

**THE PRINCIPLES AND FLEXIBILITY IN  
CHINA'S EXTERNAL RELATIONS:  
THE CASE OF HONG KONG**

**DONG MING (MSc)**

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University of London**

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## Abstract

This thesis examines the evolution of China's Hong Kong policy in the period 1949-84, and how China came to reach its agreement with the British government over Hong Kong's future. It attempts, through the study of China's Hong Kong policy, to explore one of the most important aspects of China's external policy -- the combination of principles and flexibility, and how Chinese leaders rationalized a flexible external policy in accordance with their principles.

In general terms, the thesis analyses how the ideological convictions of Chinese leaders have shaped their view of the world, moulded their strategy, and provided the rationale for both the ends and means of their policies. It will also outline the principles applied operationally in China's external relations. There then follows a discussion of the particular tactics and processes of decision-making as relevant to the Hong Kong issue. China's legal interpretation of unequal treaties is contrasted with its actual position, from both a theoretical and practical point of view.

With specific regard to Hong Kong, there is a detailed analysis of the evolution of China's Hong Kong policy. This begins by examining the establishment of China's Hong Kong policy in the early years of the People's Republic. The factors contributing to China's tolerance of a British colony on its doorstep are considered. How China came to reach a tacit understanding with Britain for maintaining the status quo of Hong Kong is explored.

The examination then turns to the impact of the Cultural Revolution on China's Hong Kong policy. Particular attention is paid to the PRC's policies towards overseas Chinese and to possible lessons to be learnt from Beijing's handling of its Hong Kong policy in a delicate situation. The changes in China's domestic politics after the Cultural Revolution are related to the country's external policies, especially regarding Hong Kong. The connection between China's Hong Kong policy and its Taiwan policy is also discussed.

The subsequent consideration of the negotiations between the PRC and the United Kingdom seeks to explain how Beijing maintained its stand on the principal issues such as sovereignty while, at the same time, being flexible on specific matters. Finally, the concept of 'one country, two systems' is examined, with particular reference to China's declared principles of territorial integrity, sovereignty and unification, on the one hand, and its pragmatic goals of economic development and modernization on the other.

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Dong Ming

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## **ABBREVIATIONS**

CATC	Central Air Transport Corporation
CNAC	China National Aviation Corporation
CO	Colonial Office
COCOM	Coordinating Committee of the Consultative Group
CPC	Communist Party of China
CPG	Central People's Government
CPPCC	Chinese People's Political Consultative Conference
FBIS	Foreign Broadcast Information Service
FEER	Far Eastern Economic Review
FRUS	Foreign Relations of the United States
FO	Foreign Office (British)
HMG	Her (His) Majesty's Government
JLG	Joint Liaison Group
NCNA	New China News Agency
NPC	National People's Congress
PLA	People's Liberation Army
PRC	People's Republic of China
ROC	Republic of China
SAR	Special Administrative Region
SCMP	South China Morning Post
SEATO	South East Asia Treaty Organization
SEZ	Special Economic Zone
TKP	Ta Kung Pao

## **A NOTE ON TRANSLITERATION**

Chinese names, terms, phrases and titles used in this thesis are given in Pinyin, the official system of transliteration in the People's Republic of China. The exceptions are those applying to Hong Kong and Taiwan where Wade-Giles has been adopted.

## INTRODUCTION

From its establishment in 1841 as a British colony, Hong Kong has survived successive changes of regimes on the mainland. The birth of the People's Republic of China under the domination of the Communist Party of China (CPC) in 1949 seemed a threat to the colony's very existence. It was feared that the new government was determined to overrun Hong Kong. The Chinese Communists had strong anti-imperialist and anti-colonialist sentiments and were concerned to remove the humiliation which the unequal treaties of the 19th century represented. It was also thought that the PRC had the military ability to take over Hong Kong in a matter of days. The PRC could also have used its supporters in Hong Kong to wage a 'people's war' or, instead of resorting to violent means, it could have introduced a total blockade of the colony.

Yet none of these options was adopted and Hong Kong continued to be a British colony. It was not until the 1980s, that the status of Hong Kong was challenged, and with it the colony's future.

Britain and China formally entered diplomatic negotiations in October 1982. After two years of negotiations, the two governments reached a historic agreement on the future of Hong Kong. According to the agreement, the British government would restore Hong Kong to China with effect from 1 July 1997, while the Chinese government promised to maintain Hong Kong's existing social, political and economic system without change for at least fifty years after 1997 and to allow Hong Kong a high degree of autonomy under China's sovereignty.

China's tolerance of the existence of a British colony on

its doorstep and its pragmatic approach towards the settlement on the territory's future seem to be in contradiction with the ideology and principles which the Chinese communist leaders have always proclaimed. For a country whose leaders have always insisted that its foreign policy has been based on firm principles consistently applied, this raises an important question. The apparent anomaly of the continued existence of colonial Hong Kong on the doorstep of the state whose leaders have portrayed themselves as in the vanguard of opposition and struggle against imperialism requires explanation. So flagrant a contradiction could not be the result of an oversight. Therefore the question that arises is what principles did Chinese leaders apply in the case of Hong Kong? Were they applied flexibly within an accepted series of operational guidelines or was only lip-service paid to them? The issue of Hong Kong therefore is an important test case for examining the significance of principles and the conduct of China's external relations.

Since the 1980s, the question of Hong Kong has attracted considerable academic research, particularly by Hong Kong-based scholars. The books published in recent years have covered almost every aspect of the question of Hong Kong. However, while a great deal of this research has focused on Hong Kong's political and economic development in connection with the territory's future, little attention has been given to the evolution China's Hong Kong policy, particularly the way in which the Chinese government has conducted this policy in coordination with its overall external policy, in varying domestic and international circumstances.

The literature produced by Western scholars on China's

foreign policy has normally focused on China's global as well as its regional role, and on its bilateral relations with other countries, particularly the United States and the Soviet Union. The factors shaping China's foreign decision-making have been widely explored. There are two general approaches adopted in studying China's foreign policy. One emphasises the domestic political conflict, including the influence of Marxism-Leninism and Mao's thought, the historic legacy, traditional political culture and factional politics, and the bureaucratic factors. This approach is reflected in John King Fairbank's works which stress China's traditional foreign relations, Lucian Pye's political-cultural study of factionalism and nationalism, and Kenneth Lieberthal and Michael Oksenberg's research on China's bureaucratic structure and process. A second approach sees China's foreign policy as a response to outside threat, which is dominated by the country's concern for security and territory integrity. Steven I. Levine concludes that China's foreign policy agenda is dominated by its desire to prevent any other power from establishing hegemony in Asia, suggesting that China is a regional power without a regional policy. Michael Yahuda's works focus on China's geopolitical situation, suggesting that underlying the apparent changes there is considerable continuity in China's foreign policy.<sup>1</sup> The two approaches are

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<sup>1</sup>See, John K. Fairbank, edited, *China's World Order*, Harvard University Press, 1968; Michael Yahuda, *Towards the End of Isolation, China's Foreign Policy after Mao*, Westview Press, 1984; Steven I. Levine, China's Regional Role, in Harry Harding edited, *China's Foreign Relations in the 1980s*, Yale University Press, New Haven, 1984; Kenneth Lieberthal & Michael Oksenberg, *Policy Making in China, Leaders, Structures, and Processes*, Princeton University Press, Princeton, N.J., 1988; These references are representatives of an extensive literature too numerous to cite. But the more

not necessarily mutually exclusive, but their focus is clearly different. It would appear that, in the case of Hong Kong, both domestic and international factors have contributed equally to Beijing's decision-making and a combination of the two approaches is thus permissible in the study of Hong Kong.

The concepts of communism and nationalism are frequently mentioned in academic accounts of China's external policy, but so far the complexities inherent in demonstrating their specific impact on China's actual policy have not been addressed. More specific aspects of the ideology and principles of China's external relations need further attention, especially when they are in apparent conflict with China's actual policy.

The position of Hong Kong in China's external relations has been neglected. Research on China's external policy can be carried out through a variety of perspectives and case studies. Yet the case of Hong Kong is unique. Not only does it strongly involve the important issues of sovereignty and unification of China as a whole, but it also occupies an important position in contributing to China's practical needs. Hong Kong is at a crucial juncture of China's domestic politics and external policy. China's Hong Kong policy has always reflected both China's domestic interests and its overall external policy. Hong Kong thus provides a significant case study for China's external policy, especially the way in which Beijing seeks to combine its principles with practical considerations.

The books and articles written by Chinese scholars on important writings are listed in the bibliography.

China's external policy tend to lack objective analyses, but they are useful because they largely reflect the government's position, providing a theoretical interpretation for governmental policy.

This thesis assumes that China, as a socialist country dominated by the communist party, displays great differences with non-socialist countries in terms of political system, ideology and other aspects that necessarily influence its foreign relations. However, as a state, China's external policy has reflected its domestic interests, such as the country's security, territorial integrity and economic development. Thus, in conducting its external affairs, China can be as realistic, pragmatic and flexible as other countries. On the other hand, Chinese external policy is also the outcome of the Chinese leaders' perceptions of needs, interests, and beliefs and their perceptions of the outside world. For historical as well as ideological reasons, Chinese leaders have attached special importance to the inviolability of sovereignty and national unification. The principles that they have upheld have had considerable impact on China's external policy and determined the limits to its flexibility in conducting external affairs. The dilemma of reconciling principles and flexibility is clearly illustrated in the case of Hong Kong.

Since the Chinese leaders are concerned about China's national interests, operational principles have evolved to provide guidelines for day-to-day policy in China's external relations. Those principles which are regularly expressed in the CPC's official reports have to be consistent with the party's stand on Marxism-Leninism and Mao Zedong thought,

while the more operational principles reflect China's fundamental interests relating to China's national security, territorial integrity and the need for economic development. The declared principles and operational principles often complement each other, though they can be contradictory. This thesis will focus on those principles applied operationally in China's external policy and will examine how Chinese leaders modify them to suit different circumstances.

The notions of 'declared principles' and 'operational principles' are related to what Joseph Frankel distinguishes as 'aspirations' and 'actual policy', or 'long-range objectives' and 'short-range' objectives. Frankel states that "while long-range objectives can be reasonably well deduced from an ideology, the shorter the time-scale, the less the necessary correlation between the aspirations and the actual policies". Thus, "when it comes to day-to-day conduct of state affairs, to the tactics of foreign policy, expediency usually takes precedence over ideological guidelines".<sup>2</sup>

Operational principles are related to 'core values and interests' -- a notion frequently used in the literature on international relations. Ensuring the sovereignty and independence of territory and perpetuating a particular political, social and economic system are seen as the most acceptable contents of 'core values and interests'.<sup>3</sup> They are so important and well-grounded that they turn into

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<sup>2</sup>See, Joseph Frankel, *International Politics, Conflict and Harmony*, Allen Lane The Penguin Press, London, 1969, p.

<sup>3</sup>Kalevi Jaakko Holsti, *International Politics, A Framework for Analysis*, 4th edition, Prentice-Hall, Englewood Cliffs, N.J. 1983, p.129.

'principles'.<sup>4</sup>

The thesis is not a comprehensive study of China's external policy, although the major developments are systematically described for the period 1949 to 1984. It does not seek to provide a deep analysis of Hong Kong's internal politic or economics, but rather highlights the impact of China's policy. It attempts, from the specific point of view of principles and flexibility, to examine the development of China's Hong Kong policy within the major sweep of its external policy. By so doing, it might provide a better understanding of China's Hong Kong policy and of China's behaviour in handling similar cases in which principles and reality are in conflict.

This thesis has absorbed the knowledge provided by the existing literature on China's foreign policy, China's domestic politics and economics, British foreign policy, and general international politics and international law. Primary sources used in the thesis include the files available in the British Public Record Office and the Hong Kong Public Record Office, official statements of the governments of China, Britain and Hong Kong, interviews and memoirs.

The main policy items of the Chinese government are translated into English and printed in Chinese official English language newspapers, such as the China Daily, and periodicals, such as the Beijing Review. This is especially the case when the translations themselves are regarded as official, such as the selected works of Mao Zedong, Zhou Enlai and Deng Xiaoping. This thesis generally uses the English

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<sup>4</sup>George Modelska, *A Theory of Foreign Policy*, Pall Mall Press, London, 1963, p.86.

translations when they are available, with the original Chinese sources mentioned in footnotes.

News reports and analyses are another important source for research. The Hong Kong media is clearly divided into different categories on the basis of the attitude towards China. Several newspapers and magazines are influenced by the Chinese authorities and reflect Chinese government's position. This fact is taken into account in the thesis.

## Chapter One

### Principles in the Conduct of China's External Policies

China's Hong Kong policy has, on the one hand, been subject to the country's overall external policies, while on the other hand, it has reflected to a certain degree the character of China's decision-making process on territorial claims and other matters left over from history. To understand China's policy on Hong Kong well, it is therefore necessary to explore some general aspects of China's external policy, particularly the theoretical perspectives. This thesis argues that while China's foreign policies have had a carefully articulated theoretical base they have been characterized by a tactical opportunism and adaptability that has enabled China's leaders to exercise remarkable flexibility in the conduct of their external affairs, especially in handling an issue as complicated as Hong Kong.

This chapter first examines the major aspects of ideology reflected in China's external relations. It then looks at the development of China's principles as applied to its external relations, and their relationship with the actual tactics employed and with the decision-making process.

#### **1-1. Ideology in China's external relations**

Ideology can be defined in several different ways and there is no single agreed definition. Nevertheless, in considering how the PRC's external policy came to be affected by a certain ideology, it is worthwhile examining the definition suggested by PRC scholars.

Ideology -- "Yishi Xingtai" in Chinese -- is defined by Chinese scholars as views on the world and society forming the basis of a certain economic system. It includes ideas and standpoints of politics, law, art, religion, philosophy and morality. It is part of a superstructure and has a distinctive class character in a class society, reflecting a certain social existence, such as feudalist ideology in feudalist society and bourgeois ideology in capitalist society. However, certain ideologies will continue to exist beyond their time, making their influence felt even after a particular society has changed. Thus, the establishment of the new regime in China did not mean the disappearance of all ideologies left over from previous societies.<sup>1</sup>

In the PRC, the ruling party is the Communist Party which regards communism as an official ideology. The Communist Party of China (CPC) has always stressed the need to promote communist ideology within the party to guide internal affairs, and it has also paid considerable attention to approaching its external policies on ideological considerations. Ideology, in the eyes of the CPC, is not simply a system of ideas or beliefs. It has also been the basis for the legitimacy of the CPC's leadership and served as a guideline for its major policy. In other words, China's external policies have been ideologically affected. However, China has not simply grafted communism onto its external policies. Marxism-Leninism, and even Mao Zedong Thought, do not constitute useful manuals for the day-to-day operations of China's diplomacy. The question of the influence of ideology on China's external policies can

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<sup>1</sup>*Dictionary of Philosophy*, Jilin People's Press, China, 1983, p.372.

be explained by the notion of 'practical ideology' -- ideas, principles, and preferences that provide the dominant conceptual framework of the leadership's intentions and actions, the matrix of its collective conscience.<sup>2</sup> Motivated by practical needs, the CPC has developed more adaptable or flexible forms of 'ideology'. These forms are examined below.

1) **Anti-imperialism** The CPC had made its well-known anti-imperialist stand long before the final seizure of power. This preoccupation of the CPC with imperialism was the result of bitter experience at the hands of Western powers. Thus the notion of anti-imperialism was actually shared by most Chinese people, particularly intellectuals with powerful nationalistic and patriotic feelings. Mao followed Lenin's theory on imperialism based on class characteristics, and considered that the contradiction between imperialism and the Chinese nation, and the contradiction between feudalism and the great masses of the Chinese people, were the principal contradictions in modern Chinese society. Based on this estimation, Mao pointed out that the CPC bore two great tasks: to carry out a national revolution to overthrow foreign imperialism and a democratic revolution to overthrow feudal landlord oppression. "These two tasks", he said, "are interrelated. Unless imperialist rule is overthrown, the feudal landlord class cannot be terminated, because

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<sup>2</sup> This term was used by Professor Seweryn Bialer of Columbia University in explaining Soviet foreign policy. See, Seweryn Bialer, "Ideology and Soviet Foreign Policy", in George Schwab, edited, *Ideology and Foreign Policy -- a global perspective*, Irvington Publishers INC., 1981, pp.76-102.

imperialism is its main support."<sup>3</sup>

It would have seemed that with the defeat of the Kuomintang and the establishment of the People's Republic, the above-mentioned two tasks would have been accomplished. Yet, in Mao's view, the struggle against imperialism was still far from at an end. When the People's Liberation Army (PLA) was about to seize state power, he warned party cadres that to win a country-wide victory was only the first step in a "long march of ten thousand li".<sup>4</sup>

China's concern, firstly, was related to its understanding of the mutual influences of different ideologies. The Chinese leaders believed that imperialism would try every unscrupulous means to overturn the new regime, and that a severe struggle in the ideological field was inevitable.

Secondly, anti-imperialism reflected China's perception of external threat. It also served the government as a means of obtaining popular support. Indeed, from the very beginning, the new regime was threatened by external powers, in particular the United States. The Western bloc, headed by the United States, adopted a hostile attitude towards the PRC. China was isolated and only a few Western countries showed any intention of recognizing the new government. The American intervention in the Korean War and the subsequent direct Sino-American confrontation made matters even worse. During the Korean War and afterwards, the United States stationed its Seventh Fleet in the Taiwan Straits and, by a series of

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<sup>3</sup>Mao Zedong, "Chinese Revolution and Chinese Communist Party", *Selected Works of Mao Zedong*, Foreign Language Press, Beijing, 1965, vol. II, p.318.

<sup>4</sup>Mao Zedong, *Selected Works of Mao Zedong*, People's Press, Beijing, 1969, p.1328.

treaties, succeeded in forming an alliance involving Taiwan, Japan, South Korea, South East Asia countries and South Vietnam, whose aim was to contain China. The pressure of the US military forces clearly helped Beijing mobilize its people and served as an ideological motivation for the country's anti-imperialist drive.

As a result of the Soviet invasion of Czechoslovakia in 1968 and the bloody clashes between China and the Soviet Union in February 1969, China acknowledged a military threat from the Soviet Union. Its anti-imperialist ideology thus had a new target, but its primary function remained the same.

Thirdly, anti-imperialism provided Beijing with a common ideological ground in its relations with the newly developing countries. On many occasions, Chinese leaders reiterated to Third World countries that China shared a common experience with them and that they should stand together against the common enemy. Beijing was aware of the considerable differences between China and other Third World countries in terms of ideology and social system and it was therefore important to seek common ground in its efforts to win friends from Third World countries.

Thus, China, when it applied anti-imperialism to its external relations, was motivated, on the one hand, by the desire to form an international united front to counter external threats -- at first the threat from the United States, later from the Soviet Union. On the other hand, China's Third World theory was an expansion of its anti-imperialist ideology expressed in general terms which could tie China with the Third World countries on a common ground. Those two functions were interrelated, since Third World

countries were seen as the most important force in China's International United Front strategy.

The theme of anti-imperialism has been applied with great adaptability by Chinese leaders as testified to by the gradual weakening of its role in China's foreign policy, particularly after the Cultural Revolution when China started on a policy of economic reform and opening up. Internally, it abandoned the principle of "taking class struggle as the key link", admitting that class struggle only existed in limited scope and was no longer a common phenomenon in China. The principal contradiction, then, was to be the contradiction between the increasing demands of people for a better material and cultural life and the backward productive forces. Thus the CPC shifted its focus from class struggle to economic development.

This change in China's politics has had a profound impact on the country's external policies, and has provided a theoretical justification for its policy of opening to the West. Since 1980, the Chinese leadership has perceived a reduction in external military threats to its security from the two superpowers, and its view of the non-inevitability of war has thus changed.

The condemnation of imperialism has been modified by the Chinese leaders with the implementation of China's policy of reform and opening up. However the Chinese leaders have not abandoned the theme of anti-imperialism. Although they have become more pragmatic, they have been deeply concerned over the domestic impact of China's opening up to the outside world.

2) Patriotism can be defined in a simple term as love for

and loyalty to one's country, implying a readiness to act in its defence and to favour it in other dealings.<sup>5</sup> However, according to the interpretation of Chinese scholars, the patriotism of an exploiting class, such as the patriotism of the bourgeoisie, is limited by its class status, though it could have a positive effect in certain historical stages. But, with the intensive development of the contradictions existing within capitalist countries, bourgeois patriotism became a form of national self-interest and chauvinism.<sup>6</sup> What then, is Chinese patriotism?

Zhou Enlai once said that patriotism for China was the patriotism of socialism and the people's democracy and was not like capitalist chauvinism.<sup>7</sup> In the explanation of Chinese theoreticians, patriotism is rich in content, being a kind of ideological feeling and love for, and loyalty to, one's motherland, its culture and tradition; its valiant and industrious people; its independence, unity and dignity. It is also determined by certain historical conditions. Thus, in the semi-colonial and semi-feudal China, patriotism was regarded as saving the country from the oppression of imperialist rule, the corrupted ruling class and the feudal system. It was said that for nearly one hundred years, a thousand "noble-mind patriots" sacrificed their lives to save the country, but that their efforts failed because of the lack of a guiding communist ideology and the inevitable conclusion, therefore,

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<sup>5</sup>David Miller edited, *The Blackwell Encyclopedia of Political Thought*, Oxford University Press, 1987, p.319.

<sup>6</sup>Qian Junrui, *Building Socialism with Chinese Characteristics*. Hu Bai People's Press. 1986. p.412.

<sup>7</sup>Zhou Enlai, *Selected Works of Zhou Enlai (Zhou Enlai Xunji)* People's Press, 1979. vol.II., p.91.

was that "only socialism could save China."<sup>8</sup>

Thus, patriotism under the CPC's leadership can be seen as a further development of the traditional patriotism which had emerged in an intensive way as a result of Western imperialist penetration. It is also a patriotism, to an increasing degree, of promoting a *fugiang* (rich and powerful) China -- a goal that both the old generation of Chinese people, including the CPC leaders, and the younger generation have desired. This concept is also linked with a deeply rooted commitment by the CPC leaders towards a 'big family' inherited from imperial China to which they have continued to defend at all costs. 'Big family' is a notion referring to the Chinese state and contains not only the Han Chinese -- the largest ethnic group in the country -- but also the Tibetan, Mongol, Manchurian and many other minorities. Thus, in the process of seizing national power, patriotism became the unifying force to bring together people from different backgrounds. It also helped justify the CPC's united front strategy, and came to be the core of this strategy.

Beijing's patriotism has also been characterized by its dualism. On the one hand, the Chinese leadership has claimed that the new patriotism is tied up closely with the new society, the communist party being its fundamental manifestation. Communism and patriotism cannot be separated and the integration of the two is regarded as the principal characteristic of patriotism in the stage of socialism. According to the official view, people who love the country

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<sup>8</sup>Qian Junrui, *ibid.*, p.412.

should love the communist party and the socialist system.<sup>9</sup> The Chinese authorities tried to link patriotism with domestic mobilization as a means of winning support for communism. The CPC issued a 'study outline' on education in ideology in October 1983 which stated:

"We must proceed from education in patriotism, whip up people's patriotic fervour, and raise the level of their patriotic awareness. At the same time, we must link this kind of fervour with their specific practice in building socialism, and gradually help them raise their consciousness for communism."<sup>10</sup>

On the other hand, patriotism has been applied by Beijing as a means of mobilizing people to defend the country's interests, interests which are not necessarily concerned with communist ideology. "We are patriots", a Chinese leading theorist said, "with our own national pride and dignity. We will consistently fight for the independence and prosperity of China and for the unity of the whole country. We will permit no damage to national dignity or the national interest."<sup>11</sup>

This policy has produced another type of Chinese patriotism, one which can summon the overseas Chinese people and the 'compatriots' in Hong Kong, Macao and Taiwan. Beijing has clearly been alive to the fact that the only thing that could bind it with the overseas Chinese and the 'compatriots' is the sentiment of patriotism -- love for and loyalty to the fatherland. The CPC has carefully defined the criteria for the

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<sup>9</sup>Qian Junrui, *ibid.*, p.413.

<sup>10</sup>"The Practice of Communism and Education in Communist Ideology (Study Outline), the English text in *Foreign Broadcast Information Service (FBIS), China*, 21 October, 1983, p.K41.; also see, Allen S. Whiting, "Foreign Policy of China", in Roy C. Macridis, edited, *Foreign Policy in World Politics: States and Region*, Seventh Edition, Prentice-Hall International, Inc., 1989, pp.269-270.

<sup>11</sup>Qian Junrui, *ibid.*, p.413.

type of patriotism applying to people within China and the one relevant to the Chinese outside. While it has required people within the territory to love the country and, at the same time, to love the party and socialist system, Beijing has indicated that such a requirement did not apply elsewhere. It has stated that patriotism provides a broad political basis for the national united front policy of promoting the unification of Taiwan and the mainland which, in the eyes of Chinese leaders, is an alliance consisting of all socialist labouring people, patriots who support socialism, as well as the patriots, including the overseas Chinese and the 'compatriots' in Hong Kong, Macao and Taiwan, who support the unity of the whole country. "We would not force everyone to support the socialist system. To be patriotic or not is the basic political dividing line. We hold that all patriots belong to a big family, whether they rally to the common cause early or late, so long as they support and promote the unity of the country."<sup>12</sup>

3) Internationalism was central to the thought and activity of Marx and Engels. They considered that whereas the bourgeoisie in each country had its own special interests, the proletariat in all countries had one and the same interests, one and the same enemy, and one and the same struggle. Marx and Engels saw this common interest as lying not only in cooperation across frontiers to defend immediate class interests but also in creating a great social revolution. However, they also recognized that "though not in substance, yet in form, the struggle of the proletariat with the

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<sup>12</sup>Qian, Junrui, *ibid.*, p.322.

bourgeoisie is at first a national struggle".<sup>13</sup> Lenin further developed the concept of Marx and Engels and argued that "proletarian internationalism demands, first, that the interests of that struggle in any one country should be subordinated to the interests of that struggle on a world-wide scale, and second, that a nation which is achieving victory over the bourgeoisie should be able and willing to make the greatest national sacrifices for the overthrow of international capital".<sup>14</sup>

According to Beijing's definition, internationalism is the basic view of the proletariat in different countries aimed at maintaining international solidarity, and of promoting common interests to achieve a common goal. The proletariat should process its revolution not only for the fundamental interests of its own country, but also for the fundamental interests of all the people in the world.<sup>15</sup>

China's internationalism has primarily been based on the CPC's conviction that the socialist system in the end would replace the capitalist system, regardless of how much reactionaries tried to stop this process of history. From this point of view, China's interpretation of internationalism is thus not much different from that of classical Marxism-Leninism, which calls for the proletariat in the world to unite for the common cause to overcome the capitalist system

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<sup>13</sup>Karl Marx and Friedrich Engels, *Communist Manifesto*, Penguin Books, 1967, p.2.

<sup>14</sup>F. I. Lenin: "Preliminary Draft Theses on the National and the Colonial Questions for the Second Comintern Congress", Collected Works, vol.21, p.148.

<sup>15</sup>Social Science Dictionary (Shehui Kexue Cidia), Shanghai People's Press, 1979, p.617.

and realize communism.

Yet, when Beijing applied its policy of internationalism in its external relations, the scope of internationalism broadened. It appeared that China's internationalism was related to Beijing's wish to promote a friendly atmosphere and favourable conditions in its relations with Third World countries, rather than being related to its aspirations to create an immediate proletariat international revolution. The Chinese leadership believed that a great harmony of communism would emerge in the end, but at the same time it also considered that such communist harmony would not become a reality unless all countries in the world first achieved a socialist victory. The Third World countries were regarded by the PRC as revolutionary forces in the 20th century because they were victims of Western imperialism and colonialism. In this context, the CPC's understanding of internationalism was beyond the definition of classic Marxism which was based on class characteristics. From China's own experience, the revolutionary process consisted of at least two stages: the new-democratic revolution and the socialist revolution. The former was a part of the international socialist revolution because of its aim of opposing imperialism and international capitalism, but it was also different from that of a socialist revolution, whose aim was to destroy the capitalist system. A new-democratic revolution did not necessarily destroy any section of capitalism which could contribute to the anti-imperialist and anti-colonialist struggle.<sup>16</sup>

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<sup>16</sup>Mao Zedong, "Chinese Revolution and Chinese Communist Party" (Zhongguo Gemin yu Zhong Guo Gongchandang), *Selected Works of Mao Zedong*, People's Press, Beijing, 1969, p.613-614.

China has always regarded Third World countries as its potential allies on the battlefield against the common enemy. It considered that it would naturally stand with the oppressed countries and nations suffering from aggression and support their struggle to win and maintain independence and sovereignty. Thus, Beijing interpreted its involvement in the Korean War in the 1950s, its support for the Vietnamese war against French colonialism and US aggression, and its aid to Albania's resistance to Soviet pressure, all as actions of fulfilling its internationalist commitments.<sup>17</sup>

China has similarly regarded its aid to Third World countries as the fulfilment of internationalism. China's foreign aid cannot be said to be large in comparison with that of some Western and Soviet bloc countries. However, given in the name of internationalism, China's aid has bought itself a good reputation among the recipient countries.

It seemed, for the Chinese leaders, that patriotism was not contrary to internationalism. Theoretically, it was claimed, the proletariat of the world should stand together against capitalism in order to abolish the system of exploitation and oppression, but it should also adhere to the principles of independence and sovereignty. In practice, if the proletariat were unable to defend its national dignity and national interests or to handle its internal affairs by its own efforts, this would then damage the interests of the international proletariat, and it would therefore not be able to fulfil its international duties.

Anti-imperialism, patriotism and internationalism are thus

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<sup>17</sup>See, The Journal of International Studies. Beijing. no.1, 1981.

three major ideological aspects China applied in its handling of external relations. They should not, however, be seen as a simple extension of the communist ideology, though certain connections could be made between the two. Communism, while it played an important role as an official ideology in shaping China's internal affairs, seemed too abstract to cope with the concrete international situation. But, anti-imperialism, patriotism and internationalism have largely reflected Beijing's perception of the international situation and its understanding of national interests. They have helped to rationalize and justify the choice of China's foreign policy strategies and have also played important roles in China's day-to-day problem-solving. For example, in the early stage of the People's Republic, China's foreign policies were strongly coloured with anti-imperialism and, in particular, an anti-American-imperialist mood. After the 1955 Bandung Conference, when China began to develop a new dimension to its Third World diplomacy, anti-imperialism as well as internationalism provided common links between China and the newly-independent countries. However, in the 1980s there has been a major shift in China's domestic politics and foreign goals. Under such changing circumstances, anti-imperialism, and possibly also internationalism, have been modified, while patriotism has appeared more useful in Beijing's implementation of its modernization programme and the recovery of sovereignty over Hong Kong and Macao.

### **1-2. Principles in China's external relations**

Principles can be defined as rules guiding one's actions and policy. The principles applied in China's external

relations can be divided into two categories -- the declared principles and operational principles. The declared principles are those selected by Chinese leaders in relation to different audiences and different circumstances in order to achieve propaganda results, while the operational principles have reflected Beijing's stands on ideology as well as its perception of the country's fundamental interests.

In the late 1940s, the CPC was more self-confident in seizing state power than it had ever been before. As the CPC came closer to attaining nation-wide power, foreign policy issues, such as what type of diplomatic relations were to be adopted, had to acquire greater precision, especially as it became apparent that the new regime would have to develop relations with countries with different social systems. In a speech to Chinese diplomats in April 1952, Zhou summed up a number of principles applying to China's external relations which had been put forward in 1949 by Mao Zedong, including "Make a fresh start", "Lean to one side", and "Clean the house before inviting guests".<sup>18</sup>

"Make a fresh start" meant that the new regime tended not to recognize diplomatic relations established by the previous Chinese government with foreign governments. Beijing would set up its diplomatic relations with other countries on a new foundation. It considered the cutting off of diplomatic ties with the Kuomintang government in Taiwan as a precondition for a foreign country to have formal relations with the People's Republic.

"Lean to one side" indicated China's stand, allying itself

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<sup>18</sup>Zhou Enlai, *Selected Works of Zhou Enlai* (Zhou Enlai Xuanji), People's Press, Beijing, 1984. vol.II, pp.85-88.

with the communist bloc headed by the Soviet Union.

"Clean the house before inviting guests" was concerned with Beijing's understanding of the influence of both the old regime and of imperialism as it still existed, which could affect the country's independence and development; it was therefore necessary to get rid of these sorts of influence.

Those were the basic principles enunciated by the Chinese government in the early stage of the People's Republic. They were clearly ideologically inspired and reflected Beijing's anti-imperialism and internationalism. But, at the same time, they were closely related to China's fundamental interests and foreign policy goals, such as safeguarding its security and independence, maintaining its territorial integrity and promoting the unification of the whole of China.

When the nationalist government was defeated and withdrew from the mainland in 1949, it managed to maintain its state apparatus in Taiwan. Most countries in the international community were hesitant about cutting their ties with Taiwan, and regarded the nationalist government as the legitimate one which represented the whole of China. Beijing thus faced the task of "liberating Taiwan" and gaining its legitimate position in international society. Beijing considered the Taiwan question as one concerning China's independence, sovereignty and territorial integrity and held that Taiwan was an inalienable part of Chinese territory, and that how to bring about reunification was China's internal affair and not one calling for interference by any foreign country. "Make a fresh start" then became the most important principle in dealing with diplomatic relations.

In the early 1950s, Beijing felt a military threat from

the United States. Beijing made it clear that the United States was its principal enemy. In these circumstances, China put its security and the liberation of Taiwan as the top priorities and adopted a hostile attitude toward the West, while regarding the Sino-Soviet alliance as the most important factor countering the "imperialist camp headed by the United States". China achieved its goals, but at a considerable price and its foreign policy options were restricted by these principles.

In the first place, China initially made clear its intention to establish certain relations with Western countries, including the United States. For instance, Zhou hinted to an American emissary in 1949 that the new China would lean to one side, but how far depended on the United States.<sup>19</sup> The fact that the United States and its allies decided not to recognize the new government forced China finally to lean entirely to the Soviet side. This, in turn, largely limited China's options and opportunities to develop wider external relations and to establish normal state-to-state relations with Western countries.

Secondly, since Beijing had drawn a clear line between the socialist camp, which it itself belonged to, and the capitalist camp, any alternative model of economic development which might have benefited China was abandoned. Beijing lacked experience in state construction and, therefore chose to copy the Soviet model. By the end of 1957, the Soviet Union was supplying China with complete sets of equipment and technical

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<sup>19</sup>See, *The Diplomatic History of the PRC* (Zhonghua Renmin Gongheguo Waijiao Shi), edited by College of Diplomacy, Beijing, 1986, p.37.

aid for 211 major industrial enterprises. It also sent a total of 10,800 specialists to China to assist in industrial development and in the training of Chinese workers and technicians. China's economic theory, industrial management system and educational system -- including even teaching materials -- were heavily affected by the Soviet Union.

Thirdly, Beijing had to make considerable concessions to the Soviet Union in its implementation of the "lean to one side" policy. China was not regarded by the Russians as an equal and independent partner in the alliance. On some international issues China held identical views with the Soviet Union and its own voice was hardly heard. Moreover, Beijing had to tolerate the appearance of Soviet troops on its soil at Port Arthur and Darian, which enclaves were not returned to China until May 1955. Mao believed that Stalin was deeply suspicious of China becoming another Yugoslavia, and with himself becoming a second Tito. Mao showed great respect to Stalin and regarded him as the leader of the socialist bloc, although he admitted that he had to struggle with the Russians. Nevertheless, China's compromises on the principal matters concerning sovereignty and independence were necessary because they helped the PRC to achieve its major goal of establishing a military alliance with the Soviet Union.

It is obvious that these early principles adopted by Beijing were conditioned by the state of the Cold War, and were relevant to its specific conditions. When these conditions changed, the principles became less suitable, and Chinese leaders saw that the rigidity of the early principles would limit China's options in dealing with various kinds of countries. The Korean War helped the PRC establish its

international prestige and gain respect from other countries, especially some Third World countries. After the war, Beijing became more confident in conducting its own external relations and began to make efforts to develop relations with other non-socialist countries on a state-to-state basis. Consequently, more flexible principles emerged.

At the end of 1953, when talking to an Indian government delegation, Zhou first put forward the idea of the five principles. In April 1954, China signed an agreement with India on the issue of Tibet. This agreement also formally set forth the statement of the "five principles of peaceful coexistence", which included "mutual respect for each other's territorial integrity and sovereignty; non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; and peaceful coexistence."<sup>20</sup>

Shortly thereafter, in June 1954, Zhou visited India and Burma. The joint communiqües issued contained the five principles. Zhou explained:

"All the nations in the world can peacefully coexist, no matter whether they are big or small, strong or weak, and no matter what kind of social system each of them has. The rights of the people of each nation to national independence and self-determination must be respected. The people of each nation have the right to choose their own state system, without interference from other nations. Revolution cannot be exported; at the same time, outside interference with the common will expressed by the people of any nation should not be permitted. If all the nations of the world put their mutual relations on the basis of these principles, intimidation and aggression by one nation against another would not happen and the peaceful coexistence of all nations of the world would be turned from a possibility into a reality."<sup>21</sup>

China approached the "Five Principles of Peaceful

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<sup>20</sup>Text in New China News Agency Daily Bulletin, April 29, 1954.

<sup>21</sup>People's Daily editorial of July 2, 1954.

"Coexistence" against a background in which China shifted its foreign policy orientation. With the end of the Korean War, Beijing's hostile attitude towards the West eased, though without fundamental change and it started to seek for a new ways to improve China's external relations with the outside world and to develop a more positive diplomacy.

China claimed that the principles both embodied the new China's peaceful diplomatic policy and reflected the common will of many newly-independent countries to safeguard their territorial integrity from external interference and invasion, and to defend world peace. The "Five Principles", a Chinese diplomat said, "are universally accepted, a noteworthy contribution of Chinese diplomacy to international politics."<sup>22</sup>

The "Five Principles" were originally applied to relations between China and Third World countries, but they were later also considered to be suitable for handling relations with Western countries. This stand was questioned by some Chinese people: why should China, as a socialist country, need to coexist peacefully with those capitalist countries whose system should be abolished? Some felt that it should be only a temporary tactic for China to adopt a policy of peaceful coexistence, because of the socialist countries were not strong enough to eliminate the world capitalist system for the time being; in the near future, though, when the socialist countries gained overwhelming power, peaceful coexistence

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<sup>22</sup>Ibid., p.418.

would become useless.<sup>23</sup>

However, the government's interpretation was different. It argued that, first, according to the law of historic development, the entire world would be transported into a socialist society, and then into a communist society, but that the transition throughout the world from the old system to the new one could not be accomplished simultaneously, and therefore, during a long period, different systems would coexist whether one liked it or not. Secondly, although people in socialist countries firmly believed that their system was the best in the world, something that people in capitalist countries would also realise in the end, they, the socialist countries, must not intervene in other countries' internal affairs for the sake of promoting socialism. The governments of socialist countries should not use force as a means of solving international disputes and a peaceful world situation could be created by using the principles of peaceful coexistence. Thirdly, peaceful coexistence between the two different systems did not mean that the struggle would cease, but rather that it took on a form of peaceful competition. Socialist countries should be confident of the superiority of their system to beat the capitalist system and to win final victory in the competition.<sup>24</sup>

It should be noted that the term 'peaceful competition' was used during the period when the Chinese leaders hoped for a peaceful environment and sought to ease tensions with the

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<sup>23</sup>Shi Liang, *Can Peaceful Coexistence be Realized? (Heping Gongchu Nenggao Shixian ma?)*. People's Reading Press, Tianjing, 1956. p.12.

<sup>24</sup>Shi Liang, *ibid.*, p.12.

United States. But this view changed by 1958 when a more radical foreign policy was adopted by the Chinese leadership.

As regards relations among the socialist countries, the principle of proletarian internationalism, based on friendly cooperation, was supposed to be the guiding rule. Yet the experiences that were to come failed to demonstrate that socialist countries could really maintain fraternal relations and avoid disputes. Even the Soviet Union admitted as early as 1956 that there occurred "violations and mistakes which belittled the principle of equal rights in the relations between socialist states".<sup>25</sup>

Internationalism which aimed at promoting mutual assistance and integrating 'the world socialist system' was challenged by a revival of nationalism and conflicts between some of these states. These conflicts included those between China and the Soviet Union, China and Vietnam, and Vietnam and Democratic Kampuchea. Relations between the Soviet Union and its East European allies were not normal or equal. Soviet military intervention, presented as 'internationalist assistance against counter-revolution' took place in Hungary in 1956 and in Czechoslovakia in 1968. The CPC supported Moscow's intervention of Hungary in 1956, at a time when the Soviet Union was still seen as a socialist country. But the Soviet Union's invasion of Czechoslovakia in 1968 was strongly condemned by the Chinese leaders, since, in their view, the Soviet Union was no longer a socialist state. Nevertheless, Beijing acknowledged that proletarian internationalism could not work properly, and that it was therefore necessary for

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<sup>25</sup>"The Statement of the Soviet Government", Soviet News, 31 October, 1956.

socialist countries to develop their relations based on "normal" diplomacy. In this context, Zhao Ziyang concluded in 1984:

"The facts of the past 30 years have proved that if countries with different ideologies and social systems follow the Five Principles of Peaceful Coexistence, good relations of mutual confidence will be established between them, and if the Five Principles are violated -- such as violating another country's integrity and sovereignty, or interfering with other countries' internal affairs to gain benefit at the expense of others -- acute confrontation and even conflict may occur, even between countries with the same ideologies and social systems."<sup>26</sup>

On another occasion, Deng Xiaoping made the point even more clearly, stating that: "In dealing with state-to-state relations, the Five Principles of Peaceful Coexistence are the best way. All other ways, such as those labelled "big family", "collective politics", or "sphere of influence", can bring about contradictions and intensify the international situation."<sup>27</sup>

Since 1954, the Five Principles have been a primary theme in China's diplomacy and they are written into the country's constitution. They have obviously reflected China's primary interests of security, independence, sovereignty and territorial integrity. A vice-minister for foreign affairs stated that China had been subjected to aggression and oppression at the hands of other nations. He said, "To achieve independence, the Chinese people fought a protracted, arduous struggle, which explains why China treasures its hard-won independence so deeply and will never allow it to be

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<sup>26</sup>"Primer Zhao Ziyang on Five Principles", in Beijing Review, no. 31, July 30 1984, p.16.

<sup>27</sup>Deng Xiaoping, *Building Socialism with Chinese Characteristics* (Jianshe you Zhongguo Teshe de Shehui Zhuyi). People's Press, Beijing, 1982. p.67.

jeopardised by anyone or any means."<sup>28</sup>

The principle of non-interference in each other's internal affairs could serve to justify action on China's part to prevent further internalization of Taiwan's status. Such a consideration has also been relevant to China's attitude towards the issues of Hong Kong and Macao. Any substantial change in the colonies' status, such as, for instance, becoming independent -- would clearly have been seen in Beijing's eyes as interference in its internal affairs.

However, the principle of non-interference seems to be in contradiction with internationalism. Indeed, as a communist party, the CPC found it difficult to withdraw its commitment to support communist parties in other countries, particularly those in the South East Asia. In the 1960s and 1970s, apart from strong moral support, the CPC provided some financial assistance and supplied certain equipment to the communist parties in the South East Asia, and also allowed communist activists to take refuge in China. The CPC's support of the communist movement in South East Asia became one of the major obstacles for the PRC to improve its relations with these countries in the region. This situation changed in the 1980s when the CPC decided to make the country's economic development its top priority and tried to establish good relations with South East Asian countries. Gradually, the CPC has lessened its support for the communist movement in the region and adopted a more pragmatic attitude towards its international duty.

In comparison with Beijing's earlier principles, the Five

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<sup>28</sup>Han Nianlong, "Five Principles Guide China's Diplomacy", *Reg Flag (Hongqi)*, no.14, 1984.

Principles are obviously less ideologically coloured. They refer to some of the most important rules, such as sovereignty, territorial integrity and independence, which have been universally acknowledged. The Five Principles are so general that their role in shaping China's actual policies has become less remarkable. Nevertheless, they have provided a wide scope for the exercise of policies, allowing Chinese decision-making to enjoy great flexibility. They are also important in the sense that by maintaining them, China, as a socialist country, has shown to the world its intention of following international rules for state-to-state relations.

### 1-3 Tactics and flexibility

In the pursuit of its policies, the CPC has developed various tactics. Tactics are regarded by the CPC as concrete methods servicing strategic plans. They normally concern short-term goals, including "forms of struggle, organization and slogans for action." The aim of the implementation of certain tactics is to win partial victory and create the necessary conditions for strategic victory. To do so demands the use of every possible instrument in a flexible way, formal and informal, overt and covert, to influence and shape the changing pattern of realities. The major tactics that have been frequently employed by the CPC can be listed as follows.

1) **Compromise** The CPC, during its long struggle to gain state power, made several important compromises towards its counterpart, the Kuomintang, that brought positive consequences.

For example, in 1937, the CPC faced great military pressure from the Nationalist government, while its operating

areas were limited to the Shanxi-Ningxia-Gansu border region. Thus, it adopted the National United Front strategy of resistance to the Japanese invasion. In order to gain a legitimate position, as well as to develop its forces at the border area, it rescinded the name of 'Revolutionary Government of Workers and Peasants' as well as changing the name of 'Red Army' to 'National Revolutionary Army', the name approved by the Nationalist government. It stopped the policy of confiscation of landlords' land, and discontinued the policy to overthrow the Kuomintang by armed force. Mao regarded these concessions to the Kuomintang as necessary as well as permissible. He pointed out:

"Only thus can we, in line with the change in the political specific gravity in China's internal and external contradictions, change the situation of antagonism between the two regimes at home and achieve solidarity against the enemy."<sup>29</sup>

Consequently, these compromises helped to form the second period of cooperation between the CPC and the Kuomintang. During the eight years of war of resisting the Japanese invasion, the CPC's strength and armed forces were developed rapidly. When the war came to an end, the communist forces had reached a total of 1,300,000 and controlled an area about 956,000 square kilometres with a total population of 9,550,000.<sup>30</sup> These gains created a firm basis for the communists to defeat the Nationalist forces in the end. This example suggests that the CPC leaders could be induced to com-

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<sup>29</sup>Mao Zedong, "Question of Independence and Initiative within the United Front" (Tongyi Zhanxian zhong de Duli Zizhu Wengti), in Selected Works of Mao Zedong, People's Press, Beijing, 1969, p.504.

<sup>30</sup>*The Modern History of China (Zhongguo Xiandaishi)*. The Press of Beijing Normal University, Beijing, 1983. vol. II, p.103.

promise if they were convinced that the existing balance of political and military forces made this desirable and necessary. As Mao mentioned:

"Our concessions, withdrawals, turning on the defensive or suspending action, whether in dealing with allies or enemies, should always be regarded as part of the entire revolutionary policy, as an indispensable link in the general revolutionary, as a segment in a curvilinear movement."<sup>31</sup>

However, Mao also made it clear that the CPC's concessions were conditional and principled. "There are limits to concessions," he said, "They are necessary to preserve the Communist Party's leadership in the Special Region and in the Red Army, and to preserve the Communist Party's independence and its freedom to make criticisms in its relations with the Kuomintang -- these are the limits to concessions beyond which it is impossible."<sup>32</sup>

Beijing has long been willing to make compromises towards other countries. Its tolerance of Russian troops in its ports in the early 1950s, its concessions to Burma, and Pakistan on bilateral border questions, and more recently its flexible attitudes on the issue of Hong Kong, show that the method of compromise has been frequently used by Beijing in its external relations. Such compromises or concessions were made with varying aims, to obtain in return what was necessary for the accomplishment of China's strategic plans. Again, they were conditional and guided by certain principles.

2) Making Use of Contradictions Mao initially made this tactic for the CPC's national united front strategy. In 1935, he proposed establishing a national united front in order to

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<sup>31</sup>Mao, *ibid.*, p.503.

<sup>32</sup>Mao, *ibid.* p.504.

fight against the Japanese invasion. After a detailed analysis China's changing internal situation and political forces, he said:

"We must keep a record of all the fights, spits and contradictions within the enemy camp to direct them against the principal enemy."<sup>33</sup>

This tactic, according to Mao, could enable the revolutionary forces to select the right enemy, drive it into an isolated position, and win over from the enemy's camp all those who had joined it under compulsion, those who "were our enemy yesterday, but may become our friends today."<sup>34</sup> In applying the tactic of making use of contradiction, Mao paid particular attention to winning over the middle forces. The middle forces were thought by Mao to be the most decisive factor in the struggle between communists and the conservatives.<sup>35</sup>

Mao applied this tactic to China's external relations. Even before the CPC seized state power, Mao had put forward the concept of the intermediate zone. He stated in his talk with the American correspondent Anna Louise Strong in 1946:

"The United States and the Soviet Union are separated by a vast zone which includes many capitalist, colonial and semi-colonial countries in Europe, Asia and Africa...At present, the real significance of the United States' waging an anti-Soviet war is the oppression of the American people and the expansion of the United States forces of aggression in the rest of the capitalist countries."<sup>36</sup>

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<sup>33</sup>Mao Zedong, *Selected Works of Mao Zedong*, Foreign Language Press, Beijing, 1956, vol. I, p.169.

<sup>34</sup>Mao, *ibid.*, vol.I, p.166.

<sup>35</sup>Mao, *ibid.*, p.167.

<sup>36</sup>Mao Zedong: "Talks to American Correspondent Anna Louise Strong" (He Meiguo Jizhen Anna Louise Strong de Tanghua), in *Seclected Works of Mao Zedong*, People's Press, Beijing, 1969, p.1089.

Here, Mao distinguished the United States even from its allies, regarding only the United States as the principal enemy. Mao and the CPC believed that, in the early post-war years, Western European countries had to submit to US control, but later the struggle against such control would emerge. Hence, China should take advantage of such struggles and isolate the United States, which until the late 1960s was considered as China's most dangerous enemy.

The Soviet invasion of Czechoslovakia in 1968 and a series of clashes along the Sino-Soviet border in 1969 indicated that the PRC faced a major Soviet military threat. Consequently, after 1968-69, the Chinese leaders considered the Soviet Union as the main military threat to their country, and to the world as a whole, while it viewed the United States as a somewhat defensive power. An anti-superpower hegemonist strategy was set up that regarded the countries of Western Europe as an important counter-balance against the Soviet threat. In this respect, Mao said that: "we should win over these countries, such as Britain, France and West Germany."<sup>37</sup>

3) Adjusting policies to a changing situation Mao paid great attention to the study of changing situations and new conditions. He argued that all things were involved in a continual process of motion and change, and that nothing was static. But among the many contradictions, there must be a "principal" contradiction whose existence and development determined and influenced the existence and development of other contradictions. However, due to the changes and

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<sup>37</sup>"Chairman Mao's Theory of the Differentiation of the Three Worlds is a Major Contribution to Marxism-Leninism", by the editorial department of the People's Daily, 1 November, 1977.

development of contradictions under certain conditions, the principal and non-principal contradictions often transform themselves into each other. Mao argued that it was necessary to understand properly the various contradictions and discover the principal one in order to adopt the correct method of resolving it. He stressed that one should adopt one's thinking to the changed conditions, but he also warned that one should not disregard reality and indulge in flights of fancy, or make plans for action unwarranted by the objective situation, or reach for the impossible.<sup>38</sup>

Such an argument is particularly worth recalling in connection with China's foreign policy. China has been able to adjust the orientation of its foreign policy in the light of the changing international situation and of its domestic needs, and when it has considered the conditions as unripe for resolving certain problems, it has normally preferred to maintain the status quo and not take precipitous action.

#### 1-5 Flexibility and China's decision-making system

The flexibility enjoyed by Chinese leaders is linked with China's political system. In other words, China's political system has provided the possibility for the Chinese leaders of formulating and operating their policies in a flexible way. In comparison with countries with a democratic system, China's decision-making process is more centralized. The CPC has declared that it represents the fundamental interests of the country and of the people, directly unleashing the creativity and initiative of the people. There is almost no space for the

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<sup>38</sup>Mao Zedong, *Selected Works of Mao Zedong*, Foreign Language Press, Beijing, 1956, vol.II, p.36.

existence of any other interest groups which could openly act as independent forces, and the decision-making elite in China need not worry about electoral considerations. This has enabled the CPC to enjoy ultimate power in decision-making.

It is a universal phenomenon that ultimate power to make decisions on major foreign policy issues is fairly concentrated, but in China it is even more highly concentrated and personalized than elsewhere. The Party's Politburo and Standing Committee play the most decisive role. It is clear that all important decisions concerned with external relations have to be discussed and approved by the Politburo, and a small elite group is expected to formulate decisions, among whom are a few key figures with influential positions. This contributes to a personalized form of the decision-making process. For instance, it was Mao Zedong and Zhou Enlai who controlled all important foreign policy decision-making during Mao's era, while Deng Xiaoping has had similar power since.

The difference, however, is that Deng's authority is not total. He has to consult with other senior Chinese leaders on important foreign policy issues, although his personal role still dominates the policy-making process, especially policy concerned with external relations. During Mao's era, the PRC's external relations were dominated largely by the country's security concerns and by its relationships with the two superpowers, which were seen as the major sources of external threat. Since that time, the PRC's external relations have become more complicated and diverse, and a lot of foreign policy decisions, such as those concerning economic and trade relations, have become less sensitive. Thus, steps to stabilise the system have been taken, such as shifts in the

locus of much decision-making, from the Standing Committee and full Politburo to the Secretariat and the State Council. On some foreign policy issues, however, Deng has been seen not only as the court of final decision, but also as the initiator of new moves. De-centralization of the decision-making process has been accompanied by the emergence of special interests of different ministries, especially those involved in external relations. Even some provinces, such as the coastal provinces of Guangdong and Fujian, have played a role in shaping Beijing's external policy. Chapter Five will contain a more detailed discussion of these changes and their impact on China's Hong Kong policy.

To sum up, the manner of this personalized decision-making makes it possible for the Party and the government to enjoy remarkable flexibility in decision-making, especially at the top level. The several major shifts of China's foreign policy from one orientation to another during the past three decades can be seen as evidence of this. These shifts were clearly necessary and useful, except at the beginning of the Cultural Revolution, when sinocentrism and xenophobia took over. The shifts helped China maintain its security and other basic interests, and demonstrated its ability to determine foreign policy objectives in the context of the changing international situation.

## Chapter Two

### The PRC's Treatment of Territorial and Border Claims and the Question of Hong Kong

In April 1949, the People's Liberation Army (PLA) crossed the Yangtze River and captured the Kuomintang's capital of Nanking. The impending victory of the Communists seemed certain to come earlier than had been anticipated. Thus, in September 1949, the Chinese People's Political Consultation Conference was held in Beijing, when the new regime formally announced its foreign policies in the "Common Programme of the Conference".<sup>1</sup> Article 55 of this programme concerns the existing treaties and states: "the central government of the People's Republic of China shall examine the treaties and agreements concluded between the Kuomintang and foreign governments, and shall, according to their contents, recognize, abrogate, revise, or renegotiate them."<sup>2</sup>

This statement is the primary legal basis for the government of the People's Republic to handle issues such as Hong Kong, because, according to China's official view, the article also applies to the treaties signed by the Qing Dynasty. The statement reflects the new China's interpretation

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<sup>1</sup>The Chinese People's Political Consultative Conference (CPPCC) was set up in 1949 and was composed of representatives of the CPC, the various democratic parties, the People's Liberation Army, minorities, the overseas Chinese and other patriotic elements. Before the establishment of National People's Congress in 1954, the legitimization of new Chinese came from the CPPCC. The first meeting of the CPPCC passed basic organizational laws for the central government and for the CPPCC. See, Franz Schurmann, *Ideology and Organization in Communist China*, University of California Press, 1966; pp.178-179.

<sup>2</sup>See "The Common Programme of the First Political Consultation Conference", in *The Collection of Documents of External Relations of the PRC*, edited by World Knowledge Press, Beijing, 1957, vol.I, p.1.

of international law, particularly on state succession as well as the law of treaties. This chapter will first discuss the question of state succession and the application of treaties in general international law. It will then analyse China's interpretation of international law regarding state succession and treaties, and the way the Chinese government has handled these issues in practice. Finally, the chapter will examine Hong Kong's status in both international law and Chinese law.

## **2-1 State succession and the application of treaties in general international law**

In accordance with general international law, state succession arises when there is a definitive replacement of one state by another in respect of sovereignty over a given territory. Such an event might include total dismemberment of an existing state, secession, decolonization of a part of a state, merger of existing states and partial cession or annexation of state territory.

Succession is generally described to be either universal or partial. Universal succession takes place in the following circumstances, as A.K. Pavituran has stated: 1) when one state is completely absorbed by another as a result of annexation or conquest; 2) when several states agree to merge into a federal state or union; 3) when one or more states are formed, or one or more international persons take the place of another international person, by division of a former single state or international person, each of the independent states becomes a successor state. Partial succession normally applies to the cases of either: a) succession, when a new state is established by a part of the territory breaking off from the parent state

and thereby gaining independence; or b) cession, when one state acquires a part of the territory of another state and assumes sovereignty over the portion so acquired; or c) dismemberment, when a full sovereign state loses part of its independence through incorporation into a feudal state or coming under the suzerainty or protectorate of a strong power.<sup>3</sup>

In the case of succession, whether the successor state still continues to be bound by the treaties of its predecessor depends on various factors. According to D.P. O'Connell, a leading international law scholar, "When the sovereignty of one state replaces that of another state, whether the successor state still continues to be bound by the treaties of the predecessor is dependent on the purpose that the treaties sought to achieve, and on the extent to which it relates to the territory over which the state has lost control."<sup>4</sup> Obviously, in the case of state succession, the successor state may not be bound by its predecessor.

The relationship between the People's Republic of China and previous governments does not appear to fit any of these categories of state succession. The People's Republic never denied the continuity of the Republic and the Qing Dynasty in terms of state. What happened in 1949 was a change of government on the mainland. It is generally accepted that it is the state itself -- not its government -- which is subject to international law. States are the parties to treaties, and therefore treaties remain in force in spite of changes in the

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<sup>3</sup>See, A.K. Pavituran, *Substance of Public International Law: Western and Eastern*, N.M. Tripathi Private Ltd, 1965; pp.191-192.

<sup>4</sup>D. P. O'Connell, *Law of State Succession*, Cambridge University Press, 1956, p.15.

form of the government. A successor government is required by international law to perform the obligations undertaken on behalf of the state by its predecessor. This principle applies even to complete changes in the constitutional form of government, whether a monarchy or a republic, an oligarchy or a dictatorship.

Britain's stand on state succession has been consistent. In 1921, an official communication from the British government to Mr Krassin, the agent of the Soviet Union in London, stated:

"The first [question] is that of the acceptance by the Soviet government of the obligations which had been entered into and were binding upon previous governments in Russia. The accepted rule among civilized states is that contracts made by and debts incurred by a government are to be regarded as the obligations of the nation it represented and not as the personal engagements of the ruler. Although the form of government may change, the people remain bound."<sup>5</sup>

More than half a century later, the British government still held the same view. In September 1982, the British Premier, Mrs Thatcher, reiterated that the nineteenth-century treaties concerning Hong Kong could be altered but not abrogated. On 27 September, at a conference in Hong Kong, she said it was "very serious" if countries tried to abrogate internationally-binding treaties. She also argued that a country which would not stand by one treaty would not stand by another.<sup>6</sup>

General international law regarding the invalidity of treaties is quite restricted. The Vienna Convention of Treaties, Article 46 states:

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<sup>5</sup>See, D. P. O'Connell, *State Succession in Municipal Law and International Law*, Cambridge, 1967, vol. II; pp.4-5.

<sup>6</sup>South China Morning Post, 25 September, 1982.

1. A state may not invoke the fact that its consent to be bound by a treaty has been expressed in violation of a provision of its internal law regarding the competence to conclude treaties as invalidating its consent, unless that violation was manifest and concerned a rule of its internal law of fundamental importance.

2. A violation is manifest if it would be objectively evident to any state conducting itself in the accordance with normal practice and in good faith.

More precisely, at the Vienna Conference in 1966 it was agreed that under the following circumstances, treaties may be invalid: a) a representative's lack of authority; b) corruption of a state representative; c) error; d) fraud; e) coercion of a state; f) conflict with a peremptory norm of general international law; g) unequal treaties.<sup>7</sup>

The notion of unequal treaties was discussed by some classic Western law scholars, such as Grotius, Putendorf, Gentilis and Vattel, as a historical phenomenon from the era of colonialism when the European colonial powers concluded many 'treaties' with local rulers and native tribes in Africa, Asia and the Americas, particularly with some traditionally independent and sovereign states -- namely China, Persia and the Ottoman Empire. These treaties could be classified as unequal treaties, yet, they were also regarded -- at least by the colonial powers -- as treaties governed by international

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<sup>7</sup>"The Vienna Convention of Treaty" -- Text in Ian Brownlie, *Principles of Public International Law*, Clarendon Press, Oxford, p.611.

law.<sup>8</sup>

At various international conferences, in particular the Vienna Conferences, the question of unequal treaties has been discussed. This discussion has often reflected the opinion of communist countries as well as many new states in Asia and Africa that emerged in the 1960s. They argued that the treaties concluded under force or under the threat of force were in violation of the principles of the United Nations Charter and, therefore, should be considered invalid. For instance, in the Sixth Committee of the General Assembly of the United Nations in 1966, a Polish representative stated that "all unequal treaties obtained by pressure and force, or disregarding the principle of sovereign equality of states, or containing provisions contrary to principles of modern international law, such as the right of all peoples to self-determination, or non-intervention, should be illegal and void."<sup>9</sup>

Nevertheless, the term "unequal treaties" has so far not been addressed fully by those texts accepted as authoritative on international law. The Vienna Convention of Treaties which came into force in 1982 does not include the notion of unequal treaties. The unequal treaties doctrine is generally opposed by Western jurists and governments as being "vague and subversive of the fundamental principle of *pacta sunt*

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<sup>8</sup>See Werner Morvay: "Unequal Treaties", in *Encyclopedia of Public International Law*, Published under the Auspices of the Max Planck Institute for Comparative Public International Law under the Direction of Rudolf Bernhsrdt, Elsevier Science Publishers B.V., Amsterdam, 1984, vol.7, pp.514-517.

<sup>9</sup>Sources in Detter, Ingrid "The Problem of Unequal Treaties" -- International and Comparative Law Quarterly Vol. 15, 1966. p.1083.

*servanda*" and as a "political tool rather than a principle of international law."<sup>10</sup> The Soviet Union, which has supported the doctrine of unequal treaties, has been attacked by Western jurists for its reluctance to abolish various treaties signed by the Tsarist government with neighbouring countries, such as China. These treaties can be regarded as classical cases of unequal treaties. Although many Third World countries have invoked the doctrine of unequal treaties, seldom have they applied the doctrine to abolish pre-existing treaties.

The PRC's attitudes and understanding of international law were heavily affected by the Soviet Union, and therefore, it is worthwhile examining Soviet attitudes to existing international law, particularly regarding law of state succession and the notion of 'unequal treaties'. It should be noted that the emergence of the Soviet Union as a world power, and the formation of the socialist bloc after the Second World War, added some new elements to the discussion on state succession. The Bolshevik Revolution indeed created a new state with a new ideological-orientation and belief-system, and it posed a threat to the existing international system, including the fundamental rules of law -- Western in origin -- established to govern that system. On the question of state succession, the focus of the Soviet argument was the notion of fundamental change. The Soviet government claimed:

"The Revolution of 1917 completely destroyed all old economic, social and political relations, and by substituting a new society for the old one with the strength of the sovereignty of a revolting people, has transferred the state authority of Russia to a new social class. By so doing it has severed the continuity of all civil obligations which were

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<sup>10</sup>See Bledsoe, Robert L. & Boczek, Boleslaw A., *The International Law Dictionary*, ABC-Clio, Inc, California, 1987, p.275.

essential to the economic life of the social class and which have fallen with it."<sup>11</sup>

In an official reply to European powers on 11 May, 1922, the Soviet government stated that "governments and systems that spring from revolutions are not bound to respect the obligations of fallen governments".<sup>12</sup>

On a more recent occasion in 1960, a Soviet representative stated at a meeting of the International Law Association that a new state should not be bound by obligations which were not in its political and economic interests. Universal succession was rejected, he claimed, "first, when a new state appears as the result of separation from another; second, when a state emerges from the status of dependency by succession from a metropolitan country in assertion of the right of self-determination; and third, when a new type of state appears as the result of social revolution."<sup>13</sup>

The notion of 'unequal treaties' is accepted and defended by Soviet scholars. They claim that "unequal treaties are legally worthless" at all times, and that the repudiation of an unequal treaty cannot be considered a violation of international law.<sup>14</sup>

According to the Soviet view, there are several types of unequal treaties. The first type is the "unequal treaty of

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<sup>11</sup>See, "Memorandum of the Soviet Doctrine and Practice with Respect of the Law of Treaties", U.N. International Law Commission Document, A/CN.4/37, p.28. Also see, Richard J. Erickson, *International Law and the Revolutionary State*, Oceana Publications, Inc. New York, 1972, p.81.

<sup>12</sup>Soviet reply on May 11, 1922, *Paper Relating to the International Economic Conference*, in Erickson, *ibid.*, p.81.

<sup>13</sup>Lukashuk of the U.S.S.R., "Addressing the International Law Association", 52nd Report (1966), p.562.

<sup>14</sup>See, Erickson, *ibid.*, p.77.

economic dependency, either to secure colonial privileges or to create economic dependency out of economic vulnerability". A second type is that of "military assistance and granting of military bases". A third type is the unequal treaty "forced upon a newly independent nation as the price of freedom or as the price for continued freedom".<sup>15</sup>

The above three types would seem to have been designed by the Soviet Union for anti-Western propaganda purposes, since all the instances are linked with Western powers, such as the Marshall Plan and the 1936 Anglo-Egyptian treaty permitting British troops to be stationed in the Suez Canal Zone. The fourth type, and probably the most significant, is the unequal treaty of the type imposed by Czarist Russia, based on "territorial expansion, seeking economic and security advantages, and resorting to the use of force in order to gain a privileged position at the expense of weaker nations".<sup>16</sup> The nations concerned were Turkey, Persia and China. The Soviet government, in its early years, declared that it would abrogate all unequal treaties, including the ones bearing on China. For instance, in a note to the Chinese government on 27 September, 1920, the Soviet government sought to conclude a new treaty with the Chinese government. The treaty was supposed to confirm that all agreements concluded by the former Russian regime with China were no longer in force. It would renounce seizures of Chinese territory, give up Russian concessions in China, and return to China, unconditionally,

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<sup>15</sup>Erickson, *ibid.*, pp.78-79.

<sup>16</sup>See, Kazimierz Grzybowski, *Soviet Public International Law: doctrines and diplomatic practice*, A.W. Sijthoff, Leyden, 1970, p.445. See also, Erickson, *ibid.*, p.78.

all that had been taken away from it by the Tsarist government and the Russian bourgeoisie.<sup>17</sup>

Yet, these various declarations remained essentially good intentions. In practice, the Soviet Union did not always carry out its promises made in the early years of the Revolution. No agreement was ever made regarding the rectification of Russian territorial acquisitions at the expense of China.<sup>18</sup> On the contrary, the Soviet Union regained, by the secret Yalta agreement and the Sino-Soviet Treaty of 1945, its former rights in Manchuria which Imperial Russia had lost during the Russo-Japanese War of 1904-1905.

## **2-2 China's interpretation of the international law of state succession and the law of treaties**

China was, for a long time, a victim of the expansion of the colonial powers. China was not treated as an equal sovereign country by the powers and was forced to conclude various treaties, by which the powers enjoyed non-reciprocal extra-territorial rights and privileges. The treaties laid down a special status for several 'concessions', 'settlements' and 'treaty ports'. They established a system of consular jurisdiction under which the nationals of the foreign powers were exempted from Chinese territorial jurisdiction but subject to the jurisdiction of their respective consuls, both in civil and criminal cases. In the field of trade, travel rights for foreign merchants were specified and a maximum limit for customs and tariffs on imports to China was laid

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<sup>17</sup>See, Grzybowski, *ibid.*, p.446, p.452n.

<sup>18</sup>Grzybowski, *ibid.*, p.446.

down. Concessions were granted to foreign enterprises in the fields of mining, railways and shipping. Through several treaties, China had to cede or to lease territory to foreign powers, including Great Britain.<sup>19</sup> These treaties came to form the bases of territory and boundary disputes between China and those countries which acceded to the treaties.

The Opium War of 1840 is commonly cited as the event dividing the tribute era from the treaty era, Chinese dominance from Western dominance.<sup>20</sup> In some Western scholars' view, both the Qing Dynasty government and Chinese people helped in creating the treaty system. John K. Fairbank, for instance, has suggested that the treaty system in its early decades, from the 1840s to the 1860s, "was not merely a Western device for bringing China into the Western world; it may equally well be viewed as a Qing device for accommodating the West and giving it a place within the Chinese world".<sup>21</sup> But for modern Chinese patriots, including the Nationalists and Communists, the treaty system was an intolerable humiliation, and they were strongly motivated to eliminate the system and regain China's 'lost territories'.

As it will be discussed in the next chapter, most privileges and special rights enjoyed by the foreign powers through the treaty system were disbanded before 1949, and the Kuomintang government managed to recover most of the concessions. When the Communists established the People's

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<sup>19</sup>Werner Morvay, *ibid.*, p.515.

<sup>20</sup>See John K. Fairbank: "The Early Treaty System in Chinese World Order", in Fairbank edited, *The Chinese World Order*, Harvard University Press, 1968, pp.257-258.

<sup>21</sup>Fairbank, *ibid.*, p.258.

Republic in 1949, the problems the new government inherited from the Qing Dynasty government and the Kuomintang government included the special rights enjoyed by the Soviet Union in Manchuria, the questions of Hong Kong and Macao, the position of Outer Mongolia, and boundary issues between China and its neighbouring countries. All these matters stemmed from treaties signed by either the Qing government or the Kuomintang government.

PRC law scholars, following Soviet Marxist-Leninist doctrine, consider that the superstructure of a state, including its legal system, reflects the economic base of the society of that state and serves the interests of the state's ruling class. Therefore, they consider that laws and the legal system possess a class character. It has been claimed by some Chinese law scholars that international law serves the external policy of a country. It is impossible, they argue, for capitalist countries and socialist countries -- having fundamentally different external policies -- to apply in all respects the same international law. Countries with different social systems could still reach agreements, but only by a hard struggle between bourgeois international law and socialist international law.<sup>22</sup>

A more general Chinese view, however, holds that there exist two different social systems in the international community, but that the possibility and, indeed, reality, of coexistence and cooperation between states with different

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<sup>22</sup>Ho Wushuang & Ma Chun, "A Criticism of the Reactionary Viewpoint of Chen Tiquang on the Science of International Law," CFYC, no. 6:35-38 (1957). English text in Cohen & Chiu edited, *People's China and International Law, a document study*, Princeton University Press, 1974. pp.33-35.

systems makes possible the existence and fulfilment of a single general system of international law. There are a number of norms of international law which are recognized as binding by both capitalist countries and socialist countries, such as respect for state sovereignty, non-intervention in other countries' internal affairs, equality of states, inviolability of each other's territory, and various conventions of war and rules of diplomacy. Chinese scholars holding this view argue that "modern international law norms are the commonly observed legal norms created by agreements among states of different systems, in the course of their struggle and cooperation in adjusting their mutual relations. They do not express the will of the ruling class of a single state, but rather the will of the ruling classes of states with different systems. Therefore, the formula of the single class character of domestic law cannot be arbitrarily applied to international law."<sup>23</sup>

Chinese scholars' views on international law have become less ideologically centred since the end of the Cultural Revolution. The modern view acknowledges the existence of a general international law, and no longer talks about two different kinds of international law -- socialist international law and capitalist international law. The modern law books, textbooks and articles have clearly been affected by Western views.<sup>24</sup>

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<sup>23</sup>Chu Chiwu, "Looking at the Class Character and Inheritable Character of Law from the Point of View of International Law," *Guangming Ribao* (13 May, 1957), p.3. English text in Cohen & Chiu, *ibid.* p.50.

<sup>24</sup>See text books on international law published in 1980s, i.e. *International Law (Guo Ji Fa)*, published by Beijing University Press, 1982. Relevant articles include Pan Baocui,

Yet, on the question of state succession and the law of treaties, China's interpretation still differs from that of Western countries in some respects and still shares the Soviet view. Although the PRC government regards itself as the successor government of the continuing state of China, it particularly rejects -- or would at least seek to modify -- the principle that a successor government is required by international law to perform the obligations undertaken on behalf of the state by its predecessor.

PRC lawyers and scholars argue that even though the PRC, being subject to international law, has taken over from the previous state of China and is not new in that respect, the foundation of the People's Republic started a totally new state in terms of the nature of class and of social system, and therefore it is appropriate for the government of the PRC to consider the international responsibility and commitment borne by previous Chinese governments as a question of state succession. Zhou Gengsheng, a leading Chinese professor in international law, has stated:

"The People's Republic, on the one hand, is the successor government of the continuing state of China and is naturally subject to international law, but on the other hand, with its socialist characteristic, the PRC does not only change the form of government, but also establishes a new country so that the People's Republic should not recognize an international responsibility which is incompatible with the criteria of the new system. To those treaties imposed by imperialist countries, the new China has absolutely no obligation to accede."<sup>25</sup>

The fact that after the establishment of the People's Republic, the Kuomintang government still continued to exist

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<sup>25</sup>"On the Scientific Character of International Law" (Guo Ji Fa de Hexuexi Tantao), Law Studies, 13 May 1985.

<sup>25</sup>Zhou Gengsheng, *International Law (Guo Ji Fa)*, Beijing People's Press, 1981, pp.157-158.

in Taiwan and was, for a long time, recognized by many countries, particularly those in the Western bloc, as the legitimate government representing China, gave the PRC an additional ground for not following the general principles of international law.

There is also an ideological argument. According to Chinese lawyers, during the era of imperialism, when the bourgeoisie was particularly reactionary and disregarded the democratic principle of international order, international treaties were tools for arbitrary expansion and the means of direct violence against and oppression of weak and small nations. These lawyers argue that "in accordance with Marxist-Leninist principles, there are equal and unequal treaties, and therefore, progressive people take fundamentally different attitudes towards different kinds of treaties. Equal treaties should be strictly observed. Unequal treaties are in violation of international law and without legal validity."<sup>26</sup>

Yet, the PRC objects only to particular aspects of the general theory of state succession. Its territorial claims and positions on border questions are actually based on rights of succession from past dynasties -- notwithstanding that these were feudal. In the cause of defending their claims, the Chinese government and Chinese scholars have never felt embarrassed to use historical materials and records from the 18th and 19th centuries, when imperial China also conducted an expansionist policy against tributary states, seeking economic and security advantages and territorial expansion. They have

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<sup>26</sup>Wang Tieya, *International Law (Guo Ji Fa)* Beijing University Press, 1982, p.212; Wang Tieya was one of the most distinguish law scholars in China.

normally regarded conflicts between imperial China and these tributary states as a 'national contradiction' within a big 'Chinese family'. The relations of the Chinese with neighbouring areas were indeed different from general international relations based on the idea of the nation-state and sovereignty. China's foreign relations were coloured, as John K. Fairbank has described, by the concept of Sino-centrism and an assumption of Chinese superiority. Such relations continued until the Western powers intruded into East Asia in the middle of the 19th century.<sup>27</sup> Fairbank has argued that both Nationalist and Communist China "have inherited a set of institutionalized attitudes and historical precedents not easily conformable to the European tradition of international relations among equally sovereign nation states".<sup>28</sup>

However, China's reluctance to integrate such relations was also due to the fact that China itself became a victim of the expansionist policy of Western powers, and was forced to enter a treaty system in which unequal relations were established with the foreign powers. Nevertheless, the PRC appears to be flexible in establishing its territorial claims and positions based on both the concept of China's traditional order and the concept of modern international law -- seemingly contradictory notions.

A recently published textbook on international law further declares that all legal treaties, in principle, should be

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<sup>27</sup>See, John K Fairbank: "A Preliminary Framework", in Fairbank edited, *The Chinese World Order, Traditional China's Foreign Relations*, Harvard University Press, 1968, pp.1-19.

<sup>28</sup>Fairbank, *Ibid.*, p.4.

observed, but that the abolition of unequal treaties is lawful. It argues that, according to international law, unequal treaties are treaties of plunder and enslavement and are in violation of other states' sovereignty and territorial integrity. The victimized state has the legal and moral right, it argues, to demand their abolition.

China normally attributes those particular treaties bearing on China to the unjust wars waged by imperialist countries against China, and therefore regards them as unequal. But, to press the claim of the invalidity of treaties, it sometimes also uses more internationally acceptable reasoning to support its arguments, such as the coercion of a state's representative or a representative's lack of authority. For instance, the case of the 1878 Sino-Russian negotiations on Yili (a territory occupied by Russia in 1871) is put into the category of coercion of a state's representative. The representative of the Qing Dynasty government, it is argued, was under the coercion of the Tsarist government and signed the agreement whereby Russia undertook to return Yili to China, but with the conditions that China would pay five million roubles' compensation and cede another piece of land to the Russians. The agreement became invalid and even the Qing Dynasty government refused to accept it.<sup>29</sup>

Regarding a representative's lack of authority, a treaty signed by the Tibetan government and the British government on the Sino-Indian boundary dispute has been cited as a standard example. The Chinese government has claimed in this case,

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<sup>29</sup>*International Law (Guo Ji Fa)*, Law Press, Beijing, 1981, P.271.

which took place in the early twentieth century, that Britain had no right to conduct separate negotiations with Tibet, since Tibet was merely a region of China. It has argued:

"The exchange of letters carried out secretly between Britain and Tibetan local authorities in order to fabricate the so-called McMahon line was completely illegal....Treaties are agreements between states which should be formally signed by the plenipotentiary representatives of the states concerned. Tibet, however, is only a part of Chinese territory, and the representative of the Tibetan local authorities could not represent the Chinese government. Therefore, the letters he exchanged secretly with the British representative could absolutely not constitute an agreement between the Chinese and British governments."<sup>30</sup>

China has insisted on the existence of unequal treaties and that these unequal treaties are in violation of international law and without legal validity. The government of the PRC classifies all treaties signed by previous Chinese governments and foreign governments into two major categories--equal and unequal. According to their contents, as already stated, the government has determined either to recognize, abrogate, revise, or renegotiate them. However, neither the Chinese government nor Chinese legal scholars have presented clear guidelines as to under what conditions and how these unequal treaties should be abandoned. Yet there are cases where China has had to touch on the matter of unequal treaties. It is necessary, therefore, to examine these cases in order to discover how the Chinese government actually handled the issues.

### 2-3 China's practice in handling pre-existing treaties

International law has been viewed in China as an instrument of foreign policy. "International law", as one

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<sup>30</sup>Cohen & Chiu, *ibid.*, p.1240

Chinese legal scholar has described it, "in addition to being a body of principles and norms which must be observed by every country, is also, just as any law, a political instrument; whether a country is socialist or capitalist, it will to a certain degree utilize international law in implementing its foreign policy."<sup>31</sup>

The existing treaties regarded by the PRC as equal were mainly multilateral ones. In the 1950s, the PRC adhered to several multilateral agreements to which its predecessor had agreed. In July 1952, after the Chinese government had recognized the "protocol for the prohibition of the use in war of asphyxiating poisonous, or other gases, and of bacteriological methods of warfare", Foreign Minister Zhou Enlai made this statement: "The central people's government considers that the said protocol is conducive to the strengthening of international peace and security and is in conformity with humanitarian principles, and, therefore, has decided to recognize the accession to the protocol, provided that all the other contracting and acceding powers observe it reciprocally."<sup>32</sup> In a similar way, the PRC recognized the 1930 Convention on Load Lines in 1957, to which the nationalist government had acceded in 1935. In the same year, she also accepted the International Regulations for Preventing Collisions at Sea, which the nationalist government had signed in 1948.

In the cases of bilateral treaties, the most interesting

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<sup>31</sup>Zhou Fulun, "On the Nature of Modern International Law", English text in Cohen & Chiu, *ibid.*, pp.33-34.

<sup>32</sup>"Foreign Minister Zhou Enlai's Statement on China's Recognition of the 1949 Geneva Conventions", 13 July, 1952. English text in Cohen and Chiu, *ibid.*, p.123.

was probably the PRC's recognition of the Mongolian People's Republic. Outer Mongolia was under China's sovereign control before it claimed independence in 1921. In 1924, the Soviet Union and the Chinese government signed an agreement under which the former recognized Outer Mongolia to be "a component of the Chinese Republic" under Chinese sovereignty while the Chinese side acknowledged Moscow's *de facto* control there.<sup>33</sup> In January 1946, the nationalist government withdrew from its previous stand of non-recognition and recognized "Outer Mongolia" as an independent state, on condition that a referendum was held under international supervision. Such a referendum was, indeed, held in 1946. However, since 1949, when it was defeated on the mainland, the Nationalist government which moved to Taiwan has withheld recognition of the Mongolian People's Republic, claiming the 1946 referendum was manipulated by the Soviet Union.

Before 1949, the Communists had made no formal statement on the issue of Mongolia, although Mao's stand was clear. In 1936, he had forecast that, once the revolution was victorious, Outer Mongolia would of its own accord join the Chinese federation.<sup>34</sup> In 1939, he defined the frontier of China so as to include both Outer and Inner Mongolia. After the establishment of the People's Republic, the Chinese Communists adopted a foreign policy "leaning to one side" and saw close Sino-Soviet relations as essential for safeguarding China's security. Mao visited Moscow in December 1949 and concluded the Sino-Soviet Treaty of Alliance and Mutual

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<sup>33</sup>See, *The China Year Book*, 1924, pp.1192-1200.

<sup>34</sup>See, Edgar Snow, *Red Star Over China*, Grove Press, Inc., 1961, p.96.

Assistance (signed in February 1950). Mao later admitted that he had a difficult time in his two months of negotiations with the Russians, which had been "a struggle" with them.<sup>35</sup> The Chinese government made considerable concessions, including the recognition of the independence of the Outer Mongolian Republic. At a press conference in September 1965, the Chinese Foreign Minister, Chen Yi, observed that in 1945, Chiang Kai-shek's government had concluded a treaty with the government of the Soviet Union, which recognized the Mongolian People's Republic. The new China followed that commitment and recognized Mongolia as a socialist country, establishing diplomatic relations in October 1949.

Thus, like the Kuomintang, the Communist Party was obliged to accept the reality, under pressure from the Soviet Union. Yet, the new China did not want to be seen as responsible for the "cession of territory" and the loss of Outer Mongolia and, therefore instead of directly recognizing Mongolia, used the principle of succession. But the PRC's stand was still ambiguous. In a talk to a group of parliamentary deputies from Japan, Mao said that in 1954, when Khrushchev visited to China, "we took up the Mongolian question, but he refused to talk to us". Mao raised the issue again with Khrushchev in 1957, insisting that China had sovereign rights over the country. According to the Soviet version, the Chinese leaders attempted to reach agreement with

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<sup>35</sup>Mao Zedong, "Speech to the Eighth Central Committee of the Chinese Communist Party", in *Selected Works of Mao Zedong*, Foreign Language Press, Beijing, vol.V.

Khrushchev to make Outer Mongolia into a Chinese province.<sup>36</sup>

The PRC's policies on unequal treaties are more complex. The PRC justifies its rejection of automatic succession to pre-existing treaty obligations by resorting to the concept of revolutionary change of government, and it has fixed its basic policy in Article 55 of the Common Programme. After the Communist victory on the mainland, and following the new regime's foreign policy of the so-called "fresh start", all existing special rights and privileges which had been in force between the Nationalist government and the treaty powers vanished, with the single exception of those concerning Soviet Union. The new regime had to deal with the issues of frontiers and territories such as Hong Kong and Macao. Its counterparts had also changed -- the newly-developing countries of India, Burma and Pakistan had all inherited treaties regarded by the PRC as unequal -- except in the cases of Britain, Portugal and, again, the Soviet Union.

a) *The case of the Soviet Union*

The Soviet Union is a country that shares the same social system as the PRC. When the Chinese communists established a new government on the mainland, the Soviet Union had to make a decision on how to handle its special rights in China's Manchuria, including 'preeminent interests' in the internationalized free port of Dairen, the naval base (leased) at Port Arthur, and control of the Chinese Eastern Railway and the South Manchurian Railway.

When the two communist giants entered negotiations in 1949

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<sup>36</sup>Sekaishuko, Tokyo, 11 August, 1964. English text in Doolin, Dennis J, *Territorial Claims in the Sino-Soviet Conflict*, Stanford, California, Hoover Institution on War, Revolution and Peace, 1965, pp.42-44.

towards an alliance, the Soviet Union agreed to abandon all special rights inherited from the previous treaty with the Kuomintang. But the PRC invited the Soviet Union to stay on, because of "consideration of the existing international situation and the need to counter the imperialists".<sup>37</sup> In accordance with the eventual agreement between the Union of Soviet Socialist Republics and the People's Republic of China, China accepted a continued Soviet presence in Port Arthur and Dairen until 1952. Zhou Enlai later formally requested Stalin to stay on after the deadline. The two ports were returned to China in May 1955, following the withdrawal of the Soviet army.

The reasons behind this Chinese tolerance of the Soviet presence were various. First, the PRC considered the Soviet Union as the first and leading socialist country and Stalin as the greatest Marxist after Lenin. Secondly, it hesitated to take any action for fear of provoking much greater problems. When the Korean War broke out in June 1950, the PRC was even more desperate for Soviet economic aid. The Soviet aid became particularly significant when the United States and its allies placed an embargo on China. Thirdly, the Soviet presence in Port Arthur and Dairen challenged American naval superiority in the waters off Northern China, providing a counter to American military threats during the Korean War. A reference to this important factor was made in a communique issued by the USSR and the PRC after the Korean War which said that, with regard to the changes that had taken place in the

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<sup>37</sup>See, *Dangdai Zhongguo Weijiao (The Contemporary Diplomacy of China)*, edited by the Ministry of Foreign Affairs of the PRC, Published by World Knowledge Press, Beijing, 1987; pp.25-26.

international situation in the Far East, the Soviet Union had agreed to withdraw its military units from Port Arthur and Dairen.

A more complicated and deeply embedded problem between the two countries concerned their border. The boundary issue between China and the Soviet Union had been in abeyance since the establishment of the Chinese Communist government. It came to the fore only as relations between the two countries deteriorated. The major disputed territories were in the Far East -- north of the Amur (Heilong) river and east of the Ussuri (Wusuli) river, which had become part of the Chinese empire in the 17th century as a result of the Manchu conquest of China. From the 18th century, Tsarist Russia began to expand across Siberia to the Pacific and southward into Central Asia and the Far East, at the expense of the weak Manchu Dynasty that ruled China. The 1858 Treaty of Aigun, which was imposed on China by the Tsarist government at a time when the country had been weakened by a war with Britain and France in 1856-58, gave Russia sovereignty over 230,000 square miles (600,000 sq. km.) north of the River Amur and placed 150,000 square miles (390,000 sq km) east of the Ussuri under joint Sino-Russian control. Under the Treaty of Beijing 1860, Tsarist Russia further annexed the territory east of the Ussuri.

During early the 1950s, the PRC maintained good relations with the Soviet Union. At the same time, it collaborated with the Soviet Union in a friendly manner in conducting affairs along their common border and refrained from making public expressions of disagreement on territorial problems. Chinese and Soviet boats traded across the Argun, Amur and Ussuri

rivers in a friendly atmosphere. In 1951, the Joint Sino-Soviet Commission for Navigation on Boundary Rivers was established to set up navigational procedures and to supervise shipping along the border rivers. In August 1956, the two countries negotiated an agreement on the joint investigation and comprehensive utilization of natural resources in the Amur valley, including the planning and building of a 13-million kilowatt hydroelectric power system. In December 1957, a new agreement was signed, aimed at simplifying the rules governing commercial navigation and shipping on border rivers and lakes. Such differences on border issues that may have existed were not pursued by either side and the Amur River was described as the "River of Friendship". Zhou Enlai even said in 1960 that those sections of the Soviet-Chinese frontier on which agreement had not been reached were "insignificant discrepancies in the maps, easy to solve peacefully".<sup>38</sup>

The Sino-Soviet territorial dispute was first aired publicly on 3 March, 1963 when the Chinese government charged that the Soviet Union had carried on "large-scale subversive activities in the Li region of Xinjiang and enticed and coerced several thousands of Chinese citizens into going to the Soviet Union in April and May 1962".<sup>39</sup> In February 1964, the two countries decided to enter negotiations to settle the boundary issues. During the negotiations, the Chinese delegation insisted that the relevant treaties signed by the Chinese Qing Dynasty government and the Tsarist government in

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<sup>38</sup>"The Note of the Soviet Government of 29 March, 1969"; English text in Day, Alan T edited, *China and the Soviet Union 1949-1984*, Longman 1985, p.95.

<sup>39</sup>People's Daily, 6 September, 1963.

1858 and 1860 were unequal, but at the same time offered to take them as a basis for determining the entire alignment of the boundary.<sup>40</sup> China also suggested that "any side, which occupies the territory of the other side in violation of the treaties" should return it "wholly and unconditionally to the other side". It added that this "does not preclude necessary readjustments at individual places on the boundary by both sides". According to the Chinese view, the area illegally seized by the Soviets beyond the stipulation of the 'unequal treaties' included 600 of the 700 islands in the Ussuri and Amur rivers (about 1,000 sq km, or 400 square miles), and 30,000 sq km (or 12,000 square miles) of the Pamir mountain sector adjacent to the southern corner of China's Xinjiang province.

The 1964 border negotiations were broken off without any tangible results, because the Soviet side refused to accept China's position, while China also found the Soviet position unacceptable.<sup>41</sup>

Tension along the borders greatly increased during the early stages of the Chinese Cultural Revolution. Armed clashes between Soviet and Chinese frontier guards took place on 2 March and 15 March, 1969, on the Ussuri river, and continued to take place thereafter. During the summer of 1969, a series of new armed clashes broke out on the Ussuri and Amur rivers as well as on the Xinjiang border. The border clash of 1969

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<sup>40</sup>"Letter of the Central Committee of the CPC of February 29, 1964, to the Central Committee of the C.P.S.U.", English text in Beijing Review, 8 May, 1964, pp.12-18.

<sup>41</sup>"Chenpao Island has always been Chinese Territory", by Information Department of the Chinese Foreign Ministry, in Beijing Review, 14 March, 1969.

represented the climax of the Sino-Soviet dispute. However, in spite of the serious charges and countercharges, both sides tried to avoid a full-scale war. The PRC was particularly concerned about a possible attack from the Soviet Union on its nuclear base. On 29 March, 1969, Moscow called on Beijing to take part in talks towards normalizing the border situation. After few months' delay, Beijing announced on 7 June that it accepted the Soviet proposal to reopen meetings of the joint Sino-Soviet Commission for Navigation on Boundary Rivers at Khabarovsk.<sup>42</sup> But the border clashes continued until September, when Soviet Premier Aleksei Kosygin made an unannounced detour and held an airport consultation in Beijing with Chinese Premier Zhou Enlai on 11 September, 1969. Zhou and Kosygin agreed to resume boundary negotiations and to take other steps to ease frontier tensions.<sup>43</sup> On 7 October, 1969, Beijing announced that the PRC had reached an agreement with the Soviet Union to open negotiations aimed at resolving their border conflict.<sup>44</sup> China's position for entering negotiations had been made in a statement on 24 May, 1969:

"[It] must be confirmed that the treaties relating to the present Sino-Soviet boundary are all unequal treaties imposed on China by Tsarist Russian imperialism. But taking into consideration the fact that Tsarist power was in the hands of neither the Chinese people nor the Russian people...the Chinese government is still ready to take these unequal treaties as the basis for determining the entire alignment of the boundary line between the two countries and for settling

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<sup>42</sup>The NCNA dispatch, 7 June, 1969.

<sup>43</sup>*Dangdai Zhongguo Waijiao*, *ibid.*, pp.125-126.

<sup>44</sup>"Statement of the Government of the PRC", People's Daily, 8 October, 1969; English text in Beijing Review, 10 October, 1969.

all existing questions relating to the boundary."<sup>45</sup>

The Chinese government also put forward the following points for the negotiations:

1. There should be a distinction between rights and wrongs in history and a confirmation that the treaties relating to the present Sino-Soviet boundary were unequal;

2. In consideration of the actual conditions, these treaties should be taken as the basis for an overall settlement of the Sino-Soviet boundary question.

3. China does not demand the return of the Chinese territory which Tsarist Russia annexed through these treaties.

4. Any side which has occupied the territory of the other side in violation of these treaties should, out of principle, return it unconditionally to the other side.

5. A new and equal Sino-Soviet treaty should be concluded to replace the old unequal ones and to return to the status quo ante.<sup>46</sup>

Such attitudes on China's part seemed in contradiction with its principles. According to Beijing's interpretation, the unequal treaties were in violation of international law and without legal validity, thus giving China the legal justification to demand the return of all 1,500,000 square kilometres of disputed territory. Yet China made it clear -- and has since continued to make it clear -- that it had no intention of claiming back that vast territory. Instead, China

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<sup>45</sup>"Statement of the Government of the PRC", People's Daily, 25 May, 1969; English text in Beijing Review no.22, 30 May, 1969

<sup>46</sup>"Statement of the Government of the PRC", People's Daily 7 October, 1969. The English translation is reprinted by China Reconstruct, October, 1969.

adopted a prudent approach that did not, in fact, challenge the status quo. Although Beijing claimed that China had no intention of demanding the return of the whole 'lost territory', it insisted that the Soviet Union must acknowledge for the record that the treaties signed by the Chinese Qing government and the Czarist government on the Sino-Russian boundary were unequal and, therefore, illegal. Beijing also asked for a new treaty to replace the old one. Such a position on China's part was unacceptable to the Soviet Union, whose leaders possibly feared that the Chinese government might later use a Soviet acknowledgment of the 'unequal and illegal' nature of the treaties to lay claim to large parts of Siberia in order to solve China's population problem. For the Chinese, an immediate advantage could be obtained by accepting the unequal treaties as a basis for negotiations and by demanding the Kremlin's acknowledgement of the 'unequal treaties', since by so doing, China demonstrated that it had made a significant compromise, something which could strengthen its position in an eventual settlement of the actual disputed territories. The disputed territories comprise about 21,000 sq km (8,100 square miles) and this area -- in China's view -- is occupied by the Soviet Union in violation of the unequal treaties. The Chinese leaders also acknowledged that China was not strong enough to recover all the 'lost territories' and, therefore, decided to seal the issue in a 'historical record' and to leave room for flexibility for future Chinese leaders. Obviously, the notion of 'unequal treaties' was not simply a matter of morality or for the clarification of historical facts, but contained considerable substance.

The border negotiations opened in Beijing on 20 October,

1969, and continued with a number of breaks until July 1978. No official statements were issued on the progress of the talks. China's approaches were refused by the Soviet Union. In return, Moscow suggested a treaty renouncing the use or threat of force between the two countries. It also denied the existence of any disputed zones and proposed to conduct talks "without any preliminary conditions". It was not until the late 1980s that both sides were able to record significant progress in their negotiations, due to the changes both in the international situation and in the domestic situations in China and the Soviet Union.

In the early 1960s, through direct negotiations, the PRC concluded frontier agreements with other newly-developing Asian countries such as Burma, Nepal, Pakistan and Afghanistan. The Sino-Burmese and Sino-Indian negotiations would appear to be the most interesting of these..

b) *The case of Burma*

Bilateral agreements were signed by the Qing Dynasty and British-controlled Burma in 1886, 1894 and 1897, which led to the demarcation of much, but not all, of the Sino-Burmese frontier. In 1941, taking advantage of the critical situation in which China was placed during the war of resistance to the Japanese, and using the closure of the Yunnan-Burma road as a pretext, Britain effected -- in an exchange of notes with the Kuomintang government on 18 June -- an advantageous demarcation in the Kaawa area. This was called the "1941 Line".

In the early 1950s, the PRC was confronted with urgent, major problems both at home and abroad. In the domestic sphere it was necessary to consolidate political power and to get the

economy running again. The Korean War became the dominant issue, and China was unable to make comprehensive and systematic preparations for the settlement of boundaries with its neighbours, including Burma.

With the cessation of the Korean War and the 1954 Geneva Conference, in which China played an important role as an independent power, China started to develop new foreign policy initiatives which showed its intentions of playing a more positive role in shaping international affairs. To do this, it was essential to establish good relations with its neighbours. Negotiations towards the settlement of boundary questions were given a high priority, and the Sino-Burmese talks began in October 1956.

During the negotiations, the PRC made it clear that all existing treaties and agreements were unequal and the result of imperialist aggression. At the same time, China indicated a willingness to accept the previous treaties as a basis for negotiations. On 9 July, 1957, Zhou Enlai stated in a report on the boundary line between China and Burma : "It was the opinion of our government that, on the question of boundary lines, demands made on the basis of formal treaties should be respected according to general international practice."<sup>47</sup>

The Sino-Burmese boundary agreement was finally concluded on 28 January, 1960. It was believed that the PRC had made significant concessions and it accepted without modification the major part of the British-made boundary. China surrendered its residual sovereignty in the Namwan perpetual-lease area

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<sup>47</sup>Zhou Enlai: Report on the Work of the Question of the Boundary Line between China and Burma", 9 July, 1957, at the Fourth Session of the First National People's Congress; Text in People's China, no. 15, 1957.

and mining privileges in the Lufang silver mines. In return, China gained only 122 sq km (47 square miles).

Burma is a small and weak country. It seemed at the time that the PRC was in a strong bargaining position and that it could have gained more. However, if one considers the peculiar situation at that time, the PRC's concessions were understandable.

Bilateral relations between the PRC and Burma had been close and friendly. The premiers of the two countries had exchanged visits in 1954 and 1956. A series of bilateral agreements had been signed, including a treaty of friendship and non-aggression. Good relations provided a favourable atmosphere for negotiations through which the PRC could demonstrate to the world that a settlement that was fair and reasonable to both sides was possible, even between large and a small countries.

The settlement of the Sino-Burmese border issue gave China an opportunity to develop close relations with its neighbouring countries at a time of isolation. The Chinese leadership realised the significance of the Sino-Burmese negotiations on the border issue and regarded the settlement as a breakthrough both in diminishing the suspicion of neighbouring countries and in establishing good bilateral relations with them. Beijing also viewed the settlement as an important counterbalance to American influence on China's neighbouring countries. Zhou Enlai believed that "the imperialist countries hope that China will have conflicts with its neighbours and that they can take advantages of such conflicts". He considered the best way to weaken the imperialist position was to settle the Sino-Burmese border

issue through peaceful negotiations and to set a model for solving similar problems with other countries.<sup>48</sup>

c) *The case of India*

While Beijing was negotiating with Rangoon, Sino-Indian relations were worsening, due to a border dispute. Shortly after the Sino-Burmese agreement, Beijing was able to negotiate boundary agreements with other neighbouring countries such as Nepal, Pakistan, Afghanistan and the People's Republic of Mongolia. This flurry of boundary settlements served the PRC's purpose of embarrassing and putting pressure upon India. This was spelled out in Beijing's note of 31 May, 1962 to India, which stated:

"Since the Burmese and Nepalese governments can settle their boundary questions with China in a friendly way through negotiations, and since the government of Pakistan has also agreed with the Chinese government to negotiate a boundary settlement, why is it that the Indian government cannot negotiate and settle its boundary question with the Chinese government?".<sup>49</sup>

The PRC, however, failed to reach an agreement with India. As with the Sino-Burmese dispute, the differences over the Sino-Indian border dated back to British intrusion into the border lands of northern India, China and China's Tibet region in the 19th century. The boundary can be divided into three

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<sup>48</sup>See Yao Zhongming: "Premier Zhou Enlai's Outstanding Achievement on Settling the Sino-Burmese Border Issue" (Zhou Enlai Zongli Jiejue Zhong-Mian Bianjie Wengti de Guanghui Ye ji), in Pei Jienzhang edited *Research on Zhou Enlai -- diplomatic thinking and practice* (Yanjiu Zhou Enlai -- Waijiao Sixiang yu Shijian), World Knowledge Press, Beijing, 1989, pp.94-96. Yao was the chief representative of Chinese side of the Sino-Burmese Border Joint Committee during the Sino-Burmese negotiations.

<sup>49</sup>Notes, Memoranda and Letters Exchanged and Agreements Signed between the Governments of India and China; White Paper Ministry of External Affairs, Government of India, New Delhi, 1961, 1963; vol.VI, p.101; also see, Neville Maxwell, *India's China War*, Penguin Books, 1970, p.226.

sectors, western, eastern and central, of which the eastern is known for the controversial McMahon Line which covers a contested area of about 33,000 85,000 sq km (square miles). The McMahon Line was a product of the Simla Conference of 1913-1914, and the result -- which in China's view Britain manipulated -- was not even accepted by the Nationalist government.

The PRC regarded the McMahon Line as illegal on the grounds that China exercised full sovereignty over Tibet at the time and that Tibet had no right to decide its boundary with foreign country. In his letter to Indian Prime Minister Jawaharlal Nehru of 23 January, 1959, Zhou stated:

"...the McMahon Line was a product of the British policy of aggression against the Tibet Region of China, and it aroused the great indignation of the Chinese people. Juridically, too, it cannot be considered legal...It has never been recognized by the Chinese central government."<sup>50</sup>

However, the PRC government's attitude towards the McMahon Line was a realistic one in practice. The PRC was willing to accept it as the basis of negotiations, particularly while there were good relations with India. During his goodwill visit to India in 1956, Zhou took the initiative on the McMahon Line, expressing the opinion that China had accepted it as the boundary with Burma, even though as it had been established by the British the line was not fair. Zhou stated that "because of the friendly relations which existed between China and the countries concerned, India and Burma, the Chinese government was of the opinion that it should give

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<sup>50</sup>"Premier Zhou Enlai (Zhou Enlai)'s Letter to Prime Minister Jawaharlal Nehru", People's Daily, 8 September, 1959; English text in Beijing Review, no.37, 15 September 1959.

recognition to the McMahon Line".<sup>51</sup> In early 1959, he still held the view that, since India and Burma had attained independence and had become friendly with China, the Chinese government found it necessary to take a realistic attitude towards the McMahon Line.<sup>52</sup>

Had there been no differences over the western and central sectors of the Sino-Indian border, the PRC might have fixed the border with India on the basis of the McMahon Line, just as it had done with Burma. However, when relations deteriorated, the PRC's attitude hardened. Thus, in a note from the PRC's Ministry of Foreign Affairs to the Indian embassy in Beijing on 26 December, 1959, the PRC changed its earlier stand. After accusing the British of imperialist aggression against Tibet and of a conspiracy to encourage Tibet to break away from China, it stated:

"The Indian people, who treasure peace, can in no way be held responsible for all the acts of aggression committed by Britain with India as its base. It is, however, surprising that the Indian government should claim the boundary line which Britain unlawfully created through aggression against Tibet, and which even includes areas to which British authority had not extended as the traditional customary boundary line, while previously describing the true traditional customary boundary line pointed out by the Chinese government on the basis of objective facts as laying claim to large tracts of Indian territory."<sup>53</sup>

Zhou Enlai, who had previously told Nehru that China would recognize the McMahon Line because of the friendly relationship between the two countries, now asked: "How could China agree to accept under coercion such an illegal line

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<sup>51</sup>"Nehru in Rajya Sabha on 9 October 1950", in Neville Maxwell, *India's China War*, Doubleday, New York, 1972, p.88.

<sup>52</sup>*Ibid.*, p.89.

<sup>53</sup>A full English text in *The Sino-Indian Boundary Question*, Foreign Language Press, Beijing, 1962; pp.51-59.

which would have it relinquish its rights and disgrace itself by selling out its territory -- and such a large piece of territory at that."<sup>54</sup> The Chinese Foreign Affairs Ministry also denied that Zhou had made any remarks indicating China's recognition of the McMahon Line.<sup>55</sup>

Yet, in spite of such a changed attitude, the Chinese government still wanted an overall settlement of the boundary question between the two countries, taking into account the "historical background and the present situation". In his visit to India in April 1960, Zhou Enlai suggested that the Chinese government would accept the McMahon Line in the east in exchange for India's acceptance of China's position in the western section. He told the press in New Delhi:

"We have asked the Indian government to adopt an attitude towards this western area similar to the attitude of the Chinese government towards the area of the eastern sector; that is, it may keep its own stand, while agreeing to conduct negotiations and not to cross the line of China's administrative jurisdiction as shown on Chinese maps."<sup>56</sup>

Thus, it became clear that China's concession was not without conditions and the acceptance of the 'illegal' McMahon Line was a part of the whole package in settling the boundary question. Refuting the McMahon Line in the first place was supposed to be an important step in establishing China's bargaining position, and the acceptance of the Line subsequently could further strengthen its positions on other sectors. China realised that it would be difficult to gain the whole disputed territory and, therefore, considered certain

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<sup>54</sup>See, footnote 50.

<sup>55</sup>See, footnote 53.

<sup>56</sup>"Premier Zhou's Press Conference in New Delhi", see, Beijing Review, no. 18, 3 May 1960, p.20.

concessions necessary.

## 2-4 The position of Hong Kong

Treaties bearing on Hong Kong were signed between the Chinese Qing Dynasty government and the British government in 1842, 1860 and 1898.

The Treaty of Nanking of 1842 was the first international instrument by which a foreign power imposed unilateral terms on China. Following Britain's example, the Americans and French demanded and obtained similar treaties. The various privileges obtained by each power accumulated and formed the basis of the system of unequal treaties which developed during the nineteenth and early twentieth centuries. In this respect, the Opium War of 1840-1842 and the signature of the Treaty of Nanking have been regarded by the PRC as a turning point marking the change in China from a feudal society to a semi-colonial and semi-feudal society.

The Western countries were dissatisfied with what they had gained through the treaties signed between 1842 and 1844. A joint paper was presented to the Qing government in 1854 by the ministers of France, Britain and the United States, demanding that the earlier treaties be revised. In the ensuing Second Opium War of 1856-60, the imperial government was incapable of any significant resistance to the French and British. One result of the Chinese weakness was an extension of the territory of Hong Kong by the cession of the Kowloon peninsula and Stonecutter Islands.

Following the Sino-Japanese War of 1894-95, in which China suffered another humiliating defeat, foreign powers again took advantage of the weakness of the Chinese government, and the

British were able to enlarge their possessions in Hong Kong. In July 1898, the British government signed a treaty with the Chinese government under which it obtained a ninety-nine year lease on the New Territories in the north of the Kowloon peninsula and the neighbouring islands, thus adding 376 square miles (947 sq km) to the 75 sq km (29 square miles) of the original Hong Kong colony.

All the wars concerned have been constantly regarded by the Chinese as wars of aggression against China and thus unjust. All treaties signed afterwards, in the Chinese view, were consequently unequal. Thus, the existing treaties bearing on Hong Kong and Macao have been regarded as unequal by the government of the PRC, just like the treaties governing the Sino-Burmese and Sino-Indian boundaries. This has been made clear by China on a number of occasions.

On 8 March, 1963, the People's Daily, in response to criticisms from the Communist Party of the USA, stated: "Questions such as those of Hong Kong and Macao relate to the category of unequal treaties left over by history, treaties which the imperialists imposed on China."<sup>57</sup>

In September 1964, at a World Youth Forum in Moscow, a resolution was passed calling for the elimination of colonies in Asia. Tabled by the Ceylonese (Sri Lankan) delegate, it put Hong Kong and Macao on a par with Timor Island, Papua, Oman and Aden, and demanded the end of colonial rule in the two places in accordance with the United Nations declaration on decolonization. The Chinese delegate condemned the resolution and pointed out that Hong Kong and Macao were Chinese

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<sup>57</sup>People's Daily, 8 March, 1963; also see, Beijing Review, 15 March, 1963.

territories occupied by British and Portuguese imperialists on the strength of unequal treaties.<sup>58</sup>

Again, on 10 March, 1972, when the UN General Assembly's Special Committee on Colonialism included Hong Kong and Macao in its list of colonial territories, Huang Hua, Beijing's UN representative, handed a memorandum to the committee stating: "As is known to all, the questions of Hong Kong and Macao belong to the category of questions resulting from the series of unequal treaties left over by history, treaties which the imperialists imposed on China. Hong Kong and Macao are part of the Chinese territory occupied by the British and Portuguese authorities. The settlement of the question of Hong Kong and Macao is entirely within China's sovereignty and does not at all fall under the ordinary category of colonial territories."<sup>59</sup>

Most recently, in September 1982, after Mrs Thatcher reiterated that the nineteenth century treaties concerning Hong Kong could be altered but not abrogated, a Chinese Foreign Ministry spokesman said that the treaties signed by the British and the Qing Dynasty governments were unequal and had never been accepted by the Chinese people.<sup>60</sup>

The PRC's stand on Hong Kong has been consistent since 1949, but the government's statements have been ambiguous in some respects. They have never distinguished, in legal terms, between the Treaty of Nanking of 1842, the Treaty Convention of Peking of 1860 and the Convention of Peking of 1889. The

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<sup>58</sup>People's Daily, 27 September, 1964.

<sup>59</sup>English text in Joseph, Y.S. Cheng edited, *Hong Kong, in search of a future*, Oxford University Press, 1984; p.54.

<sup>60</sup>People's Daily, 1 October, 1982.

terms "cede" and "cession" as used in the Treaty of Nanking and the Convention of Peking of 1860 are different from the term "lease", as used in the Convention of Peking of 1898. "Cession" is usually defined in general international law as the formal procedure for changing sovereignty over a certain territory. In other words, Hong Kong Island and Kowloon are territories obtained by Britain in a legal transfer of the entire rights in respect of those territories from China's sovereignty to Britain's sovereignty. The Treaty of Nanking of 1842 stated:

"...His Majesty the Emperor of China cedes to Her Majesty the Queen of Great Britain, etc., the Island of Hong Kong, to be possessed in perpetuity by Her Britannic Majesty, Her heirs and successors, and to be governed by such laws and regulations as Her Majesty the Queen of Great Britain, etc., shall see fit to direct."<sup>61</sup>

The Convention of Beijing of 1860 stated:

"With a view to the maintenance of law and order in and about the harbour of Hong Kong, His Imperial Majesty the Emperor of China agrees to cede to Her Majesty the Queen of Great Britain and Ireland, and to Her heirs and successors, to have and to hold, as a dependency of Her Britannic Majesty's Colony Hong Kong,..."<sup>62</sup>

It seems that there is no doubt, so far as general international law is concerned, that the above articles allowed Britain to enjoy full sovereign rights over Hong Kong and Kowloon. However, the term "lease", as used in the Convention of Beijing of 1898, has a different legal meaning. Lease means "a contractual arrangement between states whereby a portion of one state's territory is provided to another state for the latter's use. ...Leases usually have time limits

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<sup>61</sup>See, *The Maritime Customs. treaties, conventions, etc, between China and foreign states*, Second edition, Shanghai, 1917, vol.1, pp.351-356.

<sup>62</sup>*Ibid.*, p.433.

attached to them and do not imply transfer of sovereignty to the leasing state, only the temporary transfer of administrative control and use of the territory for a specified period."<sup>63</sup>

The British government, especially the Colonial Office, was determined to integrate the New Territories as far as possible with Hong Kong and therefore declared in London on 20 October 1898 that the leased lands were "...part and parcel of Her Majesty's Colony of Hong Kong in like manner and for all intents and purposes as if they had originally formed part of the said Colony."<sup>64</sup> Shortly after the declaration, all laws in force in Hong Kong were also enforced in the New Territories. The British government has since that time exercised sovereign rights not only in Hong Kong and Kowloon, but also in the New Territories. Nevertheless, Britain's title to exercise power of any kind in Hong Kong Island and Kowloon will automatically be terminated on 30 June 1997, since it considers itself bound by the terms of the Convention of 1898.

In the Chinese government's statements referred to above, instead of using the terms "cede" and "lease", the terms "occupy" or "occupation" were used. Occupation is a formal legal term. It applies to the case of "acquisition by a state of title to territory belonging to no state, through its real, permanent and effective control upon a territory to which it lays claim, in order to make final the inchoate title which it

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<sup>63</sup>Bledsoe & Boczek, *ibid.*, p.149.

<sup>64</sup>"The New Territories Order in Council", text in Laws of Hong Kong (1964 ed.), vol. 24, IV, pp.11-12.

acquired through discovery."<sup>65</sup> This obviously does not to apply to the case of Hong Kong. What seems more applicable is the term "belligerent occupation". Under "belligerent occupation", a territory is temporarily administered by the occupant who may issue laws and regulations, but the legitimate government retains its sovereignty and its laws still apply when superseded by those imposed by the occupying power. However, belligerent occupation is a type of military occupation under a hostile army exercising military authority subject to rights and duties. Hong Kong has been governed by a civil colonial government and China and Britain have not been in hostile relations during most of the period. Thus, even though belligerent occupation provides that the occupant does not enjoy sovereignty and that a division of the territory or its conversion into an independent state are illegal, it does not entirely apply to the case of Hong Kong.

What is clear in these statements -- apart from the references that these treaties belong to the category of unequal treaties -- is China's intention of retaining Hong Kong's status quo. Decolonization became popular and many former colonial territories achieved their independence in the 1960s and 1970s, but statements from China made it clear that the question of Hong Kong and Macao did not fall into the ordinary category of colonial territories. Any change of Hong Kong's status, such as its following the process of general decolonization and becoming an independent state, would not have been accepted by the Chinese government.

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<sup>65</sup>Parry Clive, *The Encyclopedic Dictionary of International Law*, Oceana Publications Inc., New York, 1986, pp.272-273.

Thus, although China has expressed its position that Hong Kong is part of China, the Chinese government and its agencies treat the Hong Kong government as the lawful government of the territory. In various ways the Chinese government appears to respect the regular exercise of extensive legislative, judicial and executive powers by Britain. The boundary between Hong Kong and the mainland is treated as an international frontier. China has never protested against the conclusion of bilateral and multilateral agreements reached by the United Kingdom on behalf of Hong Kong with third states. Many Chinese state-owned corporations have branches in Hong Kong which are registered in accordance with the Hong Kong Companies Ordinance. Even the New China News Agency, the official representative organ of the Chinese government, has registered under the "Representations of Foreign Powers (Control)". In order to justify its realistic policy on Hong Kong, the People's Daily published an editorial on 8 March, 1963, in which it stated that on the question of unequal treaties, the Chinese government took different circumstances into consideration and made distinctions in its policy in dealing with various imperialist countries. It also declared that there was no need for the Chinese people to prove their courage in combating imperialism by making a show of force on the question of Hong Kong and Macao, since they had already demonstrated these qualities against US imperialism in the Korean War.<sup>66</sup>

However, the crucial question was always how the PRC would choose to handle Hong Kong. This puzzled many people right up

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<sup>66</sup>People's Daily, 8 March, 1963.

to 1984, when Beijing and London concluded the Joint Declaration on Hong Kong's future.

The case of Goa and the case of the Falkland Islands may be taken as examples somewhat analogous to the Hong Kong situation. Goa was a former colony of Portugal. On 18 December, 1961, India launched a military attack on the Portuguese enclave. India stressed that Goa was part of its territory and had been illegally occupied by the Portuguese for 450 years. Relations between China and India at the time were about to worsen because of differences over their own common boundary, but the Chinese government still openly supported the Indian position. Two days after Indian troops occupied Goa, the Chinese government stated:

"Goa is an inalienable part of Indian territory. To oppose colonialism and safeguard national independence and the unity of their country, the Indian people have for a long time been demanding the recovery of Goa and have waged an unremitting struggle for this purpose. The action of India in recovering Goa reflects the just demands of the Indian people. The Chinese government and people express their resolute support for it."<sup>67</sup>

China did not only support India's sovereign rights over Goa, but also supported the means used by India to recover the territory, though such a use of armed force was an act clearly forbidden by the UN Charter.

China's response to the Falklands conflict was more complicated. On 1 April, 1982, the People's Daily reported: "The Falkland Islands, also called Malvinas Islands, have been Britain's dependent territory since they were occupied by the British in 1833. But Argentina considers that the islands are

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<sup>67</sup>"Statement of the Government of the PRC", in Beijing Review no.51, 2 December, 1961, pp.10-11.

its territory."<sup>68</sup>

Two days later, the same newspaper reported the historical background to the dispute, using the name Malvinas Islands rather than Falkland Islands.

Over the following days, the People's Daily published several editorials, considering the Malvinas Islands as a leftover from colonial times, and stressing that any attempt which relied on "gun-boat" policy to force Third World countries to submit would not succeed. On 18 June, 1982, the People's Daily stated:

"The Chinese people have constantly opposed imperialism, colonialism and hegemonism and supported the just struggle of Third World countries and people to defend their sovereignty and territorial integrity. The resolutions of non-aligned countries and of the Organization of American States supporting the sovereign rights of Argentina should be respected and fulfilled."<sup>69</sup>

China's policy in the cases of Goa and the Falklands reflected its general stand of supporting Third World countries' demands for sovereign rights over certain territories governed by colonial rule. The difference between the two was that in the case of Goa, China was in favour of military action while in the case of the Falklands it was not. In the Anglo-Argentine dispute, China chose to back the Argentine position, but with a certain caution. It was not in favour of the military action taken by Argentina and also considered that Britain's action could only make things worse. In Beijing's view, the dispute could be solved through peaceful negotiations. China was also careful in the tone and vocabulary it used to describe the situation, avoiding

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<sup>68</sup>People's Daily, 1 April, 1982

<sup>69</sup>People's Daily, 18 June, 1982

provoking either side. Such an attitude on China's part was significant in relation to the question of Hong Kong, since the issue of 1997 was attracting great attention at that time.

### **Conclusion**

China has adopted a selective policy towards international law, so far as state succession and the law of treaties are concerned. The PRC has regarded itself as the successor to past Chinese dynasties and even the Nationalist government on some questions, but not on others. In the handling of specific cases, the Chinese government has tended to maintain a flexibility of action, in order to achieve its foreign policy goals. It is its self-interest, its strategic considerations and its perception of the existing international situation that have determined whether to recognize or abrogate pre-existing treaties.

The examples discussed in this chapter suggest that Beijing's practical approach towards so-called unequal treaties was prudent. Although the PRC always held that it was not bound by these treaties, it nonetheless never directly challenged their validity before negotiated settlements were reached. There were conscious attempts to maintain at least a semblance of consistency on these issues and to follow general international practice.

The Sino-Soviet boundary conflict suggested that although the government of the PRC openly stated that its policy towards socialist countries was fundamentally different from its policy towards imperialist countries, on the question of sovereignty and territorial integrity it was national interest that shaped China's attitude and policy. When there existed

common interests in maintaining communist unity, the PRC chose to adopt a low-key attitude towards its differences with the Soviet Union. However, territorial issues could always be important seeds for confrontation.

The Sino-Burmese and Sino-Indian examples indicate that where there were good and friendly bilateral relations, China was willing to negotiate boundaries even on the basis of old treaties which it regarded as unequal. Under such conditions, concessions were possible, as the Sino-Burmese agreement showed, but in other cases a hard line might be adopted, as in the Sino-Indian dispute. Yet, there were also other important reasons for concessions -- such as the need to raise China's international prestige, in the case of Burma, or the need to strengthen its bargaining position.

In general, when China felt a stable agreement was impossible to achieve, it preferred to maintain the status quo rather than make quick and possibly irrational decisions, such as in the case of Hong Kong. When Beijing found it necessary, it chose to settle matters through negotiations. The PRC had settled boundary questions by means of negotiations with Burma, Pakistan, Nepal and Afghanistan and tried to achieve a similar solution with India. Presumably, a similar approach would have been applicable in the case of Hong Kong.

The difference, however, was that Britain was still occasionally regarded by the Chinese as an imperialist country, which ought to bear responsibility for humiliating China with its unequal treaties in the 19th century. According to Communist principles, the PRC ought not to have tolerated the continued British presence in Hong Kong. There was indeed tension between Beijing and London, but it was never as

serious as in the Sino-American or Sino-Soviet conflicts. First the United States and then the Soviet Union were regarded by the PRC as the principal enemy -- against which China felt it had to use almost every means available. Britain, by contrast, never became a serious enemy of Beijing. According to a Chinese saying, "work should be done in order of importance and urgency". Not until the 1980s did Beijing consider the time ripe to solve the question of Hong Kong. China had previously been preoccupied by other more important and more urgent problems.

## Chapter Three

### The Formation of the PRC's Hong Kong Policy

This chapter examines the factors contributing to the new government's tolerance of the existence on its doorway of a British colony, and the establishment of its Hong Kong policy. Considerable attention is paid to the emergence of the Nationalists and the Communists and their attitudes towards foreign powers, and to the issue of unequal treaties. The efforts made by the Kuomintang government to regain sovereign rights are examined, providing an alternative background to the Communist government's policy on the same issue.

#### **3-1 The status of Hong Kong before 1949**

Britain acquired Hong Kong from China in three stages. Victoria island was ceded by the 1842 Treaty of Nanking -- as a result of the First Opium War of 1840-1842. Kowloon and Stonecutter Island were ceded in the aftermath of the Second Opium War of 1854-60. Following the scramble for concessions, precipitated by Japan's victory over China in the war of 1894-95, northern Kowloon and a large area of the mainland -- together with 235 small islands and a large body of sea around Hong Kong, known collectively as the New Territories -- were leased to the British Crown for 99 years under the Beijing convention of 1898. The extension of the territory was stated to be "for all proper defence and protection of the colony".

Ever since its initial establishment as a British colony in 1842, Hong Kong has survived successive changes of regime on the mainland. However, its existence has always been a great national humiliation for the Chinese. Indeed, foreign

imperialist expansion in China, rivalry among the foreign powers at China's expense and the corruption and incompetence of the Qing Dynasty, all promoted a sense of shock and extreme crisis in the Chinese people. Consequently, a rapid development of nationalist feeling emerged among those Chinese who feared a loss of national identity. Demands for the abrogation of unfavourable treaties signed by the Qing Dynasty and foreign countries arose before and particularly after the 1911 Revolution which led to the establishment of the Republic.

At the 1919 Paris Peace Conference, Chinese representatives appealed for the first time to the international community for specific agreements which would lead towards full Chinese sovereignty. These included the return of the New Territories. At the time of the Washington Conference in 1922, the Chinese again appealed for the return of the foreign acquisitions. However, these efforts achieved nothing, merely demonstrating China's political impotence. Nevertheless, the diplomatic failure further stimulated the Chinese people's anti-imperialist mood and a powerful movement emerged rapidly in China.

At that time, the Chinese government was under the control of the northern warlords. The most influential nationalist figure, Dr Sun Yat-sen, had no power over the government. Sun devoted his life to the cause of national revolution in order that China might abrogate all unequal treaties and enjoy equality with other nations. Before 1911, all his efforts were directed against the Manchu regime, which he condemned for sacrificing national interests to foreigners and signing various unequal treaties. The 1911 Revolution overthrew the

Manchu regime and produced a republican form of government, but it failed to bring about a strong and united China. Warlords, backed by foreign powers, ruled the northern part of the country. Naturally, they had no interest in seeking to revoke the unfavourable treaties. Sun Yat-sen tried several times to organize military expeditions to unify the whole of China, seeking the support of Western powers, but he failed.

At this time, the Chinese Communist Party was also fighting the warlords by means of demonstrations and strikes. These efforts culminated in a general strike by the railway trade unions in 1923. Suppressed by the northern warlords with a massacre in which 44 trade unionists died, the Communists learned that, without a large and well-organized national movement, it would be impossible to overthrow the warlords. Such a movement would need to encompass various classes, parties and political organizations with a common interest.

Both the Communists and Nationalists acknowledged their need to act together and so began their first collaboration under an anti-imperialist and anti-warlord banner. The Nationalist Party -- the Kuomintang -- was transformed into a highly efficient organization which was joined by a number of Communist Party members. A modern army, trained by Soviet instructors, was also established. In the manifesto of its First Congress, the Kuomintang declared that the abrogation of all unequal treaties was the first priority of its foreign policy. It stated that "all unequal treaties, such as foreign-leased territories, foreign consular jurisdiction, foreign control of customs duty and other special foreign rights, encroach on China's sovereignty and therefore must be abrogated. New treaties based on mutual respect for

sovereignty should be concluded."<sup>1</sup>

The immediate impact of Nationalist-Communist cooperation was the country-wide spread of anti-imperialist feeling led by demands for the abolition of all unequal treaties. There was no doubt that all Chinese were agreed on the desirability of the nation's re-establishing itself as a strong power in Asia. This feeling was not simply nurtured in Communist or left-wing circles. The entire Chinese nation felt aggrieved by the unequal treaties.

After the October Revolution, Soviet Russia showed a willingness to give up special rights and privileges in China -- the first foreign power to do so. In May 1924, the Soviet Union and China concluded new treaties in which the Soviet government stipulated the abolition of unfavourable treaties signed by the Tsarist regime and the Qing Dynasty. This was the first time since the Opium War that China had been able to conclude an equal treaty with a foreign power, although the Soviet Union did not fulfil its promises.

All other treaty powers, including Britain, were reluctant to give up their acquisitions in the way the Soviet Union had done. They continued to be associated closely with the northern warlords' government and despised the existence of the southern nationalist regime.

In July 1926, the National Revolutionary Army -- the joint Nationalist-Communist army -- launched the "Northern Expedition" aimed at overthrowing the warlords. With the advance of the Revolutionary Army, a radical anti-imperialist

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<sup>1</sup>*The Collected Documents of the Modern History of China (Zhongguo Xiandaishi Ziliaoji)*, People's Press, Beijing, 1982, vol.II, no.I, p.45.

movement developed in Hunan, Hubei and Jiangxi provinces. The masses took action with support of the army, directly challenging foreign presences in these areas. The most significant event was the regaining of the British concessions at Hankou and Jiujiang. The British were forced to accept the Revolutionary regime's demands and they relinquished their concessions.

The Nationalists' efforts achieved a measure of success in their frontal attacks on warlords and foreign imperialism so long as the Nationalist-Communist coalition held together. However, the initial cooperation between the two parties did not last long. It ended after Chiang Kai-shek's merciless repression of the workers' movement in Shanghai in April 1927. A new, "united" Nationalist government was set up in Nanking that September, tightly controlled by the Kuomintang. The Communist Party was declared illegal and Communists went underground or out to remote mountainous districts.

Immediately after the establishment of the government, the Kuomintang changed its strategy in dealing with foreign powers. Chiang secretly ordered the abolition of anti-imperialist slogans and promised Westerners that his government would never use force to change the status quo.<sup>2</sup> The re-establishment of full national sovereignty remained an objective for the Kuomintang government, however. This included the recovery of tariff autonomy, the termination of extra-territoriality, the restoration of sovereign control over foreign concessions in the treaty ports, and the acquisition of the Manchurian railways.

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<sup>2</sup>*The Collected Documents of the Modern History of China*, vol.II, no.I, pp.147-149.

Some gains were made by the Nationalist government through negotiations. In 1929, the British gave up their concessions at Chongqing, Amoy and Weihaiwei, and the Belgians turned over their concessions at Tianjin. In the same year, China successfully abrogated existing treaties with Belgium and Denmark by unilateral action and thus terminated extraterritoriality for the nationals of those countries. In a series of treaties signed between 1928 and 1930, the government won the agreement of the foreign powers on Chinese tariff autonomy, and sovereign control in this area was re-established in 1930.

However, as far as the spheres of influence and extraterritoriality generally were concerned, the Kuomintang government was less successful. The rights still enjoyed by the treaty powers were extensive. The nationals and companies of these powers were exempt from the jurisdiction of Chinese criminal courts, being subject instead to consular courts which also heard some civil cases. Their houses, ships and other property could not be entered or searched by the Chinese police or other authorities. Some of the treaty powers had the right to station substantial military guards at their legations in Peking, or to send warships along the Chinese coast and up the Yangtze River. In some cities, foreigners enjoyed concessions, and there were other areas where foreigners could lease and acquire land ruled by a foreign-controlled municipal council.

The Second World War provided China with a favourable chance of improving its international status. In December 1941, when Japan went to war with Britain and the United States, China found itself part of an alliance which offered

the possibility of recovering full sovereignty. On 10 October, 1942, the British and American governments announced, in recognition of their friendship and solidarity with China, that they would take part in negotiations for the abolition of extra-territorial rights and privileges. The following year, China signed new treaties with the United States and Great Britain. Both countries promised to give up their extra-territorial rights and other privileges. Britain also surrendered its concessions in Tianjin and Canton, and gave up its rights in the Shanghai and Amoy international settlements. Nearly all the other Western powers soon entered into similar agreements, abandoning the special rights they had acquired under earlier treaties.

It would appear that, as long as the Chinese government had remained powerless to enforce its will, nothing had been achieved. The war had demonstrated Chinese determination to resist the Japanese invasion. This improved China's international prestige and bought an upsurge of sympathy from the West. The era of unequal treaties thus came to an end. The treaty powers, however, Britain in particular, had not completed the process. There was no solution in sight on the issue of Hong Kong.

Several times, the Kuomintang had raised the subject. Its first national convention in 1924 urged the cancellation of all unequal treaties, including the 1898 leasehold agreements. During the 1920s, the colony was subjected to strikes and boycotts. Chiang Kai-shek stated in his book, *China's Destiny*, that the New Territories and Hong Kong island were geographically interdependent and that their status must be

settled simultaneously.<sup>3</sup>

During the negotiations to end extra-territoriality, the Chinese government's reply to the first British draft proposal insisted upon the return of the New Territories. Sir Anthony Eden declared the matter outside the scope of the treaty, but said he was willing to discuss it after the war. After the treaty had been signed, the Chinese Minister for Foreign Affairs wrote to the British Minister in Chungking: "The early termination of the treaty of June 9, 1898, by which the said lease was granted, is one of the long-cherished desires of the Chinese people. If effected on the present occasion, it would go far, in the opinion of the Chinese government, to emphasize the new era which the Treaty concluded today is intended to inaugurate in the relations of our two countries."<sup>4</sup>

But the British had no intention of allowing a hand-over. During the Cairo Conference of 1943, Chiang agreed that the post-war Hong Kong should become an international free port, but under Chinese sovereignty. Chiang's idea was supported by President Roosevelt. However, the British government stated that it did not contemplate any modification in the sovereignty of British territories in the Far East. Churchill was adamant in his refusal to consider the surrender of the territory: "Hands off the British Empire is our maxim and it must not be weakened or smirched to please sob-stuff merchants at home or foreigners of any hue."<sup>5</sup>

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<sup>3</sup>Chiang Kai-shek, *China's Destiny*, Roy Publishers, New York; 1947, p.154.

<sup>4</sup>Documents of the Modern History of China, People's Press, 1984, p.56.

<sup>5</sup>"Summary of Assurances Given by HMG since 1942 about the Future of Hong Kong", FO371 75839/1061/10, British Public Record Office, Foreign Office Files.

There was nearly a direct confrontation between the two countries in 1945. On 16 August, 1945, immediately after the Japanese capitulation, a spokesman at Chungking announced that the Chinese government would accept the surrender of Hong Kong. It was reported that British and Chinese forces were racing against each other to take over from the Japanese. On 22 August, the United States Secretary of State, Mr Byrnes, stated that the question of Hong Kong would be discussed at the forthcoming London conference of foreign ministers of the Alliance. On the same day, the Japanese terms of surrender to the Chinese provided for Hong Kong as one of the areas to be reoccupied by Chinese troops.

At the same time, the British government made it clear that arrangements were being made for the Japanese surrender in Hong Kong to be accepted by a British commander. On 24 August 1945, however, Generalissimo Chiang Kai-shek announced that China would not send troops to accept the surrender of Hong Kong lest this should arouse allied misunderstanding. Thus, the British returned to Hong Kong with no further Chinese challenge. But Chiang declared that, now other leased territories had been returned to China, the New Territories should not remain an exception.<sup>6</sup>

No solution was reached. Hong Kong and the New Territories did remain an exception. The Nationalist government did not make further demands and there were just two or three unofficial demonstrations against British occupation of the

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<sup>6</sup>See, Evan Luard, *Britain and China*, Chatto & Windus, London, 1962, pp.181-182.

territories. The Kuomintang was not strong or determined enough to press its claims and was also too preoccupied by the civil war against the Communists. When a new and more powerful government emerged in 1949, the issue of Hong Kong became more pressing.

### 3-2 The Communist victory and the position of Hong Kong

In 1948, after three determined victories over the Nationalists, Communist forces were about to win the control of the mainland. The people of Hong Kong had watched the Communist advance with great caution. A Communist victory could end the civil war and a Communist government might bring China political stability and economic recovery. However, the possibility of a Communist victory also created great uncertainty over Hong Kong's own position. Thousands of people flooded into Hong Kong from Shanghai, Tianjin and Guangdong, many of them regarding the British colony as a temporary refuge on their way to the United States, Western Europe or even Taiwan. The most important daily topic was whether the Communists would cross the border. In order to assure Hong Kong, the British government reinforced the garrison there making it clear that Britain was determined to carry out its responsibility. Yet many people knew that the colony was facing a much more powerful regime. When the People's Liberation Army (PLA) was approaching the southern part of China, the total strength of forces available to the British to defend Hong Kong was at most 25,000.<sup>7</sup>

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<sup>7</sup>"Approach to Our Commonwealth Government Asking Support of Hong Kong Policy" by Commonwealth Relations Office, 27 May, 1949, in FO371 75873 F7961/B/G.

It was most unlikely that the island could have been defended for more than a few days against an attack from the Communist forces. The Communists could also have used their supporters in Hong Kong in a guerrilla war or, alternatively, have simply blockaded the colony as was done in 1923 in an anti-imperialist demonstration, since the island was dependent on the mainland for food and raw materials. It would have been possible, of course, for the British to obtain supplies elsewhere, but a blockade would largely have limited the colony's economic development and hindered further investment. The price of maintaining the status quo would have been too high. Under direct pressure from the Communists, the British government would have little alternative but to accede to their demands.

Obviously, the Communist attitude towards the existence of Hong Kong as a British colony became significant for the island's survival. In November 1948, Qiao Mu, the Chinese Communist spokesman in Hong Kong and the head of the New China News Agency, in an interview with the Reuters correspondent in Hong Kong, H.C. Bough, assured the British government that a future Communist government in China would not cause any trouble in Hong Kong. He indicated that the Chinese Communists could have perfectly normal relations with the United Kingdom and suggested that the status of Hong Kong was only a minor diplomatic issue. Qiao also suggested that the Hong Kong question should be settled only at the highest level and that it would be considered by the Communists as an integral factor

in Communist-British relations.<sup>8</sup>

Another source proved Qiao's statement. The Consul-General at Beijing was informed on 24 September by L.K. Tao (known to Ambassador Stuart), that he had recently met with Lo Lung-chi who had a conversation on 20 September with Mao Zedong. Mao had told Lo that the position of Hong Kong could presently be considered safe, since it had been decided by the CPC that all treaties signed before the Nationalists came to power would be accepted, while those signed after that period would be made the subject of study.<sup>9</sup>

In September 1949, the Communist newspaper *Guangming Ribao* published an article on Hong Kong. The article saw Hong Kong as a colony of British imperialism in its economic, military and political aggression against China. However, there was no indication that the Communists would destroy the base. Instead, the article reminded the colonial authorities of Hong Kong that a new China was appearing and that Chinese people abroad were no longer to be ignored. It warned the British that the colonial form of treatment of the Hong Kong Chinese and their detested exploitation should come to an end.<sup>10</sup>

According to British intelligence sources, the documents captured in Hong Kong yielded much secret evidence of

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<sup>8</sup>"The Consul General of Shanghai (Cabot) to the Secretary of State", 17 December, 1948; in *Foreign Relations of the United States (FRUS)* , vol. VII (1948); the United States Government Printing Office, Washington, 1973, p.66. Also see, FO371 75779/f124.

<sup>9</sup>"The Consul General at Peiping (Clubb) to the Secretary of State", 27 September, 1949, *FRUS*, vol.VIII, 1978, p.539.

<sup>10</sup>Yong Pei-hsin: "Hong Kong As British Economic Aggressive Base", in Economic Weekly Supplement of Kwang Ming Jih Pao, Peiping, 2 September, 1949, English Text in FO371 75839 F14913.

Communist plans for the organization of Communist activities in South East Asia, but no evidence of any kind was discovered that even hinted at a decision to attack Hong Kong. The Communists were well organized for many kinds of activities, but not for taking over Hong Kong.<sup>11</sup>

It was the Fourth Army that conducted the battle of Guangdong. When its regular force arrived at Shenzhen on the Chinese side of the frontier on 17th October, to many people's surprise, it stopped. The frontier was quiet and no incidents were reported. It was obvious that the troops were well disciplined and also clearly ordered not to make trouble.<sup>12</sup> General Cao Ying, a commander at the time in the Fourth Army, later recalled that on the way into Guangdong the troops were ordered to stop at the frontier and were not allowed to enter Hong Kong territory, even for purely military actions to fight the retreating Nationalist troops.<sup>13</sup>

It was believed initially that the People's Republic of China was determined to take radical, and even military, steps to take over Hong Kong. In the wake of their own liberation, the Chinese harboured strong anti-imperialist and anti-colonialist sentiments. Regarding itself as the genuine leading power in the Chinese anti-imperialist and anti-colonialist movement, the Communist Party had no conflict of principles towards a takeover of the British colony, which

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<sup>11</sup>"Draft Paper for Joint Intelligence Committee on Communist Intentions towards Hong Kong by Foreign Office", 18 July, 1949, in FO371 75877 F10527/g.

<sup>12</sup>"Extract from the House of Commons", 19 October, 1949, in FO371 75837 F15827.

<sup>13</sup>Interview with Cao Zhemin, son of general Cao Ying in May in Beijing. Cao Zhemin is a senior official of the NCNA.

would have wiped out the humiliation that the nineteenth-century treaties represented. The CPC did not recognize the treaties bearing on Hong Kong and, therefore, it did not consider itself bound by them. Thus, from a legal point of view, it could justify its actions. Given that there was no universally-accepted interpretation of international law and no sufficiently authoritative international body, China's position was consistent and would at least win support from the Communist bloc. Moreover, a takeover could increase the new China's prestige among Third World countries. In this context, a People's China editorial stated in 1950 that "the Chinese people's victory not only provides indirect assistance to all colonially-exploited peoples by laying down a proven pattern for successful struggle; it also provides direct and concrete assistance to them, for it has shaken the whole colonial system to its foundations."<sup>14</sup>

Yet, there were several reasons to explain the new China's tolerance of the existence of Hong Kong as a British colony in the early stages. Firstly, the CPC was aware of the importance of Hong Kong as a unique place to communicate with overseas Chinese people and the outside world as a whole. Hong Kong had been used by the Communists before it seized national power as an important place to conduct its propaganda and make contact with overseas Chinese people. Many Communists and Communist sympathizers, including Zhou Enlai, had taken refuge in Hong Kong and had been treated correctly by the Hong Kong authorities. At this point, Qiao Mu was satisfied with the Hong Kong government's policy of "neutrality in China's civil

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<sup>14</sup>People's China, vol. 1, no.4, Feb. 16, 1950, p.3.

war and the hospitality extended to the Communists in Hong Kong."<sup>15</sup>

Secondly, in the early years of the People's Republic, Beijing might have considered the capture of Hong Kong by force. Hong Kong, however, was a very vulnerable island, and could easily have been taken a few years later, once China's situation had stabilized. The Communist leaders acknowledged, however, that the new government would face great difficulties in rebuilding the country's crumbling economy and in stabilizing Communist control. In addition, while the new regime was determined to unify the whole China, it was preoccupied with the Kuomintang's occupation of Taiwan and the offshore islands. Thus, when Beijing entered into negotiations with Britain over the establishment of diplomatic relations in the spring of 1950, China simply reminded the British that they should remember that Hong Kong had been ceded as a result of an unjust war. China, though, did not claim the return of the colony. In contrast, it was said in public speeches that the People's Liberation Army had liberated the entire area of China except Tibet and Taiwan, so apparently excluding Hong Kong as well as Macao.<sup>16</sup>

Thirdly, although the CPC leaders decided to lean to the Soviet side and regarded Sino-Soviet relations as the cornerstone of the new government's external policy, they did not intend to become a Russian satellite or shut the door to Western countries, not even the United States. Zhou Enlai once

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<sup>15</sup>"The Ambassador in China (Stuart) to the Secretary of State", 27 December, 1948. *FRUS*, vol.VII, 1948, 1973 p.660.

<sup>16</sup>See, "Colonial Office Report on Communist Situation in Hong Kong", 15 March, 1950; in *FO371 83260 FC10112/25*.

hinted to the United States: "We are going to lean to one side, but how far depends on you." It was believed that Beijing had decided deliberately to avoid external conflicts as it desired to present a good front to the world generally, and it was therefore important not to challenge openly the British role in Hong Kong.

Fourth, the new government well acknowledged the British determination to defend Hong Kong, which was possibly backed by a joint American-British defence plan. The Chinese leaders certainly believed in the existence of such an agreement. Zhou Enlai asked the Communist agencies to discover the detailed arrangements of how it worked. Indeed, from time to time, the British government kept informing Washington of its Far East policy and its intention to defend Hong Kong. In September 1949, for instance, in a discussion with officials dealing with Asian affairs in the US State Department, the British Foreign Secretary, Ernest Bevin, said that Britain considered that the necessary conditions for a discussion on the future of Hong Kong did not exist at that time, and therefore, until conditions changed, it intended to remain in Hong Kong, and would so inform the United States.<sup>17</sup> However, when the Americans were asked whether they were going to fight with the British in Hong Kong, they replied vaguely, saying that the United States would do what it was obliged to under the United Nations Charter.<sup>18</sup> The joint chiefs of staff even recommended

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<sup>17</sup>"Memorandum of Conversation, by the Secretary of State with Mr Bevin on the Far East", 15 September, 1949, *FRUS*, vol. IX p.83.

<sup>18</sup>"Memorandum of Conversation, by the Secretary of State with Mr Bevin on Far East", 17 September 1949, *FRUS*, vol. IX, p.91.

to the President that "the United States will not provide military support to the British for the defence of Hong Kong in the event of a Communist military attack."<sup>19</sup>

It is clear now that the United states was reluctant to commit itself to the defence of Hong Kong and that there existed no joint plan to do so. Nevertheless, for the Chinese, it is significant that they believed in the existence of such a plan. It meant that had they resorted to force to recover Hong Kong, they would have confronted two big Western powers. China obviously did not want take such a risk and give the Western powers an excuse to intervene in China's internal affairs, and in particular, help the Kuomintang back to the mainland.

Thus in the initial stage, the Chinese leaders decided not to touch the issue of Hong Kong, considering that such an action would create great difficulties for them in handling more urgent problems at home, and would add uncertainty to China's international position.<sup>20</sup>

### 3-3 The impact of the Korean War

The People's Republic was anxious to avoid external conflicts, but less than one year after the Communist takeover, it became involved in an all-out confrontation with the United States when the Korean War broke out. The Korean War largely shaped China's international position, and from then on the Chinese leaders were very much preoccupied by an

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<sup>19</sup>"Memorandum by Mr Troy L. Perkins, of the Office of Chinese Affairs, Washington", 5 November, 1949; *FRUS*, vol.IX; p.170.

<sup>20</sup>Interview with Cao Zheming.

American military threat.

The Chinese Communists' image of a hostile, menacing America can be traced back to the civil war between the Communists and the Nationalists. When the Communists tried to win the United States over their side Washington chose to remain allied to the Nationalists, and provided them with substantial material and training assistance. In order to gain security for its new state, Beijing moved closer to its ideological allies in Moscow. But at the same time it was unsure of American intentions and therefore did not shut the door firmly on the United States, although it continued to condemn US support for the Nationalists.

Washington initially hoped that there would be ample ground for a sharp Sino-Soviet disagreement to emerge in East Asia in the not-too-distant future. It also hoped to exploit such a conflict in such a way as to establish an Asian power balance favourable to American interests. Nevertheless, the outbreak of the Korean War, and China's entry into the war in 1950, radically changed American strategy towards China. As a result, the United States decided that it had no choice but to contain China, and any kind of improvement in Sino-American relations became impossible.

Shortly after the outbreak of the war, President Truman ordered the US Seventh Fleet to protect Taiwan against possible attack by Communist forces, on the grounds that a Communist occupation of the island would threaten US forces in the Pacific area. Three months after China's entry into the war, Washington signed the Mutual Defence Assistance Agreement with the Nationalist government in Taiwan. During the war, the United States launched a campaign aimed at isolating China.

Starting in December 1950, it issued, first, controls, then a blockade on exports of strategic commodities to China. In May 1951, largely through the efforts of the United States, the United Nations passed an American proposal for a complete trade embargo with China.

China understandably, saw the United States as the most aggressive imperialist country and thought that it was ready to launch a direct attack on China. Beijing stated:

"The United States was to make use of Taiwan as a spring-board for the invasion of the Chinese mainland... Her plan is to invade China after her complete occupation of Korea. The United States is now arduously rebuilding and rearming Japan....The aim of the United States is to utilize Japanese military forces as the United States' advance guard in the American invasion of the Far East."<sup>21</sup>

It was crucial for the Chinese to focus on how to deal with the American threat. In order to counter such a perceived American threat, it was thought sensible and wise not to open another battlefield via-a-vis Hong Kong, both for military and diplomatic reasons. Peng Zhen, a member of the Politburo of the CPC, stressed in 1951:

"To take Hong Kong now would not only bring unnecessary technical difficulties in the enforcement of our international policy, but also increase our burden....it is unwise for us to deal with the problem of Hong Kong rashly and without preparation."<sup>22</sup>

The war indeed imposed a serious drain upon the Chinese economy and diverted scarce industrial and transport resources from its economic construction. The complete trade

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<sup>21</sup>See, Zhou Enlai, "Supporting Korea to Resist American and Defending Peace" (Kangmei Yanchao, Baowei Heping) - Report to the Chinese People's Political Consultative Conference on 24 October, 1950; in *Selected Works of Zhou Enlai*, People's Press, Beijing, 1984; pp.50-52.

<sup>22</sup>"Colonial Political Intelligence Service", CO371 4789 March 1951, British Public Record Office, Colonial Office Files.

embargo further added to the young state's difficulties. As a result, during the war, China had to direct its trade sharply away from the non-Communist world and towards the Communist countries. It was against this background that Hong Kong became the most important single market for China's exports outside the Communist bloc, and the principal source of its foreign exchange. In particular, largely due to the efforts of pro-Beijing business people, it became one of China's most important sources of supply for products such as medicine and medical equipment which were needed desperately for the battlefield in Korea.

In addition, up to early 1953, Beijing could not get direct shipments from Europe to China because of the blockade imposed by the Nationalist navy and the American efforts. All cargo had to be shipped to Hong Kong and then forwarded to China under a separate bill of lading.

Hong Kong's role in China's commercial relations with the non-Communist world became magnified. In 1950, more than one half, and in 1951 more than two-thirds of China's imports from non-Communist countries were obtained through Hong Kong -- a sum of \$255.7 million in 1950, and \$305 million in 1951. These imports declined to \$91 million in 1952 and \$94.6 million in 1953, but they still represented large amounts.<sup>23</sup>

It should be noted that the above figures did not include smuggled goods. The British authorities "openly and frankly" admitted that there were no water-tight controls which could prevent completely United States exports into Hong Kong from

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<sup>23</sup>*Hong Kong Department of Commerce and Industry, Hong Kong Trade Bulletin, 1954.*

reaching China in one form or another.<sup>24</sup> The smuggled goods included steel, petroleum and cotton. The Americans were critical of the fact that what they considered to be vital commodities to the Communists were reaching China when Chinese forces were fighting American troops in Korea. The United States government was thus forced to suspend export licences for all strategic materials to Hong Kong and Macao.

Britain followed the American policy of an embargo on trade with China, but was reluctant to restrict its trade with China as severely as the Americans would wish, and continued to maintain trade with China in non-strategic goods. Britain also placed a great deal of importance on Hong Kong's position, considering that any drastic or sudden reduction or redirection of Hong Kong's commercial activities would cause considerable unemployment, economic distress and hardship. That, in turn, would have rendered the island more vulnerable than ever to infiltration by the Chinese Communists, and would have enabled them to attain their objectives more easily.

Beijing, in any case, seemed to understand the British position, and during the period it did not cut off its exports to Hong Kong as a reaction to the embargo on China. China's exports to Hong Kong at that period accounted for 21% of the island's total imports -- including food, raw materials and goods for Hong Kong's entrepot trade. This in turn, of course, helped China to earn a considerable amount of foreign currency which was important for supporting the war in Korea.

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<sup>24</sup>"Foreign Office Minutes 24", 15 January, 1951; "Trade with China through Hong Kong, Colonial Office Minutes", 30 April, 1951; FO371 FLC1121/105; "Sanction against China: note by the Colonial Office", FO371 92276 FC1121/113.

### 3-4 The impact of Britain's China policy

Britain's China policy after the Second World War differed from that of the United States. As a result of the war, Britain's international position was weakened and it was preoccupied by interests elsewhere. Britain had been seen by the Chinese as the main Western imperialist power exploiting their country, but this picture was replaced by the growing status of the United States since it had entered the Pacific War. During China's civil war between the Communists and the Nationalists, London supported American efforts at mediation between the two sides in order to prevent the war and promote a possible coalition government, but it did not take a positive role. While the United States bound itself to the fate of the Nationalist government, Britain adopted a flexible approach towards the Communist advance. When the Communist victory was inevitable, the British government decided on a "a foot in the door" policy.

London's considerations reflected its commercial interests in and trade with China, as well as the question of Hong Kong's status. The British did not expect that the Communist regime would build up friendly relations with the West, but it was afraid that by being too obdurate the West would drive the Chinese Communists into Russian hands.<sup>25</sup>

Britain's concern over Hong Kong was crucial in its policy towards the People's Republic. Hong Kong, in London's view, was the inevitable nerve centre of the Far East which was not only natural port for the entire South China region, but also within easy reach of Japan, Korea, the Philippines, Indochina,

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<sup>25</sup>"The Consul General at Peiping (Clubb) to the Secretary of State", 25 January, 1949, *FRUS*, vol.VIII, p.83.

Borneo and Singapore. At that time, 15% of the total imports into Hong Kong came from the United Kingdom, which was second only to the United States. Hong Kong was a supreme oriental shop window and the principal doorway for British goods to reach the vast potential market of China and the Far East. In a message to the British troop reinforcements to Hong Kong in July 1949, the Hong Kong government stated:

"Two things are certain. The first is that without this vital Asiatic market the extent to which Britain could export her goods in the Far East would be greatly diminished, and this in its turn would inevitably mean to England the lowering of output and, worse still, the dismissal of those markets whose employment indirectly depends upon our Far East markets....The second point is that it is the presence of a British government and of British troops in Hong Kong which are alone responsible for the city's present flourishing condition and its maintenance as a free port which, in fact, constitutes its value as a commercial centre."<sup>26</sup>

Britain at the same time had to pay great attention to its position in Singapore and Malaya in which the nationalists had started to emerge as a powerful challenge to the British role and the Communists, much stimulated by the Communist victory in China, were resorting to force to seize power. Hong Kong was thus a crucial point in the Far East. If things had gone wrong, Britain's determination to resist Communist aggression would have been seriously shaken. The Colonial Office pointed out:

"If we are to be forced out, the effects would be incalculable and unless the peoples of South East Asia and the Far East are convinced of our determination and ability to defend Hong Kong, we cannot hope eventually to align them in a common front to resist communist expansion."<sup>27</sup>

The British government perceived that the Communist

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<sup>26</sup>"Why Hong Kong? A Message from Hong Kong Government to the British Reinforcements", 25 July, 1949; FO371 75877 F11171.

<sup>27</sup>"Outward Telegram from Commonwealth Relations Office", 27 May, 1949, FO371 75873 F7961/c.

government might attempt to discuss the future of Hong Kong, and decided that it would not be prepared to discuss the matter unless the new government were friendly, stable, and in control of a united China. "We would not agree to negotiate with an unfriendly government," the Cabinet decision stated, "since we should not be negotiating under duress. Unless there were a stable government we could not rely on it to preserve Hong Kong as secure free port and place of exchange between China and the rest of the world. We should not be willing to discuss Hong Kong with a China which is not united because its future would be likely to become a pawn in the contest between conflicting factions."<sup>28</sup>

London realized how important it was to maintain reasonably good relations with the new Communist government. It carefully managed to avoid outright hostilities towards the new regime. The Cabinet made the decision to send reinforcements to Hong Kong, as proposed by the Ministry of Defence, but without a public announcement, so as not to give the impression that Britain "is spoiling for a fight."<sup>29</sup>

For the British, the problem was to strike a balance between military necessity and the need to keep Hong Kong as a trading centre. They worried that if Hong Kong remained safe, but with trade no longer be conducted profitably from there because of military security measures, then the Chinese interest in the preservation of Hong Kong would diminish and

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<sup>28</sup>"Summary of assurances Given by HMG since 1942 about the Future of Hong Kong", FO371 75839 F13676/1061/10.

<sup>29</sup>"From Shanghai (HM's Consul) to Foreign Office", 7 June, 1949, FO371 75874 F8312/g.

possibly even disappear.<sup>30</sup>

The British government carefully weighed the advantages and disadvantages of a recognition of the Communist regime. London clearly acknowledged that Britain had considerable commercial interests in and trade with China and it had to consider the position of Hong Kong. After several months of diplomatic exchanges with Commonwealth and Western European countries, and particularly with the United States, the British government extended *de jure* diplomatic recognition to the Central People's Government of the PRC in January 1950, in spite of strong pressure from the United States. Britain's decision reflected its interpretation of obligations of international law and the nature of diplomacy. It stated that its action was "an acknowledgement of fact and not a mask of approbation". However, London also officially notified Beijing that it had severed relations with the Nationalist government in Taiwan and agreed that diplomatic relations between the two countries should be established on the basis of equality, mutual benefit and mutual respect for territory and sovereignty.<sup>31</sup>

The Chinese seemed to understand the British motivation in recognizing the new China. An editorial of New Construction in January 1950 stated:

"Britain has her objectives. The political objectives are not unimportant, such as the appearance of criticism from progressive opinion inside Britain, the creation of listening stations in China in order to maintain her initiative in the East, and even the illusion of driving a wedge in Sino-Soviet relations or of looking after American interests in China. All these objectives may have been in the mind of Britain, but the

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<sup>30</sup>See, "Mr M.E. Dening to J.J. Paskin, Colonial Office", 23 May, 1949, FO371 75872 F7609/g.

<sup>31</sup>People's China, January 1, 1950, p.4.

most important objective is, perhaps, economic."

It saw the crisis in the British economy as increasing daily, and considered that the only obvious way out was to exploit trade possibilities with China. The editorial pointed out:

"With no threat of competition from the United States, France, Germany or Japan for the time being, this is a god-sent opportunity which Britain will certainly not ignore or let pass."<sup>32</sup>

Beijing regarded London's statement about "acknowledgement of fact and not a mark of approbation" as an attitude of hostility, but it saw the British decision to recognize China as at least containing an element of realism.<sup>33</sup> As one of the most influential countries in the Western bloc, Britain's recognition of the PRC must have made a favourable impression on Beijing, in particular when all other important Western countries remained hostile. Although Britain and China failed to establish full diplomatic relations because Britain abstained from voting on the question of the PRC's right to representation in all United Nation organizations, and because of its unfavourable attitude towards the two airlines, contact was set up at *charge d'affaires* level, which provided a useful channel for both sides to acknowledge each other's intentions and solve their differences in a rational way.

During the Korean War, Britain followed the American line in general, but differences between the two countries were visible. The United Kingdom accepted that Chinese interests in the Far East should be respected and hoped to reach a general agreed settlement by agreement with Beijing. As regarded the

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<sup>32</sup>The English text in FO371 83327 FC1051/2.

<sup>33</sup>People's China 6 January, 1950.

blockade, London's attempt was to limit the conflict. It considered that a total naval blockade of China would be ineffectual towards China in the immediate term and it also saw no objection to trade between China and non-Communist countries, except in strategic materials.

More significantly, after President Truman's remarks about the possibility of extending the war to Manchuria and of using the atomic bomb, the British Prime Minister, Clement Attlee, immediately warned the President of deep British and European anxiety. It was evident that Ernest Bevin was particularly anxious to secure an assurance that no decision would be reached on either of these questions without consultation with all the powers whose forces were engaged in Korea.<sup>34</sup>

Beijing took advantage of these differences and drew a clear distinction between the United States and Britain, in spite of their close relationship. Despite the fact that Britain supported the United States' solution and had supplied United Nations troops, Beijing did not condemn Britain directly. London was seen only as the American aggressor's follower.

Towards the end of the Korean War, China found it necessary to adjust its policy towards the outside world. At the 1954 Geneva Conference, China adopted a positive attitude, playing for the first time a considerable role in finding a settlement to the Indochina disputes. The Geneva Conference also provided opportunities for Zhou Enlai to talk to the British Foreign Minister, Anthony Eden, in terms of an

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<sup>34</sup>See, Luard, *ibid.*, pp.94-95; also see, "Memorandum by the Deputy Director for Strategic Plans, Joint Staff (Bradley) to the Joint Chiefs of Staff", 23 October, 1952; *FRUS*, vol.XII, pp.234-235.

Indochina settlement and the bilateral relations between China and Britain. It should be noted that the change of government from Labour to Conservative in 1951 did not change Britain's China policy very much. The Labour government's decision to recognize China was also supported by the Conservatives. Winston Churchill, as leader of the Conservative opposition, said in November 1949: "Recognising a person is not necessarily an act of approval... One has to recognise lots of things and people in this world of sin and woe that one does not like."<sup>35</sup>

This statement of Churchill's was similar to the Labour government's stand. Indeed, despite the change of government, the official policy and thinking on China stayed fairly constant. At the Geneva Conference, Beijing again exploited the differences between the United States and Britain, attributing the success of the Geneva Conference partly to the good offices of the delegation of the United Kingdom, while at the same time constantly attacking the American policy.<sup>36</sup>

Britain's different attitudes on the Taiwan question were also clearly noted in Chinese newspapers. For instance, on the front page of the People's Daily of 22 August, it was reported that Britain disapproved of the United States' Taiwan policy, and considered that this policy would add to the risk of war in the Far East. China saw the South East Asia Treaty Organization (SEATO) as a trick on the part of the US, which aimed at getting more countries, including France and Britain, to go along with its aggressive actions. It therefore

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<sup>35</sup>*House of Commons Debates*, vol.469, 17 Nov 1949, col.2225.

<sup>36</sup>People's China, 16 August, 1954, p.5.

criticized the UK's signature of the treaty in only a moderate way.<sup>37</sup>

The relaxation in relations between China and Britain after the Geneva Conference became evident also in the improvement of the status of the British *charge d'affaires* in Beijing. He was able to discuss outstanding problems with officials of the Ministry of Foreign Affairs to an extent hitherto impossible. China's press refrained from attacks, and after a British passenger aircraft had been shot down by Chinese military aircraft off Hainan, the Chinese government issued apologies and agreed to meet Britain's claim for compensation of £367,000.

The improvement of relations was also illustrated by the exchanges of visits, especially by the visit of a British Labour Party delegation, accompanied by representatives of British newspapers of various shades of political opinion. Zhou Enlai, in an interview with Morgan Phillips, General-Secretary of the British Labour Party, in July 1954, described the government and the people of China as sincerely desiring further improvements in Sino-British relations on the existing basis, and as willing to make joint efforts with the British government and people to develop economic and cultural ties between the two countries.<sup>38</sup>

The relatively favourable attitude adopted by the PRC towards Britain did not contradict Beijing's strategic considerations. According to its interpretation, in waging the struggle in the international arena, "the proletariat must

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<sup>37</sup>People's Daily, 18 August, 1954.

<sup>38</sup>*New China News Agency Daily Bulletin*, no.1095, 21 July, 1954, English text in FO371 110246 FC1052/42.

unite with all those who can be united in the fight, depending on the particular historical period, so as to develop the progressive forces, win over the middle forces and isolate the diehards".<sup>39</sup>

Britain was put into the category of a "middle force" which could be won over. It was clear to the Chinese leaders that there existed severe contradictions between the imperialist powers. In 1956, Mao made a statement on the Suez Canal incident:

"...In the Middle East, two kinds of contradictions and three kinds of forces are in conflict. The two kinds of contradictions are, first, those between the imperialist powers, that is, between the United States and Britain and between the United States and France; and second, those between the imperialist powers and oppressed nations. The three kinds of forces are, first, the United States, the biggest imperialist power; second, Britain and France, second-rate imperialist powers; and third, the oppressed nations."<sup>40</sup>

Beijing believed that, in the early post-war years, Western European countries had to submit to US control, but later the struggle against this control would emerge. Hence, China should take advantage of such struggles and isolate the United States, which, until the late 1960s, had been regarded as China's most dangerous enemy. Such strategic considerations in Beijing obviously helped to improve Sino-British relations. Correct Sino-British bilateral relations thus became the most important safeguard for maintaining Hong Kong's status quo.

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<sup>39</sup>"Chairman Mao's Theory of the Differentiation of the Three Worlds is a Major Contribution to Marxism-Leninism", People's Daily Editorial, 1 November, 1977; English text in Beijing Review, no.45, 4 November, 1977.

<sup>40</sup>Mao Zedong, "Talks at a Conference of Secretaries of Provincial, Municipal and Autonomous Regions Party Committees", Selected Works of Mao Zedong, vol.IV; Foreign Language Press, Beijing, 1978.

### 3-5 The affair of CNAC and CATC

CNAC, the China National Aviation Corporation, and CATC, the Central Air Transport Corporation, were former airline agencies of the Nationalist government. CATC was an official agency controlled by the Nationalist government. The Nationalist government also had 80% of CNAC's share while the remaining 20% was held by Pan American Airways. In early 1949, when the Communist forces were approaching Shanghai, CNAC and CATC applied to the Hong Kong government to station the eighty civil aircraft they had purchased under American lend-lease in Hong Kong airport. The governor foresaw the possibility that the British government could soon be giving *de jure* recognition to the Communist government, and therefore felt the Hong Kong government had no option but to hand over the aircraft to the mainland if the Chinese government should claim them. He then suggested to Pan American to take the aircraft to Taiwan.<sup>41</sup>

In November 1949, just one month after the establishment of the new government, the managing directors of CNAC and CATC flew to Beijing with eleven aircraft, and they -- and four thousand employees -- claimed that the remaining aircraft were the property of the new Chinese government. Zhou Enlai, the Prime Minister and Foreign Affairs Minister, quickly announced that these aircraft were the property of the People's Republic and that the Chinese government would not allow them to be damaged or moved. He stressed that the Hong Kong government should respect China's property and warned that if any damage or move took place, the Hong Kong government would assume

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<sup>41</sup>Alexander Grantham, *Via Ports, from Hong Kong to Hong Kong*, Hong Kong University Press, 1965, p.162.

complete responsibility.<sup>42</sup>

The issue became more complicated when the United States government put pressure on London to stop these aircraft falling into Communist hands -- at the same time as the British government was expressing its desire to establish diplomatic relations with the People's Republic. On 12 December, the Nationalist government signed a contract with General Claire Chennault and Whiting Willauer, selling them all the assets of CNAC and CATC. Chennault had served in the US Air Force during the war and had close links with the Nationalist government. He was also closely associated with the China lobby, which had made great efforts to assure United States backing of the regime in Taiwan. Chennault and Willauer, in turn, sold their interests to an American Company, Civil Air Transport Incorporated(CAT Inc), in which they held a controlling share. Shortly afterwards, they registered the aircraft with the US Civil Aeronautics Administration. With the support of the United States government, CAT Inc pressed the British government and the Hong Kong authorities to influence court proceedings and to take executive action in its favour.

In February 1950, the Chief Justice of Hong Kong ruled that the aircraft were the property of the People's Republic, based on the fact that the Nationalist government had ceased to be the *de facto* government at the time they were disposed of. However, London found it extremely difficult to resist American pressure. On various occasions, the British government was warned that if it failed to keep the aircraft

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<sup>42</sup>The People's Daily, 3 December, 1950.

in the colony, the continuance of Marshall Aid and the Military Assistance Programme might be seriously endangered.<sup>43</sup> Consequently, the Judicial Committee of the Privy Council in London reversed the judgement on appeal in July 1952, and the planes were finally handed over to CAT Inc.

The Chinese government's reaction was surprisingly mild, although it had made it clear that the unfriendly British attitude towards CNAC and CATC was one of the major obstacles to the establishment of Sino-British diplomatic relations. It issued an official protest, to the effect that the British government's action was an unfriendly act towards the People's Republic.

The governor of Hong Kong considered that Beijing had legitimate grounds for claiming the aircraft, and felt unhappy at the way in which London had handled the matter. He understood that London was "more scared of what the US might do to Britain, than of what China may do to Hong Kong."<sup>44</sup> But apart from that, Beijing did not directly blame the Hong Kong authorities and nothing occurred to incite trouble. In the whole matter, China did not intervene in the dispute in a hostile manner, but instead relied on normal diplomatic channels and legal procedures through two Hong Kong lawyers.

The most important reason for China's mild reaction concerned its policy towards Western interests. In the early years of the PRC, Beijing decided to permit the continued existence of the private sector of the Chinese economy,

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<sup>43</sup>"Memorandum by the Colonial Secretary and the Minister of State at the Foreign Office", 3 April 1950, CAB129/39 CP(50)61.

<sup>44</sup>Grantham, *ibid.*, p.163.

including Western enterprises, on the grounds that the private sector could help rebuild the war-damaged economy. However, China was also determined to expel all Western interests from China, especially such vital concerns as Shanghai's British and American enterprises. When the Korean War broke out, the Chinese government quickly requisitioned all American property, but at the same time there was no immediate takeover of property belonging to other Western countries. Beijing undoubtedly wanted a favourable international reputation and therefore tried to avoid any unreasonable actions in dealing with the major Western countries.

The affair of CNAC and CATC thus provided China with a good excuse to carry out its policy of getting rid of Western interests, on the grounds of reciprocity. In April 1952, the military authorities in Shanghai requisitioned the two main British-owned dockyards. In November, the Shanghai water, gas and electricity utilities and a big shipping company, all British-owned, were seized. Similar requisitions of British property took place in Guangzhou and Tianjin.<sup>45</sup>

### 3-6 The position of the New China News Agency

For a long time before the establishment of the People's Republic, the Communists found Hong Kong a useful place from which to conduct their propaganda and to mobilise overseas Chinese people. In 1937, Yanan sent its representatives to Hong Kong to set up a formal post. Sir Archibald Clark-Kerr, the British Ambassador in China, was advised by Zhou Enlai that the purpose of setting up a Communist agency in Hong Kong

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<sup>45</sup>The People's Daily, 6, 8, 9, April, 1952.

was to collect materials, medicine and funds supplied by overseas Chinese people for the Eighth Army and the Fourth Army. "Please inform the governor," said Zhou, "to take care of the matter."<sup>46</sup>

The agency was set up in January 1938 and had reasonable relations with the Hong Kong authorities. When the Japanese invasion approached, the Hong Kong government even discussed how to conduct military cooperation with the agency, though no solution was reached because of the rapid advance of the Japanese troops. The agency ended its mission when Hong Kong fell into Japanese hands. After the war, Hong Kong returned to British control, but a civil war took place on the mainland. All Communist posts in Nationalist-controlled areas had to close, and Hong Kong again became an ideal place for the Communists to carry on their work.

A branch of the New China News Agency (NCNA) was registered in Hong Kong in March 1947 and started its operation in May of the same year. Qiao Mu was appointed to be the first head of the NCNA. As the NCNA was a representative body of the CPC, its major task was to conduct external propaganda, but it was also authorized to communicate with the Hong Kong authorities on behalf of the CPC.

Before 1949, the Nationalist government had a diplomatic representative in Hong Kong, with the title of Special Commissioner, who withdrew in January 1950 -- two days after the British recognition of the new government. Beijing found it necessary to set up a similar official position in Hong

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<sup>46</sup>Liang Shangyuan: *The Chinese Communist in Hong Kong (Zhonggong zai Xianggang)* Wide Angle Publisher, Hong Kong, 1989, p.81; Liang was a senior official of the NCNA in Hong Kong.

Kong for the purposes of communication with the Hong Kong government. It therefore broached the idea with the British government. However, Beijing's approach was rejected by the British, who were very much concerned to avoid dual authorities in Hong Kong. The British, in turn, suggested to Beijing to establish a General Consulate. This suggestion was viewed by the Chinese government as contradicting its own principles. Setting up a General Consulate in Hong Kong would have meant that China accepted Hong Kong as a British colony but not as Chinese territory.

Since there was no diplomatic representative of the People's Republic in Hong Kong, special efforts were made to handle the situation. Consular duties, such as those of handling visas and emigration, were dealt with the Bank of China and the China Travel Service; local problems, such as railways and border incidents, were handled by the authorities of Guangdong province and the Hong Kong authorities; diplomatic communications, such as protests and explanations, were carried out by contact between the *charge d'affaires* in Beijing and the Ministry of Foreign Affairs.<sup>47</sup> The role of the NCNA in Hong Kong became more important than it had been and its tasks included collection of information, conduct of propaganda and supervision of communist activities. The last function, understandably, was kept highly confidential.

The Hong Kong government found the NCNA sometimes difficult to deal with because of its ill-defined duties, status and authority. Thus the possibility of closing down the NCNA was considered carefully, especially after the British

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<sup>47</sup>See, Gary Catron: "Hong Kong and Chinese Foreign Policy, 1955-60" in China Quarterly No.51 July/September 1972.

Information Service in China had been closed by the Chinese authorities in 1950.

According to the Hong Kong law, the "Representations of Foreign Powers (Control) Ordinance No. 472" of 1949, which came into force in July 1951, "no organization which is politically associated with or controlled by the government of any foreign state may function in the colony without the consent of the governor". This Ordinance thus embraces all agencies of foreign powers whether diplomatic, commercial or otherwise.<sup>48</sup> The NCNA had been formally set up in March 1947, and had already received official permission to operate from the Hong Kong government. It refused to register under the Representation of Foreign Powers (Control) Ordinance when it was required by the Hong Kong government to do so in July 1951. Instead, it asked for immunity on the grounds that it was an official agency of the People's Republic and, according to international usage, it was not bound by decrees of the government of the place where it operated.<sup>49</sup>

If the British had accepted the NCNA's claim of immunity there would have been no provision under Hong Kong law compelling the NCNA to register. The Colonial Office was concerned that by insisting on the Hong Kong law, the "Representation of Foreign Powers Ordinance", it would cause some form of retaliation from China, while the Foreign Office also feared that the negotiations between the two countries towards the establishment of diplomatic relations would be

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<sup>48</sup>For the key points of the Ordinance, see, FO371 83260 FC10112/16.

<sup>49</sup>*The NCNA Daily News*, 21 August, 1951, also see, FO371 92351.

affected.<sup>50</sup>

On the other hand, if the British authorities had let the NCNA have its way, they might have found it even more difficult to handle the NCNA's activities, which could have posed a challenge to British dominance in Hong Kong. After a series of exchange of notes between the Colonial Office, the Foreign Office and the Hong Kong government, the British finally decided to force the NCNA to register. A final warning was made on 4 June by the Hong Kong government to the director of the NCNA, stating that the Agency must register in accordance with the provisions of Hong Kong law within a fortnight, or be compelled to close. A similar warning was also sent the following day to the Ministry of Foreign Affairs by the *charge d'affaires* in Beijing.

Beijing faced a dilemma. To give in to the pressure would mean a great loss of face and would lower the NCNA's prestige as its official agency, especially as China considered Hong Kong part of its own territory. But the cost of having to close down the agency would be too much to accept, since it was the most important propaganda post outside China and it would be difficult to find an alternative place. In the end, Beijing chose to yield. On 19 June, the director of the NCNA replied to the Hong Kong government, stating that as the Hong Kong branch was recognized as a state agency he was prepared to register under the Ordinance, and he did so shortly afterwards.<sup>51</sup>

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<sup>50</sup>"Minutes of Colonial Office", 13 February, 1952, FO371 99362 FC1672/2.

<sup>51</sup>"Minute of Foreign Office by C.H. Johneston", 30 May, 1952, FO371 99362 FC1672/32.

Britain saw the registration of the NCNA as a "small but definite success for a policy of cautious firmness with the Chinese."<sup>52</sup> The registration of the NCNA was significant because it also indicated that the PRC respected, though with great caution, British rules in Hong Kong and accepted rather than challenged British control of the colony.

China's action, however, was not particularly in contradiction with its general tactics in conducting struggle in non-communist controlled areas. China realised that it was important to establish its existence first, and then to develop strength, and therefore a temporary concession was necessary which would do good in the long term. As will be seen, in later years the NCNA not only coexisted with Hong Kong's laws, but also managed to build up an almost unchallenged power in Hong Kong.

### 3-7 The impact of the "Bandung Spirit"

China continued its efforts to develop a more positive form of diplomacy after the Geneva Conference. It considered that as a result of the armistice in Korea and a cease-fire in Indochina, international tension had somewhat relaxed, and that fresh hope had been brought to the people of the whole world, and particularly to those of Asia. China was motivated by the consideration of breaking the American encirclement and of extricating itself from international isolation, and therefore it was important to establish friendly relations with neighbouring and other newly-independent countries. Such a policy became clear in its relations with India. In April

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<sup>52</sup>*Ibid.*, FO371 99362 FC1672/32.

1954, Beijing signed an agreement with India on the issue of Tibet. The agreement also formally set forth the famous "five principles of peaceful coexistence". During his tour to India and Burma in 1954, Zhou Enlai repeated that all nations in the world could peacefully coexist, no matter whether they were big or small, strong or weak, and no matter what kind of social system each of them had.<sup>53</sup>

The 1955 Bandung Conference -- the first Conference of Afro-Asian countries -- offered an opportunity for Beijing further to conduct the Third World dimension of its foreign policy. Zhou Enlai claimed that China was willing to deal with all governments regardless of their political form, and to solve all problems with moderation and diplomacy.

It was against this promising background that the governor of Hong Kong, Alexander Grantham, made a tour to Beijing in October 1955, despite the Kashmir Princess incident.

The incident had taken place earlier that year, when an Indian airliner called the Kashmir Princess, carrying eight Communist Chinese journalists, two Polish journalists, and a North Vietnamese delegate to the Bandung Conference, had crashed off Borneo with the loss of fifteen lives. The previous day, Beijing had warned the British *charge d'affaires* that Nationalist agents might try to make trouble for the Chinese delegation. On 13 April, the Chinese government presented a note to Britain, alleging that the plane had been sabotaged by US and Nationalist agents who had hoped to assassinate Zhou Enlai and other members of the Chinese delegation. The note charged the British government with

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<sup>53</sup>"Documents Concerning Premier Zhou Enlai's Visit to India and Burma", Supplement to People's China, 14 July, 1954.

"grave responsibility for not taking adequate heed of the warning that had been given."<sup>54</sup>

The governor's visit was based on the grounds that there was a desire in Hong Kong to be on friendly terms with the government of China, and that an informal visit by the governor might be regarded by Beijing as a friendly gesture that would rebound to the benefit of the colony.<sup>55</sup> Although the governor's visit was "entirely private", he paid a courtesy call on the Vice-Minister of Foreign Affairs and was also invited to meet Zhou Enlai, together with the British *charge d'affaires*, Con O'Neill.

It seemed that the both sides deliberately avoided the issue of Hong Kong. The only thing that came up about Hong Kong during their three hours of talks was the matter of the Kashmir Princess. Zhou seemed to accept the governor's explanation on this issue. Of more interest was that the governor found himself in the role of mediator when Zhou raised the question of Portuguese preparations for the four hundredth anniversary celebrations of the founding of Macao as a Portuguese colony. Zhou told the governor that the Chinese government and the Chinese people did not approve of these celebrations, nor would the Chinese in Macao and Hong Kong. The governor shared the same view, but suggested a one-day celebration. In the end, Zhou agreed with the governor and said that a one-day celebration would be unobjectionable. When the Governor returned to Hong Kong he apparently told the governor of Macao of what had passed between him and Zhou.

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<sup>54</sup>People's Daily, 13 April, 1955.

<sup>55</sup>Grantham, *ibid.*, p.182.

Wisely, the Portuguese authorities cancelled the entire programme, thus avoiding serious trouble which could have spread to Hong Kong as well. The way in which Zhou had handled the matter through Grantham was undoubtedly an encouraging sign that the Chinese government was willing to cooperate with the Hong Kong authorities for the purpose of preventing possible trouble.

In the atmosphere of the Bandung Spirit, and also as a result of the governor's visit to Beijing, the Chinese government launched a campaign of what the governor called "sweetness and light."<sup>56</sup> The attitude towards Hong Kong changed from one of hostility to friendliness, even though, as the governor felt, it remained somewhat stiff. China made considerable efforts to win the people over and to present China in a favourable light. Prominent people were invited to visit to China with all expenses paid. Cultural exchanges flourished. A group of Hong Kong teachers visited China, and Beijing sent a dance team to Hong Kong after a series of successful performances in London.

At an official level, negotiations between the Chinese authorities and British railway officials were held, in an attempt to restore a through passenger service between Canton and Hong Kong. Actually, there had been direct contacts between the two sides to resume the Canton-Kowloon railway service as early as 1950, when after an exchange of letters, the general manager of the British section visited China and was "cordially received" by the Chinese railway authorities. They reached agreement to restore both freight and passenger

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<sup>56</sup>Grantham, *ibid.*,

services, but there was no solution on through passenger services. Passengers thus had to get off their train on one side of the border, walk across the bridge, pass through customs and immigration, and board another train before continuing their journey.<sup>57</sup>

The negotiations on a through passenger service continued with both sides cooperative and trying to find an acceptable agreement.

The implementation of China's new aspects of foreign policy, therefore, had special significance in that it helped stabilise Hong Kong's position. Chinese leaders wanted to be seen as peace-loving and thus chose not to touch on the issue of Hong Kong. Beijing hoped that in doing so it would reduce the suspicions of its neighbouring countries, since most of them had gained independence from former colonial powers, and their frontiers with China were bound by treaties which Beijing regarded as unequal. These countries, including Burma, Korea and Vietnam, were China's dependencies before the 18th century. As Mao Zedong stated in an article entitled *The Chinese Revolution and the Chinese Communist Party*:

"...After having inflicted military defeats on China, the imperialist countries forcibly took from her a large number of states tributary to China, as well as a part of her own territory. Japan appropriated Korea, Taiwan, the Ryukyu islands, the Pescadors, and Port Arthur; England took Burma, Bhutan, Nepal, and Hong Kong; France seized Annam; even a miserable little country like Portugal took Macao from us."<sup>58</sup>

The Communist victory in China undoubtedly caused great anxiety in those countries about the new government's

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<sup>57</sup>Gary Catron, *ibid.*

<sup>58</sup>Mao Zedong, "The Chinese Revolution and the Chinese Communist Party" (Zhongguo Gemin yu Zhongguo Gongchandang), in *Selected Works of Mao Zedong*, People's Press, Beijing, 1969; p.591.

intentions, and in India as well. The Chinese leaders understood those countries' concerns. Mao was more discreet in the revised edition of his works after 1949, in referring to the states situated around China's border that were formerly under her tutelage, by avoiding the term 'tributary state'. In listing the territories taken by the imperialists, he omitted all the former dependent countries, which in the initial edition he interspersed with portions of China's own territory.<sup>59</sup> During the Bandung Conference, Zhou Enlai made special efforts to ease the tension between China and its neighbouring countries, emphasizing that China shared a common history of colonialism with them and a common need to have mutual understanding and mutual respect and support.

Thus in its efforts to win friendship from the newly independent countries, China's attitude and policy toward Hong Kong not only stemmed from the economic considerations, but also was bound up with its general foreign policy.

### 3-8 The establishment of China's Hong Kong policy

The relaxation between the mainland and Hong Kong in the Bandung spirit was disturbed by the "Double Tenth Riots" of 1956, when the island found itself once again involved in a political conflict between the Communist mainland and Nationalist Taiwan. The riots were a factional fight between supporters of the Nationalists and the Communists which erupted over the flying of nationalist flags on 10 October, the Republic of China's national day.

The riots lasted about two days. A Nationalist-led mob

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<sup>59</sup>Stuart R. Schram, *The Political Thought of Mao Tse-tung*, Frederick A. Praeger Publishers, New York, 1969, p.375.

raided the offices of pro-Beijing trades unions and the official premises of Chinese government organizations. Altogether 51 people were killed, including the wife of the Swiss consul, whose car was burned by a mob. Several hundred people were injured and HK\$5 million worth of damage was caused to property.<sup>60</sup> An official statement announced that "there is no evidence whatever to suggest that the riots in Kowloon were planned beforehand...those taking part were agents of no-one but themselves; people of Nationalist persuasion were egged on by criminals bent on personal power and gain."<sup>61</sup>

But Beijing did not share that view. On 13 October, Zhou expressed his "indignation and concern" at the riots, which he attributed to Kuomintang agents. He demanded that the Hong Kong government should take immediate steps to bring them to justice and to provide protection for the Chinese population and Chinese government organizations. At a press conference the next day he said that the Chinese government would "not permit such disorders on the doorstep of China." He rejected the British explanation that gangsters were responsible. He alleged that the Hong Kong authorities had planned to use Nationalist agents to weaken the influence of the People's Republic in Hong Kong, and added that the Chinese authorities were watching to see what attitude the British took towards the Kuomintang agents, and whether the British were capable of

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<sup>60</sup>*Hong Kong Government Report on the Riots in Kowloon and Tsuen Wan, October 10 to 12, 1956, Hong Kong, Government Printer, 1957.*

<sup>61</sup>*Ibid*, p.ii.

maintaining order in Hong Kong and Kowloon.<sup>62</sup>

Beijing certainly had reason to complain. In retrospect, the Hong Kong government's reaction during the riots seemed to have been slow and ineffectual. The official explanation was that in dealing with a population whose cooperation was necessary in normal times, the police had to use a minimum of force, and that government forces were not sent in quickly enough to the affected industrial towns in the New Territories.<sup>63</sup>

Nevertheless, the Hong Kong government realized that it was essential to prevent the colony becoming an anti-mainland base. Beijing's warning that it would send troops into the island to protect "innocent Chinese citizens" may not have been just empty talk had another similar incident taken place. The Hong Kong authorities took a chance in launching the arrests of leaders of the triads, most notably the "14K", whose connection with the Kuomintang dated from the late 1940s. Legislation was passed to give the Executive Council power to order the detention of any person against whom a deportation order had been made and who could not be deported. A special detention centre was also set up. The Hong Kong government then showed its determination efficiently to deal with the triads and secret societies, which were usually closely associated with the Nationalists in Taiwan.

For Beijing, a pressing matter was to restrain those pro-Communist factions and Chinese government organizations that were keen to seek revenge and even a takeover by Beijing of

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<sup>62</sup>People's Daily, 13 October, 1956.

<sup>63</sup>*Hong Kong Government Report on the Riots in Kowloon and Tsuen Wan*.

Hong Kong. However, what Beijing needed was the stability of Hong Kong and not a takeover. It found that its strategy and policy were not understood as well as it had expected by the pro-Communist elements and their organizations. A meeting was held in Guangzhou attended by Zhou Enlai and other senior Chinese officials shortly after the riots. The meeting discussed the consequences of the riots and China's Hong Kong policy. The policy referred to as "Making long-term plans for and fully using Hong Kong" was finally laid down.

Beijing made it clear to its people that China still regarded Hong Kong as part of China, but as long as the British authorities were able to prevent Hong Kong becoming a base used by the Nationalists and Americans against China, and as long as the mainland's trade with Hong Kong remained profitable, the Chinese government would not change Hong Kong's status quo and would not challenge British authority.<sup>64</sup>

In the meantime, Beijing strengthened its official body, the NCNA. A new head and several deputy heads were appointed after two years of the positions being vacant. The function of the agency was also broadened and its major task was no longer to deal with news matters but to supervise the fulfilment of Beijing's policy.

After China had clearly defined its Hong Kong policy, the relaxation of relations and cooperation between Hong Kong and the mainland became more visible. The Chinese press remained low-key, for instance, towards the deportation of two leaders of a radical farmers' organization in March 1959, and towards

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<sup>64</sup>Interview with Mr Szeto Keung in April, 1989 in Hong Kong. Szeto has worked for the NCNA in Hong Kong since 1950s and now is depute director of the Department of Foreign Affairs of the NCNA in Hong Kong.

the withdrawal of a government subsidy to leftist schools in June of the same year. There were no official complaints at all from Beijing concerning these matters. On various occasions, Chinese leaders showed a positive attitude in a new era of cooperation. The issue of the water supply was a remarkable example of this.

Hong Kong was confronted with a serious shortage of water. In its total land area of 1,030 sq km (398 square miles), there are no natural lakes, nor any rivers of a size sufficient to provide an assured supply of water. There is an average annual rainfall of around 223 cm ( 88 inches), but three quarters of this falls during summer months of May to September.<sup>65</sup> As the Hong Kong government described it:

"A visitor to Hong Kong will very quickly meet the problem, if he comes during the dry winter months. Arriving at his hotel, tired and uncomfortable after an air journey half-way round the world, a traveller's first thought will be to turn on the taps, step into a bath and relax in the comfort of deep, warm water. The chances are that he will discover a notice which is displayed in every hotel bathroom. This warns visitors of the restricted hours of supply, and of the penalties incurred by those who waste water, and of the dangers of leaving taps "on" when there is no water in them."<sup>66</sup>

For the great majority of Hong Kong's 3,200,000 population (at the time), water restrictions were a grievous and constant hardship. Hong Kong's flourishing industry also needed water, sometimes in large quantities. Although the Hong Kong government tried to provide an assured and constant supply for industry wherever possible, this was very uneconomical in those urban areas where housing and industry intermingled, and some factories had to provide their own wells or install large

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<sup>65</sup>*Hong Kong Annual Report*, Hong Kong, Government Printer, 1960, pp.5-6.

<sup>66</sup>*Ibid*, p.6.

storage tanks.<sup>67</sup> The problem of water supply became the major obstacle to Hong Kong's further development.

China was well aware of Hong Kong's difficulty and made the initial suggestion to help solve the problem. In February 1959, Tao Zhu, the governor of Guangdong province, in a speech to a group of Hong Kong tourists, indicated that China would supply water to Hong Kong on the same basis as it was already being supplied to Macao (China had built a reservoir to supply water to Macao free of charge under an agreement reached with the general manager of Macao's water-works).<sup>68</sup>

The first semi-official intimation that the Chinese authorities were prepared to supply water from a reservoir near Shenzhen, about 4 kilometres away from the border, was made in January 1960. The governor of Hong Kong responded positively to the approach, saying that "we are anxious to obtain additional supplies of water as soon as possible, and I very much hope, therefore, that we can come to an arrangement with the Chinese authorities, whereby supplies from this source can be made available to Hong Kong."<sup>69</sup>

In April that year, Hong Kong sent a delegations to Shenzhen to meet the Chinese authorities from Bo An county. After a series of meetings to discuss arrangements for the supply of water, an agreement was signed at Shenzhen on 15 November 1960. Under the agreement, China would supply about 22,730,000 cubic metres of water a year to Hong Kong from the Shenzhen reservoir, the greater part being drawn during the

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<sup>67</sup>*Ibid.*, p.5.

<sup>68</sup>Ta Kung Pao, Hong Kong; 11 February, 1959.

<sup>69</sup>*Hong Kong Annual Report*, 1960, p.26.

dry season when it was most needed.

The water supply agreement marked the start of a new period of cooperation between Hong Kong and the mainland, and demonstrated a positive start for China's recently defined Hong Kong policy. The South China Morning Post, a conservative English-language paper in Hong Kong, commented that the agreement was encouraging and that the people of Hong Kong had reason to believe it was reached in a friendly atmosphere.<sup>70</sup> Some people, understandably, were worried that to rely on Communist China's water supply might damage the colony's stability, since Beijing might use it as a form of pressure on Hong Kong.

### Conclusion

China's attitudes toward Hong Kong in the early stages of the People's Republic were affected by its preoccupation with domestic problems, such as how to ensure Communist control and to stabilise the badly-damaged economy. China chose to maintain Hong Kong's status quo, and in doing so it managed to avoid creating extra difficulties. China kept a flexible posture while its international position was uncertain. The Korean War and the US policy to isolate China helped further to illustrate Hong Kong's importance as a unique place from which China could obtain Western information and certain strategic goods, conduct trade with non-Communist countries and communicate with the overseas Chinese community.

In order to counter American encirclement Beijing applied its 'united front' strategy in external relations and

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<sup>70</sup>South China Morning Post (SCMP) 17 November, 1960.

developed a Third World policy, which was marked by the intention of solving differences by diplomatic negotiations with all countries, regardless of their social systems. In its policy of good-neighbourliness, which aimed at establishing friendly relations with all its neighbouring countries, China's policy towards Hong Kong correlated with its overall foreign policy orientations. Beijing was well aware of Britain's role in the Western world and acknowledged the differences between the United States and Britain in their respective Far Eastern policies. China made appropriate use of such differences and tried to maintain reasonably good relations with Britain in order to improve its international position.

Britain, on the other hand, was largely concerned about its commercial interests in China, as well as the position of Hong Kong, and therefore adopted 'a foot-in-the-door' policy. The two sides were motivated by different reasons to maintain Hong Kong's status quo. For the Chinese side, such a policy had begun in the late 1940s, but it was not until the 1950s that the policy became fully developed and firmly established, and based on more profound considerations of how to make use of Hong Kong.

Thus, the formulation of China's Hong Kong policy was basically determined by strategic and economic factors, rather than the underlying Communist ideology. Although the Chinese Communists harboured strong anti-imperialist and anti-colonialist sentiments, such attitudes seldom appeared in the government's external policies, including the policy applied to Hong Kong.

The formulation of China's Hong Kong policy also showed

how Beijing handled an issue which raised important principles of sovereignty in a flexible way. The existence of Hong Kong as a British colony undoubtedly was for the Chinese people a great humiliation left over from the past, but all the same, the Chinese leaders were not attracted by the idea of a simple takeover. They acknowledged the great importance of Hong Kong under British rule and carefully avoided taking any radical actions to change its status. However, it should be noted that Beijing never retreated from its stand that Hong Kong was part of China, a stand that was also not openly challenged by the British government. It seemed that from the very beginning the Chinese government and British government had a tacit agreement not to challenge to each other's positions.

In addition, in the formulation of its Hong Kong policy, Beijing applied its basic tactics -- such as making use of contradictions, not striking in all directions and making compromises if necessary. China's exploitation of Anglo-American differences, its handling of matters such as the CNAC and CATC, and the position of the New China News Agency, were all evidence of these tactics.

The issue of Hong Kong has always been sensitive and China did not find it easy to stick to its policy of allowing Hong Kong to exist as a British colony. The next chapter will focus on the development of China's foreign policy during the Cultural Revolution, and will explore how the Chinese government exercised its Hong Kong policy against this changed and particularly difficult background.

## Chapter Four

### The Cultural Revolution and China's Hong Kong Policy

The drastically changed political climate in Beijing in the early years of the Cultural Revolution had an important impact on China's external relations. The Cultural Revolution involved a series of power struggles between the moderates and the radicals that resulted at one point in 1967 in a temporary take-over of the Foreign Affairs Ministry by the Red Guards; an increased influence of ideology on China's foreign policy, particularly regarding overseas Chinese; and a rigid style of conducting external relations. These factors were strongly reflected in the case of Hong Kong, and China's carefully cultivated Hong Kong policy was thus put under serious challenge.

This chapter will discuss the way in which China's Hong Kong policy was affected by the Cultural Revolution and how Beijing handled the difficulties that arose. The case of Macao is also examined, because China's attitude and policy towards this enclave were similar to those regarding Hong Kong. The general impact of the Cultural Revolution on China's external policy, particularly on the overseas Chinese policy, will also be discussed, providing a relevant background for the study of the cases of Hong Kong and Macao.

The Cultural Revolution was formally declared at an end in 1976, after the arrest of the so-called "Gang of Four". However, with regard to foreign policy, the influence of the Cultural Revolution was more limited in terms of both time and scope. It was from 1968 onwards that Beijing began to make efforts to adopt a more subtle and realistic manner of dealing

with the outside world. In this chapter, the focus will be on the period between 1966 and 1968; the subsequent Hong Kong policy of China will be discussed in the next chapter.

#### 4-1 The Cultural Revolution and China's overseas Chinese policy

The increasing significance of ideology, and, in particular, the extension of the campaign of Mao's thoughts into the field of foreign policy, were of major importance in the development of the Cultural Revolution. Up to 1965, Mao's thought was regarded as the application of the universal truths of Marxism-Leninism to the concrete practice of the Chinese revolution. With the intensification within China of the cult of Mao and of Mao's thoughts, the Cultural Revolution's leadership attempted to establish a basis on which it could justify itself to its own people and maintain its position. It was claimed that the attitude toward Chairman Mao and Mao Zedong Thought was the "touchstone", the "dividing line", between the revolutionaries and the pseudo-revolutionaries, and between the true Marxist-Leninists and the counter-revolutionary revisionists. Not only was Mao proclaimed as the greatest leader of the Chinese people, but he was positively hailed as the greatest leader in the entire world. The most important objective of China's foreign policy was to promote throughout the world the recognition that Mao Zedong Thought was a universal mentor and guide.

China's foreign policy was thus re-evaluated. It was now claimed that there were struggles between the revolutionary foreign policy formulated by Mao and the revisionist foreign policy of Liu Shaoqi (Liu was at the time president of the

People's Republic and vice-chairman of the CPC). Criticisms of him included the charge that he was in favour of abandoning the struggles with the United States and the Soviet Union, and that he did not give enough support to revolutionary movements in the developing countries. Liu's foreign policy line was summed as the "three surrenders and one abolition" -- that was, surrender to imperialists, revisionists and reactionaries, and the abolition of national liberation movements in the Third World.<sup>1</sup>

However, there was no evidence to suggest that Liu had different views from Mao on China's foreign policy issues. Although Liu did not fully agree with Mao in the way he handled the PRC's relations with the Soviet Union in the 1960s, he did not make any attempt to challenge Mao's authority.

Clearly, these criticisms deliberately exaggerated the differences between Mao and Liu, and were used by the radicals in their attempt to take control over the ministries concerned with external affairs and to challenge Zhou Enlai's authority. In this context, Foreign Minister Chen Yi, a close ally of Zhou, was openly criticized for his efforts in implementing Liu's foreign policy line. All Chinese ambassadors and *charges d'affaires* were recalled to Beijing, the only exception being Huang Hua, China's ambassador in Cairo. In order to "proclaim the emergence of a new revolutionary situation", a nation-wide seizure of power began, following the first such seizure of power at provincial level in Shanghai in January 1967.

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<sup>1</sup>Waishi Fenglei, in *Red Guard Publications*, Part I, vol.13, Reprinted by Center for China Research Materials Association of Research and Libraries, Washington D.C., 1975.

Consequently, the foreign ministry, like all other ministries, was temporarily taken over by the Red Guards. The change of power at the foreign ministry inevitably created further chaos in China's external relations.

The most important effect of the Cultural Revolution on China's external policy, so far as China's Hong Kong policy was concerned, was the radicalization of the policy towards overseas Chinese. Such a shift became evident when the idea of peaceful coexistence was replaced by the more militant concepts of revolution and people's war. There was a call for socialist countries to support people's struggles in Asia, Africa and Latin America. Beijing advocated increased support for liberation movements, solidarity with revolutionary struggles and the cultivation of stronger relations with communist parties.

Most of the overseas Chinese had settled in South East Asia long before the establishment of the People's Republic. There were about 12 million overseas Chinese in that region in the 1950s, many of them harbouring strong patriotic feelings towards China. However, most overseas Chinese lacked political enthusiasm. They had emigrated largely for economic reasons, and thus their patriotic feelings were far from being revolutionary or idealistic. Professor Wang Gungwu, a leading authority in the study of the overseas Chinese in South East Asia, suggested that there were three distinct political groupings as far as their attitudes to politics in China were concerned. The first group kept in close touch with events in China, either directly or indirectly, and was concerned to identify with the destiny of China.

The second group consisted of the majority of the Chinese,

who were more concerned with the indirect politics of trade and community associations. They were modest in their aims and were seen as non-political.

The third group was a small mixed group with no clear identity, but generally committed to some sort of loyalty to the countries they had adopted. Professor Wang concluded that these groups were not rigid. This argument was based on the premise that the Chinese wanted to remain culturally distinguishable, and that they were drawn in this century both towards nationalism in China and towards embracing local loyalties, by the pressures of modernization and the erosion of traditional values.<sup>2</sup>

The Chinese in South East Asia played a significant role in the 1911 Revolution aimed at overthrowing the Manchu regime and in the war of resistance against the Japanese invasion in 1937-45, both in terms of financial assistance and in manpower. But other events, such as the Kuomintang and Communist revolutions, having no clear external targets, attracted little enthusiasm among them. The struggle between the Nationalists and Communists, which took the shape of civil war in 1945-49, seemed irrelevant to most of them. Nevertheless, when the Communist victory ended the civil war and a strong and stable China began to emerge, this was cautiously welcomed by the overseas Chinese.

China's overseas Chinese policy was designed to be subordinate to its major foreign policy goals. The PRC leadership

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<sup>2</sup>Wang Gungwu, "Political Chinese: an aspect of their contribution to modern Southeast Asian history" (unpublished paper, Seminar on Southeast Asia in the Modern World, Hamburg, 1970). Also see by the same author, *Community and nation: essays on Southeast Asia and the Chinese*, Heinemann Educational Books (Asia) Ltd, Singapore, 1981. pp.180-181.

inherited from previous Chinese regimes the idea that all people of Chinese blood and culture, wherever they resided, were a part of the national entity of China. The leadership held the position that the government of the PRC had a responsibility to protect the interests of the overseas Chinese. Such a position was stressed from time to time, particularly in the years immediately following the establishment of the PRC. In late 1951, for instance, Zhou Enlai declared:

"The lawful rights and interests of these people, as a result of unreasonable discrimination and even persecution on the part of certain countries, have been seriously infringed. This cannot but arouse the serious attention and deep concern of the Chinese people."<sup>3</sup>

However, such statements from Beijing, with their threatening tone, actually achieved little in terms of protecting the interests of the overseas Chinese, or strengthening the PRC's own position in the region. When Beijing adopted a good-neighbour policy during 1954-1955 -- aimed at cultivating good relations with South East Asian countries -- its overseas Chinese policy began to focus on how to develop state-to-state relations.

The position of South East Asia was important in China's strategic considerations. China felt threatened as the US influence increased in the region, and made considerable efforts to break the American encirclement. In addition, the Chinese leadership hoped increasingly to assert its power and influence in Asia. China's overseas Chinese policy, undoubtedly, became an important aspect of the broader change

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<sup>3</sup>Zhou Enlai, "Political Report" made on 23 October, 1951, to the National People's Congress, in People's China, November, 1951.

in its external policy. It was in this context that Zhou Enlai said in September 1954 that the PRC hoped that the South East Asian countries would not discriminate against overseas Chinese and would respect their legitimate rights and interests. He also promised that "for our part, we are willing to urge the overseas Chinese to respect the laws of the governments and the social customs of the countries in which they live."<sup>4</sup>

The Chinese leaders recognized the usefulness of the overseas Chinese, both in terms of providing financial support for China's economic development and of serving the PRC's foreign policy. They also realised the difficulties created by the question of the overseas Chinese in their relations with South East Asia. On many occasions after 1954, the government of the PRC stated officially that the Chinese abroad should obey local laws and respect local customs and habits, doing everything publicly and lawfully. Beijing urged the overseas Chinese to contribute to trade, and to technical and cultural exchanges between China and the countries of their residence. But it discouraged involvement in politics and criticism of the internal affairs of the local governments. Zhou Enlai made it clear, for instance, in his visit to Burma in 1956, that overseas Chinese should not participate in Burmese political activities, such as political parties and elections. He also promised that China would not develop any kind of political organisations among the overseas Chinese.<sup>5</sup>

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<sup>4</sup>Zhou Enlai, "Report on Government Work", made on 24 September 1954 to the National People's Congress, People's China, October 1954.

<sup>5</sup>*The Documents of Overseas Chinese Affairs (Qiaowu Zhengci Wenjian)*, The People's Press, Beijing, 1957. pp.7-8.

Beijing carefully avoided involvement in the internal conflicts of neighbouring countries, especially those maintaining good relations with the PRC. It made considerable efforts to disclaim any intention of using the overseas Chinese as an instrument of subversion, and regarded any encouragement of Beijing-oriented revolutionary activity among the Chinese in South East Asia as likely to damage the government-to-government relations between China and the countries of the region, particularly in the period of peaceful coexistence.

China's pragmatic policy towards the overseas Chinese was also illustrated in its handling of the question of dual nationality of ethnic Chinese abroad. Beijing realised that the question of dual nationality was an important obstacle between China and the countries concerned, and it thus abandoned the concept of *jus sanguinis* in 1954, which had been accepted by Chinese government since 1949. It also urged the overseas Chinese to choose the nationality of their resident countries, pledging their loyalty to those countries. China made efforts to reducing the dimensions of the problem, proposing to enter into treaties on the question of nationality to resolve the matter. In April 1955, China signed a treaty with the government of Indonesia on dual citizenship.<sup>6</sup>

To sum up, the Chinese government tended to adopt a more or less rational policy on the overseas Chinese after 1954, which aimed at avoiding irritating other governments in the region, impairing diplomatic relations, or arousing the

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<sup>6</sup>*Dangdai Zhongguo Waijiao, Ibid.*, p.154.

suspicion that the Chinese government was manipulating the overseas Chinese to conduct subversion. China's overseas Chinese policy was reiterated by Beijing in its broadcasts to overseas Chinese and in Chinese leaders' speeches on various occasions in the period between the mid-1950s to the mid-1960s. It was Zhou Enlai who took the major responsibility for formulating the policy, and the Overseas Chinese Affairs Committee, led by Liao Chenzhi, was the organ which implemented it.

Yet, such a rational and flexible approach seemed in contradiction with the CPC's commitment to support the communist movement and communist parties in South East Asia. While the Chinese leaders claimed that the PRC government's policy differed from the CPC's policy, they failed to provide any strong assurances of this to the leaders of South East Asian countries. Even within China, there were powerful radical elements who were strongly committed towards international revolution and certainly did not support such a moderate policy.

Thus, during the Cultural Revolution, China's overseas Chinese policy and the Overseas Chinese Affairs Commission were immediately subjected to unprecedented criticism. Liao Chenzhi was named by the radical Red Guards as "the top party person in authority taking the capitalist road in the Central Commission for Overseas Chinese Affairs", and as "a black fighter posted in the Commission by Liu Shaoqi, faithfully implementing Liu's policy of three surrenders and one abolition". The charges against Liao included one that he had adopted Liu Shaoqi's "philosophy of survival", urging overseas Chinese to do whatever necessary to live in peace and harmony

in their local environments. He was also criticised for having ordered the dissolution of organisations set up to educate and organise overseas Chinese and engage in patriotic activities.<sup>7</sup>

All the activities with which Liao was charged bore a strong resemblance to the actual policy which had been carefully cultivated by the Chinese government in conducting overseas Chinese affairs, and for which Zhou Enlai should have taken major responsibility. Indeed, Zhou himself was also criticised by some Red Guards. Although Zhou managed to restore his authority, he failed to protect Liao from being humiliated. Liao was dismissed from his post and the Commission came to a standstill.

There was also criticism and persecution of overseas Chinese and their families residing within China for their various privileges and external links. Overseas Chinese abroad were regarded as bourgeois and, therefore, it was claimed that to continue to maintain connections with such bourgeois elements was ideologically undesirable, providing a basis for the emergence of bourgeois tendencies.

In October 1969 a conference in Guangdong was held to deal specially with the "foreign connections" of Party cadres. The "six regulations" were imposed by this conference on Party cadres, requiring the total severance of any ties with relatives in Macao, Hong Kong and abroad. The "six regulations" included: "Firstly, all Party cadres who have connections with overseas Chinese of any profession and have refused to sever connections with them politically and economically, even after

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<sup>7</sup>Pi Liao Zhanbao, in *Red Guard Publications*, ibid. vol.11, also see Stephen Fitzgerald: Overseas Chinese Affairs and the Cultural Revolution in *China Quarterly* Oct.-Dec. 1969, no.40 pp.103-104.

being told to do so, will be seriously punished; secondly, we should look into all specific cases and carry out necessary criticism and education. The serious cases should be told to resign from their Party posts. Thirdly, from now on, we must not recruit those who have connections with overseas Chinese abroad, in Hong Kong or in Macao, to posts of Party cadres."<sup>8</sup> Since Party and state officials could not avoid being suspected, common people with family relations abroad were even more vulnerable and indeed the resulting discrimination was intensive.

The spilling over of the Cultural Revolution into China's foreign affairs and, in particular, the criticisms of China's overseas Chinese policy, undoubtedly caused great confusion among those overseas Chinese who had been closely associated with Beijing. The temporary seizure of power at the Foreign Affairs Ministry and its subsidiary organs, including the Commission of Overseas Chinese Affairs, added encouragement to ultra-leftists overseas. Thus, in 1967, many incidents took place involving Chinese people in Macao and Hong Kong, and in Mongolia, Burma and Cambodia, affected and stimulated by the Cultural Revolution.

The involvement of overseas Chines in local politics became visible in the first place through their propaganda activities --wearing Mao badges and studying Mao's works. Chinese embassy personnel, many of whom had recently returned from China after being immersed into the Cultural Revolution and instructed in revolutionary diplomacy, openly disseminated Mao's works and conducted study sessions. This propaganda,

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<sup>8</sup>See, Chang Chak Yan, "Overseas Chinese in China's Policy", in China Quarterly, no.82, June 1980, pp.281-303.

representing the official Chinese line, helped to inspire the radical overseas Chinese, while at the same time certainly provoking local governments and local people, in places such as Burma, Nepal and Indonesia. In January 1967, the Burmese government responded by banning the wearing of badges or buttons other than those authorised by the government, but this order was ignored by many Chinese students. Inevitably, a series of clashes took place between ethnic Chinese and Burmese in Rangoon. The Burmese government chose to back the anti-Chinese sentiment and activities. In turn, the Chinese government responded strongly, censuring the Burmese government for "carrying out frantic anti-China and anti-Chinese activities with the obvious aim of fanning up class contradictions".<sup>9</sup>

The People's Daily even denounced the Ne Win government as reactionary and fascist, praising the revolutionary successes of the Burmese Communist Party against the "oppressive government of Burma". It also declared that Burma's national democratic revolution had taken a new and important step forward.<sup>10</sup> In a message to the Chinese community in Burma, the Commission of Overseas Chinese Affairs -- then under the control of Red Guards -- proclaimed that "the masses of patriotic overseas Chinese" in Burma would close ranks with all forces which could be united against the enemy and form the broadest united front in the anti-persecution struggle.<sup>11</sup> This line indicated a considerable change in China's position

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<sup>9</sup>Beijing Review, no.46, 10 November, 1967.

<sup>10</sup>The People's Daily, Beijing 30 June, 1967.

<sup>11</sup>NCNA Daily Bulletin, 1 July, 1967.

from earlier years, when China had discouraged overseas Chinese political activities.

In the case of Cambodia, the encouragement of Red Guard activities among the overseas Chinese created a serious disturbance in the once friendly Sino-Cambodian relations. Prince Norodom Sihanouk, the President of Cambodia, denounced the "export" of the Cultural Revolution and China's interference in Cambodian internal affairs. The Cambodian government ordered the closure of five Chinese-language journals in Phnom Penh, and the Sino-Cambodian Friendship Association was dissolved. On 13 September, 1967, the Prince, speaking before a mass rally outside the royal palace, announced his intention to withdraw Cambodian embassy personnel in Beijing, leaving the embassy to one or two caretakers.<sup>12</sup>

Moreover, through the direct influence of the Cultural Revolution, China cultivated ties with insurgent communist parties in Thailand, Malaysia, Burma, Indonesia and the Philippines. Besides endorsing the call for armed struggle against the central government in those countries, Beijing frequently provided material support to some of these parties and set up clandestine radio stations on Chinese territory to serve them. Overseas Chinese were encouraged to participate in revolutionary activities, especially during 1966-67. Such a shift in China's foreign policy and the radicalization of its overseas Chinese policy also affected Beijing's policy on Macao and Hong Kong. A series of riots took place in the two

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<sup>12</sup>Melvin Gurtov, *China and Southeast Asia--the politics of survival; a study of foreign policy interaction*, The Johns Hopkins University Press, Baltimore 1975. p.121.

territories, which in some way typify the events which happened elsewhere.

#### 4-2 Demonstrations and riots in Macao

Macao lies across the Pearl River from China, about 64 kilometres (40 miles) west of Hong Kong. The area of the territory is about 16 square kilometres (six square miles). The population in December 1966 was approximately 300,000, over 96% of which were Chinese.

After their arrival in the Indian Ocean in 1498 and a short period of operation in southern India, the Portuguese established the administrative and political centre of their Asian empire at Goa. Shortly afterwards, the Portuguese in Asia were confident that they could initiate political and economic relations with China. They were the first Europeans, at the end of the 15th century, to explore Macao. Several Portuguese adventurers came to this tiny set of islands between 1497 and 1553. By the mid-1550s, Ming officials permitted the Portuguese to use sites on the Guangdong coast, first Sahang-Ch'uan, then Lampacau and finally Macao. Gradually, Portuguese traders, missionaries and merchants came to build houses and establish residence. At that time the Portuguese paid symbolic rent to the Chinese government for their land. According to the official Chinese historical records, in 1774 and 1778, the civil administration of Macao was under the jurisdiction of a senior magistrate, who stayed at Wangchia to execute the imperial ordinances.

In 1887, when China was facing great internal turmoil, the Portuguese were in a position to make demands on China. On 26 March 1887, the Chinese Qing Dynasty government signed an

agreement with the Portuguese government, known as the Protocol of Lisbon. Its principal provisions were:

Article 1: A treaty of friendship and commerce with a most-favoured-nation clause would be concluded and signed at Peking.

Article 2: China confirmed the perpetual occupation and government of Macao and its dependencies by Portugal, as any other Portuguese possession.

Article 3: Portugal engaged never to give up Macao or its dependencies without prior agreement with China.

Article 4: Portugal engaged never to cooperate in opium trading in Macao in the same way as England had done in Hong Kong.

On 1 December, 1887, the Sino-Portuguese treaty was signed in Beijing, confirming in entirety all the provisions of the Protocol of Lisbon by yielding all rights to Portugal.<sup>13</sup> Since that time, Macao has had relatively correct relations with China. During the Second World war, the Nationalist government abolished several unequal treaties with France and Great Britain, but did not challenge the Lisbon treaty. In recognition of this *de facto* situation, the Nationalist government continued to maintain an office for the "Commissioner of the Ministry of Foreign Affairs" in Macao. After the establishment of the People's Republic on the mainland in 1949, Portugal--unlike Great Britain--refused to recognise the Communist government and continued to maintain diplomatic relations with the Nationalist government, allowing

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<sup>13</sup>*Chinese Maritime Customs, Treaties, Conventions, etc. between China and Foreign States, Shanghai, 1917.* vol. 1, p.273.

the Nationalists' "commissioner of foreign affairs" in Macao to function normally.

However, Portugal's non-recognition of the PRC and the continued residence of the Nationalist commissioner in Macao seemed not to affect its presence in Macao. Macao maintained reasonably good relations with the mainland, although several border incidents took place between the two sides. The most serious such incident between the Portuguese garrison and Chinese guards occurred in July 1952, in which 39 Chinese were killed. Beijing, however, did not apply direct military pressure on the Portuguese, but chose instead to cut off all supplies. Macao was virtually blockaded. After several weeks of negotiations, the two sides reached an agreement. The Macao government stated: "...there was damage to both sides and this will be carefully examined and considered in order to establish compensation within a great spirit of conciliation and understanding and by agreement between both sides."<sup>14</sup>

A New China News Agency press release in Guangdong said that "the Macao government had given a written apology and a guarantee against the recurrence of any similar events". It was reported that the Portuguese had undertaken to withdraw certain sentries from beyond the Barrier Gate, and to make other adjustments to their defence, including turning around some ancient bronze cannons so that they no longer menaced China. A compensation by the Portuguese was also paid.<sup>15</sup>

Another important public protest on Macao was made by China

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<sup>14</sup>Anthony R. Dicks, "Macao: Legal Fiction and Gunboat Diplomacy" in Goran Aijmer edited, *Leadership on the China Coast*. Curzon Press London and Malmo, 1984, p.95.

<sup>15</sup>Dicks, *ibid.* p.96.

in 1963. Nationalist Chinese had carried out guerrilla raids in Guangdong province and had fled on the high seas. They were picked up by Portuguese naval forces and imprisoned in Macao. The Guangdong provincial government demanded the return of seven alleged Nationalist saboteurs, accusing the Portuguese of perpetrating a "very unfriendly act in sending a boat to pick them up in China's territorial waters".<sup>16</sup>

It would seem that the Chinese government seldom made official protests -- rarely, even acknowledging publicly the existence of the Portuguese authorities in Macao. When necessary, Beijing preferred to use non-public channels. This was the case in 1956, at the time of the Portuguese celebration of the four hundredth anniversary of the founding of the colony. At that time Zhou Enlai told the governor of Hong Kong, Sir Alexander Grantham, that the Chinese government and Chinese people did not like these celebrations, nor would Chinese people in Macao and Hong Kong. The message was passed by Grantham to the governor of Macao, and apparently all celebrations were cancelled. Grantham believed that "the Macao government, or at any rate some of the personnel, had better back-door contacts with the Chinese authorities than [the British] had, despite the fact that Portugal did not recognize Peking and that a diplomatic representative of the Nationalist government resided in Macao". He thought the reason for this was that "the Anglo-Saxon is more rigid and less subtle than is the Latin".<sup>17</sup>

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<sup>16</sup>Far East Economic Review (FEER), 8 December, 1966, p.503.

<sup>17</sup>Alexander Grantham, *Via Ports -- from Hong Kong to Hong Kong*, Hong Kong University Press, Hong Kong, 1965. p.181.

Macao's existence after that incident was stable, for there were no further serious disturbances in its relations with China until the Cultural Revolution. The primary reasons for China's continued tolerance of Macao existing as a Portuguese colony were similar to these that applied to Hong Kong. Macao was an important window for China to the outside world and an important source for China's foreign currency.

More significantly, Beijing was concerned that Hong Kong might be destabilized as a result of any upheavals in Macao. China's position over Macao was that "when conditions are ripe", the Macao issue "should be settled peacefully through negotiations and that, pending a settlement, the status quo should be maintained."<sup>18</sup>

This policy was shaken by the Cultural Revolution in late 1966, when a confrontation between local leftist Chinese elements and the Macao police provoked civil disturbances. The trouble first broke out in November on Taipa island, one of the two small islands which form part of Macao. A Chinese school on Taipa had applied to the local government for permission to demolish an old building, but had failed to obtain a response from the Portuguese bureaucracy. The school authorities therefore took matters into their own hands, and began the work without a permit. On 15 November, 1966, when Macao policemen tried to stop the construction, fighting broke out between the workmen and the police. Ten policemen and 65 workers were involved, and about 20 Chinese workmen and three policemen were injured. Most of the workers belonged to the pro-Beijing trade union in Macao, and they then called for

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<sup>18</sup>People's China and International Law--A Document Study p.380.

support on leftist students who were indoctrinated in the Cultural Revolution and Mao's thought.<sup>19</sup>

Next day, a leftist association sent representatives to present the following five demands for the settlement of the affair: 1) Major Antunes, assistant commandant of police, and Senhor Andrade, district officer of the island, should be dismissed and punished for their part in the incident; 2) the Macao government should make a public apology for the incident; 3) all police truncheons should be burnt; 4) compensation should be paid to people wounded or disabled in the incident; 5) the government should give an undertaking that Chinese residents would not be assaulted again.<sup>20</sup>

The Portuguese authorities did not take immediate action on the demands. From 16 November to 1 December, 1966, small demonstrations against the Portuguese continued. By 2 December, large-scale riots had occurred in the streets and even the governor's office was invaded. The rioters were primarily young students and workmen. Some of them wore red armbands, shouted Communist slogans and carried small red books containing quotations from Mao Zedong. When the rioting was at its height, Portuguese troops intervened, which only further incited the Chinese demonstrators. The riot led to eight people being killed, 212 injured and 61 arrested.<sup>21</sup>

After 4 December, there was no more rioting, and an eighteen-hour a day curfew was imposed by the police and army, who patrolled the streets in force with armoured cars,

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<sup>19</sup>FEER, 8 December, 1966.

<sup>20</sup>Beijing Review, no.50, 9 December, 1966.

<sup>21</sup>*Macao, Asia Yearbook*, 1968, p.230.

allowing only a few hours each day for people to go out and besiege the food shops.<sup>22</sup>

China's initial response to the incident was a broadcast statement, declaring that "the Portuguese authorities have remained insolent and unreasonable, and have delayed their reply to the Chinese community's demands."<sup>23</sup>

China's intervention became more obvious and direct after 8 December, partly because the leftist leaders in Macao were in some disarray. On 8 December, a mass rally was held across the border in Guangdong province, attended by several senior officials, including the vice-governor of the province, at which the Portuguese were accused of "premeditated fascist atrocities against Chinese nationals". On two days, 8 and 9 December, several Chinese gunboats steamed backwards and forwards in formation outside the harbour mouth near the path of the hydrofoils, "implying Chinese refusal to recognize that Macao's waters were under Portuguese jurisdiction."<sup>24</sup>

The following demands were put forward by the director of the foreign affairs bureau of the Guangdong provincial government in the name of the Chinese government: 1) the Portuguese authorities must immediately and unconditionally accept the demands of the Taipa residents, put forward on 18 November; 2) they must immediately and unconditionally accept the demands of the Macao Chinese Students' Federation, put forward on 5 December; 3) they must immediately offer apologies to all Chinese residents for their mistakes, and

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<sup>22</sup>Dicks *ibid.* p.110.

<sup>23</sup>Dicks *ibid.* p.108.

<sup>24</sup>*FEER*, 16 December, 1966, pp.543-44.

punish the commandant of the armed forces, the commandant and assistant commandant of the police, and the district officer of Taipa; and 4) they must effectively guarantee that no Kuomintang agents would ever again be allowed to operate in Macao, and immediately return the seven Kuomintang agents taken by Macao after the Portuguese gunboat had intruded into Chinese waters in June 1963.<sup>25</sup>

Under such strong internal as well as external pressure, the Portuguese authorities found it difficult to resist these demands. Thus, on 12 December, the governor, Brigadier General de Carvalho, declared that the Macao government was prepared to accept all the demands made of it. The governor was reported to have said: "It has long been the main concern of the government to maintain and develop Sino-Portuguese friendship and foster the mutual understanding developed over the centuries. Therefore, in accordance with the wishes of the Macao residents, the government has resolved to accept fully the demands put forward by the foreign affairs bureau of Guangdong Province."<sup>26</sup>

Negotiations began between the Macao government and representatives of Macao's Chinese leftists soon after the governor's statement. The issues to be negotiated included the question of compensation, the Nationalist presence in Macao, repatriation of Chinese who had fled from the mainland, and punishment of the Portuguese officials responsible for the incident. A final agreement was reached on 29 January 1967. Under a huge portrait of Mao Zedong, Governor de Carvalho, on

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<sup>25</sup>Dicks, *ibid.* p.112.

<sup>26</sup>Dicks, *ibid.* pp.114-115.

behalf of Portugal, signed the capitulation agreement. The Portuguese agreed to four main points: they would take full responsibility for the December riots; they would punish responsible officials; they would compensate the victims to the tune of over HK\$2 million; and they would ban the Kuomintang organisations from Macao.<sup>27</sup>

A Chinese-language newspaper in Hong Kong reported that Portugal had consented to deport eight prominent Kuomintang leaders from Macao, to ban seven pro-Kuomintang organisations involving teachers and trade unionists; to hand over to Guangdong any Kuomintang agents found operating in Macao in the future; and to deal likewise with all illegal immigrants from China. Above all, Portugal yielded to Beijing's demand that the "seven agents of the Chiang Kai-shek gang" who had been in Macao's custody, be turned over to the PRC for "disposition", in spite of repeated protests from the Nationalist government in Taipei.<sup>28</sup>

The Portuguese capitulation marked an overwhelming victory for the Chinese leftists in Macao. The New China News Agency, in its news release of 31 January, commented that: "...the Chinese residents in Macao, armed with the thoughts of Mao Zedong, carried out a broad mass action against the Portuguese authorities, beginning on 25 January...The Portuguese authorities in Macao soon found themselves helpless in the vast ocean of concerted sanctions by the 200,000 and more Chinese residents. Having had their heads knocked hard by the Chinese compatriots in Macao, the Portuguese authorities were

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<sup>27</sup>FEER, 2 February, 1966.

<sup>28</sup>Ibid., p.151.

at last forced openly to admit their guilt before the Chinese residents in Macao."<sup>29</sup>

The major reason that the Portuguese yielded to every demand was that they perceived a possible PRC military intervention, which they could not have resisted. Portugal had a garrison of less than a thousand troops, and neither Portugal nor any other country could send any substantial military assistance to defend Macao. In addition, the Portuguese troops in Macao, as well as the police, had very little expertise in riot control and, it was therefore difficult for the government to control the situation, especially when a striking show of popular support was organised by the radical leftists.

China played an active role during the whole affair. Not only did it publicly express support for and encouragement of the leftists, but it also manipulated the leftists' negotiations with the Macao government. It was believed that Ho Yin, Chairman of the Chinese chamber of commerce in Macao and a pro-Communist leader there, made a trip to the mainland to ask for instructions from the Chinese government before entering negotiations with the Portuguese. It was clear that in accordance with the then current Cultural Revolution line, China's involvement was more direct. On the other hand, Beijing also exploited the event and achieved its major goal of eliminating the Kuomintang presence from Macao.

However, China did not over-exploit the disturbances. To maintain the status quo in Macao was still China's major concern. In Beijing's view, Macao, as well as Hong Kong, was

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<sup>29</sup>Dicks, *ibid.*, p.124.

more significant for China's commercial interests than for its political interests. In Macao, politics still took second place to economics. Such a strategy was reflected in China's refusal to accept Portugal's offer to abandon Macao. It was reported that following the riots, the governor had told Ho Yin that the Portuguese would be more than willing to surrender Macao permanently, provided 1) that they were requested to go by China, so that no embarrassing precedent was created in respect of other Portuguese possessions, and 2) that they were given a reasonable time to withdraw.<sup>30</sup>

China was not ready to accept such a dramatic offer, apparently because it would have damaged China's commercial interests and, more importantly, because such a change in sovereignty would have been immediately felt in Hong Kong, adversely affecting its prosperity and stability. If Beijing had taken Macao, the next logical step would have been to take Hong Kong, but because of international complications and possible British resistance, such an action would have been too risky at that time.

The confrontation between Chinese leftists and the Macao authorities was thus resolved as a result of the Portuguese yielding to all the Chinese demands. Consequently, Beijing firmly consolidated its position in influencing Macao's affairs. On the other hand, the victory of the leftists in Macao had a strong impact on Hong Kong. When a similar incident took place in Hong Kong, China was faced with an even more difficult situation and its carefully pieced together policy was thus placed under serious challenge.

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<sup>30</sup>Dicks, *ibid.*, p.116.

#### 4-3 Hong Kong

Having successfully intimidated the Portuguese in Macao, the pro-PRC left-wing Chinese thought a similar campaign in the British colony would be equally successful. At that time, with the upsurge of xenophobia and an anti-foreign and anti-imperialist mood, particularly among the Red Guards, Britain was being singled out as a special target. From February 1967 onward, the Chinese government repeatedly asked the British government not allow American naval servicemen to take their leave in Hong Kong. The pro-communist students occasionally held meetings at the City Hall, where lectures on Mao Zedong thought were given. The governor of Hong Kong, Sir David Trench, was criticized by the pro-Communist Chinese papers in Hong Kong, Ta Kung Pao and Wen Hui Pao, for aiding American and Kuomintang elements in their "criminal activities". Sir David was also criticized for his participation in a golf tournament ceremony during which the flags of the United Kingdom and Nationalist China were flying together in Hong Kong. The Chinese newspapers regarded such actions as an indication of British support for the "Two-China Policy".<sup>31</sup>

The incident, which led to a full-scale political campaign organized by pro-Communist banks, trade unions, commercial organizations and schools, was a minor labour dispute in a factory called Hong Kong Artificial Flower Works. The original dispute arose in April 1967, over the wages of 650 workers. When the Labour Department of the Hong Kong government failed to mediate between the workers and the employers, the factory

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<sup>31</sup>Stephen Pan and Raymond J de. Jaegher, *Peking's Red Guards -- the Great Proletarian Cultural Revolution*, Twin Circle Publishing Company, New York, 1968, p.319.

was closed and the workers were dismissed.<sup>32</sup>

On 6 May, a group of dismissed workers tried prevent the removal of goods by the management and the police finally stepped in and 21 men were arrested. The pro-Communist trade unions organized supporting demonstrations over the following days and there were further clashes with the police. There was serious rioting, with the rioters shouting Communist slogans and reading quotations from Mao Zedong. Mobs also attacked the police, burned cars, overturned buses, set fire to buildings and plundered property. Anti-riot squads were sent to stop the disturbances and a curfew was imposed in the affected areas. On 17 May, the British government issued a statement supporting the Hong Kong government, which read:

"Her Majesty's government fully supports the Hong Kong government in fulfilling its duty, both in maintaining law and order and in the efforts it is making to bring about a settlement of the industrial dispute."<sup>33</sup>

The Hong Kong government's hard-line policy in dealing with the disturbances was challenged by a campaign of intimidation. An "All-Circles Anti-Persecution Struggle Committee" was set up, with representatives from all the pro-Communist organizations in Hong Kong, and the pro-Communist press launched a propaganda war against the British authorities.

Shortly after the demonstrations and strikes in Hong Kong, anti-British demonstrations were held in China. Demonstrators marched into the British consulate in Guangzhou and Shanghai and into the office of the British *charge d'affaires* in

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<sup>32</sup>Hong Kong, *Report for the Year 1967*, Hong Kong Government Press, 1968. p.3.

<sup>33</sup>"Hong Kong: Kowloon Disturbances." Text of Statement issued by Commonwealth Office, 17 May, 1967.

Beijing. On 15 May, the Chinese Foreign Affairs Ministry (which was in a situation of chaos, with almost all senior officials under attack from the Red Guards) issued a statement protesting against the action of the British authorities against Chinese residents in Hong Kong. The statement demanded that the Hong Kong government accept immediately the just demands of Chinese workers and residents in Hong Kong; cease all fascist actions; release all arrested people; punish those responsible for the bloodshed; apologize to the victims and pay compensation; and guarantee that similar incidents would not reoccur.<sup>34</sup>

The People's Daily published a series of editorials and commentaries, accusing the Hong Kong authorities in harsh terms of provoking Chinese people. On 18 May, a rally was held in Beijing attended by some senior Chinese leaders from the CPC and the government, including Zhou Enlai and Chen Yi. Further protests were made by the Chinese Foreign Affairs Ministry. On 15 June, Beijing delivered a strongly-worded note to the British *charge d'affaires*, Donald Hopson, presenting its "most urgent and strongest protest" to the British government and the Hong Kong government for their "fascist atrocities" against Chinese residents. Beijing also accused the Hong Kong authorities of allowing Hong Kong to be used by the "American imperialists" as a base for the Vietnam war. The protest stated:

"It must be pointed out that these large-scale bloody atrocities perpetrated by the British authorities in Hong Kong are the result of long premeditation and are an integral part of the British government's scheme of collusion with US imperialism against China. On the one hand, in coordination with the US imperialist war being escalated in Vietnam, the British

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<sup>34</sup>People's Daily, 15 May, 1967.

government is continuing to provide the United States with Hong Kong as a base for aggression against Vietnam, in disregard of the repeated solemn warnings of the Chinese government, and on the other hand, it is steadily stepping up various hostile measures against China in Hong Kong... Particularly since the unfolding of the Great Proletarian Cultural Revolution in China, the British authorities in Hong Kong have carried out repeated military and police manoeuvres hostile to China and aimed at the bloody suppression of Chinese residents in Hong Kong, vainly attempting to exclude the great influence of China's Proletarian Cultural Revolution by high-handed tactics."<sup>35</sup>

In the sensitive area of the land frontier with China there was a propaganda war carried out on the Chinese side of the border. On 24 June, 1967, there was a clash between Chinese peasants and the Hong Kong police in the border town of Sha Tau Kok. A crowd of about 200 people, using stones, knives and sticks, attacked the police post in the town, but were finally dispersed by gas shells. On 8 July, there was a further demonstration and riot against the British in Sha Tau Kok. The demonstrators from over the border were supported by Chinese militiamen. A detachment of the British army was called out to assist the police, and the troops used tear gas and riot guns firing wooden projectiles at the demonstrators. The incident left five policemen dead and another eleven wounded.<sup>36</sup>

The British *charge d'affaires* in Beijing protested to the Chinese Foreign Affairs Ministry, but the protest was rejected. However, in the eyes of the Hong Kong government, the incident was not an attempt at armed invasion of the colony, as there were no regular units of the Chinese army involved.<sup>37</sup>

The border remained unsettled and some Chinese farmers

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<sup>35</sup>Beijing Review, no.22, 26 May, 1967.

<sup>36</sup>*Hong Kong, Report for the Year 1967*, ibid., p.12.

<sup>37</sup>Ibid., p.12.

living on the Chinese side occasionally took the opportunity to cross the border to make trouble. The border was therefore closed by the British authorities, except for the railway service through Lowu. Inhabitants on both sides were thus prevented from crossing the border.<sup>38</sup>

China protested against Britain's action, but did not exploit the matter further, stressing the importance of re-opening the border. It said that the closure of the border meant: "...sabotaging the customary intercourse along the entire border, adversely affecting productive labour and normal life of the inhabitants on both sides of the border and encroaching upon their traditional rights and interests."<sup>39</sup>

However, Beijing's support of Hong Kong left-wing elements remained largely limited to moral support, though the pro-communist press in Hong Kong interpreted them in a more positive way. In fact, in July, Zhou Enlai, presumably concerned about Hong Kong's stability and China's long-term interests, made efforts to restrain Red Guard style activities in Hong Kong. Some prominent members of pro-Communist organizations and senior officials of the New China News Agency were called back to Beijing and received by Zhou, who told them that Hong Kong was not Beijing, and that wall posters were not appropriate for Hong Kong's situation. He also urged them to re-study China's Hong Kong policy formed in the 1950s, and to pay more attention to how to conduct long-

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<sup>38</sup>Ibid., p.13.

<sup>39</sup>NCNA Daily Bulletin, 15 August, 1967.

term struggle.<sup>40</sup> Thus, although the pro-Communist press continued a stream of inflammatory propaganda, Communist organizations began to moderate their activities.<sup>41</sup>

Meanwhile, the Hong Kong government perceived the moderation of Communist activity to be a result of its own hard-line policy. With the approval and support of the British government to "take all necessary measures to maintain peace and security in Hong Kong", the Hong Kong authorities decided to adopt an even harder attitude. On 12 July, the government announced that it was determined to maintain the initiative of not yielding to Communist demands. The government also decided to search for Communist hide-outs and arsenals, the action beginning on 12 July, 1967. On that day and on the days following, large groups of police, backed up by military units, raided the principal Communist strongholds, including union premises and schools. Home-made weapons and explosives were found. Thirty-two people were arrested and their weapons seized. From 12 July to the end of that month, Hong Kong policemen searched more than 20 pro-Communist labour organizations and 20 private residences. About 1,000 people were arrested, 400 of whom were imprisoned.<sup>42</sup>

Further action against pro-Communist newspapers was taken. In July and August, three employees of the New China New Agency in Hong Kong were arrested for taking part in an illegal assembly. In August, three pro-Communist newspapers

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<sup>40</sup>Interview with Szeto Keung in April 1989, Szeto is a senior member of the NCNA in Hong Kong, and has worked for the NCNA since 1950s.

<sup>41</sup>Interview with Szeto.

<sup>42</sup>*Hong Kong, Report for the Year 1967, ibid., p.15.*

were suppressed and two of their editors prosecuted for sedition. On 7 September, 1967, a court decided that they were guilty and sentenced them to from two to three years in prison.<sup>43</sup>

The severe action taken by the Hong Kong authorities against the pro-Communist journalists and newspapers inevitably provoked a reaction in China. On 20 August, 1967, Beijing delivered a 48-hour ultimatum to Donald C. Hopson, British *charge d'affaires* in Beijing, demanding that the British release all three employees of the NCNA and withdraw action against the newspapers and their editors. It warned that the British would bear the consequences if the demands were not met. But the note was rejected on the spot by the British diplomat on the grounds that it was couched in "grossly offensive language".<sup>44</sup> On 22 August, a demonstration attended by 10,000 people was held in Beijing outside the office of the British *charge d'affaires*. Red Guards bombarded the British chancery with bottles of petrol, setting it aflame. Hopson was forced to confess to his "sins". Chinese troops eventually arrived to rescue the diplomats, but the building was burnt down.<sup>45</sup>

In the mean time, the British government undertook several retaliatory measures against the Chinese diplomatic mission in London. The diplomatic mission was kept under a close and constant police watch. In August, two clashes between Chinese diplomats and the British police took place in which two

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<sup>43</sup>Ibid., p.14.

<sup>44</sup>*Daily Telegraph*, London 21 August, 1967.

<sup>45</sup>*The Guardian*, London, 23 August, 1967.

policemen and three Chinese diplomats were injured. The clashes, in the eyes of the British government, were a deliberate attempt by the Chinese to provoke the British authorities to violence, in order to justify Chinese action against the British mission in Beijing.<sup>46</sup>

In return, Beijing accused the British government of instigating police violence against Chinese diplomats. As a retaliatory measure, it announced that members of the British diplomatic mission would be confined to their office buildings and to their flats in a nearby compound. In addition, no Britons would be allowed to leave China without permission from the Foreign Affairs Ministry, and all exit permits already issued to Britons would be cancelled.<sup>47</sup> Diplomatic ties between the two countries were thus close to breaking point.

Although the burning down of the office of the British *charge d'affaires* became the turning point for Zhou Enlai to regain his control over China's external policy, the incident caused great confusion among the leftists in Hong Kong. They received news of the burning down of the British office as an encouraging signal for more radical action against the Hong Kong authorities.<sup>48</sup> Consequently, the confrontation entered a new phase of indiscriminate "bomb" attacks--a type of urban guerrilla warfare involving placing of bombs in public areas. Bomb attacks -- essentially part of a propaganda campaign to

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<sup>46</sup>John Cooper, *Colony in Conflict: The Hong Kong Disturbances May 1967-January 1968*, Swindon Book Company, Hong Kong, 1969. p.263.

<sup>47</sup>"Chinese Government's Protest to British Government", in Beijing Review, no.37, 8 September, 1967, p.29.

<sup>48</sup>Interview with Szeto.

stimulate flagging mass support by a show of strength--continued as an almost daily occurrence until the end of December 1967. There were 8,074 suspicious bombs dealt with by the police and bomb experts. Fifteen people were killed by bomb explosions, including two members of the police, an army sergeant and an officer of the fire service.<sup>49</sup>

Several incidents also took place along the border between the mainland and Hong Kong. On the morning of 4 August, a large group of peasants rushed to the Hong Kong border from the Chinese side to demonstrate, massing around the immigration office. British soldiers responded with tear gas and several peasants were injured.<sup>50</sup> About a week later, on 11 August 1967, another Chinese Red Guard mob crossed the Hong Kong border from China, captured a border post, seized its weapons, and forced Trevor Bedford, a British official, to sign a paper agreeing to remove the barbed wire barricade and to pay compensation to a Chinese peasant who had been wounded by a mine placed by the British authorities at the barricade. The seized weapons, together with the British hostage, were returned to the British.<sup>51</sup>

However, these two incidents appeared to have been organized locally by Red Guards. The People's Liberation Army not only did not help the demonstrators cross to the British side, but made efforts to prevent further incursions. Indeed, Beijing's attitude towards the disturbances throughout was a reactive one. The top level leadership showed no intention of

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<sup>49</sup>*Hong Kong, Report for the Year 1967*, ibid., pp.15-16.

<sup>50</sup>Ibid., p.13.

<sup>51</sup>Ming Pao, Hong Kong, 1 December, 1967.

initiating a crisis. Beijing's policy toward Hong Kong remained fundamentally unchanged. It rejected a demand from the local military region to station troops on the Sino-British border.<sup>52</sup>

Beijing's support for the Communist community was largely restrained in terms of materials and money. Even at the beginning, no serious moves were contemplated against Hong Kong, though there were some attempts to pressure the British into accepting the demands of Hong Kong leftists. The burning down of the office of the British *charge d'affaires* in Beijing was organized by radical Red Guards and was not the decision of the top level leadership.<sup>53</sup>

During the whole period, Beijing never used its most effective weapon--to cut the water supply and blockade the colony. On the contrary, it honoured the existing water supply agreement, so far as the consumption of normal supplies was concerned, on the date due, although no reply was made to Hong Kong's request for additional supplies. There were occasional disruptions to food supplies, but these were apparently carried out solely on local initiatives, partly because of action taking place on the mainland. A large part of China's frozen food industry, for instance, was located at Wuhan, scene of some the country's worst disturbances. In the first five months of 1967, Hong Kong imported a monthly average of 175,000 live pigs, 99% of which came from China. Supplies dropped sharply in August and September, and some days these were down to 30% of normal. However, the Chinese authorities

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<sup>52</sup>Interview with Zhen Weirong in April 1989, in Hong Kong. Zhen was an official at the time at the NCNA in Hong Kong.

<sup>53</sup>*Dangdai Zhongguo Waijiao*, ibid., p.211.

made strong efforts to maintain supplies.<sup>54</sup> Troops were sent to keep the trains running across the border in order to ensure a continuing and profitable trade. Beijing's support for the strikes in Hong Kong thus remained purely declaratory. For instance, during the strike in the fish markets organized by the radical trade unionists in October 1967, food continued to reach Hong Kong by sea and by land from the mainland at a rate of 2,000 tonnes per day.<sup>55</sup>

Again in October 1967, all the top officials appointed by Beijing to work in Hong Kong were recalled for consultations. Beijing made it clear that the violence had gone far enough and that they should now concentrate on serving China's economic interests. They should regard the campaign against the British as a long-term affair which would require extensive preparatory work.<sup>56</sup> Hong Kong left-wing leaders were told to make efforts to ensure that there would be no trouble during the Guangzhou Trade Fair. The Fair could not be held on its original date of 15 October because of disturbances within Guangdong province, and was held instead after a month's postponement, indicating that Beijing was aware of the need to restore international trade.<sup>57</sup> Within Hong Kong, China's department stores and other commercial institutions also launched a campaign to win back their customers, with the peaceful slogan, "Love the Motherland--Buy National

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<sup>54</sup>FEER 14 September, 1967, pp.536-537.

<sup>55</sup>Ma Ming edited, *The Riot in Hong Kong*, Sky Hoarse Book Co., Hong Kong, 1967, p.136.

<sup>56</sup>FEER, 9 September, 1967, p.694.

<sup>57</sup>Ibid., p.695.

Products".<sup>58</sup>

Beijing's desire for more normal relations with Hong Kong was also illustrated in its negotiations with the Hong Kong authorities to settle border problems. Talks initiated by the Chinese side were held in November 1967 between Hong Kong and Chinese border officials. By the end of the month, the two sides had reached an agreement. The British agreed partially to reopen the border to permit Chinese peasants to work on the Hong Kong side, and even compensated them for lost time when the border was closed. The Chinese authorities agreed to release two Hong Kong policemen back to the colony. These two policemen, who had inadvertently crossed the border while off-duty, had been forcibly detained by Chinese militiamen in September.<sup>59</sup>

China was determined to maintain Hong Kong's status quo. Clearly, economic reasons played an important role in such decision. Hong Kong was again was the most important place for Beijing to earn foreign currency and to conduct external trade. Chinese sales to Hong Kong before the disturbances amounted on average to US\$ 1.5 million a day. Through the Hong Kong-registered firm, China Resources Ltd, the Chinese state trading corporations carried on a trade with Hong Kong which had developed rapidly since China's initial Hong Kong policy, formulated in the 1950s. China did a large part of its business with merchants in Western countries. In 1966, China's foreign exchange earnings in the colony were estimated as

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<sup>58</sup>FEER, 9 September, 1967. p.694.

<sup>59</sup>Interview with Sir David Akers-Jones in April, 1989. Sir David was a senior member of the government of Hong Kong in 1960s.

follows:

	HK\$ million
Exports to Hong Kong, minus imports.....	2,700
Profits from importing and distribution.....	690
Profits from banking.....	50
Watercharges.....	14
Other economic activities.....	540
Total.....	3,994

These estimates, according to the Far East Economic Review's view, were minimum figures because they did not cover all items in the accounts. China's favourable balance of trade with Hong Kong was 17 percent in 1965, which rose by a further 20 percent in 1966.<sup>60</sup>

By taking advantage of Hong Kong as a convenient communications centre, China Resources Ltd maintained contact with nearly fifty governments which had official trade or political representation in the colony, among whom less than a third were represented in Beijing. The importance of Hong Kong as a place for China to purchase Western technology and equipment increased after the Soviet Union ceased its technological cooperation with China. Moreover, through Hong Kong, Beijing could obtain political as well as economic information from Western countries and even from Taiwan.

Thus, the maintenance of Hong Kong's stability was still China's major consideration. Presumably, if law and order could not be maintained in the colony, business confidence, investment and the tourist trade would be curtailed and China's foreign exchange reserves would consequently be greatly decreased. Unfortunately, Beijing's reasoning was not fully understood by its representatives or by the pro-

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<sup>60</sup>FEER, 7 June, 1967.

Communist community in Hong Kong. The disturbances had begun with a series of industrial disputes where the workers had justifiable reasons for complaint.<sup>61</sup> But, afraid of being considered guilty of "economism" -- a Cultural Revolution term, the local cadres dropped the industrial and labour issues and shifted to a purely political level. Even the Far East Economic Review observed that there was "...a first class reservoir of discontent which could have been exploited by left-wing revolutionaries who had the people's good at heart, and who could have mounted a useful and constructive attack on the Hong Kong government's failures in the fields of education, recreation, medical services and welfare legislation, using all the frustrations which can simmer and occasionally boil over in over-crowded urban areas."<sup>62</sup> The local cadres did not even try to exploit the presence of large numbers of US servicemen and a "spying" American consulate to arouse latent Chinese nationalism.

There existed difference between Zhou who wanted stability in Hong Kong and the radicals who did not. However, Zhou took every possible opportunity to persuade the communist organizations in Hong Kong to concentrate on mobilizing people and not to isolate themselves.<sup>63</sup> However, the radical leaders of the pro-Communist community barricaded themselves into various shops, offices and schools, cutting themselves off from all contact with the Hong Kong masses. More importantly, once the issues of higher wages and better working conditions

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<sup>61</sup>*FEER*, 3 August, 1967.

<sup>62</sup>*FEER*, 3 August, 1967.

<sup>63</sup>Interview with Szeto.

had been ignored by the left-wing leaders, their programme became irrelevant for most workers. Political challenge to the Hong Kong authorities and an escalation of the violence had no real relevance to the Hong Kong situation and inevitably led to further confrontations with the forces of law and order.

As it was, the main burden of economic disruption caused by the disturbance fell on Communist-owned business enterprises. The pro-Communist left-wing department stores closed down for a strike and business dropped off. The Communist-controlled banks had to increase their financial advances to left-wing firms which took part in the "anti-suppression" campaign, and there was thus little commercial return on this money. These organizations made contributions to the campaign funds out of profits that they would normally remit to China. The demonstrators and strikes had their wages made up by left-wing organizations. All this was a further drain on China's foreign exchange resources. In addition, in the first nine months of 1967, Hong Kong bought \$1,610 million worth of goods from China--19% less than the previous year.<sup>64</sup>

What, then, caused the 1967 disturbances in Hong Kong? First of all, as has been discussed earlier, the origins of the disturbances stemmed directly from the Cultural Revolution on the mainland. The Cultural Revolution created among its adherents a fervent patriotism and an intense adulation of Mao Zedong and his teachings. It was claimed that the world had entered a "new phase of Mao Zedong thought, and conducting the propaganda of Mao's teachings became a central task of China's external policy. Hong Kong, as a British colony with a

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<sup>64</sup>FEER, 14 September, 1967. p.537.

capitalist system, was an affront to revolutionary doctrine and an obvious target for anti-imperialist zeal. In Hong Kong, China's influence was very strong and the Communists controlled considerable parts of Hong Kong's press, trade unions and schools. With the whole mainland involved in the revolution, the pro-Communist community in Hong Kong saw the time as ripe to carry out similar activities. Their aim was to bring pressure on the colonial authorities in Hong Kong and to achieve a swift Macao-style victory.

China's top leadership was aware of the importance of maintaining Hong Kong's stability, but Beijing's policy decision-making process was affected by the radicalization of the political situation. In fact, the authorities in Beijing were themselves in trouble during the turmoil of the Cultural Revolution and had no alternative but to come out in support when local Communists waged struggle against British imperialism. Zhou Enlai claimed that the Central Committee was under great pressure at the time to take over Hong Kong.<sup>65</sup> In Hong Kong, there was clear evidence that the local "soft-liners" among the pro-Communist community were inhibited by the hard core determined to assert their Maoism as required by the overspill of the Cultural Revolution. The soft-liners were regarded as Liuists and had no authority to influence tactics.<sup>66</sup>

It seemed that some of the radical leaders aimed at more than self-preservation and, considering that the time was ready for a take-over, attempted to exploit the situation.

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<sup>65</sup>Interview with Mr Szeto.

<sup>66</sup>FEER, 20 June, 1967.

They even declared that the PLA was already gathering on the border, which was not true.<sup>67</sup>

The British and Hong Kong governments judged that China would not intervene directly in Hong Kong's internal affairs and that it had no intention to take over Hong Kong. Although there were several rallies attended by senior Chinese leaders, there was no indication from the top that any further radical actions would be taken by the Chinese authorities.<sup>68</sup>

Therefore, the government of Hong Kong, from the beginning of the disturbances, adopted a hard-line policy, considering that a Macao-style solution of accepting Communist demands would only damage British domination of the colony. In dealing with the pro-Communist leftists, the Hong Kong authorities had the advantage of having witnessed what had happened in Macao when concessions were made namely, that the demands then escalated. The disturbances were firmly dealt with and no concessions were made. At the same time, both the British government and the Hong Kong government avoided involvement in any direct confrontation with the Chinese government. In the various open statements made the senior officials of the government of Hong Kong, the role played by Beijing was deliberately ignored.

The British succeeded in control the situation in Hong Kong. According to the Hong Kong government, there was no significant disruption in any of the major sectors of industry and trade. It stated that "industrial production was not affected, exports continued at substantially higher levels than

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<sup>67</sup>Interview with Szeto.

<sup>68</sup>Interview with Sir David Akers-Jones.

in previous years and the tourist trade continued satisfactorily in spite of alarmist headlines in some overseas newspapers."<sup>69</sup>

However, China and the pro-Communist community in Hong Kong suffered considerable losses, and probably also learned from the experience, as Liang Shangyun, then the deputy head of the NCNA in Hong Kong, later admitted:

"The struggle had no clear aim and cannot be said to have had a convincing basis. It was not necessarily advantageous to the leftists, but on the contrary, was very costly. More seriously, the leftists lost popular sympathy and support. The struggle aroused considerable disappointment among the Hong Kong people because the majority of them wished to maintain Hong Kong's stability and prosperity."<sup>70</sup>

### Conclusion

Throughout its whole course, the Cultural Revolution affected China's domestic policies. Some radicals, whose influence lay in intellectual, ideological and cultural affairs, continued to occupy positions of considerable importance. However, the most radical aspects of the Cultural Revolution were seen in the period of 1966-1968. After that time, those who had been responsible for national security, economic development and foreign relations returned to power and restored their authority over China's external decision making.

Beijing's efforts to normalise its diplomacy first became evident with Zhou Enlai's speech to a conference on China's foreign relations held in January 1968. In his speech, Zhou

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<sup>69</sup>*Hong Kong, Report for the Year 1967*, pp.18-19.

<sup>70</sup>Liang Shangyun, *Zhonggong zai Xianggang* (The Chinese Communist Party in Hong Kong) Guang Jiao Jin Press, Hong Kong 1986, p.109.

emphasised the importance of conducting a correct policy and he criticised the error of "ultra-left trends" in China's foreign affairs. He also urged the strengthening of discipline among the diplomatic service.<sup>71</sup>

It is important to note that the basic guidelines of China's foreign policy, inherited from the period before the Cultural Revolution, were not modified, though there were some shifts, showing that the Cultural Revolution did have a certain impact on the country's external relations. However, the influence of the Cultural Revolution on Beijing's external policy was limited, both in terms of time and scope. Beijing's attitude towards the riots in Macao and Hong Kong suggested that the Chinese leaders, especially the top ones, were able to make a reasonably sober estimate of the situation even amid the turmoil of the Cultural Revolution, and were aware of China's fundamental interests. The ideological component in Chinese foreign policy was much more visible during these years, but Beijing managed to avoid making any actual revolutionary commitments, and its militant pronouncements normally went no further than general principles. Beijing was under strong pressure from the radicals in Beijing and Hong Kong to take over Macao and Hong Kong. Yet evidence suggests that Beijing, far from being committed to any substantial involvement in the disturbances in Macao and Hong Kong, had no intention of regaining, for ideological reasons, sovereignty over Macao and Hong Kong and that it made clear that the existing status of Macao and Hong Kong suited China's intermediate as well as long-term goals.

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<sup>71</sup>*Dangdai ZhonggGuo Waijiao*, pp.211-212.

In the late 1960s, Chinese leaders became aware of the serious international pressures on China. Beijing particularly feared a Soviet military attack, which became more of a threat following the Soviet invasion of Czechoslovakia in 1968 and the enunciation of the Brezhnev doctrine justifying Soviet interference in the internal affairs of another socialist country. In March 1969, an armed clash between China and the Soviet Union took place on the disputed island of Zhen Bao (known as Damansky by the USSR). This clash further added to China's concerns. Thus, after 1968-69, Chinese leaders regarded the Soviet Union as the main military threat to their country, and to the world as whole, while they viewed the United States as a somewhat defensive power. A strategy of anti-superpower hegemonism was set up which viewed the countries of Western Europe as an important counterbalance to the perceived Soviet threat. In this respect, Mao emphasised the need to win over these countries, such as Britain, France and West Germany. This strategy helped to improve Sino-British relations.

By October 1969, two important steps had been taken to lift Sino-British relations out of the earlier troubles of the Cultural Revolution. The Chinese and British governments each removed the additional restrictions which had been placed on the movement of the other's personnel in 1967; and Anthony Grey, the Reuters correspondent in Beijing who had been arrested by Chinese authorities in July 1967, and the NCNA journalists in Hong Kong, were all released. At a special gathering, Zhou expressed his regrets to the British *charge d'affaires* over the 1967 incident. He said that it occurred against the wishes of the Chinese government and the Communist

Party; the crowd in Beijing had been angered by the arrest of the employees of the NCNA in Hong Kong, but it was the "bad elements" which had incited the attack on the British building.<sup>72</sup>

The disturbances in Hong Kong were largely a spill-over from the turmoil when the early part of the Cultural Revolution ended and when the top leadership led by Zhou Enlai regained control over China's external policy. The pro-Communist organisations in Hong Kong were then urged to take care of China's commercial interests and not to challenge the British role in the colony. No more incidents took place after 1968 which could have shaken British authority, and Hong Kong's relations with the mainland remained reasonably calm.

The post-Cultural Revolution years saw dramatic changes in China's domestic policies. Economic development was recognized by the Chinese leaders as the main priority, and they were more concerned about Hong Kong's stability and prosperity than ever before, aware that the territory could make an extremely important contribution to the mainland's modernization. In this respect, it seemed to them that maintaining the status quo, with Hong Kong under British rule, would serve China's interests best.

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<sup>72</sup>The building was reconstructed. Zhang Wenjin, then assistant to the Foreign Minister was told by Zhou Enlai to apologize to British *charge d'affaires* in the reception of the reopening of the building. There were many people at the reception and Zhang failed to find a proper opportunity to do so. Zhang was criticized by Zhou for being "affected too deeply by left-wing trends". Zhou called the *charge d'affaires* and apologized to him for what had happened. See, Zhang Wenjin, "Recalling on Zhou Enlai", People's Daily, 5 March 1991; Also see, *Dangdai Zhongguo Waijiao*, ibid., p.212.

## Chapter Five

### China's Programme of Modernization and its Impact on Hong Kong

After late 1978 the CPC tried to steer China into a large-scale restructuring of its political practices and its economic system. This new era has been described as the "Second Revolution" because it saw a fundamental changes in China's domestic and external policies.<sup>1</sup>

This chapter will first discuss the implications of the campaign entitled: "Practice is the only standard for evaluating truth". The campaign reflected the political crisis in the post-Mao period and helped bring about the emergence of China's pragmatic leadership. Ideologically, the campaign was the first major attempt to develop a standpoint which could justify flexibility and the re-orientation of ideology in the cause of economic development. The chapter will then proceed to examine the process by which the CPC shifted its focus from class struggle to modernization, and how this change shaped China's external policies -- leading to a new "independent foreign policy". In parallel with its domestic changes, China adopted the open door policy as a major component of its international economic strategy, admitting the need for other countries' experience and foreign investment. As part of this strategy, China introduced the policy of setting up special economic zones. The chapter will examine how China re-oriented its development programme by both reforming the internal economic system and opening the country to foreign influence and investment. Finally, there will be a consideration of the

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<sup>1</sup>See, Harry Harding, *China's Second Revolution*, Brookings Institute, Washington D.C., 1987.

impact of China's modernization campaign on its Hong Kong policy and the resulting position of the British colony.

### 5-1 Ideological debate and the emergence of a more pragmatic leadership and policy

The fall of the "Gang of Four" marked the end of the Cultural Revolution, but the legacy of the period remained. It was clear that China's development needed a break with the past, particularly from the legacy of the Cultural Revolution. Thus, a campaign emphasising the importance of practice was launched by those in the Party critical of the policies of the Cultural Revolution. It was led by Deng Xiaoping, a victim of the Cultural Revolution and a powerful political rival of Hua Guofeng -- Mao's successor.

The campaign was intensified in 1978. Conferences were held to explore its significance and authoritative articles were published which defended and amplified the anti-dogmatic stance. Throughout the summer and autumn of 1978, the first secretaries of the various provinces and the regional military commanders all contributed articles to the People's Daily on the importance of practice in seeking truth. Many organisations and provinces held educational conferences for cadres and the campaign developed beyond the ideological field into one of high political intensity. As the First Party Secretary of Jiangxi province told local cadres: "the current discussion on the 'criterion of truth' issue deals not only with the issue of theory, but also involves great as ideological and political question." He also warned of opponents who had "seriously" impeded the implementation the party's current policy and who, he said, should be dismissed

from the party.<sup>2</sup>

The campaign emphasising practice as the only criterion for evaluating truth has had an important impact on China's policies in the post-Mao period. Politically, the campaign helped Deng Xiaoping to strengthen his position and promote his supporters. The changes of officials were important because they marked the rise of the reformers. These were people who favoured a sharper and more decisive break from both Maoism and the Soviet model, re-evaluating Mao's role in the post-1949 period. They also favoured a reduction in the role of ideology in politics and in economics, and the maintenance of the central state plan as the basic framework for conducting China's economy. Beneath this framework, though, they were prepared to see the role of market forces in the economy considerably expanded, particularly in the distribution of agricultural products and smaller consumer goods. They called for greater autonomy for factory managers, especially in determining levels of output and methods of production, and they wanted local governments given greater authority to make decisions about investments. The reformers were also prepared to increase the private ownership of small service enterprises in the cities, and of household management of agriculture in the countryside. In external relations, the reformers wanted to open China's doors to the outside world in order to absorb foreign investment and technology.<sup>3</sup>

As a result of the emergence of the pragmatic leadership

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<sup>2</sup>People's Daily, 29 September, 1978.

<sup>3</sup>Henry Harding made a profound discussion on the change of CPC leadership in the post-Mao China; See, Henry Harding, *China's Second Revolution*, Brookings Institute, Washington D.C., 1987.

in the Third Plenary Session of the Eleventh Party Central Congress, the CPC decided on a fundamental shift in its work from class struggle to economic development. It also acknowledged fundamental changes in China's class situation and decided that after nearly 30 years of struggle and education, most members of the 'exploiting classes' had been transformed into working people earning their own living in socialist society.<sup>4</sup>

The shift in attention to the practical problems of stimulating productive forces demanded a reinterpretation of the role of politics. Indeed, there was an intense debate among Chinese leaders and Chinese theoreticians on the relationship between politics and economics. The debate centred around the question of the primacy of economics and whether or not politics could be decisive under certain conditions. Chinese theoreticians regarded politics as the central expression of economics and considered that in a class society, economic interests were the most fundamental interests of the various classes. However, they argued that with an end to "the large-scale, turbulent class struggles", the major attention of politics in China should shift to socialist construction, in other words, to "carrying out the four modernizations". Party cadres were urged to "free themselves from the mental fetters of small producers". Ideological and political work was still stressed because it occupied a "place of prominence in all the work of the Party", but more attention was given to the integration of economic work and

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<sup>4</sup>See Huang Guofeng: "Report on the Work of the Government to the Second Session of the Fifth National People's Congress", People's Daily, 19 February, 1979; English text in Beijing Review, no. 46, 16 November 1979.

ideological and political work. In this context, a People's Daily editorial in May 1979 stated:

"...Ideological and political work in the new period means educating, mobilizing and organizing the masses to work for the modernizations, wholeheartedly and with one mind. We must help the masses understand that the four modernizations represent the fundamental interests of our country, our nation and our 800 million people, and are the only way forward."<sup>5</sup>

Since 1978, the role of the market in China's economy has been recognised, particularly as determining output and motivating producers. Leading Chinese economists have urged the government to make greater use of the market and reduce reliance on administrative planning. Consequently, with respect to producer goods, factories are being permitted to market their above-plan output directly, to vary prices of industrial goods within specific limits, and to purchase materials directly from other factories, by-passing the state distribution mechanism. In 1982, about 15 percent of gross industrial output value was "manufactured according to market demand."<sup>6</sup>

The change of ideology after the Third Plenum also led to certain concessions to what used to be condemned as manifestations of capitalism. Private enterprises which, during the Cultural Revolution, were regarded as 'capitalistic', gained a legitimate position and a role in 'supporting the socialist economy' which was recognised by the authorities. Before 1966, there were some 2 million small individual producers providing goods and services to meet the

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<sup>5</sup>"Strengthening Ideological and Political Work", Beijing Review, no.19, 11 May 1979.

<sup>6</sup>Ten Years of China's Economic System Reforms (*Shinina Zhongguo Jingji Tizhi Gaige*), The State Commission for Restructuring the Economic System, Beijing, 1988.

market demands that the state-owned economy failed to deliver. These individual producers disappeared during the Cultural Revolution. After 1979, these private enterprises -- individual vendors, hawkers, restaurants, and shopkeepers -- reemerged. Some 300,000 small private enterprises were reported to be operating in cities in 1979 and the number increased to over 810,000 at the end 1980, and 2.6 million in 1983.<sup>7</sup>

The CPC also made efforts to rectify its policies regarding the expatriate bourgeoisie and the returned overseas Chinese. Although Mao Zedong announced as early as 1956 that "members of the bourgeoisie have become administrative personnel in joint state-private enterprises and are being transformed from exploiters into working people living by their own labour", they were actually never treated as "working people". During the Cultural Revolution, the expatriate bourgeoisie was regarded as a class enemy and their property and bank deposits were confiscated. As has already been discussed, Beijing's policy on overseas Chinese was seriously damaged during the Cultural Revolution.

The post-Cultural Revolution Chinese leadership realised that both the expatriate bourgeoisie and returned overseas Chinese constituted a vital link in the establishment of trade, joint ventures and international credit operations and, therefore, could play important roles in the country's modernisation. The expatriate bourgeoisie were given back their confiscated property and bank deposits. They were also offered various posts where they could use their expertise.

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<sup>7</sup>*Ibid.*

Since December 1977, overseas Chinese affairs have once again become an important issue on China's political agenda. A special authority, the Overseas Chinese Affairs Office, was established at the end of 1977 under the direction of Li Xiannian and Liao Chengzhi. Both the central and provincial authorities issued regulations ordering that houses and other property of overseas Chinese seized both during as well as before the Cultural Revolution be returned to their rightful owners. It has been repeatedly stated by the Chinese leaders that a thorough rehabilitation of the overseas Chinese and their relatives in China who were victims of frame-ups and false charges during the Cultural Revolution should be undertaken. The PRC's 1978 Constitution formally stated that "the legitimate rights and interests of the overseas Chinese and their relatives will be protected". It seems that this clause was more applicable to provide legal protection to the relatives of overseas Chinese within China and to prevent the recurrence of the Cultural Revolution. The CPC also stressed that overseas Chinese could play an important role in China's four modernisations. For example, a People's Daily editorial of 4 January 1978 stated that overseas Chinese and returned overseas Chinese "make up a significant force in China's social revolution and construction".<sup>8</sup>

It was clear that with the focus on economic development, the technical skills, management expertise, as well as industrial and trade connections which overseas Chinese could provide were valuable to the PRC.

Although the PRC's overseas Chinese policy during the

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<sup>8</sup>People's Daily, 4 January 1979.

post-Mao period was not fundamentally different from that of before the Cultural Revolution, there were some changes in its focus. Beijing wanted not only to raise its foreign exchange earnings through overseas remittances but also to encourage overseas Chinese to invest in the mainland's technological and managerial skills, and to make contributions to the reconstruction of their native towns.

The broad policy came under the framework of the 'patriotic united front', which aimed at developing close contacts with the Huaqiao (Chinese citizens residing in other countries), Huayi (Chinese with foreign citizenship) and Tongbao (Chinese in Hong Kong, Macao and Taiwan). The CPC was clearly intent on utilising overseas Chinese in the task of national unification. The 'four modernisations' appeared more attractive and less ideological than the earlier slogan 'construction of the socialist motherland'. Nationalism and patriotism were used by Beijing to mobilize the overseas Chinese.

### **5-2 The 'open door' policy**

The post-Mao Chinese leadership has seen economic modernization as a precondition for long-term political, military and cultural security. The opening up of China's economy to the outside world, in foreign trade and investment, has become a key part of China's modernization programme. The campaign emphasizing practice contributed to the formulation of the policy of opening up China to the outside world. It also provided ideological legitimacy for a more flexible attitude towards the principle of self-reliance and a framework under which China could participate in the world economy in a more

positive way.

The principle of self-reliance, which has its roots in China's exploitation by foreign powers, meant that "the main resources for development should be found within the unit concerned" and "external relations are not ruled out, but are limited to a subsidiary role". Self-reliance as a component of economic development included the following characteristics: 1) the full utilisation of domestic resources, including labour and skills; 2) the rejection of indiscriminate imitation of foreign methods in favour of accumulating indigenous experience suited to Chinese conditions; 3) reliance upon domestic saving for financial capital accumulation; and 4) the establishment of a comprehensive industrial system in China.<sup>9</sup>

In the Chinese view, political sovereignty and independence are inseparable from independence of the national economy; China should depend mainly on its own resources in economic development and beware of becoming too dependent on foreign trade and foreign finance. In theory, the principle of self-reliance does not mean economic isolationism. Mao stressed: "We have put forward the slogan of learning from other countries...We must firmly reject and criticize all decadent bourgeois systems, ideologies and ways of life in foreign countries. But this should in no way prevent us from learning the advanced science and technology of capitalist countries and whatever is scientific in the management of

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<sup>9</sup>Chiang Chenyun, "Study Chairman Mao's Regeneration Through Our Own Efforts", in Economic Study (Jingji Yanjiu), English text in Riskin, *China's political economy*, p.207.

their enterprises."<sup>10</sup> It is important, therefore, to note that at no time was self-reliance defined as autarchy.

Nevertheless, the principle of self-reliance was distorted by ultra-left elements as a justification for economic isolationism, particular during the Cultural Revolution when there existed the combination of an unfavourable international environment and xenophobic tendencies on the part of some Chinese leaders. Thus, a correct understanding of the principle of self-reliance was essential for the implementation of the "open door" policy. Hu Qiaomu, then President of the Chinese Academy of Social Sciences, put forward a new definition of self-reliance in 1978, stating that learning advanced things from foreign countries was actually "a condition of self-reliance which required the merger of the superiority of the socialist system with the advanced science and technology of the developed capitalist countries."<sup>11</sup>

Such an interpretation of self-reliance came to be accepted by the Chinese leadership. Hence, China's prime minister, Zhao Ziyang, also defined self-reliance in a flexible way when he stated in 1981 that:

"Expansion of exchange is a basic feature of large-scale socialized production, and it extends from internal trade in China to trade with the world at large. By linking our country with the world market, expanding foreign trade, importing advanced technology, utilizing capital and entering into different forms of international economic and technological co-operation, we can use our strong points to make up on our weak points...Far from impairing our capacity for self-reliant

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<sup>10</sup>Mao Zedong, "On the Ten Major Relationships", *Selected Works of Mao Zedong*, Foreign Languages Press, Beijing, 1977. vol.5, p.305.

<sup>11</sup>Hu Qiaomu, "Observe Economic Laws, Speed up Four Modernizations", in Beijing Review, 10 November 1978, p.11.

action, this will only serve to enhance it."<sup>12</sup>

At the Sixth Plenum of the Eleventh Party Congress, the CPC adopted a new official interpretation of the history of the CPC since 1949, entitled the 'Resolution of certain questions in the history of the Party since the founding of the PRC'. The 'Resolution' concluded that self-reliance was one of the three basic points which had benefited the CPC. However, the 'Resolution' also stated:

"...China's revolution and national construction are not and cannot be carried on in isolation from the rest of the world. It is always necessary for us to try to win foreign aid and, in particular, to learn all that is advanced and beneficial from other countries. Closed-door policies, blind opposition to everything foreign, and theories or practice of great-nation chauvinism are entirely wrong."<sup>13</sup>

China's 'open door' policy began to emerge during 1977 and 1978. The communique of the Third Plenum announced that China would be "actively expanding economic co-operation on terms of equality and mutual benefit with other countries" and would be "striving to adopt the world's advanced technologies and equipment".<sup>14</sup> The communique also stated that the purpose of such a policy was to meet the needs of modernization.

On 8 July 1979, the Chinese government promulgated its new 'Law of the PRC on joint ventures using Chinese and foreign investment'. The Law states: "With a view to expanding international economic co-operation and technological exchange, the PRC permits foreign companies, enterprises, and

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<sup>12</sup>Zhao Ziyang: "The Present Economic Situation and the Principles for Future Economic Construction", People's Daily, 1 December, 1981; English text in Beijing Review, no.51, 12 December 1981, p.23.

<sup>13</sup>"Resolution on Certain Questions in the History of the Party since the Founding of the CPC", People's Daily, 27 June; English text in Beijing Review, no 27, 6 July, 1981.

<sup>14</sup>See, People's Daily, 22 December, 1977.

other economic entities or individuals...to incorporate themselves, within the territory of the PRC, into joint ventures with Chinese companies, enterprises or other economic entities...on the principle of equality and mutual benefit and subject to authorization by the Chinese government."<sup>15</sup> The promulgation of the Law on Joint Ventures was seen as a major symbolic step towards implementing the open-door policy.

As part of the open-door policy, Beijing introduced the idea of creating 'special economic zones'. The idea was initially put forward by the Guangdong provincial authorities in 1979, who argued that if the province was allowed to make certain modifications to state policies on foreign trade and economic management, then, given the advantageous location of the province, the local economy would be boosted.<sup>16</sup> In July 1979, the CPC Central Committee and the State Council jointly decided that both Guangdong and Fujian were to be authorized to carry out a special policy and to adopt flexible measures in external economic activities, including the establishment of four Special Economic Zones -- in Shenzhen, Zhuhai and Shatou(Guangdong province), and Xiamen(Fujian province).

The Special Economic Zones, according to China's official definition, are "certain areas of land where a more open approach is adopted towards the administration than in other inland areas -- and where China may use various forms of economic cooperation with the industrial and commercial world, including foreign friends, overseas Chinese, and compatriots

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<sup>15</sup>A full English text of the law in Beijing Review, no.28, 13 July, 1979.

<sup>16</sup>Beijing Review's special report from Shenzhen, see, Beijing Review, 26 November, 1984, p.19.

in Hong Kong and Macao."<sup>17</sup>

The prime purpose of the establishment of Special Economic Zones was to attract foreign funds, advanced technology, equipment and managerial expertise. The Special Economic Zones would, Chinese economists claimed: 1) serve as bridges for introducing foreign capital, advanced technology and equipment, and as classrooms for training personnel capable of mastering the advanced technology; 2) promote competition between regions, between trades and within a certain trade, according to market demands, improve the quality of goods, develop new products and reduce production costs; and 3) serve as experimental units in economic structural reform and as schools for learning the law of value and the regulation of production according to the market economy.<sup>18</sup>

The 'open door' policy and the creation of special economic zones caused some political and ideological problems. Opening up, however, could be seen as similar to the open door' policy in the China of before 1949; foreign investment was no different from 'imperialist capital invasion'. To defend the opening up policy, Chinese scholars argued that in the past, China had been forced by imperialist powers to open its doors and, by means of capital investment and unequal treaties, foreign powers controlled China's economy. Now, however, the Chinese government had full control of the decision to adopt an opening up policy and to utilize foreign

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<sup>17</sup>Liang Xiang: "Shenzhen, Opening to the World", in Beijing Review, no.4, 23 January 1984, pp.24-25; Liang was vice governor of Guangdong province and mayor of Shenzhen; Also see China Business, March-April 1984, p.14.

<sup>18</sup>Xu Dixin: "China's Special Economic Zones", in Beijing Review, no.50, 14 December 1981, pp.14-15.

capital. Opening up to the outside world was seen as an important policy to modernize China and foreign investments only played a supplement role to China's national economy.<sup>19</sup>

A more difficult problem raised by the 'opening up' policy was the influence of Western politics. The CPC leadership was cautious towards the Western political system and ideology. For most of the CPC leaders, opening up was to be based on the concept of *Zhongxue Weiti, Xixue Weiyong* (Chinese learning for the essence and Western learning for practical applications) - - an old formula applied by some Qing Dynasty reformers in the late 19th century. Thus, the 'open door' policy was introduced so that China could absorb foreign capital and managerial and technological skills. However, with the implementation of this policy, it appeared inevitable that there would be a growing influence of Western ideas and the Western way of living within China.

The CPC leaders found it difficult to convince Chinese people to accept that the 'socialist system was superior to the capitalist system'. Chinese intellectuals, particularly the younger ones, tended to analyse in a more comprehensive way China's backwardness and sought alternative options for China's modernization. To many of them, China's reforms required further changes in political and institutional relationships. The CPC leaders, particularly those with a rigid way of thinking, saw this as a challenge to their authority.

The CPC leadership was also deeply concerned about the

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<sup>19</sup>See Wang Shouchun edited, *China's External Relations* (*Zhongguo Duiwai Guanxi*), External Trade Education Press, Beijing, 1988, pp.67-69.

dependence of China's economy on foreign trade and the world market. It recognized the necessity to open up with great caution to the outside world, and continually stressed the importance of self-reliance. The prime aim for China's modernization has been to develop its own industry. China, with over one billion people, represents a vast market, but the priority of this market is to support domestic industries. Fear of dependence has strongly affected China's notion of development, though there has been a considerable relaxation towards the interpretation of self-reliance. This is why China has always favoured importing advanced equipment and technology. Zhao Ziyang clearly explained this policy when he said:

"It will be necessary for us to import certain means of production and consumer goods which are badly needed or are in short supply in the domestic market. But we should not stimulate domestic consumption by importing too many high-grade consumer goods. We should make every effort to produce them so as to protect and stimulate the development of domestic industries."<sup>20</sup>

Part of the consideration in establishing special economic zones was to test whether these economic reform policies might be too controversial or too radical. For the purpose of limiting undesirable side-effects, a new customs barrier was established between the zones and the inland areas. However, the policy of establishing special economical zones was severely criticized. They were seen as similar to the old concession areas of the despised Qing Dynasty and an infringement of China's sovereignty. Some party officials were worried that the zones would turn into colonies. They also

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<sup>20</sup>Zhao Ziyang: "Report on the Work of the Government", delivered at the First Session of 6th NPC on 7 June 1983, English text in Beijing Review, no.27, 4 July, 1983.

feared that the nature of the zones was capitalistic. It was widely reported that a senior party leader, after a tour to Shenzhen, commented that only socialist thing in Shenzhen was a 'Five Star Red Flag', and the CPC there had become an 'underground organization'.

China's Special Economic Zones policies, compared with other export processing zones around the world, are more favourable in many respects, and the structure of the zones and their management are basically 'capitalist', particularly in Shenzhen. However, Chinese economists in favour of the policy of special economic zones tried to defend them by insisting that China's Special Economic Zones were fundamentally different from those in other countries. They argued that in capitalist countries, "there are no contradictions between the nature of the state and the nature of its Special Economic Zones", but in socialist countries like China, "Special Economic Zones, in nature and in function, have a dual relationship which is both contradictory and unified with the state", and "state-owned enterprises must serve as the pillars of the economy in these Special Economic Zones."<sup>21</sup> The first Party secretary of Shenzhen Special Economic Zones insisted that the Special Economic Zones were "exactly the same as the rest of the nation in politics, culture and other aspects of the superstructure".<sup>22</sup>

In the early 1980s, Chinese theoreticians and ideologues tended to rely on Lenin's ideas on concessions and state

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<sup>21</sup>Xu Dinxing: "China's special Economic Zones", *ibid*, pp.14-15.

<sup>22</sup>Zhou Erkang: "On Shenzhen Special Economic Zones", in Beijing Review, no.48, 26 November 1984, p.20.

capitalism as the ideological framework and basis for the development of the Special Economic Zones. The major theme of Lenin's that was used was the policy of inviting foreign capitalists to obtain concessions, which was endorsed by the Soviet government during the period of the New Economic Policy in the early 1920s. Since 1983, official discussion of the legitimacy of Special Economic Zones has adopted Deng Xiaoping's concept of "China-style socialism".<sup>23</sup>

The argument admits that "there is no thesis in Marxist-Leninist literature about the Special Economic Zones" and that Lenin's special economic policies "are mainly composed of joint ventures and foreign-owned enterprises with close ties to the international market". Thus, to establish Special Economic Zones in socialist countries was a "Chinese creation".<sup>24</sup>

Deng Xiaoping's tour to the Special Economic Zones in February 1983 was significant. Deng's visit resulted in a personal affirmation of the Special Economic Zones policy, and he used his authority to settle the debate. It was reported that after an inspection tour of the Special Economic Zones in Guangdong and Fujian provinces, Deng said that China "should implement its open-door policy on a broader scale instead of retreating from it".<sup>25</sup>

With Deng's approval and with a further relaxation of political control and ideological influence in China's

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<sup>23</sup>See Thomas Chan: "China's Special Economic Zones: Ideology, Policy and Practice", in Y.C. Jao edited, *China's Special Economic Zones*, Oxford University Press, 1986, p

<sup>24</sup>Wang Dacheng: "Special Economic Zones Why an Experiment", in Beijing Review, no.39, 30 September 1985, p.4.

<sup>25</sup>Beijing Review, no.19, 7 May, 1984.

economic field, certain aspects of the Special Economic Zones came to be regarded to be as applicable at national level. Thus, by 1984, the Special Economic Zones had become an integral part of the national economic reforms and were closely associated with the approach of Deng and the pragmatic reformers. In April 1984, a 12-day forum was jointly convened by the Secretariat of the CPC Central Committee and the State Council. The forum decided that flexible economic policies similar to those already practised in the Special Economic Zones would be introduced in 14 coastal cities and on Hainan island. The decision, which was made after "a careful consideration of the experience gained in the four Special Economic Zones", would provide overseas investors with more preferential treatment in taxation, market and other conditions, and give local authorities more power.<sup>26</sup>

Nevertheless, the dilemma highlighted by the open-door policy in terms of 'ti' and 'yong', in other words, how to balance Western technology and Western values, still remains without a clear answer. Chapter Six will further analyse the problem.

### 5-3 Adjustment of China's foreign policy in the 1980s

The growing Soviet military pressure in the late 1960s, especially after the border conflict between China and the Soviet Union in early March 1969, led Beijing to seek an alignment with the West. China realised that it was essential, in its efforts of counterbalancing the Soviet threat, to develop good relations with many Third World countries, and

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<sup>26</sup>Jin Qi: "China Expands Flexible Policies", in Beijing Review, no.19, 7 May 1984, p.4.

simultaneously to establish ties with the industrialised countries, and even to open the door to detente with the United States. Beijing hoped that Sino-American detente could end the US containment of the PRC and also reduce China's concern over US support for the Taiwan regime.

During the negotiations that led to the normalization of diplomatic relations between the PRC and the United States, Beijing insisted that three conditions be met before the final step of formal mutual diplomatic recognition could be taken: 1) the US was to break diplomatic relations with the Republic of China on Taiwan; 2) the US was to terminate its mutual defence treaty with Taipei; and 3) all US troops were to withdraw from the island and its associated territories.<sup>27</sup> All three conditions were finally accepted by the Carter Administration. However, the Taiwan issue remained.

Successive US governments since the Nixon administration have recognized that friendly Sino-American relations are in the national security interests of the United States. However, a total abandonment of the security obligation on Taiwan was a difficult decision for the US to take, and the intervention of the US Congress made the issue even more complicated. In March 1979, the US Congress passed a bill which became known as the 'Taiwan Relations Act'. The Act's primary purpose was "to help to maintain peace, security, and stability in the Western Pacific and to promote the foreign policy of the United States by authorizing the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan." The Act further states that

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<sup>27</sup>*Dangdai Zhongguo Waijiao*, ibid. p.225-226.

"the United States would provide Taiwan with arms of a defensive character; and maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardise the security, or the social or economic system, of the people of Taiwan."<sup>28</sup>

According to Beijing's view, the Taiwan Act was "another version of the old one China, one Taiwan plot." Beijing argued that: "Taiwan was the crucial issue obstructing normalization of relations between China and the United States for a long time...The adoption of the Taiwan Relations Act by the US Congress has again made the Taiwan issue a major obstacle to the development of Sino-American relations." China also warned that "if the United States stubbornly adheres to the Taiwan Relations Act in its actions, then normal relations between China and the United States would "certainly be gravely impaired".<sup>29</sup>

Sino-American relations were particularly strained by the Taiwan arms sale issue. The difficulties arose partly from the Carter administration, with the initial authorization for American aircraft companies to discuss with Taiwan the sale of an advanced jet fighter, labelled the FX, and partly from the granting of diplomatic immunity to members of the unofficial Taiwan agency in Washington, the Coordination Council for North American Affairs. What also worried China was candidate Ronald Reagan's statement in August 1980 that he wished to make relations with Taiwan official. After the Republican

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<sup>28</sup>A full text of the Act in Louis W. Koenigs, James C. Hsiang and King-yuh Cheng, edited, *Congress, Presidency and the Taiwan Relations Act*, Praeger, New York, 1985.

<sup>29</sup>*China and World*, edited by Beijing Review, Beijing, 1982.

victory, the new administration continued to explore expanded arms sales to Taiwan despite mounting Chinese protests.

Beijing insisted on its sovereignty over Taiwan and regarded the US arms sale to Taiwan as a serious obstacle to its efforts in unifying Taiwan. In this connection, Beijing argued:

"With regard to the sale of US weapons to Taiwan, there is a view among some people that China will acquiesce because it is afraid of the Soviet Union and therefore needs US help... This view is completely wrong. China is not afraid of the Soviet military threat. Although its weapons and equipment are somewhat backward, China has a tradition of defeating enemies armed with advanced weapons."<sup>30</sup>

China also made it clear that the "selling of weapons by the United States to Taiwan will constitute an encroachment on China's sovereignty and an interference in its internal affairs. Such an action will be an obstacle to the return of Taiwan to the motherland and the peaceful reunification of the country."<sup>31</sup>

In response to the US Taiwan policy, Beijing began to dissociate itself from previous assertions of parallel security concerns with the United States and adjust its strategic formulations. In an article published in Foreign Affairs in 1981, Huan Xiang, then vice-president of the Chinese Academy of Social Sciences and a senior adviser to the CPC Central Committee on foreign affairs, talked of the importance of "clarifying the nature of relations between the two countries". Describing what should be done to give substance to Sino-American relations, Huan Xiang called for more

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<sup>30</sup>See, Journal of International Studies, Beijing, no.2, 1982, English translation in Beijing Review, 1 April, 1982.

<sup>31</sup>*Ibid.*

exchanges between officials, as well as between the two peoples, in order to facilitate mutual understanding; more trade and economic cooperation, and an expansion of scientific, technical and cultural cooperation. Apparently, strategic cooperation between the two countries was not mentioned.<sup>32</sup>

On another occasion, China's senior leader, Deng Xiaoping, made it even more clear:

"The United States thinks that China is seeking its favour. In fact, China is not seeking any country's favour...China hopes that Sino-American relations will further develop rather than retrogress. However, this should not be one-sided... Even if the United States causes a regression in Sino-American relations, it is nothing serious. If the worst comes to the worst and relations regress to those prior to 1972, China will not collapse."<sup>33</sup>

In the early years of the 1980s, China shifted its attention to domestic economic development and began to revise its global outlook. These changes led Beijing to a foreign policy orientation which differed from those policies that had been the basis of Sino-American relations in the 1970s. However, the Chinese leadership continued to make considerable efforts to improve Sino-American relations. In Beijing's view, good Sino-American relations were central to China's economic development. Given the fact that, aside from Hong Kong, the United States was China's most important source of investment, US transfer of technology to China became a significant element in China's modernization plans and the United States became China's third largest trading partner. In this context, Zi Zhongjun, director of the Institute of American Studies of

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<sup>32</sup>Huang Xiang: "On Sino-American Relations", in Foreign Affairs, Fall 1981, pp.50-52.

<sup>33</sup>"Deng Xiaoping Talk to Ming Pao Director" on 18 July 1981; English text in FOIS-China, 25 August, 1981.

the Academy of Social Science, commented that Chinese people, in the course of modernization, naturally regarded the United States as an important model. He said that although there existed "great differences in their national conditions, the ways of development, social systems and cultural backgrounds", the Chinese people were still attracted by "the highly developed science and technology, education and culture, and abundant economic strength of the United States, to which they believed that China could learn about."<sup>34</sup>

The considerable decline in the significance of strategic cooperation between the PRC and the United States was accompanied by a detente between the Soviet Union and the PRC.

Two major obstacles had made China oppose detente with the Soviet Union before 1977. One was ideological, the other strategic. The Soviet Union had been seen as "restoring capitalism" and "betraying Marxism." However, having replaced revolutionary zeal with a determined emphasis on economic development, post-Mao Chinese leaders had much less concern about Soviet "revisionism." Ideological differences, so important to the origin and early development of the Sino-Soviet dispute, largely disappeared. The second barrier to detente was strategic. China's concern about possible military action by Moscow was at its height in the late 1960s and early 1970s. After 1977, however, the Chinese leaders perceived a lessened Soviet threat and concluded that Moscow was not interested in a large, territory-acquiring invasion of China

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<sup>34</sup>Zi Zhongjun: "Convergence of Interests: the Base of States Relations" (Liyi de Huihe: Guojia Guanxi de Jicu), in *Ten Years of Sino-American Relations*, edited by Institute of American Studies of the Academy of Social Science, The Commercial Press, Beijing, 1987, p.26.

or even in a nuclear attack. Moreover, the failure of the Soviet Union to conquer Afghanistan added to China's confidence of dealing with a possible Soviet invasion. According to China's view, Afghanistan was a "poor Third World country" and its people lacked arms, but the might of the Soviet superpower was unable to crush them. The People's Daily concluded:

"The militarily and technologically superior aggressor may be able to overrun an Asian country, but it is impossible for it to exercise effective and long-term control over it. ...The war waged by the Afghan people against the Soviet invaders fills the world with confidence that their struggle is invincible. The resistance fighters of Afghanistan are telling the world loud and clear that Soviet expansion can be effectively countered."<sup>35</sup>

Both China and the Soviet Union had important reasons to improve their mutual relationship. For the Chinese, a peaceful and stable international environment was essential for its efforts to modernize. Beijing needed a reduction in Soviet pressure in the border area. In view of the security and defence burden that the Soviet Union imposed on China in the 1970s, a reduction of tension made good sense. Economically, it was also important to improve relations with the Soviet Union -- a country with a similar social and economic system. Detente would not only foster more trade between the two countries, it could also promote a political environment wherein China could concentrate its limited resources on development and at the same time feel more secure. Moreover, Beijing saw an increasingly unreliable American foreign policy, and growing signs of American back-tracking on the Taiwan question.

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<sup>35</sup>People's Daily, 27 December, 1981; English translation in Beijing Review, no.1, 3 January, 1982, p.10-11.

Thus, although Soviet troops were still massed at the Chinese border, Beijing began to explore the possibility of easing tension with the Soviet Union. Beijing started with low-level contacts and carefully measured the pace of detente in order not to provoke the West. However, except during the early 1979 Indochina conflicts and the Soviet invasion of Afghanistan in December 1979, the trend since 1977 has been toward a less rancorous and less volatile Sino-Soviet relationship. China made a rather cautious statement on Brezhnev's Tashkent speech in March 1982 -- a major policy address calling for normalisation of Sino-Soviet relations. A Chinese foreign ministry spokesman was quoted as saying that the Chinese attached more importance to the Soviet Union's actual deeds than to Brezhnev's rhetoric. Chinese leaders reiterated that Sino-Soviet relations could move towards normalisation if Moscow took practical steps to lift its threat to China's security. What China regarded as Soviet threats included the huge deployment of Soviet troops along the Chinese border, support for Vietnam and the Soviet invasion of Afghanistan. Nevertheless, series talks between the two sides began in 1982, with many unofficial, unannounced visits back and forth. Apart from political visits, in June 1982, a team of Soviet athletes took part in a track and field meet in Beijing, the first bilateral athletic exchange since 1965. In October 1982, China and the Soviet Union started high-level talks in Beijing aimed at improving relations. Leading the Soviet delegation was Soviet Deputy Foreign Minister Leonid Ilyichev. Heading the Chinese team was Vice-Foreign Minister Qian Qishen. It was reported that the talks were held in a good atmosphere.

In November 1982, China sent the foreign affairs minister, Huang Hua, to the funeral ceremony of Soviet leader Leonid Brezhnev. In an interview with the official New China News Agency, Huang Hua said: "Peace and friendship between the two countries completely conform to the interests not only of the two countries and the two peoples, but also of peace in Asia and the world as a whole." Huang also stated that "China and the Soviet Union are two countries sharing a long boundary", but instead of recalling the fighting at various parts of the 6,000-kilometre border in 1969, he said: "Not long before his death, President Brezhnev in several speeches expressed the wish to work for improvements in Sino-Soviet relation." He expressed the hope that the new Soviet leader, the Soviet Communist Party and the government would "make new efforts" to improve relations with China.<sup>36</sup>

The effort to create detente with Moscow was part of a shift in China's foreign policy. The shift, which had been taking place since 1981, involved some distancing from the United States as well as attempts to normalise relations with the Soviet Union. In this context, Beijing proclaimed an "independent" foreign policy at the CPC's Twelfth Congress in August 1982.

Chinese leaders paid great attention to the impact of its global strategic involvement on China's modernization. Beijing thus chose to highlight an independence from the superpowers, and lumped the United States and the United States together. The label "hegemonists" was no longer reserved for Moscow, but was extended to include Washington as well. In addition, China

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<sup>36</sup>FEER, 19 November, 1982, p.9.

sought to strengthen its identity as a developing country, while distancing itself from the United States. In an article on foreign policy, Huan Xiang wrote: "China is different from certain countries, especially the superpowers, which on the pretext of safeguarding their own security and interests, have pushed national egoism and hegemonism and wilfully encroached upon other countries' independence and sovereignty." Both the United States and the Soviet Union were condemned, as they were seen to threaten China's security. "The Soviet Union," wrote Huan Xiang, "has placed a million troops along China's border, invaded Afghanistan and given support to Vietnam's aggression against Kampuchea, forming an armed encirclement of China. The United States government has reneged on promises it made when it established diplomatic relations with China. Saying that to do so was vital to its interests, it passed the Taiwan Relations Act and continued to sell arms to Taiwan and treat Taiwan as an independent political entity, in an attempt to undermine the cause of China's unification."<sup>37</sup>

The Chinese leadership has argued that there was nothing new about China's independent foreign policy. However, the economic development priorities that the Chinese leadership established made Beijing pay more consideration to promoting a peaceful international environment and minimizing the country's vulnerability by expanding foreign policy options. In this context, Beijing continuously made efforts to improve its relations with Second World countries, especially the United Kingdom.

Chinese Premier Hua Guofeng's visit to Britain, from 28

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<sup>37</sup>Huang Xiang, "Adhere to Independent Foreign Policy", in Beijing Review, no.46, 15 November, 1982, p.21-23.

October to 3 November, was the first such visit by a Chinese prime minister. Mrs Thatcher went personally to the airport to welcome Premier Hua and she also attended banquets or receptions for him on three occasions. At the return banquet given by Premier Hua on 2 November, the British Prime Minister stressed that the visit, "which one can truly describe as historic, has raised the interests we have in common to a new high level."<sup>38</sup> Premier Hua said his visit had been a complete success and would contribute to a more "extensive development of the friendly relations and cooperation between China and Britain in the years to come."<sup>39</sup>

In 1978, China and Britain signed an agreement on scientific and technological cooperation and another on economic cooperation. During Premier Hua's visit to Britain, the two countries signed agreements, on 1 November, on education, culture and civil air transport.

The five-year agreement on educational and cultural cooperation provided measures for cooperation in the fields of education, culture, publishing, public health and medicine, the media, youth activities and sport. The two countries would promote direct contacts and exchanges between universities and other institutions of higher education, and facilitate visits and exchanges of university and other teaching staff.

Under the agreement on civil air transport, the two sides agreed to establish scheduled air services between their respective territories.<sup>40</sup>

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<sup>38</sup>Beijing Review, no.45, 9 November, 1979.

<sup>39</sup>Beijing Review, no.45, 9 November, 1979.

<sup>40</sup>Beijing Review, no.45, 9 November, 1979.

It seemed that both sides were satisfied with their cooperation in the political, economic and cultural fields. The PRC in particular stressed the common interests of the two countries and claimed that although China and Britain were far apart geographically and had different social systems, there was no conflict of fundamental interests between them. A People's Daily editorial commented:

"Britain and China share many interests which require, as world peace does, that both handle and develop bilateral relations from a global point of view. The steady expansion of friendly relations and cooperation will help promote national construction in the two countries, and moreover will be a powerful factor in the defence of world peace."<sup>41</sup>

Bilateral visits between the two sides by high officials continued in the early 1980s. Important visits included the one by the British Foreign Secretary, Lord Carrington, to Beijing in April 1981, and the one by a British parliamentary delegation to China in March 1982 -- the first British parliamentary delegation to visit China since the establishment of diplomatic relations between the two countries.

Yet although the Chinese leaders continued to maintain that the PRC shared similar views with Britain on many issues, they found it difficult to avoid being questioned on sensitive issues, such as the position of Hong Kong, which could affect Sino-British relations. The question of Hong Kong was in fact discussed during Hua's visit to Britain in 1979, but there was no detailed discussion on the question of Hong Kong and both sides decided to let the matter rest.<sup>42</sup>

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<sup>41</sup>People's Daily, 3 November, 1979.

<sup>42</sup>Beijing Review, no.43, 9 November 1979, pp.8-11.

#### 5-4 Hong Kong and China's modernization

With the implementation of China's modernization programme and the changes in the country's internal politics, the importance of Hong Kong in the mainland's development has increased. The governor of Hong Kong, Sir Murray Maclehose, visited China in March 1979 -- the first official visit by a governor since the revolution of 1949 -- and his visit was seen as a significant step in improving relations between the territory and its "motherland". The Chinese press in Hong Kong maintained that as the invitation was addressed to "the governor of Hong Kong," China was "showing consent" to Hong Kong's status.

Sir Murray's visit followed one to Hong Kong in December in 1978 by Chinese Foreign Trade Minister Li Qiang, during which Li made a remarkable statement that stressed the "major role" of Hong Kong in China's modernization programme. This was the first time that a Chinese official at ministerial level had openly admitted the importance of Hong Kong. During his short stay in Hong Kong, Li extended the invitation to Sir Murray and a leading member of the Chinese community, Sir Yuet-keung Kan, who was also the senior unofficial member of Hong Kong's ruling body, the Executive Council.

During his visit, the governor had frank discussions with senior Chinese officials about relations between Hong Kong and the mainland. The authorities of Guangdong province expressed their hope way that Hong Kong would play an important role in China's drive towards modernization, particularly in the development of Guangdong province. Tourism, investment, China's water supply to Hong Kong and communication links were among the economic topics discussed.

The governor's meeting with Deng Xiaoping was significant. It was reported that the issue of Hong Kong's future was raised, though there is still no information on how the question was discussed. Nevertheless, Deng specially requested Sir Murray to tell investors in Hong Kong to "put their hearts at ease."<sup>43</sup> Deng's statement was widely reported in Hong Kong and was seen as the highest-level assurance up to then of Beijing's interest in maintaining a healthy investment climate in Hong Kong.

However, such a statement did not mean much to those concerned about Hong Kong's future and wanting clear answers from Beijing. Sir Murray has consistently denied that he obtained any clear indications from Deng or other Chinese officials about China's intention on Hong Kong's future.<sup>44</sup>

It seemed that most Hong Kong people were attracted by China's new image and its modernization programme. The governor's visit was regarded as something of a breakthrough, since he was invited under his official title, and not in a purely personal capacity. The governor's visit was successful in terms of promoting cooperation between Hong Kong and the mainland. At the press conference Sir Murray said: "At all levels, they (the Chinese officials) constantly reiterated the same theme, namely the importance to them of the role which Hong Kong is playing and will play as a result of the high level of its industrial, commercial and financial development of China's needs, but one can also read into it a most

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<sup>43</sup>FEER, 20 April, 1979, pp.42-44.

<sup>44</sup>Sir Jact Cater, then the acting governor, said that he did not hear any suggestion from the governor about China's intention. Sir Jact was interviewed by the author in April 1989.

encouraging message." The Far East Economic Review commented that the degree of recognition which the governor received during his visit to China was an encouraging sign of China's desire to let Britain continue administering the colony as it saw best, pending a final solution of the territorial problem.<sup>45</sup>

After the governor's historic visit to China, the exchange of visits of officials from both sides became regular. The important visits included that of the First Party Secretary of Guangdong province, Ren Zhongyi, in October 1981. Ren stated during his stay in Hong Kong that: "During our visit, we have seen that there exist indeed very close links between Guangdong and Hong Kong. Hong Kong's prosperity can benefit Guangdong and Guangdong's prosperity can benefit Hong Kong." He stressed the wider and longer-term cooperation and links between the two places.

Hong Kong continuously enjoyed strong advantages in its relations with China, these strengthened further. As China's trade with other foreign partners expanded, so did Hong Kong's role as an outlet for transhipped products. Hong Kong's facilities as an entrepot -- an excellent harbour with modernized container terminals, and an efficient international network of transport communications and commercial ties--helped China conduct its external trade. The value of re-exports originating from the mainland passing through Hong Kong was about HK\$2,492 million in 1977; it increased to HK\$5,663 million in 1979, HK\$8,394 in 1980 and HK\$12,834 in 1981. Most of these went to Asian destinations, notably Japan,

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<sup>45</sup>FEER, 20 April, 1979.

Indonesia, Singapore, Taiwan, the Philippines, Australia, Macao, South Korea and Thailand. Moreover, goods re-exported from Hong Kong to China over the same period also increased rapidly, reaching HK\$8,044 million, a 334% increase over the year of 1977. China's transport, communications and infrastructural systems were still backward and could not meet the needs of the country's fast-developing external trade, though much effort was made by the Chinese authorities to improve the country's trade facilities.

Thus, Hong Kong continued to act as the main support base for commercial activity in China and its port facilities enabled it to play an increasing role in servicing China's growing external trade. Moreover, as China, and particularly Shenzhen, developed and Hong Kong involvement over the border grew, Hong Kong's importance as a focus of international sea and air routes was also likely to increase, binding the two sides in a web of joint activity.

Hong Kong was China's biggest trade partner after Japan. Bilateral trade increased rapidly after 1977. Hong Kong's imports from China reached a record US\$3,328 million in 1979, representing a 40% increase over 1978. They continued to increase, reaching US\$5,174 million in 1981 and US\$5,381 million in 1983. Hong Kong's exports to the mainland were US\$74.69 million in 1978, reaching US\$569 million in 1980, US\$1,107 million in 1982 and US\$1,313 million in 1983.<sup>46</sup>

Since 1978, the PRC has developed with extraordinary speed in its economic cooperation with the outside world, particular Western countries. The establishment of the Shenzhen special

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<sup>46</sup>FEER, 20 April 1979.

economic zone created a belt of manufacturing concerns and tourist resorts which could be reached easily from Hong Kong. Bordering on Hong Kong, Shenzhen enjoys unique geographical advantages. Chinese leaders openly stated that they welcomed investment which would take advantage of the low cost of land and labour in China. Hong Kong businessmen showed great enthusiasm in expanding economic relations with the mainland and the government of Hong Kong also encouraged such activities. Hong Kong has led the way in attracting investment to the mainland, particularly in the Shenzhen special economic zone. Hong Kong businessmen, because of their long experience in doing business with the mainland and their cultural links with China, have not been deterred by China's inefficiency and economic backwardness. In 1979, when Westerners were still reluctant to invest in China, there were more than 300 projects involving Hong Kong and Macao interests being processed for Guangdong province, according to a report from provincial delegates to the National People's Congress. Since then, Hong Kong has been the largest investment resource for Shenzhen. Hong Kong and Macao businessmen are reported to have been involved in 90 percent of the investment contracts.<sup>47</sup>

Among these joint projects, the most significant one was the power plant by a joint venture between the Guangdong Electric Co. and Hong Kong's China Light and Power Co. The plant, powered by two 900MW pressurised-water reactors, will be located near Daya Bay in the Shenzhen Special Economic Zone

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<sup>47</sup>Until the end of 1989, there were about 2400 investment contracts (\$20 billion) between Hong Kong businessmen and Shenzhen which occupied 90 per cent of the total foreign investment. See The People's Daily, 29 January 1991. Also see Shenzhen Yearbook, 1985.

north of Hong Kong. China Light and Power's deal with the mainland authorities was expected to bring in some HK\$34 million (US\$ 7 million) annually for the 40-megawatt supply, and was the first-ever deal of its kind. It marked an important step in the gradual merging of the economies of Hong Kong and Guangdong, which the company's chairman, Sir Lawrence Kadoorie, regarded as the best solution to the problem of Hong Kong's political status. The plant was one of the largest foreign investment projects in China to date.<sup>48</sup>

For Hong Kong business people, to invest in China was profitable. With Hong Kong wage rates for unskilled and semi-skilled labour three or four times higher than rates in China, the advantages of using mainland workers for assembly, packing and other mainly manual tasks were clear to Hong Kong businessmen. Such deals did not necessarily call for investment in plant or construction by the Hong Kong investors; goods could be sent in, processed, and returned to Hong Kong for export or local sale. The proximity of the Shenzhen special economic zone meant the ready availability of cheaper parts for Hong Kong products, which would otherwise have lost their competitive edge in overseas markets as local factory rents and wage level continued to rise.

On the other hand, cheap land and labour gave China a considerable competitive edge over Hong Kong's manufactured goods. But here too the Chinese were re-assuring. Chinese Foreign Trade Minister Li Qiang said: "The development of industries in China for export will not undermine Hong Kong's prosperity through competition in world markets." This

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<sup>48</sup>FEER, 27, August, 1982, pp.41-42.

constituted a promise that the Chinese would not deliberately duplicate Hong Kong's domestic exports.<sup>49</sup>

The increased links between Hong Kong and China during the post-Cultural Revolution period were also reflected in China's involvement in Hong Kong's economic activities. The PRC state-owned bank -- Bank of China -- together with its twelve 'sister banks', became more involved in Hong Kong's financial affairs. By the end of 1981, the Bank of China group had some 198 branch offices within Hong Kong, the second largest network in the colony. In addition, the PRC had control of 13 wholly-owned deposit taking companies, five insurance companies and two joint venture merchant banks (also at the end of 1981). China also expanded its investments in Hong Kong, which ranged from banks and property to manufacturing industries, with a growing number of wholesale and retail outlets. In the property field, it signed agreements with major Hong Kong developers, and purchased a number of sites, either through China Resources Ltd or through proxies financed by the Bank of China. The setting up of the Hong Kong branch of the China International Trust and Investment Corporation and the appointment of three Hong Kong Chinese businessmen as its directors, was seen as yet another sign of China's intentions to capitalise its most important overseas Chinese base through compatriots.

### Conclusion

This chapter has described the importance of the political and theoretical campaigns representing practice as the sole

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<sup>49</sup>FEER, 21 March, 1981.

criterion of truth. The campaigns were based on the premise that the future of China would be brighter if there were a more flexible application of ideology. Consequently, ideological orthodoxy gave way to the needs of economic development, and the Chinese leadership became more inclined to the old slogan, "seek truth from facts," as justification for its more pragmatic policies. Class struggle was seen as an obstacle to economic development. All the same, political stability and unity were continually stressed. Anything which challenged political stability and unity, and particularly the CPC's domination, would be intolerable. Up to the present time, ideology still remains as a source of legitimization for the CPC's leadership and for policy innovation, though it has become much less rigidly formulated and less clearly articulated.

Before 1978, neither foreign trade nor foreign investment was important in China's economic life, reflecting China's desire to be self-sufficient and self-reliant. However, in the quest for modernization, foreign trade and foreign investment became of the utmost importance. The leadership perceived the need to open up -- though in a cautious manner -- to the outside world, to ensure the acquisition of advanced technology, management skills and foreign capital. The creation of special economic zones was significant, both in promoting foreign trade and foreign investment and in providing experience for reforms for the whole of China. Among the already established special economic zones, Shenzhen has attracted the most attention because it is the largest and the closest to Hong Kong and Macao.

The changes in China's domestic policies have had an

important impact in shaping the country's foreign policy. In the 1980s, China saw a diminishing Soviet threat and a more secure international environment in general. The anti-hegemonism strategy, whose major target had been the Soviet Union, became less relevant to China's economical development. A more flexible foreign policy was thus implemented, focusing on promoting a more stable and peaceful international situation. The threat from the two superpowers had always dominated China's foreign policy. In the 1980s, neither the Americans nor the Russians were perceived as hostile. Striking a more independent posture between the two superpowers, the PRC conducted its external policies more on the merits of each issue.

Under China's new economic policy, the links between Hong Kong and the mainland became even closer. China had always regarded its interests as inextricably tied up with the prosperity of Hong Kong, but the equation was no longer as simple as it used to be. For the past few decades, the colony has served two main functions from Beijing's point of view: it has been a source of foreign exchange for the current account and reserves, and a point of contact with the capitalist world, which has enabled China to do business in a normal fashion without employing all the cumbersome mechanisms of socialism.

During the post-Cultural Revolution period, China calculated Hong Kong's changing role in the overall pattern of the Chinese economy. In implementing its modernization programmes, the importance of Hong Kong has been stressed by China's senior leaders and leading economists. Ma Hong, then director of the Institute of Industrial Economics of the

Chinese Academy of Social Science, wrote in an article for senior Chinese cadres, that China should make full use of Hong Kong's facilities in the Four Modernizations programme. These facilities included the Hong Kong market, Hong Kong's capital, Hong Kong's advanced technology and Hong Kong's management expertise.<sup>50</sup>

The increasing links between Hong Kong and China's special economic zones were significant. The dominant source of external investment in the mainland's special economic zones was Hong Kong, providing 91 percent of total investment. The development of the mainland's special economic zones, especially Shenzhen, was seen as an important guarantee for Hong Kong's stability.

Since economic modernization was the top priority of the post-Mao Chinese leadership, and with the diminishing influence of orthodox ideology on Beijing's external policies and the improving bilateral relations between the PRC and the United States, Beijing might have modified its policy on reunification, displaying a more pragmatic stance on the issues of the future of Taiwan and Hong Kong. Beijing continued to stress that China faced three major tasks: modernizing the economy, combating hegemonism and reunifying the whole nation. However, while combating hegemonism became less important in China's external policies, nationalism became correspondingly more so.

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<sup>50</sup>FEER, 21 March, 1981.

## Chapter Six

### The Unexpected Challenge of Having to Settle the Future of Hong Kong

The post-Mao political changes and economic reforms had an important impact on China's development. In the new era of modernization, Hong Kong's role was highly valued by the Chinese leadership. Beijing was satisfied with the continued existence of Hong Kong as a British colony and did not want to see any major changes there. Beijing's decision to establish special economic zones was made on the basis of recognizing the status quo of Hong Kong. In addition, through its invitation to the governor of Hong Kong to visit the mainland in 1979, China formally indicated its recognition of Hong Kong's position. In their talks with the governor, the senior Chinese leaders merely focused on how to utilize Hong Kong to serve the mainland's modernization. When Britain raised the question of 1997, China suddenly faced an unexpected dilemma. On the one hand, maintaining the state quo of Hong Kong could be seen as best way to serve China's interests in modernising the country. On the other hand, the Chinese leadership was bound by a strong commitment to defend the country's sovereignty and unify the whole nation.

From September 1982 to September 1984, China's external relations were thus dominated by the negotiations with Britain over Hong Kong's future. The negotiations offered a striking test of China's attitudes and policy towards Hong Kong, and provided a chance to see how China balanced its principles of territorial integrity, sovereignty and unification with its pragmatic goals of economic development and modernization.

This chapter begins by examining how the question of 1997

became a major item on the agenda in relations between the PRC and the United Kingdom, and China's initial response to the issue is discussed. Following a detailed discussion of several factors which were central in shaping China's policy-making, the chapter then focuses on the process of the negotiations themselves, with considerable attention given to the way in which China maintained a balance between principle and flexibility. A more detailed account of the Sino-British agreement, and of the framework that China designed to resolve Hong Kong's future, is to form the subject of the next chapter.

#### **6-1 The raising of the issue of 1997**

The year 1997, when Britain's lease on the New Territories expires, had been a potential source of uncertainty regarding Hong Kong's long-term future ever since the establishment of the People's Republic of China in 1949. However, it became a diplomatic issue only in September 1982, when the PRC and the United Kingdom decided to enter formal negotiations to settle the issue.

Since the PRC put the question of Hong Kong into the category of unequal treaties left over from history, and the unequal treaties, according to Beijing's view, were invalid, the lease date of the New Territories was irrelevant to China's formal position. But, for the United Kingdom, the lease was central because it laid the legal base for British administration over the territories. For Hong Kong's economic development, too, the lease was important. The normal minimum term for repaying international commercial loans was 15 years. When the year 1997 began to approach, unless some new

guarantee was granted, the land in the New Territories would become valueless and the colony would be unable to raise capital abroad for major infrastructure and industrial projects. Colin Stevens, chief executive of Barclay's Bank, remarked in April 1980 that: "It is going to be difficult to persuade any international lenders to lend against property as the date approaches. Unless China recognizes this fact, confidence will start to be sapped."<sup>1</sup>

Stevens' remark clearly represented the concern of Hong Kong business. By 1979, this concern in business circles had increased substantially, as had that of the British government and the Hong Kong government. The Chinese government at the time did not, apparently, have any clear policy on the issue. Its top priority was to make use of Hong Kong to benefit China's modernization, and the existing arrangement seemed to suit both sides. When the Chinese leaders, in the early 1980s set the unification of the whole of China as one of the major tasks in the 1980s, they were not including Hong Kong.

Britain, however, was anxious to know China's real intentions over the issue of 1997. The visit by the governor of Hong Kong to Beijing in March 1979 provided the first official opportunity for Britain to start discussions on "the specific question of land leases expiring in 1997". The governor also broached the idea of renewing the lease. As the issue had not been placed on the agenda, nor had the Chinese side been informed in advance of the governor's intention, the Chinese leaders were unprepared for a formal talk on the matter and thus the discussions did not result in moves to

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<sup>1</sup>*International Herald Tribune*, 19 February, 1981

solve the problem. Deng Xiaoping rejected the governor's suggestion to renew the lease, and asked him instead to pass a message to the Hong Kong business community. This message -- put your minds at ease -- was intended to reassure Hong Kong business; it stated that the Chinese leadership was serious about China's modernization and that China needed Hong Kong's expertise and financial assistance.

Shortly after the governor's visit, the Chinese deputy foreign minister, Song Zhiguang, when asked about the future of Hong Kong and Macao told a foreign newspaper correspondent: "A solution to these problems will come later. Hong Kong's lease expires in 1997. We have 18 years to settle the problem and we are not in a hurry. The British government is attending to the matter. Not long ago the governor of Hong Kong visited China. We told him that Hong Kong was part of China's territory and on the expiry of the lease we would settle the problem in an adequate manner."<sup>2</sup>

Indeed, at the time of the governor's visit, Beijing was becoming increasingly aware of the importance of Hong Kong in contributing towards China's economic development, and it therefore wanted to maintain the status quo of Hong Kong. Nevertheless, Deng's message was insufficient for Hong Kong investors, who wanted a more secure guarantee. Thus, after the governor's visit, Britain continued to send delegations to Beijing to sound out opinion on a possible settlement from the Chinese leaders, as did the anxious Hong Kong business community.

In November 1979, the then Chinese Prime Minister, Hua

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<sup>2</sup>Documents on 'One Country, Two Systems', edited by the Taiwan Affairs Office of Shanxi Province, 1988, p.54.

Guofeng, visited the United Kingdom. The question of Hong Kong was discussed between Hua and Mrs Thatcher, and both sides agreed to keep in contact on the matter. The foreign minister, Huang Hua, indicated China's attitude at a press conference: "The lease is due to expire in 1997, so there is still time. The basic attitude of the Chinese government in this matter is that when the time comes for its resolution we will take into consideration the interests of investors, so that these interests will not be hurt."<sup>3</sup>

The series of visits by British officials included one by the then British foreign secretary, Lord Carrington in April 1981. During his talks with Deng Xiaoping and other Chinese leaders, Lord Carrington pressed the question, again reflecting the growing realisation by the Hong Kong government and the mercantile community, that some clarification of the future of Hong Kong would be increasingly necessary as 1982 approached. From 1982 to 1997 there would be only 15 years, the period which accountants and lawyers -- whose advice weighs heavily with businessmen -- consider necessary to amortise a large investment.

Lord Carrington made little progress, apart from a repetition of the assurance that Hong Kong and those who invested in it should rest easy, and that the British should not worry. However, Deng Xiaoping told Lord Carrington to watch China's Taiwan policies which had just changed dramatically.<sup>4</sup>

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<sup>3</sup>"Huang Hua Answers Reporters's Questions", *Beijing Review*, no. 45, 9 November, 1979

<sup>4</sup>Interview with Zhen Weirong, a senior Chinese diplomat who participated the Sino-British negotiations.

China's seemingly ambiguous statements led to various assumptions as to its real intentions. The most popular one was that because China had a vested interest in Hong Kong's continued capitalist prosperity -- it earned one-third of its foreign exchange from the colony, which also acted as a key entry port and centre for expertise -- the Chinese leaders would not change Hong Kong's status quo by taking it over. There was indeed some evidence to back up this optimistic assumption. This included the existence of special economic zones on the borders next to Hong Kong and Macao at Shenzhen and Zhuhai.

Because of their geographic location close to Hong Kong and Macao, Shenzhen and Zhuhai attracted a great deal of investment from Hong Kong. Actually, the major external financial source for these special economic zones was Hong Kong, and many joint ventures between Hong Kong investors and the special economic zones authorities were scheduled to run long after 1997. Contracts for houses and apartments were normally for 50 years from the date of purchase. It seemed that the special economic zones could not operate unless Hong Kong maintained a free port and free trading area, as well as a financial centre and a place where expertise in the commercial sphere could be obtained.

Moreover, China's involvement in Hong Kong's economic development after the Cultural Revolution had become more visible and its increasing investment in Hong Kong involved land deals and property ventures as well as industrial and commercial projects. Presumably, China's growing economic activities in Hong Kong could be seen as some kind of commitment by Beijing towards the continuing existence of Hong

Kong as a British colony. There were also other developments indicating China's intention, such as the establishment of a new visa office by the Chinese foreign affairs ministry -- a diplomatic organ usually set up in a foreign country -- and the replacement of three-year visiting cards by ten-year ones. These are cards that Hong Kong Chinese use as visas to visit the mainland. The first period for these cards was given as from 1982 to 1993, and the second from 1993 to 2004 -- the lease date of 1997 not being mentioned.

In addition, from 1979 onwards, Chinese leaders continued to consult on the question with Hong Kong's leading business figures. The roles of the left-wing trade unions and China-controlled trade companies in Hong Kong, and even the working committee on Hong Kong and Macao Affairs -- which previously had an important say in China's Hong Kong policy -- became much less important and their voices were less heard.<sup>5</sup> This provided a sign that Beijing was paying more consideration to business opinion, which clearly tended to the maintenance of Hong Kong's status quo under British rule. Even the pro-Beijing Hong Kong media, which always reflected China's official position, were optimistic. For instance, Jin Bao predicted that the Chinese government would reach an understanding about the issue of 1997 with the British government. The British government, it thought, would make an arrangement using its own constitutional system about the lease, and China would tacitly approve such a change.<sup>6</sup>

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<sup>5</sup>Interview with Szeto Keung, a senior official at the NCNA who has worked there since 1950s.

<sup>6</sup>Zhao Fenglei: "On the Settlement of the 1997 Issue in Hong Kong" (Guan Yu 1997 Xiang Gang Jie Jun Fang An), Jin Bao, no.45, April, 1981, pp.18-21

The Chinese leadership, at this point, also began to realize that the question of 1997 could not just be overlooked. Thus, a working group was set up in 1980. By mid-1981, three general principles had been established -- to recover the sovereignty of Hong Kong in 1997, to maintain Hong Kong's stability and prosperity, and to make use of Hong Kong to serve China's four modernizations. But Beijing's concrete policies were still under deliberation.<sup>7</sup>

It seemed that the Chinese leaders were cautious of making clear public statements on China's official position. In January 1982, when the then British deputy foreign secretary, Humphrey Atkins, visited Beijing, he raised the question in his talks with Chinese Premier Zhao Ziyang. Zhao said that it was in the interests of all parties that Hong Kong should continue to function as a free port and an international finance centre. He also confirmed that the treaties which had established Hong Kong were not recognized by Beijing, and that China was intent on establishing the fact of its sovereignty over the territories. However, Zhao avoided talking in detail of China's specific arrangements as to how to achieve the two basic goals.<sup>8</sup>

The Chinese leadership was clearly in a dilemma -- how to continue to benefit from Hong Kong's unique position while at the same establishing its sovereignty. The question of Hong Kong was not only a diplomatic issue, but an issue involving different interested groups. Apart from the foreign affairs ministry, other ministries also participated in the decision-

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<sup>7</sup>Interview with Zhen Weirong.

<sup>8</sup>*Official Report, Parliamentary Debates, Commons*, vol. 17, Feb 1-12, pp.83-84.

making process. These ministries included the foreign trade ministry, which was in charge of trade relations with Hong Kong and which controlled several key trade corporations in Hong Kong; the Hong Kong and Macao Affairs Office, responsible for formulating China's Hong Kong policy, and its related body the Xinhua News Agency, which implemented Beijing's Hong Kong policy; and the ministry of defence, which was supposed to be responsible for Hong Kong's defence after 1997. Guangdong province, with its close economic relations with Hong Kong, in the special economic zones, also had some influence on Beijing's policy regarding Hong Kong's future. In order to maintain a coherent stand in dealing with Britain, the top Chinese leadership needed time to co-ordinate the differences among these ministries.

#### **6-2 The impact of the 1981 British Nationalities Act and the Falklands War of 1982**

In December 1979, the British government put before parliament a proposal on nationality. In March 1981, the United Kingdom issued its New Nationalities Bill. The most noticeable difference in the Bill compared with the previous one was the change in status of citizenship for the British colonies and dependent territories. Hong Kong, containing over two million people with British passports, was obviously the major concern behind this change.

According to the new rule, "former United Kingdom citizens whose main connection has been with a British colony become British Dependent Territories citizens (BDTCs). From commencement this becomes an entirely separate citizenship from British citizenship." The Act stipulated that citizenship

of British Dependent Territories "does not confer right of abode in the United Kingdom. Such citizens will only be able to enter the United Kingdom subject to the immigration rules of the day." It also stated that "there is no general freedom of movement for BDTCs within the boundaries of all territories dependent on the United Kingdom."<sup>9</sup>

On 22 July of the same year, the House of Lords in the British parliament passed an amendment giving the 27,000 people of Gibraltar -- another British colony which was listed in the New Nationalities Act together with Hong Kong -- the right to British citizenship. The fate of two million Hong Kong people was not taken into account.<sup>10</sup>

Britain chose a crucial moment to issue the New Nationalities Bill. It came at a time when in Hong Kong anxiety about the island's future had intensified. Officials of the British and Hong Kong governments stressed that the objective of this law was not to prevent Hong Kong-born Chinese from emigrating "en masse to Britain, but, rather the Act aimed to remove inconsistencies in British laws governing the right of various kinds of subjects to enter and live in Britain."<sup>11</sup> However, the Act caused great concern among Hong Kong people about Britain's real intentions over Hong Kong's future, and was seen as "a step along the road to an eventual hand-over of the colony to Beijing."<sup>12</sup> A prominent Hong Kong Chinese spokesman, former executive council member, Sir Yuet-

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<sup>9</sup>Text in Laurie Franksman, *British Nationality Law and the 1981 Act*, Fourmat Publishing, London, 1982. p.42.

<sup>10</sup>FEER, 14 August, 1981.

<sup>11</sup>FEER, 14 August, 1981. p.40.

<sup>12</sup>*The Guardian*, 7 March, 1981

keung Kan, described the amendment which gave only Gibraltarians the right to British citizenship as "another nail in our coffin."<sup>13</sup>

It was widely believed in Hong Kong that the governor's visit to Beijing in April 1979 was directly linked with the British government's decision to renew the nationalities issue. One of the main issues the governor discussed with Chinese leaders was the question of the expiry of land in 1997, and on this matter Deng Xiaoping indicated that China would recover Hong Kong. But the governor denied in a press conference held in Hong Kong after his visit that he had discussed the lease problem with Chinese leaders. In early 1981, members of the Hong Kong executive council(Exco) and legislative council (Legco), realizing the significance of the New Nationalities Bill, decided to send a delegation to London to lobby members of parliament.

This suggested delegation was vetoed by the governor, who promised to take full responsibility to represent the people of Hong Kong. The Nationalities Bill was passed in the House of Lords by the slender majority of three votes. It was possible that, had there been a chance to lobby the Parliament, the Bill would not have passed.

Whether or not the 1981 New Nationalities Act was a deliberate arrangement to prevent Hong Kong people from emigrating to Britain when the colony was eventually returned to China, its consequence was at least clear -- the door was closed on millions of Hong Kong people from entering Britain. Britain had taken the necessary legal steps to prevent the

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<sup>13</sup>FEER, 26 November, 1982. p.24.

worst happening before or after 1997. Thus, in October 1982, shortly after the announcement by China and Britain that they were about to enter formal diplomatic negotiations on Hong Kong's future, Malcolm Rifkind, a Minister of State of the Foreign Office, spoke in the House of Commons. In answer to a question about how many people resident in the Colony were able to claim admission and residence in the United Kingdom, he said that immigration status was unchanged by the British Nationalities Act of 1981, and that some 19,000 patriots in Hong Kong would become British citizens on 1 January 1983. He also reported that there was an unknown, but probably small, number of other persons with the right of admission or readmission under the rules of the Immigration Act.<sup>14</sup>

With a powerful group of right-wing Conservatives in parliament who were prepared to fight any substantial immigration, and with popular reluctance in Britain to admit new-comers, British policy on immigration had become increasingly restrictive. However, people in Hong Kong did not necessarily understand the intricacy of British politics, and many of them regarded the New Nationalities Act as a signal that Britain would withdraw from Hong Kong. Sir Murray Maclehose, previously regarded as the most successful governor in Hong Kong, was no longer trusted by Hong Kong people who believed that he, like any other governor, would put British interests before the interests of Hong Kong. This lack of confidence in turn weakened London's bargaining position with China. With the new Act fresh in the minds of the people of Hong Kong, and with the pro-Beijing Hong Kong media trying to

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<sup>14</sup>*Official Report, Parliamentary Debates, Commons, vol. 29. October 18-28, 1982, pp.40-41.*

use the Act to weaken Britain's position, it was difficult for the British government to convince the people that it really represented their interests. Another consequence of the Act was that Beijing concluded that Britain would hand over Hong Kong to China, and a hard-line attitude on its part would hasten this end.<sup>15</sup>

While Britain was sounding out China's intentions over the question of the lease, it became involved in a serious confrontation with Argentina over the disputed Falklands Islands (or Malvinas, as Argentina called them).

The problem between the two countries over the islands was long-standing, with both Britain and Argentina claiming that they had sovereignty over them. The United Kingdom had continuously occupied the islands and conducted their administration since 1823, until a sudden invasion by Argentina in April 1982. Argentina, on the other hand, had never ceased to protest against the British occupation and administration of the islands. The two countries had tried to settle their dispute by negotiation, particularly after the United Nations' Resolution of 1965 which invited them to start discussions leading to a peaceful solution. Argentina considered that sovereignty over the islands was the most important question. It claimed they had been Argentinean since the independence of Argentina and had been occupied by Argentina, and that Britain's capture of the islands by force in 1833 was illegal.

Britain refused to recognize Argentina's position and was unwilling to talk about sovereignty. Although the British

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<sup>15</sup>Interview with Zhen Weirong.

government also claimed that the Falklands and its dependencies were sovereign British territories, its position in international law was by no means water-tight. The most that could probably be said, according to some historians, including British ones, was that neither the United Kingdom nor Argentina had a particularly good case.<sup>16</sup> Britain also stressed that the inhabitants of the island desired to remain British subjects and that their wishes had to be respected.<sup>17</sup>

However, the British government also realized that the islands were barely defended and that Argentina could easily occupy them by force. Britain, therefore, made several proposals to the Argentineans for a settlement. These included the one for a "sovereignty freeze" for a minimum of 30 years, after which time, allowing for improved relations between the islands and Argentina, the islanders would be free to choose between British or Argentine rule. The core of the various British proposals was that any transfer of sovereignty would have to be subject to the wishes of the islanders.<sup>18</sup>

In general, the nearly 2,000 inhabitants of the islands, despite their differences on other matters, shared a strong dislike of Argentina and a strong attachment to their 'Britishness'. Britishness became a bond to help to avoid any serious and continuing schisms among themselves. On the question of a possible settlement of the dispute between Britain and Argentina, about 50 percent favoured the idea of

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<sup>16</sup>See Lawrence Freedman, *Britain and Falklands War*, Basil Blackwell, 1988. p.20.

<sup>17</sup>See Fritz L. Hoffmann, *Sovereignty in Dispute, the Falklands/Malvinas, 1493 - 1982*, p.104.

<sup>18</sup>See G.M. Dillon, *The Falklands: Politics and War*, Macmillan, 1989, p.2.

a lease-back -- a proposal which meant that Britain would recognize Argentina's claim on sovereignty and Argentina in turn would lease the islands to Britain for a certain period. The other 50 percent flatly refused to consider that there was any international dimension to the dispute at all. For them, the islands belonged to Britain, and there was therefore no point in making any settlement with Argentina.<sup>19</sup>

Clearly, Britain held a strong card in dealing with Argentina. The islanders' wishes were a necessary condition for the British government to get public support within the United Kingdom and to win international support. Colonialism was acceptable only if a colonized people thought it was.

The seizure of the islands by force by Argentina in April 1982 was a clear act of aggression and it was carried out in disregard of the principle of peaceful settlement of international disputes. As a victim of the action, Britain held a favourable diplomatic position. Britain was determined to take action and its objective, as the Prime Minister, Mrs Thatcher announced, was to see that the islands were freed from occupation and returned to British administration and sovereignty.<sup>20</sup> In order to achieve these goals, the British government adopted all possible methods to retrieve the islands -- political isolation, economic sanctions, diplomatic mediation as well as military force. Britain's diplomatic efforts were first granted by a United Nations resolution demanding an immediate cessation of hostilities and an immediate withdrawal of all Argentine forces from the islands.

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<sup>19</sup>Dillon, *ibid.*, p.67.

<sup>20</sup>Dillon, *ibid.*, pp.130-131.

The resolution thus assured Britain a valuable diplomatic advantage. The EEC also agreed economic sanctions against Argentina -- including a six-week import ban and a suspension of trade preferences.<sup>21</sup>

Even more importantly, Britain's position was further strengthened with the United States backing economic sanctions against Argentina and military assistance to Britain. The United States also had a close relationship with Argentina, which played a major role in the US's Latin American policy. The United States tried to mediate between its two allies. However, when these diplomatic efforts failed, the United States eventually tilted towards Britain.

The Falklands crisis subsided with the recapture of the islands by British forces. The successful conduct of the war on the one hand punished Argentina for its original aggression and, on the other, helped the United Kingdom gain national pride and enhanced its international standing. As a result of the war, Mrs Thatcher's own prestige was also increased.

The Hong Kong media widely reported the Falklands crisis, with considerable attention on its impact on the question of Hong Kong. There are indeed some similarities between the situation of the Falklands and Hong Kong. Both places are British colonies and are geographically remote from Britain -- but close to Argentina and China respectively. Britain has continuously had sovereign rights and an administration over the two places. With the issue of Hong Kong's future intensifying at the time, what happened in the Falklands was naturally linked with the situation of Hong Kong.

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<sup>21</sup>Freedman, *ibid*, p.41.

The Far Eastern Economic Review, for instance, commented that "the Falklands situation has indirectly complicated the Hong Kong situation by raising new issues of sovereignty, as well as strengthening Mrs Thatcher's nationalistic instincts." The Review also noticed that "the Falklands crisis could prove eventually to have been a blessing in disguise by forcing both sides to concentrate their minds on some fundamentals."<sup>22</sup>

A pro-Beijing magazine, the Wide Angle, examined Britain's strategy in handling the crisis and found that Britain had two strong cards -- sovereignty and public opinion. However, the magazine also pointed out that the same cards might not work in the case of Hong Kong.<sup>23</sup>

The Wide Angle's view indeed had some justification, because, apart from the similarities, there were also great differences between the situation of the Falklands and that of Hong Kong. The differences can be listed as follows:

1. On the question of sovereignty, although the United Kingdom had certain grounds for claiming sovereign rights over the Falklands, there were no treaties to define its position. But in the case of Hong Kong, there were three treaties which clearly provided a legal foundation for Britain's presence there. One of these three treaties was to expire in June 1997, after which Britain would have to leave the New Territories unless a new arrangement was made.

2. The islanders of the Falklands were bound by their "Britishness", and they supported Britain's position on the

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<sup>22</sup>Philip Bowring and Mary Lee, "Trend Softy, Iron Lady", in FEER, 17 September, 1982, pp.23-24.

<sup>23</sup>Guang Jiao Jin (Wild Angle), Hong Kong, May, 1982, pp.4-5.

question of sovereignty. For the majority of the people of Hong Kong, however, there was no question but that they were Chinese and Hong Kong was part of China's territory. While most Hong Kong people wanted the status quo to continue under a British administration, they were reluctant to commit themselves to an indefinite British sovereignty.

3. The relations between the Falklands and the Argentinean mainland were not close, and the islands were quite isolated from the outside world -- politically, economically and socially. The islands' economy depended almost exclusively on the production and export to Britain of high-quality wool from sheep. Because of the dispute over the sovereignty and a lack of enthusiasm from the islanders, it was not until 1971 that Britain and Argentina issued a joint declaration for measures leading to the establishment of communications between the islands and the Argentinean mainland. However, there had always been strong links and great interdependence between Hong Kong and the Chinese mainland. Hong Kong's survival and development largely depended on its relations with the mainland. In other words, Hong Kong's position was far more vulnerable in terms both of survival and development than that of the Falklands. This also meant that Britain's options in Hong Kong would be limited.

The Falklands crisis also provided an opportunity to examine China's response to an issue similar to that of Hong Kong. Initially, China reported the Falklands crisis in a neutral manner. For instance, on 1 April, the People's Daily reported that: "The Falklands Islands, also called Malvinas, have been Britain's dependent territory since they were occupied by the British in 1833. But Argentina considers that

the islands are its territory."<sup>24</sup>

However, two days later, the same newspaper used Malvinas rather than Falklands as the name of the islands in its reports on the dispute. It published several editorials, considering the islands as a left-over from colonial times, and stressing that any attempt which relied on "gun-boat" diplomacy to force Third World countries to submit would not succeed. On 18 June, the paper claimed that: "The Chinese have constantly opposed imperialism, colonialism and hegemonism and supported the just struggle of Third World countries and people to defend their sovereignty and territorial integrity."<sup>25</sup>

At the United Nations, the Chinese delegation abstained from voting on the resolution drafted by the British UN delegation, denouncing the Argentine invasion and calling for an immediate withdrawal of all Argentine troops. The Chinese ambassador stated that, considering the stand adopted by non-aligned countries on the question of sovereignty over the islands, the Chinese delegation could not support the British resolution.<sup>26</sup> Clearly, between Britain and Argentina, China chose to back the latter's position. However, Beijing did not approve of the military action taken by Argentina and called on the two sides to settle their differences by peaceful negotiations. Such an attitude on China's part was significant in relation to the question of Hong Kong, since the issue of 1997 was attracting great attention at that time. The Chinese

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<sup>24</sup>People's Daily, 1 April 1982.

<sup>25</sup>People's Daily, 3 April 1982.

<sup>26</sup>Guang Jiao Jin, Hong Kong, May 1982.

media did not openly link the question of the Falklands with the situation, but, through Hong Kong's pro-China media, Beijing gave some indications that the Falklands crisis would have an impact in China's policy on settling Hong Kong's future.

### 6-3 The Change in Beijing's Taiwan policy

When Deng Xiaoping suggested to Lord Carrington in April 1981 that he should watch China's Taiwan policy, he was in fact indicating the possible direction of China's Hong Kong policy. In order to explore what Deng meant, it is useful to examine the development of China's Taiwan policy and, in particular, the change that took place after the normalization of Sino-US diplomatic relations in 1979.

The PRC had consistently taken the view that Taiwan was part of Chinese territory. Its fundamental position for many years was that the settlement of the question of Taiwan was a domestic issue in which no other country had the right to interfere. This position never changed, but what did change was the way in which the issue would be settled.

In early 1950, the PRC was intent on seizing Taiwan by force, encouraged by the successful capture of Hainan Island, 36km from the mainland. However, the Korean War disrupted these plans and China became engaged in a major military confrontation with the United States. In order to "prevent an attack on Formosa" by the communist forces, the United States sent its Seventh Fleet to the Taiwan Straits. American forces were a major obstacle for the PRC's plan of military action to liberate Taiwan. After the Korean War, the United States further tightened its relations with Taiwan. On 2 December

1954, the United States signed a Mutual Defence Treaty with the nationalist government on Taiwan. According to this treaty, Taiwan had an obligation to "grant rights to such United States land, air and sea forces in and about Taiwan and the Pescadors as may be required for their defence, as determined by mutual agreement."<sup>27</sup>

Beijing considered the stationing of US military forces in the region around Taiwan and the US-Taiwan defence treaty as a serious provocation to the mainland. Later, Beijing repeatedly and consistently protested against the treaty and declared its determination to liberate Taiwan. For the 1950s and most of the 1960s, Beijing feared that the United States might use Taiwan as a launching pad for aggression against the mainland. Its major strategy was to put as much pressure as possible on the United States to withdraw from Taiwan. Beijing firmly believed that without American assistance Taiwan would not constitute a threat to the mainland, and might yield to Beijing's pressure. In early 1955, the PLA launched a series of military attacks on the offshore islands, in the first Taiwan Straits Crisis. After the capture of Jiang Shan Dao, a small island only a few kilometres from the mainland, the PLA was determined to seize the Dachen islands off the coast of Zhejiang province.

The United States wanted to avoid a direct involvement in a major Mainland-Taiwan armed conflict, and therefore advised the Nationalist government to withdraw from the Dachens, which were difficult to defend in the face of overwhelming communist forces. The Nationalist government accepted the US advice, but

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<sup>27</sup>*United Nations Treaty Series*, vol. 248, pp.214-216.

with great reluctance, and evacuated all troops and civilians from the islands. The first Taiwan Straits Crisis ended with the capture of all main offshore islands, except Quemoy and Matsu, which are still occupied by the Nationalist forces.

Shortly after the first Taiwan Straits Crisis, the PRC began a campaign aiming at establishing a peaceful image and developing friendly relations with Asian and African countries. As part of the campaign, Beijing made an offer to ease the tension between China and the United States, particularly on the question of Taiwan. On 23 April 1955, Zhou Enlai stated that: "The Chinese government is willing to sit down and enter into negotiations with the United States government, to discuss the question of relaxing tension in the Far East, and especially relaxing tension in the Taiwan area." While Zhou Enlai confirmed that it was China's sovereign right to liberate Taiwan, he also stated that the PRC was "willing to strive for the liberation of Taiwan by peaceful means so far as it is possible". He pointed out that the possibility of a peaceful settlement of the Taiwan question hinged on the withdrawal of all American armed forces from the Taiwan area and the abolition of the US-Taiwan defence treaty.<sup>28</sup>

The PRC had always suspected that the United States was intent on creating "two Chinas", and it was uncertain about the Kuomintang's attitude towards such a policy. In August 1958, the PRC suddenly began a massive artillery bombardment on Quemoy and Matsu. The bombardment was largely designed to test the strength of the American commitment to defend Taiwan. The United States responded to the action by sending

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<sup>28</sup>Dangdai Zhongguo Waijiao, p.77.

reinforcements to the Taiwan Straits and the US navy helped escort the Nationalist forces. President Eisenhower declared that the offshore islands were more important to the defence of Taiwan than they had been in the first Taiwan Straits Crisis of 1955 because there was now a "closer interlocking" between the defence system of the islands and Taiwan.<sup>29</sup>

Nevertheless, the United States was also deliberating a possible deal with Beijing. One arrangement considered was that the Nationalist forces would withdraw from Quemoy and Matsu and the PRC would recognize the status quo of Taiwan with the presence of US forces in the region. The Kuomintang reacted anxiously to the American plan. It, too, insisted there was only one China, and it maintained that the Nationalist government was the legitimate government of the whole of China. Taipei considered that the American plan would damage its position and it therefore openly rejected it. Beijing concluded that there existed a common position between the Communist Party and the Kuomintang because the latter also rejected the American "two Chinas" policy. In this context, Beijing quickly made use of the difference between the US government and the Taiwan authorities. In a message to "compatriots" in Taiwan, the PRC defence minister, Peng Dehuai, stated: "Chinese problems can only be settled by us Chinese. If they are difficult to settle for the time being, things can be talked over at length... There is only one China, not two, in the world. On this we agree. All Chinese people, including you and compatriots abroad, will absolutely not allow the American plot forcibly to create two Chinas to

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<sup>29</sup>FRUS, 1955-57, vol.III, pp.293-294.

come true."<sup>30</sup> Beijing also announced an "even-day" cease-fire, in which Communist forces refrained from shelling Quemoy on even days. This remained in force until the end of 1978, when Beijing decided to end all shelling.

Thus, after 1958, Beijing's policy on Taiwan changed to a slow, political approach which was basically affected by the Kuomintang's one-China stand and by the US military presence in the region. On the one hand, the PRC continued to put pressure on the United States to withdraw its forces from Taiwan, and it considered that the acceptance by the US of China's position was a prerequisite for the establishment of diplomatic relations between the two countries.

On the other hand, Beijing kept the threat of the use of force as a deterrent, but backed away from putting too much military pressure on Taiwan, since it felt that outright military action might drive Taiwan towards total independence. Military action was therefore never taken, apart from the symbolic shelling of Quemoy. To take over Taiwan, or to unify the whole of China did not rank as a top priority in the PRC's external policies. Mao once said that: "We had better wait. Let Chiang Kai-shek stay on Quemoy and Matsu. We shall get them back later, together with the Pescadors and Taiwan. Our territory is spacious, and for the time being we can get along without these islands."<sup>31</sup> Mao's strategy was again reflected in his talks with President Nixon and Dr. Kissinger in 1972, when he considered that world affairs were much more important

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<sup>30</sup>Ye Fei, "Bombardment on Quemoy" (Paohong Jingmen), Xinhua Wenzai, January 1990. Ye Fei was the first party secretary of Fujian province and the Commander of the Fujian military region in 1958.

<sup>31</sup>Ye Fei, *ibid.*

than the issue of Taiwan.

In China's view, the issue of Taiwan had always had two major aspects. One was related to the PRC's national security. Chinese leaders believed that Taiwan -- as a unsinkable aircraft carrier of US forces -- had an important role in serving America's global strategy and posing a threat to the PRC. The other aspect was linked with China's unification -- a matter which Beijing regarded as China's internal affair, to be solved by the Chinese people, including those in Taiwan.

With the detente between China and the United States, Chinese leaders felt less threatened by the United States. The strategic aspect of the issue of Taiwan thus decreased. The normalization of Sino-American diplomatic relations in 1979 further reduced the significance of the Taiwan issue in China's security, providing a favourable condition for the significant change in Beijing's Taiwan policy. In the joint communique, the American government formally declared that it recognized the PRC as "the sole legal government of China", and that it would "sever diplomatic relations with Taiwan, terminate the Mutual Defence Treaty with Taiwan and withdraw all US forces from Taiwan." However, the United States also expressed its concern over the settling of the status of Taiwan, stating that it would "continue to have an interest in the peaceful resolution of the Taiwan issue", and that it expected the Taiwan issue to be "settled peacefully by the Chinese themselves".<sup>32</sup>

China's fundamental position remained the same. At a press conference held in Beijing on 5 January 1979, Deng Xiaoping

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<sup>32</sup>*Joint Communique*, the full text in Beijing Review, no. 51 22 December, 1978, p.89.

publicly acknowledged that the settlement of the Taiwan issue was entirely an internal Chinese affair and that the PRC could not restrict itself by renouncing the possibility of the use of force for the unification of Taiwan and the mainland. However, he said that "Beijing would take note of the United States' wish that the dispute be settled peacefully."<sup>33</sup>

The PRC then immediately launched a peace initiative. On 1 January 1979, the National People's Congress issued a message to people in Taiwan calling for unification. The message said that the PRC's leaders would take existing realities in Taiwan into account in accomplishing the "great cause of reuniting the motherland"; they would respect the status quo of Taiwan and the opinions of people in all walks of life there; and they would adopt reasonable policies and measure in settling the question of reunification so as to avoid causing any loss to the people of Taiwan. On the same day, the PRC stopped the bombardment of Quemoy and the other offshore islands occupied by the Nationalist forces. Beijing also suggested to the Taiwan authorities to establish "three links" -- mail, trade and air and shipping services -- and "four exchanges" with Taiwan -- of relatives and tourists, academic groups, cultural groups, and sports representatives -- as a first step toward the ultimate goal of reunification.<sup>34</sup>

The PRC's Taiwan policy was continuously affected by its relations with the United States. In April 1979, President Carter set out the Taiwan Relations Act. This Act stated that

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<sup>33</sup>People's Daily, 6 January, 1979.

<sup>34</sup>"NPC Standing Committee Message to Compatriots in Taiwan", People's Daily, 1 January, 1979; English text in Beijing Review, no.1, 5 January 1979, p.16.

"the United States' decision to establish diplomatic relations with the PRC rests upon the expectation that the future of Taiwan will be determined by peaceful means." It also considered "any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the western Pacific area and of grave concern to the United States." The Act also sought to provide Taiwan with arms of a defensive character and to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would "jeopardise the security, or the social or economic system, of the people of Taiwan."<sup>35</sup>

After the Republican party's victory in the 1980 presidential elections, the Reagan administration continued to undertake increased arms sales to Taiwan in spite of severe protests from Beijing. It was against this background that the PRC further developed its policy regarding Taiwan. Its purpose was to seek an assurance that US arms sales to Taiwan would terminate within a fixed period and to play down the significance of Taiwan's security. This change in policy was indicated in a speech by Marshal Ye Jianying, then chairman of the Standing Committee of the National People's Congress, in September 1981. The essential parts of the nine-point proposal were as follows:

- 3) After the country is reunified, Taiwan can enjoy a high degree of autonomy as a special administrative region and it can retain its armed forces.
- 4) Taiwan's current socio-economic system will remain un-

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<sup>35</sup>*Congressional Record. House 125, no. 38 (March 16, 1979)*  
H1668-70

changed, as will its economic and cultural relations with foreign countries. There will be no encroachment on the proprietary rights over private property, or on foreign investments.

5) People in authority in Taiwan may take up posts in national political bodies and participate in running the state.<sup>36</sup>

China's proposal, of course, also reflected its desire for unification. The unification of Taiwan and the mainland had been one of the main tasks by the CPC. The Chinese leaders considered that the normalization of Sino-American relations and the further isolation of Taiwan in the international community provided a positive opportunity to engage Taiwan in talks. The terms of its proposal were more concrete and more responsive to the reality of Taiwan's situation than previously.

A further action on China's part was to insert a special article into its new constitution adopted at the fifth session of the fifth National People's Congress (NPC) in November-December 1982. This article stipulated that: "The state may establish Special Administrative Regions where necessary. The systems to be instituted in Special Administrative Regions shall be prescribed by laws enacted by the NPC in the light of specific conditions." In December 1982, a NPC spokesman explained that Article 31, which created powers to set up "special administrative regions", had been drafted deliberately to enable national reunification. Clearly, since the question of Hong Kong's future was already under

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<sup>36</sup>People's Daily, 30 September, 1981; English text in Beijing Review, no.41, 11 October, 1982, p.20.

negotiation between the PRC and the United Kingdom, the article also applied to the settlement of the Hong Kong question.<sup>37</sup>

The change in Beijing's Taiwan policy was of significance in relation to the issue of Hong Kong, both in terms of time and of content. From China's perspective, Hong Kong had considerable similarities with Taiwan in its political and economic system and social conditions. Hence, its Taiwan policy would be relevant to its resumption of sovereignty over Hong Kong. In the process of formulating its Taiwan policy, Beijing had not taken account of the fact of Hong Kong. However, in the face of pressure to make a decision regarding Hong Kong's future, Beijing naturally used the basic parts of its Taiwan policy for its policy on Hong Kong. The linkage between Beijing's Taiwan policy and its Hong Kong policy will be examined in detail in the next chapter.

#### **6-4 China's position on entering negotiations**

As has been mentioned, by mid-1981 the Chinese leadership had reached a three-fold set of general principles regarding the question of Hong Kong's future -- to recover sovereignty, to maintain Hong Kong's stability and prosperity, and to make use of Hong Kong. These principles guided China's primary position in its dealings with Britain, and they should also be seen as goals that China intended to achieve.

**Sovereignty** in Beijing's view, means that "a state has the power, in accordance with its own will, to decide its own form

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<sup>37</sup>Peng Zhen: "Report on the Draft of the Revised Constitution of the PRC", People's Daily, 11 December, 1982; English text in Beijing Review, no.50, 13 December, 1982.

of state, political system, and socio-economic system, and intervention by other states in these matters is absolutely not permissible."<sup>38</sup> The PRC also considers the principle of sovereignty to be one of the most important principles of international law. China has always been sensitive towards the question of sovereignty.

In the case of Hong Kong, before the Sino-British negotiations began, Beijing had already acknowledged several times that Hong Kong was part of China's territory and that the settlement of the question of Hong Kong was entirely within China's sovereign rights. However, despite its non-recognition of the treaties, the PRC was tolerant of the existence of Hong Kong as a British colony and never challenged Britain's administration. Beijing held that no action would be taken until conditions were ripe.

With the development of China's reforms and its open-door policies after late 1979, the Chinese leadership had noticeably adopted a more flexible attitude towards the outside world. China's trade and economic relations with foreign countries developed rapidly. In particular, the creation of special economic zones and the introduction of a range of more flexible policies to some 14 coastal cities created a completely new situation, which needed not only a theoretical justification, but also legal codification.

The fundamental change in China's domestic politics and the shift in the CPC's focus from class struggle to economic development helped the emergence of a new pragmatism. This, in

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<sup>38</sup>Yu Fan, "Speaking about the Relationship between China and the Tibetan Region from View Point of Sovereignty and security", People's Daily, 5 June 1959.

turn, enabled the Chinese decision-makers to be more flexible in dealing with sensitive issues such as economic relations and foreign investment. Beijing recognized to a considerable degree the theory of interdependence and international markets which, in previous years, had been regarded as a form of imperialist encroachment upon the sovereignty of other states. However, the change was also accompanied by a growing nationalism in both China's domestic politics and its foreign policy. Nationalism, often in the name of patriotism, appeared to bolster the legitimacy of the CPC whose ideology, as a result of the repudiation of the doctrines of the past, provided a less powerful source of enthusiasm and support.

China intended to accept the constraints of increased commercial and military links with the outside world, while at the same time making efforts to preserve its sovereignty and autonomy. Beijing thus approached the reunification of the nation as one of the major tasks facing China in the 20th century. In this context, Peng Zhen, then chairman of the National People's Congress, declared in a report in November, 1981: "We stand firmly on the principle of defending sovereignty, national unification and territorial integrity."<sup>39</sup>

There were several reasons why the Chinese leadership chose to adopt this position on the question of sovereignty. Firstly, the top Chinese leaders were from the old revolutionary generation who had a long experience fighting foreign powers and foreign influence and who had participated in establishing the People's Republic. For them, the

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<sup>39</sup>See, footnote 36.

unification of the whole of China was particularly important and was a special task they determined to complete.

Secondly, any concessions on the issue of sovereignty would bring about great political damage to those who made them. Prior to the Sino-British negotiations, Deng Xiaoping was on the point of consolidating his leading position in China. However, his position was far from one of domination. He had to balance different factions within the party, particularly the reformers and the orthodox leaders. Deng himself had a reputation of being highly flexible, but he often seemed to exercise this flexibility within certain limits. Anything that went beyond these limits would become unacceptable to him. Politically, he put forward the "Four Cardinal Principles", namely, the people's democratic dictatorship, Marxism-Leninism, Mao Zedong thought, and the leadership of the CPC.

These four principles, particularly the leadership of the Party, were designed to protect the existing political system from attack by movements for democracy and human rights, and clearly showed both Deng's limits and his legacy. Deng also set out the three major tasks, which included the unification of the whole of China. To remain firm on China's position on recovering sovereignty would add to Deng's national prestige and further consolidate his authority. Had he failed to stick to this policy, his position could have been challenged by more orthodox leaders.

Thirdly, the issue of sovereignty was a matter which applied not only to Hong Kong and Macao, but also had great relevance to the question of Taiwan and, potentially, also to the position of Tibet and other national minority regions.

Beijing considered that any concession on its position on sovereignty would lead to a domino effect. Any concession on Hong Kong could carry forward to later negotiations on Macao and Taiwan, and weaken Beijing's bargaining position.

**Stability and Prosperity** Beijing was well aware of the importance of Hong Kong in China's four modernizations, and before the negotiations, the Chinese leadership had paid more attention to maintaining Hong Kong's stability and prosperity. It seemed that the question of sovereignty was simple and straightforward, but how to maintain Hong Kong's stability and prosperity appeared more complicated.

Beijing considered that stability was a prerequisite for economic development. In the case of Hong Kong, stability was closely linked with the maintenance of the status quo. The Chinese leadership appeared to be particularly interested not only to maintain Hong Kong's economic and financial system, but also its political and constitutional system. Although Beijing attributed Hong Kong's development to the great efforts of the Hong Kong Chinese people and to support from the mainland, it found it difficult to deny the fact that the social, political legal and economic framework provided by the British administration had also played an important role. Beijing had no intention of replacing Hong Kong's basic mechanisms because it regarded their retention as central to the island's stability and prosperity, and also because such mechanisms suited China.

In the British colony of Hong Kong, there is no adequate participatory democracy or self-government. In other words, there is no division of power, no checks and balances, no independent local government, no viable political parties, no

independent parliament and no judiciary capable of restraining executive power. The concentration of all significant political power in the hands of the government is clearly stipulated by the constitutional arrangement in Hong Kong.

According to Hong Kong's constitution, the governor is the representative of the British monarch, though largely symbolic, and is appointed by the British government. The governor's authority is derived from the letters patent passed under the Great Seal of the United Kingdom. The letters patent create the office of governor and commander-in-chief of Hong Kong, and require him to observe its law and instructions given to him by the monarch or the Secretary of State. They also deal in general terms with such matters as the establishment of the Executive and Legislative Councils. The governor's powers relate to legislation, disposal of land, appointment of judges and public officers, pardons, and the tenure of office of supreme and district court judges. The governor is the representative of the colonial power, "relaying the decisions of the British government and endeavouring to explain them and make them as acceptable as possible to the local population." However, he is also supposed to be the colonial spokesman to the British government, "putting the point of view of Hong Kong and attempting to safeguard its interests." He is also constitutionally entitled, in theory, "to ignore the advice of the Executive Council and the Public Service Commission; he could override any opposition in the Legislative Council by directing the official majority to repeal or pass any ordinances he wished; he could completely reverse past

policies and set the whole colony in turmoil."<sup>40</sup>

The Executive Council (Exco) and the Legislative Council (Legco) are set up as advisory bodies. The Executive Council is formed by official and unofficial members, with the commander of British forces in Hong Kong, the Chief Secretary, the Attorney-General, the Secretary for Home Affairs and the Financial Secretary as permanent members. The Executive Council's role in the government of Hong Kong is similar to that of the cabinet in Britain, but the Governor has a stronger position than the Prime Minister and has the authority to decide whether to accept or reject a policy.

Under the Governor and his Executive Council there is a highly centralized public service -- some 48 departments and offices which carry out the day-to-day affairs of the government. The activities of all departments are supervised and coordinated by the government secretariat.

The Legislative Council's members, except for the Governor and other ex-officio members, are appointed by the British monarch or the Governor on the instruction of the Secretary of State. None of them is democratically elected. According to the rules, the Legislative Council may have not more than 22 official members and not more than 27 unofficial members. The primary functions of the Legislative Council are the enactment of legislation and control over the expenditure of public funds. However, the British monarch "has the power to disallow laws passed by the council and assented to by the governor", though this right has not been exercised since 1913.<sup>41</sup>

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<sup>40</sup>Norman Miner, *The Government and Politics of Hong Kong*, Oxford University Press, 1975, p.58-59.

<sup>41</sup>*Ibid.*

As a British colony, the administration of Hong Kong is completely subordinate to the Crown. Parliament is entitled to pass laws applicable in Hong Kong, or alternatively the Crown can legislate for the colony by issuing Orders in Council, particularly in the following situations:

1. where legislation is beyond the power of the local legislature, e.g., where it is for extra-territorial operations;
2. where the subject is of concern to more than one country and uniformity is desirable, e.g., the case of fugitive offenders; and
3. where the matter is an important one of Commonwealth or United Kingdom concern, and therefore not merely of a domestic nature, e.g. matters such as defence, air navigation and international treaties.<sup>42</sup>

The governor is selected by the British government and is required to obey all instructions from the Secretary of State. All the most senior officials are formally appointed by the Secretary of State, as are the unofficial members of the Executive and Legislative Councils. Although, in practice, the colony is largely autonomous in conducting its internal affairs and the British government is inhibited from exercising most of its considerable legal powers, the potential power of the British government over Hong Kong is extensive.

Hong Kong's constitution provides a highly efficient bureaucratic system in which the professional administrative or elite plays a considerable role in setting out and

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<sup>42</sup>*Ibid.*

implementing rationally-designed collective goals. Such a system particularly suits the case of Hong Kong, where the majority of people lack political enthusiasm. The government of Hong Kong has traditionally been highly cautious towards any kind of political activity. Its attitude towards politics was summed up by the then governor, Sir Alexander Grantham, to the Legislative Council on 8 March, 1950: "We cannot permit Hong Kong to be the battleground for contending political parties or ideologies. We are just simple traders who want to get on with our daily round and common tasks. This may not be noble, but at any rate it does not disturb others."<sup>43</sup>

The Chinese leadership thus had good reasons to be interested in maintaining the Hong Kong system of government. If this system of government remained unchanged, Beijing would presumably enjoy as much power as the British government had at the time. In such a situation, Beijing would be in a convenient position to influence, if not control, Hong Kong's situation. The British government must have been well aware of the fact that Beijing did not wish to see any major change in the existing system. From many years, all proposals for changes in a democratic direction were rejected by Britain on the grounds that China would object to such moves. Britain considered it necessary to heed China's view.

In January 1981, when the question of Hong Kong's future was receiving considerable attention in Hong Kong, the colonial authorities announced a new policy on district administration which provided for direct popular participation

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<sup>43</sup>Hong Kong Hansard, 1950:41. Also see Lau Siu-kai, *Society and politics in Hong Kong*, Chinese University of Hong Kong Press, p.38.

in local government. To this the Chinese government, through its representative body, the Xinhua News Agency, made it clear that it did not want to see any major changes in Hong Kong's existing system.<sup>44</sup>

China was not only intent on retaining the Hong Kong system of government but also its economic mechanisms. Since the early history of the colony in the 19th century, Hong Kong had been firmly committed to an economic doctrine of laissez-faire. The government of Hong Kong limits its economic functions to the provision of an economic infrastructure. Its principal role in the economy is to "ensure a stable framework in which commerce and industry can function efficiently and effectively with minimum interference." The government seldom intervenes in economic affairs, except in response to the pressure of economic and social needs. This policy has been justified as being in the common interest, and has been one of the most important factors attributed to Hong Kong's development. The Chinese leadership might not fully have understood how the Hong Kong government functioned in economic affairs, but it must at least have been aware that the mainland system could not possibly work in Hong Kong.

Thus, when Zhao Ziyang talked to the British junior foreign minister, Humphrey Atkins, in January 1982, he particularly emphasized that it was in the interests of all parties that Hong Kong should continue to function a free port and an international financial centre.<sup>45</sup> Much the same advice

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<sup>44</sup>Interview with Zhen Weirong.

<sup>45</sup>"Humphrey Atkins' Statement on His Visit to Beijing", in *Official Report, Parliamentary Debates, Commons*, vol.17 February 1-2, pp.83-84.

was also imparted to Hong Kong people, ranging from rich property developers to left-wing circles, who were summoned to Beijing for consultation.

#### 6-5 The negotiations

The Sino-British negotiations on the future of Hong Kong began in September 1982 and reached final agreement in September 1984. The two years of talks were divided into two phases. The first phase, conducted by the British ambassador in Beijing and the Chinese foreign ministry, was very much at a stalemate when the Chinese side insisted to regain full sovereignty as against Britain's attempt to maintain the validity of the three treaties. Following a compromise by the British side on this question, on 1 July it was announced that the second phase of the talks would begin in Beijing on 12 July 1983. The first few rounds of talks in the second phase focused on the British proposal to continue some British role after 1997, which was again rejected by the Chinese side. The talks then moved on to China's interest in how to maintain the stability and prosperity of Hong Kong after China had resumed its sovereignty, a matter which was explored by extensive discussions between the two sides. On 26 September 1984, the leaders of the two delegations initialled the final Chinese and English texts of agreement in Beijing.

Mrs Thatcher, the then British prime minister, visited Beijing in September 1982. Hong Kong was the main topic in the talks between her and the Chinese leaders, including Deng Xiaoping and Zhao Ziyang, then Chinese prime minister.

During her visit which took place not long after her triumphal conduct of the Falklands conflict, Mrs Thatcher

publicly asserted that the treaties on Hong Kong were still valid, emphasising that they would continue to be in force until new treaties were signed by China and Britain to replace the old ones.<sup>46</sup>

It is true that the treaties had been the basis, both in international law and in British constitutional arrangements, for British the presence in Hong Kong, and for many years China had actually acknowledged the treaties *de facto*. However, China's position on the legality of the treaties on Hong Kong as part of China was also well known. Mrs Thatcher's attitude, according to the Far East Economic Review, aroused Chinese nationalist sensibilities, awakening memories of imperialist humiliation of China, and also gave an impression of greater differences between the two countries than perhaps really existed.<sup>47</sup>

Mrs Thatcher's stand also provoked the Chinese leaders, by breaking the tacit understanding between Britain and China of not openly challenging each other's position. The consequence was that the atmosphere of compromise and cooperation which could have been established was transformed to one of direct confrontation; in game theory, Mrs Thatcher turned a positive sum game to a zero sum one.

China's response was sharp. The Xinhua news agency deliberately added to its report of the final communique: "The Chinese government's position on the recovery of the whole region of Hong Kong is unequivocal and known to all". The Chinese government also issued the following statement:

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<sup>46</sup>SCMP, 28, 29 30, September, 1984.

<sup>47</sup>FEER, 1 October, 1982, p.10-11.

"Hong Kong is part of Chinese territory. The treaties concerning the Hong Kong area signed between the British government and the government of the Qing dynasty of China in the past are unequal treaties which have never been accepted by the Chinese people. The consistent position of the government of the PRC has been that China is not bound by these unequal treaties and the whole Hong Kong area will be recovered when conditions are ripe. Both the Chinese and British sides hope to maintain the prosperity and stability of Hong Kong, and therefore will hold discussion through diplomatic channels."<sup>48</sup>

It was seen as unwise for the British government to begin the talks by declaring the treaties valid. Such an attitude would have openly challenged China's well-known position -- that the treaties were unequal and unacceptable while it also could have alienated Hong Kong people because they "could hardly be expected to accept the proposition that Britain had the right to rule the territories because of some nineteenth-century gun-boat diplomacy conducted on behalf of drug dealers."<sup>49</sup>

In the British Foreign Office, there are some old China-hands who achieved their experience either through dealing with the Chinese in earlier negotiations, such as the negotiations leading to the normalization of bilateral relations, or by researching on China. At the beginning, though, Mrs Thatcher appeared not fully to trust the Foreign Office's advice, partly because of the poor performance of Foreign Office experts in handling the Falklands issue, and partly because of her own perception of the Hong Kong situation. Mrs Thatcher largely achieved her experience of foreign affairs from handling European issues, in which she was always tough and stuck to her principles. She seemed to behave similarly in

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<sup>48</sup> People's Daily, 30 September, 1982.

<sup>49</sup> See Ian Scott, *Political Change and Crisis of Legitimacy in Hong Kong*, Hawaii University Press, 1989, p176.

dealing with the Chinese, also sticking on matter of principle.<sup>50</sup>

On the other hand, it was also difficult to ignore the fact that it was primarily because on the three treaties that the United Kingdom had established its presence in Hong Kong and conducted the administration for so many years. It seemed that Britain had somehow to maintain the validity of the treaties, otherwise its presence and administration in Hong Kong would become invalid. Thus, maintaining the validity of the treaties became a natural focal point when London entered the negotiations with Beijing. Britain fully understood China's firm position on the question of the treaties. However, to establish a bargaining position by sticking with the treaties was a useful start from which it might be possible to gain compromises from the Chinese side on some other substantial matters.

Nevertheless, in spite of the confrontation over the treaties, Mrs Thatcher's visit was significant. It confirmed that both countries would solve the problem through diplomatic negotiations. More importantly, the two countries acknowledged the existence of common ground -- the maintenance of Hong Kong's stability and prosperity -- which became the most important basis for the later negotiations.

Another consequence of her visit was that, at least on the British side, the foreign office, particularly the old China hands, assumed an active role in the negotiations, and they adopted a more conciliatory approach than Mrs Thatcher's often

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<sup>50</sup>Interview with Richard Margolis in April 1989. Margolis was the deputy political advisor to the governor of Hong Kong and member of British team in the Sino-British negotiations.

confrontational style.

When Britain found Beijing's position on the question of sovereignty immovable, it not surprisingly made a compromise. In May 1983, Mrs Thatcher sent a letter to Chinese Prime Minister Zhao Ziyang, indicating that Britain would accept China's stand on the question of sovereignty. This breakthrough led to the second phase of the talks. Britain's strategy was then to stick to its position, proposing a transfer of sovereignty over Hong Kong Island and the Kowloon Peninsular in exchange for the continuation of its administration after 1997. This proposal was also backed by economic arguments and by public opinion. Britain thought that China would agree that Hong Kong was too important for China's modernization, and its strategic value to China too great, for its separate identity to be changed. As far as public opinion was concerned, Britain argued that the great majority of Hong Kong people wished the British administration to remain and did not want to change the status quo. Any change in Britain's role would damage the confidence of Hong Kong people, it was argued, and in particular business people. This, in turn would damage China's own interests.

China's negotiating style was typical -- to seek an agreement on a general principle and then to go through the details for further negotiations. In the words of a British diplomat, China would build a wall in front of its opponents before detailed talks began. The consequence was that either the wall would break since it was too weak, or else the opposition would tire and yield because the wall was too

strong.<sup>51</sup>

General principles, for China, are not simply an abstract stand, but reflect China's most important interests and its ideology. General principles can also be specific condition from which certain arrangements will follow. They are normally the focal point on which China's opponents disagree, and can easily become entangled in political or philosophical differences. A general agreement on a matter of general principle will usually create a good atmosphere for further talks, and can help build mutual trust and understanding. As Dr. Lucian Pye concludes in his book *Chinese Commercial Negotiating Style*, China certainly has other reasons to use this particular negotiating method. Firstly, the wording of general principles often makes it possible to extract concessions. Secondly, the Chinese side can sometimes quickly turn an agreement on principle into an agreement on goals and then insist that all discussion on detailed arrangements must be in line with those agreed-upon goals. Thirdly, the Chinese demand for an agreement on principle can be used later on to attack the other party for bad faith or for violating the spirit of the principles.<sup>52</sup>

- In the case of the Sino-British negotiations over Hong Kong, the general principle set up by the Chinese was the issue of sovereignty. From the very beginning of the negotiations, Beijing made its stand clear that it would recover its sovereignty over Hong Kong, and such a position

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<sup>51</sup>Interview with Richard Margolis in April 1989.

<sup>52</sup>Lucian Pye: *Chinese Commercial Negotiating Style*, Oelgeschlager, Gunn and Hain Publishers, Inc. Cambridge, Massachusetts, 1982, pp.140-145.

was not a subject for negotiation. In response to Mrs Thatcher's statement, made in Hong Kong after her visit to Beijing in September 1982, on the validity of the three treaties and on Britain's moral obligation to the Hong Kong people, a spokesman for the Chinese Foreign Affairs Ministry made the following statement:

"We maintain Xiang Gang (Hong Kong) is an issue involving the state sovereignty and national interests of the 1,000 million Chinese people, including the Chinese residents of Xiang Gang. The government of the People's Republic of China alone is in a position to state that, as the government of a sovereign country, it has a responsibility and duty to the Chinese residents in Xiang Gang."<sup>53</sup>

On various other occasions, Chinese leaders made similar statements, and Beijing never appeared to draw back from this position, even when Britain put forward the proposal of exchanging sovereignty for continued administrative powers. Britain's proposal was seen by the Chinese as a "reactionary doctrine for encroaching on other countries' territory and sovereignty" and "incompatible with the principle of state sovereignty." Beijing insisted that sovereign rights could not be divided from administrative rights. It argued: "According to international practice, when a state recovers its occupied territory from another state, it automatically resumes the exercise of sovereignty, including administration, over the territory." Thus, the Chinese government's decision to recover Hong Kong in 1997 was "in full accord with international law", whereas the British proposal, "clinging to the colonialist position and attempting to perpetuate British occupation of China's Xiang Gang area," was "in violation of

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<sup>53</sup>"The Government Statements of the PRC", People's Daily, 30 September, 1982; English text in Beijing Review, no.41, 11 October, 1982, p.10.

international law."<sup>54</sup>

China's attitude on the issue of sovereignty was indeed a very strong one, with the Chinese leaders maintaining that the PRC would never back away from its principles. China rejected Britain's proposal of a transfer of sovereignty in exchange for the continuation of its administration. The negotiations dragged on. Chinese leaders felt that Britain lacked sincerity and was playing for time. In August 1983, Hu Yaobang stated that China would take over Hong Kong on or before 1 July 1997. In the mean time, other Chinese officials urged Britain to avoid a rigid attitude in the Sino-British negotiations, and warned that if there was no agreement by September 1984 -- a date decided by Deng Xiaoping -- China would proceed unilaterally to announce its plans for Hong Kong.<sup>55</sup>

The financial markets of Hong Kong reacted nervously to the lack of any substantive progress in the negotiations, and confidence of Hong Kong people in a settlement over the territory was weakened. The downward trend of the Hong Kong dollar on the foreign exchange markets took continued during in the summer of 1983, against a background of rising political tensions. By middle of September, the exchange rate against the US dollar had further dropped from HK\$ 6 to HK\$7.89. When the talks in September ended, a two-paragraph announcement was issued, only setting the date for the next meeting. The markets responded with a further weakening of the Hong Kong dollar, which reached HK\$9.55 to the US dollar on the week-end of September 23-24. At the same time, the stock

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<sup>54</sup>Beijing Review, no.39, 26 September, 1983, p.17.

<sup>55</sup>*FEEER*, 25 August, 1983.

market suffered a 63.58 point fall to bring the Hang Seng index to 785.48.<sup>56</sup>

Chinese officials blamed the British and HK governments for failing to take appropriate steps to stabilize the situation, and they accused Britain of deliberately engineering a currency crisis in order to strengthen its case in the Beijing talks. Britain, on the other hand, urged China to adopt more positive measures towards Hong Kong's future. Sir John Bremrigge, the financial secretary of the Hong Kong government, openly blamed the Bank of China for buying heavily in US dollars, and declared that the slide of the Hong Kong dollar could not be arrested until "Beijing gives a positive sign about the progress of the talks".<sup>57</sup>

While there may be some truth in both sides' claims, the fundamental cause of the panic was a lack of confidence, reflecting profound apprehension about the uncertain future of the territory. The open confrontation between the two sides only worsened the situation.

Aware of the serious consequences of a collapse of the financial markets and the banking system, the government of Hong Kong abruptly reversed its financial stance from one of laissez- faire to active intervention. Various proposals for the stabilization of the currency were put forward. By the end of September, the currency crisis was under control, with the Hong Kong dollar pegged at \$7.80 to the US dollar.<sup>58</sup>

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<sup>56</sup>SCMP, 24 September, 1983.

<sup>57</sup>Hong Kong Standard, 17 September, 1983.

<sup>58</sup>Jao, *ibid.*, p.38-39

By holding a large pool of its foreign currency reserves in Hong Kong dollars, China suffered a considerable foreign exchange loss as a result of the devaluation of Hong Kong dollar. Another important impact of the financial crisis was that both China and Britain realized the necessity to avoid serious confrontations. From then on, mutual accusations stopped. This change was especially noticeable on the Chinese side. Britain, for its part, gradually moved away from its position on exchange of sovereignty for administrative rights.

After China had been assured of its position over sovereignty, it turned out to be flexible on concrete and specific matters, and was willing to make compromises in the detailed talks. The negotiations from then went on reasonably smoothly.

The Chinese side, though, were still reluctant to follow the British recommendations to flesh out China's principal position with much more specific details. The Chinese side lacked the experience and knowledge as to how Hong Kong was run, and it was therefore left to the British side to provide the detailed provisions to be written into the agreement.

In spring 1984, as the negotiations made considerable progress, Beijing proposed a joint commission with representatives from Britain, China and Hong Kong, to exchange information and to consult over the implementation of the agreement. China's proposal was regarded with grave suspicion by Britain and Hong Kong. They saw the commission developing into an alternative source of authority, weakening the Hong Kong administration during the transitional period. This difference was believed to be the most serious obstacle towards reaching a final agreement in September -- a deadline

set up by the Chinese side -- although some other problems also existed.

In July 1984, Sir Geoffrey Howe, the British foreign secretary, visited Beijing. He had already been in China in April the same year, when he had reached understanding on a number of substantive points with the Chinese leaders. Howe's visit in July was even more significant. He managed to reach agreement as well as an understanding with the Chinese side on almost all important matters. As result of his visit, the two sides agreed to set up a joint liaison group. The group's functions were defined as liaison, consultation on the implementation of the agreement and exchange of information.

However, Howe also gained "firm and specific assurances" from the Chinese leaders that the group would not be an organ of power, would have no supervisory role and would play no part in the administration of Hong Kong. In addition, Beijing agreed that after China resumed its sovereignty over Hong Kong in July 1997, the group would continue to work up to the year 2000. Such a move represented an important concession on the part of China, since it had previously rejected any idea of a continued official British presence in Hong Kong after 1997.<sup>59</sup>

Given that China's position in the negotiations was stronger than that of Britain, China demonstrated remarkable flexibility towards the settlement of Hong Kong's future. Such flexibility can be explained in several ways. Firstly, it has already been mentioned that Beijing never recognized the three

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<sup>59</sup>See *SCMP*, 29, 30, 31, July, 1984; For the leading articles on Howe's visit see, David Lipsey and Michael Jones: "Typhoon Warning, on negotiations between Britain and China", in Sunday Times, 29 July, 1984 and, Jonathan Mirsky: "The Deal in the Manchu Palace", in Observer, 5 August, 1984.

treaties, considering them as "products of British imperialist gunboat diplomacy towards China in the 19th century." Yet by setting 1997 -- the year when the lease on the New Territories expired -- as the deadline for establishing China's sovereignty, the Chinese took note of the existing three treaties and at least partially recognized them.

Secondly, Beijing had always held to the position that the unification of the whole of China was a domestic matter and that no other foreign country had a right to interfere. Nevertheless, Beijing largely treated the settlement of the question of Hong Kong as a diplomatic issue between China and Britain. It not only regarded Britain as a negotiating opponent, but also accepted that Britain should continue its administration until 1997. It considered it central to maintain good cooperative relations with Britain for the sake of Hong Kong's stability and development after 1997. China agreed in the Joint Declaration that the Sino-British Joint Liaison Group, which was established basically to ensure a smooth transfer of government in 1997, would continue its work until 1 January, 2000.

Thirdly, China normally chose to settle certain complicated issues in a more or less general way so as to have some leeway in a changing situation. But in the case of Hong Kong, China accepted Britain's approach of making specific arrangements and avoiding ambiguity. In the detailed talks, it was the British side who, in fact, took much of the initiative. The Chinese side appeared to respect Britain's knowledge and expertise on Hong Kong, and was receptive to Britain's insistence on certain specific matters.

## Conclusion

The Sino-British negotiations took place in a significant period when the post-Cultural Revolution changes in China were reaching a crucial point. Although the change in China's domestic politics provided scope for greater flexibility for the Chinese leadership in conducting external relations, policy-making in Beijing was still restricted by the growing ideological factor of nationalism. Nationalism legitimised and laid an ideological base for the CPC's policies, and was used as a major means for the party to mobilize people. Inevitably, Beijing's attitudes towards the sensitive issues of China's sovereignty and unification stayed cautious. Thus, while Beijing's proposals for unification with Taiwan were more responsive than previous ones to the reality of Taiwan's situation, its fundamental position -- that there was only one China and the central government of the PRC was the sole legitimate government representing the whole of China -- remained unchanged.

The post-Cultural Revolution Hong Kong policy of the PRC was designed to make use of Hong Kong in a more positive way. The Chinese leadership was well aware of the importance of a continuously successful Hong Kong to the mainland's modernization. In this connection, maintenance of the status quo under British rule seemed to suit China's interests best. However, Britain had to face the fact that its administration over the New Territories would automatically end when the lease expired in 1997 and, unless some arrangement with the Chinese government could be reached, the confidence of Hong Kong business people would diminish considerably, which in turn could lead to a collapse of Hong Kong's economy.

Initially, China tried to convince Hong Kong investors not to worry, but without offering any clear or authoritative commitments. In the end, the Chinese leaders found that they too had to deal with the same question that faced the British, and agreed with Britain to settle the issue by diplomatic negotiations.

China and Britain shared some important common interests: both wanted to maintain Hong Kong's stability and prosperity and both wanted better mutual relations. The question of sovereignty seemed to be the major issue on which the two countries differed. However, China's position on the issue was the firmer one. China could and was ready to take the risk even of sacrificing Hong Kong's stability and prosperity in order to recover sovereignty over Hong Kong. During the negotiations, the Chinese leaders made it clear several times that if Britain failed to reach an agreement with China, they would go ahead and announce their own solution for the settlement of the Hong Kong question. Britain took China's threat seriously, realizing that its own bargaining position was weaker than that of China because it could not take unilateral action. If it were to challenge or provoke China, Britain knew that it would be unable to handle the consequences effectively. In this context, Britain's concessions were inevitable, since it very much feared that a collapse of Hong Kong would create a serious problem of refugees for which Britain would have had to take the major responsibility.

China also made considerable compromises in order to maintain Hong Kong's stability. Under the framework of "one country, two systems", China tried to square its principle on

sovereignty with its more pragmatic aims of making use of Hong Kong for the benefit of the mainland's economic development.

During the negotiations, there was a deep mistrust between the two governments. The British side believed that the PRC lacked the requisite experience and expertise to run Hong Kong. China, viewed Britain as the old imperialist power that had forced it to sign various unequal treaties. In the eyes of the Chinese leaders, Britain had special interests in Hong Kong and would want something away from Hong Kong. Britain was concerned that China would kill the goose that laid golden eggs, while China, in turn, believed that Britain would take away the golden eggs. The two sides found common ground for cooperation -- to maintain Hong Kong's stability and prosperity -- on the basis of which they eventually reached an agreement. However, the mistrust still remained, particularly as to how to achieve these objectives.

It seemed that both the Chinese and the British governments were under pressure to reach agreement before the end of 1984. The deadline was actually decided by Beijing in order to put pressure on the British side. However, this, in turn, also limited China's flexibility. The Chinese leaders seemed not fully to understand that it was also important to define in detail the obligations that Britain should incur during the transitional period. According to the Sino-British agreement, it was the British and Hong Kong authorities who would have the administrative power to run Hong Kong, and China would have no formal platform to express its opinions about Hong Kong affairs before July 1997. Theoretically, Britain had the right to run Hong Kong on whatever basis it considered proper. It was not clear from the Joint Declaration

in what state Britain would restore Hong Kong to China, apart from handing back sovereignty over the territory. The governments of Britain and Hong Kong could take positive measures to maintain Hong Kong's stability and prosperity, or they could let Hong Kong's affairs slide. They could even withdraw from Hong Kong in advance, leaving the resulting situation to China to sort out.

The two sides agreed to set up a Joint Liaison Group (JLG). The JLG's functions were to conduct consultations on the implementation of the Joint Declaration; to discuss matters relating to the smooth transfer of government in 1997, and to exchange information and conduct consultations on such subjects to be agreed by the two sides. The purpose of the JLG was to liaise. It would play no part in the administration of Hong Kong or the Hong Kong SAR, and would have no supervisory role over that administration.

## Chapter Seven

### One Country, Two Systems

The concept of 'one country, two systems' was formally put forward by the Chinese government during the Sino-British negotiations on the future of Hong Kong. The Chinese leadership considered 'one country, two systems' as a framework for settling the issues of Hong Kong, Macao and Taiwan. Under this framework, ideally, the mainland would continue its socialist system while Hong Kong, Macao and Taiwan would maintain their capitalist systems within a unified China. The concept of 'one country, two systems' was also seen by the Chinese leaders as a good example of the peaceful settlement of issues left over by history. Deng Xiaoping stated that 'one country, two systems' was a new concept in the world, and a new way to solve conflicts, such as those between North and South Korea, or between East and West Germany.<sup>1</sup>

This chapter will first examine the development of the concept and its general definition, with reference to the case of Tibet. It will then analyse the respective positions of the mainland and Hong Kong, in relation to the characteristics of the mainland's socialist system and Hong Kong's capitalist system. There then follows a discussion about how China's leaders envisage relations between the central government and the Hong Kong Special Administrative Region (SAR), and how they expect China's sovereignty and Hong Kong's high degree of

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<sup>1</sup>"Deng Xiaoping talks to Hong Kong", in *Documents on 'One Country, Two Systems'*, edited by Taiwan Affairs Office of Shanxi Province, 1988; also see, *Beijing Review*, no.42, 15 October, 1984.

autonomy to fit into the framework of 'one country, two systems'. The chapter will also describe the major difficulties in fulfilling the concept of 'one country, two systems'. Finally, the position of Taiwan will be examined, as will the effect of a solution for Hong Kong on relations between Taiwan and the mainland, and the constraint that the factor of Taiwan placed on China's approach towards Hong Kong.

#### **7-1 The development of the concept and the theoretical dilemma**

The basic concept of 'one country, two systems' recognizes the reality existing in Taiwan, Hong Kong and Macao and seeks to continue the socio-economic systems there for a considerable period after the formality of reunification. Before the term was formally adopted by the Chinese, the core of the idea had already been seen in the change in Beijing's Taiwan policy after 1978. In November 1978, in an interview with the Washington Post correspondent, Deng Xiaoping said that after a peaceful reunification of the country, Taiwan might still retain its non-socialist economic and social system.<sup>2</sup> In a meeting with the governor of Hong Kong in March 1979, Deng again stated: "We have always taken the special status of Taiwan into account. The social system there need not change and people's living standards need not be affected, and as a local government, it may have extensive autonomy and armed forces for its own defence."<sup>3</sup>

However, it was in the announcement made by the NPC

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<sup>2</sup>"Deng On Maintaining Hong Kong Policy", in *Documents on 'One Country, Two Systems'*, edited by Taiwan Affairs Office of Shanxi Province, 1988; see also, Beijing Review, no.1, 4-10 January, 1988, p.17.

<sup>3</sup>*Ibid.*, p.13.

Standing Committee in September 1981, that the Chinese government formally stated that after reunification, Taiwan could enjoy a high degree of autonomy as a special administrative region and could retain its armed forces. This statement added that Taiwan's current socio-economic system would remain unchanged, as would its economic and cultural relations with other countries.<sup>4</sup> Although the term 'one country, two systems' was not explicitly stated, the idea was already clear.

According to Wide Angle, a pro-Beijing Hong Kong magazine, it was Hu Yaobang, then CPC general secretary, who first used the term 'one country, two systems' in a meeting at Fujian province in autumn 1981, when talking of China's policy on Taiwan.<sup>5</sup> It appeared to be Deng Xiaoping, who in a meeting with a foreign visitor in January 1982, openly adopted the term when he claimed that the NPC's statement in September 1981 "embodies the 'one country, two systems' principle". He said that the existence of two systems was permissible, and that the one need not undermine the other.<sup>6</sup>

During the negotiations between China and Britain on the future of Hong Kong, the concept was further developed. The Chinese leaders reiterated the concept of 'one country, two systems' on various occasions. For instance, in his working report to the second session of the Sixth NPC on 15 May 1984, Zhao Ziyang, then Premier of the State Council, stated:

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<sup>4</sup>"Chairman Ye Jianying's Elaborations On Policy Concerning Return of Taiwan To Motherland and Peaceful Reunification", Beijing Review, no.40, 5 October 1981, p.10.

<sup>5</sup>Wide Angle, Issue no.3, 1983.

<sup>6</sup>"Deng On Maintenance of Hong Kong Policy", Beijing Review, no.1, 4-10 January, 1988.

"Proceeding from the fundamental interests of the country and the nation, and in view of historic experiences and the present state of affairs in Taiwan, we have put forward the idea of 'one country, two systems', to be put into practice after the reunification of the country."<sup>7</sup>

Beijing claimed that it was in accordance with the concept of "one country, two systems" that China had reached agreement with Britain on Hong Kong. A Beijing Review editorial stated: "the formula of 'one country, two systems', which forms the basis of the Hong Kong accord, is not someone's whim. It is solidly grounded on a theoretical understanding of the extended duration of the socialist transition period. When this is appreciated, lingering doubts about the durability of the present arrangements will disappear." The editorial went on to claim that the question of the reunification of Taiwan with the mainland would be resolved with the same formula.<sup>8</sup>

In the framework of 'one country, two systems', the relations between the mainland, where a socialist system will presumably continue, and Hong Kong, where a capitalist system will remain, are central. These relations are potentially sensitive, particularly as the gap between the two systems is still wide. The concept of 'one country, two systems' can be seen as an outcome of Beijing's pragmatic tendency in its decision-making, but there exist theoretical dilemmas here.

A first difficulty arises from the problem of how to interpret the socialist national constitution in conjunction with a local capitalist law. It seems to be a contradiction under a socialist constitution containing the 'four cardinal

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<sup>7</sup>"Main Points of Zhao's Report to the Second Session of the Sixth NPC, People's Daily, 16 May, 1984; English text in Beijing Review, No.21, 21 May, 1984, p.17.

<sup>8</sup>"The Hong Kong Solution", Beijing Review, no.41, 8 October, 1984, p.4.

principles' that there should be room for the existence of a capitalist system.

This difficulty would seem to be solved by Article 31 of the Chinese constitution, which gives the NPC the right to set up special administrative regions in which different socio-economic systems can be adopted. According to the Sino-British agreement, the NPC was to enact and promulgate a Basic Law of the Hong Kong SAR in accordance with the constitution of the PRC, "stipulating that after the establishment of the Hong Kong SAR the socialist system and socialist policies shall not be practised in the Hong Kong SAR and that Hong Kong's previous capitalist system and life-style shall remain unchanged for 50 years".<sup>9</sup>

Thus, from a constitutional point of view, with the special article in China's national constitution and the international agreement between China and Britain, the Hong Kong SAR's capitalist status has a legitimate basis and legal protection.

The second difficulty is ideological. The CPC has maintained that 'the four cardinal principles' constitute the fundamental prerequisite for achieving China's modernization on a socialist basis, and has claimed to perceive a great danger of "bourgeois liberalization" in any challenge to the four principles. The CPC leadership has insisted that socialism was "the historically correct choice of the Chinese people" and that it was socialism that had "saved China" and had helped China to remain strong politically and militarily, enabling the country to stand independently in the world. It

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<sup>9</sup>See, Joint Declaration.

has argued that if China gave up socialism, then the developed foreign capitalist economies would "occupy China's markets and destroy China's national economy," and politically, China would "fall under their control and lose its independence in foreign affairs".<sup>10</sup>

On the other hand, Chinese scholars have managed to find some justifications for the 'one country, two systems'. They have argued that although there was no such notion as 'one country, two systems' in the classical Marxist works or the works of Mao, the concept was actually not in contradiction with the principles of Marxism, since the core of Marxism and Mao Zedong thoughts was to 'seek truth from the facts'. The concept of 'one country, two systems' was a result of combining the basic principles of Marxism with the changed situation in order to solve a new problem.<sup>11</sup>

The scholars have suggested that the social system in the mainland was very advanced, but that the productive forces were poor. The gap between the advanced social system and the backward productive forces thus became the major contradiction in present-day China. Maintaining the current capitalist system in Hong Kong would, in the first place, help to develop Hong Kong's economy, since the capitalist system in Hong Kong still had room for the development of productive forces. Secondly, it could benefit the mainland's economic development, by providing financial assistance, advanced technology and management experience. Thus, 'one country, two

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<sup>10</sup>"Official Stresses the Four Principles", Beijing Review, No.3 19 January, 1987, p.4.

<sup>11</sup>Lu Deshan, "On 'One Country, Two Systems'" (Lun 'Yiguo Liangzhi), in Journal of Social Science, Jilin University, China, March, 1986.

systems' was in accordance with the ultimate aim of socialism -- to develop productive forces. The development of social productive forces was also the most important criterion for upholding socialist principles, and therefore, the implementation of the concept of 'one country, two systems' itself meant the maintenance of socialist principles.<sup>12</sup>

Clearly, Chinese scholars tended to underestimate the significance of the ideological differences between Hong Kong and the mainland, by interpreting socialism in a pragmatic way. They suggested that Hong Kong was a small place with only 5.5 million people and was therefore insignificant in comparison with the rest of China. The implementation of a capitalist system, in such a small place would not, they thought, in any way, change or damage the true nature of socialism in the mainland.<sup>13</sup> Some scholars further argued that it was nationalism and patriotism that were more relevant in the case of Hong Kong, since the majority of people in Hong Kong were Chinese and they accepted the fact that Hong Kong was a part of China. Indeed, patriotism is probably the only ideology which could bind Hong Kong to the mainland without harming Hong Kong's position. However, Beijing could use patriotism as a means of putting pressure on Hong Kong.

Yet, these arguments still lack profound analysis of the concept, and merely provide simplistic justifications for already-existing government policy. Since the 'one country,

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<sup>12</sup>He Ren, "On 'One Country, Two Systems' and Upholding Socialist Principles" (Lun Yiquo Liangzhi he Jianchi Shehui Zhuyi Ruanze'), in Commentary of Law, Beijing, China, Feb., 1985, pp.10-13.

<sup>13</sup>He Ren, "On 'one country, two systems' and Upholding Socialist Principles", Commentary of Law, Feb., 1985,

two systems' concept has been regarded as the best formula by the Chinese government to settle the issue of Hong Kong, Macao and Taiwan, it has become a highly sensitive subject. All openly published materials and articles on this subject have had to be consistent with the government line. Thus, it is difficult for Chinese scholars further to develop the concept within the mainland.

### **7-2 A relevant case study**

Countries with different social systems manage to co-exist for long periods, because they acknowledge the principle of sovereignty and non-interference in each other's internal affairs. Within a single country, where the central authority has the absolute power to conduct its internal affairs and no external country is in a position to intervene, it is questionable whether the government can maintain two distinct social systems. The CPC had always considered that the principle of peaceful coexistence was applicable only to international relations, and that it was not applicable to the "relations between oppressed and oppressor nations", between "oppressed and oppressor countries", or between "oppressed and oppressor classes". It had also held that so long as "the state remains a state, it must bear a class character" and "there must exist class struggle".<sup>14</sup>

With the changes in China's domestic politics, the principle of peaceful coexistence was developed in a more flexible way. Deng Xiaoping stated that the principle of

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<sup>14</sup>"A Proposal Concerning the General Line of the International Communist Movement", the CPC's letter to the Communist Party of the Soviet Union on 14 June 1963; *ibid.* pp.406-420.

peaceful coexistence was a good method not only to handle state relations, but also a good method to deal with internal affairs.<sup>15</sup>

PRC leaders and scholars have claimed that peaceful coexistence between two different systems within China had the following aims: to settle all disputes by peaceful means on the base of respecting reality and history; neither sides to undermine the other, but to complement each other; mutual cooperation and mutual understanding. However, they have also claimed that the major part of the system within the framework of 'one country, two systems' should be socialist in nature and that the central government should represent the national sovereignty when the special administrative regions should only have autonomous rights granted by the National People's Congress.<sup>16</sup>

Some Chinese scholars have argued that two different systems have in the past existed both in China and other countries. According to their view, the cases in question include a dual system of a slavery system and feudalism in the Liao Dynasty of 926-1125 A.D. in China; a dual system of slavery and feudalism in Japan from the 7th century to the 9th century; and the coexistence of a feudalist slavery system in the South and a capitalist system in the North in the United

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<sup>15</sup>Deng Xiaoping, *To Construct Socialism with Chinese Characteristics* (Jianshe You Zhongguo Teshe de Shehui Zhuyi), People's Press, Beijing, 1987, p.84.

<sup>16</sup>Deng Xiaoping, "Talks to the Delegation of Hong Kong Prominent Business People" on 22, 23 June, 1984; in On 'One Country, Two Systems', edited by the Taiwan Affairs Office of Shanxi Province, 1988, pp.9-10.

States in the period of 1789-1865.<sup>17</sup>

However, other Chinese scholars have held different views, and they have argued that there must exist distinguishable differences between the two systems and that they must represent two totally different and opposing socio-economic systems, such as capitalism and socialism. In the cases mentioned above, there was no fundamental difference between the two systems because they were all exploitative ones, and therefore, they could not be viewed as 'one country, two systems'. According to this view, the two systems must be opposing ones, and must have their respective administrative regions and conduct themselves independently.<sup>18</sup>

According to this definition, it seems that in East Asia there has been only one case which fits the criteria of 'one country, two systems' -- namely the case of Tibet. This case was, in fact, mentioned by some Hong Kong scholars as an example to challenge the feasibility of the concept of 'one country, two systems'. In some of the papers written by the PRC scholars, the case of Tibet was also mentioned. For instance, an article on 'one country, two systems', published in the Journal for Taiwan Studies, stated:

"After the establishment of the PRC, a system differing from that of other provinces was introduced in Tibet. The central government fulfilled strictly the 'Agreement of the Central People's Government and the Local Government of Tibet on the Measures for the Peaceful Liberation of Tibet' reached in May 1951. For the next eight years, Tibet continued to implement a feudal slavery system. In March 1959, the ruling

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<sup>17</sup>Li Jiachun and Yao Yiping, "On 'One Country, Two Systems'", in Journal of Taiwan Studies, Issue no.1, 1986.

<sup>18</sup>Lu Deshan, "On 'One Country, Two Systems' from the Constitutional Perspective" (Cong Xianfaxue Lun Yiguo Liangzhi), Journal of Social Science, Jilin University, China, March 1986; pp.48-53.

clique of Tibet, at the instigation of foreign powers, openly tore up the agreement and launched an armed revolt, in an attempt to establish the independence of Tibet. Then, the central government, in coordination with local patriotic leaders, and strongly urged by Tibetan people, gradually carried out democratic reforms and abolished the brutal slavery system."<sup>19</sup>

On another occasion, though, a senior Chinese official dismissed the case of Tibet as being of relevance to Hong Kong, saying that: "the Tibetan example is cited repeatedly by some scholars, but that is a complete distortion because there was an open rebellion there that was supported by foreign powers".<sup>20</sup>

Both the arguments of PRC scholars and Chinese official statements contain considerable ambiguity. However, the case of Tibet is frequently mentioned by those who are doubtful about the concept of 'one country, two systems', suggesting that what happened in Tibet will inevitably be repeated in Hong Kong. It is therefore necessary to examine in greater depth the case of Tibet in order to identify more clearly the points of commonality and difference with the case of Hong Kong.

In constitutional theory, Tibet had a completely different system from rest of China before 1959. There was also an agreement between the central government and the local Tibetan government to maintain the status quo in Tibet. For about eight years after this agreement, Tibet enjoyed considerable autonomous rights, allowing the Tibetan government to conduct local affairs based on established practice. The Chinese

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<sup>19</sup>Li Jiaquan and Yao Yiping, "On 'One Country, Two Systems'" in Journal for Taiwan Studies, Issue no.1, 1986.

<sup>20</sup>Li Chuwen, Deputy Director of the NCNA in Hong Kong, interviewed by Newsweek 23 January 1984, p.48.

central government promised not to change the existing socio-economic and political system, nor to introduce reforms in Tibet. The main clauses of the agreement stated:

"1. The Tibetan people shall unite and drive out imperialist aggressive forces from Tibet; the Tibetan people shall return to the big family of the Motherland—the People's Republic of China.

"2....

"3. ... the Tibetan people have the right of exercising national regional autonomy under the unified leadership of the Central People's Government.

"4. The central authorities will not alter the existing political system in Tibet. The central authorities will also not alter the established status, functions and powers of the Dalai Lama. Officials of various ranks shall hold office as usual.

"5....

"7. The policy of freedom of religious belief laid down in the Common Programme of the CPCC shall be carried out. The religious belief, customs and habits of the Tibetan people shall be respected, and lama monasteries shall be protected. The central authorities will not effect a change in the income of the monasteries.

"8. Tibetan troops shall be introduced by stages into the PLA, and become a part of the national defence forces of the PRC.

"9. The spoken and written language and school education of the Tibetan nationality shall be developed step by step in accordance with the actual conditions in Tibet.

"10. Tibetan agriculture, livestock raising, industry and commerce shall be developed step by step, and the people's livelihood shall be improved step by step in accordance with the actual conditions in Tibet.

"11. In matters relating to various reforms in Tibet, there will be no compulsion on the part of the central authorities. The local government of Tibet should carry out reforms of its own accord, and when the people raise demands for reform, they shall be settled by means of consultation with the leading personnel in Tibet.

"12 In so far as former pro-imperialist and pro-KMT officials resolutely sever relations with imperialism and the KMT and do not engage in sabotage or resistance, they may continue to hold office irrespective of their past.

"14. The CPG shall conduct the centralised handling of all external affairs of the area of Tibet; and there will be peaceful co-existence with neighbouring countries, establishing relations with them on the basis of equality, mutual benefit and mutual respect for territory and sovereignty.

"15. In order to ensure the implementation of this agreement, the CPG shall set up a military and administrative committee and a military area headquarters in Tibet, and, apart from the personnel sent there by the CPG, shall absorb as many local Tibetan personnel as possible to take part in the work.

"16. Funds needed by the military and administrative

committee, the military area headquarters and the PLA entering Tibet, shall be provided by the CPG.<sup>21</sup>  
"17....

All the same, autonomy in Tibet was restricted, though it was much greater than that in other autonomous regions, such as Xinjiang and Inner Mongolia. The local government did not have right to conduct its external relations, and there was no separate customs border. Theoretically, local officials, including the Dalai Lama, had to ask permission from the central government to visit foreign countries. The Tibetan government was under the close supervision of the military administrative committee. The stationing of the PLA in Tibet was important, since the army could carry out defence activities, and at the same time watch over Tibetan activities and act as a deterrent force.

According to some Western observers, the Chinese government was cautious towards changes in Tibet. "Most of the effect [of Chinese rule] was informal and indirect", they wrote, "and much of it concerned only the fringe areas of Tibetan life without penetrating the inner recesses of the communities' traditions... Although many of the more barbaric and objectionable aspects of Tibetan customary law and justice were discouraged and in practice abandoned, the main body of communist China's statutory law was never enforced in Tibet."<sup>22</sup>

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<sup>21</sup>"The Agreement of the Central People's Government and the Local Government of Tibet on Measures for the Peaceful Liberation of Tibet", in *People's China*, vol.iii, no.12. 16 June, 1951.

<sup>22</sup>George Ginsburg & Michael Mathos, "Communist China's Impact on Tibet: The First Decade (II)", *Far East Survey*, New York, 29, 8, 1960, p.123. See also, A. Tom Grunfeld, *The Making of Modern Tibet*, Zed Books Ltd., 1987, p.119.

On 27 February 1957, Mao Zedong made a speech to a state conference in which he reaffirmed China's policy on Tibet:

"Democratic reforms have not yet been carried out in Tibet because conditions are not ripe. According to the seventeen-article agreement reached between the Central People's Government and the local government of Tibet, reform of the system must be carried out, but the timing can only be decided when the great majority of the people of Tibet and the local leading political figures consider it opportune, and we should not be impatient. It has now been decided not to proceed with democratic reforms in Tibet during the period of the Second Five Year Plan (1958-1962). Whether to proceed with them in the period of the Third Five Year Plan can only be decided in the light of the situation at the time."<sup>23</sup>

The local party and army leader also stated in 1956:

"Tibet has no other road to travel but the road of socialism. But socialism and Tibet are still very different from each other. A gradual reform has to be carried out...This will depend on circumstances and it will be carried out by the leaders of the people of Tibet and will not be imposed on them by force by other people."<sup>24</sup>

Yet, some important steps towards changes were still taken, including the setting up of the "Preparatory Committee for the Autonomous Region of Tibet" in April 1956, with the Dalai Lama as the chairman and the Panchen Lama as vice-chairman. The committee had fifty-one members. Although only five of them were officials sent by Beijing, the committee functioned only on matters that the Chinese authorities had already decided. "Far from having a hand in the decision-making, the Tibetan representatives could neither bring forward new proposals nor express any disagreement with Chinese decisions."<sup>25</sup> Thus, the establishment of the committee

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<sup>23</sup>Mao Zedong, "Speech at the Eleventh Session (Enlarged) of the Supreme State Conference", in *Selected Work of Mao Zedong*, Foreign Language Press, Beijing, 1978, vol.V.

<sup>24</sup>Zhang Guohua, "Work on the Tibet Region", RMRB, 21, 56. Also see, Grunfeld, *ibid.*, p.122.

<sup>25</sup>See, Tsepon W.D. Shakabpa, *Tibet a political history*, Yale University Press, 1967, p.310.

was seen as an important step towards changing the constitutional structure of Tibet.<sup>26</sup>

Chinese leaders seemed under pressure to "offer some relief to the masses in order to gain their allegiance", though they acknowledged that changes could create alienation and resentment.<sup>27</sup> On the other hand, there existed powerful forces in Tibet which desired independence and resisted Han presence in the region. A confrontation was inevitable. The coexistence of the two systems ended in 1959 after a unsuccessful revolt led by the high ranking monasteries.

A combination of factors contributed to destroy Beijing's original plans for Tibet. As A. Tom Grunfeld has stated, these included a "misunderstanding of the nature of Tibetan society, a lack of consistency in Beijing's political line, persistent Chinese chauvinism and an inability to respond adequately to growing resentment on the part of the Tibetan populace".<sup>28</sup>

In comparison with the situation of Hong Kong, Tibet's position was more vulnerable. Firstly, the agreement between

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<sup>26</sup>See, *Tibet and the People's Republic of China, A Report to the International Commission of Jurists by its Legal Committee on Tibet*, International Commission of Jurists, Geneva, 1960. p.

<sup>27</sup>The Tibetan leaders also acknowledged the necessity of reforms. As the Dalai Lama stated: "We have no desire to disguise the fact that ours is an ancient society, and that we must introduce immediate changes in the interests of the people of Tibet. In fact, during the last nine years, several reforms were proposed by me and by my government, but every time these measures were strenuously opposed by the Chinese in spite of popular demand for them, with the result that nothing was done for the betterment of the social and economic conditions of the people." "The Dalai Lama's statement at a press conference held in Mussoorie, India" on 20 June 1959. see, Tsepom W.D. Shakabpa, *Tibet: A Political History*, Yale University Press, 1967, pp.314-315. See also, Grunfeld, *ibid.*, p.119.

<sup>28</sup>Grunfeld, *ibid.*, p.126.

the CPG and the local Tibetan government was not an international<sup>29</sup> agreement, and the CPG was not bound by international law. There was no third party which was in a position to influence the CPG's policy. Secondly, there was no clear guarantee from the CPG as to how long the existing Tibetan status quo would be maintained. To maintain the status quo in Tibet was clearly an expedient and a tactical policy, rather than a 'fundamental state policy'. Although the Chinese leaders were committed not to alter the status quo in the short term, they believed that the Tibetan system had to be changed when the conditions were ripe. The Seventeen Point Agreement in fact stipulated that the Tibetan government should carry out reforms of its own when the people raised demands for reform. The term 'people', though, was left ambiguous.

Thirdly, there were strong ideological and cultural tensions between the two sides. According to Chinese leaders, the social system of Tibet was "a reactionary, dark, cruel and savagely feudal serf system", and only the introduction of democratic reforms would "liberate the Tibetan people, develop the economy and culture of Tibet and provide the groundwork for building a prosperous, happy and socialist Tibet."<sup>30</sup> The Han often considered themselves superior: culturally, politically and militarily. Attitudes of cultural superiority led to policies that only further exacerbated mutual hostility.<sup>30</sup>

Above all, the independent tendency among Tibetans came to

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<sup>29</sup>Resolution of the Preparatory Committee for the Autonomous Region of Tibet, NCNA, 20 July, 1959.

<sup>30</sup>Grunfeld, *ibid.*, p.126.

be the most important source of confrontation between the two sides. The Tibetan government was accused by the CPG of violating the Seventeen Point Agreement, particularly relating to activities for independence. With a vast land and rich natural resources, Tibet was important to China, strategically and economically. In addition, China was deeply concerned about a possible 'chain reaction' following Tibetan independence, since China's other minority regions, such as Xinjiang and the Inner Mongolia, could follow Tibet in demanding independence. Official Chinese historiography has seen Tibet as a classic example of separatism being encouraging and assisted by foreign imperialists, and as an area that all Chinese patriots (who were mainly Han Chinese) were determined to see re-united with China. Thus, while the PRC was flexible towards the apparently intolerable socio-economic conditions that it saw in Tibet, it became quite ruthless towards the independence tendency there, since it related to the highly sensitive matter of sovereignty.

In spite of these differences, the case of Tibet still contains some valuable lessons for Hong Kong. For the Chinese government, it is important to demonstrate its sincerity not only by words, but also by actions, in the implementation of the concept of 'one country, two systems' and the Sino-British agreement. It is also important that a greater understanding of the political and socio-economic nature of Hong Kong be achieved by the Chinese leaders, as well as by the Chinese officials who manage Hong Kong's affairs on a daily basis.

For the international community, especially the United Kingdom, certain international assurances are essential in safeguarding Hong Kong's freedoms. The notions of

'sovereignty' and 'internal affairs' must not be seen as unchallengeable, particularly when they are used as a cover by authorities for their possible erroneous policies or actions. After all, the 1984 Sino-British Joint Declaration was an international agreement and was registered at the United Nations.

### 7-3 The uncertainty of the socialist system in the mainland

In Marxian theory, socialism denotes a system of production relations that is supposed to characterize the transitional stage between capitalism and communism. In the phase of socialism, the state remains in place, serving as the instrument of the working classes in a revolutionary dictatorship, and upholding a new order of legality and a new system of rights, in such a way as to permit the emergence of true common ownership and the eventual abolition of the state. In socialist society, the means of production are taken into social ownership and each producer remunerated in accordance with work done.

The CPC divided the Chinese revolution into basic two stages. The first stage was the bourgeois-democratic revolution, up to land reform in the early 1950s, in which the CPC's task was to overthrow imperialist, feudal and bureaucrat-capitalist rule. As a result of the seizure of power on the mainland by communist forces and the completion of land reform led by the CPC in the early 1950s, it was claimed that thenceforth China had entered the era of socialist revolution and socialist construction. After land reform, the CPC launched a campaign of socialist transformation, which was designed to "alter capitalist ownership and

the system of private ownership" in agriculture, handicrafts and capitalist industry. By 1956, most of Chinese agriculture had been collectivised and privately-owned industries were transformed into state-owned and collectively-owned operations. The Eighth Congress of the CPC thus declared that the socialist system had been basically established and that the principal contradiction within the country was no longer the one between the working class and the bourgeoisie, but rather that between "the people's demand for the building of an advanced industrial country and the realities of a backward agricultural country, between the people's need for rapid economic and cultural development and the inability of China's present economy and culture to meet that need."<sup>31</sup>

After 1958, China's economic development was dominated by the more radical approach which led to the Great Leap Forward. As a result of the Great Leap Forward, the rural commune system was established, further collectivizing China's agriculture, and numerous private small industrial and commercial units, small co-operatives and industrial business were merged with state enterprises. The Great Leap Forward led to a great setback for China's economy and to a division within the Chinese leadership over development strategy and the implications of ideology. It also reflected some of the intrinsic problems of the system.

These problems had in fact been exposed by Chinese intellectuals during the Hundred Flowers movement of 1956-57, in which they were encouraged to criticize bureaucratic and elitist tendencies in the party leadership. The Hundred

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<sup>31</sup>Supplement to People's China, no.22, 1956, pp.1-2.

Flowers movement ended with the Anti-Rightist campaign. The campaign smothered the first serious attempt led by intellectuals to challenge the existing political system, dominated by the CPC, and to demand greater freedom and democracy.

After the Great Leap Forward, the moderate leadership within the Party tried to introduce limited reforms in order to save the crumbling economy, but such reforms were restricted to the economic field. In the political field, the CPC further consolidated its control. The practice of putting "politics in command to override objective constraints" and the notion of class struggle were strengthened. The Tenth Plenary Session of the Eighth Party Central Committee, meeting in October 1962, set a line which considered socialism as a transitional period from capitalism to communism, and in which existed a class struggle between the working class and bourgeoisie. The Plenary Session also established class struggle as the basic line of the party. Since that time, as official Chinese historians claims, China has been faced with two entirely different paths: one entailing a further consolidation of socialism and steps towards communism, and the other a weakening of socialism and steps towards capitalism.

As has been discussed in Chapter Four, the post-Cultural Revolution reforms brought a great relaxation and changes to all aspects of Chinese life, providing opportunities to re-examine the basic political and economic principles and practices of Mao's era. On the other hand, it also raised questions about the future of socialism in China and about the legitimacy of the revolution that brought the Chinese

communists to power in the first place. The Chinese leadership admitted that the question of socialism was not fully understood by the Party. Deng Xiaoping stated on various occasions that it was important to understand properly the principles of socialism in carrying out "socialist revolution and socialist construction". He posed the problem of what socialism was and how it should be built.

Yet, in reviewing China's social, economic and political systems, the Party continued to hold that China was a socialist country. As the Chinese leadership continued to emphasize the importance of economic development, it also gave considerable attention to the question of how to remain true to the ideals of socialism and to "safeguard the socialist orientation of China's modernization". Deng was once closely associated with Mao's position of class struggle. Although he has no longer believed that there existed two different lines within the Party, he was still deeply concerned that the danger for China becoming a capitalist country continued to exist.

The Chinese leadership acknowledged the necessity of political reform and realised that, without political reform, it would be difficult to push forward China's economic reforms. Nevertheless, with the establishment of the 'four cardinal principles' as the Party's guideline, the CPC's political reforms were limited. The main reforms were designed to separate the functions of the party from those of government; transfer power to low levels; simplify administration; reform the state and party personnel systems; and enhance socialist democracy and impose the socialist legal

system.<sup>32</sup> The general objective of the reforms was limited to consolidating "socialist productive forces and establishing an effective working system at the various levels of government, promoting a better exercise of governmental function and powers."<sup>33</sup>

Ironically, just when the CPC leadership was emphasizing the importance for China of holding on to socialism and Marxism, it failed to give a clear definition of socialism and Marxism. On the one hand, it claimed that "the scientific predictions of Marx and Lenin remain the guide" to China's development, but on the other hand, it also admitted that classical Marxism was insufficient for the study of a socialist economy because "socialist systems never existed in Marx's and Lenin's time". Socialism with Chinese characteristics also remained ambiguous. The CPC leaders acknowledged that "building socialism in a large and backward eastern country such as China is something new in the history of the development of Marxism" and that China would have to find a way to build socialism with Chinese characteristics through practice".<sup>34</sup> In other words, as a senior official pointed out, China would "neither follow the capitalist road nor copy the Soviet model, nor return to the old track of

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<sup>32</sup>Deng Xiaoping, "On the Reform of the System of Party and State Leadership", speech at an enlarged meeting of the Political Bureau of the CPC Central Committee in 1980, English text in *Selected Works of Deng Xiaoping*, Foreign Language Press, Beijing, 1987, pp.309-317.

<sup>33</sup>Deng Xiaoping, *ibid.*

<sup>34</sup>Zhao Ziyang, "Advance along the Road of Socialism with Chinese Characteristics", Report delivered at the 13th National Congress of the CPC on 25 October, 1987, see, People's Daily, 26 October, 1987; English text in Beijing Review, No.45, 15 November, 1987.

before 1979".<sup>35</sup>

However, the Chinese leadership is agreed that the CPC must maintain its dominant role in China's politics. Deng Xiaoping stated in no uncertain terms that "to uphold the four cardinal principles, the key lies in upholding the Party leadership". CPC leaders have argued that a big country like China would be "torn apart and accomplish nothing without the leadership of the Communist Party" and that "only under the Party leadership can the nation remain politically stable and focus its people's will and strength on reform and development". "The Party," Zhao Ziyang once argued, "has made mistakes in the course of successfully leading the Chinese revolution and construction, but it is none other than the Party itself that has corrected these mistakes in a most resolute and courageous manner. True, there are not a few weaknesses in the Party, but it is precisely the Party itself that has taken the initiative openly to expose and overcome them."<sup>36</sup>

Thus, even though the reforms led to a move away from a Soviet-type centrally planned economy towards a reliance on market forces, resulting in some freedom in the economic sphere and, to certain extent, in intellectual circles, there has so far been no significant change in the political sphere, particularly as regards the leadership of the Party. On the contrary, demands for political freedom and challenges to the Party in the post-Mao period have encountered great dif-

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<sup>35</sup>Interview with Ke Zaisuo, the head of Chinese side of the Sino-British Joint Liaison Group in April 1989.

<sup>36</sup>Zhao Ziyang, "On the Two Basics of the Party Line", People's Daily, 29 January, 1987.

ficulties, and, sometimes, even suppression and persecution.

Yet, if it is to maintain its dominant position, the CPC has to adjust its policies against a changing situation and rectify its errors. Its policy has to be acceptable to both the Chinese people and the international community. The reforms initiated by the CPC won considerable support internally and externally. The CPC has to continue the reform process, for any setback would inevitably damage its own position. While it might still adopt a rigid attitude towards profound political reforms, it has not introduced even mild reforms such as a relatively independent media and judiciary and more freedom for Chinese citizens to exercise their political rights. However, the major question is, as the Chinese leaders themselves have said, whether China's economic reforms can continue without any significant political reforms. If China's economy fails to meet the Chinese people's demands, then the leadership of the CPC will be seriously shaken and the future of socialism in China might be in question.

Much evidence suggests that the passive attitude adopted by the CPC leadership towards political reforms and the legacy inherited from the past created great uncertainties in China's politics and development. Socialism was less clearly defined, but that did necessarily not mean that the CPC was interested in an alternative ideology or way of development. Thus, 'one country, two systems' could be implemented either in a restrictive way, while the conservatives dominated China's decision-making, or in a more flexible way, while the reformers consolidated their position.

#### 7-4 The prospects for capitalism in Hong Kong

On 22 June, 1984, Deng Xiaoping met a group of Hong Kong business people, and the following day some prominent Hong Kong figures, including Sze-yuen Chung, Lydia Dunn and Q.W. Lee. In his talks with these people, Deng, for the first time, described China's detailed policy regarding Hong Kong's future. He said:

"We have said on many occasions that Hong Kong's current socio-economic system, its life-style and its position as a free port and an international trade and financial centre will remain unchanged after China resumes the exercise of its sovereignty over Hong Kong in 1997. Hong Kong can go on maintaining and developing economic relations with other countries and regions. We have also stated repeatedly that, apart from stationing troops there, Beijing will not dispatch cadres to work in the government of the Hong Kong special administrative region."<sup>37</sup>

Deng's statements provided the core for China's proposals towards Hong Kong after 1997. In the 1984 Sino-British Joint Declaration, the position of Hong Kong's economic system was formally defined as follows:

"(6) The Hong Kong SAR will retain the status of a free port and a separate customs territory.

(7) The Hong Kong SAR will retain the status of an international financial centre, and its markets for foreign exchange, gold, securities and futures will continue. There will be a free flow of capital. The Hong Kong dollar will continue to circulate and remain freely convertible.

(8) The Hong Kong SAR will have independent finances. The Central People's government will not levy taxes on the Hong Kong SAR.

(9) The Hong Kong SAR may establish mutually beneficial economic relations with the United Kingdom and other countries, whose economic interests in Hong Kong will be given due regard.

(10) Using the name of 'Hong Kong, China', the Hong Kong SAR may on its own maintain and develop economic and cultural relations and conclude relevant agreements with states, regions and relevant international organizations."<sup>38</sup>

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<sup>37</sup>"Deng Xiaoping On Hong Kong Issue", in *Documents on 'One Country, Two Systems'*; also see, *Beijing Review*, no.30, 23 July, 1984, pp.16-17.

<sup>38</sup>See 'Sino-British Joint Declaration on Future of Hong Kong'.

A more detailed description of the provisions for Hong Kong's economy was provided in an annexa. It can be seen that Hong Kong's existing economic system and practices were well defined under the Sino-British agreement.

Clearly, maintaining Hong Kong's economic stability and prosperity was the common aim of the PRC and the United Kingdom. Chinese officials, in fact, showed a considerable understanding for the necessity for Hong Kong to continue its capitalist economic, trade and financial systems. It would seem justifiable to conclude that, as long as China was able to benefit from Hong Kong's economic system, Beijing's commitment would be granted.

However, on the question of the political system, the Sino-British agreement contains a certain degree of ambiguity. According to the agreement, the Hong Kong SAR "will be vested with executive, legislative and independent judicial powers". Its government "will be composed of local inhabitants", and the chief executive "will be appointed by the Central People's government on the basis of the results of elections or consultations to be held locally". "Principal officials will be nominated by the Chief Executive of the Hong Kong SAR for appointment by the Central People's government". The agreement also stipulates that "rights and freedoms, including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of academic research and of religious belief will be ensured by law in the Hong Kong SAR". "Private property, ownership of enterprises and legitimate right of inheritance and foreign investment will also be

protected".<sup>39</sup>

In an appended annex, the Chinese government elaborates that: "the legislature of the Hong Kong SAR shall be constituted by elections. The executive authorities shall abide by the law and shall be accountable to the legislature."<sup>40</sup>

It is obvious that the provisions defining the future Hong Kong's political system are more progressive and more democratic, especially regarding the organization of government, than the current system in Hong Kong as defined by the Letters of Patent. The current Hong Kong government is not democratic, since it is not elected by the people of the territory, but is instead appointed by the government of the United Kingdom. Peter Wesley-Smith, a leading Hong Kong legal scholar, has written:

"The Prime Minister is responsible to an electorate but Hong Kong citizens have no voting rights. The government of Hong Kong must act in obedience to law, including law made locally, and cannot necessarily control the law-making process, yet it is constitutionally responsible to Britain, not to the people it governs...Whether the system in Hong Kong operates effectively and provides good government is a different question from whether it is democratic."<sup>41</sup>

Thus, it was not surprising that the Sino-British agreement failed to give a clearer definition of Hong Kong's political system and the direction in which such a system should develop. The Chinese side knew what it wanted. It was possible, if China had insisted, have demanded a specific clause to be written into the Sino-British agreement in order

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<sup>39</sup>*Ibid.*

<sup>40</sup>*Ibid.*

<sup>41</sup>Peter Wesley-Smith, *An Introduction to Hong Kong's Legal System*, p.26.

to seal the current political institutions in Hong Kong. It was the British side that was reluctant to do so.

The British government and Hong Kong government were well aware of the weakness of the political system of Hong Kong, and twice proposed a democratic reform before the 1980s. With the settlement of Hong Kong's future, the Hong Kong government and the British government saw an even stronger demand for reform of the colonial system, and set out to create a more democratic system before 1997. Such an intention was clearly stated in the Green Paper of the Hong Kong government, entitled 'Further Development of Representative Government in Hong Kong', which was published on 18 July, 1984. The objective of the proposals put forward in the Green Paper was "to develop progressively a system of government, the authority for which is firmly rooted in Hong Kong, which is able to represent authoritatively the views of the people of Hong Kong, and which is more directly accountable to the people of Hong Kong."<sup>42</sup>

It ought to be noted that although the government of Hong Kong is not democratic, the colonial administration is accountable to the democratic government of the United Kingdom. The government is restrained, in Wesley-Smith's words, "not by fear of losing the next election, but by its own notions of how it should carry out its functions, by responsibility to Her Majesty's government in the United Kingdom and, ultimately, by the threat of civil unrest by Hong Kong residents. Many people in Hong Kong, especially the younger generation and intellectuals, fear that in the absence

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<sup>42</sup>See, *Hong Kong Annual Report*, 1985.

of democracy, freedom and the rule of law are the gifts of the rulers, which can also be withdrawn when it pleases them".<sup>43</sup>

Hence, to a certain extent, the Hong Kong government's proposals reflected the anxiety of Hong Kong people, and particularly the demand from intellectual circles for a more democratic political system. Presumably, the strength of the current Hong Kong government would be enhanced if it could implement necessary political reforms. It was believed that to introduce political reforms, the British authorities could, on the one hand, establish certain mechanisms which might provide the conditions to prevent possible intervention by the PRC in the future. On the other hand, the reforms could provide the opportunity eventually to transfer power into the hands of reliable and experienced guardians who would play an essential role in safeguarding the stability and prosperity of Hong Kong.

Nevertheless, any significant political reforms cannot possibly be conducted smoothly without the consent of the Chinese government. This has been particularly true since 1984. Although the Chinese government made considerable compromises regarding the future Hong Kong system and allowing Hong Kong people to enjoy greater democracy, the provisions of the agreement were still designed for the establishment of a powerful and effective executive authority. The Chinese leadership believed that an effective government was central to Hong Kong's economic development.

When the CPC put forward political reforms in the mainland, it aimed merely at increasing the Party's and the

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<sup>43</sup>Peter Wesley-Smith, *ibid.*, p.26.

government's efficiency, and was not concerned about democracy except as a possible means to that end. In Beijing's view, democracy, as a means, should serve the aim of economic development and political stability. Chinese leaders were interested in the experience of the four "little dragons" in Asia -- namely Hong Kong, South Korea, Taiwan and Singapore -- and believed that an authoritarian style of political system could help further economic advancement.

In the case of Hong Kong, they considered the existing Hong Kong governmental arrangement highly acceptable. Beijing has constantly faced a dilemma between increasing demands for political reform in Hong Kong and the maintenance of the current, relatively non-democratic Hong Kong political system. Chinese leaders saw democracy as posing a challenge to stability and prosperity, but they also realised that openly objecting to political reforms aimed at a more democratic system would damage China's reputation and lose support, at least from intellectuals in Hong Kong. Thus, Ke Zaisuo, head of the Chinese side of the Sino-British Joint Liaison Group, once claimed that the Chinese side had never objected to political reform, not even to the direct election of members of the Legislative Council before 1997. He said that if direct elections could manifest the spirit of democracy, the Chinese side "will support and promote them".<sup>44</sup>

However, this "support" was highly conditional and evidence existed at an early stage of official Chinese concern that democratic political reform in Hong Kong should be closely coordinated with Chinese constitutional plans for the

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<sup>44</sup>Ta Kung Pao (TKP), 16 June 1987.

territory. The evidence showed that a problem existed from a Chinese perspective in allowing democratic change in Hong Kong under British auspices while also preparing for the new Basic Law for the future Hong Kong SAR. The difficulty was compounded by the Sino-British agreement that a convergence between the two sides should deepen as 1997 approached.

The basic position of the Chinese government towards political reform was that, firstly, it objected to any rapid changes, and secondly, any significant change in the political system should be closely linked with the Basic Law. Chinese officials claimed that there could be three possible outcomes for political reform in Hong Kong in relation to the Basic Law: "One, the representative system dove-tails with the Basic Law; this is the ideal possibility. Two, the one partly dove-tails with and partly contradicts the other; this would not be a good situation. Three, each goes its own way; this would be unfortunate for Hong Kong, and for Britain and China as well."<sup>45</sup>

Chinese officials often reiterated that, according to the Sino-British 1984 agreement, Hong Kong's current socio-economic system and life-style would remain unchanged for 50 years and, therefore, China did not wish to see any drastic changes before 1997, including in the political structure, since it was part of the whole socio-economic system. They argued that any political system was "a superstructure which services the economic base" and no reform "should destroy the economic base". They also pointed out that to maintain the stability and prosperity of Hong Kong was in the common

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<sup>45</sup>Xu Jiatun, "On Current Issue", TKP, 4 December 1985.

interest of everyone concerned, and that China's aim was "to avoid the emergence of any unnecessary chaos, and to bring about in 1997 a smooth transfer of sovereignty and a smooth realization of the policy of Hong Kong people ruling Hong Kong".<sup>46</sup>

Moreover, Chinese officials argued that Hong Kong's own experience proved that a democratic political system could be irrelevant to economic development, and that under British rule, the people of Hong Kong had never enjoyed a high degree of democracy. Thus, a gradual reform would help the people of Hong Kong to achieve what they wanted, while avoiding unnecessary chaos.<sup>47</sup>

However, while the Chinese government objected to any drastic changes in Hong Kong's political system, it also recognized the necessity for certain changes. Chinese officials made it clear that the Hong Kong Basic Law would not leave the territory's political structure completely unchanged.<sup>48</sup>

What sort of political system did China wish to see established in Hong Kong? In the first place, Chinese officials simply denied that China had any set conceptions for the political system in a future Hong Kong. Later, Beijing's attitude became more straightforward. The Chinese insisted that Hong Kong was not an independent country, and, therefore, neither Western nor Chinese models of democracy should be

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<sup>46</sup>TKP 12 February 1986; 9 June 1986; Xu Jiatun's talk to Hong Kong students (TKP 3 February 1985); also Ji Pengfei's talk to a group of architects of Hong Kong on 19 October 1985 (TKP 24 October 1985).

<sup>47</sup>*Ibid.*

<sup>48</sup>TKP, 16 October 1985, p.1.

followed. They stressed that, "being a unique place, Hong Kong should find a system that is suitable for itself", and that the future political institutions of Hong Kong should take account of the maintenance of Hong Kong's stability and prosperity, a balance of interests between all strata of society, an efficient government and adherence to the Joint Declaration.<sup>49</sup>

It was clear that the Chinese government preferred an executive-led government which would be accountable both to the central government in Beijing and to the Hong Kong SAR, but not necessarily to the legislature. Beijing was concerned that a legislature-led government might encourage party politics and reduce the effectiveness of the SAR government. It was also worried that a powerful legislature might become less accountable to the central government in Beijing, creating a confrontation between the central government and the SAR government. The Chinese government believed that an executive-led government could provide a highly effective government which could also enjoy a degree of flexibility and adaptability and respond to any immediacies.

In addition, it considered that such a political institution could maintain the consistency of government policy and avoid unnecessary changes both in personnel and the established policies. Professor Xiao Weiyun, a mainland member of the Basic Law Drafting Committee argued clearly in favour of the present system. He said that the strength of Hong Kong's political system should be reserved and a minimum change in Hong Kong's political structure would be good for

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<sup>49</sup>See, TKP 20 November 1985 p.1, and 19 June 1986 p.14.

the region's stability.<sup>50</sup>

Beijing wanted the future Hong Kong SAR not to adopt a parliamentary system nor a cabinet-responsibility system, since the Hong Kong SAR was merely a local administrative division of China. It believed that such systems could only destabilize the situation in Hong Kong, and would thus be detrimental to the daily life and economic development of the territory.<sup>51</sup>

China's position showed its caution towards political reform in Hong Kong, but it also reflected, to a certain extent, the concern of business people who were unenthusiastic about a democratic system that might reduce their influence and might raise taxes to finance higher social spending. Because of concern from business circles and pressure from the PRC, the government of Hong Kong showed considerable caution towards the introduction of democratic political reforms, though it had initially broached the topic. Sir David Wilson, the governor, acknowledged that: "any changes which might be introduced should not disrupt the steady progress we have been making, nor the stability which is so important to our community."<sup>52</sup>

The governor also observed that it was widely accepted that Hong Kong must have a system of government which suited its own special needs, rather than simply copy some model from elsewhere. He stated that the system of government must be

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<sup>50</sup>Interview with Professor Xiao Weiyun in Beijing, 21 December, 1990.

<sup>51</sup>Interview with Hu Caiji, deputy of the Propaganda Department of the NCNA in Hong Kong in April 1989.

<sup>52</sup>TKP, 17 December 1987.

understood by and have credibility with the people, and that it needed to evolve from the existing systems, which had served Hong Kong well and which operated in a fashion more responsive to the public than the formal constitutional position might suggest.<sup>53</sup>

The government of Hong Kong also recognized the importance of the link between the political reforms and the Basic Law. As the governor said: "if the Basic Law lays down a certain structure for after 1997, and that looks like a feasible arrangement to try to mirror-image before 1997, then we would see advantages in trying to bring in that sort of structure before 1997."<sup>54</sup>

Chinese officialdom was also deeply suspicious about a Western style of democracy. The Chinese leadership have seldom admitted that the Western political system is democratic. They stress the importance for China to learn from Western countries, but only as regards advanced technology and management skills. They even regard that the socialist democracy as superior to capitalist democracy, because the latter supposedly represents only the interests of a minority of people. Although some Chinese senior officials recognized that the development of socialism remained far behind the early expectations and that capitalism had matured with experience which it would be worthwhile China examining, the top leadership still considered that the introduction of Western-style democracy would create trouble and chaos. In this context, Deng said that the Hong Kong SAR should not copy

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<sup>53</sup>TKP, 17 December 1987 p.15.

<sup>54</sup>TKP, 21 April 1988 p.16.

Western systems, and that one should not use the parliamentary systems in Britain or the United States as the sole yardsticks to judge whether a place was democratic or not.<sup>55</sup>

Since the Chinese leadership believed that the capitalist system merely represented the interests of capitalists and that the bourgeoisie had a dominant position in a capitalist system, they considered such a system should apply to Hong Kong. Thus, it appeared justifiable for China to choose a political system that suited the bourgeoisie rather than the working class in Hong Kong. The Chinese leadership understood something of Western political systems, which, in their various forms, provided opportunities for people to participate in politics, and for governments to be accountable to public opinion, in general overtly and freely expressed. They were also aware that, although most politicians and members of parliament were from the capitalist class and thus no doubt paid special attention to their own interests, with the existence of a political system of checks and balances and with general elections, they could not only represent their own interests. The governments set out to rule, not in the interest of any one group or alliance of groups, but supposedly in the common interests of all. However, what Chinese leaders failed to understand was why such a plurality of interests and powers was necessary for a successfully developed capitalist system.

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<sup>55</sup>TKP, 29 April 1987 p.1.

## 7-5 The mainland vis-a-vis Hong Kong

Under the framework of 'one country, two system', the relationship between the central government and the government of the future Hong Kong SAR is more problematic. The Sino-British agreement assures China of its two basic demands -- the resumption of sovereignty over Hong Kong and the maintenance of Hong Kong's stability and prosperity. In order to achieve the second objective, the Chinese authorized the Hong Kong SAR to exercise "a high degree of autonomy, except in foreign affairs and defence affairs". They also stressed that the policy of "one country, two systems" was aimed at preserving national unity and territorial integrity and at ensuring a high degree of autonomy in Hong Kong. However, "one country, two systems" ought not to be unbalanced. The Chinese therefore insisted that, in order to fulfil China's sovereignty, the central authorities should retain several key rights, including the right to interpret and amend the Basic Law and the stationing of troops in the special administrative region. They considered it essential that the central authorities should supervise the autonomy of the Hong Kong SAR and, therefore, that the chief executive should be appointed by the central government on the basis of the results of elections or consultations, and that principal officials should be nominated by the chief executive for appointment by the central government. In other words, executive power, legislative power and judiciary power are to be vested with the central government in Beijing.

During the Sino-British negotiations, in order to counterbalance the idea of an exchange of sovereignty for administrative rights, as proposed by Britain, Beijing put

forward the formula of 'Gangren Zhigang' (Hong Kong people govern Hong Kong, or self-administration), which was considered to be the core of the concept of 'one country, two systems'. Deng Xiaoping claimed:

"We believe that Hong Kong people have the ability to administer Hong Kong. It is a mentality inherited from the old colonial times that Hong Kong people do not have the ability to administer Hong Kong...The prosperity of Hong Kong was created by Hong Kong people, of whom the majority were Chinese...We believe the people of Hong Kong are able to administer Hong Kong. We will not allow foreigners to govern Hong Kong."<sup>56</sup>

Self-administration is something new to people in Hong Kong. The potential problems have been outlined by Hong Kong scholars, such as which people would play leading roles and would be sufficiently trusted by the various communities, and which organizations or parties could be identified with the interests of the Hong Kong people.<sup>57</sup>

The Sino-British negotiations did not provide opportunities for Hong Kong people to express their will, though some of them had chances to be consulted either by Beijing or London. Neither the government of Hong Kong nor other organizations had any opportunity formally to participate in the Sino-British negotiations on behalf of Hong Kong people, though the negotiations were to decide their fate. The governor was a member of the British team, but he was seen as a representative of the British government. Some people in Hong Kong, including some government officials, put

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<sup>56</sup>Deng Xiaoping, "Talks to a delegation of Hong Kong business people", on 22, 23 June 1984, see, *Documents of 'One Country, Two Systems'*, edited by Taiwan Affairs Office of Shanxi Province, 1988.

<sup>57</sup>Interviews with Professor Wang Gungwu, University of Hong Kong, and Dr Joseph Y.S. Cheng, Chinese University of Hong Kong, in April 1989.

forward the "three-legged stool" argument, demanding a role in the negotiations. However, the Chinese leaders firmly rejected this demand, claiming that the PRC fully represented the interests of Hong Kong compatriots. During the negotiations, the people of Hong Kong were not informed of their progress. Both business and professional circles were able to present their views through discussions with officials of both sides, while the majority of Hong Kong residents had little say in what went on.<sup>58</sup>

Some seats in both the NPC and the CPCC were reserved for the 'compatriots' of Hong Kong, and the Hong Kong deputies on the NPC and the CPCC were selected and appointed by the Chinese government. They were regarded as pro-Beijing and were not seen as true representatives of the Hong Kong people, though, to a certain extent, they might express their view.

Migration was the major factor contributing to the growth of Hong Kong's population in the 19th century and in the first part of the 20th century. Large numbers of people streamed into Hong Kong as the civil war in China broke out in the late 1940s. In 1949, the population of Hong Kong was estimated at around 1,860,000. Estimates for the subsequent three or four years fluctuated between 2,000,000 and 2,250,000. The population further expanded to exceed the two and a half million mark in 1956, and the three million mark in 1960. The attitudes of Hong Kong immigrants towards the mainland regime were mixed. Many of them had moved to Hong Kong from the mainland because of political reasons. Yet, they were not

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<sup>58</sup>See, Joseph Y.S. Cheng, edited *Hong Kong: In Search of a Future*, Oxford University Press, 1984, pp.6-7

necessarily "die-hard anti-communists".<sup>59</sup>

The majority of Hong Kong Chinese were politically apathetic and welcomed economic and political achievements in the mainland, particularly the increasing international prestige of the PRC. Even though they were not willing to live under communist rule, they considered the concept of self-administration acceptable after China had confirmed its position on sovereignty.<sup>60</sup>

The scope of *Gangren* seemed broad and the Chinese leaders did not, at least not openly, exclude anyone from it, though the people of Hong Kong were divided into different categories according to their attitudes towards the PRC's policy and the unification of the whole of China. On 22 June, 1983, Deng Xiaoping defined *Gangren* to a group of Hong Kong industrialists:

"What are Hong Kong people? They are patriots in Hong Kong. The criterion for a patriot is that he agrees that sovereignty be ceded back to the mother country. Only this. Whether he agrees to capitalism or socialism or whatever passport he holds is not important here... Patriotism means agreeing to the recovery of sovereignty and agreeing that Hong Kong belongs to the People's Republic of China. If we have to add one more criterion, it would be love for the mother country and love for Hong Kong, as well as not doing anything detrimental to Hong Kong's prosperity and stability."<sup>61</sup>

'To love Hong Kong and to love China' was the general criterion for appointment to certain positions. Even foreign nationals could be employed by the Hong Kong SAR in public

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<sup>59</sup>See, Lau Siu-kai, *Society and Politics in Hong Kong*, Chinese University Press, Hong Kong 1984, p.12.

<sup>60</sup>See, "A Summary of Opinion Polls on Hong Kong's Future", in Joseph Y.S. Cheng edited, *Hong Kong in Search of A Future*, Oxford University Press, 1984, p.119.

<sup>61</sup>Deng Xiaoping talks to Hong Kong industrialists on 22 June, 1983, English text in H.K. Lam, *A Date with Fate*, Lincoln Green Publishing, Hong Kong, 1984, p.201.

services. Annex I of the Joint Declaration contains the following stipulation:

"The Hong Kong Special Administrative Region government may employ British and other foreign nationals previously serving in the public service in Hong Kong, and may recruit British and other foreign nationals holding permanent identity cards of the Hong Kong SAR to serve as public servants at all levels, except as heads of major government departments (corresponding to branches or departments at secretary level) including the police department, and as deputy heads of some of those departments."<sup>62</sup>

It seems highly possible that not all important positions of the future Hong Kong SAR will be occupied by those who are friendly to the PRC. However, Beijing could promote its influence by various means. The most effective one would be by using the right to appoint the chief executive and the principal officials, though the chief executive will be chosen by election or through consultations held locally, and the chief executive will nominate the principal officials. Either they would be approved or rejected by the Central People's government.

It should be noted that the autonomy which the Hong Kong SAR will have is very comprehensive, given that Hong Kong will be a part of China. The Hong Kong SAR will enjoy executive, legislative and independent judicial power, including that of final adjudication, and will have independent finances, practise an independent taxation system and issue its own currency. In foreign affairs, representatives of the government of the Hong Kong SAR will be able, as members of delegations of the central government, to participate at diplomatic level in international negotiations directly affecting the region. It will also be able, using the name

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<sup>62</sup>*Ibid.*

"Hong Kong, China", to develop relations and conclude agreements with foreign states and other international organisations in areas such as the economy, trade, finance, money, shipping, communications, tourism, culture and sport. In addition, the special administrative region will be able to issue passports and travel documents of the Hong Kong SAR and to establish official or semi-official economic and trade missions in foreign countries.

In the Sino-British Declaration, the PRC declared that "the Hong Kong Special Administrative Region will enjoy a high degree of autonomy, except in foreign and defence affairs which are the responsibilities of the Central People's government". It further declared, in the elaboration of basic policies, that "military forces sent by the Central People's government for the purpose of defence shall not interfere in the internal affairs of the Hong Kong Special Administrative Region" and "expenditure for these military forces shall be borne by the Central People's government".<sup>63</sup>

Britain has troops stationed in Hong Kong and the British army has a duty to defend the territory. The role of the British Army, however, has changed. "On a realistic view the operational role of the British army is now confined to internal security duties", and it "acts as visible proof of Britain's continued commitment to the colony and its determination to retain full responsibility for its welfare and security until 1997".<sup>64</sup>

According to the Joint Declaration, the PLA will not

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<sup>63</sup>See, The Joint Declaration.

<sup>64</sup>Norman Miners, *The Government and Politics of Hong Kong*, fourth edition, Oxford University Press, 1986, p.19.

handle the internal security of the Hong Kong Special Administrative Region, since, it is clearly defined that military forces "will not interfere in the internal affairs of the SAR". It seems that the PLA's role will be to demonstrate China's sovereignty and its commitment to retain full responsibility for Hong Kong's defence, a role similar to that of the British army. Such a role could be more symbolic than necessary.

Yet the Chinese leaders, and in particular, the military leaders, were reluctant to confirm that the PLA's role was basically symbolic. They also never specified the position of Hong Kong in the sphere of China's defence. Theoretically, as part of China, Hong Kong ought to bear a certain responsibility for the country's defence. Yet, this responsibility was not clearly defined, either in the Sino-British Joint Declaration or in the various statements made by the Chinese authorities on what kind of role the Hong Kong Special Administrative Region would play were the PRC's security to be threatened.

For Britain, Hong Kong was an important naval base in the Far East, but its significance was largely reduced after 1950s. Because of the close Anglo-American relations, the British colony played a considerable role in providing American naval forces with certain facilities, in particular, somewhere for American soldiers to rest. During the period of Sino-American hostility, the PRC would occasionally warn the British authorities not to let matters go too far. However, the British authorities were well aware of the PRC's concern and took care not to provoke the Chinese leaders. With the Sino-American detente in the early 1970s, the PRC's perception

of a threat from the United States declined, and it was the Soviet Union that became China's major security concern.

In China's strategic considerations, Britain was seen as an important force which China could win over in its anti-Soviet international united front. As a British colony, Hong Kong's position in China's defence was obvious and it became something of a buffer between the PRC and the Soviet Union against a potential attack from the sea.<sup>65</sup> Presumably, an attack on Hong Kong would have been seen as one on Britain as well and Britain would have had to fulfil its duty to defend the colony.

As has been discussed, in the 1980s, the PRC perceived a considerable decline in the external threat from the two superpowers, particularly from the Soviet Union. For this reason, Hong Kong's role in China's defence was even further reduced. Hong Kong could provide the Chinese navy a useful base, but such a base was not unreplaceable.

However, the PRC still paid considerable attention to military affairs. China's "four modernizations" also contained the modernization of defence. The PLA was determined to play a role in China's Hong Kong affairs and its position was ensured by the Joint Declaration. For the PLA, defence affairs were no empty matter, and certainly not symbolic. The PLA wanted to take over some of the places used by the British army.<sup>66</sup> The problem here is that the presence of the PLA in Hong Kong might be seen as a threat, an instrument of politics. British concern on this matter would be

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<sup>65</sup>Interview with Ambassador Ke Zaisuo.

<sup>66</sup>Interview with Zhen Weirong in April 1989 in Hong Kong.

understandable given the political nature of the PLA -- controlled by the CPC and closely linked with China's internal political affairs.

Although a British colony, Hong Kong has been allowed *de facto* autonomy in conducting its external commercial relations. Hong Kong's external interests are basically concerned with trade, to secure convenient access to markets for its exports unimpeded by tariff or quota barriers.<sup>67</sup> The Hong Kong SAR will enjoy considerable autonomous rights in conducting its external affairs in the field of economic relations, but in the political field its rights will be restricted. Generally speaking, the external relations of Hong Kong SAR will be determined by the PRC's position in the world. The PRC's international position will either help Hong Kong maintain its relations with other countries and regions or else will limit its flexibility. It would appear that, as a socialist country, the PRC has been in a less flexible position to develop external relations than has, for instance, Britain. The PRC's relations with COCOM can be seen as an evidence of this.

Since its establishment in 1949, the Coordinating Committee of the Consultative Group (COCOM) has served as the principle mechanism for controlling exports to communist nations of any strategic commodities and technologies that might have a decisive impact on the national security of the Western alliance. The PRC was, for a long time, its major target. China's opening to the West and its policies of reform in the 1980s reduced the concern of most COCOM members. Thus,

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<sup>67</sup>Norman Miners, *ibid.*, p.224

in the early 1980s, restrictions on the transfer of technology to China were substantially relaxed, both within the United States and in COCOM. However, COCOM remained as a major obstacle for China to obtain certain items of high technology. It is likely that the matter in which COCOM handles the policy issue of trade with China will continue to affect Sino-Western relations, and will therefore have a marked impact upon Hong Kong's trade relations with the West.

Currently, Hong Kong's relations with other countries and regions are highly commercial, while the PRC's external relations are much more comprehensive, in political and economic terms. During the Cold War period, even as a British colony, Hong Kong's economic relations with the West, particularly the United States, were adversely affected because of its close economic links with the Communist mainland. For instance, during the Korean War, the United States expanded its embargo to include Hong Kong, something which had a strong impact on the colony's economy. The PRC's external relations will continue to be affected by its domestic politics. Less stable and less flexible foreign relations could create great difficulties for the future Hong Kong SAR, since, as a part of China, it will not have much choice but to follow Beijing's foreign policy line.

Beijing has made great efforts to convince the people of Hong Kong that the central government has no intention of intervening in Hong Kong's internal affairs. On the other hand, the Chinese leaders have claimed that it would be impractical for Hong Kong people to manage all the territory's affairs without the central government assuming any responsibility whatsoever. The Chinese leaders believe that

destructive forces were bound to exist in Hong Kong. Deng Xiaoping once stated: "If Beijing gives up all its rights, chaos might occur and this would be to the detriment of Hong Kong's interests. Therefore to leave some rights with the central authorities would do nothing but good." He further argued:

"Will some problems arise in Hong Kong some day which cannot be solved without the central authorities taking the matter up? When something happened in the past, Britain also took the matter up. There are certain things which can hardly be solved without the central authorities dealing with the matter. The central authorities will not infringe upon Hong Kong's interests with their policies. Therefore, I ask you to give consideration to these aspects in the Basic Law. After 1997, if there are people in Hong Kong who condemn the CPC and China, we will allow them to do so. However, it will not be permitted for condemnations to be turned into actions, or for Hong Kong to become a base to oppose the mainland, under the cloak of 'democracy'. In the such a case, we would have to interfere. We would not necessarily have to call out the troops. Only if great turmoil occurred would troops be called out."<sup>68</sup>

Deng's statements reflected China's deep concern that Hong Kong could become a base of subversion against the mainland. Under the framework of "one country, two systems", the relationship between the central government and the Hong Kong SAR government, and the relationship between the mainland and Hong Kong are uneven. The central government is in a dominant position, as is the mainland socialism. Under certain circumstances, the central government has the right to intervene in Hong Kong's internal affairs, while according to the Sino-British agreement, there is no room for the Hong Kong SAR to defend its autonomous rights. The price for Hong Kong to maintain its high degree of autonomy could be non-interference in the mainland's affairs, particularly as regards politics.

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<sup>68</sup>See, *TKP*, 29 April 1987.

Moreover, there exists a strong determination at the centre to exert bureaucratic and political control over the commercial southerners, particularly the Cantonese. Guangdong was, for centuries, a major trading centre of southern China. The Qing government wanted to keep all foreigners away from the centre and therefore decreed that all foreign trade was to be conducted through Guangdong. The Guangdong area had always posed difficult problems for the central government because it was far from the capital and also because of social differences. The Cantonese had been antagonistic towards the Manchus in the north.

When the Communists established the new government, they faced a difficult task establishing central control over the regions. Many Cantonese felt uneasy about communism, while the leaders in Beijing were determined to guard against a flourishing of Cantonese localism. Through the campaign of land reform of 1950-52, the centre achieved its aim of establishing a disciplined local administration with strong central control. As a result of land reform, 80 per cent of the local cadres of the rank of county-level leaders or above lost their position.<sup>69</sup>

However, localism has continued and localist sentiment remains strong. The decentralization of decision-making in economic policy to provincial level, the introduction of special economic policy in coastal areas and, particularly, the establishment of special economic zones, have encouraged the regions to increase their strength. The coastal provinces,

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<sup>69</sup>See, Ezra F. Vogel, *Canton under Communism, Programs and politics in provincial capital, 1949-1968*, Harvard University Press, Cambridge, Massachusetts, 1969, p.121.

especially Guangdong, have become more confident in bargaining with Beijing and demanding more autonomy. In the past, the CPC leadership was prepared to pay whatever price was necessary to avoid open conflict between the centre and regions.

In the 1980s, the leaders in Beijing became deeply concerned about a challenge from a powerful Guangdong or other coastal region. If local interests became linked with Hong Kong or Macao, such a challenge could have been even more critical. Localism, which had disrupted the nation during the previous century, was continue to worry the CPC leaders in an era of reform and openness.

Another matter that has worried both China and Britain is the issue of confidence. During the negotiations, the uncertainty of the future of the territory caused a severe problem of confidence among Hong Kong people. Many of them doubted the ability of Britain and China to reach a workable agreement. The problem of confidence was reflected in the 1983 financial crisis, when Hong Kong people reacted to the lack of progress in the negotiations by determinedly selling Hong Kong dollars. Although the Sino-British Joint Declaration turned out better than that most people had expected, the problem of confidence has not disappeared. In spite of the assurances laid down in the agreement and repeated by Chinese leaders, there are still serious doubts as to whether 'one country, two systems' is feasible.

An important problem linked with the issue of confidence is the 'brain-drain' of talent that affects Hong Kong's future prosperity and stability. Although in the past, there was a certain amount of emigration from Hong Kong, the pervading political uncertainty has become the major reason for

emigration since the early 1980s. In a letter to Chinese leaders from a young professional group in Hong Kong in May 1983, the problem of the 'brain-drain' was stressed. The letter stated:

"Those people of Hong Kong who are not rich enough or otherwise qualified to emigrate elsewhere by and large accept the suggested proposal, perhaps not because they think it would work but because they have no alternative. But those people in Hong Kong who are capable of leaving the territory and setting up homes in other parts of the world where they can continue to enjoy the same freedoms are already looking elsewhere for their future."

They also warned the Chinese leaders that the problem was unlikely to stop unless a major policy change was to occur in the near future.<sup>70</sup>

Chinese officials admitted that there existed a problem of confidence, but believed the problem had been exaggerated by the British and Hong Kong authorities. They blamed Britain for deliberately playing the 'confidence card' in order to put pressure on China for further concessions. Whether or not there was truth in this charge, the problem remained that large numbers of Hong Kong people had shown their lack of confidence by emigrating. Lord MacLehose, the former governor of Hong Kong, once stated that a great problem for Hong Kong's future was "how to find a way to convince them [the people of Hong Kong], and to convince the world of international finance and investment, that they can rely on the package being preserved intact in the future".<sup>71</sup>

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<sup>70</sup>The letter is in Joseph Y.S. Cheng, edited, *Hong Kong: In Search for a Future*, Oxford University Press, Hong Kong, 1984. pp.197-199.

<sup>71</sup>See, H.K. Lame, edited, *A Date with Fate*, Lincoln Green Publishing, Hong Kong, 1984, p.135.

## 7-6 The position of Taiwan

The factor of Taiwan has had an important impact on the shaping of China's Hong Kong policy and the formation of the concept of "one country, two systems". Previously, China's strategy for the unification of the country had been to settle the question of Taiwan first, and then to solve the question of Hong Kong and Macao. Thus, much effort was spent on how to settle the question of Taiwan. When China was forced to search for a solution for Hong Kong, in the face of the question of the lease of the New Territories, it applied the major parts of its Taiwan policy to the case of Hong Kong. Even during the Sino-British negotiations, Chinese leaders continued to use their Taiwan policy in referring to policy on Hong Kong. For instance, in July 1983, in a meeting with an American professor, Deng stated:

"After the country is reunified, the Taiwan special administrative region may retain its independent nature and practise a system different from that of the mainland. It may exercise an independent judiciary and the right of final judgement need not reside in Beijing. Taiwan may also keep its own armed forces, so long as they do not constitute a threat to the mainland. The mainland will station neither troops nor administrative personnel in Taiwan. The political party, government and armed forces in Taiwan will be administered by Taiwan itself. Seats in the central government will be reserved for Taiwan."<sup>72</sup>

Following the Sino-British agreement on the issue of Hong Kong, the Chinese leadership considered that the question of Taiwan's reunification with the mainland "stood out more glaringly before the Chinese" and that the question of Taiwan could be settled by the method of "one country, two systems". On 22 October 1984, shortly after the announcement of the

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<sup>72</sup>"Deng Talks to American Professor", in *Documents on One Country, Two Systems*; also see, *Beijing Review*, 10 January, 1988, p.17.

settlement on Hong Kong, Deng Xiaoping claimed that the resolution of the Hong Kong question would have a direct impact on the Taiwan question. He argued that under the framework of "one country, two systems", neither the mainland nor Taiwan would overwhelm each other, and that the two systems could peacefully coexist.<sup>73</sup>

Such statements were reiterated by Chinese officials on various occasions. The Taiwan factor has had an impact on Beijing's attitude towards Hong Kong and Macao. The Chinese officials have admitted that it is difficult to convince the Taiwan authorities to accept the 'one country, two systems' formula without its first having been successfully conducted in Hong Kong and Macao.<sup>74</sup>

To a certain extent, Beijing has recognized the differences between the issues of Hong Kong and Taiwan. It has considered Hong Kong and Macao to be issues that concerned a resumption of sovereignty, requiring negotiations with foreign countries, while Taiwan was an internal matter among the Chinese, which should be solved through co-operation between the ruling parties of the two sides. It also admitted a geo-strategic difference between the two. Thus, Beijing has offered even more flexible policies towards the settlement of the Taiwan issue than it has in the case of Hong Kong and Macao. It has claimed that after the reunification of Taiwan with the mainland, the period of time during which "it will retain capitalism not be shorter than that allowed for Hong

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<sup>73</sup>"Deng Calls 'One Country, Two Systems' Realistic", *Ibid*; also see, Beijing Review, no.5, 4 February, 1985, p.15.

<sup>74</sup>In my interviews with Chinese officials in Beijing and Hong Kong, the Taiwan factor was often emphasized.

Kong" and, in addition, Beijing would allow Taiwan to maintain its own forces.<sup>75</sup>

The Chinese leadership has argued that the formula of 'one country, two systems' should take into account the interests of the various concerned parties, including the Kuomintang, as well as the overall interests of the Chinese nation. According to Beijing, this formula could enable Taiwan to be unified with the mainland without suffering major turbulence and would guarantee Taiwan's prosperity and stability. It would help Taiwan "to remain in touch with the various parts of the world, particularly the capitalist world", and "to retain the necessary international conditions for further development".<sup>76</sup>

The settlement of the issue of Hong Kong on the basis of 'one country, two systems', and the subsequent campaign of reunification launched by the mainland, have put pressure on the Taiwan authorities and have been one of the factors that led to some significant changes in the relationship between the mainland and Taiwan. Many thousands of people from Taiwan have visited the mainland. Trade between the two sides, though still largely via Hong Kong, has increased rapidly. With the growth of indirect trade, economic exchanges between the two sides have gradually expanded from trade to investment and technological cooperation. Several hundred small and medium-sized enterprises have made investments in the mainland. Some large enterprises in Taiwan have also sent delegations to the

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<sup>75</sup> Speech made by Deng Xiaoping at the Third Plenary Session of the Central Advisory Commission on 22 October, 1984; English translation in Beijing Review, 4 February, 1985 p.15.

<sup>76</sup> Wen Qing, "'One Country, Two Systems', the best way to peaceful reunification", in Beijing Review, 13-19 August, 1990, pp.14-21.

mainland to conduct inspections. In response to these developments, Beijing has made further efforts to prompt economic links with Taiwan, by providing favourable conditions for Taiwan business people to invest in the mainland. The Chinese authorities have also continued to call for direct trade between the two sides.

The Taiwan authorities have also adopted some flexible measures in their relations with the mainland. Following the decision to allow Taiwan citizens to visit the mainland, the Taiwan authorities decided to permit non-political books and video tapes depicting mainland scenery, and with non-mainland copyright, to be made available for publication and screening in Taiwan. They have also relaxed the restrictions on athletes from one side taking part in international sports competitions in the other side's territory. In addition, Taipei has gradually relaxed the restrictions on indirect trade between the mainland and Taiwan.

Even more significantly, Taipei's attitude toward the government on the mainland has undergone some changes. For instance, in order to counteract the concept of 'one country, two systems', the Taiwan authorities broached the idea of "one country, two equal governments". The main aspects of this concept are that both sides of the Taiwan Straits would retain their independent sovereignty; the relationship between the governments of the mainland and Taiwan would be an equal one rather than one being subordinate to the other; the mainland government would continue to rule the mainland while the Taipei government would continue to rule the Taiwan region; and within one China there would be two equal governments, each maintaining its own status quo while not damaging the

prospect of a peaceful reunification of China. This formula would appear to be more flexible and pragmatic than previous policies from Taiwan. Under it, Taiwan would no longer claim to represent the whole of China, and but would recognize the legitimacy of the mainland government while still insisting on its view that "there is but one China".

However, Beijing regards such a formula as unrealistic. It insists that the Taiwan government is merely a local authority, ruling a place with only "one two-hundred-and-sixty-sixth of China's territory and one fifty-fifth of the entire Chinese population" which, therefore, cannot be seen as equal to the government in Beijing. It also argues that from the perspective of international law, a country can have only one sovereign government, and that with two sovereign governments, the country would be divided.

Clearly, there still exist great gaps between the mainland and Taiwan over the question of the reunification of the nation. Taipei regards the concept of 'one country, two systems' as a trap for the CPC's united front policy, and is deeply suspicious of Beijing's intentions. The Kuomintang Standing Committee openly condemned the formula and called on all Chinese to recognize the "treacherous nature" of Deng's policy. The reunification of the two sides under the framework of 'one country, two systems' appears to be unacceptable by the Taiwan authorities. Beijing insists that the 'one country, two systems' formula is the best method to settle the Taiwan issue, but at the same time it is realistic and admits there is no immediate prospect of reunification.

Beijing has argued that on the question of reunification there are only two methods, the use of force or by peaceful

means. The CPC claimed to be in favour of the peaceful solution, because, firstly, China needs a peaceful environment for its economic construction; secondly, any conflict between compatriots on the mainland and in Taiwan could only weaken the Chinese nation; thirdly, the liberation of Taiwan by armed force would inevitably consume large amounts of human, material and financial resources, hindering the development of the Chinese nation; and fourthly, Taiwan compatriots oppose the possible consequences of a war and do not want to change their present way of life.<sup>77</sup> In this context, there already exists a framework of 'one country, two systems', ready to incorporate Taiwan.

However, the actual reunification of the mainland and Taiwan is still a long way off. Deep suspicion exists among the people of Taiwan over Beijing's intentions. As for the Kuomintang, the bitter experience of being defeated by the Communists in the mainland has hardened their distrust of the CPC. Moreover, the people and the authorities of Taiwan have become more self-confident because of their economic achievements and their capacity for peaceful change to a more democratic political system. Unless the authorities in Taipei show greater enthusiasm for Beijing's proposals, Beijing's options will remain limited.

The settlement of Hong Kong and Macao has provided the CPC with some opportunities to exploit its plans for unification. The PRC could try to develop its idea of 'one country, two systems' in Hong Kong and Macao, and set up an successful model to convince Taiwan. By so doing, however, it also

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<sup>77</sup>Wen Qing, *ibid.*, p.18.

creates constraints on its own approach to Hong Kong. Taipei could refuse to enter any substantial talks with Beijing on the question of unification before the formula of 'one country, two systems' works out in practice for Hong Kong and Macao after it goes into effect in 1997. Any change in Beijing's policy towards Hong Kong and Macao could be used by the authorities in Taipei to play down the concept of 'one country, two system', and to attack the CPC's credibility. So long as Beijing continues to consider the reunification of the nation as one of its most important objectives, and 'one country, two systems' as a model for the settlement of the Taiwan issue, its top priority must be to make the formula work in Hong Kong and Macao. If Beijing fails to set the right example in Hong Kong and Macao, there will be no chance of convincing Taiwan to accept a similar formula, and thus of achieving reunification with the mainland.

### **Conclusion**

While the Chinese leaders have continued to insist only socialism can save China, they have also maintained that only capitalism can save Hong Kong, Macao and Taiwan, by the introduction of the idea of 'one country, two systems'. Under the framework of 'one country, two systems', the CPC has officially recognized the position of the capitalist system in China's domestic politics. However, the CPC has been determined to limit the influence of Hong Kong, Macao and Taiwan on rest of the mainland, claiming that the capitalist system is only suitable in Hong Kong, Macao and Taiwan.

There also exist potential benefits for the PRC. According to the Sino-British Joint Declaration, a Basic Law would be

issued in order to codify existing legal practices in Hong Kong for the future SAR. The process of drafting the Basic Law presents Chinese scholars and officials with an opportunity to learn a different legal system which could be also beneficial to the mainland. The Basic Law, though it only applies to Hong Kong, could provide a useful example and experience for the central government to handle regional affairs in a possible further decentralization of decision-making, while the regions, particularly the coastal provinces, could also invoke the Basic Law to demand more autonomous rights.

The mainland could continue to benefit from Hong Kong if 'one country, two systems' works, and at the same time avoid a possible political confrontation. The Chinese central government will have significant powers to control the affairs of Hong Kong, and it could manipulate the major decisions made by the Hong Kong SAR without being seen to exert a direct involvement.

With Hong Kong under China's sovereignty, business people from the mainland will feel more confident in conducting business in Hong Kong. China's enterprises could take advantage of the change of sovereignty to expand their businesses and try to secure a more favourable position.

Through the successful implementation of the formula of 'one country, two systems', China could prove its faith to the international community and Taiwan, strengthening its position in the world and helping to speed up the process of unification with Taiwan.

These are very challenging opportunities, while at the same time there are tremendous difficulties in successfully carrying out the formula of 'one country, two systems'. As far

as China is concerned, the most difficult problem will be the lack of understanding and experience of how Hong Kong works in practice. The PRC has never had any successful experience in handling a situation such as Hong Kong. The Chinese leaders were keen to introduce a capitalist economic system, but ignored the importance of preserving in Hong Kong a capitalist political system, an independent judiciary and freedom of information. China has no intention to turn Hong Kong into a socialist system, but it clearly favours a kind of authoritarian capitalism, or something similar to the British colonial structure. China has been opposed to the reforms put forward by the Hong Kong government, although these reforms are necessary to strengthen the confidence of Hong Kong people and could at the same time result in a more democratic political system.

The Chinese authorities are deeply worried about the political challenge from Hong Kong, particularly when the integration between Hong Kong and the mainland's coastal provinces becomes solidified. China will also face the problem of how to distinguish foreign and defence matters from other affairs. In order to demonstrate its sovereignty, Beijing has secured substantial powers over Hong Kong. Because of the nature of China's political system and the uneven relations between the mainland and Hong Kong, the central government in Beijing could easily misuse its powers. Thus, there exist great dangers of intervention by the central government in Hong Kong's internal affairs. If there are no convincing reasons for such interventions, they could be highly damaging.

As 1997 approaches, the Chinese authorities will need to find leaders whom they trust to operate the formula of 'one

country, two systems'. In spite of the Chinese government's power to appoint the chief executive of the Hong Kong SAR, it has no formal position in promoting Hong Kong's leadership. Beijing can make its influence felt through its representative organs and controlled enterprises. However, because of the considerable mistrust among the Hong Kong public of the Chinese government and its policies, China will find it difficult to groom leaders who are also acceptable to the people of Hong Kong. For the sake of promoting Hong Kong's leadership, Sino-British cooperation is necessary, since the most likely candidates for leadership will be those who can display a neutrality between China and Britain, particularly during the transitional period. As a distinguished Hong Kong scholar has stated: "Leaders favoured by Britain have to be endorsed by China if they are to be taken seriously as the future rulers of Hong Kong. Leaders acceptable to China have to be inducted into the governmental apparatus by Britain in order to gain the necessary experience."<sup>78</sup> The present mutual distrust between Britain and China is likely to be the major obstacle for the emergence of a Hong Kong leadership.

The PRC will also have to convince the people of Hong Kong as well as the people of Taiwan that the formula of 'one country, two systems' will work. Many Hong Kong people, especially intellectuals, consider the most important condition for safeguarding Hong Kong's position to be the further development of a market-oriented economy and the establishment of a democratic political system in the

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<sup>78</sup>See, Lau Siu-Kai, "Decolonization Without Independence and the Poverty of Political Leaders in Hong Kong", Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong, Occasional Paper No.1, November 1990, p.29.

mainland. Indeed, there will be growing connections between the mainland and Hong Kong, not only economically but also politically. What has happened in the mainland has already had considerable impact on Hong Kong's development, and Hong Kong, on the other hand, has also been involved in the mainland's economic development, particularly in the special economic zones. It is inevitable that Hong Kong people should be concerned about the mainland's political situation. What the balance of mutual influence between the mainland and Hong Kong should be is a question well beyond the scope of the Sino-British agreement. It is something, though, that will certainly be of concern of the Chinese authorities in Beijing.

## Chapter Eight

### Conclusion

The past three decades have seen several major shifts in China's foreign policy, while China's Hong Kong policy has adapted to such shifts with relative consistency. China's Hong Kong policy has not only reflected the pragmatic tendency in Beijing's external relations, but also some of its fundamental principles. Unlike those principles which have often been repeated by the Chinese leaders, the principles concerning Hong Kong have strongly linked with the country's national unification, territorial integrity and national security. They have reflected China's state interests as perceived by the Chinese leaders -- the protection of the nation's physical, political, and cultural identity and the promotion of economic development to meet domestic needs. The issue of Hong Kong has involved more than just the land, as it reflects a deeply-rooted principle concerning questions of 'unequal treaties' and 'lost territory', and a commitment to defend the 'Central Kingdom'. These are not simply foreign policy issues, but also matters concerning domestic politics.

Yet, China also had an interest in maintaining the position of Hong Kong under British rule, for economical, political and strategic reasons. Hong Kong was a unique place from which the PRC could conduct trade with the outside world, communicate with the overseas Chinese community and obtain Western information and technology. The British presence in Hong Kong also complicated the strategic calculations of those who might have sought to threaten China's southern coast. Hong Kong also played a positive role in China's external policies.

China's Hong Kong policy from the beginning, was related to the country's overall foreign policy. Hong Kong was a useful link between China and Britain. Hong Kong was valuable to Britain, which wished to maintain its status quo. Because of the existence of Hong Kong, London had to deal with the PRC and thus adopted a more moderate policy towards it, while the United States and some other Western countries were more hostile towards the new regime. Hong Kong was a card that the PRC could play to put pressure on London. Britain was seen by the Chinese leaders as an important power which China could use in its strategy of counterbalancing the external threat from the two superpowers.

The maintenance of Hong Kong's position was used as an example to demonstrate China's policy of peaceful coexistence. Although the PRC claimed that the treaties on Hong Kong, Macao and on the boundary issues were unequal, it did not intended to challenge their validity before negotiated settlements were reached. Presumably, if the PRC had wanted to launch a 'world revolution', it would have begun by taking over Hong Kong and Macao.

Thus, China's Hong Kong policy was characterized by a balance between principles and pragmatic needs. As a matter of long-term principle, the PRC government claimed that Hong Kong belonged to China and that the unequal treaties on which Britain based its claim to rule Hong Kong were invalid. In addition, it stated that when the Chinese people were ready and when the conditions were ripe, it would recover Hong Kong. Beijing arranged for representatives from Hong Kong and Macao to participate in both the NPC and the CPPCC, while there were no such representatives from the overseas Chinese communities

abroad. Hong Kong Chinese, in fact, are called as *Tongbao* (compatriot) instead of *Huaqiao* (overseas Chinese) or *Huayi* (people of Chinese descent).

The existence of Hong Kong as a British colony was, for the Chinese people, a humiliation left over from the past, and for the Chinese leaders an embarrassment, given their denunciations of colonialism and neo-colonialism. Yet in spite of some important factors which pushed Beijing towards taking over Hong Kong, the Chinese leaders developed a flexible policy towards Hong Kong in the 1950s based on the recognition of the status quo. This policy could be summed up as 'changqi dasuan, changfen liyong' -- 'within the context of long term objectives, utilize short-term opportunities'. There was no clear idea of how long the 'long term' would be. As long as China's principles remained without challenge, and China continued to benefit from Hong Kong, the status quo would be respected and the 'long term' could last indefinitely. In practice, China did not challenge British control over and administration in Hong Kong, and adopted a cooperative attitude towards British rule. All the PRC's organizations, including political organizations such as the NCNA, were asked to conduct their affairs in accordance with the rules of Hong Kong. On such matters as water and food supply and emigration control, the PRC's cooperation was central to Hong Kong's stability and development.

There was a mutual understanding and a tacit agreement between the PRC and the United Kingdom over each other's position which became the most vital factor for Hong Kong's existence. Britain never openly provoked Chinese leaders on the question of sovereignty and never challenged their claim

that Hong Kong would be recovered in due course. The British authorities have never created any difficulties for those people selected to attend the NPC and the CPPCC, as long as they are not from government bodies. More significantly, the British authorities rejected those proposals which attempted to change the colonial system, and consequently, no significant measures were taken to establish a democratic, self-administering government, and the colonial-style political system remained in place without any important changes. Britain was well aware that if China wanted to take Hong Kong, there was not much Britain could do to stop it. But Beijing never stated that it wanted Hong Kong back, except expressing its legal position in a general way. Even during the Cultural Revolution, the Chinese leadership did not show any intention of taking over the territory. Britain adopted an attitude of not challenging China's position and not doing anything which might provoke China and leave it no alternative but to take over the territory. In the mean time, however, Britain made it clear that any interference from Beijing in Hong Kong's affairs would not be acceptable and that the British rules must be followed.

China's Hong Kong policy was seriously challenged when the turmoil of the Cultural Revolution spread into Hong Kong, resulting in demonstrations and riots. The issue of Hong Kong was used by the radical elements at home to challenge Zhou Enlai's authority over foreign policy and his political position. But there was no attempt in Beijing either to take Hong Kong or to change its situation. When Zhou consolidated his position, the moderate and flexible policy was restored.

The Cultural Revolution certainly provides some valuable

lessons concerning the relations between the mainland and Hong Kong. There have always existed different views among Beijing's leadership on policy regarding Hong Kong. These who were not concerned with China's economic development did not appreciate Hong Kong's value. In their view, the existence of Hong Kong was of no use, but rather a challenge to the mainland's socialist system. It is not impossible that China's Hong Kong policy could experience a major shift under their leadership. Hong Kong survived the Cultural Revolution largely because Zhou Enlai was able to restore his authority over China's external policies, including the policy regarding Hong Kong. However, the situation almost went the other way. Beijing's carefully cultivated Hong Kong policy was challenged and radical action was about to be taken which could have led to direct intervention by the PRC into Hong Kong's internal affairs, and even to a takeover of the territory.

The importance of Hong Kong to China was further strengthened with the end of the Cultural Revolution and the subsequent changes in China's internal politics. The CPC was under great pressure to improve the living standards of Chinese people. Greater emphasis was laid on economic development and modernization than on the class struggle which had been an earlier priority of the CPC. The importance of ideology in the country's internal as well as external policies was diminished and the vitality of the capitalist system was recognized. Meanwhile, the CPC resorted to nationalism to mobilize people and adopted a firmer stand on the matters concerning territorial integrity, sovereignty and unification.

In order to assure its domestic economic development,

China's external policies changed, focusing on the promotion of a more stable and peaceful international environment and seeking closer economic and trade relations with the Western world. However, the Chinese leaders' attitude toward changes in the internal socio-political structure was a cautious one, and they felt a sense of vulnerability to possible destabilizing external influences on the Chinese domestic scene. This was particularly so at a time when contacts with the outside world were being expanded, when many barriers to international communication were being lowered, and when internal pressure for domestic change was increasing.

Much encouraged by normalized relations with the United States, and by the adoption of the policy of reform, the Chinese leadership saw an opportunity to realise a peaceful unification with Taiwan. Towards this end, Beijing offered the Taiwan authorities conditions which were more favourable and flexible than earlier ones it had put forward.

Much evidence suggests that the PRC saw the maintenance of the status quo as crucial in promoting the mainland's modernization, and had no intention of changing it. However, as 1997 approached, Britain was under pressure to find a solution to the problem of the lease of the New Territories, since from the legal point of view, Britain's property rights there would end when the lease expired. China thus faced a dilemma when the British government called for a settlement. It was not China, but Britain, that raised the issue of 1997. When Britain asked for a settlement, it challenged Chinese leaders to make decision on the basis of recognition of the existed treaties. Principles of territorial integrity and sovereignty were involved, and Beijing had to take a definite

decision.

By the time China entered diplomatic negotiations with Britain towards a settlement of future of Hong Kong, it had set up its basic policy. This could be summed as regaining sovereignty over Hong Kong and maintaining stability and prosperity there. China wanted to achieve two seemingly contradictory objectives. For the sake of stability and prosperity, the status quo needed to be maintained. But the transfer of sovereignty from Britain to China meant a fundamental change in Hong Kong's situation.

In order to solve this problem, the Chinese leaders introduced the formula of 'one country, two systems' -- an idea derived from Beijing's Taiwan policy. Chinese leaders hoped that under this framework Hong Kong's stability and prosperity would continue after 1997 when the sovereignty of the territory would return to China. During the Sino-British negotiations, Beijing stuck firm on its stand over the question of sovereignty, rejecting the proposal put forward by the British side to exchange sovereignty for administrative power. Britain yielded, making great efforts to accommodate the ideas put forwards by China. After its basic position had been assured, China became much more cooperative and flexible toward Britain's own suggestions, and also made considerable compromises. A detailed agreement was reached in the autumn of 1984.

The 'one country, two systems' formula reflects the characteristics of China's external policy in that it upholds both principles and flexibility. The Chinese leadership refused to make any significant compromise over the question of sovereignty over Hong Kong, considering that this would

have not only damaged China's national prestige and pride, but also could have weakened the CPC's position in dealing with Taiwan. Thus the options such as self-determination by the Hong Kong people or a continuation of British administration, which might have done more for Hong Kong's stability and prosperity, were regarded by Beijing as unacceptable. However, Beijing was intent on utilizing Hong Kong's unique position as an international financial and trade centre in order to benefit the mainland's modernization. That is to say, maintaining Hong Kong's stability and prosperity was as important to Beijing as recovering sovereignty over Hong Kong. The formula of 'one country, two systems' seemed to be a suitable means for China to solve this dilemma.

Under the framework of 'one country, two systems', Hong Kong would enjoy a high degree of autonomy. Beijing has demonstrated considerable flexibility in assuring this autonomy by introducing various special clauses designed to maintain the current socio-economic system and life-style of Hong Kong. The autonomous rights that are to be given to the Hong Kong SAR cover most facets of its existence.

The Sino-British agreement concluded during the period when China's economic reforms reached a crucial stage. The new socialism -- stressing the importance of economic development and modernization -- seems more appropriate and rational than the old one stressing class struggle. In the period when the orthodox socialism dominated, the Chinese government never directly interfered in Hong Kong's internal affairs, even during the turmoil of the Cultural Revolution. Now, the Chinese government has even more reason not to interfere in Hong Kong's internal affairs, because in addition to the

economic benefits, Beijing also needs to make Hong Kong work well under the framework of 'one country, two systems' in order to convince Taiwan to accept a similar arrangement.

Before the settlement on Hong Kong's future was reached, Britain's policy was one of non-interference in Hong Kong's affairs, the provision of a law that respected human rights, a laissez-faire economic policy and social and political stability. Despite the lack of self-administration, Hong Kong operated a an independent judiciary, a free enterprise economic system, and enjoyed considerable degree of freedom of speech. China was in a position of 'onlooker', bearing no direct responsibility for the running of Hong Kong and respecting the British rule, but, at the same time, keeping a watch on the British authorities to prevent any thing happening that might damage its position. With a diplomatic settlement of Hong Kong's future, China's position, on such matters as sovereignty and national unification came to be securer. However, while China's policy towards the settlement of the future of Hong Kong was affected by the pragmatic need to maintain the status quo, it was also restrained by China's principles.

The 'one country, two systems' formula can be seen as combining principles with flexibility. But, with its tradition of interference in almost all aspects of social, political and economic affairs, the Chinese government would face great difficulties in conducting a flexible Hong Kong policy. While the existence of Hong Kong as a special administrative region with a high degree of autonomy would provide greater opportunities for the mainland's economic development, it could also challenge China's political and legal system. In

implementing the concept of 'one country, two systems', Chinese leaders have to pay more attention to the political and cultural requirements that are central for a successful Hong Kong. Additionally, the increasing economic and social integration between Hong Kong and China's coastal regions, particularly Guangdong, would add further difficulties for the CPC to maintain socialism in China. In the 1950s, Mao said that "today's Soviet Union will be tomorrow's China". A popular saying in China in the 1980s was that today's Hong Kong would be tomorrow's Guangdong.

The CPC leadership feared that Hong Kong could become a base of subversion against the mainland. This concern has become even deeper since June 1989, when the Chinese authorities suppressed by force the students and other demonstrators of the democracy movement. The Chinese authorities were very critical of Hong Kong people for their involvement in the 1989 democracy movement and considered that such involvement added "fuel to the flames of turmoil in the mainland". Beijing warned of the danger of turning Hong Kong and Macao into bases for subversion of the central government and stressed that Hong Kong and Macao should not interfere in or attempt to change the socialist system in the mainland.

It was against this background that the final version of the Basic Law incorporated a new article which stipulated:

"The Hong Kong Special Administrative Region shall enact laws on its own to prohibit any act of treason, secession, sedition, or subversion against the Central People's government, or theft of state secrets, to prohibit foreign political activities in the region, and to prohibit political organizations or bodies of the region from establishing ties

with foreign political organizations or bodies."<sup>1</sup>

The intention of this article is clear, but it contains ambiguity. What are acts of treason, secession, sedition and subversion against the central government? What is the definition of foreign political activities or political organizations? Any political activities disapproved of by the central government could be included in these categories, unless their definition were made more specific.

The event of 1989 proved that the post-Mao CPC leaders have been able to conduct China's economic affairs and external relations in flexible way, but that flexibility was constrained by their commitment to maintaining the communist political system. In spite of several major revisions, there existed great uncertainty of politics in the PRC's reform which has been the major concern of many Hong Kong people with regard to the promised "one country, two systems". It is most unlikely that the CPC would make further concessions on its principal positions of sovereignty and unification, and go beyond the scope of 'one country, two systems'. Any more flexible policy towards Hong Kong will depend on further changes in the mainland's political system. Such changes, which could lead to a more democratic and stable China, could also provide stronger guarantees for the success of the policy of 'one country, two systems'. However, even if the Chinese government were completely democratic it would not be able to grant any more autonomy to the Hong Kong SAR than exists under the agreement, short of full independence.

The case of Hong Kong indicates that the CPC has been

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<sup>1</sup>Article 23, the Hong Kong SAR Basic Law

pragmatic in interpreting its ideologies. Its policies, therefore, have been characterized by a tactical opportunism and adaptability. The principles that have been applied in China's external relations are also related to China's basic interests. As a nation-state, China has sought to follow these principles in order to develop normal state-to-state relations with other countries. But, at the same time, it has demanded that other countries do the same.

China's external relations are considerable complicated and the principles serve as the 'correct lines' that the actual policy should follow in different situations. The impact of the principle has had is also related to the Chinese leaders' understanding of the relations between principles and flexibility of policy which, in turn, are related to long-term interests and short-term objective. Chinese theorists argue that the party, while formulating policies, must take into account the immediate interests of the people, and must be in accordance with their long-term interests. As a country dominated by the communist party, China's view on long-term goals is connected with world revolution, which in turn should lead to communist harmony. Indeed, communist ideology has provided an important conceptu or the perception and interpretation of the environment in which the major foreign policy are made. The communist ideology has also had an effectiveness serving the purpose of the government, in mobilizing the masses and providing a legitimate base for its policies. Yet, in practice, China did not formulate a clear plan for accomplishing such an end of world revolution, and it has a more practical ideology, such as nationalism, which creates guidelines fro action in China's external relations,

and as such is closely related to its national interests. Like most other countries, China has set its primary goals of foreign policy as these of preserving its national unity, independence and security. It never lost sight of its ultimate end of realizing communism, but in the meantime, it seldom applied such an end to its actual foreign policy. When it mobilised an anti-American united front or an anti-Soviet united front, it was primarily motivated to preserve of its security and national unity, although such a policy was also ideologically affected.

It seems that, in general, immediately pressing problems and short-term objectives demand greater attention from the decision makers than long-term goals relating to communism. Nevertheless, those short-term or immediate objectives have not been equally distributed throughout time in Beijing's foreign policy. In practice, there has sometimes existed considerable conflict over what the foreign policy priorities should be. For instance, immediately after the take-over of the mainland, the new China acknowledged that it faced an arduous task in returning the country's economy, which had suffered a great damage from the civil war, to normal. Thus, in 1950, the government set itself the goal of improving financial and economic situations as a priority and Mao himself even recommended a demobilisation of part of army in order to lighten the burden on the state's finances. But the intervention of America into the Korean War put great pressure on China's security, and Beijing decided to send its troops to Korea to assist Kim Il Sung, even though it was hesitant to do so at the beginning. China's direct confrontation with the United States retarded its process of economic reconstruction

progress.

For near 30 years before the 1980s, pressures from one or other superpowers had dominated China's external relations. Not until 1980s did this situation change. In the 1980s, the economic constraints that China faced forced it to look to a significant interaction with the international community in order to develop its economy at a reasonable speed over the final two decades of the century. A peaceful and stable international environment is essential to China's modernization efforts. In this connection, a shift in China's foreign policy became evident at the Twelfth National Congress of the CPC in September 1982. Instead of advocating an international united front against Soviet hegemonism, China decided to adopt an even more flexible independent foreign policy, both towards the Eastern bloc and the Western countries. This shift was related to the evolution of China's domestic politics and to changes in the overall international situation. For the first time in the history of the People's Republic, Beijing was able to put its economic development as the first priority.

There also existed contradictions in China's various principles. In China's effort to improve relations with neighbouring countries on a state-to-state basis, it often faced the dilemma of fulfilling both its international revolutionary commitment and its attachment to peaceful coexistence, and found it difficult to allay the suspicion of China's neighbouring countries. For them, the CPC's support for revolution could and did encourage communist subversion in their countries. There was considerable concern when the PRC condemned Western countries, particularly the United States,

for trying to interfere in China's domestic affairs, but being at the same time determined to support revolution in other countries. It was not until the end of the Cultural Revolution, that China's revolutionary aspirations gave way to more practical need of maintaining state-to-state relations. It seems that, since then, so long as the governments of other developing countries adopted an attitude of friendly neutralism, Beijing was reluctant to depart from its stated policy of non-interference by offering significant support or encouragement to elements opposing those governments.

The case of Hong Kong has also shown that the PRC does not always take the initiative to push its principles. If there are difficulties over reaching an agreement or if it has other priorities, China normally prefers to maintain the status quo on contentious issues. As long as its principles are not challenged, Chinese leaders are able to conduct China's external relations in a flexible way. Beijing has been unwilling to move away from its underlying principles, since they reflect its basic interests, and it has also been unwilling to give up its ideology since it provides a legitimate base for its policy and its commitment to maintain China as a socialist country. Although both China's principles and ideologies, marked with programmatic tendency only produce a general guideline for the actual policies, they most likely could make their influence under circumstances such as in the cases of territorial issues and national unification.

It should be noted that, although flexibility in China's decision-making can often be highly convenient for the Chinese leaders, it would be wrong to assume that such flexibility is not without its limitations or difficulties. It

can also produce uncertainties in both substance and procedure, especially when this flexibility is derived from a highly centralised system such as exists in China. China's policies have had the reputation of varying according to particular personalities, and major shifts in policy have often gone along with changes in political figures. Thus, a clear line can be drawn between the policies before and after Mao. There is also reasons for the world to be concerned about whether China's policies might change after Deng. Deng said that China's Hong Kong policy would not change for at least fifty years after 1997. When he made this statement he did not need approval from any legislative body or from the National People's Congress, even though it is supposed to be the highest authoritative organ. Whether his successors will continue his policies is questionable. According to Mao's philosophy, objective things change constantly and it is therefore necessary to follow the motion and development of the thing in order to adjust one's thinking to its changed nature and to adjust policies and methods accordingly. This is a major question mark over the direction in which China will move.

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