governmental structure.

Direct elections to the Legislative Council took place in September 1991. Among the fifty-four candidates, thirteen of them were identified as “radical” and “confrontational” liberals who had emphasized their consistent commitment to speak up for the interests of the people in Hong Kong.²⁷ Five pro-China individuals, and the conservative candidates, argued that Hong Kong’s future elected legislative members should be acceptable to China, and should be capable of establishing close dialogue with the senior authorities in Beijing.²⁸ The voters supported those candidates who had demonstrated their record of speaking up against the pressures of the Chinese authorities, and none of the pro-China candidates got elected. However the PRC could console itself that the 39 per cent turnout rate was low, thus the resulting Legislative Council could not be considered as representative of the opinion of the Hong Kong population.²⁹

The then Governor, David Wilson, skillfully handled the China factor in making appointments to the new Legislative Council. Under China’s pressure, he only

²⁷ Jane C.Y. Lee, “Campaigning Themes of the Candidates in the 1991 Direct Elections” in S.K. Lau and K. S. Louie (eds.), *Hong Kong Tried Democracy* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong, 1993), Chapter 10.

²⁸ *South China Morning Post* (1st September 1991), p1.

²⁹ Tsang Takshing, “On Chinese Official Attitudes towards Legislative Council Elections 1991”, *A Report of the Conference Proceedings*, pp. 44-47.

appointed one directly elected member, Andrew Wong, to the Executive Council. Wong was regarded more as a moderate than a liberal. Thus, none of the leaders of the major liberal camps were appointed to the Executive Council.³⁰

Governor Wilson played an important role in Hong Kong and China co-operation, from 1985 to 1991. At a London conference on business in Hong Kong in 1992, Wilson showed his view of China and said:

“I believe that China can be trusted to honour its commitments under the Joint Declaration, which is based not only on the imaginative concept of two very different systems operating within one country, but also on a substantial degree of mutual self-interest. China has an impressive record of honouring its treaty obligations. And the simple fact is that Hong Kong is of immense economic value to China.”³¹

Wilson assured the British business community that the change in sovereignty would not weaken Hong Kong’s status as a world trade centre. He expressed confidence that Hong Kong would “remain an internationally orientated city with a remarkable degree of energy and efficiency”, and would continue to be “one of the best places in Asia in which and from which to do business”.³² During the period of the Thatcher

³⁰ Jane C.Y. Lee, “Campaigning Themes of the Candidates in the 1991 Direct Elections”, Chapter 10.

³¹ “Governor Wilson Says ‘China Can Be Trusted,’” *New China News Agency*, 22nd January 1992.

³² *Ibid.*

premiership, Wilson's view greatly influenced Britain's China and Hong Kong policies. However, after John Major replaced Margaret Thatcher as the Prime Minister, Wilson lost his influence on Britain's Hong Kong policy-making. London dramatically changed its Hong Kong policy; and Wilson lost his governorship.³³

The PRC's struggle against Chris Patten: Hong Kong Political Reform

In 1992 Prime Minister Major decided to retire Sir David Wilson from his governorship, and Sir Percy Cradock, his most senior official handling Hong Kong affairs on a day-to-day basis. That two key Hong Kong officials were retired at the same time was unusual, which indicated that John Major was unhappy with their Hong Kong policy. The British Foreign Secretary, Douglas Hurd, conceded that the decision to remove them was due to his and John Major's visit to Beijing in 1991.³⁴ This was an official visit for signing the MOU on the new airport for Hong Kong, the groundwork for which had been prepared by Wilson and Sir Percy Cradock. *The Times* was scathing about the 'kow-towing' diplomats in the Foreign Office who had masterminded Britain's relations with the 'butchers of Beijing'. Major decided to replace a diplomat with a politician.³⁵

³³ Enbao Wang, *Hong Kong, 1997-The Politics of Transition* (Hong Kong: Lynne Rienner Publishers, 1995), p. 170.

³⁴ Jonathan Dimpleby, *The Last Governor: Chris Patten & the Handover of Hong Kong* (London: Little, Brown and Company, 1997) p. 10.

³⁵ Jonathan Dimpleby, *The Last Governor: Chris Patten & the Handover of Hong Kong*, p. 10.

According to Douglas Hurd, Foreign Secretary, “The last five years were going to be very difficult, and we needed someone in Hong Kong who was in tune with the world of Westminster and the British media; someone who could operate in Hong Kong in a more political way than had been traditional, finding allies and supporters in a way which a traditional governor had no need to do.”³⁶ The change in Britain’s Hong Kong policy emerged in 1992. After the Conservative Party was re-elected to office in the UK in April 1992, the name of the new Governor, Chris Patten, was publicly announced. As chair of the Conservative Party, Patten had played a crucial role in steering the party from a widely expected defeat to an electoral victory. But “a devastating shock” happened when he lost his own seat in Bath. Prime Minister Major offered “a proper job for someone who had, in effect, laid down his constituency for the party” as “an obvious plum”. Hence Patten became the last governor of Hong Kong.³⁷

For the last century and a half, Britain had sent an official from either the Colonial Service or the Foreign Office to be the governor of Hong Kong. Patten was not a career diplomat and had no experience of Hong Kong or in dealing with the PRC. He was a heavyweight politician, a cabinet minister under both Thatcher and Major. His previous job had been Chairperson of the ruling Conservative Party. He was a close friend and trusted confidant of both the British Prime Minister and the Foreign Secretary. Thus, he enjoyed more leverage than had any of his predecessors this

³⁶ Jonathan Dimbleby, *The Last Governor: Chris Patten & the Handover of Hong Kong*, p. 10.

³⁷ Tim Heald, *Beating Retreat: Hong Kong Under the Last Governor* (London, 1997) p. 4-5.

century.³⁸ Meanwhile, in the mutual trust that existed between Major, Hurd and Patten, “they all three recognised that Patten sought to navigate Hong Kong through the political and diplomatic rapids ahead.”³⁹ This allowed him “pretty well ...a free hand right the way through” to “make decisions very quickly”.⁴⁰ Moreover, John Major described the status of the new governor to the Chinese premier, Li Peng, and said, “This is one of my closest personal and political friends in Britain. He’s one of the leading politicians in my party and the country, and there is no point in thinking you can slip bits of tissue paper between him and Number Ten. If you are talking to him, you are talking to me.”⁴¹ In contrast to Wilson’s lame duck, Patten intended to restore credibility to the governorship in the eyes of the local people.⁴² The people of Hong Kong also expected their new governor to speed up the pace of democratisation.⁴³

Chris Patten was sharply conscious that the eyes of the world would be on Hong Kong and on him. In his first press conference in London, he emphasised the importance of

³⁸ Frank Ching, ‘Toward Colonial Sunset: The Wilson Regime, 1987-92’, in Ming K. Chan (ed.) *Precarious Balance: Hong Kong Between China and Britain, 1842-1992* (New York, 1994) p. 192.

³⁹ Jonathan Dimbleby, *The Last Governor: Chris Patten & the Handover of Hong Kong*, p. 13.

⁴⁰ Tim Heald, *Beating Retreat*, p. 316.

⁴¹ Jonathan Dimbleby, *The Last Governor: Chris Patten & the Handover of Hong Kong*, p. 13.

⁴² Frank Ching, ‘A Discredited Past? One Hong Kong View on Lord Wilson’, *Hong Kong Monitor*, December 1992, p. 5.

⁴³ Emily Lau, “Dear Governor: An Elected Lady Offers Some Advice”, *Hong Kong Monitor*, September 1992, p. 7.

maintaining “liberty and freedoms” in Hong Kong, a stance which was very different from what had been stressed in July 1991 by Lord Caithness, then British Minister responsible for Hong Kong, who urged the parties to “stick to the agreement” and emphasised “long term stability and no change”.⁴⁴ In June 1991 the newly appointed British Minister responsible for Hong Kong, Alastair Goodlad, openly protested against the Chinese government having raised the question of Executive Council appointment at the Joint Liaison Group meeting. He claimed that “if the Hong Kong people wanted to increase the directly elected members in the Legco, China’s NPC could amend the Basic Law.”⁴⁵ The signals to Beijing were now decidedly mixed.

Indeed, Beijing had reacted strongly to Goodlad’s suggestion, demonstrating its great sensitivity on Basic Law issues. For the Beijing regime, the Basic Law was a symbol of both China’s Hong Kong policy and Chinese sovereignty. In his response Lu Ping stressed that amending the Basic Law should follow the decision of the Chief Executive, supported by two-thirds of the Hong Kong SAR. Legislative Council.⁴⁶ Lu argued that since there would be no chief executive of the SAR before 1997, it would be impossible to amend the Basic Law before then.⁴⁷ Lu further pointed out:

⁴⁴ Frank Ching, “The Implementation of the Sino-British Joint Declaration”, *The Other Hong Kong Report 1992*, p. 90; *Hong Kong Standard*, 25th July 1992.

⁴⁵ Stacy Mosher, “Basic Flaw: Britain, China Argue Over Pace of Democratisation,” *FEER*, 11th June 1992, p. 18.

⁴⁶ *Hong Kong Basic Law*, Article 159.

⁴⁷ *Wen Wei Pao*, 9th October 1991.

“If the legislative councillors elected in the 1997 Legco election do not conform to the relevant provisions of the Basic Law, it will be impossible for them to ‘have direct access’ to the first legislative organ of the SAR. Therefore, it is necessary to further strengthen the concept of linking the elections to the Basic Law during the later part of the transition period. Everyone should act according to law.”⁴⁸

Upon Patten’s arrival in Hong Kong in July 1992, pro-Beijing papers in Hong Kong reminded the new Governor that his priority should be to maintain good relations with China and to ensure convergence with the Basic Law.⁴⁹ The PRC authorities were worried at the new appointment of this heavyweight politician who was keenly interested in furthering Hong Kong’s democratisation.⁵⁰ China’s relations with Hong Kong deteriorated drastically soon after the Governor announced, in October 1992, proposals for political reforms in the next five years of his governorship, intended to ensure that Hong Kong had a vigorous and effective executive-led government.⁵¹

⁴⁸ *Wen Wei Pao*, 20th September 1991.

⁴⁹ *Wen Wei Pao*, 9th July 1992; *Ta Kung Pao*, 10th July 1992.

⁵⁰ Percy Cradock, *Experiences of China*, p. 245.

⁵¹ *Our Next Five Years: The Agenda for Hong Kong*, address by Governor Chris Patten to the opening session of the Legislative Council on 7th October 1992 (Hong Kong: Government Printer, 1992).

Patten stressed that his “reforms [were] to be compatible with the Basic Law and, accordingly, to transcend 1997”.⁵² There were some significant recommendations in his address, ‘Our Next Five Years’, which related to broadening community participation in Hong Kong’s affairs. He wished to devise arrangements for the district board elections in 1994 and the Legislative Council and municipal council elections in 1995 that would command local confidence and support. Regarding the 1994 and 1995 elections, he proposed that:

- the voting age should be lowered from 21 to 18.
- the number of directly elected seats should be increased from 18 to 20
- corporate voting be replaced by individual voting in all the Legislative Council’s functional constituencies;
- every eligible member of Hong Kong’s 2.7 million-strong working populations should be able to vote in one of the nine additional functional constituencies
- a “single seat, single vote” voting system should be adopted for all geographical constituency elections
- all appointed seats in the municipal councils and the district boards should be abolished;

⁵² *Our Next Five Years*., p. 37.

- an Election Committee drawn from the elected district boards should be established to elect up to 10 Legislative Council members in 1995.⁵³

Two weeks before announcing Patten's proposals, Foreign Secretary Hurd had given his Chinese counterpart, Qian Qichen, an outline of the scheme when they met in New York. The PRC considered that Patten's idea of extending the number of directly elected members from eighteen to twenty would be incompatible with the Basic Law.⁵⁴ However, Patten made these proposals in his policy speech despite China's dissatisfaction. This deviated from the previous practice of the governors of Hong Kong, including that of Edward Youde (1982-1986) and of David Wilson (1987-1992). Whenever they made any important policy proposals, if China objected, they would either amend the proposals or give up, as illustrated by the issue of direct elections in Legco in 1988. However, Patten, fully aware of what China would do, went ahead and made known what he wanted to do. Then he reasoned with the people of Hong Kong and appealed for their support.

After Patten's policy proposals were publicised in Hong Kong, spokesmen in the Hong Kong and Macao Affairs Office indicated that they were "extremely worried" about them because the governor had paid no attention to the repeated warnings of the Chinese government.⁵⁵ Citing what had been stipulated in the Sino-British Joint

⁵³ *Our Next Five Years*, p. 41.

⁵⁴ Douglas Hurd, "Governor Patten Unveils a Bold Blueprint for Hong Kong's Future", *Hong Kong Monitor*, December 1992, p. 2.

⁵⁵ *Wen Wei Pao*, 9th October 1992.

Declaration, Chinese officials emphasised that there should be closer co-operation and intensified consultation between the two sovereign powers in the second half of the transition to 1997. They made a strong and swift negative response to warn the British to return to the policy of convergence.⁵⁶ The Chinese believed that the British intended to present them with a *fait accompli*, as a sly move to undermine Chinese sovereignty. The Patten plan looked like a conspiracy to extend British influence beyond the hand-over.⁵⁷

China stated three reasons why the package was not acceptable. First, the 1995 elections in Hong Kong were crucial to the smooth transfer of sovereignty in 1997. Beijing felt that the unilateral announcement of the package by Governor Patten violated Clause (5) of the Joint Declaration.⁵⁸ Second, the proposed electoral arrangements -- the 1995 Election Committee and the new functional constituencies -- were major changes to the existing political structure. This violated Clause (3), Paragraph (5) of the Joint Declaration.⁵⁹ Third, according to the Basic Law, district boards were not political

⁵⁶ *Renmin Ribao*, 22nd October 1992.

⁵⁷ *Wen Wei Pao*, 3rd December 1992.

⁵⁸ Clause (5) of the Joint Declaration states that "the Government of the United Kingdom and the Government of China declare that, in order to ensure a smooth transfer of government in 1997, and with a view to the effective implementation of this Joint Declaration, a Sino-British Joint Liaison Group will be set up when this Joint Declaration enters into force...."

⁵⁹ Clause (3) paragraph (5) of the Joint Declaration states that "the current social and economic systems in Hong Kong will remain unchanged, and so will the life-style."

organisations. The package proposed enlarging the power of district boards by allowing board members to elect Legislative Councillors.⁶⁰

Among Patten's suggestions, China was most unhappy with three major areas relating to the composition of the 1995 Legislative Council, including: firstly, the five-fold expansion of the franchise of the functional constituencies to include 2.7 million voters; secondly, the increase in the number of directly elected seats from eighteen to twenty; and thirdly, the introduction of a fully elected district board system whose members would elect among themselves ten representatives to the Election Committee as required by the Basic Law.⁶¹ According to Governor Patten, these proposals were totally consistent with what had been stipulated in the Joint Declaration and the Basic Law.

⁶⁰ Article 97 of the Basic Law reads: "District organisations which are not organs of political power may be established in the Hong Kong Special Administrative Region, to be consulted by the government of the Region on district administration and other affairs, or to be responsible for providing services in such fields as culture, recreation and environmental sanitation."

⁶¹ Frank Ching and Stacy Mosher, "Shaken and Stirred—Governor Patten Unveils New Political Programme", *Far Eastern Economic Review*, 15th October 1992, p. 13.

Table 5-1. Chinese-British Differences on Hong Kong's Legislative Council, 1995-

1999

Sectors	Number of Seats	Basic Law	Patten's Reform
Direct election	20	geographical	the same
Election Committee	10	Constituencies 800 elite members	District Board members who are elected directly
Functional constituencies	30	business and professional elites	population of 2.7 million still functionally

Sources: *White Paper: Representative Government in Hong Kong*, February 1994; the Basic Law of the Hong Kong SAR. Quoted from Enbao Wang, *Hong Kong, 1997--The Politics of Transition*, p. 181.

China denounced the unilateral proposals of the Governor as in breach of the spirit of the Joint Declaration as well as of the Basic Law. In October 1992 Lu Ping made it clear that "it was not sufficient [for the Governor] to just 'inform' China" about the proposals, but that he should have also discussed the matter with the Chinese government through the diplomatic channels established by the Joint Liaison Group.⁶²

⁶² *South China Morning Post*, 16th October 1992.

In the Basic Law, ten members of the 1995-1999 Legco would be returned by an Election Committee, which would consist of 800 people.⁶³ Patten proposed that the Election Committee be made of the members of the District Boards, who themselves would not be appointed but would be elected directly by the people. In addition, the Basic Law stipulated that thirty members be elected by functional constituencies, to comprise business and professional elite. In 1991 there were only 104,609 eligible voters in twenty-one functional constituencies.⁶⁴ Patten proposed that electors in the functional groups be expanded to include Hong Kong's entire working population of 2.7 million.

China against Patten's Political Reform

A Hong Kong political commentator, Lo Chi-kin, explained that Patten's constitutional proposals "merely exploit the grey area of the Basic Law, maximising the room for popular elections within the boundaries of its provisions".⁶⁵ However, China's attitude towards Patten changed from one of warning to one of accusation, open criticism,

⁶³ *The Basic Law of Hong Kong SAR*, Annex I: "Methods for the Selection of the Chief Executive of the Hong Kong SAR."

⁶⁴ Stacy Mosher, "Selective Suffrage: Electoral System Remains Firmly Titled in Favour of Vested Interest," *FEER*, 29th August 1991, p. 16-18.

⁶⁵ Lo Chi-kin, "From 'Through Train' to 'Second Stove'", in Joseph Y.S. Cheng and Sonny S.H. Lo (eds.) *From Colony to SAR: Hong Kong's Challenges Ahead* (Hong Kong: Chinese University Press, 1995) p. 27.

rejection and even the threat of sanctions. Patten was accused of being “a man guilty for a thousand years” of damaging the Sino-British relationship as well as an “international prostitute” for selling something evil to the group of seven industrialised nations. In a meeting of the Airport Committee on 16th October 1992, China simply rejected all proposals being put forward by members of the British team, this resulting in a complete suspension of progress in the airport project negotiation. Hong Kong officials then indicated that the Hong Kong government might go ahead alone with the airport project if China did not co-operate. The Chinese stance hardened noticeably after Patten returned from his visit to Beijing in late October. In a press conference of 23 October, Lu Ping heavily criticised Patten for initiating “confrontation” instead of “co-operation”.⁶⁶ He also warned that, should both sides not arrive at a mutually acceptable agreement, the Chinese government would not honour any contract signed unilaterally by the Hong Kong government. Lu Ping threatened that the Land Commission would apply sanctions by not approving any additional land being requested by the Hong Kong government in the future.

Lu claimed there had been a series of Sino-British understandings, some of which were contained in secret documents that Lu threatened to make public. These agreements, he said, sought “convergence” between Hong Kong’s current polity and the special administrative region (SAR) to be set up after 1997. Lu’s allegation of a secret deal hit Hong Kong like a thunderclap. There was an immediate outcry in Hong Kong over Lu’s remarks, with politicians demanding that the alleged secret documents be made public.⁶⁷

⁶⁶ *Express News* (Hong Kong), 24th October 1992.

⁶⁷ *China Daily* (Beijing), 2nd November 1992.

The text of more than forty pages of correspondence was released by the Hong Kong government on 28th October 1992. The documents recorded Britain's dissatisfaction at China's proposals for increasing the number of directly elected seats in Legco. The secret correspondence had taken place between January and February 1990 as the drafting of the Basic Law, aimed at guiding political developments in Hong Kong after 1997, was being finalised.⁶⁸ No binding agreement had been reached. However, the British side had made a number of concessions that may have allowed the Chinese to believe that a political, rather than legal, understanding had been reached.

The controversy focused in particular on an exchange between British Foreign Secretary Douglas Hurd, and his Chinese counterpart Qian Qichen, who had announced a public agreement to increase the number of directly elected legislators from eighteen to twenty at the 1995 Legco elections in return for "convergence" of the pre-1997 and post-1997 political systems. Hurd added that "precise details of how this should be done can be discussed between our two sides in due course."⁶⁹

One of the main concerns when this deal was struck was the lack of specific references to the composition of the 1995 election committee, which was responsible for selecting the future chief executive of the Hong Kong SAR and ten legislators. Lu claimed that London and Beijing had agreed that the election committee would be composed of 800

⁶⁸ Seven diplomatic letters between China and Britain were released to the public by both governments on 29th October 1992, though they took quite different views. On the implications, China maintained that a mutual agreement on the political development of Hong Kong had been reached and was reflected in the letters, but Britain refused to admit that any agreement had been made.

⁶⁹ Tai Ming Cheung, "Pressure Tactics", *FEER*, 5th November 1992, p. 8-9.

people from different professional sectors. One of Patten's proposals in his constitutional reform package was that all members of the committee should be from the directly elected district boards. The furore over the secret documents highlighted the lack of confidence many in Hong Kong felt over Britain's lack of commitment to defend the colony's interests against China. China specialists at the Foreign Office in London were widely perceived as being ready to sacrifice Hong Kong in return for good Sino-British relations.

One example was a letter written in October 1989 by Hong Kong's political adviser William Ehrman, to the New China News Agency, China's de facto embassy in the colony. The letter referred to Chinese protests over the Hong Kong Government's decision to allow a Chinese swimmer, Yang Yang, to seek political asylum in the US. Ehrman wrote that the Hong Kong government would not allow the colony to be used as a base for subversion against China, citing the arrest of radical demonstrators outside a Chinese National Day reception in 1989. Chinese officials took this to mean that the Hong Kong authorities would use the police to prevent any anti-Chinese activities, while Hong Kong officials said the letter was merely aimed to defuse Chinese anger by referring to past incidents.⁷⁰

In early November the Hong Kong issue was raised to ministerial and congressional levels in China. . At a meeting of the Standing Committee of the National People's Congress, Hong Kong was the major item on the agenda. A senior member, Li Hou, emphasised that if Patten did not back down from his proposals, China would establish

⁷⁰ Ibid.

a new system of legislative, executive and judicial organisations for the SAR government.⁷¹

During a visit to London on 16th November 1992, Chinese Vice-premier Zhu Rongji implicitly warned that Beijing might not honour the 1984 Joint Declaration if Patten did not retract his plans. In an indication that the Chinese leadership's mood might be turning more hostile, Zhu said: "People cannot help but ask whether we shall have to stick to the Joint Declaration between us, whether the important understanding and agreement that we have reached should go with the wind."⁷²

For the first time an official organ, the *Commentary* called on London to recall Patten because he "has not only become an obstacle to the two countries' efforts to reach an agreement, a trouble-maker in Hong Kong's smooth transition, but also a sinner who has destroyed Britain's international reputation".⁷³ In particular, China feared that Patten would reverse the current executive-led system of government by making the legislature too powerful. They also feared that his plan to set up a democratically chosen election committee would prevent pro-Peking and conservative business groups from having a decisive voice. Moreover, they knew that his plans to recast and broaden the functional constituencies would prevent them from being controlled by small, special-interest groups.⁷⁴

⁷¹ *Express News*, 8th November 1992.

⁷² Tai Ming Cheung, "Embattled Governor", *FEER*, 26th November 1992, p. 10.

⁷³ *Liberation Daily*, March 1993.

⁷⁴ Frank Ching, "Cleared for Action", *FEER*, 22nd October 1992, p. 20.

Because British officials had committed themselves to consulting China before taking decisions, Patten couched his programme as “proposals” to be discussed with Beijing. However, he indicated that he was committed to the programme and would back down only if the Hong Kong community, not Beijing, rejected it. A survey conducted by Hong Kong Polling and Business Research revealed that 56 per cent of the respondents wanted the Governor to push through the constitutional package, and 19 per cent disagreed. The survey also found that 73 per cent of the respondents supported the constitutional package. However, the survey discovered that 60 per cent of the respondents thought the Governor had gone far enough towards meeting Hong Kong’s aspiration for more democracy.⁷⁵ Another survey, conducted by the *South China Morning Post*, revealed that 48.8 per cent of respondents agreed that “the democracy plan should proceed even if China objects”; only 14.4 per cent disagreed.⁷⁶

On 30th November 1992 China served formal notice that its working relationship with Hong Kong Governor Chris Patten had come to an end by declaring its refusal to honour any contracts, leases or agreements undertaken by the colonial government after Hong Kong reverted to Chinese sovereignty in 1997.⁷⁷ The Chinese statement was issued through its Hong Kong and Macao Affairs Office. According to mainland officials and reports in some Hong Kong newspapers, Deng Xiaoping said that there

⁷⁵ *South China Morning Post*, 11th October 1992.

⁷⁶ *South China Morning Post*, 10th October 1992.

⁷⁷ *South China Morning Post*, 1st December 1992.

was now no room for co-operation with Patten.⁷⁸ This heightened fears that Beijing was attempting seriously to erode the Hong Kong Government's authority, rendering it virtually powerless for the rest of the transition. It was also a kind of pressure from China to Hong Kong.

Derailing the "Through Train"

For almost six months, October 1992 to March 1993, official contacts between the two countries were strained. But though Beijing publicly rejected any possibility of proceeding with negotiations, pragmatism apparently prevailed. Beijing is believed to have passed a message to the British through its London Embassy conceding that the status of Hong Kong officials should not be a major stumbling block. This opened the way for a resumption of dialogue. Only the names of the British and Chinese team leaders were initially made public when the formal talks were first announced. But the British clarified the composition of the whole team in a more detailed second statement which said that the leader of the British team, Ambassador to Beijing Sir Robin McLaren, would be "supported" by various Hong Kong officials.

The British hoped that the talks would be concluded quickly in order to get the complex legislation drawn up and put before Legco in time for the 1994 District Board and 1995 Legco elections. Talks finally began in April 1993 over the 1994-95 elections in Hong Kong. However, the Chinese insisted Patten's proposals be withdrawn before substantial talks could take place. The British maintained the Chinese must first agree

⁷⁸ *Wen Wei Pao*, 1-2nd December 1992; *Ta Kung Pao*, 2nd December 1992.

on the 'through train' principle (meaning that after 1997 the election system, as well as those elected, could continue to 1999).⁷⁹

Therefore, the first stage of three talks held between April and May 1993 was basically concerned with the principles of political development in the transition period. The British maintained that the district boards elections in 1994 and the Legislative Council elections in 1995 should be fair, open and acceptable to the people of Hong Kong, and that the criteria of the through train should be clear, objective, and acceptable.⁸⁰ The British also sought assurances from the Chinese on: (1) mutual consultation on the Hong Kong membership of the Preparatory Committee, which would prescribe the specific method for forming the first government of the SAR; (2) the ultimate goal of election of all members of the SAR Legislative Council by universal suffrage in 2007; and (3) the adoption of openly elected Election Committees to elect ten legislators in 1995 and the future SAR chief executives.

The Chinese, however, proposed eight principles to be agreed upon by both sides before discussion could move on to matters of substance. The proposed principles were: (1) that the Joint Declaration, convergence with the Basic Law, and previous Sino-British understandings should be the bases of talks; (2) that the development of a political system of Hong Kong before 1997 should follow a gradual approach; (3) that the political system of Hong Kong before 1997 should remain executive-led; (4) that there

⁷⁹ For details, see *China Daily* on 1st March 1994 and *Hong Kong White Paper "Representative Government in Hong Kong"* (Hong Kong Government Printer, 1994), p. 12.

⁸⁰ *White Paper "Representative Government in Hong Kong"* (Hong Kong: Government Printer, 1994), p. 12.

should be a consensus between the two sides on the 1994 and 1995 electoral arrangements; (5) that the composition and functions of district boards and municipal council before 1997 should remain unchanged; (6) that the directly elected seats of the Legislative Council in 1995 should remain twenty and should not be increased in any disguised manner; (7) that the functional constituencies of the Legislative Council should remain indirectly elected; and (8) that the Election Committee to elect the SAR chief executive should follow the composition of the Election Committee stipulated in Clause (2) of Appendix 1 of the Basic Law.⁸¹

In the first three rounds of talks, the Chinese accused the British of failing to recognise three principles which were claimed to reflect previous Sino-British agreements and understandings, these being the Joint Declaration, the Basic Law, and The Memorandum of Understanding. The British responded that further talks should first deal with matters of substance, namely, the practical arrangements for the 1994 and 1995 elections. They took the view that the discussion of principles would have the effect of prejudicing the subsequent discussion of substance. The result was no agreement.

The Political Reform Bill should have been gazetted in February, but Patten held it back in the hope of reaching an agreement with China. However, no concrete agreements had been made after seventeen rounds of talks between the British and Chinese

⁸¹ The Chinese Foreign Ministry issued a statement known as "Facts about a Few Important Aspects of Sino-British Talks on 1994/95 Electoral Arrangements in Hong Kong" in *China Daily* on 1st March 1994.

governments. As a result, Governor Patten decided to gazette the political reform bill on 10th December 1993.

Chinese Foreign Minister Qian Qichen warned on 11th December 1993 against “man-made turmoil” created by Patten. Claiming that there was a plot by Britain to extend its influence in the territory after 1997, he warned that China “cannot sit back and watch disorder in Hong Kong”. Qian quoted the elder statesman Deng Xiaoping, repeating the latter’s threat of an early take-over in the event of unrest.⁸²

In a significant victory for Patten, on 24th February 1994 the Legislative Council approved proposals to make the lower tiers of government, called district boards, more democratic.⁸³ This cleared the way for the government to introduce, a day later, measures to broaden the electorate for the more important Legislative Council. These proposals skilfully adhered to the letter of the Basic Law, but added a democratic dimension to political structures originally designed to keep elections narrowly based.

On the same day the Major government presented to parliament a thirty-six-page White Paper on the eight months of talks with China. A week later, China’s Foreign Ministry countered with its version of events in a 17,000-word statement. The two versions differed over some details, but they confirmed that the main differences were over types and numbers of constituencies. China wanted to keep these electorates as small as possible, saying that the 1984 Sino-British Joint Declaration stipulated gradual

⁸² *Wen Wei Pao*, 12th December 1993.

⁸³ Editorial. “Vote of Confidence”, *FEER*, 14th July 1994, p. 5.

development of democracy in Hong Kong.⁸⁴ China, as described in the British White Paper, was a rigid, uncooperative negotiating party, "moving slowly" and making "minor adjustments" with "significant gaps and ambiguities."⁸⁵ China, meanwhile, accused Britain of possessing "no sincerity" and of having "deliberately scuttled the talks". As a result, Sino-British co-operation on Hong Kong's political reform was ended. At the same time, the through train arrangement that had been in the process of development for ten years was abandoned.

A New United Front - The Preliminary Working Committee

The deterioration in Sino-British relations caused Beijing to revise its plans for the transition, often in ways that were not contemplated when China's NPC promulgated the territory's future mini-constitution, or Basic Law, in April 1990. China's original intention, as spelled out in an NPC decision published as an appendix to the Basic Law, was to establish a Preparatory Committee in 1996 to deal with the setting-up of the first post-1997 government and first legislature. The rupture with Britain prompted China to set up this body immediately.

The "Decision on the Forming of the First Government and the First Legislative Council of the Hong Kong SAR" adopted by the third session of the Seventh NPC on

⁸⁴ "Facts about a Few Important Aspects of Sino-British Talks on 1994/95 Electoral Arrangements in Hong Kong," The Chinese Foreign Ministry issued a statement in *China Daily* on 1st March 1994.

⁸⁵ *White Paper "Representative Government in Hong Kong"* (Hong Kong: Government Printer, 1994), p. 14-35.

4th April 1990, stipulated that the NPC would establish the Preparatory Committee of the Hong Kong SAR in 1996. In accordance with this, and in consideration of the fact that China's resumption of sovereignty over Hong Kong in 1997 was drawing near, it was announced that a great deal of work had to be done in order to ensure a smooth transition. In 1994 it was decided to "authorise the Eighth NPC Standing Committee to set up a working group for preparing the establishment of the Hong Kong SAR Preparatory Committee."⁸⁶ Because the NPC had said that the Preparatory Committee would be set up in 1996, the Chinese called the group the PWC of the Preparatory Committee.

The PWC was not officially precluded by either the Joint Declaration or the Basic Law, so its creation did not violate the terms of the Law. It therefore marked Beijing's determination to ignore Britain as much as possible in its preparations for the SAR and to counter Britain's claim that the Patten plan had not breached the Basic Law.⁸⁷ The PRC had two objectives in forming the PWC. The first was to put pressure on the British to make concessions over the Patten plan. The possibility of the PWC becoming an alternative centre of authority generated concern in Hong Kong, but its creation by slow but steady steps gave the PRC a useful additional bargaining chip.⁸⁸

⁸⁶ For details, see "Draft Decision on Authorising the NPC Standing Committee to Set Up a Working Group for the Establishment of the Preparatory Committee of the Hong Kong SAR," *Wen Wei Pao*, 26th March 1993.

⁸⁷ K.K. Leung, 'The Basic Law and the Problem of Political Transition', in Stephen Cheung and Stephen Sze (eds.) *The Other Hong Kong Report 1995*, p. 40.

⁸⁸ Liao, *Xianggang Minzhuhua de Kunjing*, p. 228.

The second objective was to provide the infrastructure to build a “new kitchen”. All its fifty-seven members were either senior cadres from relevant departments within the PRC establishment, or Hong Kong residents who had taken a pro-PRC stance over the Patten plan. If it should prove unnecessary to build a ‘new kitchen’ the PWC could still serve as a useful interdepartmental co-ordinating body.⁸⁹ The PWC was thus a classic United Front organisation.

Lu Ping said that this PWC was aimed at making preparations for the future SAR Preparatory Committee, including preparations for the establishment of the SAR government and legislative bodies. He announced: “Since it deals with Hong Kong’s affairs beyond, not before, the year 1997, this PWC will neither become Hong Kong’s second power centre before 1997 nor interfere in the functions and powers exercised by the British Hong Kong government before 1997.”⁹⁰ However, he claimed that “the British side has adopted a ‘rougher’ stand now, for it considered itself “too soft” in previous dealings with the Chinese. That is why the British began refusing to consult or co-operate with the Chinese since the latter half of 1989.” Then Lu said: “If it continues to cling obstinately to its course, follows the same old disastrous road and refuses to co-operate with the Chinese side, the current British Hong Kong government will inevitably become a lame duck government.”⁹¹

⁸⁹ Steve Tsang, *Hong Kong: An Appointment with China*, p. 202.

⁹⁰ *Zhongguo Xinwen She*, 20th April 1993.

⁹¹ *Wen Wei Pao*, 20th April 1993.

On 24th June 1993 the NPC Standing Committee made the final decision on the appointment of fifty-seven PWC members, consisting of twenty-seven persons from the mainland and thirty Hong Kong people. State Council Vice-Premier Qian Qichen was nominated Director of the Committee. There were seven Deputy Directors, of whom three were Hong Kong people. Lu Ping headed the powerful Secretariat. There were officials as well as experts among mainland Committee members. All of them, however, were from departments involved in Hong Kong affairs, for example the Hong Kong and Macao Affairs Office, New China News Agency Hong Kong Branch, Foreign Ministry, Ministry of Foreign Trade and Economic Co-operation, Economic and Trade Commission, Public Security Ministry, Ministry of National Defence, and so on. The majority were of vice-ministerial rank.⁹²

Hong Kong members also numbered fifteen former Basic Law drafters and Basic Law Consultative Committee members, three legislators, eight Hong Kong affairs advisers, and three former Exco and Legco members chosen from Hong Kong's elite. Most appeared to be conservative, pro-business figures willing to support any government that could ensure political stability and economic freedom.⁹³ In all there were thirty Hong Kong members of the PWC, which met almost monthly to provide advice on issues ranging from election rules and passport qualifications to the design of postage stamps to be used after 1997. Its members included Cheung Kong Chairman Li Ka Shing, a billionaire developer with broad interests in China; Tam Yiu Chung, head of

⁹² *Wen Wei Pao*, 23rd June 1993.

⁹³ Xu Simin, *Guoshi Gangshi Hua Sannian* (Speaking about the Affairs of the Country and Hong Kong in the Last Three Years) (Hong Kong: The Mirror, 1996) p. 30.

Hong Kong's largest pro-China labour union and a member of China's National People's Congress; and Sir Sze Yuan Chung, who had long aided Hong Kong's governors as a member of the Executive Council before positioning himself to serve the new rulers. Members of pro-democratic groups such as the United Democrats of Hong Kong were excluded.

Before December 1993, the Chinese government kept its promise not to make the PWC into an alternative centre of authority or a shadow government.⁹⁴ When the Sino-British talks broke down, the PWC started to do research to prepare the PRC to resume sovereign authority.⁹⁵ When the Hong Kong Legislative Council passed Patten's plan into law, the PWC 's work for a 'new kitchen' started in earnest. The PWC ceased to count on Sino-British co-operation to ensure a stable transition and minimised making public references to 'Hong Kong people rule Hong Kong'. Instead, it emphasised relying on itself to implement the 'one country, two systems' policy.⁹⁶

The PWC proposed a provisional legislature to sit for a year or more. This body would pass electoral laws, see to it that Hong Kong's domestic laws were consistent with the budget, and approve key appointments of judges, as well as handle other routine matters. The problem was that the Basic Law did not provide for such a body. Instead, it and the relevant NPC decision provided for a sixty-member first legislature

⁹⁴ Wang Hongxu, *Qishi Niandai Yilai de Zhongying Guanxi* (Sino-British Relations Since the 1970s) (Harbin, 1996) p. 264.

⁹⁵ Wang Hongxu, p. 268.

⁹⁶ Li Yi, *Xianggang Yijiujiuqi* (Hong Kong 1997) (Taipei, 1996) p. 67-8.

“with twenty members returned by geographical constituencies through direct elections, ten members returned by an election committee, and thirty members returned by functional constituencies”. However, Chinese officials said that the provisional legislature need not meet these stipulations because it would not be the first legislature. Instead, the suggestion was that members of the legislature would simply be elected by an appointed recommendation committee. Only the legislature that came after it would be called the first legislature, and would need to be elected in accordance with the stipulations of the Basic Law.⁹⁷

The PWC was made up of several sub-groups to carry out investigations and offer recommendations and public advice that Beijing had chosen to highlight. Beijing regarded the PWC as important, demonstrated by the fact that the Executive Deputy Chief of the General Staff of the People’s Liberation Army, Xu Huizi, was a member representing the military’s involvement in Hong Kong affairs.⁹⁸

These verbal gymnastics were necessary because China made a political decision to dismantle the 1995 legislature without a full appreciation of the potential legal problems. The Chinese claimed that the Basic Law’s provisions were no longer appropriate, since Britain had changed its policy. Yet, instead of amending the Basic Law, which they said could not be amended, they proceeded to flout it, all the while proclaiming that what they were doing was totally consistent with it. Beijing said that the Committee was laying a strong foundation for the Chinese take-over of the colony. The average

⁹⁷ Frank Ching, “China Calls A Deer A Horse”, *FEER*, 8th December 1994, p. 32.

⁹⁸ *Lien Ho Pao* (Hong Kong) 29th August 1995.

Hong Kong citizen, however, was unimpressed. Of the people questioned in a 1995 poll, 65% said the PWC did not work for the interests of Hong Kong, and more than 70% of those asked could not name a single Committee member.⁹⁹ The Committee's bad image may have been the result of some of its disturbing recommendations. For example, it suggested that all textbooks used in Hong Kong's schools be screened for what amounted to political correctness, and it recommended that Hong Kong Chinese should lose their automatic right to live in Hong Kong if they acquired foreign passports. This demonstrated that the Committee's members were too willing - in the eyes of Hong Kong citizens - to accept whatever the leaders in Beijing wanted.¹⁰⁰

The formal derailment of the 'through train' occurred on 31st August 1994, when the Standing Committee of the NPC the executive committee of China's quasi-parliament chaired by Qiao Shi, decided to disband Hong Kong's three-tier system of 'representative' government upon reunification.¹⁰¹

The PRC government now had to come up with its own proposals for the future of the former colony. Since there was neither any precedent to follow nor experience to emulate for implementing the 'one country, two systems' concept, a great deal of work had to be done to implement a series of general and specific policies aimed at maintaining a relatively stable 'two systems' framework under the 'one country'

⁹⁹ Louis do Rosario, "Follow the Leader", *FEER*, 23rd February 1995, 18.

¹⁰⁰ Michael Yahuda, *Hong Kong: China's Challenge*, p. 106.

¹⁰¹ National People's Congress decision on disbanding Hong Kong's three-tier system of 'representative' government: Decision of the Standing Committee of the National People's Congress, 31st August 1994.

principle. Other challenges were managing the relationship between the central government and the Hong Kong SAR, and which principles and models could be followed to enable at least some of the Hong Kong people to govern Hong Kong and enjoy a high degree of autonomy.¹⁰²

At a conference on Hong Kong and Macao held in Beijing in mid-January 1995, Wang Hanbin, Vice- chairman of both the Standing Committee of the National People's Congress and the Preparatory Committee for the HKSAR, announced five major principles set by the central leadership for work in the later transitional period in Hong Kong.¹⁰³

1. The leading body and structure of the Hong Kong SAR government must be composed mainly of personages who love the country and Hong Kong. This is the basis for implementing the guiding principles and policy of "Hong Kong people ruling Hong Kong and one country two systems".
2. Hong Kong must maintain its political and legal systems aimed at social stability, economic stability and stability of public feeling.
3. Hong Kong must become an international city of economy, finance, industry, commerce and shipping. We must never let Hong Kong become a city of political disputes, or a city that is used by foreign political forces to oppose China and the Communists.

¹⁰² *New China News Agency*, 1st January 1997.

¹⁰³ *Ming Pao*, 29th January 1997.

4. When political turmoil, plotted and supported by foreign political forces, occurs in Hong Kong and the Hong Kong SAR government loses control, the central government will definitely take decisive measures.

5. The central authorities demand explicitly that various provinces and cities refrain from interfering in, and affecting the work of, the Hong Kong SAR government, and the social system and economic order in the territory.

These five principles indicated that China wanted those who “loved the country and Hong Kong” to lead the Hong Kong SAR government. There was no doubt that the Chinese authorities would follow these principles to organise the Hong Kong SAR government. This work was to be implemented by the Preparatory Committee.

A New “Through Train”-The Provisional Legislative Council and the First Chief Executive

In December 1995 China officially revealed the list of the 150 members of the Preparatory Committee which would come into existence in January 1996, the last full year of the transition, to prepare for the establishment of the post-1997 SAR government. While the PWC had been set up in response to Patten’s political reform proposals, the Preparatory Committee had been provided for by the Basic Law. Of the 150 members, fifty-six were from the mainland and ninety-four were Hong Kong

people.¹⁰⁴ All the members of the PWC were retained as members of the Preparatory Committee.

In August 1996 this Committee called for nominations from the public (more than 5,000 names went forward) for a 400-seat 'Selection Committee', intended to be broadly representative of Hong Kong society. According to the Basic Law, the Selection Committee's sole task was to elect the chief executive. But following a pattern established since 1992, the PRC ignored its own law and broadened the powers of the Selection Committee to include 'electing' the Provisional Legislative Council.¹⁰⁵ The PRC claimed that the Selection Committee was highly representative because a set number of seats were reserved for different sectors of society, business, the professions and the grassroots/religious sectors. Each got one hundred seats, while 'former political figures' got forty, and the remaining sixty went to local members of the National People's Congress and the Chinese People's Political Consultative Conference. Beijing considered this arrangement to be more democratic than a simple election because it supposedly ensured that all parts of society were equally represented, not merely those people who voted.¹⁰⁶

The critical institutional aspect of this new structure was the appointed Provisional Legislature proposed by the PWC to replace the existing elected legislature at the

¹⁰⁴ *Wen Wei Pao*, 27th December 1995.

¹⁰⁵ Jamie Allen, *Seeing Red: China's Uncompromising Take-over of Hong Kong*, p. 124.

¹⁰⁶ Qian Qichen on democracy: 'It's a first for democracy, says Qian', *South China Morning Post*, 16th November 1996.

transfer of sovereignty. It was to be an interim body intended to operate as a fully-fledged legislature for one year, from 1st July 1997 to 1st July 1998, and it would be a key feature of the ‘new kitchen’.

On 24th March 1996, at a plenary session of the Preparatory Committee, a vote was taken on whether to set up a provisional legislature to sit in July 1997, replacing the current Legislative Council.¹⁰⁷ A few days after the vote Britain formally protested to Beijing, with Foreign Secretary Malcolm Rifkind saying that there was “no justification for any provisional legislature.” He pointed out that no such arrangement existed in the Joint Declaration or the Basic Law. The position that there was no legal basis for a provisional legislature was shared within Hong Kong by the Hong Kong Bar Association.

The Provisional Legislative Council breached the Basic Law and the Joint Declaration, both of which required the first SAR legislature to be elected. But since the right to interpret the Basic Law was vested in the Standing Committee of the National People’s Congress, there seemed little likelihood that that body would rule that the Chinese government’s decision to set up a provisional legislature was unlawful. After the handover this problem was immediately presented to the courts, which decided that the legislature was legal because it had been authorised by China’s National People’s

¹⁰⁷ The first task of the Provisional Legislature: A decision of the Hong Kong SAR Preparatory Committee of the National People’s Congress concerning the establishment of the Hong Kong SAR Provisional Legislature, 24th March 1996, Clause 5.1.

Congress.¹⁰⁸ The fears of those who had criticised the NPC's power to amend the Basic Law were justified.

On 21st December 1996 the Preparatory Committee held its fourth plenary session in Shenzhen and elected sixty members to the Provisional Legislative Council. The 130 candidates came from all strata of life. In addition, more than half of the current British Hong Kong Legislative Council members also applied for membership in the Provisional Council and thirty-three were elected.¹⁰⁹ The election of the thirty-three current legislators, in particular, proved conducive to the functioning of the Provisional Legislative Council, which in turn would contribute to a smooth transfer of power in Hong Kong in 1997.¹¹⁰ Only six members (10%) of the new provisional legislature had been directly elected in 1995 election; twenty-seven had been losers in the same election.

The work of the Provisional Legislature would terminate on the date of the establishment of the first legislature of the HKSAR, no later than 30th June 1998.¹¹¹ The legislature's powers were to examine and approve the government's budget; approve taxation and public expenditure; pass legislation to issue SAR passports; enact legislation applying various Chinese national laws to the region, as required by the

¹⁰⁸ Edward Gargan, "Hong Kong Court Upholds China's Rule," *New York Times*, 30th July 1997.

¹⁰⁹ *New China News Agency*, 21st December 1996.

¹¹⁰ Ren Xin, "A Beginning for Democracy in Hong Kong", *Beijing Review*, 13-19th January 1997, p. 7.

¹¹¹ *Ta Kung Pao*, 26th January 1997.

Basic Law; endorse the appointment of judges to the Court of Final Appeal and the Chief Judge of the High Court; and elect the Legislative Council's new president.¹¹²

Before the Provisional Legislative Council was established, British Foreign Secretary Malcolm Rifkind once again voiced opposition to it. He accused the Chinese of violating the Sino-British Joint Declaration, asserting that the International Court might be asked to judge the legality of the Provisional Legislative Council. In an interview with the London-based *Financial Times*,¹¹³ Rifkind also attacked the election as a "foolish step". He asserted that British policy toward Hong Kong was backed by the Sino-British Joint Declaration, but the Provisional Legislative Council did not conform to its stipulations.

However, the Chinese argued they had made a "through-train" arrangement for the method of constituting the first Legislative Council of the HKSAR. It was stipulated in the "decision on the Method for the Formation of the First Government and the First Legislative Council of the HKSAR" adopted at the third session of the Seventh NPCs on 4th April 1990 that, if the composition of the last Hong Kong Legislative Council before the establishment of the HKSAR conformed with the relevant provisions of the Basic Law of the HKSAR and its members conformed to certain conditions, (i.e. upholding the Basic Law of the HKSAR of the PRC, pledging allegiance to the HKSAR of the PRC, and meeting the requirements set forth in the Basic Law of the region), they might, upon confirmation by the Preparatory Committee, become members of the first

¹¹² Tsang Yoksing, 'How to plug the SAR gap', *South China Morning Post*, 1st November 1994.

¹¹³ *Financial Times*, 23rd December 1996.

Legislative Council of the region. It was argued that such an arrangement was made with a view to maintaining Sino-British co-operation and facilitating a stable transition for Hong Kong.

Zhou Nan said: “Because the British side lacked sincerity, raised obstacles and unilaterally announced its withdrawal from the negotiations, the talks broke down.”¹¹⁴ To avoid a “legal vacuum” and ensure Hong Kong’s smooth transition and the normal operation of the HKSAR after its establishment, the Preparatory Committee decided, in line with the authorisation set down in the “Decision of the NPC on the Method for the Formation of the First Government and the First Legislative Council of the HKSAR”, that the Preparatory Committee of the HKSAR “shall be responsible for preparing the establishment of the HKSAR”, and the setting up of the Provisional Legislature of the HKSAR before the formation of the first Legislative Council of the HKSAR.¹¹⁵

This was a unique election. There were no campaigns or posters, no television debates or election forums. The 400 Selection Committee members had to choose up to sixty out of a list of 130 candidates finalised only ten days previously. The historic event, however, took place not in Hong Kong, but on the other side of the Shenzhen River. More ironically, the “election” issues were not so much about contentious matters like democratisation or livelihood. The public was left in the dark about much of the closed-door lobbying that took place at private dinners and get-togethers held inside

¹¹⁴ Zhou Nan, “The Origins of the Provisional Legislature and the Relevant Issues”, see *Ta Kung Pao*, 26th January 1997.

¹¹⁵ *New China News Agency*, 25th January 1997.

hotels and social clubs for the rich.¹¹⁶ The Democratic Party chairman Martin Lee said it was the darkest day for Hong Kong since the June 4 crackdown in Tiananmen Square. He claimed votes were rigged to install his former party colleague Mr Chan Choihei in order to split the Democrats.¹¹⁷

An officer in Hong Kong's NCNA made the situation only too clear. He said:-

“It is also ridiculous for the British side to attempt to play an international card, and even assert that it will unite some countries to exert pressure on the Chinese government. How arrogant Britain was when it forcefully gained Hong Kong more than a century ago. However, the time for such colonialist hegemonies has gone forever, though the British side still cannot free itself from the colonialist mentality. Everyone with common sense is aware that the question of Hong Kong is a matter between the two governments of China and Britain before it returns to China. After that, Hong Kong will be an internal affair of China, and no foreign government will have the right to interfere in China's affairs.”¹¹⁸

¹¹⁶ *South China Morning Post*, 21st December 1996.

¹¹⁷ *South China Morning Post*, 22nd December 1996.

¹¹⁸ *New China News Agency*, 25th December 1996.

The First Chief Executive and his Government

On 11th December 1996 the 400 members of the Selection Committee for the first government of the Hong Kong SAR voted in a secret ballot in Hong Kong to choose its first chief executive. Tung Cheehwa gained 320 votes defeating two other candidates. In line with the provisions of the Hong Kong SAR Basic Law, the seventh plenary session of the Preparatory Committee of the Hong Kong SAR on December 12 submitted the appointment of the chief executive-elect to the central government for approval. On 16 December Premier Li Peng signed a decree officially appointing Tung as the first Chief Executive of the Hong Kong SAR. He was to take office on 1st July 1997, upon the establishment of the Hong Kong SAR. Prior to that, he was to be responsible for organising its first government.¹¹⁹

According to the Basic Law (Article 48), the Chief Executive's powers included: leading the HKSAR government; being responsible for signing bills into law and for implementing them; signing budgets; deciding on government policies and issuing directives; appointing and removing senior officials (subject to the endorsement of the Central Government); appointing and removing judges; and approving the introduction of policies regarding revenues or expenditure to the Legislative Council. The Chief Executive would also be accountable to the Central Government as well as to the HKSAR and would be required to report to it and carry out its instructions in accordance with the Basic Law.

According to James Seymour, Tung Cheehwa has been bailed out of his financial

¹¹⁹ Ren Xin, "A Beginning for Democracy in Hong Kong", *Beijing Review*, 13-19th January 1997, p. 5.

difficulties by Beijing so “he is hardly likely to bite the hand that fed him”.¹²⁰ Both self-interest and conviction seemed to combine to convince Tung that China’s leaders had set Hong Kong on the right course;

“On the accusation of always saying yes to China, I have done profound studies of what our country had achieved. I am confident that my view on China is wide and deep...For the long-term interests of the people of Hong Kong, I have to speak my mind, although it may not comply with what Hong Kong people like to hear.”¹²¹

On 23rd January 1997 Tung Cheehwa announced the line-up of the fifteen-member Executive Council of the HKSAR. According to the name-list in the announcement, the Administrative Secretary, Financial Secretary and Secretary of Justice would be the three ex-officio members. To meet the requirement of safeguarding the PRC’s interests, Tung allowed the PRC to guide him. He dropped two of his original choices and appointed instead those whose names had been gently suggested to him by Beijing.¹²² Three of the eleven members are believed to belong to the Chinese

¹²⁰ James Seymour, *Hong Kong’s Politics under Chinese Rule: A Preliminary Assessment*, (Columbia University print, September 1997), p. 1.

¹²¹ *Hong Kong Standard*, 4th December 1996.

¹²² *Far Eastern Economic Review*, 13th March 1997, pp. 25-6.

Communist Party.¹²³ Tung Cheehwa, as the HKSAR Chief Executive, is also a member of the Executive Council, whose convenor will be Chung Sze Yuen.¹²⁴

Chen Kuo Fung and Wong Yick Ming, who were members of the existing Executive Council, joined the SAR Executive Council on 1st July 1997. Six members of the former Executive and Legislative Councils, who were familiar with executive, legislative and judicial operations, would also be on the Executive Council. This brought a total of seven, or more than half, of the members from the former system to the Executive Council to ensure its continuity, high quality and efficient co-operation.¹²⁵ Members of the Executive Council and the Provisional Legislative Council, who had all worked under the former organisational system and were familiar with Hong Kong's situation, would help to enhance Hong Kong's future stability and prosperity

The Chief Executive of the HKSAR, Tung Cheehwa, announced a list of twenty-three principal officials of the first government of the HKSAR on 20th February 1997.¹²⁶ These officials had been appointed by the Chinese State Council. This list retained nearly the whole team of the incumbent government secretaries. According to the Basic Law, major government posts can only be filled by Chinese citizens. He was to be replaced by Elsie Leung Oisie, a solicitor. Also, the Commissioner of the

¹²³ Steve Tsang, *Hong Kong: An Appointment with China*, p. 207.

¹²⁴ *New China News Agency*, 24th January 1997.

¹²⁵ *Wen Wei Pao*, 25th January 1997.

¹²⁶ *New China News Agency*, 20th February 1997.

Independent Commission Against Corruption, Michael Leung Man-kin, who had offered to retire, was to be replaced by Lily Yam Kwan Puiying.¹²⁷

Over 90 per cent of the principal officials of the British Hong Kong government were appointed, which was to ensure the continuity of the top civil service during the transition period and help to maintain social stability in Hong Kong. This demonstrated that the Chinese authorities hoped to maintain the stability of the public servants' ranks in Hong Kong.

According to Lu Ping, officials at all levels of the Chinese government have always fostered close contacts with Hong Kong civil servants to enhance their mutual understanding. From November 1995 up to February 1997, Chinese government officials and senior civil servants of the Hong Kong government held more than twenty unofficial gatherings. Conversations between the two sides helped the Chinese to understand the operations of various Hong Kong government departments and the situation of civil servants. This was also helpful to Hong Kong government officials seeking to understand the Chinese government's various policies and guiding principles for civil servants and enhance their confidence in serving the SAR.¹²⁸

Summary and Conclusion

The process of creating legislative and executive institutions in Hong Kong for the

¹²⁷ *Wen Wei Pao*, 21st February 1997.

¹²⁸ *Ibid.*

change over period was another example of and vindication of the PRC's united front policy. When Governor Patten and the Major government made their sudden reversal of policy, Britain again became a principal opponent. The PRC skilfully mobilised its considerable support in the colony to create compliant institutions that were united fronts in themselves and potent mechanisms to overturn the democratic reforms as soon as PRC sovereignty over the colony was assumed. Patten and his supporters in Hong Kong were thus effectively marginalized and neutralised. It was a considerable victory.

CHAPTER SIX: THE UNITED FRONT'S FOUNDATIONS: ECONOMIC RELATIONS BETWEEN CHINA AND HONG KONG

Introduction

The economies of Hong Kong and China are very much inter-linked and Hong Kong plays a key role in China's economy. Hong Kong's geographical location adjoining China's vast inland areas and its highly developed air and sea transportation have enabled it to become a major hub of communications dedicated to trade in the Far East. China's reform and open-door programme has further enhanced Hong Kong's position as a point of intersection between the capitalist and socialist economic systems. The region serves as an ideal bridge, carrying capital from various countries and regions to China, and leading the country to the world market.

Communist China clearly recognised the economic importance of the colony. Article 109 of the Basic Law stated that: "The Government of the Hong Kong SAR shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre." Chinese former Premier Li Peng acknowledged China's "hope that Hong Kong will maintain its position as a financial, economic, trade and shipping centre" after the hand-over.¹

However, Hong Kong is a tiny territory, lacking both land and raw materials. With few

¹ Li Peng said this on the Preparatory Committee's induction, *Wen Wei Pao*, 1996.

natural resources, it relies almost entirely on the hinterland for food and water, earning China useful hard currency. The backup and support of China's vast inland areas have been fundamental factors in Hong Kong's development and success. This chapter will examine the economic dimensions of China's policy towards the take over of Hong Kong in 1997 and the ways in which the growing economic connections between Hong Kong and the mainland created a powerful united front of common interests that facilitated the union of the colony with the PRC.

The Four Modernisations Programme and Open Door Policy with Hong Kong

Hong Kong's economic relations with China were very restricted in the 1960s and 1970s. There were some exports of agricultural produce, water and cheap manufactured goods from China to Hong Kong. On the other hand, selling Hong Kong products to the mainland was comparatively difficult and there was little Hong Kong investment in China.²

Before the 1980s, the Chinese were fettered by the Stalinist model of a state-planned economy. Because the State Planning Commission determined each link of the production process, the production of the enterprise was not for profit, but for fulfilling the volume of output that was required. Therefore, enterprises lost their initiative for increasing production and the development of new products and techniques. The system produced low efficiency, low quality and bureaucracy, and the effects on the Chinese

² Ian Scott, *Political Change and the Crisis of Legitimacy in Hong Kong* (Hong Kong: Oxford University Press, 1989), p. 223.

economy were disastrous.

At the CCP's Third Plenum in December 1978, the Stalinist strategy was abandoned and a programme of readjustment and reform was introduced to achieve balanced and intensive growth. The Chinese Communist leaders decided that their focus should be on economic development. The Third Plenum became famous for its call to "shift the emphasis of our Party's work and the attention of the people of the whole country to socialist modernisation."³ An article in the People's Daily indicated that the Third Plenum had not only decided to shift the emphasis of the Party's work to the "Four Modernisations" but also provided the most reliable guarantee for achieving them, namely, "full democracy" within the Party.⁴ The Four Modernisations - national defence, agriculture, industry, and science and technology - originally articulated in 1965, were reintroduced into the working agenda. As a result, economic reform and an open-door policy became the cornerstones of Communist China's modernisation programme.⁵

The Third Plenum stated that the Party was, in the light of the new historical conditions and practical experience, adopting a number of major new economic measures and consciously transforming the system and methods of economic management. Also it

³ The Communiqué of the Third Plenum, *Beijing Review*, no 52 (1978), pp. 6-16.

⁴ *Renmin Ribao* (People's Daily) (Beijing), 11th January 1979.

⁵ Zhao Ziyang, "Advance Along the Road of Socialism with Chinese Characteristics," *Documents of the Thirteenth National Congress of the Communist Party of China* (Beijing: Foreign Languages Press, 1987), p. 18-42.

was actively expanding economic co-operation on terms of equality of benefit to China and Hong Kong. Emphasis was placed on the need to adopt the world's advanced technologies and equipment and greatly strengthen scientific and educational work to meet the needs of modernisation.⁶

On 16th January 1980 Deng spoke at a meeting of cadres called by the Central Committee of the CCP, at which he set out three major tasks for the 1980s one of which was to step up economic construction. Deng pointed out that:

“Modernisation is the core of the three tasks. This is our main condition for solving international and internal problems. Everything depends on whether we make a success of running our affairs, and the size of the role we play in international affairs depends on the speed and size of our economic development.”⁷

He claimed that if China developed and become more prosperous it would play a great role in international affairs.

“Our current role in international affairs is by no means small, but if our material foundation and strength grow powerful, the role we play will be even greater. If our four modernisations are carried out well and our

⁶ The Communiqué of the Third Plenum, *Beijing Review*, no 52 (1978), pp. 6-16.

⁷ Deng Xiaoping, On the Current Situation and Tasks, *Cheng Ming* (Hong Kong), no. 29. 1st March 1980.

economy develops, our strength for accomplishing unification will be different from what it is now. Therefore, in the final analysis, opposing hegemonism in international affairs, returning Taiwan to the motherland and accomplishing the unification of the motherland all depends on our making a good job of economic construction.⁸

Thus, the programme was essentially liberal in character, emphasising “seeking truth from facts” and “emancipation of the mind” in the economic, cultural and political arenas. China’s leaders called for the strict and full elimination of any manifestations of “leftism,” with particular reference to economic policy. Consequently, the slogan “emancipation of consciousness” heralded an affirmation of the view that it was useful for China to import “bourgeois” technology and to plant in socialist soil certain methods and forms of economic organisation and production management from the West and Hong Kong.⁹ With the development of the four modernisations, it was envisaged that the close relations that had already evolved between China’s interior and Hong Kong would strengthen further.

Economic reforms were initiated to improve economic efficiency. There was a new acceptance of market economics, a shift of emphasis from heavy industry to agriculture and light industry, and a lowering of the savings rate. The rise in consumption reduced

⁸ Ibid.

⁹ Gregori D. Suharchuk, “Modernisation in China and Foreign Policy,” *Asian Survey*, no. 11, November 1984, p. 1157-58.

the resources available for investment and exports, and the Chinese thus accepted foreign investment to relieve savings and balance of payments constraints. International trade thus became an active instrument in China's development strategy.¹⁰

The new open door policy was aimed at expanding economic contacts with foreign countries, particularly economically advanced capitalist countries, and importing foreign capital, technology, and advanced managerial expertise to promote modernization. To this end, China created special economic zones in which foreign companies would be permitted to operate, to promote technology transfer and to generate greater trade. Hong Kong seized the opportunity to serve Chinese needs, and a growing interrelationship between the two economies developed in the 1980s. Hong Kong required cheap labour and raw materials as well as a readily accessible market for its goods and products. China provided all of these. On the other hand, China required capital, technology, and management expertise and market sense, all of which could be provided by Hong Kong. Thus, co-operation was mutually beneficial, the combination working to both sides' advantage, with the workers of Hong Kong's manufacturing industries possibly the only losers.

In addition, Hong Kong became a centre for overseas firms trying to penetrate the Chinese market and for Chinese companies looking for new technology for mainland factories. It was believed that China's modernisation programmes could not succeed without Hong Kong's assistance. The most immediate manifestation of this view was the creation in 1979 of the Shenzhen Special Economic Zone (SEZ) just over the border from the New Territories.

¹⁰ *Beijing Review*, 21st December 1981, p. 24.

In January 1979 the State Council created an industrial export zone at Shekou, which is close to Hong Kong. The zone was to be developed and managed by the China Merchants Steam Navigation Co. (CMSNC), a Hong-Kong-based company controlled by the Chinese Ministry of Communications. Hong Kong business interests suggested that the zone be expanded to encompass property development and tourism and suggested the name "Special Economic Zone" to reflect this broader scope.¹¹

According to Kwanyiu Wong, the Zone was not intended solely as an export-processing area but was also expected to help facilitate the development of tourism, housing construction and service industries without jeopardising Shenzhen's traditional role as a supplier of agricultural produce to Hong Kong.¹² The aim was balanced growth with an eventual concentration on industrial production. Investment rose rapidly. In only three years, US\$ 1.5 billion was invested, of which 90 per cent was Hong Kong money.¹³ The advantages of moving production facilities out of the colony to the SEZ were appealing to Hong Kong businessmen. This could overcome the problem of the growing labour shortage in Hong Kong. Under agreements with the Chinese, it was possible for businessmen to provide the machinery, material, design of products, wages

¹¹ Ho, S.P.S. and Huenemann, R.W., *China's Open Door Policy: The Quest for Foreign Technology and Capital* (Vancouver: University of British Columbia Press, 1984), p. 49.

¹² Kwanyiu Wong (ed.), *Shenzhen Special Economic Zone: China's Experiment in Modernisation* (Hong Kong: Hong Kong Geographical Association, 1982), Part II.

¹³ *Far Eastern Economic Review*, 1st October 1982.

and marketing while the Zone supplied the plant, cheap labour, water and electricity.¹⁴ This mutually beneficial relationship had political impact also in laying the foundations for a united front alliance of the CCP and Hong Kong business interests.

Beijing planned the economic systems in the zones to be similar to those operated in Hong Kong and Macao, thereby reducing the differences between the mainland and the two regions. The SEZs were expected to serve as a bridge for the integration of Hong Kong and Macao. Thus, the establishment of SEZs was an important step for the application of the one country, two systems principle to Hong Kong and Macao. The SEZs were also to serve as trial laboratories for China's economic reforms. Varieties of reforms were first tested in Shenzhen: - selecting managers by election; public competition; contracts; land rentals and leases; and a foreign currency exchange centre and stock market.¹⁵ The economic and living standard gap between Shenzhen and Hong Kong narrowed and economic exchange and cooperation between the SEZ and Hong Kong built a bridge between the two regions.

China's Economic Policy toward Hong Kong

In 1984 Deng Xiaoping spoke about maintaining prosperity and stability in Hong Kong. He was asked why Hong Kong's capitalist system was to be kept unchanged for fifty

¹⁴ Joseph Chai, "Industrial Co-operation Between China and Hong Kong" in A.J. Youngson (ed.), *China and Hong Kong: The Economic Nexus* (Hong Kong: Oxford University Press, 1983)

¹⁵ He Chunlin, "Jingji Tequ: Tansuo he Fazhan de Shi Nian" (Special Economic Zone: Ten Years Exploration and Development), *Liaowang*, no. 35 (27th August 1990): 4-6.

years after 1997. Deng replied that the proposal was based on “China’s realities”, namely that the PRC wanted to quadruple the size of the economy in twenty years and should by then have reached a “level of comparative prosperity”. He stressed, even then, that China would still not be a wealthy or developed country, and said:

“It will take another 30 to 50 years after that for China to become a truly developed country, to approach - not surpass - the developed countries...It is in China’s vital interest to keep prosperous and stable. When we gave a figure of 50 years, we were not speaking casually or on impulse but in consideration of the realities in China and of our need for development.”¹⁶

According to the Chairman of China International Trust & Investment Corporation (CITIC), Rong Zhiqin, the PRC’s economic policy toward Hong Kong was based on three underlying motives: first, to introduce more foreign investment and increase technology transfer and the supply of modern equipment to China; second, to promote Chinese products; and third, to contribute to the stability and prosperity of Hong Kong.¹⁷

With the open-door policy, more people, money and goods flowed between Hong Kong and China. From 1978, Beijing-controlled enterprises expanded aggressively in

¹⁶ Deng Xiaoping, ‘China Will Always Keep Its Promises’, *Selected Works of Deng Xiaoping*, vol. 3 (1982-1992) (Beijing: Foreign Languages Press, 1994) p. 108.

¹⁷ “Investment in Hong Kong: The view from Beijing,” *Hong Kong Business*, no. 71 (May 1988), pp. 23-24.

Hong Kong, and tens of thousands of Chinese delegates come to Hong Kong to inspect and develop new businesses. All of these contacts were considered very useful in permitting the Chinese to learn the skills and acquire the technical expertise that they could take back to China to help in its modernisation. Most provinces, municipalities, and major cities also opened offices in Hong Kong, as well as many big enterprises. Links between economic interests in Hong Kong and on the mainland grew, furthering the personal interests of both sides as Hong Kong enterprises provided ways for Communist officials to export funds into personal foreign accounts.

The United Front of Services

While most foreign businessmen were confused by the gigantic, complicated Chinese trading bureaucracy, Hong Kong businessmen were able to enter the system and seek out profitable deals. The growing China trade created in Hong Kong scores of new offices and hundreds of new jobs. Hong Kong emerged as the clear service centre for China business. Lawyers, bankers, engineers, architects, consultants, advertisers and media people, all developed interests in positive economic contacts with the mainland. Hundreds of multinationals in the service sector set up offices in the colony.¹⁸ The PRC could hardly lose by this process. It needed such services for its economic development but these businesses also needed China; a potent political constituency for the PRC was thus being created.

¹⁸ Hong Kong Trade Development Council, December 1997.

Hong Kong as a Finance Centre

In the early 1980s Hong Kong became a service-oriented economy, with the role of monetary and financial systems particularly important.¹⁹ Between 1978 and 1997 the number of foreign-asset banks in Hong Kong rose from seventy-four to 182; eighty-two of the largest 100 banks in the world had a presence in Hong Kong in one form or another. The total number of bank branches was 1,565 at the end of 1996. There are also 157 representative offices of overseas banks, coming from over forty countries.²⁰ Hong Kong had become the fifth largest international banking centre in terms of the volume of external transactions. The volume of the banking system's external transactions was US\$ 1.2 trillion at end-1996, the second largest in Asia after Japan. About 60% of the banking sector's aggregate liabilities and 63% of the banking sector's assets were external. The banking sector contributed to Hong Kong's status as the world's fifth largest foreign exchange centre with a daily turnover exceeding US\$ 90 billion.²¹

Hong Kong banks were closely linked to enterprises and banks on the mainland. From the beginning of 1982 to mid-1985, China used Hong Kong banks to accumulate sizeable foreign exchange reserves. Substantial Chinese loans to Hong Kong banks

¹⁹ Lui Yuhon, "Banking, Monetary Affairs and Developments of Financial Markets," *From Colony to SAR* (Hong Kong: The Chinese University Press, 1995), p. 191.

²⁰ *Monthly Statistical Bulletin*, Hong Kong Monetary Authority, June 1997.

²¹ *Monthly Statistical Bulletin*, Hong Kong Monetary Authority, June 1997.

undoubtedly stabilised the Hong Kong monetary system during this critical period.²² Later in the decade, however the relationship was reversed and Hong Kong banks extended major loans to mainland customers. In 1988 Hong Kong banks provided 60 per cent of total foreign commercial loans borrowed by China. Despite a dip after the 1989 Beijing massacre financial transactions between Hong Kong and China soon recovered and grew substantially in the 1990s. At the end of March 1997 Hong Kong's financial institutions had a net amount of over forty billion dollars loaned to mainland banks and enterprises.

Hong Kong as Facilitator

Hong Kong is the major centre for management consultancy services to mainland China.²³ In 1983 China's foremost trading corporation in Hong Kong, China Resources Co. Ltd., set up a consultancy firm, China Resources Trade Consultancy Company Ltd. (CRTC), which provided advice to both foreigners and Chinese export firms. CRTC also established a subsidiary in Hong Kong to provide consultancy services.

Many foreign firms have continued to deal with China via a Hong Kong agent.²⁴ Almost

²² Jao, Y.C., "Hong Kong's Role in Financing China's Modernisation" in A.J. Youngson (ed.), *China and Hong Kong, the Economic Nexus*, (Hong Kong: Oxford University Press, 1983), p. 43.

²³ Information Technology Department of the Hong Kong Trade Development Council, December 1997.

²⁴ Sung, Y.W., *Structural Change of the Hong Kong Economy: some preliminary results* (Hong Kong: University of Hong Kong, 1984), p. 53.

42% of the business turnover of Hong Kong's management consulting companies are generated from overseas, with China being the largest single market. The Management Service Agency estimated that there were 122 consulting companies and 968 consultants in Hong Kong in September 1995. The Hong Kong Productivity Council was the largest consulting organisation in Hong Kong in terms of staff size, with about 300 professional and technical staff.²⁵

Another indication of the role of Hong Kong as a contact point was the mushrooming number of exhibitions held by Chinese export agencies in Hong Kong. China's contact point in international trade used to be the Canton trade fair, the disadvantage of this being that foreign traders could only attend by invitation, whereas all interested parties could attend an exhibition in Hong Kong. The investment symposium for China's nineteen open cities and districts was held in Hong Kong in November 1984. More than 1100 businessmen from twenty-three countries attended the seminar.²⁶

All Chinese open cities and districts have tried to establish offices in Hong Kong. In 1984 Chinese export agencies held eleven large-scale exhibitions in the Hong Kong Exhibition Centre, accounting for one-quarter of all exhibitions at the Centre, and many smaller exhibitions of Chinese exports were held elsewhere in Hong Kong.²⁷ Chinese trading corporations representing various ministries, provinces, cities and even countries also converged on Hong Kong after 1979. According to one estimate, the number of

²⁵ Management Services Agency, Hong Kong Government, September 1995.

²⁶ *South China Morning Post*, 15th November 1984.

²⁷ *Pai Shing*, September, 1984, p. 10.

Chinese cadres sent to Hong Kong on business from 1979 to 1985 totalled 50,000.²⁸

Hong Kong as a Legal Centre

Hong Kong is the most liberal Asian jurisdiction in terms of permitting the activities of foreign lawyers. Many international law firms have set up regional operations in Hong Kong to serve clients in the region. Hong Kong's role in introducing and extending the rule of law in Mainland China has been as important as its role in China's economic growth. Hong Kong's legal institutions, written and unwritten, have been noted and admired in Guangdong and Beijing. Chinese traditional commercial practice has not been based on law. Even in Hong Kong Chinese businessmen would consider recourse to the law courts as a breakdown in traditional Chinese practice. In dealings with foreigners, however a legal framework assumed great importance. .

Hong Kong's legal system had an influence on the thinking behind the Chinese decision that legal codes were desirable, and indeed necessary. The role of the Hong Kong commercial legal system was most evident in Guangdong province, where it was most useful to have Chinese practice accord with the Hong Kong system.²⁹ Chinese cadres were sent to Hong Kong to serve apprenticeships, to learn such techniques as finance, real estate, accounting, shipping, freight forwarding, stock exchange operations and such, in all of which the role of law is crucial, and seen to be crucial, by the Chinese.

²⁸ *The Nineties*, February 1985, p. 34.

²⁹ Penelope Hartland-Thunberg, *China, Hong Kong, Taiwan and the World Trading System* (New York: St. Martin's Press, 1990), p. 141.

Indeed, just prior to the June 1989 demonstrations, China announced that ten areas of Hong Kong law concerning economic and commercial matters would be introduced systematically into Shenzhen and then into China's economically advanced cities and areas.³⁰ Prominent Hong Kong legal experts were invited to serve as Shenzhen's legal advisers.³¹

Between 1984 and 1994 total Hong Kong legal receipts rose by an average annual rate of 20%.³² The number of solicitors increased from 829 in 1980 to 2,326 in 1990 and 3,307 in 1994. Many more of these were Chinese. Between 1983 and 1994 the proportion of local Chinese lawyers to expatriate lawyers has increased from 47% to 73%, reflecting the rapid expansion of law education in Hong Kong.³³ Many of these lawyers had clear interests in constructive relationships with mainland China.

Hong Kong as Transport Centre

Hong Kong is endowed with a deep-water, silt-free natural harbour strategically located along a major sea route and with China providing a huge source of cargo. The eighth largest trading entity in the world, the Port of Hong Kong in 1996, for the fifth

³⁰ Ibid.

³¹ *South China Morning Post*, 21st April 1992.

³² Census and Statistics Department, 1995.

³³ *Employment and Vacancies Statistics*, Census and Statistics Department, March 1996.

consecutive year was the world's busiest container port, handling 13.4 million TEU.³⁴ River trade vessels were increasingly used to carry goods between Hong Kong and South China, which became the main cargo source for the territory. The rapid expansion of Hong Kong's re-exports since the early 1980s were largely due to the activities of Hong Kong manufacturers in China whose low value-high volume goods were usually shipped via Hong Kong.

Hong Kong became a major shipping centre.³⁵ In 1995 Hong Kong handled 156 million tones of cargo, over 80% of which were by ocean-going vessels. Of all such sea borne cargo, 33 million tones (26%) were transshipments. China was the biggest source and destination of Hong Kong's transshipment business.³⁶ China also figured prominently in Hong Kong's growth as a major international express business centre.³⁷ The PRC dimension was crucial here, the size of the mainland market and the challenging transportation logistics within China providing good business opportunities.

³⁴ Census and Statistics Department, Marine Department, 1995.

³⁵ Reported from the Hong Kong Shipowners' Association, 1996.

³⁶ The Information Technology Department of the Hong Kong Trade Development Council, December 1997.

³⁷ Census and Statistics Department and KPMG stated in 1994.

The Old Mainland-based Companies in Hong Kong

The four major Chinese government-sponsored companies in Hong Kong are the Bank of China, China Resources (Holdings) Co., Ltd., China Merchants International, and China Travel Services (HK), Ltd. They have been in Hong Kong for many years. Prospering on the growing business links between Hong Kong and China after China's open door policy was announced, these four companies built up a significant market share in the colony.

The Bank of China became one of the colony's major banks by 1994, operating with a total of 18,000 employees and 378 branches before transfer. From its traditional business in retail banking and trade finance, the bank became increasingly involved in merchant banking, participating in syndicated loans to many of Hong Kong's largest infrastructure and industrial projects. It counted among its customer's Hong Kong's underground railway system, a second vehicle tunnel under Victoria Harbour, a container terminal development and housing estates.³⁸ It owned about US\$ 89.7 billion of assets in Hong Kong at the end of 1994.³⁹ The bank represented one of the major components of Chinese investment in Hong Kong.⁴⁰ An estimated 25% of total

³⁸ Quoted from Jamie Allen, *Seeing Red*, p. 191, original in Bank of China, Hong Kong Branch, *75 Years in Hong Kong* (Hong Kong, 1992).

³⁹ Hong Kong Monetary Authority, *Annual Report 1994* (Hong Kong: Government Printer, 1995), table 2.6.

⁴⁰ *Ibid.*, tables 2.7, 2.5a, and 2.5b.

Hong Kong dollar deposits and 10% of total banking assets were under its control.⁴¹

At the end of 1996, the Bank issued 20 per cent of Hong Kong's bank notes.

The China Resources (Holding) Co., Ltd. established more than 150 enterprises in Hong Kong with its own shipping fleet, port, bank, warehouse and department stores by the 1990s. Its major strength derived from its close relationship with China's Ministry of Foreign Economic Relations and Trade (MOFERT), which set up China Resources as its trading arm in Hong Kong. By relying on this particular relationship, the company monopolised the supply of China's oil and foodstuffs to Hong Kong. It has been estimated that 25% of Hong Kong's total petroleum consumption was supplied by China Resources.⁴² It started to lose some of its monopoly to provincial and foreign trading companies in the late 1980s, so expanded other aspects of its business, creating the third largest supermarket chain in Hong Kong. It also diversified into new areas such as construction, travel, property and insurance.

China Merchants belongs to the PRC's Ministry of Communications and Transport. Its business began with shipping and its fleet grew rapidly over the years. It is a major shareholder in Modern Terminals, Hong Kong's second largest port terminal operator, and runs the territory's largest ship-repair yard, the Yin Lian Dockyards. In 1992 its freight capacity reached sixteen million dead-weight tons, which enabled it to ferry one-ninth of Hong Kong's sea-borne trade and one-tenth of its total container shipments in

⁴¹ *Ibid.*, pp. 30-31.

⁴² *Company Report 1993*, Hong Kong, p. 10.

that year. Starting in the 1980s, the Company gradually diversified into a conglomerate with more than 650 subsidiaries and US\$ 2.7 billion in assets.⁴³

China Travel Service (HK), Ltd., as a subsidiary of China Travel Services, made its mark in Hong Kong's tourist industry in 1980s. It monopolised the PRC's international travel industry, experienced phenomenal growth in Hong Kong and became a publicly listed company on the stock exchange. By 1993 it had thirteen branches and more than twenty subsidiary companies handling more than two million tourists a year. Its investments included hotels and bus coach services in Hong Kong and resorts and a steel complex in China. As one of the few travel agencies authorised to handle mainland tourists travelling abroad, China Travel Service (HK) was to be a major beneficiary of the 1997 reversion.

The Hong Kong arm of China International Trust and Investment Corp. (CITIC) operated in typical Hong Kong style from the 1980s. CITIC was the most flamboyant of China's operations in Hong Kong because the parent organisation was headed by Rung Yiraen, who was a personal friend of Deng Xiaoping. It had an equity stake in many of the colony's most important companies, ranging from Cathy Pacific Airways to Hong Kong Telecommunications. The company moved beyond its traditional role as an investment holding company from the 1980s. The acquisition of Hang Chong, a trading and property enterprise, turned CITIC Pacific into Hong Kong's latest "hong" - a term

⁴³ *Company Report 1993*, Hong Kong, p. 1.

applied to a select group of conglomerates that included Jardine Matheson and local businessman Li Ka Shing's Cheung Kong group.⁴⁴

These companies in Hong Kong were able to expand so quickly because they acted as the sole representatives of China in dealing with companies in Hong Kong. Their special status and monopoly privileges enabled them to grow substantially.

The New Mainland-based Companies Established in Hong Kong

In the 1980s a new flow of China-backed companies into Hong Kong enabled companies from Guangdong and Fujian provinces and the mainland's coastal open cities, which were given preferential treatment by the central government, to invest in Hong Kong and other foreign countries. At first the major objective of most Chinese companies was to establish trade between Hong Kong and the mainland. These companies benefited from consistently expanding trade during the 1980s and this encouraged the growth of Chinese investment.⁴⁵

As China recovered from the 4th June 1989 incident, Chinese companies and entrepreneurs began to find their way into Hong Kong in ever-greater numbers. They established companies or branches in Hong Kong, bought offices and residential properties and bought into Hong Kong companies or took them over outright. Following

⁴⁴ Henny Sender, "Cash Dispenser", *FEER*, 22nd October 1992, p. 26.

⁴⁵ Lin Tsong-piao, *Before and After 1997, Mainland-based Companies Play Political and Economic Role in Hong Kong and Its May be Affect to Taiwan* (Taipei: Mainland China Council, 1995), p. 12.

up this development, Deng Xiaoping made a 'southern tour' in the spring of 1992, the aim of which was to smash the economic conservatism of the central leadership by calling upon provincial officials and the people of China to throw themselves into business. As a result, there was a new influx of Chinese companies into Hong Kong.

As these new arrivals did not control any monopoly trade, they set their sights on the Hong Kong stock exchange, through which they hoped to raise funds for their investments in both China and Hong Kong. Instead of using the normal procedures for acceptance as newly listed companies, they preferred to adopt short-cut methods to acquire the needed status. The commonly used practice was to make an attractive financial offer to the management of a poorly performing public company, usually referred to as an inactive 'shell', in exchange for a controlling share of the company. By deducting the proportion of shares held by mainland-based companies in 1992-93, it can be shown that the Chinese 'shell' companies were able to raise a total of US\$ 1.84 billion through this newly developed source of funding in Hong Kong.⁴⁶

Between 1989 and 1991 over 4,000 mainland-based companies and organisations were doing business in Hong Kong.⁴⁷ Only 1,000, or about 25%, of the mainland businesses in Hong Kong were registered companies. At that time, the Hong Kong and Macao Affairs Office complained of management problems. Although the authorities had authorised some organisations to set up operations in Hong Kong, there were several

⁴⁶ *Hong Kong Property Review 1994* (Hong Kong: Government Printer, 1995), table 15.

⁴⁷ Xu Simin speeches at Chinese People's Political Consultative Committee sessions 1989.

1
others operating there without approval. As a result, each department was competing aggressively with the others, and disorder emerged.⁴⁸

Many Chinese organisations and companies had not registered their operations in Hong Kong with the Hong Kong government or the NCNA, in an attempt to avoid paying taxes in the territory and to avoid giving proper accounts of their businesses to Beijing. The Hong Kong government, however, usually preferred to leave the mainland-based enterprises alone for fear of offending Beijing's political sensitivities. In the case of enterprises with backing from senior Communist party officials, it was virtually impossible to obtain detailed accounts. Also, many of the illegal businesses were so-called 'brief-case' operations, this making any attempt to supervise their activities nearly impossible. Even worse, mainland executives in Hong Kong had become fiercely independent and expert at taking full advantage of the lack of co-operation between the Hong Kong and Chinese governments. This is because it was easy to set up a business in Hong Kong and hide the ownership of it through a 'nominee' company, meaning a company which was named as the majority shareholder rather than an individual. Alternatively, a mainland businessman could disguise his involvement by setting up a private company under the name of a local relative or friend.⁴⁹

As a result of the practices described above, all sorts of abuses became rampant, from bribery to the keeping of sketchy accounts. The authorities in Beijing were particularly

⁴⁸ Wu Peilun, *Woguo de zhengfu jigou gaige* [Organisational reform of our country's government] (Beijing: Jingji ribao chubanshe, 1990), p. 549.

⁴⁹ Ng Sek Hong & David G. Lethbridge, *The Business Environment in Hong Kong*, (3rd ed.) (Hong Kong: Oxford University Press, 1995) p. 155.

worried about the lack of accounting of state funds. Many of the companies preferred to use state-allocated foreign exchange in managers' personal accounts for overseas investments to ensure sufficient cash flows, the earnings of which were frequently hidden from the state. Meanwhile, Hong Kong businessmen complained bitterly of unfair competition from their mainland brethren. In response, China started a two-year investigation of mainland-based companies in Hong Kong, which resulted in the closure of several hundred financially ailing enterprises and the shuffling of personnel.⁵⁰

China's Investment in Hong Kong

According to the Hong Kong Census and Statistics Department, China was in 1996 the third largest source of overseas direct investment in Hong Kong after Japan and the United Kingdom, accounting for over 28% of Hong Kong's total overseas direct investment. At the end of 1995 China's cumulative direct investment in Hong Kong's manufacturing and non-manufacturing sectors were US\$ 435.1 million and US\$ 18.7 billion respectively in terms of total net asset value.⁵¹ Also, according to George Shen, China's investment in Hong Kong had taken a new turn. Mainland-based companies in Hong Kong were engaged in a wide range of activities, covering almost all walks of life:

⁵⁰ "Under the Carpet", *Far Eastern Economic Review*, 1st November 1991, p. 58.

⁵¹ *Hong Kong Census and Statistics Department Report 1996* (Hong Kong: Government Printer, 1997).

“A typical Hong Kong resident lives in a building built by materials imported from China or supplied by China-funded companies, wears clothes made partly or wholly in China, eats food supplied by farmers across the border who produce the food under contract with Hong Kong -based Chinese companies, invests in the stock market by buying some China-related shares, rides in a city bus operated by a company with Chinese capital and fuelled by Chinese petroleum, deposits money in one of the Bank of China Group’s banks, reads a China-run newspaper, goes to a movie produced in China and distributed by a China-funded local distributor, and takes a holiday by utilising the services of the China Travel Service or flies Cathy Pacific airlines. China’s investment has virtually become part and parcel of Hong Kong’s daily life.”⁵²

The best way to assess the scope of China’s investment in Hong Kong is to look at the activities of the mainland-based companies in Hong Kong in the 1990s. In June 1991 a Hong Kong Chinese Enterprises Association was formed by the China State Council and managed by the NCNA.⁵³ The Bank of China, China Resources, China Merchants, and China Travel Service jointly initiated the Association. According to China’s official estimate in 1996, there were over 1,800 mainland-backed enterprises registered in Hong

⁵² George Shen, “China’s Investment in Hong Kong,” *The Other Hong Kong Report 1993* (Hong Kong: The Chinese University Press, 1993), p. 427.

⁵³ Lin Tsong-piao, *Before and After 1997, Mainland-based Companies’ Political and Economic Role in Hong Kong and Their Possible Affect on Taiwan* (Taipei: Mainland China Council, 1995), p. 11.

Kong, employing over 53,000 employees and with an estimated total assets value of US\$ 42.5 billion. In June 1997 the total members of the Hong Kong Chinese Enterprises Association had reached 1,853.⁵⁴ Total investment grew from US\$ 6.5 billion in the mid-1980s to US\$ 10 billion by 1990, had doubled by 1992, and reached US\$ 25 billion in 1995. The association joined the Chinese General Chamber of Commerce as a group member and could then engage in politically significant lobbying of the Hong Kong government on behalf of China's Hong Kong policies. This was a major factor in the PRC's united front work.

China's official figure for combined assets - US\$ 43 billion - was, in fact, highly suspect. The Bank of China's share - reportedly half or around US\$ 21 billion - added to a conservative estimate of the Hong Kong assets of a handful of other large Chinese enterprises equals slightly more than two-thirds of the given total (29.5 billion). The other enterprises are China Resources, China Merchants, China Travel and CITIC Pacific. They have a combined asset base of about US\$ 17 billion. If we include the other 'officially approved' companies with combined assets of US\$ 13.5 billion, or an average of just US\$ 7.5 million each, the total comes to 51.5 billion. This is not to mention some very large corporations including Guangdong Enterprises and Shougang Holdings. And what of all those companies not on the official lists? Thus, the official figure must be on the low side.⁵⁵

⁵⁴ *Market Profile on Mainland China*, Hong Kong Trade Develop Council, 1st December 1997.

⁵⁵ Kim Eng, *The Rise of the Red Chips: Tomorrow's Corporate Giants*, (Hong Kong, 1996) p. 8.

The same questions concern total investment. The official figure says that approved mainland investment in Hong Kong doubled to reach US\$ 20 billion over 1991 and 1992, a period when the Chinese economy started to rise again after a recession caused by the government's heavy-handed response to high inflation in 1988-89. Then investment in Hong Kong supposedly increased by only another 25 per cent or just five billion US dollars over the next three years. On the basis of information from local chambers of commerce and foreign diplomats in Hong Kong, however, Kim Eng reckons that total PRC investment in the mid-1990s probably stood at around US\$ 50 billion to US\$ 60 billion, about double the official statistic.⁵⁶

The discrepancy in investment estimates may be due to firms not wanting Beijing to know the true size of their assets and investments. Kim Eng wrote in a 1996 report entitled "*The Rise of the Red Chips*" that, "Chinese firms probably have deposited tens of billions of dollars of undeclared profits or illegal funds in Hong Kong banks to avoid detection by central government investigation teams"⁵⁷

Hong Kong Investment in China

British Hong Kong was the largest foreign investor in China. Out of a total of US\$ 470 billion in 'contracted' foreign investment that the country attracted between 1979 and

⁵⁶ Kim Eng, *The Rise of the Red Chips*, p. 8.

⁵⁷ *Ibid.*, p. 8.

1996, Hong Kong committed US\$ 261.8 billion - 55.7 per cent.⁵⁸ 'Contracted investment' refers to money that has been promised through signed contracts, but not yet invested or 'utilised'. Over the same period as above, utilised capital amounted to almost US\$ 177 billion, of which Hong Kong supplied US\$ 99.3 billion or 56.1 per cent.⁵⁹ Total utilised investment is considerably smaller than the contracted sum since there is usually a time lag between the signing of a contract and payment of capital, or because an investment may be cancelled.

Strictly speaking, only some of the above investment went through Hong Kong. Investors from many places, for example Taiwan, Japan, South Korea, South-east Asia and America sometimes set up Hong Kong-based firms to invest in the PRC, either for the sake of anonymity or for other purposes. It is also known that some 'Hong Kong' investment is actually mainland Chinese money that has been moved out of China and then back in through Hong Kong, thus taking advantage of investment privileges offered to foreign firms.⁶⁰ Among the 283,000 overseas-funded projects registered in China by the end of 1996, 56.5 per cent were tied to Hong Kong investors.⁶¹

⁵⁸ *China Statistical Yearbook* (Beijing: China Statistical Publishing House, 1997)

⁵⁹ *Almanac of China's Foreign Economic Relations and Trade* (Beijing: China Economic Publishing House/Economic Information and Agency, 1996)

⁶⁰ Peregrine Brokerage, *China: worldly Ways* (a report published in 1995) p. 20.

⁶¹ *Market Profile on Mainland China*, Hong Kong Trade Statistics, Census & Statistics Department, 1998.

Hong Kong's contribution to China was originally predominantly in light industries such as textiles, electronics and toys, as well as property development, retail chains, transportation projects and public utilities. Hong Kong businessmen later extended the scope of their investment in China to other sectors such as hotels and tourist-related services, real estate, restaurants, and infrastructural facilities (ports, highways, power plants, etc.).⁶² Hong Kong investment rapidly expanded after China adopted the open door policy and economic reforms in 1978 with more than 100,000 enterprises involving Hong Kong interests registered in China by 1996. It is estimated by the Hong Kong Census & Statistics Department that by the end of October 1995 more than 97,300 Hong Kong residents were working on the mainland, predominantly in connection with manufacturing and exporting activities.⁶³

Hong Kong has also been Guangdong's largest source of external investment. Hong Kong's investment has been concentrated largely in this province with industrial investment predominating. At the take-over more than five million Chinese workers in Guangdong were working for Hong Kong companies, twelve times the size of the territory's own manufacturing workforce. At end-1996, the cumulative value of the territory's realised direct investment was estimated at US\$ 40 billion, accounting for about 80% of the total external direct investment there. Over 30,000 companies

⁶² Jamie Allen, *Seeing Red*, P.193.

⁶³ *Hong Kong Monthly Digest of Statistics*, published by the Census and Statistic Department of the Hong Kong Government, 1996.

involving Hong Kong interests were registered in Guangdong, representing also about 80% of the total.⁶⁴

Hong Kong also became a major funding centre for China. From the middle of 1993, shares were issued in Hong Kong's stock market by an increasing number of large state-owned enterprises in China. By end-June 1997, the shares of thirty-two large enterprises in China were listed on the Hong Kong Stock Exchange, raising a total equity capital of HK\$ 48.2 billion.⁶⁵

China and Hong Kong Trade Relations

Hong Kong's role as a first supplier of goods to China expanded markedly since 1978. The fact that domestic exports of producer goods outstripped those of consumer goods made Hong Kong's trade with China unique and reflected the increasingly important role of Hong Kong-based industrial operations on the Chinese mainland.

Hong Kong's overall imports, domestic exports and re-exports to China grew dramatically: from 1977 to 1997. In that period total imports of Hong Kong to China grew more than 1334-fold from HK\$ 456 *million* to HK\$ 608 *billion*; total domestic exports grew more than 1145-fold from HK\$ 54 *million* to HK\$ 63 *billion*; and total re-

⁶⁴ Census and Statistics Department and the Information Technology Department of the Hong Kong Trade Development Council, December 1997.

⁶⁵ Kim Eng, *The Rise of Red Chips*, p. 13-50.

exports grew more than 1490-fold from HK\$ 294 *million* to HK\$ 443 *billion*.⁶⁶ Hong Kong became China's most important trading partner, accounting for 32% of China's trade. According to the London *Financial Times* of 20th November 1992, the relationship with Hong Kong, in all its various ways, accounted for 18% of the value of China's GNP.⁶⁷

There is no doubt that the re-location of manufacturing operations from Hong Kong to the Chinese mainland was a catalyst in effecting remarkable structural changes in national income and employment within the constituent economies of China. At the same time, transferring industrial activities across the Shenzhen river resulted in a decline in manufacturing employment in Hong Kong in both absolute and relative terms. The industrial sector share of Hong Kong employment fell from 50% (1980) to 44% (1985) to a mere 36% (1991), whilst that of services rose from 48 to 54 to 63 per cent.

This trend intensified after the signing of the Sino-British Joint Declaration in 1984, when it became clear that Hong Kong would become part of China again in 1997. There was a dramatic slowdown in the aftermath of the Tiananmen incident, but as memories of the brutalities faded and as China's economy came out of recession toward the end of 1991, Hong Kong businessmen renewed their interest in China with enthusiasm, and huge amounts of money were poured into the mainland, creating a powerful group in Hong Kong with interests in the most positive possible relationship with the PRC.

⁶⁶ See Table 6-3.

⁶⁷ Pamela Baldinger, "The Birth of Greater China," *The China Business Review*, May -June 1992, pp. 13-17.

Table 6-1: Hong Kong -China Interactions

Hong Kong and Hong Kong firms
_handle 50% of China exports and 80% of Guangdong's imports and exports
_account for 2/3 of external investment in China
_employ an estimated 5 million China manufacturing employees
_provides an entry/exit point for 80% of China-bound tourists
_provide financial, legal, training and other services in China

Source: The Information Technology Department of the Hong Kong Trade Development Council, 1997.

Table 6-2: China--Hong Kong Interactions

1. China and China's firms	
_supply staples to Hong Kong	
_are the largest external investors in Hong Kong	
2. Shares of China interests in Hong Kong (1994)	
_foreign trade	22%
_bank deposits	23%
_insurance premiums	20%
_transport freight volume	25%
_construction	12%
_market capitalisation	4.5%

Source: The Information Technology Department of the Hong Kong Trade Development Council, 1997.

Table 6-3: The trade statistics between the PRC and Hong Kong from 1978-1997

Year	(Value in HKD '000)		
	Imports from China	Domestic exports to China	Re-exports to China
1978	10,549,769	81,166	214,356
1979	15,130,022	603,298	1,315,167
1980	21,948,228	1,605,176	4,641,756
1981	29,509,730	2,924,185	8,044,171
1982	32,934,938	3,806,311	7,992,026
1983	42,821,317	6,223,332	12,182,571
1984	55,753,079	11,283,469	28,064,082
1985	58,962,784	15,189,365	46,023,143
1986	81,632,643	18,022,281	40,893,602
1987	117,356,669	27,870,908	60,170,266
1988	155,633,526	38,043,009	94,895,113
1989	196,675,953	43,272,197	103,491,714
1990	236,133,725	47,469,590	110,907,940
1991	293,356,269	54,403,855	153,318,112
1992	354,347,627	61,958,736	212,105,352
1993	402,160,859	63,366,825	274,561,168
1994	470,876,410	61,009,197	322,835,156
1995	539,480,273	63,555,465	384,043,407
1996	570,442,485	61,620,169	417,752,080
1997	608,371,724	63,867,338	443,878,115

Source: The Trade Statistics Dissemination Section of the Census & and Statistics Department.

The PRC's United Front Tool – Favouritism

The boundary between the economic and commercial scene and the political scene has become less clear. For Hong Kong a new uncertainty was introduced with the Chinese announcement in 1992 that all agreements not endorsed by them would no longer be valid after 1997. Hong Kong business executives were puzzled by China's sweeping announcement that "contracts, leases and agreements" signed by the Hong Kong Government would not be honoured after 1997 unless they had been approved in advance by China. China claimed that it would establish a separate organisation responsible for approving the renewal of the existing franchise contracts straddling 1997. On 1st December 1992 a list of ten such contracts extending beyond 1997 was published in a pro-China newspaper, *Ta Kung Pao*. The list included Hong Kong Electric, China Light & Power, China Motor Bus, Kowloon Motor Bus, Hong Kong Air Cargo Terminal Services, the Hong Kong Telephone Company, International Telecom, Cross Harbour Tunnel, Eastern Harbour Crossing and City Bus.⁶⁸

Any businessman or company seeking to take on projects that straddled 1997 would have to look as much to China as Hong Kong to clarify where they might stand. The statement appeared to make explicit that Beijing was inextricably linking political and economic issues in its opposition to Chris Patten. With the British and Hong Kong authorities making it clear that there was no need for political convergence, economic convergence was also no longer applicable for China.⁶⁹ China's declaration quickly aroused uproar in Hong Kong population, who were shocked by China's unprecedented

⁶⁸ *Ta Kung Pao*, 1st December 1992.

⁶⁹ Tai Ming Cheung, *FEER*, 10th December 1992, p. 8.

move to threaten the stability of the economy. It was also widely speculated that, if a separate organisation were established to make independent approval to any contracts straddling 1997, China would in fact be creating another power centre, intended to challenge the legitimacy of the existing government.

There is little or no distinction between government and business in China. Most ministries and government departments have set up companies, including the State Council, the Ministry of Justice, the Ministry of Communications, and the Hong Kong and Macao Affairs Office. Stockbrokers have grumbled privately about what they perceived to be insider trading in Hong Kong by mainland companies. During the numerous disputes between China and Britain, brokers noticed China companies buying stocks immediately before a positive announcement by the two governments.

In 1993, a pro-China businessman named T.T. Tsui obtained permission from Premier Li Peng to set up a fund in Hong Kong that would invest in China. It was originally designed to be a \$25 million fund with twenty Hong Kong and ten mainland shareholders. However, when word got out that the project had been sanctioned at the highest levels of the Chinese government, everyone wanted to participate. The fund swelled to \$65 million with fifty-four shareholders. A new company, New China Hong Kong, was formed. Thirteen Chinese government companies took 32.5 per cent, thirty-nine Hong Kong investors took 55 per cent, and two Singapore firms controlled the remaining 12.5 per cent. The Hong Kong investors included some of the biggest names in the colony, including Li Ka Shing. Eleven of the China-backed companies belonged to Chinese national government bodies or ministries, including the State Council. The group was said to include a company called Beijing Hong Kong Development, which happened to be owned by the Hong Kong and Macao Affairs Office. Many business people were unhappy that the Chinese government body charged with overseeing.

Hong Kong policy would be competing with them in the market place. They feared that Beijing's Hong Kong Development participation would give New China Hong Kong's merchant banking arm a profound edge in the stock market. Lu Ping, director of the HKMAO, could move the market just by issuing statements.

Beijing and pro-China businessmen in Hong Kong were clearly to enjoy great advantages after 1997. This can be clearly seen in the make up of the Preparatory Committee, the body which would form a shadow government to oversee the transition. Of its 150 members, ninety-four were from Hong Kong, and of those, more than fifty had business backgrounds. Between them they controlled twenty-one-listed companies valued at US\$ 123 billion or 36 per cent of the territory's stock market capitalisation.⁷⁰ China wanted to encourage the Hong Kong businessmen to take over the affairs of Hong Kong after the hand-over. During the transfer period, Hong Kong Chinese businessmen were willing to do and say whatever Beijing commanded to gain entry into the circle of future power. Along with mainland companies in Hong Kong, pro-China businesses, and trade unions, they formed a unified bloc that would take orders from Chinese officials. They would obey China's directives and follow China's instructions, whether to support a major change in the Hong Kong government's policies, or to ignore a flagrant abuse of human rights.

⁷⁰ Ted Thomas & Nicole Turner, *What Will Happen in 1997?* (Hong Kong: Simon & Schuster Ltd., 1996), p. 58.

Summary - The Economic United Front

Hong Kong has played a unique role in China's modernisation. Hong Kong has been one of the main channels through which Western techniques, practices, ideas and laws have been transmitted to China. It has been the main source of China's foreign exchange. Without the varied and energetic activities of Hong Kong businessmen, China's rate of economic growth would have been much slower. However, Hong Kong's economic development has been powerfully supported by China, which has offered cheap labour, cheap raw materials and low rentals. The relationship has been beneficial to both sides.

In the 1980s China became Hong Kong's biggest trading partner and a large market for Hong Kong's consumer goods. In the 1990s, imports and exports between China and Hong Kong further increased. Hong Kong and China became each other's biggest trading partners. Hong Kong's role toward China has been that of a financier, a trading partner and a facilitator. This demonstrates that the socialist China and capitalist Hong Kong's economies have become more and more interdependent.

This growing interdependence created a powerful constituency of business, financial and legal interests who could be exploited by Beijing to support its case in the take over of the colony. There is little or no distinction between government and business in the PRC. Most ministries and government departments have set up their own companies. China wanted to join the Hong Kong businessmen in a joint take over the affairs of Hong Kong. Conversely, Hong Kong businesses, banks, legal and other service firms also wanted their interests in Mainland China confirmed and extended. Beijing and pro-China businessmen in Hong Kong therefore shared powerful common interests and used these as the basis for their formidable united front that carried a business dominated Hong Kong SAR into the Peoples Republic of China in 1997.

CHAPTER SEVEN: MOBILISING THE MASSES: CREATING A UNITED FRONT IN HONG KONG SOCIETY

Introduction

In 1984, Deng Xiaoping called for the creation of a united front in Hong Kong, once the sovereignty issue had been settled. He said that “if we do not settle the concrete issues, there will just be a hollow shell. It is certain that a heavy burden will be left to the Hong Kong people and to the Chinese Hong Kong government in the future. So the key lies in participation.”¹

It was necessary to unite and win over civil servants in the Hong Kong Government and actively select and train the right personnel for governing Hong Kong so that they could be appointed to the leading posts in the future Special Administrative Region government. At the same time, the PRC tried extensively to mobilize the “patriotic masses” in the elections. They were to be guided to act in keeping with the policies of the central leadership. The PRC also tried to build up extensive social connections and establish a good and popular image among the local masses, thus enabling them to understand and accept what the PRC was doing.²

¹ Jamie Allen, *Seeing Red: China's Uncompromising Take-over of Hong Kong* (B. H. Asia, 1997) p. 69.

² *Ibid.*, p. 14-15.

This chapter will examine how was the PRC used united front work cultivating each party and group and, political and economic figure in Hong Kong. Also, it will examine the PRC's united front work in Hong Kong and how it isolated the democratic movement in Hong Kong.

Building a United Front Alliance in Hong Kong

Deng Xiaoping set a new united front objective for Hong Kong, which was quite different from that in Mainland China. Its aim was the maintenance of capitalism, not the creation of socialism. Deng did not ask Hong Kong patriots to “support socialism, and support the Communist lead,” but “to love the motherland and Hong Kong.”³

Creating such a front was not easy. After the disturbances of the 1960s many Hong Kong people were afraid of the NCNA and China's organisations in Hong Kong. They were afraid to go into Chinese state-run Department store. Some people would even make a detour to avoid going too close. Moreover, the NCNA's staff had their status kept secret from the outside, the people being hostile towards them and calling them “tso-tsai” (or left-wing) behind their backs.⁴ The PRC was not successful in united front work in Hong Kong before 1983.

Therefore, when in 1982 China and Britain started negotiations, the PRC's influence was weak in Hong Kong. But after Xu Jiatun became the NCNA's Director in 1983,

³ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 122.

⁴ *Ibid.*, vol. 1, p. 40.

Beijing's influence on every aspect of Hong Kong life grew. Xu used a united-front effort to make friends and gain influence in literary, art, education, and media circles. The aim of the united front was to make anti-Communists sympathetic to and less critical of, Beijing's policies and ultimately support the reunification of China. In this aim, China was remarkably successful. This was partly due to Deng's economic reform policies which Beijing instituted countrywide in China and which gave Hong Kong people hope that their own free-enterprise economic system could survive under Chinese rule. As 1997 approached, more and more of the Hong Kong commercial elite were willing to co-operate with the PRC or to protect and expand its substantial investments, and some made every effort to befriend their future masters.⁵

Xu Jiatun's Hard United Front Work

In 1983 Xu Jiatun followed Deng's guide that cadres doing united front work in Hong Kong should "dare to become right-wingers and spies" and "dare to have social contact" and make friends with right-wingers.⁶ Xu was determined to create a new situation and adopt a more Hong Kong-oriented approach to change the PRC's image in Hong Kong. He began by holding informal meetings with leading figures in the business community and the British political establishment, including Sir S. Y. Chung, an industrialist who became senior Executive Councillor in the 1980s; Lydia (later

⁵ *South China Morning Post*, 1st August 1985. P. 30.

⁶ Quoted in *Xu Jiatun Xianggang Huiyilu*, vol. 1, p. 122, and so-called right-wingers who were friendly with Britain, the United States, and Taiwan.

Baroness) Dunn, a Chinese member of the board of the British company, Swire, and an Executive Councillor; and Lee Quo Wei, the then Chairman of the Hang Seng Bank, the principal local subsidiary of the Hong Kong bank. Xu said: "I thought that if I could set up regular and direct contact with them, I could understand the ideas of people friendly with the English and also of the Hong Kong British government itself."⁷

During his six-and-a-half years as the NCNA Director, Xu cultivated an extensive network of contacts, particularly among businessmen and the media. They established good relationships with elite of the Hong Kong community, particularly in the business and professional groups. Leading Hong Kong business leaders like Sir Pao Yue Kong (who died in 1991), Ann Tse Kai, Li Ka Sheng and Gordon Wu were distinguished friends of Beijing. Business magnates like Fok Ying Tung, well-known professionals like the lawyer Lin Yiu Chu, and the president of the independent newspaper *Ching Pao*, Xu Ximin, were Hong Kong deputies to the NPC or members of the CPPCC. Most were members of the BLDC, and Ann Tse Kai and Sir Pao Yue Kong were the vice-chairs.

Xu worked tirelessly for the Chinese government. Unlike some Communist cadres, he was not afraid to confront unpalatable issues. He listened patiently and explained the CCP line, couching his answers in the most diplomatic and reasonable terms, to win the hearts and minds of Hong Kong compatriots, many of who were deeply anti-Communist and suspicious of Beijing.⁸ He dropped the Communist dogma and became a smooth-

⁷ Xu Jiatusun, *Xu Jiatusun Xianggang Huiyilu* (Hong Kong: Hong Kong United Daily, 1993), Part 1, p. 122.

⁸ *South China Morning Post*, 1st August 1985. P. 30.

talking, seasoned diplomat. He was sought after assiduously by companies eager to show their willingness to co-operate with China, by pressure groups looking to boost their credibility and influence, by politicians anxious about their post-1997 careers, and by journalists keen to know Beijing's views on the latest events. He seemed at times to be everywhere. He became a regular fixture in newspapers and on the nightly news. There were pictures of him cuddling babies in a working-class home, toasting tycoons at a cocktail Party, shaking hands with movie stars at film openings, and shovelling a spadeful of soil at the topping-out ceremony for the colony's latest skyscraper-his face always scrunched into a broad smile. In fact, Xu dined nearly every night with bankers and businessmen, relaying Beijing's message that there was no need to worry, that there would be only minimal change after China recovered sovereignty and that China really wanted Hong Kong's capitalist system to continue. In this climate, Xu's efforts to increase China's influence in Hong Kong's politics, economy, and society, were very effective.⁹ The hard work showed China as a power that could be a challenge to the British Hong Kong government.

Not only did he win over critical and hostile academics, businessmen and professionals, but Xu also won the heart-felt praise of many anti-Communist publishers and editors, and gained popularity among local reporters. During his time in Hong Kong, he sought to transform the NCNA's image from that of a group of secretive and reclusive cadres

⁹ Ibid.

to one of an open official body.¹⁰ The effort seems to have paid off, as the NCNA's top staff became sought-after Party guests in Hong Kong. They also held their own cocktail parties and dinners,¹¹ which helped the NCNA to dispel some of the community's fear of the Communists.

Therefore, during the transition period, PRC officials developed a fairly systematic and widespread liaison network with different groups in Hong Kong, through a series of united front strategies. Through various social and economic connections, Chinese officials were gradually extending their informal influence, over the opinions of various groups of Hong Kong people. Through such connections, Chinese officials also hoped to develop a significant group of supporters in Hong Kong, who would emerge as a dominant group of political actors before and beyond 1997.

A number of features characterized Communist united front work with Hong Kong's pro-China elite in the immediate pre-transfer period:

- First, figures from the industrial and commercial circles accounted for a considerable proportion. The Chinese side attached great importance to those who had contributed to Hong Kong's economic development and China also sought their co-operation in order to maintain Hong Kong's economic stability and prosperity.

¹⁰ Xu Jiatur, *Xu Jiatur Xianggang Huiyilu*, p. 45-46.

¹¹ According to Xu Jiatur, he attended this kind of Party about 500 times per year, see *Xu Jiatur Xianggang Huiyilu*, p. 45.

- Second, the number of figures from professional and academic circles increased markedly. Among the scholars and experts appointed there were figures who had frequently expressed their views on political and social development. Through their help, China could penetrate various influential circles

- Third, the number of figures from the social grassroots levels increased. These people could “voice the demands of the masses” at the basic levels. Most of them were local small group leaders, and China wanted to use them to mobilise local people to give her support. This was an essential factor for maintaining Hong Kong’s social stability.

- Fourth, the cultivation of former senior Hong Kong government officials indicated that the Chinese side had taken care to enlist the assistance of figures who were familiar with the current government framework and had attached great importance to the stability of the ranks of public servants. David Akers-Jones, former Chief Secretary and Acting Governor; Chan Was Hee, former Secretary of the Correctional Service; and Wong Ying Wai, former Secretary for the Civil Service, offered valuable views on maintaining Hong Kong’s political stability and smooth transition.

- Fifth, China also appointed non-Chinese inhabitants who had resided in Hong Kong for a long time. For example, Hari Harilela an Indian industrialist.

China wanted to gain support from all sides. Flanked by a growing contingent of friendly pro-China elite, the Chinese officials would find themselves in a more comfortable and secure environment. This, however, could also mean that they were in greater danger of being even more insulated from real popular sentiment on the streets.

The NPC and the CPPCC delegates were China's equivalent of Hong Kong's unofficial (non-civil servant) nominated members of the Executive and Legislative councils. The NPC and CPPCC delegates were appointed by the PRC's government and were not accountable to the public. They seldom challenged the official line and were regarded as a rubber stamp for government policies. This was partly due to the fear of not being re-appointed. They had no mandate from the people and were sometimes labelled uncharitably as tokens of consultative government.

Hong Kong delegates to the NPC were nominated by the Guangdong Provincial Peoples' Congress, since the Chinese government could not officially select delegates in British-administered Hong Kong. The NPC delegates were, by definition, China's legislators. They included left-wing people from Hong Kong's major functional sectors: banking, business and commerce, education, the trade unions and the media, as well as other professionals.¹² All were thoroughly loyal and reliable supporters of the Beijing

¹² Chen Tianquan, "Almost Half of Hong Kong's New Deputies to the NPC Have a Pro-China Background," *Shijie Ribao*, 2nd February 1993.

government. They were described as bureaucratic and obedient, and were sometimes seen as China's yes-men.

To Beijing, the NPC delegates were all "tried and trusted comrades", but the same is not true of the CPPCC delegates, many of whom did not have a "patriotic" background. By its very nature, the CPPCC was a "patriotic-united front organisation" aimed at making friends and winning influence to further the cause of reunification. The CPPCC was formed in 1949 to declare the founding of the People's Republic of China. For the next five years it acted as the provisional legislature until the NPC was formed in 1954. Since then, the CPPCC concentrated on its united-front role. During the Sino-British negotiations in 1983, Beijing appointed twenty-seven Hong Kong and Macao delegates additional to the original twenty. Many of them were prominent capitalists, academics and professionals. As events later proved, they did their best to sell the Sino-British Joint Declaration to people in Hong Kong, so Beijing's objective was met.¹³

After the Sino-British conflict over Hong Kong, Governor Chris Patten's reforms began in 1992. The Chinese authorities increased the number of Hong Kong's deputies to the eighth NPC and eighth CPPCC in February 1993. In the new NPC, Hong Kong members were increased in number to twenty-eight from the former eighteen. Thirteen of them were new members, and most of these were recruited from pro-Beijing political groups. For instance, four were members of the Democratic Alliance for the Betterment

¹³ *Far Eastern Economic Review*, 1st August 1985.

of Hong Kong (DABHK), and three were from the New Hong Kong Alliance.¹⁴ In the new CPPCC, Hong Kong's deputies were increased to seventy-nine from the former fifty-nine. Of the seventy-nine, thirteen were Beijing's advisers on Hong Kong affairs. The new CPPCC also recruited influential figures from pro-China political groups, such as Tsang Yoksing, President of the DABHK, and Hu Fa Guang, President of the Association of Freedom and Democracy. A large number of CPPCC members were leading Hong Kong investors on the mainland. Some serving members of the Exco and Legco were recruited as CPPCC members.¹⁵ At the first session of the eighth CPPCC held in March 1993, Ann Tse Kai and Fok Ying Tung, as well as Ma Man Kei, chair of the Chinese General Chamber of Commerce of Macao, were elected as Vice-chairs of the CPPCC, the first time that Hong Kong and Macao deputies had held such important posts. This demonstrated that China had further expanded its political connections with those leaders of the Hong Kong community who were expected to play an important role in the transfer of Hong Kong sovereignty.

Some NPC and CPPCC delegates in Hong Kong were to adopt a higher profile and even attempted to represent the Hong Kong people. Some in Hong Kong befriended them so as to be on the right side politically. Given their vested interest and their desire not to

¹⁴ *Shijie Ribao*, 2nd February 1993, almost half of Hong Kong's new deputies to the NPC had a pro-China background.

¹⁵ *Shijie Ribao*, 20th February 1993.

upset Beijing, it is unlikely that many Hong Kong people regarded them as their true representatives.¹⁶

As described in Chapter 3, during the five years of the Basic Law discussions period, China appointed twenty three Hong Kong members to the drafting committee and 180 members to the consultative committee. Such connections were temporarily disrupted by the 1989 Tiananmen Incident in Beijing. China soon re-established friendly relations with these local pro-China groups or individuals, with the latter declaring their loyalty to the PRC and expressing a sense of patriotism towards the mother country.¹⁷

In addition to identifying individuals and mobilizing them to speak out in support of the PRC's policies after 1989, the PRC had actively supported the creation of a dense network of grass-roots organizations for the same purposes. These organizations were based on geographic regions, broad social categories such as youth or women, or occupation groups. The network of "associations of people from various circles," set up in 1991 in most urban regions of Hong Kong and Kowloon, was an example. The PRC encouraged similar support groups in the New Territories, such as the New Territories Association of Societies, estimated to have 60,000 members.¹⁸ A traditional source

¹⁶ *South China Morning Post*, 1st August 1985.

¹⁷ *Hong Kong Standard*, 19th June 1990.

¹⁸ *South China Morning Post*, 30th June 1991.

of support was the 175,000 strong Hong Kong Federation of Trade Unions (HKFTU).¹⁹ The HKFTU supported the PRC endorsed candidates during the 1991 Legco elections. Finally, united front work among intellectuals was centred in the “One-Country-Two-Systems Economic Research Centre,” an organization that brought together many of those who were active in the Basic Law consultative process.

Lu Ping, director of the Hong Kong and Macao Affairs Office, openly urged the territory’s pro-Beijing bodies to organize themselves into political parties to gear up for the 1995 elections.²⁰ By July 1992, a new organization called the Democratic Alliance for the Betterment of Hong Kong (DABHK) was established, which consisted of a CPPCC delegate, Tsang Yoksing, the Federation of Trade Unions (FTU) members (Tam Yiu Chung, Chan Yuen Han) and a leftist school teacher, Cheng Kai Nam.

Beijing gradually gained the upper hand in the battle to win Hong Kong local community leaders over to its side in the countdown to the hand-over. In January 1995 China announced the establishment of an Overseas Chinese Friendship Association, under the auspices of the United Front Work Department of the Central Committee of the Chinese Communist Party. According to Wang Zhaoguo, who headed the Department, the new set-up was meant to, among other things, ensure a

¹⁹ *Hong Kong Standard*, 29th April 1991, *South China Morning Post*, 9th June 1991.

²⁰ *South China Morning Post*, 14th March 1992.

smooth transition for Hong Kong by gearing up contacts and exchanges with compatriots in the territory. The rapid emergence and growth of local community forces supportive of China became “a silent revolution” in Hong Kong.²¹

Meanwhile, Chinese officials conferred honorary titles on 263 of the Hong Kong social elite.²² The local Branch of the NCNA named the first 274 District Affairs Advisers on 4th March 1994 and later a second batch, boosting the tally to 537.²³ Following the appointments, China’s pool of different classes of advisers in Hong Kong ‘mushroomed’ to close to 800. In addition to the District Affairs Advisers, there were twenty-eight members of the NPC, fifty-six delegates to the CPPCC, and thirty Hong Kong members on the Preliminary Working Committee²⁴ which on 12th May 1994 was expanded by thirteen members (eight from Hong Kong and five from China). The State Council’s Hong Kong and Macao Affairs Office also closed ranks with the local NCNA Branch in nominating a total of 186 Hong Kong Affairs Advisers (these 186 Beijing-appointed Hong Kong Advisers were chosen in four batches in March 1992, March

²¹ This name, ‘A Silent Revolution’ is taken from Sonny Lo Shiu-hing & Donald Hugh McMillen, “A Profile of the ‘Pro-China Hong Kong Elite’: Images and Perceptions”, In *Issues & Studies*, Vol. 31 No. 6, (June 1995), pp. 98.

²² *Eastern Express*, 10th January 1995; *Hong Kong Standard*, 25th January 1995.

²³ *South China Morning Post*, 8th March 1994.

²⁴ *South China Morning Post*, 22nd January 1994.

1993, April 1994, and April 1995), and fifty Hong Kong members of the Preparatory Committee.²⁵

As Lau Siu Kai, Associate Director of the Asian-Pacific Research Institute of Hong Kong Chinese University, pointed out, China's appointed local advisers had more functions than only consulting the people of Hong Kong; the local consultants would help improve understanding and co-operation between Beijing and Hong Kong and would unite Hong Kong's pro-Beijing elite. The advisers would work more efficiently for China in the local community because they had official standing.²⁶

Among these dignitaries, a few were Chinese officials deployed in Hong Kong, such as the local Director of the NCNA, Zhou Nan, and his assistant, Li Waiting. There were also people like Fok Ying Tung, who held all or most of the above advisory positions. Still more, there was a host of local delegates to the various official assemblies at the provincial and county levels. If these are included, the total number of China's Advisers in Hong Kong easily exceeded 1,000.²⁷ Those who had been left out could set their eyes on the Preparatory Committee for the SAR, the 400-member Selection Committee

²⁵ *Wen Wei Pao*, 27th January 1996.

²⁶ Wei Yanan and Huang Jichang, "Fanying Gefang Yiyuan, Kuoda Zhijie Goutong" [Reflect All_circles 'Will and Increase Decirect Communications], *Renmin Ribao*: Haiwai Ban, 13th March 1992.

²⁷ *South China Morning Post*, 12th January 1995.

for the first Chief Executive, the Provisional Legislative Council, and the Basic Law Committee, all created between 1996 and 1997.

Many of the remaining District Affairs Advisers were either businessmen or professionals who had not been playing an active role in the government's advisory mechanism. Those who were active were primarily so in their dual capacity as District Board members. Many of the best brains in public service were not recruited by the Chinese authorities, simply because of their liberal political outlook. When the list of Advisers was released, even experienced journalists conceded that more than half the names were unfamiliar to them. None of those affiliated to the Democratic Party had been included, although it had been consistently ranked as the most popular Party.²⁸

In a further attempt to befriend people in literary, artistic and cultural circles, the Hong Kong Institute for the Promotion of Chinese Culture was set up in April 1985, sponsored by Fok Ying Tung. The institute had an annual recurrent expenditure of HK\$ 3 million (US\$ 384,615), excluding special projects. One of the Institute's founding members was Mao Junnian of the NCNA.²⁹

²⁸ *South China Morning Post*, 12th January 1995.

²⁹ Emily Lau and Louise do Rosario, "Making Friends on the Media and Cultural Fronts," *Far Eastern Economic Review*, 1st August 1985, p. 30.

The Institute conceded that it was part of the united-front campaign. By organising and funding literary and artistic projects, it hoped to be able to bring together Chinese of different political persuasions and influence the views of those who were hostile to Beijing. In Hong Kong, where there is very little money available for cultural activities, many artists and writers leapt at the chance to receive funding from the Institute.

To foster close co-operation and understanding between China and Hong Kong, thousands of study tours were arranged for local academics and student bodies to visit China, and for similar return visits. In the local education system the Chinese influence had been very small. There were only about 5,000 students in so-called left-wing primary and secondary schools, which were not subsidised by the Hong Kong government.

However, a different kind of cultural conflict occurred between the mainland Communist Chinese and Hong Kong capitalist Chinese. With the growing influx of the former, the cultural landscape of Hong Kong was changing dramatically. Many Mainland Chinese found it difficult to assimilate, even though they might be successful in their careers and belong to high-income brackets. They often encountered discrimination from local Chinese because they either could not speak Cantonese or because they spoke it with a non-native accent. Hong Kong Chinese, on the other hand, complained that their mainland “cousins” were unsophisticated and lacked fashion

sense. But there appears to have been one common criticism among them: each group accused the other of being materialistic.³⁰

Building an anti-Patten United Front

When Governor Patten announced his policy of political reform, the PRC's strategy was to use a united front of Hong Kong business leaders and British Parliamentarians and officials to argue that "Patten's departure was a prerequisite for the restoration of normal relations". Vincent Lo, the President of the Business and Professionals Federation of Hong Kong (BPF), became the first business leader to voice such views in November 1992. The BPF's Executive Committee agreed a draft paper urging the governor to return to the status quo ante. In the same month, the former governor Lord MacLehose made a speech in the Upper House at Westminster. He indicated that the reforms Patten had proposed would be "quite valueless" to the people of Hong Kong unless they could be carried through 1997.³¹ In the House of Commons, the most prominent among the 'friends of China' was the former Prime Minister Sir Edward Heath, who supported the PRC's position. Lord David Wilson and Sir Alan Donald, who had preceded Sir Robin McLaren as ambassador to China, were also hostile to Patten. They were not only supported by the PRC but by the Foreign Office community of sinologists. The problems between the Foreign Office and Patten drew comment in *The Times*:

³⁰ Cheng Yewmeng, "Culture and Lifestyles," *The Other Hong Kong Report 1996*, p. 480.

³¹ Jonathan Dimbleby, *The Last Governor*, P. 158.

“Many of them [those named above] echo Peking’s (Beijing’s) complaints that Mr Patten should have asked China’s permission before lifting a finger...the real fear of these former architects of China policy is that the pusillanimous character of the advice they have been giving ministers for years will be exposed if he succeeds...Where Hong Kong is concerned, the old China hands have not exactly covered Britain in glory. They could usefully refrain from carping in the wings”.³²

At the same time, the PRC warned the business community: “Unless you denounce Patten and all his works, you’ll have great difficulty in getting this or that franchise after 1997. You’ll have great difficulty doing business in Guangdong.”³³ Meanwhile, the PRC’s mouthpiece, *The People’s Daily*, had warned business people, “Those who support Patten’s proposals are helping to wreak chaos and disaster on the people of Hong Kong... Creating chaos will not only bring calamity to the people of Hong Kong but will harm the interests of investors of every nationality.”³⁴ In this situation Mike Hanson, Patten’s private secretary, confided in December 1992: “They (the PRC) really gave us hell last week. They put immense pressure on the business community, from brutal threats to gentle persuasion. They panicked the business community, they panicked the Stock Exchange, they panicked a good proportion of the public and a fair

³² *The Times*, 20th November 1992.

³³ Jonathan Dimpleby, *The Last Governor*, P. 159.

³⁴ *Renmin Ribao*, 30th November 1992.

proportion of the civil service.”³⁵ In fact, at that time, Hong Kong and British businessmen were concerned about losing markets in China and that the political reforms would ruin the Hong Kong economy.

Moreover, Sir David Akers-Jones, a former chief secretary and now chairman of the Hong Kong Housing Authority, chose to join Vincent Lo in publicly endorsing the BPF’s criticism of Patten. Even worse, the chief secretary, Sir David Ford, reported that the civil services were not supporting the governor. They asked, “Why on earth are you leading us into a battle we can’t possibly win? You’re prepared to make yourself heroes and save your own consciences, but it is we that are going to be here after 1997.”³⁶

In December 1993, Foreign Secretary Douglas Hurd formally announced that the Sino-British talks had collapsed. The former Labour Prime Minister, James Callaghan said: “The Government have got themselves into a cul-de-sac. And the cul-de-sac is that they cannot now satisfy the people of Hong Kong and we are endangering our long-term relations with China.”³⁷ By the end of 1993 most British investors in China had denounced Patten’s policies for Hong Kong. Sir William Purves, the chairman of the Hong Kong and Shanghai Bank, had come to Governor’s House to threaten Patten that if he did not change course, he would face dire consequences. He told the governor: “The Prime Minister is in very considerable political difficulty, a very weak position.

³⁵ Jonathan Dimpleby, *The Last Governor*, P. 166.

³⁶ *Ibid.*, P. 169.

³⁷ *Ibid.*, p. 210.

I'm thinking of taking along a lot of businessmen to see him to tell him he has to change his policy on Hong Kong and China. You'd better understand that."³⁸ On another occasion, the chairman of Shell made similar threats.

Even Patten's former colleagues did not support him. Lord Prior, a former Conservative government Cabinet minister, accused Patten of a "disconcerting" lack of perspective and an embarrassing ignorance of the territory.³⁹ Lord Young, the chairman of Cable and Wireless, liked to regard himself as an old friend of China. He saw Patten's reforms in Hong Kong as not only threatening his own company's interests, but promising to cause unnecessary damage to Britain's trading prospects with China.⁴⁰ Hong Kong and British businessmen were clearly most concerned that Patten's reforms would harm their long-term economic welfare. The political interests of the Hong Kong population were clearly a secondary matter to them.

Isolating the Enemy--Hong Kong's Democratic Party

During the 1980s, the PRC's approach to united front work in Hong Kong was more embracing and flexible. Xu Jiatun's quote on the need to "dare to become a rightist" implied working with traditional political, as well as economic, opponents. Nor could

³⁸ Ibid., p. 226.

³⁹ Ibid., p. 226-228.

⁴⁰ Ibid., p. 229-230.

Deng's criteria of patriotism be used against the Hong Kong democrats, since none were even remotely anti-patriotic. In fact, in the early part of that decade some nascent pro-democracy groups which supported Hong Kong's return to China were criticized by others in the colony as being too pro-China. But June 1989 turned day into night, and hardened attitudes as much within Hong Kong's democratic camp as in Beijing.

The democracy movement in China, culminating in the 4th June 1989 military action in Beijing and the subsequent nation-wide crackdown on political dissidents, cast a giant shadow over the future of Hong Kong. The people had undergone a political awakening and were ready for a quicker pace towards democracy. Therefore, Hong Kong people organised the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China, which was formed to give moral and material support to the democratic movement on the mainland. Szeto Wah and Martin Lee were Chairman and Vice-chairman of the Alliance. Martin Lee was a barrister who had trained in Britain and spent most of his career in the courts before plunging into politics in the 1980s. Szeto Wah was a Hong Kong-educated teacher, known for organising strikes and protests against the government.

An editorial of Hong Kong's newspaper, *Xin Pao*, stated: "In supporting the Beijing students' movement, the people of Hong Kong had identified themselves completely with it," and the recent marches "have reflected the Hong Kong people's yearning for

liberal-democracy -- both for China and for Hong Kong.”⁴¹ On the other hand, the support in Hong Kong for Chinese activists reinforced the view of the Chinese leadership that the resumption of sovereignty over Hong Kong must entail control over it, lest it serve as a base for subversion.⁴² It was difficult for most Hong Kong people to accept that the PRC government could represent their support for the ‘democracy movement’ as subversive.⁴³ In July 1989 Beijing launched a blistering attack on the two leading figures of the pro-democracy movement, Martin Lee and Szeto Wah. It accused them of trying to subvert the Chinese Government. Beijing’s repeated condemnation of the Alliance undoubtedly intimidated many in Hong Kong, and culminated in October with the NPC Standing Committee deciding to suspend Lee and Szeto from the BLDC indefinitely for engaging in subversive activities.⁴⁴ The PRC even asked the British government to proscribe the Alliance, but the latter politely refused on the grounds that there was no legal basis for such an action.⁴⁵

⁴¹ *Xin Pao* (Hong Kong Economic Journal) 5th June 1989.

⁴² Chen Xitong, “Report on Quelling the turmoil and counter-revolutionary rebellion,” *Renmin Ribao*, 10th July 1989.

⁴³ *Pai Shing*, 1st July 1985, p. 51.

⁴⁴ *Renmin Ribao*, 21st July 1989.

⁴⁵ Xu Jiatun, *Xu Jiatun Xianggang Huiyilu*, vol. 2, p. 395.

To maintain the Hong Kong democratic movement, in 1990 Martin Lee and Szeto Wah joined forces to found the colony's first political party, the United Democrats of Hong Kong (UDHK). The Party's members were united in their concern over what they saw as Beijing's retraction of its promise to keep Hong Kong's freedoms after 1997. In 1994 the Democratic Party was formed when Meeting Point and the UDHK merged together. The new Party's platform was simple - to press Beijing into keeping its commitment to let Hong Kong people govern the city themselves after 1997. It also promised to fight for grass-roots concerns such as better public housing and more social-welfare assistance. The party attracted a broad following of workers and professionals, mostly in the lower and middle-income groups, who were fearful for their future under Chinese rule. When Anthony Cheung, Chairman of Meeting Point, joined the Democratic Party, his invitation to become an adviser on Hong Kong's affairs was rescinded by the PRC immediately.⁴⁶

The Democratic Party supported the democratic movement in three ways. First, they maintained that democratic development was essential to further economic growth in Hong Kong. A fair and open democratic system was thought to be able to balance and to protect the interests of different sectors. Second, they believed that Hong Kong citizens had aspirations toward democracy. Having a high political and social consciousness, Hong Kong citizens were thought to be unwilling to be controlled by a privileged elite. And third, they insisted on democratisation in Hong Kong, both to

⁴⁶ Albert Chan, 'China said wooing HK Democrats over future chief', *Reuters*, 1st August 1996.

actualise “Hong Kong people ruling Hong Kong” on the one hand and to achieve a genuine “high degree of autonomy”.⁴⁷

However, a major obstacle facing the Democratic Party was that China refused to recognise its legitimacy. Beijing had accused its leaders of using Hong Kong as a base from which to destabilise the Communist regime. The Chinese leadership had been especially angered by the Democrats’ sympathy for political dissidents on the mainland. Lee, Szeto and other party members were known to have been outspoken in their support for China’s pro-democracy student movement before it was crushed in June 1989.

There were few signs of a rapprochement between Beijing and the Party before transition. Chinese officials continued to brand Lee and Szeto as “anti-revolutionaries.” However, the Democrats said that they would not stop reminding China of the need to respect human rights and promote democracy after 1997. China continued with its efforts to undermine the Democrats. Beijing knew that the majority of Hong Kong people would prefer to remain under British rule. It therefore had to court support and rely on the few top-level people who favoured the Chinese take-over. In the Chinese view, community leaders in Hong Kong had to accept that the Communist Party had the right to run Hong Kong as it saw fit. Those who did not accept this view were labelled

⁴⁷ Speech made by Mr. Cheung Man-kwong in the Legislative Council debate on the constitutional package on 12th November 1992.

“unpatriotic” and were ostracised. Those who conformed were hailed as “patriots” and were rewarded with all the benefits that being part of the power elite conferred. This was the essence of Beijing’s united front strategy.

Although China’s united front work had been successful, and Beijing could manipulate the business community, the grassroots sector and professionals and unionists, it could not tell the people of Hong Kong how to vote, and most Hong Kong people had shown that they preferred a democratic system. The results of the 1991 and 1995 direct elections of members of the Legislative Council indicated that Hong Kong citizens preferred candidates from democratic parties. On 15th September 1991 Hong Kong voters expressed dissent at the ballot box in the colony’s first direct elections to the lawmaking Legislative Council (Legco). Out of fifty-four candidates contesting eighteen available seats, twelve seats went to the United Democrats of Hong Kong (UDHK), who failed to place only two of their candidates.⁴⁸ The top vote-winners were Martin Lee, Szeto Wah and Lau Chin Shek, all critics of the government and leaders of the Hong Kong Alliance in support of patriotic democratic movements in China. Most of the other successful candidates were either members of liberal political groups allied with the UDHK, or independents with similarly strong views on democracy and human rights. Only one seat was gained by a conservative candidate.

⁴⁸ Stacy Mosher, “Selective Suffrage: Electoral System Remains Firmly Titled in Favour of Vested Interest,” *FEER*, 29th August 1991, p. 16-18.

The 1995 Legco elections were the first in which all sixty seats were open to the polls. The result was that the so-called China camp, led by the DABHK, won only sixteen seats in the sixty-member Legco. The pro-democracy parties, led by the Democratic Party, won twenty-six seats, and were assured of enough support from other sympathetic councillors to be able to dictate terms in the House. Of the eighteen moderate members not in either of the two camps, ten belonged to the pro-business Liberal Party.⁴⁹ DABHK candidates, unable to shake off their image as agents of Beijing, suffered heavy setbacks in their first election since the Party's formation in 1992.

The results underlined that Hong Kong citizens did not want Chinese Communism in Hong Kong and lacked confidence in China. They were willing to support democratic parties against Chinese pressure. They would vote for those who they believed would protect their interests and would fight China to maintain their freedom. Unfortunately, in the situation of transition, China had the power to control everything in Hong Kong and refused to accept any different opinion. Hong Kong citizens were alienated against China's suppression of democracy and autonomy while China was distrustful of Hong Kong's aspirations for achieving them.

⁴⁹ Frank Ching, "From the Joint Declaration to the Basic Law," *The Other Hong Kong Report 1996*, p. 38-39.

There are a number of reasons why China would be opposed to democracy in Hong Kong.⁵⁰ First, democratisation could lead to a transfer of power to political groups which were pro-Britain, hostile to China or predisposed to place the interests of Hong Kong before those of China. Second, the politicisation of the community consequent upon democratisation could introduce an element of uncertainty into Hong Kong's political future, with dire implications for Hong Kong's stability and prosperity. Third, democratisation could be detrimental to the capitalist system in Hong Kong by frightening away local and foreign capital. And finally, democratic forces in Hong Kong could eventually be subversive of political tranquillity in China by sheer effect of demonstrations and by purposive promotion of Western-style democracy in China.

Dividing the Democratic Party

Deng made it clear that isolating the enemy was merely step one of the united front; step two was to split it, "so that some members of the enemy camp will come over to the side of the people."⁵¹ Deng pronounced this statement within the context of criticising those cadres who thought united front work was only about dividing the enemy and, having done that, believed it was not worth forming an alliance with potential sympathisers in the enemy camp.

⁵⁰ Lau Siu Kai, *Decolonisation without Independence: The Unfinished Political Reforms of the Hong Kong Government* (Hong Kong: Centre for Hong Kong Studies, The Chinese University of Hong Kong, 1987), p. 5-7.

⁵¹ Deng on splitting the enemy: *Selected Works* (1938-1965), p. 175.

Federick Fung and Chang Kamum were leaders of the Association for Democracy and People's Livelihood (ADPL), which had been part of the Democratic Party's forerunner, a broad coalition called the United Democrats of Hong Kong, formed in April 1990. The alliance had split when choosing its representatives for the September 1991 Legislative Council elections. When the United Democrats of Hong Kong merged with Meeting Point and created the Democratic Party in 1994, the ADPL did not join because of conflict over personalities, tactics and political agendas. The ADPL did not want to be smothered by the larger party's confrontational character and hard-line political policies. The PRC rewarded the ADPL for not joining the Democratic Party by appointing Fung and Chang as Hong Kong Affairs Advisers in April 1994. Anthony Cheung, chairman of Meeting Point, had his invitation to become an adviser by the PRC rescinded as punishment for joining the Democratic Party. Fung and Chang were also appointed to the Preparatory Committee in 1996. Then in December of that year, Fung and three other ADPL members were selected to join the Provisional Legislature.

A failure of united front work—A divided front

During the period when Zhou Nan was NCNA director, both the NPC and the CPPCC complained about the NCNA. In 1995 there was a spate of criticism from NPC delegates directed at Zhou Nan, referring to his tendency to ignore them at the quasi-parliament's annual March meeting in Beijing and at his inability to attend meetings to explain China's policies on Hong Kong. They also protested that the NCNA had not answered numerous letters of complaint which they had passed on from people in

Hong Kong.⁵² Around the same time, delegates to the CPPCC were upset because the Preliminary Working Committee (predecessor to the Preparatory Committee) had not consulted them before making important decisions. Some delegates protested that they only heard about the Working Committee's proposals through the media.⁵³ About failings in attempting to win over the 'hearts and minds' of people in Hong Kong, "Zhou Nan in particular had been criticised by senior military personnel and by some central leaders from being too reclusive and not doing 'a good job' in united front work."⁵⁴

All this had the effect of diminishing public support for Beijing. Surveys of public opinion in 1985 had shown that 42.9 per cent distrusted the Chinese government as compared with 71 per cent who were dissatisfied with the performance of the Chinese government in 1994.⁵⁵

⁵² *South China Morning Post*, 17th March 1995.

⁵³ *South China Morning Post*, 17th March 1995.

⁵⁴ Michael Yahuda, *Hong Kong: China's Challenge*, p. 105.

⁵⁵ Lau Siu Kai and Kuan Hsin Chi, *The Ethos of Hong Kong* (Hong Kong: Chinese University of Hong Kong, 1988) p. 84; Michael E. DeGolyer, "Politicians and Political Parties" in Donald H. McMillen and Man Siwai (eds) *The Other Hong Kong Report 1994* (Hong Kong: Chinese University of Hong Kong, 1994) p. 83.

China's Hong Kong Media Policy

“To a Communist regime, the army and the media are the two things over which it seeks to have absolute control. There is no concept of a free press under a Communist regime. All news media are generally regarded as the mouthpiece of the party. Their function is to serve the party, instead of acting as a watchdog on behalf of the people. A journalist's normal practice of gathering information would be equated with espionage, and any unfavourable reporting would be viewed as a deliberate act to damage the image of the party or the government, or to undermine its authority.”⁵⁶

China paid special attention to the Hong Kong media from 1984. NCNA officials and the local left-wing newspapers were often assigned to “make friends” with the local press. Their targets were proprietors, publishers, chief editors and chief writers as well as lower-ranking editors and reporters spread through out a variety of media organisations. The principle of engagement was “soldiers versus soldiers and generals versus generals” (that is, lower-ranking officials would contact rank-and-file journalists while more senior officials would deal with the higher ranks). Since their duty at that time was to develop “friendships”, they were to refrain as far as possible from criticising their adopted friends for being anti-Communist, or from asking them to publish anything on behalf of the Party. There was a realisation, then, that they could not force the broader non-Communist media to propagate the unitary views of the Chinese-controlled media. Nor could they make demands or issue orders.

⁵⁶ Li yuetwah, “Freedom of the Media,” Joseph Y.S. Cheng and Sonny S.H. Lo (ed.), *From Colony to SAR—Hong Kong Challenges Ahead* (Hong Kong: The Chinese University Press, 1995), p. 466.

For a short while during the pro-democracy movement, all five CCP party organs in Hong Kong, *Wen Wei Pao*, *Ta Kung Pao*, *New Evening Post*, *Hong Kong Commercial Daily* and *Ching Pao*, reported freely on the movement and their circulation increased. After the bloody crackdown, the newspapers again toed the Party line, except for the rebellion at *Wen Wei Pao*. The events at *Wen Wei Pao* aggravated concerns for freedom of the press after 1997.

It is interesting to examine the means by which the secretive, autocratic Chinese government dealt with the comparatively open Hong Kong media during the period of transition to Chinese rule, how Beijing perceived the local media, and what its policies were towards it. Perhaps the most revealing and reliable answer emerged in an interview, published in October 1993, with Kam Yiu Yu, the former Chief Editor of the Communist-controlled daily, *Wen Wei Pao*. Mr Kam had been in Hong Kong performing propaganda duties for the Party for over forty years. Disillusioned, he broke with the Communist regime following Beijing's June 4 crackdown on the pro-democracy movement, retiring to Los Angeles to become a freelance writer. In the interview, Kam said that the Chinese government was exerting increasing pressure on Hong Kong's news media from 1984. Its penetration and infiltration into the media was ubiquitous and utterly persistent.

According to Kam,⁵⁷ among the methods the Chinese government used were: First, controlling the release of information: providing information to Hong Kong's news media, the CCP would favour disseminating news or other information to some media organisations over others in order selectively to draw them over, or to lure and manipulate them. He said: "Information would be released only to selected journalists or organisations, often in advance of others receiving the same, establishing a pattern by which organisations would be favoured with prior and important information," while those not in favour might be rejected by China, or their reporting and news-gathering efforts deliberately impeded and made difficult by authorities on the mainland.

Second, acting on the 'economic bases': China directly used pro-Beijing businessman to buy a targeted media organisation by acquiring a controlling stake in that organisation. The main purpose would be to gain control of such an organisation "say of directing public opinion", or *yulun daoxiang* (its editorial line). Similarly, the CCP could act on the 'economic base' of local media organisations by controlling the placement of advertisements from Chinese-controlled businesses. This struck at the business heart of the media and proved a highly effective method of control.

Third, infiltration of personnel: The party sent its own people to work in Hong Kong's media organisations as "undercover agents". Most were assigned to work as rank-and-file reporters and editors, usually on the China -beat. Many of these mainlanders were

⁵⁷ Kam Yiuyu interview by *Hong Kong United Daily News*, on 8-9th October 1993.

veteran journalists of the official New China News Agency, or the semi-official China News Agency. Their attraction to the local media was that they could bring with them valuable connections to officials and stories in China, as well as the occasional important 'scoop'.

Fourth, the NCNA's policing of the media: In perhaps its most threatening and coercive role, the NCNA could and did criticise -- even castigate -- Hong Kong's media, as well as give orders to editors and journalists. Following the publication of one of his freelance articles in *Ming Pao*, for example, Mr Kam learned that the NCNA, through a private connection, subsequently channelled a warning against the use of such articles to the paper's editor."⁵⁸

Particularly after 4th June 1989 the Hong Kong branch of the New China News Agency presided over a carefully orchestrated strategy to contain anti-Beijing sentiment in the local media and rebuild a positive consensus on the leadership and the Chinese Communist Party. The policies were designed by Beijing specifically to retain or gain control over and manipulate the Hong Kong media in the transition to Chinese sovereignty in 1997. This policy changed as a consequence of the massacre. In China's view, the local media's reaction to the June crackdown put China's rule in an entirely different light. Beijing was particularly annoyed by the performance of the local news

⁵⁸ *Hong Kong United Daily News*, 8-9th October 1993.

media. Even the Communist-controlled *Wen Wei Pao* and *Ta Kung Pao* deviated from the official line and condemned Beijing's brutality.

In its own internal analysis (elements of which were relayed to the territory), Beijing concluded that Hong Kong was a "subversive base" against the mainland and that the local media should take much of the blame for "bringing millions of people to the streets to oppose the central government".⁵⁹

The essence of the post-June 4 policy was to divide Hong Kong's news media into four new categories and begin work on the media organisations in these categories in a systematic way. Prior to the rethink, the local media were divided, according to their political inclinations, into three fairly obvious groups - "left" (pro-China or pro-Communist), "centrist" (middle-of-the-road or politically neutral) and "right" (pro-Taiwan or pro-Kuomintang). Following its policy review, Beijing began to classify Hong Kong's news media into four more carefully defined categories.

According to *The Contemporary*, the four categories were:⁶⁰ (1) news media under complete control of the CCP; (2) those which appeared to be politically neutral but which could be exploited, subdivided into (a) those which actively ingratiated

⁵⁹ *The Contemporary*, 8th September 1990.

⁶⁰ *Ibid.*

themselves with the CCP and (b) those which did not, but which could be manipulated; (3) those which appeared to be politically neutral but which had, in fact, sided with the “rightists” - this category could be exploited given suitable opportunities, but some work with united front tactics was required; (4) those to be rejected and attacked.

Within the four categories, united front tactics were used to co-opt media organisations in categories two and three. Those in category four were considered to be hostile or counter-revolutionary. Kam also revealed that the Propaganda Department of the Hong Kong Branch of the NCNA had been routinely keeping files on “active” local journalists.

In July 1989 Beijing extended its crackdown on the pro-democracy movement in Hong Kong by sacking Li Zisong, the rebellious Chief Editor of the Hong Kong-based Chinese Communist Party organ, *Wen Wei Pao*. Li was not a Party member but had followed the CCP line for more than forty years before openly confronting the Party in his newspaper’s columns. In protest at Li’s dismissal, about thirty of the newspaper’s staff resigned. Li’s dismissal - carried out by the Hong Kong branch of China’s New China News Agency - occurred after a power struggle with *Wen Wei Pao* Deputy Publisher Chen Bovina, who had joined the newspaper two years earlier after retiring as deputy NCNA director.

Wen Wei Pao journalists said Chen had tried to persuade the newspaper to soften its attacks on Beijing’s harsh crackdown on pro-democracy demonstrators. After demonstrations began nation-wide in April 1989, *Wen Wei Pao* had developed an

increasingly independent editorial stance and had expressed sympathy towards the movement, while strongly criticising what it called the “fascist” regime in Beijing. In addition, some staff had taken out advertisements in other local newspapers, pledging their support for the students and denouncing the government’s crackdown.

In the early hours of 16th July 1989, Deputy NCNA Director Zhang Junsheng, who held no position at *Wen Wei Pao*, called the newspaper’s staff together to explain that Li had been removed because he had improperly dismissed Chen. Zhang admitted publicly for the first time that *Wen Wei Pao* was a Hong Kong newspaper backed by Chinese investment and was, therefore, subject to the NCNA’s supervision.

It is also clear that the Chinese government had a “blacklist” of local media organisations, one that was subject to review from time to time. This blacklist was used by official organisations to formulate guidelines for dealing with Hong Kong’s news media. Chinese-controlled business organisations, for example, were required not to place advertisements in blacklisted newspapers and magazines.

On 4th June 1993 *Ming Pao* published the contents of two internal notices issued by the Bank of China’s Hong Kong and Macao Administration Office instructing all organisations under the Bank “not to place advertisements” in newspapers and magazines “temporarily” named on lists provided in the notices. The names of eight

newspapers and eleven magazines were listed by the Bank on 7th August 1991.⁶¹ A further newspaper, *Ming Pao*, was added in a second notice on 20th February 1992. Both notices made it clear that recipients should “circulate the spirit [of the notice] verbally to the concerned personnel as a means of internal control”, and that under no circumstances should the notices be released. Most of the blacklisted media belonged to category four under China’s classification of the local media, that is, those to be rejected and attacked.

Dividing the local news media into four separate categories and keeping files on local journalists required a monitoring system of some sophistication. According to informed sources,⁶² China’s monitoring of the Hong Kong media was carried out through several organisations, the most important being the Party’s Central Propaganda Department and the government’s State Security Department. Duties assigned by the Central Propaganda Department were carried out by the propaganda department of the NCNA. These were, to have a grasp of the stance (political line) of the Hong Kong media, to relay Hong Kong public opinion to Beijing, to guide Hong Kong public opinion in accordance with the policies of the central government, and to rebut negative opinions and comments.

⁶¹ *Ming Pao*, 4th June 1993.

⁶² Freedom of Expression in Hong Kong--1995 Annual Report, *Broken Promises*, 30th June 1995, p. 26.

The work of the State Security Department was even more delicate. Newspapers, magazines and current affairs programmes on radio and television were monitored with systematic attention to detail. Information was gathered from an intelligence perspective, usually targeting the work of selected individuals. Indeed, it is believed that many journalists were closely monitored. Similarly, part-time columnists who wrote regularly for local newspapers and magazines were also under watchful “scrutiny”, with detailed personal files recording the writer’s name or pen-name, the publications he or she wrote for, personal background, and basic viewpoints.⁶³

Aside from the highly threatening nature of such monitoring and surveillance, local journalists were also concerned that, since many intelligence agents regarded their targets as enemies, there was a real tendency to submit reports which gave a deliberately subjective impression of their work, their background and behaviour.

Hong Kong Press Self-censorship

Freedom of the press was one of the cornerstones for the success of Hong Kong as an international business centre. However; there was cause for concern about the future, despite the fact that Article 27 of the Basic Law stipulated that “Hong Kong residents shall have freedom of speech, of the press and publication.” This was the first time that “freedom of speech” had been enshrined in the constitutional documents in Hong Kong,

⁶³ Ibid., p. 27.

though the concept of “press freedom” seemed to be given a new kind of interpretation under the principle of “one country, two systems.” The new concept was simple: stick to your system, stay away from criticising the other system too much. This new interpretation of press freedom was subtly revealed in an editorial in *Ta Kung Pao* on 2n June 1994.⁶⁴ It was later echoed by Xu Ximin, the proprietor of the pro-China *Mirror* magazine, in a commentary appearing in *Wen Wei Pao*.⁶⁵

Self-censorship had become a growing problem since 1984, when it became clear that Beijing would take over the reins of political power in 1997. During the crackdown on China’s pro-democracy movement in 1989, the Hong Kong press, reflecting public sentiment, briefly became hostile to the mainland. A sense of local, political identity began to take shape in the press as the return of sovereignty was continually discussed in the news media. In the changing political climate, the press and the entire Hong Kong community were preparing themselves for the upcoming hand-over of political power from the British to the Chinese government.

It is probably true that Beijing has never forgiven the Hong Kong media for their forthright reporting of the 1989 pro-democracy protests. In October 1989 the State Council’s Hong Kong and Macao Affairs Office issued a set of seven regulations to

⁶⁴ *Dagong Pao*, 2nd June 1994.

⁶⁵ *Wen Wei Pao*, 21st June 1994.

restrain unauthorised reporting on the mainland. The regulations basically required Hong Kong journalists to apply for approval before carrying out their journalistic duties in China. Journalists could then only carry out reporting on the specific topics that had been approved. Any other reporting could be deemed as illegal.

Under this kind of pressure editors, in selecting story ideas and deciding on an angle for a particular story, quietly steered away from topics deemed sensitive to China. One body that did its best to ensure that unwelcome views were kept out of print and off the airwaves was the NCNA. Constrained by its small staff, the NCNA had found that its best means of controlling the media in the territory was constant pressure for self-censorship. NCNA officials took pains to cultivate good relations with media owners and senior journalists, chiefly through banquets and trips to the mainland.

Raymond Wong, for example, was hired to host a new Hong Kong public-affairs programme called News Tease. He became one of the most famous and controversial media personalities in the colony. His outrageously frank commentaries, often targeting China, won him a big following in a city where few were willing to speak out against their future political master, Beijing. However, Wong's ascendancy was short-lived, as Asia Television, which produced News Tease, decided to cancel the programme at the end of 1994. Wong was quoted as saying: "The station doesn't want us to make any more trouble. If it is not for this reason, what else? After all, the show still enjoys good ratings."

Critics, noting that News Tease still enjoyed high ratings, suspected that the station was afraid of upsetting China. “It is very difficult to say what is the real motive behind ATV’s decision,” said legislator Fung Kin Kee, “to [cancel the show] at such a politically sensitive period could easily lead the public to conclude that it had something to do with politics.” Indeed, the announcement of News Tease’s imminent demise fuelled concern over media self-censorship in Hong Kong, and led to the prediction that this impulse would grow stronger before and after 1st July 1997.⁶⁶

The 12th September 1994 edition of the *South China Morning Post* carried a front page apology for reporting that Chinese bankers had siphoned off US\$ 28 billion from the country’s chaotic state banking system. The conspicuous placement of the apology testified to the gravity of the error- the report had sent Hong Kong’s stock market tumbling the following day - but also appeared to symbolise the power China could wield over the press in its future possession.

Coincidentally, hours after the *Post* delivered its apology, Rupert Murdoch’s News Corporation delivered effective control of the influential daily to an “old friend of China” by selling a large stake to Malaysian-born billionaire Robert Kuok. As expected, Kuok, an ethnic Chinese with close ties to Beijing’s leaders, was reported as the buyer after holding Hong Kong’s financial world in suspense for nine days. However, in the end he did not buy News Corporation’s full 50% stake in the *South China Morning Post*

⁶⁶ Louise do Rosario, “Too Hot to Handle”, *FEER*, 1st December 1994, p. 18.

(Holdings), agreeing only to acquire 34.9% for US\$ 349 million. Minority shareholders, expecting a full take-over, registered their disappointment when trading in the company's shares resumed. A sell-off sent the price plunging 15% in two days.

Kuok was a Beijing-appointed adviser on Hong Kong affairs to a group of prominent overseas Chinese who opposed Patten's reforms in the name of a smooth transition. In view of his considerable investment in China, and plans to expand the *Post's* circulation there, it seemed unlikely that Kuok would tolerate the same editorial support for Patten, or allow the paper to continue its critical coverage of China's human rights policies. It was well-known that China had wanted a more neutral English-language press outlet in the colony. That had been a long-term goal. Xu Jiatur, China's chief emissary to Hong Kong who fled to the US in 1990, says in his memoirs that the NCNA had hoped to set up an English-language newspaper or even acquire the *Post* in the mid-1980s. But the plans faltered over lack of co-ordination and money.⁶⁷

The self-censorship impulse was also reflected in the response to the Hong Kong Foreign Correspondents' Club plans to screen the BBC documentary, 'Mao: The Last Emperor,' which criticised the Chairman's role in the Cultural Revolution and touched on his fondness for pretty peasant girls. The plan met with disapproval from the NCNA, also attracting the interest of Hong Kong's Television and Entertainment Licensing Authority, which informed the club that it would need a license, and the Urban Council,

⁶⁷ Jonathan Karp, "Pressing Concerns", *FEER*, 23rd September 1993, p. 10-11.

which conducted its own inquiries. No license had ever been required before. Ironically, the moves came on the heels of a speech by Governor Chris Patten on the dangers of “self-censorship.”⁶⁸

Another example is that of Xi Yang, an energetic reporter for a Hong Kong daily, who thought he had a scoop, but whose article about China’s central bank earned him a twelve-year jail sentence for “stealing state secrets.” Xi’s article - by Western journalistic standards a mild and rather vague piece, containing few exclusive details - was published in July 1993 and concerned a visit by Vice-Premier Zhu Rongji to a currency-printing factory in Beijing. Xi quoted “an authoritative Beijing official” as saying that the country’s central bank, the People’s Bank of China, planned to sell off part of its gold reserves on international markets and that it was not considering a third interest-rate hike in 1993. The unnamed official turned out to be a People’s Bank of China staff member, Tian Ye. Tian was sentenced to fifteen years imprisonment for leaking the information to the Hong Kong reporter.

In the case of Jimmy Lai, founder of the Giordano Holdings clothing Chain and Next Media Group, his 1994 scathing column in his popular *Next Magazine* in which he called Chinese Premier Li Peng a “turtle’s egg with a zero IQ”, among other insults, incensed the Chinese. As a consequence the Chinese government closed a Giordano store in Beijing in August and effectively forced Lai to resign as Chairman and director

⁶⁸ Louise do Rosario, “Self-Control”, *FEER*, 3rd March 1994, p. 28.

of Giordano, although he retains his 37% stake.⁶⁹ By such means was united front discipline maintained.

Political Affiliations of the Press

Before the 1980s, the Hong Kong press could be classified in political terms as leftist, centrist or rightist. This classification mirrored the ideological underpinnings of the papers with respect to the governments in Beijing and Taipei. It began to lose its validity starting in the mid-1980s when the Joint Declaration was signed and the Basic Law was enacted. In Hong Kong's final decade under British rule, people in Hong Kong witnessed the rapid rise of China's influence and the gradual decline of Taiwan's.⁷⁰

The demise on 17th February 1993 of the *Hong Kong Times*, an ideological flagship and mouthpiece for the Taiwan government, marked the most significant decline of the rightist influence. Although the *New Hong Kong Times* was later launched by a local group, it exerted no influence and could only remain as a 'mosquito' newspaper for the comfort of a few die-hard Nationalists. "The decline of the pro-Taiwan press was complete when the *Hong Kong United Daily* and the *China Times Magazine*, two publications privately owned by media giants in Taiwan, respectively announced their

⁶⁹ Jonathan Karp, "Forbidden Fruit," *FEER*, 29th June 1995, p. 54.

⁷⁰ Joseph Man Chan and Chin-Chuan Lee, *Mass Media and Political Transition: The Hong Kong Press in China's Orbit* (New York: Guilford Press, 1991).

retreat from Hong Kong in late 1995 and 1996. The *Overseas Chinese Daily News*, which was a right-leaning paper, ceased operations on 13th January 1995 due to financial difficulties.”⁷¹

The *Apple Daily* was launched on 20th June 1995 by garment businessman Jimmy Lai who thought the press in Hong Kong at that time was stagnating and readers would welcome a new newspaper full of vitality.⁷² On the first day of publication 200,000 copies were sold. Circulation rose to reach 300,000 copies, the second largest newspaper circulation in Hong Kong.

Apple Daily was successful as it was for the following reasons because of its lively and entertaining style.⁷³ Another popular characteristic was its sharp political stance, which was unafraid to voice critical comments about the Chinese government. In terms of local affairs, it claimed to stand on the side of the Hong Kong people and strongly

⁷¹ Clement Y.K. So, “Pre-1997 Hong Kong Press: Cut-throat Competition and the Changing Journalistic Paradigm” *The Other Hong Kong Report 1996*, Nyaw Mee Kau & Li Siming (ed.) (Hong Kong: The Chinese University Press, 1996), p. 498.

⁷² *Apple Daily*, 19th September 1995.

⁷³ So York Kee, “Complete Market-orientation Journalism: A Case Study of *Apple Daily*,” paper presented at the Communication and Economic Development Conference held at the University of Hong Kong, 2-5th May 1996.

advocated local interests. Thus, applications of its reporters forwarded to China were consistently turned down by the Chinese authorities.

The centrist press were regarded as not having a clear stance on CCP-KMT politics. Commercial newspapers, including the more elitist (e.g., *Ming Pao*, *Sing Tao Daily*, *Hong Kong Economic Journal*, *South China Morning Post*) and the popular papers (e.g., *Oriental Daily*, *Sing Pao*, *Tin Tin Daily*, *Hong Kong Daily*, *Express*) were classified as such. They remained more or less neutral in Chinese politics and focused mainly on making profits. Their involvement in local affairs was limited but less constrained than in Chinese affairs. They refrained from becoming involved in Chinese politics. They would report, but abstain from commenting on Chinese affairs. These centrist papers might comment on social and economic affairs, but they were more reluctant to take a political stand or to get involved in political debates, especially in the editorials.

As for the pro-China press, represented by the traditional leftist papers, they remained relatively stable in number and position. The pro-China camp included the two heavyweights *Wen Wei Pao* and *Ta King Pao*, plus a subsidiary *New Evening Post*. These papers were also concerned with local affairs, but reporting and interpreting China's views were their cardinal principles. The biggest move by this camp was the establishment of the Hong Kong Journalists' Federation in May 1996, which was a counterpart of the pro-democratic Hong Kong Journalists' Association.

In the previous journalistic paradigm, leftist and rightist papers were party organs taking politics as an imperative, while owners of the centrist papers were commercial-minded, profit-making pragmatists. In the newer paradigm, the pro-China papers and the pro-Hong Kong papers had a different emphasis, with the former more politically oriented and the latter more economically motivated. In terms of a power relationship, the resulting scenario became one of rank, with the pro-China force above and the pro-Hong Kong camp below. The distance between these two positions reflected China and Hong Kong's political, economic, social, and cultural differences.⁷⁴

Summary- Beijing's United Front

To create its united front in Hong Kong the PRC recruited supporters from among the local business and political elite in addition to its traditional work with left-wing trade unions, intellectuals, newspapers and schools. This shift caused confusion in the minds of some cadres but the New China News agency threw itself into the task most effectively. Under the directorship of Xu Jiatusun years (1983-89) and even the more staid Zhou Nan (1990-97), the NCNA was extremely productive in winning over the colony's business elite to the united front. Hong Kong citizens were co-opted into the institutions created to effect the take over such as the PWC and the Preparatory Committee. Democratic Party leaders were isolated, branded as "subversives". The press was manipulated and dominated. By these means Beijing created a most successful united

⁷⁴ Clement Y.K. So, "Pre-1997 Hong Kong Press: Cut-throat Competition and the Changing Journalistic Paradigm," p. 503-504.

front. Although its development was not completely smooth - the majority of the Hong Kong population remained sceptical of the PRC - the people who formed this majority did not matter. Beijing controlled those who did.

CHAPTER EIGHT: CONCLUSION - HONG KONG A VICTORY FOR THE UNITED FRONT

This study has explored how the Chinese authorities used united front work to implement the policy of “one country two systems” in connection with the take over of Hong Kong. It has examined what led the Chinese authorities to create this policy and how they developed it into the 1984 Sino-British Joint Declaration and the Basic Law of the Hong Kong SAR. It has also investigated the nature and impact of China’s agencies in Hong Kong and the use of united front politics to undermine the Patten democratic reforms. The thesis also discussed the economic foundations of the PRC’s Hong Kong united front and the way in which it was created. This chapter will draw together these strands in an overall explanation of PRC policy and its use of united front work.

The Chinese Communist Party has a long history of using united front work in its struggles with opponents. This way of flexibly allying with minor enemies to defeat major opponents has stood the party in good stead. It is a well-developed political tool with an impeccable Maoist pedigree. It was a useful instrument to adopt with reference to the take over of the former British colony applying the “one country two systems” formula. This was created after Deng Xiaoping regained power in the Third

Plenum of the 11th Party Central Committee in 1978 as the basis of a new thrust towards national unity, aiming to bring Taiwan, Hong Kong and Macao under the PRC's wing. Initially, China's main interest was in Taiwan but Hong Kong businessmen and foreign investors were becoming concerned about what would happen in the British colony when the lease on the New Territories expired in 1997. The British and Hong Kong governments pressed China to resolve the Hong Kong issue. Therefore China decided to apply "one country, two systems" first to Hong Kong.

Deng's China recognised the importance of Hong Kong's prosperity and stability to its policy of modernisation. The fears of the Hong Kong business community about a Chinese Communist system take-over of Hong Kong had to be allayed; this offered political possibilities as well as economic ones. Promises of a Chinese take over supporting the interests of Hong Kong business and related establishments strengthened the PRC's constituency in Hong Kong. This enabled the PRC government to shape the take over of the colony in the way it wanted, rather than the way desired by the British, or, indeed the Hong Kong people as a whole.

The first Chinese aim was to obtain British acceptance that they would leave the colony in 1997. The Chinese put pressure on the British by manipulating Hong Kong

opinion using the “one country, two systems” formula and the slogan “Hong Kong people rule Hong Kong”. When the negotiations ran into trouble the PRC used Hong Kong’s left wing press to undermine the British position; the press was muted when the negotiations were proceeding smoothly. The PRC also skillfully used various channels in the Hong Kong community, including a group of Hong Kong secondary school students, to make important demarches in the negotiations. The prospect of greater involvement by the Hong Kong people in their own affairs allayed many fears in the colony - ironically as it turned out. The PRC obtained what it wanted from the negotiations with the British, who were isolated and had few cards of their own to play. The Joint Declaration was formally signed in Beijing on 19th December 1984.

Between 1985 and 1990 China’s main task was the drafting of the Basic Law, the mini-constitution for the first fifty years of the proposed Hong Kong Special Administrative Region. China organised two major united front instruments to carry out this process, the BLDC and the BLCC. The BLDC combined members of the Hong Kong elite - largely drawn from the business and industrial sectors - with a majority of PRC members to safeguard Beijing’s interests. The Consultative Committee intended to canvass Hong Kong opinion on the basic law was also firmly

under mainland control. It was intended more to work downwards to legitimise and mobilise support for the drafting committee rather than upwards to provide popular input into the BLDC's deliberations. This was "democratic consultation" in traditional CCP style. With the help of the Hong Kong's business elite Beijing obtained what it wanted in the basic law's provisions, although the Tiananmen massacre both alienated Hong Kong opinion and led to additional provisions being inserted into the basic law that undermined some of its united front work in the colony.

Three overlapping PRC organisations played key roles in the organisation of Beijing's united front in Hong Kong. Two belonged to the state structure, the Hong Kong and Macao Affairs Office of the China State Council, and its executive arm, the Hong Kong Branch of the NCNA. The third was a party organ, the Hong Kong and Macao Work Committee. All worked under the direction of the CCP's politburo. From 1983 to 1990 Xu Jiatusun played an especially important role as Director of the Hong Kong Branch of the NCNA. The NCNA controlled mainland based organisations in Hong Kong and lobbied the Hong Kong government. It was also effective in giving inducements to Hong Kong business, professional and social leaders to attract them to Beijing's cause. By such means, the PRC's power was greatly increased in Hong Kong in the transition period.

The PRC had no greater challenge in its united front work than that provided by Governor Chris Patten and his democratic reforms. Beijing exploited all its work with the Hong Kong business tycoons to put Hong Kong and British business people, as well as friends of Beijing in Britain, against Patten. It was a powerful coalition. Chinese and British co-operation on Hong Kong's political future ended. China set up a Preliminary Working Committee of the Preparatory Committee of the Hong Kong SAR in July 1993. This was another united front body with a mix of mainland and Hong Kong members. This proposed provisional legislature nominated by the Preparatory Committee to look after the immediate transition period before a legislature was elected in accordance with the basic law. The Preparatory Committee also chose the SAR's executive. Both legislature and executive reflected Beijing's success in mobilising Hong Kong's elite to its united front. Patten's reforms duly died as soon as the union flag was hauled down on 30th June 1997.

The foundation of the PRC's united front in Hong Kong was mutual economic interest. Hong Kong businessmen played a vital part of China's transformation. The relationship was two-way. Hong Kong's economic development was powerfully supported by China. With major growth in mutual trade the economies of China and Hong Kong became increasingly interdependent. This created a set of business, financial and legal interests that could be exploited by Beijing in united front terms.

The Hong Kong business elite did not want their interests in China negatively affected by the PRC not getting its own way in the negotiations. Equally the Mainland Chinese had enormous economic interests in maintaining a thriving Hong Kong economy. "One country two systems" both maintained business confidence in Hong Kong and gave the conservative Hong Kong business elite a reason to see Beijing as a useful political ally against threats to destabilise a smooth transition.

Thus it was that the PRC's united front in Hong Kong included an unlikely coalition of members of the local business and political elite as well as the more traditional band of left wing trade unions, intellectuals, newspapers and schools. Those who wanted democratic reform, notably the Democratic Party and its leaders, were isolated and branded as subversive. Large sections of the press were also controlled. The Chinese were careful to maintain support among the most influential members of the Hong Kong community. These were the "Hong Kong people" who would "rule Hong Kong".

The new Chief Executive and members of the executive council and the provisional legislative council were businessmen. This was the best way for Beijing to maintain Hong Kong's status as a major business and financial centre. In this respect China's interests coincided with those of Hong Kong's capitalists who considered democratisation a threat to their social and economic interests.

The PRC's take-over of Hong Kong could never have been achieved by applying the traditional Maoist ideology which dominated the PRC from 1949 to 1978. The Hong Kong elite would have seen a Communist take-over as being as destructive to their interests as the CCP had been to similar interests on the mainland. There was no effective constituency for communist revolution in Hong Kong. Deng's re-interpretation of Maoist ideology in a pragmatic form, summed up by the slogan "seeking truth from facts" opened up more fruitful possibilities. The Chinese leadership planned to introduce elements of capitalism into the PRC itself, in part by using the existing capitalist resources of Hong Kong. The British thought this would give the PRC an interest in maintaining British rule in the colony for several more decades at least, but this grossly misjudged the intense nationalism of Deng and the CCP as a whole. If the ownership of Hong Kong was in question it had to be Chinese. The CCP leadership knew that if the economic foundations of Hong Kong society were maintained, enough Hong Kong people would support the PRC to allow the British to be dispensed with and a stable capitalist "Special Administrative Region" constructed to continue to serve the PRC's economic interests.

Mainland China was not interested in the creation of a democratic Hong Kong. Indeed, such a development would have been a dangerous precedent for the PRC's most economically developed provinces. Regions such as Guangdong or Shanghai

might seek similar privileges with the loss of Beijing's control over these key areas. The CCP was therefore determined to maintain tight control in Hong Kong during and following the transition period. Beijing's Hong Kong united fronts were intended to assert the political dominance of the PRC over Hong Kong. Beijing chose "patriotic" friends who would put the interests of the PRC first and who would act as Beijing's agents in the running of the SAR. The Hong Kong people as a whole could not be mobilised by Beijing. Many disliked what they saw as the negative features of life on the mainland, from which some were refugees. Beijing was sensitive to popular opinion and neutralised it by denying democratic participation in the Sino-British negotiations in 1982-4. This reinforced popular hostility to Beijing, especially as the Basic Law that resulted from the negotiations was subject to the supreme authority of the NPC in Beijing. Negative attitudes increased still further after the Tiananmen events in 1989. At this stage, popular opinion in Hong Kong was the enemy against which re-shaped unit front strategies were effectively directed.

The democratic forces did well in the elections of 1991 and 1995. This only confirmed the PRC in its determination to revert to the kind of authoritarian government for Hong Kong that the British had imposed for most of their period in control of the colony.

In effect, Hong Kong ceased to be a British colony and became a colony of the PRC. This is convenient for both the mainland and Hong Kong, as long as economic rather than political liberalisation remains central in China. The main casualty in the process has been political democratisation. China was able to nip this process in the bud as effectively in Hong Kong in 1997 as it did in 1989 in Beijing - albeit less violently. In western democratic terms the slogan "Hong Kong people rule Hong Kong" has remained an empty one. It remains to be seen whether this neutralisation of in the fifty years after 1997. The true transition may be rather different. Perhaps China in the middle of the Twenty-First Century will be ruled by economic and political elite that is Communist in label only. In nature it may not be too different from that created to rule Hong Kong. By 2047 analysts may see the united front in Hong Kong as the prototype of the new Chinese capitalist oligarchy.

BIBLIOGRAPHY

1. Primary Sources

Government Publications:

A Draft Agreement between the Government of the United Kingdom and Northern Island and the Government of the People's Republic of China on the Future of Hong Kong (1984), Hong Kong: Government Printer.

An Introduction to Hong Kong Bill of Rights Ordinance (1991), Hong Kong: Government Printer.

The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (1990), Hong Kong.

Collections of vital speeches and documents since the third plenum of the eleventh party congress of communist China (1983), Taipei: The Communist China Studies Magazine.

The Constitution of the People's Republic China (1983) Beijing: Foreign Language Press.

Documents of the Thirteenth National Congress of the Communist Party of China (1987) Beijing: Foreign Languages Press.

Deng, Xiaoping (1984) *Selected Works of Deng Xiaoping*. Beijing: Foreign Languages Press.

Deng, Xiaoping (1987) *Jianshe You Zhongguo Teshe de Shuhui Zhuyi*. (Building Socialism with Chinese Characteristics), Beijing: Beijing Remin Chubashe, enlarged ed.

Deng, Xiaoping (1993) *Deng Xiaoping on the Problem of Hong Kong*, Hong Kong: San Liaen Press.

Hong Kong Government (1984) *White Paper: The Further Development of Representative Government in Hong Kong*, Hong Kong: Government Printer.

Hong Kong Government (1988) *White Paper: The Development of Representative Government: The Way Forward*, Hong Kong: Government Printer.

Hong Kong Government (1991) *Hong Kong Monthly Digest of Statistics*, Hong Kong: the Census and Statistic Department of the Hong Kong Government.

- Hong Kong Government (1994) *White Paper "Representative Government in Hong Kong"*, Hong Kong: Government Printer.
- Hong Kong Government (1994) *1993 Survey of Overseas Investment In Hong Kong's Manufacturing Industries*, Hong Kong Government's Industry Department.
- Hong Kong Government (1995) Hong Kong Monetary Authority, *Annual Report, 1994*, Hong Kong: Government Printer.
- Hong Kong Government (1995) *Hong Kong Monthly Digest of Statistics*, Hong Kong: the Census and Statistic Department of the Hong Kong Government.
- Hong Kong Government (1995) *Hong Kong Property Review 1994*, Hong Kong: Government Printer.
- Hong Kong Government (1996) *Hong Kong Monthly Digest of Statistics*, Hong Kong: the Census and Statistic Department of the Hong Kong Government.
- Hong Kong Government (1996) *Statistics on Trade Involving outward Processing in China*, The Census and Statistics Department.
- Patten, Chris (1992) *Our Next Five Years: The Agenda for Hong Kong*, Hong Kong: Government Printer.
- ROC's Mainland Affairs Council (1994) *A Explanation of Taiwan Strait Relations*, Taipei.
- ROC's Mainland Affairs Council (1996) *Promoting Cross-Strait Relations: The Conscious Efforts of the Republic of China Government*, Taipei.
- ROC's Mainland Affairs Council (1996) *Peaceful Exchanges, Friendly Interactions, Democratic Unification: Toward a New Era in Cross-Strait Relations*, Taipei.
- ROC's Mainland Affairs Council (1996) *Consensus Formed at the National Development Conference on Cross-Strait Relations*, Taipei.
- ROC's Mainland Affairs Council (1997) *A Preliminary Analysis of Mainland China's "One China Strategy"*, Taipei.
- ROC's Mainland Affairs Council (1997) MAC Chairman's Policy Statement: *ROC Promotion of Cross-Strait Exchanges; Public Opinion on Cross-Strait Relations*, Taipei.
- The Communiqué of the Third Plenum, Beijing Review*, no 52 (1978).
- Xianggang Wenti Wenjian Xuanji* (Selected Documents on the Hong Kong Question) (1995) Beijing.

Newspapers and Journals

Apple Daily (Hong Kong)

Asian Affairs (an American review)

BBC, *Summary of World Broadcasts* (Reading)

Beijing Review (Beijing)

Cheng Bao (Hong Kong)

China Quarterly (London)

Dagong Bao (Hong Kong)

Daily Telegraph (London)

Donfang Ribao (The Oriental Daily) (Hong Kong)

Express Daily (Hong Kong)

Far Eastern Economic Review (Hong Kong)

Financial Times (London)

Foreign Broadcast Information Service (FBIS)

Guardian (London)

Hong Kong Business (Hong Kong)

Hong Kong Economic journal (Hong Kong)

Hong Kong Monitor (London)

Hong Kong Monthly Digest of Statistics (Hong Kong)

Hong Kong Standard (Hong Kong)

Ming Pao (Hong Kong)

Mirror Magazine (Hong Kong)

New Evening Post (Hong Kong)

The Nineties (Hong Kong)

Open Magazine (Hong Kong)
Pai Shing (Bimonthly, Hong Kong)
Red Flag (Beijing)
Remin Ribao (People's Daily) (Beijing)
Shehui Kexue (Social Sciences) (Shanghai)
Shijie Jingji [World Economy] (Beijing)
South China Morning Post (Hong Kong)
Tin Tin Daily News (Hong Kong)
Wen Hui Pao (Hong Kong)
Wide Angle (Hong Kong)
Zhengchi Xue (Political Science) (Beijing)

2. Secondary Sources

Books and Articles:

A

Ai, Kong-ran, (1991) *New China News Agency Hong Kong Branch Position Demoted*, Hsin Pao.

Allen, Jami (1997) *Seeing Red-China's Uncompromising Take-over of Hong Kong*, Singapore: B-H Asia.

Ash, Robert F. and Kueh, Y. Y., "Economic Integration Within Greater China: Trade and Investment Flows Between China, Hong Kong and Taiwan." *The China Quarterly*. No. 136.

B

Bacher, B.; Lorz, O. and Schuknecht, L. "Chinese Investments: 'Hostages' for Hong Kong?" *Journal of Institutional and Theoretical Economics*. No. 123.

- Baldinger, Pamela (1992) "The Birth of Greater China," *The China Business Review*. May - June.
- Beaxer, William F. (1978) *The Commercial Future of Hong Kong*. New York: Praeger.
- Birch, Alan (1981) "*Hong Kong in the Balance -- August-September, 1945*," Working Paper No. CC16, Contemporary Chinese Studies Programme, University of Hong Kong.
- Brown, E.H. Phelps (1971) "The Hong Kong Economy: Achievements and Prospects," in *Hong Kong: The Industrial Colony*, ed. Keith Hopkins (Hong Kong: Oxford University Press, 1971).
- Brierly, J.L. (1963) *The Law of Nations: An Introduction to the International Law and Peace*, New York: Oxford University Press.
- Burns, John P. (1990) The Structure of Communist Party Control in Hong Kong, *Asian Survey*. Vol. XXX. No. 8.
- Burns, John P. (1994) *The Role of the New China News Agency and China's Policy Towards Hong Kong*. Toronto: Joint Centre for Asia Pacific Studies.
- C**
- Cameron, Nigel (1991) *An Illustrated History of Hong Kong*, Oxford University Press.
- Catron, Gray (1971) *China and Hong Kong, 1949-1967*, Ph.D. Dissertation, Harvard University.
- Catron, Gray (1972) Hong Kong and Chinese Foreign Policy, 1955-60, *The China Quarterly*. July-September 1972.
- Chai, Joseph (1983) "Industrial Co-operation Between China and Hong Kong" in A.J. Youngson (ed.), *China and Hong Kong: The Economic Nexus*. Hong Kong: Oxford University Press.
- Chan, Hing Lin (1995) "China Investment in Hong Kong: Issues and Problems," *Asian Survey*. Vol. XXXV. No. 10.
- Chan, Joseph Man; Lee, Paul S.N. and Lee, Chin-Chuan (1996) *Hong Kong Journalists in Transition*. Hong Kong: Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong.
- Chan, Joseph Man and Lee, Chin-Chuan (1991) *Mass Media and Political Transition: The Hong Kong Press in China's Orbit*. New York: Guilford Press.

- Chan, Lau Kit-Ching (1973) "The Hong Kong Question during the Pacific War (1941-1945)," *The Journal of Imperial and Commonwealth History*. 3, No. 1 (Oct. 1973).
- Chan, Lau Kit-Ching (1979) "The United States and the Question of Hong Kong, 1941-1945," *Journal of the Hong Kong Branch of the Royal Asiatic Society*. vol. 19.
- Chan, Thomas M.H. (1985) "Financing Shenzhen's Economic Development: A Preliminary Analysis of Sources of Capital Construction Investments', *Asian Journal of Public Administration*. Vol. 7, No. 2.
- Chang, David Wen-wei and Chuang, Richard Y. (1998) *The Politics of Hong Kong's Reversion to China*, London: Macmillan Press Ltd.
- Chao, Chien-min (1987-88) " 'One country, two systems': A Theoretical Analysis", (*Asian Affairs*(an American review), Winter 1987-88, no. 14:2).
- Cao Runfang and Pan Xianying (1988) *History of the Development of Chinese Communist Party Organs*, Beijing: Dangan Publish.
- Chen, Chia-ling, "The Fundamental Characteristics of the Autonomous Regions in Our Country," *Zhengchi Xue*. (Political Science).
- Chen, Hun-yi (1988) Discussion Hong Kong Basic Law Policy Article, *The Mirror*. 10 July.
- Chen, King C (ed.) (1979) *China and the Three World: A Foreign Policy Reader*, White Plains: M.E. Sharpe.
- Chen, M.K. and David Clark (eds) (1991) *The Hong Kong Basic Law*, Hong Kong: Chinese University Press.
- Chen, Tianquan (1993) "Almost Half of Hong Kong's New Deputies to the NPC Have a Pro-China Background," *Shijie Rinao*. 2 February.
- Chen, Wen-Hung China's Companies in Hong Kong. In the Conference "Hong Kong politic and economic situation and Taiwan and Hong Kong relations in the eve of 1997." (Taipei: 15-16th June 1993).
- Chen, Wen-hong (1990) "Personnel Analysis of the Hong Kong and Macao Work" *The Contemporary*. 3rd February 1990.
- Chen, Xitong (1989) "Report on Quelling the turmoil and counter-revolutionary rebellion," *People's Daily*, 10th July 1989.

- Chen, Ziyun (1985) "A General Discussion on Theoretical Questions Concerning the United Front in the New Period," *Guangming Daily*, 18th March 1985.
- Cheng, Chu-yuan, *Behind the Tiananmen massacre: Social, Political, and Economic Ferment in China* (1990), Boulder.
- Cheng, Elizabeth (1990) "Under the Carpet," *Far Eastern Economic Review*, November 1990.
- Cheng, Joseph Y. S. (1984) *Hong Kong - In Search of a Future*. Hong Kong: Oxford University Press.
- Cheng, Joseph Y.S. and Sonny S.H. Lo (ed.) (1995) *From Colony to SAR--Hong Kong's Challenges Ahead*. Hong Kong: The Chinese University Press.
- Cheng, Linsheng (1992) *Deng Xiaoping "Yiguo Liangzhi" Sixiang Yanjiu*, Shengyang: Liaoning renmin chubanshe.
- Cheng, Lin-sheng (1984) "A Brand New Undertaking of the Socialist Practice in Our Country--A Preliminary Discussion on 'One Country, Two Systems,'" *Shehui Kexue* [Social Science] (Shanghai), no. 11 (15th November 1984).
- Cheng, Yew-meng (1996) "Culture and Lifestyles," *The Other Hong Kong Report 1996*, the Chinese university of Hong Kong.
- Cheung, Tai Ming (1992) "Pressure Tactics", FEER, 5th November 1992.
- Cheung, Tai Ming (1992) "Embattled Governor", FEER, 26th November 1992.
- Chiang, Kai-shek *China's Destiny*, Wang-Chung-hui, Trans. (N.Y.: DeCapo Press, 1976).
- Chien, Chun-ji (1984) "On 'one country, two systems'," *Wen Hui Pao*. 29th September.
- Ching, Cheong (1996) *China's Administration over Hong Kong--The New China News Agency and the Hong Kong--Macao Affairs Office*, the Other Hong Kong Report 1996.
- Ching, Frank (1979) The current political scene in China, *China Quarterly* 1979.
- Ching, Frank (1985) *Hong Kong and China--For Better or For Worse*. New York: the China Council of the Asia Society and the Foreign Policy Association.
- Ching, Frank (1992) "The Implementation of the Sino-British Joint Declaration", *The Other Hong Kong Report 1992*. Hong Kong: The Chinese University Press.

- Ching, Frank (1993) "China's Strategy for the take-over of Hong Kong", In the Conference "Hong Kong politic and economic situation and Taiwan and Hong Kong relations in the eve of 1997." (Taipei: 15-16th June 1993).
- Ching, Frank and Mosher, Stacy (1992) "Shaken and Stirred--Governor Patten Unveils New Political Programme", *Far Eastern Economic Review*. 15th October 1992.
- Ching, Frank (1996) "From the Joint Declaration to the Basic Law," *The Other Hong Kong Report 1996*. edited by Nyaw Mee-kau, Li Si-ming. Hong Kong: The Chinese University Press.
- Chiu, Hungdah (1985) "Comparison of the Nationalist and Communist Views of Unequal Treaties," *China's Practice of International Law*.
- Chou, Luk (1996) "How Does the ICAC Cope With the 1997 Challenges?" *Hong Kong Economic Journal*. 14th March 1996.
- Cohen, Jerome Alan and Hungdah Chiu (1974) *People's China and International Law: A documentary Study*. Princeton: Princeton University Press.
- Collections of vital speeches and documents since the third plenum of the eleventh party congress of communist China* (1983), Taipei: The Communist China Studies Magazine.
- The Communiqué of the Third Plenum, Beijing Review, no 52 (1978).
- Costin, W.C. (1937) *Great British and China 1833-1860*. Oxford University Press.
- Cottrell, Robert (1993) *The End of Hong Kong: the Secret Diplomacy of Imperial Retreat*, London: John Murray.
- Cradock, Percy (1994) *Experiences of China*, London: John Murray.
- D**
- Derek Davies (1984) How Britain Fell for the Peking Game-plan, *Far East Economic Review*. 21st June 1984.
- Delfs, Robert (1988) "Mosaic of Minorities," *Far Eastern Economic Review*. 25th August 1988.
- Deng, Feng (1989) Evolution of the Hong Kong and Macao Work Committee, *Contemporary*. 30th December 1989.
- Deng, Feng (1989) Hong Kong's New China News Agency, *Contemporary*. No. 4 (16th December 1989).

- Deng, Xiaoping (1979) "Uphold the Four Cardinal Principles," (30th March 1979), *Selected Works of Deng Xiaoping*, (Beijing: Foreign Languages Press, 1984).
- Deng, Xiaoping (1980) On the Current Situation and Tasks (Hong Kong: Cheng Ming, no. 29. 1st March 1980).
- Deng, Xiaoping (1984) "An idea of great significance", *Liaowang*. No.42, 15th October, 1984.
- Deng, Xiaoping (1984) "The Present Situation and the Tasks Before Us," *Selected Works of Deng Xiaoping (1875-1982)*. Beijing: Foreign Languages Press.
- Deng, Xiaoping (1984) "A design for peaceful reunification between mainland China and Taiwan", in *Building socialism with Chinese characteristics*. Kuangdong: People's Publishing House, December.
- Deng, Xiaoping (1984) *A significantly meaningful design: Comrade Deng Xiaoping on "one country, two systems"*. Beijing: Liao-Wang.
- Dihmer, Lowell (1984) "Ideology and Organisation in Post-Mao China." *Asian Survey*. March 1984.
- Dimbleby, Jonathan (1997) *The Last Governor: Chris Patten & the Handover of Hong Kong*, London: Little, Brown and Company.
- Dittmer, Lowell (1994) *China Under Reform*, Boulder.
- Domes, Jurgen and Yu-ming Shaw (1988) (eds.) *Hong Kong: A Chinese and International Concern*, Boulder: Westview Press.
- Doolin, Dennis J. (1965) *Territorial Claims in the Sino-Soviet Conflict*. Stanford University Press.
- E**
- Elster, Jon (1988) *An Introduction to Karl Marx*. Cambridge University Press.
- Endacott, G.B. (1964) *An Eastern Entrepot*. London:HMS.
- Endacott, G.B (1973) *A History of Hong Kong*. London: Oxford University Press.
- Endacott, G. B. (1977) *A history of Hong Kong*. Hong Kong: Oxford University Press.
- Endacott, G.B. and Hinton, A. (1992) *Fragrant Harbour - A History of Hong Kong*. Hong Kong: Oxford University Press.
- England, Joe (1976) *Hong Kong: Britain's Responsibility*, Fabian Research Series 324.

Epstein, Israel (1972) *The unfinished Revolution in China*. Boston: Little Brown and Company.

Evans, Richard (1993) *Deng Xiaoping and the Making of Modern China*, London: John Murry.

F

Fairbank, John K. (1978) The creation of the treaty, Denis Twitchett and John K. Fairbank (ed), *The Cambridge History of China*, Volume 10, London: Cambridge University Press.

Far Eastern Economic Review, Asia 1986, 1989 and 1993 Yearbook.

Fathers, Michael and Andrew Higgins (1989) *Tiananman: The Rape of Peking*, London.

Fishel, Wesley R. (1974) *The End of Extraterritoriality in China*. N.Y.: Octagon Books.

Freedom of Expression in Hong Kong--1995 Annual Report, *Broken Promises*, 30th June 1995.

Friedman, Irving S. (1940) *British Relations with China, 1931-1939*. N. Y.: Institute of Pacific Relations.

G

Grantham, Sir Alexander (1965) *Via Ports*. Hong Kong.

H

Hambro, Edward I. (1955) *The Problem of Chinese Refugees in Hong Kong*.

Han, Minzhu (1990) *Cries for Democracy: Writings and Speeches from the 1989 Chinese Democracy Movement*, Princeton.

Han, Nianlong and Qichen, Qian (eds.) (1990) *The Diplomacy of Contemporary China*, Beijing: Foreign Languages Press.

Harris, P. (1978) *Hong Kong: A Study of Bureaucratic Politics*. Hong Kong: Heinemann Asia.

He, Po-shih (1991) "Five Major Tasks Are Aimed at Control," *Tangtai* [Contemporary], no. 7 (15th October 1991).

Heald, Tim (1997) *Beating Retreat: Hong Kong Under the Last Governor*, London.

Hicks, George (ed.) (1990) *The Broken Mirror: China after Tiananmen*, Harlow.

- Hinton, Harold C. (ed) (1980) *The People's Republic of china, 1949-1979: A Documentary Survey*, vol. 1 (Wilmington, Del.: Scholarly Resources, Inc., 1980).
- Ho, John D. (1995) "Law and Order: Transition, Uncertainties and Vacuums?" Joseph Y.S. Cheng and Sonny S.H. Lo, *From Colony to SAR—Hong Kong's Challenges Ahead*. Hong Kong: The Chinese University Press.
- Ho, S.P.S. and Huenemann, R.W. (1984) *China's Open Door Policy: The Quest for Foreign Technology and Capital*. Vancouver: University of British Columbia Press.
- Hong Kong and China- Historical Information Collection (Hong Kong: The Wide Angle Press, December, 1984).
- Hong Kong and Macao Monthly, (Taipei: Mainland China Council, May 1994).
- Hopkins, Keith (ed.) (1971) *Hong Kong: The Industrial Colony*, Hong Kong: Oxford University Press.
- Howe, Geoffrey (1995) *Conflict of Loyalty*, London.
- Hsueh, Chun-tu (1989) "Journey to Inn Mongolia," *Menlin Ji*. (Collected Works) (Beijing: China Friendship Publishing Corp., 1989).
- Hu, Chang (1993) China Organisations in Hong Kong, *China Mainland Studing*, Vol. 36, no. 5, May 1993.
- Hu, Yaobang (1983) "On Questions of Ideological and Political Work," *People's Daily*. 2nd January. 1983.
- Huan, Xiang (1984) "The Background for the Principle of 'One Country, Two Systems,'" *Wen Wei Po*. (Hong Kong), 29th September 1984.
- Huan, Hsiang (1985) "One country, two systems," *Ch'un-yen*. (mass speech), 3 (1985).
- Huang, Kang-hsien (1994) "Political Change and Press Freedom", *Shing Pao Finance Monthly*. March 1994.
- Huang, Wen-fung (1997) "How was China's decision-making process to take over Hong Kong" *Open Magazine*, January 1997.

J

- Jain, J. P. (1976) *China in World Politics: A Study of Sino-British Relations, 1949-1975*. New Delhi: Radiant Publishers.

Jao, Y.C. (1983) "Hong Kong's Role in Financing China's Modernisation" in A.J. Youngson (ed.), *China and Hong Kong, the Economic Nexus*. Hong Kong: Oxford University Press.

Jayawickrama, Nihal (1993) "One Country, Two Systems" and the Law: Illusion or Reality?, Edited in "*One Culture, Many Systems*" Hong Kong: The Chinese University Press.

Jia, Donhai (1985) "On two systems in one country," *Xinjiang Shehui Gexue*. (Social Sciences in Xinjiang), no. 2 (April 1985).

Jones, P.H.M. (1967) "Productivity Counts", *Far Eastern Economic Review*. 29th June 1967.

K

Kao, Lang (1989) *One Country, Two Systems: Its Theory, Practice, and Feasibility*. Maryland: unpublished Ph. D. Dissertation, University of Maryland.

Karp, Jonathan (1993) "Pressing Concerns", FEER, 23rd September 1993.

Karp, Jonathan (1995) "Forbidden Fruit," FEER, 29th June 1995.

Kim, Eng (1996) *The Rise of the Red Chips: Tomorrow's Corporate Giants*, Hong Kong.

King, Ambrose Y.C. (1975) "Administrative Absorption of Politics in Hong Kong: Emphasis on the Grass Roots Level," *Asian Survey* (May 1975).

King, Ambrose Y.C. and Rance P.L. Lee. (eds) (1981) *Social Life and Development in Hong Kong*. Hong Kong: Chinese University Press.

King, Wen-sze (1916) "The lease Conventions Between China and the Foreign Powers: An Interpretation," *The Chinese Social and Political Science Review*. 1, No. 4 (December 1916).

King, Wunsz and Silson, Woodrow (1959) *Sellington Koo and the China Question at the Paris Peace Conference*, (Leyden: A. W. Sythoff, 1959).

King, Wunsz (1963) *China at the Washington Conference, 1921-1922*. N. Y.: St. John's University Press.

Kuan Hsin-chi, "*Chinese Constitutional Practice*" *The Basic Law and Hong Kong's Future* (1988), Hong Kong: Hong Kong University Press.

Kuan, Hsin-chi (1988) *Chinese Constitutional Practice*, Hong Kong: Hong Kong University Press.

- Kuan, Hsin-chi (1990) *“Chinese Constitutional Practice” The Basic Law and Hong Kong’s Future*. Hong Kong: Hong Kong University Press.
- Kwan, Yiu-wong (ed.) (1982) *Shenzhen Special Economic Zone: China’s Experiment in Modernisation*. Hong Kong: Hong Kong Geographical Association.
- L**
- Lam, Jermain T.M. and Lee, Jane C.Y. (1993) *The Dynamic Political Actors in Hong Kong’s Transition*. Hong Kong: Authentic Advertising & Printing Co.
- Lan, Sangyu (1985) About the New China News Agency’s Position in Hong Kong, *The Mirror*. 6th June.
- Lane, Kevin P. (1990) *Sovereignty and The Status Quo: The Historical Roots of China’s Hong Kong Policy*. Boulder: Westview press.
- Lau, Emily (1986) Shadow in the Wings, *Far Eastern Economic Review*. 9th January.
- Lau, Emily (1985) The Rising Red Tide, FEER, 1st August 1985.
- Lau, Siu Kai (1984) *Society and Politics in Hong Kong*, Hong Kong: Chinese University Press.
- Lau, Siu Kai (1987) *Decolonization without Independence: The Unfinished Political Reforms of the Hong Kong Government*. Hong Kong: Centre for Hong Kong Studies, The Chinese University of Hong Kong.
- Lau, Siu Kai, Lee Ming Kwan, Wan Po-san, and Wong Siu-lun, (eds.), *The Development of Social Indicators Research in Chinese Societies* (1992), Hong Kong: Chinese University of Hong Kong.
- Lawrance, Alan (1975) *China’s Foreign Relations Since 1949*. London: Routledge and Kegan Paul.
- Lee, Ching-ye (1993) “The Dilemmas of Governing in Hong Kong’s Transition,” *Hong Kong in Transition 1992*. Hong Kong: One Country Two Systems Economic Research Institute.
- Lee, Martin C.M. (1988) “How Much Autonomy?” in William McGurn, ed., *Basic Law, Basic Questions*, Hong Kong: Review Publishing Company.
- Li, Binyan (1990) *China’s Crisis, China’s Hope*, Cambridge, Massachusetts.
- Li, Gucheng (1991) *Qianshao mianpu*. [Guide to the advance guard] Hong Kong: Fanrong chubanshe.

- Li, Shih-hua (1985) "An Unprecedented Undertaking in the Practising History of Socialism," *Lilun Yehgen* (Theory Monthly), no. 10 (October 1985).
- Li, Xueming (1988) ed. *The Theory of the United Front*, Sichuan: Academy of Social Sciences.
- Li, yuet-wah (1995) "Freedom of the Media," Joseph Y.S. Cheng and Sonny S.H. Lo (ed.), *From Colony to SAR--Hong Kong Challenges Ahead*. Hong Kong: The Chinese University Press.
- Lieberthal, Kenneth and David Lampton (eds) (1992) *Bureaucracy, Politics, and Decision Making in Post-Mao China*, Berleley.
- Lin, Tsong-piao (1995) *Before and After 1997, Mainland-based Companies Play Political and Economic Role in Hong Kong and Its May be Affect to Taiwan*. Taipei, Taiwan: Mainland China Council.
- Liu, Jingji (1984) "NPC Discussion on Hong Kong: 'One country, two systems'" *China News Agency*. 8th November 1984.
- Lo, Shiu-hing (1996) "Political Parties in a Democratising Polity: The Role Of the 'Pro-China' Democratic Alliance for the Betterment of Hong Kong," *Asian Journal of Political Science* Vol. 4 November (1st June 1996).
- Lo Shiu-hing (1997) *The Politics of Democratisation in Hong Kong*, Basing-stoke.
- Lo, Shiu-hing (1996) "Anti-Corruption and Crime," *The Other Hong Kong Report 1996*, The Chinese University of Hong Kong Press.
- Lo, Sonny Shiu-hing and Donald Hugh Macmillan, "A Profile of the 'Pro-China Hong Kong Elite'," *Issues & Studies*, Vol. 31, No. 6 (June 1995).
- Lou, Fu (1993) "One Left, Two Narrow' Origin of Beijing" *The Contemporary*. 15th June.
- Louis, William Roger (1971) *British Strategy in the Far East, 1919-1939*. London: Clarendon Press.
- Lu, Keng (1985) "An Interview with Xu Jiatur," *Pai Shing* (Hong Kong), no. 89(1st Feburary 1985).
- Lu, Liangting (1987) *Understanding the United Front*, Shanghai: Shanghai People's Press.
- Lu, Yen (1982) *Hong Kong History*. Hong Kong: San Lain Press.

Lu, Yuyi (1990) Leftist School, Both Respect and Fear, *Contemporary*, no. 19, 7th April 1990.

Lui, Yu-hon (1995) "Banking, Monetary Affairs and Developments of Financial Markets," *From Colony to SAR Hong Kong: The Chinese University Press*.

M

MacMurray, John V. A. (ed) (1973) *Treaties and Agreements With and Concerning China, 1894-1919*. N.Y.: Howard Fertig.

Mao, Tsetung "The Chinese revolution and the Chinese communist party," *Selected Works of Mao Tsetung*, vol. 2

Mao, Tsetung "On the People's Democratic Dictatorship," *Selected Works of Mao Tsetung*. Vol. 4.

Marx, Karl and Engels, Frederick (1977) *Manifesto of the Communist Party*. trans. Samuel Moore, Peking: Foreign Language Press.

Miners, Norman (1977) *The Government and Politics of Hong Kong*. Hong Kong: Oxford University Press, second edition.

Morris, January (1988) *Hong Kong*. N. Y.: Random House.

Morse, Hosea Ballou (1910) *The International Relations of the Chinese Empire*. London: Longmans, Greens, and Co.

Mosher, Stacy (1991) "Selective Suffrage: Electoral System Remains Firmly Titled in Favour of Vested Interest," FEER, 29th August 1991.

Mosher, Stacy (1991) "Local Justice: Concern over Make-up of Future Court of Final Appeal," FEER, 10th October 1991.

Mosher, Stacy (1991) "Uncertain Rights," FEER. 4th July 1991.

Mosher, Stacy (1992) "Basic Flaw: Britain, China Argue Over Pace of Democratisation," FEER, 11th June 1992.

Murray, John (1993) *The Secret Diplomacy of Imperial Retreat*, London.

N

Nelan, Bruce W. (1997) "Can Jiang Hold the Reins of Power?" *Time*, 3rd March 1997.

New China News Agency, "Our Solemn Stand on the Question of Hong Kong", *People's Daily*, 1st October 1982.

Ng, Sek Hong and David G. Lethbridge (1995) *The Business Environment in Hong Kong* (3rd ed.) Hong Kong: Oxford University Press.

Nozari, Fariborz (1971) *Unequal Treaties in International Law*. Stockholm: S. Byran Sundt and Co.

O

Owen, Nicholas C. (1971) Economic Policy, in *Hong Kong: The Industrial Colony*. ed. Keith Hopkins Hong Kong; Oxford University Press.

P

Pelissier, Roger (1967) *The awakening of China 1793-1949*. London: Secker & Warburg. Edited and Translated by Martin Kieffer.

Pellcovits, Nathan A. (1969) *Old China and The Foreign Offic*. New York: Octagon books.

Penelope Hartland-Thunberg (1990) *China, Hong Kong, Taiwan and the World Trading System*, New York: St. Martin's Press.

Pye, Lucian (1982) *Chinese Commercial Negotiating Style*. Cambridge, Mass.: Oelgeschlager, Gunn and Hain.

R

Rabushka, A. (1973) *The Changing Face of Hong Kong* (Washington, D.C.: American Enterprise Institute, 1973).

Rabushka, Alvin (1976) *Value for Money: The Hong Kong Budgetary Process*. Stabdford: Hoover Institute Press.

Rabushka, A. (1979) *Hong Kong*. Chicago: University of Chicago Press.

Rafferty, Kevin (1989) *City on the Rocks: Hong Kong's Uncertain Future*, London: Penguin books.

Roberti, Mark (1994) *The Fall of Hong Kong: China's Triumph & Britain's Betrayal*. New York: John Wiley & Son, Inc.

Rodzinski, Witold (1979) *A History of China*. Oxford: Pergmon Press.

Ruan, Ming (1994) *Deng Xiaoping: Chronicle of an Empire*, New York: Boulder.

S

- Savill, Richard (1997) "Life of privilege is over for Deng's Princelings," *the Daily Telegraph*. 22nd February 1997.
- Schram, Stuart R. (1981) "To utopia and back: A cycle in the history of the CCP," *China Quarterly*. No. 77.
- Schurman, Franz and Schell, Orville (1972) *Imperial China-The eighteenth and nineteenth centuries*. London: Penguin Books.
- Scott, Ian (1989) *Political Change and Crisis of Legitimacy in Hong Kong*. Hong Kong: Nordica Printing Company.
- Scott, I. and Burns, J.P. (eds.) (1984) *The Hong Kong Civil Service*. Hong Kong: Oxford University Press.
- Scott, I. and Burns, J.P. (eds.) (1988) *The Hong Kong Civil Service and Its Future*. Hong Kong: Oxford University Press.
- Segal, Gerald (1993) *The Fate of Hong Kong*. New York: St martin's Press.
- Sender, Henny (1992) "Cash Dispenser", FEER, 22nd October 1992.
- Shang, Yun-lou (1987) *Perspective New China News Agency*. Hong Kong: Wide Angle.
- Shen, George (1993) "China's Investment in Hong Kong," *The Other Hong Kong Report 1993*. Hong Kong: The Chinese University Press.
- Shih, Kuo-chai (1988) How to develop Future Hong Kong Politics? *Wide Angle*. 16 July.
- Slyke, Lyman P. Van (1967) *Enemies and Friends: The United Front in Chinese Communist History*, Stanford University Press.
- So, Clement Y.K. (1996) "Pre-1997 Hong Kong Press: Cut-throat Competition and the Changing Journalistic Paradigm" *The Other Hong Kong Report 1996*. Nyaw Mee-Kau & Li Si-ming (ed.) Hong Kong: The Chinese University Press.
- So, York Kee (1996) "Complete Market-orientation Journalism: A Case Study of Apple Daily," paper presented at the Communication and Economic Development Conference held at the University of Hong Kong, 2-5th May 1996.
- Solomon, Richard H. (1985) *Chinese Political Negotiating Behaviour*. Santa Monica: Rand Corporation.
- Spence, Jonathan (1975) Opium Smoking in Ch'ing China. Wakeman and Grant (ed), *Conflict and Control in late Imperial China*. California: University of California: University of California Press.

- Suharchuk, Gregorii D. (1984) "Modernisation in China and Foreign Policy," *Asian Survey*. No. 11.
- Sun, Liancheng (1987) "Socialism and Opening to the Outside World," *Renmin Ribao*. 11th May 1987.
- Sun, Yat-sen, *San Min Chu I: The Three Principles of the People*, Trans. Frank W. Prince (ed), *the Commission for the Compilation of the History of the Kuomintang*, (Taipei, Taiwan: Chian Publishing Co., n.d.).
- Sung, Yun-wing (1991) *The China-Hong Kong Connection: The Key to China's Open Door Policy*. Cambridge: Cambridge University Press.
- Sung, Y.W. (1984) *Structural Change of the Hong Kong economy: some preliminary results*. Hong Kong: University of Hong Kong.
- T
- Tan, Fangzhi (1988) *Dictionary of the Party's United Front Work*, Beijing: Zhanwang Publishing House.
- Thatcher, Margraet (1993) *The Downing Street Years*, London: Harper Collins.
- Thomas, Ted and Turner, Nicole (1996) *What Will Happen in 1997*, Hong Kong: Simon & Schuster Ltd.
- Traver, Harold and J. Vagg (eds) (1991) *Crime and Justice in Hong Kong*, Hong Kong: Oxford University Press.
- Tsang, Steve (1995) *A Documentary History of Hong Kong: Government and Politics*, Hong Kong.
- Tsang, Steve (1997) *Hong Kong: An Appointment with China*, London: I.B. Tauris.
- Tsiang, Ting-fu (1995) *Chung-kuo Chin Tai shih*. Hong Kong: Li-ta Publishers.
- Tung, William L. (1940) *China and Some Phases of International Law*. London: Oxford University Press.
- Tung, William L. (1970) *China and the Foreign Powers: The Impact of and Reaction to Unequal Treaties*. Dobbs Ferry, N. Y.: Oceana Publications.
- Tung, William L. (1977) *V. K. Wellington Koo and China's Wartime Diplomacy*. N. Y.: St. John's University Press.

Tyau, M. T. Z. (1917) "China and the Peace Conference," *The Chinese Social and Political Science Review*. 2, No. 2 (June 1917).

U

United Front Work Department of the Chinese Communist Party (1986) *Working Manual of the United Front*, Nanjing: Nanjing University Press.

Universal Declaration of Human Right, 1984.

W

Walrond, T. (1872) *Letters and Journals of James, Eighth Earl of Elgin* (London: John Murray, 1872).

Wang, Bonzhu (1991) ed. *Zhongguo Gongchandang Tongyi Zhanxian Shi*, Shanghai: People's Publish.

Wang, Enbao (1994) *China's Policy toward Hong Kong: A Pragmatic View*. Ann Arber: MI. Dissertation.

Wang, Enbao (1995) *Hong Kong, 1997--The Politics of Transition*. Hong Kong: Lynne Rienner Publishers.

Wang, Shuwn (1990) *Xianggang Tebie Xingzhengqu Jibenfa Daolun* [A Guide to the Basic Law of Hong Kong Special Administrative Region], Beijing: Zhonggong Zhonhyang Dangxiao Chubanshe.

Wasserstrom, Jeffrey and Elizabeth Perry (eds) (1994) *Popular Protest and Political Culturing Modern China*, Boulder.

Wen Hui Po(ed.) (1984) *Special Collections on "one country, two systems"*, Hong Kong.

Wesley-Smith, Peter (1980) *Unequal Treaty 1898-1997 -- China, Great Britain and Hong Kong's New Territories*. Oxford: Oxford University Press.

Willoughby, Westel W. (1966) *Goreign Rights and Interests in China*, orig. pub. 1927 (Taipei: Ch'eng Wen Publishing Co., 1966).

Wilson, Sir David (1989) Government report, PADS.

Wong, Bon-zou (1991) *Zhongguo Gongchandang Tongyi Zhanxian Shi*, Shanghai: Shanghai People's Publish.

Wong, Kwan-yiu (ed.) (1982) *Shenzhen Special Economic Zone: China's Experiment in Modernisation*. Hong Kong: Hong Kong Geographical Association, Part II.

Wong, Siu-lun (1992) "Prosperity and Anxiety in Hong Kong Re-examined," In Lau Siu-kai, Lee Ming-kwan, Wan Po-san, and Wong Siu-lun, eds., *The Development of Social Indicators Research in Chinese Societies*. Hong Kong: Chinese University Press.

Wu, An-chia (1987) "Can the Hong Kong Settlement Serve As a Model for Taiwan?" *The Future of Hong Kong- Toward 1997 and Beyond*. New York: Quorum Books.

Wu, Peilun (1990) *Woguo de zhengfu jigou gaige*. [Organisational reform of our country's government] (Beijing: Jingju ribao chubanshe, 1990).

Wu, Xin (1960) "A Criticism of Bourgeois International Law on the Question of States Territory," *Guoji Wenti Yanjiu* [Studies in International Problems], No. 7 (1960).

X

Xiao Weiyun (1990) (ed.) *Yiguo Liangzhi yu Xianggang Tebie Xingzhengqu Jibenfa* (One Country Two Systems and the Basic Law for the Hong Kong Special Administrative Region), Hong Kong: Culture and Education Publish.

Xu, Jiatusun (1984) "Policy decision and practice" (BBC, SWB, FE/7719, 11th August 1984), p.3.

Xu, Jiatusun (1988) "Reunderstanding Capitalism," *Beijing Review*, 14-20th November 1988: 22-26.

Xu, Jiatusun (1993) *Xu Jiatusun Xianggang Huiyilu* (Xu Jiatusun Hong Kong Memories), Hong Kong: Hong Kong United Newspaper Press, vol. 1 & 2.

Y

Yahuda, Michael (1983) *Towards The End of Isolationism: China's Foreign Policy After Mao*. London: Macmillan Press.

Yahuda, Michael (1996) *Hong Kong: China's Challenge*, London: Routledge.

Yan, Jia-chi (1985) "Scientific Implications of 'one country, two systems'," *Honggi* (Red Flag), 16th March 1985.

Yan, Jiaqi (1985) "Concept Points Way to Reunification" *Beijing Review*. No. 14.

Yang, Hung-yu (1985) *Preliminary discussion of "one country, two systems"*, Shanghai: Bulletin of Central China Normal University, no. 6, 1985.

Yeh, Chih-chiu (1990) "NCNA Hong Kong Branch Establishes Advisor System", *Economic Daily*, 4th August 1990.

- Yen, Chai-chi (1986) The scientific meaning of 'one country, two systems' and its characteristics, Beijing: *Red Flag*, no. 466, 16th March 1986.
- Yi, Sima (1984) *Ronyao Quangui Deng Xiaoping de Xianggang Qiantu Tanpan* (Negotiations for Hong Kong's Future for which all the Glories belong to Deng Xiaoping) Hong Kong.
- Yu, Gi-wen (1991) "China in Hong Kong--From Underground Activity Organisation to Empire" *The Nineties*. July, 1991.
- Young, Hugo (1990) *One of Us*, London.
- Youngson, A.J. (ed.) (1983) *China and Hong Kong: The Economic Nexus*, Hong Kong: Oxford University Press.
- Z**
- Zhao, Chunyi (1986) *Theory and Practice of the United Front in the New Period*, Jilin: Jilin University.
- Zhao, Quansheng (1996) *Interpreting Chinese Foreign Policy*, Hong Kong.
- Zhao, Ziyang (1987) "Advance Along the Road of Socialism with Chinese Characteristics," *Documents of the Thirteenth National Congress of the Communist Party of China*, Beijing: Foreign Languages Press.
- Zhong, Shimei (1989) How does the Chinese Communist Party Manage Hong Kong? *Contemporary*, 25th November 1989.
- Zhongguo Xinwen She (ed.) (1984) *Liaogong zai Renjuian* (the Life of Mr Liao) Hong Kong: Zhongguo Xinwen She.
- Zhu, Qiwu (1984) "The Practical Significance of the Five Principles of Peaceful Coexistence," *Renmin Ribao*. October 1984.