

A DOCUMENTARY HISTORY OF HONG KONG

ECONOMY

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INTRODUCTION

Hong Kong began its history as a trading port. From the 1920s, it industrialized. From the 1970s, it became a financial centre of international repute. The Hong Kong economy is a success story, one of many success stories in its history.

How had this success become possible?

Making Business Possible

Some of the conditions which made it possible for Hong Kong to prosper as a trading city are well known. As the well-populated parts of China were increasingly drawn into the world economy in the nineteenth century, the Western enclaves, defined by treaty, became the bastions of China's international business. In this way, Shanghai became the centre of international trade on the Yangzi River, Tianjin took the place of Beijing as the commercial centre for North China, and Hong Kong replaced Guangzhou and Foshan in South China. Shanghai, Tianjin and Hong Kong became the most important trading cities on the China coast.

In these Western enclaves, Western law was applied. Until the Qing dynasty reformed its law in 1904, the principles of Western law in relation to business were fundamentally different to those in Chinese law. Under British law, merchants had access to the legislative process. Under Qing dynasty Chinese law, no-one but senior officials were involved in administrative consultation, and so, if the Chinese merchant ever made himself heard, he could do so only within the provinces. As early as the 1860s, Chinese merchants made their concerns known to the Hong Kong government by petition, as the more prominent among them would have done to county magistrates. It would have been unknown for them to address their petitions directly to the imperial government in any manner similar to the Hong Kong petition to Parliament under the leadership of British merchants in 1894 (Document 1.2).

Western law also made provision for merchants in ways that were unknown in Chinese law, the most prominent of which had to do with the increasing regulation of business under company legislation (see Chapter Two). Company legislation, effectively adopted in Britain only by the nineteenth century, formalized the pooling of capital, made registration a necessity, laid down clear requirements for the keeping and inspection of records, introduced the idea of limited liability and made it possible to buy and sell shares. Until 1904, no such provisions were required of Chinese businesses. Throughout the nineteenth century, Hong Kong, along with Shanghai and to a lesser extent Tianjin, was ahead of most parts of China in making business more transparent.

From Trade to Industry

Geography has much to do with the location of coastal ports, but it is only turned to advantage when an infrastructure for business has been established. In the case of Hong Kong, it meant providing port facilities, the roads, the amenities of city life, financial services, and, very importantly, relative peace and stability.

As a seaport, Hong Kong's assets lay in its ease of access to its hinterland. As to what this hinterland consisted of, one of the best assessments may be found in a report prepared in 1924 on the need to expand port facilities (Document III.5). Fifteen years after the establishment of rail connection with China — the Hong Kong section of the Canton-Kowloon Railway being completed in 1910 — the consultants advised that rail could not compete with water-borne transport and that Hong Kong's hinterland could not, even in the best of circumstances, have gone beyond Hunan province.

Hong Kong's trade was, therefore, carried by boats, that is to say, by steamers and junks. The figures given in the report are problematic — it is hard to believe that only 0.02 percent (by value) of Hong Kong's imports came from South China when the same region took 40.72 percent of its exports. However, the general picture is clear: Hong Kong was entrepot port for South China and Southeast Asia, and substantial amounts of its trade were made up of foodstuffs (rice, wheat flour), raw material (cotton, sugar) and fuel (kerosene and coal). As the report notes: the commodities of greatest predominance in weight are rice, coal and raw sugar imported from French Indo-China, Siam, Japan, Korea and Formosa (Taiwan) and Netherland East Indies (Indonesia); except for raw sugar which is refined in Hong Kong and exported principally to North China, of the other two commodities, rice is almost wholly exported to South China and coal partly to South China but delivered mostly to steamers. It should be clear from this description that Hong Kong's trade was tied very closely to economic development in South China.

Industry came early to Hong Kong. Some of it, including sugar refining and ship repair, was facilitated by the import-and-export trade. However, in the 1920s, industry expanded. Ironically, a very clear statement of this expansion may be found in the review undertaken by the Hong Kong government's commission to enquire into the causes and effects of the depression of the 1930s. It reported in 1935 that of the population of 850,000 in Hong Kong, the number engaged in manufacture amounted to 110,000, therefore, exceeding the 97,000 engaged in commerce and finance. It also said that the expansion might be attributed almost entirely to the increase in investment in Chinese-owned factories. The depression which set in from 1934 had followed from a period of considerable prosperity in the 1920s (Document III.9).

The Commission on the Causes and Effects of the 1930s Depression provided a breakdown for industrial operations in the 1930s: knitting and weaving, medicines and perfumes, printing and stationery, cakes and sweets, rubber and canvas shoes, preserves and canning together accounted for 40 percent of overall Chinese industrial investment. An overview included in the Chinese Manufacturers' Association's catalogue of Chinese-owned factories in Hong Kong in 1936 noted as an example of Hong Kong's industrial advance the manufacturing of electrical torches and batteries, but agreed that the most productive sector was cotton clothing manufacture. Other prominent manufactures included cosmetics, sweets and biscuits, and food processing. Competition was a factor to take into consideration: the torch industry gained its foothold by wresting its share from a market dominated by Japanese and British manufactures (Document III.8).

In the competitive climate of the 1920s and 1930s, managerial improvement in these industrial establishments as much as infrastructural costs in Hong Kong were very much the focus of discussion concerning Hong Kong's economic future. As early as 1920, Hong Kong investors were concerned with competition from across the border in Guangzhou, a clear indication that industrial development was very much on the agenda. They were attracted to Hong Kong, despite the higher costs, because political turmoil seemed imminent in Guangzhou and because Hong Kong was a free port (Document III.7). The same issues were raised by the 1935 commission on the causes of the depression. There was little leeway for reducing real estate prices or even the rates charged by the Hong Kong government, and, therefore, the commission argued that more had to be done in the way of improving air transport, mail service and the preconditions for a tourist industry as ways of keeping the Hong Kong economy competitive (Document III.9). The Chinese Manufacturers' Association pointed out that Hong Kong products were not sufficiently market-oriented. It advocated more attention paid to packaging, advertising and trade promotion. It argued that management techniques had to be improved, and no doubt, the factories needed more investment for which bank credit had to be drawn in (Document III.8).

Post-war Industries

Hong Kong's industrial advance in the 1930s was arrested by war between China and Japan from 1937, and the Second World War from 1941. Recovery was facilitated by capital injection, brought about by runaway inflation in China in the aftermath of the war and then by political confusion (Document V.1). The Shanghainese industrialists who came to Hong Kong with their expertise in industry are frequently, and rightly, acknowledged as a stimulus to industrial growth at this time. The industries of the 1950s, nevertheless, did not begin from an empty slate, for an industrial tradition had begun in the 1920s.

When industrial advance resumed after the Second World War, the new industries were plastic, textile and cinema and they were owned by Chinese people in Hong Kong. They were characterized by rapid success in the 1950s and 1960s, thanks partly to the abundance of workers and partly to bold investment.

The largest export industry in Hong Kong, textile, came under a great deal of pressure throughout this period of its history. Throughout the late 1950s and the 1960s, Hong Kong's textile export was subjected to increasing quota limitations from its export markets. Hong Kong's answer to the restrictions was diversification, greater efficiency and higher quality (Document V.2b). Some of the discussions generated by these concerns had wide ramifications. They touched on the nature of education (Document V.4b), management style (Document V.4c and V.4h), productivity (Document V.4d), and the provision of land for industry (Document V.4e). The Hong Kong government saw its role in this process primarily as a provider of the infrastructure. A notable example of such was the establishment of the Trade Development Council in 1966, a response to the lack of promotion for Hong Kong's exports in previous years (Document V.4g). In the 1970s, the Hong Kong government was also fast in realizing the importance of container facilities. (Document V.4h)

Negotiating export control was no easy undertaking for the Hong Kong government. Hong Kong being a colony, negotiation was conducted by Hong Kong officials under the patronage of the British home government, which in the late 1950s and early 1960s, had its own agenda which it was not always prepared to expose to Hong Kong. Yet, despite export control, Hong Kong's export increased phenomenally, even in textiles. The export of textile and yarn increased from 554 million Hong Kong dollars in 1960 to 1.277 billion Hong Kong dollars in 1970, and that of clothing from 1.01 billion Hong Kong dollars in 1960 to 4.337 billion Hong Kong dollars in 1970.*

Investment in machinery and streamlining production were means of raising productivity, but it was also well-known that Hong Kong kept its versatility because a third of its workers worked in small-scale operations of fewer than 100 workers

* US\$ 1 was worth HK\$5.714 in 1960 and HK\$6.061 in 1970.

each. These tended to be poor in marketing, and they sub-contracted from the large factories (Document V.5a). The large number of small factories ensured that production costs remained highly competitive.

It is true that the export industries received no government subsidies and that their success has to be attributed to market forces and entrepreneurial skills. Yet, the market was not totally free. In the major services, such as public transport and utilities, the Hong Kong government franchised to monopolies. The profit for the Hong Kong Telephone Co., for example, depended as much on the Hong Kong government's decision on a permissible margin as on the company's efficiency (Document V.2d). Because textile quotas imposed by Hong Kong's external markets and distributed for free by the Hong Kong government might be bought and sold, it is possible to think of the quota market as being quite lopsided, in favour, not necessarily of producers, but of exporters. It has been estimated that the quota for an export garment could be as high as a third to a quarter of its export price (Document V.2i). Quota awards must, therefore, amount to substantial subsidies that the Hong Kong government granted to selected exporters.

Banking and Finance

Some time in the 1970s, while manufacturing was still its economic mainstay, Hong Kong became a major regional financial centre. Once again, it would seem that it had succeeded not because it was well prepared for the development, but because international finance was seeking a base in East Asia and Hong Kong adjusted rapidly to the need. Hard work, once again, mattered, but its underlying legal framework, low taxation, political stability (despite the riots of 1966 and 1967) and proximity to China proved to be competitive advantages.

The background which allowed Hong Kong to become a financial centre when opportunity beckoned in the 1970s can be traced to pre-war days (see Chapter Four). Hong Kong was then not the pre-eminent trading city on the China coast, for that honour belonged to Shanghai. However, although Shanghai was home to numerous Chinese and foreign banks, no currency ever took root in China which bore a Shanghai imprint, remained convertible for long periods of time for foreign exchange, and came to be trusted by a wide sector of the population, Chinese or Western. The Hong Kong dollar, on the other hand, had had a strong standing from the mid-nineteenth century, and was put out of circulation only during the three and a half years of the Japanese occupation of Hong Kong. Hong Kong also had had long years of experience in foreign remittance on behalf of the overseas Chinese, many of them of South China origin. Moreover, from 1949 to 1978, while China was essentially closed to foreign investment, and trade was conducted under severe government restriction, Hong Kong served as China's window on the world, its consumption and export being responsible for a full third of all China's foreign exchange earnings. Hong Kong was ideally

located, therefore, when China opened up to foreign trade and investment, and the Southeast Asian economy took off, as corporations and governments sought a regional financial centre from which substantial loans might be raised. It was obvious in the late 1960s and 1970s that international interests were focusing on Hong Kong long before the Hong Kong government took the necessary steps to protect the Hong Kong depositor (see Chapter Six). It is doubtful that the banking reform of the 1960s made a great deal of contribution towards Hong Kong's becoming a financial centre, but there can be little doubt that without it, the Hong Kong economy could have been easily rocked by more frequent bank collapses.

If Hong Kong's banking reform did little to turn Hong Kong into a regional financial centre, neither did Hong Kong's growing monetary independence from the United Kingdom. When banker David K.P. Li attempted to explain this important aspect of Hong Kong's history in 1979, neither the banking reforms nor the independence of the Hong Kong dollar weighed significantly among his explanations (Document VI.8). A foreign exchange market had grown over the 1950s and 1960s in which the Hong Kong dollar was freely convertible to the US dollar, alongside the rigid parity which underlay the Hong Kong dollar issue. One might argue that as long as Hong Kong dollar denominated bonds were not a central feature of the market's financial activities, it mattered little to the market's performance if the Hong Kong dollar was tied to any currency. The brunt of any Hong Kong dollar devaluation, which between 1967 and 1972 was occasioned by the devaluation of sterling, would have been taken by holders of the Hong Kong dollar, and these would have included, aside from Hong Kong residents, the Hong Kong government and the local banks, also foreign investors in Hong Kong. This last, in the 1960s and 1970s, remains to this day essentially an unknown element in Hong Kong's economic history. The very rapid onset of a surge in Hong Kong dollar deposit in the early 1970s, coinciding, no doubt, with savings generated by Hong Kong's economic success, might well also have included investments from East and Southeast Asia that chose Hong Kong as the likely destination of investment, for whom currency stability would have been a major consideration. The strength of the Hong Kong dollar, demonstrated in its upward evaluation vis-a-vis sterling, would have played a major role in bringing confidence to investors in Hong Kong.

The Role of the Government in the Economy

As soon as manufacturing became a significant part of the economy, in the 1920s, it was noticed that the factories employed women and children under no conditions of government control (Documents VII.1 and 2). Legislating on the conditions of work became an issue of much social comment from the 1930s through the 1970s. Until the 1960s, Hong Kong lived up to its sweat-shop image, and, with minimal legislative provision on the conditions of work or the hiring of women and children,

was an easy target for criticisms from Hong Kong's overseas competitors and the International Labour Organization (Document VII.4). International pressure, backed by the home government, proved effective in enforcing changes in Hong Kong (Document VII.3).

The standard of living for workers in Hong Kong improved markedly from the late 1960s through the 1970s. The wages of male labourers increased by 8 times between 1968 and 1981, when the General Consumer Price Index increased by 3.5 times (Document VII.6). Some writers have questioned if the figures were representative (Document VII.4), but in the long run, there can be little doubt that the majority of Hong Kong's population saw much improvement to their living. If for no other reason, the booming economy of the 1970s meant a short supply of labour, and with that, rapidly improving remuneration for work (Document VII.5). Nevertheless, even though standards of living had substantially improved, work continued to be put out by factories to workers working at home. The case can possibly be made that in Hong Kong, with a strong sub-contractual tradition, putting work out to the home had always been a way by which married women were brought into industrial work and, thereby, earned a supplementary income for the family. By the 1990s, working at home was not driven by needs alone; it had become a way of life (Document VII 7).

At every stage in Hong Kong's economic development, the Hong Kong government had had to make major decisions which affected the performance of the economy. However, until the 1960s, it did so from the very weak position of operating from a small budget and of having to take its cues from the British home government rather than facing head on issues which were arising in Hong Kong. The combination of these two considerations, at times, produced strange combinations of social and economic policies. For example, because of mounting international criticism on Hong Kong as a channel whereby opium might be shipped into China, the Hong Kong government decided in 1913 to cease to farm out opium monopoly rights and to take over the running of the monopoly itself. The price of opium soared, and, the Hong Kong government's income from the sale of opium increased substantially. By 1918, as it claimed to be clamping down on opium, the opium tax accounted for 43 percent of the Hong Kong government's revenue.

Economic prosperity and efforts made to facilitate the collection of taxes on profits and income considerably expanded the Hong Kong government's revenue through the 1960s. Mounting property prices also brought substantial windfall income from land sale. In 1980–81, the proceeds of land sale accounted for a third of the Hong Kong government's revenue, up from 10 percent in the 1970s

* The respective figures for the first half of the 1980s were: 1980–1 33 percent, 1981–2 25 percent, 1982–3 14 per cent, 1983–4 6 per cent, and 1984–5 10 per cent, from H.C.Y. Ho, "Public finance," in H.C.Y. Ho and L.C. Chau eds., *The Economic System of Hong Kong*, (Hong Kong: Asian Research Service, 1992), p. 23.

and 7 percent from the 1960s.' When social services were expanded in the 1980s, the tax base had been much expanded. High property prices, however, were not only an indication of the boom in the economy, but also a reflection of the restriction on the release of land for development on which the Hong Kong government exerted direct control. Dependence on land prices for an income also augured poorly for government finance should the economy go into a decline, but in the heady 1980s, decision-makers were in no mood to plan for such a contingency.

Hong Kong went through a very critical period of change in the 1960s and the 1970s. Those two decades laid the foundation for a government policy which began to recognize that while a hands-off policy might serve an ideological end, government could not keep aloof from the intervention which government spending must, by its sheer magnitude, exert on the economy. The shift in policy can be seen in the styles of the two very capable Financial Secretaries whose term spanned this period. Sir John Cowperthwaite (Financial Secretary 1961–71) believed it was futile for government to interfere, but Sir Philip Haddon-Cave (Financial Secretary 1971–81), while continuing the policy in the main, accepted that government had some responsibility in intervening, if only in modest ways, where adjustment in the local economy had lagged behind changes set by the external balance of payment (Documents VIII.12 and 13).

And So, How Has Rapid Economic Growth Been Possible in Hong Kong?

In part, success had bred success, but it had done so only because Hong Kong had adapted quickly to global economic changes. Hong Kong could not, by itself, impact upon global trends, but it could, by providing an environment congenial to trade, capture the opportunities which global trends created. In this process, the dialogue between government, employers and employees had been lopsided: government budgeted for a surplus, businessmen lobbied the government, but employees had few means to make their demand known. The finance and high-technology industries which the Hong Kong economy was promoting by the 1980s would have to make a change, in the long run, to adjust this imbalance. As industries moved out of Hong Kong and Hong Kong's technicians and managers followed them out, the Hong Kong economy would have to restructure in order to survive. It might yet do so as a service hub, tourist centre, and tax haven.

CHAPTER ONE

THE VOICE OF BUSINESS

China historians have debated whether in traditional Chinese society, merchants had much say on government policies. They agree that through their guilds, merchants maintained a high degree of autonomy in running their own businesses, but are uncertain whether the guilds could stand up to pressure if and when it was exerted. All that is very true, but the debate has missed an essential difference between the status of merchants in traditional China and that in Britain. In China, merchants might petition county or even provincial officials, but never, as merchants, the emperor. The imperial Chinese constitution did not permit any one but senior officials to petition to that highest authority of the realm, and while Chinese guilds might negotiate with county or even provincial officials, it was unheard of that any could have asserted an opinion on codified law, or that the codified law, as such, should have mattered to them in the running of their business. The petition of Chinese merchants to the Governor of Hong Kong to express their views on various laws, and the petition of non-Chinese merchants, over and beyond the Governor of Hong Kong, to Parliament itself on the manner in which law was to be made in the Colony, set the undertone by which the historian might appreciate the position of merchants in Hong Kong. China from the sixteenth century to the eighteenth, like Britain from the same time on and into the twentieth century, had been a highly successful commercial nation. Merchants in China, unlike their counterparts in Britain, however, were denied a recognized political role. If Hong Kong made any change to the Chinese business environment, it was not only that technology was attracted to this tiny island, but also that the merchant stood in a different relationship to government.

DOCUMENT 1.1: Petition from Chinese merchants, traders and lessees of land, residing in the Colony (*Hong Kong Government Gazette*, 17 November 1866, pp. 449–454.)

To His Excellency Sir Richard Graves MacDonnell, Kt., C.B., Governor of Hong Kong.
A respectful petition presented by the Chinese merchants, traders and lessees of land,
residing in the Colony –

Humbly sheweth:

That your Petitioners being so much struck with the unanswerable reasoning contained in Your Excellency's reply to the Petition presented by them on the 5th of September last, have considered it their duty to make further enquiries as to the contents of the ordinances lately passed by the Government, and they are bound to admit to Your Excellency that that Petition was drawn up under a misapprehension of the meaning and intent of the ordinances, arising from imperfect interpretation and the incomplete version of them which appeared in one of the local Chinese newspapers.

Your Petitioners have since sought the aid of a gentleman whose thorough acquaintance with the colloquial dialect leaves them no room to doubt the accuracy of his interpretation of their contents, the published translation of the ordinances being likewise in great part unintelligible to them.

Your Petitioners are now free to admit that, with some few exceptions which Your Petitioners will presently take the liberty to bring under Your Excellency's notice, that so far from the ordinances being as Your Petitioners previously stated, "obstructive and inconvenient," they are fully satisfied, that, if properly and judiciously carried out, the Colony must be benefited by them, and the position of Chinese residents rendered safer and healthier.

Taking the ordinances as they are numbered Your Petitioners would beg to draw Your Excellency's attention first to Ordinance Number 6, and called "The Harbour and Coasts Ordinance, Hong Kong, 1866."

Your Petitioners find by this Ordinance that no distinction is made in favour of passenger or provision junks either is to the licensing, or to their subsequent treatment when arriving at or departing from the harbour.

Your Petitioners respectfully submit that some distinction should be made between these vessels and the trading or cargo junks. Your Excellency may possibly not be aware that the former class of vessels are almost wholly employed in conveying to and from the Colony, Chinese passengers, and in bringing provisions from the neighbouring Chinese ports, and that it is on these junks alone that the Colony is dependent for its daily supply of fresh vegetables, fruits, poultry, eggs, and other articles of consumption. The ports from which they come are within from one to three days sail, and some of them do not remain longer than is necessary either to land their passengers or discharge their provisions. Your Petitioners beg to lay before Your Excellency a list of the various Chinese ports from which these passenger or provision junks trade to this Colony; the number of junks engaged therein; the number of trips made to the Colony by each vessel during a month, and the duration of their stay here;

in order to show how hard the exaction of the licensing and other fees, and the necessity of reporting themselves at the Harbour Master's Office, will bear upon this class of vessels.

Table 1.1
Chinese Ports Linked to Hong Kong by Junk

Name of Chinese port	Number of junks engaged	Number of trips each per month	Duration of stay in Hong Kong
Canton	28	3	From 6 to 24 hours
Macao	17	8	From 6 to 24 hours
Kong-moon	9	3	From 6 to 24 hours
Chun Chun	8	3	From 6 to 24 hours
Toong-koon	7	4	From 6 to 24 hours
Sheak-loong	6	3	From 6 to 24 hours
Tai-ping	5	6	From 6 to 24 hours
Namtao	5	10	From 2 to 12 hours
Heong-shan	5	3	From 6 to 24 hours
Sun-chun	5	10	From 2 to 12 hours
Kowloong City	4	Daily	Immediate departure
Sei-heong	5	10	From 2 to 12 hours
Tsung Sheang	2	3	From 6 to 24 hours
Wong-kong	1	15	From 5 to 12 hours
Koo Soo	3	15	From 5 to 12 hours
Chaong-sha	2	3	Uncertain
Tik-hoi	2	3	Do
Tseen-wan	2	Daily	Immediate departure
Tai-pang City	2	10	From 2 to 12 hours
Sha-yu-Chong	2	Daily	Immediate departure
Chaong Chow	3	15	From 5 to 12 hours
Peng-chow	2	Daily	Immediate departure
Tai O	2	Do	Do
Mow-chow	2	10	From 2 to 12 hours
Kew-tow	1	10	From 2 to 12 hours
Eem-teen	2	6	From 2 to 12 hours
Tam-shui	2	6	From 2 to 12 hours

Taking the case of a passenger junk coming from Namtao as an illustration as regards this particular class of vessels, Your Excellency will observe that she will have to pay the enormous sum of 110 dollars per annum simply for the privilege of bringing supplies of provisions to the Colony, viz.:

License fee for one year	\$ 20
As she will arrive in the Colony every third day, she will have to pay for 120 "anchorage passes" during the year at 50 cents	\$ 60
And for the same number of "day clearances" at 25 cents	\$ 30
Total	\$ 110

The above is what every provision junk coming from Namtao will have to pay per annum provided she arrives here every third day according to the above statement. Provision or passenger junks from other ports will be called upon to pay in proportion to the number of trips they make during the year, — and, in the case of the junks from Kowloong City which make a trip a day, (if they are also to be looked upon as junks licensed to "ply between this Colony and other ports,") the yearly sum for fees will amount to no less than \$293.75.

Your Petitioners feel persuaded this could never have been the intention of the Government to inflict this heavy tax on a class of vessels so useful to the Colony as these are, and whose profits must necessarily be small from the nature of the trade they are engaged in. The effect of this tax, if insisted on, Your Petitioners humbly submit will be to drive away a trade upon which we are all almost wholly dependent for the necessaries of life; or at all events to increase the cost of these necessaries to such an extent as to make it utterly impossible for the poorer classes to obtain them.

Your Petitioners beg to draw Your Excellency's attention to the fact that at the present time even the largest of the licensed passenger or provision junks pay only 10 dollars per annum to the Government; and Your Petitioners would respectfully beg to submit, that, the payment of double that amount, as laid down in the Ordinance, is, of itself, a very high tax, and Your Petitioners believe it is as much as this class of vessels can possibly afford to pay out of their small profits, and that the payment of the "anchorage pass," "day clearance," or "special permit" fees in addition will be absolutely impracticable, especially, as they have likewise to pay taxes and fees to their own Government at the ports to which they belong or from which they sail.

Your Petitioners would also respectfully beg to draw Your Excellency's attention to the clause which requires that the masters of all licensed junks shall cause the number of said license to be painted in black figures 20 inches in length, on a white ground, on each bow — this clause Your Petitioners respectfully submit is very objectionable as regards all classes of licensed junks, as these figures being fixtures would render them liable to many exactions from the officials of the Chinese ports to which they belong, as they would then be looked upon as foreign vessels, and impediments and exactions of all kinds would be felt by them at all the Chinese ports to which they may have occasion to resort. Your Petitioners also beg to draw Your Excellency's attention to the fact that many of the passenger or provision junks now trading here take their departure from the Chinese ports they belong to for some other Chinese ports, and they not daring to clear for Hong Kong, as it would subject them to greater exactions than they already pay, and in some cases would be prevented from leaving the port altogether.

Another difficulty as regards the passenger or provision junks which Your Petitioners respectfully submit for Your Excellency's consideration, is, the length of time (18 hours) fixed for giving notice of the intended departure of any junk before she is permitted to leave. The working of this clause as regards this class of vessels would become wholly impracticable, as a large number of them leave the Colony within a very few hours after their arrival, and, in some instances, (as will be seen by the list above submitted) immediately after they have landed their passengers and freight.

The large amount of security required before a license is granted will prevent many, if not all, of the provision junks from obtaining license, even should the fees, other than the license fee, be remitted, and they should be desirous of applying for licenses — the sum required being twice the value of junks of the very best description. The present security for vessels of the largest size being only 200 dollars, whereas by the new ordinance, 1,500 dollars is required for all vessels.

In the cases however of licensed trading or cargo junks, or unlicensed junks of any description, the "anchorage pass," "day clearance," "special permit" fees might with propriety be exacted, as vessels of the first description from the nature of their business, could only come to the Colony for a very limited number of times during the year, and in the case of the unlicensed vessels, the fees could with more propriety be demanded without regard to the frequency of their visits to the Colony for the purposes of trade, since they derive a certain benefit from such privilege.

Your Petitioners have not said anything as regards the payment by fishing boats of any of the fees other than the license fee; because although they cannot discover any clause in the ordinance relieving them from such payment, Your Petitioners believe it never could have been the intention of the Government that they should be called upon to pay more than the license fee; if, however, it is intended by the Ordinance that fishing boats should be made to pay "anchorage pass," "day clearance," and "special permit" fees Your Petitioners fear that the immediate result will be that they will all leave the Colony for the neighbouring fishing boat ports of which there are many.

But the last objection which Your Petitioners have to make to this Ordinance, they respectfully submit, is one which if persisted in will prove of serious injury to the trade of the Colony, inasmuch as it will work great hardship to the shippers of cargo by Chinese junks not their own property, and upon the owners of such junks, they not being the masters or persons in charge.

By Section XVII the master of any junk (whether owner or paid servant) failing to comply with the provisions of sections VIII, IX, and X, subjects himself to certain heavy penalties, and by Sections XIX and XX, the master of a junk infringing any of the conditions therein contained, not only subjects himself to the heavier penalties therein laid down; but also the forfeiture of the junk and also the cargo which may have been entrusted to his care, the innocent owner of such cargo being thus punished for the misconduct or neglect of a person, who may possibly be even unknown to him!

In a case where the master of a junk is only a paid servant, and the owner of such junk being resident in China, Your Petitioners look upon the confiscation of such a junk under Sections XVIII, XIX, and XX, in consequence of the act of such master as

a great hardship on the owner, as, it is in fact, a punishment of an innocent man equally with one guilty of a breach of the Ordinance; — even still more strongly do Your Petitioners consider it a hardship to confiscate the cargo which may belong to a man who has no other connection with either the master or the junk, except to pay them freight for the safe carriage of his goods.

Your Petitioners feel quite satisfied that with Your Excellency's great sense of justice, the above facts although but very imperfectly brought to Your Excellency's notice will suffice to convince Your Excellency that some modification is required, in order to render the working of this Ordinance unoppressive to the honest and innocent trader.

The next Ordinance to which Your Petitioners would respectfully desire to draw Your Excellency's attention is Number 7 of 1866, "The Victoria Registration Ordinance 1866," which, though well adapted to insure the health, comfort and security of the Colonists, is, in some respects, open to objections; and Your Petitioners therefore entreat that Your Excellency will permit them to explain their views on the subject.

In the first place Your Petitioners gather from the Ordinance that the term "householder" shall in the first instance be the tenant of the whole of any building, and, as such he is required under clause 3 of Section VI and under Section VIII to report the name and occupation of any person renting any portion of such house, and also any change in such tenancy.

In the cases of houses carrying on a large business this requirement might at all times be practicable to comply with; but, in the cases of houses where a small business is carried on (and these form the large majority of tenements in the Colony,) it must often be a matter of extreme difficulty to comply with this part of the Ordinance.

Your Excellency may not be aware that a great number of the houses in which tradesmen and others carry on their business in the lower floor is generally let to a person who keeps a shop, — whilst the first and second floors are let to various persons in rooms of which there may be as many as 10 on each floor, and, as the stay of such persons is at all times most uncertain, and there are continual changes of occupants of these compartments much of the time of such "householder," (who can but ill afford to leave his small business,) as also of the officers of the Registrar General's Department will be taken up in recording these changes.

If the difficulty is great with the "householder" living in the house, who is himself a tenant, that difficulty is greatly increased in the case of the "householder" who may happen to be landlord, and, who having let the whole of the compartments to different persons, only visits the house at the end of each month to collect his rents. He then finds that during the month some one or more of such occupants have left the house without either giving notice or paying rent, and that probably some other person, by arrangement, with the outgoing tenant, but without the landlord's knowledge has taken possession of the vacated compartment. These are things of daily occurrence in houses occupied by the poorer classes, who form the large portion of the fluctuating population of the Colony; and Your Petitioners foresee great loss of time to the poorer shopkeeper "householder" in making reports, and great hardship by the frequent infliction of fines both upon him as well as upon the landlord "householder" for breaches of this part of the Ordinance, which will require their constant and utmost vigilance to avert.

But Your Petitioners would most earnestly crave leave to direct Your Excellency's serious consideration to Sections XVII, XVIII, and XIX, which Your Petitioners look upon as being fraught with evil and hardship.

By Section XVIII, whenever any offence shall have been committed against any of the four ordinances mentioned in Section XVII, and when the offender, being only a casual resident, and not the householder, cannot be found, the amount of the absent offender's fine is made payable by the innocent landlord, he being under such circumstances the "householder." Your Petitioners have always heard it stated that it is a common axiom amongst the British people that it were better that nine guilty persons should escape than that one innocent man should be punished. To punish the landlord for an offence committed without his knowledge by a casual resident in his house, and who had made good his escape, does not appear to Your Petitioners to be consistent with the just principle involved in the above good maxim. The remedy given by the latter part of the Section to the landlord would be utterly useless, who would be unable to recover the amount of such fine from one who had already escaped from justice, or, who if he were to return, it would be necessary to sue for the amount even if he were able to pay it.

But if such a hurtful law is brought to bear upon an innocent man in the absence of the guilty one what can be said of the case where (according to Section XVII) the guilty man being actually present, and who upon conviction cannot, or will not, pay the fine inflicted on him is allowed to go at large without any punishment whatever, and the innocent man (the landlord) who had never heard anything of the offence being committed, is called upon to pay the amount of the fine! In all four of the ordinances referred to in Section XVII it is provided that where the party convicted of any of the offences therein contained is unable to pay the fine inflicted that he shall in default thereof suffer imprisonment with or without hard labour. Your Petitioners most respectfully beg to submit, that when this law becomes known in the Colony it will amount to an inducement to the lower classes to commit offences under the ordinances named, especially of Number 14 of 1844, and Number 12 of 1857, which they may do with impunity, without the fear of punishment, since whatever may be the amount of the fine inflicted all they have to do is to express their inability to pay it, in which case the Government will call upon the landlord to do so. But besides this Your Petitioners fail to see why a mortgagee in possession, who had only lent money on the house and land, and who collects the rents thereof to pay himself the interest on the amount lent, should be deprived of the same as is laid down under Section XIX, because some person living therein may have committed an offence under certain specified ordinances. It would be impossible for the landlord or mortgagee to maintain such a supervision over the inmates of his houses as to prevent the commission of any of these offences, and this oppressive law, if carried out, will cause the value of landed property to decrease most materially, especially, since landlords are now called upon to pay the police, lighting and water rates for their houses, whether occupied or not. Your Petitioners would respectfully beg to be informed whether in the case of a person who having become a householder and having under Section VII, reported the same to the Registrar General

and received from that officer a certificate under Section IX, should remove from such house and subsequently become householder of another tenement, will be called upon to obtain and pay for a new registration certificate.

Your Petitioners cannot conclude this, to them grave subject, without taking the liberty to allude to the repugnance which Europeans have always expressed against the unjust system of the Chinese officials, in arresting and punishing the members of a man's family who may have committed an offence, and, who has escaped capture. Your Petitioners with all respect beg to submit that the confiscation of a junk and her cargo for an offence committed by the master, (he not being the owner,) under Ordinance Number 6 of 1866, and the infliction of fines upon the landlords of houses whose tenants may have committed offences under certain specified ordinances, as contained in Ordinance Number 7 of 1866, appears to Your Petitioners to be open to the same objection.

As regards the licensing of money changers under Ordinance Number 8 of 1866, Your Petitioners would beg in the first place to bring to the notice of Your Excellency the fact that all grocers shops may be looked upon in the light of money changers; because the nature of their business is such that all the money taken by them each day is in copper cash, which is exchanged by them for silver, in order to enable them to make remittances to the mainland for purchasing fresh stock — this practice is the more necessary since the Hong Kong copper cash being only current in the Colony, the grocers cannot send this coin for the purchase of their supplies. The same may be said of retail prepared opium dealers who, receiving only copper cash during the day, are obliged to exchange it for silver with which to purchase fresh stock. These persons are thus compelled to change their cash in this way, although frequently at a loss in the exchange; and Your Petitioners conceive that it would be a great hardship that they should be compelled to apply for licenses to enable them to change their cash, particularly as they change it with the actual money changer, who gives silver in order that he may procure cash to give in exchange again to persons requiring it, the profits derived from this small business is barely sufficient to enable a man to pay his rent and obtain a livelihood, and many who are now engaged in it could ill afford to pay the license fee, which, if they are compelled to do, will oblige them to give up their business. Your Petitioners therefore trust that the grocers and opium dealers may not be looked upon as money changers, and they further feel certain, that, the number of actual money changers will be so reduced that it would not be worth the trouble of the Government to insist that Licenses should be granted at all.

Your Petitioners would take the liberty to offer some remarks regarding Sections IX and X of the Ordinance now under consideration, and particularly with respect to the article of "condiments." They beg to bring to the notice of Your Excellency that a large portion of Chinese "condiments" is looked upon by Europeans, if not actually as "tainted," "adulterated," or "unwholesome," is certainly considered "noxious," this is a well known fact, and one commonly talked about by Europeans. In all grocers shops where these "condiments" are sold by retail, and other places where they are made large quantities will be found — these "condiments" though offensive to European

taste and smell are not so to the Chinese, and are in daily use amongst them, either as delicacies or necessaries. — If informers are to be entitled to one half of the fine inflicted on persons convicted of this offence Your Petitioners look with much anxiety to the continual annoyance, if not hardship and oppression to which grocers and others will be subjected by having their houses searched upon information given by some person anxious to make gain if by chance a conviction could be obtained, — and further as these “condiments” are so “noxious” to Europeans, the shopkeeper may be fined for proffering for sale an article said to be “noxious,” but to a Chinese, not only considered “wholesome,” but probably is in such state a necessary of life. Your Petitioners make no objection whatever to the law taking its course as regards “tainted” “adulterated” or “unwholesome” liquor or meat or provisions, which Your Petitioners consider just and proper.

After the explanation contained in the reply, which Your Excellency so graciously condescended to make to Your Petitioners’ first petition, to the effect that if our houses are kept clean and free from smells that our families will not be troubled by visits from the Health Officer, they feel contented and satisfied that no undue exercise of this power will be made so as to cause alarm to their wives and families.

With respect to Ordinance Number 9 of 1866 Your Petitioners have no remark to make except that as the object of it is the prevention of the crime of piracy, and the punishment of all persons in the Colony having any connection with pirates, they fully concur in the great necessity there exists for some severe law on the subject and they trust that the provisions of this ordinance will be attended with all the success Your Excellency hopes for from them.

As regards the Stamp Act, Your Petitioners think it would be better to leave the matter in the hands of the European community, who are more able to judge as to the merits or demerits of the requirements of that ordinance, and to represent the same to Your Excellency than they are; although they still think the imposition of stamps, the time taken up thereby, and the attention and particularity required to avoid incurring fines, will materially interfere with, fetter, retard and otherwise injure, the trade of the Colony.

In conclusion Your Petitioners humbly beg to assure Your Excellency that they have stated in this petition what appears to them to be the views entertained by all the peaceable and well-disposed portion of the Chinese population of this Colony on the recent highly important enactments which Your Excellency in your wisdom has deemed it expedient to put in force. Your Petitioners believe that in doing so Your Excellency has had in view only the safety to life and property and the comfort, well being and good order of those living under Your Excellency’s rule, and the benefit of the Colony generally, and Your Petitioners esteem it a privilege that they are allowed to lay before Your Excellency their own views on those portions of the ordinances which Your Petitioners humbly conceive require re-consideration at the hands of Your Excellency; fully believing after the great pains Your Excellency has been pleased to take in correcting their former misconceptions, as to the scope and intention of these ordinances, that Your Excellency will also give your best and favourable consideration

to the observations and remarks on some of the most objectionable portions of these ordinances, which they have endeavoured to express in this petition.

And Your Petitioners as in duty bound will ever pray, &c.

Dated the 2nd of November, 1866.

DOCUMENT 1.2: Petition addressed to the House of Commons praying for an amendment of the constitution of the crown colony of Hong Kong 1894 (source: Papers on the Subject of a Petition Addressed to the House of Commons Praying for an Amendment of the Constitution of the Crown Colony of Hong Kong, *Sessional Papers*,* 1896, pp. 425–427.)

To the Honourable The Commons of the United Kingdom of Great Britain and Ireland in Parliament assembled

The humble petition of the undersigned merchants, bankers, professional men, traders, artisans, and other ratepayers, inhabitants of the Crown Colony of Hong Kong.

Respectfully sheweth: —

1. The Colony of Hong Kong, situate[d] in the China seas, at the south-eastern extremity of the great Empire of China, is one of the smallest, but by no means the least valuable or important, of Her Majesty's possessions outside of the United Kingdom of Great Britain and Ireland.

2. It is a little over 50 years since the Colony was founded on a barren rock, the abode of a few fishermen and pirates. Today it is a city and settlement with upwards of a quarter of a million inhabitants; a trade estimated at about forty millions of pounds sterling per annum, and a revenue of some two millions of dollars, wholly derived from internal taxation. Hong Kong is a free port, through which passes upwards of fourteen millions of tons of shipping per annum, and it ranks amongst the very first in the list of the great seaports in Her Majesty's dominions. It is the centre of enormous British interests, and is an extensive emporium of British trade in the China seas, and, while it remains a free port, it is destined to expand and develop, and to continue to be the centre of vast traffic and of constant communication between Europe, the Australian Colonies, the United States, and Canada on the one hand, and China, Japan, the Philippine Islands, British North Borneo, Java, Indo-China, Siam, the Straits, and India on the other.

3. Hong Kong has attained to its almost unequalled commercial position, through the enterprise, skill, and energy of British merchants, traders, and ship-owners; through the labours of Her Majesty's subjects who have spent their lives and employed their capital on its shores; through the expenditure of many millions of dollars in roads, streets, and bridges; in buildings, public and private; in extensive reclamations; in docks, piers, and wharves; and last, but not least, in manufactures of great and increasing

* *Sessional Papers of the Legislative Council, Hong Kong*

value. The prosperity of the Colony can best be maintained by the unremitting exertion and self-sacrifice of your Petitioners and the valuable co-operation and support of the Chinese, and only by the continuance of Hong Kong as a free port.

4. Notwithstanding that the whole interests of your Petitioners are thus inextricably and permanently bound up in the good administration of the Colony, in the efficiency of its Executive, and the soundness of its finance, your Petitioners are allowed to take only a limited part or small share in the government of the Colony, and are not permitted to have any really effective voice in the management of its affairs, external or internal. Being purely a Crown Colony, it is governed by a Governor appointed by Her Most Gracious Majesty the Queen, and by an Executive and a Legislative Council. The former is wholly of Officers of the Crown, nominated and appointed by the Crown; the latter consists of seven Official Members, selected and appointed by the Queen, and five Unofficial Members, two of whom are nominated by certain public bodies in the Colony, while the other three are selected by the Governor, and all are appointed by Her Majesty.

5. The Executive Council sits and deliberates in secret. The Legislative Council sits with open doors, and its procedure appears to admit of full and unfettered discussion, but there is virtually no true freedom of debate. Questions are considered, and settled, and the policy to be adopted by the Government in connection therewith is decided in the Executive Council. They are then brought before the Legislative Council, where the Government — the Official Members being in majority — can secure the passing of any measure, in face of any opposition on the part of the Unofficial Members, who are thus limited to objecting and protesting, and have no power to carry any proposal which they may consider beneficial, nor have they power to reject or even modify any measure which may in their opinion be prejudicial to the interests of the Colony.

6. In the adjustment and disposal of the Colonial Revenue it might be supposed that the Unofficial Representatives of the taxpayers would be allowed a potential voice, and in form this has been conceded by the Government. But only in form, for in the Finance Committee, as well as in the Legislative Council, the Unofficial Members are in a minority, and can therefore be out-voted if any real difference of opinion arises.

7. Legislative enactments are nearly always drafted by the Attorney General, are frequently forwarded before publication in the Colony or to the Council for the approval of the Secretary of State, and when sanctioned are introduced into the Legislative Council, read a first, second, and third time, and passed by the votes of the Official Members, acting in obedience to instructions, irrespective of their personal views or private opinions.

The legislation so prepared and passed emanates in some cases from persons whose short experience of and want of actual touch with the Colony's needs, does not qualify them to fully appreciate the measures best suited to the requirements of the Community.

8. Those who have the knowledge and experience are naturally the Unofficial Members, who have been elected and appointed as possessing these very qualifications, who have passed large portions of their lives in the Colony, and who either have permanent personal interests in it, or hold prominent positions of trust which connect

them most closely with its affairs, and are therefore the more likely to have been required to carefully study its real needs, and to have thoroughly acquainted themselves with the methods by which these are best to be met. On the other hand the offices occupied by the Official Members are only stepping stones in the official career; the Occupants may be resident for a longer or a shorter period in the Colony, and for them to form an opinion on any question which arises, different from that decided upon by the Government in Executive Council, is to risk a conflict with the Governor, and they are therefore compelled to vote on occasions contrary to their convictions.

9. Your petitioners humbly represent that to Malta, Cyprus, Mauritius, British Honduras, and other Crown Colonies, more liberal forms of government than those enjoyed by your Petitioners have been given: Unofficial seats in the Executive Council; Unofficial majorities in the Legislative Council; power of election of Members of Council; and more power and influence in the management of purely local affairs: in none of these colonies are the commercial and industrial interests of the same magnitude or importance as those of Hong Kong. Your Petitioners, therefore, pray your Honourable House to grant them the same or similar privileges.

10. Your Petitioners fully recognise that in a colony so peculiarly situated on the borders of a great Oriental Empire, and with a population largely composed of aliens whose traditional and family interests and racial sympathies largely remain in that neighbouring Empire, special legislation and guardianship are required. Nor are they less alive to the Imperial position of a Colony which is at once a frontier fortress and a naval depôt, the head quarters of Her Majesty's fleet, and the base for naval and military operations in these Far Eastern waters: and they are not so unpractical as to expect that unrestricted power should be given to any local legislature, or that the Queen's Government could ever give up the paramount control of this important dependency. All your Petitioners claim is the common right of Englishmen to manage their local affairs, and control the expenditure of the Colony, where Imperial considerations are not involved.

11. At present your petitioners are subject to Legislation issuing from the Imperial Parliament, and all local legislation must be subsidiary to it. Her Majesty the Queen in Council has full and complete power and authority to make laws for the Island, and local laws must be approved and assented to by the Governor in the name of the Queen, and are subject to disallowance by Her Majesty on the recommendation of Her Principal Secretary of State for the Colonies.

12. Your Petitioners recognise the necessity and propriety of the existence of these checks and safeguards against the abuse of any power and authority exercised by any local Legislature, and cheerfully acquiesce in their continuance and effective exercise, but respectfully submit that, subject to these checks and safeguards, they ought to be allowed the free election of Representatives of British Nationality in the Legislative Council of the Colony; a majority in the council of such elected Representatives; perfect freedom of debate for the Official Members, with power to vote according to their conscientious convictions without being called to account or endangered in their positions by their votes; complete control in the Council over local expenditure; the

management of local affairs; and a consultative voice in questions of an Imperial character.

Your Petitioners therefore most humbly pray your Honourable House to move Her Most Gracious Majesty the Queen to amend by Order in Council the constitution of this Crown Colony, and to grant to your Petitioners, and to the inhabitants of Hong Kong in all time to come the rights and privileges hereinbefore mentioned.

(Here follow 363 signatures.)*

* Memorandum by the Acting Colonial Secretary in Enclosure 2 of the same source describes the signatories as follows: 284 are British, 10 Anglo-Chinese, 3 Americans, 4 Portuguese, and 47 British Indians.

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