

Hong Kong's Transformation : From British Colony to Chinese Special Administrative Region, January - December 1997

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1997 was Hong Kong's year. By any standard it was a remarkable event to witness the transfer of sovereignty of the last remaining British possession in Asia to the newly emerging superpower of China. The moment that confirmed the success of this shift occurred in December 1997 when Tung Chee-hwa made his way to Beijing to report to the SAR's masters on developments since the hand-over on 1 July. As he left Hong Kong to fly north, Tung told reporters : 'I will be there to make a full report to President Jiang Zemin and Prime Minister Li Peng about all that has happened since July 1, all that on economic, financial, livelihood issues as well as future developments.'⁽¹⁾ Tung, as the first chief executive of the Special Administrative Region of Hong Kong, was intent on making it crystal clear both to the peoples of Hong Kong and the international community at large that the process of transferring and consolidating Chinese sovereignty could now be regarded as completed. Tung was following in the long-established tributary tradition. Neither he nor Hong Kong could be under any illusions over Hong Kong's new political realities. All had gone according to China's script. Its leadership could rejoice.⁽²⁾

In a brief paper it is impossible to do justice to more than a few of the features of Hong Kong's transformation in 1997. Space precludes little but a cursory note on items worthy of entire monographs, while readers should perhaps also be reminded of the severe scientific constraints imposed on all who attempt 'instant history'. We do not yet know -and we may never know- much of the thinking behind China's collective leadership on how and why particular decisions were made. Details, for

example, of the assumed links between the SAR and Beijing during the severe financial crisis that hit the Hong Kong markets in the autumn of 1997 are unlikely to be forthcoming, particularly as both parties have been at pains to deny even unofficial discussions in the immediate aftermath of speculative moves to alter the value of the Hong Kong dollar.⁽³⁾ Even more sensitive questions, such as discussions over the deployment of armed Chinese military forces within Hong Kong immediately after 1 July 1997⁽⁴⁾ and the issue of retaining severe restrictions on border controls between the SAR and China proper will be unknown until such time as one or more members of the Chinese politbureau finds it convenient to distribute rival versions of these events to interested parties outside the inner power circle.

Central to the change of sovereignty for Hong Kong was, of course, the decades of discussion between Britain and China over how this could best be achieved. By January 1997 most issues had been resolved- as might have been expected given that London and Beijing had first agreed on 'the question of Hong Kong' in their Joint Declaration of September 1984.⁽⁵⁾ Although the world's media spent the last months prior to the actual ceremonies associated with the handover concentrating on the minutiae of these diplomatic squabbles, it had long been apparent prior to 1997 that there could be little that would stand in the way of Beijing, if it wished to emphasize its ultimate control over such issues. Concerns of Britain, the United States and other interested powers might at times influence the PRC, but no one, particularly within Hong Kong, felt that outsiders had many cards to play in the final days of British rule. US Secretary of State Madeleine Albright, for example, might note that how China behaved over Hong Kong following the transfer of sovereignty would be 'very important to the overall relationship' between her country and China, but this was easier said than done.⁽⁶⁾ The United States did indeed profess at length its involvement in monitoring the activities of the soon to be born SAR and the Clinton administration appeared more prepared to state publicly its anxieties than the government of John Major in London over possible penalties for China's noncompliance with its

treaty obligations towards post-reversion Hong Kong. Yet this provided little but cold comfort to many within the territory. Few had any illusions that the authorities in Beijing had retained the ultimate right to run their returned acres as they deemed fit. Few inside Hong Kong needed any particularly sophisticated awareness of the past behaviour of the Chinese government to doubt that sanctions and the use of force would be applied, if and when necessary to obtain compliance with its command.

The infinitely long arm of Chinese state power was best seen in the appointment of Tung Chee-hwa as Beijing's chosen son for running Hong Kong. Tung was widely viewed as being permanently indebted to the PRC through its earlier financial involvement in saving his family's shipping empire from bankruptcy; it followed inevitably that there would be little opportunity in the opinion of all but the most committed party supporters to envisage the possibility of the first chief executive of Hong Kong being prepared to stand up for his ward in defiance of Beijing. Once Tung Chee-hwa was elected on 11 December 1996 as the hand-picked representative of China in a process that took place outside the territory, it was difficult to foresee much prospect of any further measures towards a more open political system within Hong Kong. The hopes of those advocates of a democratic future for Hong Kong were largely destroyed even before Tung took office.⁽⁷⁾

Tung was not to disappoint his bosses in Beijing. His election was determined by China and his policies since 1 July must be assumed to have been crafted at every stage with, at the very least, the near total awareness of the PRC's likely response. The writing was on the wall once Tung announced that after reversion, the Chinese-sponsored Provisional Legislature would instantly replace the elected LegCo (Legislative Council) that had been installed by Governor Chris Patten following the September 1995 elections. Tung's dilemma was certainly unenviable but it has to be said that he appeared more interested in protecting his sponsors than taking the initiative to attempt to discover a possible compromise between the PRC's camp and the vocal supporters of Martin Lee and the Democratic Party.

Tung admittedly did hold discussions with Lee but little common ground was established. Tung made it plain that China's intended Provisional Legislature would not be dismantled or even be subject to alteration. He spoke publicly to all opponents of the PRC's scheme that it would be best for these critics to desist from further attacks, asking 'those who constantly speak ill against the provisional legislature to the west to stop doing so for the sake of Hong Kong's 6.3 million people.' Tung continued: 'It's a complicated issue... and if it's not understood properly, it would mislead people.'⁽⁸⁾ This, of course, was tantamount to saying that Beijing knew best and that the peoples of Hong Kong must realize this new reality as quickly and totally as possible. From the perspective of Tung's allies in the business community the chief executive-elect was seen as making precisely the type of speeches that it had hoped for. Equally satisfied were the Beijing cadres. Since their "One Country : Two Systems" approach had never envisaged the desirability of dissent in the future SAR, they were undoubtedly pleased that Tung appeared to be fulfilling what internal CCP documents had the previous year defined as the key criteria on selection of their puppet.⁽⁹⁾ Talks with Hong Kong's Democrats were part of the PRC's traditional united front approach to all groups that might potentially be persuaded to cooperate, but this was clearly understood to be without alteration to the official party line. Appeals to Chinese patriotism would normally be expected to play a prominent role in any such discussions.⁽¹⁰⁾

Martin Lee, however, was not about to be bought off by these tactics. Long before Hong Kong's transfer of sovereignty he had demonstrated a rare consistency in openly criticizing both Britain and China over their joint handling of the territory's affairs. Lee, for example, stated publicly within 24 hours of Governor Patten's October 1992 speech outlining his reform package that the British authorities were still too cautious in their approach to Hong Kong. Lee told the Foreign Correspondents Club that he regarded Patten's proposals as 'A compromise ... nothing more and nothing less.'⁽¹¹⁾ By 1997 Lee was undoubtedly disillusioned with the pace of politi-

cal reform and the total intransigence on the part of the Chinese authorities to even this limited advance towards constitutional change. Yet, in October 1992 Lee had been prepared to admit that 'If we have the Court of Final Appeal, sufficient democracy and freedom of the press we should feel pretty safe'⁽¹²⁾, but by May 1997 he was complaining of being 'abandoned by the British government, by the U.S. government, by any government.'⁽¹³⁾ The years of campaigning and arguing had clearly taken their toll. He reacted angrily to earlier comments by Sir Percy Cradock, former British ambassador to Beijing and adviser on Hong Kong thereafter to the Thatcher government, that 'Hong Kong people must wake up and be prepared to sacrifice 3% of their freedom to preserve the other 97%...Pursue this logic further, I suppose it also in our interest to lose 50% or even 97% of our freedom to preserve the little 3%.'⁽¹⁴⁾

For Martin Lee and his supporters the last months of colonial rule were a disturbing taste of what would follow after 1 July 1997. He continued to speak out against the Chinese leadership, daring to say that their concept of individual rights was a travesty. Lee refused to accept China's stance that there should be 'only one human right for the Chinese people : the right to live and be fed. I don't call that a human right. I call it an animal right.'⁽¹⁵⁾ For Lee there remains no distinction between Asian values and Western values over their common commitment to respect for individual freedoms and the rule of law. Hong Kong, in Lee's view, ought to be seen as an example rather than a threat. Beijing should therefore learn to emulate the behaviour of the future SAR and recognize that 'if we can continue to be free and have the rule of law and partial democracy, we will be a very good model for China.'⁽¹⁶⁾ Lee feared that the Beijing leadership had no understanding of the importance of maintaining the SAR's freedoms. The Chinese authorities 'believe they can take away some civil liberties and we will be all right, so long as we continue to enjoy economic freedom. They believe they can put a noose around the neck of the goose, that it will still lay golden eggs.' Lee continued : 'Then they will tighten the noose more and more be-

cause it is in the communist blood to wish to control everything.'⁽¹⁷⁾ Yet Lee had to admit that few others within the Hong Kong community were prepared to convey this type of message to Beijing. He asked : 'How many people have been telling the Chinese leaders it doesn't work, please don't kill the goose - or , at least, if you keep that noose around its neck, there will be no more golden eggs. People don't say this to China. How can it be that you can separate economic freedom from political freedom?'⁽¹⁸⁾

Lee's highly exposed position was admirable. His public criticisms of the PRC and Tung Chee-hwa left nobody in doubt of his political stance on the likely political prospects for Hong Kong. Lee was careful to express some sympathy for Tung in the summer of 1997, by nothing that 'Mr. Tung is a nice guy. I have no doubt of his integrity, but what can he do? He was chosen by Beijing. Deng Xiaoping said, many years ago, about China - when there is a good system, even evil men cannot do evil. But when there is a no-good system, even good men cannot do good, but may be forced to do evil.' Lee feared therefore that 'Mr. Tung is a good man who may be forced to do evil because he hasn't got this democratic system to back him up...'⁽¹⁹⁾

There was indeed evidence in Hong Kong during 1997 that strongly supported Martin Lee's thesis. Fears for the continuation of the former territory's political arrangements centred on possible restrictions to accepted freedoms of both speech and assembly and by the very existence of the PRC's own provisional legislature.⁽²⁰⁾ Amidst accusations and counter charges it was generally felt that attempts were being made to limit existing democratic rights. Reuter's, for example, reported from different correspondents within the territory that Tung in April 1997 was intent on turning back the clock over curbs on demonstrations and foreign funding of political parties.⁽²¹⁾ Such measures, it was acknowledged by Michael Suen, seconded to Tung's transition team by the Hong Kong government, were considered necessary because of Beijing's insistence that, in its frequently voiced opinion, Governor Patten had been guilty of serious recent infringements of the Sino-British Joint Declaration.⁽²²⁾

China had long held that the Patten administration was determined to press ahead with democratization measures in order to create post-reversion instability and that all such new laws deserved to be scrapped. Michael Suen argued that 'We must strike a balance between civil liberties and social stability, personal rights and social obligations, individual interests and the common good.'⁽²³⁾ He also stressed that 'In working out the proposals, we adhere to the principle that they must be in full compliance with the Basic Law and consistent with the provisions of the International Covenant on Civil and Political Rights.'⁽²⁴⁾ Few, however, in the territory needed much reminding of the Chinese record on human rights.⁽²⁵⁾

More serious, however, than this issue was the question of how elections were to be arranged to replace the puppet Provisional Legislature. Here it was apparent that the SAR and the PRC were equally determined to retreat from the electoral system inherited (and then much derided) from Governor Patten. His hopes that such arrangements might survive the transfer of power were seen to be widely optimistic long before the actual handover. Martin Lee could only complain at what he correctly asserted was a retrograde step. He said in June 1997 that his Democratic Party would inevitably '...lose. That is designed to be the case.'⁽²⁶⁾ Lee held that the Chinese authorities and the SAR 'want to make sure that when an election is (held) again, my Democratic Party, which won 65 percent of the popular vote in the last election in 1995, will end up getting less than one-quarter of the seats.'⁽²⁷⁾ Despite such anxieties over the planned 1998 elections, most international comment on Hong Kong's first months after colonial rule was positive. The British government's foreign secretary praised China for respecting its agreements over the transfer,⁽²⁸⁾ while the U.S. House of representatives taskforce on the SAR was equally positive in its initial reaction to the transition.⁽²⁹⁾

Political disputes over future elections were not, however, at the centre of public interest in Hong Kong during 1997. More immediate concern had to be faced by the new three-legged stool of the untried SAR administration, the ultimate powers in

Beijing and the divided citizens of the former territory. To the surprise of most commentators, it was to prove to be economic and financial issues that dominated debate throughout the year. The first six months of 1997 saw boom-like conditions; the remainder of the year quickly put a severe damper on the SAR's optimistic beginnings. It was, as the Far Eastern Economic Review rightly noted in its analysis of events, indeed the case that the 'greatest threat to Hong Kong's well-being since the handover has come not from China but from the wash of the currency turmoil that rocked Southeast Asia.' It continued : 'The Hong Kong Monetary Authority succeeded in weathering the speculative attack and maintaining the local currency's link to the U.S.dollar. The HKMSA's success was due as much to Hong Kong's hard-currency reserves as to solid fundamentals, including a well-regulated banking and financial system, transparency and free flow of information.'⁽³⁰⁾ Some would undoubtedly question the accuracy of parts of this analysis but the Hong Kong authorities could derive a degree of satisfaction surely in having survived this initial storm.⁽³¹⁾ It was certainly a baptism of fire.

The crudest illustration of Hong Kong's current economic difficulties is to compare the prices on the stock market over the year. This has always been seen as a benchmark of Hong Kong's prosperity by both its successive administrations and the man in the street. In January 1997 the Hang Seng index stood at 13,500 but twelve months later it was only at 10,300. At one particularly perilous juncture in November 1997 it had slid to 9,000 and there were concerns of a free fall into unmapped and highly dangerous trading zones. Clearly 1997 was a most disappointing one for Hong Kong's stock markets as a result of the financial chaos brought about initially through property speculation in Thailand and then spreading to Indonesia and South Korea. In January 1998 the Tokyo stock exchange recorded a two and a half year low of 14,664,⁽³²⁾ as if to remind international investors that the entire Asian-Pacific region remained vulnerable to what the press enjoyed describing as "Asian contagion."⁽³³⁾ The lessons for the Asian-Pacific region have yet to be fully digested but it is gener-

ally assumed that both internal and international reforms will be necessary to prevent future crashes.

While commentators has long assumed that the Chinese money that had flown into the Hong Kong stock and property markets in the months prior to reversion would inevitably dry up over time, there was little immediate concern for what proved to be a traumatic period. The crash of 1997-8 was neither the result of Western machinations nor of Chinese retrenchment; instead, it was the product of regional economic factors over which Hong Kong proved to be almost helpless. It was a salutary lesson indeed of the vulnerability of the SAR and the new global realities of international finance. Twenty four hour markets and instant electronic communications guarantee that the opportunities and dangers of an economic and financial structure as open and transparent as Hong Kong's is inevitably liable to both larger gains and potential losses than the more controlled markets of other states in the region. The difficulties appeared far greater in 1997 than anticipated, but it must be stressed that Hong Kong's very existence has been premised by free markets and an open economy. Any substantial retreat from these ideals would almost certainly lead to the long-term demise of the city state.⁽³⁴⁾ Laissez-faire could not be replaced by an interventionist administrative system; Asia is full of developmental states but Hong Kong's road to riches has been paved by different gods. If Hong Kong's ideology were changed, it would simply self destruct.

Hong Kong's prospects in 1997 appeared satisfactory when the year began. Real GNP in the mid-1990s had been a highly respectable 5.0%⁽³⁵⁾ and the economy seemed set for a respectable showing as the British prepared to leave the territory. Yet there were clearly identifiable warnings already on the horizon that neither the colonial authorities in Hong Kong nor international commentators attempted to ignore. By the beginning of 1997 the territory faced worsening unemployment, unsustainable property prices and severe inflation.⁽³⁶⁾ While these factors even in combination did not presage a recession, it was generally accepted that there would need to be some

corrections by the government, once the celebrations were over. Unfortunately for the new authorities and the SAR, the handover of Hong Kong coincided with what in September 1997 was already a loss of vigour, as Southeast Asia was reported to be 'gripped by currency problems which have forced up domestic interest rates and promise further disappointments in economic growth.'⁽³⁷⁾ Whether it was coincidental or not, it deserves to be noted that the massive devaluations of the regional currencies began literally days before the reversion of Hong Kong to the PRC.⁽³⁸⁾ To my knowledge, this point has not yet been commented upon or addressed in the available literature on the political economy and international relations of current Asia.

What happened to Hong Kong's economy in 1997 was partly the consequence of a large number of adverse regional factors and partly the product of official and private sector decisions within Hong Kong. Initially, it appeared that the newly born SAR would escape the turmoil of Southeast Asia and, as if to underline the stability of Hong Kong, the World Bank held its annual meeting there in late September. The world's media reported in confident tones that 'Hong Kong's economy remains buoyant, helped by handover euphoria and easier credit in mainland China'⁽³⁹⁾ and that the fundamentals for the new city state were strong. The SAR was described as sitting on an inherited 'a cash mountain'⁽⁴⁰⁾ and the stock market appeared able to power ahead on the China factor, whereby "red chip" stocks were eagerly bought by investors confident of the Chinese government's endorsement.⁽⁴¹⁾ Much of this trading frenzy was purely speculative, however, and it ought to have been obvious that latecomers were taking considerable risks.⁽⁴²⁾

Yet the inevitable downturn was far severer than forecasters had generally expected; it had not been built into share prices or property values and therefore produced greater falls once the Southeast Asian impact was recognized in September and October 1997. Within months of the handover the new authorities were tested to the limit by external crises and domestic ones. The collapse of Peregrine Investment Holdings on 12 January 1998 symbolized the rapidity with which the SAR found

itself alone in a hostile international financial environment.⁽⁴³⁾ Hong Kong's largest indigenous investment house failed through its alleged arrogance and unwillingness to produce adequate accounting details. European and American companies refused to save Peregrine when it discovered its overextended position in Indonesia.⁽⁴⁴⁾ The demise of Peregrine was a clear warning to all and sundry that Hong Kong's situation was not intrinsically different from its southern neighbours. The stock market fell 774 points (8.7%) on the news.⁽⁴⁵⁾

More serious, though less sensational than the fall of Peregrine, was what did not happen to Hong Kong dollar's fixed peg with US currency. Despite the competitive devaluations of 1997 elsewhere in the region and in South Korea, the Hong Kong authorities and the PRC government refused to alter the fixed Hong Kong dollar rate against the US dollar. It quickly became an article of faith for the Tung administration that the value of the local dollar would not be altered. To do so would have had huge repercussions for the SAR and indeed for China's own economic and financial policies. Whether it made good sense to insist on retaining such an overvalued currency was disputed by economists but the final decision, one must assume, was political and made in Beijing. This, of course, was not how Donald Tsang explained his role, yet it stands to reason that only the Chinese cadres could determine appropriate policy for Hong Kong's currency.⁽⁴⁶⁾ To a large degree China could avoid what was happening in Hong Kong and the region because of strict governmental controls that largely insulated its economic system from the turmoil. Most international financiers took the view by 1998 that China had behaved correctly in not adding to Asia's troubles, though some insist that such rectitude can not last as the PRC economy slows down from 8% per annum growth to something more modest.⁽⁴⁷⁾ Obviously, the lengthening of China's difficulties must impact on Hong Kong as it thrives on its middleman position between the PRC and the outside world.

Hong Kong ended 1997 in great uncertainty. Its role as a safe haven for capital was in question, its property sector was severely damaged and its tourist industry had

been mauled by a combination of high prices and bad publicity.⁽⁴⁸⁾ In addition, it has in the next months to reckon with sensitive political changes as it organizes its first post-reversion elections.⁽⁴⁹⁾ The administration of Tung Chee-hwa has found itself in a series of uncomfortable positions that even a vastly more experienced government would hate. Hong Kong can not escape; it must attempt, as in the past, to weather the storms and hope for calmer seas by century's end.

- (1) Tung Chee-hwa quoted by Reuters, *The Daily Yomiuri*, 10 December 1997.
- (2) As the preamble to the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China stated, the PRC will resume 'the exercise of sovereignty over Hong Kong with effect from 1 July 1997, thus fulfilling the long-cherished common aspiration of the Chinese people for the recovery of Hong Kong.' *Basic Law of HK SAR*, adopted by the Seventh National People's Congress at its Third Session on 4 April 1990, (Hong Kong, 1992).
- (3) The issue of sources is hardly new. The British government operates under a 'thirty year rule' for the release of its files and the Hong Kong Public Records Office used to operate on a somewhat similar scheme.
- (4) For one overseas view entitled 'China plans military display at HK handover' see *Financial Times* (front page), 21 November 1996. The story was clearly based on British government sources and noted that People's Liberation Army forces would form 'a natural and expected part of ceremonies surrounding an event of such momentous sovereign importance.'
- (5) For the text see Buckley *Hong Kong: the road to 1997* (Cambridge, 1997) pp. 187-194.
- (6) Albright quoted in the *Australian*, 30 January 1997.
- (7) No common ground was ever found between Governor Patten's belief that the franchise could be greatly widened within Hong Kong and the PRC's insistence that Patten's measures were a blatant violation of the Anglo-Chinese Joint Declaration. It was this issue above all else that strained relations between London and Beijing.
- (8) *Financial Times*, 10 January 1997. Hong Kong's colonial administration had in the past used similar arguments on the necessity of preserving stability at all costs within the territory; it too had until recently been extremely wary of any introduction of representative government.
- (9) See Willy Wo-Lap Lam, *South China Morning Post*, 6 June 1996. These criteria were 'lofty morality; ability to strike a balance among the interests of financial and business groups (in Hong Kong); ability to handle the civil service; and ability to maintain good relations with the central authorities.' See also Steve Tsang *Hong Kong: An Appointment with China* (London, 1997).

- (10) The PRC was concerned both to reduce political opposition within the SAR and, probably of even greater importance, prevent the use of Hong Kong as a base for potentially subversive ideas and actions reaching China proper. Contamination of the PRC by Hong Kongers with political links to the West had been vividly underlined in the days following the Tiananmen massacre.
- (11) Lee as reported by Karl Wilson in *The Correspondent* (Hong Kong, FCC) (November 1992). Lee was bitter at the waste of time that had already lapsed during Governor Wilson's years in office. Lee noted that 'The Government and Britain had its chance when Lord Wilson took over. They never bothered. What Patten should have done was to say OK Hong Kong's going to have full democracy and then spend the next four years trying to convince China that it is a good thing.' Wilson had been governor from April 1987 until succeeded by Chris Patten in July 1992, following Patten's loss of his parliamentary seat in the British general election.
- (12) *ibid.*
- (13) *Los Angeles Times*, reprinted in *The Daily Yomiuri*, 12 May 1997. This revealing interview was conducted by Nancy Yoshihara.
- (14) *ibid.* Lee asked 'Why should we give up anything? Isn't that the responsibility of the British government to make sure that it doesn't happen? Isn't that, likewise at least, the moral obligation of your government- to see that it doesn't happen? So, of course, I feel abandoned'. See also Percy Cradock *Experiences of China* (London, 1994)
- (15) *ibid.* Lee could be equally scathing of other states that he also saw as less than committed to democratic values. He said that Tung 'does not admire (Singapore's former Prime Minister). Lee Kuan Yew, but he adores him.' Lee viewed Singapore as an inappropriate model for Hong Kong. See report by Yumiko Miyai, *The Daily Yomiuri*, 21 June 1997.
- (16) *ibid.*
- (17) *ibid.*
- (18) *ibid.* On the paucity of academic investigation into Hong Kong's political culture prior to 1997 see Fred Y.L. Chiu 'Politics and the Body Social in Colonial Hong Kong', *Positions: east asia cultures critique*, vol. 4, no 2, fall 1996.
- (19) *ibid.*
- (20) Lee's Democrats decided to boycott the provisional legislature and expelled the one member who broke ranks and joined. See letter from Frank Ching of the Far Eastern Economic Review in *Foreign Affairs* (November 1997).
- (21) 'HK's Tung launches plans to curb post-97 freedom', Reuter's, 9 April 1997.
- (22) *ibid.*
- (23) *ibid.*
- (24) Whether this would, in fact, be the case was immediately disputed by Hong Kong human rights groups. Reuter's on 8 April 1997 quoted Paul Harris, head of the Hong Kong Human Rights Monitor, as being 'very sceptical' of the PRC ever signing the UN Covenant on

- Civil and Political Rights. If it were to do so, Beijing would then be obliged to submit regular reports on compliance.
- (25) Chinese dissident Wei Jingsheng, who was finally released in November 1997, was named by *Newsweek* as 'Asian of the Year'. See *Newsweek*, 29 December/5 January 1998 edition.
- (26) Martin Lee quoted in *The Daily Yomiuri*, 21 June 1997.
- (27) *ibid.*
- (28) Robin Cook said that 'China does appear genuinely to seek to make an honourable interpretation of the Joint Declaration and the Basic Law and has abided by the terms of the transfer of sovereignty.' See *Asahi Evening News*, 7 January 1998.
- (29) "So far, so good" transition verdict, *South China Morning Post*, 23 November 1997. Concern over changes to the election laws was noted in a generally favourable analysis that welcomed the non-interference of the PRC in SAR affairs (at least in public), open debate and the continuation of US naval visits to Hong Kong.
- (30) *Far Eastern Economic Review*, 25 December and 1 January 1998.
- (31) *ibid.*
- (32) *The Daily Yomiuri*, 13 January 1998. In the meantime Wall Street had powered itself to a succession of record highs that in March 1998 were still continuing to surprise global investors.
- (33) On the implications for US and Japanese growth see *Financial Times*, 28 February /1 March 1998. Also Noordin Sopiee '10 lessons from the Crash of '97', *The Daily Yomiuri*, 2 March 1998.
- (34) See Buckley *Hong Kong : the road to 1997* (Cambridge, 1997).
- (35) Statistical average for 1994 and 1995. Author's calculations drawn from *Pacific Economic Outlook 1996-1997* (The Asia Foundation, 1996) and Asia-Pacific Economic Council update in *The Daily Yomiuri*, 17 November 1995; these figures were for the Osaka 1996 APEC summit.
- (36) Unemployment, for example, rose from 2% in late 1994 to 3.5% by mid-1995; the consumer price index for 1995 was up 8.7% and it gained a further 7.5% in 1996.
- (37) *Financial Times*, 19 September 1997. FT survey on World Economy and Finance, article on Asia by Peter Montagnon.
- (38) See currency chart (against the dollar, 1997) *ibid.* The Thai baht was allowed to float (sink) on 2 July 1997; observers have suggested that property speculation, Asian export weaknesses and a strong dollar were all factors behind the chaos.
- (39) *ibid.*
- (40) *Financial Times* interview with the territory's financial secretary Donald Tsang, *Financial Times*, 15 May 1997. It had been announced the previous day that Tsang would also run the Land Fund.
- (41) See *Daily Yomiuri*, 1 July 1997. Such stocks comprised approximately 25% of market dealings in the summer of 1997 on the assumption that anything linked to the PRC was

- certain to rise in value. It was argued that this type of semi-official endorsement had been characteristic of the British era. See also *Financial Times*, 27 May 1997.
- (42) For cautious assessments see *Financial Times*, supplement on HK, 19 March 1996.
- (43) See *Far Eastern Economic Review*, 22 January 1998, (cover story).
- (44) Rumours appeared in *The International Herald Tribune*, 12 December 1997, though Peregrine did produce preliminary figures 'to counter speculation that the company was in difficulty.'
- (45) It recovered most of this huge loss the next day but the psychological impact was hard to ignore.
- (46) On the folly of maintaining the HK\$ 7.80: 1 US\$ rate see David Roche, 'China will Have to Devalue, and Hong Kong Will Hurt', *International Herald Tribune*, 3 March 1998.
- (47) See round table discussion in *Far Eastern Economic Review*, 12 February 1998. The Chinese authorities still believe that 8% growth is possible for 1998 but this may be an overambitious target, given its domestic troubles with state-run corporations and export difficulties. See *International Herald Tribune*, 3 March 1998.
- (48) See *Far Eastern Economic Review*, 15 January 1998. Japanese tourism dried up because of SAR overpricing.
- (49) See *Asahi Evening News*, 2 March 1998. The restrictions in voting for functional constituencies is particularly disturbing and damages the Democratic Party severely.

香港返還：英国植民地から中国特別行政区へ 1997年1月～12月

<要約>

ロジャー・バックレイ

1997年は香港の年であった。それは英国直轄植民地香港の統治権が中国に返還された歴史的瞬間が証明している。

現在、香港は中国の特別行政区であり、その特定地域における自治以上のものは所有していない。

1997年1月以降の出来事が示すように香港は北京を敵に回さず、健全な経済状態のもとでしか生き残れないであろう。1997年香港の経済的地位は悪化した。しかしながら制限された政治的自治権は傷つけられていない。未だ解決されていない経済危機を評論家達は予測出来なかったのであろうか。