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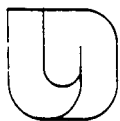
Hong Kong and Guangdong: Greater China or Greater Hong Kong?

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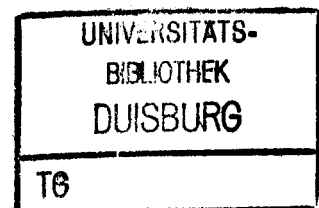


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Vorwort

Der vorliegende Arbeitsbericht ist die erste Fassung eines Konferenzbeitrages, der anlässlich des internationalen Symposiums "China: A New Growth Center in the World Economy" vorgelegt wurde, das zwischen dem 11. und dem 13. 7. 1994 in Duisburg stattfand. Er wird in seiner endgültigen Fassung in den "Proceedings" der Konferenz erscheinen. Wegen des aktuellen Interesses an der Hong Kong-Frage soll die Arbeit aber bereits jetzt, gewissermaßen im "Vorabdruck", der interessierten Öffentlichkeit zur Verfügung gestellt werden. Professor Kuan Hsin-chi ist angesehener Politologe an der Chinese University in Hong Kong und Direktor des Universities Service Centre, das seit seinem Umzug an die Chinese University sicherlich zum Mekka aller China-Wissenschaftler geworden ist. In einer der nächsten Nummern der Duisburger Arbeitsberichte wird der ausführliche Beitrag eines der Diskutanten, Sebastian Heilmann vom Hamburger Institut für Asienkunde, ebenfalls publiziert werden, um das Bild der gegenwärtigen Verfassung Hong Kongs abzurunden.

In beiden Fällen stehen die politischen und gesellschaftlichen Rahmenbedingungen im Mittelpunkt der Analyse. Unzweifelhaft werden mögliche Störfaktoren für die künftige wirtschaftliche Dynamik Hong Kongs von dieser Seite her entstehen, und weniger aus ökonomischen Entwicklungen resultieren.

Im Mittelpunkt des Symposiums stand die Frage, ob China künftig ein neues Gravitationszentrum der Weltwirtschaft sein wird. Ein ausführlicher Bericht über die gefundenen Antworten und neuen Fragen ist mit dem Arbeitsbericht Nr. 7 vorgelegt worden. Die Veranstaltung lag fünf Jahre nach dem ebenfalls von der Volkswagenstiftung geförderten Symposium, das die Wirtschaftsreformen der VR China aus entwicklungspolitischer und -strategischer Sicht bewertete. Es stand unter dem Schatten des Massakers am Tiananmen. In den Monaten und Jahren nach diesem schrecklichen Ereignis waren viele Beobachter pessimistisch über die weiteren Erfolgchancen der Reformen, denn der politische Rückschritt schien notwendig auch den wirtschaftlichen Wandel zu behindern. Heute hat China jedoch den Ruf einer Weltwirtschaftsmacht des 21. Jahrhunderts erlangt. Was ist der Grund für diesen raschen Perspektivenwechsel? Politisch haben sich die Vorzeichen für die chinesische Entwicklung kaum verändert. Für den anhaltenden wirtschaftlichen Erfolg der chinesischen Reformen muß vielmehr ein Faktor verantwortlich erklärt werden, der sich noch beim ersten Duisburger Symposium eher im Schatten anderer Probleme und Themenstellungen befand: Nämlich das Zusammenwachsen des chinesischen Kulturraumes als Wirtschaftsraum. Triebkraft des Wandels ist das China außerhalb der VR China. In diesem Kontext mußte Hong Kong besondere Aufmerksamkeit gelten.

Duisburg, d. 3.8.1994

Prof. Dr. Carsten Herrmann-Pillath

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Hong Kong and Guangdong: Greater China or Greater Hong Kong ?

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1. Concepts and Methodology

1.1. Centre versus Periphery

There is no gainsaying the close relationship between Hong Kong and China in general and between Hong Kong and Guangdong in particular. Yet, the meaning of this relationship in the larger context of a changing China defies simple elaboration. In a sense, it is a subset of the recent debate among scholars in the West on "the centre" versus "the periphery" in China. There is an added complexity due to the relations between the two peripheries in the context of their respective relations to the centre. Furthermore, the web of relations can be summarized under three functional areas at three operational levels, as depicted in Table 1.

Table 1 *Web of Relations Between Hong Kong and China/Guangdong*

	Economic	Political	Social
Government to Government	-	A	-
Government to People	B	C	-
People to People	D	-	F

It is beyond the scope of this paper to untangle the complexities of all these relationships. It suffices to focus on a few links that are important from a Hong Kong perspective.¹

1.2. Characteristics of Relational Complexities

From the Hong Kong perspective, the most important feature of its relations to China is the huge difference in nature among the various functional areas. In the economic area, the most distinctive feature is the absence of intergovernmental relations. The foundation of

¹ This paper will not cover at all the multitude of interactions between China and Hong Kong in the areas of academic exchanges, sports competitions, arts and musical performances, training programmes, and official mutual visits. Due to the paucity of systematic studies, these mutual influences can not be analyzed here. The author does not deny that they, especially the many training programmes conducted in Hong Kong for government officials from China, can be very important.

economic relations is structured by transactions primarily between the various (provincial, town, county and village) levels of governments in China and the people of Hong Kong and secondarily between the people of the two places. In contrast, the political relations between Hong Kong and China are dominated by the interactions between the sovereign powers, China and Britain. Major issues are invariably hammered out between the Chinese and the British government, with little role for the government of Hong Kong, and even less for the people of Hong Kong. Political relations at the people-to-people level is almost non-existent, unless we wish to exaggerate the cross-border activities of the Hong Kong Alliance in Support of Democracy in China. Finally, in the social field, cross-border relations are mainly people-to-people. Government efforts in the promotion of social-cultural linkages are insignificant.

Secondly, it is important to stress that there are inter-sectoral incongruencies. It is an obvious fact that the economic relations between Hong Kong and China is more than satisfactory, whereas the political field leaves much to be desired. The common economic interest between Hong Kong and China has resulted in a united front in their fight for the continuation of the MFN (most-favored-nation) status, while the conflict of political interests has brought them to loggerhead over the issue of reforms in Hong Kong. Such an overall bifurcated relationship is dubbed "economic integration without political convergence" by T.L. Tsim (1991: 8.14).

Thirdly, the complexity in the relationship between Hong Kong and China is further characterized by intra-sectoral conflicts. Within each functional area, relations at one operational level may not be congruent with another level. A prominent example in the political field offered itself last year when the British and Chinese government were slapped in their faces by the Legislative Council over the issue of the Court of Final Appeal for Hong Kong.² The respective governments had reached an agreement on the composition of the Court of Final Appeal to consist of one foreign and four local judges, whereas the Legislative Council passed a motion to provide for a greater flexibility in the composition, criticizing at the same time that the two governments had violated the Sino-British Joint Declaration of 1984 and the Basic Law for the Special Administrative Region of Hong Kong of 1990.

Finally, the relations between Hong Kong and Guangdong are ambiguous. On the one hand, Hong Kong and Guangdong are economically so interconnected that cooperation with each other is a sheer necessity. On the other hand, each side often chooses

² At present, the Privy Council in London is the highest instance of the Hong Kong courts system, responsible for the final appeal.

developmental strategies without much regard to what the other side is doing. In the area of port and airport development, the two places are even competing with each other. In addition, the Hong Kong-Guangdong nexus assumes an uneasy place in the larger web of Sino-Hong Kong relationships. The traditional social connections between Hong Kong and Guangdong and their growing economic ties may have sensitive political implications in the eyes of the rulers in Beijing. Thus, the government of Hong Kong has been very cautious in its dealing with its counterpart in Guangdong so as not to create any image of ganging up against the Chinese government in Beijing; and the government of Guangdong has taken care to always tow the official line of the Beijing government in the latter's political struggle against the Hong Kong government.

1.3. Greater China or Greater Hong Kong?

Having stressed the complexity of the web of relations between Hong Kong and China/Guangdong, what do we have to say about the images of a "greater China" or a "greater Hong Kong"? It depends whether we are talking about a process or a state of affairs, and in what terms, such as social-cultural, economic, or political. The majority views in the recent discourse in the West tend to subsume the Hong Kong issue into the set of centre-periphery relations and emphasize the ascendance of the peripheries at the expense of the centre. This would seem to support the hypothesis of a "greater Hong Kong" In contrast, the idea of a "greater Hong Kong" has almost no market in Hong Kong at all. In contrast, Rev. Kwok Nai-Wang (1991: 89-98), a prominent protestant pastor has argued that before Britain can de-colonialize Hong Kong by 1997, a "re-colonialization by Beijing" has already started.

It is the argument of this paper that the relations between Hong Kong and China/Guangdong are multi-faceted. Therefore, the scope, direction, and extent of influence vary. The images of "greater China" or "greater Hong Kong" can only be fuzzy. Each component is partially clear to the observers. To anticipate the findings, the social-cultural connections between the people of Hong Kong and those of Guangdong are very basic and resilient against any governmental intervention. Here the influence of Hong Kong is unmistakable. The economic role of Hong Kong in China's drive towards modernization is significant but China is no less important to Hong Kong's economy. Therefore, the concept of "greater China" seems appropriate in this area. It may be however still premature to speak of economic integration. Politically, Hong Kong is none but a dwarf. It is the role of the Beijing government that is decisive. A "greater China" in the sense of politically unified China has been scheduled to be in place in 1997, but Hong Kong will continue to live with the ethos of trying to be more unique than conformist, and more international than nationalistic. In an overall sense, the process of growing linkages between Hong Kong and

China will be at most indeterminate. Even if there is some truth in the prospect of a "greater Hong Kong," the destructive power of the centre to wipe Hong Kong out of the map can not be dismissed too lightly.

2. Social Base of the Hong Kong-Guangdong Nexus

2.1. Chinese Immigrants as Links

The most fundamental and often neglected factor in the relations between Hong Kong and China lies in the social-cultural connections between the people of Hong Kong and those of Guangdong. It is most apparent in demographic terms. The population of Hong Kong has grown from an estimate of 500,000 at the end of the Second World War to six million at the end of 1993. The main source of that spectacular growth is immigration from China, especially Guangdong. Although the waves of immigration have stabilized since the late 1960s and the locally born have come to comprise the majority of the total population, Hong Kong can still be called a society of immigrants in terms of family ties (primarily with Guangdong) and home-town mentality (i.e. an attachment to one's place of origin). These social and social-psychological ties conveniently provide an informal base for the growing special economic relationship between Hong Kong and Guangdong, once the institutional barriers were gradually removed since 1979.

Before the introduction of the open policy in China in 1979, the social connections largely expressed itself in terms of material supports of their kins in Guangdong by the people of Hong Kong. Fellow countrymen envied the people of Guangdong for having a "southern window" that rendered their suffering more tolerable during the hard times, e.g. during the early 1960s.

After 1979, family ties and home-town mentality constitute a major bond for what Herrmann-Pillath (1993) calls "private and informal networks" that move China forward socially and economically. This is particularly true in the early phase when Chinese immigrants in Hong Kong went back to their home towns in the Pearl River Delta of Guangdong to start up small factories, capitalizing largely on kinship or friendship relations. At the aggregate level and towards the latter phase of development, the Hong Kong connection has expanded into various manifestations. The most well known one pertains to outward processing plants of Hong Kong firms and joint ventures with Hong Kong investment. No less significant but more difficult to quantify are various kinds of donations for a variety of purposes ranging from repair of ancestors' hall to a complete university in Guangdong.³ The third phenomenon that is of increasing significance is the booming of real

³ It should be stressed that donations by the Hong Kong people are not confined to the Guangdong area.

estates in the special economic zone of Shenzhen and of Zhuhai as well as the Pearl River Delta, with Hong Kong investors as the prime movers. It is interesting to note that the property market is well supported by the lower and middle-lower classes of Hong Kong who tend to buy flats in their home town.

2.2. The Hong Kong-Guangdong Nexus and China

It is difficult to relate the social connections between Hong Kong and Guangdong to the larger horizon of China. Three observations may be made. First, social connections is resilient and resistant to official intrusion. During the Great Cultural Revolution, it was a liability for the Chinese people to maintain and develop relations with the outside world. The official policy suppressed any traffic between the people of Guangdong and those of Hong Kong. Covert contacts were however maintained in ingenuous ways. With the policy of opening up to the outside world firmly in place, the social connections between Hong Kong and Guangdong has been not only resuscitated but also prospered.

Secondly, the preceding remark does not imply there is no longer any friction between the centre and the two peripheries (Hong Kong and Guangdong) in the social-cultural field. Given the different roles and interests, there is bound to be disagreement over priorities and needs between the centre and the peripheries. Let's consider the issue of the so-called "mothers without identity cards." They are women in Guangdong (who hold no Hong Kong identity card) married to men in Hong Kong with children born in Hong Kong. Although these women may visit their families in Hong Kong from time to time on the short-term basis of a tourist visa, their right of abode in Hong Kong and hence permanent reunion with the families must be subject to the legal procedure of immigration. Immigration from China is however strictly subject to the control of a quota as agreed upon between the Hong Kong and the Chinese government. Several years ago, the Hong Kong government consented to have the quota expanded, one reason being to accommodate the needs of those "mothers without identity cards." The right to allocate the quota to specific applicants is however left to the Chinese government. Since the Chinese government seems to have other priorities, the problem of the "mothers without identity cards" still lingers on, to the chagrin of those concerned.

The Hope Project to secure schooling for poor children in China is a good case in point. Apart from donations directly received by individual provinces, the nation-wide Chinese Adolescent Development Foundation received by the end of 1993 US\$6.0 million, HK\$16.2 millions, and RMB\$ 4.7 millions from Hong Kong, making up roughly 60 percent of the total it obtained from overseas. See zhongguo qingshaonian fazhen jijinhua, (Chinese Adolescent Development Foundation) guanyu 'xiwang gongcheng' juankuan wenti de chengqing (Clarification of Problems About Donations to the Hope Project), *Wen Wei Po*, 21, January 1994, p. 6.

Thirdly, while this paper starts by stressing the social connections between Hong Kong and Guangdong, it does not imply that social connections is the single factor in the formation of various relations. Relations between Hong Kong and the rest of China is still expanding, without any sign of being discriminated by the special relationship between Hong Kong and Guangdong. In fact even in Guangdong, the implication of social connections for the economic relations seems to apply to the shorter term and a smaller scale of investment and operations. In the longer term and on a larger scale of economies, economic considerations prevail over social connections. Therefore, bigger players from Hong Kong are marching further up to the north, rather than concentrating their efforts in Guangdong. The recent investment by Mr. Li Ka-sing in Shanghai to the tune of five hundred million US dollars is a case in point (Pan, 1994: 6).

2.3. The Osmosis of Hong Kong's Mass Media

In the discussion of social-cultural relations between Hong Kong and China, the mass media deserves special attention. Burton Levin (1993: 10) has submitted that mass media is "accelerating a process that is blurring the social and cultural differences separating Hong Kong from China." Unfortunately, he has not substantiated his thesis.

Levin's view may be supported by press reports on the invasion of China by popular culture from Hong Kong and Taiwan. For example, it is reported that for the 1992 Shanghai concert named "Light of East Asia" by Alan W.L. Tam, a pop star in Hong Kong, all tickets at the price of RMB\$100 were sold out in a few days and traded at RMB\$300 in the black market. Early this year, Nanjing Television Station conducted a survey among its viewers on "their ten greatest idols." Nine of them turned out to be film and pop stars from Hong Kong and Taiwan.

In fact, the impact of popular culture from Hong Kong on China as a whole is rather recent, intermittent and limited. In comparison, the influence of the same on Guangdong is more traditional, persistent and intensive. Geographical proximity and common dialects are major causes for this sustained influence. It has always been easier to bring newspapers and magazines from Hong Kong into Guangdong than to other places of China, although most of them are still banned. When China was very much closed to the outside world, radio broadcast from Hong Kong still constituted the major source of information and entertainment for the people in Guangdong. Government's control of access to radio and television broadcasts from Hong Kong also met local resistance because of the attraction of these broadcasts to the people in the Pearl River Delta. Privately duped videotapes of TV drama series produced in Hong Kong were shown to the public by daring individuals. A third cause for the influence of mass media from Hong Kong lies in the privileges

Guangdong enjoys from time to time. For instance, as the Ministry of Broadcasting and Television has attempted to regulate the screening of movies produced by overseas studios by a ratio of 3 to 1, exception has been given to Beijing, Shanghai, Guangdong and Fujian.

Today, television broadcast is the dominant media consumed in the Pearl River Delta. The people there has the choice of eight channels, four of them carry programmes beamed from Hong Kong. The TVB of Hong Kong is probably most popular with the viewers in Guangdong. Yip Chiyan (1993) and Wong Honlung (1992) have documented the dominance and influence of the Hong Kong television programmes. the following are drawn mostly from Yip's findings.

First and foremost, the television broadcast from Hong Kong has become so integrated into the social life of the people in the Pearl River Delta that it has been "appropriated" as their own. In an evening of visit, Mr. Yip was asked by an old lady who was watching a weather report on TV: "Do you have a similar programme like this in Hong Kong?" In fact, she was watching a programme from the TVB of Hong Kong. The second fact of dominance is related to the first. In view of the popularity of television programmes of Hong Kong, local governments did not want to alienate their people by forbidding the installation of antennae to receive broadcast from Hong Kong. In 1981, the municipal government of Guangzhou in compliance with a national policy against spiritual pollution from the West ordered its subordinate levels of government to prohibit the people of Guangdong from receiving media broadcasts from Hong Kong. It has been confirmed by the fieldwork that in fact not a single antenna has been removed by the governments in some counties. Thirdly, the government of Guangdong has become wiser nowadays. Instead of fighting against the media influence from Hong Kong, it has tried to make the best use of it. Instead of outright prohibition or electronic jamming, the official television of Guangdong prudently inserts its own commercials or political messages into the commercial breaks of popular Hong Kong programmes.⁴

⁴ It is also noteworthy that the official media in Guangdong has become wiser to learn from Hong Kong in order to better compete for attention. To my best knowledge, there is only one solid empirical study on this phenomenon. This is about the impact of Hong Kong-based multinational advertising companies on the evolution of advertising practices in Guangdong. See Chan Lapsee (1992), *kuaguo guanggao gongsi he zhongguo dazhong chuangbo hudong guanxi tantao -- guangdong dianshitai gean yanjiu* (Interactional Relationship Between Multinational Advertising Companies and China's Mass Media -- A Case Study of the Guangdong Television Station), M.Phil thesis, The Chinese University of Hong Kong. Learning in other areas has not been systematically researched. Newspapers in Guangdong have adopted many journalistic practices of the Hong Kong newspapers. Weekend editions, special pages, feature columns, investigative reporting, serial reporting have been introduced by one newspaper after another, such as *Nanfang Ribao*, *Guangzhou Shibao*, *Guangzhou Ribao*, *Yangcheng Wenbao*, etc. The Guangdong Broadcasting Station has introduced "social focus" and "good morning", counterparts of Hong Kong programmes "pentaprism" and "good morning Hong Kong." Maybe the most profound learning lies in mass media advertising. In the production of movies, cooperation between Hong Kong and Chinese studios can be dated back to the early 1980s. The majority of Chinese movies that have won international awards are those co-produced by Hong Kong and Chinese studios, such as "The Village of

The influence of Hong Kong's mass media on the people of the Pearl River delta has been wide-ranging, from adoration of movie stars, consumers' taste, value preferences to critical attitudes on social issues. Thus, findings from field research reveal that information acquired from Hong Kong media were used by the people in the Pearl River Delta as reference to judge or guide their own way of life. For instance, typical homes as presented by the television drama series in Hong Kong provided inspiration for an interior designer in the Shunde county. Some school children in the Pearl River Delta criticized their own schools for physical punishment by referring to its absence in Hong Kong schools. When a factory worker commented on pollution of a river in her county, she asked the field researcher whether he had watched the commercial by Miss Cheng Yuling (an anti-pollution commercial in Hong Kong TV). Yip (1993:47-48) therefore concludes "Television of Hong Kong constitute a common (visual) space for the people of Hong Kong and those of Shunde... Perhaps, Daliang or Lungjiang is the twentieth district of Hong Kong." (Hong Kong is administratively divided into nineteen districts.) Accordingly, if there is anything called "greater Hong Kong," then it must refer to the influence of its mass media. But it is the economic influence of Hong Kong on China that has attracted more scholarly attention.

3. The Economic Linkages

The economic linkages among Hong Kong, Taiwan and China has been well researched and the author can do no better than the experts in the field (e.g. Robert Ash and Y.Y. Kueh, 1993). It suffice here to just highlight a few facts, before concentrating on the common economic fate of Hong Kong and China/Guangdong and the related issues.

3.1. Linkages between Hong Kong and China

Two-way trade represents the linchpin of the economic relations between Hong Kong and China. It was rather insignificant in 1978 when Hong Kong's import from China registered a mere US\$1.36 billion and Hong Kong's export to China claimed no more than US\$10.4 million. Subsequent expansion has been however phenomenal. From 1980 to 1991, growth proceeded at an average annual rate of 32 percent for Hong Kong exports to China and 24 percent for Hong Kong imports from China. Imports from China are mainly for the purpose of re-exports which has grown at an average annual rate of 37 percent. Already in 1985, China replaced the United States as Hong Kong's largest trading partner. In 1992, exports to Hong Kong made up 44 percent of China's total and Hong Kong accounted for 26 percent of China's total imports.

The growing connections between Hong Kong and China are equally impressive in terms of foreign investment. In the last decade, Hong Kong has been responsible for almost two-third of the total realized foreign investment in China. According to Zhou Nan (1994), the Director of the New China News Agency in Hong Kong, Hong Kong businessmen contributed last year to 51 percent (US\$13 billion) of the total realized direct foreign investment in China. This was a 73 percent increase as compared with 1992. Hong Kong does not extend official loans to China, but plays a leading role in arranging syndicate loans, representing about 80 percent of China's total. It is well known too that between 25 to 30 percent of China's foreign exchange earnings come from or through Hong Kong.

In the reversed direction, China's presence in Hong Kong is becoming more and more important. In 1993, there were over 2000 Chinese firms in Hong Kong, making a cumulative investment of no less than US\$20 billion, ahead of the United States and Japan.⁵ Their investment spread over a broad range of activities, from retailing, shipping, manufacturing, to real estate. Investment by Chinese firms in the property market was particularly eye-catching last year. It is estimated that last year, Chinese firms took about 20 percent of the total market share. The Bank of China Group have grown in nine years to the tune of five to six times in terms of deposits, lending and total assets. They have become the second largest banking group in the territory after the Hong Kong and Shanghai Banking Group and their importance was duly recognized on 1. May this year, when the Bank of China acquired the right to issue bank notes. By the end of 1993, 37 stocks with Chinese capitals were traded in the stock exchange in Hong Kong, making up one tenth of the total market values traded. Chinese firms and enterprises in Hong Kong have formed their own chamber of commerce called Hong Kong Association of Chinese Entreprises. They are gaining on social and political status, with the likelihood of being granted representation to the Legislative Council in the form of a new functional constituency.

3.2. The Hong Kong-Guangdong Special Relationship

The Hong Kong-Guangdong connection is the most pronounced aspect of the links between Hong Kong and China. The main cause for this development is the decentralization drive in China's policy of opening since 1979. Guangdong benefitted from it by taking one step ahead (Vogel 1989), while Hong Kong prospered by playing the pivotal role of intermediation (Sung 1991). The result is a heavy concentration of the economic links between Hong Kong and China in Guangdong. As depicted in the following tables, Hong Kong's trade with China is mostly absorbed in Guangdong, especially in the case of export;

⁵ Two major motives are said to underline investment in Hong Kong by local governments and firms from China: (1) the high rate of return achievable through investment in Hong Kong and (2) the freedom from control by the central government.

and the majority of Hong Kong's investment has gone to Guangdong, albeit in a declining extent.

Table 2: Hong Kong's Trade With China and Guangdong

(Unit = US\$ billion)

Year	Import From			Export To		
	China	Guangdong	B/A	China	Guangdong	D/C
	A	B	%	C	D	%
1985	7.21	2.21	30.7	4.80	2.17	45.2
1990	26.65	4.15	15.6	12.54	8.70	69.4
1991	32.14	6.29	19.6	17.46	11.59	66.4
1992	37.51	8.27	22.0	20.54	15.56	75.8

Sources: zhongguo tungji nianjian (Chinese Statistical Yearbook) and guangdong tungji nianjian (Guangdong Statistical Yearbook), relevant years.

Table 3: Hong Kong's Investment in China and Guangdong

(Unit = US\$ million)

Year	In China	In Guangdong	B/A
	A	B	%
1985	1,016	845	83.2
1990	2,432*	1,258	51.7
1991	2,832	1,622	57.3
1992	8,417	3,454	41.0

Sources: zhongguo tungji nianjian (Chinese Statistical Yearbook) and guangdong tungji nianjian (Guangdong Statistical Yearbook), relevant years.

In other words, if the "greater Hong Kong" is an economic reality, its osmosis largely run through Guangdong which was a fast-growing province of China. Guangdong with 5.6 percent of the total population of China now accounts for nearly 10 percent of its total GNP, 32 percent of its total exports and 50 percent of its total foreign investment. In 1992, Hong Kong accounted for over seventy percent of all foreign investment in Guangdong. Within Guangdong, the majority of Hong Kong's investment have gone to the Pearl River Delta. It is estimated that about four fifth of Hong Kong's manufacturers have transferred their production across the border. The Delta area has become a large processing zone for Hong Kong's manufacturing, with about 60,000 Hong Kong people managing factories and other investment there and nearly three million workers in the Delta working directly or indirectly for Hong Kong firms. Due to the relocation of Hong Kong manufacturing

enterprises to China, over seventy percent of Hong Kong's total exports to China were meant for outward processing (Ash and Kueh, 1993: 728). The pattern of complementarity is well summarized in the popular saying of "qiandian haochang" (Hong Kong the storefront, Pearl River Delta the factory) with Hong Kong providing capital, entrepreneurial management, design and marketing services, whereas Pearl River Delta offering cheap labour, land, and connections with the inland provinces.

However, how long this advantage of complementarity will last is not certain. As land and labour costs go up in Guangdong and as Hong Kong needs a technology-based strategy of development to compete with other countries in the long term, Hong Kong entrepreneurs may have to move farther north for opportunities, which is in fact happening, albeit to a limited degree.⁶

3.3. Economic Integration or Interdependency?

What conclusion can now be drawn from the above analysis on the issue of a greater China versus a greater Hong Kong? First of all, the economic integration between China and Hong Kong is still limited. In the words of Ash and Kueh (1993: 742):

... the establishment of closer ties between Hong Kong, Taiwan and the Chinese mainland is the result of the international-ization of manufacturing production, based on joint production and/or the division of labour and geared towards third-party countries (rather than member countries themselves). A large proportion of output so generated has been destined for overseas locations and most inputs similarly derive from abroad. The movement of factors of production, as well as of finished products, within Greater China meanwhile remains limited; and much Hong Kong and Taiwanese FDI is still heavily concentrated in SEZs, geographically isolated from the rest of the PRC. Backward and forward linkages have thereby been minimized.

From the perspective of Hong Kong, it is not necessarily advantageous to strive for greater integration in an institutional sense with China or any part of China. As aptly analyzed by Wang (1993: 214-216), the idea of a "greater, economic China" is full of uncertainties in terms of its potential benefits such as consolidation of the export market, enhancement of productivity through division of labour, acquisition of high technology,

⁶ The government may also have adopted a longer perspective of going beyond Guangdong, as partially revealed in connection with a consultancy report on transportation development (Government Secretariat, 1989: 1-7) as follows:

"In the short term, closer economic ties between Hong Kong and the People's Republic of China will centre on developments in Guangdong. Good road and coastal shipping connection are therefore considered more important than good rail links. In the long term, however, good rail links will be more important for developing trade between Hong Kong and more distant Chinese provinces."

defense against economic protectionism or integration in other parts of the world etc. There have been suggestions to remove the border between Hong Kong and the special economic zone of Shenzhen. The idea, if implemented, might probably facilitate the factor movement between the two places. But on the other hand, it may put under risk the status of Hong Kong as a separate and independent customs area beyond 1997.

Questioning the extent and manner of economic integration between Hong Kong and China does not mean a denial of a growing interdependency between the two places. China's dependence on Hong Kong for its remarkable success in foreign trade is by now well known. To the foreign businessmen, Hong Kong is the gateway to China. The Hong Kong connection means (1) the establishment of a base in Hong Kong for planning, international communication, marketing, sales and source of technical expertise, (2) the setting up of joint ventures with a Hong Kong company from which to launch joint ventures in China, (3) the employment of a Hong Kong agent to handle trade and oversees manufacturing projects in China, and (4) the sourcing of products from Hong Kong companies that have moved their manufacturing operations across the border. For China, Hong Kong is the window to the outside world, playing the role of financier, trading partner, middleman and facilitator (Sung 1991: 13-43). Sung (1991: 42, 175) is confident that due to economies of scale and economies of agglomeration in the production of intermediary services, Hong Kong's prospect as a middleman remains bright, notwithstanding political upheavals (such as June 4, 1989) or challenges from keen competitors like Shanghai.

The significance of China to Hong Kong's economy is also beyond dispute. Ho and Kueh (1993: 32) have submitted that the China factor has emerged as the single most important factor underlying Hong Kong's robust economic growth in the 1980s. They have cited a study by the Hang Seng Bank that by 1990, business with China contributed nearly 26 percent of Hong Kong's economy, compared to merely 5 percent a decade ago. The economic prosperity of Hong Kong is thus closely connected with the development in China and its status in the world. This was most clearly demonstrated by the stake of Hong Kong in the dispute over the extension of MFN status to China by the United States. The issue has been resolved once and for all this year. Had China lost the status however, the damages done to the Hong Kong economy would be, according to the financial secretary of Hong Kong (Macleod 1993: 12), up to 3 percent reduction in GDP growth rate and 70,000 jobs.

3.4. Political Implications of Growing Economic Linkages

The politics of intensifying economic linkages between Hong Kong and China/Guangdong is irrelevant as far as the issue of national unification is concerned,

because Hong Kong is bound to be returned to China in 1997 anyway. There is no need for the leadership in Beijing to exploit China's economic relationship with Hong Kong to serve the interest of national unity. In Hong Kong, neither the government nor the businessmen have ever been worried about the political impact of growing economic dependency on China, as the government in Taiwan is constantly aware of such a danger. It is characteristic of Hong Kong that there is no official reactions to the idea of "greater China." The government of Hong Kong has never commented on or consciously taken any measure to promote, facilitate, or hinder such a thing called "greater China." And if "greater China" were but an economic conglomerate and part of which had been nurtured by factor movements across the border between Hong Kong and China, it should be an unintended result of the Beijing policy of decentralization of trade and investment, plus the private efforts of Hong Kong businessmen.

Therefore, unlike the relationship between Beijing and Taipei where politics and economics are conspicuously intermingled (Zha, 1994: 48-51), the relationship between Beijing and Hong Kong is noted for the common efforts of both governments to avoid mixing economics with politics as much as possible. The economic interdependencies between Hong Kong and China seem to have been taken as given by both government. Neither wishes to let political disputes between them jeopardize these interdependencies. The Beijing government has not shut its door to Hong Kong in wake of the June 4 incident, even though it was shocked by the reactions of the people of Hong Kong. Despite the political rows, the government of Hong Kong has consistently lobbied the U.S. government over the MFN (most-favored-nation) status of China. In the dispute over the political reform proposals of the Hong Kong governor, the propaganda machines of the Beijing government did try to play up the economic card to achieve political concessions. However, they were judicious to differentiate between Britain and Hong Kong and between British firms and other firms, stressing that the latter may be victimized, while the interests of the former are to be guarded. In sum, the politics of intensifying economic linkages between Hong Kong and China is realistic and accommodative.

4. The Political Tensions

4.1. Introduction

In contrast to the satisfactory cooperation in economic affairs, the political relationship between Hong Kong and China has been characterized by mutual distrust and skepticism. Under these conditions, the existence of the legal foundation in the form of the Sino-British Joint Declaration and the Basic Law does not suffice to guarantee a smooth cooperation in political transition straddling the critical year of 1997 when sovereignty over Hong Kong is

to be transferred. The underlying conflict between central control and peripheral autonomy is fundamental, which can only be partially alleviated by good will and leadership skills. As a junior partner in the Sino-British game, Hong Kong can not be "great" vis-a-vis the "greater China." The aggressive strategy of the new governor Chris Patten in pushing for political reforms has only provoked the Chinese government into stepping up their preparation for taking control of Hong Kong even before 1997.

4.2. Mutual Mistrust

China's policy towards Hong Kong is informed by a deep-rooted skepticism of British motives and an apprehension of the anti-Chinese sentiments of the people of Hong Kong. After the breakdown of Sino-British negotiations in 1993, China published conversations of Deng Xiaoping with Magarette Thatcher in 1982 and with Christopher Howe in 1984 respectively.⁷ The publications are meant to demonstrate the foresight of Deng about the sinister nature of British motives. In the 1982 document, Deng is reported to have told Lady Thatcher that he was worried about chaos during the 15-years transition leading to 1997, that these chaos would be man-made and that the main trouble makers would be the Britons. In the 1984 document, Deng expressed among others two major concerns. First, the British government will attempt to groom a political leadership that can carry on the British influence beyond 1997. Secondly, the British and Hong Kong government will behave so recklessly in financial management such that the future government of the Special Administrative Region will be bequeathed with heavy debts. With these underlying concerns, many moves of the British and Hong Kong government can be suspected as acts of conspiracy. With regard to the people of Hong Kong, China was surprised in 1989 by their enthusiastic support of the pro-democracy movement in Beijing. Given the popularity of the Hong Kong Alliance in Support of Democracy in China which was set up after the June 4 incident, China is uneasy about Hong Kong becoming a subversive base to topple socialism in China. Accordingly, senior leaders from China, e.g. Jiang Zemin, has called on the people of Hong Kong to observe the principle of "well water (meaning Hong Kong) should not meddle with river water (meaning China)." China has made sure that a clause against treason is inserted in the last minute of the drafting process into the Basic Law for the Special Administrative Region of Hong Kong, which reads:

Article 23 The Hong Kong Special Administrative Region shall enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People's Government, or theft of state secrets, to prohibit foreign political organizations or bodies from conducting political activities in the Region,

⁷ Deng Xiaoping (14 September 1981 [author's note: the year should be 1982]), women dui xianggang wenti de jiban lichang (Our basic stand on the problem of Hong Kong), in *Ta Kung Pao*, 24 September, 1993 p.2; Deng Xiaoping (31 July 1984), women feichang guanzhu xianggang de guodu shiqi (We are very concerned about the transition in Hong Kong), in *Ta Kung Pao*, 2. November 1993, p. 2.

and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies.

On the part of Hong Kong, suspicion of China's motives also reigns high. Both government and people of Hong Kong are worried about the prospect of Chinese intervention in the internal affairs of Hong Kong after 1997. In a 1985 survey conducted by the author together with S.K. Lau, 66.3 percent of the respondents (N=508) answered negatively to the statement whether they believed China would let Hong Kong people rule Hong Kong after 1997. The June 4 incident reminded the people of Hong Kong of the repressive nature of the Chinese government and reinforced their fear that come 1997 they may be the victims after 1997. The level of trust towards the Chinese government plummeted to the lowest level historically. (See Table 4)

Table 4: Hong Kong People's Trust in the PRC Government

	1992 %	1990 %	1988 %	1985 %
Strongly distrust	7.4	15.1	6.7	8.1
distrust	35.7	47.4	37.1	34.8
average	30.6	18.5	23.3	-
trust	17.9	9.7	19.6	29.7
strongly trust	0.5	0.3	1.4	1.8
DN/NA	8.0	8.9	11.9	25.6
Total	100.1	99.9	100.0	100.0
(Sample Size)	(868)	(390)	(1662)	(767)

Sources: Surveys conducted by the author together with Lau Siu-kai, respective years.

4.3. The Legal Base of Cooperation

There is indeed a formal and legal base governing the relationship between Hong Kong and China: the Sino-British Joint Declaration of 1984. It provides for the transfer of sovereignty over Hong Kong to China on July 1, 1997 and the basic policies of China in relations to Hong Kong after 1997. One of the key promises is to accord "a high degree of autonomy" to the Hong Kong Special Administrative Region to be set up in July 1997. It is spelt out in Article 3, Clause 3 of the Joint Declaration that:

The Hong Kong Special Administrative Region will be vested with executive, legislative and independent judicial power, including that of final adjudication. The laws currently in force in Hong Kong will remain basically unchanged.

Another key policy is enshrined in the concept of "one country, two systems" enunciated by Deng Xiaoping. Specifically, Article 3, Clause 5 of the Joint Declaration stipulates the following:

The current social and economic systems in Hong Kong will remain unchanged, and so will the life-style. 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 relief will be ensured by law in the Hong Kong Special Administrative Region. Private property, ownership of enterprises, legitimate right of inheritance and foreign investment will be protected by law."

The Joint Declaration recognizes the importance of delineating responsibilities on the one hand and of securing cooperation on the other. Thus it is provided in Clause 4, that the British government will be responsible for the administration of Hong Kong during the transitional period and the Chinese government will give its cooperation in this connection. Furthermore, a Sino-British Joint Liaison Group is to be established "to meet the requirements for liaison, consultation and the exchange of information." (Clause 2, Annex II).

4.4. The Issue of Autonomy for Hong Kong

Subsequent developments have revealed that such a legal foundation for cooperation is insufficient, especially when some key provisions are subject to different interpretations. Take for instance the issue of autonomy for Hong Kong after 1997. It is difficult to institutionalize the concept of "one country, two systems" into the constitutional framework of an unitary state. The concept does not entail political equality between the two systems, but a "greater China" and a "smaller Hong Kong." Thus, the Basic Law for the Special Administration Region of Hong Kong has to reconcile the demand for ultimate control by the centre with the promise of autonomy to the periphery. It ends up with the situation that "the high degree of autonomy" promised in the Joint Declaration can easily be compromised by Articles 18 and 158 of the Basic Law. The latter article undermines the Joint Declaration's promise that the proposed Court of Final Appeal will have the power "of final adjudication," by giving the Standing Committee of the National People's Congress the right to interpret the Basic Law. Article 18 gives the said Standing Committee the power to declare a "state of emergency," under which the Central People's Government may issue an order applying the relevant Chinese laws in Hong Kong. Intensive lobbying by the people of Hong Kong and quiet diplomatic efforts by the British government during the drafting process failed to have both draft provisions scrapped.

4.5. The Issue of Convergence

On the issue of autonomy, the Basic Law has triumphed over the Joint Declaration. On all other issues, the Basic Law has also replaced the Joint Declaration as the most authoritative parameter governing the development of Hong Kong. Soon after the signing of the Sino-British Joint Declaration in 1984, China demanded the right to be consulted on all major issues straddling 1997. The British and Hong Kong government remained firm on some issues, defending the right to rule Hong Kong up to July 1997. For instance, Britain decided to grant citizenship to 50,000 households in Hong Kong, to alleviate the fear of the Hong Kong people in the wake of the June 4 incident. On major issues, however, China tended to get its way. According to John Walden (1989:46), a former Hong Kong government official, the British government conceded in early 1986 the need for pre-1997 developments in Hong Kong to converge with the provisions of the yet-to-be-drafted Basic Law. As a result, the British government backtracked from its attempt to accelerate the development of representative government in Hong Kong, as proposed in the White Paper on Further Development of Representative Government in 1984. Another secret pact of convergence was struck between Britain and China in mid-February 1990 on the method of selecting the Chief Executive and forming the Legislative Council after 1997, and the introduction of direct elections to the existing Legislative Council in 1991 and 1995. This inter-governmental agreement falls short of the extent as recommended in 1989 by the non-official members of the then Legislative Council, or by the 4-4-2 model as a consensus of Hong Kong's three major political groupings. A more recent case of convergence was the Memorandum of Understanding on the new airport for Hong Kong, signed in June 1991. Under the MOU, the Hong Kong government is allowed to proceed with all core projects listed in its Annex, and China agrees to support these projects and recognize the validity of all financial liabilities in connection with these projects, which the Hong Kong government may have incurred before 1997. The Memorandum further stipulates that Britain must "fully" consult with China on all airport-related franchises and debts which straddle 1997. In addition, consent by the Chinese government must be secured before the implementation of any construction project not listed in the Annex, before any commitment of government expenditure payable after 30 June 1997 for those projects listed in the Annex, and before raising any loan exceeding HK\$5 billion. With these provisions, the Chinese government has in effect won the right of veto over a major development programme (Port and Airport Development Strategy) which with the proposed financial outlays of HK\$127 billion is supposed to be a confidence booster to the people of Hong Kong. The Memorandum of Understanding has not facilitated the progress of the construction of the new airport. At the time of writing this paper, there is in fact still no agreement on the issue of overall financing. It should be clear by now if not earlier that the new airport is but an economic pawn in the political game. The real stake is China's control of political development in Hong Kong

before 1997.

4.6. The Issue of Democratization

The issue of democratization in Hong Kong means different things to different people. To the Chinese government, it is a classic example of the British conspiracy. As the British has not granted Hong Kong a democratic government for the past century, its sudden enthusiasm to do so at the end of its rule must have a hidden agenda. The agenda is suspected to consist of two plans, unrelated to each other. One is the attempt to peacefully subvert against China, using Hong Kong as a base. This kind of conspiracy theory seems particularly credible to China since the collapse of communism in the former Soviet Union and Eastern Europe.⁸ Another hidden agenda as perceived by the Chinese government is to optimally protect the colonial interests of Britain beyond 1997 by bequeathing a "zhengzhi shiti" (substantive regime) that is difficult to be controlled by the Chinese government yet manipulable by Britain.⁹ To the British government, democratization of the political system in Hong Kong represents a palliative to its conscience of having to turn over 6 million of free persons to an authoritarian country. It is fair to say that while the impetus to democratize originated from the British initiative, endogenous forces in support of the democratic cause is maturing, especially since the June 4 incident of 1989. To the majority of the people of Hong Kong, democracy is increasingly seen as something desirable, not as a fortress against potential Chinese intervention, but as an additional check against misuse of power by the Hong Kong government.¹⁰

The issue of democratization in Hong Kong has always been the major thorn in the relations between Hong Kong and China. From the very beginning, the Chinese government has claimed the monopoly right of representing the interests of Hong Kong and to make sure in its negotiation with the British government that sovereignty over Hong Kong be transferred to China, not to the people of Hong Kong. The Sino-British Joint Declaration does not specifically provide for a democratic government for Hong Kong after 1997. However, a development in that direction is possible, depending on the interpretation of its

⁸ This perceived hidden agenda of Britain has been discussed in pro-Beijing newspapers and magazines in Hong Kong, especially during the second half of the year of 1992. The most recent official version of it is presented by Lu Ping, Director of the Office of Hong Kong and Macau Affairs of the State Council in his report on "Some Problems About Hong Kong" to a meeting in Beijing on 14 March, 1994. See *Ta Kung Pao*, 15. March, 1994, p.2.

⁹ Qian Qishen, On the International Situation and Our Foreign Relations, speech dated 3 September 1993, *zhonggong zhongyang dangxiao baogao xuan* (Selections of Reports to The Party School of The Central Committee of the Chinese Communist Party), p. 13.

¹⁰ Kuan Hsin-chi and Lau Siu-kai, "The Partial Vision of Democracy in Hong Kong," unpublished manuscript.

key provisions on (1) the appointment of the chief executive by the Chinese government "on the basis of "elections or consultations to be held locally," (2) the constitution of the legislature "by elections," and (3) the accountability of the executive authorities to the legislature.¹¹

The issue of political reforms soon engulfed the Chinese government, the Hong Kong government, and various factions of elites of Hong Kong in protracted conflicts. The results of consultation and manipulation as promulgated in the Basic Law represent the victory of the alliance between the Chinese government and the conservative elites of Hong Kong who have subscribed to political control as the best guarantee of stability and prosperity against the infantile movement for direct elections based on universal suffrage. Specifically, the Basic Law makes sure that the chief executive of the future government of Hong Kong is to be chosen by a selection committee and that at least half of the seats in the legislature are not based on universal suffrage. This arrangement certainly falls short of the preference of the majority of the Hong Kong people. Yet behind their back and in the spirit of convergence, the British government agreed in February 1990 with its Chinese counterpart to dovetail arrangements for elections in 1991 and 1995 with the provisions of the Basic Law.

On September 15, 1991, Hong Kong held the first ever elections by universal suffrage to fill 18 out of the 60 seats of the Legislative Council. The liberal-democratic forces won a landslide victory, with the one-year-old United Democrats getting 12 seats and its partners, Meeting Point and Association for Democracy and People's Livelihood getting 2 and 1 respectively. Another independent candidate known for her liberal and anti-Chinese stand took another seat. Not a single candidate with any pro-Chinese government background was returned. The underlying mood behind the elections was clearly nurtured by the lingering revulsion and disgust against the June 4 incident.¹²

The electoral results of 1991 indicate that the issue of democratization can not be shelved by the Basic Law. Nevertheless, it is not the agitation for a change by local politicians that set the agenda, but the policy u-turn of the British government. In 1992, Hong Kong had a new governor Chris Patten who announced a package of political reforms

¹¹ During the drafting process of the Basic Law, these provisions were heatedly debated on. It became clear that the Chinese government has never agreed to the principle of universal suffrage and has understood "executive accountability" to mean nothing more than providing reports to and answering questions by the legislature.

¹² Leung Sai-wing (1993): The 'China Factor' in 1991 Legislative Council Election: the June 4th Incident and Anti-Communist China Syndrome," in Lau Siu-kai and Louie Kin-sheun eds., *Hong Kong Tried Democracy: The 1991 Elections in Hong Kong*, Hong Kong: Hong Kong Institute of Asia-Pacific Studies, Chinese University of Hong Kong, pp. 187-245.

before the Legislative Council in October. The main substance of his proposals is to enlarge the democratic base of the Legislative Council. Among other things, he suggested to increase the number of the directly elected seats from eighteen to twenty in the 1995 election, to expand the franchise of the functional constituencies by five times to include 2.7 million voters, and to constitute the Election Committee as required by the Basic Law by representatives from the District Boards which will be fully returned by elections.

The reform package of Patten received enthusiastic support by the people of Hong Kong and unremitting criticism from the Chinese government. It demanded the British and Hong Kong government to retreat from the reform package and threatened to install "a second stove," meaning an alternative power centre, in Hong Kong. Sino-British relations broke down, affecting the negotiations over the financing of the new airport and the works of the Sino-British Joint Liaison Group. It took six months before the Chinese government agreed to talk with the British government again. In the meantime, the National People's Congress of China had decided to entrust its Standing Committee to set up a Working Committee for the Establishment of the Preparatory Committee for the Hong Kong Special Administrative Region.¹³ A total of seventeen rounds of Sino-British negotiation over political reforms led to no agreement at all, but acrimonies.¹⁴ A pro-Beijing newspaper in Hong Kong, *Wen Wei Po*, thus charged the British side for having raised "ridiculous requests" at the negotiating table, i.e. a British role in the Preparatory Committee for the Special Administrative Region in 1996 and full implementation of universal suffrage in 2007. On the side of Hong Kong, the Chief Secretary Mrs. Anson Chen explained the breakdown of negotiations because Hong Kong can not accept the Chinese proposal of vesting in China the reserved right to consider the restoration of the appointment system to the municipal and district boards (which are not regulated at all in the Basic Law) after 1997 with the effect that the autonomy of the future Special Administrative Region will be usurped.

The break point in the Sino-British negotiations does not pertain so much to whether the reform proposals do run counter to the Joint Declaration, the Basic Law, or the diplomatic agreements between the two sovereign governments since 1990, because there is always room for different interpretation. Rather, it concerns the principles and rules governing Sino-British cooperation (and conflict) in general and the determination of

¹³ This Committee is responsible under the authority of the Basic Law for the establishment of the Region and the determination of the specific method for forming its first government and its first legislature.

¹⁴ On 24, February 1994, Britain published the *White Paper on Representative Government* to make public the substantive arguments between the two government during the negotiations; the Chinese government responded by publishing *zhongying guanyu xianggang xuanju anpai hueitan de zhenxiang* (The Truth About the Sino-British Negotiations on Electoral Arrangements for Hong Kong).

political reforms in particular. The Chinese government explicitly declared that it is not the substance of the proposed reform package that matters, but the ways in which Chris Patten presented his proposals without having consulted China in advance. Thus, the trustful basis for cooperation has been ruined. However, the resumption of negotiation has failed to restore the previous basis of Sino-British condominium, because a new rule has been advocated by Chris Patten that the negotiated arrangements must be "fair, open and acceptable to the people of Hong Kong".¹⁵ This is the last thing that China can ever accept, least when the consent of the Legislative Council of Hong Kong is regarded as qualified to meet the test and as representative of the Hong Kong people.¹⁶ After the breakdown of the negotiations in November 1993, the British and Hong Kong government decided to take unilateral steps by introducing political reform bills to the Legislative Council. The Chinese side responded by reiterating that no decision by the Legislative Council in whatever form will be recognized by China and that any unilateral reform measures thereby introduced will be null and void after 1997. Furthermore, the above-said Working Committee began to work almost like a second stove in Hong Kong, setting up policy sub-committees, inviting (in vain) government officials to attend hearings, soliciting public opinions, conducting research and making comments on substantive policies.

It looks set that as far as political reforms are concerned, both the British/Hong Kong government and the Chinese government are determined to go their own way, without much regard to the other side. On other issues, they will try to maintain a working relationship.

4.7 Hong Kong-Guangdong Political Nexus

There are many working contacts between the two governments on cross-border issues. At this level, conflicts arose from time to time. The most serious tension was caused by a blatant contempt of the authority of the Hong Kong government by Guangdong public security forces which intruded on several occasions into the territorial waters of Hong Kong. It led to the promulgation of a notice by the Provincial Public Security Bureau of Guangdong to discipline its subordinate security forces and border guards in August 1993.

¹⁵ The governor has repeatedly reassured the people of Hong Kong there will no longer be any secret dealings between the British and the Chinese government.

¹⁶ In his last minute effort to lobby for support to his electoral reform bill, Chris Patten wrote in *South China Morning Post* of 26 June, 1994 (page 17):

Ultimately, the decision rests with the Legislative Council. That is right and proper. The electoral arrangements are a matter of enacting new laws and it is, after all, the Legislative Council's role to enact our laws. But members will be well aware that they will be making a decision on behalf of the whole community (emphasis added).

On the other hand, cooperation is both necessary and growing in many areas, such as customs and immigration control, cross-border traffic, cross-border crime investigation and prevention, control of Vietnamese refugee and so on. In some areas, contacts have been regularized. For instance, an annual border liaison conference has been held since 1988 between the police force of Hong Kong and the public security force of Guangdong.

At a more general level, political relations between Hong Kong and Guangdong are sensitive. As social-economic linkages between the two places intensify, the apprehension about a South China regionalism also grows. As Siu (1993: 36) has described, Guangdong has become so detached from the rest of China by the powerful draw, via Hong Kong, of Western capitalist enterprises, of consumer culture and the freer intellectual linkages with the rest of the world that, for the first during and immediately after the June 4 incident, there was the hint of an integrated Guangdong-Hong Kong region declaring autonomous political status. The government of Guangdong has never deviated from the political line of the central government in Beijing in regard to Hong Kong. The Hong Kong government has also avoided the creation of any misunderstanding of courting Guangdong in an united front against the centre. Even when common economic interests seem to warrant a more explicit institutional boost, such as the establishment of a joint committee to promote better cooperation, the Hong Kong government has been reluctant to take any move.

Discussion

I have analyzed the relationship between Hong Kong and China/Guangdong in its social, economic and political aspects. It is more difficult to determine the overall meaning of this relationship. Does it suggest a "greater China" or a "greater Hong Kong?" To begin with, the Hong Kong-China connection is just one of the many factors in a large process of transformations in China. To the extent it is an important factor, what is the role of Hong Kong?

The role of Hong Kong is seen by Tu Wei-ming (1991: 12-14) as part of the evidence of the ascendancy of the peripheries at the expense of the centre in China. In his words, "the cultural impact that Hong Kong has had on mainland China as a whole--and metropolitan Guangzhou (Canton) and the Shenzhen Special Economic Zone in particular--has been profound; the Hong Kong transformation of mainland China is likely to become even more pronounced in the 1990s." Tu predicts that as the centre is losing the ability and the legitimate authority to dictate the agenda for cultural China, "the periphery will come to set the economic and cultural agenda for the center, thereby undermining its political effectiveness."

Tu may be right. Specifically, Hong Kong may have been and remain influential as a model of cosmopolitan modernity or as a paradigm of a highly successful Chinese society. Otherwise, why should Deng Xiaoping and many of his followers repeatedly call for the creation of several Hong Kongs in China. But as a model of development, Hong Kong is no more or no less successful than Taiwan, Singapore or South Korea. Why has Deng not spoken of building several Taiwans, or Singapores, or South Koreas in China? Several possible answers come to mind. First, Deng may have wanted to reassure the people in Hong Kong of the future of Hong Kong. Secondly, he may have wanted to tell the Chinese people that his government can promote prosperity as much as a colonial government can do in Hong Kong. Lastly and most likely, Hong Kong is politically safer to Deng as its experience of development is largely interpreted in economic terms and confined to the scale of a city. Deng may have thought that no matter how influential the several Hong Kongs might become, they could be well contained politically. It is in this light that the recent warning from Lu Ping sounds interesting. Lu Ping (1994), the director of the Office for Hong Kong and Macau Affairs of the State Council, has specifically cautioned Hong Kong not to become a "political city," or "a political bridge to change socialism in mainland China."

Intellectuals in Hong Kong are constantly aware of Hong Kong's own vulnerability to its turbulent environment and the potential destructive power of the centre of China. Hong Kong has not been the stronger party in the tug of political war with China. China has won all battles against what it sees as "free-wheeling" democratization in Hong Kong. It has in effect won the battle against the attempt to constitutionally and institutionally anchor the defense of human rights in Hong Kong. China will expectedly also win the issue of press freedom. Apart from the general political pressure on the press in Hong Kong¹⁷ and the ban of placing advertisements by Chinese firms in Hong Kong in "blacklisted" newspapers and magazines¹⁸, the issue of Radio Television Hong Kong (RTHK) is a political mine.¹⁹ It is a government-owned media station with independent power in programming and editorial policy. Now the Hong Kong government wants to ensure RTHK's freedom from any interference of the future government by hiving it off to become a public authority. A British conspiracy in Chinese eyes again! Expectedly, China threatens to restore the original system if RTHK were actually transformed into a non-governmental station.

¹⁷ Joseph Man Chan (1990): *The Hong Kong Press in China's Orbit*, in Chin-chuan Lee ed., *Voices of China: The Interplay of Politics and Journalism*, New York: Guilford Press.

¹⁸ Documents on this blacklist of 8 newspapers and 11 magazines have been secured by *Ming Pao*, 4 June, 1993, p.2.

¹⁹ See also Jernow, Allison Liu (1994): *Don't Force Us to Lie: The Struggle of Chinese Journalists in the Reform Era*, Occasional Papers/Reprints Series in Contemporary Asian Studies, No 2-1994 (121), Ch. 5 'The Hong Kong Media Face 1997'.

To be "greater", Hong Kong must not be fragile in itself. It is not the case, as Hong Kong rests on short-term, renewable confidence. Any adverse political signal in China may send the people of Hong Kong into panic reactions, as the breakdown of the Sino-British negotiations over the future of Hong Kong in the fall of 1983 demonstrated, in the forms of a record-breaking freefall in the exchange value of the Hong Kong dollars and panic purchases of daily necessities by the people. The June 4 incident in 1989 could have ruined Hong Kong, should the Chinese government inadvertently reacted to the anti-Chinese protests in Hong Kong. Thanks to the restraints of the Chinese government, Hong Kong suffered no more than an exacerbated exodus of immigrants and a sharp downturn of the stocks and property markets. At the present stage and in a more subtle sense, Hong Kong may be ruined by the Chinese Trojan horses in Hong Kong. It is not a coherent horse, but a growing mass consisting of coordinated or uncoordinated actions of a multitude of Chinese governmental offices, firms, and agents, of central and local affiliations, with official and unofficial status. Any undisciplined activities of a threshold scale by some major players or a sizable group of these actors may cause havoc to the economy or politics of Hong Kong. Speculation in the property market may be one case, corruption may be another, political clientalism in selected districts may be a conceivable case. In short, for a fragile Hong Kong to be a "greater Hong Kong," China must pre-commit herself to self-binding and to effectively police its own people in Hong Kong.

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