



HONG KONG

HISTORY teaches us that most agreements of long standing or particular difficulty, whether between individuals or Governments, come down to a dispute over land – the right to rewards stemming from possession of a particular piece of the Earth's limited surface.

The Hong Kong question now hitting the headlines is a rather exceptional example of this general rule.

Britain took possession of Hong Kong harbour in 1841 to provide a place of safety for its ships trading into China. It had little interest in the place itself. China justified its decision to yield control of the island to Britain on the grounds that, by so doing, the foreigners would be kept out of the mainland.

Since then much has changed.

Hong Kong has grown into a major manufacturing and financial centre in its own right. It has interests very much its own and its people – of whatever background – deserve and desire its survival.

But whether the interest of the two main contracting powers have changed fundamentally is less clear.



Hong Kong, in British eyes, is made up of three parts:

- Hong Kong Island – 32 sq. miles ceded by the Treaty of Nanking 1841.
- Kowloon & Stonecutters – 3½ sq. miles ceded by the Convention of Peking 1860.
- The New Territories – 360 sq. miles leased for 99 years by the Convention of Peking 1898.

In Chinese eyes, Hong Kong is just a small portion of the province of Guangdong at present administered by Britain – an arrangement which will be resolved at “an appropriate time”.

As far as China is concerned, this appropriate time is solely a matter for her determination and bears no relation to the treaties upon which Britain relies – and which China does not recognise.

The future of Hong Kong depends on how these two conflicting views are to be reconciled.

ON HER recent visit to China, Britain's Prime Minister, Mrs. Thatcher, appears to have taken a stand on the treaties.

The Chinese, however, have seen fit to stress publicly that the sovereignty of Hong Kong is not a matter for debate or negotiation. It is Chinese and this must be recognised before any discussions can proceed!

Thus the result of Mrs. Thatcher's visit is, on the surface, one of total confrontation. But clearly with the end of the New Territories lease only 15 years away, the matter had to be raised and the two opposing statements must be seen only as opening shots in what is likely to be a long and difficult series of negotiations.

There is no doubt that the people of Hong Kong would like Hong Kong to continue largely as at present

To obtain a better idea of how these discussions might proceed, we need to consider the real interests of the parties. In doing so, we must not forget the interests of Hong Kong itself, which are distinct from those of the main parties, and consider how Hong Kong can bring its influence to bear on the negotiations.

To its own people, China is still largely a closed country ruled by an oligarchy in some ways much as it was when Hong Kong was first carved out. Its internal stability is suspect, making international negotiation difficult and uncertain.

In such circumstances, it is understandable that Britain should want to stick closely to its internationally-recognised legal rights.

At the same time, one can understand the reluctance of China's leaders to take any further steps at this time. Vice-Premier Beng has said: “Let your hearts be at ease.”

So what more needs to be done?

To persuade China to take another step must be the first objective of British negotiators since, if Hong



Kong is to continue in anything like its present form, Western lawyers and bankers require bits of paper giving security of tenure for a term of years rather longer than that which will remain in the existing New Territories lease in a few years time.

In this situation, it is the people of Hong Kong (98% Chinese) who feel compelled to take the initiative.

Whilst the post-war Hong Kong Government has failed in one major respect (it yielded to pressure and waived its legal rights to a greater share of land value in renewing leases – see *Land & Liberty*, May/June 1979), it is recognised as generally honest and efficient and has provided the framework of law and freedom within which many people (not just the very rich) have prospered, financially and socially.

There is no doubt that the people of Hong Kong – many of whom



● Mrs. Thatcher opposite China's Premier Zhao Ziyang

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voted with their feet – would like Hong Kong to continue largely as at present.

They do not consider (nor is it in the interest of the majority to do so) that Hong Kong can continue in part only – that is, the ceded land of Hong Kong Island and Kowloon under British administration – after the New Territories lease has expired and the land reverted to China.

Recognising and understanding the Chinese position, they would be prepared (albeit reluctantly) to accept the surrender of British sovereignty over the whole of Hong Kong – and even some Chinese presence – in return for the acceptance by the Chinese authorities of the continuation of British administration.

Thus, it would appear that to establish a solution acceptable to the people of Hong Kong, two points of principle have to be resolved:

- Britain has to surrender its rights under the treaties and recognise Chinese sovereignty; and
- China has to agree to the continuation of British administration for a term of years sufficient to satisfy Western financial concepts – and especially the requirements of land developers.

NOW that negotiations have been opened, and both countries have made their positions public, the problem will not go away.

Yet neither Britain nor China may be willing to move on these issues. Indeed neither may see it in their interest to do so.

The interests of the City of London and the British Establishment are not identical with those of Hong Kong and the Hong Kong and Shanghai Banking Corporation.

'With good sense ... a form of words will be found to satisfy the egos of Britain and China'

The manufacturing capacity of Hong Kong, being located more and more in the New Territories and merging into the new economic zone of Guangdong, could well be sacrificed to the detriment of the British consumer – but without many tears being shed by the E.E.C.

China appears in no mood to give priority to Hong Kong matters at this time.

In the longer term, it may well see Hong Kong industry, and particularly the manufacturing capacity of the New Territories, becoming part of the Guangdong economic zone, and 15 years may be about right.

Even if Britain were prepared to renounce the treaties, it is unlikely that China would be willing to specify even a minimum term of years for the continuation of British administration, and without that, the

Hong Kong Government would be reluctant to grant leases of adequate duration. And even if they granted, say, 40-year leases, without any statement by China, would the Western developer accept them at their face value? The Chinese developer would!

Hong Kong is but one issue – and not necessarily the most important – in talks between Britain and China.

In the wider context, long-term trade through Shanghai, or co-operation in the redevelopment of China's ports, railways or airfields, and the supply of machinery to its coalmines, may be of greater interest to Britain than the retention of Hong Kong in its present form.

China also has many problems of much greater priority and importance to her than Hong Kong.

So in the end, it comes down to Hong Kong itself. How can it act to protect its own interests in the face of the lack of urgency expressed by the main contracting powers?

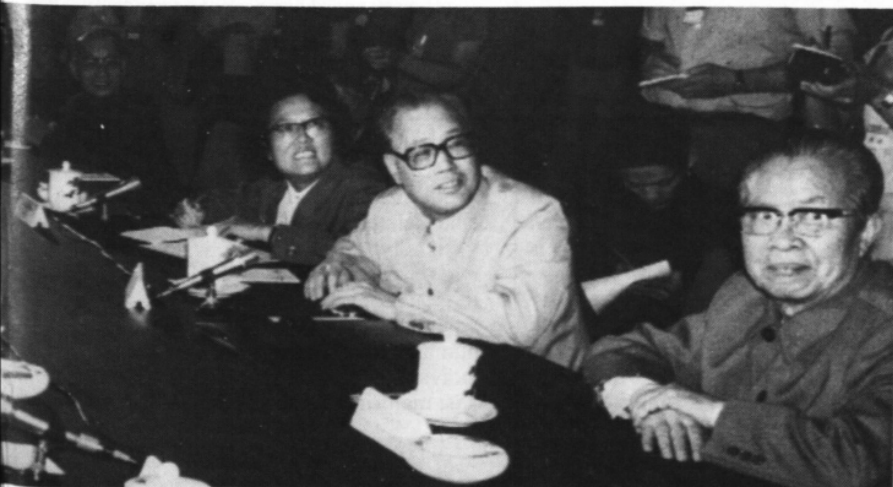


It can endeavour to expand its enterprise and reaffirm its value to both sides, and so press for action to confirm its future. The Chinese offshore oil development may be a case in point.

On the other hand, if it fails to achieve its wishes on these lines, it may decay economically and socially to the greater embarrassment of contracting parties, forcing them through world opinion to take the required steps.

But with good sense and careful negotiation, it should not come to that. Indeed the interests of both parties are such that the probability is that a form of words will be found to satisfy the egos of both. Possibly some form of condominium might be set up, with no term of years stated, which would enable Hong Kong to get on with its own life in its own way.

That is all the Colony has ever asked – and all it needs to survive and prosper.



at the start of talks in Peking on the future of Hong Kong