

# Feeling the Stones

Reminiscences by  
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**M**y wife and I and our baby son arrived in Hong Kong one blazing hot summer morning in 1957, after a three-day flight from England which ended with the plane skimming over the hills of Kowloon, swooping swiftly down to the runway and bumping past traffic waiting at a level crossing for the plane to land. We crossed the harbour by launch and saw for the first time the steep hillsides, the mountains, the blue waters of the harbour and the greying buildings of the city. Hong Kong was struggling twelve years after the war to adjust to the fate that had left it as lonely as it had been when occupied by the British a hundred years before, isolated on the coast of southern China.

The founding of the People's Republic in 1949 and the changes in China's political and economic landscape had a profound effect on Hong Kong. Although it was the last left of the nineteenth-century Treaty Ports, it was no longer an entry port to China. China was virtually closed to Hong Kong and to the outside world. The population had swollen in the aftermath of war from five hundred thousand to more than two million, with half living in an amazing and ingenious architecture, a straggle of wood and tin-sheet-covered rooftops stretching up the hill slopes and hiding among trees along stream courses.

From our apartment in Mid-Levels we could see the solemn, undistinguished building of the Commerce and Industry Department where I worked among the many office buildings along the waterfront. We lived in one of that band of houses and apartments halfway between

the waterfront and the skyline homes of senior citizens on the Peak. Although we were not paid much, it was enough to employ two amahs in white buttoned-across tunics and black trousers. We looked across the harbour with its ever-changing crowd of merchant ships turning at buoys, at sampans, launches and barges threading their way among the ships, and junks from China making their way nonchalantly through the bustle, taking a shortcut through the harbour of capitalist Hong Kong before sailing northwards up the coast to communist Swatow. On the far side of the harbour were the grey tenements of Kowloon, ringed by range after range of mountains fading into the blue of China.

Although it received a plentiful supply of cheap vegetables, pigs and other supplies from China, Hong Kong was ready for the worst to happen, ready for supplies to be cut off, ready for a siege. I became part of the team which ensured that we had several months' supply of rice in warehouses, stockpiles of firewood for cooking, soya beans for essential vitamins and corned beef for protein. I had, too, to control and keep out of the hands of the communist bloc, strategic chemicals used by tin-shed factories to make enamel pots and pans and coating for gas mantles to light the lamps of the third world. I learned how to buy soya beans on the world market, about the danger of blown cans in bully beef past the 'use-by' date, and how to buy and sell black cords of mangrove timber from Borneo, which were chopped and, before the advent of bottled gas, sold by grocers for cooking rice in the kitchens of Hong Kong.

The rice trade was dominated by the Chaozhou, a close-knit community making up one-fifth of Hong Kong's population, who come from the marches of Fujian and Guangdong in southern China. Because of emigration in previous centuries, the rice merchants of Thailand also come from Chaozhou. They speak a nasal dialect into which they can switch as their private world, unintelligible to other Chinese. Most rice for Hong Kong is imported by these merchants and sold at silent auctions in which only the seller can see the bid made by the buyer who comes forward to move a bead or two on the auctioneer's abacus. No one speaks; a nod of the head and business is done. Rice is bought and sold in an

interlocking train of relationships where each in the chain seems to be in debt to the other: farmers to exporters, importers to exporters, wholesalers to importers, retailers to wholesalers and housewives to shopkeepers. Money passes down the chain from kitchen to paddy field, with a few days or weeks between payments. Behind the simple process of buying and selling was a ricochet of social, ethnic and economic relationships, all of which had to be kept in balance, stretching from the crowded streets of Hong Kong to rice farmers in the fields of Thailand.

My first two years in Hong Kong among the merchants and shopkeepers and the raw material of life and industry were a useful background for what was to follow.

Hong Kong was stirring, beginning to find its post-war identity, left to its own devices by Whitehall and Westminster. It was putting aside its colonial status, developing a sense of responsibility and self-reliance, realising the need to make a start on housing the millions who had arrived following the end of the China's civil war; realising a need to bring order out of disorder; realising, more keenly than in the pre-war years, that it was a place with people who had their rights. Hong Kong had not been included in the post-war reappraisal of Britain's imperial role and the status of its colonies. It had briefly toyed with introducing a more representative municipal government and then, overwhelmed by the flood of immigrants from the mainland, moved cautiously towards its terminal date of 1997.

This slower pace was dictated by political reality. There was none of the haste of other colonies to introduce elections because of looming independence. Hong Kong recognised that the uncertain future would last until it was known what would happen when the lease of most of the colony, the New Territories, expired. This was to give Hong Kong time to develop socially and economically, to build a great dynamic city and to become one of the wonders of the world. The 'huddled masses', the millions who sought refuge in Hong Kong, brought with them machines, money and skills to start up industry in ramshackle sheds. The government responded by building grey, barrack resettlement blocks, one room to a family, with kitchens and lavatories shared between the blocks. Children,

always amazingly clean and neatly dressed, loaded with school bags clambered upstairs to rooftop schools. Hawkers, selling everything a family needed, filled the space between the blocks. Rent was low, food from China plentiful and cheap and life hard. Uncomplaining families spent years in these cramped rooms driven by the desire to lift themselves and their children out of poverty.

The first tender roots of Hong Kong's cultural life were slowly extending. The Sino-British Club, whose members included academics and professionals from the Chinese, British and Portuguese communities, had among its members the gentle and distinguished poet, Edmund Blunden, a professor at that time at the University of Hong Kong. I became its secretary. The club played a seminal role in promoting the building of a new City Hall, which had been lacking in Hong Kong since the early years of the century when the place of the old colonnaded City Hall was taken by the Hongkong and Shanghai Bank. It played a major role in the formation of the Hong Kong Philharmonic Orchestra and arranged the first rudimentary Arts Festival in the newly completed pier of the Star Ferry. After scouring Hong Kong for musicians who could play Chinese instruments, as far as I know the first public concert of Chinese music was held in 1958 in the elegant hall of the Club Lusitano. Now Chinese orchestras and concerts of Chinese instrumental music are everywhere to be heard.

The city of Victoria, on the island of Hong Kong, and Kowloon were separated by more than the harbour. Kowloon was a different place, a different society, a necessary place to pass through on the way to the golf course. There was no need to risk a journey to Kowloon, as all the comforts of life could be had in Hong Kong, and in any case it involved a tiresome crossing by ferry. The business and professional life of international Hong Kong took place on the island. This had been so since the nineteenth century, and even to this day many islanders know little of Kowloon, although three tunnels now link the two sides. We were soon, with all our belongings, to cross on the ferry to this other world, for almost a lifetime of work in what was, in 1959, the rural hinterland of Hong Kong.



Our first visit to China had taken place in 1973. Later, in the seventies, I visited the fast-developing city of Shenzhen, on the other side of the river from Hong Kong, and accompanied the Hong Kong soccer team to Guangzhou for the inaugural football match of what was to become an annual event. The match took on a greater significance as it marked the return to normalisation of relations between the ordinary people of Hong Kong and the rest of Guangdong. The mostly male spectators packed the stadium wearing the blue jacket and caps of the past, all smoking so heavily that the still air of the stadium filled with a pall of blue smoke.

When travel to China became almost commonplace in the years following 1978 and the opening of China, almost alone among senior government officials, my wife and I took the opportunity to travel there as often as we could. I include accounts of some of these visits in order to paint a picture of the changes taking place in China and to put events and changes in Hong Kong in their wider context, and to show that the two places had begun to move closer together well before the conclusion of the agreement with China about Hong Kong's future.

The economic reform programme, and the opening to the world of opportunities for investment in China as part of the reforms, meant that in 1982 we were able to visit Fujian province, home of the Hokkien dialect which I had spent two years, nearly thirty years previously, learning under the whirling fans at the Chan family ancestral hall in Kuala Lumpur. Our

companions on the journey had been born and brought up in Fujian many years before and were returning home for the first time. It was as though I, too, were going home, so deeply incised in my memory were the descriptions of Xiamen I had learned by rote, and so thoroughly had I been steeped in the language and lives of my teachers.

Fujian is isolated from the rest of China by mountain ranges through which runs a single-track railway line. Partly because of this isolation, its spoken dialect has developed differently from the rest of China, and within Fujian province itself the language of the capital, Fuzhou, is different again from the rest of the province. The Fujianese are a proud, separate and determined people, fine-tuned by isolation and hardship. As we arrived in Fuzhou, the provincial capital, we were taken to visit Yung Quan Si, a Buddhist monastery on Wu Shan overlooking the town. The road looped up the mountain through the trees, where here and there, seeking the sunlight, wild white roses, red azaleas and purple rhododendrons skirted the way. It was the time for family groups with their baskets of offerings slowly to wend their way up the slope to their family graves. Passing them, we went on higher into an ancient forest of moss-covered trees to a temple rising up the slope on platforms, with dusty-red, pillared cloisters and yellow roofs against the green of the forest. Flagged paths led to far pavilions and great boulders laid bare by the stream were deeply inscribed with the thoughts and remembered poetry of travellers and worshippers. On one huge stone a single ideogram for Buddha the Enlightened One covered the surface, deeply carved and picked out in red so that it stood in three dimensions, making its dramatic statement.

At dinner that evening the Vice Governor stressed the importance of improving the transport infrastructure and about the work going on to develop the ports and airports at Fuzhou and Xiamen, and spoke surprisingly openly at that early date, in 1982, about the role of Hong Kong in improving relations with Taiwan just across the straits from Fujian.

From Fuzhou a steam train took us up the valley of the brown Mang River to An Ping, passing villages with tamped mud and wooden walls beneath dark-tiled, curved roofs. At An Ping, while we loaded up the cars

to take us to Wu I mountain, a small crowd collected to catch a glimpse of these curious arrivals from another world: one of our friends had a striped suit, my wife had auburn hair, and a third had silver-painted toenails and curly hair.

We were whisked away, hurtling through the countryside, horn blowing, scattering pigs and chickens and swerving dangerously past growling and obstinate timber lorries. In the river beside the road, a raft of logs was being poled slowly down with the current, against an enduring background of rice fields and small conical mountains.

After a night on hard boards we were up early the next morning to the loud, scratchy, recorded broadcast of revolutionary songs which acted as the muezzin call to work in the communes. Breakfast was in the great barn of the commune with its peeling walls. The peasants, ready for the day's work, sat at round tables with a continuous fixed bench, bent low, slurping great bowls of noodles. We ate more sedately of rice gruel, egg cake, preserved cabbage and 'wool' made from slowly frying pork which is stirred until it breaks into fibres. Outside, to our surprise, the public wall newspapers in their glass cases announced the resignation of Lord Carrington as Foreign Minister. News of the Falklands War had reached furthest Fujian!

Breakfast over, we were off in the sunshine to climb and stroll around the great stone cliffs of Wu I. Far down below, the waters of the winding river were blue and green, bordered by the brilliant spring leaves of neatly coiffed tea bushes. We rode on bamboo rafts with curled bows, and were poled through rapids and across deep clear pools. We walked ancient stone paths, past statues lying in the grass waiting for restoration and through terraced tea gardens, and wondered at boat burials hundreds of feet above us in a carved-out hollow in the cliffs.

While Fuzhou is the capital city of the province, the former treaty port of Amoy (E-mng in Hokkien and Xiamen in Putonghua), because of its deeper water and its road connections to Guangdong, has overtaken Fuzhou commercially and as an attraction for investment. In 1982 it was quickening to the call of economic reform. Many shops were still boarded,

there were few vehicles on the street and the predominant colours were blue and grey, but down at the airport it was a different scene. Hundreds of workers were working with rudimentary equipment, picks, shovels and wheelbarrows, building for the future, to make Xiamen one of the show places among the coastal cities.

No one should leave Xiamen without crossing by ferry over the mile or so of water to Gulangyu, a humped island lying across the front of the main town, home in imperial times to the treaty port officials, the customs officers, the consuls and the rich, retired sugar, rubber and tin merchants from South-East Asia. We strolled past the burnt remains of the British Consulate and the foreign cemetery with its gravestones broken during the angry emotions of the Cultural Revolution. We peered past the pillars into the empty shell of a tycoon's house, surrounded by other houses where his wives had lived; the billiard table was still there with torn baize, an ancient Hoover was propped against a wall, and the marble statues still stood on the newel post. We could almost hear the tinkle of champagne glasses and the cocktail chatter of earlier days. We found the houses in which our friends and companions had spent their childhood, and perhaps we passed the bungalow in which our Governor, Sir Murray MacLehose, had lived before the war, while learning Hokkien.

Ours was a memorable visit. We were fortunate to be able to see this world at an early stage in the process of change and modernisation and, from what we had seen and the frank conversations we had had, to come away reassured about the reforms taking place in China and by extension, Hong Kong's own future, heavily dependent as it was upon China's stability and its opening to the world outside. We had had an opportunity to talk with provincial leaders, to see life in the countryside, to witness the construction of new roads, and to walk and talk among the ordinary people. It was many years yet before reunification, but here were the visible signs of the China to which Hong Kong was to be restored. China seemed set on a path of reform and change in the lives of its people from which there would be no turning back.

This visit was also important for me personally because it meant that when I later took part as a member of Hong Kong's Executive Council in the negotiations about Hong Kong's future, I did so with more confidence in the eventual outcome than those who had not had an opportunity to see China at first hand. It was an outcome which, having seen what we had seen, we could now contemplate with more confidence.

In 1982 I believe it is fair to say that there was still a good deal of scepticism about the reforms and changes taking place in China. I shall never forget how, in one of our visits to Hangzhou, we stood and toasted noisily with local leaders who said of the Cultural Revolution, 'It will never happen again!' People in Hong Kong, however, many of whom had lived through the early days of the People's Republic, had a less sanguine perspective. The view of Hong Kong's future seen from the West and also by doubters in Hong Kong was that it was going to be 'taken over' by the communists and that the People's Liberation Army would come marching in.

This visit to Fujian was the first of many visits to China with our Chinese friends during the following years. We flew to the far north-east to Jilin province and visited the corner of China where the borders of China, North Korea and Russia meet. We travelled in a minibus for thirteen days along the Silk Road from Lanzhou to Kashgar and later from Lanzhou down through Sichuan to Chengdu. We visited the former British naval base at Weihaiwei and paid our respects to the grave of Confucius at Chufu. We stood on the summit of many mountains and saw the scenery which has made China famous, Gweilin, Huangshan, Taishan, Ermeishan, and the mountain ridges at Jinggongshan where China's leaders had planned the Long March. And of course we watched Shanghai and the towns and cities around it become transformed from the dim-lit grey buildings of the past into the modern world.

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## Light and Nuclear Power

**T**here were other more practical happenings to scratch the nerves of an already anxious community. Two measures of the growth of Hong Kong are the need for more and more water and the building of power stations. Factories work around the clock, and the lights of office towers burn into the night as analysts and others work midway between the financial markets of America and Europe. The brilliant shop signs of the crowded streets are symbols of a city that never seems to sleep. The two power companies, Hong Kong Electric and China Light and Power, which supply Hong Kong and the islands and mainland Kowloon and the New Territories respectively, each built new giant stations, models of their kind whose smokeless chimneys poke like giant joss sticks above the skyline of the hills. It was not enough. When nuclear power was less an object of protest than it is today, time was spent looking around the colony to see whether, in its small compass, there was a remote corner where a nuclear station could be built. But it was a fruitless quest, as there was nowhere to be found sufficiently distant from towns and villages, neither in the remote north-east nor the far south-west. The idea that Hong Kong should have its own nuclear station was dropped.

Sir Lawrence (later Lord) Kadoorie, chairman of the China Light and Power Company and a man of vision, understood the precariousness of Hong Kong's position as a capitalist colony and a tiny bit of empire on the coast of the Chinese giant. He saw that the future lay in building strong links of mutual interest with China. He realised, too, that industrialisation

of the Pearl River delta and modernisation of the cities of southern China would all require immense supplies of power. Hong Kong itself would need more power, but before the full capacity of a modern power plant could be used in Hong Kong, electricity surplus to local requirements could be supplied across the border to the Pearl River delta where it was in short supply. A start had already been made by 1980, when overhead power lines began carrying electricity from Hong Kong north across the border into the grid of the Guangdong Power Company. And in the course of discussion to interconnect the transmission network further, the question was raised of constructing a nuclear power station to supply both Guangdong and Hong Kong. By the end of 1980 the technical feasibility of the idea had been confirmed. Discussions about the future of Hong Kong had not yet begun but here already was specific evidence of how important China viewed her future role and relations with Hong Kong and the future.

The two Hong Kong power companies separately enjoy a monopoly in their basic supply areas of Hong Kong Island and Kowloon and operate under schemes of control limiting profits and ensuring that they meet their obligations to serve the needs of the growing population and economy. When the feasibility of constructing a nuclear power plant some distance across the border in mainland China had been confirmed, agreement to proceed was reached between the UK, China and Hong Kong. A joint venture company would be formed in which Hong Kong would have a 25 per cent interest and take 70 per cent of the power. The nuclear island of the station would be French and the conventional island, the generators, British. It was estimated to cost US\$ 3.5 billion. But specifically it was to be a Chinese power plant built in China.

The political significance of this giant project, which involved so many participants, put a stamp of confidence on the future, and it underscored China's commitment to Hong Kong. Here was power flowing across the border, first from Hong Kong to the mainland and then, with the completion of the nuclear station, from the mainland to Hong Kong. Britain and France were helping to build the station and then later to manage the

plant for a period, to train and work alongside Chinese scientists and operators. And if Hong Kong had no long-term future as a separate capitalist entity and yet was expected to continue to pay the going rate for the power it consumed, why was China investing in such a long-term project? Lord Kadoorie saw the significance of this, but for those who had no ears to hear it was pushed to the background as just another part of Hong Kong development.

Public interest was low key and focused on the safety aspects, coming mainly from those who did not trust China's competence to build and maintain a nuclear power station. The management and maintenance of buildings in China was poor: 'Look at the hotels,' they said. Then in April 1985 came the Chernobyl meltdown with its disastrous escape of radiation. Now there was justifiable anxiety, and street protests and mass signature campaigns followed, led by some teaching staff of the Chinese University. Processions were organised, led by Legislative Councillors. However, Allen Lee Peng-fei, one of the Legislative Councillors, took a contrary view and was reported as saying that 'Daya Bay has been skilfully exploited by activist groups in fanning the citizens of Hong Kong into a frenzy of fear'.

Things came to a head during the summer of 1986 while I was Acting Governor and when the Legislative Council was not in session. A fact-finding mission of councillors led by Executive Councillor Ms Tam Wai Chu was circling the globe visiting nuclear installations. Before the mission returned and could report, some members of the council, flexing their muscles and trying to sideline the fact-finding mission, pressed me to recall the council for a special debate. This request would have raised the temperature without contributing to informed discussion. I refused to recall the council until the mission had returned and until details of the operation, monitoring and safety measures of the plant were known. When these were made public, when hundreds of visits to the plant while under construction were taking place and when people were able to talk to the serious and reassuring Chinese engineer in charge, there were no more protests. Eventually two debates took place in the Legislative Council; the first attempted to stop the construction and was heavily defeated, the



second took a more balanced view and concentrated on asking for safety measures to be scrupulously pursued by the government.

Countries like France, the supplier and builder of the reactor, depend upon nuclear energy. Hong Kong has serious air pollution, and the Daya Bay power station, 70 per cent of whose electricity flows into Hong Kong, helped stave off the need for further polluting fossil fuel plants; moreover the electricity was cheaper to produce. A special communication line crossing the border to the Hong Kong Observatory was installed to monitor radiation levels. Everything possible was done to reassure. In December 1993, thirteen years after the idea had first been discussed between Chinese officials and Lord Kadoorie, the plant began supplying power to the Hong Kong grid.

The smouldering worries about Daya Bay served to bring politicians together and gave an added impetus to the need to reach a consensus on the clauses to be included in the Basic Law dealing with the political system after 1997. In the summer of 1986 a coalition of drafters of the Basic Law, Legislative Councillors, academics, lawyers, District Board members and municipal councillors agreed on a future legislature of sixty members, half of whom would be directly elected, the other half to be divided between representatives of functional groups and those elected by an electoral college. When the draft was finalised in January 1990, this was the agreed formula to be implemented phase by phase, up to and after 1997. The views were moderate; there were no angry demonstrations, no shaking fists, no banners demanding instant democracy, but rather a sombre realisation of what was attainable in the face of China's often-expressed concern for stability. This concern was described officially, but boringly for the impatient fist-shaker, as 'gradual and orderly progress'!

About this time I was returning one day from a helicopter survey of our new town development and flew over terraced steps cut into a rocky hillside which had been intended for the barracks of a battalion of Gurkhas to stem an earlier surge of illegal immigrants crossing to Hong Kong, and which became the victim of British budgetary defence cuts. The site sloped steeply down to the water and the bare terraces looked out on a scene of

islands floating in an empty sea. We circled the site while I photographed, and I carried the photos back to the Governor. It was the Governor's ambition to build a third university to meet Hong Kong's need to concentrate more on science and technology. The site was chosen and the University of Science and Technology was built in a record three years; since its opening in 1994 it has become one of Asia's leading universities.

My work as Chief Secretary was fast coming to an end, but there was no let-up in the stream of ministers, councillors, professors, young leaders, lawyers and journalists who came to breakfast, lunch and dinner. First it had been the agreement, now the topic moved on to what was going to happen in 1997. We had endlessly to reassure, to point out that we had a detailed agreement with China, ratified by both governments and registered with the United Nations. Hong Kong would continue its membership of world organisations, the legal system would remain intact, the capitalist economic system would continue, land leases would be renewed and new ones issued for fifty years, and if a symbol were needed to reassure and to signify improved Sino-British relations, Her Majesty the Queen and Prince Philip had been welcomed in China. The auguries could not have been better, but disbelief continued.

**P**resident Jiang Zemin addressed the 15th Party Congress of the People's Republic of China on 12 September 1997 as follows: 'China is in the primary stage of socialism. Correcting the erroneous concepts of the past is a new endeavour. We have done what was never mentioned by Marx, never undertaken by our predecessors and never attempted in any socialist country. We can only learn from practice, feeling our way as we go.' Chairman Deng put it more colourfully when he said it was like crossing a river feeling the stones with your feet.

Since these words were spoken, the speed of change has been nothing short of phenomenal. China, with over a billion people to govern, has changed gear, introducing fundamental changes to its economic structure, introducing four modernisations – in industry, science and technology, agriculture, and the military – and opening its doors to the world, calmly and quickly.

Now that the changes introduced by Deng in 1978 have been operating in China continuously for twenty-four years, foreign investment, particularly from Hong Kong or funnelled through it, has poured in to harness China's labour force in order to make the goods demanded by the markets of the West and to join in the building of cities and towns, highways and power stations. The financial markets have opened and the stock exchanges of Shenzhen and Shanghai are quoted in Hong Kong. China is always in the news and almost every day there has been some new development and excitement.

Flights to mainland cities have become a commonplace and there are tens of flights from Hong Kong to Shanghai; fast ferries and an electrified railway line make 250 million trips by people every year out of Hong Kong to every part of China, and more and more visitors come from the mainland to Hong Kong. Other Chinese travel further afield. Students from China flock in their thousands to the universities of the West, and those who do not follow on with a career in the West are bringing back to China new experiences and knowledge, as well as fluency in English and other languages. In one month alone, half a million visitors from the mainland visited Hong Kong.

The agreement as to how Hong Kong was to fit into China after the return of sovereignty allowed it to continue to develop physically, economically and socially and set the parameters of political development for at least ten years after 1997. Hong Kong people would govern Hong Kong with a high degree of autonomy, and it would retain its capitalist system. But in the years it took to reach an agreement with China about the future of Hong Kong, no one predicted the remarkable pace of change in China itself. Mentioning it would have been met with disbelief, and even accusations of going soft on China. Hong Kong failed to comprehend the full effect that this was going to have on Hong Kong.

In 1997 Hong Kong embarked on its journey as a Special Administrative Region within China with many factors in its favour. The economy was healthy and resilient and, unlike surrounding territories, because of its huge foreign exchange reserves, it was able to resist being detached from its anchor in the US dollar. The economy had its armoury of special characteristics: the utilities, business and industry were not subsidised; the rate of taxation was low and limited in its range; there was regulation of business without interference; and the government's finances were managed with puritanical rigour. The judiciary was independent; we shared a common law system with many other jurisdictions; and we had our own Court of Final Appeal. Hong Kong made no contribution to the coffers of the central government of China, nor any contribution towards defence, as it had to Britain in colonial days. An effective commission

against corruption was independent and had far-reaching powers. There was free and open daily discussion of affairs, and protests against perceived injustice were a regular safety valve. And we retained our independent membership of world financial, economic and trade organisations.

These characteristics are all embedded in the Basic Law. What previously went without saying is now provided for by law: Hong Kong has by law to provide an appropriate environment to maintain Hong Kong as an international financial centre; the law requires it to avoid budget deficits and keep budgets in pace with the growth rate of the economy; Hong Kong keeps the money it earns; it must retain its status as a free port and safeguard the free flow of capital. There is much more on these lines to demonstrate the special nature of the Administrative Region.

When the negotiations were concluded in 1984 to preserve this strange hybrid, it seemed that there was plenty of time: thirteen years to go before the return to China. This was an illusion. The years passed all too quickly in making the arrangements and putting into place the laws to solidify the political structure. Attention was focused on these issues, more particularly during the final five years. There was not the motive of the driving excitement and imperative of looming independence, as in other colonies, for local politicians to take a hard and questioning look at aspects of the social order, so as to make a start, even before the handover, on putting right things which badly needed attention.

The colonial government possibly overdid the policy of non-intervention, of leaving Hong Kong to develop on its own lines without interference and without trying to adjust to the world around us. It was left too long and too late before it was realised that after more than a century and a half of British rule a knowledge of English was restricted to a comparatively small elite, and that we lacked sufficient men and women familiar with the new technologies which our developing economy needed. It was up to the incoming government and Hong Kong's new Chief Executive to begin to overhaul the education, health and social service systems, to introduce crash courses in English on a widespread scale and bring native-speaking English teachers into some of our schools. And the

new government finally had to grit its teeth and, despite uninformed opposition, introduce measures to deal with worsening air pollution, which at times was so bad that Kowloon was barely visible from Hong Kong.

Hong Kong, with its population of nearly seven million and growing, is challenged now perhaps more than it has ever been by its lack of natural resources, by the migration of its industry to China and by the changes in the global economy. In the past twenty or so years its economy has become intertwined with, and dependent on, the mainland. Hong Kong is the largest investor in China and China is the largest investor in Hong Kong. Hong Kong has factories, hotels, shopping malls, and residential and commercial property in China. It trades the stocks of Chinese companies, and red chips mingle with blue chips.

Nevertheless, Hong Kong has advantages which will be difficult to replicate in mainland China, for it will take many years for China to adopt and implement a system of law which can synergise and march easily with the legal systems of the West. Concentration in China now is on growth and on gradually reducing the role of the state in the economy. This is not easy and will be a fairly prolonged process as the huge numbers of unemployed and displaced persons are accommodated. China has an ageing and a continually growing population. So China, too, has problems of her own to cope with. Hong Kong has its laws and legal system which have international understanding and backing; it has its freedom and all the safeguards provided by the Basic Law, and the central government of China has been entirely scrupulous in the manner in which it has observed its international obligations under the agreement with the United Kingdom.

There were those who predicted a doomsday scenario for Hong Kong because of 1997. In an astonishing turnabout, in 2001 the *Fortune* Global Forum met in Hong Kong! It will, however, require the patience of a few years before the results of decisions which have been taken and are being taken every day to begin to show. Science parks are near completion and the first tenants are moving in. Small and medium enterprises are being helped to improve; innovation is being encouraged. New reclamations

will transform the Hong Kong waterfront. New railways are already being built, and the first will open in 2003. In Kowloon a new centre for theatres and galleries will take shape. Tourism will get a substantial lift when Disneyland is complete in 2005. Most of these improvements will take time to implement and their contribution to increasing employment and opportunities will be gradual, but certain.

Hong Kong's vision is to become the world city of Asia. As the months of the new century pass, its integration with the growing economy of southern China will strengthen. The twin city of Shenzhen which stretches along our northern boundary already has a population approaching seven million, and all the towns of the Pearl River delta are developing, including the urban renewal and expansion of Guangzhou, and are being linked together by motorways and railways. The two economies of Hong Kong and Shenzhen are moving towards a level when the controls at the entry points will be open day and night and there will be a free flow of people for employment between them. People, increasingly, will live in the suburbs north of the boundary and commute to Hong Kong, as do the workers in other great cities of the world.

Will Shanghai be a threat? This is the wrong question. There is room and a need for both Hong Kong and Shanghai: Hong Kong serving the huge, populous region of southern China, and Shanghai serving a great region of growth stretching inland to Chongqing.

I have written elsewhere in these pages of Hong Kong's continuing tendency to look outward to the rest of the world and to pay insufficient official heed to developments on its doorstep in China. But Hong Kong has always been dependent to a greater or lesser degree on the economy and the politics of China. In 1949 with the success of the People's Liberation Army over the forces of the Guomindang, it was a political decision which halted the PLA at the border, for they could very easily have swept in and over Hong Kong. During the years which followed, Hong Kong relied very heavily on cheap and regular supplies of food from China. Since the beginning of economic reform in 1978, Hong Kong's industry would not have survived if it had not been able to move to China.

Hong Kong has been sustained in these years by China's indirect contribution to its economy. This has been taken for granted and has tended to leave intact an outward-looking attitude which is slow to change.

Hong Kong today is facing questions which it has never previously had to face. During the colonial period it never had to ask 'What is my identity, who am I?' Our interpretation of the phrase 'one country, two systems' concentrated on the superiority of our system and its proud possession of the rule of law, on our freedom, our administration, our simple tax structure and our economic well-being, so much so that we failed to evaluate the significance of what was happening north of the boundary in Shenzhen and of the changes taking place in the rest of Guangdong and throughout China. We have been absorbed by the challenges faced by our one system and have neglected the fact that, although we are a Special Administrative Region, we are one of the cities of one country. As I write, the Chinese economy continues to grow at 7 per cent overall and Hong Kong's economy grows at 1.5 per cent. Compared with the days when unemployment in Hong Kong was negligible, it is now over 7 per cent. This is a serious and hitherto unknown problem.

As part of the means to meet these challenges, we cannot be passive onlookers to the transformation in China as though the effect it would have on Hong Kong were not something to concern us. Only recently have we begun to enter into serious discussion about finding a solution to the shared problem of air and water pollution. We have to find a means so that the undoubted benefits of our system of law and financial management and our service economy can become more useful and more used by business enterprises in China. And we have to be more proactive, more aggressive in pursuing ways to link our transport infrastructure with that of China so that it facilitates not only the transport of goods but the movement of people, and enables further investment by Hong Kong in those areas of the neighbouring province that are relatively less developed. We must develop transport links which stretch out like a fan with Hong Kong as a hub, and we must build the bridges to Zhuhai and



the west. Like other world cities we need our commuter express trains, and we need to entice Chinese enterprises to set up their offices in Hong Kong, with its access to and knowledge of overseas markets, to use Hong Kong as a base for their overseas investments, and to see Hong Kong as a useful avenue to the world.

To say that China needs Hong Kong and cannot live without Hong Kong is overstating the case. However, Hong Kong has to face up to the situation that those attributes and aspects of our society which we regard as unique protectors of our way of life and prosperity are also moving into China. Lawyers, accountants and professionals of all kinds are gradually shifting the emphasis of their work into China.

Despite gradually losing its pre-eminence in many areas, it is Hong Kong's opportunity and destiny to become the focal point of a huge metropolitan area stretching from Guangdong, eighty miles to the north of Hong Kong, to encompass the whole of the Pearl River delta. It will need far-reaching and speedy decisions if Hong Kong is to succeed in this and not be left by the wayside.

Finally, if Hong Kong is to become truly international it must shed its fear of immigration of people from around the world to work and students to study. Only then will we become the world city of Asia and one of China's great cities with our own special characteristics.

This is the vision. Will Hong Kong rise, as it has in the past, to those great challenges? I believe it will.

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