

# Uneasy Partners

The Conflict Between  
PUBLIC INTEREST and PRIVATE PROFIT  
in Hong Kong

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# Contents

<b>Preface — Expectations of Excellence</b>	vii
<b>Introduction — Against Great Odds</b>	1
<b>Chapter I</b> The Colonial Culture and Its Siege Mentality	19
<b>Chapter II</b> Colonial Rule and Its Political Constraints	31
<b>Chapter III</b> The Struggle for Autonomy	49
<b>Chapter IV</b> The Diplomatic Battles	71
<b>Chapter V</b> In Place of Democracy — A Privileged Elite	97
<b>Chapter VI</b> Government and Business — A Rewarding Alliance	117
<b>Chapter VII</b> The Business of Corruption	139
<b>Chapter VIII</b> The Triumph of Chinese Capitalism	159
<b>Chapter IX</b> The Hongkong Bank — The Ultimate Survivor	181
<b>Chapter X</b> The Shanghaiiese — Colonial Allies, Colonial Heirs	195
<b>Conclusions — The Ideal Constituents</b>	211

<b>Statistical Appendix</b>	229
<b>Notes</b>	237
<b>Bibliography</b>	301
<b>Indexes</b>	331

# Introduction — Against Great Odds

Hong Kong occupies a unique place in the history of the British Empire. No other colonial territory has matched its economic achievements, and no other colonial community has been so deprived of access to democracy. It was the first society in Asia to escape from poverty after World War II, and by the end of the century its people had a standard of living unmatched anywhere else in the region except Japan and Singapore. “No other society in history,” it has been claimed, “has ever grown wealthy so fast.”<sup>1</sup> By 1997, Hong Kong had become the only crown colony in imperial history where, by the end of British rule, the average level of prosperity measured by GDP per head exceeded that of the United Kingdom. Politically, however, the territory had barely advanced during British rule. For once when the British retreated from an imperial possession, they did not leave behind a legacy of parliamentary democracy.

Hong Kong was also exceptional for its political and social stability.<sup>2</sup> Unlike the rest of the United Kingdom’s Asian empire, no indigenous movement was launched to expel British colonialism or to expropriate the capitalists, and riots, unlawful demonstrations and even industrial disputes were relatively rare occurrences. By the end of the colonial era, it seemed as if economic success and social stability were part of the natural order. The weight of expert opinion was that the British had devised an ingenious system that triumphed over the inherent conflicts caused by colonialism and capitalism. This system seemed to have put itself beyond serious criticism by the prosperity and stability it delivered and by the peaceful transition from British to Chinese rule that was achieved in 1997.

This flattering view ignored the struggles that took place between the power-holders during Hong Kong’s emergence as a major international economy. The rate of political, economic and technological change had been so rapid that memories of what went before seemed irrelevant in relation to current events.<sup>3</sup> But Hong Kong could not escape from the tensions created by colonialism, and these were aggravated by the British reluctance to allow the

general public to participate in government through direct elections, relying instead on a partnership with the business and professional classes. In turn, the government's capitalist collaborators had their own personal and corporate interests to promote, which frequently conflicted with the well-being of the rest of the community.

The strains caused by the anachronistic political arrangements sometimes led to open political clashes, but they were visible mostly in the form of defects and distortions in Hong Kong's way of life. They became increasingly difficult to manage in the 1990s, and they did not disappear at the end of British rule. Indeed, the first Chief Executive, Tung Chee Hwa, made a considerable effort to replace political confrontation with consensus.<sup>4</sup> This book looks at the impact of these conflicts on the way that Hong Kong was governed, their consequences for the community, and how the competition between rival groups affected the distribution of political and economic power in the second half of the twentieth century.

## **The Capitalist Setting**

Always centre stage in any review of Hong Kong is its glittering economic success since World War II. The odds in Hong Kong's favour at the end of a brutal Japanese occupation had not been good. By 1949, over a million refugees had arrived in search of shelter from the civil war engulfing the Chinese Mainland and the impending victory of the Chinese Communist Party. Hong Kong was about to lose its Mainland markets, and the economy faced ruin. National income per head was a mere quarter of the United Kingdom's levels.<sup>5</sup> Yet, by the time the British came to leave, Hong Kong was a major player in the global economy:<sup>6</sup>

generating a GDP equivalent to over 20% of China's . . . the world's eighth largest trading entity, with the world's eighth largest stock market, seventh largest financial reserves, fifth largest foreign exchange market, third busiest airport . . . the world's busiest port.

## ***The Last Bastion of Laissez Faire***

Hong Kong's transformation into a world-class economy has been attributed very widely to its commitment to the laissez faire doctrines imported from nineteenth century Britain. Despite the central role that laissez faire played in government policies, these doctrines were never defined officially and comprehensively, nor were they subject to much systematic analysis by academic economists.<sup>7</sup>

Few were bothered by this lack of formal definition because both the government and the community believed that the essential features of a laissez faire regime were almost self-evident. They included: free trade and no import or currency restrictions; low taxes and small government; negligible state borrowing and regular budget surpluses; minimal interference with market forces and no state planning; no development subsidies and no investment incentives. There was also a strong element of self-reliance for, unlike the rest of Asia, Hong Kong received virtually no foreign aid; and when its post-war industrialization drive began, its products faced severe restrictions in their search for markets in the United Kingdom as well as in Western Europe and North America.

Laissez faire was not confined to economic policies but went hand-in-hand with a deep reluctance among officials to become involved in social development, combined with a marked preference for leaving Chinese society to manage its own affairs. As for the business of politics, this was in the hands of the colonial administration and its co-opted collaborators from the business and professional classes. In the absence of democracy, the population was supposed to be content with rising incomes, an almost total freedom from unemployment, and endless opportunities for the enterprising and the talented. It seemed that in Hong Kong, the conflicts latent in most societies were absorbed and resolved through the processes of market competition.

Throughout this book, laissez faire and such similar terms as “non-interventionism” refer to the features set out in this section. They have the same meaning that they had in Hong Kong’s official policies and public rhetoric during the second half of the twentieth century and which were enshrined in the Basic Law, China’s constitutional blueprint for the post-colonial era. The theoretical inconsistencies and the deviations from classical laissez faire are ignored here, just as they have been by Hong Kong itself. The Hong Kong version of laissez faire was based, this book will argue, on political pragmatism rather than economic principles.

### ***Economic Fashions***

Hong Kong’s path to prosperity ran counter to conventional economic wisdom, which discarded a passive and non-interventionist role for the state after World War II. As Western colonial rulers withdrew from the rest of Asia, they were replaced by governments inspired by nationalism and socialism. These saw central planning and state controls as the surest route to prosperity. They borrowed heavily and solicited development assistance from abroad. Hong Kong refused to follow the prevailing economic fashions, and the specialists in development economics took a gloomy view of its prospects, predicting that “almost everyone would be doing better than Hong Kong”, even Colombia in South America.<sup>8</sup>

The colonial administration explicitly rejected the fashionable economics of the era because officials saw essential differences between Hong Kong and most other developing economies. They believed that light industry, with a low capital/output ratio, was ideal for Hong Kong. This strategy generated immediate employment and rapid rates of growth. Light industry was very profitable, made economical use of available capital, and did not involve the subsidies and long lead times usually required by heavy industry elsewhere in the Third World. Its products were not confined to the small, local market, but could be exported to wider and wealthier markets in the West.<sup>9</sup> In any case, officials argued, Hong Kong's industrial products were so cheap that any form of government subsidies or incentives for local manufacturers would have intensified demands in Western countries for further restrictions against its exports.<sup>10</sup>

Not until the closing decades of the twentieth century did Western economists change their prescriptions and start to urge the withdrawal of the state from ownership and direction of the economy. By this time, even the Chinese Communist Party had retreated from central planning and state controls. Thus, finally, Hong Kong's strategy of relying on business executives rather than bureaucrats to mobilize investment and to manage markets became fashionable among specialists in economic development.<sup>11</sup>

### ***Imperfect Competition***

Hong Kong did not need this shift in expert opinion to feel secure in its adherence to old fashioned economic ideas that belonged to the earlier age of the British Empire. Its formula for achieving prosperity seemed attractively straightforward: the government stayed out of the way of the investors and entrepreneurs who generated wealth. The results were remarkable. From at least 1961, there was not a single year until the end of the colonial era in which the economy did not expand in real terms. This record of sustained and self-generated growth seemed to redeem the reputation of both colonialism and capitalism. The last remnant of the British Empire in Asia had made itself the equal of First World cities against considerable political and economic odds.

Nevertheless, laissez faire did not guarantee either perfect competition or market efficiency. There was a tendency to equate competitiveness with the sort of thoroughly pro-business environment fostered by the Hong Kong government. As a result, organizations like the Cato Institute, the Heritage Foundation and World Economic Forum regularly rated Hong Kong as among the most competitive economies in the world. These assessments were misleading but were invoked with considerable pride by government officials and business leaders. In reality, and on a more objective basis, Hong Kong could be shown to be no more competitive than the average OECD economy.<sup>12</sup>

One sector of the economy was, of course, awesomely competitive. To survive first as a manufacturing exporter and then as an international financial services centre, Hong Kong's external sector had to match world standards. In the domestic market however, monopolies and cartels had considerable power. Restrictive practices proliferated in the banking industry and the property sector, the power industry and the port — indeed in any area of business that did not face direct competition from abroad.<sup>13</sup> Officials, both before and after the British departure, took the complacent view that Hong Kong was as competitive as any economy could expect to be and declined to take more than token measures to promote market competition within the domestic economy.<sup>14</sup>

Telecommunications, together with broadcasting, was the major exception. The government failed, however, to apply Hong Kong's experience of the substantial benefits that a competition law had brought to this industry. Here, a long-standing British-controlled monopoly came to an end in 1995, and the industry was made subject to increasingly severe anti-monopoly regulations modelled on United States, European and Australian practices. Officials were happy to take credit for the impressive reductions in charges and the rapid expansion of telecommunications services that resulted.<sup>15</sup> But they resolutely refused to extend this model to the rest of the economy. They also resisted calls from the International Monetary Fund (IMF) for a vigorous government response to the widespread restraints on competition.<sup>16</sup>

The government's unwillingness to counter the way that major firms collaborated to curtail competition in key sectors of the economy highlighted a fundamental conflict within Hong Kong life. Government policies were openly biased in favour of business, and the well being of the rest of the community seemed a secondary consideration. The official justification for its reluctance to redress the balance in favour of the public was Hong Kong's commitment to the principles of laissez faire. On this theory, the government should practise non-interventionism and leave market forces to regulate business affairs and set personal living standards. In practice, since the colonial rulers monopolized political power, and business cartels and other anti-competitive practices could lawfully control large segments of the economy, the public could easily be exploited — and frequently was.

### ***The Colonial Context***

Of course, British rule could not have survived so long if the contest between private profit and public well being had been wholly uneven. Despite the commitment to economic and social non-interventionism, laissez faire did not mean a do-nothing government. The bureaucracy created, almost single-handedly, the infrastructure on which the economy's growth depended. The

public sector undertook ambitious capital projects, as well as providing such direct services as programmes to improve productivity and training and to promote trade and tourism. More important still was the contribution to economic and social development from the public sector's housing and social services programmes. Through these, the government was able to provide indirect but important subsidies that helped to offset the low wages of the labour force and to contain potential social discontent.<sup>17</sup>

### ***Palliative Politics***

The various social programmes of the post-war government became symbols of Hong Kong's commitment to a caring society. However, its initiatives were usually reluctant and had little to do with any notions of social justice. Their starting point, almost always, was a begrudging tradition of palliative politics that came to the fore in the 1950s. By 1956, the population had been swollen to 2.5 million by the arrival of almost two million newcomers since the war. Housing, schooling, health, and other social services were totally inadequate, and living conditions were grim.<sup>18</sup> The colonial administration added to the misery as it sought to deter the new arrivals from remaining in the territory. They were denied the official food rations for example, and in squatter areas government policy was to provide only minimal protection against fire hazards, while health and sanitation were totally ignored.<sup>19</sup> These harsh measures were presented as the rational reaction to an unprecedented emergency.<sup>20</sup> In fact, they incorporated a deeply-entrenched reluctance to accept responsibility for the welfare of the community at large which could be traced back to early in the twentieth century when officials had declared that Hong Kong had to choose "between wealth or health".<sup>21</sup> The post-war colonial administration was merely being faithful to its own traditions.

Nevertheless, the account of how the colonial administration created a resettlement programme almost overnight to re-house some 50,000 squatters made homeless by a Christmas fire in 1953 has become part of the Hong Kong legend. A distinguished Hong Kong historian has argued that the Shek Kip Mei fire was an "administrative godsend" that enabled the Governor, Sir Alexander Grantham, to overcome the business elite's stubborn opposition in the legislature to the introduction of subsidized housing.<sup>22</sup> However, there is no evidence that, in the immediate aftermath of the tragedy, officials saw themselves as free at last to launch a mass re-housing programme. Indeed, they appear to have been too shocked by the complexity of trying to re-house the fire's victims to contemplate taking responsibility for resettling the rest of the squatter population.<sup>23</sup> Even as they struggled to organize emergency relief measures, they tried hard to disclaim any direct responsibility for the victims' well being. Behind the scenes, the colonial administration sought desperately

to avoid embarking on the mass housing programmes that the disaster had made unavoidable.<sup>24</sup> Nor did the government subsequently pretend that it had bowed to the inevitable with any enthusiasm.<sup>25</sup>

When the government was forced reluctantly into providing housing and social services on a mass scale, economic considerations dominated official policies. For example, the colonial administration always emphasized that public housing was not a welfare measure but was intended, almost exclusively, to clear urban land for development. Although finance was not a constraint throughout the first decade of the resettlement programme, this economic goal was not broadened to allow access to public housing on social grounds until 1964.<sup>26</sup> Similarly, the colonial administration repudiated responsibility for comprehensive, community-wide healthcare during this period, although child and maternal healthcare services were made available on the grounds that they would ensure a healthy adult population for the future. By implication, the government's priority was the quality of the future labour force.<sup>27</sup> When it came to social welfare, the principle was laid down that assistance should be focused on those who could become self-supporting quickly. Hence, services for disabled adults were to be limited to those who "can be rehabilitated", and only "relief of destitution and minimal services" were to be offered to the "incurably handicapped".<sup>28</sup>

The insistence that social needs were not the government's concern, but that they should be solved if possible through the market, was widespread until the 1970s. Officials expressed scepticism about the merits of introducing free education for all, despite its contribution to labour productivity.<sup>29</sup> Primary education did not become free and compulsory until 1971, and Hong Kong did not achieve three years of free and compulsory secondary schooling until 1978. In consequence, at the end of British rule, most of the adult population had been reared, educated and spent much of their working lives in an environment disadvantaged and even impoverished by the failure to upgrade the social infrastructure in line with economic growth.

### ***Third World Legacy***

Advocates of non-interventionism assumed that growth itself would provide the answers to all Hong Kong's problems, and the government and business leaders ignored the fact that development had taken place at such breakneck speed that it had outpaced the development of both the economic and the social infrastructures. Thus, in the 1990s, Hong Kong had a First World export performance of which it rightly boasted. Largely unacknowledged, however, was the glaring contrast between this and the Third World conditions left over from its humble post-war origins that prevailed throughout much of Hong Kong life. For example,

- There was neither a central bank nor a completely level playing field for financial institutions before the Hong Kong Monetary Authority was set up in 1993. Standards for the securities industry and corporate governance still fell short of international benchmarks in 1999.<sup>30</sup>
- The healthcare system was fragmented and inadequate until the creation of the Hospital Authority in 1990.
- The labour force was not protected by a statutory retirement protection scheme before December 2000.
- At the end of the century, whole-day schooling was available for less than half the children in primary education, with school premises still operating morning and afternoon shifts as they had done fifty years earlier. Almost 40 percent of the teaching profession had no degrees, and 15 percent were untrained.<sup>31</sup>

Economic and social structures were thus deeply flawed in the late twentieth century, despite Hong Kong's vast financial reserves and its familiarity with best practice elsewhere in the world.

## **Conflict and Collaboration**

Political power in Hong Kong was controlled by colonial officials, alien in both language and culture who, with the other members of this European minority, enjoyed superior status and influence solely on account of their race. These "expatriates" were always a tiny group during the second half of the twentieth century. Their total numbers never accounted for more than 0.9 percent of Hong Kong's population, with the true figure probably being closer to 0.6 percent.<sup>32</sup> British rule was exercised by a privileged minority, a state of affairs that created the conditions for serious clashes over race, class, language, and political and ideological loyalties. These rarely materialized, it was argued, because of the community's overwhelming commitment to social harmony.<sup>33</sup> But the processes that maintained political stability were neither straightforward nor spontaneous.

### ***Splendid Isolation***

On the British side, an awareness of Chinese antagonisms led to a self-imposed segregation of the rulers from their constituents. The origins of this isolation could be traced to racial preconceptions. Before World War II, the government responded to expatriate prejudices about the Chinese population by enacting discriminatory legislation, most notably in restricting the most desirable residential areas for exclusive European occupation. In the second half

of the twentieth century, this legacy of racial discrimination was an embarrassment to colonial officials, who tried to play down its significance.<sup>34</sup> Racial barriers persisted, nevertheless and were maintained primarily through the privileges relating to employment that enshrined the expatriates' superior status, obstructed the integration of the rulers and the ruled, and persisted until the British departure.

The superior employment conditions and the lifestyle of the colonial administration's expatriate staff left them largely untouched by Hong Kong's chronic shortage of housing and its inadequate social services, keeping them ignorant of the conditions under which the bulk of the population lived. Their isolation was compounded by the daunting language barrier of Cantonese, which is among the hardest of China's dialects to master. Most expatriates expected the Chinese they encountered to make the effort to use English, and all too often, expatriate knowledge of Chinese society was limited to what could be gleaned from such intermediaries as domestic servants and "petty fixers".<sup>35</sup>

Expatriates lived in a state of constant insecurity about the sea of Chinese around them, from whose attitudes and aspirations foreigners felt cut off.<sup>36</sup> In self-defence, anxious colonial officials sought to deter even the most middle class of their local critics. The same officials were extremely apprehensive about promoting their Hong Kong colleagues to positions of real responsibility. This mistrust aggravated the latent antagonisms within colonial society. Chapters I and II, "The Colonial Culture and Its Siege Mentality" and "Colonial Rule and Its Political Constraints", will analyse the disabling features of colonial culture and illustrate its adverse impact on the colonial administration's policies and performance.

### ***The External Threats***

The expatriates' fears were aggravated by Hong Kong's historical and geographical circumstances. Unlike the United Kingdom's other imperial possessions, the colony was a tiny enclave, surrounded by a vast population with a sophisticated culture and a proud patriotism. There was no question of the United Kingdom competing for the loyalty of the Chinese community. At best, colonial officials could hope for its cooperation, but they certainly could not rely on repression to remain in power. The colony had been created by military conquest and expanded in 1898 by force of arms. The British will to maintain imperial interests in China then started to weaken, and a retreat from the Chinese Mainland began at the end of the 1920s, surrendering treaty ports and concessions and relinquishing the legal and commercial privileges enjoyed by British firms and individuals.<sup>37</sup> London's incentives for retaining Hong Kong after World War II were very weak. This colony had become no more than a remote British outpost of little strategic interest and limited

commercial value to the United Kingdom.<sup>38</sup> The Chinese community sensed the United Kingdom's lack of political commitment, which created an additional challenge for colonial officials seeking to maintain British rule.<sup>39</sup>

In dealing with external threats, the colonial administration felt it had little room for compromise. As Chapter III, "The Struggle for Autonomy" will argue, economic growth would have been crippled if the colonial administration had not battled successfully for the right to manage its financial affairs and international trade policies with minimal interference from London. The colonial administration also had to deflect threats from the Mainland, particularly after the Chinese Communist Party came to power in 1949. Here again, the complication was London, which had its own priorities in dealing with the Chinese government.

To survive, the colonial administration had to make Hong Kong useful to the Mainland and its rulers. During the Cold War and Washington's attempt to isolate the newly-established People's Republic, the colonial administration helped Beijing to shelter its trade and finances from the United States' embargo on all transactions with China. But the colonial administration also felt compelled to maintain its authority in the face of political pressures from Beijing, even at the risk of Sino-British confrontations. Chapter IV, "The Diplomatic Battles", will recount how Hong Kong prospered when it managed the relationship with Beijing, but suffered considerable setbacks when the British Foreign Office took charge.

## ***Big Business***

In dealing with internal challenges, the colonial administration's instinct was to disengage itself from the Chinese world. From the earliest days of British rule, colonial officials preferred to minimize the scope for conflict with the Chinese population by using intermediaries. To the colonial administration, the business and professional classes seemed the group most firmly rooted in Hong Kong, with the biggest personal stake in its survival because of their investments and ownership of local assets.<sup>40</sup> They also appeared entitled to a special voice in the conduct of public affairs because when Mainland or local political developments threatened British rule, they could be relied on to cooperate in keeping revolution and anarchy at a distance. Thus, the leaders of business and the professions were seen by the British as the best qualified to be involved in the colonial power system.

In place of democracy, colonial officials selected individuals from this group to represent the community, both in the legislature and in the Executive Council (the colonial equivalent of the United Kingdom's Cabinet), and on the host of statutory bodies and advisory committees that made up Hong Kong's system of "consultative" government. Over time, appointees came to

represent business interests, and “big business” in particular, rather than community concerns. The colonial administration portrayed itself as creating a capitalist meritocracy that was superior to conventional democracy. Its appointees were drawn from the wealthiest and most Westernized groups in Chinese society, and they constituted the “business elite”. This select group was made up of the families that owned the leading banking, commercial, industrial, and real estate enterprises, together with the senior executives of major public companies and principals of leading professional firms, and wealthy individuals with professional qualifications. The term “elite” is employed in this book in the same sense as has become the convention among Hong Kong’s social scientists. It embraces a concept widely employed and well understood (though not precisely defined) in Hong Kong.<sup>41</sup> “Elite”, “business elite” and “business and professional classes” will be used interchangeably to refer to the individuals whom the colonial administration regarded as qualified in terms of background and reliability to be co-opted into the power structure. Significantly, these same individuals were Beijing’s preferred targets in identifying appointees to the post-colonial power structure.<sup>42</sup>

But the elite’s boundaries could be confusing, and there were conflicts within its constituent groups. For example, wealthy lawyers and medical practitioners played prominent roles in the colonial power structure, but affluent members of both professions also campaigned vigorously for political and social reforms and were not fully committed to the political partnership with colonialism. Similarly, some civil servants encouraged colleagues from the voluntary sector to use their access to the policy-making process in order to overcome the government’s reluctance to expand welfare facilities.<sup>43</sup> Other professional groups — social workers and teachers in particular — became prominent adversaries of the colonial administration from the 1970s onwards. Thus, among the professional class, a significant number supported liberal and reformist policies. Overall, however, only a minority of the professionals had the inclination or the moral courage to directly challenge the colonial and capitalist set-up, of which they were major beneficiaries until the 1990s.<sup>44</sup>

As a result of this alliance with the local elite, ordinary people hardly seemed to count. Indeed until the late 1950s, officials regarded the bulk of the population as sojourners who had fled the Mainland for temporary refuge from wars, revolutions and economic disasters, and who were not truly members of the community.<sup>45</sup> Even when it became clear that the newcomers would not return to the Mainland, the colonial administration still refused to recognize that they had civil rights, and officials tried to stifle political activism and block reform. The British lacked the confidence to allow the public to participate directly in the political process, so Hong Kong remained a constitutional anachronism whose political arrangements remained virtually unchanged from the previous century until the final decade of the colonial era.

In fact, this system of co-opting the local elite had been created originally not for Hong Kong, but for the administration of the Indian Empire and Asian and African colonial possessions when their economies were still pre-industrial, commercially and technologically backward and burdened by poverty and social deprivation. Thus, Hong Kong was perpetuating a form of government that was thoroughly Third World long after it had become an affluent, cosmopolitan First World city. Chapter V, “In Place of Democracy — A Privileged Elite”, will review the practical workings of Hong Kong’s political arrangements and the areas in which they failed to contribute to good government.

## An Ideological Weapon

There was a clash between the colonial administration and the community over moral issues. Within the Chinese world, the citizens expected their rulers to exercise moral as well as political leadership. The remoteness of colonial officials from the Chinese world meant that they did not feel much identity with the community’s values and aspirations.<sup>46</sup> Although an eminent academic has argued that “moral obligation” was the basis of the United Kingdom’s policy on the colony, the Chinese community did not believe the British fulfilled their moral responsibilities towards Hong Kong.<sup>47</sup> Formal acknowledgement of moral obligations had not been entirely absent from official rhetoric before World War II but it almost vanished in the second half of the twentieth century.<sup>48</sup> As a matter of policy throughout its history, the colonial administration preferred to retreat from such obligations by extending its laissez faire philosophy to social affairs, thus disengaging itself from Chinese society. But British rule needed to be able to invoke some principles that would command majority support in settling political debates, particularly over the allocation of public resources.

The colonial administration created a unifying ideology round two principles. One was the rule of law. Until quite late in the colonial era, Hong Kong’s legal system seemed alien and therefore remote, irrelevant, and unreliable to the public at large. Nevertheless, even in the nineteenth century, the contrast between the legal system in Hong Kong and the breakdown of the Mainland’s courts and law enforcement agencies was very apparent, both to the working class and to intellectuals in the Chinese society of Hong Kong.<sup>49</sup> Furthermore, the promise of even-handed justice for all, however imperfectly fulfilled, had an obvious appeal in a society where the courts seemed the only countervailing institution against the overwhelming power and privilege that race and wealth conferred on the ruling elite and its business allies. Public protests and political activism in the 1970s created an awareness of the relevance of the rule of law to the rights of public assembly and freedom of

speech.<sup>50</sup> By 1983, the rule of law had become an important feature of the political landscape.<sup>51</sup> The 1984 Sino-British Joint Declaration and the prospect of coming under the authority of the Chinese Communist Party heightened concerns about civil liberties among a population that had sought refuge in Hong Kong from ideological turmoil and excesses. The public's attachment to the rule of law as a means of protecting the Hong Kong way of life became an increasingly sensitive political factor as 1997 approached.<sup>52</sup>

In terms of everyday politics, however, the second principle, that of laissez faire, was of much greater significance. In the absence of democratic institutions, the government's partners were drawn overwhelmingly from the representatives of the business elite and not from the community as a whole. The colonial administration could not ignore the danger of widespread political unrest if business and property interests were given the freedom to exploit the public at will. Adherence to the doctrines of laissez faire under its various post-war labels, including "positive non-interventionism", enabled officials to resist pressures from the privileged business and professional classes. The colonial administration could appeal to the principles of laissez faire to fix acceptable boundaries between public and private interests within a political system that was based on a partnership between colonialism and capitalism.

This strategy worked. Although the community at large did not approve the extensive influence and control that leading businessmen exerted over Hong Kong's administration, laissez faire allayed public suspicions about the benefits that the business world enjoyed through its partnership with the government. In consequence, ordinary people felt little envy or resentment towards the affluent, and the polling evidence showed a widespread public endorsement of laissez faire as the prevailing economic philosophy.<sup>53</sup> Chapter VI, "Government and Business — A Rewarding Alliance", will argue that laissez faire successfully prevented the outright plunder of public resources even though the business elite still enjoyed substantial opportunities to profit handsomely from their involvement in the power structure.

### ***Dishonest Government***

The pernicious consequences of the moral divide between the colonial rulers and Chinese society were most visible in conflicting attitudes towards corruption. Until the 1970s, British rule was incapable of guaranteeing honest government. The general public was bitterly resentful about the endless extortion it experienced in its daily contacts with government departments, but colonial officials dismissed its complaints as malicious or exaggerated. The average expatriate assumed that Chinese society was irredeemably corrupt but that the British themselves were largely untainted. To quote a confidential government report: "Bribery and corruption exist but so it does all over the East, where it is a national trait and is not regarded as amoral."<sup>54</sup>

Corruption is frequently treated by social scientists as “rent-seeking” and as the inevitable and indeed rational response to oppressive governments that suppress legitimate business activities.<sup>55</sup> The Hong Kong government, however, made the creation of a business-friendly environment its first priority, and the lack of integrity within the Civil Service must therefore be attributed to the more basic causes of personal greed and administrative mismanagement compounded by moral indifference. Integrity was further undermined by the government’s double standards when it came to law enforcement and by an official inclination to tolerate whatever seemed good for the business community, regardless of the letter of the law.

Thus the colonial administration in general preferred to close its eyes to the dishonesty that proliferated in virtually every branch of government until 1974 when the Independent Commission Against Corruption (ICAC) was founded. Even when gross dishonesty was uncovered, officialdom tried to shrug off the consequent opprobrium, and Chapter VII, “The Business of Corruption”, will identify the governors who allowed corruption to flourish. Within the government itself, the lack of integrity led to open scandals, notably in the police force. This chapter will analyse the campaign by a handful of senior officers that put an end to colonial complacency on this issue. It will also recount how the private sector resisted efforts to eradicate malpractices which were the cause of major abuses particularly in the property sector and construction industry.

## A Chinese Victory

The United Kingdom had seized Hong Kong as part of its drive to force open China’s markets to British trade, and before World War II, Hong Kong had been integrated into the network of treaty ports along the China Coast.<sup>56</sup> In these, foreigners were exempt from Chinese administration and were ruled by their own courts, and they were protected from the venality and collapse of law and order that plagued the Mainland during this period.<sup>57</sup> Once the Chinese Communist Party came to power in 1949, Western commercial power in China evaporated. Foreign firms were forced to quit the Mainland but only after negotiations with the new rulers that were both commercially costly and personally humiliating for the expatriate executives who participated in them.<sup>58</sup>

The foreign firms in Hong Kong that had specialized in serving the China market found it hard to survive after the outbreak of the Korean War and the imposition of a United Nations embargo on transactions with the newly established People’s Republic of China.<sup>59</sup> With the demise of the traditional China trade, the territory transformed itself into a manufacturing centre, in which few foreign firms were able to compete on equal terms with Shanghaiese

and Cantonese industrialists. Nevertheless, the British still seemed powerful enough until the end of the 1970s. Early in that decade, four British firms were estimated to account for nearly half the capitalization of all publicly listed companies. A British critic complained of the enormous leverage they still exerted and accused British business of being “a tiny group that manipulates the money supply, the stock exchange and the government”.<sup>60</sup> But their pre-eminence was about to crumble. Within a decade several of the most famous British firms had been swallowed up by Chinese rivals, while the listed companies controlled by a single Chinese entrepreneur, Li Ka-shing, accounted for around 18 percent of Hong Kong’s total stock market capitalization, outstripping the largest British company.<sup>61</sup>

In the battle for the commanding heights of the economy, the colonial administration could have intervened on behalf of the British firms for whose benefit the colony had been established in the first place. This is how officials would have been expected to behave during the first century of colonial rule.<sup>62</sup> But times had changed and colonial officials, certainly from the 1960s, had to convince the public that the government was committed to the community’s well being. Furthermore, it had its alliance with the Chinese elite to nurture, especially during the strains caused by the extremism of Mao Zedong’s Cultural Revolution, which swept the Mainland between 1966 and 1976.

The colonial administration did not try to rescue its compatriots, and the British management of the Hongkong Bank (The Hongkong and Shanghai Banking Corporation) took a similarly unsentimental attitude. Both the government and the bank preferred flourishing Chinese partners to ailing British firms that needed to be bailed out. In addition, expatriate entrepreneurs and executives frequently mishandled relations both with the Chinese community in Hong Kong and with the Mainland authorities. Chapter VIII, “The Triumph of Chinese Capitalism”, will concentrate on the British survivors of this conflict and the often considerable costs of beating off the challenges from their local rivals.

Chapter IX will be devoted to the Hongkong Bank. This powerful colonial institution dominated the business scene throughout British rule. Its profits were assured by the privileged position it enjoyed thanks to the reluctance of the colonial administration to set up a modern system of central banking. The Hongkong Bank’s strength also reflected its success in switching its focus from captive expatriate business to the new Chinese business empires that grew up after World War II. The Bank fought the colonial administration for control of key policies but with limited success. Before the end of British rule, it had been stripped of its profitable colonial prerogatives, and by this date had begun its own retreat from Hong Kong, having transformed itself under its new “HSBC” label into one of the world’s largest financial institutions.

## ***Shanghai's Shadow***

The contradictions and distortions created by colonial history were graphically illustrated by the role played in post-war Hong Kong by wealthy refugees from Shanghai. Hong Kong had long lived under the shadow of Shanghai, which acted as the “British beachhead” in China from 1860 until the People’s Liberation Army entered that city in 1949.<sup>63</sup> Leading Shanghai industrialists sought to escape from civil war and communist nationalization of their assets by relocating to Hong Kong after World War II. They pioneered the creation of modern, large-scale textile production in Hong Kong and became prominent in the colonial power structure. This small group of well-educated, Westernized entrepreneurs has been given much of the credit for Hong Kong’s transformation into a world-class manufacturing centre after World War II.

Chapter X, “The Shanghai — Colonial Allies, Colonial Heirs”, will suggest that their contribution to Hong Kong’s economic development has been exaggerated. Nevertheless, they had a unique role in the alliances and antagonisms of colonial society. They preferred to find their political and commercial partners among the expatriates and did not integrate with the Cantonese majority. Yet, they were disdainful of the racial barriers that had been a conspicuous part of colonial business life until their arrival. At the same time, they won political access and influence through cultivating British friends, and joined forces with British business in an unsuccessful campaign to induce the colonial administration to abandon its laissez faire principles. Senior British executives often had an almost sentimental attachment to their traditional partners from Shanghai. This chapter will show how some British firms paid dearly for retaining their links with the Shanghai and ignoring the new generation of Cantonese tycoons.

## ***The Real Heroes***

There was one conflict that never emerged. The overwhelmingly Chinese population did not take direct retaliatory action for its exclusion from political power or to redress the pro-business and anti-welfare bias in government policies. Instead, the people of Hong Kong transformed a war-ravaged colonial territory with uncertain political and economic prospects into “an island of stability and social progress, a model for anyone seeking to build a peaceful, prosperous and successful community”, to quote Christopher Patten, the last British Governor who went on to elaborate:<sup>64</sup>

The glitz of society life, the full throttle thunder of economic activity . . .  
tend to take the eye away from a vital part of Hong Kong’s story, the creation

of a resilient, sophisticated, highly educated society, ambitious to improve the lot of its members, caring to those in need, offering freedom to exercise abilities. How many would have predicted such an outcome from a community of refugees and merchant venturers ruled over by a colonial power?

Denied the democratic institutions that resolve contests for power in modern states, Hong Kong made do with a political system that gave the individuals who dominated the business landscape a disproportionate representation in the power structure. Polarization would have been natural enough under these conditions if it had not been for the social discipline and political maturity of the community at large. Despite the anachronistic and increasingly inefficient political arrangements, the community as a whole avoided outright conflict, whether with the colonial administration or with employers.

Thanks to a keen collective social conscience, the people of Hong Kong made good the deficiencies in the provision of essential social services by the colonial administration, which minimized its economic and social responsibilities through invoking the laissez faire doctrines of the previous century. In the 1950s, when Hong Kong was hit by the abrupt and catastrophic loss of the China trade, hitherto its principal economic activity, spending on education and other social services was minimal. In 1961, nevertheless, despite gross under-provision of primary school places and high fees, the urban male population was almost entirely literate.<sup>65</sup> Hong Kong had escaped the danger of an illiterate work force ill-equipped to move beyond low-skilled, labour-intensive manufacturing. By the 1960s, the quality of its factory workers was the highest in the Asian region — with the exception of Japan — in terms of cultural adjustment to the demands of industrial production and efficiency in learning the skills required by such new industries as electronics.<sup>66</sup>

Similarly, in the first post-war decade, the threats to the health standards of this largely immigrant and impoverished community were acute. A government survey of school-age children in 1954 classified “67% as nutritionally sub-normal”, with over 13 percent described as nutritionally “poor”.<sup>67</sup> Yet, mortality from infectious and epidemic diseases was quickly slashed, and at least one measure of antenatal health exceeded United Kingdom standards in the 1950s, mainly because of society’s own health-consciousness.<sup>68</sup> Social discipline and good sense transformed a flood of refugees of vastly different backgrounds, who spoke a variety of dialects, into a society more stable and law-abiding than most Western cities.

Their civic virtues have been no less impressive. The population rarely took to the streets in violent protest.<sup>69</sup> Its protests were mostly about practical matters, and even industrial disputes were infrequent, provoked mainly by unpaid wages. The work force bowed to the dictates of the market, shifted

jobs and learnt new skills as industries rose and fell. The community chose not to dispute the need to create an environment in which business could flourish, and the public made the most of their opportunities even though their political influence was small and their incomes failed to improve in line with overall economic growth.<sup>70</sup> They managed to attain improved living standards because, in the face of severe political and economic obstacles, Hong Kong's people did not make revolution, as the rest of China and most of Asia did in the first three decades after World War II. They created instead, a First World economy fully integrated into global markets, and even in the absence of democracy, succeeded in establishing standards of personal freedom that were as high as anywhere in the Asian region. For this reason, there is no chapter in this book discussing confrontations between the community and its colonial rulers or their capitalist allies. But the community and its well being are the underlying themes of what follows. They deserved the best of governments and the most progressive of policies, and it is by these standards that the performance of their rulers is assessed in the rest of this book.

# Conclusions — The Ideal Constituents

Throughout the colonial era, sheer survival was an imperative even more compelling for Hong Kong's colonial administration than for governments in most other political systems. Despite the glittering economic performance of Hong Kong during the final fifty years of colonial rule, and despite the remarkable political stability and social cohesion achieved during that period, the British never escaped from an awareness of how vulnerable their rule was to internal confrontation and external challenges. This sense of fragility intensified after Mao Zedong and the Chinese Communist Party came to power. If the British ever lost control, Hong Kong would simply revert to its original status as an integral part of China whose population had never ceased to form part of the Chinese nation — culturally and emotionally. The fear that Hong Kong might be taken over was shared, of course, by a majority of the population, as opinion polls recorded until the very last days of colonialism.

## A Tolerant People

Colonialism itself created a sense of insecurity among the alien rulers that was in surprising contrast to the reputation they had won for themselves. The colonial officials who administered Hong Kong have been hailed in almost mythical terms as “high-minded mandarins, who sought to achieve the Confucianist ideal of disinterested administration and paternalistic concern for the welfare of the society”.<sup>1</sup> By the end of the colonial era, Beijing's own commentators acknowledged the contribution made by the relatively small, highly-disciplined bureaucracy which had managed an increasingly sophisticated community and its high-growth, export-dominated economy.<sup>2</sup> These virtues did not prevent its members from being “aloof from the concerns of the multitude”, however.<sup>3</sup> Their desire for disengagement from the Chinese community was a form of self-defence that led to the deliberate avoidance of responsibility for its economic and social well being.

Colonial rule never saw itself as capable of achieving a secure partnership with the community at large. Expatriate officials, like their business counterparts, had great difficulty in discarding the treaty port mentality that depended on compradors and other intermediaries to handle direct dealings with the Chinese world. Expatriate officials found it difficult to treat their Hong Kong colleagues in the Civil Service as equal partners until the last five years of British rule. Society was to pay a considerable price for this mistrust of the people they ruled, as Chapter I, “The Colonial Culture and Its Siege Mentality”, and Chapter II, “Colonial Rule and Its Political Constraints”, argued. In particular, housing, health, schooling, and welfare services lagged well behind what Hong Kong could afford to provide throughout the second half of the twentieth century.

The need for elaborate defences against the Chinese community was belied by the British experience of Hong Kong whose people were astonishingly cooperative and should not have been feared or patronized. The public was very forgiving of the colonial administration’s errors and excesses.<sup>4</sup> Hong Kong remained largely free from the levels of violence suffered by many Third World cities.<sup>5</sup> Whatever the measure — revolution, riots, industrial disputes or crime — Hong Kong was a stable, law-abiding society that showed no interest in overthrowing the colonial regime or challenging its capitalist priorities.<sup>6</sup>

Although British rule was buttressed by an armoury of repressive legislation, the public’s cooperation with the colonial administration, its alien political institutions and unfamiliar laws cannot be attributed to coercion in the latter half of the twentieth century.<sup>7</sup> There were more positive incentives for social stability. In part, British rule benefited from comparison with the wars and invasions, the natural disasters and political anarchy that so often overtook the Mainland in the nineteenth and twentieth centuries, as well as so many other Asian nations after World War II. Academics have also argued that the British came close to matching the standards of acceptable government set by Chinese traditional norms.<sup>8</sup> On these comparisons, British rule was not intolerable enough to provoke insurrection.

More important still in maintaining stability, the community brought a disciplined maturity to Hong Kong’s complex circumstances and exercised an objectivity of judgment about its political and economic situation that allowed it to tolerate its highly adverse conditions. As prosperity increased, the public realized that the employers took a disproportionate share of Hong Kong’s wealth and had an unequal share of political power. No matter what the pressures and frustrations, nevertheless, the levels of social and labour unrest were extraordinarily low. Significantly, even when wages stagnated and the gap between rich and poor widened still further, labour productivity rose substantially.<sup>9</sup> At the same time, authoritative polling data showed that a majority of the population retained a strong sense of hope and well being

and a somewhat unrealistic optimism about their opportunities to advance economically and socially.<sup>10</sup>

## A Hostile World

While Hong Kong was a far more politically secure society than its British rulers ever permitted themselves to believe, externally there was an endless struggle for both economic and political survival in a hostile world. After World War I, Hong Kong's foreign trade had been damaged as governments around the world sought to protect their domestic industries from foreign competition. In response, Hong Kong began to examine the merits of creating some form of Free Trade Area with southern China in the 1920s, a proposal that political circumstances made it impossible to implement. Not until after the British had gone was such an arrangement feasible, and a Closer Economic Partnership Arrangement (CEPA) was concluded in 2003 between the Central People's Government and Hong Kong. However, even before World War II, colonial officials and leaders of the expatriate business community had publicly recognized Hong Kong's total dependence for its economic survival on China and the need to find a new relationship with an increasingly self-assertive Chinese nation.<sup>11</sup> Protectionism gathered new strength after World War II even among the world's richest nations in the West, and they made considerable efforts to restrict Hong Kong's exports. Economic vulnerability was aggravated by the Cold War and the United States' efforts to curtail commercial and financial transactions between China and the rest of the world until 1971.

In the post-war world then, vulnerability seemed more difficult to manage than ever. Hong Kong had to create a stable relationship with China's new communist leaders, to steer its own path through the Sino-United States hostilities during the Cold War, and to act as its own advocate in countering moves to block its access to markets in the West. And from year to year, there was no guarantee that Hong Kong would continue to be insulated from the radical fervour that was unleashed by the Chinese Communist Party's mass campaigns on the Mainland. How to defend Hong Kong against these dangers was all the more difficult because Beijing refused until 1984 to recognize that the colonial administration had a legal status.

It was far from certain, too, that the United Kingdom would find it worthwhile to maintain its colonial presence in Hong Kong when it had withdrawn from the rest of the British Empire. An added complication was that a frequently unsympathetic London had, constitutionally, total control over this colony. The colonial administration's survival called for the ruthless pursuit of the maximum autonomy from London and a stubborn insistence on Hong Kong's right to decide how best to deal with Beijing, as Chapter III "The Struggle for Autonomy", and Chapter IV, "The Diplomatic Battles", described.

In keeping London at bay, informal devolution was of the greatest importance. In this process, it helped that Hong Kong was too distant from the United Kingdom to be of any great strategic or economic value and that it was too remote to be of more than marginal interest to British voters. At the same time, colonial officials could not countenance retarding the Hong Kong economy to advance the interests of the United Kingdom. For example, the growth of Hong Kong as a manufacturing centre came at the expense of the cotton industry in the north of England. The colonial administration dared not rein in local textile manufacturers in order to safeguard the jobs of English workers. Similarly, the colonial administration could not afford to subordinate Hong Kong's financial interests to United Kingdom priorities, even if the direct consequence was to weaken the British pound and undermine the Sterling Area.

With the exception of the period from 1982 until 1989, when, as Chapter IV described, London made most of the running in dealings with Beijing, the colonial administration showed an astonishing capacity for getting its own way. It is true that colonial territories generally tried to ignore London when its directives made little sense on the ground, but Hong Kong's colonial officials behaved as if they had a mandate from the community to challenge British ministers and their officials, while governors were prepared to go their own way in defiance not just of British policies but of the letter of the law (as Chapter III recorded).

## Diplomats by Default

It was in the political sphere and the relationship with the Chinese government that the importance of autonomy was most apparent. As long as the colonial administration was in control of dealings with the Mainland, a relationship was possible that took account of both Hong Kong's requirements and China's national interests. When the British Foreign Office took direct charge of Sino-British negotiations in 1982 and sought to minimize Hong Kong's own role, the colonial administration suffered a protracted erosion of its credibility. Its ability to govern effectively was damaged by the community's conviction that colonial officials were colluding in the sacrifice of Hong Kong interests to benefit the United Kingdom.

In creating a working relationship with Beijing, it helped that during the Japanese hostilities and China's civil wars, Hong Kong had provided the Chinese Communist Party with a "base area" — to use Mao Zedong's own term — separated from the main combat zones and had acted as a vital escape route when the Party was driven out of key Mainland strongholds.<sup>12</sup> In base areas, Mao had laid down, economic toleration was to be practiced instead of strict communism.<sup>13</sup> The Party applied this strategy to Hong Kong in the extremely

inhospitable international environment it faced after coming to power in 1949. Its leaders grasped from the start how this British-run enclave would give the Mainland safe access to the hostile, capitalist world of the West throughout the Cold War.<sup>14</sup> There grew up a reluctance to get rid of this insurance policy against isolation and encirclement by unfriendly foreign powers. The colony existed at the sufferance of the Chinese Communist Party and survived for so long because its leaders put national interests before ideological appearances, even when challenged by the former Soviet Union about such toleration of an imperialist presence on Chinese soil.<sup>15</sup> When in 1982, it came time for Deng Xiaoping to fix the date for the British departure, he proved in no greater hurry than previous leaders and laid down a fifteen-year period of transition from British rule.<sup>16</sup>

For half a century, a remorseless anti-colonial propaganda barrage camouflaged the China's communist leaders' clear understanding of how much the Mainland stood to lose if the British departed prematurely. Considerable evidence was presented in Chapter IV showing that confrontations with the Chinese authorities did no lasting damage to Hong Kong during the clashes of the 1950s, the Cultural Revolution or even the last five years of British rule. There was a tacit understanding between Hong Kong officials and the Mainland authorities that allowed pragmatism to prevail. To have achieved this level of cooperation with a communist party that had come to power pledging to eradicate imperialism and capitalism was a remarkable diplomatic feat. For a colonial regime without any formal diplomatic representation of its own and often in direct conflict with the British Foreign Office, it was a signal triumph.

## No Place for Patriotism

The lack of loyalty to London displayed by colonial officials was matched by a similar lack of patriotic sentiment among colonial officials in dealing with their business compatriots. The average British firm never really came to terms with the Chinese world and its sense of cultural self-sufficiency and superiority.<sup>17</sup> As late as the 1970s, nevertheless, British economic power seemed secure enough as Hong Kong's seven largest conglomerates were still run by a socially superior, close-knit group of thirteen men, all but one of whom were from the United Kingdom.<sup>18</sup> Within a decade, their dominance had been lost to Chinese businessmen. The colonial administration's commitment to laissez faire and non-interventionism permitted it to remain a benign onlooker at the demise of famous British firms. Thus, it did not have to jeopardize its credibility with the community by rescuing British commercial interests, as Chapter VIII, "The Triumph of Chinese Capitalism", explained.

It was the Hongkong Bank, the second most powerful British institution in the territory after the colonial administration itself, that illustrated most

starkly how colonial survival depended on discarding expatriate obligations and cultivating a Chinese constituency. Its management put profits before patriotic sentiment and financed its Chinese clients as they harried major British firms. In its turn, the Hongkong Bank was to experience a similarly unsentimental treatment from colonial officials. Until the 1980s, there had seemed no end to the bank's ability to profit from the government's reluctance to abandon its opposition to modern central banking and its consequent dependence on the Hongkong Bank. But this anachronism was not so much a matter of sentiment as the result of a misplaced attachment to laissez faire. In the end, the Hongkong Bank was unable to resist surrendering its privileges because, as Chapter IX, "The Hongkong Bank — The Ultimate Survivor", explained, the government was compelled by changing market conditions to accept direct responsibility for monetary affairs. The stability of the exchange rate after it was linked to the United States dollar in 1983 counted much more with officials than consistency with their previous dogmatic rejections of a monetary authority.

The Shanghai Chinese illustrated how perilous the associations of the past could be for the expatriate. After World War II, the average colonial official and British businessman both felt more at home with the Westernised Shanghai Chinese immigrants than with their Cantonese counterparts. The colonial administration's faith in its Shanghai Chinese friends had some justification. They made a major contribution to Hong Kong's transformation into a world-class manufacturing centre. They also provided a pool of textile expertise that the government exploited in the early battles against overseas restrictions on Hong Kong's exports. But they also, unintentionally, harmed their British business partners. The case studies in Chapter X, "The Shanghai Chinese — Colonial Allies, Colonial Heirs", illustrate how Shanghai Chinese connections discouraged British firms from adjusting to the new Hong Kong where the Cantonese were to dominate the creation of wealth. Ironically, in the post-colonial era, Shanghai came to be perceived as the principal threat to Hong Kong's future. The conviction quickly gained ground after 1997 that Shanghai would soon outclass Hong Kong, as it had done before 1949.<sup>19</sup>

## **Distaste for Democracy**

The successful struggle for autonomy and the rejection of patriotic obligations did not make Hong Kong any less colonial in character. Even liberal-minded foreigners were easily seduced by the comforts of the expatriate's lifestyle into ignoring the darker side of colonial rule, as a distinguished English sinologist complained.<sup>20</sup> Colonial officials carefully isolated themselves, socially as well as

politically, because they felt so unsure about the attitudes and aspirations of the community at large. They retained, largely unchanged, the political institutions and the laissez faire economic and social policies from the nineteenth century until the closing years of British rule. This conservatism was not imposed by London, contrary to a widespread assumption.<sup>21</sup> On the contrary, it reflected the ideological preferences and the bureaucratic convenience of colonial officials.

The distaste for democracy revealed the fundamental conflict between colonialism and Chinese society. It reflected the deep misunderstanding and mistrust of the Chinese world that prevailed among the tiny group of expatriates who ruled Hong Kong, and whose behaviour was explored in Chapter I. They manipulated London in order to secure exemption from the policy of political reform applied to the rest of the colonial empire by the post-war Labour government. Instead of elections, the British rulers preferred to co-opt local partners whose cooperation would be based on motives that were solidly self-serving. The colonial administration thus formed an alliance with the business and professional classes to which it clung until almost the very end. From the British, this elite gained admission to the power structure, which it was able to exploit for direct personal and commercial advantages (as Chapter VI, “Government and Business — A Rewarding Alliance”, pointed out). In return, the British drained off from the Chinese community in the earlier decades of their rule influential individuals who could have acted as political rivals to the colonial administration. Increasingly in the post-war period, however, the British were recruiting individuals whose wealth and success were not accompanied by any significant political influence within the Chinese community. At best, their Chinese identities allowed these British appointees to win a hearing from the Chinese community for their colonial allies in a crisis.

The partnership with the elite coloured almost every aspect of Hong Kong political life and ensured that business enjoyed a highly privileged position on the political agenda. Social policies were subordinated to the goal of creating a business-friendly environment. Over much of the post-war period, the public sector was deprived of the resources needed to fully meet the requirements of a high-growth, rapidly modernizing urban economy. At the same time, officials bowed to business pressures and tolerated wholly inadequate self-regulation of the banking and securities industries and extensive monopolistic practices throughout the economy. Furthermore, the colonial administration showed considerable trepidation about tackling malpractices and corruption within the private sector. In short, collaboration between colonialism and capitalism was sustained at the expense of the community as a whole.

## Ethical Boundaries

Nevertheless, the British were never at the mercy of the business and professional classes. The colonial administration shared power only grudgingly with its appointees (as Chapter V “In Place of Democracy — A Privileged Elite”, recounted). Furthermore, the colonial administration was not prepared to risk its ability to govern through proffering unlimited generosity towards the elite. Here again, autonomy from London was of great importance. When the Labour government had expanded the state’s grip on the United Kingdom’s economy after World War II, the colonial administration did not follow suit. Instead, it chose to abandon the sweeping powers it had acquired during the wartime emergency, even though trade and exchange controls had proved invaluable in protecting the infant textile industry against shortages of raw materials and mounting Japanese competition in the early 1950s.<sup>22</sup> Colonial officials ignored prevailing economic fashions in the United Kingdom and the rest of Asia and returned to traditional laissez faire doctrines.

Adherence to social as well as economic non-interventionism shaped the nature of British rule and allowed the colonial administration to define its own responsibilities. Laissez faire was used as an excuse for treating welfare needs as a residual consideration, which satisfied the business and professional classes.<sup>23</sup> But rejection of direct government responsibility for economic management also allowed the colonial administration after World War II to resist pressures from the elite for subsidies, investment incentives, and government-funded development programmes. And when political circumstances required, laissez faire doctrines did not hinder the government from social improvement programmes. Chapter VI, “Government and Business — A Rewarding Alliance”, argued that, in this way, laissez faire came to define the frontiers between public and private interests and to set limits to the elite’s ability to exploit its powerful position in the colonial power structure.

Yet, laissez faire doctrines led to a moral ambivalence that obstructed enforcement of the law and encouraged administrative practices that undermined honest government, as Chapter VII, “The Business of Corruption”, explained. Nevertheless, the colonial administration could not abandon laissez faire without endangering its credibility in an increasingly well-informed and sceptical political environment. As several chapters have shown, its antiquated doctrines were indispensable if the colonial administration was to resolve the conflicts within the political system and resist the pressures from competing interest groups that in a modern political system should be settled at the ballot box.

## Blaming the Victims

A widespread tendency has been to suggest that if there was much amiss with the way Hong Kong was run, the Chinese community should take the blame because it got the sort of political and social conditions that were the natural consequence of its Confucian traditions. Furthermore, Hong Kong people were depicted as driven by an obsessive materialism that made them put personal wealth ahead of all other goals.<sup>24</sup> Assertions of this sort were discredited by the rapid development of conventional party politics after publication of the 1984 Sino-British Joint Declaration. Nevertheless, not until after the colonial era did a senior official condemn “the patronising canard that Hong Kong people are only interested in money, and not politics”.<sup>25</sup> By this date, the public was under attack for being too interested in politics, as members of the elite feared that their coalition with the business-friendly government would be threatened if the community were given a larger role in running Hong Kong by way of elections.<sup>26</sup>

The victims were also blamed for their own social plight. The lack of statutory protection for the labour force in the form of redundancy and similar benefits was explained away in earlier decades by traditional Chinese social attitudes which, allegedly, made both employers and employees resistant to reform. In addition, Chinese workers were said to be ready to accept almost any working conditions provided they could take home the largest possible pay packet.<sup>27</sup> Even in more sophisticated and sympathetic analyses, economic motives were seen as the main driving force in Chinese society. For example, it was claimed that in Hong Kong the primary commitment of mothers was to “wage earning work rather than to the nurture and raising of her child or children”.<sup>28</sup> In fact, the statistical evidence showed a somewhat different picture. Women left the labour force relatively young to care for their children. They returned to the labour force when their children no longer required full-time care from their mothers out of economic necessity rather than from a desire to pursue their careers.<sup>29</sup>

The drive to earn was not a matter of choice for the average family, which knew how easily poverty could overtake its members despite four decades of sustained economic growth.<sup>30</sup> Hong Kong, after all, was a place where, at the end of the twentieth century, the theory could be advanced in all seriousness that inadequate social services were “an important component of [Hong Kong’s] ticket to prosperity” because “if food and shelter are easy to come by, then people will not work hard”.<sup>31</sup> Officials stuck to this attitude during the two recessions that struck the new Special Administrative Region, and the unemployed were blamed for being unable to find work. Although less than 20 percent of the jobless received social security benefits, they were portrayed as “lazy, morally weak, irresponsible and potentially damaging to society”.<sup>32</sup>

## The Case for Reforms

The most serious charge that can be levelled against the “consultative” government to which colonial officials clung so long was how little the elite contributed to the quality of government. Similarly, the strongest case in favour of a directly-elected legislature was not the citizen’s theoretical right to democracy, but the manifest inefficiencies of the appointed system. The appointees contributed little to ensuring that the colonial administration avoided erroneous economic policies, established modern regulatory systems, maintained fair and competitive markets, or even provided honest government. The post-war record was replete with business scandals and market failures that were almost all avoidable and which pointed both to officialdom’s unwillingness to learn from past experience and to the business elite’s determination to minimize government regulation of markets. Only elected institutions can guarantee open and accountable government. In the absence of representative government, there were no significant penalties for political failure, for administrative mismanagement, or for personal incompetence.

This sorry state of affairs would not have mattered after 1997 if so much of the colonial structure had not been retained intact by the Basic Law. This post-colonial, mini-constitution imposed legal obligations on the post-colonial administration to adhere to a stricter interpretation of non-interventionism, small government and low taxation, and the other doctrines of laissez faire that the British had espoused. It also enlarged the role of the business elite in the power structure. In fact, the Chinese government and its business allies in Hong Kong had misread the British record. The principles, policies and political arrangements of the past had not been carefully crafted to create the ideal environment for capitalist growth or to deliver a docile work force undistracted by notions of democracy or social justice. Their purpose was to overcome the threats to the colonial administration’s ability to rule a British enclave always at risk of being overwhelmed by the Chinese world. Nor was it true that the last Governor’s limited political reforms were a plot to undermine the post-colonial government. The British unfortunately had preached so hard against progress towards democracy since World War II that serious-minded observers refused to believe that he was promoting reform for its own sake rather than engaging in gesture politics.<sup>33</sup> The reality was that, by the 1990s, it was obvious that without an expansion of the public’s participation in the process of government, the credibility of Hong Kong’s political institutions could not be maintained and there would be a crisis of governability.

Of course, a co-opted elite, laissez faire and non-interventionism had been part of a historical formula that had enabled the colonial administration to create an environment in which a Chinese community had achieved remarkable progress. But they were not essential conditions for economic progress in a Chinese setting. As the experience of Singapore indicated, an

equal degree of economic progress and social stability could be achieved even when a popularly-elected government abandoned laissez faire and espoused social reforms and economic development simultaneously.

## Conflicting Agendas

The post-colonial administration realized very quickly that the system that the Basic Law had entrenched did not eliminate clashes and contention or enlarge the capacity for cooperation and collaboration. The conflict between business interests and the community's well being was in fact intensified.

The new government did not have to appease the population as a whole or compete for its good will against the Chinese Communist Party as the colonial administration had done. The territory was now returned to the motherland, and there should be no more threat of divided loyalties or internal disaffection.<sup>34</sup> From the business elite's standpoint, there was no longer any excuse for not giving top priority to its agenda especially after Hong Kong suffered two recessions during the first five years of post-colonial existence. Business leaders, therefore, felt entitled to demand generous government support to promote business and encourage investment, and they were relatively successful, as Chapter VI recorded. The public reacted with considerable outrage. They saw the government as swayed by businessmen, and the community regarded this group as opposed to political reforms and lacking in a sense of social responsibility.<sup>35</sup>

A wide gap emerged between the government's agenda and the community's expectations. Opinion surveys showed that more than 90 percent of the population regarded the provision of medical services for the general public and adequate care for the elderly as the first two obligations of the government, followed by decent housing for all, which was supported by almost 80 percent. Well over 60 percent of the population believed the government should pursue full-employment policies and provide direct assistance for the unemployed and for low-income families.<sup>36</sup> The first Chief Executive's programme did not match these community priorities, but retreated from direct provision of public housing and social services. In 2001, "only a minuscule 8.6 per cent" of the community believed Tung Chee Hwa's initiatives were for "the benefit of the people of Hong Kong". Almost 30 percent thought that "business corporations" were his intended beneficiaries, while 22 percent regarded his motive as seeking to "ingratiate himself with Beijing".<sup>37</sup>

This outcome was not surprising given the substantial changes that Tung made to long-standing government programmes. In 2000, a new hospital policy was announced that imposed financial restrictions on patient access to treatments of preference despite the statutory obligation on the Hospital Authority "that no person should be prevented, through lack of means, from

obtaining adequate medical treatment".<sup>38</sup> Funds would no longer be available to supply pacemakers, for example, or the provision of drugs required for the effective treatment of such conditions as hepatitis, breast cancer, leukaemia, and multiple sclerosis. Patients would have to find the money themselves or turn to charitable foundations.<sup>39</sup> A similar situation was true of the elderly. The Chief Executive pledged to "show more concern for the elderly, take better care of them and reciprocate their contributions to our society".<sup>40</sup> Nevertheless, financial restrictions led to a decline in the availability of elderly services. And despite serious complaints about the quality of care facilities, the government persisted in allocating the management of homes for the elderly by competitive tender.<sup>41</sup> Professional social workers believed that the commercialization of these services would endanger their quality, regardless of official reassurances to the contrary.<sup>42</sup>

In the field of public housing, the Chief Executive identified the middle class as the group he most wanted to benefit from his ambitious housing targets. Expensive housing "is not good for the society as a whole," he had declared, "because middle class people with the dream of home ownership see their dream evaporate away".<sup>43</sup> As Chapter VI recounted, Tung was blamed personally for the collapse of the housing market which wiped out a substantial proportion of the value of the middle class's principal investment. Subsequent efforts to rescue the market in response to pressures from property tycoons included a radical retreat from traditional public housing commitments, which added to the dissatisfaction of ordinary families already suffering from record levels of unemployment, falling wages, and increasing hours of work.<sup>44</sup> On the employment front, Tung and his team fell far behind public expectations as unemployment soared and the jobless suffered increasingly tight restrictions on their access to social security during Hong Kong's worst depression for half a century.<sup>45</sup>

Education was another area where the Chief Executive's policies managed to alienate both the middle classes and the population at large. There was wide agreement among the community that the educational system required change, and the post-colonial administration embarked on an overhaul of all aspects of the system.<sup>46</sup> Most of the major innovations provoked considerable controversy: restrictions on the use of English in secondary schools, language proficiency tests for teachers, the creation of elite "direct subsidy scheme" schools, and changes in the length of undergraduate degrees, to name only a few. Overall, the educational initiatives left the public unimpressed. There was a widespread lack of confidence in both the direction of the new policies and their probable outcomes. This discontent was particularly marked among the best educated, the middle-aged, and the middle class groups. One measure of their acute dissatisfaction was that some 60 percent in this group intended to send their children to foreign universities, compared with 35 percent in the lowest income group.<sup>47</sup>

A particularly damaging controversy was over proposals to slash funding for universities. The Chief Executive had assigned a key role in his vision of Hong Kong's future prosperity to the development of a "knowledge economy", with university excellence and longer first degree programmes making a major contribution. In 2003, severe financial constraints were imposed on tertiary education. After already absorbing a 5 percent reduction in recurrent expenditure, universities were asked to accept another 10 percent cut for the following year, with further unspecified reductions to follow. Public funding for sub-degree courses and taught postgraduate degrees was withdrawn.<sup>48</sup> The government saw no contradiction between declaring a "strong conviction that education is an investment that is of the utmost importance to us in this knowledge age" and, in the same statement, offering a vague and unconvincing pledge that forthcoming financial cuts would "not affect the core activities and the quality of education of the universities".<sup>49</sup> There could be no hiding the adverse consequences that would follow the government's failure to provide the resources the universities needed to add an extra year to the length of an undergraduate degree or to achieve excellence in advanced studies and research.

## **Wooing the Middle Classes**

As the difficulties of the post-colonial administration increased, the Civil Service rapidly lost its reputation for excellence.<sup>50</sup> The Basic Law had retained intact the Civil Service, its personnel, its structures, and the existing machinery of government.<sup>51</sup> As Chapter V explained, however, the first Chief Executive became disenchanted with Hong Kong's previous arrangements by which senior officials undertook ministerial roles: drafting policy proposals, presenting them to the public, steering them through the legislature, and then implementing them. He preferred to entrust these functions to his own team of "ministers" — individuals who would be appointed and dismissed by him subject to Beijing's approval.

From the start, the public was unimpressed by both the concept and the first appointees.<sup>52</sup> The justification for the ministerial system was that the set-up inherited from the past had failed to deliver the quality of governance expected or, indeed, to maintain the standards of the past. But the "ministers" did not bring early relief, as Chapter V discussed in some detail. The new system did not lead to the prompt removal of officials who had forfeited the public's confidence. Their management of the SARS epidemic was bitterly criticized. "Ministers" failed to handle the community's expectations adroitly enough to avoid serious confrontations with Beijing, both in dealing with Article 23 of the Basic Law and its requirement to enact national security legislation and in managing further progress towards democracy.

As the government's performance continued to deteriorate and its credibility declined still further, the leadership in Beijing and Hong Kong decided that the middle class was the crucial political factor. This analysis had a certain logic. While the community as a whole had become very cynical about Hong Kong's political institutions, the middle class became the "most disgruntled and anxious" of all social groups. Its members' confidence in the career prospects and personal prosperity they had taken for granted in the past had been shattered by the economic recessions of recent years.<sup>53</sup> Moreover, these were the entrepreneurs and professionals who had not taken advantage of their capital and their "portable" qualifications to join the exodus from Hong Kong in search of more secure homes overseas during the transition to 1997. They had committed themselves to a future in the Special Administrative Region and found their hopes disappointed.

After claims that the half million protestors who marched on 1 July 2003 were mostly drawn from the middle class, officials rushed to woo this group.<sup>54</sup> China's President Hu Jintao used a personal meeting with Hong Kong's richest families to urge them into an alliance with the middle class, and the same message was relayed by other Mainland officials.<sup>55</sup> The two largest political parties which supported Tung and his administration responded to Beijing's call and promised to extend their appeal to the middle class voter.<sup>56</sup> The Chief Executive made a personal appeal for their cooperation, declaring "that only a stable and fully confident middle class will guarantee the stability and prosperity of Hong Kong". He pledged "to involve more middle class people in political affairs". However, this increased participation would not come through meeting their demands for greater democracy. Instead, "we will appoint more middle class managers and professionals into the Government's advisory boards and committees".<sup>57</sup>

This offer showed the limitations of the government's political analysis. Officials had previously highlighted in public the very high proportion of places on the government's five hundred advisory committees and statutory boards allocated to executives and professionals.<sup>58</sup> Appointment to these positions of privilege and influence had failed to convince the middle class that "consultative" government was meeting Hong Kong's needs and was an adequate substitute for more democratic political institutions. The strategy of wooing the middle class, instead of seeking to mobilize support from the public as a whole, revealed how deeply mistrust of the community at large had become embedded in the Hong Kong political system.

It was, furthermore, an expansion of a strategy that had already failed in the past. The British rulers had always relied on the business and professional classes to buttress the colonial administration in the absence of democracy. Yet, the British had failed to prevent younger members of these classes from becoming severe critics of colonialism in the 1970s, and Chapter II, "Colonial Rule and Its Political Constraints", discussed the case of the Hong

Kong Observers and their open challenges to expatriate officials. During that decade, many members of the middle class took leading roles in social action campaigns. In the 1980s, they became leaders of the emerging political parties and pressure groups that sprang up as the Sino-British negotiations on Hong Kong's future began in 1982. Political activism spread even further within the middle class after 1997 because of disenchantment with the government's performance and anxiety about its reluctance to protect the Hong Kong way of life against Mainland pressures.<sup>59</sup> The thread that ran through all these political experiences of the middle class was the commitment of its members to the community's well being. They had a large sense of respect and responsibility towards the rest of society, especially to its underprivileged.

They were the last group in Hong Kong that was likely to be swayed by government appeals to their narrow class interests or to forget their decades of involvement in campaigns for social progress and political reform. Its members, like the rest of the community, had discovered very quickly after 1997 that a business-dominated government was no guarantee of a flourishing economy or even of the efficient management of the public sector. Senior officials appeared not to have realized that, in common with the rest of the community, the middle class had lost confidence in the elitist system inherited from the colonial era and which relied on co-opting the business and professional classes into the power structure.

## **Basic Tensions**

The political strains that proved so difficult to resolve in the post-colonial era were aggravated by a failure to recognize the quality of Hong Kong's people and their obvious capacity to run their own affairs on the same democratic basis as any other First World city. There was a continuous erosion of the government's political credibility because of the daily disappointment of the community as a whole with the performance of an administration that adopted policies so much at odds with the community's own expectations. Discontent was aggravated by poor management of such emergencies as the 1997 outbreak of avian flu and the SARS epidemic of 2003. Prolonged and unprecedented economic recession led to further disenchantment with Hong Kong's leadership. Public concern mounted with the failure of officials to take a tougher stance towards Beijing over such issues as the independence of the local courts, national security legislation, and political reforms. A chronic inability to deal effectively with Hong Kong's crises discredited the argument that the quality of government was best guaranteed by restricting the role of direct elections and postponing the introduction of democracy. Protracted economic stagnation made a mockery of claims that the business elite were the ideal rulers for Hong Kong.

The post-colonial political arrangements did not provide effective mechanisms to resolve the underlying tensions, as Chapter IV explained. The Basic Law had actually reduced the modest level of popular representation in the legislature at the end of British rule and had significantly curtailed its powers to challenge the government.<sup>60</sup> The business elite had become the dominant player in the political system. Previously, the Civil Service had been forced for the sake of its own survival to set clear limits to the power of the elite and its influence over the government. Now business interests were in a position to dominate the political structure because of the Basic Law's arrangements for the selection of the Chief Executive and the election of the legislature's functional constituencies (in addition to the veto power it conferred on those constituencies). Senior officials lost the last of their role as "gatekeepers" with the appointment of "ministers" who were to be responsible both for deciding policy and for mobilizing political support for the government. Un-elected bureaucrats had been replaced not by elected legislators but by appointed "ministers".

The Basic Law was designed to postpone the introduction of full democracy, but there was nothing in its provisions to prevent the post-colonial administration from making the political system more inclusive and more representative. The government preferred, however, to expand the elite's already extensive political influence still further, which made public resentment hard to avoid. As was noted earlier in this chapter, the community became convinced that business interests were paramount in determining government policies. The protest march by at least 500,000 people on 1 July 2003 and a similar number a year later highlighted the political costs of the exclusion of the public at large from direct participation in the political system. Beijing was reluctant to change political arrangements which, Chinese officials believed, had worked well under British rule without democratic innovations. The priority for China's leaders was to preserve the dominant role of the business and professional classes, and to convince Hong Kong to concentrate on economic progress rather than political development.<sup>61</sup> When the public consultations began in late 2003 on how to implement the Basic Law's provisions for full, direct elections for the legislature and the selection of the Chief Executive after 2007, Beijing openly intervened to quash Hong Kong expectations of rapid movement towards a higher level of democracy.<sup>62</sup> Political confrontation with Beijing had not disappeared with the end of colonialism.

## An Intractable Majority

Beijing's intervention meant that the 2004 elections would have a very limited impact: the quality of governance over the next four years rather than the

principles for political reform. A commitment to democracy, nevertheless, remained the first priority for the electorate. As in previous elections, an intractable majority ignored the Chinese Government's pressures and supported candidates pledged to the early implementation of universal suffrage. These won 58 percent of the total votes for directly-elected seats and over half the votes in functional constituencies but, because of Hong Kong's restrictions on popular representation, only 25 of the 60 seats in the new legislature. All the same, the message was plain. Neither the bungling and misconduct within the largest pro-democracy party nor a year of intense anti-democratic propaganda from Mainland officials and their Hong Kong proxies had shaken this preference for democracy.

Because Beijing had made political reforms such a distant prospect, voters in the direct elections also looked for legislators who seemed capable of contributing to the better government of Hong Kong. In some cases, successful candidates had established reputations as unrelenting critics of officialdom who refused to be intimidated by either legal or physical threats. Strong democratic credentials were not always essential as in the case of the first post-1997 President of the Legislative Council who profited from a reputation for integrity and even-handedness.

The 2004 elections left the system of functional constituencies totally discredited. Of the 15 seats directly allocated to business corporations, associations and representatives, 9 went uncontested without even a pretence of democracy. A mere 275 voters elected as the financial services' representative an individual expelled from the legislature in 1998 after being sentenced to prison on forgery charges. Yet, no matter how tarnished the functional constituencies became, the Chief Executive had a powerful incentive to retain them as long as possible. They elected 23 supporters of the Government compared with only 12 pro-government legislators who managed to win directly-elected seats.

But expediency had its limits. Even the main business party recognized that success in direct elections had become essential for political respectability. The public accepted the case for credible business voices in the legislature, and the party won its first two directly-elected seats with candidates who had served as Executive Council members. Repeated claims by Beijing and Hong Kong officials that business candidates could not hope to capture the popular vote had proved as ill-founded in Hong Kong as they would be in any other advanced urban society. But there were still no signs that the leadership, either in Beijing or Hong Kong, was prepared to trust the good sense of the ordinary voter and accept the case for universal suffrage.

## Ideal Constituents

Reunification with the Mainland was supposed to have made Hong Kong people masters in their own house. In consequence, Tung and his team faced an entirely different array of political challenges and public expectations from their predecessors.<sup>63</sup> Yet, the political arrangements that left it to the government to decide who would be appointed to represent the community had been borrowed from the colonial past. Why did an administration based on the principle of “Hong Kong people ruling Hong Kong” require intermediaries to deal with its own Chinese people? Why not let the community speak for itself directly in a way that had not been achieved under colonialism? Tung, however, chose to minimise contact with the legislature and spurned its “pro-democracy” members. His political credibility collapsed as he disappointed the wider community’s expectations and ignored its aspirations. Yet, it was only after the Chinese leadership decided he was beyond salvation and had publicly rebuked him that he resigned in March 2005.

Official misgivings about allowing the community greater and more direct participation in managing Hong Kong affairs were wholly unjustified. It was the living standards of ordinary men and women that bore the brunt of economic recession after 1997. But this sudden blow to their well being did not lead them to call for radical political changes, and they appeared more “conservative” in their political outlook than the middle class. Complaints were widespread but expressed by the general public with moderation. They were anxious about reductions in government spending but were grateful for the housing and social services still available to them. They were realistic about the limited opportunities for influencing a business-dominated government. They were increasingly suspicious of the elite but did not call for an end to capitalism or the extensive redistribution of wealth.<sup>64</sup> Chinese society in Hong Kong had grown sceptical, critical, increasingly sophisticated and demanding. It was more and more willing to participate in public protests and demonstrations from the 1970s, but it rarely stepped outside the limits of what has been termed “polite politics”.<sup>65</sup>

There was never any need for the rulers to keep the people of Hong Kong at a distance or to exclude them from participation in government. They deserved, rather, to be respected by officials and by business leaders alike as model citizens. It would have been hard to find anywhere a society more socially responsible and tolerant, more politically mature and self-reliant, or a people easier to serve and rule. They were ideal constituents, the secure foundations on which Hong Kong’s success had been built despite the economic turbulence and political uncertainty of the second half of the twentieth century. They had preserved these characteristics in the transition to the new Special Administrative Region. In consequence, the challenge for Hong Kong’s rulers did not change at the end of the colonial era in 1997: how to serve a people whose exceptional qualities entitled them to the best of governments.

# Notes

## Introduction

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5. Ronald Ma and Edward F. Szczepanik, *The National Income of Hong Kong 1947–1950* (Hong Kong: Hong Kong University Press, 1955), p. 14.
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20. Hong Kong Government, *A Problem of People* (Hong Kong: Government Printer, n.d.), pp. 15–7.
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22. Notably, David Faure, "In Britain's Footsteps: The Colonial Heritage", in David Faure (ed.), *Hong Kong: A Reader in Social History* (Hong Kong: Oxford University Press, 2003), pp. 660–1, and David Faure, *Colonialism and the Hong Kong Mentality* (Hong Kong: Centre for Asian Studies, 2003), pp. 28–9, 31–2.
23. The Coordinating Committee minutes in Hong Kong Public Records Office HKRS163–1–1677 "Committees — Shek Kip Mei Fire" contain no suggestion of enthusiasm for starting a public housing programme.
24. The Governor himself insisted in a report to London: "The victims of this fire are not Hong Kong people." A meeting convened by the Colonial Secretary accepted that some 200,000 squatters needed to be resettled but laid down that "Government's part in the operations required to carry out the resettlement policy should not be extended to the provision of houses" (except for the fire victims). Hong Kong Public Records Office HKRS163–1–1578 "Shek Kip Mei Fire", (21) Governor to Secretary of State, 29 December 1953 and (46) minutes of a meeting on 13 January 1954. Grantham offered no hint when he briefed the Legislative Council on the tragedy that re-housing would be offered to any wider group than the fire victims. *Hong Kong Hansard*, 30 December 1953, pp. 354–5.
25. As Grantham specifically admitted. *Hong Kong Hansard*, 2 March 1955, p. 39.

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28. *Aims and Policy for Social Welfare in Hong Kong* (Hong Kong: Government Printer, 1964), pp. 9, 11–12. The version of this policy document presented to the legislature in the following year toned down this offensive restriction. *Aims and Policy for Social Welfare in Hong Kong Revised* (Hong Kong: Government Printer, 1965), p. 11. Daphne Ho and her rehabilitation team in the Social Welfare Department ignored these restrictions on their work.
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  45. As late as 1957, the Colonial Office was arguing that Fiji should accept large numbers of Hong Kong refugees, a proposal that the British Prime Minister felt obliged to squash. Sir Anthony Eden, *Full Circle* (London: Cassell, 1960), pp. 382–3.
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  54. S. J. Coombes, “The Coombes Report on Illegal Immigration in Hong Kong” (June 1959, mimeo), p. 1, presented to the Executive Council 15 December 1959, Hong Kong Public Records Office HKRS163–1–2052.
  55. On the limitations of this approach, see Paul Hutchcroft, “The Politics of Privilege: Assessing the Impact of Rents, Corruption, and Clientelism on Third World Development”, in Paul Heywood (ed.), *Political Corruption* (Oxford: Blackwell Publishers, 1997), pp. 224–30.
  56. John Darwin, *Britain and Decolonisation. The Retreat from Empire in the Post-War World* (London: Macmillan, 1988), p. 55; Robert A Bickers, “The Colony’s Shifting Position in the British Informal Empire in China”, in Judith M. Brown and Rosemary Foot (eds), *Hong Kong’s Transitions, 1842–1997* (London: Macmillan Press Ltd, 1997), pp. 41–54.
  57. Frances Wood, *No Dogs and Not Many Chinese. Treaty Port Life in China 1843–1943* (London: John Murray, 1998), p. 2; Robert Blake, *Jardine Matheson. Traders of the Far East* (London: Weidenfeld & Nicolson, 1999), pp. 124–5, 219, 221–4.
  58. Aron Shai, *The Fate of British and French Firms in China, 1949–54. Imperialism Imprisoned* (London: Macmillan, 1996), Chapters 2, 4 and 5.
  59. A flavour of the struggle for survival that these long-established British firms faced after 1949 is conveyed by Robin Hutcheon, *The Merchants of Shameen. The Story of Deacon & Co* (Hong Kong: n.p., 1990), pp. 98–114.
  60. The four were the Jardine and Swire Groups, together with Hutchison Whampoa and Wheelock Marden. Jon Halliday, “Hong Kong: Britain’s Chinese Colony”, *New Left Review*, No. 87–8 (September–December 1974), pp. 93–4.
  61. The Hongkong Bank was the largest British company. If its subsidiary, the Hang Seng Bank, had been included with the Hongkong Bank, their combined share would have been 25 percent. Anthony Rowley, “Shroff: For Princely Hong, Read Cheung Kong”, *Far Eastern Economic Review*, 7 February 1985.
  62. The narrowness of the British merchant’s traditional outlook may be found in the observations of Sir Franklyn Gimson, quoted in Alan Birch, “Confinement and Constitutional Conflict in Occupied Hong Kong 1941–45”, *Hong Kong Law Journal*, Vol. 3, Part 3 (1973), p. 311.
  63. Darwin, *Britain and Decolonisation*, p. 55; Bickers in Brown & Foot (eds), *Hong Kong’s Transitions, 1842–1997*, pp. 40–1.
  64. Christopher Patten, “Hong Kong History”, in *Hong Kong 1997. A Review of 1996* (Hong Kong: Information Services Department, 1997), pp. 2–3.
  65. K. M. A. Barnett, *Hong Kong. Report on the 1961 Census* (Hong Kong: Government Printer, n.d.), Vol. II, pp. lxvii, 69. The consequences of the 1961 obstacles to adequate schooling were noted subsequently in Census and Statistics Department, *Hong Kong Population and Housing Census 1971 Main Report* (Hong Kong: n.p., n.d.), p. 65.

66. Jeffrey Henderson, “The Political Economy of Technological Transformation in the Hong Kong Electronics Industry”, in Edward K. Y. Chen *et al.* (eds), *Industrial and Trade Development in Hong Kong* (Hong Kong: Centre of Asian Studies, 1991), p. 87.
67. A total of 10,000 children were medically examined for clinical symptoms of inadequate nutrition. The survey and its results were described by H. N. Wong, Medical Officer i/c Schools, “Nutrition Survey” (January 1955, mimeo) in Hong Kong Public Records Office HKRS163-1-1853 “Undernourishment Among Children of School Age”. This file records how, because of their unwillingness to start a school milk programme, officials sought to put part of the blame for undernourishment on a lack of health education.
68. David R. Phillips, *The Epidemiological Transition in Hong Kong. Changes in Health and Disease Since the Nineteenth Century* (Hong Kong: Centre of Asian Studies, 1988), pp. 18, 30. Maternal health is measured here by perinatal mortality rates. Chow Chun-bong and Sam Lau Sum-ping, “Physical Wellbeing of Hong Kong Children”, in Nia A. Pryde and Mona M. Tsoi (eds), *Hong Kong’s Children: Our Past, Their Future* (Hong Kong: Centre of Asian Studies, 1999), p. 81. On the community’s role in achieving good health standards, see Joel W. Hay, *Health Care in Hong Kong. An Economic Policy Assessment* (Hong Kong: Chinese University Press, 1992), pp. 4, 31.
69. See Anthony Bing-leung Cheung and Kin-sheun Louie, “Social Conflicts in Hong Kong: 1975–1986”, and Lau Siu-kai and Wan Po-san, “Social Conflicts in Hong Kong: 1987–1995”, in Lau Siu-kai (ed.), *Social Development and Political Change in Hong Kong* (Hong Kong: Chinese University Press, 2000).
70. Income data are available in Hon-Kwong Lui, *Income Inequality and Economic Development* (Hong Kong: City University of Hong Kong Press, 1997), pp. 46–9.

## Chapter I

1. Nicholas Thomas, *Democracy Denied. Identity, Civil Society and Illiberal Democracy in Hong Kong* (Aldershot: Ashgate, 1999), p. 25.
2. The number of local Administrative Officers increased from one to seventy-nine between 1950 and 1975. Data are from *Report on the Civil Service 1974–75* (Hong Kong: Government Printer, 1975), p. 30.
3. Stephen Vines, *Hong Kong. China’s New Colony* (London: Aurum Press, 1998), pp. 70–2.
4. G. E. Strickland, Attorney General, *Hong Kong Hansard*, 20 October 1948, p. 287.
5. This “dogma” was noted by Ackbar Abbas, *Hong Kong. Culture and the Politics of Disappearance* (Minneapolis: University of Minnesota Press, 1997), pp. 71, 81.
6. *Report of the Housing Commission* (Legislative Council Session Paper 10/1923), pp. 124–7. Racial discrimination was disclaimed as a consideration. Nevertheless, of this 22-page official document dealing with a desperate housing crisis, a full three pages were devoted to the problems of “persons of British race”, a very tiny fraction of the population.
7. Before World War II, death rates for the Chinese population sometimes rose to twice the levels of the non-Chinese community, while as late as 1951, half the deaths in Hong Kong were caused by infections and illnesses associated with poverty and over-crowding. See David R. Philips, *The Epidemiological Transition in Hong Kong. Changes in Health and Disease Since the Nineteenth Century* (Hong Kong: Centre of Asian Studies, 1988), pp. 18, 25, 27.

58. Paul Wilson, "The Old China Traders. Hong-Watching to See Which Way They'll Go", *FEER*, 12 January 1979; Gary Coull, "The Wide World of Y. K. Pao", *FEER*, 29 January–4 February 1982; Hutcheon, *Shanghai Customs, A 20th Century Taipan in Troubled Times*, p. 221.
59. Their importance can be gauged from the summary of their activities provided by Y. C. Jao, "Hong Kong's Role in Financing China's Modernization", in A. J. Youngson (ed.), *China and Hong Kong. The Economic Nexus* (Hong Kong: Oxford University Press, 1983), pp. 30–8.
60. These Shanghai cadres were also less nervous about Western imperialist threats and thus more effective in their contacts with foreigners than China's professional diplomats of that period to judge from Liu Xiaohong, *China's Ambassadors: The Rise of Diplomatic Professionalism Since 1949* (Hong Kong: Hong Kong University Press, 2001), pp. 101–2.
61. This profile reflects a personal acquaintance with many of these bank executives, including Li Tsu-tsan (Nanyang Commercial Bank), P. L. Chen (Kincheng Banking Corporation), C. S. Yao (Sin Hua Trust and China Development Finance), Nelson Tsao (Sin Hua Trust) and Shu Tse-wong (Bank of China, Nanyang Commercial Bank). This last cadre showed similar talents without having enjoyed the others' educational advantages.
62. As recorded by the *Shenzhen Tequ Bao* (*Shen Zhen Daily*), 12 December 1996 and Wang Min (comp.), *Yi Dai Chuan Wang Dong Jianhua* (Beijing: Zhonghua Gongshang Lianhe Chubanshe, 1997), p. 31. The school was closed temporarily by the Hong Kong authorities in 1958 and permanently a decade later. *New China News Agency*, 26 August 1958 and 27 August 1968.
63. George Lauriat, "The Tung Dynasty", *FEER*, 23–29 April 1982; Nick Seaward, "The Tung Kin Gulf: Rescue Plans Call for the Stripping of OOHL's Public Assets", *FEER*, 5 December 1985; Guy Sacerdoti, "On Separate Tracks: Two Shipping Lines Negotiate With the Banks to Stay Afloat", *FEER*, 11 September 1986.
64. China's role in Tung's selection is overlooked in Jonathan Dimbleby, *The Last Governor. Chris Patten & the Handover of Hong Kong*, (London: Little Brown & Co, 1997), p. 324.
65. Parks M. Coble, "Chinese Capitalists and the Japanese. Collaboration and Resistance in the Shanghai Area, 1937–45", in Wen-hsin Yeh (ed.), *Wartime Shanghai* (London: Routledge, 1998), p. 79.
66. Note the different view presented in Wong, *Emigrant Entrepreneurs. Shanghai Industrialists in Hong Kong*, p. 191.

## Conclusions

1. Theodore Geiger, *Tales of Two City-States: The Development Progress of Hong Kong and Singapore* (Washington: National Planning Association, 1973), p. 146.
2. Even in propaganda intended for overseas consumption, though with a reference to "severe national oppression ... under British colonial rule." Liu Shuyong, *An Outline History of Hong Kong* (Beijing: Foreign Languages Press, 1997), p. 132.
3. Ronald Findlay and Stanislaw Wellisz, "Introduction", in Ronald Findlay and Stanislaw Wellisz (eds), *The Political Economy of Poverty, Equity, and Growth. Five Small Open Economies* (New York: Oxford University Press, 1993), p. 13.
4. John Walden, *Excellency, Your Gap is Showing!* (Hong Kong: Corporate Communications Ltd, 1983), p. 73.

5. Ambrose Yeo-chi King, "Administrative Absorption of Politics in Hong Kong: Emphasis on the Grass Roots Level", in Ambrose Y. C. King and Rance P. L. Lee (eds), *Social Life and Development in Hong Kong* (Hong Kong: Chinese University Press, 1981), p. 129.
6. Predictions that this stability would erode in the final years of the twentieth century under the weight of serious conflicts either within the elite or between capital and labour did not materialize. See Lo Shiu-hing, *The Politics of Democratization in Hong Kong* (London: Macmillan Press Ltd, 1997), pp. 318–20.
7. See Siu-kai Lau, *Society and Politics in Hong Kong* (Hong Kong: Chinese University Press, 1982), pp. 7, 9. However, a list of examples of the use made by the colonial administration of repressive legislation can be found in Jonathan S. Grant, "Cultural Formation in Postwar Hong Kong", in Lee Pui-tak (ed.), *Hong Kong Reintegrating With China. Political, Cultural and Social Dimensions* (Hong Kong: Hong Kong University Press, 2001), pp. 160–2.
8. Steve Tsang, "Government and Politics in Hong Kong: A Colonial Paradox", in Judith M. Brown and Rosemary Foot (eds), *Hong Kong's Transitions, 1842–1997* (London: Macmillan Press Ltd, 1997), p. 66; Wang Gungwu, "Some Reflections on Hong Kong's Regional Role and Cultural Identity", in Leung Chi-keung *et al.* (eds), *Hong Kong Dilemmas of Growth* (Hong Kong: Centre of Asian Studies, 1980), p. 652.
9. On unrest, see Benjamin K. P. Leung, "Social Inequality and Insurgency in Hong Kong", in Benjamin K. P. Leung and Teresa Y. C. Wong (eds), *25 Years of Social and Economic Development in Hong Kong* (Hong Kong: Centre of Asian Studies, 1994), p. 191; Benjamin K. P. Leung, *Perspectives on Hong Kong Society* (Hong Kong: Oxford University Press, 1996), p. 148. On productivity and income distribution, see John Dodsworth and Dubravko Mihaljek, *Hong Kong, China. Growth, Structural Change, and Economic Stability During the Transition* (Washington: International Monetary Fund, 1997), p. 6 and Hon-Kwong Lui, *Income Inequality and Economic Development* (Hong Kong: City University of Hong Kong Press, 1997), pp. 46–9.
10. Ng Chun-hung and Thomas W. P. Wong, "The Ethos of the Hong Kong People: Taking Stock in 1997", in Lau Siu-kai *et al.* (eds), *Indicators of Social Development: Hong Kong 1997* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, 1999), p. 240; Tsang Wing Kwong, *The Class Structure in Hong Kong* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, 1992), pp. 1–2, 81, 84, 90; Tsang Wing-kwong, "Consolidation of a Class Structure: Changes in the Class Structure of Hong Kong", in Lau Siu-kai *et al.* (eds), *Inequalities and Development. Social Stratification in Chinese Societies* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, 1994), pp. 114–5.
11. *Report of the Commission ... to Enquire into the Causes and Effects of the Present Trade Recession ...* (Hong Kong: Noronha & Co., 1935), pp. 76–7, 79–82, 115.
12. On the pre-war period, see Chan Lau Kit-ching, *From Nothing to Nothing. The Chinese Communist Movement and Hong Kong, 1921–1936* (Hong Kong: Hong Kong University Press, 1999), pp. 4–12, 196–8.
13. Mao Tse-tung, *Selected Military Writings* (Peking: Foreign Languages Press, 1968), p. 174.
14. Accessible accounts of the central leadership's direct role in deciding on Hong Kong issues and Hong Kong cadres' experiences include Xu Jiatun, *Xu Jiatun Xianggang Huiyilu* (Taipei: Lianhebao, 1993); Lawrence C. Reardon, *The Reluctant Dragon. Crisis Cycles in Chinese Foreign Economic Policy* (Hong Kong: Hong

- Kong University Press, 2002); Wong Man Fong, *China's Resumption of Sovereignty Over Hong Kong* (Hong Kong: Hong Kong Baptist University, n.d.); Kam Yiu-yu, “Decision-Making and Implementation of Policy toward Hong Kong”, in Carol Lee Hamrin and Suisheng Zhao (eds), *Decision-Making in Deng's China. Perspectives From Insiders* (Armonk: M. E. Sharpe, 1995).
15. P. B. Harris, “The International Future of Hong Kong”, *International Affairs*, Vol. 48, No. 1 (January 1972), p. 62. Mao Zedong declined a request from Stalin to expel the British. Michael Yahuda, *Hong Kong. China's Challenge* (London: Routledge, 1996), p. 46.
  16. Deng Xiaoping, *On the Question of Hong Kong* (Hong Kong: New Horizon Press, 1993), p. 2.
  17. Robert Blake, *Jardine Matheson Traders of the Far East* (London: Weidenfeld & Nicolson, 1999), p. 255.
  18. Colin N. Crisswell, *The Taipans. Hong Kong's Merchant Princes* (Hong Kong: Oxford University Press, 1981), pp. 225–6.
  19. Donald Tsang Yam-kuen, Chief Secretary, *Government Information Services* (GIS hereafter), 27 July 2001.
  20. He was commenting on the attitudes of China specialists working in Hong Kong. John Gittings, “China-Watching in Hongkong”, in Association for Radical East Asian Studies, *Hong Kong: Britain's Last Colonial Stronghold*, Vol. 2, No. 1 (1972), pp. 119–20.
  21. Lau Chi Kuen, *Hong Kong's Colonial Legacy* (Hong Kong: The Chinese University Press, 1997) pp. 62–4. Nor was it part of a strategy to favour British commercial interests and suppress Chinese manufacturers as discussed in Tak-wing Ngo, “Industrial History and the Artifice of *Laissez-faire* Colonialism”, in Tak-Wing Ngo (ed.), *Hong Kong's History. State and Society Under Colonial Rule* (London: Routledge, 1999), pp. 130–3 in particular.
  22. See Catherine R. Schenk, *Hong Kong as an International Financial Centre. Emergence and Development 1945–65* (London: Routledge, 2001), p. 7; “Hongkong's Trade in April 1952”, *Far Eastern Economic Review* (FEER hereafter), 5 June 1952; Ron G. Whitehead, “Outlook for Hongkong Textiles”, *FEER*, 23 October 1952; “Hongkong: Trade and Supplies 1952–53”, *FEER*, 11 March 1954.
  23. Jik-Joen Lee, *The Road to the Development of Social Welfare in Hong Kong. The Historical Key Issues* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, 1996), pp. 26–7.
  24. On these stereotypes, see John Rear, “One Brand of Politics”, in Keith Hopkins (ed.), *Hong Kong: The Industrial Colony* (Hong Kong: Oxford University Press, 1971), p. 110–12.
  25. Anson Chan, Chief Secretary, *GIS*, 9 June 1998.
  26. Among the most prominent and articulate presentations of these views were “Speech Made by Mr Gordon WU on Development of Hong Kong's Political System”, *Legislative Council Paper* (CB(2)1473/99-00(01)); *GIS*, 19 April 2001; *International Herald Tribune*, 20 April 2001. He modified his opposition temporarily after the 1 July 2003, protests. *South China Morning Post* (SCMP hereafter), 12 July and 13 December 2003. Similar comments from tycoons include: Peter Woo, “Taxing Times for the Rich”, *SCMP*, 24 February 2000; Ronnie Chan, “Democracy in Balance”, *SCMP*, 12 January 2000 and 16 December 2003. One prominent businessman threatened publicly to abandon his investment programmes in Hong

- Kong in response to political developments. Bruce Gilley, "Li Betrayed", *FEER*, 28 January 1998, *China Daily* Hong Kong edition, 25 August 2000;
27. Claims about these cultural factors are summarized in Joe England and John Rear, *Chinese Labour Under British Rule* (Hong Kong: Oxford University Press, 1975), pp. 49–53, 64–70.
  28. Diana Martin, "Motherhood in Hong Kong: The Working Mother and Child-Care in the Parent-Centred Hong Kong Family", in Grant Evans and Maria Tam (eds), *Hong Kong. The Anthropology of a Chinese Metropolis* (Richmond: Curzon, 1997), p. 198.
  29. Robert Westwood *et al.*, *Gender and Society in Hong Kong. A Statistical Profile* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, 1995), p. 62; Ng Chun-hung, "Bringing Women Back In: Family Change in Hong Kong", in Veronica Pearson and Benjamin K. P. Leung (eds), *Women in Hong Kong* (Hong Kong: Oxford University Press, 1995), pp. 90–2.
  30. See James C. Hsiung, "The Hong Kong SAR: Prisoner of Legacy or History's Bellwether?" in James C. Hsiung (ed.), *Hong Kong the Super Paradox. Life After Return to China* (London: Macmillan, 2000), pp. 316–7.
  31. Lau, *Hong Kong's Colonial Legacy*, p. 69.
  32. Tsoi Kcon-wah, "Poverty Eradication and Social Security in Hong Kong", in Daniel T. Shek *et al.* (eds), *Advances in Social Welfare in Hong Kong* (Hong Kong: Chinese University Press, 2002), pp. 136–8.
  33. A well-presented example is John Flowerdew, "Public Discourse in Transitional Hong Kong", in Lee Pui-tak (ed.), *Hong Kong Reintegrating With China. Political, Cultural and Social Dimensions* (Hong Kong: Hong Kong University Press, 2001), pp. 44–8.
  34. The post-colonial challenges are described by Anthony B. L. Cheung, "The Changing Political System: Executive-led Government or 'Disabled' Governance?" in Lau Siu-kai (ed.), *The First Tung Chee-hwa Administration. The First Five Years of the Hong Kong Special Administrative Region* (Hong Kong: Chinese University Press, 2002), pp. 56–8.
  35. The polling evidence is presented in Victor Zheng *et al.* "From a Free Economy to an Interventionist Society. The Crisis of Governance in Hong Kong", in Lau Siu-kai *et al.* (eds), *Indicators of Social Development: Hong Kong 1999* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, 2001), pp. 24–8.
  36. The survey data are analysed in Ho Kwok-leung, "Popular Support for Effective Governance", in Lau *et al.* (eds), *Indicators of Social Development: Hong Kong 1999*, pp. 38–9.
  37. Lau Siu-kai, "Attitudes towards the Institutional and Policy Reform Initiatives of the Tung Administration", in Lau Siu-kai *et al.* (eds), *Indicators of Social Development: Hong Kong 2001* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, 2003), pp. 11, 14, 24–5.
  38. Section 4(d), Hospital Authority Ordinance (cap. 113).
  39. For a full list of the restricted items and of the charitable funds which were available to assist the indigent, see the Secretary for Health and Welfare, E. K. Yeoh, *Hong Kong Hansard*, 9 May 2000, pp. 5177–80.
  40. *GIS*, 29 March 2001.
  41. For the government's response to a variety of such allegations raised by legislators, see *Hong Kong Hansard*, 20 December 2000, pp. 2036–43, 2254–7.

42. See the reassurances offered in *GIS*, 23 July 2003 and by Carrie Lau Cheng Yuet-ningor, Director of Social Welfare, *GIS*, 20 February 2001.
43. *GIS*, 12 September 1997.
44. The extent of the fall in earnings and the lengthening hours of work is usually under-estimated. The best analysis of the statistical evidence is Kelvin Fan, "Recent Developments in Labour Earnings in Hong Kong", *Hong Kong Monetary Authority Quarterly Bulletin*, No. 37 (December 2003).
45. Tsoi in Shek et al. (eds), *Advances in Social Welfare in Hong Kong*, pp. 125–7.
46. Although the government was more interventionist after 1997, it was tackling problems and building on foundations that had developed over a long period under British rule. Edward Vickers, *In Search of an Identity. The Politics of History as a School Subject in Hong Kong, 1960s–2002* (New York: Routledge, 2003), pp. 43–8.
47. A full analysis of the general attitude towards educational reform and the particular reaction of the middle class is provided by Ng Chun-hung, "Education Ethos and Education Reform", in Lau et al. (eds), *Indicators of Social Development: Hong Kong 2001*.
48. Arthur K. C. Li, Secretary for Education and Manpower, *GIS*, 18 June 2003; Fanny Law, Permanent Secretary for Education and Manpower, *GIS*, 12 November 2003.
49. Tung Chee Hwa, *GIS*, 6 December 2003.
50. Lau Siu-kai, "Socio-economic Discontent and Political Attitudes", in Lau et al. (eds), *Indicators of Social Development: Hong Kong 2001*, pp. 61–2.
51. John P. Burns, "Civil Service Systems in Transition: Hong Kong, China and 1997", in Ming K. Chan (ed.), *The Challenge of Hong Kong's Reintegration With China* (Hong Kong: Hong Kong University Press, 1997), pp. 35–6, 42–4. The only post-colonial innovations were to make Chinese citizenship mandatory for a small number of the most senior positions and to require formal Chinese government approval of such appointments.
52. Polling data were summarized in the *SCMP*, 26 and 28 June 2002.
53. Lau, "Socio-economic Discontent and Political Attitudes", in Lau et al. (eds), *Indicators of Social Development: Hong Kong 2001*, pp. 38, 60, 68, 73.
54. This conclusion was supported by a survey by Hong Kong University's polling programme director, Robert Chung Ting-you, and Chinese University journalism professor, Joseph Chan Man, *SCMP*, 7 July 2003.
55. *People's Daily*, 28 September 2003; *Wen Wei Pao*, 16 September 2003.
56. James Tien, Liberal Party Chairman, *Hong Kong Economic Journal*, 26 September 2003; Ma Lik, DAB Chairman, *China Daily* Hong Kong edition, 11 December 2003.
57. *The 2004 Policy Address. Seizing Opportunities for Development, Promoting People-based Governance* (Hong Kong: HKSAR Government, 2004), p. 26.
58. For appointment policy and data, see Lam Woon-kwong, Secretary for Home Affairs, *Hong Kong Hansard*, 8 November 2000, pp. 714–22; also Dr Patrick Ho, Secretary for Home Affairs, *GIS*, 3 December 2003.
59. This account relies very heavily on Alvin Y. So, *Hong Kong's Embattled Democracy. A Societal Analysis* (Baltimore: John Hopkins University Press, 1999), pp. 43–8, 52–4, 58–9 in particular. He distinguishes between the "old" middle class and "service professionals", a distinction that does not affect the discussion in this context.
60. Ma Ngok, "Executive-Legislative Relations: Assessing Legislative Influence in an Executive-Dominant System", in Lau (ed.), *The First Tung Chee-hwa Administration*.

- The First Five Years of the Hong Kong Special Administrative Region*, pp. 355–6; Jermain T. M. Lam, *The Political Dynamics of Hong Kong Under Chinese Sovereignty* (Huntington: Nova Science Publishers, Inc., 2000), pp. 235–9.
61. President Hu Jintao, *Wen Wei Pao*, 29 September 2003.
  62. *Sing Tao*, 27 January 2004.
  63. Lo Shiu-hing, *Governing Hong Kong: Legitimacy, Communication and Political Decay* (New York: Nova Science Publishers, Inc., 2001), pp. 55–7.
  64. This analysis is based on the data presented throughout the two important essays by Lau, “Attitudes towards the Institutional and Policy Reform Initiatives of the Tung Administration”, and “Socio-economic Discontent and Political Attitudes”, in Lau *et al.* (eds), *Indicators of Social Development: Hong Kong 2001*. They identify the differences between the attitudes of the middle class and other social groups. The interpretation offered here of the significance of these statistics is not Professor Lau’s.
  65. The label has been amply justified by Denny Ho Kwok-leung, *Polite Politics. A Sociological Analysis of an Urban Protest in Hong Kong* (Aldershot: Ashgate, 2000).

## Statistical Appendix

1. The statistical obstacles are illustrated by Census and Statistics Department, *Hong Kong 1991 Population Census. Main Tables* (Hong Kong: Government Printer, 1992), pp. 138–9 and *1996 Population By-Census Main Tables* (Hong Kong: Government Printer, 1997), pp. 132–3.
2. K. M. A. Barnett, *Hong Kong. Report on the 1961 Census* (Hong Kong: Government Printer, n.d.), Vol. II, p. 53.
3. Census and Statistics Department, *Hong Kong Population and Housing Census 1971 Main Report* (Hong Kong: n.p., n.d.), pp. 32–4.
4. Census and Statistics Department, *Hong Kong 1981 Census Main Report* (Hong Kong: Government Printer, 1982), Vol. 2, p. 27.
5. *Hong Kong 1991 Population Census. Main Tables*, pp. 100–1.
5. *1996 Population By-Census Main Tables*, pp. 54–5.
6. Census and Statistics Department, *Hong Kong 2001 Population Census Thematic Report — Ethnic Minorities* (Hong Kong: Census and Statistics Department, 2002), p. 16. A post-colonial survey of ethnic minorities and their characteristics related to Hong Kong’s requirements under the United Nations Committee on the Elimination of Racial Discrimination threw little useful light on “expatriates” as the term is used here. *Government Information Services*, 2 January 2001 and ACNielsen, *Omnibus Household Survey in the Fourth Quarter of 1999 (Characteristics of the Ethnic Minorities) Prepared for Home Affairs Bureau* (Hong Kong: Home Affairs Bureau, 2000).
7. Catherine R. Schenk, *Britain and the Sterling Area. From Devaluation to Convertibility in the 1950s* (London: Routledge, 1994), pp. 50–3.
8. Details of this exercise are taken from N. A. S. Mills, Hongkong Bank Manager, confidential letter to P. B. Williams, Secretary for Administration, 26 November 1975; FCO Telegram 1201 of 1 December 1975; DCA/BILAT/1351C, (38) Director of Civil Aviation to Political Adviser, 10 October 1975; (40) and (43) Director of Civil Aviation to Secretary for Administration of 5 and 19 November 1975.

9. *Hong Kong. Its Value to Britain* (Hong Kong: Government Information Services, 1989), p. 5.
10. Commerce and Industry Department, *Survey on Overseas Investment in Hong Kong Industry* (IND 906/2/1, 11 October 1974, mimeo), Table 11; Industry Department, *1995 Survey of External Investment in Hong Kong's Manufacturing Industries* (Hong Kong: Industry Department, 1995), p. 64.
11. Census and Statistics Department, *External Investments in Hong Kong's Non-Manufacturing Sectors, 1993 & 1994* (Hong Kong: Census and Statistics Department, 1996), pp. 4–5.
12. *Business Monitor*, MA4 1995 (odi\_uk.95.wk4).
13. A secondary source of information existed until the end of the Sterling Area. The Exchange Controller also collected detailed monthly statistics on foreign currency transactions through Hong Kong. These data were useful principally in tracking purchases of sterling by the Bank of China group and flows of remittances to Hong Kong. See Hong Kong Public Records Office HKRS163–1–2055/2660.
14. Y. C. Jao, *Banking and Currency in Hong Kong. A Study of Postwar Financial Development* (London: Macmillan, 1974), pp. 65–6.
15. This important distinction is clear from Sir Philip Haddon-Cave, Financial Secretary, *Hong Kong Hansard*, 29 November 1973, pp. 228–9 and 25 June 1980, pp. 902–3.
16. Unfortunately, the data before 1986 are not comparable with the presentation of the statistics by sector from that year mainly because of the desire to conceal the position of the Hongkong Bank, it seems. See Robert Fell, *Annual Report of the Office of the Commissioner for Banking for 1986* (Hong Kong: Government Printer, 1987), p. 40. This situation has persisted under the Hong Kong Monetary Authority.
17. See Frank H. H. King, *The Hongkong Bank in the Period of Development and Nationalism, 1941–1984. From Regional Bank to Multinational Group* (Cambridge: Cambridge University Press, 1991), pp. 620–4.
18. The potential threat to confidence because of the lack of adequate banking statistics was made plain by Haddon-Cave, *Hong Kong Hansard*, 29 November 1973, pp. 228–9.
19. The data on the pre-1961 Shanghai Chinese community are drawn from Barnett, *Hong Kong. Report on the 1961 Census*, Vol. II, pp. LXVI, 53, 64, 81. They are overestimates because they cannot be adjusted to allow for deaths or departures among the group that arrived up to 1955.
20. Census and Statistics Department, *2001 Population Census Main Report — Volume I* (Hong Kong: Census and Statistics Department, 2002), p. 46; Census and Statistics Department, *2001 Population Census. Thematic Report — Persons from the Mainland Having Resided in Hong Kong for Less Than 7 Years* (Hong Kong: Census and Statistics Department, 2003), p. 23. The best single overview of the relative strength of Chinese dialects in Hong Kong in the twentieth century was by John Bacon-Shone and Kingsley Bolton, “Charting Multilingualism: Language Censuses and Language Surveys in Hong Kong”, in Martha C. Pennington (ed.), *Language in Hong Kong at Century’s End* (Hong Kong: Hong Kong University Press, 1998).
21. Wong Siu-lun, *Emigrant Entrepreneurs. Shanghai Industrialists in Hong Kong* (Hong Kong: Oxford University Press, 1988), p. 64.
22. 1996 *Population By-Census Main Tables*, p. 89.
23. Susanne Yuk-ping Choi, *The Occupational Attainments of the Five Major Dialect Groups in Hong Kong* (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, 2000), p. 17.

# Indexes

## Subject Index

- Australia 57, 62, 229  
Autonomy (and “Informal devolution”)  
    Chapter III, 50, 51, 162  
British government 10, 54–6, 71, 72, 213–4  
    budgetary 49, 62–4  
    Chinese government 55, 70, 71, 91, 93, 93–4, 96, 225  
    commercial 49, 64–5  
    financial 57–62, 231  
  
Bank of China 186, 188, 209  
Basic Law 3, 84, 89, 90, 92, 93, 113, 114, 132, 133–4, 136, 137, 209, 220, 226  
BBC 66, 234  
Bermuda 179  
Boeing 52  
British Airways 52, 68–9, 173  
Business community (British) Chapter VIII, 14–5, 16, 23–4, 32–3, 53, 57, 60, 64, 182–3, 196–7, 203, 207, 213–5, 241n  
Business and professional classes (Chinese), see “Elite”  
Butterfield and Swire, see “Swire group”  
  
Cable & Wireless 67–8  
Canada 148, 229  
Cathay Pacific 52, 69, 173–5, 285n  
Central People’s Government  
colonial administration, relationship with 10, 60, 71, 75, 77, 86, 132, 211, 215  
economic relationship 59–60, 76, 80–1, 89–91, 96, 107, 130, 186, 213  
post-1997 Hong Kong policies 70, 71, 89–91, 92–4, 95–6  
Ceylon (Sri Lanka) 32  
Chartered Bank (Standard and Chartered Bank) 204, 284n  
Chase Manhattan Bank 169  
China Engineers 182, 203–6  
China Light and Power 52, 53, 168, 175–8, 179  
*China Mail* 145  
Chinese Communist Party 4, 32, 34, 58, 77–8, 160, 195, 197, 198, 208 and Hong Kong community 2, 3, 10, 13, 14, 28, 38, 40, 42, 47, 71, 76–8, 83, 85, 105–6, 107, 124, 147–8, 198, 202, 204, 208–9, 211, 214–5, 221, 234  
Chinese General Chamber of Commerce 198  
CITIC 175, 285n  
China National Aviation Corporation (CNAC) 175, 283n  
Cold War 10, 58, 59, 60, 76, 80, 171, 213, 215  
Colonial political system  
    Administrative Service 20, 24–5, 28–9, 38, 39, 46, 47, 183

- advisory committees 10, 108, 110–1, 126, 128, 131, 199, 224
- British business, attitudes to 15, 24–5, 162–3
- Chinese Communist Party, relations with 10, 19, 74–8, 79, 80, 213, 214–5
- civil service localization 20, 24, 28, 31, 37, 38–40, 41, 87, 88, 212, 247n
- community attitudes 19, 20, 33, 34, 50, 52, 63–4, 73, 74, 77, 85–6, 132, 157, 212, 214, 217
- consultative government 10, 97–8, 100, 107, 113–6, 220
- cooption 2, 10–2, 24, 34–6, 49, 107, 217, 224
- economic crises 19, 111, 153
- functional constituencies 88, 98, 109, 226, 227
- legitimacy 103, 184
- Mainland, negotiations and agreements with 10, 71, 73–4, 81–2, 85, 86–8, 166, 214
- opposition suppressed 36–8, 79, 80, 144, 212, 258n, 294n
- security concerns 8–9, 25, 32, 36, 40–2, 99–100, 107, 213
- UK, conflicts with Chapters III and IV, 10, 49, 51–2, 54–5, 56–8, 62–5, 67, 71, 74–5, 78–9, 164, 189, 214, 215, 231, 232
- Compradores 113, 161, 200, 212
- Corruption Chapter VII, 13–4, 36, 58, 199–200
- business attitudes 68, 111–2, 139, 140, 152–3, 217
- Chong Hing Mansion 149–51
- community attitudes 13, 42, 68, 112–3, 139, 140, 141, 142, 144–5, 150, 156–7
- expatriate attitudes 13, 31, 42–5, 139, 142, 143, 145, 149
- historical background 13, 39, 142–3
- Independent Commission Against Corruption (ICAC) 14, 43, 44, 105, 112, 141, 144, 146, 148, 152, 155–7
- police 14, 105, 112, 140–1, 142, 144–8, 154
- property and construction industry 42, 140, 143, 148–52
- Court of Final Appeal 85, 88, 89
- Cultural Revolution 15, 59, 77–8, 130, 147, 171, 187, 196, 208, 215
- Cyberport 134, 138
- Daya Bay 178
- Democracy
- British policies 24, 45, 56–7, 83, 84, 85, 95, 220, 245n
  - business opposition 57, 106, 109, 116, 163, 177
  - Chinese policies 32, 45, 83–4, 93–4, 220, 226, 262n
  - civil service opposition 2, 10, 31–2, 45–7, 56–7, 69, 72, 82–4, 92, 93, 97, 101, 109, 110, 117, 217
  - community attitudes 1, 47, 84, 85, 114
- Dragonair 174–5
- Economy
- banking Chapter IX, 5, 8, 56, 58, 60, 61, 62, 63, 81, 103, 111, 124, 130–1, 134, 136, 154, 162, 163, 165, 166, 200, 204, 208, 216, 217, 233
  - budget surpluses and fiscal reserves 3, 8, 57, 62–4, 86, 122, 188, 189
  - Commerce and Industry
  - Department 129–31
  - competition 4–5, 68, 69, 118, 122, 123, 128, 130, 160, 164, 167, 174, 175, 176–8, 179, 206, 217; (banking) 169, 183, 185–6, 187, 189, 192, 193, 217; (property sector) 128–9, 133, 135–7
  - development policies 3–4, 12, 63, 119–20, 121, 122–3, 130, 131, 165–6, 202, 218; (post-1997) 113, 131, 133, 135
  - development finance 123, 126, 130–1, 134, 135, 164, 165, 166, 202
  - embargoes 10, 14, 59, 62, 69, 130, 143, 154–5, 204, 205, 207, 213
  - financial markets 2, 5, 8, 15, 49, 57–63, 111, 115, 136, 152, 153, 159, 164, 172, 188, 189, 190–1, 231, 234

- industrialization 3, 59, 103, 104, 120, 121, 123, 127, 133–4, 155, 163, 165–6, 177, 195, 196, 198, 200, 201–2, 205, 206–7, 214, 218, 232  
 market crises 62, 63, 111, 124, 153, 170, 184, 188, 190, 220  
 recessions 90, 96, 113, 133, 134, 136, 137, 165, 177, 190, 207, 219, 221, 224, 225, 228  
 regulation and controls 119–20, 143, 218; (foreign exchange) 53, 55, 57–9, 60, 61, 69, 120, 139, 154, 218, 231 (prices) 120; (trade) 58–9, 120, 218  
 taxation 3, 33, 34, 47, 48, 53, 62, 64, 69, 119, 121, 123, 125, 132, 133, 134, 139, 140, 164, 166, 220
- Elections (Legislative Council) 47, 72, 84, 86, 88, 93, 106, 108, 109, 113, 125, 226–7
- Elite (and “Business and professional classes”) 12, 126, 199, 219, 220  
 colonial partnership 9–10, 35–6, 99–101, 102, 104, 139, 164, 217, 220, 225  
 community attitudes 98, 103, 106, 112, 138, 212, 221, 226, 228  
 conflicts with colonial administration 106–7, 108, 110  
 cronyism 36, 108, 134–5, 138  
 defined 11  
 economic privileges 36, 69, 108, 126, 217, 246n; (property) 126, 128–9, 135–7, 222; (textiles) 127–8, 199  
 evolution 98–101, 102, 104–5, 107, 163  
 Japanese collaborators 101–2  
 philanthropic role 99, 104, 105, 109  
 political role 10–11, 32, 36, 69, 81–2, 98–101, 103, 106, 108–110, 123–4, 125–6, 138  
 post-1997 11, 105–6, 113–4, 132–4, 136, 137–8, 221
- Esso 53
- European Economic Community (and European Union) 53, 88, 130, 208, 232
- Executive Council 10, 56, 68, 82, 83, 86, 97, 109, 110, 113, 114, 116, 135, 163, 177, 195, 209, 227
- Expatriates 8–9, 19, 35–6, 101  
 defined 229–31  
 political role 19–20, 24–5, 27, 45–6, 211, 217  
 privileges 9, 21–3, 39–40  
 social isolation 8–9, 21, 23, 25, 27–8, 31, 42, 48, 139, 161, 211, 212, 216–7  
 wives 27
- Far Eastern Economic Review* 145, 234
- Fiji 240n
- Financial Times* 234
- General Agreement on Tariffs and Trade (GATT) 63, 127
- Gold Coast 57
- Gold trade 140, 154
- Great Leap Forward 40, 59, 76, 208
- Guomindang 76, 203, 209
- HACTL (Hong Kong Air Cargo Terminals) 283n
- Hang Seng Bank 184, 187, 241n
- Hongkong & Kowloon Wharf and Godown Company 170, 283n
- Hong Kong Electric Company 285n
- Hong Kong General Chamber of Commerce 166, 198, 203
- Hong Kong Monetary Authority 8, 134, 192, 233
- Hong Kong Observers 37–8, 225
- Hong Kong Standard* 157
- Hong Kong Telephone Company 67–8, 111, 170, 175
- Hongkong and Shanghai Banking Corporation, see “Hongkong Bank”
- Hongkong Bank (and “Hongkong and Shanghai Banking Corporation” and “HSBC”) Chapter IX, 15, 53–4, 60–1, 63, 159, 163, 165, 168–9, 170, 176, 178, 200, 204, 215–6, 233–4, 241n, 285n
- HSBC, see “Hongkong Bank”
- Hutchison Whampoa 159–60, 167, 169, 185

- ICAC (Independent Commission Against Corruption), see “Corruption”
- International Monetary Fund (IMF) 5, 116, 154, 185
- India 32, 57, 64
- Informal devolution, see “Autonomy”
- Japan 1, 17, 55, 66
- Japanese War 2, 28, 39, 40, 48, 101–2, 143, 160, 197, 203
- Jardine Matheson group 159, 165, 166–7, 168, 169, 170–3, 174, 206–7
- Joint Declaration (1984), Sino-British 13, 35, 39, 40, 46, 83–4, 89, 95, 109, 110, 219, 263n
- Judiciary 25, 52, 90, 156, 225, 246n
- June Fourth 1989 73, 85, 106
- Korea, South 166
- Korean War 14, 59, 76, 201, 207, 232
- Labour and employment issues 6, 7, 16–8, 26–7, 56, 66, 78, 99, 101, 102, 124, 153, 163, 212, 221–2
- Laisser faire (and “non-interventionism”) 2–5, 12–13, 34, 49, 117, 120–1, 131–2, 190, 217, 220–1, 237n, 296n
- Basic Law 133–4, 137
- business critics 13, 122–3, 133–4, 135, 164–7
- civil service critics 117, 123, 126, 131–2, 167
- community attitudes 13, 122, 135, 137–8
- corruption, facilitated by 139–40, 149, 153–4, 218
- defined 3
- economic costs 128, 129
- free trade debated 3, 64, 119, 120, 121, 123, 126, 130, 133, 164, 165, 166, 167, 213, 218
- historical background 118, 130, 165–6, 176, 213
- limited role 123–4, 130
- political significance 118, 121–2, 132, 220
- public vs private interests 118, 120–1, 129–31, 134, 192, 218
- “small government” 3, 34, 112, 121, 132, 139, 153, 221
- social costs 122, 129, 132, 139, 218 post-1997 132–5, 137–8, 221,
- Language and dialect 20–1, 25, 28, 98, 99, 101, 110, 161, 199, 230–1, 235
- Legislative Council 93, 97, 105, 109, 112, 177, 199
- Liu Chong Hing Bank 150
- Lloyds Bank 169
- Macao 154
- Malaysia (Malaya) 51, 57, 62, 123, 167, 231, 249n
- Malnutrition 17, 242n
- Mass Transit Railway Corporation (MTRC) 189
- Middle classes 31, 37, 136, 222–5, 227
- Ministerial system 114–6, 223, 226, 269n
- Moral issues 12, 14, 48, 58, 153, 155, 218, 240n
- Narcotics 140, 142, 143, 154, 156
- New Zealand 229
- Non-interventionism, see “Laisser faire”
- Opium Wars 161, 172
- Pakistan 64
- Political campaigns and protests 1, 19, 77, 85, 90, 100, 104–5, 110, 115, 124, 137, 144, 146–7, 176, 226, 234
- Political Stability 1, 8, 17–8, 19, 100, 211–2, 228, 294n
- Public Accounts Committee 177
- Racial prejudice 8–9, 20, 21, 25, 31–2, 38–40, 41–2, 99, 104, 176, 217, 229, 243n, 245n
- Refugees 2, 11, 16, 17, 47–8, 59, 205
- Religious organisations 36–7
- Royal Bank of Scotland 53
- Rule of law 12–3, 83, 90, 157,
- Shanghai 16, 160, 181, 196
- Shanghainese Chapter X, 16, 216, 234–5, 290n
- business community 16, 166, 182

- economic contribution 195, 197, 200–2
- Shell 53
- Sime Darby 206
- Singapore 1, 51, 66, 73, 123, 135, 140, 141, 144, 145, 167, 220, 230, 233, 249n
- Social services 6–7, 9, 17, 22, 29, 34, 47–8, 56, 62, 63 67, 69, 102, 103, 104, 118–9, 121, 122, 124, 125, 132, 184, 212, 217, 219, 221–2, 228  
education 6, 7, 8, 22, 23, 27, 28, 29, 48, 56, 66–7, 99, 102, 125, 212, 222–3, 297n  
housing 6, 7, 9, 22, 27, 28, 29, 34, 43, 48, 56, 62, 101, 102, 103, 104, 114, 122, 126, 129, 132, 135–7, 138, 151–2, 212, 222, 236n, 278n; (squatters) 6, 104, 237n  
public health 6, 7, 8, 17, 21, 22, 27, 92, 115, 212, 221–2, 242n; (Hospital Authority) 8, 105, 116, 221  
social welfare 6, 7, 56, 125, 212
- Special Administrative Region
- Government
  - Article 23 90, 94, 115, 223, 261n
  - avian flu 92, 225
  - business community 113–4, 132–3, 136, 138, 221, 226
  - Central People's Government 89–95
  - CEPA (Closer Economic Partnership Arrangement) 91, 213
  - community attitudes 93–4, 114, 115, 134, 137, 221–2, 224, 225, 268n
  - performance 113–4, 137, 223–4
  - political reform 93, 94, 224, 225, 227
  - SARS (Severe Acute Respiratory Syndrome) 92, 115–6, 223, 225
- Sterling Area 55, 57–8, 59, 60–2, 63, 154, 190, 214, 231, 234
- Swire group (and “Butterfield and Swire”) 159–60, 165, 168, 173–5, 178, 191, 207
- Taiwan 141, 166
- Telecommunications 5, 68
- Textile Alliance 206
- Times* 234
- United Kingdom
- Bank of England, 53, 54, 56, 60, 185
  - constitutional position 50, 54, 71, 213
  - Colonial Office 51, 52, 56
  - colonial policies 24, 50–1, 66–7, 55–6, 119, 160, 214, 251n
  - economic interests 8–10, 14, 52–3, 55, 57–8, 63, 64–5, 66, 67–9, 72–3, 87, 101, 127, 130, 154, 162, 164, 169, 197, 202, 214, 231–3
  - Foreign (and Commonwealth) Office 10, 41, 51, 66, 72, 74–5, 76, 78–80, 81, 82, 83, 84–8, 163, 172, 214, 215
  - Labour Party 24, 38, 56, 66, 67, 73, 217, 218, 232, 271n
  - Monopolies and Mergers Commission 54
- United States 5, 10, 59, 60, 62, 65, 72, 75, 79, 130, 143, 149, 154–5, 203, 205, 213, 229
- Vietnam War 161
- West Indies 231
- Wheelock Marden 159, 207
- World Bank 63
- World Trade Organisation (WTO) 135
- ## Name Index
- Akers-Jones, David 46–7, 247n
- Barrett, Dean, 250n
- Barrymaine, Norman 145
- Barton, H. D. M. 167
- Black, Robert 144, 239n, 248n, 258n
- Blair-Kerr, Alistair 141–2, 147
- Bond, Alan 157
- Bray, Dennis 44
- Bremridge, John 131–2, 165, 174, 191
- Brereton, R. J. 234, 281n
- Butters, H. R. 26–7

- Cater, Jack 45, 46, 146, 278n  
 Chan, Anson 41, 290n  
 Chan Kwan Po 247n  
 Chan, Ronnie 296n  
 Chen, P. L. 294n  
 Chung Sze-yuen 110, 116  
 Clague, Douglas 167, 169  
 Coates, Austin 25–6  
 Cowperthwaite, John 124–5, 189, 252n, 271n, 272n  
 Cradock, Percy 75, 85, 257n  
 Dawson, Christopher 147, 279n  
 Deng Xiaoping 81, 82, 83, 84, 86, 93, 106, 186, 192, 215, 289n  
 Dunn, Lydia 173, 255n, 266n, 290n  
 Faure, David 251n  
 Fok Ying-tung, Henry 261n  
 Follows, S. G. S. 240n  
 Gimson, Franklyn 241n, 245n  
 Godber, Peter Fitzroy 140–1, 142, 145, 146, 147, 149, 277n  
 Grantham, Alexander 6, 56–7, 76, 80, 102, 107, 143, 144, 150, 154, 155, 156, 197, 199, 200–1, 238n, 256n  
 Haddon-Cave, Philip 41, 131, 189, 234, 247n  
 Hayes, James 26, 29, 40, 43, 248n  
 Ho, Daphne 239n  
 Hu Jintao 93, 224  
 Huang, Rayson Lisung 109  
 Hunt, Ernest 145  
 Ip, Regina 115  
 Kadoorie, Lawrence 175–8  
 Kan Yuet-keung, 265n  
 Keswick, Henry 171, 172  
 Keswick, John 171  
 Keswick, Simon 171  
 Kwok, Raymond 160  
 Kwok, Thomas 160  
 Kwok, Walter 160  
 Lai, David 44  
 Lau Wong-fat 177  
 Lee, Allen 266n  
 Lee Kuan Yew 144, 277n  
 Lee Quo-wei 287n  
 Lee Shau-kee 160, 202  
 Leong Che-hung 92, 116  
 Leung, Antony 115  
 Li Ka-shing 15, 68, 134, 160, 169, 170, 171, 176, 185, 202, 292n  
 Li Peng 85  
 Li, Ronald 199  
 Li Tsu-tsan 294n  
 Li Tzar-kai, Richard 68, 134  
 Liu Po-shan 150  
 Lo Man-kam 267n  
 Lu Ping 174  
 Lugard, Frederick D. 50  
 MacLehose, Murray 45, 50, 67, 80, 81–2, 105, 106, 141, 145–6, 278n  
 Macleod, Hamish 244n  
 Mao Zedong 15, 75, 76, 77, 78, 80, 195–6, 205, 209, 211, 214  
 Marden, John 167  
 McInnes, Uisdean 234  
 Murray, Simon 171  
 Ng Choy 244n  
 Norman, W. R. 244n  
 Northcote, Geoffry 47–8, 102, 118, 240n  
 Oliphant, R. G. L. 184  
 Pao Yue-kong 169–70, 185, 202, 207, 284n  
 Patten, Christopher 16, 27, 41, 50, 56, 86–9, 135, 163, 172, 209, 240n  
 Poon Kwok-lim, Steven 168  
 Purves, William 163  
 Rowe, George 244n  
 Sandberg, Michael 185, 188  
 Saunders, John 185  
 Selwyn-Clarke, Selwyn 240n, 244n  
 Shu Tse-wong 294n  
 Slimming, John 279n  
 Stewart, Michael 65

- Sturgeon, Roy 145  
Su Zhi-yi 157  
Suen, Michael 276n  
Sun Yat-sen 24  
Sutcliffe, Charles 147–8
- Tam Yiu-chung 268n  
Tang, Jack 208  
Thatcher, Margaret 82, 86  
Thomas, Michael 267n  
Tien, James 269n  
Tien Yuan-hao, Francis 208  
Tsang Chiu-for (alias John Tsang Chao-ko) 42, 247n  
Tsang Yam-kuen, Donald 276n  
Tsang Yok-sing 269n  
Tsao, Nelson 294n  
Tsui, Alex 156  
Tung Chee Hwa 2, 90, 91, 92, 94, 113–5, 116, 134–7, 195, 209, 221–3, 224, 226, 292n
- U Tat Chee 199, 291n
- Walden, John 26, 46, 48  
Welsh, Tom 188  
Wen Jiabao 90, 115  
Whitely, Norman 147, 279n  
Whitson, Keith 193  
Wilson, Brian 248n  
Wilson, David 84, 85, 86, 87, 163–4, 172  
Wong Tak-sau 283n  
Woo, Peter 296n  
Wu, Gordon 296n
- Yang Ti-liang 25, 290n  
Yang, Y. L. 199  
Yao Kang 174  
Yao, C. S. 294n  
Yeoh Eng-kiong 92, 115–6  
Youde, Edward 83, 83, 259n
- Zhou Enlai 76, 77, 78, 80, 171, 252n