

A monumental transition begins . . .

HONG KONG

by Jerome Greer Chandler

Just after midnight, as 1 July 1997 arrives, the Union Jack will languidly descend yet another colonial flagpole for the final time, quivering the stiffest of upper lips. Britain will turn over to China not a tropical afterthought but the island territory of Hong Kong.

Today, the teeming enclave of 5.3 million people is a vibrant example of free enterprise, a place that epitomizes *laissez-faire* capitalism. The British and the citizens of Hong Kong don't want this essential economic truth to change with the changing of the guard. Neither, it seems, do the Chinese. At least not until the middle of the next century.

But under the terms of the Joint Declaration recently issued by both countries, Hong Kong will become a Special Administrative Region of The People's Republic of China. The economic and social climate will remain essentially unaltered for 50 years. The notion is that two systems—democratic capitalism and collective socialism—can successfully coexist in one nation. The proposal is unique. There's no blueprint for this sort of thing, no real precedent on which to draw. While many of the citizens of Hong Kong would have preferred continuation of the status quo—benign British administration—they've reconciled themselves to the inevitable. And with that reconciliation has come cautious optimism for the future.

As it was almost from the beginning, Hong Kong remains today a money machine. Seized in 1841 by British merchant adventurers (and ceded to Britain in 1842) the idea was to provide the empire with a permanent foothold for commerce with China. There was no other reason for being in Hong Kong: no natural resources, no wellspring of wealth.

Except for the harbor.

The very *name* Hong Kong means Fragrant Harbor, though there are those who will argue just what kind of fragrance. The British gave the prime anchorage the name Victoria Harbor. In it, diesel fuel, plastics, fish, and spices mingle to generate a smell like no place on earth. Each year, more than 11,000 ships from nations around the world drop anchor here.

For all its current importance, Hong Kong was first viewed as more burden than boon. British Foreign

Secretary Lord Palmerston delivered a scorching rebuke of the idea that the fragment of South China rock should become a possession. He was unwilling to accept another addition to the then-burgeoning empire.

It didn't take long for that perspective to change.

In the ensuing years, Chinese settlers flooded into Hong Kong. Liberal British rule had spawned a trading mecca, occidental expertise and oriental energy a phenomenon. Expansion followed naturally.

The agreement that initially linked Britain to the harbor, the 1843 Treaty of Nanking, ceded Hong Kong Island in perpetuity. In 1860, China gave up—via the Convention of Peking—the southern part of the Kowloon Peninsula and tiny Stonecutter's Island. Finally, the Convention of 1898 *leased* the valuable New Territories (composing 92 percent of Hong Kong's land area) to Britain for 99 years.

Theoretically, Great Britain could simply conform to the terms of the lease by handing over the New Territories in 1997. But there are two problems: one political, the other practical.

The People's Republic of China views the *whole* of Hong Kong as Chinese territory. The pacts, which led to British possession of the territory's 1,103.6 square kilometres (426.1 square miles), were unfair, they say. The original pacts were "unequal treaties." Chinese rule of the colony is, claim China's leaders, a matter of "sovereign right."

By the time China began to apply diplomatic pressure on Britain, the territory's three principal parts—Hong Kong Island, Kowloon, and the leased New Territories—had long become an integral whole. Britain's holding onto a bare eight percent of the land would be like amputating the body and expecting the head to continue to function.

The essential question became not *if* change would take place, but *how*.

With the visit of British Prime Minister Margaret Thatcher to China in September 1982, serious talks began. The buzzwords were "stability" and "prosperity." The British explained the importance of their administrative role, the nuances of a unique system that has led to the territory's commercial dominance. China smiled politely, would have none of it. British administration would *not* be acceptable in any form.

at the crossroads



A nighttime view of downtown Hong Kong (left) reveals a lively modern city. The cylindrical building in the foreground is the Hopewell Centre. In the top photo, a farmer in the New Territories tends to his crops. Above: Fishing junks anchored in Hong Kong's Aberdeen Typhoon Shelter. Inside most of these weather-worn vessels, a bright color television flickers.

In 1983, nervous uncertainty shook the colony. Long-term industrial development shrank to a trickle. In the spring of 1984, Hong Kong's largest trading company—Jardine, Matheson—announced it was moving its headquarters to Bermuda. The Hong Seng stock market index plummeted almost 62 points. Although it seemed the flight of capitalism had begun, time has proven otherwise.

The British didn't want panic and the Chinese refused to inherit an empty shell. Negotiations quickened. In

late April 1984, a key British official said that the thrust of the talks was now how to preserve a high degree of autonomy for Hong Kong, the essentials of the present system, *and* grant Chinese sovereignty. "One country, two systems" became the new rallying cry. The Special Administrative Region would be the mechanism that would turn the concept into reality. With this bit of good news, investment began to rebound.

The Joint Declaration, ratified in 1985 by both Parliament and the National People's Congress, appears to assure that little will change come the dawn of 1 July 1997. Two important highlights of the document:

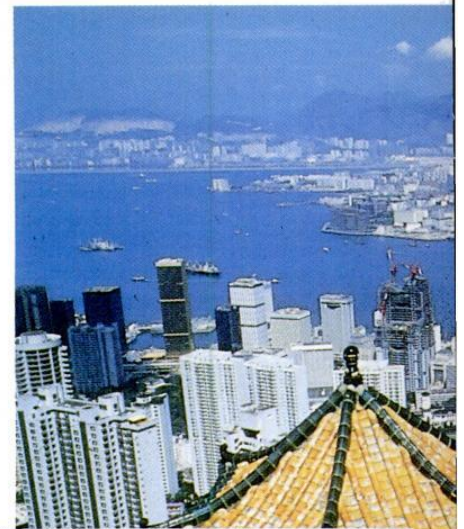
- "The government of Hong Kong Special Administrative Region will be composed of local inhabitants. The chief executive will be appointed by the Central People's Government on the basis of the results of elections or consultations to be held locally."
- "The current social and economic systems in Hong Kong will remain unchanged, and so will the lifestyle. Rights and freedoms, including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of academic research, and of religious belief will be ensured by law."

The Joint Declaration, among other things, also says that private ownership and property rights will be respected.

On paper, the accord is fine. But will it work? Specifically, will China live up to its end of the bargain? Opinion is varied and vocal, as diverse as the population of Hong Kong itself.

"I could very easily answer your question by saying that the Joint Declaration guarantees our future," says Peter K. Y. Tsao, "but I don't suppose that would satisfy your readers." Indeed. Tsao is Hong Kong's secretary for Administrative Services and Information: "China is prepared to let the system continue to work. Because, even before the Joint Declaration, if China had not allowed it, Hong Kong would not have existed." Among other pressures, China could very literally have turned off the tap to the colony. A thick, black, water pipe running from the border through The New Territories makes up for Hong Kong's lack of rivers.

A senior government official says that, economically, Hong Kong is vital to China as it is. "I think that Hong Kong can be a catalyst for China in terms of economic development, a model. When you build an aircraft, you put a model into a tunnel to see how the wind goes around it. Here is an ideal place to test theories. The Chinese can see what policies were followed here to lead Hong Kong to where it is; which parts they can use, which parts—for their own reasons—they cannot use."

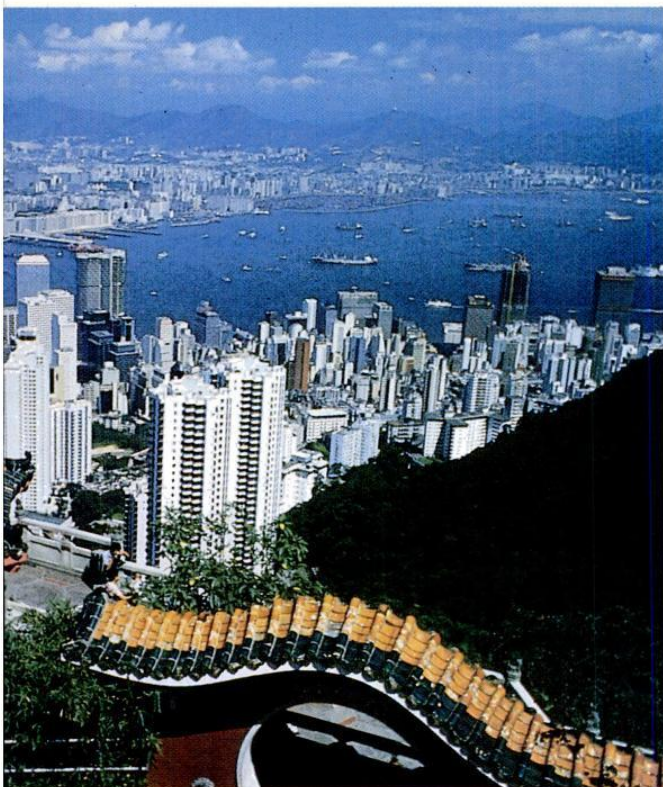


Peter Tsao also maintains that a world devoid of a dynamic Hong Kong would develop a case of fiscal arthritis: "In financial dealings, you have London, New York, and Hong Kong. There's a sequence. Because of time differences, those cities keep the financial markets open 24 hours a day." Tsao believes China is well aware of this financial fact of life and loath to pull a prop from the three-legged stool upon which the world's markets rest.

Tsao dismisses Singapore—itsself an economic miracle—as an alternative to Hong Kong. "The Singapore government, every now and then, takes action against free enterprise," he says. He contends that Hong Kong gives companies the freedom to succeed or fail, while Singapore's climate tolerates only the former. "I'm not saying that that's their policy, but that's how financial dealers 'perceive' things."

As for Tokyo, Tsao feels the Japanese are "always very concerned about their currency. They will never open up the Japanese yen. They will continue their exchange control. Therefore, they can't do financial dealings."

These are strong arguments for the status quo—even



A dramatic view of Hong Kong's landscape, including a panorama of the harbor. For all its urban growth, only 25 percent of the rocky land surface is suitable for building. Since 1945, many square kilometres of land along the harbor have been reclaimed. At left: Dr. Russell Kwok presides at a meeting of the Hong Kong Rotary Club.

if under a different flag. But couldn't the same fresh winds that swept away the acrid smoke of China's repressive "Cultural Revolution" suddenly turn sour and vanquish China's current crop of pragmatic technocrats? Tsao doesn't think so. "Nobody would want it (a return). How do you tell a people who have become well off that they should go back where they started and become *un*-well off? You can't. The situation here has dynamics of its own. Once these dynamics are generated, I don't think you can go backwards."

Hong Kong Rotarian William Heering—a veteran China hand—represents the Danish government in trade matters. His crystal ball is more clouded than Peter Tsao's: "Our role will automatically diminish, no matter what system we look at, by 1997. The Chinese are learning very, very fast. They are buying all the expertise from abroad they need, including that from Hong Kong." Heering contends that China "will absorb Hong Kong as much as possible. After 1997, our role will be *severely* reduced. One reason is economic, the other is political. I do not believe, frankly, that the two systems can work together as nicely as every politician puts it."

Of the territory's 20 Rotary clubs, the Rotary Club of Hong Kong is the oldest. Meeting on the third floor of the ornate Mandarin Hotel, its members are at the economic epicenter of Hong Kong's body politic. One of them is Sanford Yung, a certified public accountant. He has been named to a crucial new committee, one that will draft the Special Administrative Region's basic law. He is, in effect, one of the founding fathers of a Hong Kong that has yet to be.

Rotarian Yung believes that the status quo *will* remain. "Because it (Hong Kong) will run along the lines of 'one country, two systems,' it will be very largely autonomous," he says. "We'll only delete the former references to the Queen or the United Kingdom. Most of the laws will not be changed." That is Sanford Yung's belief. He is one of 59 framers of the new constitution. Twenty-three of them—some 39 percent—are Hong Kong residents. The rest come from China.

Sanford Yung has faith in the 50-year law. Others don't. Says one Rotarian who wishes to remain anonymous: "No one here has any faith in China. They'll vote with their feet and get the hell out of Hong Kong."

Journalists in the enclave also harbor doubts about the future. A writer for a prominent daily says that while economic confidence is probably justified, the same doesn't necessarily hold true for personal freedoms. "There is *no* confidence as far as that goes," he says.

Indicative of his fears, the writer recalled a briefing by the People's Republic for the Hong Kong media. The topic was freedom of the press. Journalists could attend with but one proviso: that they turn their stories over to the Chinese for prepublication scrutiny. Most journalists boycotted the affair.

The Hong Kong government is convinced that Franklin Roosevelt was right: "The only thing we have to fear is fear itself." As many in Hong Kong see it, confidence *begets* success. It's self-fulfilling.

Dr. Russell Kwok is a believer. The young department store executive is also president of the Rotary Club of Hong Kong. His views of the future? "I think most people would take the transition with a little bit of cautious optimism. There's a guarantee of 50 years of no change after 1997. If this is kept, then we'll be OK." He smiles, an expression both ingenuously western and inscrutably eastern: "The only worry that most people have is the credibility of the Chinese government. We hope that they are credible. We *think* they are, right now.

"What will happen later? We don't know." ❁

● Jerome Greer Chandler, a full-time free-lance writer, lives in Anniston, Alabama, U.S.A. This marks his second appearance in THE ROTARIAN.

Glossary

- (1) Dr. Russell Kwok (郭志仁博士) – President 1985-1986 of Hong Kong Rotary Club (香港扶輪社)
A director and senior executive of the Wing On Group (永安集團), he was the second Rotarian generation of the Kwok family. His daughter Linnet Kwok (郭錦蓮) is the third generation who served as President 2018-2019 of the Shanghai Rotary Club (上海扶輪社).
The first generation was Russell's 5 uncles beginning with Percy Kwok (郭寶樹) who first joined Shanghai Rotary Club on 27 October 1927, and later served as Club President in 1948-1949. The next was David Kwok (郭棟活) who joined the same Club on 25 June 1930. He was the head of Wing On Textiles, but was later appointed by the Communist Government in 1958 as Guangdong Province Deputy Governor in-charge of textile and light industries. His final mission in 1985 was as a member of the Hong Kong Basic Law Drafting Committee. The next joining Rotary was Allen Gokson (郭植芳) on 4 April 1939, followed by Leon O. Kwok (郭禮安) on 15 May 1939, and Edward Kwok (郭棟昭), younger brother of David, on 17 November 1948. Accompanying Russell in the second generation were: (i) David Kwok, Jr. (郭志威), Active Member of Hong Kong Rotary Club (1970-1980, 1983-1992); Midland Rotary Club, Midland, Michigan, U.S.A. (1980-1983), and Vail-Eagle Valley Rotary Club, Vail, Colorado, U.S.A. (1992-1997); (ii) Dr. Philip Kwok (郭志權博士), SBS, JP, President 1980-1981 of Hong Kong Rotary Club; (iii) John G. O. Kwok (郭志安), President 1985-1986 of Hong Kong Island East Rotary Club (香港東區扶輪社).
- (2) William Heering -- President 1986-1987 of Hong Kong Rotary Club
William has been very dedicated in Youth Service programs for many year.
- (3) Sanford Yung (容永道) (1927-2013) -- Active Member of Hong Kong Rotary Club
Born in Hong Kong, Yung was an accountant and politician. His step-grandfather Yung Wing (容闈) was one of the Imperial Ch'ing's first overseas students to the United States, and Sanford Yung was also the first Chinese to apprentice as a chartered accountant in Davidson and Workman in Glasgow, Scotland. Yung returned to Hong Kong in the 1950s and set up the Sanford Yung & Co. in 1962. In 1965, the firm became part of British firm Coopers & Lybrand (永道會計師事務所). Yung became the chairman since and held that position until he retired in 1992. Six years later, the company merged with other firms to become part of the global accounting firm PricewaterhouseCoopers (PwC) (羅兵威永道會計師事務所). In 2001, Yung formed the Sanford Yung Scholarship for Excellence in Accounting Studies to pay tuition fees for accounting students in Hong Kong, Beijing and Shanghai and arrange internships for them at PwC in London and New York. Yung also played a role in preparations for the transfer of sovereignty of Hong Kong during the 1980s as a member of the Hong Kong Basic Law Drafting Committee. That means he had been sitting in the same Committee with David Kwok (郭棟活).



This article was edited by Herbert K. Lau (劉敬恒) (Rotary China Historian) on 1 July 2018.