

Hong Kong's Economic Path and Its Strategic Value for China and Britain, 1946-56: A Rational-Strategic Approach*

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Hong Kong's growth and prosperity as a British colony alongside a strongly anti-imperialist China appears paradoxical. Yet, this paradox reveals the fundamental rational-strategic relations that existed between China and Britain in the Cold War era and how they influenced Hong Kong's economic development. Thus, this article uses a rational-strategic approach in examining Hong Kong's unique characteristic as a strategic arena with different meanings for different agents. Its main theme is contextualizing the colony's economic path and domestic economic policy orientation by relating them with the rational considerations of the Chinese and British governments.

Keywords: rational-strategic perspective; China-Britain relations; Hong Kong's economic policy; the Cold War

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Introduction and Conceptual Framework

The "Hong Kong question" has existed since the issue of the colony's return from Britain to China was first raised in the 1910s.¹ Since then, successive Chinese governments have attempted to resolve

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¹Kevin P. Lane, *Sovereignty and the Status Quo: The Historical Roots of China's Hong Kong Policy* (Boulder, Colo.: Westview Press, 1990), chap. 1.

the issue. On the principle of sovereignty, there has been no compromise, as Chinese official statements have argued that Hong Kong was, is, and always will be Chinese territory. Its return to the mainland has thus been viewed as not only legally and morally right, but inevitable in the long run. At the same time, actual Chinese policies toward Hong Kong in the interim have accepted its status quo as a British colony. China and Britain have built a good relationship (although not on a high profile) with strong economic ties from which both the People's Republic of China (PRC) and Hong Kong have prospered.

Hong Kong's growth and prosperity as a British colony alongside a strongly anti-imperialist China appears paradoxical. Yet, this paradox reveals the fundamental rational-strategic relations that have existed between China and Britain which have influenced Hong Kong's economic development. In contrast to other analyses of Hong Kong's political economy, this article will use a rational-strategic approach in examining Hong Kong's unique characteristic as a strategic arena with different meanings for different agents, contextualizing the colony's economic path and domestic economic policy orientation by relating them with the rational considerations of the Chinese and British governments. In other words, the two governments have viewed Hong Kong as a strategic arena in which they have attempted to optimize their own payoffs.

Payoffs may mean various things to different agents depending on their value systems. Usually there is a set of ground rules appropriate for the agents, although they are usually influenced by the most powerful agent (even though negotiations between agents are possible). In the interaction process, each successive choice by an agent may prompt the other agent(s) to modify subsequent choices. All agents involved may not have equal power/resources, but they will maximize their own resources. The time frame considered by each agent may also be different.

In the interaction process, the involved agents will attempt to build up a set of rules of appropriateness which can be conformed to (or at least, be concerned with).² However, this does not mean that there will be no misunderstandings or misinterpretations; there may

²Hsin-chi Kuan, "The Quest for a Political Order in Hong Kong" (Professorial Inaugural Lecture Series no. 19), *Chinese University Bulletin*, Supplement 31, 1993.

be errors and brutal conflicts. Nevertheless, after each conflict or crisis, each agent will learn something about the other's "rationale" and will gain a much clearer and deeper understanding of the other's "behavioral mode." Consequently, a set of volatile and mutually-manipulated rules of appropriateness is formed. These rules of appropriateness are a kind of institutional form which in turn guide the agents' strategic calculations in the next round of the "game." After a series of "games," a strategic equilibrium is formed, which can be maintained until the agents' perceptions of the environment change. In a strategic equilibrium, all involved agents can get what they want (although results may sometimes seem suboptimal in a short-term time frame).³

In specifically examining the Hong Kong arena during 1946-56, we see that the British government considered its interests (or expected payoffs) in China and Hong Kong as essential (including non-fixed assets, physical properties, and trading networks in China and Hong Kong). However, just after World War II, Britain was not in a powerful enough position to exploit these assets to the full. Thus, it decided to retain Hong Kong as British (that is, the policy of keeping a foot in China's door) and maintain de facto relations with the Chinese Communist Party (CCP) until the situation was to its advantage. On the other hand, Britain had to consider the benefits obtained from Anglo-American relations in the Cold War context (in which the United States took a negative and confrontational attitude toward Communist China). In other words, Britain could not avoid falling into a dangerous dilemma.

In the same period, China was faced with another dilemma: on the one hand, it required economic resources for state-building, with colonial Hong Kong as a convenient link with the outside world; on the other, it needed to resolve its strong domestic anticolonial spirits. In other words, the CCP fully realized Hong Kong's key economic functions (i.e., as a center for foreign exchanges and an expressway for imports of strategic goods). However, it also had to promote nationalism in respect to the status quo and Hong Kong's sovereignty.

In sum, Britain's expected payoffs in actively maintaining Hong Kong as a British colony were that (1) Hong Kong could be a tempo-

³George Tsebelis, *Nested Games: Rational Choices in Comparative Politics* (Berkeley and Los Angeles: University of California Press, 1989), chap. 1.

rary capital shelter and Asian regional business center, as well as a foothold for business in China in the future, for many British hongts (such as the Jardine and Matheson, the Hong Kong and Shanghai Bank, Butterfield and Swire, etc.); (2) Hong Kong could be an important information center for American and British intelligence agents in surveillance of Communist China;⁴ and (3) Hong Kong could be a promising source of capital for strengthening the sterling pound and the London stock market.⁵

On the other hand, in China's considerations, the expected payoffs in allowing Britain to maintain a de facto administration and the status quo were that (1) a British Hong Kong could be a convenient source of foreign exchanges, technological transfer, and resource inflows;⁶ (2) Hong Kong could serve as a channel linking China with the capitalist world (even if the Cold War atmosphere became tense); and (3) Communist China could trade with the capitalist world through colonial Hong Kong. Moreover, a significant amount of strategic supplies could possibly be smuggled into China through Hong Kong even if China were to be in conflict with the West.⁷

China and Britain's perceived payoffs were thus based on (or constrained by) preexisting political-economic conditions. Based on relevant historical materials,⁸ they will be discussed in the following sections.

After several encounters, the PRC and Britain reached a more-or-less strategic equilibrium in which Britain did not press too hard on sensitive issues (such as the Kowloon Walled City), and did not allow Hong Kong to be independent (and democratized). In turn, the PRC allowed Britain to maintain its colonial administration, and

⁴Luo Ya, *Zhengzhibu huiyilu* (Memoirs of the special branch of the Royal Hong Kong police) (Hong Kong: Overseas Chinese Archives, Hong Kong Institute of Asia-Pacific Studies, Chinese University of Hong Kong, 1996), chaps. 3-4.

⁵Beginning in 1954, over HK\$300 million of non-fixed assets (from the Hong Kong government's foreign reserves) was invested in London. See C. L. Wu, "Non-fixed Assets of the Hong Kong Government," *Hong Kong Economic Papers*, no. 12 (July 1978): 76-91.

⁶Hong Kong has been an open market of foreign exchanges; i.e., the coexistence of sterling area regulations and the free exchange of certain currencies. See Frank King, *History of the Hong Kong and Shanghai Banking Corporation*, vol. 4 (Cambridge: Cambridge University Press, 1991), chap. 8.

⁷Yun-wing Sung, *China-Hong Kong Connection* (Cambridge: Cambridge University Press, 1991), chap. 1.

⁸The archival research work has been done by Frank King, Wenguang Shao, and James Tang respectively.

provided water and foodstuffs at low prices to the Hong Kong people. Britain and the PRC thus “cooperated” in developing Hong Kong as a “golden goose generating golden eggs” for both of them.

Hong Kong as a Strategic Arena from Britain’s Perspective

Hong Kong was colonized by Britain in 1842 with the major purpose of consolidating British merchants’ power in the China trade. From its inception as a British colony, Hong Kong became increasingly integrated with the world political economy. Before the two world wars broke out, Hong Kong’s incorporation (similar to Singapore’s case) was mainly based on its role as an East Asian entrepôt, a trans-shipment point for the British hong’s exports to China and other parts of the region (as well as for Chinese goods), and a center for financial and service transactions with core nations in Europe and North America. Despite the massive disruption of entrepôt trade by the Japanese occupation of the territory (1941-45) and the violent civil war on the Chinese mainland, two-thirds of Hong Kong’s exports (mostly reexports) were sent to China in the first half of the century.⁹

China’s commercial relationship with Britain from 1949 onwards began with the CCP’s policies and actions regarding private British hong’s inside China. Initially, the CCP tried to reverse the historical trend by restoring Chinese control over institutions and practices which had been identified as manifestations of Western encroachment on China’s sovereignty and independence. In so doing, it hoped to eliminate foreign domination over the key sectors of the economy. On its part, the British government at first hoped that it could utilize the CCP’s economic weaknesses to its advantage, but later recognized that it lacked strong cards in this respect. Hence, at the outbreak of the Korean War, Britain was driven to an increasing reliance on export restrictions as political tensions mounted.¹⁰

⁹Phelps Brown, “Hong Kong Economy: Achievements and Prospects,” in *Hong Kong: The Industrial Colony*, ed. Keith Hopkins (Hong Kong: Oxford University Press, 1971), 1-20.

¹⁰British Public Record Office, open files on colonial affairs, 1945-60, collected in Wenguang Shao, *China, Britain and Businessmen* (Hampshire: Macmillan Press, 1991), 1-23, 176-83.

At the dawn of the Cold War, the large British hongts which had become competitive by relying on the hurricane of British colonialism in China were aware of the potential threat against their capital in China. Hence they took several actions:

1. They lobbied extensively in London in order to receive full oversight from the British cabinet.¹¹

2. They diversified their capital and investments to other Asian territories, and even other continents (such as South America, Africa, Australia, and India).¹²

3. Most of them consolidated their regional headquarters in Hong Kong, since they engaged in finance and trade related to Hong Kong—as an entrepôt (before the Cold War) and later as an export-oriented manufacturing center. From the early days in the nineteenth century, members of these hongts had been co-opted into the colonial power structure through appointments to the Legislative Council (Legco) and Executive Council (Exco) in Hong Kong.¹³ These British hongts considered colonial Hong Kong to be relatively safe and a commercial foothold in the mouth of China; eventually, they anticipated being pioneers (vis-à-vis the American and Japanese) in exploiting Asian markets.¹⁴

At the British government level, retention of colonial Hong Kong was seen as a matter of prestige which was important to the empire in the post-World War II era. Prime Minister Winston Churchill's view in 1943 was that Britain did not require any new territory or bases, but it did intend to hold onto what it had in East Asia, especially Singapore and Hong Kong.¹⁵ In addition, the British Colonial Office provided several assertions in regard to Hong Kong which influenced the British cabinet's decision:

1. It was estimated in 1949 that the total amount of British capital in Hong Kong was about £156 million.¹⁶ At the same time, a large

¹¹Ibid.

¹²Jardine, Metheson & Co. Ltd., *Annual Report 1961*.

¹³Chih-ching Tang, *Gang Ao wenren lu* (Social leaders in Hong Kong and Macau) (Hong Kong: Associated Press, 1958), 2-6; S. N. G. Davies, "One Brand of Politics Rekindled," *Hong Kong Law Journal* 7, no. 1 (1977): 44-84.

¹⁴See note 10 above.

¹⁵William R. Louis, *Imperialism at Bay: The United States and the Decolonization of the British Empire, 1941-1945* (Oxford: Clarendon Press, 1977), 285.

¹⁶James Tang, "From Empire Defense to Imperial Retreat: Britain's Postwar China Policy and the Decolonization of Hong Kong," *Modern Asian Studies* 28, no. 2 (1994): 317-37.

portion of Hong Kong's reserves was invested in London as non-fixed assets.¹⁷

2. The colony was also a good base of operations for British hongts to prevent Japan from gaining dominance in Far Eastern markets in the future. Therefore, Hong Kong had substantial economic value for Britain.

3. Britain's chief assets in China were its physical properties and businesses owned by private British hongts¹⁸ and the possession of Hong Kong. However, Britain was not in a powerful enough position to exploit these assets to the full and compete in the China market until the British domestic economy was revived. Therefore, it resolved to hold onto Hong Kong for the foreseeable future.¹⁹

The rise of Chinese communism presented a dilemma for British policymakers. On the one hand, they had to ally with the United States, who was actively engaged in the Cold War²⁰ with the communist bloc; on the other, they had to consider the British hongts' interests in China and Hong Kong. In 1949, the communist regime was successfully established in China. The British cabinet anticipated that the CCP would use a British Hong Kong for trading purposes, but that the colony would also face a refugee problem.²¹ After careful consideration, Britain chose the policy of "keeping a foot in China's door," seeking de facto relations with the CCP to protect its trading interests and assets but running the risk of endangering British-American relations. However, after secret negotiations, U.S. President Harry Truman adopted the position that the United States should wait until

¹⁷See note 5 above.

¹⁸There were many British hongts investing in China before the Korean War, such as the Jardine and Matheson; the Hong Kong and Shanghai Bank; the Butterfield and Swire; the British-owned China Engineers Co.; the International Export Corporation; the Shell Company of China; Price's (China); the Standard-Vacuum Oil Co.; Texas Co. (China); Frost Blend and Co.; Shanghai Dockyards, Mollers Engineering and Shipbuilding Works; Mackenzie and Co.; Shanghai Waterworks Co.; Shanghai Gas Co.; and the Shanghai Electric Construction Co. (the British Tramway), to name a few. See Shao, *China, Britain and Businessmen*, 59-83.

¹⁹Aron Shai, *Britain and China, 1941-1947* (Hampshire: Macmillan Press, 1984), 150-51; James Tang, *Britain's Encounter with Revolutionary China, 1949-1954* (New York: St. Martin's Press, 1992), 16-18.

²⁰After World War II, it became clear that Britain, which lost many resources in the war, was finding it very difficult to be a strong rival to either the United States or the Soviet Union as a major power in the new world order. The limits on British power and the growing power of the Soviet-led communist bloc drove Britain to seek a close British-American alliance during the Cold War. See Joseph Frankel, *British Foreign Policy 1945-1973* (London: Oxford University Press, 1975), 189-220.

²¹Tang, *Britain's Encounter with Revolutionary China*, 32-34.

all uncertainties were settled, and accepted that Britain would have a different China policy because of its more commercial assets there.²² The British Foreign Office thus announced diplomatic recognition of the PRC on January 6, 1950.

The dilemma of Britain's China policy became more pronounced when the Korean War broke out in June 1950 and Communist China was involved. The British cabinet intended to support the U.S. front, but it worried that the deployment of the U.S. Seventh Fleet might lead to the decline of Sino-British relations and provoke the CCP to induce disorder in Hong Kong.²³ In May 1951, the United Nations General Assembly adopted a resolution on a strategic embargo. In June 1951, Britain imposed export controls on China, Hong Kong, and Macao. Beijing condemned both the United States and Britain, and Sino-British relations were frozen (however, surprisingly, British diplomats were still allowed to stay in China, and informal diplomatic links were maintained).²⁴ Until 1954,²⁵ Sino-British relations did not improve although the Korean conflict subsided in 1953.

Hong Kong entered a very troublesome period as a consequence of the Korean War and the deepening of the Cold War, as the UN embargo on China and the imposition of export controls on strategic goods had very damaging effects on the colony's economy which will be discussed later in this article. Anglo-Chinese relations were further troubled by a number of problems. The incident of seventy-one Chinese aircraft being held up in Hong Kong²⁶ was a good example illustrating

²²Bernkopf Tucker, *Pattern in the Dust: Chinese-American Relations and the Recognition Controversy, 1949-1950* (New York: Columbia University Press, 1983), chaps. 1-2.

²³Tang, *Britain's Encounter with Revolutionary China*, chaps. 3-4.

²⁴Shao, *China, Britain and Businessmen*, chaps. 3-4.

²⁵The Geneva Conference in 1954 provided the opportunity for meetings between British Foreign Secretary Anthony Eden and Chinese Foreign Minister Zhou Enlai; at that time, the two governments agreed to establish formal diplomatic relations. See Tang, *Britain's Encounter with Revolutionary China*, chaps. 3-4.

²⁶There were seventy-one aircraft in Hong Kong which belonged to two Chinese Nationalist agencies. In November 1949, the directors of the two agencies flew to Beijing with eleven aircraft. This set off a round of claims and counterclaims over the ownership of the remaining aircraft which involved not only the Chinese Communist and Nationalist governments, but also the U.S. government, as the aircraft were purchased by the Nationalist agencies under an American lend lease. The U.S. government was concerned that the aircraft could fall into Communist hands. After the chief justice of Hong Kong ruled in April 1950 that the planes belonged to the Beijing government, the United States threatened that if the British government failed to keep the aircraft in Hong Kong, the continuance of Marshall Aid and the Military Assistance Program might be seriously endangered. Eventually, London instructed the Governor of Hong Kong to hold up the aircraft by any means which did not involve

that Anglo-American solidarity was more important than Sino-British relations. In addition, Hong Kong could do little to resist being dragged into Cold War confrontations in East Asia. For instance, the above incident triggered a series of public requisitions of British properties by the Chinese government. This frightened the British hong, who fled to other nations or Hong Kong for security. Thus, Hong Kong became a temporary shelter for many British merchants in the 1950s and 1960s. Fortunately, following the Chinese aircraft incident, the PRC only lodged an official protest to the British and Hong Kong governments and did not actively attempt to arouse any political instability in the colony.²⁷

Hong Kong as a Strategic Arena from the CCP's Perspective

The Context of Cold War and Hot War

Bilateral negotiations between China and Britain on the establishment of formal diplomatic relations were launched in March 1950, but never quite got off the ground owing to the irreconcilable position of both sides over a number of issues, with the British making it clear that they were not in the mood to meet the Chinese halfway.²⁸ On June 25, 1950, war broke out in Korea, and North Korean troops crossed the 38th parallel. North Korean leader Kim Il-sung conceived the attack and proposed the plan to Stalin for his agreement, and both the Chinese and Soviets seemed to agree with the North Koreans that the United States was not likely to intervene.²⁹ Mao Zedong himself probably believed that whatever happened between North and South Korea was only an internal matter for the Koreans.³⁰ However, the United States quickly sent in its Seventh Fleet to seal off the Taiwan Strait, presumably to prevent any resumption of hostilities between the CCP and the Kuomintang (KMT, Nationalist Party) regime in

the formal use of statutory powers, and obtained an Order-in-Council in May 1950 to keep the aircraft in the colony before handing them to the Americans in 1952. See note 16 above.

²⁷Shao, *China, Britain and Businessmen*, chap. 3.

²⁸Ibid.

²⁹Peter Lowe, *Origins of the Korean War* (London: Longman, 1986), 150-57.

³⁰Shao, *China, Britain and Businessmen*, chap. 3.

Taiwan which might complicate U.S. military actions in Korea.³¹ This by implication brought the CCP into conflict with the U.S. government and gave rise to the CCP's concern that its legitimate status and power were being challenged by an international hegemon, particularly its sovereignty over Taiwan.

The CCP was further alarmed by General Douglas MacArthur's successful Inchon landings on September 15, 1950, which opened the way for South Korean and Allied forces to cross the 38th parallel in the name of the UN and to advance to the Yalu River on the Chinese border.³² By the end of September, it was clear to the CCP that the situation in Korea had reached a crisis point. The CCP saw a neighboring Korea under U.S. occupation as a direct threat to its security and stability and a source of tension to which it would be forced to indefinitely commit its entire Northeast defense resources. Indeed, U.S. bombers were already devastating territories on the Chinese side of the border. The CCP military finally intervened on October 25, and with its massive forces fighting on the side of the North Koreans, the U.S. military forces were soon pushed back.³³ In retaliation for its military losses, the United States imposed a comprehensive embargo on China trade and shipping and froze the assets of the Chinese government in the United States, as well as U.S. bank deposits of British firms in connection with business transactions with China. Britain joined with other Western governments in imposing economic sanctions against China.³⁴

In the process of the Korean War, the CCP, with support from the Soviet Union, had many opportunities to show its courage and aggressiveness against the British-American allies. This display of aggressiveness to the West was part of its state-building strategy, and emphasized its intention to build a strong image with the theme of nationalism which was a useful means to promote its legitimacy both domestically and internationally.

The Hong Kong Question

Although the Cold War atmosphere was tense, the importance of maintaining an economic relationship with the capitalist world was

³¹Tang, *Britain's Encounter with Revolutionary China*, chap. 3.

³²Lowe, *Origins of the Korean War*, chaps. 1-2.

³³Shao, *China, Britain and Businessmen*, chap. 3.

³⁴Tang, *Britain's Encounter with Revolutionary China*, chap. 3.

not ignored in Mao's era. The CCP recognized that Hong Kong could serve as a channel linking China with the capitalist world; hence, it left the colony in British hands in 1949 at a time when it could easily have taken Hong Kong by force. During the Korean War, the PRC imported most of its strategic supplies from and via Hong Kong. Although the UN embargo prevented rapid development of ties with capitalist nations, the PRC continued to export to them through Hong Kong. Moreover, significant quantities of strategic supplies were smuggled into China through Hong Kong.³⁵

Statistical data illustrates the strong mutual economic relations between Hong Kong and China. From 1931 to 1938, 37 percent of Hong Kong's imports came from China. In the same period, the Chinese market accounted for 40 percent of Hong Kong's exports.³⁶ After World War II, China conducted most of its trade through Hong Kong, and Hong Kong-China trade recovered to prewar levels. The PRC's vigorous buying prior to and during the Korean War, and the closure of major Chinese ports after 1949, led to a threefold increase in Hong Kong's exports to the PRC during 1948-50 which accounted for about 38 percent of total Chinese imports. Hong Kong's imports from China also rose to 25 percent of China's total exports in 1950. However, due to the UN embargo, which began in May 1951, Hong Kong's share of China's exports fell from 25 percent in 1950 to 11 percent in 1955.³⁷

In addition to the UN embargo, the CCP practiced an import-substitution economic policy which resulted in a drastic cut in the import of consumer goods from foreign nations (except for trade with other communist countries). China arranged most of its purchases of capital goods through East Berlin, and after the Sino-Soviet split in the early 1960s, it rearranged its trade with capitalist nations. However, most of China's imports were wheat and capital goods which were handled directly by China's state trading units, and Hong Kong's exports to the PRC continued to fall during that decade. In 1970, Hong Kong's exports to China accounted for less than 0.5 percent of the PRC's imports.³⁸

³⁵See note 7 above.

³⁶Joseph C. F. Tom, *Entrepôt Trade and the Monetary Standards of Hong Kong, 1842-1942* (Hong Kong: Weiss, 1964), chap. 1.

³⁷See note 7 above.

³⁸Ibid.

The pattern of Hong Kong's imports from China was very different. The PRC sought to earn hard currency (since its *renminbi* was not recognized by most Western nations) by exporting to Hong Kong (as the Hong Kong dollar was linked with the sterling pound during the 1950s-60s). Hong Kong's imports from the PRC grew in the late 1950s, accounting for 11 percent of the PRC's exports. In the 1960s, the PRC's exports to Hong Kong increased further; in 1966, just before the Chinese Cultural Revolution, Hong Kong's imports from the PRC accounted for 21 percent of the PRC's total exports, and 27 percent of Hong Kong's imports.³⁹

During the turbulent years mentioned above, the Chinese government fully understood Hong Kong's key economic function. Although the CCP did not recognize the validity of the three unequal treaties between China and Britain,⁴⁰ and it insisted that Hong Kong (including Hong Kong Island, Kowloon, and the New Territories) was Chinese territory, it handled the Hong Kong question with great care. CCP leaders mentioned privately in 1948 that the CCP did not intend to take back the colony by force but would treat it as a diplomatic issue; thus, a long-term view was adopted.⁴¹

In the Cold War era, the CCP obviously faced a dilemma: on the one hand, it wanted to promote nationalism in respect to Hong Kong; on the other, it did not wish a political confrontation with Britain when the main target for its diplomatic offensive was the United States. The colony thus played an essential role in the CCP's state-building efforts and maintaining Sino-British commercial relations for many years to come.

In maintaining colonial Hong Kong, London was fully aware of the colony's vulnerability if Beijing determined to take it back.⁴² Without the CCP's implicit agreement, it would be impossible to

³⁹Ibid.

⁴⁰The three treaties which Britain concluded with China in the nineteenth century defined Hong Kong as a colony, and have sustained its legal status: (1) the 1842 Treaty of Nanking under which Hong Kong Island was to be ceded in perpetuity to Britain; (2) the 1860 Convention of Peking which resulted in Stonecutters Island and the Kowloon Peninsula being ceded in perpetuity to Britain; and (3) the 1898 Convention Respecting an Extension of the Hong Kong Territory under which the area known as the New Territories was leased to Britain for a ninety-nine-year term ending on July 1, 1997. See George B. Endacott, *A History of Hong Kong*, 2nd edition (Hong Kong: Oxford University Press, 1973), chaps. 3-5.

⁴¹Stephen Tsang, "Hong Kong Constitutional Development, 1949-52" (Ph.D. diss., Politics Department, St. Antony's College, Oxford University, 1986), 124-90.

⁴²Most of Hong Kong's drinking water and basic food were brought from China.

maintain Hong Kong as a trading port under British administration, even though the Hong Kong garrison was reinforced in 1949. In 1963, the CCP stated publicly for the first time that both Hong Kong and Macao were Chinese territories, and should be restored to Chinese sovereignty through peaceful negotiations when the time was ripe.⁴³ Nevertheless, Britain had already expected even before the Korean War that Hong Kong could not be independent even after decolonization.⁴⁴

Rationality and Capability in Ruling Hong Kong: The Hong Kong Colonial Government's Considerations

The strategic relations between China and Britain, as outlined above, constituted an important matrix upon which the Hong Kong colonial government formulated its economic policy orientation. The Hong Kong government could not take a highly interventionist stance on the domestic economy, since it had to consider Beijing and London's will, its own limited capability (such as in financial resources), and the loose legitimacy of its regime.

It is thus easy to understand why the colonial government did not actively help the local industrial sector (especially after 1950). Since most of the unofficial members of the Exco and Legco represented the interests of British and local commercial and financial communities, they were probably unenthusiastic about the interests of the underdeveloped manufacturing sector. In addition, they did not trust relations with newcomers (such as the Shanghai entrepreneurs of small-sized companies).

The Political Dimension

The Hong Kong government has been coined as "a minimal colonial state" since the nineteenth century.⁴⁵ As a colonial principle, the British government believed that a very simple form of administration (that is, a minimal state backed by military forces) would satisfy the needs of the inhabitants, especially for the British merchants.

⁴³Shao, *China, Britain and Businessmen*, 21-23.

⁴⁴See note 16 above.

⁴⁵Ian Scott, *Political Change and the Crisis of Legitimacy in Hong Kong* (Hong Kong: Oxford University Press, 1989), chap. 2.

During the period 1946-56, the governing rationale of the colonial state was not different compared with that of the prewar era. It was conservative, incremental, with a top-to-bottom mode of decision-making, and with the terms "stability" and "British interests" as the major principles guiding colonial government policies. The Exco, headed by the governor, was the "brain" of the government, and crowded with the British business elite, several top expatriate officials, and a small portion of Chinese businessmen. Major policies (taxation, social order, public works, etc.) were based on the information and suggestions provided by special advisory boards. The governor visited London periodically and had close communications with the Colonial Office. In important issues such as constitutional changes and foreign affairs, the colonial governor had to receive full consent from the British cabinet.⁴⁶

The colonial government's incremental policies implied that it had no long-term, full-scale plan for development. Any new devices or interventions were ad hoc and crisis-driven. For example, legislation relating with labor issues was preceded by labor disputes and strikes;⁴⁷ in another example, large-scale provision of public housing was only initiated after the Shek Kip Mei fire.⁴⁸ Legislative councilors often complained that the government paid little attention to town planning.⁴⁹

The Hong Kong government's minimal role could be explained by its limited capability in social mobilization and promotion of legitimacy. It was a colonial government originally imposed on China by military force; the administration was unable to use many of the tactics for state-building which were commonly employed by indigenous

⁴⁶See Stephen Tsang, *Democracy Shelved: Great Britain, China, and Attempts at Constitutional Reform in Hong Kong, 1945-1952* (Hong Kong: Oxford University Press, 1988), chaps. 1-2; Davies, "One Brand of Politics Rekindled"; Charles Collins, *Public Administration in Hong Kong* (London: Royal Institute of International Affairs, 1952), chaps. 10-11; Norman J. Miners, "Hong Kong: A Case Study in Political Stability," *Journal of Commonwealth and Comparative Politics* 13, no. 26 (1975): 26-39; and George B. Endacott, *Government and People in Hong Kong, 1841-1962: A Constitutional History* (Hong Kong: Hong Kong University Press, 1964), chaps. 11-15.

⁴⁷Herbert A. Turner et al., *The Last Colony: But Whose?* (Cambridge: Cambridge University Press, 1980), chaps. 1-4.

⁴⁸Manuel Castells et al., *The Shek Kip Mei Syndrome: Economic Development and Public Housing in Hong Kong and Singapore* (London: Pion, 1990), chap. 2.

⁴⁹Address by the Councilor, Dr. A. M. Rodrigues, *Hong Kong Hansard* (Hong Kong Government Printer), March 21, 1956, 141-42.

governments. Its symbols of authority (the Union Jack, the national anthem, the portraits of the King/Queen) were all counterproductive, reminding the Chinese of their subordination. Maintenance of British rule required the yearly recruitment of young administrative and police officers from Britain on permanent and pensionable terms, and the top posts in government had to remain in British hands. In order to attract foreign capital and persuade capitalists to reinvest their profits locally, tax rates had to remain low, and the welfare state model was ruled out. The colonial government could not engage in a prolonged and heated confrontation with the masses, since it might run the risk of alienating Hong Kong citizens and the PRC might feel obliged to intervene.⁵⁰ Considering all of these constraints, the colonial state chose the “right” way in keeping itself minimal and incrementalist.

The colonial government held only two strong cards: first, as long as the PRC needed Hong Kong as a source of foreign exchanges, the CCP could not risk pressing the British too hard, for fear that they might depart, thus destroying the capitalist system in Hong Kong as well as its international links.⁵¹ Second, a large proportion of the Hong Kong population were refugees who had escaped from Communist China; the last thing they wanted was the reincorporation of the colony into the Communist regime. The majority only wished that Hong Kong could continue to exist as a separate (but not necessarily independent) capitalist entity.⁵²

Under these two conditions, therefore, both the PRC and the Hong Kong people had to tolerate British rule of Hong Kong. This tolerance was based on solely rational calculations of self-interest by the respective parties. It is thus not surprising that Britain’s loose legitimacy, accorded to aggregate instrumental motives, was maintained for nearly half a century (from 1949 to 1997).

The Economic Dimension

Based on the minimal state rationale as mentioned above, the economic interventions of the colonial state were also minimal and ad hoc, as its shaky political legitimacy was a serious limitation on its capability to expand its financial sources. Fortunately, taxation

⁵⁰Miners, “Hong Kong,” 26-39.

⁵¹Ibid.; see also note 45 above.

⁵²Miners, “Hong Kong,” 26-39.

on imports and exports (via the Customs Department) provided a promising source of revenue most of the time (except during the peak of the UN embargo).

Just after World War II, the financial strength of the Hong Kong government was at a low ebb, with a budget deficit in 1946. London had no strong intention to offer a helping hand; moreover, its War Office requested Hong Kong to refund British military expenditures.⁵³ Although the British government was not so helpful, the biggest British bank in Hong Kong—the Hong Kong and Shanghai Bank—was willing to support the colonial government at this critical moment.⁵⁴

In the recovery period, the colonial government rejected the provision of low-interest loans to any local industries; nor did it grant a preference to locally-produced goods:

Council considered the question of granting financial assistance in the form of low-interest loans to local industries, with particular reference to an application from the Diaward Steel Works. After discussion Council advised that circumstances in H.K. did not justify Government's intervention into the field of commercial finance and that the application from the Diaward Steel Works should be rejected. . . . Council considered an application by the H.K. Brewery and Distillery Ltd., for an increase on the preference of locally produced denatured industrial alcohol. After discussion, Council advised and His Excellency the Governor ordered that the application should be refused. (*Executive Council Minutes*, file no. A6/23, November 25, 1947, 298.)

In the period 1946-56, most unofficial Exco and Legco members represented the interests of British and local commercial and financial communities, which were eager to recoup their wartime losses and reorganize their investments in Asia. In contrast, they were unenthusiastic about Hong Kong's underdeveloped manufacturing sector. Most of them had a global view, considering Hong Kong to be just

⁵³In an address, Governor M. A. Young stated: "It is necessary for the Government to refund to the War Office the amount due in respect of their pay and allowance together with a pension contribution. . . . The total expenditure other than expenditure on rehabilitation is expected to be in the neighborhood of 75 million dollars, and that against this, our revenue for the eleven months will probably be under 40 million dollars." *Hong Kong Hansard*, May 16, 1946, 20-21.

⁵⁴In an address, Attorney General G. E. Strickland stated: "The enactment of the measure has been approved by the Secretary of States and agreed to by the Committee in London . . . 16 million dollars of the issue should be provided for by the Bank and that the total amount of the notes payable to bearer on demand which may be in circulation against approved securities under Section 11 of the Hong Kong and Shanghai Bank Ordinance 1929 should accordingly be raised from 30 million dollars to 46 million dollars. The rest of the issue will be covered by a certificate of indebtedness issued by Government." *Hong Kong Hansard*, May 16, 1946, 46.

a small or even temporary foothold in further expanding their businesses.

The domestic condition can be explained more satisfactorily if we join it with the historical and international context outlined earlier. International relations, both in the trade and political dimensions, between China and Western nations were not stable during this period; hence, entrepôt trade in Hong Kong was seriously affected. Although Britain was committed to keeping the colony, the Hong Kong government was still concerned about how long its regime could last alongside a strongly anti-imperialist China. Moreover, the colonial state had little capacity or responsibility to take care of the large number of Chinese refugees in Hong Kong. Therefore, social welfare provisions were minimal. When the colonial government had accumulated a certain amount of capital (from 1945 to 1950), rather than using it on public works and social welfare, it preferred to invest a large portion of it as non-fixed assets in London. The following statistics and analysis will explore the situation in more detail (see table 1).

1. The financial capability of the colonial government was unstable during the period 1946-56. The revenue growth rate was fluctuating, with a maximum of 310 percent and a minimum of -0.15 percent. One of the reasons for this was that Hong Kong's gross domestic product (GDP) growth rate was also unstable during this period (with a maximum of 31.6 percent and a minimum of -7.5 percent). This instability can in turn be explained by the turbulent trade conditions between the East and the West via Hong Kong during the Cold War and Korean War. This period was also the critical time in which Hong Kong transformed from an entrepôt-oriented to an export-oriented economy.

2. The growth rate of revenue reached its lowest point in 1951 (-0.15 percent), an obvious result of the UN embargo. However, as a percentage of the GDP, revenue was relatively stable during this period (with a maximum of 12.63 percent and a minimum of 8.81 percent).

3. A surprising finding from table 1 shows that the colonial government itself did not have much confidence in Hong Kong's future. The Hong Kong government's overseas (mainly in London) non-fixed assets as a percentage of Hong Kong's GDP increased from 1.74 percent in 1950 to 4.86 percent in 1951, for a rate of increase of 179.3 percent. This tremendous increase can also be explained by the UN embargo in 1951. Most probably, Britain was afraid that PRC retaliation might occur at any time.

Table 1
The Public Finance and Selected Economic Indicators of Hong Kong, 1946-56

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
Government revenue ¹	40	164	195	264	292	291	385	397	434	455	510
Growth rate (%) ²		310	18.9	35.4	10.5	-0.15	32	3.22	9.42	4.67	12.1
Government expenditures ³	75	164	190	204	218	254	298	329	373	402	469
Growth rate (%) ⁴		119	16.4	7.2	23.5	0.96	22.6	5.39	13.6	7.8	16.7
Revenue as % of GDP ⁵		9.09	9.5	9.78	9.03	8.81	12.59	12.39	12.63	12.03	12.25
Expenditures as % of GDP ⁶		9.06	9.28	7.55	6.75	7.7	9.76	10.25	10.85	10.65	11.28
Total Government non-fixed assets ⁷			78.9	108.6	169.2	297.8	320.7	391.3	474.2	508.8	510
Government overseas non-fixed assets ⁸			29.2	35.1	56.2	160.5	224.4	225.2	325.2	432.5	470.7
As % of GDP ⁹			1.42	1.3	1.74	4.86	7.35	7.03	9.45	11.44	11.31
Growth rate ¹⁰				-8.45	33.85	179.3	51.23	-4.35	34.42	21.06	-1.14
Expenditures on nonrecurrent public works ¹¹			2.6	17.6	19.3	21.4	37.1	30.6	45.1	81.4	112.8
As % of GDP ¹²			0.13	0.65	0.6	0.65	1.21	0.95	1.31	2.15	2.71
H.K. GDP at market price ¹³		1,805	2,050	2,700	3,230	3,305	3,055	3,205	3,440	3,780	4,160

Table 1 (Continued)

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956
GDP growth rate ¹⁴			13.6	31.6	19.7	2.3	-7.5	4.9	7.2	9.9	10.1
GDP per capita (HK\$) ¹⁵	1,043	1,139	1,454	1,428	1,615	1,427	1,414	1,501	1,595	1,670	1,670
Growth rate (%) ¹⁶			9.21	27.67	-1.8	13.12	-11.66	-0.88	6.16	6.24	4.7
Population (1,000) ¹⁷	1,550	1,750	1,800	1,857	2,262	2,046	2,141	2,266	2,291	2,370	2,491
Growth rate (%) ¹⁸		12.9	2.9	3.20	21.8	-10	4.6	5.8	1.1	3.4	5.1

*In HK\$ million, unless specified otherwise.

Notes:

1. *Hong Kong Hansard*, various years.
2. Computed by the author.
3. *Hong Kong Hansard*, various years.
4. Computed by the author.
5. Computed by the author.
6. Computed by the author.
7. C. L. Wu, "Non-fixed Assets of the Hong Kong Government," *Hong Kong Economic Papers*, no. 12 (July 1978).
8. *Ibid.*
9. Computed by the author.
10. Computed by the author.
11. Wu, "Non-fixed Assets of the Hong Kong Government."
12. Computed by the author.
13. K. R. Chou, *Hong Kong Economy: A Miracle of Growth* (Hong Kong: Academic Publications, 1966), chaps. 2 and 6.
14. *Ibid.*
15. Computed by the author.
16. Computed by the author.
17. Chou, *Hong Kong Economy*, chaps. 2 and 6.
18. *Ibid.*

4. The Hong Kong government's expenditure growth rate more or less fluctuated (with a maximum of 119 percent and a minimum of 0.96 percent) at the same rate as its revenue growth rate. Expenditures as a percentage of the GDP were maintained below 11.28 percent and were relatively stable during this period.

5. The government did make a certain effort to support the declining economy through increases in public expenditures. When the Hong Kong economy was at a low in 1952 with a GDP growth rate of -7.5 percent and a GDP per capita growth rate of -11.66 percent, the growth rate of government expenditures was 22.6 percent, which was the highest rate in the 1946-56 period.

6. Expenditures on nonrecurrent public works as a percentage of Hong Kong's GDP was very low (with a maximum of 2.71 percent and a minimum of 0.13 percent) compared to the government's overseas non-fixed assets as a percentage of its GDP (with a maximum of 11.44 percent and a minimum of 1.3 percent). This indicates that the colonial government did not devote serious fixed capital input (for example, in improving the infrastructure) to the colony during this period, preferring to keep more of the colony's reserves as non-fixed assets in London.

7. The Hong Kong government was ill-equipped and unwilling to spend much resources on Chinese refugees who flooded into Hong Kong and increased its population from 1.55 million in 1946 to about 2.26 million in 1950. Thus, there was no significant increase in expenditures on public works as a percentage of the GDP. However, starting from 1954-55, expenditures on public works increased to above 2 percent of the GDP due to the Shek Kip Mei fire in 1953, which stimulated the colonial government's conscience.

In addition to the colonial government's stringency in providing welfare and public goods, there was another threat to the legitimacy of the city-state: the prevalence of corruption and bribery on a large scale among public officials in many departments.⁵⁵ This would remain a serious problem in postwar Hong Kong until the Independent Commission Against Corruption (ICAC) made a determined effort in the 1970s to stamp out organized corruption.

In maintaining social order and stability, the colonial government only intervened on matters such as the basic food supply and the cost of public goods:

⁵⁵*Hong Kong Executive Council Minutes*, August 2, 1946, 41-45.

Council discussed measures for reducing the cost of living in H.K. After discussion it was agreed and His Excellency the Governor ordered that Council should record its opinion, subject to the views of the Director of Supplies, Trade and Industry, that margins of retail profits on controlled commodities should be reduced, and that the utility companies (electric power, and light and gas) should be asked to review their rates, after it had been ascertained that the rates charged by Government for water were not excessive. (*Executive Council Minutes*, September 10, 1947.)

Council advised that the present policy of gradual reduction in prices and margins of profit, more particularly in the case of foodstuffs procured by Government and sold on a commission basis, should be endorsed. (*Executive Council Minutes*, October 22, 1947.)

Council considered the report of the Rice Controller that in view of the increase in the cost of rice from Burma, Siam and Egypt, the Colony's rice ration was now being sold at a loss. Council advised and His Excellency the Governor ordered that the retail price of rice should be increased to 54 cents per catty forthwith. (*Executive Council Minutes*, February 24, 1948.)

Hong Kong's trading activities recovered more quickly than expected after World War II due to promotion by the large hongts. The year 1947 was a fair year in Hong Kong. Imports totalled about HK\$1.55 billion, or a rise of 62 percent over 1946, while exports were at HK\$1.22 billion, or 58 percent higher than the figures for the previous year. Foodstuffs, oils and fats, and textiles (mainly made in China) played a leading role in the colony's trade, comprising almost 50 percent of imports and exports, while metals, chemicals, dyes, tobacco, and paperware accounted for another 25 percent of the trade.⁵⁶ The British empire's share of trade passing through Hong Kong also increased after the war. In 1938, only 16 percent of the colony's imports and 17 percent of its exports were with countries in the empire (including Malaya, Australia, India, etc.), but in 1947 these figures increased to 28.6 percent for imports and 29.5 percent for exports.⁵⁷

One feature of Hong Kong's trade in 1947 worth mentioning was the increase in trade with the United States. East Asia was compelled to look to the country with the largest exportable surplus to supply its needs for manufactured articles, as the United States had more than doubled its prewar share of the Far Eastern market. Imports through Hong Kong from America totalled US\$299 million for 1947, while exports to the United States amounted to US\$152 million. The

⁵⁶*Hong Kong Hansard*, March 19, 1948, 41-42.

⁵⁷*Ibid.*

main export item from Hong Kong to the United States was tun oil, but there was a severe decline in oil exports during 1947.⁵⁸ Another feature of Hong Kong's development was the revival of trade with Japan: close liaisons had been maintained with General MacArthur's Foreign Trade Division since early 1946, and Hong Kong had its own representative in Tokyo in 1947.⁵⁹ Little progress was made in the rehabilitation of industry, however, since it was still handicapped by loss of equipment, lack of raw materials, and excessive costs. Delivery of new equipment was still subject to inordinate delays. Moreover, there were certain comparative disadvantages in Hong Kong, such as limited water supplies and the scarcity of suitable sites.⁶⁰

The postwar economic recovery lasted for only five years (1946-50). Due to the Korean War and the UN embargo, 193 registered factories ceased operation in 1951, with an increase of about 30,000 unemployed workers. The Hong Kong government annual report noted that an increasing number of Hong Kong people were being reduced to a bare subsistence level, and declared that the effects of the Korean War had brought Hong Kong to an economically impossible situation.⁶¹

Many related causes deepened the colony's economic crisis. For many British and American capitalists, confidence in the Far East's future in general and Hong Kong in particular was decreasing. Some of them withdrew capital from Hong Kong and Macao, and KMT-related banks also withdrew funds from Hong Kong. An increasing amount of Hong Kong's revenue was channeled into defense and maintaining law and order, but rarely used in helping domestic industries. As a whole, Hong Kong faced a serious shortage of capital for medium- and long-term domestic investment on the one hand, and a sudden postponement of merchandise originally destined for China on the other.⁶² Combined, these factors had a damaging effect on the colony's economy.⁶³

⁵⁸Ibid.

⁵⁹Ibid.

⁶⁰Ibid.

⁶¹See 1951-52 issues of *Hong Kong Annual Reports* (Hong Kong Government Printer, 1951-52).

⁶²Scott, *Political Change*, 67-69.

⁶³At that time and before, Hong Kong's economy mainly relied on the entrepôt trade between China and other nations. The following figures illustrate the sudden drop

Fortuitously enough, it was the CCP victory on mainland China which resulted in a huge flow of capital and entrepreneurs from Shanghai to Hong Kong and revitalized the colony. The Shanghainese industrialists brought know-how on textiles and advanced machines, accompanied by a large pool of skilled and unskilled labor as refugees flooded into Hong Kong. This Shanghainese capital, entrepreneurship, and technology, as well as hard-working, fast-learning, and cheap labor proved to be the key factors in Hong Kong's eventual industrial take-off.⁶⁴

Conclusion

In the turbulent years 1946-56, Hong Kong's economy fluctuated before attaining a steady growth. Since Hong Kong was fatefully located near one of the centers of global political-economic conflict, it could not avoid being a strategic arena in which the superpowers struggled for their own interests. Hong Kong residents had no say on the domestic political system, sovereignty of the territory, constitutional reform, economic policy, foreign affairs, and many other issues. On their part, both Britain and the PRC would not allow the Hong Kong people to disturb the strategic equilibrium which they had built together with great effort.

Hong Kong's economic condition was unstable during this period because the Cold War syndrome disturbed entrepôt trade, and man-

of trade with China, especially in exports to China in 1952.

(Unit: HK\$ million)

Year	Imports from China	Exports to China	Total
1949	593.5	584.6	1,178.1
1950	858.0	1,461.1	2,319.1
1951	863.1	1,603.8	2,466.9
1952	830.2	520.0	1,350.2
1953	857.1	540.3	1,397.4
1954	691.8	390.8	1,082.6
1955	897.6	181.6	1,079.2
1956	1,038.3	136.0	1,174.3
1957	1,131.1	123.4	1,254.5

Sources: *Hong Kong Annual Reports*, 1949-57 issues.

⁶⁴Scott, *Political Change*, 67-69; Siu-lun Wong, "The Migration of Shanghainese Entrepreneurs to Hong Kong," in *From Village to City: Studies in the Traditional Roots of Hong Kong Society*, ed. David Faure et al. (Hong Kong: Center of Asian Studies, University of Hong Kong, 1984), 206-27.

ufacturing industries had not matured. The state's rationale of minimal governance was conservative, incremental, and with a colonial mindset. In other words, it would not devote too much resources and commitment to a "borrowed place in a borrowed time." Stability and British interests were the major principles guiding the colonial government policies; no doubt, the Exco and Legco, with their corporatist natures, also had a role in formulating pro-business policies, especially for the tertiary production sector.

In this study, we have seen that Hong Kong's industrial take-off in the period 1950-60 was definitely not the intended consequence of the colonial government's effort, but rather hinged on the dynamics of the "international games" between China and the Western nations (with Britain and America as the major players). Hong Kong's laissez-faire approach was therefore formulated under the constraints provided by the paradoxical relations between China and Britain in the Cold War context. The development of the colony's economy should not be viewed as an independent unit, nor is there a "Hong Kong model" which can be applied to other developing nations, for its development was embedded in a particular historical matrix.

Chinese people should especially be aware that British administration and Hong Kong's simultaneous economic growth do not necessarily imply that there was a sufficient causal relationship between the two. During the current transition period, we should be very careful in assessing discourse from all politicians, such as Hong Kong Governor Chris Patten:

Success in Hong Kong is the result of a combination of factors. This is a Chinese city. Its success is the result of the hard work and skill of its Chinese men and women. It is also a city over which, for a century and half, Britain has held stewardship. We have tried to exercise that stewardship in a way which had been true to our political values. Those values have been institutionalized in the rule of law and a meritocratic, politically neutral civil service. . . . The localization of the public service had necessarily been speeded up since 1992, but not, I hope, at the expense of acknowledging the role that has been played and will continue to be played by expatriates. Hong Kong has always been an open city; open to ideas, open to people. That openness is at the heart of Hong Kong's success. The framework of social, legal, and economic values and policies created here has given the men and women of this city the opportunity to make the most of their formidable energy and talents, to thrive, excel, and prosper in a fair, ordered, and orderly society. . . . For most people in Hong Kong, the history that created this city is of more recent vintage. It is the history that brought them here. At the end of the last war, Hong Kong—devastated by conflict, occupation, and pillage—was home to under 600,000 people. That population increased exponentially over the following three decades, as wave after wave of refugees swam, walked, ran, and climbed over barbed wire to find a new life in this city. . . . They came

of course in search of better economic prospects for themselves and their families; but many came too because they could enjoy here the peace and safety guaranteed by the rule of law. . . . (Address by Governor Chris Patten at the Opening of the 1996/97 Session of the Legislative Council, October 2, 1996.)

In this address, Patten applies a discursive strategy, highlighting Britain's honor and including at least four implications: (1) stressing the positive role of British administration and its importance in creating the rule of law and an effective civil service system (institutions) in Hong Kong; (2) neglecting the interest-related reasons for Britain's commitment to keeping Hong Kong as its colony after World War II; (3) neglecting China's positive role in providing resources and stability for Hong Kong; and (4) using refugees' actions as a hint to imply that China's domestic political instability and adverse conditions "pushed" Chinese people to escape to Hong Kong.

Most of the Hong Kong people have complex feelings in 1997; however, we should not confuse historical reality with discursive distortion, and hopefully, we can continue to examine the different dimensions which enrich our understanding on historical phenomena such as these.